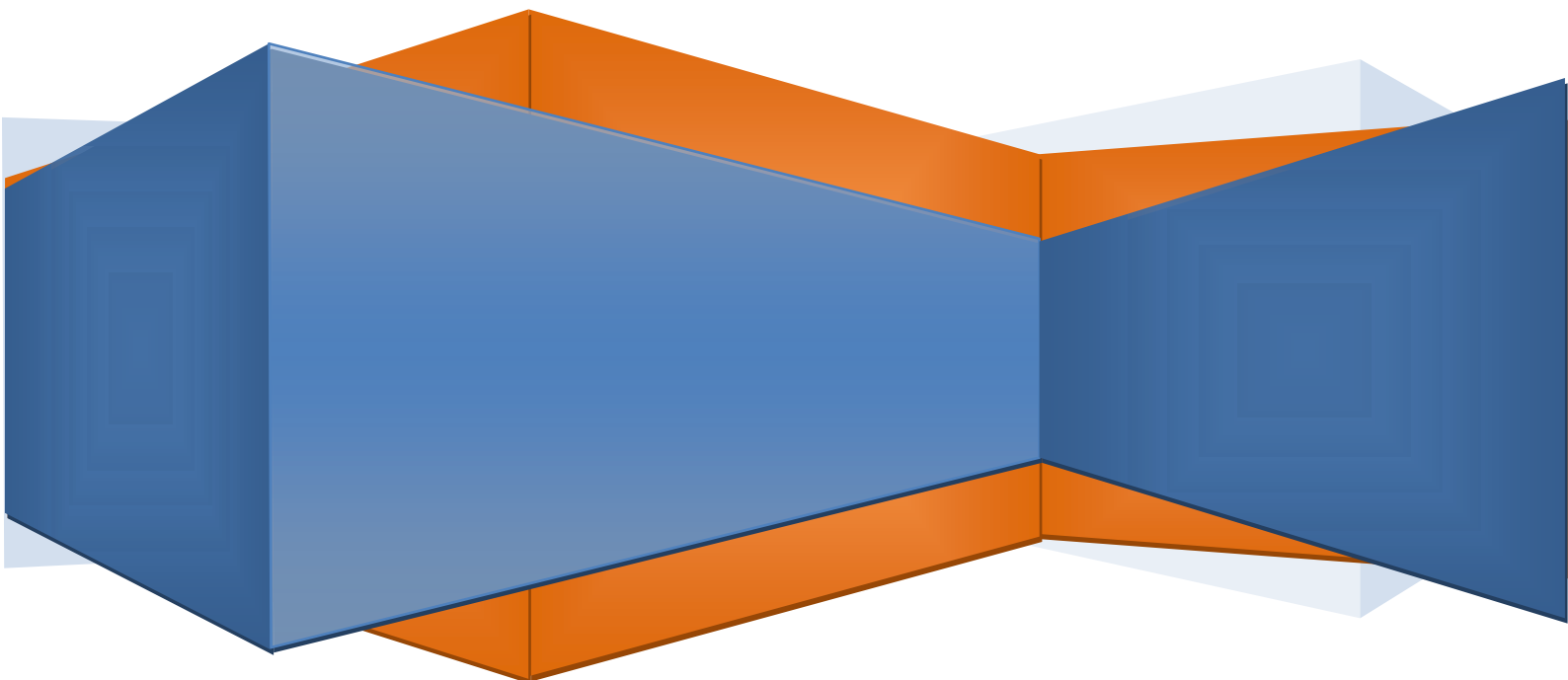


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Tax Solutions

**Summary of Portugal's State
Budget for 2012**



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Personal Income Tax



Income tax brackets

The personal income tax brackets and rates, shown in the table below, remain at the same level as they were in 2011.

Capital gains obtained by Portuguese tax residents on the sale of company shares and other securities are now taxed at a rate of 21.5% (previously 20%).

Rental income earned by non-residents in Portuguese territory is taxed at a rate of 16.5% (previously 15%).

Investment income paid or made available to recipients resident in Portuguese territory by non-resident entities that do not have a permanent establishment in Portuguese territory and are domiciled in a blacklisted jurisdiction are liable to a tax rate of 30%, either by withholding tax or by the application of a special rate.

A list of blacklisted jurisdictions is set out on pages 24 and 25 and includes countries such as the Isle of Man, Jersey, Guernsey, Gibraltar, British Virgin Islands and Liechtenstein.

