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We welcome your interest

## Non-Habitual Residents Portuguese special tax regime

### Introduction

A special personal income tax regime for new residents is now in force and offers attractive tax opportunities for foreign pensioners.

This summary provides a brief overview and explains the main guidelines and potential implications of this new regime for foreigners and Portuguese individuals settling in Portugal after an extended period of living abroad. It deals mainly with individuals receiving pension income. A separate brochure is available for employed and self-employed expatriates.

### Overview of the regime

A foreign-source occupational pension may be fully exempt from tax for a ten-year period if its recipient qualifies for the special tax regime for “non-habitual residents” in Portugal. In addition, the tax treaty between the source country and Portugal may preclude that country from taxing the pension, resulting in potential double non-taxation.

One of the requirements is that the pensioner be a non-habitual resident for Portuguese income tax purposes. The second requirement is that the pension is an occupational pension, paid from a foreign source. If these requirements are met, the pension will not be taxed in Portugal and, depending on the provisions of the applicable tax treaty, it is usually also non-taxable in the source country for the duration of residence in Portugal. (Note that taxing rights in relation to pensions of retired civil servants and other government employees generally are allocated by tax treaties to the paying country, regardless of the residence status of the recipient).

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A recent special tax regime for new residents allows foreign pensioners to enjoy Portugal’s sunny climate while benefiting from an attractive tax regime.



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### Qualifying for the status

To qualify as a non-habitual resident, an individual must meet the following requirements:

- Be tax resident under Portuguese domestic legislation; and
- Not have been taxed as a Portuguese resident in the five years prior to taking up residence in Portugal.

An individual is tax resident in Portugal for any year in which:

- He is physically present in Portugal for more than 183 days in a calendar year; or
- On December 31 of the relevant tax year, he has available accommodation in Portugal as an habitual abode.

However, recognition of this status is not automatic, and requires activation by attending to the following formalities:

### Necessary documents and requirements

- Copy of the individual's passport;
- An address in Portugal;
- Application for a Portuguese taxpayer number;
- Certificates of tax residence from the countries in which the individual was resident for tax purposes during the five years prior to his arrival in Portugal;
- Tax assessments showing that the individual was effectively taxed in the foreign country(ies) during that five years period;
- Filing a formal request.

Other documents may be required if the individual is an employee or a board member of a corporation or is self-employed.

Copies of original documents must be notarized before being submitted.

### Pension income

Pensions enjoy a ten-year exemption under the non habitual resident regime if they are subject to tax in the source country in accordance with the provisions of a tax treaty or are deemed not to be derived in Portugal in accordance with the Portuguese sourcing rules, i.e., not paid by a Portuguese tax resident entity nor attributable to a Portuguese permanent establishment of a non-resident.

### Other types of income

This regime allows other types of income to be tax exempt in Portugal if:

- It may be taxed in the country of source in accordance with the applicable tax treaty; and
- The income is not sourced from a tax haven.

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## The exemption from taxation of foreign pensions is one of this regime's main features.

### Other considerations

#### Wealth taxes

Portugal does not have wealth taxes. Only local taxes on Portuguese real estate apply (as described below).

#### Municipal Property Transfer Tax

Portugal levies a municipal tax on the acquisition of Portuguese properties at rates between 0 and 6%.

#### Municipal Property Annual Tax

Portugal levies a municipal tax annually based on the registered value of Portuguese real estate at rates between 0.4 and 0.8% (depending on the municipality and the type of real estate – buildings or land).

#### Inheritance tax

Inheritance tax is levied as Stamp Duty at a 10% rate except for spouses, descendants and ascendants, who are exempt.

#### Gift tax

Gift tax is levied as Stamp Duty at 10% rate except for spouses, descendants and ascendants, who are exempt. An additional rate of 0.8% is due on gifts of real estate.

The information provided in this document is a brief summary of complex tax rules and Portuguese tax legislation that should be considered before moving to Portugal.

Please note that there may be tax implications in other countries as well. Tax treaties concluded by Portugal may also be relevant to some of the above taxes.

### Fees

Our fees for the regular services required are detailed below :

- Initial tax orientation meeting – Euro 500
- Obtaining a Portuguese taxpayer number – Euro 300 per taxpayer
- Appointing/cancelling a tax representative – Euro 300 per taxpayer
- Change of address – Euro 300 per taxpayer
- Preparation and filing of the non habitual resident status application – Euro 1,000 per request
- Preparation and filing of Personal income tax returns (filed electronically) – Euro 1,900 per tax return (married individuals file joint tax returns)
- Registration at the tax authorities' website – Euro 250 per taxpayer (mandatory to file the tax return electronically)

The fees mentioned do not include VAT nor any expenses incurred which will be recharged to clients.

### Legal notice

Please note that this brochure is a brief introduction to possible tax consequences associated with a move to Portugal. It is intended only to be summary and simplifications have therefore been made. We strongly advise that individual advice be obtained before acting on any of the matters covered herein.



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