

# PORTUGUESE TAX ON SHORT-TERM RENTALS

The taxation of short-term rentals in Portugal, known as “*Alojamento Local*” (AL), can be complex. The tax consequences vary significantly depending on whether the owner is a tax resident, a non-tax resident, or a company. The table below summarises key features.

FEATURE	INDIVIDUAL (TAX RESIDENT)	INDIVIDUAL (NON-TAX RESIDENT)	COMPANY (RESIDENT OR NON-RESIDENT)
<b>Income Tax Regime</b>	<b>Simplified Regime</b> (up to €200,000 annual income) or <b>Organized Accounts</b> (mandatory for those with a higher income. Individuals can also choose this option if they wish).	<b>Simplified Regime</b> or <b>Organized Accounts</b> . Non-residents from the EU/EEA can opt to be taxed as residents.	<b>Corporate Income Tax (IRC).</b>
<b>Tax Rate &amp; Basis (Simplified Regime)</b>	Taxable income is calculated by applying a coefficient of <b>0.35</b> to the gross income. This taxable amount is then subject to the progressive Personal Income Tax (IRS) rates, which range from <b>13% to 48%</b> .	Taxable income is calculated by applying a coefficient of <b>0.35</b> to the gross income. This amount is then subject to a flat tax rate of <b>25%</b> .	Taxable income is the company's profit, which is calculated based on the difference between revenues and deductible expenses. This profit is subject to corporate income tax (IRC) at a rate of 16% until the first €50,000 of taxable profit and <b>20% on the above</b> (continental Portugal).
<b>Tax Rate &amp; Basis (Organized Accounts)</b>	Taxable income is based on the actual net profit (gross income minus eligible expenses). This amount is then subject to the progressive Personal Income Tax (IRS) rates ( <b>13% to 48%</b> ).	Taxable income is based on the actual net profit, subject to a flat tax rate of <b>25%</b> .	Taxable income is the company's profit, subject to IRC rates.
<b>Deductible Expenses</b>	<b>Simplified Regime:</b> A fixed percentage of 65% of the gross income is assumed as deductible expenses. This means only 35% of the income is taxed. However, expenses representing at least 15% of the turnover must be proven to avoid a higher tax base.  <b>Organized Accounts:</b> All documented and justified expenses related to the activity can be deducted, such as property maintenance, IMI, insurance, and utilities.	<b>Simplified Regime:</b> A fixed percentage of 65% of the gross income is assumed as deductible expenses. This means only 35% of the income is taxed. However, expenses representing at least 15% of the turnover must be proven to avoid a higher tax base.  <b>Organized Accounts:</b> All documented and justified expenses related to the activity can be deducted, such as property maintenance, IMI, insurance, and utilities.	All documented and justified business expenses are deductible.



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FEATURE	INDIVIDUAL (TAX RESIDENT)	INDIVIDUAL (NON-TAX RESIDENT)	COMPANY (RESIDENT OR NON-RESIDENT)
<b>VAT (IVA)</b>	<p><b>Exemption:</b> Individuals with a turnover below €15,000 are exempt from charging VAT. In this case, individuals cannot deduct the VAT paid to suppliers.</p> <p><b>Taxation:</b> If turnover exceeds the threshold, VAT at a reduced rate of 6% (continental Portugal) must be charged. Non-tax residents are generally required to register for VAT and charge it regardless of turnover.</p>	<p><b>Taxation:</b> Non-residents are generally required to register for VAT, charge it at <b>6%</b>, and file returns regardless of turnover.</p>	<p>Companies are generally subject to VAT, and the reduced rate of <b>6%</b> for <i>Alojamento Local</i> applies. The company can also deduct VAT on its expenses.</p>
<b>Capital Gains Tax</b>	<p>When selling a property that was used for <i>Alojamento Local</i>, the capital gain is generally taxed as a business asset.</p> <p>The gain is calculated as the difference between the sale price and the acquisition cost, with some adjustments. This is then added to other income and taxed at progressive IRS rates.</p>	<p>When selling a property that was used for <i>Alojamento Local</i>, the capital gain is generally taxed as a business asset.</p> <p>The gain is calculated as the difference between the sale price and the acquisition cost, with some adjustments. This is then added to other income and taxed at progressive IRS rates.</p> <p>The tax treatment can be different if the business activity ceases at least three years before the sale.</p>	<p>Capital gains are considered corporate income and are subject to the standard corporate income tax rate of <b>20%</b>.</p>
<b>Other Taxes</b>	<p>In addition to income tax, property owners may be liable for:</p> <p><b>IMI</b> (Municipal Property Tax): Annually, at a rate of 0.3% to 0.45% (urban properties).</p> <p><b>AIMI</b> (Additional Municipal Property Tax): On property values exceeding €600,000.</p> <p><b>Tourist Tax:</b> If applicable in the municipality.</p>	<p>Same as for tax residents.</p>	<p>Same as for tax residents, but with different rates for AIMI. AIMI for companies is <b>0.4%</b> on the full tax value of the property.</p>

Note that this is not tax advice and is for discussion purposes only.