

# LOCAL LODGING PROCEDURES AND REQUIREMENTS

BASED ON INFORMATION FROM THE TAX  
AUTHORITIES, SOCIAL SECURITY, TOURISM  
OFFICE AND SIBA

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## **INTRODUCTION**

This guide is intended to inform clients, in particular individuals who wish to start or who already rent their property to tourists, about their rights and obligations. It supports clients in its tax, declaratory and payment obligations, as well as in the timely management of administrative issues associated with the rental activity, in order to assure full compliancy and avoid penalties.

## **INDEX**

<b>REGISTERING YOUR ACTIVITY</b> .....	3
<b>OBTAIN THE AL LICENSE</b> .....	3
<b>INSURANCE REQUIREMENTS</b> .....	3
<b>SOCIAL SECURITY</b> .....	4
<b>INVOICING REQUIREMENTS</b> .....	4
<b>IRS PERSONAL INCOME – TAXES TO PAY</b> .....	5
<b>VAT (IVA)</b> .....	6
<i>HOW DOES THE VAT WORKS</i> .....	7
<b>TAX ON INTRA-COMMUNITY ONLINE PLATAFORMS COMMISSIONS</b> .....	7
<b>(VAT + MODEL 30)</b> .....	7
<b>TOURIST TAX</b> .....	8
<b>COMMUNICATION OF FOREIGN GUESTS TO AIMA/SIBA</b> .....	8
<b>CAPITAL GAINS</b> .....	9
<b>CAPITAL GAINS TAXES – GUIDE</b> .....	10
<b>CAPITAL GAINS TAXES – AL</b> .....	12
<b>CAPITAL GAIN TAXES - GUIDE</b> .....	14

I can't change the direction of the wind,  
but I can adjust my sails to always reach my destination.

**Jimmy Dean**

## **REGISTERING YOUR ACTIVITY**

IN ORDER TO OBTAIN A RENTAL LICENSE, THE FIRST STEP IS TO REGISTER THE ACTIVITY AT THE TAX OFFICE. TO DO THIS IT'S NECESSARY THE FOLLOWING:

- Portuguese fiscal number (NIF)
- Passport or Identity Card
- IBAN from a Portuguese bank account
- Address of the property to rent
- Power of attorney, so that AFM can register the activity on your behalf. If you have access codes to the Portuguese tax portal, we can use these to make your activity registration.

**Note:** if you are a non- EU resident it's mandatory to appoint a Fiscal Representative when obtaining the NIF or registering the activity. AFM can also provide this service for your convenience, if necessary.

This activity registration is what is normally called category B. The activity registration becomes effective on the day that it's communicated to the Tax Authorities. Although it may be possible to open the activity retrospectively, this will be liable to fines and penalties (only applies to EU residents).

In case of cancelling your activity registration, this needs to be communicated to the tax office up to 30 days after the date of cancellation.

## **OBTAIN THE AL LICENSE**

IN ORDER TO OBTAIN YOUR RENTAL LICENSE, IT'S NECESSARY THE FOLLOWING:

1. Copy of the deeds of the property;
2. Rental activity opening form;
3. Information on the number of bedrooms, and number and size of bed on each bedroom;
4. Power of attorney, so that AFM can obtain the rental license on your behalf. The rental license doesn't have expiration date and the number should be available within a few weeks after submitting the AL process. Nevertheless, depending on the municipality where the property is located an inspection may take place, to make sure that all the safety requirements are in place.

**Note:** it's needed a contract between the owner and the person/rental agent that will rent it. It's possible to have a license in the name of more than one individual. The AL licence can be in owner's name, spouses, parents, or children. These three options with a loan contract signed between property owner and AL licence holder, providing they all have registered their activity with the tax authorities. If the AL licence holder is the rental agent will be needed a services rental contract.

## **INSURANCE REQUIREMENTS**

As part of the legal requirements for Local Lodging (AL) properties, it is mandatory to have Liability Insurance to protect against accidents or damages to guests or third parties during their stay.

Failure to comply with this requirement may lead to the cancellation of your Local Accommodation registration in the National Tourism Register.

Additionally, while not mandatory, it is highly recommended to have Multirisk Insurance to cover your property in case of unforeseen incidents, such as fire, theft, or water damage.

