Owning a Holiday Home in Portugal

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By **Catarina Sardinha**, 30th July 2025

Portugal, with its golden beaches, vibrant culture, and attractive climate, has long been a magnet for expats seeking a dream holiday home or a lucrative short-term rental investment. While the allure is undeniable, managing the intricacies of property ownership and rental regulations as a non-resident requires a thorough understanding of the local landscape.

This article summarises essential aspects of owning a holiday home – whether it is only for personal use or for short-term rental.

The Appeal of Portuguese Property

Foreigners enjoy the same rights as Portuguese citizens when buying and owning property in Portugal, with no legal restrictions based on nationality.

For expats looking to generate income from their holiday home, the short-term rental market offers significant potential like the *Alojamento Local*. However, this comes with specific licensing and regulatory requirements.

An AL license is mandatory for properties rented out on a short-term basis (e.g., via Airbnb or Booking.com). The process generally involves:

1. **Registering Business Activity:** You must register your business activity with the Portuguese Tax Department (*Autoridade Tributária e Aduaneira*) and Social Security (*Segurança Social*), using the appropriate CAE codes (55201 or 55204).

1. **Submitting AL Registration to Local Council:** The AL license is issued by the *Câmara Municipal* (local town hall) of the property's location. You will need to provide documents such as:
    - Copy of ID/passport
    - Property tax document (*Caderneta Predial*)
    - Business activity registration
    - *Licença de Utilização* (for post-1951 buildings)
    - Copy of your AL insurance policy
    - Term of responsibility
    - Proof of property insurance
    - Owner/manager documents

1. **Fiscal Representative (for non-residents):** If you are a non-resident, you will need a fiscal representative in Portugal who is registered for IVA (VAT).

1. **Property Requirements and Inspections:** Your property must meet specific safety standards, including fire safety equipment (extinguisher, fire blanket, smoke/carbon monoxide detectors, emergency lighting), a first-aid kit, and clearly displayed emergency information. An inspection by the Municipal Council will verify compliance.

1. **Guest Reporting:** You must register with AIMA (Agency for Integration, Migrations and Asylum) for guest reporting purposes. This involves providing guest details such as name, nationality, date of birth, document

number, and check-in/check-out dates.

1. **Complaints Book:** A physical complaints book must be available at the property.

   - **Municipal Authority:** Municipalities now have greater authority to regulate AL approvals and can define “containment zones” where new AL licenses may be restricted or even prohibited (e.g., parts of Lisbon and Porto city centres). It is crucial to check with the local *Câmara Municipal* before purchasing a property with the intention of short-term rental.
   - **License Permanence:** AL licenses are now generally permanent and do not expire after five years.
   - **Transferability:** AL registrations and licenses are now transferable.
   - **Capacity Limits:** Maximum capacity for ALs is generally 27 guests.
   - **Residential Use Restriction:** New ALs are prevented from occupying properties that have been rented out for residential purposes during the last two years.
   - **Conservation and Energy Certificates:** AL properties must be officially classified as “medium” or higher for conservation (confirmed by council inspection) and have an energy certificate with an energy efficiency level of D or higher.
   - **Special Contribution (CEAL):** The controversial special contribution to local accommodation (CEAL) has been revoked by the new government (as of May 2024), meaning AL owners are no longer required to pay this.

Various taxes apply to properties in Portugal and engaging with an appropriate professional will ensure compliance with local laws and regulations which may be different from the jurisdiction you may be customed to.

Tax is payable upon purchase where a stamp duty and transfer tax both apply and are once-off. Two municipal property taxes may apply thereafter which are required to be paid at least annually.

Furthermore, any income earned from Portuguese properties rented will be taxed in Portugal – regardless of whether you are tax resident in Portugal. Furthermore, the tax will depend on whether you earn the income in your personal capacity or through a company. Certain expenses may be deducted to reduce the taxable income liable to taxation.

Upon sale, a capital gain may apply.

Click here to download our guide regarding Portuguese tax applicable to short-term rentals.

Other information on property related taxes can be found here. For inheritance of properties, the following **article** may provide more information on the tax treatment in Portugal.

Lastly, if you are non-resident in Portugal, you may be subject to taxation from your property in Portugal where you are tax resident, and a double taxation treaty may be applicable (which may allow the avoidance of double taxation).

Other considerations which may be applicable and key is an appropriate insurance cover (weather, rental, other), as well as a reliable service provider for upkeep of the property to ensure maintenance is routinely performed (particularly for property rented out).

Reach out to Dixcart Portugal for more information (advice.portugal@dixcart.com).

Note this is not tax advice.