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RAWLINSON & HUNTER

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WELCOME

Welcome to the spring edition of Tax Pulse. We are only several months in to the new calendar year and we have already witnessed some remarkable events in the finance markets.

In our increasingly connected world, it should not be surprising that the impact of announcements made by overseas' governments is felt by those based in the UK. With this in mind, this edition of Tax Pulse picks out several cross-jurisdictional topics and the consequences for transnational citizens.

First up, we take a look at the UK's Statutory Residence Test (SRT) and the A Taxpayer v HMRC [2025] Court of Appeal decision. This case concerned the implications for taxpayers relying on the exceptional circumstances exemption where a day of physical presence in the UK can be disregarded for counting the number of days an individual spends in the UK for SRT purposes.

Next up, we explore two significant changes introduced by the UK's recent Finance Act 2025, the UK's new Inpatriate Tax Regime for individuals who have been non-UK resident for at least ten consecutive tax years and the Temporary Repatriation Facility which, despite the remittance basis being abolished, enables former remittance basis users having unremitted pre-6 April 2025 foreign income and gains (FIG) to remit this FIG to the UK now or in the future at a favourable tax rate.

For those straddling the pond between the UK and US, many will be aware of the UK-US Tax Treaty covering Income Taxes and Capital Gains Taxes but there is also a treaty governing 'death taxes' and gift taxes. In our US Tax Corner segment, Partner Alex Jones examines the implications of the UK-US Estate and Gift Tax treaty.

Our guest feature for this edition comes from Maria Inês Assis and Nuno Cunha Barnabé of Abreu Advogados, who share their insights on the new Inpatriate Tax Regime (NHR 2.0) in Portugal. Unlike its predecessor, the new NHR 2.0 regime is not intended to attract pensioners or individuals who derive income from passive investments. Instead, it targets active, highly-skilled professionals and entrepreneurs working in strategic sectors of the Portuguese economy.

Finally, Satinder Mander (Senior Manager in our Private Client team) shares her experience of running the first of six half-marathons in six European countries. By coincidence, Satinder headed to Lisbon for her first half-marathon, continuing a Portuguese theme in this issue of Tax Pulse.

We hope that you enjoy reading this edition of Tax Pulse. If you have any feedback or suggestions for future editions, please direct your comments to the editorial team.

The Partners

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UK RESIDENCE: THE EXCEPTIONAL CIRCUMSTANCES EXEMPTION

Read this to understand the significance of a recent Court of Appeal decision on the Statutory Residence Test exceptional circumstances exemption.

The Statutory Residence Test (SRT) is used to determine the UK residence status of an individual for UK tax purposes. It is made up of a series of tests, which consider the number of days 'spent' by an individual in the UK in conjunction with other factors including where the individual works, where their homes are situated and where their family lives.

Broadly, for SRT purposes, if an individual is present in the UK at midnight they are considered to have 'spent' a day in the UK. However, the legislation allows for up to 60 days in a tax year to be disregarded if:

(i) the individual would not be present in the UK at the end of that day but for exceptional circumstances;
(ii) the circumstances were beyond their control;
(iii) the circumstances prevented them from leaving the UK; and
(iv) they intended to leave the UK as soon as those circumstances permit.

HMRC have historically taken a narrow view as to what circumstances would count as exceptional stating that days spent in the UK where the circumstances were not beyond the individual's control or where they could have been reasonably predicted (for example, life events such as birth, marriage, divorce and death or coming to the UK for medical treatment) will not normally be considered exceptional. The examples of exceptional circumstances given in the legislation include "national or local emergencies, such as war, civil unrest or natural disasters" and "a sudden or life threatening illness".

A Taxpayer v HMRC [2025]

The exceptional circumstances exemption was considered by the Court of Appeal in the case of A Taxpayer v HMRC [2025] EWCA Civ 106. The question for the courts was whether the taxpayer was UK resident for 2015/16, which significantly impacted her UK tax liabilities.

