



The Portuguese non-permanent residents tax regime

Portugal offers “non-habitual” residents the opportunity to become tax residents in Portugal and benefit from a more favourable tax regime in relation to certain Portuguese and foreign sources income.



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Tax advantages offered to non-permanent residents

Portugal is becoming one of the preferred destinations of many high net worth individuals in the world. This is because Portugal offers a reduced income tax rate for non-habitual residents.

The non-habitual residents tax regime offers the following advantages:

- A 20% flat rate, with an additional surcharge of 3.5%, applicable to employment and self-employment income obtained in Portugal;
- An exemption on pensions obtained outside of Portugal; and
- An exemption on other foreign source income and earnings, provided they may be taxed outside of Portugal under the applicable tax conventions or the OECD model (if not a tax heaven) or, in case of employment income, that it is effectively taxed in the source country.

These advantages will extend for a period of 10 consecutive years as from and including the year of registration as a tax resident in Portugal.

Other benefits for high net worth individuals who take residency in Portugal include:

- A tax exemption on gifts or inheritances to spouse, descendants or ascendants and a flat 10% stamp tax rate on gifts to other individuals and family members;
- No special tax wealth on the ownership of shares and bank deposits and free remittance of funds to outside of Portugal;
- Property tax capped at 0.5% of the property's tax value, which is reduced to 0.3% in several municipalities. Buildings and apartments with a tax value above €1 million are subject to an additional stamp tax of 1% on their taxable value; and
- The possibility of applying for special investment residency visas (*golden visa*) subject to certain investment requirements.



Legal requirements

The individual who wishes to obtain the status of a non-habitual tax resident must meet the following requirements:

- Not having been a Portuguese tax resident in the 5 preceding years;
- Registering as a tax resident and requesting the non-habitual residents status upon such registration or by the 31st of March of the following year; and
- For employment income obtained in Portugal and self-employment income obtained both in or outside of Portugal to benefit from the tax reduction, such income must derive from a "high value-added" scientific, artistic or technical activity.

High value-added activities include, among others, those developed by architects, engineers, artists, actors and musicians, auditors, doctors and dentists, teachers and psychologists, liberal professions, technicians and similar as well as investors, directors and managers of corporations.

The applicant does not need to demonstrate that he has not resided in Portugal in the five years prior to moving his tax residency to Portugal. Only when the tax authorities have reasons to believe that the individual does not meet the legal requirements, they may require the individual to present a certificate evidencing that he/she resided in a foreign country in the five years prior to moving his/her tax residency to Portugal.

Potential applicants should, prior to submitting any application, confirm the satisfaction of the relevant requirements with Portuguese legal and tax advisers.

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If you wish to discuss any of the matters covered in this briefing you may contact us at:

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