



INCENTIVES FOR INVESTMENT AND THE SETTLEMENT OF FOREIGN CITIZENS IN PORTUGAL

The pandemic has driven forward business change and the modernisation of Portugal's economic and industrial sector, engendering an entire new set of opportunities in sectors such as digital, R&D, real estate and sustainability.

With the economy increasingly recovering, the Portuguese government has been restructuring its foreign investment attraction mechanisms, particularly through the implementation of Portugal 2030 and the PRR.

In the context of this newsletter, we discuss several of these measures, namely:

- ⇒ **Non-Habitual Residents Regime (RNH)**
- ⇒ **Tax Incentive for Scientific Research and Innovation (Tax Regime for Former Residents)**
- ⇒ **“Programme Regressar”: Tax Regime for Former Residents**
- ⇒ **Portugal 2030**
- ⇒ **Recovery and Resilience Plan (PRR)**

THE END OF THE NON-HABITUAL RESIDENT REGIME (RNH)?

The State Budget for 2024, Law no. 82/2023 of 29 December, repealed the Non-Habitual Residents Regime (NHR).

Despite this, if certain circumstances are fulfilled, it is still possible to apply for NHR status until 31 March 2025.

In accordance with the transitional regime established in the law, **"the tax regime for RNH, under the terms previously in effect prior to its repeal, continues to apply until the end of the 10th consecutive year, starting from and including the year in which the taxable person is registered as an RNH"**.

This can be applied to the following cases:

- a) to all qualified applicants who had registered before the 31st of March 2024, with effect for 2023;
- b) to those who become resident for tax purposes by 31 December 2024 and who submit an application for registration as a non-habitual resident with the Tax Authority until 31 March 2025, with effect for the year 2024.

What requirements are needed?

The regime is applicable to those who declare, for the purposes of their RNH registration, that they fulfil one of the following conditions:

- i. A work promise or contract, secondment promise or agreement

concluded by 31 December 2023, for which the functions must be carried out in Portuguese territory;

- ii. Lease agreement or other contract granting the use or possession of a property in Portuguese territory concluded before 10th October 2023;
- iii. Reservation contract or promissory contract for the property acquisition in Portuguese territory signed before 10th October 2023;
- iv. Enrolment or application for dependents in an educational institution located in Portuguese territory, completed by 10th October 2023;
- v. Residence visa or residence permit valid until 31 December 2023;
- vi. Application for a residence visa or residence permit initiated before 31 December 2023.

What are the benefits?

The main benefit of the RNH regime is a **reduced tax rate of 20% on income from category A (employee work) and category B ("self-employment")**, if the income from **"high value-added" activities is received in Portugal**.

On the other hand, if the income comes from a foreign source, taxation in Portugal is excluded through an exemption for income from activities with **"high added value"** in categories A (dependent work) and B (self-

employment), as well as categories E (income from capital), F (income from property) and G (income from capital gains), on condition that it is taxed at the place of origin.

Moreover, **pensions (category H) are taxed at a rate of 10 per cent.**

TAX INCENTIVE FOR SCIENTIFIC RESEARCH AND INNOVATION

In place of the NHR regime, a new tax incentive was introduced through the addition of Article 58-A to the Tax Benefits Law, **for individuals who become residents in Portugal from 2024 onwards, who have not been resident for the previous 5 years and have an income from one of the following activities:**

- i. Higher education teaching and scientific research;
- ii. Qualified jobs and members of corporate bodies within the scope of contractual benefits for productive investment, under the terms of Chapter II of the Investment Tax Code;
- iii. Highly qualified jobs, established by order of the members of the Government responsible for the areas of finance and the economy, held in:
 - a) Businesses with relevant investments, in the financial year in which they took up their duties or in the previous five financial years, which benefit or have benefited from

the investment support tax regime;
or,

- iv. Industrial and service businesses, whose main activity corresponds to a CAE code defined in an order issued by the members of the Government responsible for the areas of finance and the economy, and which export at least 50 % of their turnover, in the year in which they take up their duties or in any of the two previous financial years.
- v. Other qualified jobs and governing body members in entities carrying out economic activities recognised by AICEP, E. P. E., or IAPMEI, I. P., as being relevant to the Portuguese economy, particularly in attracting productive investment and reducing regional disparities;
- vi. Research and development of employees with costs eligible for the purposes of the tax incentive system for research and business development, under the terms of Article 37(1)(b) of the Investment Tax Code;
- vii. Work positions and board members in companies certified as Start-ups, under the terms of Law no. 21/2023 of 25 May; or
- viii. Jobs or other activities developed by tax residents in the Autonomous Regions of the Azores and Madeira, under the terms to be defined by regional legislative decree.

What are the benefits?

This regime also establishes a special flat rate of 20% on net salary and self-employment income from one of the activities mentioned above, for a period of 10 years since the year of registration as tax residents in Portugal.

