

GIFT AND INHERITANCE

Since 2004, Portugal abolished inheritance tax. Instead, **Stamp Duty (*Imposto do Selo*)** applies only to certain assets located in Portugal and only when the beneficiary is *not* a spouse, civil partner, descendant or ascendant.

- Close family = **0% Stamp Duty**
- Everyone else = **10% Stamp Duty** on Portuguese assets

Anyone who is **not**:

- a spouse or civil partner
- a descendant (child, grandchild)
- an ascendant (parent, grandparent)

... pays **10% Stamp Duty** on Portuguese-situated assets they receive.

This includes:

- siblings
- nieces/nephews
- friends
- unmarried partners (unless formally registered as a *de facto union*)
- charities (in some cases)

Stamp Duty only applies to **Portuguese assets** (like real estate, cars, boats and shares registered in Portugal) rather than assets held in other countries. Some people may have to pay administration fees, particularly if the heirs are not Portuguese. That's because there are translation costs and stamp costs on many of your non-Portuguese documents.

What is *actually* exempt from Stamp Duty?

a) Inheritances by close family

Spouses, civil partners, children, grandchildren, parents, and grandparents pay **no Stamp Duty** on inheritances.

b) Non-Portuguese assets

Stamp Duty applies **only to Portuguese-situated assets** (property, cars, boats, Portuguese-registered shares). Anything outside Portugal is automatically exempt.

c) Life insurance policies (in many cases):

- If a life insurance policy is held in trust,
- and the trustees are not resident in Portugal,
- and/or the policy is issued outside Portugal,

...then **Portugal does not tax the payout**. This is because the payout is not considered a Portuguese-situated asset.

However: Even if Portugal does not tax a **life insurance** payout or trust distribution, the beneficiary's home country may tax it. This is especially relevant for UK, US, and some EU

residents.

d) Small gifts (donations)

Donations between spouses or civil partners, descendants and ascendants, up to the amount of €5,000 **do not have to be declared** for Stamp Tax purposes (which used to be €500 for values or goods). Gifts above €5,000 still need to be declared - but the tax is still 0% for close family.

All gratuitous transfers (gifts or inheritances) to people *outside* the exempt close-family group are subject to Stamp Duty at a flat rate of 10%.

Even when an inheritance is exempt from Stamp Duty (for example, because the beneficiaries are close family), the heirs still must file the inheritance declaration with *Finanças*.

This obligation applies regardless of whether any tax is due. The declaration must be submitted within 3 months from the date of death.

This is the standard legal deadline for reporting the transmission of assets (*Modelo 1 do Imposto do Selo*). If the deceased had no Portuguese-situated assets, then no Stamp Duty declaration is required at all.

The death report is made through the delivery of Model 1 of the Stamp Tax and annexes I and II, relating to the identification of assets and type of heir, respectively. The forms can be printed directly from the [AT website](#) or you can request them from a Finance office.

Capital Gains Tax After Inheriting Property in Portugal

If someone inherits a property in Portugal and then sells it, they may be liable for Capital Gains Tax (CGT) - even if they sell it immediately after the inheritance.

- For inherited property, the acquisition value used for Capital Gains tax is the taxable value (VPT) at the date of death, *not* the original purchase price paid by the deceased.
- If the sale price is higher than that VPT, the beneficiary may have a taxable gain.
- If the sale price is equal to or lower than the VPT, there is no gain and therefore no CGT.

This means that even a quick sale can trigger CGT if the VPT is significantly lower than the market value.

Occasionally, prior debts may reduce the overall value of the estate. However, Portugal has laws in place that protect people from inheriting debts left by the deceased:

- Debts, taxes, and administrative costs are settled before the estate is distributed.
- This reduces the net value of what heirs receive but does not create personal liability for them.

Portugal does not force heirs to inherit debts. The law protects heirs in two ways:

1. Acceptance of inheritance is optional

Heirs can:

- Accept the inheritance
- Accept it with the benefit of inventory (limiting liability)
- Renounce it entirely

2. Debts cannot exceed the value of the estate

Even when heirs accept the inheritance:

- They are not personally liable for the deceased's debts.
- Creditors can only claim against the estate, not the heirs' own assets.

You can find more information about inheritance law and the process of drawing up a **Will** for Portuguese assets in our bulletin NO6 and about **Capital Gains** in our bulletin T07

You should always contact a competent financial advisor or seek advice from your relevant tax authority.