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SOCIEDADE DE ADVOGADOS, SP, RL
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PORTUGAL: A PLATFORM FOR INVESTMENTS AND RESIDENCE

American Chamber of Commerce in Portugal

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PORTUGAL: A GOOD CHOICE

- Good climate
- Historical heritage
- Low-cost living
- Unique landscapes
- Excellent culinary
- Safe environment and low crime rate
- High quality education and health system
- Highly rated by the World Bank for "ease of doing business"
- Third best country in the world for the quality of life of expatriates
- Third position in the Global Peace Index



PORTUGUESE RESIDENCY PERMIT FOR INVESTMENT ACTIVITY (“GOLDEN VISA”)

1 PURPOSE

- Obtain a fully valid residency permit in Portugal
- Revitalization of the Portuguese economy

2 VALIDITY

- Valid for an initial period of 2 years
- Then renewed for subsequent periods of 2 years.

3 GENERAL CONDITIONS

- Keep the investment for a minimum period of 5 years
- Entry in Portugal with a valid Schengen visa
- Absence of criminal references in the integrated system of the Portuguese Immigration Services (“SEF”)
- Absence of conviction of relevant crime
- Minimum stay in Portugal: an average of 7 days per year

ADVANTAGES



Possibility of Family
Reunification



Visa exemption for travelling
within the Schengen Area



Reduced minimum
permanence period



Permanent residency accessible
on the 5th year



Portuguese Citizenship
accessible on the
5th year

ELIGIBLE INVESTMENT ACTIVITIES



REAL ESTATE

Purchase of Real Estate
Acquisition of property
(Residential and Non-residential)
> € 500.000
(Residential properties only in the
interior regions, Azores and
Madeira)
Or
Purchase and Rehabilitation
of Real Estate
Acquisition and renovation of
property **> € 350.000** - for
properties more than 30 years old
or located in areas of urban
renovation
(Residential properties only in the
interior regions, Azores and
Madeira)



FINANCIAL ASSETS

Venture Capital & Investment
Funds
≥ € 500.000 in the
acquisition of participation
units in venture capital or
investment funds established
in Portugal and specialized in
the capitalization of
enterprises
Or
Other Financial Assets
≥ € 1.5 millions in any other
type of financial asset



CAPITAL INVESTMENTS

Research & Development
≥ € 500.000 in scientific
research that is conducted by
institutions that are part of
the national scientific and
technological system
Or
Cultural
Capital transfer in an amount
≥ € 250.000 invested in, or
supporting, the artistic
production or the recovery or
maintenance of the national
cultural heritage that is
conducted by accredited
institutions



JOB CREATION

Creation of **≥ 10 jobs**
Or
Company and job creation
≥ € 500.000 for:
a) establishing a corporation in
Portugal, combined with the
creation of **≥ 5 jobs**; or
b) reinforcement of a existing
Portuguese corporation's capital
combine with the creation or
maintenance of the existing jobs
with a minimum 5 permanent jobs
for a minimum period of 3 years

PASSIVE INCOME VISA

- The Passive Income Visa (also known as "D7 Visa") is a two-step process residence permit (i. Obtaining a residence visa and ii. Obtaining a residence permit) that allows third country residents (outside the EU) to obtain a legal residence in Portugal.
- This type of Visa is aimed at citizens who intend to relocate to Portugal and are able to prove to the Portuguese authorities that they have enough income to support their life in Portugal.
- Possibility of family reunification.

