



# NON-HABITUAL RESIDENTS

A tax regime that turns Portugal  
into the **Tax Refuge** of Europe



TAX  
INTELLIGENCE

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## ALGARVE

Is indeed a secret waiting to be unveiled by many Europeans

Imagine a place where the deep blue and green Atlantic waters meet an all year-round mild Mediterranean Climate, to form a unique paradise of incomparable beauty and charm: Algarve is indeed a secret waiting to be unveiled by many Europeans.

Acclaimed for its over 200km of beaches and coastline, the Algarve's remarkable diverse nature still manages to surprise both newcomers and habitués, each and every time, truly offering something special to everyone.

## INTRO

Famous for a myriad of reasons, the Algarve offers an outstanding quality of life, **all at affordable cost**. Endless hours of sunshine, long stretches of sandy beaches, stunning golf courses, beautiful resorts, a modern healthcare system, warm-welcoming people, well-known gastronomy and exquisite wines... But besides the joy of living in a safe, charming southern destination, the non-habitual residence scheme is now a must for those seeking to retire in the sun.

For those who are still a few years from retiring, working in Portugal as active professionals can also be the right option.

As **“highly skilled professionals”**, any income earned in Portugal is **taxed at a flat rate of 20%**, and the income earned abroad can be tax exempt.

Scientists, artists, medical doctors, dentists, university professors, engineers and technicians, company directors and managers (among others), all apply for the above designation.

**EXPATS FALL IN LOVE WITH PORTUGAL AS THE QUALITY OF LIFE IS AMAZING**

# TAX FRAMEWORK

## THE CONCEPT OF “NON-HABITUAL RESIDENT”

Individuals shall be regarded as non-habitual residents if:

- They register as tax resident in Portugal;
- They have not been tax residents in Portugal in the previous 5 years;
- They apply formally for the non-habitual resident status, when registering as tax residents in Portugal or until March 31st of the year after they officially registered as tax residents in Portugal.

## THE BENEFITS

Under these terms, a non-habitual resident can benefit, during a period of 10 consecutive years, from a special tax framework consisting of:

- A low flat income tax rate applicable to income arising from high value-added activities carried out in Portugal (20%);
- A tax exemption on certain types of income arising abroad.

## THE TAXATION OF INCOME ARISING IN PORTUGAL

Employment and self-employment income, deriving from high value-added activities carried out in Portugal, are taxed at a flat tax rate of 20%.

All other types of domestic income are taxed according to the rules applicable to ordinary residents.



**EUROPEANS ARE ON THE MOVE  
FROM THE NORTH TO THE SOUTH.**

**WHY? CLIMATE, LIFESTYLE, COST OF LIVING  
... AND LAST, BUT NOT LEAST, TAXES**

In addition to being renowned as one of the best golf and beach destinations in the world, Portugal and the Algarve are now being recognized as one of the best places in the world for High-Net-Worth Individuals to seek tax refuge and residence.



The Algarve, with its fabulous lifestyle, is a tourist paradise and now the very favourable non-habitual residents tax regime will surely turn it into a refuge for skilled professionals, affluent individuals and pensioners seeking to reduce their tax exposure.

## **PORTUGAL IS RAPIDLY BECOMING THE “FLORIDA OF EUROPE”, A NEW PARADISE FOR EXPATS**

### **THE TAXATION OF INCOME ARISING ABROAD**

#### **Pension income from abroad**

Pension income, earned outside Portugal is taxed at a reduced rate of 10%.

#### **Employment income from abroad**

Employment income, earned outside Portugal, is tax exempt in Portugal provided that such income:

- Is taxed in the source State according to the applicable DTT; or
- Is taxed in the source State if no DTT is applicable and is not deemed as arising in Portugal.

#### **Other income from abroad**

Self-employment income, deriving from high value-added activities, as well as capital gains, investment and rental income are tax exempt in Portugal provided that such income:

- May be taxed in the source State according to the applicable DTT;
- Is not deemed as arising in Portugal;
- Is not originated in a black-listed tax haven.

### **THE PROCEDURE**

The status of “non-habitual resident” requires a precise and timely registration with the Portuguese Revenue.

The registration must be substantiated by the documentation necessary to demonstrate the admissibility of the applicant. A combination of different types and sources of income requires a thorough analysis to achieve the maximum tax efficiency possible.

### **OTHER CONSIDERATIONS**

- Portugal does not levy any wealth tax;
- Portugal does not levy any inheritance tax or gift tax between spouses, couples living in cohabitation, ascendants and descendants, allowing a favourable transmission of wealth to the next generation;
- A low flat rate of 10% is levied on any transmissions between other relatives or third parties;
- The taxes that will be actually levied to non-habitual residents will be mainly property taxes (IMT, IMI, Stamp Tax) and consumption taxes (VAT, fuel tax).



## AFC Tax Intelligence

**AFC is a property tax consultancy firm incorporated in 1994. Our core business is dedicated to tax, finance and investment advisory services for the benefit of the international property investors.**

We have been operating in this specific segment of the market for several years and we have accumulated substantial knowledge and expertise in the areas indicated.

We are also market leaders, which is an acknowledgement and an award from the market in relation to the quality and the value of our services.

We are recommended not only by the top-ranked law firms in the Algarve – and Portugal generally – but also by private banks, wealth management and law firms internationally.

Our clients come from 48 different countries. They are typically High-Net-Worth individuals who have purchased a holiday home above 500k €. Their properties are mostly located in luxury resorts but can also be found along the coast or in secluded areas of the Portuguese countryside.

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