

Portugal

Tax Structure for Digital Nomads

1. Non-Habitual Resident (NHR) Status

- Eligibility: Available to individuals who have not been tax residents in Portugal in the previous five years.
- Duration: Valid for ten consecutive years.
- Income Tax Rate: 20% flat rate on Portuguese-source employment and self-employment income from “high value-added activities.”
- Foreign Income Treatment:
- Foreign-source income potentially exempt from Portuguese taxation if taxable in the source country under a tax treaty.
- Pension income taxed at a 10% flat rate.
- Qualifying Professions: Includes IT specialists, engineers, researchers, designers, tax consultants, doctors, architects, and other technical professions.

2. Standard Tax Regime (Without NHR)

- Progressive Income Tax Rates:
- Up to €7,479: 14.5%
- €7,479 - €11,284: 21%
- €11,284 - €15,992: 26.5%
- €15,992 - €20,700: 28.5%
- €20,700 - €26,355: 35%
- €26,355 - €38,632: 37%
- €38,632 - €50,483: 43.5%
- €50,483 - €78,834: 45%
- Above €78,834: 48%
- Solidarity Surcharge: Additional 2.5-5% on income above €80,000.
- Social Security Contributions:
- Employees: 11% of gross salary.
- Self-employed: 21.4% on 70% of income (effectively 15% of gross income).

3. Business Structures

- Sole Trader (Empresário em Nome Individual): Personal income tax rates apply.
- Unipessoal Lda (Single-Member LLC): 21% corporate tax rate, plus 28% on dividends.
- Simplified Regime: Available for businesses with annual turnover under €200,000.
- 15% coefficient for e-commerce activities.
- 35% coefficient for professional services.
- 50-95% coefficients for other activities.

4. Value-Added Tax (IVA)

- Standard Rate: 23% (mainland), 22% (Madeira), 18% (Azores).
- Registration Threshold: €12,500 annual turnover.
- Digital Services: Special rules for cross-border digital service provision.
- Simplified Regime: Special quarterly filing for small businesses.

Digital Nomad-Friendly Provisions

1. Digital Nomad Visa/D7 Visa

- Purpose: Specific residence permit for remote workers or passive income holders.
- Requirements: Proof of regular income at least 1.5 times the Portuguese minimum wage.
- Tax Advantage: Can be combined with NHR status for optimal tax treatment.
- Duration: Initially two years, renewable, leading to permanent residency after five years.

2. Special Regional Incentives

- Madeira Free Zone:
 - 5% corporate tax rate (vs. mainland 21%).
 - Exemption from withholding tax on dividends under certain conditions.
 - No wealth tax or inheritance tax for non-residents.
- Interior Region Incentives:
 - 20% corporate tax rate (vs. standard 21%).
 - Additional hiring incentives and subsidies.

3. Deductions & Credits

- Home Office Expenses:
 - Partial deduction of rent, utilities, and internet based on business use percentage.
 - Equipment purchases fully deductible.
- Professional Development:
 - Education and training expenses deductible up to certain limits.
 - Language learning can qualify if business-related.

4. Startup/Tech Incentives

- Startup Portugal Programs:
 - Tax credits for R&D activities.
 - Venture capital tax benefits.
 - Innovation support funding.
- Tech Visa Program:
 - Fast-track immigration for tech talent.
 - Additional tax benefits possible.

5. Social Security Considerations

- First-Year Exemption: Option for first-year exemption for new self-employed individuals.
- Reduced Contributions: Option to contribute based on selected income thresholds rather than actual income.
- Quarterly Payments: Simplified quarterly payment system.
- EU Social Security Agreements: Coordination with other EU countries to avoid double contributions.

6. Banking & Foreign Income

- Euro Banking Benefits: Lower transfer fees within the SEPA zone.
- Foreign Income Rules:
- NHR exemption for certain foreign income.