## **Mandatory AL Insurance Documentation Submission Service**

We would like to inform you of a new requirement regarding insurance for AL properties. It is now mandatory to submit proof of your AL liability insurance to the authorities as evidence of an active AL registration. Failure to do so could result in the cancellation of your registration. This requirement must be fulfilled annually.

To make this process easier, AFM offers a service to handle the submission of your insurance documentation on your behalf, ensuring you remain compliant with the legal requirements without any hassle. Our service includes the power of attorney, and we can also assist you in obtaining the required insurance.

Fees will be provided upon request.

### **Important Reminder**

Please remember that this is an annual requirement. Each time your insurance expires, it will be your responsibility to send us the updated document to ensure timely renewal and submission.

If you would like us to manage this process on your behalf, please send us your Liability Insurance policy (Apólice de Seguro de Responsabilidade Civil) as soon as possible to avoid any potential issues with the submission platform, especially as the deadline approaches.

### **Additional Support**

If you need assistance renewing or obtaining new AL liability insurance, we can help you explore available options through All Insurance. Contact them directly at [tavira@allinsurance.pt](mailto:tavira@allinsurance.pt). Colleagues from All Insurance will be happy to provide one. By requesting a quotation, you'll also benefit from a dedicated account manager who can help you secure better rates.

## **SOCIAL SECURITY**

Since 01-01-2019 **the Local Lodging activity is exempt of Social Security contributions**, however if you charge extra services, such as cleaning, you will need to register another activity, which requires you to pay social security on the extra services. These payments are calculated quarterly and are based on your level of income (business) from those other activities.

Even so, there may be other exemptions applicable to you:

1. If you are registered and making Social Security payments in another country, you may be exempt of payments in Portugal
2. If the level of income of those activities is below the legal minimum

**Note:** The activity of Local Lodging modality/option rooms and lodging establishments are subject to social security contributions.