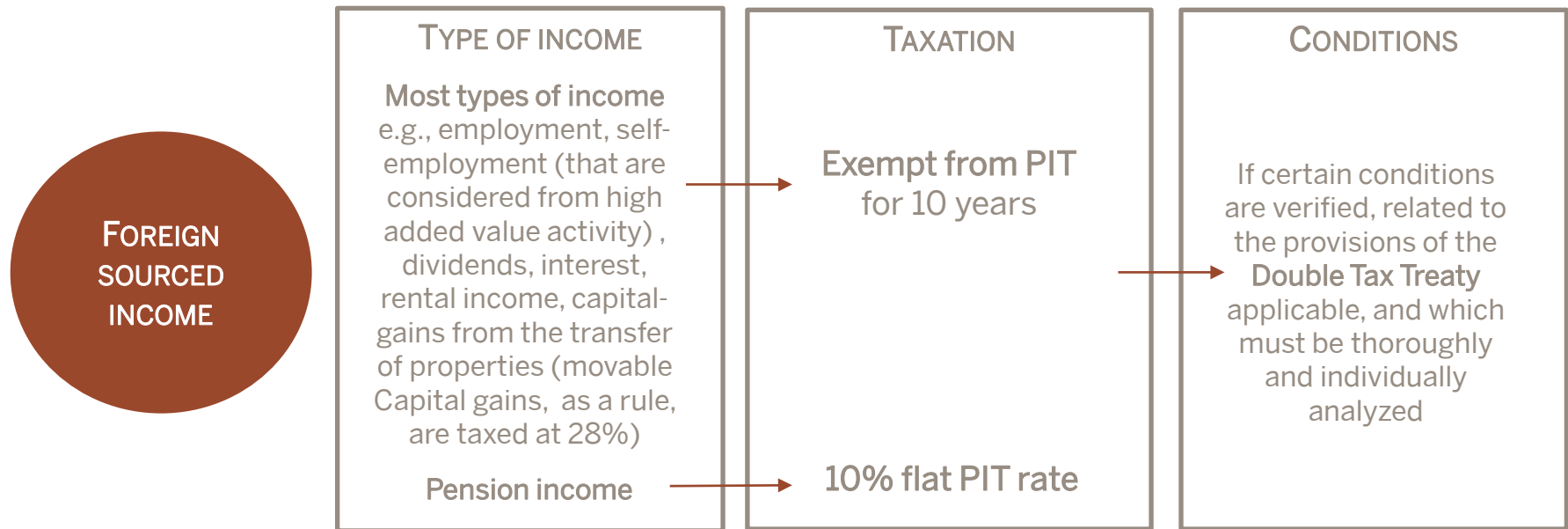
START UP VISA

- The Startup Visa is a residence visa for non-EU/Schengen entrepreneurs who want to establish their businesses and to reside in Portugal.
- It aims to attract investment, talent and innovation into Portugal.
- Possibility of family reunification.

PORTUGUESE CITIZENSHIP TO SEPHARDIC JEWS

- According to the Decree-Law 30-A/2015, descendants of Sephardic Jews may apply for the Portuguese citizenship, with all the rights and obligations that result from that.
- For that purpose, the applicant needs to fulfill the following requirements:
 - Legally age or be emancipated, under the Portuguese law.
 - Absence of conviction based on a final judgement, for a crime which in Portugal is punishable by a custodial sentence of 3 or more years.

THE NON-HABITUAL RESIDENCE REGIME (NHR)



THE NON HABITUAL RESIDENCE REGIME (NHR)

PORTUGUESE
SOURCED
INCOME

TYPE OF INCOME

Employment and
self-employment
income

TAXATION

20% flat PIT rate
for 10 years

CONDITIONS

Employment or self-
employment income
obtained from a high
added value activity

INHERITANCE AND DONATIONS

**Direct descendants
and spouses**

0%

Non-Taxation of transfer *inter vivos* or in case of death

Other cases

10%

Transfer *inter vivos* is liable to stamp duty of 10%

SALE OF ART OBJECTS

Sale of art objects

0%

If the activity is not rendered in a regular basis or considered to be derived from a business or professional activity

- If the income is considered to be obtained through the rendering of a business or professional activity it may be subject to PIT (business and professional income).
- Besides being subject to PIT the taxpayer must report the start of the activity to the Tax Authorities and fulfill his PIT, VAT and Social Security obligations (reporting and payment).

REAL ESTATE TAXATION

Tax	Tax Rates	Exemptions	
Municipal Property Tax (IMI)	0,3% a 0,45%: urban property (if subject to a tax evaluation - VPT)	Urban property under restauration (maximum period of 10 years)	Lower tax rates for energy efficient buildings or for property allocated to the production of renewable energy
	0,8% on VPT for rural properties		
	7,5% on VPT: property held by an entity resident in a “tax haven”		

Additional Municipal Property Tax (AIMI)	Individuals	0,7% on the taxable asset value (VPT) of the taxpayer's property assets, from a value higher than € 600.000 (if a couple €1.200.000)
		1% on the taxable asset value (VPT) of the taxpayer's property assets, from value higher than € 1.000.000
	Legal entities	0,4% on the taxable asset value (VPT) of the taxpayer's property assets

REAL ESTATE TAXATION (CONT.)

