

Taxing Energy Use 2018

Portugal

This note describes the taxation of energy use in Portugal. It contains the country's energy tax profiles, followed by country-specific information to complement the general discussion in *Taxing Energy Use 2018* (OECD, 2018). The note contains four energy tax profiles for Portugal:

Figure 1: Effective tax rates on energy use in EUR/GJ, 2015, including electricity output taxes and energy use from biomass

Figure 2: Effective tax rates on energy use in EUR/tCO₂, 2015, including electricity output taxes and energy use from biomass

Figure 3: Effective tax rates on energy use in EUR/tCO₂, 2015, excluding taxes on electricity output, including carbon emissions from biomass

Figure 4: Effective tax rates on energy in EUR/tCO₂, 2015, excluding taxes on electricity output and carbon emissions from biomass

The main insights from the second vintage of the *Taxing Energy Use* database, including a systematic comparison of patterns of the taxation of energy use across countries, sectors and fuels are available in *Taxing Energy Use 2018* (OECD, 2018) at: <http://oe.cd/TEU2018>.

1. Energy tax profiles for Portugal

Figure 1. Effective tax rates on energy use in EUR/GJ, 2015, including electricity output taxes and energy use from biomass

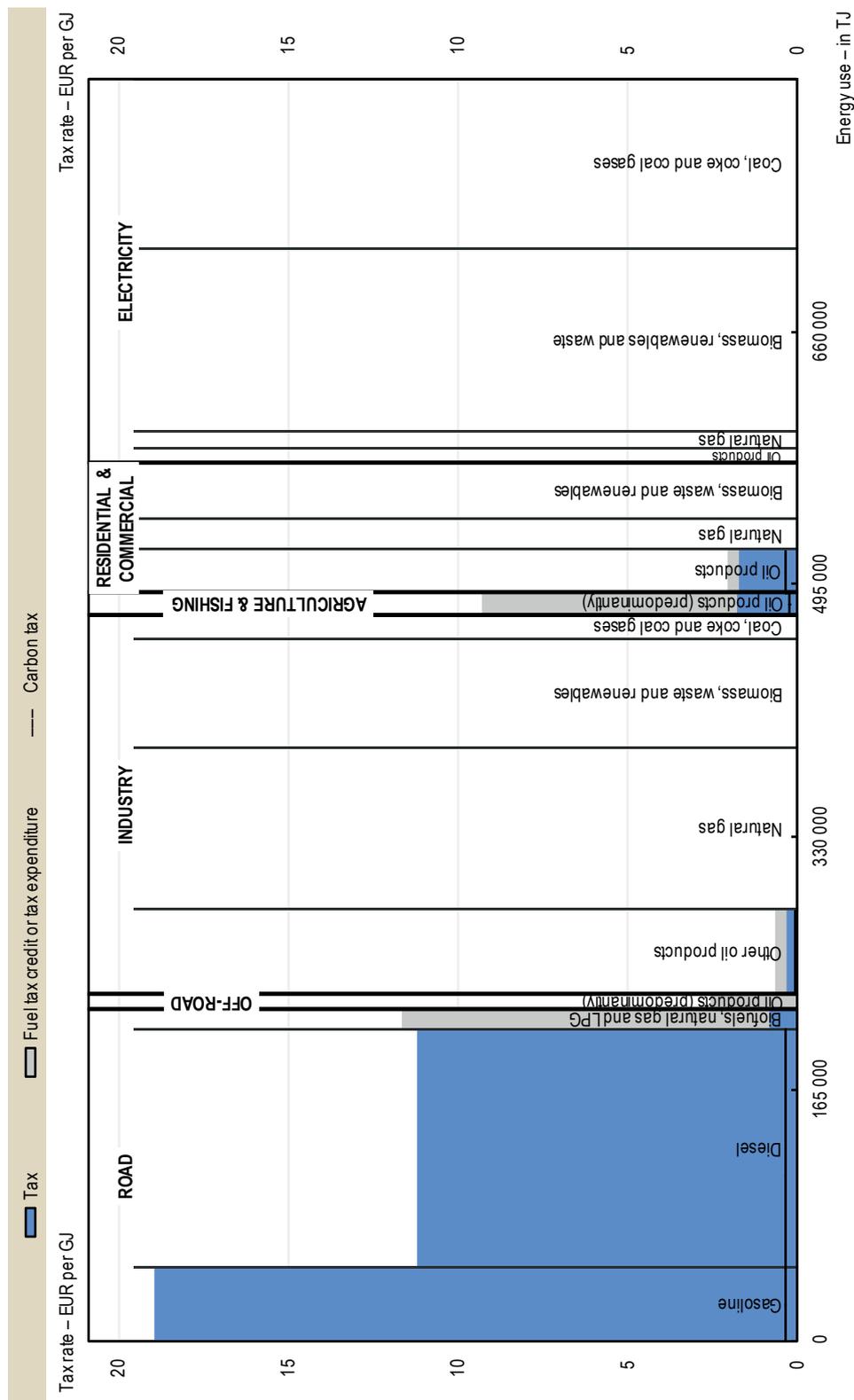


Figure 2. Effective tax rates on energy use in EUR/tCO₂, 2015, including electricity output taxes and carbon emissions from biomass

