

TAXBORDR GUIDE

The 2027 State Budget

What changes for you

The tax measures in Portugal's 2027 Budget proposal and the 2026 changes already in force, for people and companies with a connection to Portugal.

Law and proposal as at 14 October 2026

14 October 2026 | taxbordr.com



WHO IT IS FOR

People and companies with a connection to Portugal

WHAT IT COVERS

Income tax, moving and returning, employers, companies and property, for people who live in Portugal, move here, own property here or run a business here.

In short

Much of what changes in 2027 for people and companies with a connection to Portugal is already law. The Budget proposal adds an update of the income tax bands and extends several reliefs for another year.

- **Income tax.** The proposal raises the band limits 3.88% and keeps the lower rates Parliament approved for 2026. The 2.5% surcharge starts at €89,995 instead of €80,000.
- **November pay.** Most mainland residents have half the usual withholding on salaries and pensions paid in November 2026, to pass on the 2026 cut.
- **Returning residents.** The proposal keeps Regressar open to people who become resident again in 2027.
- **Companies.** Corporate tax is 18% in 2027 and 17% from 2028, as legislated in 2025.
- **Property.** The 10% IRS rate on residential rents up to €2,300 a month, the exemption for affordable rents, the exemption for sellers who reinvest in rental homes and the 7.5% IMT for non-resident buyers are already in force.
- **No change.** IFICI, NHR, IRS Jovem and the special rates on investment income and crypto stay as they are.

Where the Budget stands

The Government presented the proposal to Parliament on 8 October 2026. Parliament votes on its general principles on 28 October, votes on amendments in November and holds the final vote on 24 November. The text can still change in that time. Once approved and promulgated, the Budget applies from 1 January 2027.

Each measure below carries its status. **Proposal** means it depends on the Budget vote. **Already law** means it applies whatever happens to the Budget.

MEASURE	WHAT CHANGES	STATUS
IRS bands	Limits up 3.88%	PROPOSAL
IRS rates, first six bands	0.3 to 0.5 points lower	APPROVED FOR 2026; PROPOSAL FOR 2027
November 2026 withholding	Half withholding on most mainland residents' salaries and pensions	PUBLISHED; APPLIES FROM 1 NOVEMBER
Solidarity surcharge	Starts at €89,995, was €80,000	PROPOSAL
Regressar	Open to residence starting in 2027	PROPOSAL
Bonuses	Tax-free up to 6% of base pay in 2027	PROPOSAL
Housing for staff	Tax-free in 2027, within rent limits	PROPOSAL

MEASURE	WHAT CHANGES	STATUS
Corporate tax	18% in 2027, 17% from 2028	ALREADY LAW
IMT on home purchases	Band limits up 2.3%	PROPOSAL
Residential rents	10% IRS up to €2,300 a month; exemption for qualifying affordable rents	ALREADY LAW
Selling a home	Gain can be exempt if the sale proceeds, less the purchase loan, are reinvested in rental homes in Portugal	ALREADY LAW
Non-resident buyers	7.5% IMT, with two refund routes	ALREADY LAW
Urban rehabilitation reliefs	Available until the end of 2031	PROPOSAL
IFICI, NHR and IRS Jovem	Nothing in the proposal	NO CHANGE

Income tax for everyone

The bands rise 3.88% PROPOSAL

Every band limit rises 3.88%, so a larger part of the same income falls in the lower bands. The rates are those Parliament approved on 9 October for 2026 income. Each rate applies only to the part of taxable income inside its band; taxable income is income after the deductions the law allows.

TAXABLE INCOME	RATE
Up to €8,666	12.2%
€8,666 to €13,075	15.2%
€13,075 to €18,530	20.7%
€18,530 to €23,985	23.6%
€23,985 to €30,538	30.6%
€30,538 to €44,762	34.6%
€44,762 to €48,373	43.1%
€48,373 to €89,995	44.6%
Over €89,995	48%

These are the 2027 mainland rates; the Azores and Madeira apply their own regional reductions.

For one person with €40,000 of taxable income, IRS at the general rates is about €9,423 in 2027, against about €9,750 on the 2026 rates in force before October's cut. The cut accounts for about €162 of the difference and the band update for about €165.

The 2026 cut and your November pay APPROVED BY PARLIAMENT

On 9 October Parliament approved a cut of 0.3 to 0.5 points in the rates of the first six bands, for all income earned in 2026. The law now awaits promulgation and the Government's decree.

To pass the saving on, salaries and pensions paid in November 2026 to residents of mainland Portugal carry only half the usual withholding, including a Christmas bonus paid in that month. The highest monthly amounts keep their normal withholding, and normal withholding resumes in December. The final figure for 2026 comes with the return filed from April to June 2027.

