



# Portuguese Tax & Pension Update 2022

An Expat's Guide To What  
You Need To Know

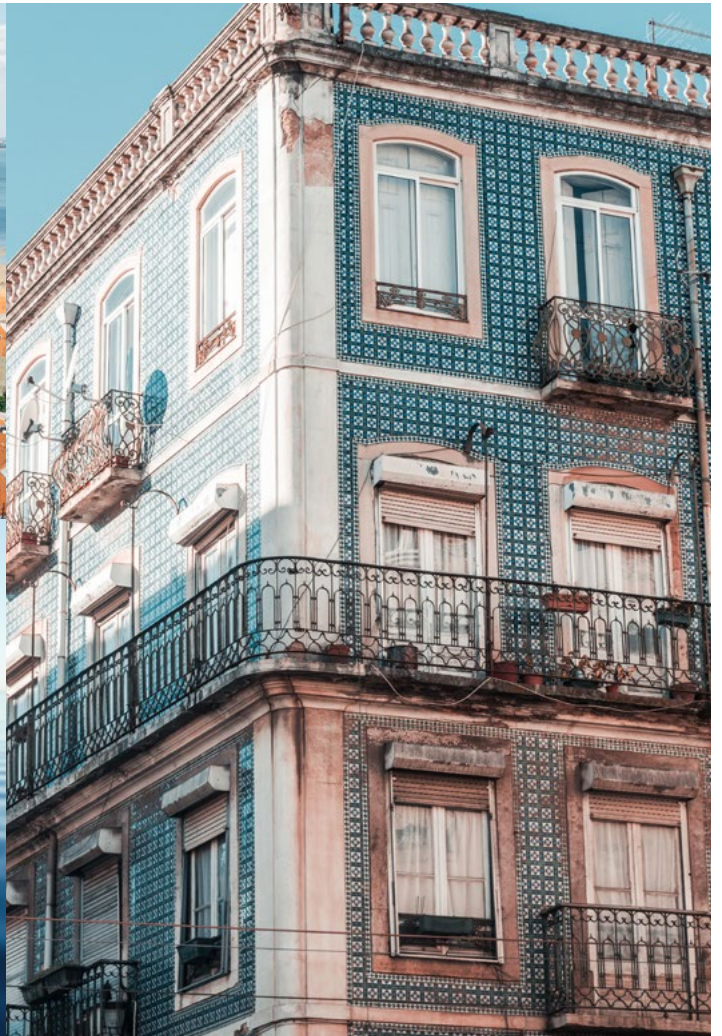


Living in Portugal often appeals to many expats thanks to its reputation as the hottest country in mainland Europe and its affordable cost of living.

However, income tax levels here are some of the highest in Europe. That said there are a number of tax mitigating solutions which expats can take advantage of. To help you understand how you can make the most of your time in Portugal, our team have compiled a comprehensive guide to help you understand the intricacies and make the most of your time here.







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# Moving To Portugal?

If you have downloaded this e-book because you are intending to move to Portugal in the future, you may find the following summary of the different types of visas useful.

When moving to Portugal for longer than 90 days, you must obtain either a visa if entering from outside the EU or a residence permit if you are an EU national.

There are several types of visa that Portugal offers and these depend on your circumstances. These include, student visas, self-employed visas and investor visas. However, the most popular type is a Type 1 visa.

A Type 1 visa will cover individuals who are seeking to; retire, live independently, establish an independent business, to set up investments, or establish themselves as independent professionals in their field. Along with a few other requirements, if you are a non-EU citizen for example a Brit, American or Canadian then you will need to provide proof of healthcare insurance that is valid to be used in Europe, along with sufficient funds to support yourself whilst in Portugal.

Once you have successfully received your visa, you are able to stay in Portugal under a temporary residence visa which will last for a year, then a consecutive two years. After five years of residence in Portugal you will then be able to apply for a permanent residence visa.

## Demonstrating Sufficient Income

When applying for a visa, you are required to provide evidence that you have a regular income such as from employment or pension income. Other forms of income, such as investment income may be considered but only as a secondary form of income.





# Non-Habitual Tax Resident Regime

In 2009, Portugal introduced the Non-Habitual Residence Regime (NHR for short), a tax status which, if you are new to the country or you haven't been resident in Portugal for the last five years, allows you to qualify for a reduced income tax rate of 20% for 10 years.

NHR status is available to anyone in a qualifying profession, and since 2020 offers tax advantages for non -Portuguese pension income too.

## Changes In 2020

Until recently the NHR regime allowed foreign income derived from investment gains such as dividends, rental income and capital gains, to be totally exempt from tax in Portugal as long as said income is subject to tax in the country of source.

However, since February 2020, such gains are liable for personal income tax at a rate of 10%. This new rule wasn't applied retrospectively and as such only applies to new NHRs unless an individual chooses to benefit from the rule change.

