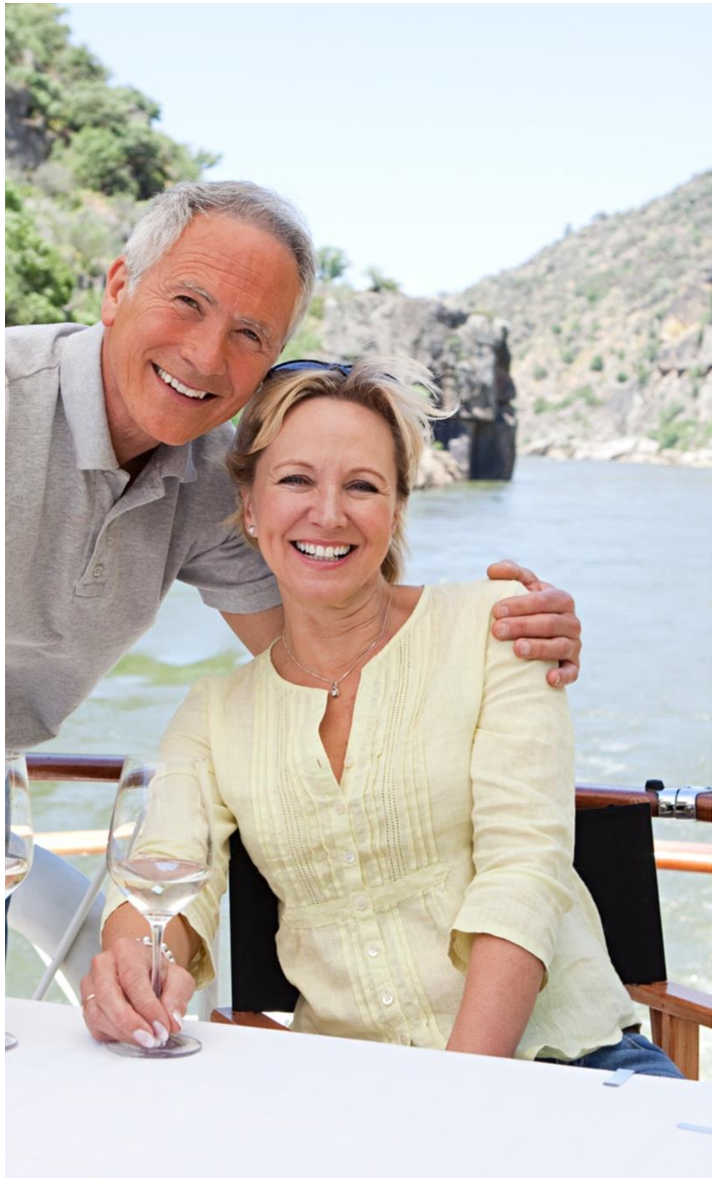
Portuguese Chamber of Commerce in UK

Moving to Portugal

Dublin, 18th April 2024

IRELAND PORTUGAL
Business Network
REDE DE NEGÓCIOS LUSO-IRLANDESA



Moving to Portugal

Why make the move to Portugal?

Moving to Portugal

How to arrange your Irish tax affairs when planning a move to Portugal

Alan Murray| Mazars Ireland

Preparing for your move from Ireland – Irish Tax Implications

April 2024

Alan Murray

Agenda

- Overview of the Irish tax system
- How to establish your charge to Irish tax
- Common pitfalls

01

Overview of the Irish Tax System

Overview of the Irish tax system

- Main taxes and charges

Tax head	What it charges	Current rate(s)
Income Tax	Tax on income	20% & 40%
Universal Social Charge (USC)	Tax on income	0.5%, 2%, 4%, 8% plus 3% surcharge
Capital Gains Tax (CGT)	Tax on capital gains	33%
Capital Acquisitions Tax (CAT)	Tax on gifts and inheritances	33%

- The Irish tax year is aligned with the calendar year

- The Irish tax position with regard to income and capital gains depends on your Irish tax residence status and on your domicile position

02

How to establish your charge to Irish tax?

How to establish your charge to Irish tax?

The scope of an individual’s charge to Irish tax depends on an individual’s residence, ordinary residence and domicile status in Ireland

Step 1

Determine whether you are resident, ordinarily resident or domiciled in Ireland for tax purposes.

Step 2

Apply the result of Step 1 to your sources of income and capital gains.

Are you tax resident in Ireland?