Nevertheless, taxpayers who benefit or have benefited from RNH regime and have chosen to be taxed under the terms of article 12-A of the IRS Code (tax regime for former residents) are not eligible for this regime.

“PROGRAMA REGRESSAR”: TAX REGIME FOR FORMER RESIDENTS

As part of the Portuguese government's strategy to attract emigrants to return, “Programa Regressar” was introduced in order to provide better conditions and reduce the expenses involved in the transition to Portugal.

Thus, through this scheme, 50% of the income from dependent work and business and professional income of taxable persons, up to the amount of the upper limit of the first bracket provided for in Article 68-A(1), are exempt from taxation for a period of 5 years:

- i. If the applicant becomes a resident for tax purposes under the terms of Article 16(1) and (2) by 2026;
- ii. Have not been considered tax resident

in Portuguese territory in any of the previous five years;

- iii. Were resident in Portuguese territory in any period preceding the period referred to in the previous paragraph;
- iv. Have their tax situation regularised.

PORTUGAL 2030

In the wake of the pandemic, which has affected all European Union member states, a strategy has been drawn up within the framework of co-operation with the aim of recovering the economy, social convergence and preparing for possible future external shocks.

For this purpose, on 12 July 2022, a **Partnership Agreement was signed between the Portuguese Government and the European Commission for the implementation of a funding programme worth a total of 23 billion euros, from the ERDF, ESF+, the Just Transition Fund, FEAMPA and the Connecting Europe Facility.**

This agreement represents an investment opportunity in Portugal for the investor, who may be national or foreign - as well as companies from the private, co-operative or social sectors - and who can apply for one of the possible funding programmes for SMEs, Start-Ups, Small Mid Caps or R&D centres.

Decree-Law 20-A/2023 establishes the framework for the application of Portugal

2030 funds for the period 2021 to 2027. Nevertheless, it will be important to take into account the specific regulations of the individual programmes, which are set out in their own regulations and detail the typologies of intervention of each programme, the possible beneficiaries and their respective obligations, as well as their geographical scope of application.

Despite the above, **the law generally establishes that the applicant organisations and beneficiaries have to fulfil the following requirements from the date of submission of the application until the date of conclusion of the respective operation:**

- i. To be legally established and registered, including in the Central Register of Beneficial Owners (RCBE) with regard to the individuals who hold control over them, when applicable;
- ii. Have their tax and social security situation regularised, respectively, with the tax authorities and social security, to be verified at the time of approval of the operation and the respective payments;
- iii. Have a regularised situation regarding refunds under European funds, including the support granted by the Recovery and Resilience Plan, to be verified at the time of approval of the operation and the respective payments;
- iv. Be legally authorised to conduct the activity;
- v. Have or be able to ensure their own human resources, as well as the technical and material means necessary to execute the project;
- vi. Demonstrate a well-balanced economic and financial situation and the ability to fund the operation, under the terms to be defined in the specific regulations or, in the cases provided for in Article 12(6), in the call for applications;
- vii. Be certified or use certified training organisations in the training areas for which they are requesting financial support, under the terms of national legislation on the certification of training organisations, when required;
- viii. Holding a bank account at an institution legally authorised to operate in Portugal;
- ix. Do not hold, nor have held in the last three years, by themselves or their spouse, whether or not separated, or by their ascendants and descendants up to the first degree, capital in a percentage that exceeds 50 %, in entities with an unregularised situation in terms of refunds within the scope of European funds;
- x. Not being restricted or conditioned from accessing support under the terms of article 16;
- xi. Not to have an injunction procedure pending for the recovery of unlawful

aid, in accordance with European regulations;

xii. Not be under insolvency proceedings.

Therefore - and provided that the required criteria are met - **applications must be submitted, once the respective notices have been published, via “Balcão dos Fundos”, and may be submitted individually or in co-operation with other parties.**

RECOVERY AND RESILIENCE PLAN (RRP)

The Recovery and Resilience Plan (RRP), which was approved on 16 June 2021 under the European Recovery and Resilience Facility as part of Next Generation EU, is also being implemented until 2026, with a **total allocation of 16 billion euros.**

In a similar direction to the previous programme, the RRR aims to provide

eurozone countries with instruments for economic and social recovery through the acceleration of the green and digital transition.

Decree-Law 29-B/2021 of 4 May establishes the governance framework for the European funds allocated to Portugal through the Recovery and Resilience Plan (RRP), along with the structure for strategic and operational management, follow-up, monitoring and evaluation, control, auditing, financing, financial circuits and the information system for reporting and transmitting data to the European Commission.

Therefore, **applications must be submitted following the respective calls for proposals - considering the type of initiative, the beneficiaries and the geographical scope - and can be made through the portal “Recuperar Portugal”.**

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