EUROPEAN
COMMISSION

Brussels, 24.11.2026
SWD(2026) 1222 final

COMMISSION STAFF WORKING DOCUMENT

Mind the Gap 2026: Country fiche – Portugal

Accompanying the document

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

Mind the Gap 2026: Boosting public finances through joint efforts to reduce tax gaps and improve compliance

{COM(2026) 630 final} - {SWD(2026) 1201 final} - {SWD(2026) 1202 final} - {SWD(2026) 1203 final} - {SWD(2026) 1204 final} - {SWD(2026) 1205 final} - {SWD(2026) 1206 final} - {SWD(2026) 1207 final} - {SWD(2026) 1208 final} - {SWD(2026) 1209 final} - {SWD(2026) 1210 final} - {SWD(2026) 1211 final} - {SWD(2026) 1212 final} - {SWD(2026) 1213 final} - {SWD(2026) 1214 final} - {SWD(2026) 1215 final} - {SWD(2026) 1216 final} - {SWD(2026) 1217 final} - {SWD(2026) 1218 final} - {SWD(2026) 1219 final} - {SWD(2026) 1220 final} - {SWD(2026) 1221 final} - {SWD(2026) 1223 final} - {SWD(2026) 1224 final} - {SWD(2026) 1225 final} - {SWD(2026) 1226 final} - {SWD(2026) 1227 final} - {SWD(2026) 1228 final}

Country fiche: Portugal

Summary box: Areas of Strength and Areas for Improvement

Areas of Strength

- **Portugal's tax administration demonstrates effective compliance management and efficient resource allocation.** Risk-based VAT registration benefits from tax-customs collaboration and automated validation, while the One Stop Shop (OSS) database ensures robust compliance monitoring by syncing with national registers and tracking non-compliance. The Large Taxpayer Office (LTO), with only 2.3% of tax administration staff, generated 44.3% of total revenue in 2024, demonstrating highly efficient resource allocation.

- **The VAT compliance gap in Portugal was among the lowest in the EU in 2023, at 4% of the VAT Total Tax Liability (VTTL).** Several measures have helped improve VAT compliance in recent years, including the *e-Fatura* system of digital reporting of invoicing data, invoicing requirements such as QR codes and the unique document code (ATCUD), and expansions of mandatory business-to-government e-invoicing and SAF-T billing requirements.

Areas for Improvement

- **Portugal could strengthen its compliance tax gap estimation framework.** In particular, Portugal does not currently have any national programmes for estimating corporate income tax (CIT) or personal income tax (PIT) compliance gaps. Measuring and monitoring compliance tax gaps could help Portugal better assess the effectiveness of tax policy actions.

- **Tax expenditures should be subject to the same scrutiny as direct spending programmes but are not yet evaluated systematically.** While Portugal has taken major steps to improve analytical and institutional capacity for tax expenditure reporting and monitoring, many tax benefits are still not quantified or are not properly evaluated. More systematic *ex post* evaluations, clearer policy objectives and better evidence on the effectiveness of individual measures would improve fiscal governance and help streamline the large portfolio of tax expenditures.

1. Introduction and policy context

1.1. Snapshot of the tax system

Portugal's tax-to-GDP ratio remains more than 4 percentage points (pps) below the EU average. Tax revenue (including social contributions) in Portugal has stabilised slightly above 35% of GDP. It reached 35.2% of GDP in 2024, 4.2 pps below the EU average (0[1]). Portugal has a relatively low reliance on labour taxation, accounting for 43.8% of total tax revenue in 2024, 8 pps below the EU average. This is reflected in comparatively low implicit taxes on labour and low salaries. Consumption taxes account for 34.7% of total tax revenue (approximately 8 pps above the EU average). VAT revenues are comparatively large (9.1% of GDP, 2 pps above the EU average), despite extensive use of reduced VAT rates (see section 3.2). Capital taxes represent 21.5% of total tax revenue (roughly in line with the EU average), although revenues from recurrent taxes on immovable property are comparatively low and decreasing due to outdated cadastral values. Revenues from environmental taxation are roughly paired with the EU average.

Labour taxation in Portugal is progressive. The tax wedge ([2]) in Portugal is below the EU average for all income levels, except for individuals at the top of the income distribution ([3]). The difference in the tax wedge between high- (167% of average wage) and low-income earners (50% of average wage) is 16.0 pps – well above the EU average of 12.5 pps. The tax-and-benefit system reduces income concentration, measured through the Gini coefficient ([4]), by 7.8 pps – the same as the EU average. Income concentration has decreased over the last decade but remains slightly above the EU average, with the income quintile share ratio (S80/S20) at 4.86 in 2025 (income reference year 2024), compared to 4.62 EU-wide ([5]). The at-risk-of-poverty or social exclusion rate (AROPE) is at 18.6%, comfortably below the EU average (20.9%).

In 2026, Portugal has received the following country-specific recommendations (CSRs) in the area of taxation ([6]):

- *Improve the effectiveness of the tax system, particularly by streamlining tax expenditures.*

[1] Data on tax revenues are based on European Commission: Data on Taxation Trends, edition 2026 (reference year 2024), which are produced by DG Taxation and Customs from ESA table 9 and National Tax List data, as collected and validated by Eurostat. The 2027 edition (reference year 2025) will be published in the first quarter of 2027. Recent Eurostat release shows a tax-to-GDP ratio of 35.2% in 2025, compared to an EU average of 39.7% (data of 30/10/2026 on [GOV_10A_TAXAG]).

[2] The tax wedge is an indicator of the tax burden on labour that can be assessed at different earnings levels. It is calculated as the sum of personal income tax, employee social-security contributions, employer social-security contributions and other mandatory contributions, net of cash family benefits where relevant, expressed as a percentage of total labour costs (composed of the gross wage plus employer social-security contributions). Data are based on the EUROMOD model, calculated by the Joint Research Centre of the European Commission. Unless indicated differently, values indicated in this country fiche refer to single earners.

[3] The tax wedge for an earner of 50% of the average wage is of 28.1%, 3.5 pps below the EU average. Earners of 100% of the average wage have a tax wedge of 36.8% (3.2 pps below the EU average), and earners of 167% of the average wage have a tax wedge of 44.1% (the same as the EU average).

[4] European Commission, DG ECFIN calculations based on EU-SILC survey data. A Gini coefficient of 0 expresses perfect equality where everyone has the same income, while a coefficient of 100 expresses full inequality where only one person has all the income. The difference between the "gross" (excluding pensions from social transfers) and the "net" Gini coefficient, i.e. before and after application of the tax-benefit system, reflects the difference between market income and disposable income.

[5] The income quintile ratio (S80/S20) is a headline indicator in the EU Social Scoreboard used to monitor income inequality. It measures the ratio between the total equivalised disposable income received by the top 20% of the population and the bottom 20%.

[6] https://data.consilium.europa.eu/doc/document/ST-11134-2026-INIT/en/pdf

- *Further increase the efficiency of administrative and tax courts, to decrease the length of proceedings.*
- *Address housing affordability and availability, in particular by creating incentives to use the housing stock more efficiently, including through a re-calibration of the tax mix.*

1.2. Tax complexity and simplification measures

1.2.1. Measures of tax complexity

Portugal's tax system does not appear particularly complex, both from the perspective of tax professionals and individual taxpayers. Survey-based evidence from the Tax Complexity Index (TCI) places Portugal around the middle of the EU distribution, ranking 10th among Member States. The underlying components of the TCI suggest that complexity arises more from tax rule complexity than from administrative procedures ([7]). Citizen perceptions are somewhat more favourable: 55% of respondents report that completing their tax return is easy, above the EU average of 49%, but 30% consider taxpayer support inadequate, substantially above the EU average ([8]).