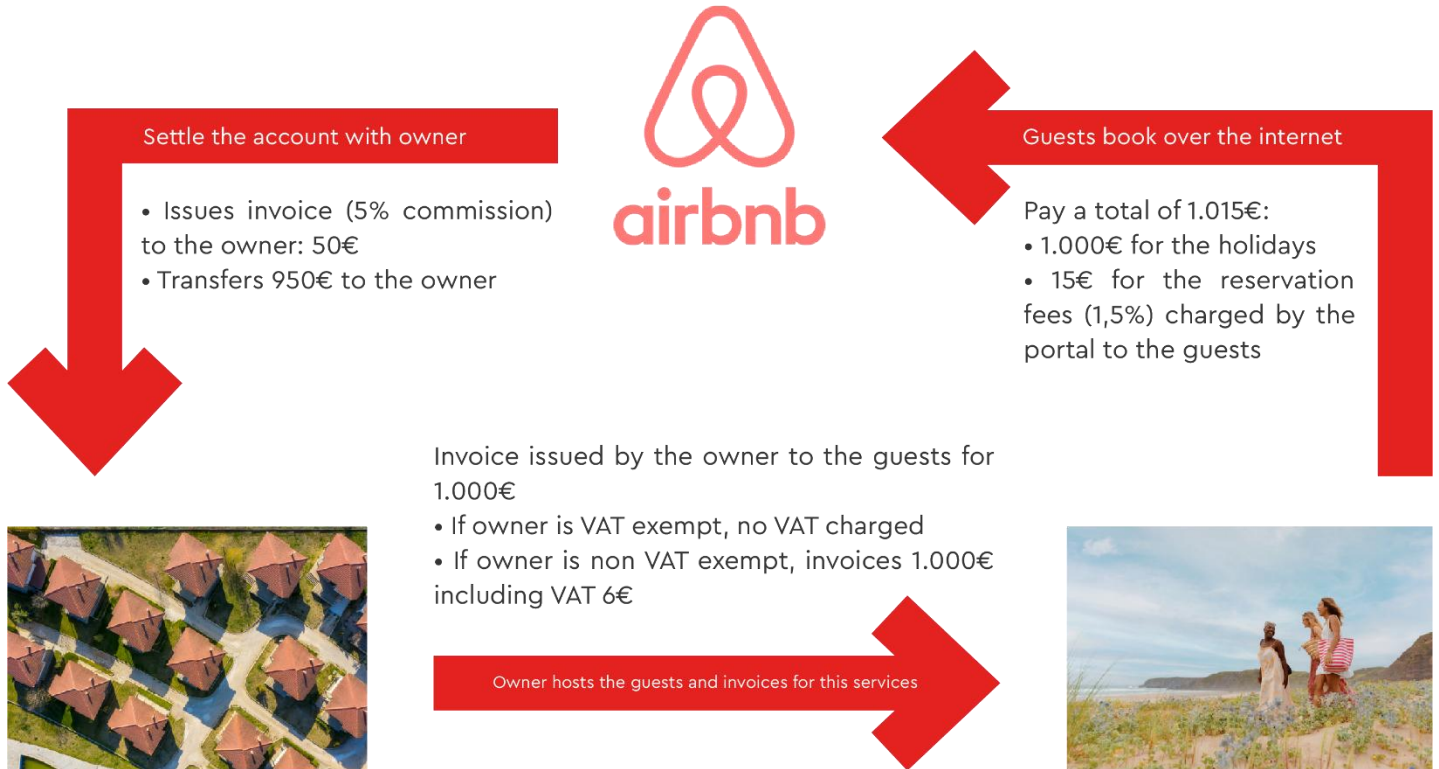
## **INVOICING REQUIREMENTS**

Owners are required to use a certified invoicing software as an exclusive form of invoice issuance. These invoices need to be produced up to five days after the guest checked in, or after collecting the funds. All invoices issued need to be submitted to the tax authorities until the 05th day of the following month.

To make sure you are complying, AFM can issue invoices on your behalf and liaise with you or your rental agent to obtain this information.

Please make sure that all the information required is sent to us each time you have a rental income, to avoid tax fines and penalties for late invoicing. If there is no income during the month, the reporting of non-existent invoicing is also mandatory up until the 5th of the following month.

Therefore, even if there is no income to be invoiced, please always send us an email with this info at the end of each month.



**IMPORTANT NOTE:** Invoices are passed on to guests, not to the sites/platforms through which reservations were collected. The acquirer is always the holder of the reservation, or another indicated by him. The amount to be invoiced is the total amount paid by the guest, without discounting the sites/platforms/agent commissions (see image above).

## **IRS PERSONAL INCOME – TAXES TO PAY**

If you are registered on the category B for Local Lodging, it means that 35% of your gross rentals, will be taxed. See example below:

- Gross Rental income: 1.000€
- Taxable income (35%): 350€
- Non-Resident Tax rate (25%): 87.50€
- **Effective rate 8.75%** (this applies for Non-Resident tax payers)

If the taxpayer is resident in Portugal, the taxable income is still 35%, but the **effective tax rate** will depend on his tax bracket, leading to an effective tax rate that varies **from 4.55% to 16.80%**.



The tax year in Portugal is from 1st of January until the 31st of December.  
The time to deliver the IRS tax declaration is from 1st of April to 30th June.  
**Payment of the tax is due by 31st of August**

## VAT (IVA)

When you register your activity on category B, if your estimated yearly income is up to 15.000€, you become VAT exempt under article 53. This means that you are not liable to VAT on your rentals, neither you are able to deduct any VAT on your purchases.

Please note that if you are a **non-resident**, the VAT exemption is not allowed and you will always need to charge VAT on your rentals and submit VAT returns.

Please note that the VAT exemption is per person and not per property. If a license is in the name of 2 individuals, their rental income can go up to 30.000€ (15.000€ each) before they lose their VAT exemption.

Also, if the individual has more than 1 property, or performs other activities under category B, it's important to mention that the VAT threshold is up to 15.000€ of his overall income. It's not per property or per activity code.

Finally, the threshold corresponds to a full fiscal year of income, from January till December. So, taxpayers that register in July, for instance, have a threshold of 7.500€ up to the end of their first tax year, before they lose their VAT exemption.

