

Non-Habitual Resident

Portugal's special tax regime for individuals

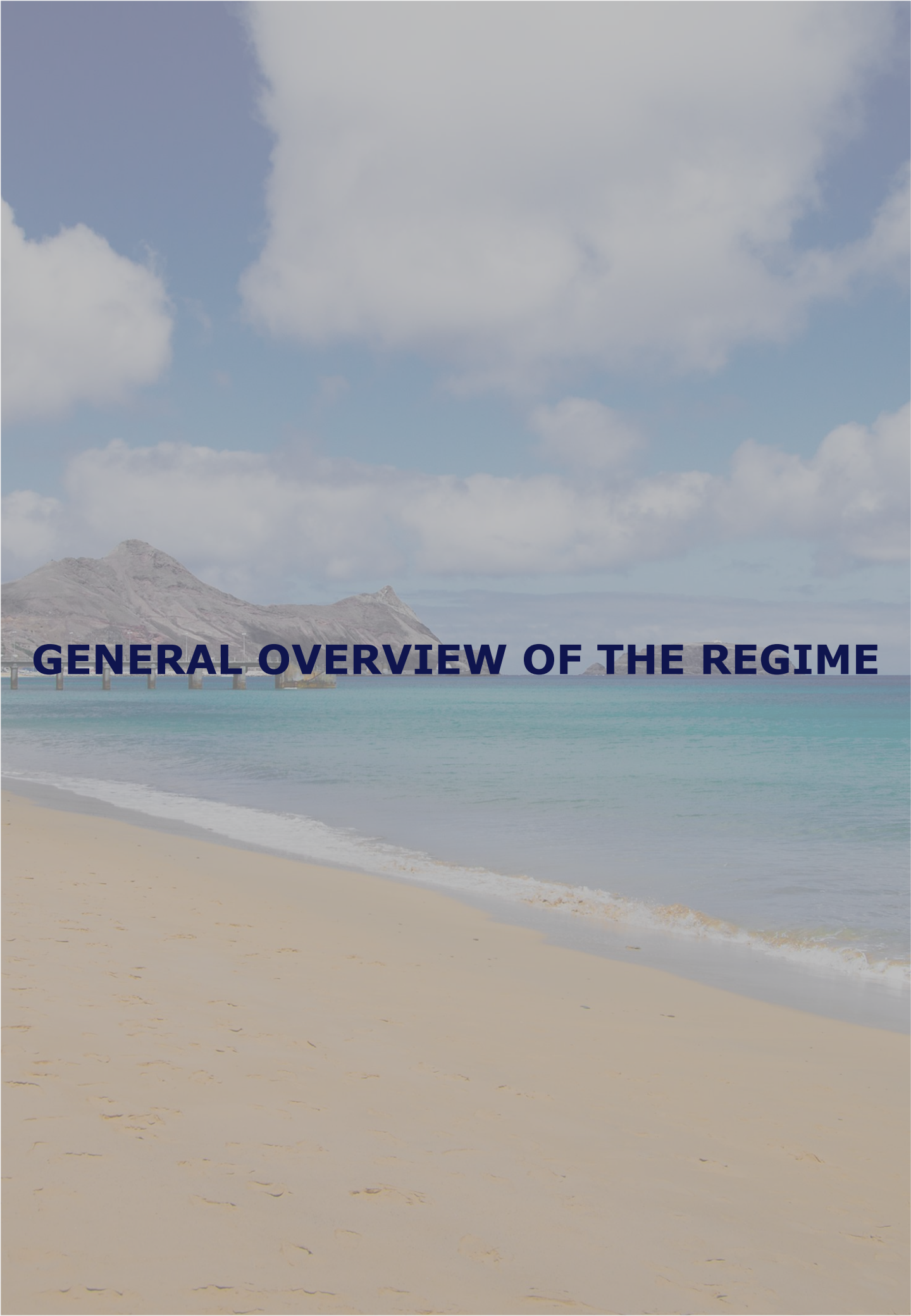


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The information provided on this guide was partially produced by our Partnership Network Law Firm Teixeira de Freitas, Rodrigues & Associados - Sociedade de Advogados SP RL





GENERAL OVERVIEW OF THE REGIME

General overview of the regime

Portugal's special tax regime for individuals, has made Madeira Island and the country more attractive for those wishing to relocate or retire in the sun.