Higher earners pay the surcharge from €89,995 PROPOSAL

The 2.5% solidarity surcharge starts at €89,995 of taxable income instead of €80,000; the 5% rate above €250,000 does not change. Each taxpayer saves up to €249.88 a year, whether the return is individual or joint.

Lower incomes PROPOSAL

The reference amount for the minimum existence, the relief that shields lower employment and pension incomes from IRS, rises from €12,880 to €13,580 a year. Whether and how much it applies depends on the household's income.

Moving to Portugal or returning

Regressar stays open for residence starting in 2027 PROPOSAL

Former residents who become tax resident in Portugal again in 2027 can use Regressar: 50% of their employment, business and professional income is excluded from IRS for five years, within the annual €250,000 limit. The conditions stay the same. It applies to people who were not resident here in any of the previous five years, were resident at some earlier time, have their tax affairs in order and never applied for NHR. Regressar cannot be combined with IFICI, NHR or IRS Jovem.

IFICI, NHR and IRS Jovem do not change NO CHANGE

- **IFICI.** The 20% regime for qualifying professionals is unchanged. If you became resident in 2026, the deadline to register is 15 January 2027.
- **NHR.** The regime is unchanged for those who hold it. A ten-year period that began in 2017 ends with 2026, and from 2027 the holder is taxed under the general rules.
- **IRS Jovem.** The relief for young earners is unchanged.
- **Foreign pensions.** The proposal creates no new regime for foreign pensions.

Employees and employers

Bonuses stay tax-free up to 6% of base pay PROPOSAL

Productivity, performance and balance-sheet bonuses and profit shares that an employer pays voluntarily, outside regular pay, in 2027 are exempt from IRS up to 6% of the employee's annual base pay, and they carry no social security. The condition is that the employer made a qualifying pay rise in 2027 under the pay-rise incentive below. Withholding still applies, at the rate for that month's pay. This repeats the 2026 rule for another year.

The pay-rise incentive needs 4.5% PROPOSAL

A company can deduct 200% of eligible base-pay rise costs from its taxable profit if its average annual base pay, and the base pay of staff earning at or below the previous year's average, rise by at least 4.5%. It covers permanent staff under a collective labour agreement or instrument adopted or updated less than three years ago. Eligible costs are capped at five times the monthly minimum wage per worker, and increases that only follow the minimum wage do not count. The threshold was 4.6% in 2026, and the incentive ends after 2027.

Housing for staff stays tax-free in 2027 PROPOSAL

A permanent home in Portugal that an employer provides to an employee stays free of IRS and social security in 2027, up to the affordable-rent limit for its size and location. Employees who hold 10% or more of the employer's capital or votes are excluded. The employer can depreciate the property at twice the normal rate.

Minimum wage ANNOUNCED

The Government announces a monthly minimum wage of €970 for 2027, to be set by a separate decree.

Companies

Corporate tax falls to 18% ALREADY LAW

The general rate of corporate tax (IRC) is 18% for tax periods starting in 2027 and 17% from 2028. Small and medium-sized companies pay 15% on their first €50,000 of taxable profit. These rates were legislated in 2025, and the Budget leaves them as they are.

Other changes for companies PROPOSAL

- **R&D tax credit.** SIFIDE II covers tax periods starting in 2027.
- **Loss-making companies.** The extra 10 points of autonomous taxation on a company with a tax loss do not apply in 2027 if it made a taxable profit in one of the three previous years and filed its corporate tax and annual information returns for the previous two periods as required, or if 2027 is its first year of activity or one of the two after it.
- **Accounting file.** The accounting SAF-T file applies from 2028 tax periods, first filed in 2029.
- **Invoices.** PDF invoices count as electronic invoices until 31 December 2027.
- **Inventory reporting.** As drafted, the proposal waives the valuation of inventory in the annual inventory report for tax periods starting on or after 1 January 2026, and separately for companies not required to keep permanent inventory from 2027.

Property: buying, letting and selling

Lower IMT on home purchases PROPOSAL

The limits of the IMT bands rise 2.3% for purchases on the mainland in 2027, with the rates unchanged. A main home pays no IMT up to €108,792, up from €106,346. Buyers aged 35 or under buying their first main home, who are not dependants for IRS and have owned no home in the previous three years, pay no IMT up to €338,141, up from €330,539, and their Stamp Duty relief rises with it to up to €2,705.

On a €300,000 main home, IMT falls from about €10,542 to about €10,301.

Non-resident buyers pay 7.5% IMT ALREADY LAW

Since May 2026, a home bought by a non-resident pays IMT at a flat 7.5%, with no exemption or reduction, unless the buyer was tax resident in Portugal before. The difference is refunded on request in two cases: the buyer becomes resident within two years of the purchase, or lets the home within six months at up to €2,300 a month and keeps it let for at least 36 of the first 60 months. The claim is made within six months of becoming resident or of signing the lease.

