Expat Finance Guide to Portugal

FORTH CAPITAL

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Introduction

Portugal has become a leading destination for high-net-worth British expatriates seeking a blend of lifestyle, climate, and financial planning opportunities. From the beaches of the Algarve to the cultural hubs of Lisbon and Porto, it offers a stable environment, EU access, and specific residence and tax frameworks for qualifying new residents.

The country appeals to those relocating for retirement, remote work, or to restructure international wealth. Over the past decade, Portugal's position in Europe, combined with its residency programmes and tax incentive schemes, has made it a standout choice for internationally mobile individuals.

While the popular Non-Habitual Resident regime is now closed to new applicants, replacement schemes such as the Incentive for Scientific Research and Innovation (IFICI) remain available for qualifying professionals. Other relocation routes, such as the D7 and D8 visas, continue to provide access for passive income earners and digital professionals.

For HNWIs, Portugal's financial landscape offers both opportunity and complexity, with offshore reporting and the treatment of UK pensions and investments requiring careful planning.

This guide explores the key cross-border financial planning and wealth structuring considerations to enable you to make informed decisions and identify areas of complexity where specialist advice could be of significant benefit to you.

Tax Considerations as a British Expat in Portugal

Portugal applies a progressive personal income tax system [Imposto sobre o Rendimento das Pessoas Singulares – IRS], with rates ranging from 12.5% up to 48.0% (for Portuguese sourced taxable income in excess of €86,634) in 2026.

An additional solidarity surcharge may also apply to higher income levels of;

- 2.5% on taxable income between €80,000 and €250,000; and
- 5.0% on income above €250,000.

This increases the top marginal tax rate to 53%, although this only applies to income exceeding the highest threshold.

Actual tax liability will depend on your income profile and whether you qualify for available reliefs (detailed on page 4).

Tax Residency in Portugal

You are considered tax resident in Portugal if you either;

- spend more than 183 days (whether consecutive or not) in the country during any rolling 12-month period; or
- maintain a home in Portugal in circumstances indicating that you intend to occupy and retain it as your habitual residence, even if you spend fewer than 184 days in the country.

Once resident, you may be liable for Portuguese tax on your worldwide income, including UK pensions, property income, investment returns, and capital gains.

If you also meet the conditions for UK tax residency under the Statutory Residence Test (SRT), it is possible to be dual-resident. The UK-Portugal Double Taxation Agreement helps determine which country has taxing rights over different types of income and provides mechanisms for relieving double taxation where both jurisdictions have taxing rights.

For high-net-worth individuals with homes, business interests, or family members in both countries, residency can become complex. Your intentions, patterns of travel, and where key decisions are made can all influence how residency is assessed.

Professional advice is strongly recommended to analyse your position in both jurisdictions and to plan the timing of any move to avoid overlapping tax exposure.

Resident Taxation

As a Portuguese tax resident, you may be taxed on:

- Employment and self-employment income
- UK and other foreign pension income
- Rental income from Portugal or abroad
- Dividends and interest
- Capital gains, including overseas property and shares.

Non-Resident Taxation

Non-residents are taxed only on Portuguese-source income (such as rental income from Portuguese property or business profits).

In many cases, residential rental income for non-resident individuals is taxed at a flat rate of 25%. Different rates may apply to companies and other types of rental income.

British HNWIs moving to Portugal need to consider;

- **cross-border investment income** including dividends, interest, and capital gains, which may be taxed differently depending on structure, source, and treaty treatment;
- **UK and international property holdings** particularly if rental income or gains are generated while Portuguese tax resident;
- **foreign trusts or corporate entities** which may create Portuguese tax liabilities, particularly where an entity is effectively managed from Portugal, even if legally domiciled abroad;
- **Portugal's rules on offshore bank accounts and investment funds** especially income or gains connected with jurisdictions classified as tax havens, to which higher flat tax rates may apply.

Forth Capital's international financial planners and tax specialist help their clients structure their assets efficiently to minimise unnecessary tax exposure and reporting complexity. To book a consultation **click here**.

Adicional ao IMI (AIMI) Property Surtax

Although Portugal does not levy a general wealth tax, it imposes a surtax on certain Portuguese residential property and land for construction, known as Adicional ao IMI (AIMI).

