

July 2008

Welcome to our second Sovereign Portugal Newsletter. Our aim is to keep you, our client, informed of any tax issues that might affect you as a resident or property owner in Portugal. We also hope to introduce you to some of the services offered by the Sovereign Group worldwide and to let you know about other items of interest which Sovereign promote.

Stop Press:

Invoices for use with your tax return (IRS or IRC) **MUST** have your name (or company name) fiscal number and the full address of the property in Portugal for which the service is being provided otherwise they will **NOT** be accepted by the tax department as **an eligible** expense.

New simplified law introduced for tourist licences. Contact us for details!

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Can my friend be my fiscal representative?

If they live in Portugal, and are bona fide tax residents, then in theory the answer is yes, but it is highly inadvisable.

Many ask why they need to pay an annual fee for a fiscal representative when a Portuguese resident friend could register as the representative.

The fiscal representative is the interface between the individual and the tax department, being the first point of contact for all fiscal matters and is jointly responsible with the client for any tax calculations relating to the property or individual taxes. So, do you want your friend as your fiscal representative to become liable for your tax debts and risk losing their assets? Do you want them to know all your pri-

vate fiscal business?

Owing to the increasing complexities and demands of the tax department it is advisable to appoint a professional firm to avoid costly tax mistakes. Will your friend or neighbour be able to deal with the tax letters informing you about revaluations, audits, tax refunds? Will they be able to make appeals on your behalf against taxes? Can they prepare and submit your rental income tax return to your best advantage?

Most tax department notifications give 10 days for the submission of documents for audits and appeals. If you are away and the letter sits in a post box you will incur fines and possibly increa-

sed tax bills. Is your friend aware of the ever changing fiscal laws to be able to keep you informed about matters that could affect you?

Non payment of taxes can put your property at risk as the tax department will instigate proceedings to sell the property for debt recovery – even for amounts under 100 euros!

You are paying Sovereign as your fiscal representative for the reassurance of knowing that all fiscal matters relating to your property and/or individual taxes in Portugal will be dealt with efficiently.

NB Corporate owners must have a VAT registered fiscal representative.

Below are some of the responsibilities as the fiscal representative for which we receive a continuous stream of paperwork from the tax office to deal with on behalf of clients:-

- Additional IMT and stamp duty resulting from revaluation of the property
- IMI bills, followed by citations and IMI interest bills
- Warnings of charges being placed on properties for debt recovery.
- Revaluations of the properties
- IRS / IRC submission of rental income and capital gains tax returns
- Appeals against tax demands for taxes that have been paid!
- Collating purchase/sale documents for audits made on clients' lawyers/builders
- Car tax and car importation fines
- Warnings of debts to other council entities
- Letters requesting house plans for the tax department
- Rebate cheques
- Problems with property registrations
- Notifications of fines due to non submission of declarations of maids' wages

Increasingly non-residents need a Professional to handle their fiscal affairs. Please do not hesitate to contact us if you need fiscal advice. As your fiscal representative we are here to help you!

Email problems!

Due to a server error, our last newsletter was received several times by some clients causing a great deal of inconvenience for which we apologise.



IRS Tax demands will be issued in August / September for payment. Cheques for tax rebates should be sent out in August and we will inform you upon receipt.

Since March we have not been receiving fiscal cards from the tax department. We are informed that due to a change in the tax department's logo all cards are delayed. We will forward yours as soon as they arrive.

Remember to keep us informed of any changes of address and contact details.



IMI RATES BILLS

Rates bills / council tax bills in Portugal are called IMIs and are generally issued in April and September each year in respect of the previous year.

You are liable for the rates for the whole year if you own the property on the 31st of December. They are a percentage (between 0.2—1%) of the rateable value allocated by the local tax department. This valuation is based on a series of coefficients relating to size, location, quality of construction etc.

If your property is subsequently re-valued following your purchase, then expect to receive additional rates bills for the difference between the new and old valuations. These can come at any time during the

year.

