

August 2009

Welcome to our fourth 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:

AL Licences—each local council seems to be interpreting the law in their own way and clients are finding that costs are more than expected. Sovereign may be able to help obtain the tourist licence for some councils but we advise you to check with your villa managers or lawyers first.

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

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.

Sovereign going from strength to strength

Despite the much talked of "crisis" we are happy to report that business continues to grow at Sovereign. We have taken on new staff to ensure our standards of service are maintained and are acquiring many new clients not only from the south coast but from the Lisbon and Silver Coast areas.



The Sovereign team outside our Lagoa Office.

Clients sometimes question the need for continued fiscal representation. This is, of course, a legal requirement, but in any event it is strongly advisable for non-residents to maintain a fiscal representative to be the contact between them and the Portuguese tax authority. This way clients can rest assured that fiscal issues relating to their Portuguese properties are being dealt with promptly. We often receive new clients who find themselves heavily in debt at the tax office because they did not have adequate fiscal representation to receive and deal with correspondence.

To assist our clients we

are offering the option of sending in one sum, at the start of the year, our yearly fees together with any taxes due in order to avoid repeated bank transfers. Look out for our e-mail regarding annual funds later in the year which can save you fees and bank transfer costs in 2010.

Do not hesitate to contact our office if you have any queries involving taxes relating to your Portuguese properties. Should you be thinking of selling your Portuguese property, contact us prior to the sale regarding your capital gains liabilities to avoid nasty surprises!

TAX RETURNS

If you rent out your Portuguese property, the income **must be** declared in Portugal even if the rentals are administered and funds received outside Portugal. If tax has already been retained by your manager you still have to submit a tax return. If you sell your property then a tax return must be submitted declaring the sale even if you have not made a gain. Don't get caught for backdated tax returns as fines are applied for each outstanding year.

Contact us for more information if you think you should have submitted a return.

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!

Don't forget to have your boreholes, wells and septic tanks registered with the local council by the deadline of May 2010. Huge fines are imposed for non-compliance! Ask your villa manager or lawyer for details.

Unidentified bank transfers

Please ensure that all bank transfers are **clearly identified** with either your name or our client number otherwise funds are left in a holding account and your taxes could be unpaid.

Check your cheques!

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 may incur bank charges.



IMI RATES BILLS

THE IMPORTANCE OF IMI BILLS – the facts

All properties in Portugal have a tax value and based on this value an IMI property tax bill is generally issued in April and September each year in respect of the previous year's tax.

* IMI's are based on a percentage (between 0.2—1%) of the tax value allocated by the local tax department and which is currently calculated according to size, location, quality of construction etc.

* Exemption from IMI bills is **only** applicable to residents of Portugal.

* You are liable for the whole year's IMI if you owned the property on 31st of December.

* The yearly amount due is split equally between the number of property owners so each owner will receive an IMI bill.

* IMI bills **MUST** be paid by the due date or monthly interest / penalties charges are levied.

* Citation reminders are issued if the IMI is not paid by the due date.

* A 'penhora' charge is then placed on the property to sell it for debt recovery if the citation is not paid.

* Additional IMI bills may be issued during the year if your property is re-valued following your purchase.

Don't be complacent as the tax department **WILL** sell your property even for very small debts. You can opt for Sovereign to pay your IMI or we can forward it to you or whoever you nominate. Please ensure you have instructed us on your option.

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

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—ask your bank for details.

* At the 'multibanco' cashpoints - PAGAMENTOS

- PAGAMENTOS AO ESTADO

- Input— the 'referencia para pagamentos' number

- Confirm the amount and press 'CONFIRMAR'

* 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. 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.

Sovereign Insurance Services

Sovereign Insurance Services Limited (SIS) is licensed by the Gibraltar Financial Services Commission to act as an insurance intermediary for general and life insurance business within the European Economic Area (EEA).

SIS can advise on an appropriate insurance solution for your particular needs, arrange quotations and place cover with a range of reputable and competitive insurers.

