



WEBINAR 6<sup>th</sup> DECEMBER 2023

# Updates on changes to Portugal's Non-Habitual Residents Tax Regime



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# Navigating the maze

## CMS

- Portuguese NHR Tax Regime Update/ Clarification
- Benefits of the NHR tax regime
- Other things to know
- Requirements of the NHR tax regime
- Steps for the NHR tax regime application
- The end of the NHR tax regime: What's next?
- Takeaways

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# Portuguese NHR Tax Regime

Update/clarification and call for action

# Portuguese NHR Tax Regime Update/ Clarification

- **First thing:**

It was not cancelled (yet)!

- **What changed?**

The 2024 State Budget Law foresees the cancellation of the NHR Tax Regime

- **Action plan?**

Register as Portuguese tax resident until the end of the year (or until end of 2024, provided specific steps have been or will be taken until the end of 2023)

# Benefits of the NHR tax regime

Foreign-source income	Portuguese-source income
Dividends and interest: 0%	High added value activities – 20% (if not exempt)
Real estate income: 0%	Other income – same regime as the one applicable to Portuguese residents, i.e., liability to progressive rates up to 48%, except regarding certain types of income which are liable to a special rate of 25% (rental income) and 28% (dividends, capital gains, interest)
Pension income: 10%	
Salary income: 0% if effectively taxed in the source country)	
High added value activities – 20% (if not exempt)	

## Other things to know

- Income from offshore listed jurisdictions is not eligible for the NHR regime (except if there is a Double Tax Treaty with Portugal in place)
- Salary income exemption from foreign sources requires effective taxation in the source country (whereas dividends, interest and real estate income only requires the source country to have the right to tax it)
- Capital Gains from foreign sources are typically liable to taxation in Portugal at a 28% rate
- Finally, you must ensure you are no longer viewed as resident in your original country of residence

# Requirements of the NHR tax regime

- To have not been tax resident in Portugal during the last 5 years
- To become Portuguese tax resident, by either:
  - Remaining in Portuguese territory for more than 183 days, or alternatively
  - To have in Portugal your main place of residence / dwelling (owned or leased)
- To comply with the exemption conditions required for each type of income



# Steps for the NHR tax regime application

- Establish main residence in Portugal, either by acquiring or leasing a Portuguese property
- Register as Portuguese tax resident before December 31, 2023, or by December 31, 2024, in the latter case by proving that:
  - ✓ a residence visa or residence permit application has been initiated, by December 31, 2023
  - ✓ a valid residence visa or residence permit has been obtained by December 31, 2023  
or
  - ✓ a promissory or employment contract or secondment agreement has been signed by December 31, 2023, which activity must be performed within Portuguese territory
- Register under NHR regime before the 31 of March of the following year

# The end of the NHR tax regime: What's next?

- As from 1 January 2024 onwards, the scope of the 20% flat rate applicable to employment/self-employment income arising from high added value activities is substantially reduced as it will only cover:
  - ✓ professors and scientific researchers;
  - ✓ research & development activities,
  - ✓ job positions and members of the board of certified start-ups; or
  - ✓ job positions or other activities carried out by tax residents in the Azores and in Madeira (under terms to be defined by regional decree)
- The exemption on foreign source income will only apply to individuals that carry out one of the professional activities referred above, as opposed to the current regime, which was available to anyone that would benefit from the NHR status
- Foreign source pensions will no longer benefit from the 10% flat rate

# Takeaways

- Those individuals that are already registered as NHR will not be affected by the mentioned changes
- Those that become tax resident until the end of 2023, as well as those that do it until the end of 2024 under the special grandfathering regime, will benefit from the current NHR rules
- Those that only become tax resident in 2024 (and are not protected by the special grandfathering regime) may benefit from the new regime, whose terms and conditions will tend to be more restrictive



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# Questions & Answers



Nuno Santos

## CMS

Portugal

**Nuno Santos**

Rua Castilho 50

Lisbon

1250-071

T: +351 962 998 743

E: [nuno.santos@cmsportugal.com](mailto:nuno.santos@cmsportugal.com)

W: <https://cms.law/en/prt/>



Mark Penney

## SunCap Visa

United Kingdom

**Mark Penney**

20 Wenlock Road,

London N1 7GU

T: 07781 125055

E: [info@suncapvisa.com](mailto:info@suncapvisa.com)

W: <https://suncapvisa.com/>



Maria Alvarez

## Vida Advisors

Portugal

**Maria Alvarez**

Avenida da Liberdade 230,

2nd Floor,

Lisbon 1250-148

T: +34 610 63 87 97

E: [maria@vida-cap.com](mailto:maria@vida-cap.com)

W: <https://vida-cap.com/>



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