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The Strategy Issue

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THE HEAT IS ON

The biggest danger facing the mid-tier: inertia

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WHY PORTUGAL IS NOW EVEN MORE ATTRACTIVE TO BUSINESS INVESTMENT

The Portuguese government is creating conditions to lure foreign talent and investors, with competitive tax regimes, visa programmes and urban renovation schemes

In a volatile context, with growing uncertainty across Europe, Portugal is strengthening its position as one of the safest countries in the world to live and to invest.

For the past year, the Portuguese government has focused on creating conditions to ensure Portugal attracts foreign investors and entrepreneurs. Indeed, the government is using the impulse brought by the Web Summit – Lisbon has just secured this major innovation and technology event for another 10 years – to refresh some of its successful immigration programmes.

Amendments to the non-habitual tax regime are set to be approved to broaden the scope of 'high added value' activities to extend the beneficial tax regime, aiming at boosting the so-called 'tomorrow careers'.

Moreover, the real estate market continues to offer opportunities, notably urban refurbishment, which is contributing to the renovation of major Portuguese cities.

Portugal has become the first country to conclude a double tax treaty with Angola, which is expected to be in force on January 1 2020, and that will make Portugal an even better business hub for investment in Africa.

Immigration programmes: tech visa

Portugal is also keen to attract young entrepreneurs. Apart from the 'start-up visa', applicable to entrepreneurs who relocate to Portugal and establish a start-up company able to reach a potential turnover of €325,000 in the first five years of activity, Portugal has also implemented a 'tech visa' to attract highly qualified professionals, simplifying the process of employment of foreign, highly qualified workers by Portuguese firms.

Under this, Portuguese firms or permanent establishments of foreign entities may hire highly qualified workers from third countries if they have a good academic background (i.e. a bachelor's degree or equivalent) and a proficiency level in Portuguese, English, French or Spanish.

Competitive tax regime: 'high added value' activities

Portugal has a very competitive income tax regime for individuals – the non-habitual tax residents' regime (NHR) – offering tax benefits for 10 years to individuals relocating to Portugal who were not tax residents in the preceding five years. Along with tax exemptions on foreign-sourced income, such as pensions and dividends, the NHR also provides for a reduced fixed-tax rate of 20 per cent to employment and services income derived from 'high added value' activities in Portugal.

Looking at attracting more hi-tech professionals, the Portuguese government is expected to broaden the scope of the 'high added value' activities until the end of the year, to cover other activities related to robotics and artificial intelligence, reinforcing Portugal as the European place to be for 'tomorrow careers'.

Real estate market: urban refurbishment

The government is also committed to ensuring that the real estate market keeps its unprecedented dynamics.

Indeed, looking at achieving a sustainable renovation of its major cities, "urban refurbishment" projects may claim a property transfer tax and municipal property tax exemption if:

- The property under renovation was built more than 30 years ago or is in an 'urban renovation area';
- The renovation works start within three years from its purchase; and
- The works meet the necessary conditions to qualify as 'urban refurbishment'.

In addition, urban renovation works may be subject to a 6 per cent VAT reduced rate.

Distributions made by real estate investment funds resulting from urban refurbishment projects are subject to a 10 per cent tax rate, as are capital gains from the sale of participation of units on those funds. If the urban refurbishment projects are held by individuals, a 5 per cent tax rate may apply to both rental income or capital gains derived from the sale of the refurbished property.

This set of rules has allowed major Portuguese cities to have an interesting blend of historic heritage and authenticity and very modern infrastructures.

African hub: double tax treaty with Angola

After several years of negotiation, the Portuguese and Angolan authorities have recently approved the text of the double tax treaty (DTC PT-AO) between these brother countries. This agreement is also an opportunity for investors from other jurisdictions.

Indeed, combining the DTC PT-AO with the Portuguese participation exemption regime for outbound dividend payments (and the EU parent-subsidiary directive), Portugal is in a perfect position to be the international hub for investment in this important African market with unparalleled natural resources.

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