The number of tax policy changes reported by Portugal has remained below or in line with the EU average in recent years. Portugal recorded 5 tax changes entering into force or announced in 2025, well below the EU average of around 14 ([9]). This follows 14 tax changes in 2024 and 19 in 2023, with the number of tax changes remaining at or below the corresponding EU average in each year. Overall, the available multi-year evidence points to a comparatively moderate pace of tax policy change. The reforms adopted in 2025 focus on a limited number of areas, including personal and corporate income taxation and VAT. Business-related measures include a gradual reduction of the statutory corporate income tax (CIT) rate from 20% to 17% between 2026 and 2028 and the introduction of a special VAT group payment scheme. Other measures comprise a reduction in personal income tax (PIT) rates for middle-income taxpayers and targeted VAT relief for selected goods and services. While these reforms require taxpayers and businesses to adapt to new rules in the short run, their relatively limited number suggests that Portugal's tax complexity is driven primarily by the underlying structure of the tax system rather than by frequent legislative change.

Demand-side indicators are broadly consistent with relatively modest compliance burdens in practice. The accounting, bookkeeping and tax consultancy sector accounts for around 0.5% of gross operating surplus, well below the EU average of 0.9% ([10]). While this indicator is

[7] The Tax Complexity Index (TCI), developed under the Global MNC Tax Complexity Project, measures the complexity of countries' corporate income tax systems as faced by multinational firms. Based on survey data from tax professionals, it captures both the complexity of tax rules (tax code) and administrative procedures (tax framework), with values ranging from zero (not complex) to one (extremely complex).

[8] European Commission (2025), Flash Eurobarometer 562: Citizens' attitudes towards taxation, fieldwork conducted between 9 and 17 April 2025. Available at: https://europa.eu/eurobarometer/.

[9] The information is based on the tax measures reported by national administrations in the Joint OECD-European Commission Annual Tax Policy Reform Questionnaire, by aggregating and processing the responses received to the 2026 questionnaire. Responses to the 2026 questionnaire are relative to tax policy measures self-reported by the Member States that were implemented, legislated, or announced in each country between 1 January and 31 December 2025. While comprehensive, the list of tax measures is non-exhaustive. Further information on https://taxation-customs.ec.europa.eu/taxation/economic-analysis/tax-reforms-eu_en.

[10] A higher share of gross operating surplus indicates that the accounting, bookkeeping and tax consultancy sector generates a relatively larger share of operating profits and value added in the economy. While not a direct measure of tax complexity, it may point to a comparatively important professional services sector and, indirectly, to greater demand for specialised tax and accounting expertise.

influenced by several factors, it does not speak for unusually strong demand for specialised tax and accounting expertise ([11]). Overall, the evidence suggests that Portugal combines structurally complex tax rules with relatively modest compliance burdens for businesses and households in practice.

1.2.2. National simplification efforts

Simplification has become one of the government's priorities with the adoption of the Tax Simplification Agenda, in early 2025. It initially comprised 30 measures aimed at reducing compliance costs by streamlining administrative procedures, expanding the use of digital tools and improving interactions between taxpayers and the tax administration ([12]). In mid-2025, the government approved eight additional measures ([13]), further simplifying reporting procedures and obligations. The package focuses on reducing bureaucracy, increasing legal certainty and simplifying tax compliance for both individuals and businesses.

Several measures are already being implemented through Decree-Law No. 49/2025 ([14]), which entered into force on 1 July 2025. These include simplification of invoicing requirements (including greater flexibility for electronic invoicing), the introduction of automatic pre-filled VAT returns for certain taxpayers, the removal of redundant reporting obligations (e.g. eliminating duplicate information in the Simplified Business Information return), simplified VAT procedures for exports and isolated transactions, and the digitalisation of tax records and compliance procedures. Other actions to reduce bureaucracy are meant to be undertaken throughout 2026, including an upcoming reform of tax justice – covering tax dispute resolution, tax litigation and a review of fees ([15]).

These reforms build on Portugal's broader digitalisation of tax administration. Digitalisation has enabled taxpayers to access tax services using the Digital Mobile Key (Chave Móvel Digital) ([16]), the Citizen Card, or the EU eID ([17]), and increasingly applies the Once-Only Principle, notably through pre-filled income tax returns and greater integration with other public databases. Although some duplication of information requests remains, particularly between municipal and central government services, the ongoing digitalisation of tax procedures is expected to further reduce administrative burdens and improve taxpayer compliance.

1.3. Measures of the non-observed economy and the shadow economy

Estimates of economic activities outside the formal economy are relevant for gauging tax gaps. The non-observed economy (NOE) is an official figure provided by national statistical authorities estimating all economic activities that may not be captured in the basic data sources used for compiling national accounts. It includes underground, informal, illegal, and household self-

[11] While some cross-border provision of accounting, tax consultancy and related services may be captured through imports and exports of services, available evidence suggests that such flows are relatively limited. In particular, data from the Eurostat's EU inter-country supply table at basic prices (reference year 2023) indicate that cross-national transactions in these services represent only a small share of overall activity, if any, suggesting that their impact on the interpretation of domestic sector size is likely to be limited.
[12] https://www.portugal.gov.pt/pt/gc24/comunicao/noticia?i=aprovada-agenda-para-a-simplificacao-fiscal.
[13] https://portugal.gov.pt/gc24/comunicacao/noticias/aprovadas-oito-novas-medidas-de-simplificacao-fiscal.
[14] https://diariodarepublica.pt/dr/detalhe/decreto-lei/49-2025-912653926.
[15] https://www.publico.pt/2026/06/19/economia/noticia/ministro-ataca-burocracia-entidades-publicas-promete-nova-justica-tributaria-breve-2178771.
[16] https://www.autenticacao.gov.pt/.
[17] https://www.portaldefinancas.gov.pt/pt/home.action.

use production, as well as activities missed due to imperfect data collection ([18]). The shadow economy is an analogous but narrower concept— used in the economic literature and measured via macroeconomic models — that usually encompasses only legal, market-based productive activities deliberately concealed from public authorities to evade taxes or regulations. Due to limitations and methodological differences between the two approaches, model-based estimates of the shadow economy paradoxically often turn out to be considerably higher than NOE-based estimates.

Specifically, recent data from official sources ([19]) allow to estimate the size of the non-observed economy (NOE) in Portugal at 4.7% of GDP for 2022. The NOE consists primarily of the underground economy (3.28%) and statistical deficiencies (1.2%), while illegal economy and informal economy represents 0.27% and 0.04% of GDP, respectively. Portugal thus records a NOE below the EU average (7.4% of GDP) ([20]). The largest part of the NOE is concentrated in 'Accommodation and food service activities' (1.28% of total GVA), 'Manufacturing' (1%), and Wholesale and retail trade (0.9%). At industry level, the highest shares of the NOE are presented by 'Other service activities' (40% of its GVA) and 'Accommodation and food service activities' (30.4%).

Different models produce substantially different estimates for the shadow economy, reflecting the complexity of such estimation. As in most EU Member States, model-based estimates of the shadow economy for Portugal are higher than the non-observed economy estimate discussed above. In 2022, the shadow economy in Portugal represented 15.7% of GDP, according to estimates by Schneider and Asllani for the European Parliament ([21]). This ratio is 1.9 pps below the EU-27 average and it has decreased compared to 2003 (22.2% of GDP). The report indicates that indirect taxes and unemployment are the main drivers of the shadow economy in Portugal. Several other studies provide estimates of similar magnitude for the size of the shadow economy ([22]). However, using a currency demand approach (CDA), a recent study by EY ([23]) reports lower estimates for the Portuguese shadow economy at 9.3% of GDP in 2023 (EU average 7.9%), down from 11.8% in 2000 (EU average 13.2%).