Investment income paid or made available to non-resident entities mentioned above by residents in Portuguese territory are liable to a withholding flat tax rate of 30%.

Additional solidarity rate

An additional solidarity rate of 2.5% for taxpayers with taxable income above 153 300 Euros is foreseen.

This rate only applies to fiscal years 2012 and 2013.

Extraordinary tax for 2011

An extraordinary tax is applicable for 2011. This will be charged at a rate of 3.5% on taxable income above 6 790 Euros (14 x National Minimum Wage of 485 Euros per month) per taxpayer. It will be charged on pensions, employment and self-employed income, rental income and capital gains, even if this income is generated outside of Portugal. Employees in Portugal will pay this extraordinary tax via their 14th salary.

This is the theory behind the additional tax, but it will be interesting to see exactly how it works in practice!

Progressive Tax Rates for 2011 and 2012 (additional extraordinary and solidarity rates for 2011 and 2012 are excluded)

Taxable income (Euros)	Tax rate (%)	Deductible amount (Euros)
Up to 4 898	11.50%	0.00
From 4 898 to 7 410	14.00%	122.45
From 7 410 to 18 375	24.50%	900.50
From 18 375 to 42 259	35.50%	2 921.75
From 42 259 to 61 244	38.00%	3 978.23
From 61 244 to 66 045	41.50%	6 121.77
From 66 045 to 153 300	43.50%	7 442.67
Above 153 300	46.50%	12 041.67



Tax credits and tax benefits

Two limits on the total expenses deductible by taxpayers were introduced in 2011 and will continue to apply in 2012, one for tax credits and another one for tax benefits. These vary according to the income tax bracket, but are not applicable to taxpayers whose taxable income lies in the first two (i.e. lower) income tax brackets.

In the case of tax credits, the total expenses incurred on the following are subject to limits between 0 Euro and 1 250 Euros:

- Health expenses
- Education and training
- Nursing homes
- Housing
- Alimony

The value of tax benefits, which are listed below, are subject to limits varying between 0 Euro and 100 Euros:

- Contributions to Retirement Savings Funds and Retirement Savings Plans (PPR)
- Contributions to the Public Capitalisation Regime
- Donations

The tables below and on the following pages show a comparison of the tax allowances, tax credits and tax benefits available for 2011 and the values for 2012.

Tax Allowances	2011		2012	
	Married	Not married	Married	Not married
Amounts in Euros				
Allowances in respect of taxpayers and their relatives				
i) Taxpayer	522.50	261.25	522.50	261.25
ii) Single parents	-	380.00	-	380.00
iii) - Dependants	190.00	190.00	190.00	190.00
- Dependants <= 3 years of age as at 31 December of the relevant tax year	380.00	380.00	380.00	380.00
iv) Ascendants living with the taxpayer whose income is <= the minimum pension payable under the general regime	261.25	261.25	261.25	261.25
v) Only one ascendant living with the taxpayer whose income is <= the minimum pension payable under the general regime	403.75	403.73	403.75	403.73
Disabled individuals				
i) Disabled taxpayer	(1) 3 800.00	1 900.00	(1) 3 800.00	1 900.00
ii) For each disabled dependant	712.50	712.50	712.50	712.50
iii) For each disabled ascendant	712.50	712.50	712.50	712.50
iv) 30% of education and rehabilitation expenses	No limit	No limit	No limit	No limit
v) 25% of life insurance premiums or contributions paid to credit unions	15% of computed income	15% of computed income	15% of computed income	15% of computed income
- If contributions paid are for old age retirement	130.00	65.00	130.00	65.00



