

FRAME LEGAL

TAX INCENTIVE FOR SCIENTIFIC RESEARCH AND INNOVATION (IFICI)

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This document shall not be construed a legal or tax advice and does not exempt the need to consult a duly qualified professional for each specific case.

RME Legal – Who we are

RME Legal is a Portuguese law firm recognized for providing high-value legal services, based on quality, precision, and a constant pursuit of excellence.

With an experienced and dedicated team, we offer comprehensive assistance to Private Clients in various areas of law, with a special emphasis on Tax Law and Tax Residency (**NHR** and **IFICI**), Immigration, Portuguese nationality, and Real Estate Law. We provide specialized and personalized guidance, tailored to the specific needs of each client.

Our approach is characterized by an international perspective, effectively meeting the demands of those seeking legal solutions in Portugal, both in consulting and litigation.

Bound by strict ethical standards, we ensure the highest level of diligence in analyzing each case, maintaining a firm commitment to defending our clients' interests, guaranteeing total confidentiality and impartiality at every stage of the process.

At **RME Legal**, we work daily to earn and strengthen our clients' trust, with a constant focus on excellence and the protection of their rights.

Where we are

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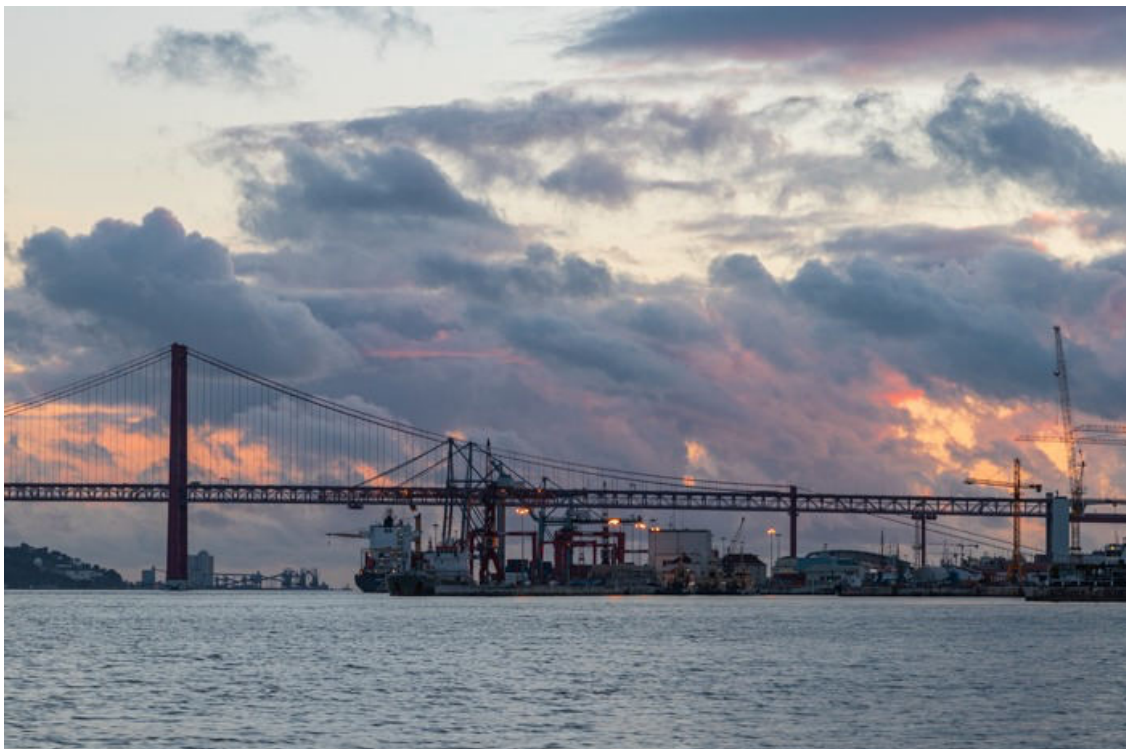
The IFICI Regime

PURPOSE

The IFICI, commonly known as the "**Non-Habitual Resident 2.0**" regime, is a special tax regime created in 2024, aimed at granting tax benefits to individuals who are highly qualified professionals and transfer their fiscal and permanent residence to Portugal, in accordance with the Personal Income Tax Code ("**CIRS**").

This regime applies to those who engage in highly qualified and eligible professional activities within the national territory, as defined by the applicable legislation and the Ministerial Order that will regulate the regime (yet to be published by the Portuguese government).

The IFICI regime is established under the provisions of Article 58-A of the Tax Benefits Statute ("**EBF**").