2. Compliance tax gaps

2.1 Overview

Monitoring of compliance tax gaps does not cover all taxes in Portugal. Overall, Portugal's tax gap framework can be characterised as developing. Tax gap monitoring is most developed for VAT, headed by a specialised team within the Tax and Customs Authority (*Autoridade Tributária e*

[18] Statistical deficiencies (N7) are related to incomplete, not collected or not directly collectable data. See Fernandes, A. (2025), The non-observed economy in the national accounts: New evidence for EU and EFTA Member States - available at https://www.sciencedirect.com/science/article/pii/S0313592625000712 - for the definitions of the other components of NOE: Producers deliberately not registering (N1); Illegal economy (N2); Producers not required to register (N3); Registered legal persons not surveyed (N4); Registered entrepreneurs not surveyed (N5); Producers deliberately misreporting (N6). Informal economy = N3+N4+N5. Underground economy= N1+N6. In other words, the informal economy specifically covers unregistered or small-scale unincorporated enterprises run by households.

[19] For data and documents used for calculations by TAXUD, see Section 1.3 "Measures of the non-observed economy and the shadow economy" in Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches).

[20] The (unweighted) EU average does not include Luxembourg.

[21] This study uses a MIMIC approach (Multiple Indicator Multiple Cause). European Parliament (2022), Taxation of the informal economy in the EU. Study available at: https://www.europarl.europa.eu/RegData/etudes/STUD/2022/734007/IPOL_STU(2022)734007_EN.pdf.

[22] See Fernandes op. cit. (2025) for an overview of various studies.

[23] The report is available at https://www.ey.com/content/dam/ey-unified-site/ey-com/en-gl/insights/tax/documents/ey-gl-shadow-economy-report-02-2025.pdf.

Aduaneira - AT) since 2007. However, national compliance gap estimates for CIT and PIT are not currently produced, and, like most of EU countries, Portugal does not publish an overall tax gap.

Methodologically, tax gap estimations in the area of VAT typically rely on top-down approaches, based on national accounts data to estimate the size of the tax base and the theoretical tax liability. Available estimates indicate comparatively strong compliance performance, as Portugal's VAT compliance gap is below the EU average. More targeted approaches are also used at EU level for specific components of non-compliance, notably MTIC fraud. Further methodological development, particularly for CIT and PIT, is therefore an emerging priority for Portugal.

Tax gap estimation appears to be only partially integrated into the broader compliance framework. AT has an established risk-based approach to compliance and fraud control, but there is limited evidence that tax gap estimates are systematically used to set operational priorities, target audits or evaluate compliance interventions. Developing national estimates could strengthen these links and provide an additional evidence base for compliance management and tax policy design.

Portugal participates in the TADEUS/Fiscalis project on estimating tax gaps. The Fiscalis Project Group on Tax Gap Estimation, a collaborative initiative launched with the support of the European Commission, aims to develop a harmonised approach to estimating tax gaps across EU Member States. Portugal participated in the first cycle, which concluded in 2025 ([24]), and continues to participate in the current cycle, launched in 2026.

2.2 Compliance tax gaps in VAT

For 2023, the VAT compliance gap ([25]) in Portugal was less than half the EU average. It was an estimated about 4% of the VAT Total Tax Liability (VTTL) ([26]), or approximately EUR 900 million, following a fall from around 8% in 2019 and subsequent increases ([27]). Portugal's VAT compliance gap was lower than the EU average of 9.5% in 2023.

Several measures have supported improvements in VAT compliance in recent years. Portugal has systems in place to combat fraud including the *e-Fatura* system of digital reporting of invoicing data which promotes VAT compliance and was extended in 2023 to foreign entities with VAT obligations in Portugal. Portugal has also introduced additional invoicing requirements, such as QR codes and the unique document code (ATCUD) ([28]) to enhance transparency, traceability, and control across the invoicing chain. In addition, the mandate for business-to-government electronic invoicing was expanded in January 2023 to cover medium-sized, small, and micro-enterprises, making e-invoicing universal across all public administration transactions ([29]). Also as of 2023,

[24] For details, please refer to the TADEUS website, the FISCALIS programme website and the Final Report of the Project.
[25] The VAT compliance gap is an estimate of revenues lost due to VAT fraud, evasion and avoidance, bankruptcies and financial insolvencies, or miscalculations.
[26] The VAT Total Tax Liability (VTTL) is the theoretical tax revenue that would be collected in a situation of perfect taxpayer compliance, assuming an unchanged net VAT base.
[27] See European Commission, Syntesia, Poniatowski, G., Bonch-Osmolovsky, M., Śmietanka, A. et al., VAT gap in Europe – Report 2025, Publications Office of the European Union, Luxembourg, 2025, https://data.europa.eu/doi/10.2778/7868422.
[28] 'Código Único do Documento' is a code that must appear on certain fiscal documents, such as invoices.
[29] European Commission, 2025. eInvoicing in Portugal. Accessed at: https://ec.europa.eu/digital-building-blocks/sites/spaces/DIGITAL/pages/467108897/eInvoicing+in+Portugal.

Standard Audit File for Tax (SAF-T) billing requirements became mandatory for non-resident companies registered for VAT ([30]).

2.3 Compliance tax gaps in corporate and personal income tax

Portugal does not currently have any national programmes estimating CIT or PIT compliance gaps. However, the authorities are currently assessing the feasibility of producing such estimates and considering suitable methodological options. This work is being monitored and assessed by the Technical Unit for the Evaluation of Tax and Customs Policies (U-TAX), established in 2024 as part of a reform under the Portuguese Recovery and Resilience Plan. Estimating CIT and PIT compliance gaps could help policy makers understand the nature and magnitude of the problems related to CIT and PIT tax collection. In addition, measuring and monitoring compliance tax gaps can support tax administration in assessing the effectiveness of their tax policy actions.

European Commission estimates suggest a below-average CIT compliance gap in Portugal. Based on a methodology developed by the Joint Research Centre which relies on a top-down approach using national accounts data and estimates of the non-observed economy produced by national statistical offices, the CIT compliance gap of Portugal is estimated at around 5.9% of collected CIT revenues based on 2021 data. Based on the same methodology, the (unweighted) average CIT compliance gap is 9.2% of collected CIT revenues across all Member States ([31]). Compared to an earlier estimate of around 8.3% in 2018, this indicates a decline over time and a level clearly below the EU average.

2.4 Other compliance tax gaps

The Commission continues its work on excise gap estimation, developing and scrutinising methodologies with experts from over 20 Member States, with the aim of delivering more robust estimates that better support policy and operational work. This work also illustrates Member States' growing engagement in the field.

While Portugal does not currently estimate excise tax gaps, it devotes resources to strengthening EU cooperation on excise matters through its participation in the Fiscalis project group on Excise Gap and Risk.

Portugal does not publish any information on possible other compliance tax gaps estimations. There are no official programmes or published figures for compliance gaps related to other taxes. However, Portugal publishes official documents that refer to compliance gap aspects such as risk-control strategies, anti-fraud plans and compliance-related figures, including the *Plano de Atividades da Autoridade Tributária e Aduaneira*, the *Relatório de Atividades da Autoridade*

[30] Marosa, 2022. VAT trends 2023 in Europe. Accessed at: https://marosavat.com/vat-news/upcoming-vat-trends-2023-in-europe.