Tax Credits	2011		2012	
	Married	Not married	Married	Not married
Amounts in Euros				
Health expenses				
There is a deduction for the following expenses:	30% of deduction		10% of deduction	
a) Goods and services exempt from VAT or subject to VAT at a rate of 6%	No limit	No limit	(2) 838.44	(2) 838.44
b) Other health expenses supported by a medical prescription	65.00 or 2.5% of a), if higher	65.00 or 2.5% of a), if higher	65.00 or 2.5% of a), if higher	65.00 or 2.5% of a), if higher
c) Limit shall be increased for households with 3 or more dependants in their care, for each dependant, by:	-	-	125.77	125.77
Health insurance premiums				
Health insurance premiums	30% with a limit of 170.00	30% with a limit of 85.00	10% with a limit of 100.00	10% with a limit of 50.00
Increase for each dependant	43.00	43.00	25.00	25.00
Education and training expenses				
i) 30% of education expenses with a limit of	760.00	760.00	760.00	760.00
ii) Limit shall be increased for households with 3 or more dependants in their care, for each dependant, by:	142.50	142.50	142.50	142.50
Nursing homes				
25% of the expenses for homes and institutions to support the taxpayer and relatives up to the 3rd degree whose income is below the minimum national wage	403.75	403.75	403.75	403.75
Life and personal accident insurance premiums				
25% of the amount spent on life and personal accident insurance premiums (covering risk of death, disability or retirement due to age after 55 years old and 5 years of contract)	Revoked - except for professions involving rapid wear and tear and disabled individuals		Revoked - except for professions involving rapid wear and tear and disabled individuals	
Alimony payments				
20% of alimony payments	With a monthly limit of 1 048.05€ per beneficiary		With a monthly limit of 419.22€ per beneficiary	
Housing expenses (3)				
For 2011, 30% of the following expenses:				
a) Interest or capital repayments on loans made for the acquisition, construction or improvement of a permanent private residential property used as the taxpayer's permanent private residence, or rent paid (except for repayments made using savings account balances)	591.00	591.00	-	-
b) Instalments payable as a result of contracts entered into with housing co-operatives or under the group purchasing regime, for the acquisition of residential property for use as the taxpayer's personal and permanent residence, or rent paid in respect of a tenant's duly substantiated permanent residence	591.00	591.00	-	-
c) Rents paid for principal permanent house, net of any subsidies	591.00	591.00	-	-
The limits in a) and b) are increased as follows:				
- taxable income up to the 2nd bracket - 50%	886.50	886.50	-	-
- taxable income up to the 3rd bracket - 20%	709.20	709.20	-	-
- taxable income up to the 4th bracket - 10%	650.10	650.10	-	-



Tax Credits (continued)	2011		2012	
	Married	Not married	Married	Not married
Amounts in Euros				
Housing expenses (continued)				
For 2012, 15% of the following expenses:				
a) Interest on loans, for contracts concluded by 31 December 2011, made for the acquisition, construction or improvement of a permanent private residential property used as the taxpayer's permanent private residence, or rent paid in respect of a tenant's duly substantiated permanent residence	-	-	591.00	591.00
b) Instalments payable as a result of contracts concluded by 31 December 2011 with housing co-operatives or under the group purchasing regime, for the acquisition of residential property for use as the taxpayer's personal and permanent residence, or rent paid in respect of a tenant's duly substantiated permanent residence, to the extent in which they refer to interest on the related debt	-	-	591.00	591.00
c) Amounts expended by way of rent under a leasing contract concluded by 31 December 2011 in respect of a personal and permanent residence under the Urban Rental Regime, to the extent that it does not constitute repayment of capital	-	-	591.00	591.00
d) Amounts expended by way of rent, net of subsidies or official contributions, concerning an urban real estate or fraction for permanent housing under the Urban Rental Regime or the New Urban Rental Regime	-	-	591.00	591.00
The limits in a), b) and c) are increased as follows:				
- taxable income up to the 2nd bracket - 50%	-	-	886.50	886.50
- taxable income up to the 3rd bracket - 20%	-	-	709.20	709.20
- taxable income up to the 4th bracket - 10%	-	-	650.10	650.10

Tax Benefits	2011		2012	
	Married	Not married	Married	Not married
Amounts in Euros				
Contributions to Retirement Savings Funds and Retirement Savings Plans (PPR) (4)				
20% of the amount invested with the following limits:				
i) For taxpayers younger than 35 years	800.00	400.00	800.00	400.00
ii) For taxpayers between 35 and 50 years old (inclusive)	700.00	350.00	700.00	350.00
iii) For taxpayers older than 50 years	600.00	300.00	600.00	300.00
Renewable energy equipment				
30% of the acquisition expense	803.00	803.00	-	-
Donations				
Tax credit of 25% of donations to:				
i) Central, Regional and Local Administration	No limit	No limit	No limit	No limit
ii) Foundations (with conditions)	No limit	No limit	No limit	No limit
iii) Other entities	15% of computed income	15% of computed income	15% of computed income	15% of computed income
Public Capitalisation Regime				
20% of the amount invested in individual accounts managed under the public capitalisation regime	700.00	350.00	700.00	350.00



