

PORTUGAL NEWSLETTER

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NHR SCHEME EVER MORE POPULAR

Since the Non Habitual Residency scheme was unveiled in 2009, it has become increasingly popular as high level professionals and retired individuals from many countries choose to take up residency in Portugal in order to take advantage of tax exemptions on qualifying income.

You can also benefit from a special tax rate of 20% (which may increase to 23.5% due to current austerity measures) on certain categories of salaries or self-employed income which compares favourably with the top rate of income tax which is 48%.

The scheme was developed to attract retirees and high level professionals and investors to Portugal amongst which includes architects, engineers, artists, tax consultants, doctors, professors etc.

As an NHR you also have all the benefits of other Portuguese residents with regards to taxes and healthcare and unlike Spain and

France there is no wealth tax here or any inheritance tax between spouses and children.

Portugal has double tax treaties with over 60 countries and over fifty investment protection agreements making it an attractive proposition for investors and retirees.

Note that any applications must be submitted by 31st March of the tax year following the tax residency application at the tax department. Whilst it can take up to eight months for confirmation of a successful application, it will be backdated to the date when you became a Portuguese tax resident at the local tax office. In order to be eligible to apply you must not have been tax resident in Portugal in the previous five years.

Sovereign can assist with the application process, tax advice and declarations of income once you are a resident. Contact us for more information.

ARE YOU INFORMING BORDER CONTROL OF YOUR PAYING GUESTS?

Under the new rental laws it is a legal obligation for all paying guests staying in AL touristic licence properties to be reported to SEF - the Immigration and Border control authority. This is in order to come in line with hotel check in/out regulations.

This report must be submitted within three days of guests' check in or fines may be applied ranging between 100 – 2000 euros!

Whilst this is not a fiscal matter, due to client demand, Sovereign are offering the service of SEF reporting for our clients.

The reporting process is fairly straightforward but it is time consuming to complete and we are keeping our fees for this service to the absolute minimum of 25 euros (inc. IVA) per booking. Contact Cristina on cxavier@SovereignGroup.com for further details.

LONG TERM LETTING CONTRACTS

If you let your Portuguese property to a long term tenant as opposed to touristic letting, the contract must be logged at the tax department and the rental receipts must be issued online each time payment is received.

There is a stamp duty charge of 10% of the first monthly rent to be paid upon registration and this must be completed up

to thirty days after the start date of the contract. Existing contracts from previous years should have been registered by the end of December.

If you have a letting contract and have not yet registered, for more information contact Monica at mgoncalves@SovereignGroup.com

Welcome to our **14th Sovereign Portugal Newsletter**. We aim to keep you, our client, informed of tax issues that might affect you as a resident or property owner in Portugal and also about Sovereign Group services.

DON'T FORGET!

INVOICES & RECEIPTS FOR 2015 TAX RETURNS

Category B rental income clients who are registered as self-employed do not send us copies of your invoices/receipts for the IRS tax return as these are automatically taken into account.

Category F clients who are not registered as self-employed under the AL letting scheme please send us promptly copies of the invoices & receipts for maintenance, repairs, house insurance, condominium. These must be in your name and have the Portuguese property address on them.

Remember to keep us informed of any email and address changes.

New Residents

If you became a tax resident in Portugal in 2015 you only have until March 2016 to submit your NHR application.

Sovereign can prepare and submit your application. Contact us for more information.

ASK FOR A REVALUATION OF YOUR PROPERTY TAX VALUE AND SAVE IMI TAX!

The decrease in the cost of construction set by the government in 2012 allowed Sovereign to apply to the tax department for a revaluation of the tax value of clients' properties with a view to reducing their IMI property tax. Some reductions were substantial thus saving clients hundreds of euros in IMI tax.

IMI property taxes are calculated based on the tax value of the property as set by a series of co-efficient for cost of construction, location, size, age etc so any reduction in these co-efficient is welcome. However it is necessary to submit a revaluation request to the tax office to review your value as this is not updated automatically.

This year the government has announced a decrease in the location co-efficient which once again provides the opportunity for tax payers to request a revaluation of their properties. Remember this tax value is nothing to do with the market value of the property.

There is no guarantee that the tax value will decrease but for a nominal charge Sovereign is able to prepare a simulation of the likely decrease and likely saving in IMI tax.

For more information contact Isobel on icosta@SovereignGroup.com.

