

The logo features a thin, light blue curved line above the text. The text "WEALTH" is in a dark blue serif font, and "HERITAGE" is in a grey serif font.

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Portuguese Non-Habitual Residents Regime

Tax Regime of Non-Habitual Residents

General Framework

- (i) **Beneficiaries:** Individuals who become fiscal residents in Portugal for Personal Income Tax (“PIT”) purposes and have not been residents in Portuguese territory in the previous five years
- (ii) **Advantages:** This tax regime foresees lower tax rates than the rates which are potentially applicable to fiscal residents in Portugal (in the same circumstances), as well as an exemption regime regarding the income obtained abroad (foreign source)
- (iii) **Period of application:** The taxpayer considered as non-habitual resident acquires the right to be taxed as such for the period of consecutive **10 years** (from the year of its registration as resident in Portuguese territory)

Requirements

In order to benefit from the non-habitual tax regime, the taxpayer needs to fulfill the following **requirements**:

- (i) Become tax resident in Portugal, in accordance with the criteria established in the PIT Code (next *slide*)
- (ii) Have not been deemed as resident in Portugal in the 5 preceding years to the registration in this regime
- (iii) Request the specific registration as non-habitual resident, upon registration as a resident in Portuguese territory before tax authorities (*slide 5*)

Requirements

Fiscal Residence in Portugal

An individual is considered resident for tax purposes in Portugal, when, in the year to which the income relate:

- (i) The individual has remained in the Portuguese territory for more than 183 days, followed or interpolated; or
- (ii) On 31 December, has a dwelling in Portugal, intended to be used and occupied as a main place of residence, or
- (iii) When is member of a household in which one of the spouses is tax resident in Portugal

Requirements

Enrollment

- (i) Taxpayers must **declare**, upon the registration, that in the preceding 5 years period, the conditions required to become resident in Portuguese territory were not met
- (ii) Only when there is doubt or lack of evidence for the accuracy of the declaration, the Tax Authority may request additional evidence
- (iii) Tax authorities may require a residence certificate or a document attesting the existence of personal relations and economic ties with another state.

Taxation Portuguese Source Income

- (i) The net income of the PIT **categories A** (*income from employment*) and **B** (*business and professional income*): A special tax rate of 20% is applicable, as long as the income derives from the pursuit of high value-added activities (as defined in Ordinances 12/2010 of 17th January and 230/2019 of 23rd July - see *Annex*).

- (ii) **Remaining income** (from other PIT categories):
Taxed at a general progressive tax rates (between 14.5% and 48%, eventually plus surtax of 3.5% and solidarity surcharge – 2.5% for taxable income between € 80,000 and € 250,000 and 5% if more than € 250,000).

Taxation Foreign Source Income

(i) Elimination of double taxation through the applicability of the **exemption method**

Assuming that some requirements are met (see next slide), the foreign source income will not be taxed in Portugal (although they are aggregated with the Portuguese source income that are not subject to the 20% special rate, in order to determine the progressive rate applicable)

(ii) Instruction no. ° 9/2012 provides that the income of categories A and B obtained abroad, which do not benefit from exemption are taxed at a 20% special rate, providing that the income derives from any of the high value-added activities (see Annex)

Taxation Foreign Source Income

Requirements needed to benefit from the exemption regarding income from employment (Category A)

Any of the following conditions should be met:

- (i) The income is taxed in the other Contracting State, according to the Convention for the avoidance of double taxation entered into between Portugal and that State; or
- (ii) In the absence of Convention, the income is taxed in the other country, territory or region, as long as the income is not considered as obtained in Portuguese territory.

Note: The non-habitual resident may choose to apply the tax credit method, in which case it is mandatory to aggregate the income for tax purposes.

Taxation
Foreign Source Income
The special case of foreign pensioners



Requirements needed to benefit from the tax reduction of pensions (Category H)

With the State Budget for 2020 (“OE2020”), the IRS exemption in Portugal applicable to income from pensions from foreign sources was revoked, and a reduced tax rate of 10% on this income has now been introduced.

Taxpayers who already benefit from the RNH regime or who joined it before the entry into force of OE2020, can choose between (i) maintaining the previous IRS exemption or (ii) adhering to the new 10% rate, which must be made upon delivery of the IRS declaration for the year 2020.

Taxpayers who become tax residents in Portugal after April 1, 2020, will no longer have the possibility to choose, and will be subject to the new RNH regime.

A tax credit for international legal double taxation will be granted when tax was already paid abroad (this credit will be deductible up to the limit of the special rate, or under the terms generally applicable in case of option for inclusion).

Taxation Foreign Source Income

Requirements needed to benefit from the exemption regarding professional or business income, rents, capital income, capital gains (Categories B, E, F and G)

Any of the following conditions should be met:

- (i) The income may be taxed in the other Contracting State, according to the Convention for the avoidance of double taxation entered into between Portugal and that State; or
- (ii) In the absence of Convention, the income may be taxed in the other country, territory or region, in accordance to the Model Convention of OECD; the Source State should not be considered as a tax haven; and the income is not considered as obtained in Portuguese territory.

Annex

Ordinances 12/2010 and 2030/2019 High value-added activities

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I – Professional activities (CPP codes):

- 112 – CEO and corporate manager of companies;
- 12 – Directors of administrative and commercial services;
- 13 – Directors of production and specialized services;
- 14 – Directors of hotel, restaurant, trade and other services;
- 21 – Specialists in the physical sciences, mathematics, engineering and related techniques;
- 221 – Doctors;
- 2261 – Dentists and Stomatology Doctors;
- 231 – Professor of university and higher education;
- 25 – Specialists in information and communication technologies (ICT)
- 264 – Authors, journalists and linguists;
- 265 – Creative and performing arts artists;
- 31 – Information and communication technology technicians;

61 – Market oriented farmers and skilled agricultural and livestock workers;

62 – Market-oriented skilled forestry, fishing, and hunting workers;

7 – Skilled workers in industry, construction and craftsmen, including in particular skilled workers in metallurgy, metalworking, food processing, woodworking, clothing, handicraft, printing, precision, instrument manufacturing, jewelers, craftsmen, workers in electricity and electronics.

8 – Plant and machine operators and assembly workers, namely fixed machine operators.

II – Other professional activities:

Administrators and managers of companies promoting productive investment, provided that they are related to eligible projects with tax benefit concession agreements entered into under the Investment Tax Code, approved by Decree-Law no. 162/2014, of 31 October