

CATEGORY B INCOME CORPORATE OWNERSHIP

A new law on tourism rentals makes it mandatory for income received from short term property lettings to be declared to the Tax Department as a business activity.

This new law will become operative as from 27th November 2014 and includes some alterations to the Alojamento Local (AL) registration regime which requires any property owner who intends to let for short term tourist letting to register with the local council.

As owner of a corporate held property this change in law creates a problem as it is not possible for a non-resident company to opt for reporting under the so called Simplified Regime which can give a substantial reduction in the tax paid on the income declared.

Under the Simplified Regime calculation of tax would be on the basis of your turnover. This means your tax would be based on a fixed amount of profit equal to 15% of your rental income. A flat tax rate of 25% would apply to that 15% profit which would give a final tax rate of 3.75%.

Sovereign – Consultoria Lda (“**SOVEREIGN**”) suggests a legal Portuguese agreement is executed between the company which holds the property and yourself, which would allow you to let the property in your own name thus permitting the income to be declared by you as an individual rather than by the company. This agreement is known as a Contrato do Comodato and we have negotiated a special rate with a local lawyer to draft this agreement for signature by you and the Company Directors or some person acting under a suitable power of attorney.

This way you can take advantage of the new law and reduce your tax substantially however it is not all good news as, whilst this will mean a reduction in tax payable, it also requires a disciplined and ongoing relationship between you, the property owner (or your property agent), and **SOVEREIGN** to ensure compliance.

At all times the property is let, **SOVEREIGN** must be informed, on a monthly basis, of the letting dates concerned, the rental amount, the name and address of the person renting and his/her Portuguese fiscal number (if applicable). These details must be reported to **SOVEREIGN** by email or fax as soon as the rental fee is received.

It is also necessary to deal with the social security requirements of registration and we will need to analyse if you meet the conditions to apply for exemption, which are either of the following:

- Pensioner;
- Already contributing to an official social security institution in your own country of residence.

Due to the nature of the new requirements your tax will be at a minimum but you will have to pay an annual accounting fee. **SOVEREIGN** will act as accountants for your business activity and will prepare and submit your invoices using a licensed program. It is a time consuming job for you, the client, and for **SOVEREIGN** which will however, be compensated by mitigation of your tax burden.

Overall you will be paying less.

SOVEREIGN is providing full assistance in all requirements for an annual fee of 1,200 euros (plus vat @ 23%). This fee will cover the following services:

- Fiscal Representation;
- Tax Return preparation and filing;
- Online invoicing and monthly reports compliance;
- Accounts & book keeping;

Cont.....

In addition a once only fee of 180 euros (plus vat @ 23%) will be payable in respect of initial registration of your activity with the tax department.

This registration takes time and needs to be effected before the end of 2014 and thus we await your immediate reply in order that we may proceed.

In the case of the necessity of payments to the Social Security Department, our fee to deal with that is only available on request as it depends on various issues. This last matter should however not be of concern to you at this stage as those payments will occur only after 1 year in the case of non-exemption.

For more information please contact:

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