

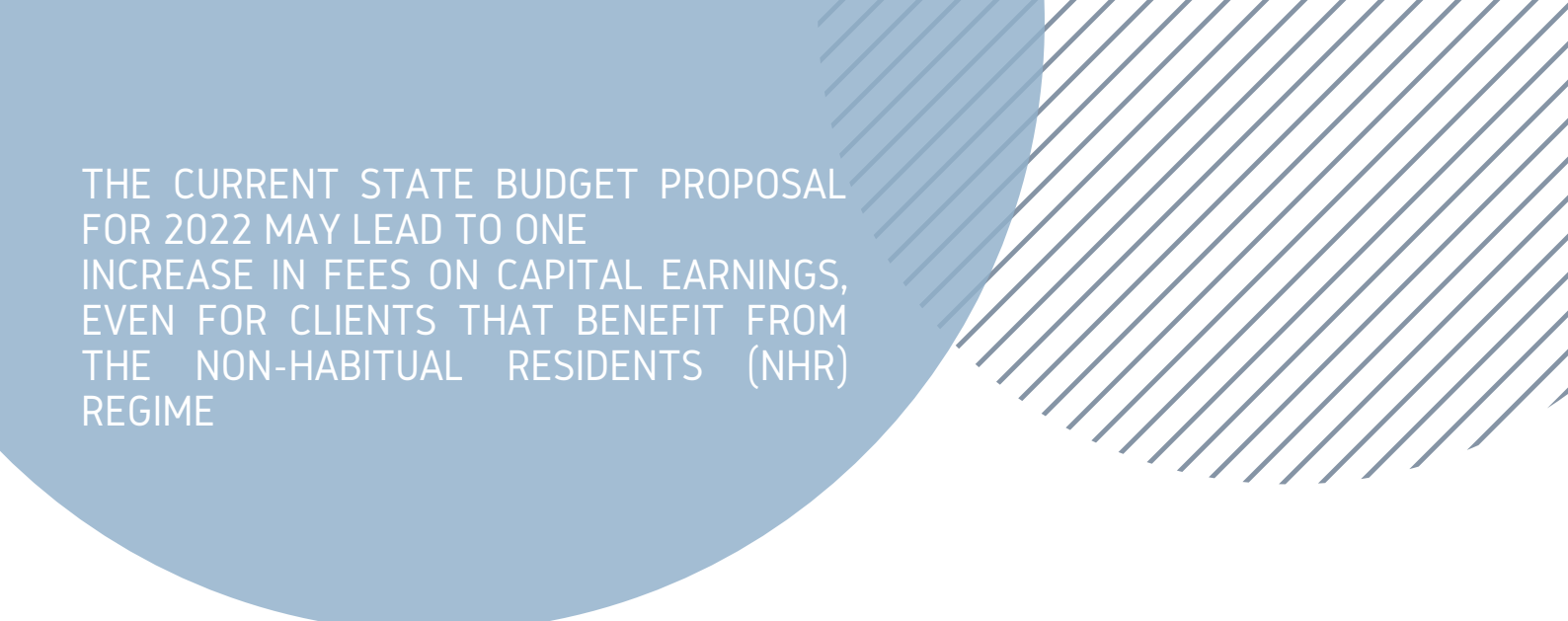
# TAX ALERT

## STATE BUDGET PROPOSAL FOR 2022



**TFRA**<sup>®</sup>

SOCIEDADE DE ADVOGADOS, SP, RL



## THE CURRENT STATE BUDGET PROPOSAL FOR 2022 MAY LEAD TO ONE INCREASE IN FEES ON CAPITAL EARNINGS, EVEN FOR CLIENTS THAT BENEFIT FROM THE NON-HABITUAL RESIDENTS (NHR) REGIME

With the presentation of the State Budget proposal for 2022 (“OE 2022”), one of the measures apparently already agreed between the Government and the so-called “Geringonça” parties (PS, PCP, BE, PAN, Verdes) will be the mandatory subjection of the capital gains of financial instruments, namely, shares and bonds, to the progressive personal income tax rates.

If for the fragile Portuguese capital market this will mean bad news, we draw the attention of our clients who benefit from the Non-Habitual Tax Resident Regime (“NHR”) to the fact that this change could have a disastrous effect on the respective taxation. In fact, as far as we know of the measure as of today, it will apply:

- i. To those who earn more than €75,009.00 (IRS rate of 48%, which can rise up to 53%, in the case of taxpayers with an annual income higher than €250,000.00);
- ii. if the financial instruments were acquired less than 12 months ago.

This measure may be especially burdensome for taxpayers with a relevant investment portfolio in the personal sphere and who are active in the financial market.

In the case of NHR, we remind you that all declared income is relevant when calculating the tax rate, including income not subject to taxation and, as a result, in some cases, differences in taxation from the current 28% rate to rates above 50% may be verified in capital gains commonly considered as speculative by the government, i.e., gains obtained with financial investments held for less than 12 months by the taxpayer.

In view of the foregoing, we suggest the monitoring of the development of this proposal, in order to assess its final wording and consider, based on this, any changes to the way that clients carry out their financial activities.

TFRA will update this information whenever justified.

Finally, we would like to point out that the information contained in this document is of a generic nature and therefore does not dispense with the analysis of the specific case, nor with consulting the official documentation and legislation in force at any given time.

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