



SOCIEDADE DE ADVOGADOS, SP, RL
ROGÉRIO FERNANDES FERREIRA
& ASSOCIADOS

THE TAXATION OF CRYPTOCURRENCY IN PORTUGAL

Rogério M. Fernandes Ferreira

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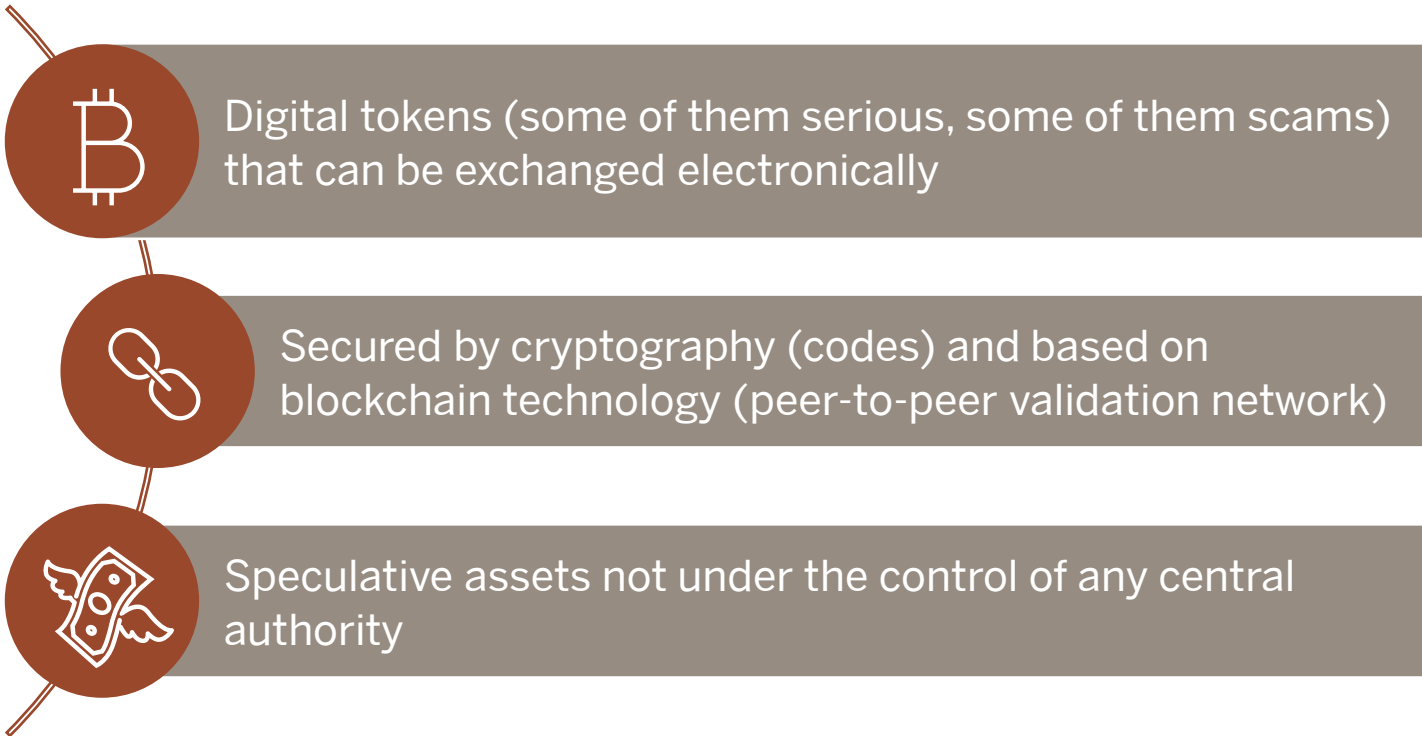
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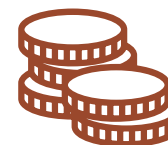
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1. What are cryptocurrencies?