[31] European Commission estimates are based on a top-down methodology for approximating CIT compliance gaps using national accounts data. The approach relies on exhaustiveness adjustments made by national statistical offices to Gross Operating Surplus, Gross Value Added and Gross Domestic Product in order to account for non-observed economic activity in the compilation of GNI. The method provides a harmonised proxy for domestic underreporting of corporate income, but does not capture all sources of CIT revenue losses, in particular those related to international profit shifting or other forms of legal tax optimisation. For further information on the data sources, underlying assumptions and methodological caveats, see Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches).

Tributária e Aduaneira ([32]) or the *Relatório sobre o Combate à Fraude e Evasão Fiscais e Aduaneiras* ([33]).

3. Policy Tax Gaps

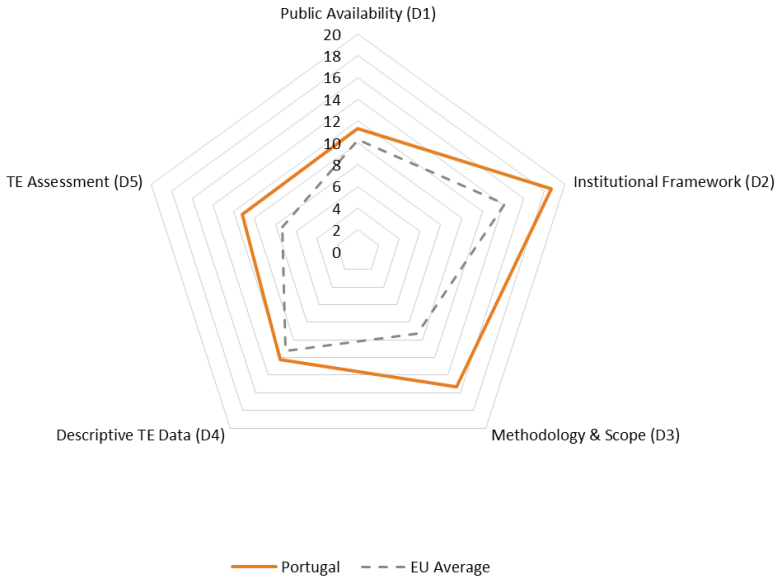
3.1 Tax expenditure reporting and evaluation

Portugal has significantly strengthened tax expenditure reporting in recent years. The main reference is the annual Tax Expenditures Report (*Relatório das Despesas Fiscais*), published since 2014 alongside the State Budget documentation ([34]). The report provides detailed provision-level information, classifying tax expenditures by tax type (PIT, CIT, VAT, excises, stamp duties, vehicle and property taxes), type of relief, government function and level of government. It estimates revenue forgone using a static ex-post methodology, defining tax expenditures as explicit departures from the benchmark tax system under existing tax law. The report distinguishes between structural tax reliefs, which are permanent features of the tax system (241 measures in 2025, of which 77 were quantified, with an estimated revenue impact of EUR 5.6 billion, mainly related to PIT), and tax benefits, which pursue specific non-fiscal policy objectives (540 measures in 2025, of which 396 were quantified, with an estimated revenue impact of EUR 23.4 billion) ([35]). National authorities report 781 tax expenditures that result in forgone revenue for 7.7% of GDP, with EUR 13.0 billion of EUR 23.4 billion of forgone revenue estimated in 2025 from reduced VAT rates ([36]), representing 59.3% of all quantified tax expenditure.

Compared to other Member States, tax expenditure reporting in Portugal is well developed. Overall, it ranked 4th according to the Global Tax Expenditures Transparency Index (GTETI) score. According to the GTETI analysis, transparency in tax expenditure reporting in Portugal is above the EU average overall. Figure 1 depicts the GTETI results for the five dimensions analysed in comparison to EU averages ([37]). Maximum value for each dimension is 20. Portugal performs above the EU average on 'Institutional Framework', 'Methodology and Scope', and 'Tax Expenditure Assessment'. Portugal is on par with the EU average on 'Public Availability' and 'Descriptive Tax Expenditure Data'. The strong performance on 'Tax Expenditure Assessment' reflects backward estimates, an evaluation framework. The strong performance on 'Institutional Framework' reflects a clear legal requirement to report, mandatory parliamentary submission, integration in the medium-term strategy and clear institutional responsibility. The strong performance on 'Methodology and Scope' reflects broad coverage of tax types, treatment of structural provisions, detailed estimation methodology, data source disclosure.

[32] https://info.portaldasfinancas.gov.pt/pt/at/Instrumentos_Gestao/Relatorio_atividades/Documents/Relatorio_de_Atividades_AT_2024.pdf.
[33] RELATÓRIO SOBRE O COMBATE À FRAUDE E EVASÃO FISCAIS E ADUANEIRAS 2024.
[34] https://www.eo.gov.pt/noticias/Paginas/CGE2025_DadosAbertos.aspx.
[35] Relatorio Despesa Fiscal 2025.
[36] These figures are in line with estimates of the VAT rate gap and the national policy-driven VAT exemption gap produced under DG TAXUD's VAT gap in Europe study and presented in section 3.2.
[37] See the Global Tax Expenditures Transparency Index (GTETI) companion paper (2026) and Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches) for details. The GTETI summarises information in five dimensions. These are (1) Public availability — whether a TE report exists and is accessible; (2) Institutional framework — its legal mandate, periodicity, and integration into the budget process; (3) Methodology and scope — the benchmark definition, estimation method, and coverage of taxes; (4) Descriptive tax expenditure data — the granularity and classification of reported provisions; and (5) Tax expenditure assessment — the quality of revenue-forgone estimates and whether TEs are evaluated for effectiveness.

Figure 1: Portugal vs EU average — GTETI v2.1 dimension scores (max 20 per dimension)



Source: GTETI v2.1.

Since 2024, U-TAX has complemented the annual reporting exercise by introducing a structured framework for the ex-post evaluation of tax expenditures. U-TAX has its first assessment report published in 2025 which evaluates a large share of Portugal's tax expenditures against criteria including relevance, effectiveness, efficiency and coherence. A total of 31 major tax expenditures were evaluated, representing around 77% of total revenues forgone. However, many measures remain to be evaluated.

Evaluations of tax expenditures are not yet carried out systematically. The Portuguese Court of Auditors has repeatedly argued that tax expenditures should be subject to scrutiny comparable to direct public expenditure. They warn that the true cost of tax expenditures is likely underestimated because many tax benefits are still not quantified or insufficiently evaluated. The Court, therefore, highlights the need for more systematic ex-post evaluations, clearer policy objectives and better evidence on the effectiveness of individual measures ([38]).

3.2 Policy tax gaps in VAT

In recent years, Portugal has introduced various measures relating to VAT. Between 18 April and 31 December 2023 a 0% rate applied to some basic food items, and a reduced rate of 6% applied to repair services of domestic tools and solar panels. Supply of fertilisers is subject to a 0% VAT rate until December 2026. The reduced rate for Madeira was further reduced to 4% as from 1 October 2024. As of January 2025, the scope of the reduced rate of 6% applied to the supply of electricity for consumption was increased, with higher consumption limits. In 2026, a reduced rate of 6% applied to sales of works of art to galleries and hunting meat. Notably, as from 20 May, a reduced rate of 6% applies to eligible residential construction and rehabilitation projects ([39]).

[38] https://www.tcontas.pt/pt-pt/ProdutosTC/PareceresTribunalContas/ParecerCGE/Documents/2024/pcge2024.pdf.
[39] In particular, the reduced 6% VAT rate is applied to projects started as from 23 September 2025 for the construction or rehabilitation of homes that will be for sale at up to EUR 648 022, or for long-term let with rents up to EUR 2 300 a month. The temporary tax regime remains in force until the end of 2029.

