



Tax relief for individuals returning to Portugal

October 2018



The recently presented 2019 State Budget Law Proposal includes a new favorable tax regime for former Portuguese tax residents who decide to return to Portugal in 2019 or 2020.

This special regime provides for a tax exemption on 50% of the employment and self-employment income, applicable to individuals who:

- have been deemed as tax residents in Portugal until the 31st December 2015;
- return to Portugal in 2019 or 2020 and meet the criteria to qualify as tax residents herein under the applicable tax residency rules;
- have not been deemed as resident in the previous 3 years;
- have not applied for the non-habitual resident (NHR) tax status.

Such exemption shall be valid for a 5 year period and can be an option for those who do not meet the criteria to obtain the NHR status.

The confirmation of this regime is expected by the end of the year and would enter into force as of 1st January 2019.

Over the last decade, Portugal has been introducing several measures to attract individuals to move to Portugal.

For 2019, a new favorable tax regime may come into force aiming to attract Portuguese and non-Portuguese individuals who have left the country before the end of December 2015.

How can KPMG help?

KPMG's Personal Advisory Services practice in Portugal has a dedicated team of qualified professionals specialized in two different practices: Private Client and Global Mobility Services.

Private Client Services

We help individuals and family companies with clear and constructive tax advice.

Global Mobility Services.

KPMG's Global Mobility Services (GMS) practice is dedicated to helping global companies better manage the tax affairs of their international workforce.

The table below summarizes the main aspects of NHR and this new regime:

	Non-Habitual Resident tax regime	"Former resident" tax regime
Who can apply?	Anyone who has not been Portuguese tax resident in the 5 previous years and becomes resident in Portugal (no restrictions on the date of arrival to Portugal)	Anyone who has not been Portuguese tax resident in the 3 previous years and becomes resident in 2019 or 2020
What are the advantages?		
<i>Employment and self-employment income</i>	20% flat tax rate on the income resulting from a high-value-added activity (as defined in the law)	Exemption on 50% of the income (regardless of the type of activity) – maximum effective tax rate: 26,5%
<i>Other types of income</i>	Exemption on foreign source income , as a rule, under specific conditions foreseen in the law Taxation on Portuguese source income at general rates (special rate of 28% or marginal rates up to 53% depending on the type of income)	Taxation at general rates regardless of its source (special rate of 28% or marginal rates up to 53% depending on the type of income) A tax credit may be granted to avoid double taxation
How long does it last?	10 years	5 years
How to apply?	Electronic filing (1 st stage) Written request (2 nd stage - for the high valued activity recognition)	To be defined
What is the deadline to apply?	End of March of the year following the qualification as Portuguese tax resident	To be defined

Our team

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