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## Wealth Tax On Property

January 2017 saw the introduction of an annual wealth tax in addition to the existing Imposto Municipal Sobre Imóveis (IMI) tax. Tax is applied to a Portuguese property valued more than €600,000 regardless of the nationality or residence of the owner. Depending on the individual circumstances, the tax rate applied ranges from 0.4% to 1.5%. Married couples are able to combine their allowance meaning they would not fall under this ruling unless their property exceeded €1,200,000 in value.





# Portugal Golden Visa

In October 2021, Portugal launched the residence permit for investment activity (ARI). Often referred to as a Golden Visa, ARI's are designed to facilitate local citizenship in return for an individual investing in Portugal.

In just over 8 years, the ARI program has resulted in approx 5.5 billion euros of international investment into the nation.

To gain a Golden Visa then you will have to invest in either real estate\*, businesses, government bonds, or specific industries.

***\* As of 1 January 2022, property purchases for the purpose of obtaining an ARI permit has been restricted to inland parts of Portugal, the Azores, and Madeira.***

The table below summarises the types of investment an expat must make, and the benefits of obtaining a Golden Visa in Portugal.

Investment Options	Potential Benefits
<ul style="list-style-type: none"><li>- Purchase real estate amounting to at least 500,000 euros.</li><li>- Purchase real estate in an urban regeneration area at least 30 years old amounting to a min of 350,000 euros.</li><li>- Make a capital transfer of at least 1 million euros.</li><li>- Create at least 10 job positions.</li><li>- Invest at least 350,000 euros.</li><li>- Invest at least 250,000 euros in arts, culture, and heritage.</li><li>- Invest at least 500,000 euros in a small/ medium business.</li></ul>	<ul style="list-style-type: none"><li>- Investment options start from 250,000 euros.</li><li>- You only have to spend a minimum of 2 weeks a year in Portugal so that you can renew your visa.</li><li>- You can apply for a citizenship after five years without having to live in Portugal. Having ties and acquiring the language are a requirement for citizenship.</li><li>- You will have the added benefit of being able to move freely through the Schengen Zone.</li></ul>



As international financial planning experts, we spend our time sourcing products that exist specifically to aid international workers who have moved, or intend to move to Portugal.

There are many investment vehicles available to international investors in Portugal. Finding the right one can be tricky and to establish the right product for you in a e-guide like this is impossible and we would always recommend speaking to a qualified advisor to establish the options available to you.

## UK Compliant, Tax Efficient Investment Solutions With Skybound

They say there's no such thing as a free lunch, but by taking the time now to implement a long-term wealth planning strategy, you can significantly mitigate your tax liabilities whilst living in Portugal.

One solution available to expats, enables those who can hold their investment for more than 8 years to benefit from an income tax rate of 11.2% on gains, 40% less than the standard rate of tax.

You don't have to hold the investment for 8 years. However, the income tax reduction available works on a sliding scale based on time invested.

Time Policy Held	Income Subject To Tax	Tax Rate	Effective Tax Rate
0-5 years	100%	28%	28%
5-8 years	80%	28%	22.4%
8 years +	40%	28%	11.2%

Additional benefits include:

**Flexibility** - As your circumstances change, it's vital your investments can change too

**Succession Planning** - Allows you to pass on more of your wealth to loved ones should the worst happen

**UK Compliant** - Providing a tax effective way to repatriate your wealth should you choose to return to the UK.



# Why Choose Skybound?

At Skybound we always take a long-term approach whether the subject be investing or tax planning. Our team of experts are on hand to help you through this complicated process and give you specialist advice on how to mitigate your tax liabilities both in life and death in compliance with the law.

## Tailor Made Plans

Our financial planners at Skybound will talk you through a variety of options and solutions that you can take advantage of in order to put your family and loved ones in the strongest possible financial position after your death.

These include:

**Will Writing** - We will help you with legalities, explore whether you need more than one (depending on residence status) and guide you through the decisions you need to make.

**Trusts** - We will advise you on whether you should consider putting your properties in trust. This may reduce your inheritance tax liability, yet you can still say how the property is to be distributed upon your death.

**Gifts** - Making a gift from your estate may sound simple, yet sometimes it can complicate matters due to liability and asset benefit. We will advise you on this to ensure it is a positive financial decision.

*We all have to pay tax. But as an international expatriate there are various tax allowances available to you that enable you to create a plan tailored to your individual circumstances. A plan which can mitigate your tax exposure and ensure a secure future for you and your family by enabling you to keep hold of more of your hard-earned wealth.*







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## Securing Your Future.

Wherever You Are Today.

We exist to educate and guide you through the important decisions required today, to ensure you benefit from the freedom of tomorrow.