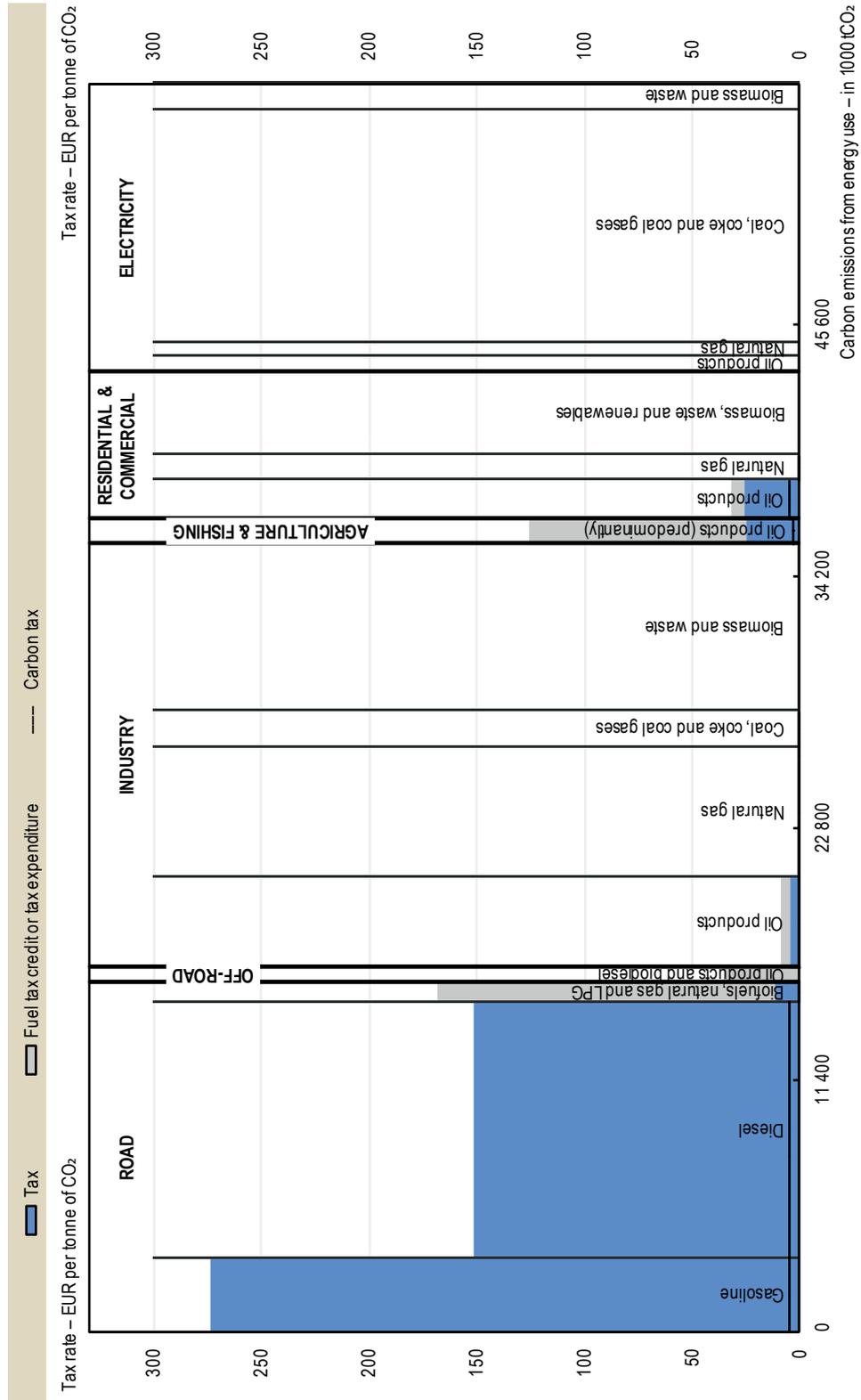


Figure 3. Effective tax rates on energy use in EUR/tCO₂, 2015, excluding taxes on electricity output, including carbon emissions from biomass

