

INTERNATIONAL TAXATION PRACTICE GROUP (ITPG)

Tax Regime for Non-Regular Residents in Portugal: A Competitive Advantage Beyond Borders

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Sun, sea, reduced cost of living, safety, but mainly a lower tax burden. Portugal has long since ceased to be just a country at the tail of Europe. Its potential is known globally, being one of the most sought countries for investing and establishing residence. Approved in 2009, the Tax Regime for Non-Regular Residents (NRR) is yet another step towards international tax competitiveness.

The NRR is aimed at independent professionals and pensioners who wish to establish permanent residence in Portugal, as well as non-residents, dependent or independent workers, including members of statutory bodies of collective entities, who wish to es-

tablish a temporary residence due to expatriation or deployment.

Its main advantage, compared with other countries, is the special tax rate of 20% applicable for 10 years to income from activities of “high scientific, artistic or technical added value”, associated with the possibility of tax exemption for foreign sourced income, such as labour and property income, capital gains,

interest or dividends. The creation of privileged income tax regimes results



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from the intersection of a country's need to attract foreign investment and the market's demand for favourable tax schemes. In an ever more globally-competitive context with increasing mobility of people, fiscal policy is becoming a crucial instrument of economic recovery, expanding taxation beyond a simple domestic matter.