Limits to deductions of Tax Credits and Tax Benefits	2011	2012
Limit of Tax Credits	(5) Euros	(6) Euros
- taxable income within the 1st bracket	No limit	No limit
- taxable income within the 2nd bracket	No limit	No limit
- taxable income within the 3rd bracket	No limit	(7) 1 250.00
- taxable income within the 4th bracket	No limit	(7) 1 200.00
- taxable income within the 5th bracket	No limit	(7) 1 150.00
- taxable income within the 6th bracket	No limit	(7) 1 100.00
- taxable income within the 7th bracket	1.666% of taxable income with a limit of 1 100.00	0.00
- taxable income within the 8th bracket	Limit of 1 100.00	0.00
Limit of Tax Benefits		
- taxable income within the 1st bracket	No limit	No limit
- taxable income within the 2nd bracket	No limit	No limit
- taxable income within the 3rd bracket	100.00	100.00
- taxable income within the 4th bracket	80.00	80.00
- taxable income within the 5th bracket	60.00	60.00
- taxable income within the 6th bracket	50.00	50.00
- taxable income within the 7th bracket	50.00	50.00
- taxable income within the 8th bracket	0.00	0.00

- (1) Assuming that both taxpayers are disabled.
- (2) This limit applies to paragraphs a) and b).
- (3) If the immovable property is classified within the A or A+ categories on the energy certificate, then the tax credit limit is increased by 10%.
- (4) Amounts invested after pensioning-off date are not deductible.
- (5) Health expenses, education and training costs, housing costs and nursing home fees are included.
- (6) Health expenses, education and training costs, housing costs, nursing home fees and alimony payments are included.
- (7) These limits are increased by 10% for each dependant, or civil godson, who is not a taxpayer.

Tax credits

Tax credits will suffer significant limitations. One of the major changes is the reduction of the amount deductible for health expenses from 30% to 10%, with a limit of 838.44 Euros (twice the social support index: 419.22 Euros).

However, for households with 3 or more dependants, the health expenses limit shall be increased by 125.77 Euros, for each dependant.

Deductions for health insurance premiums are reduced from 30% to 10%. Additionally, the deduction limit for non-married or legally separated (in person and in property) taxpayers will be decreased from 85 Euros to 50 Euros. For taxpayers who are married and are not legally separated, the deduction will be reduced from 170 Euros to 100 Euros. The deduction concerning each dependant is also reduced from 43 to 25 Euros.



Tax credits (continued)

There will be a decrease in the tax credit for housing loan expenditure from 30% to 15%. Despite this, the limit of 591 Euros remains unchanged and there is still the possibility of an increase based on the taxable income bracket and energy rating of the property.

Repayments of capital are no longer creditable. In fact, only interest under contracts concluded by 31 December 2011 is deductible. This tax credit, as well as the deductions for housing co-operative expenditures and rents paid under leasing contracts, will be progressively reduced until 2015.

Tax credits for rents paid in respect of a tenant's duly substantiated permanent residence will also be progressively reduced until 2017. These expenditures will not be creditable from 2018 onwards.

Tax credits in respect of alimony are still 20% of the amount spent, but with a limit of 419.22 Euros per month for each beneficiary. The limit for 2011 is 1 048.05 Euros.

New regressive limits will be introduced to tax credits in respect of health expenses, education and training expenditures, housing costs, nursing home fees and alimony payments.

The first two brackets of taxable income are not liable to these limits. On the other hand, the last two tax brackets of income are not entitled to deduct tax credits. In relation to intermediate brackets (the third to the sixth bracket), the limit varies between 1 250 Euros and 1 100 Euros. These limits are increased by 10% for each dependant that it not a personal income taxpayer.

In the case of divorce or separation, when parental responsibilities are exercised by both parents, the tax credits will correspond to half of the expenses and have a limit of 50% of the maximum legally allowed amount, in the case of health, education and disability expenses.

Tax benefits

The current global limits established for tax benefits remain unchanged. The previous regime of a penalty for the early withdrawal of retirement savings plans, beyond the terms and conditions prescribed by law (i.e. no penalty if the withdrawal is due to serious illness or long-term unemployment), is reinstated. Taxable income in the year of the withdrawal, for personal income tax purposes, will be increased by the amounts unduly deducted as tax benefits in previous years, increased by 10% for each year or fraction since the year when the deduction was made.

It is established that, in the public capitalisation regime, the fiscal regime provided for savings and retirement plans is applicable to the amounts paid in the form of annuity or withdrawal of accumulated capital.



Non-habitual residents

The income of categories A (employees) and B (income from business and professional activities), obtained by individuals that qualify as non-habitual residents and develop high value activities, are liable to withholding tax at a rate of 20%.

