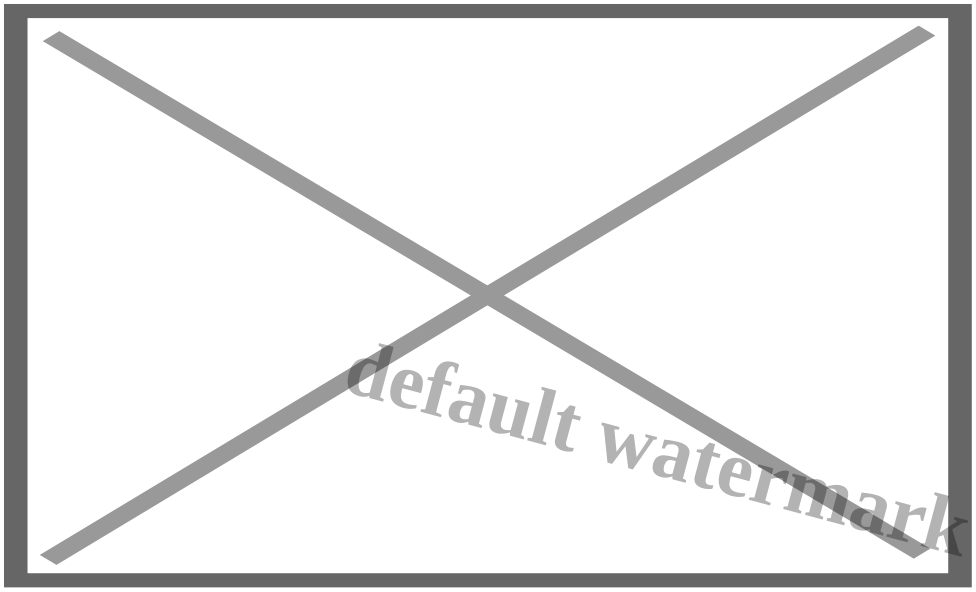
IMI â€“ Municipal Tax on Real Property

Description



- **Property in central Portugal**

MUNICIPAL TAX ON REAL PROPERTY (IMI)

Scope

Effective Scope

The municipal tax on real property (IMI) is levied on the *taxable net-worth value*

(TNW) of real property classified as rural or urban property, situated within the Portuguese territory, being the tax revenue from property of the municipality, where such property is located.

Immovable property is meant to include:

â€“ Any fraction of territory, including the waters, plantations, buildings or constructions of any kind incorporated therein or permanently based therein, provided that it forms part of a given asset belonging to an individual or legal person, and has an economic value under normal circumstances;

â€“ Any such waters, plantations, buildings or constructions with economic autonomy in relation to the land on which they are set up, even if located in a fraction of the territory forming part of other assets or devoid of a net wealth nature;

â€“ Any buildings or constructions, even of a movable nature, where connected with non temporary purposes, in particular, if established in the same place for a period exceeding one year;

â€“ Each autonomous fraction under the regime of separate ownership in a multiple unit

building (strata title). Immovable property may be classified as rural, urban and mixed.

Rural property shall include:

â€“ Land located outside an urban centre that cannot be classified as building land, provided that:

â€“ Such land is connected with, or in the absence of effective connection, has as its normal purpose, any use giving rise to agricultural income;

â€“ Such land, although used for other purposes than the purposes above mentioned,

is not built-in or has only buildings or constructions of an ancillary nature, with no economic autonomy and with a limited value;

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â€“ Land located within an urban centre that cannot be used for profitable purposes, or can only be used for agricultural purposes and is effectively used for such purpose.

Buildings and constructions directly used for the production of agricultural income,

if located in land as above referred to;

â€“ Waters and plantations in the above mentioned situations.

There shall be classified as *urban property* property that is not classified as rural property.

Urban property can be divided into:

â€“ Housing, commercial, industrial or services buildings â€“ buildings or constructions

licensed for that purpose, or, in the absence of a license, whose normal use is in

connection with one of the above mentioned activities;

â€“ **Building land:** land located inside or outside an urban centre, that has been granted a license or permission, a favorable prior communication has been given in relation to land-lot division permit or construction, as well as any land declared as such in its acquisition deed, excepting those in relation to which the competent entities preclude any of such operations namely: land located in green or protected areas or, according to municipal regional planning schemes, such land is connected with public places, infrastructures or equipment;

â€“ **Others**: land located inside an urban centre, as well as licensed or non-licensed

buildings and constructions not covered by the preceding specifications.

There shall be classified as mixed property any property that is partly rural and partly

urban, where it is not possible to classify either of them as the main one.