For individuals, AIMI generally applies to the portion of the combined taxable value of all relevant Portuguese property exceeding €600,000, or €1.2 million where married couples or civil partners elect for joint assessment. It applies regardless of tax residency.

The tax is assessed annually and generally ranges from 0.7% to 1.5%, depending on the total taxable value and ownership structure.

Portuguese Stamp Duty

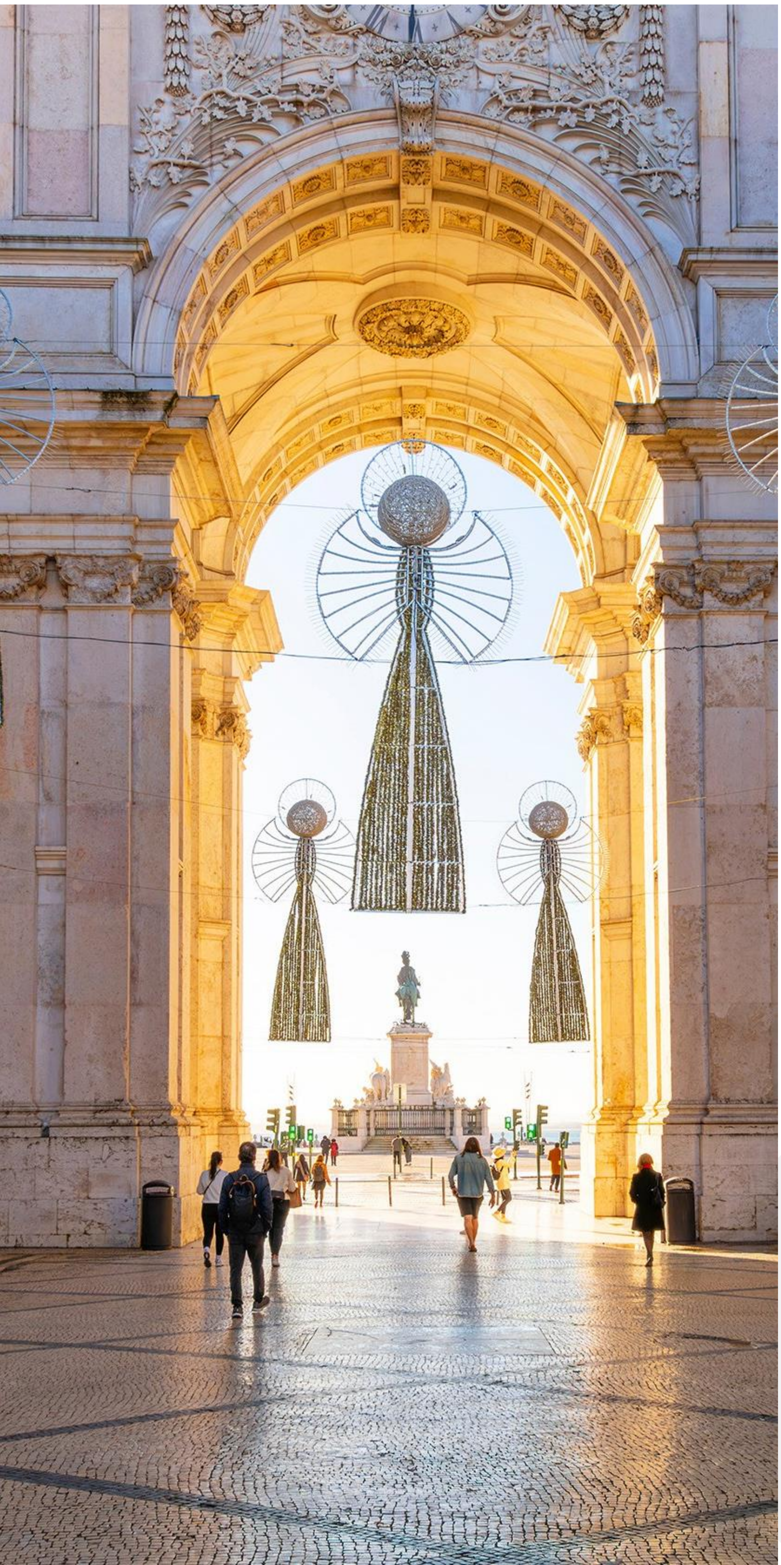
Although Portugal has no inheritance tax or estate tax, stamp duty at 10% may apply to Portuguese assets passed to non-immediate relatives or unrelated heirs.

