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Portugal

Technology Outsourcing

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This country-specific Q&A provides an overview of technology outsourcing laws and regulations applicable in Portugal.

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Portugal: Technology Outsourcing

1. Market overview: Please provide a high-level overview of the outsourcing market in your jurisdiction (e.g. who are the key players and in what sectors (public and private) are you seeing outsourcing services being adopted)?

Portugal has a mature and diversified outsourcing market, broadly aligned with wider European Union trends. Outsourcing is widely adopted across both the private and public sectors, particularly in information technology services, software development, cloud infrastructure, business process outsourcing (BPO) and shared services.

In the private sector, outsourcing is most prevalent in technology-driven services, including cloud, cybersecurity and software development, as well as in operational areas such as payroll, accounting, customer support and facilities management. Portugal has also established itself as a competitive nearshoring destination for technology and shared service centres.

In the public sector, outsourcing is commonly used in information and communication technology (ICT), infrastructure maintenance, logistics, cleaning and security services, and is subject to the Public Contracts Code.

Key suppliers include multinational technology providers, global outsourcing groups and local service providers, notably in BPO and facilities management.

In practice, the Portuguese administrative courts have taken a strict approach to the qualification of outsourcing arrangements involving public entities, often treating such arrangements as public service contracts subject to procurement rules, regardless of their contractual designation and even in case of public-private partnerships (PPPs).

2. Market overview: What is the current attitude of the government and of regulators to the use of outsourcing in your jurisdiction?

Portugal generally adopts a favourable but risk-focused approach to outsourcing. Both the government and sectoral regulators recognise outsourcing as a legitimate tool to increase efficiency, particularly in digital

transformation and the provision of technology services, provided that key regulatory requirements are met.

There is no standalone outsourcing legislation. Instead, outsourcing is regulated through a combination of general legal frameworks, including public procurement, data protection, cybersecurity and employment law, as well as sector-specific regimes.

In the public sector, outsourcing is widely used but remains subject to strict compliance with transparency, competition and public interest requirements under the Public Contracts Code.

In regulated sectors, particularly financial services, regulators such as the Bank of Portugal (Banco de Portugal) and the Portuguese Securities Market Commission (Comissão do Mercado de Valores Mobiliários) take a more cautious approach. Outsourcing of critical or important functions is permitted, but subject to enhanced scrutiny, particularly in relation to operational risk, concentration risk and reliance on third-party providers.

In December 2024, the Government approved the National Digital Strategy (Estratégia Digital Nacional) and, in December 2025, it approved the National Digital Strategy Action Plan for 2026-2027 (Plano de Acção da Estratégia Digital Nacional para 2026-2027). These initiatives reinforce the use of outsourcing and shared services within the public sector, while maintaining a strong focus on security, resilience and regulatory compliance.

3. Procurement: Are there specific procurement-related laws or regulations governing outsourcing by public sector or government bodies?

Outsourcing by public sector entities is generally subject to the Public Contracts Code, which establishes the procedures for the award of public service contracts, as well as rules governing contract performance, including modification, subcontracting and assignment.

The classification of an outsourcing arrangement as a public contract depends on the substantive characteristics of the relationship, rather than the contractual designation used by the parties.

In practice, Portuguese administrative courts have consistently taken a strict approach to this qualification, holding that arrangements involving the provision of services in exchange for remuneration are subject to public procurement rules, even where structured as cooperation agreements or similar arrangements.

Specific thresholds and simplified procedures apply to certain information technology and knowledge-related services until 31 December 2026.

Outsourcing in the defence and security sectors is subject to a separate legal framework, based on Directive 2009/81/EC, as implemented in Portugal by Decree-Law n° 104/2011, while the Public Contracts Code applies on a subsidiary basis.

4. Procurement: Are there specific procurement-related laws or regulations governing outsourcing by private sector organisations?

There are no specific procurement-related laws governing outsourcing by private sector organisations in Portugal.

