



TAXATION

1.0 Property Tax - IMT

Known as IMT, it is applicable to everyone that purchases a property within Portuguese territory and is levied immediately upon assignment of property rights which in most cases occurs at the time of the signing of the contract known as the "Escritura". It also applies to leased or subleased properties with terms extending beyond 30 years.

The IMT is levied based on the value of the property detailed in the contract or on the Taxable Estate Value of the property depending on which is the larger of the two. Payment of the tax due is almost always the responsibility of the buyer not the seller.

Calculation and payment of the tax due is performed at the local Tax Office once a Tax Declaration Form is completed which normally performed by the buyers' lawyer. The tax office will issue a slip for payment and the payment must be settled before the end of the following day. In practice most tax settlement are made at the time of calculation.

The amount of IMT due also depends on whether or not the property is your sole residence or whether it is a holiday home as your offset allowance will vary.

| VALUE FOR IMT PURPOSES (€) | % |
|----------------------------|----|
| Up to 87,500 | 0 |
| 87,500 to 119,700 | 2 |
| 119,700 to 163,200 | 5 |
| 163,200 to 272,000 | 7 |
| 272,000 to 521,700 | 8 |
| Over 521,700 | 6* |

* 6% is a flat rate with no allowance

Agricultural and building land attracts a taxable rate of 5%.

In the case of private buyers there are very few exceptions to this tax.

2.0 Municipal Tax – IMI

A local tax levied on the taxable estate value of urban and rural properties in Portugal.

IMI tax is paid annually and is owed by the person recorded in the property records on 31 December of every year. The amount of tax owed is calculated in February and March of the following year and is due for payment in April. The property record contains details of, location, taxable estate value, description of buildings and of the owners.

3.0 Stamp Duty

This is a one-off tax due at the time of purchase. The tax due is currently 0.8% of the purchase price.

4.0 IVA or Value Added Tax

The current rate is 21% which is not levied on the purchase of a property but is levied on all building services and supplies thereafter.

5.0 Personal Taxation

Rental income is subject to 15% tax.

Capital gains are subject to 25% tax and is based upon the difference between the purchase price and the price when sold less any buying and selling expenses. Assets owned for more that two years will be subject to a revaluation of the purchase price to account for inflation and other extraneous factors.

Inheritance tax is not levied on property transferred to a spouse, direct decedents or direct ascendants.

Property inherited or gifted to someone outside immediate family are subject to a single payment of 10% Stamp Duty. In the case of property an additional levy of 0.8% is due.

All information contained in this document is supplied in good faith. Always seek the advice of a reputable lawyer or financial adviser when dealing with matters associated with taxation.

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