



RENTAL INCOME

VAT in Portugal

When you decide to put your letting income onto a commercial footing, you need to be aware of how the VAT (IVA) system operates in this situation: The current threshold for IVA in 2025 is under €15.000.

“My revenue per year will be less than this”

If your revenue is likely to be less than €15.000 per year at the outset, you can be exempt from charging IVA. This keeps your administrative costs to a minimum, but does not allow you to claim IVA back on your expenses. However, you can elect to be IVA registered if you think this would be beneficial. This may be the case if you have a consistently high level of costs. In this case is mandatory to stay VAT/IVA registered for 5 years.

“My revenue per year is (or is going to be) more than € 15.000”

If your revenue is over the threshold, you must be registered for IVA at the outset. IVA on this type of revenue is currently charged at 23%. So, out of every €100 charged, €23.00 will be the IVA element. This IVA requires to be reported and paid over to the Tax Office on a regular basis. You may wish to absorb the IVA into your current rental levels, or you may wish to adjust the level to take account of this. IVA on expenses paid out will usually be at the rate of 23%. As you can offset the IVA paid out on expenses against the IVA you receive as part of your income, you are likely to build up a credit. As part of our ongoing annual service, we would arrange to have this reimbursed to you.

“My revenue this year is less than this, but is likely to increase next year”

If your income increases to over €15.000 in a subsequent year, you must be registered for IVA in the following year. Should your income drop again to under the threshold, we can



euro FINESCO s.a.
EXPATRIATE & FISCAL SERVICES