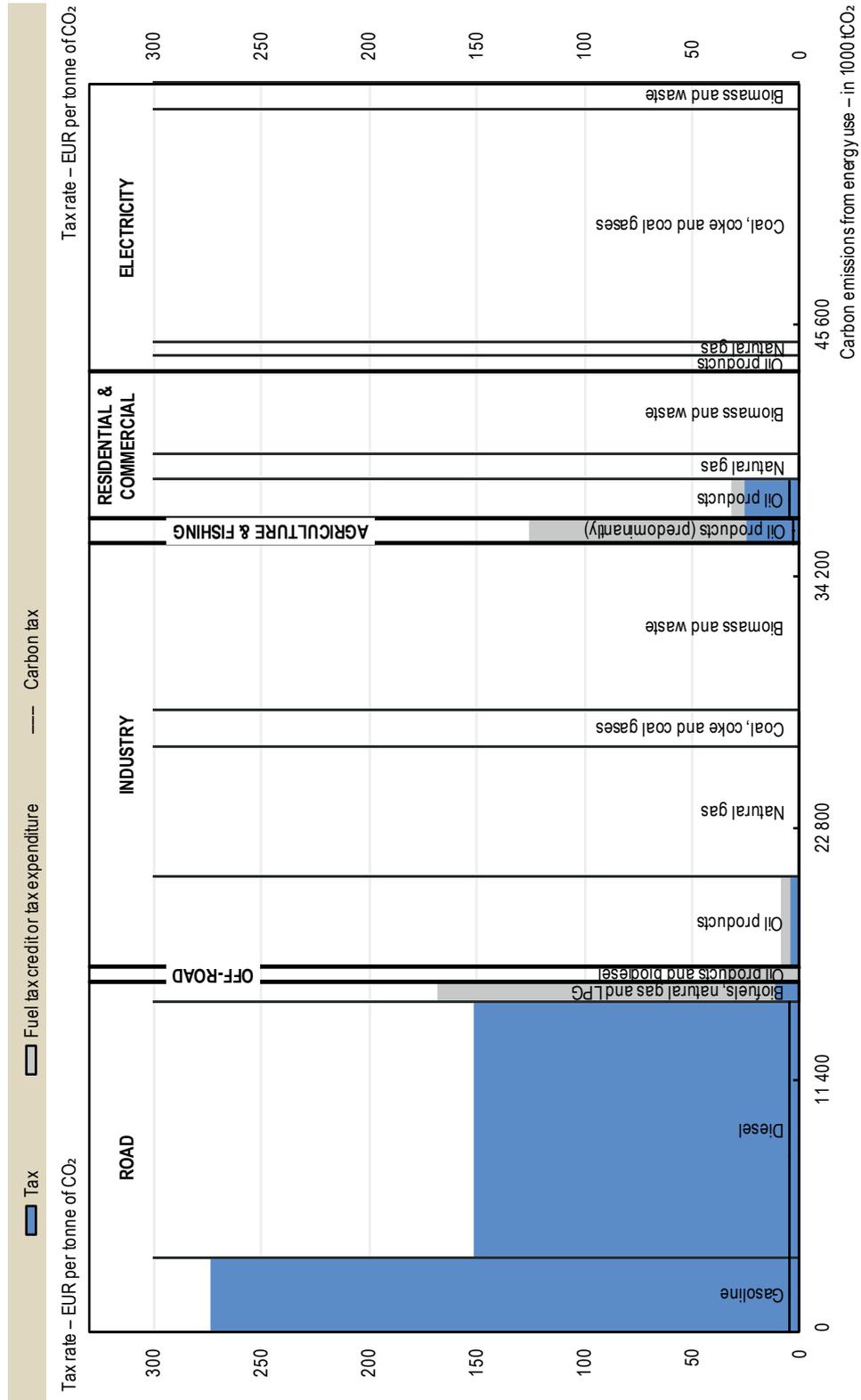
