

Non-Habitual Residents

Special Tax Regime in Portugal

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The NHR individuals can benefit from a very attractive tax regime. Among other advantages, under this regime the income from foreign sources can be exempt from Personal Income Tax (PIT) in Portugal, as further detailed in this brochure. Furthermore, a special 20% flat rate applies on employment and self-employment income if derived from high value-added technical activities¹ performed in Portugal.

The recognition of the non-habitual resident status is not automatic and is subject to some conditions, namely:

- The applicant have not been resident in Portugal, for tax purposes, in the previous 5 years; and
- Must be considered tax resident in Portugal under the Portuguese tax law.

The application for the NHR status is made until March 31st of the year following the change of tax residency to Portugal.

¹ List of "high value-added technical activities" attached (page 6)



The NHR regime is applicable
for 10 years.

Passive income from foreign source

Foreign source dividends, interest, capital gains and rental income are exempt from Personal Income Tax (PIT) if the income can be liable to tax in the country of source, according to the applicable Double Tax Treaty (DTT) or, in case no DTT exists, according to the OECD Model Tax Convention; and

- It is not deemed derived in Portugal; and
- It is not obtained in a black-listed jurisdiction.

In general, dividends, interest and rents are taxable at source under the DTT, meaning that those kind of income will be exempt from PIT in Portugal under the NHR regime.

As far as the taxation of capital gains is concerned, most of the DTT signed by Portugal grant exclusive taxing rights to the state of residence. This means that, in theory, the PIT exemption should not apply to the cases where capital gains are obtained as a result of the sale of securities – although this should be evaluated on a case-by-case basis.

Pension income

Pension income will also be exempt from taxation in Portugal under the NHR regime as long as i) it is taxed in the source State according to the DTT between Portugal and such State, or ii) the income is not deemed to be earned in Portugal under the rules in the PIT Code.

By becoming Portuguese NHR, individuals are allowed to accrue their wealth in a white listed friendly tax environment, to dispose of their assets benefiting from tax exemptions, to pass on their wealth or estate without inheritance or gift taxes and/or to enjoy their retirement without tax leakage on their pensions.

Employment and professional income from foreign source

Employment income can be exempt from PIT provided that:

- It is taxed at source according to the applicable DTT; or
- If no DTT is applicable, the income is actually taxed at source and it is not deemed derived in Portugal.

Self-employment and professional income can only be exempt from PIT if derived from high value-added technical activities. The exemption is applicable if the income can be liable to tax in the country of source, according to the applicable DTT or, in case no DTT exists, according to the OECD Model Tax Convention; and

- It is not deemed derived in Portugal; and
- It is not obtained in a black listed jurisdiction.

In practical terms, while employment income must actually be taxed abroad in order to benefit from the PIT exemption, self-employment income derived from high value-added activities will benefit from the PIT exemption provided that such income is merely subject to possible taxation at the source.



Employment and professional income from portuguese source

NHR are subject to a reduced 20% PIT flat rate both on salaries and business and professional income of a Portuguese source arising from high value-added activities of a scientific, artistic or technical nature¹. Other types of domestic income received by NHR are liable to PIT according to the rules applicable to ordinary tax residents, at the progressive PIT tax rates of up to 48%.

