

## **PORTUGAL – TAX CONSIDERATIONS ON SHORT-TERM LETTINGS**

The following information is a guide to help you get started in learning about some of the tax requirements that might apply to you when providing short-term accommodation in Portugal.

Tax can be tricky and it is important to ensure that you keep up to date with your tax obligations and remain tax compliant. The timely preparation, filing and payment of taxes are your responsibility.

If you are supplying short-term accommodations in Portugal, you should make sure that you understand each of the following types of taxes, and pay the ones that apply to you, such as;

- Personal income tax (IRS)
- Value added tax (VAT)
- Extraordinary short-term rental contribution (CEAL)

We draw your attention to the fact that Airbnb may have an obligation to report income earned by users of the platform. Therefore, if there is a mismatch between the information reported by Airbnb and the income you reported in your annual income tax return, the tax authorities may ask you questions.

Please understand that this information is not comprehensive, and is not intended to be legal advice. If you are unsure about your local tax obligations, we encourage you to check this with official local sources, or to seek advice from qualified professionals.

Please note that we do not update this information in real time, so you should confirm that the laws or procedures have not changed recently.

### **INCOME TAX**

Where you earn income in Portugal, it is likely that you will be required to pay a percentage of tax on this income to the Portuguese tax authority. Below is a brief outline of tax that may arise on income earned from short-term lettings in Portugal and some information on how this tax can be paid over to the Portuguese tax authority.

#### **Portugal's tax year**

Tax year runs from 1 January to 31 December.

### **Taxable income in Portugal**

Regardless of your resident status, you become taxable on rental income obtained from a Portuguese property when the income is received. No thresholds are applicable for this income.

### **Reporting tax obligations in Portugal**

A Portuguese annual tax return should be submitted, by electronic means, through the Portuguese tax authorities' [website](#).

### **Reporting tax obligations - filing deadline**

The deadline for filing a Portuguese tax return is between 1 April and 30 June of the year following the one the income refers to e.g. the 2024 tax return will be due for filing between 1 April and 30 June 2025.

### **Reporting tax obligations - payment deadline**

Where Portuguese tax returns are filed electronically within the above deadline, the Portuguese tax authorities should issue the tax assessment up to 31 July and the respective tax due should be paid within one month after the issuing of the mentioned tax assessment, until 31 August.

If the Portuguese tax authorities do not issue the tax assessment up to 31 July, the tax liability should be paid within one month from the issue of the referred tax assessment.

### **Tax Authority contact details**

There are different tax authorities' services depending on the tax issues. The details for the call center for general information is as follows: "*Centro de Atendimento Telefónico*" +351 217 206 707.

Portuguese tax authorities also provide an electronic attendance service (*Serviço Eletrónico E-balcão*) to all taxpayers, through the tax authorities' [website](#).

Through this service, a taxpayer can ask all tax questions to any service of the Portuguese tax authorities.

Further information can also be found on the Portuguese tax authority [website](#), such as FAQ's.

### **Portuguese income tax rates.**

If you are a Portuguese tax resident you are liable to personal income tax on your worldwide income at the progressive tax rates which vary from 13.25% to 48% (for 2024).

Further to the above, you are also liable to an additional solidarity tax at the following rates:

- 2.5% on the taxable income between €80,000 and €250,000, and,
- 5% on taxable income exceeding €250,000.

Notwithstanding the above, there are some types of income, such as rental income, dividends, interest, capital gains on the sale of securities, which are subject to taxation at flat tax rates of 28% (for 2024). However, the taxpayer can opt for the rental income earned to be taxed at the progressive rates in the annual income tax return.

### **Portuguese specific rules applicable to income earned in relation to short-term lettings.**

It is possible to identify three types of situations related to the renting of properties:

1. The owner of the property engages in short-term renting activity/local accommodation;
2. The owner of the property does not engage in the short-term renting activity, but transfers the management of this activity to a third party, and,
3. The owner of the property initially engages in the short-term renting activity but at some stage transfers the engagement to a third party.

In the situations described under 1 and 3 above, the income arising from the renting of these properties is considered as self-employment income (business and professional income – , Category B), corresponding to a letting services 'activity.

In the situation described under 2 above, the income is considered as rental income (rental income – Category F), with an option to be taxed under the rules applicable to self-employment income (business and professional income – Category B).

The taxation applicable in Portugal on self-employment income and rental income is different and is outlined below.

