



## **FAQ's - Freelancers and the Simplified Regime**

Many foreign residents plan to open a small business when they move to Portugal. Regardless of your interest or motivation, it is essential to understand the basic requirements in Portugal before launching and conducting your new business activity. With **euroFINESCO** at your side to meet compliance obligations, we will help you get off to a good start while better serving your clients throughout the EU and beyond.

### **Sole Trader Start-Up from euroFINESCO**

To get you started on the right foot, we offer the “**Sole Trader Start-Up Plan**”. This comprehensive package of services includes everything you need to begin your activity in the first year of business in Portugal.

#### **“*Início de Actividade*” (Registration)**

Formal registration of your business activity with *Finanças* is the first step, where we detail for you all required information about yourself and your planned endeavour.

#### **“*Recibos Verdes Electrónicos*” (Electronic Green Receipts)**

Freelancers may no longer buy books of Green Receipts and must file invoices electronically via Internet. **euroFINESCO** will assure that you use the correct procedures within the designated time periods

#### **Social Security**

Freelancers must register with Social Security and make monthly payments in the beginning of the second year of business activity. Services as well as Sales and Production now contribute 29.6% (21% in 2019). If you receive Social Security benefits or already contribute to Social Security in another country, you may be exempt in Portugal.



## **National Health Coverage**

As a freelancer, you will be eligible to apply for your “*Cartão de Utente*” (National Health Card). With this card, you will gain access to local Health Centres as well as Regional Hospitals. The card also entitles you to 70-90% reductions on medication and prescriptions at local pharmacies.

## **“IVA” (VAT)**

Unless your income or activity exempts you from “*IVA*” (Value Added Tax), quarterly Portuguese-language submissions need to be filed. If you subsequently invoice primarily outside of Portugal to other countries of the EU, this reporting could entitle you to refunds for “*IVA*” paid on your business expenses.

## **FAQ'S**

### ***What is the difference between Standard Accounting and the Simplified Regime?***

“Standard Accounting” refers to the traditional system of accounting that calculates taxable profits from the net difference between income and expenses. This method requires professional accounting services (“*TOC*”). Under the “Simplified Regime”, taxable income is calculated as a percentage of invoiced income (from the total of “electronic green receipts”) and is usually self-administered.

### ***May I choose which method I prefer to use?***

If you started your business after January 2001, you were initially be placed in the Simplified Regime unless you specifically opted for Standard Accounting on the “*Início de Actividade*”.

### ***Do most self-employed go automatically into the Simplified Regime?***

Yes, but not all. The Simplified Regime is designed for smaller businesses. Gross income must not exceed: €200 000.



### ***What happens if my income exceeds these limits?***

On a one time basis, you may surpass these thresholds by 25%. If repeated, you will fall into Standard Accounting. Subsequently, a “CC” (Chartered Accountant) must do the monthly books and reporting.

### ***Initially, I opted for Standard Accounting but now realise that the Simplified Regime is more advantageous. Can I switch?***

Yes, taxpayers may switch in the following fiscal year if they so wish.

### ***I only had €1,500 of income from a sideline business. How should I report?***

When self-employed income constitutes less than one half of an individual’s declarable income, it may be treated as an “Isolated Act” following traditional accounting rules. No “TOC” is required.

### ***How do I calculate my taxable income?***

Until other activity-specific means are established, the calculation for determining taxable income is as follows:

<b>Category B Expanded Simplified Regime in 20145</b>	<b>Base</b>
Sales of goods and services; Activities related to tourism	15%
Liberal Profession business activities ( <i>profissões liberais</i> )	75%
Other income from services	35%
Royalties, know-how, other income in connection with activity; Rental income not declared in Category F.	95%
Non-business related subsidies	30%
Business related subsidies; Other sources of income not listed	10%

This income is added to other sources of income (called aggregation) to determine your final rate of taxation.



***Is it true that there is a minimum tax?***

No. While it used to exist, the minimum tax was abolished in 2010.

***When do I have to collect IVA from my clients?***

*IVA* (Valued Added Tax) requirements are the same under both methods. Once income exceeds €10 000, regular *IVA* collection and reporting is mandatory, either on a quarterly or monthly basis, depending on business volume.

***Do I have to make contributions to Social Security?***

Beginning in the second year of business activity, you must make monthly payments to Social Security at the rate of 29.4% of your taxable income (21% in 2019). If you already contribute to Social Security in another country or receive Social security benefits, you can request exemption from paying again in Portugal. Alternatively, you may be eligible for reduced contributions.

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