

*euro*FINESCO

e-Book n° 30

Leaving Portugal

Moving Back

by

Dennis Swing Greene



PORTUGAL

Ficha Técnica:

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Autor: Dennis Swing Greene
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euroFINESCO s.a.

HEADQUARTERS

Rua do Sol, 4
8200-448 GUIA (Algarve)
tel: +351 289 561 333
fax: +351 289 562 061

Madeira Branch

Rua do Aljube, 61, 2º Dtº
9000-067 FUNCHAL (Sé)
tel: +351 291 221095
fax: +351 291 221103

Lisbon Branch

Rua A.M. Cardoso, 15, 4ºD
1200-273 LISBOA (Chiado)
tel: +351 21 342 4210
fax: +351 21 342 4212

Internet

e-mail: info@eurofinesco.com
www.eurofinesco.com
Portugal
mobile: +351 96 910 2813

LEAVING PORTUGAL

Moving Back

TABLE OF CONTENTS

✓ *Tick the box as you complete each step*

Beyond advising on leaving Portugal	5
I. Introduction.	7
II. Informing the authorities	9
<input type="checkbox"/> Residence Permit	
<input type="checkbox"/> Transferring Fiscal Residency	
<input type="checkbox"/> Embassy	
<input type="checkbox"/> Education	
<input type="checkbox"/> Arrival	
III. Housing Issues	11
<input type="checkbox"/> Rental Contracts	
<input type="checkbox"/> Selling your home	
<input type="checkbox"/> Capital Gains Tax and Rollover Relief	
<input type="checkbox"/> Energy Efficiency Certificate	
<input type="checkbox"/> Expenses	
<input type="checkbox"/> Fixtures and Fittings	
<input type="checkbox"/> Insurance	

IV. Utility Bills	13
<input type="checkbox"/> Electricity	
<input type="checkbox"/> Gas	
<input type="checkbox"/> Water	
<input type="checkbox"/> Telephone, Internet and Television	
V. Health Care and Social Security	15
<input type="checkbox"/> National Health Service	
<input type="checkbox"/> Medical Insurance	
<input type="checkbox"/> Pensions	
VI. Business and Tax Concerns	17
<input type="checkbox"/> Banking	
<input type="checkbox"/> Tax	
<input type="checkbox"/> CGT liability	
<input type="checkbox"/> Investments	
<input type="checkbox"/> Fiscal Representation	
VII. Miscellaneous Matters	19
<input type="checkbox"/> Correspondence	
<input type="checkbox"/> Vehicles and Driving Licenses	
<input type="checkbox"/> Pets	
VIII. Conclusion - <i>Sorting out Bureaucracy</i>	21
Notes	23
Other eBooks from <i>euroFINESCO</i>	24



Beyond Questions on Leaving Portugal

At **euroFINESCO**, we take pride in being a frontrunner in fiscal and expatriate services in Portugal, playing a leading role in interpreting Portuguese fiscal legislation as plain English for the foreign resident community since 1991.

PORTUGUESE TAXATION

- *IRS* - Individual Income Tax Returns
- *IRC* - Tax Preparation for Portuguese Nominee Companies as well as Non-Resident Companies
- Tax Residence Transitions to Portugal
- Fiscal Representation for Non-Resident Individuals
- Fiscal Representation for Companies

INTERNATIONAL TAX ISSUES

- Bilateral Tax Treaties
- International Tax Reconciliation
- Compliance Issues

PERSONAL TAX PREPARATION

The Portuguese tax system offers surprising opportunities to the foreign resident. When properly prepared, Portugal can prove to be a “tax haven within Europe” for you.

PORTUGUESE “*IRS*” INCOME TAX RETURNS

euroFINESCO specializes in helping foreign residents by preparing their annual Portuguese *IRS* Income Tax Returns.