- A person is tax resident in Ireland for Irish tax purposes if he spends:
  - 183 days or more in Ireland in a year (183 current year test); or
  - 280 days or more taking the current and preceding years together, with a minimum of 30 days in each year (280 day “look back” test).
- You can also elect to be tax resident if you do not meet the above tests.
- A day for Irish tax residence purposes is any day (including part days) that an individual is present in Ireland.

Are you ordinarily tax resident in Ireland?

- The term ordinary residence refers to an individual’s pattern of residence over a number of years.

- Once an individual has been resident in Ireland for three consecutive years they will be deemed ordinarily resident in Ireland in year 4.

- Once an individual has become ordinarily resident in Ireland he or she will retain their ordinary residence status until he or she is non-Irish resident for three consecutive years.

- Example - if an individual is tax resident in Ireland for 2022, 2023 and 2024, s/he will become ordinary tax resident in Ireland in 2025.

Irish tax implications

Depending on your residence, ordinary residence and domicile status

Tax resident	Ordinarily tax resident	Domiciled	Income Tax liability	CGT liability
Yes	Yes/No	Yes	World-wide income	World-wide gains
No	Yes	Yes	World-wide income except:- (i) employment/trade income where duties are exercised outside Ireland and (ii) Other foreign income up to €3,809	World-wide gains
No	No	Yes/No	Irish source income	Gains on specified assets

03

Irish tax treatment of pension income

Irish Tax treatment of Irish pension income

- Retirement income is treated as normal income, so it is subject to income tax and USC (depending on annual level of income) through the PAYE system by the provider.

- Retirement income includes:

  - Guaranteed pension income for life (annuity)
  - Withdrawals from an Approved Retirement Fund (ARF) or Approved Minimum Retirement (AMRF)
  - Withdrawals from a vested PRSA

- PRSI is not due on pension annuity payments, but a 4% PRSI charge is due on ARF withdrawals and vested PRSAs before age 66.

- Maximum tax-free pension lump sum amount is €200,000.

Irish tax treatment of Irish pension income

- Liability to Irish tax will depend on Irish tax residence, ordinary residence and domicile position as outlined.

- Drawdown of pension lump sum from Irish scheme will be considered tax-free in Ireland, if the amount does not exceed €200,000.

- You are in position to avoid Irish tax on Irish retirement income if you are considered tax resident in Portugal, under the provisions of the Ireland – Portugal double taxation treaty (DTT).

- The DTT allocates taxing rights on Irish sourced retirement income as follows:

Irish tax treatment of Irish pension income

Pension Annuities

If taxing rights are allocated to Portugal, then the annuity may be paid without deduction of PAYE by the Irish pension provider, subject to obtaining a PAYE Exclusion Order from Revenue

ARFs/AMRFs/Vested PRSAs

Revenue's view is that these are not pension arrangements and that the distributions should be subject to Irish PAYE

Retirement Income - Non-Irish & non-Portuguese Scheme

- not taxable in Ireland if not resident and not ordinarily resident
- How are these taxed in Portugal now?

04

Common Pitfalls

Common pitfalls

Sale of family home & CGT Principal Private Residence Relief (PPRR)

- Exempts the gain on sale of an individual's home from CGT
- Requires the individual to occupy the property as their main residence throughout the period of ownership.
- Certain periods of absence qualify as "residence" (e.g. moving abroad for work purposes), but moving to Portugal to avail of the Portuguese NHR regime does not qualify.
- Potential CGT liability on gain arising from sale of family home if not immediately sold upon move to Portugal.

Other issues/opportunities to consider

1. CAT (Gift & Inheritance Tax) planning: can a move to Portugal assist? Yes, but children will need to go as well!

2. CGT –NHR now covers gains. Opportunities available?

3. Irish rental income will always be liable to Irish income tax.

4. Sale of Irish property will always be subject to CGT (unless PPR relief applies).

5. What about the Domicile Levy?

Contact

Alan Murray

Tax Partner

Email: amurray@mazars.ie

Tel: 01 4494400

www.mazars.ie

This presentation does not constitute professional accounting, tax, legal or any other professional advice. No liability is accepted by Mazars for any action taken or not taken in reliance on the information set out in this presentation. Professional accounting, tax, legal or any other relevant professional advice should be obtained before taking or refraining from any action as a result of the contents of this presentation.

Moving to Portugal

THANK YOU!

Join us for a drink!

Organised by:

Portuguese Chamber of Commerce in UK

IRELAND PORTUGAL Business Network
REDE DE NEGÓCIOS LUSO-IRLANDESA