



Sole Trader ***Isolated Act***

If you are a *salaried worker* (Category A) but do a *sole trader* project (Category B) on a one-off basis, you do not have to open business activity with *Finanças*. Just issue a receipt as an *Isolated Act*. This mechanism can only be used if the service that you are carrying out is not an on-going activity. Additionally, you may do only one *Isolated Act* per each tax year. If you are thinking about using this option, here are a few factors to take into consideration.

1. How to issue an *Isolated Act*?

To issue an invoice for an *Isolated Act*, you will have to do so through the *Finanças* website, just as you would for *Electronic Green Receipts*. As usual, you need to use your password to gain access to your page. Once there, you will have access to the *issue receipts* area where some data should already be filled in. If you notice anything wrong, make the appropriate corrections. You will have to identify your customer through his/her fiscal number (“*NIF*”), identify the services provided and the amount received. Also you will have to identify the VAT due and any withholding tax. Do not forget to mention the reason for payment - *Isolated Act* - and print your receipt in duplicate. Remember, you should not withhold tax on income resulting from a commercial, industrial or agricultural activity.

2. Paying VAT

When issuing the invoice for an *Isolated Act*, you will have to charge VAT on the amount agreed for the service. You should inform your client that you will declare the service as an *Isolated Act*. Find out if



the service rendered is covered under Article nº 9 of the VAT Code, in which case it will be exempt from paying this tax.

VAT is payable by the last day of the month following the conclusion of the service, either at your local tax office or via a “*Multibanco*” machine when paying through the *Finanças* website.

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3. VAT rate to be used

When providing services, you must retain VAT at the rate of 11.5% if the amount received through the *Isolated Act* exceeds €10,000. If you choose to retain VAT on your own initiative, you will be subject to *estimated tax* two years later.

4. Completing your IRS declaration

If you issued an *Isolated Act* last year, you will have to complete Annex B on your annual IRS declaration: Table 4A and Table 7, including the amount of any withholding tax. You must also tick field 2 on Box 1. The data entered must be confirmed by the entity to whom the service was provided by 20 January of the year following the payment of the income.



5. Exemptions

Taxpayers who provide an *Isolated Act* will not be required to submit a tax return and are exempt from income tax if total annual income does not exceed €1,677.88. This corresponds to four times the Social Support Index (currently set at €428.90 per month). This measure is part of the IRS reform that seeks to promote the integration of young people into the labor market, who are often called upon to perform one-off projects.

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