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FISCAL & EXPATRIATE SERVICES

#### AIMI: what it is & how to avoid it

As a first-time tax, it is not surprising that many have been caught unaware of their liability to pay AIMI and, more importantly, how they can avoid the disturbing consequences. The new Additional assessment to IMI (*Adicional Imposto Municipal Imobiliário*) is sending shock waves to individuals and company owners who unwittingly find themselves under the weight of this new fiscal obligation.

- Couples with joint assets who failed to register on time may loose out on a substantial part of their exemption;
- Bereaved families in the grips of sorting out complicated estate settlements;
- Owners of property holding companies who face a doubling (or more) of their property taxes with this added tax.

## Who pays AIMI?

The new levy is applicable to all urban properties held by companies. In the case of individual ownership, a deduction of €600,000 is allowed to the taxable basis. Married or cohabiting couples who opt to submit a joint tax return are entitled to deduct up to €1,200,000 from the VPT sum of all of their urban holdings. Properties granted IMI exemption in the previous fiscal year are also excluded from AIMI. Companies domiciled in black-listed jurisdictions face a punitive tax rate of 7.5%. Coupled with normal IMI, the combined assessment jumps to 15% pa.

### What is the taxable basis for AIMI?

The taxable basis corresponds to the sum of the Rateable Values ("Valor Patrimonial Tributável") of all urban properties held by each taxpayer, as reported on 01 January of each year.

#### When is AIMI due?

AIMI is to be assessed by the Tax Authorities ("AT") in June of each year with the respective payment being made during the month of September.



#### How much will I owe?

Based on the Ratable Value ("VPT") of the property, the applicable AIMI rates, after deductions, are as follows:

Taxpayer	Rate
Individuals (1) and undivided inheritances	0.7%
Companies (2)	0.4%
Urban properties owned by entities in black-listed tax havens	7.5%

- 1) To the taxable amount above €1,000,000, or €2,000,000 for married or cohabiting couples, a marginal rate of 1% will apply in case of individuals.
- 2) In the case of urban properties held by companies that are intended for the personal use of their shareholders, board members or any administrative bodies of the entity, the rate of 0.7% shall apply. In these cases, if the taxable amount exceeds  $\in$  1,000,000, the marginal rate increases to 1%.

*Example:* A company owns a house in Portugal with a ratable value ("VPT") of €300,000. The regular annual IMI bill comes to €1,200. With AIMI, the total assessment doubles to €2,400. However, if the shareholders live in the house, triggering 0.7% rates, the additional levy will add another €2,100 each year, for a total of €3,300 pa.

# How to exempt your company from AIMI

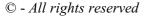
Companies holding properties that are licensed for commercial, agricultural or industrial purposes are exempt from AIMI. For example, if a company is licensed for Local Lodging – deemed to be a commercial business activity (tourism) – no AIMI is due, even if the company's property is subsequently lent to the someone else for development (*Contrato de Comodato*"). Even with little or no business turnover, the Company should be able to claim exemption from AIMI based on its business license. In the event of owner occupancy, an existing license should also free the Company from the Additional levy.

#### **Conclusion**



While this tax can appear to be devastating to property company owners, closer examination reveals that, with a few simple steps, these corporate structures can be achieve exemption from AIMI.

As newly applied legislation, there is bound to be a learning curve for all concerned. It is reasonable to expect a certain degree of "tweaking" in the foreseeable future.



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