

PORTUGAL'S NEW IFICI TAX REGIME

tax incentive for individuals



ANTAS
DA CUNHA
ECIJA

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The new **TAX INCENTIVE FOR SCIENTIFIC RESEARCH AND INNOVATION** ("**IFICI**"), in force as of January 1, 2024, is a tax incentive for individuals replacing the former Non-Habitual Tax Residents regime (NHR) - which is why it is also known as NHR 2.0. - redesigning the prior access conditions, now necessarily linked to the carrying out of certain professional activities in specific economic fields.

This document provides a high-level description of the **IFICI**, reason why it is not, nor it intends to be, construed as a legal opinion.

Any investment or other decisions cannot rely on this document and must always be preceded by a thorough legal and practical analysis of each case. Any decisions taken based solely on the information described generally in this document are the sole and exclusive responsibility of their executors, advisers or lawyers.

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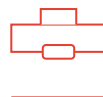
The IFICI at a glance

main features of the IFICI

The IFICI offers significant tax benefits for international professionals and businesses choosing Portugal as a base and has several possible entry points that may be explored. It aims at attracting investment and skilled and talented professionals to Portugal.



Applies to individuals seeking a very favourable tax environment, who **become tax residents in Portugal**, provided they have not been residents in any of the five previous years



Adherence to the regime and maintenance of the tax benefits, depends on **engaging in one of the activities specified by the law and continuing to perform that activity** (or any of the others listed) in each relevant year



The regime is valid for **10 consecutive years**



Applies to individuals not benefiting from the special regime for former residents or the NHR, holding certain academic qualifications and in certain cases, 3 years of professional experience

Tax benefits

**PORTUGUESE
SOURCED INCOME**

20%

- Employment and self-employment income

**FOREIGN SOURCED
INCOME**

0%

- Full exemption

**WHAT IS EXCLUDED
FROM THE IFICI?**

- Pension income
- Income from blacklisted jurisdictions

Access conditions

summary of the main steps

▪ Immigration

step
01

As a condition for registration as tax resident, immigration must be cleared by **(i)** a national registration certificate (EU/EEA/Swiss nationals); or **(ii)** by obtaining a residence permit (third country nationals)

▪ Tax Residency

step
02

Applying for tax registration in Portugal

▪ Employment Agreement

step
03

The taxpayer with the relevant academic background must engage in one of the eligible professional activities with a relevant Portuguese entity (commonly by signing an employment agreement or being appointed as a member of the governing bodies)

▪ Appointment as Board Member

step
04

Apply for the IFICI no later than January 15 of the year following the year in which the taxpayer becomes tax resident in Portugal. Validation of conditions will be made by the designated entities to the tax authorities by March 15.

▪ IFICI Registration

access conditions

STARTING CONDITIONS

Holding the relevant academic and/or professional background



ELIGIBLE ACTIVITIES

The logic of access to the IFICI is based on the 'filtering' of types of investment and qualified and specialized talent, requiring that the taxpayer carries out a specific professional activity with a Portuguese entity with the relevant profile and/or operating in a relevant economic sector.

As a result, access to the IFICI depends first and foremost on identifying the Portuguese entities that hold the profile and/or mainly carry out an activity that falls within one of the key economic sectors.

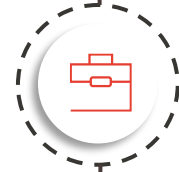
PROFILE OF ELIGIBLE ENTITIES

- **GROUP 1:** Higher Education Teaching and Scientific Research System
- **GROUP 2:** Productive Investment and R&D
- **GROUP 3:** Exporting activity
- **GROUP 4:** Of importance to the Portuguese Economy
- **GROUP 5:** Startups
- **GROUP 6:** The Azores and Madeira Islands

access conditions

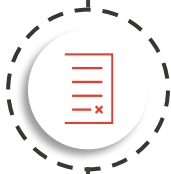
ELIGIBLE PROFESSIONS

Only certain professions, which are listed in the law, allow taxpayers to sign up to the IFICI. The eligible professional activity is engaged by entering into an employment agreement or by being appointed for the corporate bodies of the eligible entities within one of the groups above.



IFICI application depends on the validation of the relevant conditions by the relevant entity and the Portuguese tax authorities.

Applicants must submit a set of documents to prove eligibility for the regime.



During the 10-year IFICI period, taxpayer must remain a Portuguese tax resident and continuously comply with the relevant conditions. Change of conditions requires filing a new IFICI application.



Tax regime



TAXATION OF PORTUGUESE SOURCED INCOME

- IFICI taxpayers will be subject to a **20% flat rate** on Portuguese source employment and self-employment income.
- As a rule, Social Security contributions must be added to personal income taxation.
- All other Portuguese sourced income categories will be subject to standard taxation rules.



TAXATION OF FOREIGN SOURCED INCOME

- IFICI taxpayers will be **exempt from Portuguese personal income tax on all other income sources**, including (i) employment income (ii) self-employment income (iii) investment income (interest, dividends and royalties, among others), and capital gains.

The IFICI may be quite advantageous when it comes to:

- All types of income earned on the holding and trading of securities;
- The surmounting of CFC rules (except for second tier or other lower tier stakes indirectly held in blacklisted jurisdictions);
- Enjoying tax exempt trust, foundations and unit-linked income distributions.



THE EXEMPTION DOES NOT APPLY TO:

- Pension income will be taxed under standard progressive rates;
- All types of income sourced in blacklisted jurisdictions will be taxed at a flat rate of 35%.

global tax advantages of becoming Portuguese tax resident

IFICI

- 20% flat taxation on certain Portuguese sourced employment income;
- Exemption on all foreign source.

0% WEALTH TAX

- Portugal does not impose wealth taxes. Only taxes on the holding of real estate applies.

0% EXIT TAX

- Except for special and limited situations, Exit Tax is not levied upon exiting.

PORTUGUESE TAX RESIDENCY

0% GIFT AND INHERITANCE TAXATION

- Tax exemption on transfers between spouses and direct family members.

how can we help?

ANTAS DA CUNHA ECIJA is a multidisciplinary law firm providing legal services across a wide range of practice areas. Each case is managed by a specialized team of highly experienced lawyers, focused on listening to and addressing the needs of each client, always aiming to add value.

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