



## Communications from the Tax Office

As a resident foreigner, you may receive letters from the Tax Office (“AT”). Just as happens with many Portuguese citizens, you will be baffled by the encrypted content, written in unadulterated “bureaucratese”. The letter may come with a “*number*” that might seem to be a tax demand. It may also contain a “*deadline*”, defining when you are supposed to react.

The first order of business is: “*Don’t panic.*” Scan the letter and send it to your tax accountants. They will know how to interpret the content. If there is a problem, they can assist you. While taxes will not go away on their own, with proper assistance, you need only to pay what is legally due.

Examples of *regular communications* you may receive:

- The “*IUC*” - road tax;
- The “*IMP*” - annual council tax;
- A “*Nota de Liquidação*” - a tax demand.

Or it can be of an unusual sort:

- An invitation to visit the local “AT” and clear up an issue they don’t understand in your tax declaration;
- It could also be a “*wake-up call*” because the “AT” has found that they would like to have a tax declaration from you.

If the “AT” has a problem with your tax declaration, the accountant can start an appeal. This will also result in new missives sent to your address. Just pass them on.

Sometimes, it may be the “AT” that is at fault. Other times, it can be an oversight or a simple error on your declaration. When the wrong number has been entered, if there has been a simple omission or misunderstanding, a *substitute declaration* may be in order.



When back taxes are due, the consequences may go far beyond the immediate circumstances. Take the example of John S. receiving a disability pension paid from another EU country. Although he was granted disability benefits in subsequent years, *Finanças* overlooked his disability status in his factually correct declaration in year one. The mistake, despite many attempts, was never properly corrected and the debt remained on the books. Due to the outstanding liability, he eventually lost his benefits for the other years. These changes led to a reassessment with tax due in excess of €25,000. Needless to say, a series of complicated appeals followed.

Part of the problem for foreign residents is the lack of expertise at the local level (*Repartição*). International fiscal law can be complex and even in councils with large international populations, it is unusual to find officials who are knowledgeable about Double Taxation Convention issues.

On the bright side, progress has been made in recent years. “*Simplex*” has made inroads in many areas. Some matters that once took months to sort out can now be handled in 48 hours.

### **No communications**

You may say: “I never receive anything from the tax office.” If this is the case, there are two possible explanations: 1) you may be one of the lucky taxpayers who never has a problem, or 2) you may have the wrong address registered with the “*AT*”. The latter can lead to serious consequences where failure to receive important missives may lead to a compounding of tax liabilities. It is important to find out which is the case.