If a taxpayer exceeds the 15.000€ limit in a single year, he become liable for VAT, see the examples below:

Mr. Smith's rental income during the year: 17.000€

VAT liability in the current year: none as he was VAT exempt

Liability in the following year: 6% on all his rentals income, from 1st of January (the alteration is performed in January of the year following the fact that determined the loss of the VAT exemption)

Mr. Smith's rental income exceeds 18.750€ in June

As the VAT exemption threshold was exceeded in more than 25%, the VAT liability changes in the following month.

In this case if Mr. Smith reaches 18.750€ of rental income in June, it means he starts charging 6% on all his rentals income, from 1st of July.



Change the VAT status in January of the year following the fact.  
Deliver quarterly VAT declarations from then onwards.  
**Submission of the VAT is due quarterly (20<sup>th</sup>Feb, 20<sup>th</sup>May, 20<sup>th</sup>Aug, 20<sup>th</sup>Nov)**

## **HOW DOES THE VAT WORKS**

An owner that is liable for VAT will charge (include) 6% of VAT on all his rentals.

On the other hand, may deduct all the VAT from costs related with the property. Normally the VAT on these services, or products, is at 23% rate.

See example below:

Mr. Smith's rental income: **16.000€**

VAT liability (6%): **905,66€**

VAT deductions (23% of): **7.000€** (this includes all his purchases for electricity, water, alarm, management, cleaning, laundry, accountancy, internet, tv, linen, lamps, furniture, etc) = **1.308,94€**

$905,66€ - 1.308,94€ = 403,28$  (VAT credit)

**VAT to pay - VAT to deduct = VAT Credit or VAT Bill**

The VAT credit can be refunded to the taxpayer, but the first refund can only be applied after the first 12 months.

## **TAX ON INTRA-COMMUNITY ONLINE PLATAFORMS COMMISSIONS (VAT + MODEL 30)**

Despite VAT exempt on rentals income, many taxpayers still have the obligation of submitting VAT returns for the payments made to international service providers, such as the online platforms like Booking.com, VRBO, Airbnb, etc.

This obligation arises from the fact that the invoices issued by these companies are VAT exempt. In fact, the platforms issue commission invoices on your Portuguese fiscal number and, because it's considered an export, and the transaction is exempt of VAT at source.

However, even if the taxpayer is VAT exempt on rentals income, it's obliged to pay the VAT on the country where the property is located. The VAT rate in Portugal over the commissions is 23%.

What you need to do:

1. Make sure that the portal or platform where you advertise your property has your Portuguese VAT details. VAT number / TAX number / NIF number / Número de Contribuinte, are different names for your Portuguese Fiscal Number.
2. Assure that they don't charge you VAT on their commission invoices.
3. Send us the commission invoices each time you have a booking.

What AFM will do for you:

1. We will submit the VAT commission report and the Model 30 on your behalf, containing all transactions made with EU partners (based on the invoices you provided us).
2. We will let you know the VAT amount to be paid on these transactions and send you the payment details. If necessary, you can transfer the funds to us, and then we will make the payment to the tax authorities on your behalf.



VAT report is submitted on the month after the transaction. The Model 30 is reported on the second month after the transaction occurred. (if the invoice is from January, the VAT payment is due in the month of February and the Model 30 needs to be submitted in March).

## **TOURIST TAX**

The municipal tourist tax on overnight stays is a contribution paid by guests staying in tourist facilities in a municipality that has decided to apply it. The amount is per night's stay and varies according to the locality. You will need to find out if the municipality where your property is located charges tourist tax.



## **COMMUNICATION OF FOREIGN GUESTS TO AIMA/SIBA**

All companies or individuals that operate local lodging establishments, and provide foreign citizens with accommodation, have the obligation to communicate this to AIMA (Agência para a Imigração e Mobilidade Administrativa).

This law has been brought into force in Portugal and most other EU countries at some point since the gradual implementation of the 1990 Schengen Agreement, that aims to stop human trafficking and other illegal practices. In this case, it is specifically the Article 45 of the Schengen Agreement and the recent Alojamento Local law in Portugal that has brought this rule into sharper focus.

