

PORTUGUESE PROPERTY TAX INFORMATION

*The information provided herein is intended as a guide only. While **Property Tax International** Limited makes every effort to ensure the accuracy of the information we take no responsibility or liability for any inaccurate, delayed or incomplete information, nor for any actions taken in reliance thereon.*

Under current legislation, non-resident individuals are taxed in Portugal on income arising from Portuguese sources only and are liable to a number of other property related taxes outlined below.

Individuals living more than 183 days in Portugal in a given tax year (1 Jan – 31 Dec) are considered as residents for tax purposes. Non-residents may also be liable for Portuguese property tax on the same source of income in their home country of residence, where taxes are levied on worldwide income. Relief for double taxation may apply.

Owners of rental property in Portugal, who are non-resident there, are liable to pay taxes and must apply for a Portuguese Tax ID number.

An individual is considered non-resident in Portugal, if s/he does not spend 183 days or more in any tax year (calendar year) in Portugal or does not have their primary residence there.

As a non-resident you are only obliged to pay Portuguese income tax if you rent out your property. The Portuguese income tax form must be submitted by 30th April – any balance of tax payable must be paid within 30 days of a notice of assessment being received.

Taxes payable when purchasing a property are as follows:

Portuguese Property Transfer Tax is the equivalent of Stamp Duty. The rates range from 0 – 6.5% depending on the value of the property. Any urban property with a value under €83,000 (€85,000 from 2007) is exempt from this tax. This tax is due within 1 month of the transfer date.

VAT is not charge on rent received for residency purpose. It's charged on purchase and transfer of a property at a rate of 21%.

Ongoing Portuguese property taxes are as follows:

Portuguese Personal Income Tax is payable in Portugal on rental income earned. The rate for non-residents is a flat rate of 15% after certain deductions. If your property is let through an agent, the agent is required to withhold 15% of the rents, which is offset against your ultimate tax liability. Deductible items include:

- ❖ Maintenance
- ❖ Local Taxes

Mortgage interest is not allowable as a deduction against rental income in Portugal.

Local Property taxes (IMI) apply in Portugal according to the rateable value and depends on the region. The tax rates vary according to the type of building owned but vary between 0.2% - 0.8%.

A Waste Collection Fee is also payable in 2 installments – October & March.

Other applicable taxes are as follows:

Portuguese Capital Gains on the sale of property is charged @ 25% of the gain. This is treated as income in your Income Tax Return. As the CGT rate is currently 20% in Ireland, you are unlikely to have an Irish Tax liability, however it should still be declared in Ireland.

Portuguese Capital Acquisitions Tax is the tax levied upon either the inheritance/gift of Portuguese property. The rates depend on the value of the property and the relationship between parties. This was abolished in 2004 if the beneficiary is a close relative. 10% is charged for couples who are not married or non-relatives.

Portuguese Property Tax Calculator: Check out our new Portuguese Property Tax Calculator providing a generic overview of the taxes payable when purchasing and the ongoing taxes when renting the property.

Worldwide income

Rental income received in Portugal will first have to be declared before the **Portuguese tax** authorities. You may be liable to declare this income within your resident tax return.

If resident in the UK or Ireland you will have to declare any income received in Portugal in your annual resident tax return. There is a double taxation agreement between Portugal, Ireland and the UK so double taxation relief applies in some cases. Please contact us for further details regarding double taxation relief and/or filing your Resident Tax Return.

CONTACT: Property Tax International trading as Emerald Property Tax International Unipessoal Limitada is fully registered to provide fiscal representative services in Portugal in addition to providing full income tax filing services.

Tel: 0207 9566 187 (UK)

Tel: + 353 (0) 1 635 3722 (Int.)

E: info@ptireturns.com

Quote: Conti