



“Liberal Professionals” vs “Support Services”

For those whose business activity falls under the heading “IT Nomad”, two broad registration alternatives exist: as a “liberal profession” business activity as defined in the chart below or other income from support services.

“Value-added” Professional Activities

(assessed based on 75% of gross invoicing)*

- 1 - Architects and engineers;
- 2 - Visual artists, actors and musicians;
- 3 - Auditors;
- 4 - Physicians and dentists;
- 5 - Teachers;
- 6 - Psychologists;
- 7 - Professional services, technicians, etc.
- 8 - Investors, administrators and managers.

* CIRS, art. 151°

Under the Simplified Regime, liberal professionals apply 25% to business overhead and are assessed based on 75% of their gross invoicing. In contrast, “other business activities” pay tax calculated on 35% of total invoices, allotting 65% to expenses.

The 35% coefficient also applies to Local Lodging activities.

Example: Benjamin B provides “IT” services to a company in Germany. His gross annual invoices total €60,000.

- i) If taxed under Category A as a *salaried employee*, his “IRS” income tax would be as follows:

€19,200 (32%) + Social Security contributions of €6,600 (11%), totalling €25,800 or 43% gross annual income;



- ii) If assessed as a “*liberal professional*” Sole Trader under Category B, annual “IRS” would be:
€14,300 (24%) + Social Security contributions of 10,000 (17%), totalling €24,300 or 42% of gross annual income;
- iii) As “*non-habitual resident*” (NHR), annual “IRS” would be €12,000 (20%) + Social Security contributions of €10,000 (17%), totalling €22,000 or 36% of gross annual income.
- iv) As Sole Trader “*support services*” under the Simplified Regime, annual assessment drops to:
€5,000 (8%) + Social Security contributions of €10,000 (17%), totalling €15,000 or 25% of gross annual income.

As self-employed under Category B, there is also 50% income tax relief in year one and a 25% abatement in year two. Newly inscribed Sole Traders pay no Social Security contributions in their first year of their business activity.

Conclusion

By choosing the most advantageous method, you can be fully compliant and, at the same time, lock in important tax savings.