



LOCAL LODGING PLAN **from euroFINESCO**

While Portuguese tax rates have recently increased on many forms of income, **euroFINESCO** has unlocked a fully compliant strategy that can dramatically reduce tax assessment on short-term lets to holidaymakers (“*Local Lodging*”).

By law, *Non-Residents* must report conventional rental income both in Portugal as well as in their home jurisdiction with double taxation being eliminated via international tax credits for tax paid in Portugal. Up to now, this extra rental income often “top-slices” total income into higher rate tax brackets, reducing final benefits to owners.

For those engaged in qualifying short-term tourist lets, our *Local Lodging Plan* allows you to reduce your income tax assessment substantially.

*(If you do not as yet have a Local Lodging License for your property, **euroFINESCO** can help you obtain the necessary permit, one of many of our standard Fiscal Representation services.)*

What is the Plan?

The Local Lodging Plan allows you to operate on a commercial basis, rather than a strictly Rental Basis. There are a number of mandatory one-off steps that need to be completed in order to operate as a business rather than a simple letting activity. On an ongoing basis, there are additional reporting requirements and administration. We will take care of all of these needs for you and get you up and running in a compliant fashion as quickly as possible.



What are the advantages?

Under current legislation, only a small percentage of your Local Lodging income is taxable. This equates to an effective tax rate of <9% on your gross income versus the standard 28% rate for long-term rentals.

Example

On Local Lodging income of €10,000, “IRS” assessment would be only €875 by using our Plan. If reported as rental income, the tax would be €2,800 In conclusion, reporting as a business represents tax savings of €1,925 in this case.

Are there other benefits?

Further benefits include simplified procedures, elimination of ever-changing criteria on deductions as well as the possibility to recover part or all of VAT paid on operating expenses. In addition, this solution can be backdated to encompass all of the current year or can start next year.

VAT

If your Local Lodging income is under €10,000 pa, you do not charge VAT. There is no requirement to present accounts for operating expenses.

If your income exceeds €10,000 pa, you will need to file quarterly VAT declarations. With any luck, you may be eligible to claim back VAT paid out on your expenses. Legitimate expenditures directly related to your business activity should qualify, presenting a broad range of eligible expenses as opposed to the very narrow deductions on conventional rental income.



Social Security

Like any business activity within the EU, you will have to comply with mandatory Social Security requirements. However, you may be eligible for an exemption if a) you are in receipt of a State Pension (an “old age” S.S. pension) or b) you already make Social Security/National Insurance contributions in your home jurisdiction.

What else should I know?

To meet recordkeeping obligations, you will need to send us information about your income activity on a regular basis. If you are not exempt from VAT, you will also need to arrange for copies of your expense invoices to be sent to us on a monthly basis for regular VAT reporting. This can all be done by email.

If your booking agent currently deducts withholding tax from your income, this will continue to be done at a higher rate. Nevertheless, refunds will be made as appropriate when your final tax demand is issued.

Conclusion

Our Local Lodging Plan is just one more example of how **euroFINESCO**'s experience, expertise and know-how works for you, keeping you tax compliant while you pay only the legal minimum.