



 Holborn Pass

Our guide to  
**TAX IN PORTUGAL**

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# INTRODUCTION

Whether it's for work or to enjoy retirement, Portugal has long been a popular expat destination. Moving to a new country has its benefits. However, there is a lot to think about financially for expats looking to move abroad.

Tax is one of the biggest issues that expats face when moving to Portugal. Understanding where you should be paying tax and how much are two of the many questions that expats have.

Whether you are moving to Portugal for work or to retire, it is essential that you understand the tax rules and how they could affect you. In this brochure, we will cover some of the general areas and topics that expats should know about before moving to Portugal.

Please note, the purpose of this brochure is to provide general guidance on tax in Portugal only. We recommend seeking professional advice for information relating to your circumstances.



# TAX RESIDENCY EXPLAINED

As an expat, should you be paying tax in Portugal or the UK? Sometimes the answer is a little unclear. Understanding your tax residency status is crucial. If you don't, you could end up paying tax in the wrong country or paying too much.

Your tax residency determines which country will tax you on your worldwide income, such as capital gains, salary and rental income.

## YOU WILL BE CLASSED AS A TAX RESIDENT IN PORTUGAL IF:

- You spent more than 183 days in the country over a single 12-month period or;
- If you make Portugal your 'habitual residence' – in other words if you class Portugal as your home.

## YOU WILL BE AUTOMATICALLY BE CLASSED AS A TAX RESIDENT IN THE UK IF:

- You spent 183 days or more in the UK within a single tax year or;
- Your only home was in the UK – either you rented, owned or lived in it for at least 91 days – and you spent 30 days there within the tax year

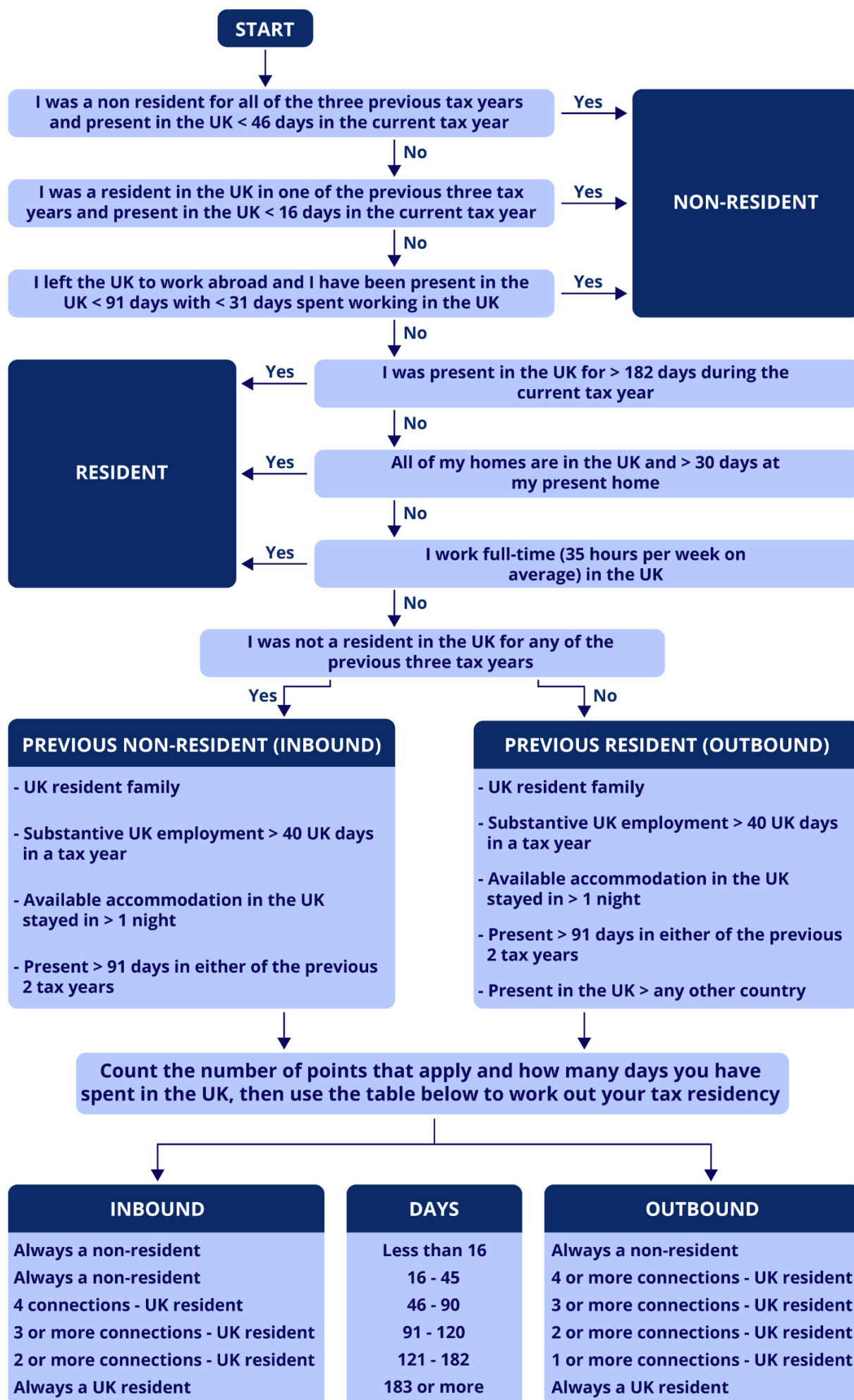
## YOU WILL BE AUTOMATICALLY BE CLASSED AS A NON-TAX RESIDENT IN THE UK IF:

- You spent less than 16 days in the UK – 46 days if you have not been classed as a UK resident for the three previous tax years or;
- You work an average 35-hour week full-time job abroad, and you spent less than 91 days in the UK – no more than 30 of which were spent working

Some people may have a more complex situation. The rules listed above will not be enough to determine everyone's status. The Statutory Residence Test (SRT) allows you to work out your residence status for each tax year.

The topic of tax residency can be complicated, but it is essential you know this information. For more details on the SRT, visit the UK Government website. You may meet the residency criteria for both countries. Fortunately, the UK/Portugal Double Tax Treaty protects those who find themselves in this situation.







# THE DOUBLE-TAXATION TREATY EXPLAINED

A Double-Taxation Treaty is an agreement between two countries designed to protect you from being taxed on the same income twice. The UK does have a Double-Taxation treaty in place with Portugal. However, there are some things to consider for British expats and some myths we need to debunk.

Firstly, the treaty doesn't allow you to choose where you pay tax; it only protects assets subject to tax in both countries.

Secondly, just because tax is applied to an asset in one country doesn't mean it won't be taxed in another country.

Any income that is taxable in the UK can still be taxed in Portugal. The treaty avoids double taxation by offsetting tax paid in the UK against tax owed in Portugal.

You should note, if the tax due in the UK is more than the amount owing in Portugal, you will not pay any further tax. The downside here is that if the UK's tax payable is higher, you will not be able to get a refund of the difference in your country of residence.

Like most things relating to tax rules, how the treaty will affect you all comes down to your situation. If you are unsure, it is best to speak with a professional.





# THE CURRENT TAX STRUCTURE IN PORTUGAL

Income tax in Portugal is applied to each of the following main categories:

- 1. Employment income
- 2. Self-employment income
- 3. Income generated from investments
- 4. Capital gains – for example, property sales, shares etc.
- 5. Portuguese pensions and private pensions
- 6. Rental income generated from properties let in Portugal

The rate of tax in Portugal depends on your tax status. If you are a resident in Portugal, tax is applied based on your income.

Here are the current income tax rates for residents.

