

Residency, Tax Residency, Citizenship, Non-Habitual Residency, Other Tax Holidays And Tax Responsibilities

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It is not at all uncommon for many to misunderstand the subtle but very important differences between the categories so let's look and see if we can simplify what is undeniably a complicated situation as much as possible.

Residency

A person can only be a registered resident in one country at any one time & when that person becomes a resident of one country then they surrender or lose residency in the former country of residency & the usual definition (in the case of Portugal) is if you spend 183 or more days in any one year inside the national territory of Portugal and/or your primary residence is inside the National Territory & the National Territory includes the Islands.

Tax Residency

There are 195 countries in the world & each has their own definition of Tax Residency & it is possible for a person to be a tax resident of more than one country at a time so you do need to research the rules of any country you spend significant time in & it should be noted that Portugal has slightly different rules to many others in that with a few exceptions, a resident is required to declare their worldwide income although they may or may not require you to pay tax on all of that income.

Also note that some countries have especially complicated rules related to this issue & in the case of the UK their Statutory Residency Tests are ridiculously complicated & confusing & anyone that gives you any one size fits all answer to the Statutory Residency Tests situation is to put it politely..... Ummmmm..... shall we say, 'brave' & the best way to be sure of your situation in that regard is to read the link below, apply them to your absolutely exact situation & calculate the maximum exact number of nights you can spend in the UK throughout the year.

<https://www.gov.uk/government/publications/rdr3-statutory-residence-test-srt>

It should be noted that changing tax residency to Portugal before you become a resident of Portugal is often to be avoided like the plague as by doing so, you may very easily lose eligibility for some or all of the new immigrant tax concessions such as non habitual residency, free import of personal goods & Certificate of Baggage & tax free vehicle import & that last one can sometimes cost several tens of thousands of Euros if you declare the vehicle import to customs & are then unable to get the tax free import & you then cancel the process with IMT as Customs have every right to charge the matriculation fee (aka tax) of the problem vehicle.

Citizenship

This one is perhaps one of the most confusing categories of all & readers might also need to read "The Perils Of Considering Yourself An EU Citizen" & also "Claiming Portuguese Citizenship".

If you look at the definition of the word 'Citizen' it's "a person who is a member of a particular country and who has rights because of being born there or because of being given rights, or a person who lives in a particular town or city:" & despite the grandiose claims of the EU & EU legislation, there is no such thing as an EU citizen as the EU is a trading block consisting of a number of member states within the continent of Europe & is not a single country in its own right.

In the case of Portugal then a citizen of Portugal always retains the right to live not only in Portugal but also in any other Schengen Zone country & the Schengen Zone should not be confused with Europe which is a continent or the EU which is a customs union aka trading block.

Non-Habitual Residency

NHR (for short) is one of several new immigrant tax concessions & (despite what first glance suggests) is open to all adult new immigrants who apply within the stipulated time period & it give a 10 year tax holiday on most but not all income derived from outside Portugal & in most cases the highest tax rate that is usually applied is 20% & in many cases that income is totally tax free.

There are a number of aspects to NHR but it appears to have no downside whatsoever & IMO every adult new immigrant should apply for it & NHR New Resident Tax Holiday & How To Register for Non Habitual Residency Status both of which are in the files section of this group'

Other Tax Holidays

Portugal also offers other tax holidays and/or other incentives & one in particular is the Regressar Program which is designed to encourage citizens & former emigres to return to Portugal to live & amongst several other possible incentives including a grant of over €7k to help with moving costs etc can also give the holder a 50% 5 year tax holiday on income derived from inside the national territory of Portugal & details of that are to be found in 'Returning Portuguese Citizens & Descendants AKA Regressar Program' in the files section of this group.

Tax Responsibilities

As previously stated, there are 195 countries in the world & many have different side issues that might affect your situation & a good example of this is that even if someone has never even set foot in the USA & never been a citizen of the USA, they can incur tax responsibility to the USA if they have income derived from inside the USA.

So (for example) if someone has income derived from books, magazines or any intellectual property (or similar) sales derived from inside the USA then the US Internal Revenue service can & very often do deduct their slice of the pie at source which gives the recipient no choice but to pay US tax & although there are ways to avoid it, there are no easy way to avoid it short (in some cases) of presenting the

original passport to the US IRS in person & from inside the USA.

Which strikes me as a bit rich bearing in mind their entire Constitution was largely based on the principle of 'no taxation without representation'.

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