REQUIREMENTS

The eligibility requirements for the IFICI regime are as follows:

1. Only taxpayers **engaging in eligible professional activities** may benefit from the tax incentive regime for scientific research and innovation.
2. Taxpayers who become fiscal residents in Portugal starting in 2024, under the terms of paragraphs 1 and 2 of Article 16 of the IRS Code¹, and who have not been residents in Portugal in any of the five previous years.
3. Taxpayers who do not benefit or have not benefited from the Non-Habitual Resident Regime (“**NHR**”) or opted for taxation under the fiscal regime applicable to former residents.
4. The employing company cannot deduct salary expenses under the Tax Support Regime for Investment (“**RFAI**”).
5. The right to be taxed under the regime each year during its duration depends on the taxpayer being considered fiscally resident in Portuguese territory at any time during that year and continuing to earn income, each year, from one of the eligible activities. A taxpayer is deemed to continue earning income from eligible activities if the new activity begins within a maximum of **six months after the termination of the previously exercised activity**.
6. The taxpayer must submit a **new registration request** whenever there is a change in the entity responsible for receiving the registration request or in the company responsible for verifying the requirements.

¹ **Individuals are considered residents in Portuguese territory if**, in the year to which the income relates: **a) They have stayed in Portugal for more than 183 days, whether consecutive or intermittent; b) If they have stayed for a shorter period, they own a home in Portugal on December 31st of that year, under conditions that suggest the intention to maintain and occupy it as a habitual residence; c) On December 31st, they are crew members of ships or aircraft, as long as these are employed by entities with residence, headquarters, or effective management in Portugal; d) They perform public duties or commissions abroad on behalf of the Portuguese State.** Additionally, "individuals who constitute the family unit are always considered residents in Portuguese territory, as long as any of the persons responsible for the management of the family unit resides there.

7. Whenever the requirements to benefit from the regime are no longer met, or there is a change in the information provided during registration, the taxpayer must inform the respective entity by January 15 of the year following the occurrence of these facts, indicating, when applicable, the date of termination of the previously exercised activity.
8. The regime **can only be used once** by the same taxpayer.

ELIGIBLE ACTIVITIES AND PROFESSIONS

For a taxpayer to qualify for the IFICI and benefit from this more favourable tax regime, in addition to meeting the previous requirements, the taxpayer must be employed in one of the following highly qualified functions:

A) Teaching in higher education and scientific research, including scientific employment in entities, structures, and networks dedicated to the production, dissemination, and transmission of knowledge, integrated into the national science and technology system, as well as jobs and members of corporate bodies in entities recognized as technology and innovation centers, under Decree-Law No. 126-B/2021, of December 31.

Competent authority for application review: Fundação para a Ciência e a Tecnologia, I.P. (FCT).

B) Qualified jobs and members of corporate bodies within the scope of contractual benefits for productive investment, under Chapter II of the Investment Tax Code (Contractual Tax Benefits for Productive Investment—tax benefits, under a contractual regime, with a validity period of up to 10 years from the completion of the investment project, for projects characterized in this chapter, with relevant applications of at least €3,000,000).

Competent authority for application review: Agência para o Investimento e Comércio Externo de Portugal, E.P.E. (AICEP, E.P.E.).

C) Highly qualified professions, as defined in an ordinance by the government officials responsible for finance and economy, developed in:

- i) Companies with relevant applications, during the year of commencement or the previous five years, that benefit or have benefited from the tax support regime for investment, under Chapter III of the Investment Tax Code; or
- ii) Industrial and service companies whose main activity corresponds to a CAE code defined in an ordinance by government officials responsible for finance and economy, and which export at least 50% of their turnover, during the year of commencement or any of the two previous years.

The company in which the activity is exercised is responsible for proving the requirements related to the activities mentioned here. By March 15, the company must confirm that the taxpayer meets the conditions in subparagraphs i) or ii) and that the taxpayer exercises a highly qualified profession.

Highly qualified professions eligible for the scientific research and innovation tax incentive must fall under the following Portuguese Classification of Professions (CNP) codes:

112 — General and executive managers of companies;

12 — Administrative and commercial services managers;

13 — Production and specialized services managers (except 1349);

21 — Specialists in physical sciences, mathematics, engineering, and related techniques (except 216);

- 2163.1 — Industrial product or equipment designer;
- 221 — Doctors/Physicians;
- 231 — University and higher education professors;
- 25 — Specialists in information and communication technologies (ICT).

