



New Red Tape for Rental Income (Category F)

In our contemporary world of comprehensive information sharing, gone are the days when a property owner could quietly rent a villa or apartment without reporting to the Tax Authorities. With 2015 tax reforms come new reporting requirements by landlords to *Finanças* who have rental income under Category F that assure that they pay any tax due.

New reporting obligations

a) ***“Modelo 2” - Registration of Rental Contract***

Mandatory Rental Contracts must be reported via the filing of *Model 2*. This form identifies the parties, the property, the price and the terms of the agreement.

b) ***On-going Electronic Rental Receipts***

Electronic Receipt Forms must be issued in Portuguese in duplicate on a monthly basis. Reported via the *Finanças* website, copies are issued to the tenant with a second copy retained for the landlord's records.

c) ***Annual Rental income Summary***

In January following the tax year, landlords must declare an annual summary of rents received via Model 44 (*“Comunicação Anual de Rendas Recebidas”*).

Existing reporting requirements have not eased. The annual personal income tax declaration (“IRS”) still necessitates completion of Annex F. Any expenses must be accompanied by original invoices that include both the name of the landlord and the corresponding tax number.



Other compliance measures

In an effort to entrap non-compliant landlords, utility companies must now report periodically consumption data of supposedly empty villas and apartments to the Tax Authority (“AT”) to verify whether or not there is effective occupancy.

Tax incentives

While housing tax breaks for mortgage interest have been gradually disappearing in recent years, credits for tenant-declared rent remain intact. In order to receive this tax break, the tenant must reveal the Landlord’s fiscal number.

Conclusion

On the positive side, demand, price and other underlying conditions have improved significantly in recent years in the Rental Market. However, with regulatory regulations firmly in place, landlords will now need to make sure that they are fully compliant with compulsory bureaucratic procedures to be enforced by the Tax Authority (*Finanças*).

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