

PLANNING TO RENT YOUR PROPERTY TO TOURISTS IN PORTUGAL? HERE'S WHAT YOU NEED TO KNOW

ALL FINANCE MATTERS

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Holiday rentals can be a great source of income, but it's essential to understand the legal, tax, and regulatory requirements before listing your property.

1. Declaring Rental Income Is Mandatory

All rental income, whether you're a resident or not, must be declared to the Portuguese Tax Authorities. Failure to do so may lead to fines.

2. Short-Term Rentals Are a Business Activity

Renting directly to tourists qualifies as a business activity, which must be reported under Category B (business income). Category F, typically used for long-term rentals (over 30 days), is not appropriate for tourist lettings—unless the property is leased to a rental agent under a "locação turística" contract.

3. Why Compliance Matters

- Advertising: A valid AL license is needed to advertise.
- Data Transparency: Platforms like Airbnb and Booking.com share income information with Portuguese authorities.
- Tax Savings: Proper registration can reduce your tax rate. Non-residents may pay only 8.75% instead of 25%.

4. What is the Simplified Regime?

If your income is under €200,000/year, 35% of your gross income is taxed.

Tax Examples

- Rental income of €10,000 → Taxable base: €3,500
 - Non-resident taxed at 25% → Tax due: €875 (8.75%)
- The same income under Category F → Tax due: €2,500 (25%)

5. Do I Need to Issue Invoices?

Yes. You can either:

- Invoice guests directly, or
- Let your rental agent handle invoicing.

Keep in mind that the structure of your contract and who holds the AL license may influence this.

6. VAT (IVA)

If income is under €15,000/year, you may qualify for VAT exemption (residents only).

Non-residents must always charge and declare VAT.

! Important:

- VAT exemption applies per individual, not per property. If the AL license is held jointly by two people, the threshold becomes €30,000 (€15,000 per person).

Once the threshold is exceeded, you will be subject to the standard 6% VAT rate on rental income.

7. VAT and Quarterly Returns

If you're not VAT exempt, you must submit quarterly VAT returns. You may deduct VAT on eligible expenses, such as:

- Utilities (typically 23% VAT)
- Rental agent commissions
- Maintenance and repairs
- Equipment purchases

Because your outgoing VAT (23%) is often higher than incoming VAT (6%), many AL owners end up with a VAT credit, which may be refundable.

8. Can I Deduct Mortgage Interest?

Not deductible under the Simplified Regime. To deduct it, you'd need the Normal Regime, which only makes sense if your expenses exceed 65% of income.

9. Do I Need to Pay Social Security?

Exempt if:

- You're renting the whole property (not rooms)
- It's your only registered activity.

Check with a tax advisor if you have other income.

10. Capital Gains Tax When You Sell

Selling a property with AL activity in the last 3 years means 95% of the gain is taxed with no deductions. After 3 years of inactivity, only 50% is taxed under standard CGT rules.

11. Reporting to SEF

All non-Portuguese guests must be registered with SEF/AIMA — this is mandatory.

12. Tourist Tax (Taxa Municipal Turística)

Many municipalities charge a per-night fee (e.g., €2/night in Lisbon or Porto). Property owners must collect and remit it. Check local rules.

13. AL License Timing

It usually takes a few weeks to get an AL license. Delays may occur.

Note:


- In contention areas, new AL licenses are not permitted.
- Condominiums can request cancellation due to disturbances.
- Municipalities can oppose registrations or conduct inspections.

14. Insurance Requirements

Liability insurance is mandatory and must be renewed every year, with proof of renewal submitted to keep your AL license active. Additionally, multirisk insurance is strongly recommended to protect your property against damages and risks.

Plan Ahead and Seek Professional Advice

Proper planning and professional advice can save you money and prevent costly errors when renting, expanding, or selling an AL property.



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**"YOU MUST PAY TAXES, BUT THERE'S NO LAW
THAT SAYS YOU NEED TO LEAVE A TIP."**