



Portuguese property ownership taxes

In recent years the Portuguese government has attempted to ensure the fairness of the municipal property taxes by initiating the revaluation of all properties in Portugal on a consistent basis. Previously property valuations had only been updated when properties were sold or at the specific request of an interested party, with the result that properties with similar characteristics were subject to wildly differing property values and the resulting taxes.

The law provided that this revaluation had to be completed by the end of 2012. As in any major project, errors have crept in. In some municipalities, the revaluations were professionally executed with very few errors, whilst in others a large number of errors have been reported.

The Portuguese consumer body, Deco, estimated the error rate at 20%. In my practice, the error rate is approximately 2 out of 3, i.e. Well above the Deco estimate, though some of the errors are minor and not worth following up. In some cases, the properties are under valued in terms of this revaluation exercise. Of course, in those cases, it is not in the client's interest to request a revaluation. Overall, including the over and under valuations, the net effect is a tax saving of approximately 15%. In some individual cases, the tax saving amounted to 60%.

Taxpayers may request a revaluation directly from the tax office, but if done so without rechecking the factors used and redoing the calculations, clients do run a risk of an increase in the tax bill, either due to the property being genuinely under valued in terms of the rules, or further errors can and do creep in, in which in this case needs to be appropriately escalated.

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