Spouses, children, and parents are exempt, but siblings, unmarried partners, and friends may face this charge.

These provisions are particularly important when planning for asset protection, wealth transfer, and real estate ownership in Portugal.

Tax Incentive Regimes for New Residents in Portugal

Portugal has long used preferential tax regimes to attract foreign residents, particularly professionals and retirees. The most well-known of these was the Non-Habitual Resident regime, which closed to new applicants at the end of 2023. It was replaced in 2024 by a new program called the Incentive for Scientific Research and Innovation (IFICI).



IFICI: The New Tax Regime for Professionals

The IFICI regime offers reduced tax rates for individuals relocating to Portugal to carry out qualifying professional activities. It is aimed at attracting talent in sectors such as science, research, academia, and technology.

Tax Benefits

Individuals may benefit from:

- A flat 20% tax rate on income earned from qualifying Portuguese employment or self-employment.
- Possible exemptions on foreign-source income, including dividends, interest, capital gains, and rental income. These exemptions are subject to double tax treaty protections, the income not originating from a jurisdiction on Portugal's tax blacklist, and compliance with anti-abuse rules.

Eligibility Criteria

To qualify for the IFICI, an individual must;

- not have been a Portuguese tax resident in the previous five years.
- not have previously benefited from NHR, IRS Jovem, or similar tax regimes;
- move to Portugal to engage in eligible employment or self-employment activities in scientific research, technological development, or academic fields.

Importantly:

- the IFICI scheme does not apply to retirees or individuals relocating without qualifying employment;
- the IFICI scheme does not offer reduced taxation on pension income, which is subject to Portugal's standard income tax rates, and individuals relocating for retirement (or with only passive income) should plan based on Portugal's standard tax framework.

Legacy Non-Habitual Resident Status

The Non-Habitual Resident regime is now closed to new applicants. However, individuals who obtained Non-Habitual Resident status under the previous rules, including those who qualified under the transitional arrangements, may continue to benefit for the remainder of their applicable 10-year period in years when they are Portuguese tax resident, subject to the relevant conditions.

Capital Gains Tax for British Expats in Portugal

Capital gains tax (CGT) in Portugal may apply to both residents and non-residents, though the treatment varies depending on the asset type, its location, and your tax residency status. For British nationals relocating to Portugal, it is important to understand how gains are calculated, when they are taxable, and how this may interact with UK tax obligations.

If You Are Tax Resident in Portugal

As a Portuguese tax resident, you may be subject to Portuguese tax on your worldwide capital gains. This includes gains from property, shares, business interests, and other investment disposals. The rules vary by asset class:

Real Estate

Portuguese tax residents may be taxable in Portugal on worldwide property gains, including Portuguese, UK and other overseas disposals. For individuals, 50% of the gain is generally included in taxable income and added to other income, then taxed at progressive IRS rates of 12.5% to 48%, plus any solidarity surcharge. The taxable gain may be reduced by acquisition and disposal costs, legal, notarial and estate agency fees, and qualifying capital improvements made in the previous 12 years..

UK property requires separate consideration. A British expat who is tax resident in Portugal may still be liable to UK Capital Gains Tax on UK property disposals. The gain must also be reported in Portugal, but UK tax paid should generally be available as a credit or deduction against Portuguese tax on the same gain, subject to treaty limits. There may therefore be no further Portuguese tax to pay, or a residual Portuguese liability if the Portuguese calculation exceeds the UK tax credit available. UK and Portuguese calculations can differ, so advice should be taken before contracts are exchanged.

Main Residence Reinvestment Relief

Portugal offers valuable relief when a tax resident sells a qualifying primary residence and reinvests the the net sale proceeds, after repayment of any qualifying outstanding mortgage, into another qualifying main home in Portugal, the EU or the EEA. Full reinvestment may wholly exempt the gain; partial reinvestment may provide proportionate relief. Reinvestment must generally occur within 24 months before sale or 36 months after sale.

Further conditions apply, including requirements concerning how long the property sold was occupied as the main residence, use of the new property as the main residence and disclosure of the intended reinvestment in the Portuguese tax return.

