NHR 2.0: THE NEW TAX INCENTIVE FOR SCIENTIFIC RESEARCH AND INNOVATION (IFICI)

With the approved end of the Non-Habitual Resident Regime (NHR), despite the provision of an important transitional rule that allows the application of the regime to those who already benefited from it or to those who were or are in the process of transferring their tax residence to Portugal, the Portuguese government created a new special tax incentive regime aimed at attracting talent and promoting research and innovation in Portugal.

This new regime, which some call NHR 2.0, is a regime that will be applicable to taxpayers who meet three essential conditions:

·Become tax residents in Portugal;
·Not having been tax resident in the previous five years, and
·Earning income in certain professional categories.

Eligible professional careers include:

a) Higher education teachers and researchers integrated into the national science and technology system, as well as professionals from recognized technology and innovation centers;
b) Qualified jobs and members of corporate bodies in entities benefiting from tax incentives for productive investment;

c)Highly qualified professions in the areas of finance and economics;
d)Professionals in companies with a history of fiscal support for investment and in industrial and service companies that export significantly;
e) Qualified jobs and members of corporate bodies in entities recognized by AICEP, EPE, or by IAPMEI, IP, as relevant to the national economy.
f) Research and development jobs, especially for doctorates whose costs are eligible for the System of Tax Incentives in Business Research and Development (SIFIDE), and g) Jobs and members of governing bodies in entities certified as start-ups, in accordance with Law No. 21/2023, of May 25th.

The tax advantages associated with this regime are:

(i) Special tax of 20% on professional income (employment contract or provision of services);
(ii) Exemption on most income obtained abroad as was the case with the NHR regime, but with the express exception of retirement pensions;

This special regime will be available for a period of 10 consecutive years, provided that beneficiaries remain tax residents in Portugal and continue to earn income from eligible activities.

This regime does not apply to those who have already benefited from the NHR regime or opted for taxation in accordance with the Ex-Residents regime, which is commonly known as the Return Program.
However, the impact of the new tax incentive for scientific research and innovation can only be assessed after the publication of the Ordinances and regional decrees that regulate it.

However, a first assessment indicates that the applicability of the incentive is considerably limited, with the exception of the autonomous regions of the Azores and Madeira, where it is expected that the respective regional parliaments may approve the maintenance of the Non-habitual Residents regime in the same way as it was being applied before.

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