



NON-HABITUAL RESIDENT
TAX REGIME



NON-HABITUAL RESIDENT

Tax benefits for new tax residents in Portugal

If you're considering moving to Portugal or returning to your homeland as a Portuguese emigrant, Portugal has a very attractive regime - the NHR - which offers many tax advantages.



The Advantages

Work income

- a. 20% **special flat tax rate** on labour and self-employment income from high value-added activities sourced in Portugal.
- b. No taxation on **labour income sourced outside Portugal** if taxed in the source country.
- c. **No taxation** on **self-employment income** from a high-value activity **sourced outside Portugal** under applicable tax treaties.
- b. **Capital gains from movable property** are generally taxed at 28%, with exemptions in some cases.
- c. **Capital gains on foreign property** are not taxed.

Pensions

- a. Flat **10% tax rate** on foreign pensions and Private Pension Funds, with an optional tax credit method to avoid double taxation.
- b. The same 10% also applies to income from early retirement, preretirement, or reserve, even without active employment.

Passive income

- a. **Zero tax on dividends, royalties and interests** sourced outside Portugal regardless of the taxation in the sourced country.



Other Portuguese Tax Advantages not restricted to the NHR

- a. No **wealth taxes** or any tax on large estates, except the AIMI (0.7% to 1.5%) on residential real estate exceeding € 1,000,000.
- b. Full exemption from taxation for **gifts and inheritances** between close family members; for gifts and donations to others, there is a 10% stamp tax.
- c. Exemption from taxation for capital gains on permanent residence sales reinvested in another personal residence in Europe.
- d. Tax exemption for **crypto asset gains held for over 365 days**.
- e. Exemption for **capital gains on the sale of second-hand valuable goods** (art, cars, collectibles).
- f. Equal tax treatment for marriage and civil partnerships.

When to apply?

Apply at the Portuguese Tax Authorities by **March 31st of the year following** becoming a Portuguese tax Resident.

Duration of the NHR status

The NHR status lasts for a continuous **10-year period**, without interruption. Even if you move abroad and become a tax resident elsewhere during this time, the 10-year clock continues to run. You can return to the NHR status in Portugal, but the deadline remains unchanged.

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.





Portugal NHR and Social Security

In Portugal, holders of the NHR status must register with Social Security if they earn income from work. Self-employed NHRs are required to pay Social Security contributions after an initial one-year exemption period. Contributions are calculated at a 21.4% monthly tax rate on 70% of gross invoiced income, with a cap of 12 times the Social Support Index (IAS), set at €480.43 in 2023. The maximum tax base is €5,765.16, regardless of higher income levels.

Portugal NHR and Double Taxation Agreements

Portugal has signed tax treaties with almost 80 countries based on the OCDE Model. These treaties generally allow taxation in the source country and impose restrictions on taxing non-residents. Even in cases involving blacklisted jurisdictions with tax treaties, income from such jurisdictions may be exempt in Portugal under the NHR regime.



Important note on the NHR

Prime Minister António Costa recently announced that the state intends to end the Non-Habitual Residents Programme (NHR) in 2024 and will no longer accept taxpayer registrations from next year.

However, the Prime Minister wasn't clear on whether he intended to put an end to the whole scheme and how the new guidelines would be applied, and he guaranteed that those who already benefit from the scheme would not be affected.

Likewise, anyone who registers by the end of 2023 will be able to take advantage of the scheme for the following 10 years under the conditions that currently apply.

If you want to take advantage of the NHR programme, it is advisable to consider registering as early as possible.

If you would like to know more about how to register or what the tax implications might be for you, our Tax team can assist you in this process.



We are here for you.

Our Tax Team provides 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.

We give you solutions.

www.valadascoriel.com
tax@valadascoriel.com
+351 211 625 700