



NHR beneficiaries: only 8% have a "value-added" profession

The tax-holiday regime for Non-Habitual Residents (NHR), launched in 2009 to entice wealthy foreigners to participate to Portugal's economic development in exchange for low or no taxation, reveals a very asymmetrical distribution between the two NHR target groups: "value-added" professionals and pensioners. Amongst the 27,367 beneficiaries of the NHR statute allowing for a partial or complete 10-year tax holiday in Portugal, there are only 2,140 "value-added" professionals (8%). Of these, almost half are senior executives of multinational companies.

The programme, which taxes qualifying professionals at a flat rate of 20% on their Portuguese-sourced business income, is appealing to those who are higher-rate taxpayers, whether here or in their countries of origin. The latest breakdown of professional candidates to NHR is as follows:

Company Executives	1,024
Engineers	384
Computer Programmers	170
Scientific research	80
University Professors	50
Tax Consultants	45
Designers	42
Computer Consultants	41
Auditors	24
Singers	7
Musicians	6
Painters	5
Psychologists	4
Sculptors	2
Surgeons	1
Paediatricians	1
Dentists	1



Pensioners

In the case of the larger target group, pensioners, many have been able to achieve double tax exemption, both in Portugal for 10 years as well as in their home jurisdictions. The programme gives rise to the mistrust of countries such as Sweden and Finland which look at the Portuguese rules as a mere instruments of aggressive fiscal competition. In the case of Finland, the Finnish authorities first negotiated changes to the double tax agreement with Portugal. Following Lisbon's failure to ratify the new treaty, Helsinki unilaterally suspended the accord to launch levies on Finnish pensioners resident in Portugal as of January 2019.

10,000 new homeowners

To be approved for NHR, it is necessary not to have been resident in Portugal during the previous five years. Unlike the Golden Visa Programme for 3rd country nationals, candidates do not have to buy a house to benefit from the regime. Nevertheless, many have made this investment. According to *Finanças* statistics, 10,737 homes currently have Non-Habitual Resident owners.

Interim Evaluation of the NHR Programme

While open to criticism both at home and abroad, the Non-Habitual Residency programme has proven popular with beleaguered taxpayers around Europe. To evaluate the regime fairly, Portuguese authorities contend that it is not enough to question the forgiven income tax, estimated at €350,000,000 in 2016. Rather than just calculate the lost revenues from NHR beneficiaries, it is essential to consider the total taxation that might never have been collected without the programme being in place, namely tax revenues from VAT, IMI and IMT amongst other levies.