Alternatives to the Portuguese NHR regime

When a taxpayer loses their Non-Habitual Tax Regime (NHR) status in Portugal, it can result in a significant increase in their tax burden, particularly if they were benefiting from favorable tax treatment on foreign income or pensions. For individuals in this situation, there are a number of alternative countries that offer similar tax incentives to Portugal's NHR, allowing them to reduce their overall tax liability. These countries often target retirees, entrepreneurs, and foreign professionals by offering favorable tax treatment on foreign income or creating special tax regimes for certain types of income.

Here are some notable countries that offer tax regimes similar to Portugal's NHR:

1. Malta: The Global Residence Programme (GRP)

Malta offers a highly favorable tax regime for foreign nationals under the **Global Residence Programme (GRP)**. This program provides attractive tax incentives for non-residents, especially retirees, pensioners, and professionals.

- **Tax Benefits**:
    - A flat tax rate of 15% on foreign income, with a minimum tax payment of €15,000 annually. This is particularly advantageous for individuals with substantial foreign income or pensions.
    - Pensions are also taxed at a favorable rate (subject to the provisions of double taxation treaties).
    - Capital gains on foreign assets and certain income from overseas sources may be exempt from tax.
- **Requirements**:
    - The individual must reside in Malta for at least 183 days per year.
    - Proof of income and a secure financial standing is required to qualify for the GRP.

2. Spain: The Beckham Law (Beckham Regime)

Spain offers the **Beckham Law**, which is similar to the Portuguese NHR in that it provides a reduced flat tax rate for foreign professionals moving to Spain.

- **Tax Benefits**:
    - Foreigners moving to Spain for work (including sports professionals, executives, or high-level employees) can benefit from a flat income tax rate of 24% (up to €600,000) on their Spanish-earned income, as opposed to the progressive tax rates.
    - For foreign-sourced income, Spain typically applies favorable tax treatment, often only taxing income generated within Spain.
- **Requirements**:
    - The individual must not have been a tax resident in Spain for the previous 10 years.
    - The regime is typically available for a period of up to 6 years.

Note that while Spain's tax treatment is advantageous for foreign employees, there are restrictions on its application to self-employed individuals and entrepreneurs, and it is often less favorable for retirees.

3. Cyprus: The Non-Domiciled Tax Regime

Cyprus offers a highly attractive tax regime for individuals who qualify as non-domiciled tax residents, providing significant benefits for expatriates, retirees, and entrepreneurs.

- **Tax Benefits**:
  - **Income from dividends** and **interest** is exempt from taxation.
  - There is no **inheritance tax** or **wealth tax**.
  - Individuals can benefit from a **flat tax rate of 17%** on salaries or pensions.
  - New residents are entitled to tax exemptions on foreign income for the first 17 years of their residence.
  - Cyprus has an extensive network of **double taxation treaties**, making it an ideal location for expatriates with income in multiple countries.
- **Requirements**:
  - To qualify for the "non-domiciled" tax regime, individuals must not have been a resident of Cyprus for the previous 17 years and must not have any previous ties to Cyprus.
  - Cyprus offers a very attractive personal income tax structure, and the country is especially appealing for retirees.

4. Italy: The "New Residents" Tax Regime

Italy has a tax regime designed to attract new residents, particularly for individuals with foreign income, such as retirees and wealthy individuals looking to relocate.

- **Tax Benefits**:
  - Italy offers a flat **7% tax rate** on foreign income for individuals who qualify under the **“New Residents”** tax regime. This regime is available for individuals who were not tax residents of Italy for the previous five years.
  - The regime applies to foreign income, including pensions, dividends, and interest, which can significantly reduce the overall tax burden for expatriates.
- **Requirements**:
  - The individual must not have been a tax resident of Italy for the previous five years.
  - This regime is available for a period of up to 10 years.

5. United Arab Emirates (UAE): No Income Tax

For individuals seeking a completely different tax landscape, the **United Arab Emirates** (UAE) offers a highly attractive tax regime.

- **Tax Benefits**:
  - **No personal income tax** on foreign or domestic income. This makes the UAE an attractive destination for high earners, retirees, and entrepreneurs.
  - There is no capital gains tax, inheritance tax, or wealth tax.
  - Pensions from abroad are not taxed.

- **Requirements**:
  - Individuals need to establish residency through employment, business, or investment.
  - To qualify for tax residency in the UAE, individuals typically must reside in the country for at least 183 days per year.

While the UAE offers unparalleled tax advantages, it is important to consider the lack of a social welfare system and the cultural differences, especially for retirees.

6. Greece: The Greek Non-Dom Tax Regime

Greece has introduced a non-dom tax regime to attract high-net-worth individuals, offering favorable tax rates on foreign income.

- **Tax Benefits**:
  - A flat **7% tax rate** on foreign income for a period of 15 years.
  - Foreign pensions, dividends, and rental income are eligible for this preferential tax rate.
  - The regime is designed for individuals with significant wealth, and it is available to anyone relocating to Greece who meets the specific criteria.
- **Requirements**:
  - The individual must not have been a tax resident of Greece for the previous five years.

Conclusion

Losing NHR status in Portugal can be a significant tax setback for individuals benefiting from the regime's favorable treatment of foreign income. However, several other countries offer similar benefits that might be worth considering, depending on your specific financial situation and preferences.

Countries like **Malta**, **Spain**, **Cyprus**, and **Italy** provide regimes offering low tax rates on foreign income, pensions, and investments, and some have special tax rules for retirees. Additionally, countries such as the **UAE** offer zero income tax, although they come with different lifestyle and cultural considerations.

When contemplating a move to another country to benefit from favorable tax regimes, it's essential to consider both tax and lifestyle factors, and it's advisable to consult with a tax expert familiar with international tax law to make the best decision for your financial future.