The facts of the case are as follows:

- The taxpayer moved from the UK to Ireland on 4 April 2015.
- Her husband subsequently transferred shares to her and in 2015/16, she received approximately £8 million of dividend income from those shares.
- She completed her 2015/16 tax return on the basis that she was non-UK resident despite spending 50 days in the UK during the year, five more days than the 45 days allowed under the Statutory Residence Test.
- The taxpayer argued that she satisfied the 'exceptional circumstances' rule as she was in the UK for six days to look after her twin sister, who the taxpayer asserted was suffering from alcoholism, was suicidal and was failing to look after her own children.
- As a non-resident, the taxpayer would not be required to pay UK income tax on the substantial dividend received during that year.

HMRC issued a closure notice and amended the taxpayer's return to include the dividend, on the basis she did not satisfy the exceptional circumstances exemption and was therefore UK resident.

The taxpayer appealed to the First Tier Tribunal (FTT), who allowed her appeal, finding that "the combination of the need for the taxpayer to care for her twin sister, and particularly, for her minor children at a time of crisis caused by the twin sister's alcoholism does constitute exceptional circumstances" which prevented the taxpayer from leaving the UK. The FTT took into account the moral and societal obligations of the taxpayer when considering whether their circumstances were exceptional in nature. The FTT also accepted that it was unrealistic in practice to expect anyone else to care for the twin sister.

HMRC appealed to the Upper Tribunal. The Upper Tribunal set aside the FTT's decision, holding that the taxpayer had not been prevented from leaving the UK. In the Upper Tribunal's view, the taxpayer is only prevented from leaving the UK if she had a legal obligation to stay or was physically prevented from leaving. The Upper Tribunal also held that "serious illness and death are, themselves not "exceptional"; the former is commonplace and the latter universal…Objectively commonplace circumstances, such as serious illness cannot be converted into exceptional circumstances by adding a moral obligation."

The Court of Appeal upheld the taxpayer's appeal and reinstated the FTT's decision. The Court of Appeal held that the FTT was entitled to make an assessment on whether the circumstances prevented the individual from leaving the UK and whether the taxpayer's circumstances were exceptional, based on their findings of fact of what the circumstances were.

The Court of Appeal also upheld the FTT's view that a sufficiently compelling moral obligation or obligation of conscience can prevent someone from leaving the UK and that those factors may be taken into account when considering whether the circumstances in the round qualify as exceptional circumstances. The scope of exceptional circumstances is therefore broader than simply a legal obligation to stay in the UK or being physically prevented from leaving the UK, which widens the range of scenarios beyond a person's control which might be treated as exceptional circumstances.

Conclusion

This case has important implications for taxpayers relying on the exceptional circumstances exemption under the SRT. The ruling makes it clear that when considering whether an individual is prevented from leaving the UK and whether those circumstances are exceptional, one needs to consider a broad range of factors including the reaction of the individual to matters such as the illness of a close relative or other moral or societal obligations.

Whether such circumstances were sufficiently cogent to prevent the individual from leaving the UK was a value-judgement for the FTT. As such, the Court of Appeal found that the FTT did not err in law and found in favour of the taxpayer. The case sets an important precedent, subject to HMRC seeking leave to appeal the decision to the Supreme Court.

Another interesting aspect of this case is that the Court of Appeal reiterated that a finding of fact by the First Tier Tribunal can only be overturned on appeal where it is unreasonable i.e. no reasonable tribunal could have made that finding of fact. This is in contrast to points of law, which can be challenged on appeal in a higher court or tribunal.

Please speak to your usual Rawlinson & Hunter contact if you wish to discuss any aspect of this note.

THE UK'S NEW INPATRIATE REGIME AND TEMPORARY REPATRIATION FACILITY

Read this to learn about the UK's new inpatriate tax regime or if you have used the remittance basis and want to understand the new Temporary Repatriation Facility.

