

Non habitual tax resident regime

Portugal is well known for its good climate, sunny beaches, warm-welcome people and excellent cuisine. If you are building up an international career or if you wish now to enjoy life after a fruitful career, why not move to this attractive coastal country? There are attractive real estate offers and there is a new taxation regime for non-habitual tax residents. We will leave the conclusions up to each of you.

Non-habitual tax resident regime (NHR)

Under this new regime there is a beneficial tax treatment for qualifying income arising from a Portuguese source for non-habitual residents.

An individual shall be regarded as a non-habitual resident if he:

- becomes a tax resident in Portugal and;
- has not been here tax resident in the previous five years before qualifying as Portuguese tax resident.

Individuals who fulfil the above requirements are eligible to register themselves as non-habitual residents and be entitled to be taxed as such for a consecutive 10-year period, which can be renewable.

1 - Conditions

To be considered as a non-habitual resident in Portugal the following conditions needs to be met:

- The individual must become tax resident in Portugal, according to any of the criteria set out in the Personal Income Tax Law;
- Obtain a tax residence certificate and also a certificate attesting the effective taxation abroad,
- The individual must not have been taxed in Portugal as resident over the past five years.

2 – Taxation

Employment and self-employment income earned in Portugal

Under this regime, employment and self-employment income derived from high value-added activities, as listed below, earned by the non habitual tax resident in Portugal will be subject to a final flat rate of 20% (as well as to a withholding tax of the same amount).

List of high value-added activities:

- 1- Architects, engineers and similar technicians;
- 2- Fine artists, actors and musicians;
- 3- Auditors;
- 4- Doctors and dentists;
- 5- Professors;
- 6- Psychologists;
- 7- Liberal professions, technicians and similar;
- 8- Investors, directors and managers.

Pension income earned outside of Portugal

Pension income earned outside of Portugal will be exempt from tax under this regime as long as:

- such income is taxed in the source State according to the applicable DTT (even if effectively taxed at a 0% rate); or,
- the income is considered not obtained in Portugal under the domestic Law.

Other income sourced outside of Portugal

The non habitual tax resident may benefit of exemption from tax on the income earned abroad (employment, self-employment, rental income, interest, dividend and other investment income). This exemption is granted provided that:

- such income was subject to taxation at the source State of that income, under the ADT rules between Portugal and the respective source State, or when in the source State is applied OECD model; and,
- the source State is not included in the black list.

Contacts:

Grant Thornton Consultores, Lda.
Tel. + 351 21 413 46 30 (Lis) / + 351 220 996 083 (Por)
Fax. + 351 21 413 46 39 (Lis) / + 351 220 997 696 (Por)
E-mail: gtc@grantthornton.pt
Website: www.grantthornton.pt