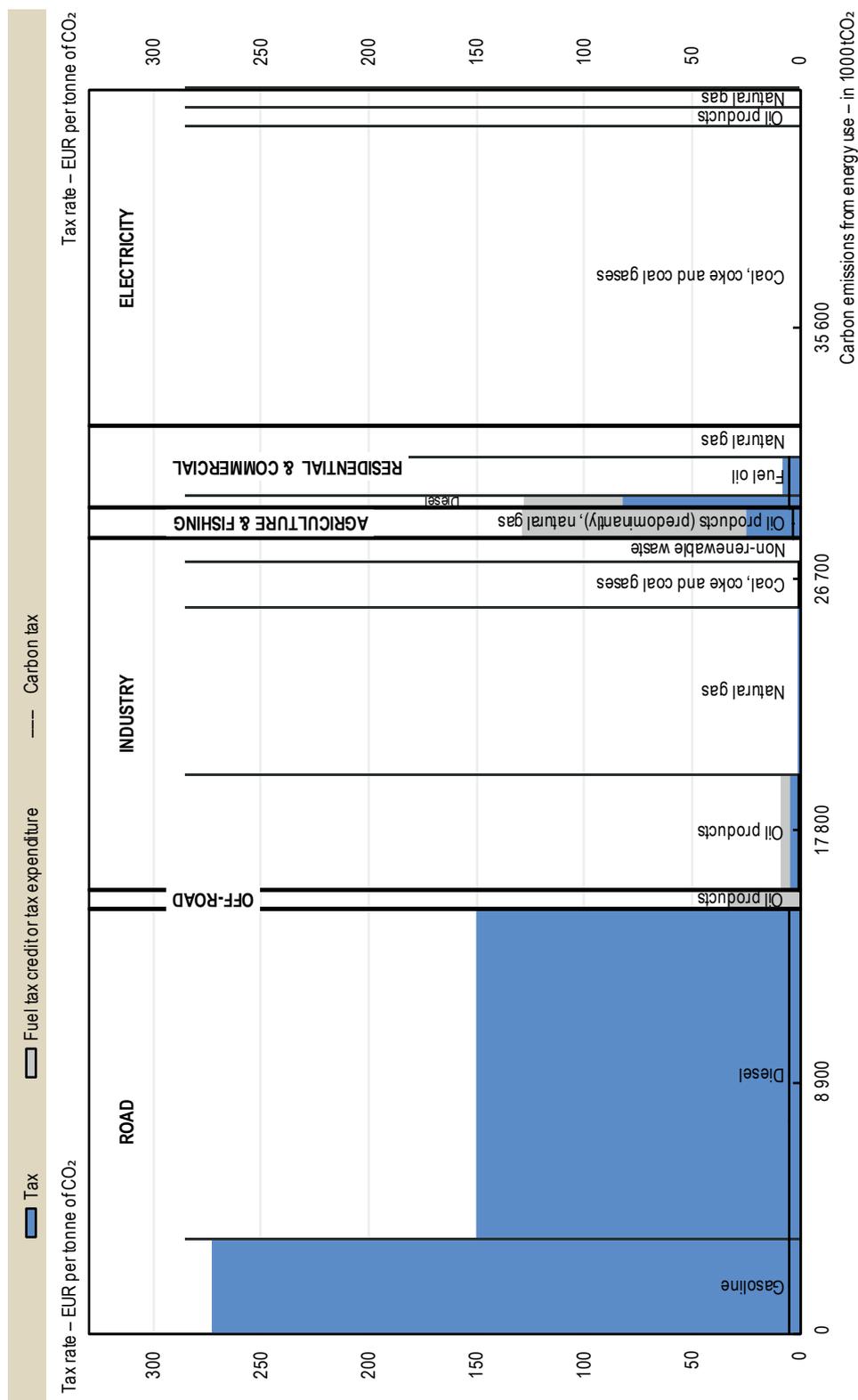