The 2025 Finance Act, one of the most significant Finance Acts in recent years, received Royal Assent on Thursday 20 March 2025. The new legislation reforms the tax regime for non-UK domiciliaries, introduces a new UK tax regime for inpatriates, removes the concept of domicile as a relevant factor for determining an individual's exposure to UK tax (subject to a few exceptions and transitional provisions, which are outside the scope of this note) and abolishes the remittance basis of taxation.

The remittance basis enabled certain non-UK domiciled individuals not to pay tax on their foreign income and gains, provided this foreign income/gains was not remitted to the UK. Given the remittance basis of taxation has been in existence for over 200 years, dating back to William Pitt, its abolition is one of the most significant UK tax changes for individuals in recent history.

We summarised the Inheritance Tax implications of the removal of the concept of domicile from UK tax legislation in the previous edition of Tax Pulse. This note is a brief summary of the UK's new inpatriate tax regime for new arrivals and of the temporary repatriation facility, a valuable new relief for former remittance basis users.

The new regime for arrivals to the UK

From 6 April 2025 the default position is that individuals will be taxed on their worldwide income and gains. However, for qualifying new residents, principally individuals who are in their first four years of UK tax residence, they can make a claim for relief from UK tax on their foreign income and gains ("FIG") and thus the FIG would not be subject to UK tax. If an individual makes a claim for FIG relief, there is no requirement for the FIG to be retained outside of the UK and the amounts can be remitted to the UK without any restrictions.

A "qualifying new resident" is an individual who is in one of their first four years of UK tax residence and was not UK tax resident in any of the ten years before their first year of UK residence. Years of UK tax residence prior to 6 April 2025 (i.e. 2022/23, 2023/24 and 2024/25) are considered for the purposes of establishing whether a claim can be made for 2025/26 or later years. For example, an individual who first became UK tax resident in 2024/25 could make a claim for FIG relief for 2025/26, 2026/27 and 2027/28.

Members of the House of Commons and House of Lords are disqualified from claiming FIG relief, mirroring a previous restriction deeming them to be UK resident and domiciled.

Most types of foreign income and gains are included within the FIG regime. However, there are certain exclusions, including gains on foreign life insurance policies and performance income that relates to an entertainer or sportsperson. Furthermore, foreign employment income is subject to specific rules. The relief for foreign employment income is limited to the lower of 30% of the employment income (and this is worldwide employment income) and £300,000.

A claim for FIG relief will need to be made on the individual's UK tax return. In order for the claim to be valid, the return will need to quantify and include details of the foreign income and gains subject to relief.

Individuals will be able to choose which foreign income and gains to claim relief on.

Individuals making a claim for FIG relief will lose their entitlement to personal allowances. Similarly, if a FIG relief claim is made for foreign capital gains for a tax year, individuals will lose their entitlement to the annual capital gains tax exemption and relief for foreign capital losses accruing to the individual for that tax year.

Despite the new FIG regime's limited four year duration and reporting requirements, this new UK tax regime will be a potentially valuable relief for individuals newly arrived to the UK who have never previously been UK resident and for UK expats seeking to return to the UK who have been non-UK resident for at least ten consecutive tax years.

The Temporary Repatriation Facility for former remittance basis users

Although the remittance basis has been abolished, former remittance basis users are likely to still have amounts of pre 6 April 2025 foreign income and gains (FIG) which arose during a tax year where they were subject to the remittance basis and has not been remitted to the UK. Consequently these amounts of pre 6 April 2025 FIG have not been previously subject to UK tax.

With the Government's stated intention of encouraging individuals to remit their pre 6 April 2025 FIG to the UK, the Finance Act also introduced a new facility, known as the "Temporary Repatriation Facility" (TRF).

