



SOLE TRADER

Opening and Closing a business activity

Whether by choice, for profit or pleasure or the need to find other forms of supplementary income, the truth is that there are many people who choose to be sole traders as a way to make a living. More than 21% of Portuguese workers are self-employed, a percentage that placed Portugal with the highest level of self-employment in the EU. For a person to operate as a sole trader, some preliminary requirements must be met with *Finanças* and Social Security before you can start up business operations.

Opening a business activity

If you want to do business as a sole trader, the first step is to communicate your intentions to the Tax Authorities (“A.T.”) even before you begin trading. This is achieved by delivering the Opening of Activity Declaration (“*Declaração de Início de Actividade*”). This step can be done in person at a *Finanças* office or in a Citizens’ Centre (“*Loja de Cidadão*”). In these cases, a civil servant guides you through the process to complete the necessary forms and register you directly into the system. Taxpayers should also choose between being assessed in the Simplified Regime or in Standard Accounting procedures.

Portuguese tax residents can also open their business activity on the Internet through the *Finanças* website. To submit a declaration, you must first have a Portuguese Tax Identification Number (“*NIF*”) as well as your *Finanças* password (“*senha*”). Proceed as follows:

Home⇒ *Services*⇒ *Submit*⇒ *Activity Declarations*⇒ *Opening of Business Activity*



An important note: Once you have completed this final step, you can only start your business or professional activity after receiving confirmation by post in the form of a “dependability code” that will be sent to your registered address.

Another important point: If, rather than exercise an on-going business activity, you intend to perform an “Isolated Act”, you are excused from the requirement to submit an Opening of Business Activity Declaration.

Social Security

Registration for Social Security happens automatically and does not require you to complete any forms. If this is your initial registration, you are eligible for a first year exemption from contributions. Likewise, until your taxable sole trader income surpasses €2,515.32, you will also be exempt. In situations where you accumulate an independent business activity with salaried work or are in receipt a Social Security Old Age pension, you may also qualify to be excused from Social Security contributions. Please note that the standard level of contributions for Sole Traders is at the rate of 29.6%.

Closing your business activity

It is not at all uncommon for sole traders to cease trading yet fail to notify the Tax Authority of the fact. It should not come as a surprise that as far as *Finanças* is concerned, the activity remains open until reported closed. To wind up your self employment, you should go to an “AT” office, a Citizens’ Centre or to the *Finanças* website. To close your activity online, proceed to the “AT” website and go through the following steps:

Home⇒ *Services*⇒ *Submit*⇒ *Activity Declarations*⇒ *Closing a Business Activity*



On your next IRS tax return, you must refer to the cessation of activity in Annex B in Table 12. As happens with the opening of a sole trader activity, the cessation will be reported automatically to Social Security by *Finanças* and no further declaration is necessary on your part

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