

Self-employee

E-book



Index

A. Tax and Social Security Regime	3
I. Personal Income Tax (IRS)	4
1. 🏠 Tax Regime: Simplified or Organized Accounting	4
2. 📊 Calculation of Taxable Income - Simplified Regime	5
3. 📈 Tax Rate	11
4. 📅 Timing of Tax Payment	14
5. 🎯 Practical Example	16
II. Social Security	17
1. 🆔 Social Security Identification Number (NISS)	17
2. ⌚ Contribution Exemption	17
3. 🛡️ Protection in Contingencies	18
4. 📊 Calculation of Contributions	19
5. 📅 Payment of Contributions	20
6. 🎯 Practical Examples	21
III. Value Added Tax (VAT)	22
1. 💡 Who is Subject to VAT?	22
2. 🗑️ VAT Exemption	22
3. 🌐 VAT Location Rules for Service Provision	23
4. 📄 VAT Rates	23
5. 🕒 Timing of VAT Exigibility	24
6. 📊 VAT Deductibility Rules	24
7. 🏠 VAT Tax Credit	26
8. 🎯 Practical Examples	27

B. Reporting Obligations 29

I. Beginning of the Activity 30

1. 🧑 Registration as a Self-Employee 30
2. 🆔 Social Security Number (NISS) 31
3. 🔔 Electronic Notifications 31
4. 🖥️ Registration on the Social Security Online Portal 32
5. 🚑 European Health Insurance Card (EHIC) 32

II. Monthly 33

6. 📄 Invoices/Receipts 33
7. 💰 Payment of Social Security Contributions 33

III. Quarterly 34

8. 📁 VAT Periodic Declaration 34
9. 📄 VAT Recapitulative Statement 34
10. 📄 Social Security Declaration 35
11. 💰 Advance Tax Payments 35

IV. Annual 36

12. 🏠 Registration of Professional Expenses 36
 - 12.1 E-Invoice Portal 36
 - 12.2 Personal Income Tax (IRS) Declaration 36
 - 12.3 Property Allocation to Professional Activity 36
13. 📄 IRS Declaration 37

C. Calendar 38

A. Tax and Social Security Regime

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Portugal

A. Tax and Social Security Regime

I. Personal Income Tax (IRS)

1. Tax Regime: Simplified or Organized Accounting

When a self-employed worker in Portugal needs to decide how they will be taxed, they must choose between two tax regimes: the **Simplified Regime** and the **Organized Accounting Regime**. This decision is crucial as it can directly impact the tax burden, the simplicity of management, and even the costs associated with the activity. Below, we explain the main differences and considerations to help choose the most appropriate regime.


Simplified Regime

This regime is straightforward and intended for those with lower incomes.

Eligible

Self-employed individuals with income up to 200,000 euros.

ADVANTAGES


Simplicity: Less bureaucracy and no need for organized accounting. 

Lower Costs: No need to hire an accountant. 

Tax Calculation

Taxable income is calculated based on fixed coefficients (e.g., 75% or 35% for services).


DISADVANTAGES

Non-deductible Expenses: Cannot deduct actual expenses if they exceed the coefficient. 


Limitations: Less advantageous for those with many expenses. 

Organized Accounting Regime


This regime is more detailed and suitable for those with higher incomes or many expenses.

Eligible: Those with income exceeding 200,000 euros are mandatorily classified under this regime. 


ADVANTAGES

Expense Deduction: Can deduct all expenses related to the activity. 

More Accurate Adjustment: Tax calculated based on real profit. 

Tax Calculation: Based on organized accounting, i.e., revenues minus actual expenses. 

DISADVANTAGES

Complexity: Requires organized accounting and more tax obligations. 

Costs: Need to hire an accountant, which increases costs. 