The TRF is a temporary facility available for three tax years, 2025/26, 2026/27 and 2027/28 (the TRF period). The TRF allows a UK tax resident individual to make an election to designate their pre 6 April 2025 FIG and pay tax at a lower TRF tax rate. The TRF tax rate is 12% for elections made for 2025/26 and 2026/27 and 15% for elections made for 2027/28.

The designation(s) must be made on the individual's tax return for one of the three TRF tax years and the normal tax payment dates will apply in respect of TRF tax payable.

Once a designation under TRF has been made, the relevant funds can be remitted to the UK without any further UK tax charges. It is not a requirement under TRF for the amounts to have been remitted to the UK during the TRF period, so the amounts can be remitted at a later date.

A designation can be made in respect of cash and / or non-UK assets. For example, assume an individual purchased a property in France for £1m and the acquisition was wholly funded from pre 6 April 2025 FIG. A designation could be made in respect of all or part of the £1m pre 6 April 2025 FIG used to fund the acquisition of the property. If the entire £1m of pre 6 April 2025 FIG was designated it would allow the future sale proceeds received on the disposal of the French property (the sale could occur after the TRF period) to be remitted to the UK without any additional tax arising on the subsequent remittance. There would, however, be UK Capital Gains tax payable if a sterling gain was realised on the disposal of the French property and the individual was UK resident, subject to relief for any French tax paid under the UK / France Double Tax Agreement.

If a former remittance basis user with pre 6 April 2025 FIG does not make a designation or makes a partial designation under the TRF, then a remittance of their undesignated pre 6 April 2025 FIG to the UK would be subject to UK tax at the prevailing rates of income tax and capital gains tax in the tax year of the remittance (currently up to 45% on income and 24% on gains).

As well as considering whether to designate pre 6 April 2025 FIG under the TRF, former remittance basis users should review their non-UK account structures to consider whether any changes are required to optimise UK tax efficiency from 6 April 2025.

The TRF also extends to distributions and / or non-monetary benefits made from a non-UK resident trust to a UK resident beneficiary, provided the beneficiary has been subject to tax on the remittance basis in at least one tax year prior to 6 April 2025. For a trust distribution to qualify it must be treated as a capital distribution for trust law purposes, rather than an income distribution. The trust distribution / non-monetary benefit must be made on or after 6 April 2025, but matched with the structure's accumulated income and / or gains which arose before 6 April 2025. There are specific ordering rules for the matching of the distribution to the structure's income and gains.

A question that may come to the mind of beneficiaries of offshore trusts is whether they are a former remittance basis user. For 2007/08 or any prior tax year, a stand-alone claim would usually have been included in a return indicating that the remittance basis applied or a claim was being made. For any tax year between 2008/09 to 2024/25, a claim would have been made on their tax return (the remittance basis charge does not need to have been paid) or they were entitled to the remittance basis without a claim, for example, if their unremitted FIG was less than £2,000.

Other matters affecting former remittance basis users

The Finance Act also extends the existing 5 April 2017 Capital Gains Tax (CGT) rebasing to former remittance basis users who had not become deemed UK domiciled under the old rules or UK domiciled. For disposals on or after 6 April 2025, this allows non-UK assets to be rebased to their market value as at 5 April 2017. The rebasing will apply to assets which were owned by the individual as at 5 April 2017 and situated outside the UK from 6 March 2024 to 5 April 2025.

The existing CGT rebasing introduced in 2017 which applied to former remittance basis users who became deemed domiciled from 6 April 2017 will continue to be available, provided the individual was non-UK domiciled under general law from 6 April 2017 to 5 April 2025. An individual's domicile position after 5 April 2025 does not impact the availability of CGT rebasing relief.

The Finance Act also introduced some amendments to the definition of a remittance which are beyond the scope of this brief note. Suffice to say that the timing of the changes was odd given that they coincided with the abolition of the remittance basis.

Please speak to your usual Rawlinson & Hunter contact if you have any questions regarding any aspect of this note.

THE IMPACT OF THE UK/US ESTATE AND GIFT TAX TREATY

Read this to discover the benefits of applying the provisions of the UK/US Estate and Gift Tax Treaty.