Personal scope

The taxable person is the owner, the usufructuary, the building lease holder or the personentitled to the use or fruition of the immovable property on the 31st December of the year to which the tax relates.

Tax liability starts according to the following situations:

a) In the year during which the fraction of the territory concerned or any other elements are classified as immovable property;

b) In the year next following that in which the exemption ceases;

c) In the year during which any work of construction, improvement or other alterations

leading to a variation in the net-worth value of real estate is concluded;

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d) In the fourth year following that in which a building land is included in the assets

of a company having as its object the construction of buildings for sale;

e) In the third year following that in which an immovable property is included in the

current assets of an enterprise having as its object its sale. In this case the tax

shall be due in the year in which the sale of the immovable property has been delayed

by any reason chargeable to the taxpayer.

In the cases provided for under subparagraphs d) and e):

â™¦ If the immovable property is used for other purposes, the tax shall be assessed in

relation to the whole period of time since its acquisition;

â™¦ This regime shall not apply to taxable persons having their domicile in a country,

territory or region subject to a clearly more favourable tax regime, comprised in a list approved by a ministerial order from the Minister of Finance.

The IMI Code provides for a number of presumptions on the ground of which real estate shall be considered as concluded or modified; however, there is always the possibility of starting this procedure by an administrative way.

Exemptions

There shall be exempted from IMI, the State, the Autonomous Regions, as well as any

services, establishments and bodies thereof, even if personalized, including public institutes of a non business nature, as well as local authorities and their associations of public law. Also exempt from IMI,

in accordance with the Tax Incentives Statute (EBF), are foreign States in relation to immovable property designed for consular and diplomatic representations; establishments for indigent persons (*MisericÃ³rdias*); associations or organizations of any religion or creed as far as it concerns buildings designed for worship or related activities; and companies holding exclusively public capital in relation to immovable property granted at any title whatsoever to the State or to other public entities for the exercise of an activity of public interest.

Furthermore, also exempt from this tax are certain social security and welfare institutions; trade union associations and other independent professional associations; public administrative legal entities and mere public legal entities; private social solidarity institutions and legal persons assimilated thereto; private teaching establishments integrated into the educational system; sport associations and youth associations established by law in relation to immovable property used for the prosecution of their goals. Also exempted are real estate or parts of real estate granted free of charge by their owners or usufructuaries to public entities exempt from IMI for the direct prosecution of their goals.

Exempted from IMI are:

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â€“ Immovable property classified as national monument or immovable property of

public interest, as well as those eligible as municipal immovable property, according

to the applicable legislation;

Urban property object of urban rehabilitation for a period of two years, counting

from the year of issuance of the City Council licence;

â€“ Buildings used in undertakings qualified as of tourist utility for a period of seven years;

â€“ Rural and urban property owned by taxable persons whose household overall gross income as aggregated for IRS purposes, does not exceed the double of the annual value of the highest minimum domestic wage and whose global taxable amount is no higher than ten times the yearly amount of the highest minimum domestic wage;

â€“ Immovable property integrated into real estate investment funds and assimilated,

in pension funds and retirement-savings funds established according to the domestic law;

â€“ Urban property exclusively affected to public underground car-parking declared of municipal utility by a resolution of the competent municipality;

â€“ Immovable property used as main office of cultural and leisure collective organizations; non-governmental organizations; and other kind of non-profit making associations, recognized as of public utility, after a decision by the municipal assembly of the local authority where such property is situated under the provisions of the Local Finance Law;

â€“ Urban housing property or part thereof, constructed, enlarged, improved or purchased for the permanent residence and effectively assigned to such purpose, within six months after the purchase or completion of the construction, enlargement or improvement works, except for a reason not imputable to the beneficial owner thereof;

â€“ Immovable property or part thereof, newly constructed, enlarged or improved, or purchased (for the first transfer) for that part designed to be rented for dwelling purposes, provided that the above conditions are met, except if such buildings or part thereof have been newly constructed, enlarged, improved or purchased by an entity having its domicile in a country, territory or region subject to a clearly more favorable tax regime as comprised in a list approved by a ministerial order from the Minister of Finance, unless the rental amount agreed upon is equal to, or higher than, the amount corresponding to 1/15 of the net worth of the leased property.

The exemption period in both these last-mentioned situations shall be determined in accordance with the following table:

TAXABLE NET WORTH (â‚¬)	EXEMPTION PERIOD (YEARS)
Up to 157 500	8
Over 157 500 up to 236 250	4

Attention: The change of the exemption period, according to the wording of Law nr.