Rental income (Category F) - The taxable income under Category F is the gross rental income from immovable property minus deductible expenses. These expenses have to be duly documented and have to be effectively incurred and necessary to obtain the income from immovable property (with the exception of financial costs, depreciation, furniture, household appliances, decoration and comfort accessories, as well as the Additional Municipal Property Tax). The taxable income is subject to taxation at a special tax rate of 28% (for both tax and non-tax residents) in the case of rentals for non-housing purposes. The applicable tax rate will

be of 25% in the case of rentals for housing purposes.

However, resident taxpayers, as well as residents in the European Union, can opt for the rental income earned to be taxed at the progressive rates in the annual income tax return.

Rental income arising from rental agreements can benefit from a percentage reduction to the 25 % tax rate. Such reduction depends on the duration of the agreement and of the rental being destined to permanent housing. The applicable rate may change when the agreement is renewed.

In Portugal, the taxpayer should comply with the following obligations:

- Register the rental agreement and issue "electronic rental receipts", through your personal area of the Portuguese tax authorities' [website](#).
- The gross rental income and related expenses should be disclosed on the annex F of your personal income tax return to be filed between 1 April and 30 June of the year following the one the income was obtained.

Self-employment income (Category B) - Under Category B, the income may be taxed either under an organised accounts' regime or under a "simplified" regime.

Under the organised accounts' regime, in order to determine the taxable income, in general expenses incurred and necessary to obtain the income are deductible from the gross income, with several limitations, similar to the taxation of a company.

Under the "simplified regime" (applicable to individuals who earn less than €200,000 per year and who do not opt for the organised accounts regime), you are not allowed to deduct actual expenses directly from your gross rental income. Instead, your taxable income is calculated by applying coefficients on the gross income arising from the short-term letting activity. The coefficients are as follows:

- Renting out a room: 0,15
- Renting out an apartment or a house: 0,35
- Renting out properties located in certain containment areas as defined by municipalities: 0,50

Such taxable income is subject to taxation at progressive tax rates in case of Portuguese residents (between 14,5% and 48% in mainland Portugal), added by a solidarity tax rate (between 2.5% and 5%), and 25% flat tax rate, in case of non-resident taxpayers.

In this situation, the taxpayer would be required to comply with several reporting obligations, as briefly described below:

- Registration of the property with the Town Hall;
  - Registration of the beginning of the entrepreneurial activity (with the activity code 55201 – hosting with furniture for tourists and/or 55204 – other short-term hosting places) and allocation of the property to the self-employment activity;
- Issue of electronic invoices/receipts, through certified invoicing software until the 5<sup>th</sup> business day following the rendering of the services, except if in the previous tax period a turnover equal or less than €50,000 was achieved, in which case the taxpayer should issue the invoice, invoice-receipt or receipt through the Portuguese tax authorities' [website](#);
- Filing annex B of the annual personal income tax return, to be submitted between 1 April and 30 June of the year following the one the income relates to.

The invoices and receipts of the short-term hosting services rendered by the owner and/or by the short-term hosting manager should be issued to the hosts benefiting from such services and not to the companies who intermediate the booking and/or payment of such hosting. The invoices should contain the total value of the hosting services (*i.e.*, hosting surcharges, potentially added of cleaning surcharges and other specific surcharges).

If you are unsure about the appropriate tax treatment of your income, you might want to consider seeking advice from a tax professional. Alternatively, further details can be found on the Portuguese tax authority [website](#).

**Typical expenses that can be deducted from an individual's income in relation to short-term lettings.**

If the income you (as the owner of the property) receive is considered to be "rental income" (rental income – Category F), it is possible to deduct all the duly documented expenses effectively incurred and necessary to obtain such income, against the gross rental income, with the exception of financial costs, depreciation, furniture, household appliances, decoration and comfort accessories, as well as the Additional Municipal Property Tax

If you are developing a short-term rental activity the income obtained is considered as self-employment income (business and professional income – Category B). If you are taxable under the simplified regime, the rules commented below shall apply.

**Special reliefs from income tax in Portugal that an individual providing short-term lettings may be able to claim.**

Under the simplified regime, the coefficient applicable to the self-employment income of 0.35 already assumes that you incurred expenses amounting to 65% of the income received.