NOMINEE COMPANIES FOR PORTUGUESE PROPERTY

- Meeting basic compulsory compliance commitments;
- Liaison between *Finanças* and Company Owners.
- Resourcing information to Owners;

FISCAL REPRESENTATION

- Protecting your Valuable Investment
- Meeting Compliance Requirements
- Resourcing Key Information
- Liaison with *Finanças*
- Personalised Service
- Payment Facility
- Plain English

DOCUMENTATION

We can assist you by cutting through the bureaucracy:

- “*Residências*”
- Portuguese Wills
- Driving Licences
- Rates Exemptions
- Fiscal Numbers
- Medical Cards

SMALL BUSINESS FORMATION

We can help expatriates launch new businesses in Portugal:

- Choosing the right structure
- Accountancy Services
- Social Security & VAT
- Local Lodging Plan



INTRODUCTION - *Moving Back*

*If you think it long and mad the wind of banners that
passes through my life
And you decide to leave me at the shore of the heart
where I have roots
Remember
That on that day, at that hour, I shall lift my arms
And my roots will set off to seek another land”*

- Pablo Neruda
Chilean Poet

After many happy years in Portugal, some long-term foreign residents are compelled to return to their origins, be it for family, health, career or some other reason. If you decide to move back at some point in the future, you will face a number of mundane matters that will need to be sorted out before you leave.

The following checklist of necessary tasks should provide an initial guide to the move. These are general rules and particular attention should be paid to your personal circumstances, as no two people are identical.



***euroFINESCO
Tax Techniques***

*Our periodic newsletter
brings you the latest news &
information before it reaches
other media. Stay informed
about the crucial changes that
can impact your life
in Portugal .*

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II. INFORMING THE AUTHORITIES

Residence Permit

Anyone EU citizen residing in Portugal for more than three months is required to register for a Residence Permit (*Autorização de Residência*). When you decide to leave Portugal for the foreseeable future, you must notify “SEF” (Foreign Service). This can be done by register post or in person at the nearest “SEF” office (*Serviço de Estrangeiros e Fronteiras*). If you have a permanent Residence Card (credit-card style photo ID), you should turn in this document in person or via registered post.

Transferring Fiscal Residency

You must also inform *Finanças* that you will no longer be resident for tax purposes. As proof, you must submit 2 utility bills related to your new home. If you do not as yet have new electricity or water statements, your bank statement with a local address will suffice. Some countries, such as Belgium and the Netherlands, require registration at the local Council. Since procedures vary from country to country, it is best to be informed about what how requirements should be met.

Embassy

If upon arrival you registered with the Embassy of your nationality, you will need to report your departure as well. This is normally done through the Consular Services. Check the embassy web site for details.

Education

If you have school-age children, you will want to give the school ample notice of your child's departure. There may be outstanding school fees, transport or meals bills to be settled.

You may also require a certificate stating the latest grade successfully completed for your child's new school. Request this document when you giving notice of departure. Be sure to leave your forwarding address for any necessary correspondence.

Arrival

When you return to your home country, you will need to re-establish your residency status, specially for tax purposes. In most EU countries, this starts at the local Tax Authority office. You may also need to register again with the local authorities at the local Council office. Check with your embassy to verify the correct procedures.



III. HOUSING ISSUES

Rental Contract

If you have been renting a house or apartment in Portugal, most rental contracts stipulate that the landlord needs to be given at least one month's notice (although it could be more). A formal letter giving notice should be sent by registered post (*Correio Registado*).

The landlord will likely need to inspect the property prior to departure. Any deposit should be returned, minus costs for repairs, as stipulated in the agreement. Note that there may be penalties if the rental agreement is terminated earlier than originally stipulated.

Selling your home

If you decide to sell your home, the first step will be to gather your property documents. These include Deeds of Purchase and Sale, technical drawings, habitation license, property registration and *Finanças* ownership booklet as well as a detailed description of the property. Your Estate Agent will guide you through this process. If irregularities such as non-registered additions, illegal pool, etc, they will need to be corrected before you can sell.