You will need to report to AIMA the information of all foreign guests, including babies, for each reservation. Information concerning foreign guests must be submitted to the AIMA within 3 days after the check-in date. If you have guests with Portuguese identity cards, even if they live in another country, it is not necessary to inform the AIMA. Below is a copy of the information that is needed to submit to AIMA:



### Information for Immigration and Borders Service (SEF)

This information is required to all foreign citizens, whether they are from Member States of the European Union or Third Country Nationals. This obligation falls on companies exploiting hotel establishments, complementary means of tourist accommodation and tourist complexes, as well as on those which provide, for consideration, the accommodation to foreigner's citizens. The communication must be made within three days to the Immigration and Borders Service (SEF) or in places where it does not exist, the National Republican Guard or to the Public Security Police.

Check-In Date				Check-Out Date					
Full Name	Date of Birth	Place of Birth (City)	Nationality	ID Number	OR	Passport Number	Document Issuing Country	City of Residence	Country of Residence

The SIBA service can be provided by rental agents.  
Contact your rental agent about the SIBA reporting.

## ***CAPITAL GAINS***

Capital gains tax (CGT) is an important consideration for property investors in Portugal. Currently, the CGT is levied on 50% of the gain for properties that were never in the rental business or that have at least stopped the activity for more than 36 months prior to the sale. But when the property is still on the local lodging (AL) or was within the last 36 months prior to the sale, the capital gains can be levied on 95% of the gain. This means that careful planning is essential to minimize tax exposure and maximize profits.

If you are considering selling the property, our team can help you to find effective methods that may help you reduce your capital gains tax burden.

## CAPITAL GAINS TAXES – GUIDE

Taxation Summary Table

TYPE OF INCOME	RESIDENCY STATUS	CIRCUMSTANCES	CAPITAL GAIN TAXATION
<p><b>Capital Gains from sale of property that is NOT attached to a business rental activity in the 36 months prior to the sale</b></p>	<p>Portugal</p>	<p>Property is the main residency for at least 12 months prior to the sale</p>	<p>50% of the Capital gain will be liable for tax.</p> <p>This amount will be taxed according to the Portuguese progressive tax rates.</p> <p>Possibility of reinvestment, into another property that will be used as primary residency, to avoid CGT. It's necessary to reinvest the full proceedings of the sale to avoid the CGT completely.</p> <p>In case the vendor is retired or older than 65, reinvestment is also considered if the sale proceeds are invested in an insurance bond.</p>
	<p>Portugal</p>	<p>The property is NOT the main residency or it is for less than 12 months prior to the sale</p>	<p>50% of the Capital gain will be liable for tax.</p> <p>This amount will be taxed according to the Portuguese progressive tax rates.</p> <p>No reinvestment is allowed.</p>

<b>Capital Gains from sale of property that is NOT attached to a business rental activity in the 36 months prior to the sale</b>	<p>EU</p>	<p>The property is ALWAYS deemed as a secondary residency.</p>	<p>50% of the Capital gain will be liable for tax.</p> <p>This amount will be taxed according to the Portuguese progressive tax rates.</p> <p>No reinvestment is allowed.</p>
	<p>Non-EU</p>	<p>The property is ALWAYS deemed as a secondary residency.</p>	<p>50% of the Capital gain will be liable for tax.</p> <p>This amount will be taxed according to the Portuguese progressive tax rates.</p> <p>No reinvestment is allowed.</p>

## CAPITAL GAINS TAXES – AL

### Taxation Summary Table – New Regime

TYPE OF INCOME	RESIDENCY STATUS	CIRCUMSTANCES	CAPITAL GAIN TAXATION
<p>Capital Gains from sale of property that is attached to a business rental activity</p> <p>APPLICABLE To all rental properties that were registered after 2021 or if the rental license is older, when no option for the old regime was chosen in the 2021 tax return.</p>	<p>Property sold within 3 years from the cancellation of the AL business activity</p>	<p>95% of the Capital gain will be liable for tax.</p> <p>This amount will be calculated as follow:</p> <p><b>Sale price, minus the purchase price.</b></p> <p>The market price or the value at the time of transference when the activity started are no longer relevant.</p> <p>Improvements and other expenses cannot be deducted from the gains.</p> <p>There will be no currency index coefficient (the purchase price will not be updated)</p> <p>No reinvestment is allowed. No expenses are deductible.</p>	<p><u>If resident</u></p> <p>Taxed according to the progressive tax rates, which means an effective tax rate between</p> <p>12.35% (95% x 13%) and 45.60% (95% x 48%)</p> <p><u>If Non-resident</u></p> <p>This gain is taxed at an effective tax rate of 23.75% (95% x 25%) if the AL is still active at the time of sale, otherwise it will be under the same rules as if the taxpayer was resident.</p>