The application of the coefficient of 0.35 is partially conditioned to the verification of expenses and charges effectively incurred and related to the activity. Full effectiveness of the coefficient entails that such expenses and charges amount to at least 15% of the gross income. Therefore, the taxable income determined by applying the coefficient will be added by the positive difference between 15% of the gross income and the sum of the following expenses:

- i. Specific deduction of EUR 4,104 or, if higher, the amount of mandatory social security contributions;
- ii. Staff costs and charges with respect to salaries and wages reported by the taxpayer to the Portuguese tax authorities (*Declaração Mensal de Remunerações "DMR"/Modelo 10/Modelo 30*);
- iii. Rents for properties allocated to the entrepreneurial or professional activity supported by invoices or other documents reported to the Portuguese tax authorities;
- iv. 1.5% of the tax registration value of properties allocated to the entrepreneurial or professional activity or, regarding properties of which the taxpayer is the owner, usufructuary or superficiary and are allocated to hotel or local lodging activities, 4% of their tax registration value of the property;
- v. Other expenses with the acquisition of goods and services related to the activity that are supported by invoices communicated to the Portuguese tax authorities or issued through those authorities' [website](#), namely current consumables costs, electricity, water, transport and communications, rents, litigation, insurance, leasing, contributions to professional bodies related with the activity of the taxpayer, travel and accommodation of the taxpayer and of his/her employees;
- vi. Imports or intra-community acquisition of goods and services related to the activity.

The costs listed under iii), iv) and v), when only partially allocated to the entrepreneurial and professional activity, are considered in only 25%.

For the purposes of allocation of the costs to the entrepreneurial or professional activity, the taxpayer should identify the invoices and other documents supporting the expenses exclusively or partially related with the activity (e.g. rents and other expenses with the acquisition of goods and services) through the Portuguese tax authorities' [website](#);

### **Portuguese income tax obligation for non-resident individuals.**

If you are a non-resident and you receive Portuguese source income, which is either rental income of Category F or self-employment income of Category B related to short-term renting

activities in Portugal, you will be subject to taxation in Portugal and you should file a Portuguese personal income tax return as a non-resident.

### **Portuguese income tax obligations for a tax resident individual in receipt of foreign rental income.**

If you are a Portuguese tax resident you may be required to file annex J of the annual personal income tax return and pay tax on any foreign rental income received. However, please note that there is a special tax regime in Portugal, called the Non Habitual Tax Residents' Regime, under which individuals who are registered under the regime may be exempt from taxation on foreign rental income provided this income may be subject to taxation in the country of source, according to the rules established under the Double Tax Treaty signed Portugal and that country.

The Non-Habitual Resident regime has expired on 31 December 2023, but still applies to individuals who met its requirements or had already applied/been granted the status by 31 December 2023, as well as to other exceptional situations.

### **Property Transfer Tax**

The Property Transfer Tax (IMT) is borne by the buyer and levied on the transfer for consideration of real estate located in the Portuguese territory. The taxable basis is the higher amount between the acquisition cost and the tax registration value (TRV) of the property.

IMT is due on the acquisition of real-estate properties at marginal tax rates varying between 0% and 8% and at a flat rate of 6% for properties with a taxable basis above €633.453 up to €1.102.920 and at a flat rate of 7,5% for properties with a taxable basis above €1.102.920, in the case of acquisition of a property for principal and permanent housing. In the case of acquisition of a property for housing, but not to be used as a permanent home, the rates above vary between 1% and 8% and a flat rate of 6% for properties with a taxable basis above €607.528 up to €1.102.920, and at a flat rate of 7,5% for properties with a taxable basis above €1.102.920.

If the taxpayer rents out a room under the short-term letting regime and such room is part of a property acquired only for principal and permanent housing purposes, the reduced IMT rates should become inapplicable. Accordingly, within 30 days, the taxpayer should require an additional assessment for the payment of the IMT due for housing, not to be used as a permanent home.

On the other hand, if within a 6-year period after the acquisition of the property the Town Hall changes license of such property from "housing" to "services" the taxpayer should request within 30 days the respective additional IMT assessment.

## **Stamp Duty**

Stamp duty (ST) is due on the acquisition of properties located in Portugal at a tax rate of 0.8% on the acquisition cost or the TRV of the property, whichever is higher.

Furthermore, regarding the situation described in 2. above, ST is due by the owner at the 10% rate over the rent.

## **Municipal Property Tax**

Owners of real estate located in Portugal are subject to Municipal Property Tax (IMI) on a yearly basis, at rates varying between 0.3% and 0.45% (depending on the municipality) of the properties' Tax Registration Value (TRV).