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64/2008, of 5th December, shall apply to exemptions where the period of 6 or 3 years relating to the benefit is still in force or has terminated in the year 2008.

Taxable net worth

The taxable net-worth of immovable property is determined by an evaluation based on a taxpayerâ€™s statement, but if necessary, the evaluation shall be preceded by an expert survey. The appraisal of rural property shall be made on a cadastral, non-cadastral or direct base. The appraisal of urban property is always directly undertaken.

Rural property

Taxable net-worth (TNW) of rural property corresponds to the result of its ground rent income by applying a factor 20, rounded up to the immediately higher ten Euros.

The ground rent income corresponds to the balance of an annual crop account in which the credit is represented by gross income and the debit by the operating costs.

The ground rent income of a real estate is determined by the total sum of incomes from its different portions and income from the trees therein existing, if they belong to the person holding the right to the income derived from the real estate and if, globally considered, they have an economic interest.

Appraisal on a cadastral base (real estate register)

Appraisal on a cadastral base consists in preparing the *qualifying and classifying tables* of the *tariff lists* and in its division into parts, as indicated below. It is carried out under the DGCI supervision on the base of the real estate register elements supplied by the Portuguese Geographic Institute.

To prepare qualifying and classifying tables means listing the cultural characteristics with an economic interest; to define different productivity categories and degrees, as well as to choose *standard items* representative of each cultural quality and category.

As a general rule, in the preparation of these tables the usual proceeding is to achieve a qualification and classification for each civil parish or groups of civil parishes having similar characteristics. Exceptionally, in bigger civil parishes with strongly differentiated economic and agrological conditions, such preparation is made according to zones delimited by natural characteristics of the ground or by permanent works. Those land portions with the same type of utilization have always similar names. The preparation of *tariff lists* consists in determining the unit income of each quality and category taken into consideration in the qualifying and classifying tables.

The tariff for each quality and category is the unit ground rent income of the corresponding standard portions or trees. Tariffs are estimated by way of annual crop accounts in accordance with the following formula:

T = RB â€“ EE

Where:

T â†’ tariff

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RBâ†’ gross income: value at the current market prices at the normal selling opportunity, of the whole production for a given period, which is formed by the main and secondary products, spontaneous or obtained by crop, marketable in kind or at the very first stage of technological processing to become regionally negotiable.

EEâ†’ operating costs: cost in connection with crops, preservation and transport of the products to the warehouse and markets; expenses of preservation and reintegration of the plantations, building, improvement and other agrarian betterment; general operation expenses, and interest corresponding to working capital. The non-cadastral evaluation consist in: preparing the qualifying and classifying tables and tariffs, in the same terms as cadastral evaluation; parceling and measurement of the real estate. This kind of evaluation is carried out in those municipalities where there is no geometrical or real estate register, as well as in the so-called deferred register zones.

Direct appraisal consists in measuring the real estate area and in determining its TNW.

It applies to defaulting immovable property or in case of crop changes or any area default giving rise to a change to its TNW.

Urban property

Housing, commercial, industrial or services buildings

The determination of the TNW of built-in immovable property designed for housing,

commerce, industry and services purposes is the result from the following formula:

Vt = Vc x A x Ca x Cl x Cq x Cv

Where:

Vt â†’ taxable net worth

Vc â†’ base value of built-in property

A â†’ total area of the building construction plus area in excess of building ground

Ca â†’ type of building coefficient

Cl â†’ location coefficient

Cq â†’ quality and comfort coefficient

Cv â†’ age of the building coefficient

The Vc corresponds to the average building cost per m2 plus the value of each m2 of the building ground fixed in 25 per cent of that cost.

The total area of the building construction or of a fraction and the area in excess of the building ground (A) result from the following formula:

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A = (Aa + Ab) x Caj + Ac + Ad

Where:

Aa â†’ total private area: total surface as measured by its external perimeter and the axis of the walls or another dividing component of the real estate or fraction (including private balconies, basements and attics having the same use as the real estate or fraction) to which coefficient 1 applies.

Ab â†’ dependent total areas: covered areas for exclusive use, even if being a fraction

in common, located outside the real estate or fraction, the use of which is of a

secondary nature in relation to the use of the building or fraction thereof (being

considered as ancillary places for that purpose any garage and parking, storeroom,

animal facilities, attics or basements, balconies and other private premises) to which coefficient 0.30 applies

Caj â†’ area adjustment coefficient

Ac â†’ the free land area till the limit of two times the implantation area has the coefficient of 0.025

Ad â†’ the free land area exceeding the limit of two times the implantation area has the coefficient of 0.005

The *free land area* of the immovable property or fraction thereof or its proportional part is the result from the difference between the land total area and the building implantation area, which includes gardens, parks, playgrounds, swimming pools, backyards and other common grounds.