General Overview

- ✓ Approved by Decree-law N. 249/2009 of December 23rd;
- ✓ The individual is subject to the tax regime applicable to residents (worldwide taxation), however a distinction between income from domestic and foreign sources is made;
- ✓ The taxation scheme is based on the taxation of individuals, Portuguese tax residents, enhanced with exemptions and reduced rates. In addition, beneficiaries are considered as tax residents for the purpose of the Double Taxation Treaties.

Eligibility to the regime and duration

- ✓ No tax residence in Portugal in the previous 5 years (a tax residence certificate may be required);
- ✓ Acquiring Portuguese tax residence. Either by having lived for more than 183 days (consecutive or not) in Portugal in any period of 12 months starting or ending in the relevant year; or having a house, at any time throughout the 12-month period, in such conditions that allow to presume the intention to hold and occupy it as the habitual place of residence;
- ✓ Apply for the registration as Non-Habitual Tax Resident until 31 March of the year following that of registration as resident (e.g. 2017– registration until 31 March 2018);
- ✓ Scheme applicable for a 10-year period.

A scenic view of a beach with turquoise water, a pier, and mountains under a cloudy sky. The word "TAXATION" is overlaid in the center.

TAXATION

Taxation

Personal income taxation applicable to the Non-Habitual Resident.

Foreign sourced income

- ✓ **Taxation exemption on employment income** if it is subject to tax in the source country, in accordance with the applicable Double Taxation Agreement, or is considered not to be derived from a Portuguese source;
- ✓ **Taxation exemption on foreign sourced pensions** if they are subject to tax in the source country, in accordance with the applicable Double Taxation Agreement, or are considered not to be derived from a Portuguese source. Some Taxation Agreements between source countries and Portugal may preclude those countries from taxing the pensions, resulting in potential double non-taxation (gross equals net);
- ✓ **Taxation exemption on other types of foreign sourced income** (interests, dividends, capital gains, income from immovable property (rents), royalties, intellectual property income and business income) if these can be taxed in the country of origin under a Double Taxation Agreement concluded between Portugal and the respective State; or if these types of income may be taxed in the State of origin in accordance with the OECD model of tax convention (excluding tax havens) in cases where there is no Double Taxation Agreement.

Portuguese sourced income

- ✓ **Taxation at a 20% flat rate, on income deriving from high added value professions**, as per defined by law;
- ✓ General taxation rate (up to 48%) if income derives from non-high added value profession;
- ✓ Withholding tax at a 28% flat rate on the following income: interest; dividends; capital gains; and income from immovable property (rents).
- ✓ Interests, dividends, intellectual property income and royalties are taxed at a rate of 35% if paid by entities domiciled in blacklisted jurisdictions. The same applies to capital gains on the disposal of shares of entities therein domiciled.



