

IN 2 MINUTES

New withholding tax tables 2023

Have you noticed the introduction of the new withholding tax tables for 2023?

From the second half of 2023, the net salary of employees will change due to the application of the new personal income tax tables.

What changes?

This is a new way to calculate the monthly withholding from your salary!

The measure aims to approximate the IRS brackets considered at the time of the annual submission of income, as well as to avoid situations of reduction of net salary, in months when the company decides to increase the salary of its employee.

Before

Until now, calculations were made on the basis of a **percentage value** that took into account the number of holders and the number of dependents. The rate of the respective income bracket was applied directly and the IRS to be deducted was thus calculated.

Now

In this new reality, we calculate the withholding taking into account a **marginal rate**, with a portion to be deducted and an additional portion to be deducted for each dependent. After calculating the withholding, the effective monthly rate is calculated, which is applied to the total amount of income.

This means that the old tables were inflated?

Yes. This is a change with the aim of advancing a smaller monthly amount to the State every month. The amounts withheld will, after this change, be closer to what will be the adjustment of accounts when you submit your IRS.

Complex?

The case of Bernardo and Matilde will remove all doubts!

Bernardo is single, 26 years old and looking to start his adult life by buying a house and starting a family. In his current job, he earns a gross monthly salary of **€787**.

IRS TABLES - until June 2023

Remuneration	€787,00
Retention rate	0,60%
Retention	€4,72

IRS TABLES - July 2023

Remuneration	€787,00
Maximum marginal rate	14,50 %
Portion to be deducted	€102,15
Effective rate	1,52 %
Retention	€11,92

$(14,5\% \times 2,3 \times (1093,31 - €787))$

We found that in Bernardo's case, the change in the withholding tax tables is detrimental on a monthly basis. Bernardo deducts an extra €7.24 for personal income tax every month, which over the year amounts to **€101.36**. However, in the context of submitting the IRS at the end of the year, this will be the amount that Bernardo will receive more, in case of reimbursement, or will have to pay less in case of payment.

Matilde is married, 32 years old and has a daughter with her current husband, Rui.

She earns a gross monthly salary of **€890**.

IRS TABLES - until June 2023

Remuneration	€890,00
Retention rate	7,2 %
Retention	€64,08

IRS TABLES - July 2023

Remuneration	€890,00
Maximum marginal rate	21,00 %
Portion to be deducted	€125,64
Portion to be deducted for each dependent	€21,43
Effective rate	1,52 %
Retention	€39,83

$(21\% \times 1,3 \times (1050,21 - €890))$

Matilde's case is the opposite of Bernardo's case. That is, Matilde deducts €24.25 less each month.

When Matilde and Rui file their personal income tax return, regardless of whether they do it together or separately, Matilde will receive (less) or pay (more) an amount of **€339.50**.

The introduction of this new measure, in most cases, allows employees to **receive more income each month**. However, it is necessary to exercise some caution in this analysis, since at the time of the annual IRS submission the adjustment will be made, which may result in a lower refund than in previous years and / or in some cases may even result in IRS payment.

We would also like to point out the importance of updating personal data, such as marital status, holders for IRS purposes and dependents. In order for the monthly IRS deductions to be in accordance with the subsequent annual IRS submission, it is essential that this data be updated with your employer.

How about you? Do you already know the change in your salary?

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