



## ELECTRONIC RENT RECEIPTS

The requirement to register rental contracts and issue electronic rent receipts via the Internet with *Finanças* has raised many doubts among landlords. Here are 14 key questions and answers regarding these procedures and how they work.

***1/14: I have a house for rent. Do I have to issue electronic rent receipts?***

Yes, with two exceptions. Landlords are obliged to issue electronic rent receipts for income received or made available under Category F, even when it is for security deposits or advances, if they have not opted for the taxation as a business activity in Category B. While this requirement came into effect in May of 2015, landlords may continue to use paper receipts until November without being subject to fines.

***2/14: Who is exempt from issuing rent receipt electronically?***

Landlords in Category F may be exempt from issuing electronic rent receipts if:

- a) In the previous year, they had annual rental income below €838.44 and, cumulatively, do not have an email address.
- b) Alternatively, landlords over 65 years old (as of 31/12 in the preceding calendar year) are not required to issue electronic receipts. It should be noted that, despite being exempt, they may still opt to declare electronically. Alternatively, they can have an intermediary report on their behalf.

***3/14: What happens if I only start issuing electronic receipts in November?***

Although the ordinance took effect in May, the government has given more time for landlords to adapt to the new rules. Landlords can continue to issue paper rent receipts until November without paying fines. However, they must switch to the electronic version as of 01 November. At that time, they must issue the electronic rent receipts for the months from January to October as well as the receipt for November.

***4/14: Can I change an electronic rent receipt without having to alter the original contract registration itself or the “Minimum Contract Elements”?***

Yes, prior to issuing the receipt, you can change some elements such as the amount of income, the period to which it relates, strike off of a lessor or lessee in the event of multiple landlords or tenants in the contract.

***5/14: What are the Minimum Contract Elements?***

The *Minimum Elements* of the contract have to be recorded to permit issuing of electronic rent receipts. Data can be changed at any time. Simply select the contract in question, select "Edit", change and save.

The *Minimum Elements* of the contract are:

- “NIF” (fiscal number) of the landlord and tenant;
- Property Identification (property registration number);
- Contract type (for example: lease, sublease or promissory contract);
- Contract purpose (example: permanent housing, not permanent housing or no housing);
- Starting date of the contract;
- Amount of Payment;
- Frequency of payments.

***6/14: I began renting after 31 March 31 2015 (after the decree law came into effect). How should I issue electronic rent receipts?***

In this case, it is necessary to submit a declaration *Modelo 2* to report the rental contract for settlement of Stamp Duty, which is subsequently registered into the “AT” database.

To issue electronic rent receipts, simply go to the *Finanças* website ⇒ Tax Services ⇒ Submit ⇒ Rent (here you enter your fiscal number and password) ⇒ Issue the Rent Receipt. On this page are listed all of the contracts registered to the Landlord. Simply select the appropriate contract for which you wish to issue the electronic rent receipt.

***7/14: I started renting before April 2015. How do I issue electronic rent receipts?***

In this case, you should register on the *Finanças* website to identify the *Minimum Contract Elements* which will allow the issuing of electronic rent receipts.

To do this, simply go *Finanças* website ⇒ Tax services ⇒ submit ⇒ rent (enter your fiscal number and password) ⇒ issue of rent receipt. On this page, you should select "*add another agreement*" and proceed to the characterization of the contract identifying the *Minimum Elements*. After recording this data, you can select the contract on the homepage for future use.

***8/14: The lease is in the name of several tenants. Must I give separate receipts to each one?***

It is not necessary to issue a receipt to each tenant. Respective identification is already part of the receipt when identified in the *Registration Contract* or in the *Minimum Contract Elements*. However, if you wish, you may issue an electronic rent receipt individually to each, declaring the proportional share of the payment.

***9/14: We lease a property belonging to several owners. How do we issue receipts?***

Each of the owners of the property, and their respective share, should be identified in the *Registration Contract (Modelo 2)* or in the *Minimum Contract Elements*, depending on whether the contract was done before or after 31 March. The electronic rent receipt can be issued either by just one of them, with the permission of the others, or by all, in respective shares.

The same rule applies in the case of rented premises belonging to an *undivided inheritance*. However, it is the executor who must submit the *Modelo 2* statement or record the *Minimum Contract Elements*.

Since landlords over 65 years old are not required to use electronic rent receipts, if one of the heirs fall in this age group, he/she can issue a paper rent receipt according to his/her share or, if all agree, be part of the full invoicing of the rental income.

***10/14: Can I authorise a third party to issue electronic rent receipts on my behalf?***

In the case where a homeowner surrenders the management process of the lease to an intermediary, a third party can issue the electronic rent receipt on behalf of the Owner. Agents who are authorized to issue the receipt on behalf of the landlord do not have access to other tax information of the Owner. It should be stressed that, while authorizing a third party to issue receipts, the landlord is still ultimately responsible for the fulfilment of this obligation.

***11/14: Can someone else to issue receipts in my name?***

If the lease was created after 01 April 2015 and is already registered with *Finanças*, the landlord may authorize a third party to issue the rent receipt, identifying the third party in Table VII of *Modelo 2*.

When the agreement began prior to April 2015, you must access your personal area on the *Finanças* website to authorize a third party to issue the electronic rent receipt. Go to the website ⇒ click Tax Services ⇒ Submit ⇒ Rent ⇒ Send Rent Receipt. Select the appropriate contract and indicate the Fiscal Number (“NIF”) of the authorized third party.

***12/14: I have a Power of Attorney to issue electronic rent receipts on behalf of the Owners. How should I proceed?***

You should go to a local *Finanças* office with the authorising documents for them to verify and record the authorisation that complies with the obligations of *Modelo 2* and the issuing of electronic rent receipts.

***13/14: The condominium leases a property. Who should communicate the elements of the contract and issue the electronic receipts?***

The condominium administrator is the one who should issue receipts. He should go to the local *Finanças* office with the Condominium Board Minute showing that he was duly appointed to comply with this obligation.

***14/14: It is possible to cancel an electronic rent receipt?***

Yes, receipts can be cancelled if done before the end of the corresponding fiscal year. To do so, cancellations must be requested directly by the issuer of the receipt (normally, the landlord) on the “AT” website.

**CONCLUSION**

Many of these changes have come about to counter widespread failure to report rental income. On the positive side, the reforms should help tenants to receive tax credits to which they are entitled - over €500 in tax credits. Unfortunately, the reforms also add new layers of red tape - albeit in electronic form - to an already cumbersome system. Only time will tell whether greater overall compliance will actually come as a result.