

AL HOLDERS - AMENDMENTS TO THE SPECIAL VAT EXEMPTION REGIME



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“(...) NON-RESIDENT LOCAL ACCOMMODATION OWNERS CAN NO LONGER BENEFIT FROM VAT EXEMPTION, REGARDLESS OF TURNOVER.”

With this new legislation, **non-resident Local Accommodation owners can no longer benefit from VAT exemption**, regardless of turnover. From this date, it will be **Since July 1st, 2025**, relevant changes to the **Special VAT Exemption Regime** provided for in article 53 of the VAT Code (CIVA) have come into force, according to **Decree-Law No. 35/2025**, of March 24th. These changes have a direct impact on all **Local Accommodation (AL) holders who operate as Sole Proprietorships (ENI)**, with special emphasis on owners **who are not resident in Portugal**.

END OF VAT EXEMPTION FOR NON-RESIDENTS

Mandatory to:

- **Register with the VAT regime** with the Tax Authority;
- **Charge 6% VAT** on all bookings made from July onwards;
- **Appoint a tax representative** domiciled in Portugal;
- **Submit periodic VAT returns**, even if the activity is seasonal.
- On the other hand, by leaving the Exemption Regime, the owner **will be able to deduct the VAT** borne on expenses directly related to the activity, which can help mitigate the financial impact.

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For residents in **Portuguese territory**, the VAT exemption can be maintained, provided that the following conditions are met:

- The **annual turnover does not exceed 15,000 euros**;
- In **2025**, it is possible to maintain the exemption if the amount invoiced in the first half of the year **does not exceed 18,750 euros**;
- If the limit of **18,750 euros is exceeded in the 1st semester**, the framework for the normal VAT regime will be **automatic** from July 1st;

- If the limit of 15,000 euros is exceeded only at the end of the year, it will be necessary to notify the Tax Authority within 15 working days after December 31st;
- In this situation, VAT will be applicable from January 1st, 2026.

In addition to the new tax obligations, it is important that short-term rental owners carefully review the way they issue invoices and manage their prices on digital platforms, such as **Airbnb** or **Booking**. VAT must be correctly reflected in reservations and clearly communicated to guests. These adjustments are essential to avoid penalties and ensure compliance with the new legislation.

“(...) WE RECOMMEND THAT ALL AL HOLDERS, ESPECIALLY THOSE NOT RESIDENT IN PORTUGAL, SEEK ADVICE (...)”

Given its immediate application, we recommend that all AL holders, especially those not resident in Portugal, seek advice from their accountant or tax representative as soon as possible, to ensure timely and correct compliance with the new legislation.



SPECIAL SCHEME FOR RESIDENTS IN OTHER EU MEMBER STATES

The new law also provides for a special exemption regime in Portugal for taxpayers **established in other countries of the European Union**. In these cases, it will be possible to **maintain the VAT exemption in Portugal**, as long as the **turnover in the EU does not exceed 100,000 euros per year**.

To benefit from this exception, it is necessary to:

- Communicate this intention in advance to the **tax authority of the country of residence**;
- Obtain a **VAT number with the suffix "EX"**;
- Comply with the **submission of quarterly returns** to the Portuguese Tax Authority.

TAX HARMONISATION AT EUROPEAN LEVEL

These changes are part of a **European tax harmonisation strategy**, promoting greater transparency in the taxation of small businesses and cross-border activities, especially in the short-term accommodation sector.