The VAT policy gaps in Portugal (national policy-driven VAT exemption gap and VAT rate gap) are roughly in line with the EU average in 2023. Revenues forgone due to the application of reduced rates and national policy-driven exemptions reached over EUR 13 billion in 2023 ([40]). The national policy-driven VAT exemption gap ([41]) was estimated at around EUR 6 billion in 2023, or 12% of the notional ideal revenue ([42]), while the EU average was 11%. The VAT rate gap ([43]) was estimated at around EUR 7 billion in 2023, or 14% of the notional ideal revenue, higher than the EU average of 12%.

In 2025, tax-simulations indicate that Portugal's reduced VAT rates are concentrated in a small number of categories – 'food and beverages' in particular ([44]). 'Food and beverages' accounts for the largest share of forgone revenues at 43.5%, above the EU mean share of 39.8%. 'Restaurants and accommodation' come second at 23.3%, above the EU mean share of 20.4%. 'Housing, water and electricity' ranks third at 12.1%, well above the EU mean share of 8.5%. These three categories account for 78.9% of Portugal's total forgone revenue.

Portugal's reduced VAT rates are simulated to lower inequality as measured by the Gini coefficient by 1.09 pps, above the EU average reduction of 0.50 pps. 'Food and beverages' contribute 0.48 pps (43.7% of the total), 'Housing, water and electricity' contributes 0.27 pps (25.2% of the total). 'Restaurants and accommodation' contribute 0.08 pps (7.0% of the total).

3.3 Policy tax gaps in corporate income tax

The largest CIT tax expenditures reported by Portugal are investment- and innovation-related incentives. The most significant is the SIFIDE II tax incentive for business R&D, which provides tax credits for qualifying R&D expenditure and represents the largest quantified CIT incentive. The 2025 evaluation by U-TAX ([45]) concluded that the indirect SIFIDE component – which allows companies to obtain tax credits through investments in R&D funds rather than through their own R&D activities – has not sufficiently ensured that tax-supported investments translate into actual research and innovation. U-TAX therefore recommended abolishing this indirect component (potential savings being estimated around EUR 400 million), while retaining the core incentive for direct business R&D. The Portuguese Government subsequently announced that the indirect SIFIDE

[40] See European Commission, Syntesia, Poniatowski, G., Bonch-Osmolovsky, M., Śmietanka, A. et al., VAT gap in Europe – Report 2025, Publications Office of the European Union, Luxembourg, 2025, https://data.europa.eu/doi/10.2778/7868422.

[41] The national policy-driven VAT exemption gap represents the part of the VAT policy gap that can in principle be influenced by national policies on VAT exemptions. In practice, it consists of revenue forgone from services falling under Article 137 (such as real estate and certain financial services), from the SME scheme, and from national exemptions applied under standstill clauses or derogations. The VAT policy gap refers to the revenue lost due to the application of VAT exemptions and reduced, super-reduced, and zero VAT rates on selected products.

[42] The notional ideal revenue is the benchmark VAT revenue that assumes perfect taxpayer compliance in a situation where the current standard VAT rate is applied to all final consumption and household, government, and NPISH investment.

[43] The VAT rate gap refers to the portion of the VAT policy gap resulting from revenues lost due to the application of reduced, super-reduced, and zero VAT rates on selected products.

[44] The VAT rate gap is analysed here using EUROMOD's household consumption tool. No behavioural adaptation is considered. Note that VAT rates are mostly not an efficient tool for redistributive policies, in part due to incomplete pass-through to consumer prices, in part due to limited targeting of reduced rates. For more details on assessing the impacts of reduced VAT rates with EUROMOD, see Turrini et al. (2024), Tax Expenditures in the EU: Recent Trends and New Policy Challenges, European Commission, European Economy Discussion Paper 212; Ricci et al. (2026), Fiscal Costs and Redistributive Effects of Reduced VAT Rates in the EU, European Commission, European Economy Discussion Paper 244; Trzcinski and Amores (2026), The VAT Policy Gap and Redistribution in the European Union 2025, European Commission, Seville, JRC14876; and Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches).

[45] https://info.portaldasfinancas.gov.pt/pt/dgci/divulgacao/Area_Beneficios_Fiscais/Assessment_Report_Tax_Expenditure_Portugal/Documents/U_TAX_Assessment_Report_Tax_Expenditure_Portugal.pdf.

regime would be phased out as part of the 2026 reform agenda, with an expected increase in tax revenues of approximately EUR 124 million in 2026, while preserving the direct SIFIDE incentive for firms undertaking qualifying R&D activities. The administrative burden associated with SIFIDE also gives rise to concerns, notably the requirement for the R&D nature of investments to be assessed on a case-by-case basis by an independent agency, which can make access to the incentive relatively bureaucratic. The National Innovation Agency (*Agência Nacional de Inovação* - ANI) has already taken steps to address this by adapting the rules for recognition of R&D suitability, in line with administrative simplification and reduction of context costs. Among other changes, two external technical opinions were eliminated and replaced by assessment by ANI experts, while a simplified procedure was introduced for certain start-ups ([46]).

Other major provisions include those under the Tax Regime Supporting Investment (RFAI), which grants tax credits for eligible productive investments. After evaluating the measure, U-TAX recommended tightening its targeting and improving its evaluation to ensure that supported investments generate genuine additional economic activity rather than substituting for investments that would have occurred anyway. Other investment incentives include the preferential corporate tax regime for companies operating in the Madeira International Business Centre (MIBC) and the Incentive to the Capitalisation of Companies (ICE), which encourages equity financing by allowing deductions linked to increases in eligible corporate capital. In addition, structural provisions such as the participation exemption and relief for international double taxation account for a substantial share of CIT tax expenditures. These measures reflect Portugal's policy emphasis on promoting investment, innovation, international competitiveness and business capitalisation. However, increased efforts are needed to ensure better targeting of such incentives, with greater focus on smaller and younger firms, and on direct R&D grants, to increase efficiency ([47]).

Beyond these major tax expenditures, there is also scope to rationalise CIT tax benefits with very limited uptake and negligible revenue implications. An analysis by the Portuguese Public Finance Council (CFP) covering 2020–2023 ([48]) identified several tax benefits used by very few taxpayers and involving only marginal amounts. While their direct budgetary impact is limited, their continued existence raises questions about their effectiveness and policy relevance, as well as the administrative complexity associated with maintaining numerous narrowly targeted exceptions. This points to the need for a systematic review of underutilised tax benefits to assess whether they continue to serve a meaningful policy purpose or could be streamlined or abolished, thereby improving the efficiency and simplicity of the CIT system.

3.4 Policy tax gaps in personal income tax

Portugal is yet to develop a comprehensive assessment of PIT policy gaps. Existing analysis is largely limited to evaluating the revenue effects of specific tax expenditures, exemptions, deductions, and preferential regimes through the annual Tax Expenditure Report, rather than estimating the overall policy gap.

The 'non-habitual residence' regime (NHR) continues to be the main tax expenditure. This inpatriate scheme ([49]) (revoked by the 2024 State budget with a phasing-out period of up to 10

[46] https://ani.pt/ani-atualiza-regras-idoneidade-i-d/
[47] IMF 2026 Article IV Consultation.
[48] https://www.cfp.pt/uploads/publicacoes_ficheiros/po-01-2025%5b1%5d.pdf
[49] A special tax framework a country offers to attract foreigners.

years) has an estimated cost of EUR 1.8 billion per year according to the 2025 Report on Tax Expenditure ([50]). The regime was closed to new entrants from 1 January 2024, although individuals already registered continue to benefit for the remainder of their 10-year entitlement, meaning its fiscal cost will gradually decline over time.