People may generally be aware that we have an Income Tax Treaty between the UK and the US which attempts to minimise double taxation by providing mechanisms to determine residence and relief by exemption or tax credits. There is another treaty or totalisation agreement governing social security/National Insurance contributions, but we also have a treaty governing 'death taxes' i.e. Inheritance Tax (IHT) in the UK and Estate and Gift Tax in the US.

So Why and How is This Relevant?

In the US a US citizen or 'domiciliary' is exposed to Gift Tax on transfers during life and Estate Tax on death, in respect of their worldwide assets. A non-US person (a Non-Resident Alien) can still be exposed to US Gift and Estate Taxes, but only in respect of US situs property. Indeed, US Gift Tax does not apply to intangible property e.g. US shareholdings, whereas for Estate Tax purposes this is included into charge.

A US person benefits from a lifetime exclusion currently $13.99m, whereas the non-American only gets a $60,000 exemption only available on death. Note there is an additional rule, and exemption, to do with transfers which are deemed to skip a generation, so called Generation Skipping Tax – but that is beyond this article. Do also note that an individual regarded as 'domiciled' in a particular State of the US or with State property may also be subject to a State Estate Tax, with different exemptions and different rates.

So, a US person has currently rather a large lifetime exemption, albeit in the absence of legislative action this year it is scheduled to approximately half in value to around $7m in 2026. The current draft tax bill going through Congress could increase the exemption from 2026 to $15 million (with subsequent inflationary increases).

The non-US person however has only the $60,000 exemption and this could apply to many with simple US share-holdings, US real estate or trading assets etc; and this can create problems for families post death.

Compare this to the UK IHT regime which was triggered off domicile of course until 5 April 2025, now Long-Term Residence under the new rules. In addition, we, like the US would charge non-UK people on certain UK situs property. Post 5th April of course the new UK rules can also catch trust interests that would otherwise have been considered "Excluded Property", i.e. Trusts that people diligently set up with non-UK assets before they became domiciled or deemed domiciled here. These Trusts may now be subject to the UK decennial charge based on 6% of the value of the trust assets every 10 years, or a proportionate charge for distributions between 10 year anniversaries; or if the settlor is considered to have made a Gift with Reservation of Benefit (GWROB) the entire trust contents may fall back into their UK Estate for IHT purposes.

So, there is plenty of scope for there to be overlap and mismatches between the two systems and this is where we look to relief under the tax treaty!

So, let us start with the low hanging fruit. If you were UK domiciled/Long Term Resident but not a US Citizen or Green cardholder/domiciliary your estate would be exposed to a US charge on US shareholdings, US real property etc. While you might have managed to change the situs of such property by holding it through a non-US company or perhaps placed it in an irrevocable trust, but if you did not then US Estate Tax would arise to the extent the assets exceed $60,000 in value (after relevant deductions). The Treaty gives us two possible benefits. First, it provides that the UK person (subject to full UK IHT) is exempt from a charge on US intangible property i.e. the US shareholdings (Article 5), although not US real or business property. For those assets your estate would need to claim credit for the US charge against the UK IHT on the same property. The second benefit is found in Article 8 paragraph 5 which states that a UK national who was neither a US national nor US domiciliary can claim to be treated in the same way as a US person i.e. they can obtain the benefit of the US $13.99m lifetime exemption applied against their worldwide assets i.e. anyone with less worldwide assets than the US exemption can therefore wipe out the US charge.

At this point it is worth noting that the US only provides an interspousal exemption if the recipient spouse is a US citizen. In the UK the interspousal exemption is applied if the recipient has the same domicile/long term resident status as the transferor. But if not, we effectively double the normal nil rate band of £325,000 for a transfer to a 'non-UK' spouse.