If the Town Hall keeps the license of the property as "*housing*" the taxpayer does not have any ancillary obligation for IMI purposes. Conversely, if the Town Hall decides not to keep the license of the property as "*housing*", the TRV will change and therefore an IMI return should be filed within 60 days after the new licensing.

## **Additional Municipal Property Tax**

AIMI or Additional Municipal Property Tax is also due if you own an urban property, located in Portugal, except those classified as allocated to "*commerce, industry or services*" and "*others*"

The taxable basis corresponds to the sum of the TRV of all the urban properties owned by each taxpayer, reported as of 1 January of each year.

If you own the property as an individual, or in case the property belongs to an undivided inheritance, an exclusion from taxation up to €600,000 applies. If you are married or living in non-marital partnership and you opt to submit a joint tax return for AIMI purposes, there is an exclusion from AIMI of €1.2 million. An exemption from AIMI will also apply if the property was exempt from, or not subject to, IMI in the previous year.

The following rates apply for an individual who owns the property:

- 0.7%, for properties with a taxable basis, after the above exclusions, not exceeding €1 million, or €2 million in case of married or living in non-marital partnership taxpayers, who opt to submit a joint tax return for AIMI purposes; and
- 1% for the part of the taxable basis that exceeds €1 million, or €2 million in case of a married or living in non-marital partnership taxpayers, who opt to submit a joint tax return for Additional to the IMI purposes.



- 1,5% for the part of the taxable basis that exceeds €2 million, or €4 million in case of a married or living in non-marital partnership taxpayers, who opt to submit a joint tax return for Additional to the IMI purposes.

### **Capital taxes in Portugal.**

A capital gain obtained from the sale of Portuguese real estate, is subject to personal income tax in Portugal.

If you are a Portuguese tax resident you are subject to taxation on only 50% of the capital gain arising from the sale of a property, at progressive tax rates varying from 13.25% and 48%. You may also be subject to the solidarity tax rate between 2.5% and 5% (if applicable).

If you are non-resident, the capital gains arising from the sale of a property is fully subject to taxation at a flat tax rate of 28%. However, options for taxation under the regime applicable to residents in Portugal are available.

### **VALUE ADDED TAX**

Value added taxes can be complicated, and you should take time to understand the rules as they apply to you and your particular situation.

Broadly speaking, Value-Added Tax (VAT) in Portugal is a tax on consumption. Most goods and services supplied in Portugal are subject to VAT.

A person who supplies goods and/or services in Portugal may have to charge VAT and pay this to the Portuguese tax authority. As with all taxes, we encourage you to consult with a tax advisor regarding your potential VAT obligations in Portugal.

If you are currently renting out a room to guests, you may be required to apply VAT to your rental charge and to pay this VAT amount to the Portuguese tax authorities. As Airbnb is not supplying the rental, it is the responsibility of the host to consider local VAT obligations of the rental charge.

Under the general rules, a taxpayer who provides short-term letting services must charge VAT at the reduced rate of 6% in Portugal mainland (5% and 4% for services located in Madeira and Azores, respectively).

However, a taxpayer may benefit from a VAT exemption if, among other conditions, their annual turnover is less than €15,000 in the previous calendar year. In such cases, no VAT is due.

Resident taxpayers must have an electronic mailbox and must communicate this to the Portuguese tax authorities within 30 days after the beginning of the activity.

For VAT purposes, the taxpayer (i.e. the service provider) should also comply with the following tax obligations in Portugal:

1. Report the beginning of the entrepreneurial activity return with the Portuguese tax authorities for VAT purposes;
2. File the periodical VAT return, through the Portuguese tax authorities [website](#), on the 20<sup>th</sup> day of the 2<sup>nd</sup> month following the month in which the transaction took place (applicable for taxpayers under the monthly regime, *i.e.* if the turnover is equal to or higher than €650,000 in the previous calendar year) (e.g., the VAT return for January 2024 has to be filed by 20 March 2024 ) or on the 20<sup>th</sup> day of the 2<sup>nd</sup> month following the quarter to which the transaction refer (applicable for taxpayer under the quarterly regime, *i.e.* having a turnover less than €650,000 in the previous calendar year) (e.g., the VAT return for Q1 2024 has to be filed by 20 May 2024 );
3. File the VAT annexes of the Simplified Business Information return (IES) on the 15<sup>th</sup> July of the following year (e.g., the 2023 IES return has to be filed by 15 July 2024 );
4. Issue and communicate invoice, simplified invoice or invoice-receipt until the 5<sup>th</sup> business day following the rendering of the service.

