

CATEGORY B INCOME INDIVIDUAL OWNERSHIP

A new law on tourism rentals makes it mandatory for any individual letting property to register with 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.

The change in reporting letting income created by the new law will mean a substantial reduction in tax payable on the income you receive but requires a disciplined and ongoing relationship between you, the property owner (or the property agent), and Sovereign – Consultoria Lda (“**SOVEREIGN**”) in order to comply.

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 full 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.

We will be acting 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.

The calculation of your tax will be on the basis of your turnover. The “Simplified Tax Regime” will apply, meaning your tax will be based on a fixed amount of profit equal to 15% of your rental income. A flat tax rate of 25% will apply to that 15% profit which will determine a final tax rate of 3.75%. 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 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;

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 the payments will occur only after 1 year in the case of non-exemption.

For more information please contact:

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