

9TH APRIL 2020

CHANGES TO THE REGIME OF NON-HABITUAL RESIDENTS

On 31st March 2020, the State Budget for 2020 ("OE2020") was published and changed the regime for non-habitual residents ("RNH") by revoking the exemption from IRS (personal income tax) in Portugal applicable to foreign pensions income.

The previous RNH regime made pensions of foreign sources exempt from IRS. This exemption ends with the OE2020, which introduced a reduced 10% tax rate on this income.

However, this shall not affect taxable persons who:

- (i) on the date of entry into force of this law, are already registered as RNH;
- (ii) on the date of entry into force of this law, have already submitted their applications for the status of the RNH; and
- (iii) on 31st March 2020 are considered tax residents in Portugal and apply for registration as RNH until 31st March 2021.

This Law also allows taxpayers who already benefit from the RNH regime, or who adhered to it before the entry into force of the State Budget for 2020, to choose the applicable regime, i.e., choose between (i) maintaining the previous IRS exemption or (ii) joining the new 10% rate. This option must be made when submitting the IRS declaration for the year 2020.

Taxpayers who become tax residents in Portugal after 1st April 2020 will not have an option as to the applicable regime, being compulsorily covered by the new RNH regime.

PARES | Advogados is available to provide more detailed information on this and other topics that will more adequately suit the specific needs of each client, being able to offer all necessary support on this matter.

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