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Portugal's Revised Non-Habitual Residents (NHR) Regime: Process and Requirements Explained

Portugal has reintroduced a new Non-Habitual Residents Regime (NHR), known as "NHR 2.0" or IFICI (Incentive Scientific Research & Innovation).

By **Cátia Silva**, 14th January 2025

Following the Government's release of regulations in December 2024, Portugal has reintroduced a new Non-Habitual Residents Regime (NHR), known as "NHR 2.0" or IFICI (Incentive for Scientific Research and Innovation). The new regime is, effective from 1 January 2024 – a redesigned tax incentive scheme replacing the previous NHR.

The scheme, to summarise, is to allow those who choose Portugal as their base for establishing their business or exercising a respective professional activity in Portugal, to benefit from several tax advantages.

The key benefits, available for 10 calendar years from the time they become tax resident in Portugal, are summarised as follows:

- 20% flat tax rate on qualifying Portuguese income.
- Exclusion from tax for foreign-sourced business profits, employment, royalties, dividends, interest, rents, and capital gains.
- Only foreign pensions and income from blacklisted jurisdictions remain taxable.

Requirements for the New NHR:

Those intending to benefit from the new NHR can do so provided they comply with the following set of requirements:

1. Application Deadline: Applications must generally be submitted before 15 January of the following year after becoming tax resident in Portugal (Portugal's tax years run in line with calendar years). A transitional period applies for those who became tax resident between 1 January and 31 December 2024, with a deadline of 15 March 2025.

2. Prior Non-Residency: Individuals must generally not have been tax resident in Portugal in the five years preceding their application.

3. Qualified Professions: To be eligible, individuals must be employed in at least one highly qualified profession, including:

- Company Directors
- Specialists in physical sciences, mathematics, engineering (excluding architects, urban planners, surveyors, and designers)
- Industrial product or equipment designers
- Doctors
- University and higher education teachers
- Specialists in information and communication technologies

4. Qualification Criteria: Highly qualified professionals typically require:

- A minimum of a bachelor's degree (equivalent to Level 6 on the European Qualifications Framework); and
- At least three years of relevant professional experience.

5. Business Eligibility: to qualify for the Portuguese NHR under the business eligibility criteria, individuals must be employed by companies that meet specific requirements, namely:

- Eligible businesses must operate within specific economic activity codes (CAE) as outlined in the Ministerial Order.
- Companies must demonstrate that at least 50% of their turnover is derived from exports
- Belong to eligible sectors, including extractive industries, manufacturing, information and communication, R&D in physical and natural sciences, higher education, and human health activities.

6. Application Process:

- Specific forms must be submitted to the relevant authorities (which may include the tax authorities) for eligibility verification. This is something Dixcart Portugal may assist with.

7. Application Documents: Required documents may include:

- Copy of employment contract (or scientific grant)
- Up-to-date company registration certificate
- Proof of academic qualifications
- Statement from the employer confirming compliance with the activity and eligibility requirements

8. Annual Confirmation:

- The Portuguese tax authorities will confirm the NHR 2.0 status annually by 31 March.

- Taxpayers must maintain records demonstrating that they carried out the qualifying activity and generated the corresponding income during the applicable years and provide this evidence upon request to benefit from the respective tax advantages.

9. Changes and Termination:

- If there are changes to the original application details that affect the competent authority or the entity verifying the value-added activity, a new application must be filed.
- In case of any changes to, or termination of, the qualifying activity, taxpayers are required to inform the relevant entities by 15 January of the following year.

What are the Tax Consequences for my Income Sources?

The tax rate and treatment will vary – please refer to our article on Tax Consequences of the Non-Habitual Residents Regime for more information.

Contact Us

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Note that the above must not be considered as tax advice and is for discussion purposes only.