



# TAXATION OF CRYPTO INCOME: UPDATE

## STATE BUDGET PROPOSAL TAXATION ON CRYPTO ASSETS (PIT)

The State Budget proposal for 2023 submitted by the Portuguese Government includes the long-awaited specific rules on crypto assets taxation in Portugal. We highlight the proposed taxation rules on a Personal Income Tax (PIT) level:

- **Definition of crypto asset for PIT purposes:**

"Any digital representation of value or rights that may be transferred or stored electronically using distributed or similar registration technology". (Including cryptocurrency, Non-Fungible Tokens, stablecoins, utility tokens and security tokens.)

- **Activity related to issuance of crypto assets or validation of transactions:**

Income deriving from the activity of issuance of crypto assets or validation of transaction would be treated as Category B Income (Professional & Business Income), therefore subject to tax at the general tax rates. However, under the simplified regime (if applicable), a coefficient of 0,15 applies, determining only 15% of the income earned under these activities would be taxed.



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- **Capital Gains from disposal of crypto assets:**

Gains deriving from the sale of crypto assets would be treated as Capital Gains (Category G Income). Depending on the holding period, taxation would be as follows:

- The gain from sale of crypto assets held for less than 365 days would be taxed at 28% (optionally subject to the general tax rates), being a more beneficial regime than the applicable to some other types of capital gains held for less than 365 days, under the regime coming into force in 2023;
- The gain from sale of crypto assets held for 365 days or more would be exempt from taxation.

Final notes:

- Providers of custody and management services of crypto assets on behest to third parties and managers of one or more trading platforms, regardless of whether they are natural persons, legal persons, bodies, or other entities without legal personality would be subject to report obligations.
- Payments will be treated as income in kind, therefore for its determination should be considered, successively, the official price, the official purchase price or market value, under conditions of competition.