<p><b>Capital Gains from sale of property that is attached to a business rental activity</b></p> <p><b>APPLICABLE To all rental properties that were registered after 2021 or if the rental license is older, when no option for the old regime was chosen in the 2021 tax return.</b></p>	<p>Property sold 3 or more years after the cancellation of the AL business activity</p>	<p>Taxed as a normal property sale providing the activity was stopped for 3 years or more before the sale.</p> <p>All expenses after the cancellation are accepted, in the same terms as if the property was never in the rental business.</p> <p>Reinvestment is allowed if this is the main residency registered at the time of the sale.</p>	<p><u>Taxation rules are the same for Resident and Non Resident taxpayers</u></p> <p>Taxed according to the progressive tax rates on 50% of the gain, which means an effective tax rate between 6.50% (50% x 13%) and 24% (50% x 48%)</p>
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## CAPITAL GAIN TAXES - GUIDE

Example property sold within less than 36 months of stopping the AL

**PURCHASE PRICE** 150.000 €

**DATE OF PURCHASE** 01-01-2020

### TAXES ON PURCHASE

**IMT** 2.783,84 € This expense is not deductible.

**STAMP DUTY** 1.200,00 € This expense is not deductible.

### RENTAL ACTIVITY

**START DATE** 01-01-2021

**FINISH DATE** 31-12-2023 Less than 36 months prior to the sale

**SALE PRICE** 200.000 €

**DATE OF SALE** 01-01-2025

**REAL ESTATE COMMISSION** 12.300 €

### CAPITAL GAIN CALCULATION

150.000€

x 1 (currency depreciation is not allowed)

150.000€ **Updated purchase price**

200.000,00€ Sale price

-150.000,00€ **Updated purchase price**

0€ IMT

0€ Stamp Duty

0€ Real Estate comm

**50.000,00€ NET GAIN**

## TAX BILL

Residency rules:  $50.000\text{€} \times 95\% = 47.500\text{€} \times 35.408\% = \mathbf{16.818,80\text{€}}$

(please note that for the tax rate it will be considered the overall income, in this case it was considered just the CGT income and the average tax rate was 35.408%)

Non-Residency rules:  $50.000\text{€} \times 95\% = 47.500\text{€} \times 25\% = \mathbf{11.875\text{€}}$

(in this cases the tax rate for a non-resident is 25% but can only be applicable if the house was sold prior to the activity and the AL being stopped. In certain circumstances this criteria is more favorable. If the house is sold after the activity was stopped the same rules above will apply).

REINVESTMENT IS NOT ALLOWED IN EITHER OF THE CASES.

COMPARISION WITH CGT RULES IF PROPERTY WAS NOT RENTED FOR MORE THAN 36 MONTHS PRIOR TO THE SALE:

## CAPITAL GAIN CALCULATION

150.000€

x 1.15 (estimated currency depreciation)

172.500€      **Updated purchase price**

200.000€      Sale price

-172.500€      **Updated purchase price**

- 2.783,84€      IMT

- 1.200€      Stamp Duty

- 12.300€      Real Estate comm

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**11.216,16€      NET GAIN**

## TAX BILL

Residency rules and non-residency rules (same):

$11.216\text{€} \times 50\% = 5.608\text{€} \times 35.408\% = \mathbf{1.985\text{€}}$

(please note that for the tax rate it will be considered the overall income, in this case it was considered an overall income in the 8th highest bracket between 45k and 84k of income and the average tax rate was 35.408%)



**afm**  
all finance matters

For any inquiries or support with local lodging compliance and accountancy, our team is here to assist you. Feel free to reach out to us at [info@afm.tax](mailto:info@afm.tax) or call us at +351 281 029 059.

***“YOU MUST PAY TAXES, BUT THERE’S NO LAW THAT SAYS YOU NEED TO LEAVE A TIP.”***