



LANDLORDS

Required Expenses

If you are considering renting out your property in Portugal on a long-term basis (to residents rather than holiday makers), you must take into consideration the financial obligations that are the responsibility of landlords. Taxes, waste removal, painting, maintenance of elevators or condominium fees are just a few examples of what you can expect.

The good news is that most of these costs, in particular those related to the maintenance and repairs – as well as condominium expenses – may be deductible for tax purposes. With recent IRS Reform, landlords can deduct expenses incurred to secure rental income - renovations, improvements, agency fees, etc. Note that rentals relate strictly to the structure of the building (*“as paredes”*), not how the space is used, such as furnishings and fittings, decorations, comfort and appliances. These are seen as in the domain of the tenant.

Here are the principal expenses that are responsibility of the landlord:

Maintenance and Repairs

The Portuguese Civil Code states that it is the landlord who must perform necessary maintenance and repairs unless other arrangements have been contracted with the tenant. If the work is urgent and the landlord holds off in carrying them out, the tenant may do the work and later be reimbursed by the landlord without requiring recourse to the courts.

Condominium Costs

In the case of a rented apartment, the landlord still has the responsibility to bear the expenses related to the management, conservation and use of the common parts of the building. If you agree with the tenant a monthly amount to cover these overheads, adjustments should be made every six months.



Stamp Duty

This tax is levied on deeds, contracts, and other relevant documents not subject to VAT. For leases and subleases - including changes involving rent increases and promissory contracts - Stamp Duty is levied at 10% of the value of the annual rent. It is now mandatory to report all new leases (“*Modelo2*”) on the *Finanças* website by the end of the following month.

Property Tax

“*IMI*” (Property Rates) is always the responsibility of homeowner, even if the property is under a rental contract. It should be noted that with the end of the *safeguard clause* – a measure taken in recent years to combat the sudden jump in IMI assessments after the implementation of comprehensive property revaluations – some homeowners have suffered an exceptional increase in their “*IMI*” (Rates) bill this year.

Energy Efficiency Certificate

Landlords are required to have an *Energy Certificate* for each property that they lease. This document contains information on the energy efficiency characteristics of the building. It is valid for 10 years and is subject to on-going renewal. The inspection costs vary depending on the size and type of usage of the building. Charges are open to free market competition. Typical estimated costs range €150 to €350 + VAT, depending on size. In addition, there are government administrative fees between €35 - €65 + VAT for residential property, also according to size.

Note: *You may also want to consult our brochure n° 69, “Landlords and IRS: Changes in Assessment”*