Reinvestment into Qualifying Financial Products

A separate relief may apply where the taxpayer, spouse or civil partner is retired or aged 65 or over at sale. Gains on a qualifying primary residence may be wholly or partly excluded if proceeds, after repayment of any qualifying outstanding mortgage, are reinvested within six months into qualifying long-term financial products, including qualifying life assurance contracts, open pension funds, Portugal's public capitalisation regime or a Pan-European Personal Pension Product. Life assurance and open pension fund payments must generally run for at least ten years, with annual payments capped at 7.5% of the amount invested. Portuguese tax and financial advice should be sought before any implementation.

Shares, funds, and other financial assets

Gains from shares, funds, or other financial assets are generally taxed at a flat rate of 28%.

You may elect to be taxed under the progressive income scale, if this is more favourable. High-income taxpayers may be required to pay progressive income tax rates, rather than the standard 28% rate, on gains from investments sold within 365 days of purchase.

Losses can generally offset gains of the same type arising in the same tax year.

If You Are Not Tax Resident in Portugal

Non-residents are generally taxed only on gains from Portuguese-sourced assets [such as Portuguese real estate]. For non-resident individuals, gains from Portuguese real estate are generally taxed on 50% of the gain at Portugal's progressive IRS rates. Although only Portuguese-source gains are taxed, worldwide income may be taken into account to determine the applicable rate. Corporate and indirect ownership structures require separate analysis.

UK Capital Gains While Living in Portugal

Becoming tax resident in Portugal does not eliminate all UK capital gains obligations. For example:

- Disposals of UK property and land remain within the scope of UK Capital Gains Tax, even for non-UK residents.
- UK tax wrappers such as ISAs are not recognised in Portugal. Income and gains arising within an ISA may therefore be subject to Portuguese tax under the normal rules.

Planning Considerations for HNWIs

High-net-worth individuals should review their wealth structuring before relocation to Portugal.

Key considerations include:

- Considering the timing of disposals and the availability of any tax reliefs.
- Reviewing trust, and wrapper structures, as Portugal may apply anti-abuse rules or "look-through" taxation.
- Determining whether appropriately structured investment insurance wrappers could provide tax-deferral or estate-planning benefits..

Forth Capital's international financial planners help clients coordinate these arrangements within a holistic long-term wealth strategy. To book an initial consultation **click here**.

UK Pension Taxation in Portugal

For British nationals retiring to Portugal, pension income is typically an important element of their cashflow planning. How this income is taxed depends on tax residency status and the type of pension scheme. Planning for lump sum withdrawals and drawdown are essential to optimise retirement income and avoid unnecessary tax exposure.

How UK Pensions are Taxed in Portugal

Once you become tax resident in Portugal, UK pensions are generally taxable there under the UK-Portugal Double Taxation Agreement, with limited exceptions. The specific treatment depends on the type of pension and how it was funded.

Personal Pensions and SIPPs

Where a pension has been funded solely by the individual (for example, many UK personal pensions and SIPPs), the Portuguese tax authorities may treat benefits as arising from a savings and investment product rather than pure pension income.

In certain circumstances, only the investment gain element of withdrawals may be subject to tax, potentially benefiting from Portugal's favourable taxation of qualifying life assurance and savings products. The precise treatment depends on the structure of the arrangement, the source of contributions, and the nature of the withdrawals being taken.

Occupational Schemes

Where both employer and employee contributions have been made, the tax treatment can be more complex with the Portuguese tax authorities distinguishing between benefits attributable to employer contributions, benefits attributable to employee contributions, and the investment growth generated within the scheme.

In some cases, benefits relating to employer contributions may be taxable at the recipient's marginal income tax rate, whilst employee-funded elements may benefit from Portugal's "85/15 rule", under which only 85% of the pension payment is treated as taxable income and 15% is deemed a return of capital.

The precise treatment depends on the scheme structure, contribution history and supporting documentation available to demonstrate the source of contributions. Specialist tax advice should be obtained before establishing a drawdown strategy or taking lump-sum withdrawals.

Defined Benefit (Final Salary) Pensions

Defined Benefit Pensions are taxed as ordinary income. Payments must be declared in euros using the official exchange rate published by the Portuguese tax authority.

State Pensions

UK State Pension payments are taxable in Portugal as ordinary income. There is no exemption or preferential rate, unless previously granted under the former NHR regime.

