



## “IRS” and Non-Residents

Non-Residents are taxable on income and gains arising in Portugal. When the paying entities are resident or assets located within or services performed in Portugal, then the following examples of income would need to be declared:

- Local rental income;
- Holiday lets;
- Capital gains on sale of shares;
- Capital gains from property sales;
- Fees from scientific, artistic or specialised services;
- Administrator/director’s fees from resident companies;
- Domestically-sourced pensions;
- Lottery winnings.

Employers should deduct income tax at source on earnings. This withholding is final, unless governed by specific treatment under a Double Taxation Treaty. On all sources of income, proof of tax paid is required when transferring the proceeds outside of Portugal.

***Question: I am only a visitor to Portugal (less than 6 months per year) but rent out my flat to holiday makers when I’m away. Do I need to declare this rental income in Portugal, even though I report it back home?***

**euroFINESCO:** Yes. Your first obligation is to settle up with the tax authority in the country where the income is generated. As such, non-residents are taxable on letting income arising in Portugal. If you conduct a *local lodging* business (short-term furnished lets to holidaymakers), your income is reported in Category B (Self Employment). As a Portuguese-based business activity, it may not need to be declared in your home jurisdiction as per the prevailing double tax treaty. You should consult with the applicable double tax treaty.



If you practice long-term rentals, this assessment should be eligible for an international credit in your home jurisdiction, once income has been declared and tax paid in Portugal.

## **NON-RESIDENTS AND FISCAL REPRESENTATION**

*Non-Residents* sometimes wonder why they need Fiscal Representation. First and foremost, for non-EU citizens, it is a legal requirement. Any non-EU citizen owning property or with income arising in Portugal must designate a resident entity to serve as *Fiscal Representative* to assure fulfilment of all tax obligations. For European Union and European Economic Community citizens, Fiscal Representation became optional in 2012.

***Question: Should I maintain my Fiscal Representation now that it became optional?***

**euroFINESCO:** Our mission is to take charge of your compliance needs, keep you informed and back you up in a foreign land where you can easily be vulnerable. With our knowledge, experience and know-how working for you, we can give you the support that you need to make the most of your life in Portugal while helping you to pay the legal minimum.

Fiscal Representation is automatically included at no extra cost for some *non-residents* through several of our assistance packages. For others, it will be an important option, chosen with specific purposes in mind. Whatever your situation today, we are confident that you will continue to welcome our support to find cost-effective solutions to your on-going needs in Portugal.