2. Why should income from cryptocurrencies be taxed?

Cryptocurrencies are not currency (commodity or fiat currency) but assets in kind (they have an equity correspondence convertible into a pecuniary amount)

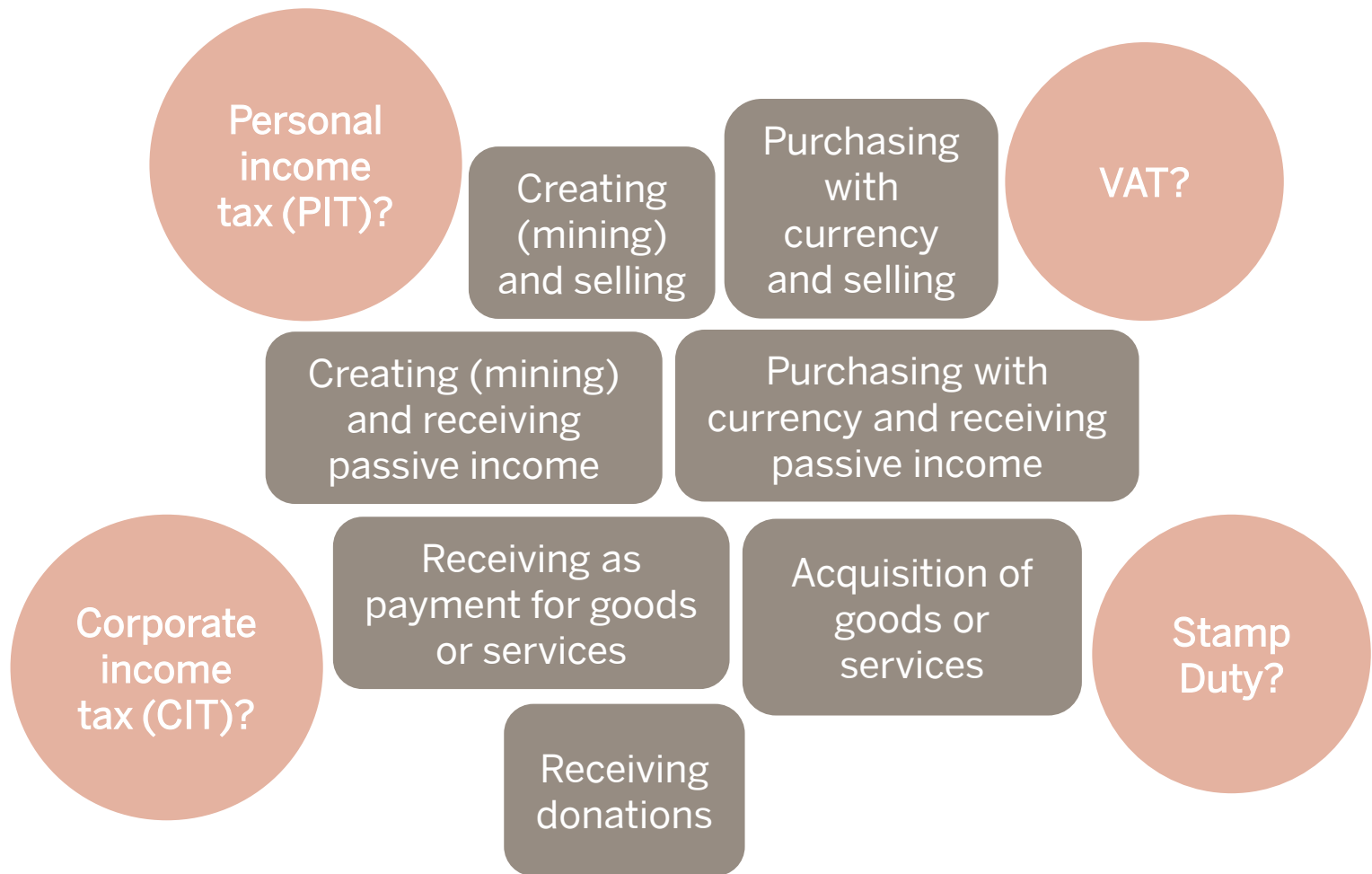


Thus



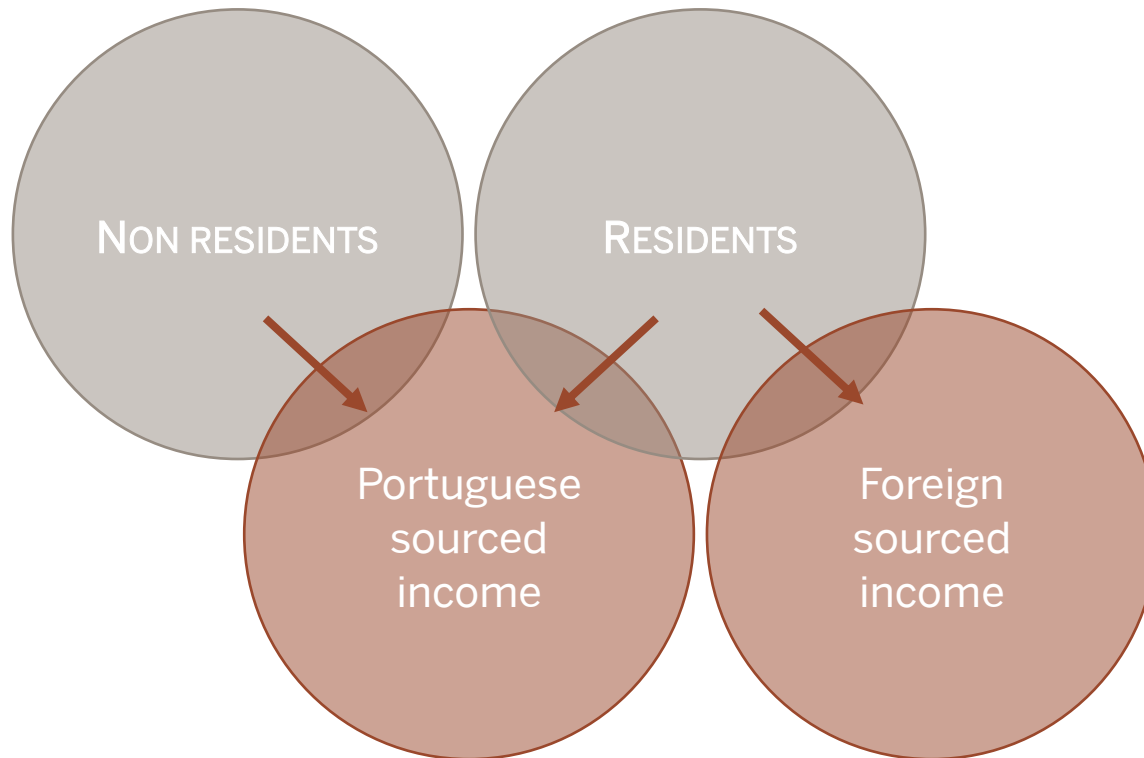
Necessarily represent contributory (tax) ability of who own and use them

3. What can be the tax relevant operations with cryptocurrencies?



4. Income taxation: Corporate Income Tax and Personal Income Tax

Individuals or companies



4.1. Corporate Income Tax

Companies are taxed under CIT

Over accounting profit with the relevant tax adjustments (taxable profit)

Cryptocurrency income should be accounted for and should be included in the company's taxable profit

Thus

Cryptocurrency income received by company is taxable under CIT

4.2. Personal Income Tax

Individuals are taxed under PIT

Over the taxable income of the following categories:

