



# Portugal – A new international investment platform



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# New Portuguese tax legislation offers significant opportunities to foreign investors



Although it still remains barely unknown, the Portuguese tax legislation provides several benefits for foreign citizens who intend to settle or invest in Portugal, placing this country at the top of the map of international tax competitiveness.

At the present time the most attractive tax regimes are:

## **Individuals:**

- ① Portuguese residence permit for investment (usually known as the “golden visa”)
- ② Non-habitual residents regime for active professionals
- ③ Non-habitual residents regime for retirees

## **Companies:**

- ④ Participation exemption” regime
- ⑤ Investment tax code

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# 1 Portuguese residence permit for investment (usually known as the “golden visa”)



## GOLDEN VISA PORTUGAL Golden Residence Permit

This legal framework allows citizens of “third countries”- who are not members of the European Union nor members of the Convention that implemented the Schengen Agreement - to **obtain a Portuguese residence permit with the purpose of developing an investment activity in Portugal**, thus being able to obtain a permanent residence permit after a five year period, and, one year later, the **Portuguese nationality**.

For the purposes of granting the “golden visa”, an investment activity must be performed for a minimum period of five years. Amongst the type of investment deemed to be relevant for this purpose, the purchase of real estate with a minimum value of € 500.000,00 has been the most elected, thus giving a new impulse to the Portuguese real estate market, as well as to tourism related service providers.



**The golden visa regime is mostly targeted at non EU residents with business affairs in the Schengen region and thus need higher mobility in Europe**

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## 2 Non-habitual residents regime for active professionals



Applicable to foreign citizens and Portuguese emigrants who meet the criteria to qualify as tax residents in Portugal, as long as they were not tax residents in Portugal within the previous five years. Thus allowing them to benefit from a tax exemption on the income obtained abroad and of a **20% flat tax rate** on labor income obtained in Portugal, provided, in either cases, that certain conditions are met.



The non-habitual residents regime is mostly targeted at entrepreneurs or active professionals who have the flexibility of working from Portugal throughout the most part of their year in order to improve their tax efficiency

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### 3 Non-habitual residents regime for retirees



#### **Non-habitual residents regime for retirees**

Applicable to foreign retired citizens and Portuguese retired emigrants who meet the criteria to qualify as tax residents in Portugal. This regime allows for retired individuals to be income tax exempt in Portugal and not to be taxed in their home countries, provided that certain conditions are met.

#### **Succession or donation tax exemption**

Portugal does **not have a succession or donation tax**. In fact, free transfers of assets (either in life – donations or gifts – or by death – inheritance or legacy) are not subject to taxation at all when the beneficiary is the spouse, the companion, as well as the direct descendants and ascendants.



**The non-habitual residents regime is mostly targeted at affluent retirees who wish to attain fiscal efficiency and move to a country with excellent conditions for retirement**

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## 4 Participation exemption regime



Portugal has redefined its international tax policy, approved by a large majority of deputies, with the aim of attracting international investment. Portugal has then introduced the new “participation exemption” regime, which is nowadays one of the most attractive European regimes. Under the aforementioned regime, **capital gains and dividends are exempt from Portuguese Corporate Income Tax** whenever a Portuguese company holds, at least, 5% in the share capital or voting rights of a participated company, for a minimum period of 24 months.



**The participation exemption regime is aimed at international companies who want to improve their fiscal efficiency by having a holding company based in Portugal**

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## 5 Investment Tax Code



The new Investment Tax Code foresees contractual (cumulative) **tax benefits for productive-investment projects**, such as a tax credit, determined by applying a percentage up to 25% of project's relevant investments and an exemption or reduction of real estate taxes and stamp duty, until the end of 2020. With respect to tax-benefit determination criteria, the total tax benefit to be granted for investment projects is 10% of the project's relevant investments. However, this percentage may go up depending on the location of the project, on the number of jobs created and on the contribution of the project to technological innovation or environmental protection. Moreover, companies that invest in Research and Development (R&D) may benefit, until 2020, from a **Tax Incentives System for Business R&D**, consisting in a deduction on corporate tax.



The approval of this set of tax rules and benefits aims to create a new spirit of Portuguese economic competitiveness and to promote inbound investment

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# MRG can assist clients in different ways regarding all tax regimes



## *Individuals*

1. Verifying eligibility of the client for the several fiscal regimes in place
2. Managing the “golden visa” clearance process
3. Providing support in setting up the investment activity in Portugal
4. Intermediating the purchase of real estate in Portugal
5. Providing additional support for the clients establishment in Portugal

## *Companies*

1. Providing fiscal and technical support regarding the usage on the participation exemption regime by foreign companies
2. Setting up holding companies in Portugal
3. Providing advisory on the usage of other fiscal regimes (fiscal investment code, DDT’s, etc.)
4. Providing consulting work for companies who wish to use Portugal as an investment platform for other countries

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