The Tax Incentive for Scientific Research and Innovation (IFICI), often referred to as "NHR 2.0", replaced the NHR regime as a much more targeted incentive. Unlike the broadly available NHR regime, IFICI is restricted to highly qualified professionals engaged in scientific research, innovation, higher education, eligible export-oriented companies, startups and other specified activities. It retains the preferential 20% PIT rate on income from qualifying employment (including self-employment) and exemptions for most foreign-source income (excluding pensions). Compared with NHR, its expected fiscal cost is considerably smaller because of its much narrower eligibility criteria. Since IFICI only entered into force in 2024 and the first beneficiaries are recent entrants, related forgone revenues are still limited but increasing rapidly (estimated at EUR 9 million in 2025 compared to EUR 1.5 million in 2024).

The OECD has specifically recommended that U-TAX undertake a comprehensive review of tax expenditures, including in the area of PIT. The aim is to identify provisions that could be streamlined while preserving equity and labour market incentives ([51]). These recommendations reinforce the case for moving beyond annual reporting towards a comprehensive assessment of PIT policy gaps and the effectiveness of preferential tax regimes.

Tax-simulations suggest that PIT-related tax expenditures in Portugal in 2025 are relatively costly while increasing inequality, everything else equal ([52]). PIT-related tax expenditures imply revenue forgone equivalent to 45.9% of actual PIT revenues, well above the EU average of 19.1% ([53]). The largest share of revenue forgone arises from work-related tax expenditures (11.2% of PIT revenue). PIT-related tax expenditures increase the Gini coefficient by 0.85 pps, whereas the EU average is a reduction of 0.46 pps. Overall, the relatively high revenue forgone is associated with an increase in income inequality. As recipients of the non-habitual residence regime mostly have very high incomes, such regressive results do not come as a surprise. Also, of 6.2 million households that filed a tax return, only 3.4 million (55.3%) paid a positive amount of taxes, which might concentrate the effect of tax benefits in the upper half of the income distribution ([54]).

Several policy areas contribute to tax expenditures increasing inequality. An increase in inequality can be observed for work-related tax expenditures, the largest field by revenue forgone, with the Gini coefficient increasing by 0.36 pps, pensions-related tax expenditures (6.4% of PIT revenue), with the Gini coefficient increasing by 0.25 pps, and for family-related tax expenditures

[50] https://info.portaldasfinancas.gov.pt/pt/dgci/divulgacao/Area_Beneficios_Fiscais/Despesa_Fiscal/Documents/Relatorio-Despesa-Fiscal-2025.pdf

[51] OECD Economic Surveys: Portugal 2026.

[52] Simulations are based on EUROMOD and do not account for behavioural changes. For more details on assessing the impacts of tax expenditures in the PIT with EUROMOD, see Turrini et al. (2024), Tax Expenditures in the EU: Recent Trends and New Policy Challenges, European Commission, European Economy Discussion Paper 212; Leventi et al. (2026), Personal Income Tax Expenditures in the EU, European Commission, Seville, 2026, JRC148748; and Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches).

[53] According to the European Commission's taxation trends data, PIT revenues in Portugal amounted to approximately EUR 17.7 billion in 2024. This would imply revenue forgone of approximately EUR 8.1 billion due to PIT tax expenditures according to the microsimulation (45.9% of EUR 17.7 billion).

[54] https://jornaleconomico.sapo.pt/noticias/taxa-media-de-irs-dos-contribuintes-baixa-para-1165-em-2024/

(11.0% of PIT revenue), with the Gini coefficient increasing by 0.20 pps. However, tax expenditures with regressive distributional implications could serve policy objectives other than redistribution ([55]).

4. Effectiveness of tax administration

4.1 Registration/identification of taxpayers

Portugal operates a highly unified identification system. It is centred on the NIF (*Número de Identificação Fiscal* - tax identification number) ([56]), which serves as the single tax identifier for individuals, legal entities. The NIF is mandatory for all tax obligations (VAT, PIT, CIT) and extends to non-tax activities (e.g. contracts, banking, employment, social security). The NIF is assigned by the *Autoridade Tributária e Aduaneira* (AT) for individuals and derived from the Legal Person Identification Number (assigned by the Ministry of Justice) for legal entities. It thus ensures consistent identification across tax types. Daily automated updates between the Ministry of Justice and AT guarantee aligned up-to-date taxpayer records.

Digitalised registration and database management relies on the Portal das Finanças and integrated systems. Portugal's highly digitalised tax system enables online registration for NIF, VAT, and business setup via the *Portal das Finanças* (for general tax services), *Balcão do Empreendedor* (for sole traders), or Empresa Online (for complex entities). Data access/modification is available for VAT-relevant information, while systematic cross-checks against third-party sources and customs data ensure accuracy. The system also links registration IDs with other tax subsystems, supporting compliance.

E-commerce oversight is integrated into the national taxpayer register. E-commerce activities are flagged within the general taxpayer database, with additional One Stop Shop (OSS) - specific registrations for cross-border operators. The unified NIF system captures all economic activities (including online retail), while OSS registrations provide simplified VAT compliance for EU-wide e-commerce. Customs-tax integration (via AT) supports fraud detection, but no isolated e-commerce monitoring system exists beyond standard VAT/OSS oversight ([57]).

Risk-based registration benefits from integrated tax-customs collaboration and automated validation. Portugal's merged tax and customs administration enables joint risk analysis through data sharing between tax and customs systems. VAT registration rejection records, where applicable, are digitally stored. The OSS database exemplifies robust validation: it synchronises with the national taxpayer register (auto-updating for de-registrations), monitors compliance failures (e.g. missed VAT returns), and records voluntary withdrawals ([58]).

In Portugal, Eurofisc fraud alerts or other risk signals trigger a domestic assessment for VAT identification number qualification. Those are supplemented by national data and administrative checks that might be lengthy. By contrast, once sufficient evidence is established under Portuguese legislation and administrative practice, invalidation is now carried out immediately. However, no provisional suspension after qualification is possible and risk information

[55] TEs are employed with a broad range of policy objectives. The fact that a given TE might have a regressive distributive effect does not imply that it does not successfully implement its stated objective.
[56] https://info.portaldasfinancas.gov.pt/pt/apoio_ao_contribuinte/Cidadaos/Dados_pessoais_familia/Dados_pessoais/NIF/Pa%20ginas/default.aspx
[57] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).
[58] Ibidem.

is not shared with other Member States until formal invalidation, which may delay cross-border fraud detection.

4.2 Tax filing and assessment

Portugal's tax administration offers a digitalised filing system with integrated online and mobile services. Streamlined digital filing is provided through the *Portal das Finanças*, supporting PIT, CIT and VAT. The system integrates e-invoicing, e-VAT, and e-Transport services, while the '*Situação Fiscal – Pagamentos 23*' mobile app provides VAT payment information and mobile payment options.

Portugal pre-fills PIT and VAT returns, relying on data integration and automated processes. Portugal offers pre-filling for PIT and VAT ([59]). The system uses tax administration data to pre-fill returns, reducing compliance burdens and errors for taxpayers with Portuguese-sourced income or simple deductions. It relies on mandatory invoice communication to the tax authority, certified invoicing software, SAF-T reporting, e-invoicing, and third-party data (e.g. from employers, financial institutions, and public bodies) for cross-checking and risk analysis. This compliance-by-design approach combines pre-filled returns, *e-Fatura*, and digital reporting to improve accuracy and efficiency ([60]).

E-filing rates show full compliance for all major taxes. Portugal's e-filing rates exceed EU averages, with 100% compliance for PIT, CIT and VAT in 2024, indicating full e-filing adoption ([61]).