A – Employment income

B – Business and professional income

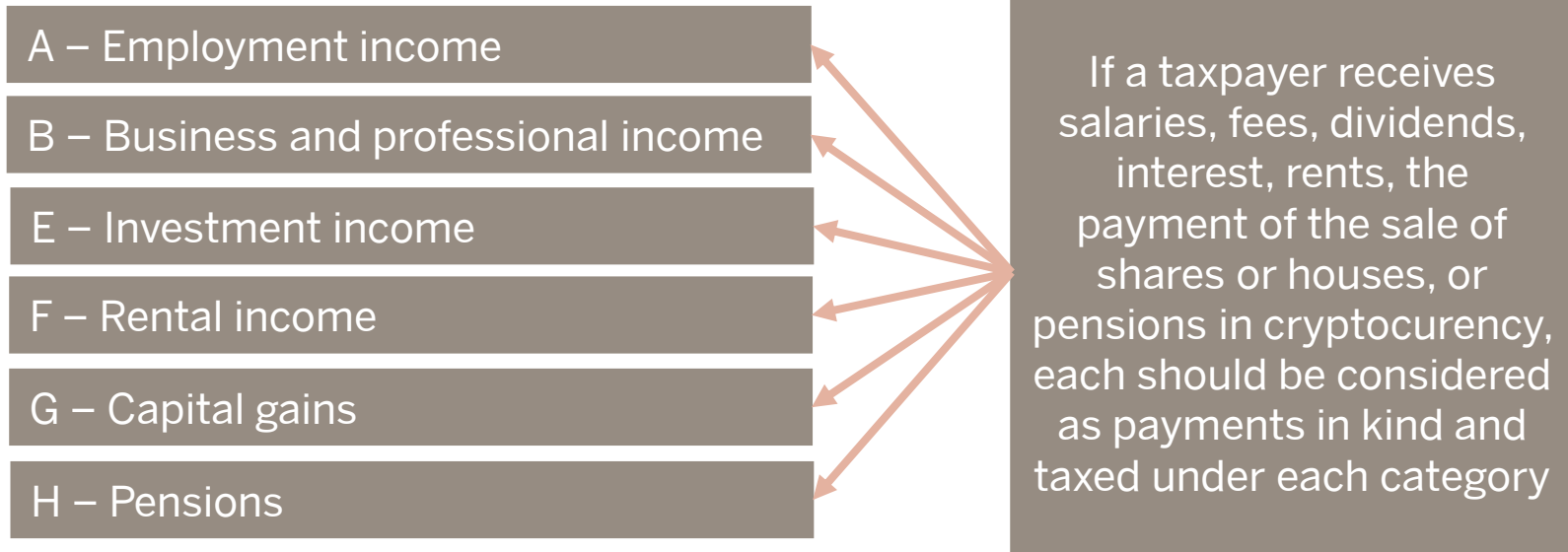
E – Investment income

F – Rental income

G – Capital gains

H – Pensions

4.2. Personal Income Tax (cont.)



4.2. Personal Income Tax (cont.)

B – Business and professional income

If a taxpayer creates cryptocurrencies and subsequently sells them, this income should be perceived as an extraction activity or as the creation of intellectual property and taxed under category B

4.2. Personal Income Tax (cont.)

~~G – Capital gains~~

If a taxpayer invests in cryptocurrency through purchases and sales of these assets, the income received cannot be taxed as a capital gain under category G (which is a closed category and does not foresees the sale of these assets)

4.2. Personal Income Tax (cont.)

E – Investment income

Under a strict interpretation of the law, if the crypto asset is originally bought with currency with legal tender, the proceeds from its sale could be deemed as investment income and taxed under category E (which is an open category)

4.2. Personal Income Tax (cont.)

E – Investment income

Unofficially (through non-binding replies through the Tax Authorities website and phone calls), some within the Tax Authorities are considering this possibility

