

UK IHT Shake-Up Presents Golden Opportunity for British Expats in Portugal

UK inheritance tax changes on pensions offer British expats a prime opportunity to utilise Portugal's favourable tax rules for family financial security.

LISBON, PORTUGAL, July 28, 2025 /EINPresswire.com/ -- Changes to inheritance tax (IHT) on unspent pension pots in the UK could prompt more people to consider relocating to the likes of Portugal to avoid their family being financially stung.



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The UK government has confirmed plans, originally outlined last year by Chancellor Rachel Reeves, will now be implemented in April 2027.

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It means in the event of death, unspent pensions will be added to estates and become liable to IHT.

Families currently receive their late relative's pensions free of inheritance tax, with income tax due if the person died after age 75.

The changes mean the family could see inheritance reduced by death duties of 40% and income tax owed on

the remainder.

It is expected to generate £1 billion annually by the end of the decade.

But it could see more people opt to swap the economic gloom of the UK for year-round sun to avoid the tax raid, according to [Portugal Pathways](#), which supports affluent expats with investment, [Golden Visa](#) residency, cross-border tax, and researching luxury new homes in Portugal.

Its chairman and founder, Paul Stannard, explained: "Making pension pots subject to IHT means everyone should review how they are currently using their pension."

In addition, the UK's HM Revenue & Customs (HMRC) has confirmed the responsibility for calculating and paying IHT on these pension assets will fall to the "personal representative" or executor of the estate.

That adds a layer of complexity for grieving families.

Stannard continued: "Exploring international residency, particularly in jurisdictions like Portugal, can be a crucial part of a comprehensive wealth management strategy. This strategy ensures expats can fully capitalise on the latest tax rules while avoiding unnecessary liabilities."

Beyond the pension changes, the wider IHT reforms, effective from April 2025, introduced a residence-based system.

This means worldwide assets will be subject to the 40% IHT rate for individuals who have been UK tax residents for at least 10 out of the last 20 tax years. However, this also presents a key opportunity for British expats.

If an individual has been a non-resident for at least 10 of the past 20 years, their non-UK assets – encompassing property, savings, and investments – will generally be exempt from the 40% UK IHT, provided they meet specific criteria.

David Vacani, founder of Beacon Global Wealth Management, explained: "This is a significant relief for expats who plan their financial and property portfolios wisely.

"By keeping your assets outside the UK, you can ensure they remain free from the heavy burden of UK IHT. When combined with the benefits of Portuguese residency, this offers significant planning opportunities."

Portugal's Non-Habitual Residency (NHR) tax regime further enhances this. For many years, it offered significant tax advantages, such as a flat 10% tax on pensions and 0% tax on passive income, such as dividends.

While the original NHR tax regime has closed to new applicants, a new tax regime, NHR 2.0 (officially known as the "Tax Incentive for Scientific Research and Innovation"), was introduced in 2025. It offers tailored benefits for entrepreneurs, value creators, and highly skilled professionals, such as a 20% flat tax rate on income sourced in Portugal and 0% on foreign passive income sources, such as capital gains, royalties and dividends.

It is also important to get cross-border tax and wealth management advice when planning this for the long term.

Paul Stannard added, "Portugal has consistently attracted high-net-worth individuals (HNWIs) who seek to benefit from its economic and political environment, as well as its climate and culture. Portugal's reputation as a safe, stable country with a lower cost of living than the UK has led to a continuously growing demand from people wanting to relocate.

"There are some excellent opportunities for investment and tax using the old NHR tax regime or the new NHR 2.0, but also Portugal's Golden Visa alternative investment funds, which have no tax on any upside for foreign investors."

[Contact Portugal Pathways for expert guidance](#) on navigating IHT as a British expat in Portugal

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