Rent taxed at 10%, or exempt ALREADY LAW

- **Rents up to €2,300 a month.** Residential rent of up to €2,300 a month received by individuals can be taxed at 10% instead of 25%, on rent received from 2026 to 2029. Existing leases count, and owners who live abroad qualify. Alojamento local, the licensed short-stay letting, does not.
- **Companies and business landlords.** Only 50% of qualifying residential rent of up to €2,300 a month counts for corporate tax from 2026 to 2029. The same applies to individuals who let as a business with organised accounts.
- **Affordable rents.** Rent within the local affordable limits pays no IRS or corporate tax on leases under the regime that began on 1 September 2026. The lease runs at least three years, or three months for a temporary stay by a tenant who is tax resident in another municipality, and it is submitted to the housing institute (IHRU) by 15 January of the following year. New local limits apply from 14 October 2026.
- **Rent updates.** The legal rent update coefficient for 2027 is 2.56%. A lease's own update clause, or earlier coefficients not yet applied, can produce a different figure.

Selling a home and reinvesting ALREADY LAW

On a home sold from 2026 to 2029, the gain can be exempt from IRS if the sale proceeds, less any repayment of the purchase loan, buy homes in Portugal let at up to €2,300 a month. The new homes are bought from 24 months before to 36 months after the sale. From the sale or the purchase, whichever is later, they are let within six months, kept let for at least 36 of the next 60 months and held for five years. A partial reinvestment exempts a proportional part of the gain, and the intention to reinvest is declared in the return for the year of the sale.

Tenants ALREADY LAW

Tenants deduct 15% of the rent on their permanent home from their IRS, normally up to €900 for 2026 and €1,000 from 2027. Lower incomes have a higher limit.

Building and rehabilitation

- **6% VAT on new homes.** ALREADY LAW Eligible construction and rehabilitation contracts carry 6% VAT on the mainland, instead of 23%, for homes sold at up to €660,982 as the buyer's main home, or let at up to €2,300 a month. The planning procedure starts between 25 September 2025 and 31 December 2029, and the home is sold or first let within two years of its occupancy documents; a rental home stays let for at least 36 of the first 60 months. The rate is available until the end of 2032.
- **Urban rehabilitation reliefs to 2031.** PROPOSAL The IMI and IMT reliefs for qualifying rehabilitation of buildings over 30 years old, or in urban rehabilitation areas, remain available until the end of 2031. Each exemption keeps its own conditions and duration.

Inherited property

AUTHORISED, DECREE TO FOLLOW

Parliament has authorised the Government to create a court process in which any heir can ask for the sale of a property held in an undivided inheritance, two years after the death, or at once if an inventory is already open. The rights of a surviving spouse or partner to the family home remain protected. The same reform shortens the period to accept an inheritance from ten years to two. Once the Government's decree takes effect, the new rules also reach inheritances already open and not yet divided.

Other reliefs extended

PROPOSAL

- **Copyright income.** Half of a resident author's qualifying copyright income stays excluded from IRS, up to €10,000 a year, until the end of 2031.
- **Donations.** The tax reliefs for qualifying donations continue until the end of 2031.
- **Farming and rural land.** The 40% uplift on qualifying farm production costs, and the tax and fee exemptions for merging adjoining rural plots, continue through 2027.

What does not change

The proposal leaves these rules as they are in 2026:

- IFICI, NHR and IRS Jovem.
- The special rates on investment income, capital gains and crypto. Income added to the general IRS calculation follows the updated bands.
- The rates of IMI, AIMI and Stamp Duty. The 10% Stamp Duty on gifts and inheritances still exempts spouses, unmarried partners, children, grandchildren, parents and grandparents.
- VAT rates and social security contribution rates.
- The rules on foreign pensions.

The Government also plans a reform of tax litigation and more pre-filled returns in 2027. Neither is in the Budget text.

Dates that matter

DATE	WHAT HAPPENS
28 October 2026	Parliament's vote on the Budget's general principles
November 2026	Half withholding on most mainland residents' salaries and pensions
24 November 2026	Final vote on the Budget
1 January 2027	The Budget applies, once approved and promulgated
15 January 2027	IFICI registration for people who became resident in 2026; IHRU deadline for affordable leases signed in 2026
1 April to 30 June 2027	IRS returns for 2026 income

How we can help

How these rules apply depends on where you are resident and on what you earn and own. A Tax Consultation applies them to your case: a 30-minute call with one of our advisers, then a memo of up to four pages within three working days after the call.

Book a Tax Consultation taxbordr.com/book

General information on Portuguese law and the Budget proposal as at 14 October 2026, not advice on a particular case.