



WEALTH PLANNING NEWS

A PUBLICATION OF THE **WEALTH PLANNING** TEAM

PORTUGAL - THE END OF THE NHR (NON-HABITUAL RESIDENT) REGIME AND THE INTRODUCTION OF A NEW REGIME FOR IMPATRIATES?

CURRENT SITUATION

On 2nd October, the Portuguese Prime Minister announced in a TV interview that he wanted to put an end to the NHR (Non-Habitual Resident) regime.

Under the NHR regime, people who come to live in Portugal and can prove that they have not been Portuguese tax resident for the previous 5 years can benefit, under certain conditions and for a period of 10 years of:

- a tax exemption in Portugal on certain foreign income and
- a reduced tax rate on certain Portuguese income.

In his speech, the Prime Minister made it clear that he did not wish to impact current RNH scheme beneficiaries, but left it unclear whether the RNH scheme would be totally or partially abolished, and exactly when.

The publication of the Portuguese Finance Bill 2024 answers these questions.

THE 2024 FINANCE BILL SPECIFIES THE END OF THE NHR REGIME

Finance Bill 2024 provides for the abolition of the RNH regime on January 1, 2024.

However, the regime would continue to apply:

- For individuals already registered as NHR until December 31, 2023, and until the 10-year duration of the regime has expired.
- To individuals who become Portuguese tax residents before December 31, 2023, or who hold a valid residence permit at that date, provided they register as NHR before March 31, 2024.
- To professors and scientific researchers and/or research and development activities (duly certified) => For them, the RNH regime would continue beyond 2024 (without, however, being able to benefit from the reduced taxation of 10% on their foreign-source pension).

INTRODUCTION OF A NEW REGIME FOR “NEWCOMERS »

A new advantageous tax regime is proposed for professionals moving to Portugal (“newcomers”), under which they would benefit from an exemption of 50% of their annual salaried and/or self-employed income, up to a limit of € 250,000.

The regime would apply for a period of 5 years to any individual moving to Portugal, provided that he or she had not been a tax resident for the previous 5 years, and regardless of the activity carried out.

Considering that income from employment or self-employment not exceeding €250,000 is generally subject to progressive rates up to 50.5%, this means that under this scheme, newcomers’ income from employment or self-employment would in practice be subject to effective progressive rates up to 25.25%.

A FINANCE BILL THAT HAS YET TO BE ENACTED BY PARLIAMENT

The Finance Bill will be debated, and potentially amended, by members of Parliament over the coming weeks, before being definitively adopted, probably towards the end of November/beginning of December this year.

The Wealth Planning team will keep you informed of further developments.

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