



TAX ♦ SOLUTIONS

01

2020 - 2021

TAX GUIDE

KLISIARIS & KLISSIARIS LDA





Outline

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Introduction

We are experiencing a very unusual year featured by an unexpected change of the reality due to the global pandemics that implies bigger challenges especially for the taxpayers. Therefore the government shall face the consequences of the present crisis and will apply appropriate measures.

The 2021 state budget takes into account the social, economic and financial impacts that the pandemia has caused and will continue to cause. Given the economic uncertainty resulting from the pandemia, the state budget reflects the concern and flexibility in regards with the household resources.

Finally, the government is very proactive on the update tax legislation in regards with the short holiday lettings, especially on the capital gains, the updates are forseen on the 2020 and 2021 state budged.





2021 State Budget

New Updates



CAPITAL GAINS ON THE PROPERTIES ALLOCATED TO BUSINESS ACTIVITY

The capital gains related to the AL business activity will no longer be taxed when the property is transferred from business to personal asset.

The taxable gain is now calculated only when the property is sold to third parties, even if the property was allocated to the business activity.

If the property is sold within the first three years after the date of return to personal asset, the gain taxation occurs within the category B. The acquisition value to be considered for calculation of the capital gain is the acquisition amount and not the market value at the date of allocation, as per current tax legislation.



2021 State Budget

New Updates



TAX CREDITS IN INVOICES IN DEMAND

2021 State Budget includes the category of Fitness activities to the tax credits of the 15% of the VAT on the invoices. Until 2020 it was applicable on the invoices relating to restaurants, hotels, hairdressers and repairs to cars and motorcycles.



TAX CREDITS - DONATIONS

Donations greater than 50.000,00 euros and that do not have available tax to make the deduction in the current tax year are given the chance to use the amount of deduction not used to be deducted in the next three tax periods, with a limit of 10% of the value of each tax period.

2020 Tax Guide

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TAX BRACKETS 2020

For the 2020 tax year the tax brackets were updated by the 0.3%, remaining unchanged the applicable rate. Please find below the updated progressive tax rates;

Taxable Income €	Rate (%)	Deductible Amount (€)
Up to 7.112	14.5	0
From 7.112 to 10.732	23.0	604,54
From 10.732 to 20.322	28.5	1.194,80
From 20.322 to 25.075	35.0	2.515,63
From 25.075 to 36.967	37.0	3.017,27
From 36.967 to 80.882	45.0	5.974,54
Above 80.882	48.0	8.401,21

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BUSINESS ACTIVITY INCOME**Property Allocated to the Holiday Lettings Business Activity**

Following the 2020 state budget, if you are deciding to cease the AL holiday letting business activity, the capital gains from the category B arising from the transfer of the property to the personal assets are excluded from taxation if the property will be immediately allocated to the long rental income, category F, for the next 5 years. This law has been significantly improved in the 2021 state budget proposal.

Taxation of the AL Income

The current coefficient applicable to the AL business income under the simplified regime is 0.35, however the Portuguese government increased the coefficient to 0.50 whenever the property is in a special area defined by the municipalities. At this stage only Lisbon and Porto applied this regulation.



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LONG TERM RENT INCOME**Rental Contracts – Special Taxation**

The income obtained from long term rental income is taxed at a flat rate of 28%, to encourage the property owners to opt for long term rental contracts instead of the short holiday lettings, Portuguese government implemented reduced tax rates for longer contracts, with maximum reduction of 18 percentage points.

Duration	Rate
2 years ≤ Duration < 5 years	Rate = (28% - 2%) = 26% up to the limit 14 %
5 years ≤ Duration < 10 years	Rate = (28% - 5%) = 23% up to the limit 14 %
10 years ≤ Duration < 20 years	Rate = (28% - 14%) = 14%
Duration ≥ 20 years	Rate = (28% - 18%) = 10 %

The above flat rates are applicable to the rental contracts from 1st of January 2019 and the respective renewals. Example:

Rental contract starting in 2019 for two years – flat rate applicable 26%

If in 2021 the rental contract will be renewed, the flat rate applicable will be 24%

Furthermore, if the rental contract ceases before of the legal term, the right of the reduced rate is extinguished with effect from the beginning of the contract. In this situation the landlord shall settle the difference between the amount of the tax that was due each year and that should have been paid, plus interest.