Figure 4. Effective tax rates on energy use in EUR/tCO₂, 2015, excluding taxes on electricity output and carbon emissions from biomass



2. Country-specific notes

This note describes the taxation of energy use in Portugal. It contains the country's energy tax profiles, accompanied by country-specific information to complement the general discussion in *Taxing Energy Use 2018* (OECD, 2018). Tax rates are those applicable in April 2015, energy use data are for 2014.

The data shown in the energy tax profiles is from the OECD's *Taxing Energy Use* (TEU) Database. More detail on the TEU Database, the calculation of effective tax rates on energy use and the interpretation of the energy tax profiles can be found in *Taxing Energy Use 2018* (OECD, 2018).

Portugal participates in the European Union emissions trading system (ETS), not shown in the energy tax profiles.¹

Energy and carbon taxes

Energy taxes in Portugal are levied within the framework of the 2003 EU Energy Tax Directive, which sets minimum rates for the taxation of energy products in member states. Within this framework, the main taxes on energy use in Portugal are the following:

- An energy tax applies to oil products, natural gas and coal and coke consumption.
- A CO₂ tax applies to the same fossil fuels as the energy tax, at rates varying in proportion to fuels' carbon content.
- The Road Service tax applies to oil products used in transport, in addition to the carbon and the energy tax.
- Electricity output is taxed at a uniform rate across all users, except when used for transport purposes.

The rates at which these taxes apply can further differ across fuels and different users, as described below.

These taxes are included in the energy tax profiles of Portugal, but the tax on electricity output is only included when separately indicated (see below). Where more than one tax rate applies to an energy user or fuel, the energy tax profile shows their sum.

Effective tax rates on energy use for different fuels and users

The tax rates on different fuels and uses are linked to Portugal's energy use² to calculate effective tax rates on energy use (in EUR/TJ) or CO₂ emissions from energy use (in EUR/tCO₂). Energy use and the CO₂ emissions associated with it are shown for six economic sectors: road transport, domestic offroad transport, industry, agriculture and fishing, residential and commercial, and electricity.

The Portuguese energy tax profiles (Figures 1 and 2) show effective tax rates for different fuels and uses in terms of the fuels' energy and carbon content, respectively. Figures 1 and 2 include energy use and carbon emissions from biomass and they show output taxes on electricity. Figure 3 is identical to Figure 2, except that taxes on electricity

1. The OECD's *Effective Carbon Rates* contains information on emissions trading systems.
 2. Data on energy use is taken from the IEA's *Extended World Energy Balances*, see Chapter 1 of *Taxing Energy Use 2018* (OECD, 2018) for additional detail.

output are excluded. Figure 4 excludes carbon emissions from biomass and taxes on electricity output.

