

Portugal Knowledgebase

Payroll, compensation and benefits

Salary structure

Base pay is the fixed amount of money that an employer agrees to pay an employee for their services, typically calculated on a per-month basis.

Minimum wage - Employers must ensure that the base pay meets or exceeds the minimum wage requirements set by law. Now is 870 EUR GROSS (every year the government change the minimum wage)

In Portugal, mandatory allowances are:

- Meal allowance
- Holiday allowance
- Christmas allowance

All the incomes that the employee receive are taxable, the ones that are exempt are the benefits as the benefits in kind:

- Food allowance until six eur if paid together with salary, if paid in card is 9,60),
- Transportation
- Kindergarten (until sort limit)

Only expenses reimbursement (for valid expenses they must contain the employer VAT number).

The monetary benefits that an employee can have in Portugal are the ones agreed in the contract, such as car allowance, private insurance, etc.

Total employment cost (TEC): Gross salary before deductions + Employer cost

Salary and wages

In Portugal, salary payments must be made in Euros, with employment contracts specifying amounts in EUR. Payment in foreign currency is not permitted, and salaries must be paid by the last working day of the month.

There is no maximum contribution ceiling.

Native Teams

Salaries are typically paid over 12 months, with additional holiday and Christmas allowances, making 14 payments. These allowances can be distributed monthly or paid in June/July and December.

Allowances and deductions

Mandatory allowance: Food allowance and work from home with a Limit for tax and contribution exemption of 22 EUR.

Private pension system: This is not mandatory. This only applies if the employer wants to give the benefit to the employees.

Bonus and incentives

Performance bonus is not mandatory. This applies if the employer has implemented it: Performance bonuses are granted based on the employee's performance. They are at the company's discretion and not a right that the employee can claim.

Other incentives:

- Tax benefits for childcare and education vouchers

- Funded training

- Bonuses and performance rewards

- Health insurance

- Career development plans

- Extra vacations days

Employer contributions

In Portugal, employer contributions primarily refer to the amounts that employers are required to pay to the Segurança Social (Social Security) on behalf of their employees. These contributions are mandatory and calculated as a percentage of the employee's gross salary.

The standard contribution rate for employers is 23.75% of the employee's gross salary.

Employers may also need to contribute to other funds or insurance, such as occupational accident insurance, which is separate from social security.

The employee also contributes to Social Security, typically at a rate of 11%, but this is deducted from their salary and paid by the employer to the authorities.

Business expenses are paid in net to the employees with their salaries after they share with the company the tickets that justify the kind of the expenses. For valid expenses the tickets must have the company VAT.

Benefits packages

There are no mandatory health insurances in Portugal. This only applies if the employer wants to give the benefit to the employees. There is the public health system that everyone can go to if a person needs assistance.

Same as with retirement benefits. The payment to social security includes a percentage for pension.

Social security: The amount of contributions, which cover pension plans, accidents and occupational diseases, will vary according to a number of factors, such as the duration of employment or the type of employment contract.

In Portugal, disability insurance is mainly covered under the Seguranga Social (Social Security) system, which provides financial protection to individuals who are unable to work due to a long-term illness or disability.

In Portugal, unemployment insurance is part of the Seguranga Social (Social Security) system and provides financial support to workers who lose their jobs involuntarily.

Workers' compensation is mandatory if the employer decides to terminate with the employee.

There are no other possible employee benefits aside from the food allowance. There are no collective benefits.

Currency and payment considerations

Currency requirements

In Portugal, salary payments must be made in Euros, with all employment contracts specifying amounts in EUR. Payment in foreign currency is not permitted.

Taxation and compliance

Employee and employer tax obligations

In Portugal, employees are obligated to contribute 11% to Social Security and a specified percentage to the IRS. The IRS tax return must be submitted annually, typically between April 1 and June 30 of the year following the tax year.

Termination and severance

In Portugal, if an employee is dismissed, termination payments must be made on the last day of the month.

Employers have 10 days after termination to deregister the employee and update social security records.

There is no indemnity for the notice period; any non-compliance will be deducted from the severance payment.

Severance pay is typically calculated at 14 days' salary for each complete year of service.