Tax	Tax Rates	Exemptions	
Tax on the Transfer of Real Estate (IMT)	Up to 6% (7,5% for purchases over 1 million): urban property for residential use	Rehabilitation within 3 years from the date of acquisition	Acquisition of the real estate for resale purpose
	Up to 8%:urban property not for residential use		
	5%: rural properties		
	10%: properties acquired by a resident in a tax heaven		
Stamp Tax (IS)	0,8% on the taxable asset value (VPT) to the acquisition of property rights over real estate		

CORPORATE INCOME TAX (CIT)



Madeira's free trade zone – 5%

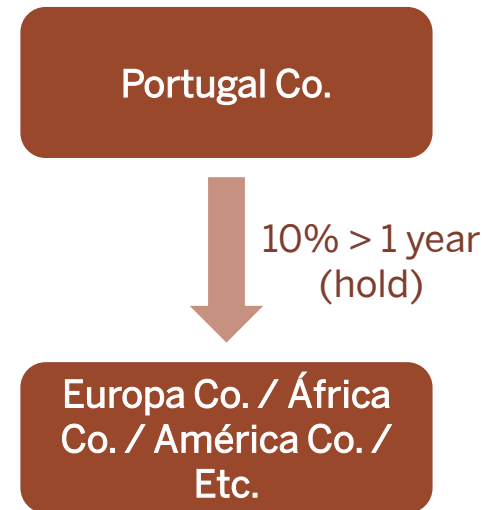
PARTICIPATION EXEMPTION REGIME

Exemption from corporate income tax (CIT):

- ✓ On dividends received; and
- ✓ On capital gains derived from the sale of shares

Restrictions:

- ✓ The share capital cannot be formed by more than 50% of real estate;
- ✓ The taxation cannot be less than 60% of the tax that would be due ascertained in the terms outlined by the Portuguese CIT Code;
- ✓ Cannot be sited in a tax haven according to the Portuguese “black list”.



MADEIRA'S FREE TRADE ZONE

Conditions

Companies authorized in the free zone of Madeira until 31-12-2021

Investment and job creation	
OPTION 1	Companies have to create between 1 and 5 jobs in the first 6 months of activity and make a minimum investment of €75.000 in the acquisition of fixed assets (tangible or intangible) in the first 2 years of activity
OPTION 2	Creation of six or more jobs in the first six months of operation

