



Tax & Business Lawyers

NEWSLETTER

Nº 42/25

12 SEPTEMBER 2025

A TAX EXEMPTION FOR THE YOUNG PROFESSIONALS RESIDING IN PORTUGAL

Portugal currently has in force the “Young IRS” regime, available to all taxpayers under the age of 35 who are not dependents, which provides a progressive 10-year tax exemption on income from employment or self-employment.

This regime is accessible to both Portuguese and foreign tax residents, including digital nomads, aligning their benefits with those of young Portuguese workers.

Private Clients Team



INTRODUCTION

Currently, the “Young IRS” regime, as established by the 2025 State Budget Law, applies to all taxpayers up to the age of 35, provided they are not classified as dependents for tax purposes.

DURATION AND STRUCTURE OF THE EXEMPTION

This regime introduces a gradual exemption from Personal Income Tax (IRS) for a maximum of 10 years, applicable to income earned under Categories A (employment income) and B (self-employment income), regardless of the taxpayer’s educational qualifications.

The exemption is capped at 55 times the value of the Social Support Index (IAS). For 2025, the IAS is set at €522.50, translating to a maximum exemption of €28,737.50 (subject to annual updates based on the IAS). The exemption will follow a progressive schedule:

- ✓ 100% exemption in the first year of income generation
- ✓ 75% exemption from the 2nd to the 4th year
- ✓ 50% exemption from the 5th to the 7th year
- ✓ 25% exemption from the 8th to the 10th year

If a taxpayer does not generate income under categories A or B in any given year, the exemption will not apply for that year. However, the benefit may be resumed in subsequent years, provided the 10-year limit is not exceeded and the taxpayer remains under the age of 35.

ELIGIBILITY DETERMINATION

The exemption rate for each year is based on the total number of years the taxpayer has earned category A or B income. Years during which the taxpayer was classified as a dependent are excluded from this calculation, ensuring equitable application of the regime.

EXCLUSIONS

Certain taxpayers are excluded from benefiting under the Young IRS regime, including those who:

- ✓ Have benefited or are currently benefiting from the Non-Habitual Residents (NHR) regime

- ✓ Have utilized the tax incentive scheme for scientific research and innovation under the Tax Benefits Statute (EBF)
- ✓ Have opted for the tax regime for former residents (Return Program)
- ✓ Have an unresolved tax situation with the Portuguese Tax Authority

APPLICATION TO FOREIGN RESIDENTS

This regime is open to Portuguese and foreign residents alike, provided they are tax residents in Portugal and meet the age requirement. Eligibility begins in the first year the taxpayer files an IRS declaration in Portugal and declares income from employment (Category A) or self-employment (Category B).

This initiative is particularly advantageous for foreigners, such as digital nomads, who may begin their careers outside Portugal but relocate to the country. They can enjoy the same tax benefits as young Portuguese residents during their initial years of work in Portugal, while applying the same tax exemptions to income derived from their already well-established professional activities.

Rogério Fernandes Ferreira
Duarte Ornelas Monteiro
Joana Marques Alves
Ana Sofia Gariso
Amélia Carvela
João Aguiar Câmara
Inês Marques Dias
Henrique Guia Ribola
Matilde Gonçalves de Sousa
Carolina Silvestre

Avenida da Liberdade 136 – 4º (reception) contact@rfflawyers.com
1250-146 Lisbon • Portugal www.rfflawyers.com
T: +351 215 915 220



This Information is intended for general distribution to clients and colleagues and the information contained herein is provided as a general and abstract overview. It should not be used as a basis on which to make decisions and professional legal advice should be sought for specific cases. The contents of this Information may not be reproduced, in whole or in part, without the express consent of the author. If you should require further information on this topic, please contact.

**

Awards & recognitions 2025: Legal 500 | Chambers & Partners | International Tax Review | Best Lawyers | Lexology Index | Leaders League and others.