Private entities are generally free to select their service providers and structure outsourcing arrangements, subject to general legal principles, including competition law, good faith and applicable sector-specific regulation.

Outsourcing arrangements are typically governed by civil and commercial law, including contracts for the provision of services, works or mixed agreements, and are subject to the general rules on contract formation, validity, interpretation and performance.

In regulated sectors, such as financial services and insurance, additional requirements may apply, including internal governance procedures and enhanced oversight of the selection and monitoring of service providers, particularly where critical functions are outsourced.

5. Laws and Regulations: Are there any other specific laws or regulations that apply to outsourcing? If not, what key general laws and regulations are most relevant?

There is no general legal regime specifically governing outsourcing in Portugal.

Outsourcing arrangements are instead subject to a range of general legal frameworks, including civil and commercial law (in particular the law of obligations and

contracts), competition law, employment law, data protection and cybersecurity rules, and, where applicable, public procurement law.

In practice, particular importance is given to the legal regime governing standard terms and conditions, which may affect the validity of limitation of liability clauses, exclusions of warranties and unilateral variation provisions.

Intellectual property laws are also relevant, particularly in technology outsourcing, where issues of ownership, licensing and use of software, databases and other protected assets must be clearly addressed in the contractual arrangements.

6. Laws and Regulations: Do any specific regimes apply to outsourcing arrangements in particular sectors (e.g. financial services)?

Portugal applies a number of sector-specific regimes to outsourcing arrangements, particularly in the financial and insurance sectors, largely derived from European Union legislation.

In financial services, the main framework is established by Regulation (EU) 2022/2554 on digital operational resilience for the financial sector (DORA), which imposes harmonised requirements on the management of ICT-related risks, including in outsourcing arrangements involving critical or important functions. DORA applies both to financial institutions and to certain ICT third-party service providers. The implementation of DORA in Portugal was ensured by Law n° 73/2025, of 23 December, which also transposes Directive (EU) 2022/2556.

In practice, the key regulatory principles applicable to outsourcing in regulated sectors include:

- responsibility for outsourced functions remaining with the regulated entity;
- outsourcing of critical or important functions being subject to enhanced oversight and risk management;
- written agreements including clear provisions on performance monitoring, audit rights and access to information;
- restrictions applying to sub-outsourcing, with requirements for transparency and control throughout the supply chain;
- concentration risk and dependency on a limited number of providers being assessed and managed.

In addition, Directive (EU) 2022/2555 (NIS2), as implemented in Portugal by Decree-Law 125/2025, of 4 December, imposes cybersecurity risk management and incident reporting obligations on a broad range of entities, including those relying on outsourced ICT services. These requirements typically extend to service providers through contractual arrangements.

At national level, supervisory authorities such as the Bank of Portugal and the Portuguese Insurance and Pension Funds Supervisory Authority (Autoridade de Supervisão de Seguros e Fundos de Pensões) require that outsourcing arrangements do not impair effective supervision, internal control systems or the continuity of critical services.

7. Competition law: To what extent might outsourcing arrangements require notification or approval under merger control rules?

Outsourcing arrangements do not typically trigger merger control notification requirements under Portuguese competition law, as they do not generally involve a change of control over an undertaking.

However, a notification requirement may arise where the outsourcing involves the transfer of significant assets, personnel, contracts or know-how to a separate entity, particularly in the context of shared service centres or joint ventures that operate as economically autonomous businesses.

In such cases, the arrangement may qualify as a concentration if the receiving entity performs functions on a lasting basis and has access to sufficient resources to operate independently on the market.

The Portuguese Competition Authority (Autoridade da Concorrência) has assessed structures of this type where outsourcing arrangements effectively result in the creation of full-function joint ventures, subject to the applicable turnover thresholds.

8. Competition law: To what extent are the terms of outsourcing agreements the subject of restrictions under competition law?

The terms of outsourcing agreements may raise issues under Portuguese competition law, in particular where they include exclusivity obligations, post-contractual non-compete clauses, restrictions on the provision of services to third parties, or the exchange of commercially sensitive information between competitors.

