

## PORTUGAL'S NON HABITUAL TAX RESIDENCY REGIME (NHR)

The **Non-Habitual Tax Residency Regime (NHR)** allows a very attractive taxation for a period of 10 years. The regime was designed to promote the transfer of residence to Portugal of entrepreneurs, investors, specialized professionals and pensioners, placing Portugal as a prime tax solution jurisdiction for individual in receipt of qualifying foreign source income, including employment income, pensions, dividends and interest income.

### Portuguese Source Income

- Employment and self-employment income: A reduced 20% flat rate is applicable in case the income is derived from high value added activities of scientific, artistic or technical nature performed in Portugal as listed in a Ministerial Order. The list includes among others: architects, doctors, university teachers, designers, IT technicians, engineers, researchers, liberal professions, investors and management under certain conditions. Income not falling under the NHR regime is liable to Personal income Tax according to the rules applicable to regular tax residents.

### Foreign Source Income:

- Employment income: May be exempt from taxation provided that alternatively, it is effectively taxed in the source State and it is not deemed as obtained in Portugal.
- Dividends, royalties, interest, capital gains and independent employment income from non-Portuguese source may be exempt from personal income tax in Portugal: Provided certain conditions are met – namely the income may be subject to taxation in the country of source under an existing Tax Treaty and it is not deemed to have been obtained in Portuguese territory.
- Pensions from non-Portuguese source may be exempt from personal income tax in Portugal: Provided the income is subject to taxation in the country of source under an existing Tax treaty or it is not deemed to have been obtained on Portuguese territory.
- Wealth taxes: Portugal does not have wealth taxes; only local taxes on Portuguese real estate applies.
- Inheritance Gift tax: Stamp Duty is not levied on Portuguese assets if the beneficiary is a spouse, descendant, ascendant, who are exempt. The rate of 0.8% is nevertheless due on gifts of real estate.



### Qualifying for Non-Habitual Residency status

To qualify as an NHR, an individual must meet the following requirements:

- Become a tax resident in Portugal according with the domestic legislation;
- Not have been taxed as a Portuguese resident in the 5 preceding years.

An individual is tax resident in Portugal in any given year in which:

- Stays in Portugal for more than 183 days (continuously or not) during a 12 month period; or
- Has a residential accommodation available in Portugal in any day of that 12 month period, which is used as the individual's habitual abode.

The NHR status is not automatic and must be granted by the Tax Administration, upon request – until March 31<sup>st</sup> of the year after the one the individual becomes a tax resident in Portugal.

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