Workers in the listed professional activities must possess at least:

- a) Level 8 of the European Qualifications Framework or Level 8 of the International Standard Classification of Education (ISCED); or
- b) Level 6 of the European Qualifications Framework or ISCED Level 6, with three years of professionally verified experience.

For subparagraph i), highly qualified professions also include executive, managerial, and general management positions in companies with relevant applications during the year of commencement or the previous five years, benefiting from the tax support regime for investment under Chapter III of the Investment Tax Code (RFAI).

For regulated professions, the taxpayer must also prove compliance with applicable legal requirements.

CAE codes for industrial and service companies relevant to subparagraph ii):

- Extractive industries — divisions 05 to 09;
- Manufacturing industries — divisions 10 to 33;
- Information and communication activities — divisions 58 to 63;
- Research and development in physical and natural sciences — group 721;
- Higher education — subclass 85420;
- Human health activities — subclasses 86100 to 86904.

Competent authority for application review: Tax and Customs Authority.

D) Other qualified jobs and members of corporate bodies in entities carrying out economic activities recognized by AICEP, E.P.E., or IAPMEI, I.P., as relevant to the national economy, particularly for attracting productive investment and reducing regional disparities.

The requirements for qualified jobs and recognized activities for eligibility are yet to be defined.

Competent authorities for application review: IAPMEI, I.P., or AICEP, E.P.E.

E) Research and development personnel whose costs are eligible under the tax incentive system for corporate R&D, under paragraph b) of Article 37(1) of the Investment Tax Code (Expenses for personnel with a minimum education level of 4 in the National Qualifications Framework, directly involved in R&D tasks).

Competent authority for application review: Agência Nacional de Inovação, S.A.

F) Jobs and members of corporate bodies in entities certified as startups, under Law No. 21/2023, of May 25.

A startup is considered a legal entity that concurrently:

1. Has less than 10 years of activity;
2. Has fewer than 250 employees;
3. Has turnover equal to or below €50 million;
4. Does not result from a transformation or split of a large company and has no majority ownership (direct or indirect) by a large company;
5. Is established in Portugal (or has at least 25 employees in Portugal);
6. Demonstrates high growth potential or has received venture capital funding;

7. Meets one of the following conditions: a. Is an innovative company with high growth potential, innovative business models, products, or services, as defined by Ordinance No. 195/2018, of July 5, or is recognized by the National Innovation Agency (ANI) for its suitability in R&D activities or certification processes for technology companies. b. Has successfully completed at least one round of venture capital funding from an entity authorized for venture capital investment under CMVM supervision or equivalent international authorities recognized by CMVM. This includes equity or quasi-equity contributions from investors other than founding shareholders, including business angels certified by IAPMEI, I.P. This excludes companies involved in promotion, brokerage, investment, or real estate development. c. Has received investment from Banco Português de Fomento, S.A., or funds managed by it or its subsidiaries or one of its equity or quasi-equity instruments.

Competent authority for application review: Startup Portugal — Associação Portuguesa para a promoção do Empreendedorismo.

G) Jobs or other activities carried out by fiscal residents in the Autonomous Regions of the Azores and Madeira, under the terms to be defined by regional legislative decree (pending legislative decree).

DOCUMENTATION

- Copy of the individual employment contract, when the activity performed is a job position.
- Updated permanent commercial certificate, when the activity performed is as a member of a corporate body.

- Copy of the scholarship agreement, when the activity performed is scientific research.
- Proof of applicable academic qualifications.
- Declaration issued by companies and other entities where activities specified in subparagraphs b), c), d), and e) are performed, certifying compliance with the requirements related to the activity carried out.
- Any other documents that may be requested.

LEGAL DEADLINE

Taxpayers registered as residents in Portuguese territory must submit their registration requests for the application of this regime by **January 15** of the year following the year in which they become residents in that territory.

In cases where registration is carried out after the deadline, taxation under the regime takes effect from the year in which the registration is completed and remains valid for the remainder of the legally stipulated period.

TAXATION OF INCOME

Income from Portuguese sources derived from employment and service provision (Categories A and B) obtained within the scope of eligible activities under the IFICI regime is taxed at a rate of 20%, instead of the general progressive rates, which range from 14.5% to 53%, plus social security contributions. All other income obtained in Portugal is taxed at the normal applicable rates.

Foreign-sourced income, including employment and service income, capital income, rental income, and capital gains, **is exempt from taxation in Portugal**. However, it must be mandatorily included for the purpose of determining the applicable tax rate on other taxable income.