UK Government Service Pensions

Certain government service pensions, including Civil Service, Armed Forces, Police and local government pensions, remain taxable only in the UK under Article 18 of the UK-Portugal Double Taxation Convention. These pensions must normally still be disclosed on Portuguese tax returns but are generally exempt from Portuguese taxation..

Financial Planning and Wealth Management

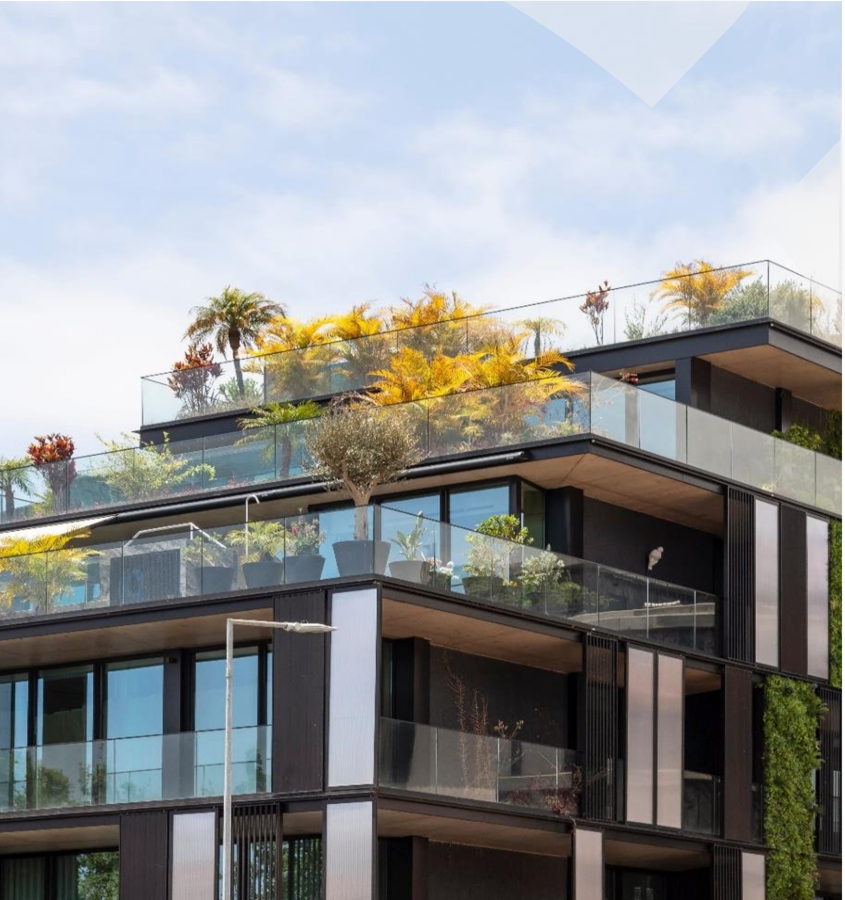
Relocating to Portugal introduces a range of cross-border planning challenges, particularly for British HNWIs with international assets, investment portfolios, and complex income streams. The shift in tax treatment, loss of UK-specific wrappers, and need for robust estate planning make it essential to reassess your wealth structuring through a Portuguese lens.

Assessing Wrappers and Structuring

UK ISAs are not recognised as tax-free in Portugal, while existing offshore bonds, pension-linked investments and insurance wrappers should be reviewed individually. Some may become inefficient or reportable in a different way, while Portugal-compliant EU life assurance structures may still offer valuable tax deferral, succession planning and multi-currency investment flexibility.

Portugal taxes most foreign investment income at a flat rate of 28%, although in some circumstances you may elect progressive rates if more favourable. Income from jurisdictions on the Portuguese tax blacklist may be taxed at 35% or more.

Before relocating, it is crucial to evaluate which structures will remain tax-efficient and which may become liabilities under the Portuguese system.



Diversifying Assets within the EU

Given Portugal's residence-based tax system, HNWIs may benefit from rebalancing investments across multiple jurisdictions.

Depending upon the product terms and the investor's individual tax position, appropriately structured EU life assurance solutions may offer benefits including tax deferral on reinvested gains, flexible income planning, succession-planning flexibility and different tax treatment from UK-based wrappers.

These solutions must be tailored carefully to your residency and asset profile.