We ask our clients to give us instructions for handling their IMIs as these must be paid in the month in which they are issued. As per these instructions, we then post on the original bills for clients or their managers to settle directly. Alternatively, we email / post a letter to ask clients for the funds and our fee for us to pay the IMI on their behalf.

Often there is just two weeks from the time we receive the IMI to the payment date so please ensure that you have given us specific instructions to either forward the bill or to ask you for the funds. Correspondence delays can lead to late payment and subsequently interest and charges are added to your bill by the tax department.

This year we experienced problems with clients' emails who use Tiscali, Virgin and aol and it seems that our emails are being spammed.

Please ensure that you can receive Sovereign emails and if possible give us a second email address.

You may receive emails from different members of staff whose emails can be seen on page 4 of this newsletter so please ensure we are in your contacts box.

Whilst we contact you in time for the IMI to be settled, we cannot be held responsible if our emails end up being spammed. If you have not heard from us in early April or September, then please contact us about your IMI.

HOW TO PAY YOUR IMI YOURSELF

The IMI bills are usually due by the end of the month in which they are issued. If these are not paid on time, interest and charges are added by the tax department to the bill for each month they remain unpaid.

Note: You cannot set up direct debits to the tax department, however they can be paid by one of the following methods providing it is still in the issue month

- * At the local Portuguese tax department—you need to have the original bill with you.
- * At any Portuguese post Office—you need to have the original bill with you.
- * By internet banking with your Portuguese bank account.
- * At the 'multibanco' cashpoints
 - Pagamentos
 - Pagamentos ao estado
 - Input 'Referência para pagamento'
 - On screen you can confirm the amount due and press 'Confirmar'.
 - Keep the receipt as proof of payment.
- * Sending a Portuguese cheque with the original bill to arrive at the tax department before the end of the payment month. The cheque must be made out to 'IGCP', and the amount must be written in Portuguese and the cheque must be left **undated**. If the cheque arrives after the due date then it will be returned to us and interest and costs will be charged.

Check your cheques!

Please note that cheques drawn on Portuguese banks now have a 'use by date'. Any cheques used after this date will be returned by the bank and you will possibly incur bank charges.

2008 CHANGES TO CAR TAX & CAR INSPECTIONS

Changes to Car inspections

From now on the annual car inspection (MOT) must be completed by the day corresponding to the first matriculation date.

Eg If your car matriculation date is 21-01-2004 you must complete the annual inspection by the 21st of January each year. You can attend the inspection up to a month prior to the deadline.

Previously car inspections had to be completed by the end of the month corresponding to the first matriculation of the vehicle. This date can be seen in the green car registration document the 'livrete'. Make sure you do not miss the deadline.



Car road tax

Now called Imposto Único de Circulação and rather than being paid in May/June each year, payment is due in the month coinciding with the date of the first registration of the vehicle, as stated in the vehicle registration document (green book). It can be paid at the local tax department or applied for online. For a small fee we can apply on your behalf.

Contrary to reports, the tax department does not seem to be sending out reminders that the tax is due.

You will no longer receive a stamp to be displayed on the windscreen but rather you must keep the payment receipt with your car documents.

Do you need a Portuguese Will?

Whether you are a foreign resident in Portugal or a non-resident property owner it is always advisable to have a Portuguese Will drawn up to specifically deal with your Portuguese assets.

Although the Will from your home country is legally binding, if you do not have a Portuguese Will then probate can be a lengthy and complicated matter.

By having a Portuguese Will that cross references with your home country Will, this makes the probate process much simpler as the Portuguese probate proceedings can commence immediately and you do not have to wait for probate to be obtained in your home country first.

Ask your lawyer for more information.

Is your property still held by a blacklisted offshore company?

If your property is still held by a company whose jurisdiction is still in a blacklisted country eg Gibraltar, Isle of Man, Jersey... then you should still consider re-domiciling. The IMI tax rate for blacklisted jurisdictions has been reduced for 2007 from 5% to 1% but there is still the danger that should the property be re-valued that you could end up paying a hefty IMI bill each year based on 1% of the valuation! There is also the legal obligation to submit annual tax returns declaring a presumed rental income for these companies.