Capital Gains Tax and Rollover Relief

You are required to declare to *Finanças* the sale of your principal residence in Portugal. If you reinvest in another principal residence within the EU, you will be eligible for partial or full rollover relief. You have 3 years to make this new home purchase. A deed, or the equivalent, must be submitted to *Finanças* to achieve the final exemption from Portuguese Capital Gains Tax.

It is advisable to appoint a professional Fiscal Representative, such as **euroFINESCO**, to help fulfill these requirements.

Energy Efficiency Certificate

You will also need an Energy Efficiency Certificate. The cost of preparation of this Certificate is determined on a case-by-case basis and will depend on each house and whether existing documentation is complete and up-to-date.

To find the names and contacts of qualified technicians in your area, please consult the ADENE website:

<http://www.adene.pt/pt-pt/SubPortais/SCE/BolsadePeritos/Pesquisa/Paginas/default.aspx>

Expenses

With the exception of estate agent fees, expenses associated with the formality of the property sale are the responsibility of the buyer. If you use an Estate Agent, he/she must be named in the Deed of Sale for the commission to be accepted as a deductible expense for capital gains tax purposes.

Whereas buyers normally need a lawyer to complete the sale, Sellers do not. Legal fees are not recognised as acceptable deductions.

Fixtures and Fittings

You may want to bring some of your cherished furniture with you and require the services of a removal company. Alternatively, your belongings can be sold or given away.

Some choose to sell up with fittings and fixtures included in the deal. This has the advantage of declaring the full selling price yet reducing Capital Gains Tax liability. Since contents do not count towards CGT, this may be a way to reduce your final assessment by dividing the sales price into a) an amount for the land and real property and b) a separate sum for the fixtures and fittings. Unless these should include a *Picasso* or two, values should be reasonable and justifiable.

Insurance

Home Owners and Contents Insurance can be cancelled once a sale is complete. In some instances, a partial refund may be due. It is best to cancel all insurance in writing and by registered post.



IV. UTILITY BILLS

As with any move, there will be utility bills to be settled and meters to be read. If meters are not outside, access to the property will be required. It is advantageous to give utility companies as much notice as possible, as waiting times for service can be long. As previously mentioned, it is important to leave your forwarding address.

Electricity

It will be necessary to have the meter read before departure in order to have a correct final bill or receive a refund.

Cancellation must be given in writing and done by e-mail, letter or online. A Contract Cancellation Form (*Formulário de Rescisão de Contrato*) will need to be completed. If payment was made using direct debit, be sure to cancel this facility.

Gas

If mains gas service (*gas domiciliário*) needs to be cancelled, contact Galp Energia. Just like electricity, a final meter reading will be necessary for final billing. If regular payments were made using direct debit, cancel this facility.

If you have been using bottled gas, unused cylinders (*botijas/garrafas*) can be returned to the point of purchase for a refund of the deposit. If bottles were being delivered to your house, cancel service and see about getting a refund on any deposits originally made.

If gas was stored in a large tank outside the house (*contentores de gas*), contact the gas supplier to cancel service.

If payment was made using direct debit, cancel this facility.

If your supplier will not make adjustments for unused fuel, it may be possible to make provisions with the new occupant.

Water

Mains water supply is usually billed bi-monthly with an estimate, depending on the Council. When the meter is read, an adjusted bill is sent (*reposição*). Before departure, contact the local water supplier to cancel service and receive final billing or a refund. As with all utilities, it is a good idea to verify the figures on the final meter reading.

Telephone, Internet and Television:

Cancellation procedures are similar to other utility providers. Contracted service will need to be cancelled in writing. If you subscribe to a satellite television service, the receiver box should be returned before departure.

Alternatively, if you intend to keep your property as a holiday home, you may want to consider changing your service plan.