Liquidity Planning and Currency Exposure

While the cost of living in Portugal is often lower than in the UK, currency exposure remains a key concern. The euro is Portugal's operating currency, but many British expats retain significant sterling-denominated assets, pensions, or income sources. Currency exposure therefore needs to be considered carefully, particularly where assets and income are held in sterling or other currencies whilst future expenditure is expected to be in euros. Aligning these exposures appropriately can help manage fluctuations in purchasing power and the volatility of future withdrawals.

Liquidity planning should also address access to capital for real estate purchases, large expenditures, or emergencies. Some UK-based banks and platforms restrict services to non-UK residents, making it important to assess banking arrangements early.

Banking, Reporting, and Transparency

Portugal participates fully in international transparency frameworks such as the Common Reporting Standard (CRS). This means all worldwide bank accounts and financial assets must be declared, foreign income, interest, and dividends are reportable annually, and non-compliance can lead to penalties and tax-reassessments.

Forth Capital's international financial planners help clients structure their wealth and financial arrangements within a holistic plan - and our tax specialist helps clients to co-ordinate their cross-border tax considerations. To book a consultation click here.

Cost of Living in Portugal

The cost of living in Portugal is often cited as one of its key lifestyle advantages, though prices vary significantly depending on region, lifestyle choices, and access to private services. When relocating to Portugal, it's important to establish an understanding of the most significant living costs that will have a material impact on your long-term financial plan.

Regional Differences

Portugal offers a wide range of living costs across its regions. Lisbon, Cascais, and parts of the Algarve tend to have the highest prices; particularly for housing, and international schooling.

Porto is more affordable than Lisbon, especially for rental costs and property purchase. Inland and more rural regions such as Alentejo, and areas near Coimbra, offer much lower day-to-day costs, making them attractive for retirees, or remote professionals seeking value while maintaining quality of life.

While necessities such as groceries and local transport tend to be less expensive than in the UK, imported goods and expat-oriented services often carry a premium.

Healthcare

Portugal has a dual system of public and private healthcare. The public system (SNS) is available to residents, though waiting times for non-urgent care can be significant and English is not always widely spoken.

Many expats opt for private health insurance to gain faster access, better amenities, and multilingual staff. Basic policies may begin around €30 to €150 per month for individuals, with family plans and more comprehensive policies exceeding this range, depending on age, medical history, coverage limits, and provider.

Those entitled to an S1 certificate may gain access to public healthcare at reduced or no cost for covered services, though co-payments or excluded items may still apply depending on circumstances.

Education

Portugal's international school network is concentrated in Lisbon, Cascais, Porto, and the Algarve. These schools offer various curricula (British, American, IB, etc.) with annual tuition fees typically ranging from €6,000 to €25,000, depending on the school and grade level.

Portugal's public universities offer courses (in Portuguese and increasingly English) at relatively modest tuition levels typically ranging from €1,000 to €3,000 annually.

Cashflow Planning

Forth Capital's international financial planners use the latest cashflow modelling software to help clients visualise how key expenditure; such as education fees, health insurance, accommodation costs and property purchases interact with income projections and forecast investment growth over time.

By modelling different scenarios, these projections can help create a more robust and resilient long-term financial plan, aligned to your future goals.
To book a consultation **click here**.

To discuss how we can help you to grow and protect your wealth as a British expat in Portugal, [book a consultation] with one of Forth Capital's international financial planners.

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The value of investments and any income from them can fall as well as rise, and investors may receive back less than they invested. Currency movements may also increase or reduce investment values and income when converted into another currency. Past performance is not a reliable indicator of future results.

Any property values, rental costs, education fees, healthcare costs or other third-party figures are illustrative only, may change and should not be treated as quotations, valuations or guarantees of future costs.

Cashflow projections are illustrative, rely on assumptions and are not guaranteed. Actual investment returns, inflation, taxation, exchange rates and expenditure may differ from those modelled.

Transferring pension benefits may result in the loss of valuable guarantees or protections and may give rise to fees or tax charges. A transfer will not be suitable for everyone and should proceed only following a full assessment of the individual's circumstances.

While reasonable care has been taken in preparing this guide, the information is not exhaustive, and no guarantee is given that it remains complete or current after its stated publication date. Readers should obtain current, personalised advice before making any financial or relocation decision.

Information correct as at September 2026