Portuguese competition law prohibits agreements that have as their object or effect the prevention, restriction or distortion of competition, as well as the abuse of a dominant position. This may be relevant in outsourcing arrangements, particularly where such structures are used to facilitate coordination between competitors.

In a recent decision of 12 March 2026, the Portuguese Competition Authority imposed a fine of €4,519,000 on an association of temporary work agencies for including a no-poach clause in its code of conduct. The authority considered that such arrangements restrict competition by limiting companies' autonomy in hiring and reducing labour mobility.

This reflects an increased focus by the Portuguese Competition Authority on labour market restrictions, which may also arise in the context of outsourcing arrangements.

9. Intellectual property ('IP') rights: What IP (registrable and non-registrable) is typically created in the course of an outsourcing arrangement?

In outsourcing arrangements, particularly in the technology sector, a range of intellectual property rights may be created or used, including copyright in software and databases, related rights, and industrial property rights such as trademarks, designs, patents and trade secrets.

The Portuguese Copyright and Related Rights Code governs the protection of works, including computer programs and databases, and grants authors exclusive rights to use and exploit such works or to authorise their use by third parties.

Industrial property rights, including patents, utility models, trademarks and designs, are regulated by the Industrial Property Code, which provides protection against infringement and unfair competition.

In practice, outsourcing agreements typically address the ownership and use of intellectual property created in the course of the services, including whether such rights vest in the supplier, the customer, or are subject to exclusive or non-exclusive licensing arrangements. This is particularly relevant in projects involving custom software development or artificial intelligence solutions trained on customer data.

10. Intellectual property ('IP') rights: In an outsourcing arrangement, would any contractual terms or formal steps be required to vest supplier-created IP in the customer?

As a general rule, intellectual property rights initially vest in the creator or applicant. Accordingly, the transfer of such rights to the customer in an outsourcing arrangement requires appropriate contractual provisions.

Under the Portuguese Copyright and Related Rights Code, the transfer of economic rights must generally be made in writing and should clearly define its scope, duration and territorial extent.

However, Portuguese law recognises the concept of 'works made for hire' (obra por encomenda). In such cases, the allocation of copyright is determined by the contractual agreement between the parties. It is therefore possible to agree that the rights created in the course of the outsourcing arrangement vest directly in the customer.

If no such agreement is in place, the rights remain with the supplier.

Similar principles apply under the Industrial Property Code in relation to inventions created on commission, without prejudice to the inventor's right to additional remuneration in certain circumstances.

Specific rules apply to computer programs. Under Decree-Law No. 252/94, copyright in software created on commission vests in the customer, unless otherwise agreed.

11. Intellectual property ('IP') rights: How are confidential information, know-how and trade secrets protected in your jurisdiction?

Confidential information, know-how and trade secrets are protected through a combination of contractual and statutory mechanisms.

Contractually, outsourcing agreements typically include confidentiality obligations, which may extend to employees, affiliates and subcontractors.

At statutory level, protection is provided by general principles of good faith, unfair competition rules and the legal regime governing the protection of trade secrets, which prohibits the unlawful acquisition, use or disclosure of confidential information with commercial value.

In the event of a breach, remedies may include civil liability, injunctive relief and, in certain cases, criminal or administrative sanctions.

12. Data: What is the regime in your jurisdiction for regulating the protection and processing of personal data and what are the main implications for outsourcing arrangements?

Portugal applies Regulation (EU) 2016/679 (General Data Protection Regulation) (GDPR), supplemented by Law 58/2019, which provides for its national implementation.

In outsourcing arrangements, the customer typically acts as controller and the supplier as processor, although joint controllership may arise in more complex structures. The GDPR requires a written data processing agreement setting out the subject matter and duration of the processing, the type of personal data, the categories of data subjects, and the respective obligations and rights of the parties.

