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Concerned market: Portugal



Moving to Portugal

Moving to Portugal to become a Non-Habitual Resident – a top tax choice

Besides the excellent quality of life, Portugal is becoming a top choice jurisdiction for wealthy investors, entrepreneurs, highly skilled professionals, pensioners and High Net Worth Individuals, because it provides a very attractive tax regime and is considered as being one of the most competitive European regimes.

To qualify as a tax resident under Portuguese domestic rules, an individual is required to:

- Spend more than 183 days in Portuguese territory (whether these days are consecutive or not); **or**
- Own a dwelling that qualifies as a habitual residence in Portuguese territory on December 31st of the relevant tax year (regardless of the number of days effectively spent in Portugal).

This regime is applicable to individuals who meet the criteria to qualify as tax resident in Portugal under the applicable tax residency rules (namely, the conditions observed in the previous paragraph) and have not been taxed as tax resident in Portugal in the previous five years.

Once granted, this regime applies for 10 consecutive years, provided that, in each year, the individual meets the criteria to qualify as a tax resident. This period of 10 years is not extendable. Please note that the right to be taxed according to the Non-Habitual resident tax regime in each year of the above mentioned period depends on the fulfillment of the condition of being deemed resident on Portuguese territory.

The Non-Habitual Residents regime offers interesting tax planning opportunities in relation to wealth, gift and inheritance taxes as well as rental income, capital gains, dividends, interest and pensions.

Another interesting feature of this regime is naturally related to double tax treaties. Portugal has signed 71 double tax treaties, from which 64 are already in force and 7 of them are signed and awaiting for enter into force, that may grant the source country the possibility of taxing income paid to residents of the other country, although in practice many countries may abstain from using this possibility.

If you are eligible for the Non Habitual Residents regime, often combining a Life Insurance solution with the NHR regime may produce a very interesting result, please consider, for this purpose, the following below:

Taxation without insurance policy:

- The marginal income tax rate quickly reaches 52.5 %.
- There is no wealth tax.
- There is no inheritance tax.
- Income earned abroad is taxed at 28 %.
- Donation
 - In a direct line, there is no donation tax.
 - On an indirect line, the donation tax is 10 %.

Taxation with a life insurance policy:

- Benefit in case of partial or total surrender or when the policy matures

Choice between tax at a flat rate of 28 % or at the marginal income tax rate.

- Years 1 to 5: 100 % of the gain is taxed.
- Years 6 to 8: 80 % of the gain is taxed.
- After the 8th year: 40 % of the gain is taxed.

We kindly invite you to contact us as we will be more than happy to assist you in clarifying your questions and provide you further detailed explanation on the potential advantages linked to our Life Insurance Solution.

Nevertheless, while the Non-Habitual Residents regime can offer significant tax benefit it is important to take a tax professional personalised advice for your specific case.

Advise: tax rates, scope and reliefs may change. Any statements concerning taxation are based upon our understanding of current taxation laws and practices which are subject to change.

Baloise Vie Luxembourg S.A. International and its multilingual team of experts are at your disposal should you require any further information regarding the content of this article or any other subject.



Disclaimer

This document was drawn up in January 2016 based on information validated at that date.

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