4.2. Personal Income Tax (cont.)

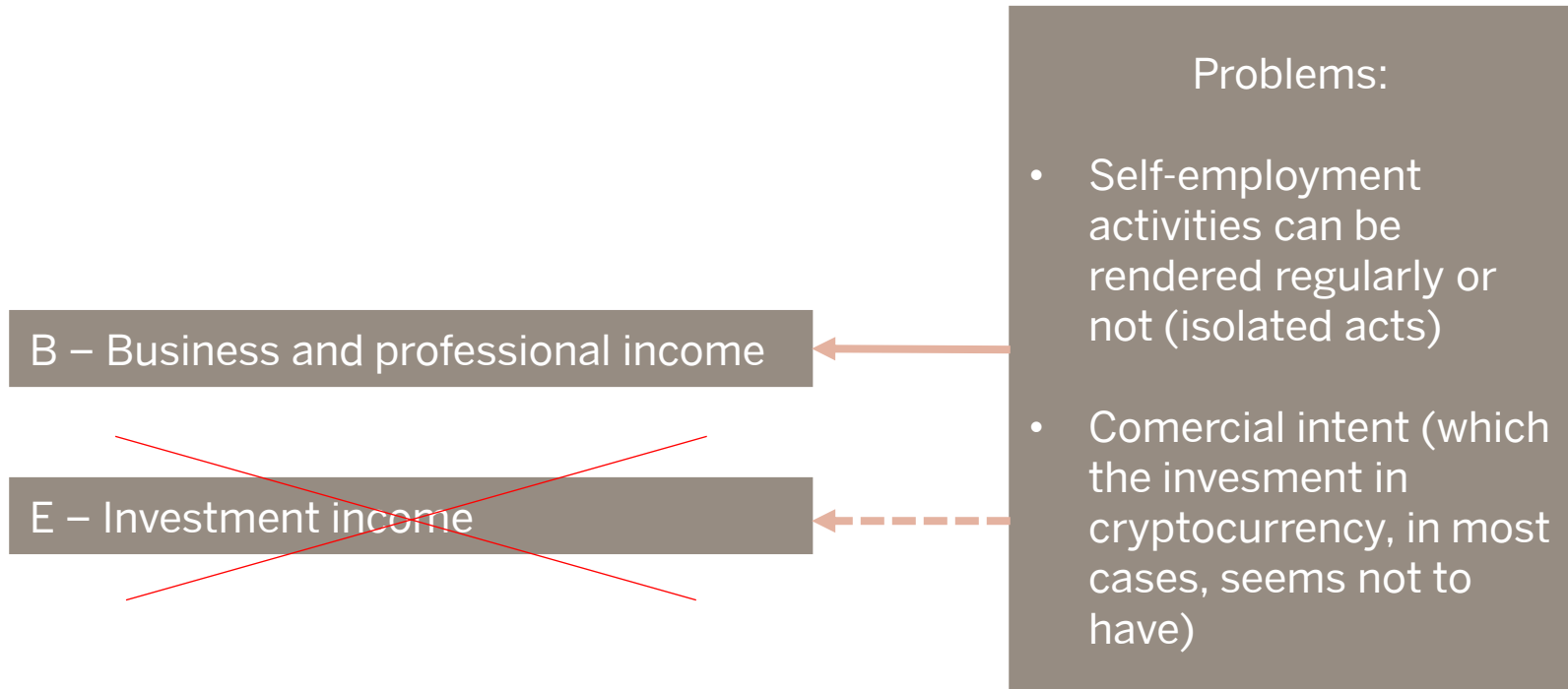
B – Business and professional income

~~E – Investment income~~

Officially (through binding replies – only binding to the taxpayers who requested them), the Tax Authorities set aside this possibility (category E) and stated that this income could only be taxed if received under the rendering of a self-employed activity, under category B

Taxpayers' gains with cryptocurrency have already been taxed under this category

4.2. Personal Income Tax (cont.)



5. VAT

VAT is a consumption tax, levied over the purchase or importation of certain goods or the purchase of certain services

