



Taxation of Income from “*Local Lodging*”

Definition of “*Local Lodging*”

In Portugal, “*Local Lodging*”, as defined in Decree Law n° 39/2008 of 7 March 2008, is a commercial *tourism business*. This form of enterprise is registered, licensed and approved through the Portuguese Revenue Authority, the Portuguese National Tourist Board as well as the Local Council where the property is situated.

As a tourist accommodation, it must be a) a furnished and equipped facility, b) available to the general public, c) meet specific health and safety standards and d) for a duration of stay less than 30 days.

International tax treatment

Owners carry on this type of business through a Portuguese property (the *permanent establishment*) and are wholly taxed on profits in Portugal according to Article 7 of Double Taxation Treaties throughout the European Union and member countries of the OECD. Accordingly, Non-Residents may not suffer further assessment in their jurisdiction of tax residence beyond what they have already paid in Portugal. It is important to consult the relevant double tax treaty.

Taxation in Portugal

As stipulated through EU non-discriminatory practices, Residents and Non-Residents are treated on a comparable basis by corresponding rules. Most Owners are assessed under the “Simplified Regime” of Category B (*Business Income*) where they receive a flat exemption of 65% on gross income (rather than itemising deductible expenses).

Residents then add the remaining 35% to other taxable forms of income in Portugal and are assessed at marginal rates. Non-Residents have the standard levy of 25%, leaving a final tax to pay of 8.75% of gross business income.



Immoveable Property Rentals

Local Lodging differs from rental activities which are residential rather than commercial. Rental contracts are required between landlord and tenant when rental periods exceeds 6 months. In Portugal, rental income is taxed under Category F (*Income from Immoveable Property*) while Local Lodging is assessed under Category B (*Business Income*). Internationally, rental income allows for both source and residence countries to assess with double taxation eliminated via international tax credits, according to Articles 6 (*Income from Immoveable Property*) & 23 (*Methods for Elimination of Double Taxation*) of the above mentioned tax treaties.

Note: Also consult brochure b13, “**Local Lodging Letting**” or the NALLE handbook.