

NEW TAX REGIME ENCOURAGING FOREIGNERS TO MOVE TO PORTUGAL - CAIADO GUERREIRO & ASSOCIADOS

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Non-habitual residence regime has resulted in large number of foreigners purchasing property in the country to establish residency

Portugal's non-habitual residence tax regime really started to gain traction in the last 12 months, according to Tiago Caiado Guerreiro, partner at Caiado Guerreiro & Associados in Lisbon. "In the field of tax, the major trend in the last year was undoubtedly the non-habitual residence regime, which, though implemented a few years ago, has achieved remarkable growth in 2015," he adds. "This legal framework offers foreign private individuals the possibility of benefiting from an attractive tax regime under which they are subject to reduced tax rates and benefit from exemptions on several types of income derived abroad, provided that they were not previously taxed in Portugal for five years."

The change in the rules resulted in a significant number of foreigners relocating to Portugal during the past year in order to establish residency, which was commonly secured by purchasing a

property, making Portugal one of the most competitive destinations in Europe. Caiado Guerreiro says the regime has resulted in many opportunities for law firms, especially in relation to tax restructuring operations "aimed at reaching the highest level of tax efficiency". In particular, there has been considerable demand for advice relating to investment structures and real estate transactions. One of the impacts of the rise in foreign nationals, with broader portfolios of interests, is the increasingly international approach to tax affairs. Clients and their advisers need to be aware of how to manage their interests in accordance with different tax regimes around the world. Caiado Guerreiro points to the challenge of grappling with the interpretation of various national tax rules that are simultaneously applicable to different jurisdictions as well as double taxation agreements, which can be extremely complex. He concludes that the "interaction between different jurisdictions in terms of taxation" will remain the major challenge for clients.