In practice, the key data protection requirements in outsourcing arrangements include:

- implementation of appropriate technical and organisational security measures;
- compliance with personal data breach notification obligations towards the supervisory authority and, where applicable, affected individuals;
- restrictions on sub-processing, typically requiring prior authorisation from the controller;
- audit and monitoring rights to ensure ongoing compliance by the processor;
- obligations to return or delete personal data at the end of the contract.

Where outsourcing involves transfers of personal data outside the European Economic Area, appropriate transfer mechanisms must be implemented, such as adequacy decisions or standard contractual clauses, together with transfer impact assessments where required.

Additional obligations may arise under sector-specific regulation, including in financial services, electronic communications and healthcare, often in conjunction with European Union instruments relating to data sharing and digital services.

13. Data: What is the regime in your jurisdiction

for regulating the processing of non-personal data and what are the main implications for outsourcing arrangements?

The processing of non-personal data is primarily governed by European Union legislation, including Regulation (EU) 2022/868 (Data Governance Act) and Regulation (EU) 2023/2854 (Data Act), which establish rules on data sharing, access and use between businesses and between businesses and consumers.

While these instruments apply directly, they have practical implications for outsourcing arrangements, particularly in relation to data access, portability and interoperability.

In practice, outsourcing agreements increasingly address rights to access and use data generated in the course of the services, as well as mechanisms to facilitate data portability and avoid vendor lock-in, especially in cloud and digital platform environments.

14. Cyber: Does your jurisdiction have specific cybersecurity legislation or regulations and what are the main implications for outsourcing arrangements?

Portugal has implemented Directive (EU) 2022/2555 (NIS2) by Decree-Law n° 125/2025, which establishes cybersecurity risk management and incident reporting obligations for a broad range of entities, including those relying on outsourced information and communication technology (ICT) services.

In the context of outsourcing, these obligations typically require organisations to ensure that their service providers implement equivalent security measures and are able to support compliance with incident detection, response and reporting requirements.

In practice, outsourcing agreements commonly include detailed provisions on cybersecurity standards, incident notification, business continuity, resilience testing and audit rights.

Importantly, the use of outsourcing does not transfer responsibility for cybersecurity compliance. Regulated entities remain accountable for ensuring that outsourced services meet applicable legal and regulatory requirements.

15. Technologies: To what extent are certain

technologies commonly used in outsourcing arrangements (e.g. artificial intelligence, robotic process automation, cloud computing and blockchain/distributed ledger technologies) the subject of specific regulations?

Technologies commonly used in outsourcing arrangements, such as cloud computing, artificial intelligence (AI), robotic process automation and distributed ledger technologies, are primarily subject to European Union regulatory frameworks.

In particular, Regulation (EU) 2024/1689 (Artificial Intelligence Act) establishes a risk-based framework for AI systems, with enhanced requirements for high-risk applications. This may affect outsourcing arrangements where suppliers provide AI-based services.

In regulated sectors, additional requirements apply. For example, Regulation (EU) 2022/2554 on digital operational resilience for the financial sector (DORA) imposes specific obligations in relation to ICT services, including cloud-based solutions and automated systems.

More generally, the use of these technologies in outsourcing arrangements is also subject to data protection and cybersecurity rules, which influence the design of contractual provisions, particularly in relation to data use, transparency and risk allocation.

In practice, the increasing use of advanced technologies has led to greater scrutiny of issues such as algorithmic transparency, control over automated decision-making and the allocation of rights in data-driven systems. This is also reflected in guidance and decisions issued by the Portuguese Data Protection Authority (Comissão Nacional de Proteção de Dados), which have highlighted risks associated with opaque or insufficiently explained automated processing in outsourced services.

16. Employment law: Do your jurisdiction's employment laws and regulations have specific implications for outsourcing arrangements?

Portuguese employment law has significant implications for outsourcing arrangements, particularly in relation to temporary agency work and the transfer of undertakings.