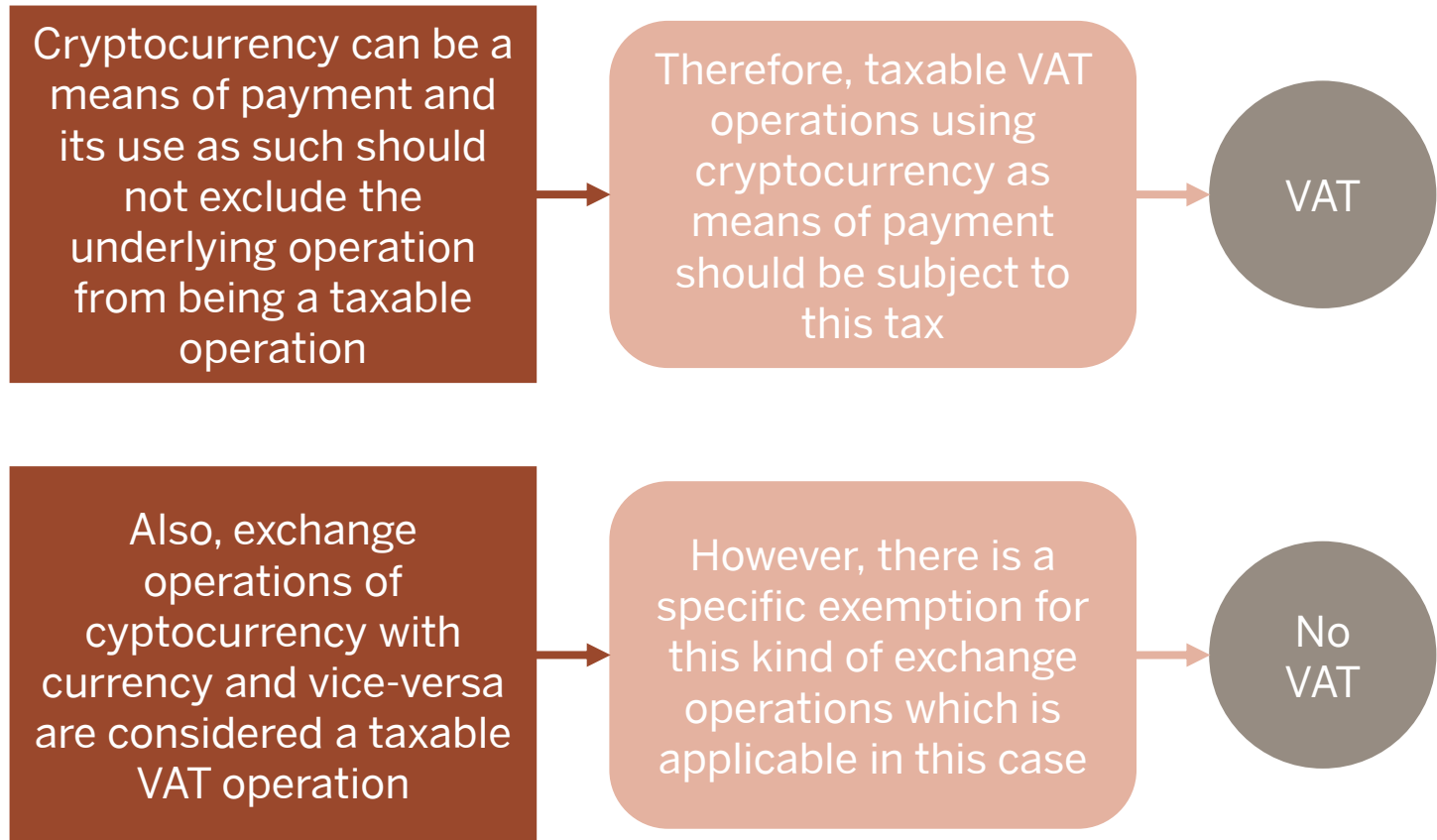
In general terms:

- Paid by the purchaser
- Charged by the provider if that taxpayer is considered as a taxable person under CIT or under category B of PIT