Taxpayer support combines digital tools with dedicated service channels. Portugal provides tax calculators, secure messaging, and audio call services for taxpayer communication. The *Portal das Finanças* offers a 'whole-of-taxpayer' view across major taxes, allowing users to upload data, view third-party information, and manage objections. The Tax and Customs Authority sends deadline reminders tailored to tax type and taxpayer preferences, while mobile applications enable convenient access. The electronic taxpayer service is the preferred contact channel, with efficient processing times for taxpayer requests ([62]).

Portugal makes thorough use of data obtained through automatic exchange of information (AEOI), under the Directive on administrative cooperation in the field of taxation (DAC) ([63]). Namely, DAC1 ([64]), DAC2 ([65]), and DAC7 ([66]) for the purposes of personal and corporate income taxation, inheritance or wealth taxation, and VAT where relevant. The identification of taxpayers is very efficient and above EU average: in 2025, the matching rate

[59] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB.
[60] https://www.portaldasfinancas.gov.pt/at/html/index.html.
[61] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB.
[62] European Commission: Directorate-General for Taxation and Customs Union, Mind the Gap – Challenges and opportunities for tax compliance and tax expenditures in the EU – Portugal, Publications Office of the European Union, 2025, https://data.europa.eu/doi/10.2778/1678724.
[63] Sources: Yearly Assessment 2026.
[64] Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC: automatic exchange of information on income from employment, pensions, director's fees, immovable properties, life insurance products, royalties.
[65] Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation: automatic exchange of information on financial accounts.
[66] Council Directive (EU) 2021/514 of 22 March 2021 amending Directive 2011/16/EU on administrative cooperation in the field of taxation: automatic exchange of information on income from digital platforms.

measuring success in identifying registered taxpayers with DAC data ([67]) is 94% for the main categories of DAC1 ([68]), and 100% for DAC2 (the EU-averages being, respectively, 84% and 92%). However, the matching rate has not been reported for DAC7, as Portugal was still assessing the quality of the data received. The mandatory TIN validation tool envisaged in the DAC recast proposal will further support the matching process with a view to approaching a 100% automatic matching rate for all DACs, ultimately allowing Portugal for an even more efficient and targeted deployment of resources.

Once the taxpayers have been identified, the Portuguese tax authorities use the available data for a large range of activities. This includes voluntary compliance programs, awareness raising campaigns, and tax risk assessment to detect possible undeclared income, notification to generate disclosure and, if relevant, carrying out tax assessments or general audits. In Portugal, this use is not only relevant for PIT, but also for inheritance or wealth tax on assets and properties taxes, as well as for detecting undeclared professional activities, as tax authorities use the most recent exchange of information on income from digital platforms (DAC7). Portugal monitors properly the outcome of the use of data: overall, the use of DAC data in Portugal leads to significant increases in both the assessed tax base and tax due. This systematic approach ensures that data is used to its full potential and that the tax benefits related are correctly monitored. This needs to be extended to DAC7 to cover all DAC exchanges.

Portugal has been less active in VAT administrative cooperation ([69]). In 2024, Portugal sent 391 requests for information and received 379 requests ([70]). Based on a standardised measure, taking into account the relative size of the Portuguese economy, Portugal is below the EU weighted average on both the number of requests sent and on the number of requests received ([71]).

Portugal records limited results in automatic exchange of VAT information. In 2024, Portugal reported 397 VAT identification numbers allocated to taxable persons not established in the Member State. For information on new means of transport, it has not forwarded any cases. Based on a standardised measure, taking into account the relative size of the Portuguese economy, Portugal is well below the EU weighted average on VAT identification numbers allocated in taxable persons not established in Portugal ([72]).

[67] The matching rate indicates to what extent a Member State has been able to identify their taxpayers in their national tax databases with information received from other Member States under the DAC. Such matching is necessary to ensure that the data can be used for tax compliance purposes. The matching rates mentioned in this report are based on the metrics approved by the tax authorities in the TADEUS meeting of December 2024.

[68] Income from employment, pensions, director's fees, immovable properties.

[69] Based on Council Regulation (EU) No 904/2010 of 7 October 2010 on administrative cooperation and combating fraud in the field of value added tax (VAT), as subsequently amended, the EU and Member States' national tax authorities cooperate to help ensure the correct application of VAT rules on cross-border transactions.

[70] The data is assessed based on the annual statistics, provided pursuant to Commission Implementing Regulation 79/2012 (Annex IV) and presented to the Standing Committee on Administrative Cooperation (SCAC).

[71] The standardised measure normalises the number of requests per 1 EUR billion of GDP, allowing for comparison relative to the size of the economy. In 2024, Portugal sent 1.35 requests per 1 EUR billion of GDP compared to an EU weighted average of 1.60 requests sent per 1 EUR billion of GDP; and received 1.31 requests per 1 EUR billion of GDP compared to an EU weighted average of 1.59 requests received per 1 EUR billion of GDP.

[72] The standardised measure normalises the number of requests per 1 EUR billion of GDP, allowing for comparison relative to the size of the economy. In 2024, Portugal reported 1.37 VAT identification numbers allocated to taxable persons not established in the Member State per 1 EUR billion of GDP compared to an EU weighted average of 7.77 VAT identification numbers per 1 EUR billion of GDP.

4.3 Compliance risk management

Portugal's compliance risk management (CRM) relies on data-driven processes without a formal strategy ([73]). The system prioritizes VAT compliance through a risk-based approach, integrating annual control plans, cross-referenced data (e.g. invoices, SAF-T reports, third-party data), and mandatory digital reporting of invoicing data. Measures include voluntary compliance support, corrective notices, and targeted inspections, with continuous monitoring to adjust priorities ([74]).

Portugal's data analytics focus on cross-checks and risk detection, with AI still in development. Manual data analysis drives VAT risk management, with AI projects in early stages - focused on employee productivity tools (e.g. document summarization) and technical architecture development for future AI governance ([75]).

Portugal applies behavioural insights and digital tools to improve tax compliance. A recent project implemented in Portugal - together with Austria and Belgium, and funded under the Technical Support Instrument (TSI) of the European Commission ([76])-, showed that deterrence-focused reminders increased submission rates for PIT on foreign income by 2.44 pps, with the strongest impact among taxpayers aged 40–69 ([77]). Beyond this, Portugal is enhancing its digital tax services through a simplification plan, in part to improve compliance ([78]).

Portugal uses Central Electronic System of Payment (CESOP) data manually due to quality limitations ([79]). The data's low quality and incomplete payee information prevent automatic integration into Portugal's VAT systems. Instead, tax authorities manually download and process CESOP data quarterly, adjusting values and categorizing payees for cross-checks. This approach supports case-by-case audits for suspected VAT fraud but does not allow for automated risk analysis or cross-referencing with other systems like OSS or VIES ([80]). While citizens can access services using digital IDs or citizen cards, they sometimes still need to resubmit information already held by the government ([81]).

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[73] European Commission: Directorate-General for Taxation and Customs Union, Mind the Gap – Challenges and opportunities for tax compliance and tax expenditures in the EU – Portugal, Publications Office of the European Union, 2025, https://data.europa.eu/doi/10.2778/1678724.

[74] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).

[75] Ibidem.

[76] TSI 2023 Project "Strengthening tax compliance by implementing behavioural insights for revenue administration in Belgium, Austria, and Portugal", 2024-2026

[77] https://knowledge4policy.ec.europa.eu/projects-activities/strengthening-tax-compliance-implementing-behavioural-insights-revenue_en.

[78] European Commission: Directorate-General for Taxation and Customs Union, Mind the Gap – Challenges and opportunities for tax compliance and tax expenditures in the EU – Portugal, Publications Office of the European Union, 2025, https://data.europa.eu/doi/10.2778/1678724.