V. HEALTH CARE AND SOCIAL SECURITY

National Health Service

If you are registered with the Portuguese National Health Service (part of Social Security), contact your local Health Centre (*Centro de Saúde*) for information regarding any necessary paperwork that needs to be completed. If you have been receiving medical or dental treatment while in Portugal, you should get copies of records to be forwarded to your new practitioner.

Medical Insurance

Any private health insurance cover which has been in force may require changing or cancellation. Check with your insurance agent.

Pensions

If you made contributions to a pension fund in Portugal (either Social Security or private), you should first inform yourself of your entitlements. Inquire about the possibility of transferring benefits. Be sure to provide a forwarding address with the competent authorities.

Social Security

EU provisions on Social Security apply to all national legislation on:

- sickness and maternity;
- accidents at work;
- occupational diseases;
- invalidity benefits;
- old-age pensions;
- survivors' benefits;
- death grants;
- unemployment benefits;
- family benefits.

This means you can always have recourse to the European Union community provisions when they are necessary for your entitlement to benefits.

The EU Community provisions do not apply, however, to the following areas:

- social and medical assistance: these are benefits which are normally means-tested and not linked to one of the categories mentioned above;
- benefits granted to victims of war or its consequences;
- benefits under existing early retirement schemes, to which other Community provisions may apply.



VI. BUSINESS AND TAX CONCERNS

Banking

In order to settle any outstanding bills after your departure, it may be a good idea to leave your Portuguese bank account open, at least for a while. Keep in mind that re-opening an account is not easy under current regulations and may be impossible without your physical presence.

Account closures should be done either in person at the branch where they were opened or by letter sent by registered post to the branch. This letter needs to contain instructions for the disposal of any remaining balance.

Credit card companies will also need to be notified of your new address for statements or cancellation.

Investments

Determining how suitable your current investment portfolio will be after the move is a very important question. Keep in mind that each country has different tax laws as well as potential restrictions on certain forms of investments.

You should consult both your Financial Advisor and your Tax Advisor to be certain that both the form and content of holdings is still appropriate and tax efficient.

Tax

Before leaving, you should contact the tax advisor who has helped with your fiscal compliance needs during your years in Portugal. Tax planning is usually a necessity, even in the simplest of cases.

This is specially true when if you have been running a business. Your business accountant (“*técnico oficial de contas*”) should be able to provide guidance.

If you plan to sell your home, it is wise to look ahead to potential Capital Gains Tax liabilities. Sound professional advice is a must in order to minimise tax obligations. The sooner you start planning, the better your options.

Please consult *euroFINESCO*'s eBook n° 21:

CGT Mitigation: *14 Arrows in the Quiver*

Fiscal Representation

Home ownership at a distance can be complicated. It is advisable to appoint a Fiscal Representative in Portugal to help look after your affairs, act as liaison with *Finanças* and keep you abreast of changes that are ever constant.

Your Fiscal Representative will also forward any correspondence from the Portuguese Authorities as well as arrange payment facilities so you don't fall in arrears on any tax obligations.



VII. MISCELLANEOUS MATTERS

Postal Correspondence

Change of address and mail forwarding services should be arranged in person a month in advance at the local post office (*CTT Correios*). There is a small charge for this service. Mail can be forwarded for six months.

Vehicles and Driving Licenses

Selling your Portuguese registered car is usually the simplest way to settle inevitable changes in your transportation needs. If you choose to export a vehicle, embassy web sites are a good source of information regarding regulations and requirements.

Be sure to cancel car insurance. Portuguese insurance companies will provide proof of no claims bonus if requested.

If you hold a Portuguese Driving License, you may need to exchange it for a new one in your future country of residence. A good place to start is the appropriate national Motor Vehicles web site to understand driver and licensing rules and procedures that you will need to follow.

Animals

Depending on the destination, some animals may require a period of quarantine. They will almost certainly require documentation and possible additional vaccinations. The EU pet passport covers dogs and cats for movement within Europe. The Pets Travel Scheme (PETS) allows qualifying domestic pets to travel to and from the

UK without a period of quarantine.

