

## Acronyms

In Portugal, the tax system uses several acronyms to refer to various taxes and their corresponding regulations. Here's a breakdown of the **main acronyms** in Portuguese tax law:

### 1. IMI – Imposto Municipal sobre Imóveis (Municipal Property Tax)

- **What it is:** IMI is an annual tax levied on **property ownership**. It applies to both urban and rural properties and is assessed based on the property's **taxable value (VPT)**.
- **How it works:** The rate varies by municipality and property type. For urban properties, it ranges from **0.3% to 0.45%**, and for rural properties, it can be up to **1%**.
- **Purpose:** IMI is used to fund municipal budgets, and the rate can differ based on the location and characteristics of the property.

### 2. IMT – Imposto Municipal sobre Transmissões Onerosas de Imóveis (Municipal Tax on the Transfer of Real Estate)

- **What it is:** IMT is a tax applied on the transfer of real estate (whether buying or selling). This tax is levied on the **purchase price** or **market value** of the property (whichever is higher).
- **How it works:** The IMT rates vary depending on the **property value** and whether it is an **urban** or **rural** property. For **residential properties**, the rates range from **1% to 8%**.
- **Purpose:** IMT taxes real estate transactions and is an important source of municipal revenue.

### 3. IRS – Imposto sobre o Rendimento das Pessoas Singulares (Personal Income Tax)

- **What it is:** IRS is a **personal income tax** levied on individuals in Portugal. It applies to **both residents and non-residents** with income sourced in Portugal.
- **How it works:** The tax is progressive, meaning that the rate increases as income rises. For example, rates range from **14.5% to 48%** for general income, with special rates for certain types of income (such as **investment income** or **capital gains**).
- **Purpose:** IRS is the primary tax for funding the state budget, applying to all forms of income, including salary, pensions, freelance earnings, rental income, and investments.

### 4. IRC – Imposto sobre o Rendimento das Pessoas Coletivas (Corporate Income Tax)

- **What it is:** IRC is a **corporate income tax** that applies to companies and other legal entities in Portugal.
- **How it works:** The **standard rate** of IRC is **21%** on the profits of a company. There may be **regional surcharges** (depending on the location of the business) and special rates for smaller businesses or specific sectors.

- **Purpose:** IRC is a key tax levied on corporate profits, and it plays a significant role in financing the public budget.

## 5. IUC – Imposto Único de Circulação (Vehicle Tax)

- **What it is:** IUC is an **annual tax** on the circulation of vehicles in Portugal. It applies to both **private** and **commercial vehicles**.
- **How it works:** The amount of IUC depends on factors such as the **vehicle's age, engine size, emission levels, and CO2 emissions**. Typically, the tax is higher for **newer and larger vehicles**.
- **Purpose:** The tax is used to fund various aspects of infrastructure, including road maintenance and environmental projects.

## 6. IVA – Imposto sobre o Valor Acrescentado (Value Added Tax)

- **What it is:** IVA is **Portugal's version of VAT** (Value Added Tax), a consumption tax levied on the sale of goods and services.
- **How it works:** The standard IVA rate is **23%**, though there are reduced rates of **6%** (e.g., for certain food items and pharmaceuticals) and **13%** (e.g., for some tourism-related services).
- **Purpose:** IVA is a significant source of government revenue, applied to nearly all goods and services sold in Portugal.

## 7. IHRU – Instituto da Habitação e da Reabilitação Urbana (Institute for Housing and Urban Rehabilitation)

- **What it is:** IHRU is the **government body** responsible for overseeing the rehabilitation and urban planning of housing in Portugal.
- **How it works:** While not a direct tax, IHRU plays an important role in **urban development policies** and may provide incentives, grants, and subsidies for **property renovations and urban regeneration projects**.
- **Purpose:** The institute's goal is to improve housing quality, support urban regeneration, and enhance accessibility to affordable housing.

## 8. IS – Imposto de Selo (Stamp Duty)

- **What it is:** IS is a **stamp duty tax** applied to a range of transactions, such as **property transfers, financial contracts, and loans**.
- **How it works:** Rates vary depending on the type of transaction. For example, a **property purchase** may attract a stamp duty rate of **0.8%** of the value of the property, while certain financial transactions could attract different rates.
- **Purpose:** Stamp duty is a source of revenue for the government and is often applied to legal or formal documents and financial agreements.

## 9. IMI - Imposto Municipal sobre Imóveis (Municipal Property Tax)

This was already mentioned as **IMI**, but it is worth reiterating that the **IMI** is a key tax on property ownership in Portugal and is **assessed annually** on both **urban and rural properties**.

## 10. DERRAMA – Municipal Surcharge on Corporate Profits

- **What it is:** DERRAMA is a **municipal surcharge** on the profits of companies (similar to the IRC).
  - **How it works:** Companies with annual revenues exceeding a certain threshold may be subject to an additional surcharge of up to **1.5%** on top of the regular **IRC**.
  - **Purpose:** The surcharge helps fund municipal budgets and supports local governments in financing public projects.
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## Conclusion

Portugal's tax system involves a variety of taxes that apply to both individuals and businesses. Here's a recap of the main **tax acronyms**:

- **IMI:** Property tax
- **IMT:** Property transfer tax
- **IRS:** Personal income tax
- **IRC:** Corporate income tax
- **IUC:** Vehicle tax
- **IVA:** VAT (Value-added tax)
- **IS:** Stamp duty
- **DERRAMA:** Municipal corporate profits surcharge

Understanding these taxes and their specific rules is crucial for individuals and businesses living in or doing business with Portugal. Whether you are an **individual**, a **property owner**, a **business owner**, or a **vehicle owner**, each of these taxes has different implications for your financial planning and obligations in Portugal.