



## **Working for a UK company in Portugal**

A common situation arises where a UK employee wishes to continue to receive a salary from a British-based company but would prefer to provide the services virtually via the internet while residing in Portugal. Unfortunately, there are significant obstacles to this type of arrangement:

1. As an employee of a UK-based company, you cannot make contributions to Portuguese Social Security (National Insurance).
2. If you continue to declare as a UK resident but, in fact, live and work in Portugal, you will fail to meet the criteria of the UK Statutory Residency test requirements.
3. To be employed by your UK company in Portugal, the Company would need to set up a branch office in Portugal. While this is feasible, the process involves both initial start-up costs as well as ongoing overhead to the Company. After Brexit (March 2019?), requirements could become even more complicated.
4. Once a branch in place, Portuguese personal income tax (“IRS”) on a modest salary (£35,000) would be  $\pm 25\%$ . In contrast, as a freelancer, taxation on a similar amount would be substantially lower: just  $\pm 5\%$  in year one,  $\pm 7.5\%$  in year 2 and  $\pm 10\%$  thereafter.

## **Working as a PT contractor to the UK company**

The best solution to the dilemma is to be a Portuguese-based freelancer, contracting with the UK Company, rather than continuing to work as a UK salaried employee. By being registered as providing “support services” from Portugal, you will be assessed on just 35% of your gross invoicing to the Company under the “Simplified Regime”. Social Security deductions will be made on a similar reduced basis. As indicated in n° 4 above, taxes due will be substantially lower.



The Company should also find this arrangement to be advantageous by eliminating UK National Insurance obligations, thereby lowering corporate overhead. Payment of freelancer invoices can continue to be made to the sole trader's local UK bank account if the parties agree. By shifting to an independent worker status based in Portugal, you can create a win-win situation both for you and your former employer.

© - *All rights reserved*

07 August 2018