The type of **building coefficient** (ca) depends on the kind of use of buildings, according

to the following table:

USE COEFFICIENTSCommerceServicesHousing Social housing subject to legal regimes of controlled costsWarehouses and industrial activityCommerce and services in buildings for industryCovered and closed parkingCovered but not closed parking Non-licensed buildings in very bad conditions of habitability Non-covered parking Store and box-rooms	COEFFICIENTS1.20 0.15 0.45 0.08 0.35

URBAN PROPERTY FOR HABITATION

QUALITY AND COMFORT ELEMENTS INCREASING ELEMENTS:	COEFFICIENTS
One family dwelling house Up to	Up to 0.20
Location in a closed condominium	0.20
Private garage	0.04
Common garage	0.03
Private swimming-pool	0.06
Common swimming-pool	0.03
Tennis court	0.03
Other leisure equipments	0.04
Quality of building construction Up to	0.15
Exceptional localization Up to	0.10
Acclimatization central system	0.03
Lifts in buildings not exceeding four floors	0.02
Relative location and operationalization	Up to 0.05

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URBAN PROPERTY FOR HOUSING PURPOSES

QUALITY AND COMFORT ELEMENTS DIMINISHING ELEMENTS:	COEFFICIENTS
No kitchen	0.10
No sanitary installations	0.10
No public or private water distribution system	0.08
No public or private electric distribution system	0.10
No public or private gas distribution system	0.02
No public or private sewerage system	0.05
No road paving	0.03
Areas being not into conformity with standard ones	0.05
No lift in buildings with more than three floors	0.02
Deficient building preservation Up to	0.05
Relative location and operationalization	Up to 0.05

Use of environmentally sustainable techniques, either active or passive	0.05

URBAN PROPERTY FOR COMMERCE, INDUSTRY AND SERVICES

QUALITY AND COMFORT ELEMENTS	COEFFICIENTS
INCREASING ELEMENTS:	
Localization in a shopping centre	0.25
Localization in buildings designed for offices only	0.10
Acclimatization central system	0.10
Quality of building construction	Up to 0.10
Lift(s) or escalator(s)	0.03
Relative location and operationalization	Up to 0.20

QUALITY AND COMFORT ELEMENTS	COEFFICIENTS
DIMINISHING ELEMENTS:	
No sanitary installations	0.10
No public or private water distribution system	0.08
No public or private electric distribution system	0.10
No public or private sewerage system	0.05
No road paving	0.03
No lift in buildings with more than three floors	0.02
Deficient building preservation	Up to 0.05
Relative location and operationalization	Up to 0.10
Use of environmentally sustainable techniques, either active orpassive	0.10

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The **age of building coefficient** (cv) varies according to the full number of years elapsed since the date of issuance of the occupation license, if any, or the date of conclusion of the edification works, according to the following schedule:

YEARS	AGE OF BUILDINGCOEFFICIENT
Less than 2	1
2% to 8%	0.90
9 to 15	0.85
16 to 25	0.80
26 to 40	0.75
41 to 50	0.65
51 to 60	0.55
Over 60	0.40

The above-mentioned rules shall apply to the enlarged immovable property depending on each partâ€™s age respectively.

Building land

The TNW of building land is the total sum of the value of implantation area to be built

in, located within the perimeter of establishment of the building into the ground, measured in its external part plus the value of the land adjacent to the implantation.

The value of the implantation area ranges between 15 and 45 per cent of the value of the authorized or foreseen buildings.

â€œOthersâ€•

In case of buildings, the TNW shall be determined in accordance with the rules applicable to built-in immovable property designed for housing, commerce, industry and services purposes. In the event that such rules are not applicable, the real estate expert shall use the cost method plus the value of the land.

In case of land, its unit value corresponds to the value resulting from the application of a coefficient of 0.005 in relation to the result of base value of built-in property by the location coefficient.

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The TNW of tumble down buildings is determined as building land according to a resolution issued by the competent municipality.

Tax Rates

The IMI rates are as follows:

Rural (unbuilt) property: 0.8%;

Urban property 0.4% to 0.7%

Urban property evaluated under the IMI Code: 0.2% to 0.4%.