MADEIRA'S FREE TRADE ZONE

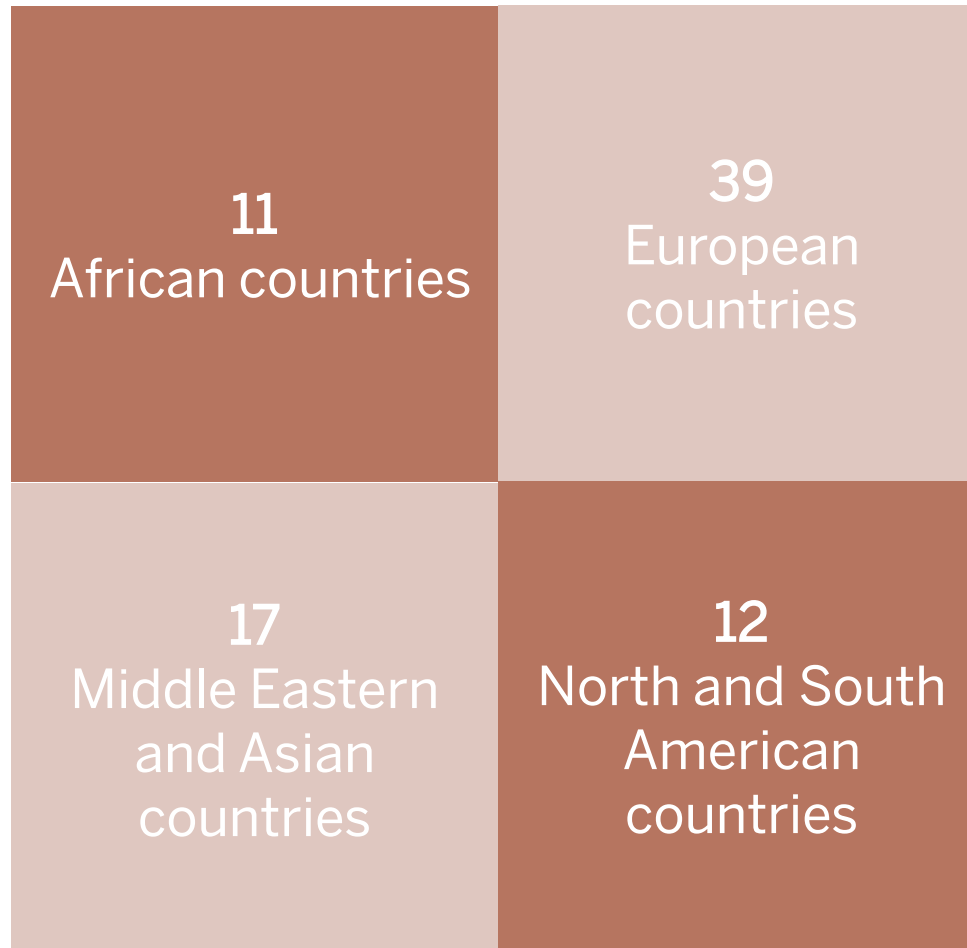
Tax benefits

- **CIT tax rate of 5%** on profits until December 31, 2027;
- **50% of CIT** for companies that carry out industrial activities, subject to conditions;
- **80% exemption from stamp duty** on documents, contracts, and other acts performed that require public registration, if they are performed with entities not resident in Portugal or licensed in the IBCM;
- **80% exemption from IMI (Municipal Property Tax) and IMT (Real Estate Transfer Tax)** due on the acquisition of immovable property intended for company's establishment, as well as other local taxes and duties;
- **Exemption of withholding tax** in the payment of dividends to foreign shareholders.

INVESTMENT & REAL ESTATE MANAGEMENT COMPANIES (SIGI)

- **Corporate object:** ownership, management or economic exploitation of real estate through the direct or indirect acquisition of property rights or equivalents (which includes, among other things, the development of construction and rehabilitation projects).
- **Subject to the general Corporate Income Tax regime**, but income from the rental of real estate, capital gains on property and capital income, such as dividends paid by the entities in which the SIGI has interests, are excluded from the calculation of the company's taxable profit.
- **Exemption** of municipal and state surcharges.
- Shareholders / investors: **withholding tax on dividends and taxation of capital gains on the sale of shares** at the rate of:
 - 10% for non-residents;
 - 25% for corporate entities resident in Portugal;
 - 28% for individual's resident in Portugal.

NETWORK DOUBLE TAX TREATIES



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QUESTIONS

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1. FOR RETIREES RECEIVING U.S. SOCIAL SECURITY INCOME, IS IT NECESSARY TO FILE TAXES IN PORTUGAL?

Yes, as for the moment an individual becomes a tax resident in Portugal, it will be taxed on his worldwide income (Portuguese and foreign sourced income). As such, the referred income will have to be reported before the Portuguese tax authorities. For reference, U.S social security income shall be qualified as pension income in Portugal and taxed as such. Bearing in mind the special NHR rules, the income to be received by the USA Social Security, considered as a foreign sourced income, would be subject to taxation in Portugal, at a preferential tax rate of 10%, regardless of its taxation in the USA. As per the Portugal-USA Double Tax Treaty, Social Security benefits are subject to taxation both at the residency (Portugal) and source (U.S) States. In abstract, this means that a situation of a double taxation may occur.

Notwithstanding, being this the case, taxpayers may benefit at residency from a tax credit, which allows them to deduct the tax already paid in the USA, up to the limit of the applicable rate in Portugal (in this case, 10%). In case the individual is not registered as an NHR, the pension income will be taxed in Portugal at the progressive tax rates in force, varying from 14,5% to 53%, including solidarity tax rates.