SIS aims to provide a wide range of insurance products which include:

- Home and Contents Insurance for either your private residence or a holiday home.
- High Value Home Contents and/or Personal Effects Insurance for jewellery, artworks, antiques etc
- Private Yacht Insurance – sailboats, motor yachts and other watercraft
- Motor Insurance – motor vehicles, motorcycles, etc
- Private Medical Insurance
- Travel Insurance
- Life Insurance - whole of life or term life
- Keyman Insurance
- Personal Accident/Illness and Income Protection/Disability Insurance
- Major Illness (Trauma) Insurance
- Business Insurances such as Office Pack Insurance, Public Liability, Professional Indemnity and the like

SIS Works for you, not the insurer, and to take the mystery and trouble out of arranging your insurance portfolio at the most competitive cost. If you would like to discuss your insurance needs or to obtain an obligation-free quotation, please contact either your Sovereign client relationship manager or Stephen Armstrong at Sovereign Insurance Services Limited on:

Phone: +350 200 44609 or +350 200 76173

Email: sarmstrong@SovereignGroup.com

The Sovereign MasterCard

While most banks will usually require a deposit of up to three times the monthly available balance, the Sovereign MasterCard can be secured by transferring a deposit of just 125% of the monthly credit. All transactions are processed through the Turks & Caicos Islands giving maximum confidentiality. Contact one of our offices for more details.



Sovereign Asset Management

Sovereign Asset Management (SAM) is the financial advisory division of The Sovereign Group. SAM provides investment advice to our international clients who seek to protect their assets, achieve their investment objectives and manage their affairs in a manner which meets their requirements for privacy.

Portfolios are designed to meet each client's personal circumstances. These take into account individual preferences for involvement in investment decisions, methods of communication and jurisdictional preferences. This gives you an insight into the range of markets and securities actively followed.

SAM works with a carefully select group of custodian banks. These were chosen to meet the differing needs of our clients and to ensure the security of their assets in an appropriate jurisdiction.

Adhering to the principals of the Sovereign Group we place great emphasis on service and confidentiality. Directors travel extensively to meet with clients to discuss changes in market conditions and strategy, and to ensure that we are fully meeting their expectations.

Examples of model portfolios with the associated research and contact details can be viewed on the website www.SovereignGroup.com

OFFSHORE ONSHORE?

There still continue to be many properties held by an offshore company and the 'black listed' regulations still apply to these properties namely for higher property tax and the need to submit presumed income tax returns. Many prospective purchasers shy away from these offshore held properties and the solution is to re-domicile the company to a white listed jurisdiction such as Delaware or Malta. These jurisdictions are not offshore but the property is held in Corporate ownership and taxes are the same as for individually held property.

Corporate ownership of Portuguese property is still as advantageous as ever especially for higher value properties. Portuguese capital gains tax may be avoided on disposal of the property by way of a transfer of the holding company rather than a sale of the property itself. For non resident clients, corporate ownership can give opportunities to include their Portuguese investment in an existing tax planning strategy. For a buyer, by acquiring ownership of the holding company, it gives the opportunity to avoid paying IMT purchase tax and Stamp Duty which can reach as high as 6,8% of the purchase price on properties over Euros 544,000. Contact us for details on how to re-domicile your blacklisted company!

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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—Financial Director since 1999.
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Isobel Costa— Responsible for tax compliance and head of fiscal representations since 1999. icosta@SovereignGroup.com

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

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

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

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

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

Julia Alves— Administrative Assistant for fiscal representations with Sovereign since 2004. jalves@SovereignGroup.com

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

Sonia Duarte— Joined in 2008 as accounts assistant. sduarte@SovereignGroup.com

Ann Wheatley—Administrative assistant since 2008.

Cristina Xavier—Receptionist since 2008.

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 worldwide 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!

Whilst every effort has been made to ensure that the details contained herein are correct and up-to-date, this information does not constitute legal or other professional advice. We do not accept any responsibility, legal or otherwise, for any error or omission.