There is one further possible relief where property passes from a US spouse (national or domiciled) which may otherwise be taxed on the UK spouse. Where the recipient spouse is not themselves domiciled in the UK/nor a long term resident, and would not otherwise benefit from the full interspousal exemption, then a 50% UK interspousal exemption can apply in the right circumstances. Generally, the relief isn't extendable the other way round.

But What If The UK Resident is Also a US Citizen?

Firstly, the Treaty applies a Domicile Tie breaker rule to determine which of the two countries has the primary taxing right and which the secondary right. These rules differ depending on whether the individual is a national of one country but not the other, in which case a tail applies when someone moves countries e.g. a UK national resident in the US under a Green card and so considered US domiciled would still fall under the UK rules unless they had been an income tax resident in the US in seven of the last ten years.

If an individual was considered domiciled in both countries and a national of both, or neither, then familiar tie breaker rules apply such as the location of a permanent home, their centre of vital interests, or their habitual abode. The secondary taxing jurisdiction will always still have taxing rights over local real property or trader business property.

Then things start to get tricky. It is reasonably well known that all US treaties contain a 'saving clause' which provides that the US can mostly ignore the provisions of the Treaty other than specific carve outs from the rules. This limits most of the benefits to non-US nationals. However, this provision is also applied by the UK. Thus a UK national living in the US, perhaps even a US citizen/domiciliary, will not be exempt from UK IHT on UK shareholdings or bank accounts which would otherwise have been expected. Note also that from 6 April 2027 this will also be true of UK pension plans under the changes introduced in October 2024. This may be highly relevant given our much smaller IHT exemption and if perhaps the interspousal exemption may not apply either.

Where the Treaty is expected to have real benefit however is in respect of trusts set up by non-UK domiciled/long term resident individuals, other than to the extent of UK real and trade of business property. Such a trust will fall outside of UK IHT if the individual was at the time of creation of the trust regarded as a US domiciliary and importantly was not otherwise a UK national at that time. So UK nationality which previously may have been thought of as having minimal UK tax impact, will now be crucial in determining the extent of benefits under the UK/US Estate and Gift Tax treaty.

So UK and US Estate and Inheritance Tax can be highly complex, but there can be real benefits to be had in applying the provisions of the Treaty, and we can expect that reliance on these provisions will only increase as a result of the recent UK tax changes that will otherwise bring more people fully into the scope of UK IHT.

Please speak to your usual Rawlinson & Hunter contact if you have any questions regarding any aspect of this note.

THE PORTUGUESE NEW INPATRIATE TAX REGIME - "NHR 2.0"

Read this to learn more about the impact of the new Inpatriate Tax Regime in Portugal.

The Portuguese State Budget for 2024 abolished the popular Non-Habitual Resident (NHR) regime for new applicants as of 1 January 2024. However, an exception was granted for individuals who had initiated their relocation to Portugal by 31 December 2023. These individuals were allowed to apply for the NHR regime until 31 March 2025, provided they became Portuguese tax residents within 2024.

To replace the NHR regime, the Portuguese Government introduced a new tax incentive scheme for inpatriates, officially named the Tax Incentive Regime for Scientific Research and Innovation (IFICI) - commonly referred to as "NHR 2.0".

Although certain provisions of this new regime came into effect in 2024, the regime only became fully operational following the publication of the final implementing regulations in late February 2025.

Unlike its predecessor, the new NHR 2.0 regime is not intended to attract pensioners or individuals who derive income from passive investments. Instead, it targets active, highly skilled professionals and entrepreneurs working in strategic sectors of the Portuguese economy.

Reflecting this strategic shift, the regime excludes foreign pension income from its tax benefits but notably includes a full exemption on foreign capital gains derived from the sale of shares and securities. Additionally, under NHR 2.0, tax exemptions depend solely on the type and foreign source of income, removing the previous requirement that the source country have a tax treaty with Portugal or be covered by the OECD Model Tax Convention.