Pensions

The maximum pension specific deduction has been reduced from 6 000 Euros to 4 104 Euros per taxpayer, thereby equalling the deduction applicable to employment income. However, for pensions above, 22 500 Euros, there is still a reduction of 20% on the difference between the pension earned and 22 500 Euros, which implies an extra burden of taxation on pensions compared to labour income.

Period to carry forward losses

The period for the carry forward of losses in categories B (income from business and professional activities), F (rental income) and G (capital gains) will be increased from four years to five years.

Fiscal representative

The appointment of a fiscal representative for non-residents, who are resident in other Member States of the EU or EEA, is no longer mandatory, provided that the Member State is bound to administrative cooperation in the taxation area, equivalent to the one established by the EU.

Obligation to report income paid to non-residents

Entities responsible for paying income obtained by non-residents in Portuguese territory must now submit, by the end of the second month following the payment or the date when the income was made available, an official return related to that income. Currently, this obligation is to be fulfilled by the end of July of the year following the payment, or of the date when the income was made available, in the “Modelo 30” return.

Tax assessments

The deadline established to assess personal income tax liabilities and issue refunds is 31 July irrespective of the deadline to submit the tax return.

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Corporate Income Tax



Fiscal year

The maintenance of a tax period different from the civil year for a minimum period of 5 years is not applicable if the taxpayer is transferred to a group of companies with consolidated financial statements, in which the holding company has a fiscal year different from the one that was being adopted by the taxpayer.

Depreciable assets

The depreciation and amortisation of non-consumable biological assets is now expressly tax deductible.

This measure marks the end of the incoherence between the table attached to the Decree 25/2009, which establishes the tax regulatory regime for depreciation, and the Corporate Income Tax Code, as the table determined the depreciation rates for non-consumable biological assets, while the Corporate Income Tax Code disallowed such depreciation for tax purposes.

IT equipment

Impairment losses resulting from the write-off in 2012 of invoicing software and computer equipment, which are to be replaced as a result of new requirements for software certification, are fully deductible for tax purposes without the need of approval by the tax authorities.

In addition, the acquisition of this type of equipment and software in 2012 may be totally deducted in this period.

Collective persons of public utility and social solidarity

The exemption from corporate income tax is no longer applicable to entities “connected” to private institutions of social solidarity, i.e. religious organisations and institutions which, beyond the religious purposes, also develop social solidarity activities.

Deduction of tax losses

The tax loss carry forward period has been extended from four to five years. It is only applicable to tax losses assessed on or after 1 January 2012.

However, it is no longer possible to fully offset the total amount of taxable profit with tax losses from prior years. In fact, this deduction will be limited to 75% of the taxable profit assessed in the relevant fiscal year (this limitation is applicable as of 2012).

The tax loss deduction being limited to 75% of the taxable profits also applies to the groups of companies taxed under the fiscal consolidation regime (not only to the tax losses assessed before the regime, but also to the tax losses assessed under the regime).

The adjustment of the tax losses declared by the taxpayer may generate additional corporate income tax assessments or annulments within a five-year period of the fiscal year to which the taxable profit relates and from which the tax losses now adjusted have been deducted.

The deduction of tax losses for three consecutive fiscal years shall no longer require legal certification by the statutory accountant. The revocation of this rule is retrospective to the date in which it came into force (1 January 2011).



Tax rates

Corporate income tax will now be levied at the single rate of 25%, as the 12.5% rate, presently applicable to taxable profits equal to or below 12 500 Euros, has been revoked.

A new 30% rate is applicable to capital income paid or made available to non-resident entities, without a permanent establishment in Portugal, which are resident in a country, territory or region subject to a more favourable tax regime.

Autonomous tax regime

The application of the increased autonomous tax rate on undocumented expenses (70%) is extended to the entities with income subject to the tax on gambling.

State surcharge

There has not only been an increase in the State surcharge rate, but also the assessment base has been extended.

Therefore, contrary to the present single rate of 2.5% applicable to the part of taxable profits that exceeds 2 million Euros, the State Budget has introduced two new taxation brackets:

- A 3% rate applicable to the part of taxable profits between 1.5 million Euros and 10 million Euros.
- A 5% rate applicable to the part of taxable profits which exceeds 10 million Euros.

