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Expat Money Matters

Portugal's New Rules Are Changing the Financial Future of British Expats

By St. James Global Private Clients, Loulé.

For many British retirees, Portugal has long represented the ideal destination: a warmer climate, a lower cost of living than much of the UK, attractive tax incentives and a relaxed lifestyle. Yet recent legislative and tax developments are causing long-term residents to question whether the financial plans that brought them to Portugal remain fit for purpose.

One of the biggest talking points is Portugal's decision to make citizenship more difficult to obtain. The government has approved changes that extend the residency period required for many applicants seeking Portuguese nationality. While transitional arrangements and legal interpretation remain important, the direction is clear. For thousands of foreign residents who viewed a Portuguese passport as a long-term objective, the timeline may now be significantly longer than expected.

The implications extend beyond travel rights. Citizenship can influence residency security, inheritance planning, family mobility and access to opportunities across the European Union. For British nationals who relocated after Brexit, the question is uncomfortable: if citizenship takes longer than planned, does your long-term European strategy still work?

Taxation is another area attracting growing attention. Financial advisers across Portugal are closely monitoring developments surrounding the UK-Portugal Double Taxation Convention. While the treaty is designed to prevent individuals from paying tax twice on the same income, its practical application can be complex.

This is especially relevant for retirees receiving UK pensions, rental income from British property, dividends, interest or portfolio withdrawals. UK government data indicates that more than 47,000 British citizens are officially resident in Portugal, many relying on income streams originating in the United Kingdom. For them, determining where income should be taxed is not always straightforward.

What concerns advisers is not simply the existence of new tax burdens, but the possibility that some residents are operating under outdated assumptions. A pension structure that appeared efficient five years ago may not be optimal today. Investment arrangements established before relocation may also create unexpected reporting or tax consequences under Portuguese law.

The end of Portugal's famous Non-Habitual Resident regime for new applicants has further altered the landscape. Introduced in 2009, NHR became one of Europe's most successful residency incentives, attracting thousands of foreign retirees and professionals. It offered

significant tax advantages on certain foreign income and became a major factor in many relocation decisions.

Many retirees have accumulated substantial assets over decades, including pensions, portfolios and property across multiple jurisdictions. The transition from NHR to standard Portuguese taxation could significantly alter long-term projections if advance planning is not undertaken.

Portugal's 2026 State Budget brought some welcome stability. Unlike several European countries that have introduced aggressive tax reforms, Portugal avoided major adverse measures affecting foreign residents. Income tax bands were adjusted modestly, and no significant new taxes targeting expatriates emerged.

Perhaps the most overlooked issue is estate planning. Many British expats still rely on wills, trusts and succession arrangements created before their move to Portugal. Yet cross-border estates are rarely static. Changes in residency, tax treaties, property ownership and family circumstances can all affect how wealth passes between generations.

The uncomfortable reality is that many retirees spend years carefully building wealth but far less time checking whether that wealth remains protected under current UK and Portuguese rules.

For British expats already settled in Portugal, the biggest risk may not be legislative change itself. It may be assuming that plans created years ago still work exactly as intended. How will your UK pension be treated in the years ahead? What happens when your NHR status expires? Will your estate pass efficiently under both UK and Portuguese rules?

These are the questions prompting many British residents in Portugal to seek a professional review. According to St. James Global private Clients, a specialist advisory firm focused on British expatriates living in Portugal and Spain, common client concerns now include pension taxation, succession planning, cross-border investments and the long-term implications of changing residency and citizenship rules.

For those who have not reviewed their financial arrangements in recent years, now may be an appropriate time to do so. A complimentary consultation with St. James Global can help identify potential risks, highlight planning opportunities and provide clarity on how current UK and Portuguese legislation may affect long-term financial security. When it comes to protecting retirement, the costliest mistake is often discovering a problem only after the rules have changed.

For a **free** consultation,
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