2. SHOULD AMERICAN CITIZENS WHO ARE RESIDENT IN PORTUGAL BUT RECEIVE U.S. INCOME AND/OR MAINTAIN A U.S. RESIDENCE CONTINUE TO FILE TAXES IN THE U.S.?

As Portuguese tax resident, an US citizen (or any citizen) will always have to report their worldwide income before the Portuguese tax authorities, even if the income is exempt from taxation in Portugal (such as dividends received by an NHR, for example).

Notwithstanding, there are certain sources of income, which under the Double Tax Treaty (DTT), the US is still entitled to tax and, as such, could be taxed in the US. This would require a case-by-case analysis and we would advise you to be assisted by a local advisor.

3. IF AN AMERICAN CITIZEN MISSES THE DEADLINE TO FILE A NHR, IS IT POSSIBLE TO FILE RETROACTIVELY?

No, there is no possibility to require the application for the NHR regime with retroactive effects.

The application for registration should be electronically made by no later than 31 March of the year following the one the individual becomes tax resident in Portugal.

4. IS THERE A TAX SCHEME FOR DIGITAL NOMADS OR REMOTE W2 WORKERS WHO ARE EARNING U.S. INCOME BUT LIVING IN PORTUGAL?

No. Despite the fact that there is no specific personal income tax or social security regimes designed specifically to digital nomads and remote workers, there are several Portuguese tax rules that are beneficial for individuals under such circumstances.

Under Portuguese tax law, a foreign or Portuguese citizen can avail the Non-Habitual Residents (“NHR”) regime – the Portuguese special tax regime created to attract high net worth and highly qualified individuals to Portugal.

5. WHAT ARE THE IMPLICATIONS OF NOT FILING A NHR?

If an individual does not register as a NHR within the deadline, he will not be entitled to the benefits that the NHR regime grants. In general terms, the NHR regime establishes:

- a) A special tax rate of 20% applicable to employment and self-employment income derived from “high value-added” activities, as per a list published by the Portuguese Government;
- b) A special tax rate of 10% applicable to foreign pension income, as well as to other payments from pension funds and similar retirement schemes, and
- c) A tax exemption (with progression) on foreign-sourced income (employment income, self-employment income, rental income, capital gains, interest, dividends, etc.), provided certain conditions are met, as detailed below.

5. WHAT ARE THE IMPLICATIONS OF NOT FILING A NHR?

As opposed, a regular tax resident in Portugal will be subject to the progressive tax rates in force (varying from 14,5% to 53% - including solidarity tax rates) as well as the special flat tax rates applicable to tax residents established by the Portuguese tax law, such as the 28% tax rate applicable to dividends, interest and rental income.

6. ARE THERE ANY LIMITATIONS TO THE TYPE OF BUSINESSES AMERICAN CITIZENS CAN OPEN IN PORTUGAL WHILE ON A D7 VISA?

No, there are no limitations on the type of businesses that American citizens can open in Portugal in case they wish to apply for the D7 visa.

7. WHAT IS THE INTENT OF THE TAX TREATY BETWEEN THE U.S. AND PORTUGAL?

International double taxation conventions (DTT's) are an important instrument of international tax law. Double taxation treaties apply to income subject to tax in two different countries, eliminating or reducing this effect. When a Portuguese resident taxpayer receives income abroad, this income is subject to tax in the country where it is paid (at the rate applied there) and may at the same time be subject to tax in Portugal, since the taxpayer is resident in Portugal.

To avoid situations in which an individual pays tax twice on the same income, double taxation treaties were created. These conventions establish whether a given income is taxed in the country of source, in the country of tax residence, or in both (splitting the taxation between the two).

8. ARE THERE ANY DIFFERENCES FOR THE AZORES (AS OPPOSED TO CONTINENTAL PORTUGAL) WHEN IT COMES TO TAXES?

Yes, in Azores the progressive tax rates applicable are different from the ones applicable in Continental Portugal. In Azores the Personal Income Tax rates vary from 10,15% to 38,4% as opposed to 14,5% to 48% applicable in Continental Portugal.

The VAT rates and the Corporate Income taxation is also lower in Azores.

Thank You !

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