



## RETIREMENT SAVINGS PLANS

### IRS TAX DEDUCTION

As the end of the year approaches, some taxpayers are already doing their calculations on the amount of the IRS assessment to be paid next year, or the refund amount to be issued by the Tax Administration, whose income declaration Model 3, will have to be submitted, as a rule, by 30 June of 2023.

Since IRS is an annual tax, it is very important that the taxpayer, before the end of the tax period in question, analyse his deductions to the IRS assessment, in order to check the

amount of expenses to be included in the income tax return to be presented.

In this context, we consider that the deduction of the amounts related to retirement savings plans, which are often not considered by taxpayers, is of special relevance.

Under the terms of the Tax Benefits Statute (EBF), 20% of the amount applied, in each taxable period, in retirement savings plans is deductible from the IRS of taxable persons subject

to this tax, with the following maximum limits:

- a) €400,00 for each taxpayer under 35 years of age;
- b) €350,00 for each member aged between 35 and 50;
- c) €300,00 for each member over 50 years of age.

We cannot fail to mention that the values of the above-mentioned deductions are limited according to the income of the taxpayer and/or his household, in order to promote the progressivity of income tax.

Thus, this deduction to the IRS taxable amount competes with the other deductions to the IRS taxable amount provided for in the IRS code, such as general and family deductions, health expenses, education and formation expenses, among others specifically provided for, and has a maximum deduction ceiling that depends on the income of the taxpayer and his family household.

This benefit will become null and void, as the taxpayer is obliged to reimburse the Tax Administration the amount of the deduction, increased by 10% for each year or fraction, since the date of subscription or reinforcement of the Retirement Savings Plans (*Plano Poupança-Reforma*), if to the taxpayer is attributed any income associated with the holding of the PPR, or if he is granted the reimbursement of the value of the certificates, except in the case of death, or when at least five years have elapsed since the delivery of the amount which has gave rise to the deduction to the IRS.

Finally, it should be noted that the aforementioned deduction to the taxable income is not applicable to taxpayers who make contributions to Retirement Savings Plans after the date of retirement.

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