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NON HABITUAL RESIDENT STATUS

Taxation

The taxpayer that obtained the Non-Habitual Resident status from April 2020 are now liable to a flat rate of 10% applicable to the pension income from abroad, revoking the previous exemption, only applications made from the 01-04-2020. Please note, if you obtained the Non-Habitual resident status before 2020 it is applicable the previous law and the pension income continue to be exempt in Portugal.

High Added Value Activity

From 1st of January 2020 it is available an updated list of the high added value activity, please find below the updated list. The professionals that are registered under the Non-Habitual Scheme and obtain salary or business activity income under the professional codes available on the list are taxed on a flat rate of 20%.

List of the High Added Value Activities

Article 72° n° 10 and of the article 81° n° 5 of the Portuguese Tax Legislation

112 – Executive Director	231 - University and higher education Professor	62 - Skilled workers in the forest, fishing and hunting, oriented to the market
12 – Director of administrative and commercial services	25 – Expert in communication and information technologies	7 - Skilled workers in industry, construction and craftsmen, including skilled workers in metallurgy, metalworking and processing of food, wood, clothing, handicrafts, printing transformation, the manufacture of precision instruments, jewelers, artisans, electricity and electronics workers
13 - Director of production and specialized services	264 - Authors, journalists, and linguists	8 - Machine operators and assembly workers, namely operators of fixed installations and machines
14 - Director of hotels, restaurants, commerce	265 - Creative and performing arts artists	Note: The professionals shall have at least level 4 of qualification in the European Qualifications Framework or level 35 of the International Classification of Education or have five years of experience duly proven professional.
21 - Professionals in physical sciences, mathematics, engineering, etc	31 – Engineering and sciences professions, intermediate level	
221 – Doctors	35 - Information and communication technology technicians	
2261– Dentists;	61 - Farmers and skilled workers in agriculture and animal production, oriented to the market;	

Other professional activities: Administrators and managers of companies that promote productive investment, allocated to eligible projects and with tax benefit concession contracts entered under of the Investment Tax Code, approved by Decree-Law No. 162/2014, of 31 October.



Personal and Family Allowance

Tax Allowances	
<i>Allowances in respect of taxpayers and their dependants</i>	
Dependants \geq 4 years of age as at 31 December of the relevant tax year	600,00 €
Dependants \leq 3 years of age as at 31 December of the relevant tax year	726,00 €
Second and subsequent dependent, regardless of the age	300,00 €
Ascendants living with the taxpayer whose income is \leq the minimum pension payable under the general regime	525,00 €
Only one ascendent living with the taxpayer whose income is \leq the minimum pension payable under the general regime	635,00 €
<i>Tax payers with Disabilities certificate of 60% and more (registered at tax Department)</i>	
Disabled taxpayer	1.900,00 €
For each disabled dependant	1.187,50 €
For each disabled ascendant	1.187,50 €

Tax Credits	
<i>Family General Expenses</i>	(Limit For Each Individual)
Deduction of 35% of the amount of expenses incurred by any member of the household provided that the taxpayer number is included in the invoice for expenses incurred and services provided communicated to the Portuguese Tax Authorities (AT). This benefit cannot be shared anymore, each taxpayer must purchase at least €750 ($€750 \times 35\% = €250$) to obtain;	250,00 €
<i>Health expenses</i>	
Deduction of 15% of the total amount of the following expenses: <ul style="list-style-type: none"> • Goods and services exempt from VAT at a rate of 6%; • Other health expenses supported by medical prescription; • Health insurance premiums or contributions paid to associations or to non-profit organizations that provide health care; 	1.000,00 €
<i>Education and professional and development training</i>	
Deduction of 30% of the total of education expenses	800,00 €
<i>Housing expenses</i>	
<ul style="list-style-type: none"> • 15% on the following expenses: Amounts expended by way of rent or official contributions, concerning an urban real estate or fraction for permanent housing under the Urban Rental Regime, as long as the contract has been registered by the tax office and the associated stamp duty paid 	502,00 €
<ul style="list-style-type: none"> • 15% on the following expenses: Rent paid under a leasing contract or Interest on loans for contracts entered by the 31st December 2011 in respect of a personal and permanent residence; 	296,00 €

