



## Local Lodging: VAT Refunds

The Value Added Tax charged on many operating expenses related to your Local Lodging business may be reclaimable. Most operators find themselves eligible for a tax refund because the VAT paid on expenditures is at the rate of 23% while the VAT collected on “AL” income is just 6%. Often this nearly four-fold difference makes it possible to achieve a partial or even full refund of the VAT payment.

Note the following examples of deductible expenses:

- Property management;
- Laundry;
- Costs with Personnel;
- Accounting services;
- Pool & garden maintenance;
- Cleaning services;
- Furniture;
- Fixtures and fittings;
- Heating fuel;
- Mobile phone;
- Internet;
- Cable TV;
- Cleaning products;
- Linens;
- Electricity;
- Water;
- Gas;
- Other utilities;
- Repairs & Maintenance;
- Diesel fuel (50%);
- Welcome packages;
- Decorations.

This list is not all-inclusive. Other necessary expenses for conducting your AL business may also be eligible. If in doubt, please take advice.

Note that if a product or service is already VAT exempt (such as insurance or rent), there will be no VAT to reclaim.

Examples of non-deductible expenses are:

- VAT charged on petrol,
- Travel expenses,
- Capital improvements,
- Property taxes,
- Insurance,
- Bank Charges.

Expenses are only refundable when supported by proper documentation. This is usually a sequentially numbered invoice (“*factura*”) with your name and fiscal number.

Please note that we will only be able to request your first refund beginning in the your second year of VAT registration.