- Of the six economic sectors, the **road** sector is taxed at the highest rates, both in terms of the fuels' energy and carbon content. Within the road sector, gasoline is taxed at the highest effective tax rate, diesel is taxed at a lower effective rate in terms of TJ and in terms of CO₂. LPG and natural gas are taxed at a lower effective and statutory rate by the Energy Tax and the CO₂ tax. Biofuels are untaxed.
- All fuels used in **off-road** transport are untaxed.
- Fossil fuels within the **industry** and the **residential and commercial** sectors are taxed by the energy tax and the CO₂ tax. The following reduced rates and exemptions are included **in data shown** in the energy tax profiles:
 - Since the firms which participate in the ETS are not covered by the CO₂ tax, a corresponding amount of carbon emissions from energy use is shown as untaxed under the CO₂ tax in the industry sector.³
 - Firms which participate in the ETS are tax exempt for their use of coal, petroleum coke, fuel oil and LPG. Diesel consumed in stationary engines in industrial installations is tax exempt.
 - Fuels used for combined heat and power (CHP) generation are untaxed.
- Fuels used for **agriculture** activities are taxed by the Energy Tax and the CO₂ tax, but a reduced diesel tax rate applies to diesel for agricultural use. Fuels used for **fishing** purposes are untaxed. The EU ETS covers less than 1% of the agriculture and fishing sector, and a corresponding amount of diesel use is shown as untaxed under the carbon tax.
- Fuels used to generate **electricity** are untaxed. **Electricity output** is taxed, except when used for transport purposes but the rate is low, so barely visible in the energy tax profiles.

Reported tax expenditures and rebates

The following tax expenditures are included in the *Taxing Energy Use* data for Portugal:

- Fuels used for domestic navigation, domestic aviation, rail transport and for fishing purposes are untaxed.
- Biofuels are untaxed.
- A partial reduction on the Energy Tax rate is applied to diesel consumed in the agriculture sector and by ETS covered industries.
- A full reduction on the Energy Tax rate is applied to fuel oil, LPG and coal and coke consumed by ETS covered industries.

Reported tax expenditures or rebates might be averaged with tax rates on other energy uses, in which cases they are not visibly identifiable in the graphical profile. Additional detail on the treatment of tax expenditures is available in Chapter 1 of *Taxing Energy Use 2018*.

3. **In line with data from the OECD's *Effective Carbon Rates*, the EU ETS covers 42% of the industry sector in Portugal.**

Assumptions and caveats

- On the basis of the information available, it has not been possible to disaggregate fuel oil with a lower sulphur content from other fuel oil. Thus, all fuel oil consumed by ETS sectors has been assumed to have a sulphur content equal to or lower than 1%, and is thus shown as tax exempt.
- On the basis of the information available, it has not been possible to disaggregate diesel consumed in stationary engines from other diesel consumption. For the *Taxing Energy Use* data it has been assumed that the majority of diesel consumption in industry relates to stationary engines, and is thus shown as taxed at a reduced rate.

Where not separately indicated, these assumptions have been arrived at in consultation with national officials, or otherwise based on previous *Taxing Energy Use* publications.

Sources

The main insights from the second vintage of the *Taxing Energy Use* database are analysed in:

OECD (2018), *Taxing Energy Use 2018 – Companion to the Taxing Energy Use Database*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264289635-en>.

Apart from the sources included in *Taxing Energy Use 2018* (OECD, 2018), and consultation with national delegates, the following country-specific source was used:

Portuguese Government (2015), “Código dos Impostos Especiais de Consumo”, [www.cm-almodovar.pt/data/menus/servicos/DAF/Legislacao/dl_73_2010\(jan_2015\).pdf](http://www.cm-almodovar.pt/data/menus/servicos/DAF/Legislacao/dl_73_2010(jan_2015).pdf).