

WHY PORTUGAL? A TAX-FRIENDLY HAVEN FOR EXPATS AND INVESTORS

ALL FINANCE MATTERS

Largo das Sete Ruas, 1-B
8800-604 - Tavira

Rua Frederico Lecor, Nº 53 B
8000-247 Faro

E : info@afm.tax

P : +351 281 029 059

W : www.afm.tax

Portugal has long captured the hearts of visitors with its stunning coastline, rich heritage, and relaxed lifestyle—but beyond its undeniable charm, it also offers one of Europe's most favorable tax and residency environments. Whether you're a retiree, remote worker, entrepreneur, or investor, Portugal provides multiple financial incentives that make it a top-tier relocation choice.

1. A Prime Destination for Global Citizens

Several elements contribute to Portugal's growing reputation as a top destination for expatriates:

- **Strategic Location:** Situated at the crossroads of Europe, Africa, and the Americas, Portugal offers excellent access to international markets
- **Mild Climate:** With over 300 days of sunshine a year, Portugal's temperate weather supports year-round outdoor living.
- **High Quality of Life:** Affordable healthcare, low crime rates, and a slower pace of life make Portugal ideal for families and retirees.
- **Cultural and Culinary Wealth:** From UNESCO World Heritage sites to award-winning wines and regional delicacies, Portugal offers a lifestyle rich in experiences.
- **Welcoming Environment:** Portugal consistently ranks among the safest and most welcoming countries, with a high level of English proficiency—especially in urban areas and the Algarve.

2. Tax Advantages for Residents and Expats

As accountants working closely with the expat community, we often highlight Portugal's attractive and transparent tax structure. Here are the key benefits: No Wealth, Inheritance, or Gift Tax

No Wealth Tax

Portugal does not levy any form of wealth tax. This means that individuals are not taxed annually on the total value of their worldwide assets, such as real estate, investments, savings, or other holdings—an attractive feature for high-net-worth individuals relocating from countries where wealth taxes are common.

No Inheritance Tax (Within Close Family)

There is no inheritance tax in Portugal when the transfer of assets occurs be-

tween direct ascendants and descendants—this includes parents and children, as well as grandparents and grandchildren. This exemption makes estate planning significantly more straightforward and tax-efficient for families relocating to Portugal.

Gift Tax (Stamp Duty)

While Portugal does not have a formal gift tax, a stamp duty (Imposto do Selo) applies to gratuitous transfers of assets (gifts or inheritance) in certain cases:

- Gifts between close family members (such as parents, children, and grandchildren) are exempt from stamp duty.
- For other beneficiaries (e.g., siblings, cousins, or unrelated individuals), a flat 10% stamp duty is levied on the value of the gift or inheritance.
- Stamp duty applies only on gifts exceeding €500 in value.
- All gifts exceeding €5,000 must be declared to the Portuguese tax authorities (Autoridade Tributária), even if exempt from taxation.

A Crypto-Friendly Environment

Portugal has attracted attention as a crypto tax haven. While the taxation of crypto is evolving, long-term gains from the sale of cryptocurrencies by individuals may still be tax-exempt, provided the activity is not considered professional trading. Proper structuring and guidance are key here.

Over 70 Double Taxation Treaties

Portugal has an extensive network of over 70 Double Taxation Agreements (DTAs), allowing residents to avoid being taxed twice on the same income.

Youth Tax Benefits

The 2025 State Budget introduced significant enhancements to support younger professionals:

- Young IRS Exemption: Available up to the age of 35, with tax reductions that phase out over 10 years.
 - Year 1: 100% exemption
 - Years 2–4: 75% exemption
 - Years 5–7: 50% exemption
 - Years 8–10: 25% exemption
- Property Tax Relief for Young Adults: Those under 35 benefit from full exemp-

tions on IMT (Property Transfer Tax) and Stamp Duty when purchasing homes valued up to €316,772. A public loan guarantee scheme for first-time buyers is also expected soon.

New tax Incentive the NHR 2.0 also known as TISRI / IFICI for Skilled Professionals

Replacing the former NHR (Non-Habitual Resident) regime, the TISRI (Tax Incentive for Scientific Research and Innovation) program provides:

- A 20% flat tax rate on income from eligible employment.
- Exemptions on most foreign income, including capital gains, royalties, investment returns, and freelance income—unless earned in blacklisted jurisdictions.
- Note: Foreign pensions are now fully taxed at progressive Portuguese rates (14%–53%) unless they fall under a specific exception.

3. Real Estate Taxes in Portugal

If you're considering buying property in Portugal, understanding the local tax implications is essential.

Property Transfer Tax (IMT)

IMT is applied at the time of purchase and ranges from 0% to 6%, depending on:

- Property value
- Whether it's a primary residence
- Location (mainland vs. autonomous regions)

Municipal Property Tax (IMI)

An annual tax on real estate, with rates between 0.3% and 0.8%, depending on:

- Municipality
- Whether the property is urban or rural
- Energy efficiency classification (green-certified buildings may benefit from reductions)

Reduced Tax on Pension Income

If the origin of pension income (e.g., UK SIPP or QROPS) cannot be clearly traced to prior contributions, only 15% of the amount is taxable in Portugal. This offers an important planning opportunity for retirees with structured pension income.

6. Portugal at a Glance: Lifestyle and Economic Indicators

Portugal offers a rare blend of affordability, safety, and high living standards, making it a consistent choice for professionals, retirees, and families relocating to Europe.

Cost of Living

According to Numbeo, Portugal has a Cost of Living Index of 45.4, making it one of the most affordable countries in Western Europe. While Lisbon and Porto are naturally more expensive, they remain significantly cheaper than most major European capitals.

- Rent for a 1-bedroom apartment in city centres typically ranges from €700 to €1,200 per month, depending on location and property condition.
- Essential services such as groceries, transport, and healthcare remain affordable by EU standards.

Quality of Life

Portugal consistently ranks high for overall life satisfaction. According to Numbeo, the Quality of Life Index is approximately 167.7, with a Climate Index of 97.6 and Pollution Index of 28.6, reflecting excellent weather conditions and a clean environment. Portugal enjoys over 3,000 hours of sunshine annually, contributing to a relaxed and active outdoor lifestyle.

Safety and Peace

Portugal is ranked 7th in the 2024 Global Peace Index, published by the Institute for Economics and Peace ([visionofhumanity.org](https://www.visionofhumanity.org)). The country is known for its low crime rate and safe public spaces:

- Safety Index: ~68.6 (Numbeo)
- Homicide Rate: ~0.7 per 100,000 people (source: Eurostat / Wikipedia)

Whether in cities or rural towns, residents and expats generally feel very secure, both day and night.

Economy and Salaries

According to the Instituto Nacional de Estatística (INE):

- Average Monthly Gross Salary (Q2 2024): €1,505
- National Minimum Wage (2024): €870 in 2025

Final Thoughts

Portugal combines lifestyle and tax efficiency in a way few countries can match. For expats, retirees, and global professionals, it provides both a comfortable home and a financially sound base.

With the right planning—and the right advisory team—Portugal may not just be a place to live, but a smart fiscal move for your future.

afm
all finance **m**atters



For any inquiries or support, our team can guide you through the whole moving process. Feel free to reach out to us at info@afm.tax or visit www.afm.tax.

"YOU MUST PAY TAXES, BUT THERE'S NO LAW THAT SAYS YOU NEED TO LEAVE A TIP."