

# Non-habitual tax residents



## Taxes

### Portuguese tax legislation establishes a favorable tax regime for non-habitual residents in Portugal, as follows:

- a special tax rate of 20% applicable to employment and self-employment income derived from a “high value-added activities” exercised in Portuguese territory, as per a list published by the Portuguese tax authorities;
- employment income from a foreign source will be exempt from taxation, if such income is taxed in the State of source;
- tax exemption (with progression) for foreign-source income (**professional income, pension, rental income, capital gains, interest, dividends, as well as other investment income**), provided certain conditions are met. In most cases, capital gains on the sale of securities are taxable at a flat rate of 28%;
- no specific inheritance or gift tax; full tax exemption for gifts on inheritance to spouse, descendent or ascendants; Inheritance or gift to other individuals will be either not taxable or subject to a flat 10% Stamp Tax rate;
- no wealth tax and free remittance of funds either in Portugal or abroad.



## Residency rules

To qualify as non-habitual tax resident, an individual must be considered as tax resident in Portugal in a certain year and he/she cannot have been tax resident in the previous 5 years.

In general terms, an individual is deemed to be tax resident in Portugal if one of the following conditions is met:

- more than 183 days are spent in Portugal in any 12-month period starting or ending in the fiscal year concerned; or
- having spent less than 183 days in Portugal, an individual maintains a residence suggesting being a habitual residence in Portugal in any period within the above 12-month.

Depending on the circumstances, the splitting of the tax year may be applicable, i.e., an individual may be considered as tax resident only during a part of the year.

An individual may benefit from this regime during a 10-year period starting from the year of his/her registration as tax resident in Portugal.



## How to become resident

Register with the local tax authorities, very simple for EU and Non-EU citizens. However, Non-EU citizens need immigration permission.



## Pensions

### The legislation provides for exemption (with progression) on foreign pension income, if:

- the income is taxed in the other country in accordance with the Double Tax Treaty (DTT) between Portugal and that country; or
  - the income may not be regarded as Portuguese-source in accordance with domestic legislation.
- As most DTT's grant exclusive taxation rights on pension income to the country of residence, in practice, foreign pension income may be excluded from taxation both in Portugal and in the country of source.

# Non-habitual tax residents



## How can we assist?

- Analysis of the possibility of applying for the non-habitual resident status and its tax implications.
- Preparation and submission of the application for the registration under the non-habitual resident regime;
- Preparation and filing of Portuguese personal income tax return (including a tax estimate) and related compliance.

## Contacts

### Jaime Carvalho Esteves

Tax Lead Partner  
jaime.esteves@pt.pwc.com  
+351 213 599 601

### Leendert Verschoor

Partner  
leendert.verschoor@pt.pwc.com  
+351 213 599 631

### Ana Duarte

Director  
ana.duarte@pt.pwc.com  
+351 213 599 671

### Bruno Andrade Alves

Senior Manager  
bruno.andrade.alves@pt.pwc.com  
+351 213 599 610

### Cristina Reis

Senior Manager  
c.reis@pt.pwc.com  
+351 213 599 671

### Luís Filipe Sousa

Senior Manager  
luis.filipe.sousa@pt.pwc.com  
+351 213 599 671

### Martim Gomes

Senior Manager  
martim.gomes@pt.pwc.com  
+351 213 599 671

### Ana Rita Dias

Manager  
ana.rita.dias@pt.pwc.com  
+351 213 599 671

This communication is of an informative nature and intended for general purposes only. It does not address any particular person or entity nor does it relate to any specific situation or circumstance. PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda. will not accept any responsibility arising from reliance on information hereby transmitted, which is not intended to be a substitute for specific professional business advice.

© 2018 PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda. which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.