



THE PORTUGUESE NON-HABITUAL TAX RESIDENTS' REGIME

The **Non-habitual Tax Residents regime** (“NHR”) foresees a very favorable tax regime applicable to individuals transferring their tax residence to Portugal.

The NHR is one of the most competitive European regimes, in particular due to the following key-features: no deemed taxation/“lump-sum” taxation, no limitation on the remittance of funds, no wealth tax and no gift/inheritance tax on funds or assets transferred to spouses, ascendants (e.g. parents) or descendants (e.g. children). Moreover, this regime applies free of charge and it is granted for a period of 10 years.

Who is eligible?

A non-habitual tax resident is an individual that:

- Becomes a resident taxpayer for Portuguese Personal Income Tax Code (“PIT Code”); and
- Was not a resident taxpayer for PIT purposes in the 5 years prior to the application of the regime.

To qualify as a tax resident under Portuguese domestic rules, an individual is required to:

- Spend more than 183 days in Portuguese territory (on a 12 months period); or
- Own a dwelling that qualifies as a habitual residence in Portuguese territory (regardless of the number of days effectively spent in Portugal).

Benefits

The benefits provided in the NHR range from a full exemption on certain types of foreign sourced income and a reduced flat tax rate of 20% to other types of Portuguese sourced income (please note that the maximum Portuguese PIT rate may be higher than 50%).

FOREIGN-SOURCE INCOME

Passive income derived outside Portugal (e.g. dividends, interest, pensions and rental income) are fully exempt in Portugal and this exemption applies irrespective of the taxation applicable at source (i.e. it is possible to achieve double non-taxation). Capital gains from securities remain, in principle, taxable at a rate of 28% and pension income is taxable at a rate of 10%.

Active income (e.g. income from employment and also from self-employment derived in connection with “high value added activities”) may also be fully exempt provided specific conditions are met. The activities qualified as “high value added” are identified in a statutory shortlist (published in the Ministerial Order No. 230/2019) and include teachers at science and engineering technicians and professionals, general directors and executive managers of companies, IT professionals, among others.

PORTUGUESE-SOURCE INCOME

Active income derived in Portugal in connection with “high value added activities” will be subject to a flat rate of 20% (instead of the general progressive tax rates).

Legal certainty

In order to provide additional comfort to the individual applicants, it is possible to obtain a tax ruling from tax authorities confirming that the individual is eligible and may claim the benefits of this regime. This option may be particularly advisable in respect of more complex investment structures.

The NHR is a straightforward procedure, however a case-by-case analysis is required to understand (i) whether the applicant meets all the requirements and (ii) what may be the scope of the benefits granted.

This information was updated in August 2020 and is of a general nature and is not intended to substitute recourse to expert legal advice for the resolution of real cases.

CONTACTS

Tiago Marreiros Moreira
tm@vda.pt | +351 213 113 485

Francisco Cabral Matos
fcm@vda.pt | +351 213 113 589

João Riscado Rapoula
jcr@vda.pt | +351 213 113 587