Thus

An individual or a company may have to charge VAT over taxable operations

5. VAT (cont.)



6. Stamp Duty

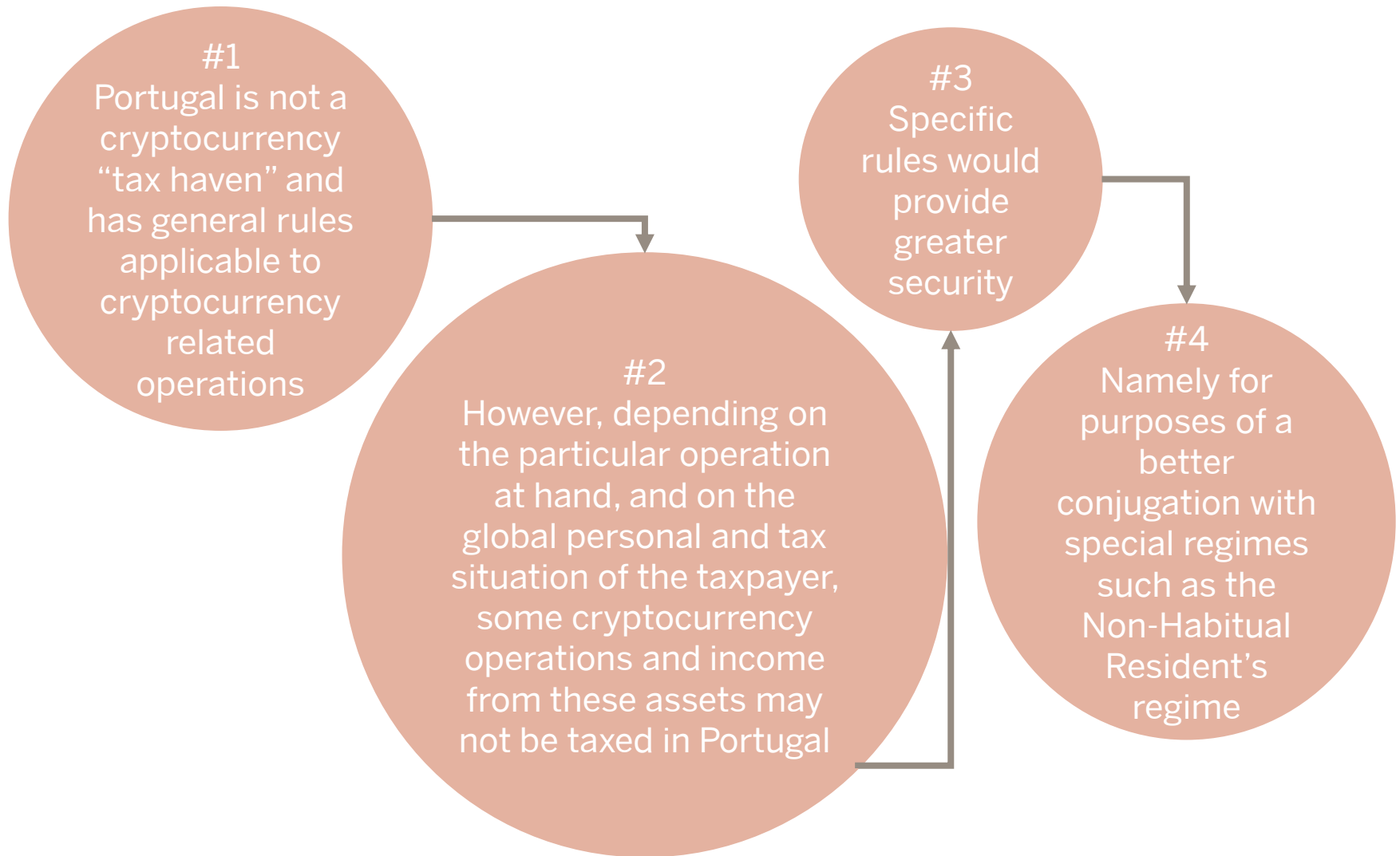
Stamp Duty is a tax levied over all acts and contracts specifically foreseen in the law, namely over donations

Cryptocurrency can be a means of payment and its use as such should not exclude the underlying operation from being a taxable operation

Donations of cryptocurrencies could be perceived as a donation of assets

Thus, if all conditions are verified (namely the operation being considered as located in Portuguese territory for Stamp Duty purposes), it should be subject to this tax

7. Conclusions



Thank You !

Rogério Fernandes Ferreira

contact@rfflawyers.com

T. +351 215 915 220



Lisboa

Praça do Marquês de Pombal,
n.º 16 – 5.º (recepção) & 6.º andares
1250-163 Lisboa
Portugal

contacto@rffadvogados.com
T. + 351 21 591 52 20
F. + 351 21 591 52 44
www.rffadvogados.com
www.taxandlegalbyrff.com

Porto

Rua Eng.º Ferreira Dias,
n.º 924, 4100-241 Porto
Portugal



GPS

N 38 43 30 // W 9 08 56

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