Furthermore, the rules for calculating the additional payments on account were revised accordingly. Consequently, a rate of 2.5% is applicable to the part of taxable profits between 1.5 million Euros and 10 million Euros, and a rate of 4.5% is applicable to the part of taxable profits that exceeds 10 million Euros, always with reference to the previous fiscal year.

The new rules on the calculation of the State surcharge and the corresponding payments on account are applicable to fiscal years 2012 and 2013.

Simplified accounting regime

The simplified accounting regime will only be applicable to entities with their head office or effective place of management in Portuguese territory that do not primarily develop a commercial, industrial or agricultural activity and with a total income in each of the previous two years that does not exceed 150 000 Euros, provided that the taxpayer does not opt for having organised accounting when assessing the taxable profit related to those activities.

Fiscal representation of non-resident entities

The appointment of a fiscal representative for non-resident entities, without a permanent establishment in Portugal that obtain income derived from Portugal, is not mandatory, as long as the entity is resident in the EU or in the EEA.

Co-operation duties of official bodies and other entities

The submission of a return to the tax authorities, by the end of February, reporting non-refundable subsidies and grants paid to taxpayers in the previous year is now mandatory.

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Indirect Taxes



Restructuring of the reduced and intermediate VAT rates

Milk-based desserts and beverages, soft drinks, flavoured bottled water, juices and concentrates, prepared potatoes, canned fruits and horticultural goods, edible fats and oils, coffee, appetizers and snacks, restaurant services, take-aways, microwavable and ready meals, artistic and sporting events, as well as renewable energy equipment will fall under the normal VAT rate, rather than the reduced or intermediate rates as they previously did.

Bottled waters, plain and sparkling, except water with added flavours, have been moved from List 1 (reduced rate) to List 2 (intermediate rate).

VAT taxable amount of operations between related parties

There has been the introduction of an anti-avoidance rule with the purpose of eliminating the manipulation of the taxable amount and VAT assessment of operations between related parties with limited VAT deduction.

Gaseous fuels

The VAT general rules are now applicable to the sales of gaseous fuels.

Excise duties

An excise duty on the consumption of electricity has been introduced. The tax rate, which is to be defined by Administrative rule, may vary between 0 and 1 Euro per MWh. This tax will be levied on traders, producers that sell electricity directly to final consumers, self-producers and consumers that buy electricity through operations in organised markets.

There is expected to be a significant increase in the maximum tax rates of excise duties, namely, 4.6% on spirits, 17.9% on petrol, 16.9% on methane and petrol gases, 53.8% on heating diesel and 15% on cigars and cigarillos.

Car tax

There is an increase of over 5% in the tax rates of the cylinder capacity element, while the tax rates relating to the CO₂ emissions element will increase by approximately 13% for 2012.

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Tax Benefits



Capital gains realized by non-residents

The exemption from taxation (both personal and corporate income tax) on capital gains obtained on the transfer of shares, other securities, autonomous warrants and derivatives now applies to entities resident in countries with which a Double Taxation Treaty or a Tax Information Exchange Agreement is not in force. The exemption does not apply where the non-resident is domiciled in a blacklisted jurisdiction.

High risk Private Equity Companies and Private Equity Investors

The tax regime applicable to private equity companies and private equity investors will be included in a separate article to be included in the Tax Benefit Statute. The regime remains unchanged (exemption from taxation on capital gains). This regime remains subject to the sunset clause and will be in force until December 2016.

Real Estate Investment Funds – deduction of IMI from property income

Expenses related to IMI (council rates) can be deducted in calculating net income from the property, along with the cost of repairs and maintenance to the property.

Investments Funds – capital gains tax

The tax rate applicable to capital gains obtained from investment funds will be increased to 21.5% (previously 10%) for micro and small companies.

Intellectual property – reduction of exempt income

For personal income tax purposes, income derived from literary, artistic and scientific property is subject to taxation on 50% of its value, net of other benefits. The amount excluded from taxation is capped at 20 000 Euros (previously 30 000 Euros).



