

NON-HABITUAL RESIDENT

special tax regime

TAX
BENEFITS

Advantages

Special conditions for employment
income, Passive Income, and Pensions

Deadlines

All you need to know on how
and when to apply

Whether you are a foreigner looking to move and live in Portugal, or a Portuguese emigrant who is considering returning to your homeland, Portugal has a **special tax regime** on Personal Income Tax to offer you. This regime presents numerous tax opportunities for passive income, pensioners, and skilled workers.

If you have not been a tax resident in Portugal for the past 5 years, but want to become one now, you can apply for this tax regime for **Non-Habitual Resident (NHR)** in Portugal, which presents you with the advantages described below.

Tax Benefits for new tax Residents in Portugal



The Advantages

work income

A 20% special flat tax rate applies to labour and self-employment income sourced in Portugal if derived from high value-added activities.

B Labour income sourced outside Portugal is **not subject to taxation in Portugal** if taxed in the source country.

C Self-employment income from a high value activity **sourced outside Portugal is not subject to taxation in Portugal** if that income may be taxed in the source country under a tax treaty signed between Portugal and that state.





passive income

A Zero tax on dividends, royalties and interests sourced outside Portugal, and if taxed in the source countries the tax so charged shall not exceed the reduced rates established in the tax treaties signed with Portugal ranging between 5% and 15%.

B Capital gains from movable property – stocks or equity - are generally taxable at 28% flat rate in Portugal and only in certain rather exceptional cases the exemption method may apply.

C Capital gains on property, located in Portugal - are generally taxable at 24% to 29%. If the property is located outside Portugal, there will be **no taxation**.

D Capital gains from Portuguese micro, small and medium enterprises (SME's) – A 17% rate applies to micro and SME's companies for their first 15,000€ of taxable income.

pensions

A Foreign pensions are subject to a **flat rate of 10%**. The same flat rate is applicable to Private Pension Funds whether annuities are paid or are redeemed at maturity. However, it is optional to aggregate the income and to eliminate international double taxation by applying the tax credit method.

B The flat rate of 10% is also applicable to income received in situations of early retirement, preretirement or reserve, whether or not working, and any benefits granted on whatever basis, before meeting the mandatory social security requirements to move into the situation of retirement.



when to apply

Individuals must apply at the Portuguese Tax Authorities no later than the **31st of March** of the following year in which they became a Portuguese tax Resident.

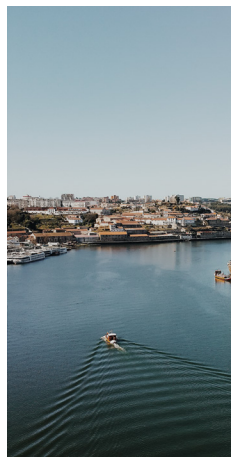


duration of the NHR status

The tax regime is granted for a period of **10 years**. This period is continuous and is not suspended, meaning that if an individual moves abroad during this period and becomes a tax resident in another country, the 10 years do not stop counting. The individual may return to the NHR status in Portugal, but the deadline date does not change.

who can apply

Individuals, both foreigners and Portuguese, **who have not been tax residents in Portugal in the preceding 5 years**, but who have now become Portuguese tax residents. This means that individuals need to stay in Portugal for at least 183 days and have a proven residential address.





Other Advantages not restricted to the NHR

A **No wealth taxes** or any tax on large estates or fortunes, except the AIMI (Additional to the IMI) a tax rate of 0.7% that is levied on the sum of the assets of residential real estate, owned by individuals and companies, with a value of less than €1,000,000. A tax rate of 1% applies to the taxable amount of more than €1,000,000 and equal or lower than €2,000,000 and of 1,5 % to the taxable amount that exceeds €2,000,000.

B **Gifts and inheritances are fully exempt from taxation** for donations and or inheritances between spouses, ascendants, and descendants (up to grandsons, grand grandsons, great fathers, or great great fathers). For gifts and donations to other members of the family, friends or strangers, a 10% stamp tax is levied.

C Exclusion from taxation of capital gains on sale of permanent residence if proceeds are reinvested in another personal residence in Portugal, European Union, or European Economic Area Countries.

D **Gains arising from the disposal of crypto-assets held for 365 days or more are exempt from taxation.** Outside the 365 days holding period, gains are taxed at a flat rate of 28%. Taxation under capital gains category is deferred to the moment of conversion for legal tender, assets other than cryptocurrencies and services. Transfers between owned wallets, address or accounts is a non-taxable event.

E **Exclusion from taxation of capital gains on the sale of second-hand valuable goods:** art, cars, and other collectibles. If sold by private persons it will be also exempt of VAT.

F **No exit tax** when ceasing to be a Portuguese tax resident.

G The identification number of bank accounts held abroad must be disclosed in the annual income tax return.

H Marriage and civil partnerships are treated for tax purposes in the same way.





Portugal NHR and Social Security

In Portugal there is an obligation to register at the Social Security if the NHR earns income from work. The NHR regime has no impact on the Social Security contributions.

Regarding self-employed NHR, if it is provided work to several foreign jurisdictions the connection to Portuguese Social Security will be triggered when a substantial part of activities, at least 25% of all the self-employed activities, is pursued in Portugal.

After the one-year initial exemption is expired, self-employed are obliged to pay social security contributions. A monthly tax of 21,4% will be charged on the 70% of the gross amount invoiced, with a financial cap of 12 times the amount of the social support index (IAS), fixed in 2023 at 480,43€.

Thus, the limit of the tax base is 5.765,16€. Therefore, even in a case where the average monthly relevant income/contribution base is, for example, 6,000€, the contribution rate will only apply to 5.765,16€.



Portugal NHR and Double Taxation Agreements

Portugal has signed tax treaties with almost 80 countries based on the OCDE Model

Tax treaties allow for most categories of income to be taxed in the country where the income is sourced. However, most countries choose not to tax income earned by non-residents and if they tax, they must respect the tax treaties' imposing restrictions.

It may happen to have blacklisted jurisdictions with a tax treaty signed with Portugal.

If the income is derived from a blacklisted jurisdiction with a tax treaty in force with Portugal, that income may be exempt in Portugal under the NHR regime.

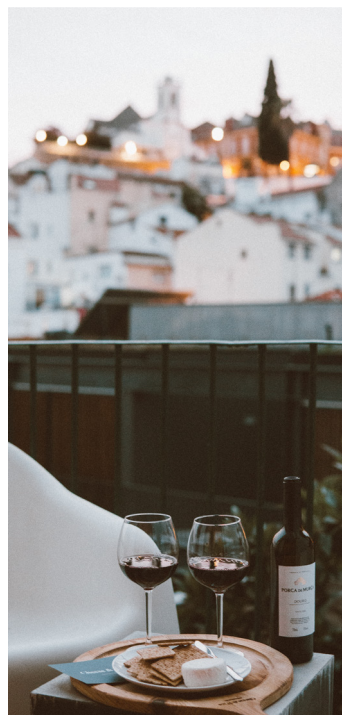


We appreciate your consideration

At VCA we have a very dedicated Tax Team providing active and practical counsel on all types of tax strategies. This team assists clients from all over the world through all the steps - from advising on best strategies to tending to the administrative requirements.

For more information, please contact our team on

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