



## SELLING ELECTRICITY TO EDP

When selling individually-produced electricity back to EDP was first introduced a few years ago, the activity was not foreseen in legislation for business activities. For reasons of coherency, now it is.

Let us look objectively at the reality of this situation:

### 1) **IRS**

The sales activity, while commercial in nature, benefits from an 85% exclusion under the Simplified Regime. Tax is due on the remaining 15%. If the individual is non-resident, the tax rate is 25%. Thus, the final tax rate is <5% on gross sales to EDP.

If the individual is resident, 15% of the electricity sales is added to other income and tax is calculated at marginal rates. The net result could be above or below 5%, depending on the level of other sources of income.

Sales under €5,000 are exempt but still need to be declared to calculate final tax rates.

Regardless, any tax burden will be notional. Given the fact that purchase rates to date have been heavily subsidised, the net result should still be in the producer's favour. Regardless, <5% assessment is very low and should not be seen as a deterrent to investment initiatives.

### 2) **Social Security**

If one contributes to Social Security (National Insurance) in Portugal or elsewhere in the EU, one can apply for exemption from further contributions in Portugal from the sole trader activity.



Alternatively, the same exemption exists for those receiving Social Security (Old Age) pensions. This should leave exempt the overwhelming majority of taxpayers.

Those who do have to pay gain full Social Security benefits on contributions based on their 15% taxable income.

### 3) VAT

When sales are under €10,000 per annum, the activity is VAT exempt.

### 4) Mandatory Procedures

Like any business activity, there are reporting and procedural obligations. In fact, they are identical to those for Local Lodging (with the difference being in the registration/licensing process).

The Sole Trader Department at EuroFinesco will be happy to work with those expats who need help in the process.

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