Tax Credits	
<i>Nursing homes</i>	(Limit For Each Individual)
Deduction of the 25% of the total amount expenses incurred with the charges for nursing homes, home support and support institutions for the elderly	403,75 €
<i>VAT</i>	
Deduction of 15% of the VAT on invoices relating to restaurants, hotels, hairdressers and repairs to cars and motorcycles	250,00 €
<i>Donations</i>	
25% of donations to Central, Regional and Local Administration or Foundations (with conditions)	No Limit
Other Entities	15% of calculated tax
<i>Alimony payments</i>	
20% of alimony payments	No Limit

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BLACKLISTED JURISDICTIONS

Set out below is the approved list of countries, territories and regions that are considered to have favorable tax regimes and thus are blacklisted jurisdictions
Portaria 150/2004 dated 13rd February:

- | | | |
|-------------------------------------------------------------------------------------------------------------|------------------------------|----------------------------------------|
| 1) Andorra | 28) Gibraltar | 56) Pitcairn Isle |
| 2) Anguilla | 29) Guam Island | 57) French Polynesia |
| 3) Antigua and Barbuda | 30) Guiana | 58) Porto Rico |
| 4) Dutch Antilles | 31) Honduras | 59) Qatar |
| 5) Aruba | 32) Hong Kong | 60) Solomon Islands |
| 6) Ascension Island | 33) Jamaica | 61) American Samoa |
| 7) Bahamas | 34) Jordan | 62) Western Samoa |
| 8) Bahrain | 35) Keslim Isle | 63) Island of St Helena |
| 9) Barbados | 36) Kiribati Island | 64) St Lucia |
| 10) Belize | 37) Kuwait | 65) St Kitts and Nevis |
| 11) Bermuda Islands | 38) Labuan | 66) San Marino |
| 12) Bolivia | 39) Lebanon | 67) Island of Saint Peter and Miquelon |
| 13) Brunei | 40) Liberia | 68) St Vincent and the Grenadines |
| 14) Channel Islands (Jersey, Alderney, Guernsey, Great Stark, Herm, Little Sark, Brechou, Jethou and Lihou) | 41) Liechtenstein | 69) Seychelles |
| 15) Cayman Islands | 42) Maldives | 70) Swaziland |
| 16) Cocos Islands | 43) Northern Mariana Islands | 71) Svalbard |
| 17) Chipre | 44) Marshall Islands | 72) Tokelau Island |
| 18) Cook Islands | 45) Mauritius | 73) Tonga |
| 19) Isle of Man | 46) Monaco | 74) Trinidad and Tobago |
| 20) Costa Rica | 47) Montserrat | 75) Tristan da Cunha Island |
| 21) Djibouti | 48) Nauru | 76) Turks e Caicos Islands |
| 22) Dominica | 49) Christmas Islands | 77) Tuvalu Island |
| 23) United Arab Emirates | 50) Island of Niue | 78) Uruguay |
| 24) Falkland Islands | 51) Norfolk Isles | 79) Republic of Vanuatu |
| 25) Fiji lands | 52) Sultanate of Oman | 80) British Virgin Islands |
| 26) Gambia | 53) Pacific Islands | 81) Virgin Islands of USA |
| 27) Grenada | 54) Palau Islands | 82) Arab Republic |
| | 55) Panama | |

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