



Looking to live or invest in Portugal?

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Looking to live in Portugal?



Non-habitual resident tax regime

Employment and self-employment income can be taxed at a 20% special rate

Applicable to employment and self-employment income deriving from a “high-value-added” activity (including engineers, professionals within the computer programming or data processing).

Who?

Individuals who:

- become tax resident in Portugal (*e.g.* stay in Portugal more than 183 days during a 12 months period or have a place intended to be used as an habitual residence), and
- have not been deemed as tax residents in Portugal in the previous five years.

This special regime is subject to an application upon arrival (until the 31st of March of the following year) and applies **for 10 consecutive years**.

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Non-habitual resident tax regime

Foreign source income can be tax exempt

Provided that certain conditions are met (different conditions apply for different types of income):

- For **self-employment income** deriving from a “high-value-added” activity, **rental income**, **investment income** and **capital gains**, the exemption applies if the income may be taxed in the country of its source based on the relevant Double Tax Treaty rules or on the OECD model convention (if no Double Tax Treaty exists);
- **Employment income** may be exempt provided that it is taxed in the country of its source, or provided that it is not considered from a Portuguese source under the domestic rules.

Pension income

Pension income from foreign source received by an individual under the NHR regime is subject to taxation at a 10% flat rate (with the possibility of offsetting any foreign tax liability).

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Former resident tax regime

A favorable tax regime for former Portuguese tax residents who decide to return to Portugal in 2019 – 2023

50% of the employment and self-employment income can be tax exempt (regardless of the type of activity).

Who?

Individuals who:

- have been deemed as tax residents in Portugal before 31 December 2017, 2018, 2019 and return to Portugal from 2019 to 2023, as tax residents;
- have not been deemed tax residents in Portugal in the previous three years preceding the arrival;
- have their tax situation regularized in Portugal; and,
- have not applied for the non-habitual resident tax status.

This regime applies for a period of five years.

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Former resident financial incentive

A financial incentive may be granted to former Portuguese tax residents who decide to return to Portugal between 1 January 2019 and 31 December 2023

The total amount of the financial incentive to be granted can go up to €6.536 per family.

Who?

Individuals who:

- start performing a professional activity in Portugal (mainland) by signing a permanent labor contract, incorporation of companies or self-employment, between 1 January 2019 and 31 December 2023;
- have been tax resident in Portugal in any given fiscal year prior to 31 December 2015;
- have their tax situation regularized in Portugal.

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Taxation of startups – Main features

General Rules

- **Corporate Income Tax rate:**
 - 17% (up to €25k of taxable profit for SME);
 - 2023 State Budget Law^(*):** Taxable profit threshold increases to €50k and will be also applicable to Small Mid Cap companies;
 - 21% (taxable profit above €25k);
 - Up to 1.5% Municipal surcharge;
 - Up to 9% State surcharge.
- **Tax losses carried forward during 5 years or 12 years (for SME) –** Can be offset against up to 70% of the taxable income for CIT purposes (tax losses can not be used to offset municipal and state surcharges);
2023 State Budget Law^{*}: Unlimited carry forward period and the taxable profit threshold reduces to 65%.
- **Intellectual Property taxed only in 15% –** Applicable to patents, industrial drawings and models and computer programs copyrights, provided certain conditions are met.
- **Intangible assets depreciated during 20 years –** Applicable to Industrial property and Goodwill, subject to certain conditions.

^(*)The State Budget Law Proposal for 2023 became public in the beginning of October. If approved, the new provisions should apply from 1 January 2023 onwards.

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Taxation of startups – Main features

2023 State Budget Law^(*): Tax incentive regime to the capitalization of companies

- Corporate Income Tax deduction corresponding to 4.5% (or 5% for SME and Small Mid Cap companies) of net increases in eligible equity – up to the higher of €2M or 30% of the tax EBITDA and applicable in the tax year of the increase as well as in the 9 following tax periods.



^(*)The State Budget Law Proposal for 2023 became public in the beginning of October. If approved, the new provisions should apply from 1 January 2023 onwards.

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Taxation of startups – Main features

Participation exemption

- Corporate income tax exemption for dividends and capital gains

Applicable to Portuguese resident companies provided that (i) a minimum share capital participation of 10% is held (ii) for a minimum period of one year. Exemption also applicable to dividends and capital gains obtained by non residents. The exemption may not apply to capital gains derived from certain real estate companies.

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Taxation of startups – Main features

Taxation of funding

- Net financing expenses deductible for tax purposes up to the higher of €1M or 30% of tax EBITDA – Non-deductible interest can be carried forward during five years within these limits. Unused tax EBITDA margin can be used to increase the interest deductibility limits of the following five years.
- Withholding tax on interest may be reduced under Double Tax Treaty or eliminated under Interest and Royalties Directive – Provided certain conditions are met.
- Stamp Duty on the use of credit at rates between 0.04% and 0.6% depending on the maturity of the credit – Several exemptions may apply.

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Other interesting features

IP income (individuals)

- Personal Income Tax exemption on 50% – Up to €10k.