Eligibility Criteria

To qualify for the NHR 2.0 regime, individuals must meet all of the following cumulative conditions:

1. Be considered a tax resident in Portugal;
2. Not have been tax resident in Portugal at any time during the previous five years;
3. Never have benefited from the previous NHR regime or the "Programa Regressar" (Former Residents Programme); and

4. Be engaged annually in an eligible activity as defined under the regime.

Eligible Activities

Eligible activities include, but are not limited to, the following:

- Employment or board positions in entities duly certified as start-ups;
- Highly qualified professions within companies that:
    - Have submitted qualifying investment applications, either in the year the individual joins or within the previous five years; and
    - Are benefiting or have benefited from the Investment Promotion Tax Regime (RFAI);
- Employment or board roles in entities carrying out economic activities recognized by AICEP or IAPMEI as being of strategic importance to the national economy—particularly in relation to attracting productive investment and reducing regional disparities.

According to the notices published by AICEP and IAPMEI[1] , qualified roles include:

- General Directors and Executive Managers;
- Directors of Administrative, Commercial, Production, and Specialised Services;
- Directors in Hospitality, Catering, Retail, and Other Services;
- Specialists in Physical Sciences, Mathematics, Engineering, and related fields;
- Medical Doctors;
- University and Higher Education Professors;
- Specialists in Finance and Accounting (excluding classification 2411);
- Information and Communication Technology (ICT) Professionals;
- Directors and Producers in Film, Theatre, Television, and Radio;
- Mid-level Technicians and Professionals in Science and Engineering.

Also as per the AICEP and IAPMEI notices, to qualify, individuals must possess at least a Level 5 qualification under the European Qualifications Framework (EQF) and the International Standard Classification of Education (ISCED)—corresponding to short-cycle higher education, which includes advanced technical and vocational training.

The following sectors are deemed economically significant and are therefore eligible under the NHR 2.0 regime:

- Extractive Industries;
- Manufacturing Industries;
- Electricity, Gas, Steam, Hot and Cold Water, and Air Conditioning Supply;
- Construction;
- Accommodation, Food Services, and Similar Activities;
- Information and Communication Technologies;
- Financial and Insurance Activities (provided a valid license is held);
- Scientific, Technical, and Consulting Services;
- Administrative and Support Services;
- Education; and
- Human Health and Social Work Activities.

Application Process

If all eligibility conditions are met, the individual must apply for the regime by 15 January of the year

1 IAPMEI Notice no. 4812/2025/2, dated February 3 and AICEP Notice no. 5309/2025/2, dated February 25.

following the one in which they became a tax resident in Portugal.

Applications are submitted via a dedicated electronic form available on the Portuguese Tax Authority's website.

Tax Benefits

In broad terms, the NHR 2.0 regime offers tax incentives primarily for foreign-sourced income, with the notable exception of pensions and income derived from blacklisted jurisdictions (tax havens).

Specifically, the benefits include:

- A flat 20% personal income tax (PIT) rate (plus applicable social security contributions) on Portuguese-sourced employment and self-employment income, provided it relates to one of the previously defined eligible activities.
- This represents a significant reduction compared to the standard progressive PIT rates, which range from 13% to 53%, plus a solidarity surcharge.
- A full PIT exemption on most categories of foreign-sourced income, with two key exceptions:
    - Foreign pension income, which is taxed under the standard progressive PIT rates (13% to 53%), plus the solidarity surcharge.
    - Income sourced in jurisdictions included on Portugal's tax blacklist, which is taxed at a flat rate of 35%.

Duration of Tax Benefits

The NHR 2.0 tax benefits apply for a non-renewable period of ten consecutive years.

To maintain eligibility each year, the individual must:
1. Continue to be considered a tax resident in Portugal; and
2. Continue to derive employment or business income from one of the eligible activities defined under the regime.

Experience So Far – Cases

Since its introduction, our experience with the NHR 2.0 regime has demonstrated successful outcomes for a range of professionals, particularly those engaged in high-value sectors and certified activities.