In relation to real estate formed by rural and urban fractions, the respective tax rate shall apply to the TNW of each part. The tax rates applicable to urban property and that evaluated under the IMI Code shall be yearly increased up to the double in relation to urban property which is unoccupied for more than one year and shall triplicate in relation to tumble down buildings, being considered as such those buildings that are unoccupied for more than one year or tumbled down covered by the competent law. With regard to real estate owned by an entity having its domicile in a country, territory or region subject to a clearly more favourable tax regime, comprised in a list approved by the Minister of Finance, the IMI rate shall be 1 per cent, or 2 per cent to urban property, which is unoccupied for more than one year.

Subject to a decision from the Municipal Board, the municipalities may:

â™¦ Establish the tax rate to be applied each year (within the period of time established by law) to urban property evaluated under the IMI Code; such tax rate may be established by civil parish;

â™¦ Define territorial areas corresponding to civil parishes or delimited zones of civil parishes object of rehabilitation operations or fight against desertification, and increase or decrease up to 30 per cent the rate in force in the year to which the tax relates;

â™¦ Define territorial areas corresponding to civil parishes or delimited zones of civil parishes and establish a reduction up to 20 per cent of the rate in force in the year to which the tax applicable to leased urban property relates, which can be cumulative with the tax rate referred to in the preceding dash;

â™¦ Increase up to 30 per cent the rate applicable to deteriorated urban property, being considered as such those buildings that, owing to their state of maintenance, do not comply with the corresponding requirements or are likely to involve a risk for the security of persons and goods;

â™¦ Increase up to the double the rate applicable to rural property with woodlands in abandonment, not resulting from that increase a taxable amount under 20 Euros per each property concerned;

â™¦ Establish a reduction up to 50 per cent of the rate in force in the year to which the tax applicable to buildings classified as property of public interest or of local interest relates, provided that such buildings are not covered by Article 40 (1) (n) of

EBF.

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Assessment and collection

The IMI is yearly assessed for each municipality by the Central Services of the Directorate

General for Taxation, on the basis of the TNW of the real estate and in respect of

the taxable persons inscribed in the registers on the 31st December of the year to which the tax relates. The tax assessment takes place in February and March of the following year.

The services of the Directorate General for Taxation will send to each taxpayer â€“ no later than the end of the month previous to that of payment â€“ the competent collection document, specifying therein all identifying data in respect of the real estate concerned, as well as its TNW and tax payable.

This tax is payable in two installments in April and September if the amount due is higher than â‚¬ 250. If that amount is equal to, or lower than â‚¬ 250, it must be fully paid

in April.

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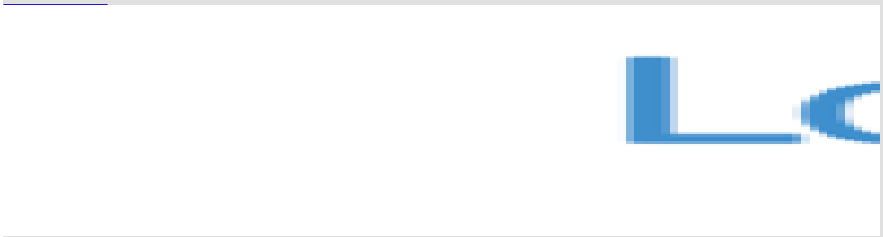

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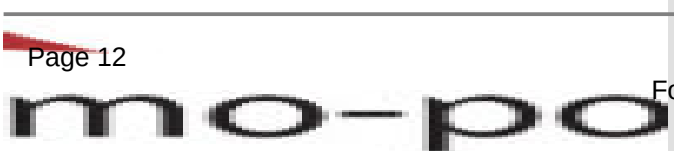

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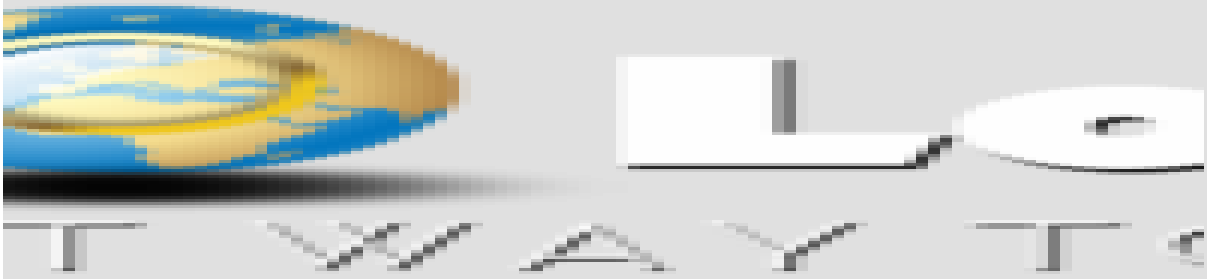

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