



Non Habitual Tax Residents Regime

Portugal – Transitional regime

NON-HABITUAL TAX RESIDENT TRANSITIONAL REGIME



The State Budget Law for 2024 revoked the Non-Habitual Resident (NHR) regime, as of 1st January 2024. Notwithstanding a transitional period was implemented to protect the legitimate expectations of those who already started the process of moving to Portugal.

THE NHR REGIME

This regime was introduced in 2009 to attract high-net-worth individuals and non-resident professionals engaged in high value-added activities.

The NHR' regime applies to individuals that:

- Qualify as tax residents in Portugal;
- Have not qualified as residents in the 5 preceding years.

Taxpayers that already benefit from the NHR regime will continue enjoying the regime until the end of the ten-year period.

Taxpayers benefiting from the NHR have to submit, on an annual basis, a personal income tax return (up to June of the following year).

TAX BENEFITS

The NHR's regime has three different dimensions:

- Exemption on foreign income, provided specific conditions are met (depending on the type of income);
- Special flat tax rate of 10% applicable to pension income paid by foreign entities (tax paid abroad is deductible against the 10% tax);
- Special flat tax rate of 20%, applicable to income arising from high added-value activities (employment and self-employment activities) in Portugal.

TRANSITIONAL REGIME

Individuals who become Portuguese tax residents during 2024, will be allowed to benefit from the NHR, as long as they are in position to demonstrate that they were already preparing to relocate to Portugal in 2023, by providing specific evidence, as outlined below:

- Promise or employment contract, or assignment agreement concluded by December 31, 2023, with duties to be carried out in Portugal;
- Lease agreement or other contract granting the use or possession of property in Portuguese territory, concluded by October 10, 2023;
- Promise of acquisition of a real right over property in Portuguese territory concluded by October 10, 2023;
- Enrollment or registration for dependents in an educational establishment located in Portuguese territory, completed by October 10, 2023;
- Residence visa or residence permit valid by December 31, 2023;
- Procedure, initiated until 31 December 2023, for granting a residence visa or residence permit, namely by requesting an appointment or actually making an appointment to apply for the granting of a residence visa or residence permit, or by submitting an application for the granting of a residence visa or residence permit.

The transitional regime is extended to any of the close family members of the individual.

The applicants must register as tax residents in 2024 and apply for the NHR until the March 31, 2025.

PORTUGUESE TAX RESIDENCY RULES

An individual qualifies as tax resident in Portugal, if one of the following conditions is met:

- The individual remains in Portugal for more than 183 days (continuously or not), in any period of 12 months starting or ending in the relevant calendar year;
- Having remained for less than 183 days in Portugal, the individual has a residential accommodation available in Portugal on any day of the 12-month period mentioned in the paragraph above, suggesting it is his/her habitual residence.

Additional conditions apply in specific situations, namely, in case of ship or aircraft crew members and individuals performing duties abroad on behalf of the Portuguese State.

TAX EXEMPTIONS AND SPECIAL RATE ON FOREIGN INCOME

As a rule, the following types of income are tax exempt in Portugal (examples):

- Employment income arising from labor activities performed outside Portugal (if effectively subject to taxation abroad, in accordance with a DTT signed by Portugal);
- Rental income arising from immovable properties located abroad;
- Capital gains on the sale of immovable properties located abroad;
- Dividends paid by foreign companies;
- Interest paid by foreign entities;
- Income arising from black-listed territories (as defined in the Portuguese legislation) are, as general rule, not tax exempt.

HIGH ADDED-VALUE ACTIVITIES

Example of high added-value activities:

- Artists;
- CEO's;
- CFO's;
- Commercial Directors;
- Computer programmers;
- ICT specialists;
- Journalists.



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ABOUT PORTUGAL:

- Population: circa 10 300 000;
- Lisbon, Porto and Faro are the main Portuguese cities that are just a few hours flight from most major European cities;
- A member of EU, NATO, UN and Euro Zone;
- Portugal is the seventh most peaceful country in the world among 163 countries (according to the Global Peace Index 2023);
- The cost of living is considered to be low by most foreigners;
- Europe's Leading Destination, Europe's Leading Beach Destination and Europe's Leading City Break Destination;
- Portugal has the largest number of sunny days in Europe. In the southern regions there are about 3000 sunny hours per year;
- UNESCO has already granted to Portugal the World Heritage status to 25 cases, including historic centers, archaeological sites, cultural landscapes, natural parks and intangible heritage.
- Portugal won the 2020 Europe's Leading Destination the World Travel Awards;
- The Algarve won the 2021 Europe's Leading Beach Destination award by the World Travel Awards.

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