Taxation of Investors (individuals)

- Dividends, capital gains and interest taxed at a 28% flat rate – Applicable to Portuguese resident individuals (as a general rule).
- Capital gains on micro and small businesses taxed only on 50% – Subject to specific conditions.
- Short term gains (positive balance between capital gains and capital losses arising from the transfer of shares and other securities held for a period under 12 months), as of 1 January 2023, will be mandatorily added to the overall income and subject to the progressive tax rates, if the total taxable income received is higher than €75.009.
- Tax exemptions or tax rate reductions – Applicable to non-resident individual investors (depending on the country of residence).

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Other interesting features

Venture Capital Funds

- Corporate Income Tax Exemption on any income obtained;
- Distributions and capital gains taxed at a 10% flat rate – Applicable to income derived by individual investors (non resident individual investors may benefit from a capital gains exemption);
- Distributions and capital gains exempt – Applicable to non resident entities (except tax havens jurisdictions).

Real Estate Investment Funds/Companies

- Corporate Income Tax Exemption on any real estate income obtained;
- Distributions and capital gains taxed at a 10% flat rate – Applicable to non resident investors (except tax havens jurisdictions).

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Other interesting features

200M Fund

- Co-investment up to 50% of the private financial commitment (maximum amount of €5M);
- This Programme aims to increase capital venture activity in Portugal, allowing companies to acquire technical, commercial and market knowledge, thus enabling the development of better strategies to foster innovation, growth and internationalization;
- Beneficiaries: SMEs developing innovative projects that are in the initialization/seed, startup, or later stage venture phases (series A and B) and that aim at the development of new products and services and/or of innovative processes, products or marketing;
- Preferred sectors: Life Sciences, Biotechnology, Digital and IT, Tourism, Engineering and Industry 4.0.

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Incentive programs (*)

| Program | Goals | Incentive |
|---------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|
| Startup Voucher - New Green and Digital Products | Support startups that have or intend to develop digital business models with a strong green component, that intend to invest in highly qualified HR that contribute to R&D activities or in the acquisition of incubation, acceleration or consulting services. | Cash grant of €30k |
| Incubator/accelerator vouchers | Support incubator or accelerator players that aim to invest in their technological development and finance HR with the expertise and skills to support startups with digital-based business models. | Cash grant from €10k up to €100k |

(*) Subject to calls

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Incentive programs (*)

| Program | Goals | Incentive |
|-------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|
| Digital Commerce Accelerators | Accelerators support trading companies by providing financial support to hire services according to their level of digital maturity. | Cash grant of 100%, up to €2k per SME |
| Coaching 4.0 | Fostering technology integration in SMEs by supporting process development and organizational competencies that drive the business model's digital transformation. | Cash grant of an average amount of €10k per SME |
| Internationalization via e-commerce | Support internationalization strategies of SMEs - new exporters and those already in international trade. | Cash grant of 50%, limited to €42.5k |

(*) Subject to calls

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Incentive programs (*)

| Program | Goals | Incentive |
|-----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Incentive system for innovation | Encourage innovation and stimulate structural investments in SME's business aiming to produce new and innovative goods, services and processes. | <i>Portugal 2030's legislation will be available until the end of 2022. Notwithstanding, it is expected to work in similar ways of its preceding Program: Portugal 2020. Nevertheless, companies can already submit a registration of assistance for their R&D and Innovation projects, so they can start as soon as possible without compromising the submission of the complete application process.</i> |
| Incentive system for the qualification and internationalization | Enhance the competitiveness of SME by increasing their productivity, flexibility, capacity and active presence in the global markets. | <i>Other incentives systems may be available under the Portugal 2030 framework.</i> |
| Incentive system for technological R&D | Intensify technological R&D efforts, allowing the creation of new knowledge in order to increase companies' competitiveness. | |

(*) Subject to calls

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Incentive programs (*)

| Program | Goals | Incentive |
|--------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Horizon Europe | Speed up the development of technologies and innovations that will underpin tomorrow's businesses and help innovative SMEs to grow into world-leading companies, through several actions such as: i. Research & Innovation actions, ii. Innovation actions, iii. EIC Accelerator. | <u>R&I actions:</u> cash grant up to 100% <u>Innovation actions:</u> cash grant up to 70% <u>EIC Accelerator:</u> cash grant up to 70% limited to €2.5M |
| Digital Europe Programme | Bring digital technology to businesses, citizens and public administrations, providing strategic funding to support key digital areas, such as supercomputing, artificial intelligence, cybersecurity, advanced digital skills. | <u>Simple grants:</u> Cash grant up to 50% <u>SME support grants:</u> Cash grant up to 75% for SMEs |

(*) Subject to calls

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Incentive programs (*)

| Program | Goals | Incentive |
|----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|
| Startup DNA line | Financial support line for startups and micro-enterprises under the age of four and a minimum of 15% of equity funding, through counter-guarantee mechanisms provided by Portuguese mutual guarantee companies. | Counter-guarantee mechanisms that finance up to €50k (this amount could be €100k under specific conditions) |
| Fostering Innovation in Tourism | Invests in tourism projects in pre-seed phase such as: <ul style="list-style-type: none">- Non-Tech projects (design/boutique hotels; eco-resorts; theme parks; nautical, equestrian, wine or gastronomy tourism; ...)- Tech projects (artificial intelligence; augmented and virtual reality; IoT; Electronics; Mobile; Clean Tech; Robotics; Marketplaces; ...). | Co-investment up to €100k per project |

(*) Subject to calls



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