SELLING IN 2016

Contact us first and we will work out your likely capital gains tax. Even if you sell at a loss you must submit a tax declaration to the Portuguese tax office to declare the sale. Failure to do so will result in an automatic return being issued and you may end up paying more tax as no expenses will be taken into account by the tax office.

TAX RETURNS

If you had rental income or sold a property in 2015 you must submit a tax return in Portugal this year. Contact our office urgently if you did not recently receive our questionnaire by post.

Note: To be valid for your tax return all medical invoices/receipts must show your fiscal number and name!

IMI PROPERTY TAX REDUCTIONS

Good news for property owners in Albufeira as they will see a substantial reduction in their IMI property tax bills due this year. The tax rate has decreased from 0.50% to 0.35% which means a property with a tax value of €250,000 will save €375 this year! Aljezur, Lagoa, Lagos, Loulé, Obidos, Peniche and Tavira have also had small decreases in their tax rates.

Your property tax bills should be received by the first week in April, for payment by the end of the month or fines and interest penalty charges will be levied by the tax department.

It is the responsibility of tax payers to ensure they have received their bills so please contact Sovereign if you do not hear from us by mid-April.

VAT COMPLIANCE

If you are registered for category B income declarations and your rental income exceeded 10,000 euros in 2015, you will now have to submit VAT returns.

In order to offset the IVA (VAT) paid, your invoices for the running costs of your rental property must show your name, fiscal number and address of the property being rented out otherwise they will not be accepted by the tax department.

Please do not forget to provide the documents at the end of each quarter.

SUCCESSION ISSUES

A citizen of another country who owns property in a participating EU state can now choose which country's law will apply. This concerns certain aspects of their Will, including who can inherit. They can choose either the law of the country where they are normally resident or of their country of nationality, or of one of their nationalities if they have several.

The rules about taxation of inheritance will not change.

For these rules to apply, you must take action during your lifetime. This means stating in your Will which law will apply to your property. The changes came into effect on August 17th 2015.

If you do not make an explicit choice, the law of the country where you are normally resident will apply. That may not be a good idea if you live in a country with forced heirship!

AL RENTAL INCOME REPORTS - DEADLINE

If you are registered for declaring AL Touristic rental income under the Category B regime you must inform your Sovereign accountant, before the end of each month, the income received that month. Sovereign must by the 25th of each month issue SAFT (Standard Audit File for Tax Purposes) reports to the Portuguese tax department declaring your rental income for the preceding month. It is not possible to backdate reports and failure to submit the reports or late submission will incur high fines.

DO YOU PRODUCE ELECTRICITY TO SELL BACK TO YOUR ELECTRICITY SUPPLIER?

Microproduction is the generation of electricity, usually from solar panels, produced by a consumer for their own use with any excess electricity being sold back to the electricity company.

Previously, income under 5000 euros generated from the sale was exempt from being declared on your IRS yearly tax return. However a change in the law

means that anyone producing electricity to sell must now register as self employed at the local tax and social security offices and declare the income even if it is under 5,000 euros.

If this situation applies to you please contact Sovereign for more information regarding your tax return.

SIMON GARVEEN IS....

THE SOVEREIGN MAN

ARTWORK BY HARRY HARRISON

Beating the death clock

Like many of my successful friends and acquaintances, I have been giving much thought to what will happen when I, as is inevitable, fall off the perch. I suppose that starts being a concern for most people who have a decent wedge of assets once they pass the age of 45 – or who have had any sort of health scare to concentrate their minds.

I have five kids (from two wives) and I definitely don't want to demotivate them. I think their lives could be ruined if they think that all they need do is sit around and wait to inherit. I've seen too many "trustafarians" do just that and end up wasting their lives. So I've always kept my older kids on a fairly tight rein, helping them out when absolutely necessary but telling them that they have to earn their own money and budget accordingly. Why not? I made my own money and that "journey" has been a fulfilling and rewarding one.

I keep telling my kids not to expect any money when I'm gone because I'm either going to spend it or give it away to charity. I will give them the best education possible, help them buy their first house and then they're on their own. In fact I do intend leaving them something but I have decided not to tell them so that they expect the worst and take whatever comes.

READ THE REST OF 'BEATING THE DEATH CLOCK' AT [SOVEREIGNGROUP.COM/SIMON-GARVEEN](https://sovereigngroup.com/simon-garveen)



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