[79] CESOP is an EU-wide system established under Directive (EU) 2020/284 to support the fight against VAT fraud in e-commerce. It requires payment service providers to report cross-border payment data on a quarterly basis to national tax authorities, which then transmit the information to CESOP. The system centralises and analyses this data, enabling Member States to detect undeclared online sales, identify fraudulent traders, and enhance administrative cooperation in combating cross-border VAT fraud.

[80] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).

[81] European Commission: Directorate-General for Taxation and Customs Union, Mind the Gap – Challenges and opportunities for tax compliance and tax expenditures in the EU – Portugal, Publications Office of the European Union, 2025, https://data.europa.eu/doi/10.2778/1678724.

Portugal also uses reports exchanged automatically under the DAC, i.e. DAC3 ([82]), DAC4 ([83]) and DAC6 ([84]), for risk-analysis purposes in the field of corporate income taxation. The Portuguese tax authorities identified successfully 100% of the taxpayers concerned by DAC3 and 100 % of the entities concerned by DAC4, the EU average being 98%, and 94% respectively. The matching rate for taxpayers covered by the DAC6 data was not communicated to the Commission services as it was not available. The lack of information on the number of identified taxpayers and the exclusive use of manual matching techniques highlights the need for the Portuguese tax authorities to move to an automated matching model to increase their efficiency and effectiveness in detecting aggressive tax arrangements. DAC3, DAC4 and DAC6 are used for risk-assessment (e.g. to identify risks related to transfer pricing, base erosion and profit shifting, harmful tax practices, etc) and possible follow-up actions such as tax audits. Moreover, DAC4 is used for economic and statistical analysis. These efforts to deploy a comprehensive strategy on making best use of DAC data should be improved: the matching rate for taxpayers covered by DAC6 data should be reported and DAC6 reports should be used to identify possible legal loopholes.

4.4 Audits

Portugal's audit system combines targeted and comprehensive examinations with criminal enforcement capabilities. The AT conducts specific audits, focusing on specific taxes or issues such as transfer pricing or real estate. AT also conducts comprehensive audits covering all taxes for a defined period. Desk audits rely on electronically submitted documents and cross-checks. Additionally, the AT operates as a criminal police body, conducting investigations (including surveillance and covert evidence gathering) for tax and customs crimes, often in coordination with other authorities ([85]).

Portugal's Large Taxpayer Office (LTO) achieves high efficiency with limited resources. The LTO, which includes a High-Net-Worth Individual program, represents only 2.3% of tax administration staff but generated 44.3% of total revenue in 2024. 46.2% of its team focused on audits, contributing 48.5% of all audit revenue, demonstrating targeted effectiveness.

Portugal makes very limited use of advanced instruments of administrative cooperation provided for in DAC as well as Regulation 904/2010 ([86]) to facilitate cooperation on specific cross-border VAT issues. Such instruments entail multilateral controls (MLCs) such as simultaneous controls, joint audits and presence in administrative offices and administrative enquiries (PAOEs). The synergies between participating Member States derived from these coordinated activities usually lead to an increase in the tax assessed and, therefore, contribute to

[82] Council Directive (EU) 2015/2376 of 8 December 2015 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation: automatic exchange of information on rulings and advanced pricing arrangements.

[83] Council Directive (EU) 2016/881 of 25 May 2016 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation: automatic exchange of information on country-by-country reports of multinational entities.

[84] Council Directive (EU) 2018/822 of 25 May 2018 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements.: automatic exchange of information on potentially tax-harmful cross-border arrangements.

[85] European Commission: Directorate-General for Taxation and Customs Union, Mind the Gap – Challenges and opportunities for tax compliance and tax expenditures in the EU – Portugal, Publications Office of the European Union, 2025, https://data.europa.eu/doi/10.2778/1678724.

[86] Council Regulation (EU) No 904/2010 is the EU law on administrative cooperation and combating fraud in the field of value added tax (VAT).

reduce the tax gap. Between 2023 and 2025 Portugal has participated in 1 MLC ([87]) and did not initiate any MLC or PAOE ([88]).

4.5 Payment and collection

Portugal shows strong digital tax payment adoption – with a mixed picture for on-time payments though. In 2024, 98% of tax payments were made electronically, well above the EU average of 94.9% and up from 84% in 2018. Portugal's on-time payment performance stands at 88.3% for PIT, above the EU average of 79%, while CIT reaches 81.4% and VAT 78.5%, both below the respective EU averages of 89.8% and 83.7% ([89]). Tax payments in cash are restricted with a threshold set at EUR 500.

Portugal has also implemented a structured VAT refund control system based on centralised electronic validations and risk analysis. Refund requests must be submitted electronically, are validated centrally, and automatically processed through a risk matrix that selects claims for audit and determines the appropriate level of tax inspection. The system is regularly monitored and adjusted ([90]).

4.6 Tax debt recovery

Portugal's administration has moved toward risk-targeted enforcement. This enforcement includes targeting complex fraud and informal economy and using audit selection and profiling techniques consistent with international best practice. The same rules and practices apply across all main taxes (VAT, income taxes, excise duties and other national taxes).

The percentage of outstanding tax arrears remains high. The closing stock of tax arrears at the end of the year as percentage of total revenue amounted to 40.6% in 2024 (compared to 39.6% in 2023), well above the EU average of 30.7%. It must however be considered that Portugal does not have a practice of writing off tax debts, although resources are focused on cases with real recovery prospects. The percentage of tax arrears that is still considered collectable has slightly increased in 2024. The closing stock of collectable arrears as percentage of the closing stock arrears was at 33.0% in 2024, compared to 30.6% in 2023 ([91]).

Portuguese law allows tax (recovery) authorities to share information with the administrators of insolvency proceedings concerning assets that could be used for the recovery of unpaid (tax) claims in the insolvency proceeding. However, this exchange of information does not cover information obtained from other Member States ([92]).

Administrative reviews generally take several months. Average contestation times differ across tax types: average is 7 months for PIT, 10 months for VAT and 121 months for CIT. These relatively long contestation times are not a good practice standard. There is no disaggregated information on how long it takes to solve tax disputes before a court. The Portuguese law allows to

[87] Multilateral Control.
[88] EU AIAC Statistics - 2023-2025.
[89] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB.
[90] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).
[91] ISORA Data – closing stock and collectable arrears.
[92] Portugal's replies to questions 34-36 of the 2025 survey on tax recovery.

recover disputed taxes ([93]). The Portuguese law does not allow the tax administration to take precautionary measures before there is an assessment/title ([94]).

Regarding cross-border recovery assistance within the EU, Portuguese recovery requests to other Member States generally comply with requirements ([95]), focusing on well-established claims. Only 38 recovery requests were suspended because of contestations in 2025, while 4 850 requests for recovery were sent to other Member States in the same year ([96]).

Portugal makes thorough use of the information from AEOI, namely DAC1 ([97]) and DAC2 ([98]), for tax recovery purposes. This has led to a substantial increase in the number of recovery requests to other tax administrations. This is best practice, which could be extended to DAC7 data (income derived from the use of digital platforms), where appropriate.

[93] ISORA Data – Tax arrears collection powers and their usage – collect any disputed tax while the dispute case is open and under administrative/judicial review.
[94] Portugal's replies to question 16 of the 2025 survey on tax recovery.
[95] Statistics on rejections of requests, reported by Portugal as applicant State, relating to recovery assistance in 2025.
[96] Statistics on the suspension of recovery requests, sent by Portugal as applicant State, following contestation of the claim, for 2025.
[97] AEOI on income from employment, director's fees, pensions, life insurance products, royalties, ownership immovable properties.
[98] AEOI on financial accounts and assets.