Income tax bands (€)	Residents Rate
0 - 7,703	13.25%
7,703 - 11,623	18%
11,623 - 16,472	23%
16,472 - 21,321	26%
21,321 - 27,146	32.75%
27,146 - 39,791	37%
39,791 - 51,997	43.50%
51,997 - 81,199	45%
81,999+	48%





## SPECIAL REGIMES: NON-HABITUAL RESIDENCY

Introduced in 2009 and updated in 2024, Portugal's Non-Habitual Resident (NHR) programme offers reduced tax rates and exemptions for new residents, valid for 10 years.

Qualified individuals benefit from:

- A 20% flat tax rate on Portuguese-source income (vs standard rates of 13.25%–48%)
- Potential exemptions on foreign income, depending on tax treaties and source

### Who can apply?

You may qualify for NHR if:

- You haven't been taxed as a Portuguese resident in the last 5 years, and
- You meet at least one of the following:
  - Lived in Portugal for 183 days or more in the past year
  - Have a home in Portugal as your main residence
  - Earn income from an eligible profession (e.g. high-value-added activity)

### How to Apply

Registering for residency and NHR status is done through the Portuguese tax authority.

**Need guidance? Our experts are here to help with eligibility and the application process.**



## CAPITAL GAINS TAX

Capital gains in Portugal are taxed at progressive rates and apply to profits from selling shares, property, or other investments.

Residents can choose to be taxed at 28% flat or progressive rates on share sales.

Property sales by residents are taxed on 50% of the gain, added to other income.

Reinvestment relief applies if you reinvest the full amount in a new main home (even abroad), provided the sold property was your main residence for at least 24 months.

*Note: UK property sales remain subject to UK capital gains tax, even for non-residents.*

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## PROPERTY TAX (IMI)

All property owners in Portugal must pay IMI (similar to UK council tax).

Rates range from 0.3% to 0.8% of the property's taxable value. Properties left vacant may incur higher rates, up to 10%.

Rates vary by municipality. Visit the government website for details.

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## PROPERTY WEALTH TAX (AIMI)

An annual wealth tax (AIMI) applies to Portuguese residential property valued over:

- €600,000 per individual
- €1.2 million per couple

### Rates:

- 0.7% for individuals
- 1% on property worth €1M–€2M
- 1.5% on value above €2M
- 0.4% for corporate-owned property

This applies regardless of residency.



# INHERITANCE TAX IN PORTUGAL

Portugal does not levy inheritance tax, but stamp duty may apply at a flat rate of 10% on Portuguese assets.

Spouses, children, and parents are exempt from this tax. If you have assets in multiple countries, taxes may be due both in Portugal and your home country.

If a double tax treaty exists, you can often offset tax paid in Portugal. Taxes must be paid within 3 months of the date of death — late payment may result in fines and daily interest.

## CORPORATION TAX

If you own a Portuguese company:

- The standard corporate tax rate is 21% on profits.
- Non-residents are only taxed on profits earned in Portugal.
- A municipal surcharge of up to 1.5% applies.
- Small businesses benefit from a reduced rate of 17% on the first €15,000 of profit.
- Additional taxes may apply to profits exceeding €1.5 million.

## DOUBLE TAX TREATIES

Portugal has double tax treaties with over 60 countries, including: UK, USA, Hong Kong, Canada, and China.

These agreements help:

- Prevent double taxation on income
- Reduce withholding tax rates on dividends, interest, and royalties

**Speak to one of our advisers to learn how tax treaties can benefit your situation.**



## SUMMARY

Tax is one of the biggest and most complex issues facing UK expats living in Portugal.

You need to be aware of the tax rules and laws in both countries and understand which ones apply to your situation. Failure to do so could result in you not paying tax in the wrong country or paying too much.

Everyone's situation is different, so a 'one size fits all' approach to tax isn't the right strategy. It's for this reason that we take a custom approach to tax planning.

At Holborn, our team of experts develop bespoke strategies so that our clients are as tax-efficient as possible. With expert advice tailored to your situation, you can be sure that you're in safe hands.

**Contact us today to find out how we can help you:**

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