



# PORTUGAL NEWSLETTER

MARCH 2017 | ISSUE 15

---

## TOURIST RENTALS TAX INCREASE

Individual property owners who have an AL- touristic licence and rent their properties under the Category B tax regime may have read in the press that the tax on their rental income for 2017 is to increase from 15% to 35%. HOWEVER this is not the case and not as worrying as it appears.

The tax rate will in fact remain the same as last year ie 25%, the difference being that the tax is being levied on 35% of the income as opposed to 15% of the income. This in effect means that the final tax rate has increased from a 3.75% to 8.75% which will only be reflected in tax bills issued in 2018 in respect of 2017 income.

At **Sovereign** we are available to assist you with all your tax queries, whether you rent your property or not. We assist clients who just need fiscal representation in order to ensure that any tax department correspondence is dealt with promptly and efficiently or we can provide full accountancy services for clients who rent out their properties.

It is no longer legal to rent the property and simply declare the income via a yearly tax return without the necessary registrations.

If you have a long term rental contract it must be registered at the tax department and receipts for the income must be issued online. If you have short term rentals you must have an AL licence and someone must be registered as self-employed in Portugal to effectively 'run' the rental business. At **Sovereign** we can assist you with all the above services to get you properly registered, ensure you complete your accounts on time and that you comply with the ever changing regulations for property owners.

It is easy to fall foul of the Portuguese tax department which can lead to fines and interest payments on taxes due. **Sovereign** have been assisting clients since 1999 and with our full complement of bilingual accountants and administrative personnel we are fully qualified to assist with property ownership and taxes in Portugal.

## Welcome to our 15th 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.

---

## STOP PRESS

You should already have received and returned our tax return questionnaire by post. If you had any income from the rental or sale of your Portuguese property or if you are a resident of Portugal, please urgently send us your documentation as we are currently preparing the tax returns.

---

## IMPORTANT INFORMATION

### Additional IMI property tax (AIMI)

This year there is a new property tax (AIMI) which is in addition to the existing IMI tax.

For **individual property owners** this is applicable only to those whose sum of all property tax values equal or exceeds 600,000 euros.

Individual property owners will pay an additional 0.7% on the amount over 600,000 euros up to 1 million euros and 1% on the amount over 1 million euros.

Properties held by **Companies** will pay an additional bill of 0.4% on the full property tax value.

Properties held by a **blacklisted jurisdiction** company will continue to pay an IMI of 7.5% plus the additional AIMI of 7.5%.

IMI property tax bills are usually issued in April, July and November. The AIMI is due now in 2017 in respect of the tax value as at 1st January 2017. It is expected that the bills will be issued in July for settlement in September 2017.

If your property tax value is or exceeds 600,000 euros and you are a couple married under the joint assets regime but only one of you receives an IMI bill (although both legally own the property), you can apply to receive instead two bills. This will result in the property tax value being divided and therefore less than 600,000 euros so you should not incur the AIMI. This application must be made between April 1st and May 31st 2017.

Note that the tax value is the value allocated by the Portuguese tax department and has nothing to do with the market value of your property.

## Important tax return notes:

You must submit a tax return in Portugal if:

- You had rental income from your Portuguese property or sold it in 2016.
- You are a resident in Portugal — you must declare your worldwide income here.
- You had any income in Portugal.

Contact Sovereign for further clarification. Failure to submit the return on time leads to fines and interest charges imposed by the tax office.

# SOCIAL SECURITY

As you are aware, the Alojamento Local Law made it compulsory for the registration as a sole trader at the tax department under category B and also made it obligatory for registration at the Portuguese Social Security Department.

Unless you have received a notification from the Social Security office that you are exempt from making payments, anyone registered at the social security department is liable to pay a monthly social security payment.

Although Sovereign has assisted many clients with the initial registration at the social security office, providing the information to the best of our knowledge, we do not have any powers nor legitimacy to represent

clients at any entities other than the tax department. As the fiscal representative for clients we only have authority to deal with the tax office and to assist with tax matters. The Social Security Department is a separate Institution and therefore we cannot be held responsible for any obligations or contribution payments, including any costs for delays, as we do not receive any correspondence and have no means to access or control social security accounts. Correspondence is sent to the client's address.

It is very important that if you are registered as a sole trader in Portugal that you ensure your social security position is in order as you may unknowingly be accruing debts.

## Category B income clients

Remember that you must inform, your Sovereign accountant, of the details of each booking when your guests check out so that the accountant can issue the invoices and comply with the fiscal obligations.

If your rental income exceeded 10,000 euros last year, you will also have to submit quarterly VAT returns, and therefore provide the necessary documentation to your Sovereign accountant.

# ASK FOR A REVALUATION OF YOUR PROPERTY

IMI taxes are based on the tax value of the property (nothing to do with the market value) and by reducing the tax value you can save on your future IMI bills.

The tax value is set automatically by the local council using a series of co-efficient relating to location, quality of construction, size and the age of the property. Many bills are being issued based on the properties still being one or two years old and with co-efficient out of date.

Sovereign have already successfully submitted requests to the local tax departments to reduce the tax values of our clients' properties resulting in high savings on the IMI bills.

If your property has not had a revaluation since 2013 and there have not been any alterations to the property since that revaluation, for a fee of just 75 euros Sovereign can prepare a simulation of your likely IMI savings.

This is particularly relevant now that there is the AIMI additional property tax for properties especially those which currently have a tax value of over 1 million euros.

To take effect for IMI bills issued next year, the submission must be completed before the end of 2017.

Contact us for more information.

## SOVEREIGN GROUP SERVICES

In the Sovereign Portugal office we provide services relating to local tax matters, such as fiscal representation, tax advice and income declarations for foreign residents or clients who rent out their Portuguese properties. However within the Sovereign Group worldwide a range of services are available including company, trust and fund formations, personal wealth and pensions advice. Sovereign Group staff frequently travel internationally to meet clients. If you would like to meet a Sovereign representative traveling to your region please contact us.



## THE SOVEREIGN ART FOUNDATION

Registered in Hong Kong and the UK, The Sovereign Art Foundation (SAF) is a charity that raises money to help disadvantaged children using the arts as rehabilitation, education and therapy.

It was established in 2003 and runs the annual Sovereign Asian Art Prizes which since its formation, has become the largest Asian art award and has raised over US\$4.5 million for charities worldwide.

We are pleased to inform you that the Portugal Office is also running a Students Prize for Secondary Schools in the Algarve. The standard of work received was extremely high and our judges had difficulties in choosing the twenty finalists. The third prize of 300 euros for the student and 500 euros for the school, is chosen by the public so please vote for your favourite artwork at <https://www.sovereignartfoundation.com/prize/algarve-students-prize/>.



## Portugal Office Personnel

We would like to wish all the best to Joaquim Fava who has retired from Sovereign.

We welcome accountant Sónia Bispo and Amélia Jacinto as Administrative Assistant who will be taking over the IMI property tax administration from Marian Hardy who will be leaving us at the end of April.

We wish Marina every success in her new ventures.

### DISCLAIMER

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.