If you would like advice about re-domiciliation please do not hesitate to contact us as this should be completed before the end of 2008.

Clients thinking of bringing their properties back onshore into their own name should ensure that they are fully aware of the 25% capital gain tax incurred as well as the IMT purchase costs which can be up to 6% of the purchase price.

Sovereign expansion

A measure of Sovereign's reputation as a first class service provider in Portugal is the fact that they were approached by a smaller competitor to take over their fiscal representative business when they were reorganizing to concentrate on other business areas.

The managing director of the acquired business said

"When we considered the ongoing well being of our valued clients Sovereign were the obvious choice to replace us".

We look forward to continued success with these new Lisbon based clients.

Sovereign Name Change

Due to internal re-organisation please note that we have shortened our company name to:

Sovereign - Consultoria Lda

All services and personnel remain the same.

Unidentified bank transfers

We are receiving many bank transfers which are either unidentifiable or that have the name of a firm or agent that we do not recognize. This leaves the funds in a holding account and the clients' bills unpaid. Please ensure that all bank transfers are **clearly identified** with either your name or our invoice number.

Upon receipt of funds for settling our invoices we will automatically send you a receipt.

Sovereign - Consultoria Lda

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The Sovereign Group has been advising resident and non-resident clients on all matters relating to property ownership in Portugal for many years. Sovereign - Consultoria Lda first established an office in Portugal in 1999 specifically to offer tax advice to its clients. With our full complement of bi-lingual administrative staff, we are able to keep up to date with the ever-changing fiscal demands placed on property owners. Our regular contact with the local Tax Departments and reputation for prompt, quality service has enabled us to establish good relationships with lawyers all over Portugal, who trust Sovereign to resolve fiscal matters for their clients. We ensure that confidentiality is applied to all our work and that our fees remain competitive. Do not hesitate to contact us should you need any fiscal advice.

Meet the Portugal Office

Nigel Anteney-Hoare—Managing Director has been with the Sovereign Group since 1998. nhoare@SovereignGroup.com

Pam da Silva— Joined in 2000. Is Nigel's PA and office manager. psilva@SovereignGroup.com

Joaquim Fava—Head accountant since 1999. jfava@SovereignGroup.com

Andreia Vieira—Accountant since 1998. avieira@SovereignGroup.com

Marina Dutra—Accountant since 2000. mdutra@SovereignGroup.com

Laura Lourenço— Has been responsible for Sovereign's internal accounts since 2004. llourenco@SovereignGroup.com

Isobel Costa— Responsible for tax compliance and fiscal representations for non-residents since 1999. icosta@SovereignGroup.com

Monica Gonçalves—Joined in 2004 and is responsible for client accounts. mgoncalves@SovereignGroup.com

Marina Hardy—Joined 2005 to handle client IMIs and related correspondence. mhardy@SovereignGroup.com

Julia Alves—Head receptionist with Sovereign since 2004. jalves@SovereignGroup.com

Andreia Pereira—Joined in 2007 as administrative assistant. apereira@SovereignGroup.com

Sovereign Group Services

The first Sovereign office opened in Gibraltar in 1987 but we now have offices or agents in all the major offshore & onshore jurisdictions. Traditionally, our main business has been the setting up and management of offshore and onshore companies and trusts to assist with tax planning and asset protection. Now our range of services has expanded so we now offer a wide range of services some of which are below.

Register a Yacht.com An efficient and professional world-wide yacht registration service at competitive prices. Visit www.RegisteraYacht.com

Sovereign Alternative Focusing exclusively on issues that directly affect alternative lifestyles. For further information visit www.SovereignAlternative.com

Sovereign Asset Management Providing advice and management on investment related matters, specific to client needs.

Sovereign Group Partners LLP Helping smaller corporates gain access to private equity capital and debt financing.

The Sovereign Art Foundation A visual arts prize, to give recognition to some of the most important artists of our time.

Sovereign Insurance Services General and life insurance intermediary.

Visit our web site on www.SovereignGroup.com for more information on any of the above!

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