

Tax regime for non-habitual residents

On September 2009, the Portuguese Government approved new legislation establishing a regime for non-habitual tax resident individuals.

The tax regime for non-habitual residents is part of the Investment Tax Code and is intended to attract individuals and investments to Portugal.

Taxation

Under the regime's rules, employment and self-employment income derived from "high value-added activities of a scientific, artistic or technical nature" (included in a list of activities published by the Portuguese Government) earned by non-habitual residents in Portugal will be taxed at a flat rate of 20%.

Additionally, the regime also establishes a tax exemption for foreign-sourced income, such as, employment income, self-employment income, rental income, interest, dividends as well as other investment income, under certain specific conditions.

The regime is applicable for a period of ten consecutive years.

The regime will apply to individuals who become Portuguese tax residents under Portuguese domestic law in a certain year and have not qualified as tax residents in Portugal in any of the previous five years.

Practicalities

The status of non-habitual tax resident becomes effective upon registration with the Portuguese tax authorities, which should be applied for until 31 March of the following year to which the taxpayer becomes tax resident in Portugal.