

## NOMAD WORKERS AND SOCIAL SECURITY

In the last decade, Portugal has been the destination of choice for many foreign citizens. Recently, the *Expatriate City Ranking 2022*, considered Lisbon the 5th best city for expatriates, among 50 cities evaluated.

Initially, Portugal was essentially sought after by retired people, but the profile of the new residents has changed substantially.

In fact, there are more and more non-conventional professionals, in the sense that their activity does not imply the existence of a fixed place for the provision of the work. These professionals realise that they can work anywhere in the world and are looking for countries that offer low cost of living, security, lifestyle and good internet access conditions.

Portugal offers all the conditions valued by these modern-day nomads.

Thus, Portugal has multiplied in legislative initiatives, namely in what concerns the temporary residence permit and there are specific mechanisms for these professionals to live and work in Portugal.

However, living and working in a country implies taking into consideration not only the need for a residence permit (for those who are citizens of countries that do not belong to the European Community), but also tax and social security obligations.

As it is generally known, Portugal has several regimes in force that aim to reduce the tax burden of those who choose Portugal as a destination to live and work. The non-habitual resident regime is perhaps the most popular.

However, the application of these regimes is limited to the tax dimension and does not apply to Social Security contributions. And this contribution, with an aggregate rate of 34.75% is, in fact, the most relevant tax in Portugal.

Those who carry out their professional activity as self-employed workers, and assuming that they become resident for tax purposes in Portugal, must take into due consideration not only their subjection to IRS but also their contribution obligations to Social Security.

As a rule (there are exceptions for specific cases), independent workers, who are tax resident in Portugal, are subject to the obligation to pay social security contributions. Since these nomad workers are registered in Portugal for the first time, they can benefit from an exemption from the obligation to pay social security contributions during the first 12 months.

When the exemption from the obligation to contribute ceases - at the end of twelve months after registration - the workers must submit a quarterly income declaration (by the last day of January, April, July and October) with reference to the previous quarter. This amount of income will be the basis for the calculation of the taxable amount for the following quarter.

Subsequently, and assuming that we are dealing with an activity of rendering services, the total amount of income earned in the previous quarter will be applied to the total amount of income earned in the previous quarter at a rate of 70%.

The relevant amount for the purposes of contributions will be the product of this operation, provided that it does not exceed 12 times the IAS (€ 5,318,40), in which case the latter will be the relevant amount.

For example:

If the employee earns 10,000.00 euros per month, the relevant income will be -  $(3 \times 10,000.00 \text{ euros}) \times 0.70 = 21,000 \text{ euros}$ .

Therefore, since the relevant value is higher than 12 X the IAS, the base value for the calculation of the contribution obligation will be the latter - € 5,318.40.

The contribution rate, which for the self-employed is 21.4%, must be applied to the reference value.

In this case, the worker will have to pay per month, in addition to personal income tax and others (such as VAT), social security contributions of EUR 1,138.14 (EUR 5,318.40 \* 21.4%).

Annualised, this results in a contribution obligation of €13,660.92.

There is no doubt that Portugal, for all the reasons, is a destination of choice for this new generation of workers/entrepreneurs who value freedom above (labour) security, but the change must be preceded by a correct planning and structuring of the activity to be developed. It is a tortuous path and not without doubts, but essential so that the new digital nomads may benefit from their tax residence in Portugal in an efficient way.

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