

N.H.R. 2.0 IN PORTUGAL – A BETTER REGIME FOR SKILLED WORKERS AND THEIR EMPLOYERS

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Tags

Eligible Activities
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INTRODUCTION

Through December 2023, Portugal had in place a successful tax regime aimed at individuals considering a relocation to the country. Known as the Non-Habitual Resident (“N.H.R.”) regime, it was introduced in 2009 and was up and running by 2012. All told, the N.H.R. regime attracted well over one-hundred thousand highly skilled professionals and high-net worth individuals and had a positive impact on Portugal’s economy.

By 2023, however, Portugal experienced an unrelenting boom in the value of residential real estate. As a result, the Government announced the termination of the N.H.R. regime, effective as of the close of the calendar year, with a transition period running to December 2024. Everyone that was in the N.H.R. regime or was in the process of taking actions to move to Portugal to become eligible for the N.H.R. were not impacted by the change of law. They are able to carry on their N.H.R. status until the end of their 10-year period, as if nothing had happened.

INTRODUCING THE N.H.R. 2.0

At the same time as the N.H.R. was terminated, a new regime was adopted to attract qualified individuals to move to Portugal. Labelled as the “Tax Incentive for Scientific Research and Innovation,” it is commonly referred to as “N.H.R. 2.0.” N.H.R. 2.0 came into effect on January 1st, 2024. Implementing regulations were published in December 2024, and again in February 2025. Online forms for application are now available and N.H.R. 2.0 is in full force and effect.

Eligibility Criteria

In order to be eligible for the N.H.R. 2.0, a nonresident individual must meet three tests:

- The first is that the applicant must not have been a tax resident of Portugal at any time within the five years preceding the move.
- The second is that the applicant must become a tax resident of Portugal.
- The third is that the applicant must carry on an eligible activity in Portugal for an eligible company.

The regime does not apply to those who benefit or have benefited from other special tax regimes, such as the N.H.R. regime. Once participation in the N.H.R. 2.0 regime is granted, it remains valid for 10 consecutive, non-renewable years. During each year in that period, the individual must (i) maintain Portuguese tax residence and

(ii) carry on an eligible activity. If the activity ceases for any reason, a firm six-month period is allowed to seek an eligible activity.

Benefits

The benefits granted by the regime can be broadly summarized as follows:

- A 20% flat rate on income earned from an eligible activity in Portugal rather than the progressive rates which would generally apply, with no maximum salary cap; and
- general tax exemption on all foreign income, apart from pension income and certain income sourced in blacklisted jurisdictions.

In comparison to the original N.H.R. regime, the new regime grants a much broader exemption for foreign source income. All foreign source income is tax free apart from pensions and certain income sourced in tax havens.

Application Process

The individual must apply to the regime by January 15th of the year following the move. The employer is part of the process. The degree of its involvement ranges from issuing a simple statement to filing supporting documentation to the Portuguese tax authorities and depends on the eligible activity carried out in Portugal.

ELIGIBLE ACTIVITIES

In order to be granted access to the N.H.R. 2.0 regime, an individual must carry out at least one of following activities for the benefit of a qualifying entity:

- Be a member of the board or carry on a qualified employment position for a company carrying on an economic activity in a sector considered relevant for the national economy. The list of sectors considered relevant for the national economy is quite broad and includes, among others, the following sectors: (i) high tech companies, (ii) holding companies, (iii) regulated asset management entities, (iv) service centers and head office companies, (v) almost all types of manufacturing and mineral extraction entities, (vi) engineering and constructions companies, (vii) film production companies, (viii) R&D companies, and (ix) certain companies in the health sector.
- Be member of the board, or be employed, by an entity certified as a start-up.
- Carry on a qualified employment position for the benefit of a company that participates in the Investment Support Tax Regime (“R.F.A.I.”) or for a industrial or service company that (i) operates in certain sectors and (ii) exports at least 50% of its annual turnover.
- Carry out a listed activity, including (i) teaching at a university, (ii) working in certain scientific research entities, (iii) holding a qualified position or be a board member of a social body that qualifies for specified benefits.

While the Portuguese entity must be a qualifying entity, there are no limitations as to the makeup of its ownership. It can be owned by Portuguese residents, by European



based corporations, or by corporations based outside of Europe other than in non-cooperative jurisdictions.

CASE STUDY

Facts

An individual who has never lived in Portugal is planning to relocate to Portugal in 2025. The individual has a bachelor's degree. He will be employed, as a financial advisor, by a Portuguese asset management company that is licensed by the Portuguese regulator.

The individual has not been a resident of Portugal for the period running between 2020 and 2024. In addition, the employer is engaged in an economic activity recognized as relevant to the Portuguese economy. The individual will be taking a qualified job position and has the necessary academic qualifications.

Result

In the above fact pattern, the individual will be eligible for the new N.H.R. 2.0 regime. To obtain benefits, he must apply no later than January 15th, 2026.

Apart from the flat rate of 20% over his Portuguese employment income, the individual will benefit from an exemption on his foreign income provided the foreign income is not pension-related or blacklisted. The benefit of the exemption is not lost merely because funds are remitted to Portugal.

CONCLUSION

Following the unexpected termination of the N.H.R. regime, effective as of the December 31, 2023, a new regime was offered to newly arriving residents, known as N.H.R. 2.0. The new regime attracts working individuals, investors and international groups planning on setting up Portuguese subsidiaries. N.H.R. 2.0 is now fully operational for those within scope of eligible activities, which is very wide. The goal is to attract individuals working for a wide range of entities such as manufacturers, tech companies, management companies, family offices, private or corporate holding structures, and many others.

N.H.R. 2.0 is a clear sign that Portugal is very much open for business and keen to attract talent, companies and investment. With proper thought and planning, the new N.H.R. 2.0 can be even more advantageous than the previous tax regime.

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