



## INCOME FROM PROPERTY

### *What should you do in 2018?*

Foreign investment in Portuguese real estate has been both popular and lucrative in recent decades. Once purchased, many people manage to make a tidy income from renting out their property. In popular tourist areas such as the Algarve, one or two week lets to tourists during the high season can prove a profitable enterprise. Unfortunately, over the years, many have disregarded compliance obligations. Whether due to ignorance (never an excuse) or greed, many fail to register their activity, sort out any licensing requirements, nor declare and pay tax on income.

#### ***Clarity in Legislation***

Legislation was passed in 2014 and contemplates clearly the arrangement that matches the most common letting practice: “*self-catering*” *villas and apartments*. These short-term furnished lets occur primarily during the summer months sometimes with private usage by the owner off-and-on during the remainder of the year.

Such a pursuit is clearly seen as a business (*tourism*) and is regulated as a commercial tourist-related business activity under Category B.

An entirely different set of statutes governs long-term residential rentals: the “*Regime de Arrendamento Urbano*”. This legislation defines the relationship between landlord and tenant and normally requires a written contract (when covering a period greater than 6 months) in order to define precise conditions to be agreed. A complete overhaul of this set of legal codes took place in 2006 and is unlikely to change substantively for the foreseeable future.

#### ***What constitutes Local Lodging?***

- a) **Definition:** Villas, Apartments or Guest Houses providing a) short term lodging, b) for consideration, c) not meeting established criteria of an “*Empreendimento Turístico*” (tourist resort).
- b) **Minimum Standards:** 1) *Quality* and 2) *Safety* as defined in regulations (*Portaria n° 517/2008*).



- c) **Registration:** with Local Council (“*Câmara*”)
- d) **Exclusivity:** Only registered “Local Lodgings” may rent to tourists, either by their owners or through agents.
- e) **Information Sharing:** The local Council must share the Registry with “*Turismo de Portugal, I.P.*”

### ***Fiscal Representation***

Your Fiscal Representative should be your first and foremost ally. With inspectors issuing heavy fines, having an experienced, professional Fiscal Representative to protect you is the most sensible strategy to follow. In the event of a tax audit, property managers, helpful neighbours or even a local solicitor, currently forwarding “Rates” bills to owners, are often at a loss to mount a proper defence when the inspectors knock on the door. Let our experience, expertise and know-how work for you to help you maximise your income from Portuguese your property.

### ***Compliance***

If you have long-term tenants, you should have a formal rental contract in triplicate: one copy for you, the landlord; another for your tenants and, finally a third to be registered with *Finanças*.

If you let furnished accommodations to holidaymakers, you will need to begin with a Local Lodging License.

If you lease to a Holiday Resort or a tour operator, you need to respect your compliance obligations. Whatever your situation, **euroFINESCO**, as your Fiscal Representatives, can help satisfy your requirements.

### ***Portuguese Income Tax Declaration***

It should not come as a surprise that if you derive income from a piece of Portugal, then your first and foremost tax obligation will be to *Finanças*. However, if you are fiscally fully compliant as well as properly represented, an inspector will be hard-pressed to find you guilty of any wrongdoing.

*Non-residents* also need to report this income in their home jurisdiction. Any tax paid in Portugal should normally stand as a foreign tax credit, thereby eliminating any double taxation.



### ***Our Local Lodging Plan***

By reporting your activity as tourism business, we can limit your taxation in Portugal to just <9% of your gross income. Just as important, this form of business registration eliminates any further tax obligations in your home jurisdiction, all in a fully compliant fashion.

### **ESSENTIAL SUPPORT SERVICES**

At **euroFINESCO**, we can help you take the right steps:

**Comprehension:** Facilitating the understanding of the key requirements and how they apply to you.

**Clarity:** Providing Fiscal Representation Services;  
Linking you to specialised lawyers to prepare *protective contracts*.

**Compliance:** Local Lodging Licensing Registrations;  
Preparation of Portuguese “*IRS*” Tax Declarations;  
Double Tax Treaty issues.

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