As a general rule, animals have to travel in approved containers.

If there is any doubt about vaccinations and passports for your pets, check with your vet well before departure. Alternatively, embassy web sites may provide the necessary information.



VIII. CONCLUSION - *Sorting out Bureaucracy*

As you must have learned by now, Portugal can be a bureaucratic place. So it should not come as a surprise that your departure will involve a fair amount of paperwork.

There are several things you can do to work effectively within a bureaucracy as a system to cooperate with, rather than as an adversary to fight against. A positive attitude is more likely to generate a solution to your problem. Learn how the bureaucracy operates and take time to break it down into its component parts. This will make the system more manageable. Finally, remember that a bureaucracy is made up of individuals. With patience and a bit of charm, you can enlist these people to cooperate with you to achieve your goals.

While you may be changing your home base, this does not mean that Portugal should not be part of your future. Tens of millions of visitors enjoy the delights of the country as occasional visitors each year and so can you.

FISCAL & EXPATRIATE SERVICES
from
euroFINESCO



We are is a full service company, helping expatriates to make the most of their new life in Portugal since 1991. Whether it be meeting obligations in a new land, maximizing opportunities in a smooth transition from the past, or financial and estate planning for the future, Finesco is here to guide you, keep you compliant and prepare you to meet your goals.

TAX CONSULTANCY

FISCAL REPRESENTATION

NOMINEE COMPANIES FOR PORTUGUESE PROPERTY

CROSS BORDER ESTATE PLANNING

SMALL BUSINESS FORMATION

DOCUMENTATION



euroFINESCO s.a.

HEADQUARTERS

Rua do Sol, 4
8200-448 GUIA (Algarve)
tel: +351 289 561 333
fax: +351 289 562 061

Madeira Branch

Rua do Aljube, 61, 2º Drº
9000-067 FUNCHAL (Sé)
tel: +351 291 221095
fax: +351 291 221103

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Rua A.M. Cardoso, 15, 4ºD
1200-273 LISBOA (Chiado)
tel: +351 21 342 4210
fax: +351 21 342 4212

Internet

e-mail: info@eurofinesco.com
www.eurofinesco.com
Portugal
mobile: +351 96 910 2813

eBooks from euroFINESCO

- 1) Offshore Companies: *Moving Onshore*
- 2) Self-Employed in Portugal
- 3) Requirements of the Common Reporting Standard
- 4) Setting Up Fiscal Residence
- 5) Capital Gains Tax on Portuguese Property
- 6) Portuguese Tax Code Summaries
- 7) “VPT” Unveiled
- 8) Tax-Efficient Investing in Portuguese Property
- 9) Income from Portuguese Property
- 10) Taxation on Portuguese Property
- 11) “S.C.I.”: *Sociedade Civil Imobiliária*
- 12) Property Companies: *White-List or Portugal*
- 13) Nominee Companies for Portuguese Property
- 14) Fiscal Representation in Portugal
- 15) “Permutas” or Property Swaps
- 16) Estate Planning & Nominee Companies
- 17) “I.H.T.” – Residence Rules & Determining Domicile
- 18) Moving to Portugal – *before, during & after*
- 19) Taxation of Pensions in Portugal
- 20) “I.R.S.” Tax Credits
- 21) CGT Mitigation: *14 Arrows in the Quiver*
- 22) Residence Rules: *in the EU, Portugal and the UK*
 - Extracts from *Relocating to Portugal - Useful Information*
 - 23) Acquiring Portuguese Citizenship
 - 24) Visas and Legal Framework
 - 25) Your Rights to Health Care
 - 26) Access to Education
 - 27) Recognition of Qualifications
 - 28) Social Security Entitlements
 - 29) Golden Residence Visa
- 30) Leaving Portugal - *Moving Back*
- 31) Non-Habitual Residence Status and the Alternatives
- 32) Trusts, Foundations and Fiduciary Structures