Taxpayers benefiting from the VAT exemption (if turnover in the previous year was less than € 15,000) are waived from obligations referred in i. and iv. above.

### **Do I need to collect any VAT from guests if I am letting short-term accommodation in Portugal?**

In general, individuals who are considered to be in business in Portugal need to charge VAT on their supplies, once the criteria for VAT registration are met. There is currently no VAT registration threshold in Portugal, although where your annual turnover in the previous year was less than € 15,000, you may be exempt from the requirement to charge VAT to your customers.

As such, where you supply short term accommodation, you should register for VAT and collect VAT from your customers.

If you are a person who is not resident in Portugal, but your accommodation is located in Portugal, then you should also register for Portuguese VAT, as the same general rules apply to you.

We encourage you to consult a tax advisor if you need assistance in determining whether you need to register for and charge Portuguese VAT.

For further guidance on registering for VAT, please see the Portuguese tax authorities' [website](#).

### **VAT applies to me. How do I determine how much tax I need to collect from my guests?**

VAT rates differ per country, per type of service and change periodically. We recommend you to check on a regular basis with the local tax authority to get the most up to date VAT rates for the country where you are required to pay VAT.

For example, at the date of issuance of this document, the VAT rate applicable to accommodation in Portugal is 6% in mainland Portugal, 5% on Madeira and 4% on the Azores.

It should be noted that if your annual turnover in the previous year was less than €15,000 , you do not need to charge your guests VAT as the supply will be considered VAT exempt. In this case, you do not need to submit a VAT return.

However, there are other VAT rates currently in force in Portugal, so we recommend that you confirm with a local tax advisor the VAT rate applicable to your supplies.

### **VAT applies to me. How do I collect VAT from guests?**

If you determine that you need to charge VAT on the supplies that you make to guests, please keep in mind that you have to issue invoices, collect this VAT from your guests and report and remit this VAT on a periodic VAT return to the Portuguese Tax Authorities.

For further guidance on filing returns, please see the Portuguese tax authorities' [website](#).

### **Extraordinary Contribution on the Short-Term Rental Sector (CEAL).**

On October 2023, a housing legislation package was approved by the Parliament and thus Law no. 56/2023 was published, creating an extraordinary contribution on the short-term rental sector ("*Contribuição Extraordinária sobre o Alojamento Local*" – CEAL).

This contribution is due by those who exploit short-term rental properties that are under a condominium/horizontal property regime or that are fractions or parts of a property susceptible of autonomous utilization.

However, the CEAL does not apply in cases where the relevant properties are located in the country's interior, as defined by Ordinance no. 208/2017, of 13 July. The CEAL will also not be applicable in cases where the properties are located in parishes of the autonomous regions of Madeira or Azores identified in the respective regional legislation, or in other parishes that are

encompassed by the Municipal Housing Letter (*Carta Municipal de Habitação*) under Law no. 83/2019, of 3 September, that pertain to municipalities in which a situation of housing crisis has not been declared under Law no. 83/2019 and that have not, in any part of its territory, been declared to be an urban pressure area under Decree-Law no. 159/2006, of 8 August.

Also, the CEAL will not be applicable to short-term rental properties that are used for permanent housing, as long as the exploitation does not exceed 120 days per year.

All properties that do not fit in the abovementioned exceptions are to make its exploiter liable to taxation under the CEAL.

The taxable base is computed via the multiplication of two different coefficients over the private gross floor area ("*Área Bruta Privativa*") of the properties – the urban pressure coefficient and the economic coefficient. These coefficients shall be approved annually via an Ordinance of the Portuguese Government.

The urban pressure coefficient was only approved on 29 December 2023, via Ordinance no. 455-E/2023, and it is different for each parish. The economic coefficient was not determined by such Ordinance, but is determined via a mathematical formula which, for the year 2023, led to a result of 290,875. This calculation of the taxable base shall be made in respect to 31 December of the previous year (e.g. for the contribution to be paid in 2024, the relevant taxable base will be that as of 31 December 2023).

The applicable rate will be of 15%.

Short-term rental properties exploiters must file the CEAL return until 20 June each year and pay the corresponding contribution amount until 25 June, regarding the previous year.