Tax benefits maintained

The following tax benefits, as foreseen in the Tax Benefit Statute, are to be kept, subject to the sunset clause:

- Creation of jobs
- Swaps, loans and deposits of foreign financial institutions
- Elimination of double taxation on profits distributed by entities resident in Portuguese speaking African countries and East Timor
- Regime applicable to investment funds, pension funds and retirement savings pension funds
- Real estate investment funds, including those relating to housing tenancy
- Patronage (exception made to the patronage applicable to the provision of information for society)
- Regime applicable to urban buildings subject to rehabilitation
- Regime applicable to buildings with a reduced tax registered value, owned by taxpayers with low income
- Regime applicable to buildings covered by touristic utility real estate projects
- Exemption from personal income tax on interest from deposits in retirement savings accounts (on the part that corresponds to a balance not exceeding 10 500 Euros)
- Corporate income tax exemption on income from stock savings funds
- Total or partial exemption from personal and corporate income tax on interest from foreign loans and rents related to the location of imported equipment, due by the Portuguese State or by any other entities in direct or indirect relation with the Portuguese State
- Regime applicable to financial services of public entities
- Regime applicable to underground parking lots

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Tax Litigation



Increase of tax penalties

The general limits for tax penalties have been increased by 50%, meaning new maximums as follows:

Type of offense		
	Companies Euros	Individuals Euros
With intent	165 000	110 000
Negligence	45 000	30 000

There is also an increase of 50% in specific tax penalties. The following table summarises the penalties for 2011 and the new values for 2012:

Type of offense		
	2011 Euros	2012 Euros
Non-payment of tax		
Companies	20% to 50% of tax due	30% to 50% of tax due
Individuals	10% to 50% of tax due	15% to 50% of tax due
Failure or delay in tax declarations		
Companies	200 to 5 000	300 to 7 500
Individuals	100 to 2 500	150 to 3 750
Omissions or inaccuracies in tax declarations		
Companies	100 to 7 500	150 to 11 500
Individuals	50 to 3 750	75 to 5 750
Refusal to submit relevant fiscal documentation		
Companies	500 to 100 000	750 to 150 000
Individuals	250 to 50 000	375 to 75 000
Lack of accounting records		
Companies	300 to 30 000	450 to 45 000
Individuals	150 to 15 000	225 to 22 500

Moreover, the amounts of penalty reductions, as well as the situations in which such reductions are granted, have been reduced.

There are new specific tax penalties regarding transfer pricing documentation and the CFC regime, which range from:

- 500 to 10 000 Euros for failing to submit the relevant documentation
- 375 to 22 500 Euros for individuals and 750 to 45 000 Euros for companies for inaccuracies or omissions in the case of urgent ruling requests
- 93.75 to 5 625 Euros for individuals and 187.50 to 11 250 Euros for companies for inaccuracies or omissions in the case of non-urgent ruling requests

Tax crimes

The punishment for tax crimes is now more severe. The most significant changes are:

- Fines have been increased from 600 days to the maximum of 1 200 days for companies that have carried out fraudulent crimes of a high value.
- Prison sentences for individual taxpayers have been increased in the case of fraud from 3 years to 5 years.
- For qualified fraud above 200 000 Euros, prison sentences have been increased from 5 years to 8 years.
- Any person or entity supporting or helping a person or entity to commit fraud will be prosecuted.
- An illegal activity that leads to an economic gain of more than 50 000 Euros is considered as qualified fraud.



Reduction of fines

The rules relating to the reduction of fines are:

- If a tax declaration is voluntarily corrected within 30 days of submission, the fine will be reduced to 12.5% (instead of 25%) of the applicable minimum amount.
- If a tax declaration is voluntarily corrected after 30 days from the date of submission, the fine will be reduced to 25% (instead of 50%).
- A request to reduce the fine by 75% can be made in the event of an inspection where the error/inaccuracy is due to negligence.
- In the case of late payment of tax, the fine will be reduced to 25% if payment is made within 30 days following the deadline for payment of tax.
- If tax is paid more than 30 days after the deadline, then there will be no reduction in fines. In addition, legal costs and interest will be incurred.

Late payment interest

The maximum three-year term for late payment interest is revoked and such interest is due until the actual payment of the tax debt.

The late interest rate will be doubled (approx. 12%) in the case the tax authorities or the taxpayers do not comply with a Court decision.

Anti-avoidance rules

The exceptional three-year term to initiate the procedure is revoked, thereby applying the general term. The procedure also becomes more flexible in terms of proof by the tax authorities.

Rulings

Regarding urgent rulings, the response terms by the tax authorities have been extended to 30 days (from 15 days) to accept a request, and to 120 days (from 60 days) to provide the taxpayer with a binding position.

In the case of non-urgent rulings, the response term is extended from 90 days to 150 days.

In addition, the underlying tax facts do not need to be established prior to the date of request.

The maximum amount which is the responsibility of the taxpayer is increased from 10 200 to 25 500 Euros.