However, **pension income** will be fully subject to taxation in Portugal, under the general progressive tax rates (14.5% to 53%), and income paid or made available by entities located in **tax havens** may be subject to an increased tax rate of 35%.

DURATION

The tax benefits of the IFICI regime have a limited duration of **10 consecutive years starting from the year of registration as a fiscal resident in Portugal, with no possibility of extension.**

A taxpayer who has not exercised the right to be taxed under the fiscal regime in one or more years of the 10-year period may resume its application in any of the remaining years of that period, starting from the year, inclusive, in which they are once again considered a tax resident in Portuguese territory and begin to earn income from one of the eligible activities.



OTHER OBLIGATIONS

Entities responsible for processing registration under the regime, to which the accompanying documents are submitted, as well as the companies and other entities referred to in the following section, are subject to the provisions of Chapters V and VI of Decree-Law No. 28/2019, of February 15, with the necessary adaptations (obligations regarding record-keeping, inspection, and additional obligations).

Taxpayers must maintain documentation proving the exercise of the activity and corresponding income, as well as compliance with other legal requirements related to the invoked right, for any of the years in which the regime is applied. They must present these documents whenever requested by the Tax Authority (AT).

TRANSITIONAL REGIME

For the application of the present regime to income earned in the year 2024:

- a) Taxpayers who become residents in Portuguese territory in that year may submit their registration request and report any changes by March 15, 2025.
- b) The entities referred to may submit their communication by April 15, 2025.
- c) The Tax Authority (AT) will provide taxpayers with information regarding the status of their registration by April 30, 2025.

The approval of the registration requests under this regime will conclude any ongoing registration procedures under:

- a) The Non-Habitual Resident (NHR) regime, if submitted under the transitional regime;
- b) The IFICI regime, if submitted before the publication of this ordinance, respecting the activities eligible until then.

COMPARATIVE TABLE BETWEEN THE NHR & IFICI REGIME

Conditions & Types of Income	NHR	IFICI
Conditions to Benefit from the Regime	Not Having Been a Fiscal Resident in Portugal in the Last 5 Years	Not having been a fiscal resident in Portugal in the last 5 years; Not having benefited from the NHR (Non-Habitual Resident) regime or choosing not to be taxed under the "ex-resident" rules; Having professional activity in Portugal (under the required conditions, evaluated annually).
Employment Income / Self-Employment Income (PT source)	20% Regarding Eligible Activities	20% Eligible Activities + Eligible Entities
Employment Income / Self-Employment Income (foreign sources)	Exempt: Dependent on the Effective Taxation of Employment Income and the Eligible Activity, and Potential Taxation Abroad of Self-Employment Income	Exempt
Dividends / Interest / Royalties	Exempt (if taxable abroad under the DTA or OECD Model Tax Convention)	Exempt
Capital Gains (Movable and Immovable Property)	Exempt (if taxable abroad under the DTA or OECD Model Tax Convention); typically, gains from the sale of movable assets are not exempt	Exempt
Rental Income	Exempt (if taxable abroad under the DTA or OECD Model Tax Convention)	Exempt
Pension Income	Flat rate of 10%	PIT General Tax Rates

Please note that income obtained in blacklisted jurisdiction will not be covered by the exemptions of the new NHR (IFICI) tax regime and may be subject to increased tax rates.

Our Lawyers



Raquel de Matos Esteves

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Founding Partner of RME Legal specialized in International Taxation, focusing on special tax regimes (such as NHR and NHR 2.0), and immigration processes, especially in the scope of the Golden Visa, D7, and Digital Nomads, as well as real estate investment.

Before founding RME, provided services at law firms (**SRS Advogados**), tax consulting firms (**EY**), and international mobility services, leading teams and international projects with a comprehensive perspective on migration and tax issues involved in any relocation process.

Holder of a master's degree in law and management from Universidade Católica Portuguesa and a law degree from Universidade de Lisboa. Member of the Portuguese Bar Association.



Daniel Ferreira de Melo

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Senior Lawyer specialized in wealth management and planning for HNWIs, tax litigation, and tax residency, with a focus on the Non-Habitual Resident (NHR and NHR 2.0) regime.

Expert in immigration processes, particularly regarding the Golden Visa, D2, D7, Digital Nomads, and obtaining Portuguese nationality.

Before joining RME, provided legal services at the internationally renowned law firm **Uría Menéndez Proença de Carvalho**, as well as at well-known companies in the Portuguese market, such as **EDP Distribuição**.

Holder of a postgraduate degree in Tax Law and a master's degree in legal and Economic Sciences from the Faculty of Law at the University of Porto. Member of the Portuguese Bar Association.