Positive cases have included:

- Board members and employees of companies certified as start-ups by Startup Portugal;
- C-level executives, board members, and qualified employees of:
    - Family offices;
    - Technology companies;
    - Investment funds, such as real estate funds, venture capital funds, etc (domestic and EU licensed alike);
    - Companies operating in the hospitality sector, including hotels and touristic apartments.

These early cases confirm that the regime is effectively targeting entrepreneurial talent and high-skilled professionals, in line with the Government's strategic goals of promoting innovation and economic development.

Guest article by Nuno Cunha Barnabé, Partner, and Maria Inês Assis Partner at Abreu Advogados

In the last article of Tax Pulse, we traditionally like to move away from matters of tax and finance, and instead focus on a member of our team and their pastimes outside of work.

Here, Satinder Mander, a Senior Manager in our Private Client team, tells us about her adventures completing the European Superhalfs tour, and how running helps her stay mentally sharp in the workplace.

I initially started running many years ago to improve my fitness and general wellbeing, but realised over time just how important it is for my mental health too. This is particularly noticeable whenever I pick up an injury, and there have been a few, as my mental health does decline when I cannot get out and stretch my legs on a good run.

I have always enjoyed running but appreciate some people find the thought of running long distances rather repetitive, and having run various distances over the years, the half marathon is definitely my preferred distance. The training is less time-consuming and demanding than a marathon, and comes with the added bonus of not having to rely on energy gels which I do not get on with.

To set myself a target, I decided to take part in the SuperHalfs, a series of six half marathons across Europe (Lisbon, Prague, Berlin, Copenhagen, Cardiff and Valencia). I also realised that this would probably be easier than trying to complete all six of the marathon majors (now seven with the inclusion of Sydney), where being fast or lucky enough to even obtain a place has become more and more difficult each year given the rise in popularity of running.

In March, a few friends and I headed to Lisbon for the first calendar race of the series. We arrived at the expo the day before the race to pick up our race packs and battle through the crowds of fellow runners who were busy looking at and buying the latest running gear and race merchandise, with some sharing their experiences of last year's event.

Although famous for being a hilly city, the actual race is relatively flat. Despite raining non-stop over the course of the weekend, the rain did at least relent for the race, only to start again afterwards, although the conditions were much more favourable than last year's 25 degrees which is far from ideal running weather!

The race started at 9:30 a.m. with a crossing of the 25 de Abril bridge and a finish overlooked by the Mosteiro dos Jerónimos monument, taking in many scenic views of Lisbon and the Tagus River. However, I must admit that much of this was lost on me during a race as I was too busy looking at the floor in front of me wondering when the next kilometre marker would appear. Hundreds of spectators lined the route cheering on the 21,000 runners, making it a busy race, especially as parts of the course were quite narrow, in particular over the 25 de Abril bridge where a number of runners decided to stop mid-race to take selfies, which was not ideal.

Next up, is the Copenhagen half marathon later this year, which I am looking forward to having never visited Denmark. This will be my third overseas race, having completed the Berlin marathon last year.

Hopefully I can add a few more destinations to the list, and I would definitely recommend this, as it is a good excuse to explore and enjoy a new city, as well as boosting your physical and mental health.

Tax Pulse was brought to you by:

Editors:	Paul Huggins, Jeremy Stein
Writers:	Loretta Ly, Natasha Warren, Alex Jones, Satinder Mander
Guest Writer:	Nuno Cunha Barnabé, Partner and Maria Inês Assis
Document Production:	Steph Bailhache

London Office
Rawlinson & Hunter LLP
Eighth Floor
6 New Street Square
New Fetter Lane
London EC4A 3AQ

Surrey Office
Rawlinson & Hunter LLP
Q3, The Square
Randalls Way
Leatherhead
Surrey KT22 7TW

Tel: 0207 842 2000
www.rawlinson-hunter.com

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