**BLACKLISTED JURISDICTIONS
AND HIGH ADDED VALUE JOBS**

Blacklisted Jurisdictions

- ✘ American Samoa
- ✘ Liechtenstein
- ✘ Andorra
- ✘ Maldives
- ✘ Anguilla
- ✘ Marshall Islands
- ✘ Antigua and Barbuda
- ✘ Mauritius
- ✘ Aruba
- ✘ Monaco
- ✘ Ascension Island
- ✘ Monserrat
- ✘ Bahamas
- ✘ Nauru
- ✘ Bahrain
- ✘ Netherlands Antilles
- ✘ Barbados
- ✘ Northern Mariana Islands
- ✘ Belize
- ✘ Niue Island
- ✘ Bermuda
- ✘ Norfolk Island
- ✘ Bolivia
- ✘ Pacific Islands
- ✘ British Virgin Islands
- ✘ Palau Islands
- ✘ Brunei
- ✘ Panama
- ✘ Cayman Islands
- ✘ Pitcairn Island
- ✘ Channel Islands
- ✘ Porto Rico
- ✘ Christmas Island
- ✘ Qatar
- ✘ Cocos (Keeling)
- ✘ Queshm Island, Iran
- ✘ Cook Islands
- ✘ Saint Helena
- ✘ Costa Rica
- ✘ Saint Kitts and Nevis
- ✘ Djibouti
- ✘ Saint Lucia
- ✘ Dominica
- ✘ Saint Pierre and Miquelon
- ✘ Falkland Islands
- ✘ Samoa
- ✘ Fiji
- ✘ San Marino
- ✘ French Polynesia
- ✘ Seychelles
- ✘ Gambia
- ✘ Solomon Islands
- ✘ Gibraltar
- ✘ St Vicente and the Grenadines
- ✘ Grenada
- ✘ Sultanate of Oman
- ✘ Guam
- ✘ Svalbard
- ✘ Guyana
- ✘ Swaziland
- ✘ Honduras
- ✘ Tokelau
- ✘ SAR Hong Kong, China
- ✘ Trinidad and Tobago
- ✘ Jamaica
- ✘ Tristan da Cunha
- ✘ Jordan
- ✘ Turks and Caicos Islands
- ✘ Kingdom of Tonga
- ✘ Tuvalu
- ✘ Kiribati
- ✘ United Arab Emirates
- ✘ Kuwait
- ✘ Virgin Islands of the United States
- ✘ Labuan
- ✘ Vanuatu
- ✘ Lebanon
- ✘ Yemen Arab Republic
- ✘ Liberia

High Added Value Jobs

- ✓ Architecture, engineering or geology
- ✓ Theatre, ballet, cinema, radio and television, singing, sculpture, music, painting
- ✓ Auditing and tax consultancy
- ✓ Medicine and Dentistry
- ✓ Teaching in Higher Education
- ✓ Psychology
- ✓ Archeology, biology, liberal professions, technical professions in general, and other similar professions in computer science, information services, news agency, scientific research and development
- ✓ Design
- ✓ Management and administration of companies promoting productive investment, if related to electable projects with agreements granting tax benefits under the Investments' taxation Code
- ✓ Performance of senior roles in companies

A scenic view of a beach with turquoise water, a sandy shore, and a mountainous coastline under a cloudy sky. The text is overlaid in the center of the image.

**GENERIC COMPARISON
WITH OTHER SIMILAR REGIMES**

Generic comparison with other similar regimes

Countries	Foreign Income	Domestic Income	Notes
Portugal	Exempt	Taxed at 20%	<ul style="list-style-type: none"> • Grace Period: 5 years • Tax Benefit Duration: 10 years • No inheritance tax
Spain	Exempt	Taxed at 24% or 45%	<ul style="list-style-type: none"> • Grace Period: 10 years • Tax Benefit Duration: 6 years • Only applicable to those relocating to work
France	<ul style="list-style-type: none"> • No more than 50% of the impatriate's total remuneration. • However; if this option proves to be more favorable, the employee may chose to have the total impatriation premium fully exempt from tax but with a limit on the salary paid for duties performed abroad of 20 percent of the net taxable salary. 		<ul style="list-style-type: none"> • Grace Period: 5 years • Tax Benefit Duration: 6 years • Only applicable to those relocating to work
The Netherlands	Not Exempt	Only 70% of the income is taxed	<ul style="list-style-type: none"> • Tax Benefit Duration: 8 years • Only applicable to those relocating to work if their qualifications cannot be found immediately in the Netherlander work force
Switzerland	Taxation based on value negotiated with local tax authorities		<ul style="list-style-type: none"> • Interessado não pode ter rendimentos do trabalho ou empresariais de fonte suíça
Belgium	Not Exempt	Taxed at normal rates, except for days working abroad	Scheme applicable only to non-Belgians who are deemed highly qualified under the law.
Italy	Not Exempt	Only 50% of the income is taxed at the normal tax rate.	<ul style="list-style-type: none"> • Grace Period: 5 years • Tax Benefit Duration: 5 years • Only applicable to those relocating to work and who are deemed highly qualified. • Work must be carried out mainly in Italian territory
Denmark	Not Exempt	Taxed at 31,9%	<ul style="list-style-type: none"> • Grace Period: 10 years • Tax Benefit Duration: 5 years • Only applicable to those relocating to work and who are deemed highly qualified. • Salary must be equal to or above EUR 8388 /month (this condition does not apply to scientists).
United Kingdom	Remittance Basis Regime (Resident non-Domiciled)		<ul style="list-style-type: none"> • "Fee" - After 7 years - £ 30,000 per person • After 12 years - £ 50,000 per person • Income obtained in the United Kingdom • Inheritance tax applies.

