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Portugal introduces “Resident Non Domiciled” Status

In 2009 Portugal joined the growing list of countries seeking to persuade High Net Worth (HNW) individuals to make their particular country their home. It did so by introducing a variation on the UK’s resident non-domiciled scheme but styled as a regime for non-habitual resident individuals.

The status is available to individuals who become resident in Portugal for tax purposes after January 2009 and is available for a period of 10 years up until 2020. After that time period they will be taxed under the standard system.

Portuguese tax residence can typically be established in the usual ways the most important of which include the following:

- Staying in Portugal for more than 183 days;
- Having a dwelling to be used as an habitual abode;
- Being a crewmember of a ship or aircraft at the service of a company which is tax resident in Portugal.

The result of this status is the following:

1. Passive income arising in a tax treaty country or one not on the Portuguese tax haven’s black list will be exempt;
2. Active income from employment or personal services is exempt if taxed in the source country which is a tax treaty country or one not on the Portuguese tax haven’s black list;
3. Income taxable under these rules is taxable at a flat rate of 20% provided it derives from high value activities.

Conclusion

The entry of Portugal into the growing list of countries offering tax benefits to HNW individuals marks an interesting alternative to the more traditional options available such as the UK or Ireland.

We stress that individuals should seek their own advice before placing reliance on this newsletter.

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