Tacit non-approval

The tacit non-approval of a taxpayer's claim is reduced from 6 to 4 months, allowing taxpayers to submit a judicial appeal more rapidly in the absence of response by the tax authorities.

Instalments

There is the possibility to request to pay off a tax debt in instalments until the sale of seized assets.



Email address

Corporate income tax and VAT taxpayers need to have an email address registered with the tax authorities by 31 March 2012, as notifications are to be made via email.

Tax amnesty (RERT III)

The budget foresees the introduction of a new tax amnesty incentivising the declaration of assets that are located abroad up to 31 December 2010, and determining the payment of a flat rate of 7.5% tax on the corresponding values, meaning actual repatriation is no longer necessary.

The deadline for the tax amnesty is 30 June 2012.

This regime allows for the exoneration of the responsibility for tax violations and includes shareholdings and other securities within the relevant assets.

In the absence of the declaration, as well in the case of omissions and inaccuracies, the tax due has been increased from 50% to 60%.

Exchange of information between the tax authorities and Social Security

Social Security will electronically inform the tax authorities, by the end of February each year, of all amounts paid to beneficiaries in the previous year, including information about pensions, scholarships, professional training supports, rental subsidies and additional housing support.

Blacklisted jurisdictions

The time limit for tax corrections involving blacklisted jurisdictions has been raised to 12 years (the general term is 4 years) and the limit for tax collections to 15 years (the general term is 8 years).

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Tax Solutions

Blacklisted Jurisdictions



Portaria 1272/2001, de 9 de Novembro

Set out below is the approved list of countries, territories and regions that are considered to have favourable tax regimes and thus are blacklisted jurisdictions:

- 1) Andorra
- 2) Anguilla
- 3) Antigua and Barbuda
- 4) Dutch Antilles
- 5) Aruba
- 6) Ascension Island
- 7) Bahamas
- 8) Bahrain
- 9) Barbados
- 10) Belize
- 11) Bermuda Islands
- 12) Bolivia
- 13) Brunei
- 14) Channel Islands (Alderney, Guernsey, Jersey, Great Stark, Herm, Little Sark, Brechou, Jethou and Lihou)
- 15) Cayman Islands
- 16) Cocos Islands
- 17) Cyprus
- 18) Cook Islands
- 19) Costa Rica
- 20) Djibouti
- 21) Dominica
- 22) United Arab Emirates
- 23) Falkland Islands
- 24) Fiji Islands
- 25) Gambia
- 26) Grenada
- 27) Gibraltar
- 28) Guam Island
- 29) Guiana
- 30) Honduras
- 31) Hong Kong
- 32) Jamaica
- 33) Jordan
- 34) Keslim Islands
- 35) Kiribati Island
- 36) Koweit
- 37) Labuan
- 38) Lebanon
- 39) Liberia
- 40) Liechtenstein
- 41) Luxembourg, only in respect of holding companies in the sense of legislation governed by Luxembourg law - of 31 July 1929 and the Grand Ducal Decision of 17 December 1938
- 42) Maldives
- 43) Isle of Man
- 44) Northern Mariana Islands
- 45) Marshall Islands
- 46) Mauritius
- 47) Monaco
- 48) Montserrat
- 49) Nauru
- 50) Christmas Islands
- 51) Island of Niue
- 52) Norfolk Isles
- 53) Sultanate of Oman
- 54) Pacific Islands
- 55) Palau Islands
- 56) Panama



- 57) Pitcairn Isle
- 58) French Polynesia
- 59) Porto Rico
- 60) Quatar
- 61) Solomon Islands
- 62) American Somoa
- 63) Western Samoa
- 64) Island of St Helena
- 65) St Lucia
- 66) St Kitts and Nevis
- 67) San Marino
- 68) Island of Saint Peter and Miguelon
- 69) St Vincent and the Grenadines
- 70) Seychelles
- 71) Swaziland
- 72) Svalbard
- 73) Tokelau Island
- 74) Tonga
- 75) Trinidad and Tobago
- 76) Tristan da Cunha Island
- 77) Turks e Caicos Islands
- 78) Tuvalu Island
- 79) Uruguay
- 80) Republic of Vanuatu
- 81) British Virgin Islands
- 82) Virgin Islands of USA
- 83) Arab Republic of Yemen



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- ◆ Personal Pension Tax Relief
- ◆ Double Tax Relief
- ◆ Accounting Services for
Sole Traders and Companies
- ◆ Fiscal Representation
- ◆ Property Rental Licence

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