

THE REGIME OF "NON-HABITUAL RESIDENTS" (NHR) AND THE GREEN CARD

SUMMARY

The tax regime for "non-habitual residents" was created with the aim of attracting individuals with high net worth and foreign retirees to Cape Verde. Also aiming to boost the Cape Verdean economy, particularly the real estate sector, the Government instituted in April 2018, with effect from May 23 of the same year, a special regime of Permanent Residence Authorization in the Country, known as the Green Card (Law No. 30/IX/2018 of April 23), for foreign citizens interested in investing in a second residence in Cape Verde. This regime grants a differentiated status to foreigners who own a second residence in the country, allowing them to enter and reside in Cape Verdean territory.

This regime is defined in the Personal Income Tax Code (IRPS). It was introduced by Law No. 78/VIII/2014 of December 31, amended by Law No. 05/IX/2016, of December 31, Article 21-A, with the following content:

"Article 21-A Non-Habitual Residents

1. Individuals who, becoming residents for tax purposes under Article 22, have not resided in Cape Verde in the previous five years are considered non-habitual residents in Cape Verde.
2. An individual considered a non-habitual resident is entitled to be taxed as such for ten consecutive years, starting from the year in which they became a resident in Cape Verde.
3. The application to be considered a non-habitual resident must be made when registering as a resident in Cape Verde or, later, by March 31 of the following year of residency.
4. The right to be taxed as a non-habitual resident in each year of the ten-year period depends on being considered a resident in Cape Verde at any time during that year.
5. If an individual has not enjoyed the right in the period referred to in number 2, they may do so in the remaining years, starting from the year in which they return to be considered a resident in Cape Verde."

The main objective is to attract individuals with high net worth and foreign retirees to the country to promote economic development and attract foreign exchange. This regime is a competitive response to similar regimes in other countries such as Portugal, Italy, and the United Kingdom. To be considered a "non-habitual resident," the person must effectively

transfer their residence to Cape Verde and not have had tax residence in the country in the previous five years.

Registration as a "non-habitual resident" can be done at any tax office until March 31 of the following year of residency. The applicant must declare that they did not meet the tax residence criteria in Cape Verde in the previous five years. The tax authority subsequently automatically verifies whether the applicant met the residence criteria in the previous five years, such as being registered as a resident, filing IRPS declarations as a resident, receiving work income, or benefiting from IUP exemptions as a resident in Cape Verde.

Once registered as a "non-habitual resident," the tax regime applies for 10 years from the year of registration. Registration can be suspended, making the individual a non-resident in Cape Verde during this period. Reapplication of the regime can be requested at any time.

In practical terms, this regime offers significant advantages, such as a taxation rate of only 10% for income from high-value-added activities in Cape Verde, compared to the current maximum rate of 34%. Additionally, most income earned abroad by "non-habitual residents" is tax-exempt in Cape Verde, provided certain conditions are met.

This includes income from high-value-added services, intellectual property, rental income, and capital gains. Pensions earned abroad are also exempt, provided they meet certain conditions and criteria established in the IRPS Code.

Despite its obvious advantages, foreigners have not shown interest in joining the "non-habitual resident" regime in Cape Verde, a country that offers, in addition, tax exemptions on inheritances and donations to direct family members, a favorable environment for foreign investment, and a pleasant tropical climate in one of Africa's safest countries.

With the aim of boosting the Cape Verdean economy, particularly the real estate sector, the Government instituted in April 2018, with effect from May 23 of the same year, a special regime of Permanent Residence Authorization in the Country, known as the Green Card (Law No. 30/IX/2018 of April 23), for foreign citizens interested in investing in a second residence in Cape Verde. This regime grants a differentiated status to foreigners who own a second residence in the country, allowing them to enter and reside in Cape Verdean territory.

Who is entitled to the Green Card:

- a) Foreigners who have acquired built or under-construction real estate, valued at €80,000 (eighty thousand euros) or more, in municipalities with a per capita Gross Domestic Product (GDP) below the national average, provided that the payment was made with resources transferred from abroad;
- b) Foreigners who have acquired built or under-construction real estate, valued at €120,000 (one hundred and twenty thousand euros) or more, in municipalities with a per capita GDP equal to or above the national average, provided that the payment was made with resources transferred from abroad;

c) When it is not possible to calculate the GDP per capita by municipality, the criterion used is the GDP per capita by island.

The Green Card offers investors direct and indirect advantages, including:

- Permanent residence authorization in Cape Verde and in the Economic Community of West African States (ECOWAS);
- Residence authorization extends to the spouse or partner of legally recognized common-law union in the country of origin;
- Exemption from Property Tax (IUP) on property acquisition, inheritance transmission, and a 50% reduction in the IUP due for the following ten years, upon deliberation by the Municipal Assembly of the Council where the property is located;
- Exemption from taxes on pension income from abroad, provided that such income was not generated in Cape Verde, according to the Personal Income Tax Code (CIRPS).

The Green Card is denied to:

a) Individuals convicted, in the country or abroad, of crimes punishable by imprisonment of two years or more; b) Individuals internationally wanted for suspicion or commission of any crime; c) Fugitives from justice; d) Individuals with strong evidence of involvement in money laundering, organized crime, radical or extremist groups; e) Individuals to whom entry visas to Cape Verde are denied by law; f) Individuals whose residence authorization has been denied for reasons of public order, public security, or public health.

For more information, consult a lawyer.