



## MANIFESTATIONS OF WEALTH

When conspicuous consumption patterns do not match declared income, the tax authorities now have concrete guidelines to tax the suspected offender in this category. While, in reality, these norms are more pertinent to Portuguese nationals than to foreign residents, it is important to understand what tax inspectors are targeting.

Under new rules, inspectors may override bank secrecy to verify accounts without previous authorisation.

The following table reveals the presumed income level when major consumer goods are acquired:

MANIFESTATIONS OF WEALTH	PRESUMED INCOME
Principal/Secondary Residence over €250,000	20% of value of acquisition
Cars over €50,000 Motorcycles over €10,000	50% of value in the year of registration, reduced by 10% in each of following years.
Recreational Boats over €25,000	The value in the year of registration, reduced by 20% in each of the following 2 years.
Light Aircraft	The value in the year of registration, reduced by 20% in each of the following 2 years.
Director's Loans over €50,000	50% of the annual value

This presumed income is reported on *Modelo 3*.



## **ALTERNATIVE OWNERSHIP**

As has been customary for years with real property, Portuguese Nominee Companies can offer an effective ownership alternative. When structured correctly, only administrators are identified in registrations. Shareholders retain a degree of confidentiality, thereby sidestepping some of the questions relating to Manifestations of Wealth.

## **ONUS OF PROOF**

Following the principle of “innocent until proven guilty”, the burden of proof has always been on the taxman to prove wrong doing. This situation now reverses with the obligation falling on the taxpayer to demonstrate that returns are complete and accurate. Those who have “champagne taste” yet only declare a “beer budget” may be called to justify their extravagance.

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