The use of temporary agency workers is subject to licensing requirements and must be supported by written agreements. Failure to comply with the applicable legal framework may result in the requalification of the relationship as a direct employment contract with the

user undertaking. The law also restricts the circumstances in which temporary agency work may be used.

In addition, the transfer of an economic entity that retains its identity may trigger the application of the transfer of undertakings regime, under which employees assigned to the transferred activity are automatically transferred to the service provider, together with their rights and obligations.

In practice, Portuguese courts have taken a strict approach to arrangements involving 'false outsourcing', where external service providers are used to disguise employment relationships. In particular, case law has confirmed that the outsourcing of activities such as cleaning services may constitute a transfer of an economic entity, requiring the preservation of employees' rights and, in certain cases, giving rise to joint liability between the transferor and the transferee.

17. Employment law: How are employees transferred under an outsourcing arrangement?

Where an outsourcing arrangement qualifies as a transfer of an economic entity, employees assigned to the relevant activity are automatically transferred to the service provider, together with their rights and obligations.

Transferred employees retain their seniority, remuneration and other contractual conditions, and their consent is not required. However, employees may object to the transfer in certain circumstances.

Both the transferor and the transferee are subject to information and consultation obligations in relation to the affected employees or their representatives.

In practice, Portuguese courts have recognised that a transfer of undertakings may also occur in the context of successive outsourcing arrangements, particularly in sectors such as security and facilities management, where the organisation of the activity remains substantially unchanged.

Collective labour agreements may also include specific provisions addressing the transfer of employees in outsourcing scenarios.

18. Tax: What are the general tax considerations in your jurisdiction with implications for

outsourcing arrangements?

From a tax perspective, outsourcing arrangements are generally subject to value added tax (VAT) at the standard rate, unless a specific exemption applies, for example in relation to certain financial or healthcare services.

In cross-border arrangements, it is necessary to determine the place of supply of services, the application of reverse charge mechanisms and any related VAT registration obligations.

As a general rule, outsourcing costs are tax-deductible for corporate income tax purposes, provided that they are incurred for the purpose of generating taxable income and are properly documented.

In practice, the Portuguese Tax Authority (Autoridade Tributária e Aduaneira) has emphasised the need to demonstrate the economic substance and business rationale of intra-group outsourcing services, particularly in relation to management and IT services, in order to ensure their deductibility.

19. ESG: Are there any specific ESG requirements in your jurisdiction (e.g. relating to carbon emissions, modern slavery, anti-bribery/corruption, waste electronic equipment, etc.), and what are the implications of these for outsourcing arrangements?

Portugal has an increasingly developed environmental, social and governance (ESG) framework, based on both European Union requirements and national legislation.

Relevant national regimes include climate legislation, emissions trading mechanisms, waste management rules and anti-corruption frameworks, including the national anti-corruption strategy and related compliance obligations. These regimes extend to companies' supply chains and, therefore, to outsourcing arrangements.

In the context of outsourcing, these requirements translate into increased scrutiny of service providers, particularly in relation to environmental performance, labour standards and compliance with anti-corruption obligations.

Certain entities are required to implement compliance programmes, risk prevention measures and reporting mechanisms, which typically extend to third-party relationships, including outsourcing providers.

In practice, outsourcing agreements increasingly include ESG-related provisions, such as codes of conduct, audit rights and termination rights in the event of serious non-compliance, reflecting a broader trend towards enhanced accountability across the supply chain.

20. Cross-border: Do cross-border or multi-jurisdictional outsourcing arrangements raise any specific challenges or concerns in your jurisdiction (e.g. relating to export control or data transfer laws)?

Cross-border outsourcing arrangements raise a number of legal and operational challenges, particularly in relation to data protection, cybersecurity and regulatory compliance across multiple jurisdictions.

From a data protection perspective, transfers of personal data outside the European Economic Area must comply with the General Data Protection Regulation (GDPR), including the use of appropriate transfer mechanisms such as adequacy decisions or standard contractual clauses, and, where required, transfer impact assessments.

