



**euroFINESCO's
LOCAL LODGING PLAN**

While Portuguese tax es 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.

Letting to Holidaymakers

Historically, *Non-Residents* reported rental income both in Portugal as well as in their home jurisdiction. Up until now, double taxation was eliminated via international credits for tax paid in Portugal. This extra rental income often “top-sliced”, increasing income tax and reducing profits to owners. For those engaged in short-term tourist lets, our *Local Lodging Plan* allows you to reduce substantially your income tax assessment.

Local Lodging allows you to operate on a Commercial Basis, with many associated benefits, rather than a long-term Rental Basis. Under current legislation, only 15% of your Local Lodging invoicing is subject to taxation. This should equate to an effective tax rate of 8.75% on gross income versus the existing 28% rate for long-term rental income for *Non-Residents*.

Equally important, according to Double Taxation Treaties throughout the EU, there is no further assessment on this income in your home jurisdiction as these business profits are solely taxable in Portugal. Therefore, you are safeguarded against being taxed on any balance due above and beyond what you pay in Portugal.

What is the Plan?

Our Local Lodging Plan allows you to operate as a *tourist business*, with associated benefits, rather than on a *rental* basis. After mandatory one-off registrations, there are regular reporting prerequisites and basic administration that need to be completed. We will take care of all of these requirements for you for a modest annual charge.



What are the tax advantages?

Under Portuguese law, only a small portion of Local Lodging income is taxable when declared as an independent tourist business activity. For non-residents, this equates to an effective tax rate of just 8.75% versus 28% for long-term lets. Even better, according to Double Taxation Agreements throughout the European Union, these earnings are only taxable in the country where the business activity is established, safeguarding against further assessment above and beyond what you pay under Portuguese law: *only 8.75%*.

The following chart shows how much you can save year in, year out:

INCOME	€5 000		€10 000		€20 000	
reported as	local lodging	rent	local lodging	rent	local lodging	rent
annual charges	700	350	700	350	1100	350
VAT refund *					400 †	-
Portuguese tax	437	1 400	875	2 800	1 750	5 600
net foreign tax	-	600	-	1 200	-	2 400

INCOME	€30 000		€50 000		€100 000	
reported as	local lodging	rent	local lodging	rent	local lodging	rent
annual charges	1100	350	1100	350	1100	350
VAT refund *	600 †	-	800 †	-	1 600 †	-
Portuguese tax	2 625	8 400	4 375	14 000	8 750	28 000
foreign tax ❖	-	3 600	-	6 000	-	12 000

* VAT charged to occupants @ 6%; VAT paid on expenses @ 23%

† estimated net VAT refund ❖ estimated net tax rate at 40%



Are there other benefits?

Further benefits include simplified procedures for owners when compared to reporting convention letting income. The ever-changing criteria on deductible expenses associated with long-term lets will be a thing of the past, thanks to simplified, straightforward procedures.

VAT

If your income falls under €10,000 pa or your property is part of a Tourist Development, your business activity will be VAT exempt. This means that you do not collect tax from your customers nor do you present VAT declarations to *Finanças*.

If your Local Lodging income exceeds €10,000 pa, you will need to file regular VAT returns. However, with any luck, you should be eligible to recover part if not all VAT paid out on your business operating expenses.

Many expenditures directly related to your business activity should qualify, presenting a broad range of eligible expenses as opposed to the very narrow spectrum of deductions available in recent years when reporting as conventional long-term letting income.

In addition, there is a strong possibility that you can recover part, if not all, of VAT paid on your operating expenses. Finally, this solution can be backdated or you can start in the current tax year if appropriate.

What about costs?

We avoid an initial charge to cover set-up steps and only charge annual fees reflecting your level on income. On-going annual fees fall into two bands, depending on the level of your Local Lodging income.

Social Security

You will have to meet Portuguese Social Security requirements. You may be eligible for an exemption if you already receive a Social Security pension or currently make contributions in your home jurisdiction. We will set up the most advantageous status that applies to you.



What else should I know?

To meet record keeping needs, you will need to send us information on a regular basis. If you are not exempt from VAT, you will also need to forward 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 or post.

Given the 3½ fold difference in VAT rates between what you collect from costumers and what you pay on business expenses, there is a strong possibility that you may be eligible for a tax refund.

Registration

If you do not yet have a *Local Lodging Registration*, we can guide you through the process and help you obtain the necessary permit with our ***Fast Track Plan***, just one of our many Fiscal Representation services.

Excellence in Fiscal Representation

Our Local Lodging Plan is just one more example of how **euroFINESCO's** experience, expertise and know-how can work for you, keeping you tax compliant while helping you to pay only the legal minimum. Our diverse services and friendly assistance can help you overcome hurdles and provide the needed support to make the most of your life in Portugal.

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