A scenic view of a beach with turquoise water, a pier, and mountains under a cloudy sky. The foreground shows a sandy beach with gentle waves lapping at the shore. In the middle ground, a concrete pier extends into the water. The background features a range of rugged, grey mountains under a blue sky with scattered white clouds.

ABOUT MCS

About MCS

The founding of Madeira Corporate Services, S.A. (MCS) dates back to 1995. MCS started as a corporate service provider in the Madeira International Business Center and rapidly became one of the leading management firms. As a result of its position in the market, the quality of the services it has been providing for over a decade and full compliance with business ethics, MCS was awarded the Merit Certificate by the Concessionaire of the International Business Centre of Madeira, SDM – *Sociedade de Desenvolvimento da Madeira, S.A.*

On a quest for an international presence, MCS is also assisting its clients with both European and Non-European OECD tax compliant jurisdictions, thus reinforcing its international reach and scope as a global provider of management and corporate services.

MCS has always understood the absolute need for continuous legal assistance to our clients for operations carried out through our company. This legal assistance was from the very start entrusted to the Portuguese law firm: *Teixeira de Freitas, Rodrigues e Associados SP RL (TFRA)*, our associated law firm based in Lisbon.

This advantage, essential in various sophisticated jurisdictions, has placed us in great demand by reputable international clients and has resulted in the high standard of clients that MCS has today. They range from international groups and companies to international banking institutions and to high net-worth individuals



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A informação fornecida nesta brochura é de carácter genérico, pretendendo apenas ser um resumo das regras aplicáveis e do processo, tendo sido por isso efetuadas algumas simplificações. Assim, recomendamos que seja obtido aconselhamento específico antes de tomar uma decisão sobre qualquer um dos assuntos aqui tratados. Poderão também existir implicações fiscais noutros países que deverão ser acauteladas.

The information provided in this brochure is merely a summary and simplifications have therefore been made. Individual advice must be obtained before acting on any of the matters covered herein. There may be tax implications in other countries as well.

A MCS opera através de profissionais dedicados e colabora ativamente com a sua Rede de Empresas Parceiras (o "Grupo") por forma a prestar serviços consultoria fiscal, consultoria empresarial, consultoria e assistência jurídica, e outsourcing para clientes selecionados. Cada membro do Grupo oferece serviços numa determinada área geográfica e está sujeito às leis e regulamentações do(s) país(es) e/ou território(s) no(s) qual(uais) opera.

MCS operates through dedicated professionals and cooperates with its Partnership Network Companies (the "Group") provide tax consultancy services, investment consultancy services, legal advice and assistance and outsourcing to selected clients. Each member of the Group provides services in a particular geographic area and is subject to the laws and regulations of the country(ies) and / or territory(ies) in which it operates.

A MCS e as empresas do Grupo são entidades legais distintas e separadas, sendo por isso responsáveis somente pelos seus próprios atos ou omissões. Cada firma é estruturada diferentemente, de acordo com as leis nacionais, as regulamentações, as práticas de costume e outros fatores, assegurando a oferta de serviços profissionais nos seus territórios pelo meio legalmente mais apropriado.

MCS and the Group's companies are separate legal entities and are therefore liable only for their own acts or omissions. Each company is structured differently, in accordance with national laws, such as regulations, customary practices and other factors, ensuring that they provided their services in accordance to their territory laws.

Por razões regulatórias, além de outras, certas empresas do Grupo não proporcionam serviços em todas as áreas profissionais.

For regulatory reasons, in addition to others, certain companies of the Group do not provide services in all professional areas.

Nem a MCS, nem as empresas do Grupo têm responsabilidade sobre atos ou omissões umas das outras. Cada empresa é uma entidade jurídica própria e independente que opera em parceria com as restantes.

Neither MCS nor the companies belonging to the Group are liable for acts or omissions of one another. Each company is a separate and independent legal entity that operates in partnership with others.





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