From an operational standpoint, multi-jurisdictional outsourcing may create difficulties in ensuring effective audit rights, coordinating incident response and aligning different regulatory requirements, particularly in regulated sectors.

In practice, Portuguese organisations often adopt risk mitigation strategies such as limiting the location of data processing, using European-based service providers or implementing hybrid models, especially where sensitive data or critical services are involved.

Portugal's linguistic and cultural links with Portuguese-speaking jurisdictions, including Brazil and several African markets, may also facilitate certain cross-border outsourcing arrangements, particularly in relation to shared services and customer support functions. However, such arrangements remain subject to the applicable European Union legal framework, particularly in relation to data protection and international transfers.

These challenges are particularly relevant in sectors subject to enhanced regulatory oversight, where outsourcing must not impair supervision, control or compliance with applicable legal requirements.

21. Liability: Are there limits on what liabilities

can be contractually excluded in your jurisdiction (e.g. are there certain liabilities which cannot be limited or excluded by law)?

Portuguese law generally allows contractual limitations and exclusions of liability, subject to important restrictions.

In particular, liability for wilful misconduct or gross negligence cannot be excluded in advance. In addition, contractual terms that undermine the essential obligations of a party or create a significant imbalance between the parties may be considered invalid, especially in the context of standard terms and conditions.

In practice, the courts, including the Supreme Court of Justice (Supremo Tribunal de Justiça), have taken a strict approach to limitation of liability clauses in contracts involving essential or continuous services. Clauses that seek to exclude or significantly reduce liability in a disproportionate manner may be held to be invalid, particularly where they are not individually negotiated.

This approach reflects a broader principle under Portuguese law that contractual freedom does not extend so far as to the exclusion of core obligations or the frustration of legitimate expectations of performance.

22. Disputes and enforcement: How are contractual disputes in outsourcing arrangements typically resolved in your jurisdiction and what remedies are commonly available in relation to contractual breaches?

Contractual disputes in outsourcing arrangements are typically resolved before the civil courts, although arbitration is frequently used in higher-value or cross-border contracts.

Alternative dispute resolution mechanisms, including institutional arbitration and mediation, are commonly adopted, particularly in complex technology outsourcing arrangements, due to their flexibility, speed and technical expertise.

Available remedies include damages for breach of contract, specific performance, price reduction and termination of the agreement. Injunctive relief may also be sought to prevent imminent harm, particularly in cases involving disruption of critical services.

In practice, Portuguese courts have placed increasing emphasis on the contractual allocation of risk, including service level agreements (SLAs) and related performance

mechanisms. Repeated failure to meet agreed service levels may justify termination of the contract, even where individual incidents are characterised as isolated or minor.

23. Disputes and enforcement: What, if any, other enforcement measures are typically relevant to outsourcing arrangements (e.g. regulatory fines and other sanctions)?

In addition to contractual remedies, outsourcing arrangements may give rise to regulatory enforcement measures across several areas of law.

In the field of data protection, the Portuguese Data Protection Authority may impose significant fines and order the suspension of processing activities in cases of serious non-compliance involving service providers.

Cybersecurity authorities may also impose corrective measures and sanctions where outsourcing arrangements fail to meet applicable security and

incident reporting requirements.

In regulated sectors, including financial services and insurance, supervisory authorities have broad enforcement powers. Regulators such as the Bank of Portugal and the Portuguese Insurance and Pension Funds Supervisory Authority may impose sanctions or require remedial measures where outsourcing arrangements compromise risk management, operational resilience or regulatory compliance.

Employment law breaches, particularly in relation to the misapplication of the transfer of undertakings regime, may also result in significant administrative penalties.

More broadly, non-compliance with ESG and anti-corruption obligations may lead to administrative or criminal sanctions, as well as exclusion from public procurement procedures.

In practice, these enforcement risks reinforce the importance of robust contractual frameworks and ongoing compliance monitoring throughout the outsourcing lifecycle.

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