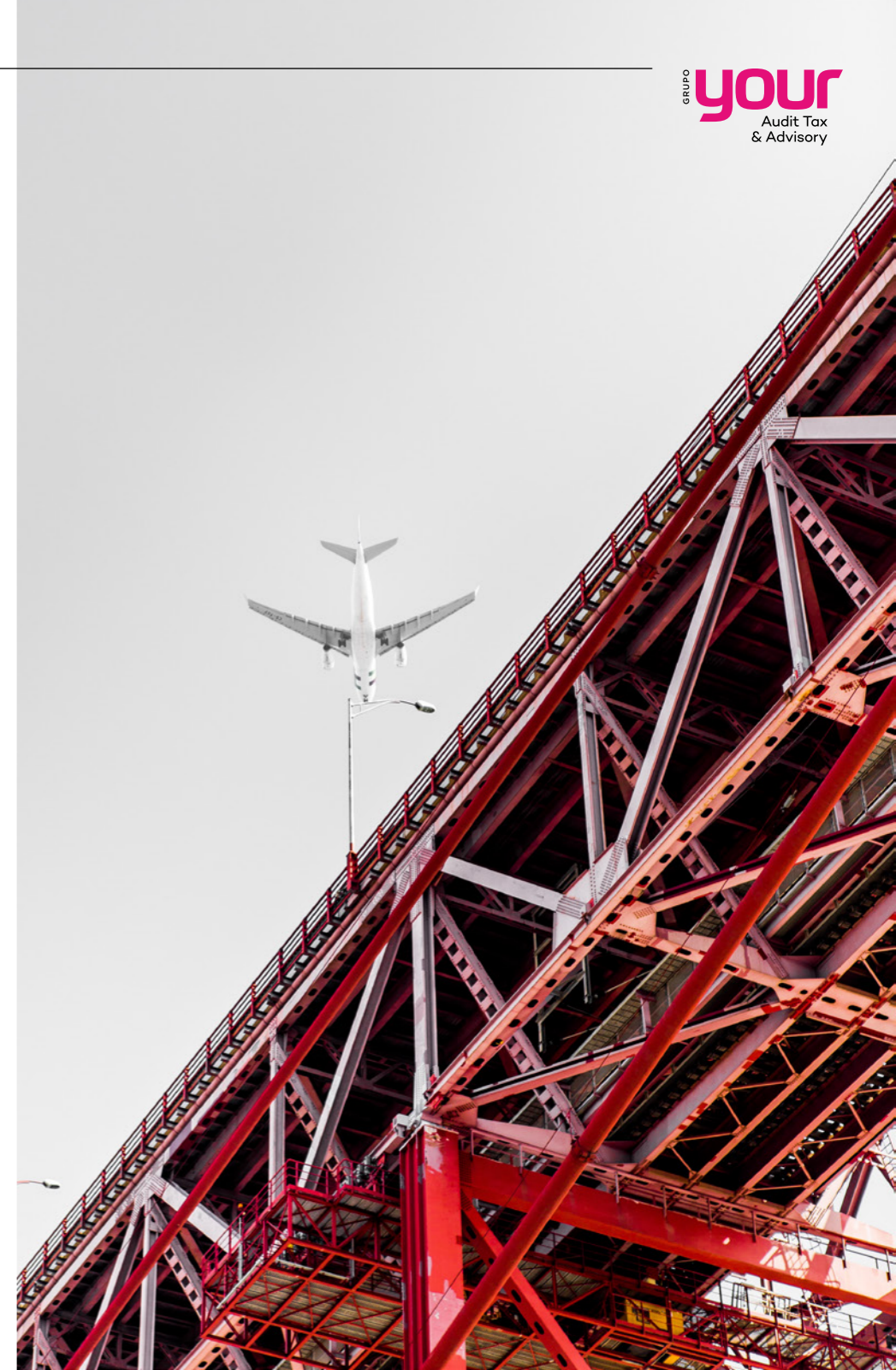
Social Security (SS) contributions are usually due in Portugal on the remuneration obtained by employees, board members and self-employed workers.

In general terms, the total SS contribution rates are:

- **Employment income – 34,75%;**
- **Board members – 34,75%; and**
- **Self-employed – 21,4%.**

Foreign citizens may obtain exemption from the payment of SS contributions in Portugal in certain conditions.

¹ List of “high value-added technical activities” attached (page 6)



List of high value-added activities

1 - Architects, engineers and similar:

- 101 - Architects
- 102 - Engineers
- 103 - Geologists

2 - Visual artists, actors and musicians:

- 201 - Theater, ballet, cinema, radio and television artists
- 202 - Singers
- 203 - Sculptors
- 204 - Musicians
- 205 - Painters

3 - Auditors:

- 301 - Auditors
- 302 - Tax Consultants

4 - Doctors and dentists:

- 401 - Dentists
- 402 - Medical Analysts
- 403 - Clinical Surgeons
- 404 - Ship's doctor
- 405 - General Practitioners
- 406 - Dentists
- 407 - Clinical dentists

- 408 - Medical physiatrists
- 409 - Gastroenterologists
- 410 - Ophthalmologists
- 411 - Orthopedic Surgeon
- 412 - ENT (Ear Nose and Throat) specialists
- 413 - Pediatricians
- 414 - Radiologists
- 415 - Doctors from other specialties

5 - Teachers:

- 501 - Professors (high school)

6 - Psychologists:

- 601 - Psychologists

7 - Liberal Professionals, technicians and alike:

- 701 - Archaeologists
- 702 - Biologists and life sciences experts
- 703 - Computer Programmers
- 704 - Software consultant and activities related to information technology and computing
- 705 - Computer programming activities
- 706 - Computer consultancy activities
- 707 - Management and operation of computer equipment

- 708 - Data services

- 709 - Data processing, hosting and related activities;
Web portals

- 710 - Data processing, hosting and related activities

- 711 - Other data service activities

- 712 - News agencies

- 713 - Other information service activities

- 714 - Scientific research and development

- 715 - Research and experimental development on
natural sciences and engineering

- 716 - Research and development in biotechnology

- 717 - Designers

8 - Investors, Managers and Directors:

- 801 - Investors, Directors and managers of companies that promote productive investment, as long as they are connected to projects and concession contracts that are eligible for tax benefits per the Investment Tax Code

- 802 - Upper Management

How can we assist you?

Grupo Your can assist you in all steps and tax requirements to move to Portugal, including:

- Application for a Portuguese taxpayer number;
- Registration as tax resident;
- Application for the NHR status; and
- Preparation and filing of your PIT annual return.

Please contact us for more details.
Nice to meet you.



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The purpose of this document is to provide general guidance regarding the main aspects of the taxation of income in Portugal under the NHR regime. Grupo Your will not be responsible for any decision taken based on the general information provided in this document. Professional advice should be obtained before any act or decision on the matters covered by this brochure.

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