



### **Five potential advantages of an “Isolated Act”**

Isolated Acts need to be declared when providing services or transferring goods that are sporadic or unpredictable in nature. The practice requires issuing a proper invoice. These receipts must be issued electronically through the Finanças website. Given its simplicity, passing an “Isolated Act” may offer certain advantages for taxpayers.

#### **1) No need to open a sole trader activity**

With an Isolated Act, you do not need to open (and close) an independent business activity or to take out professional insurance. The Isolated Act has the advantage of fusing the bureaucracies otherwise inherent with a business activity. The total value of the services should not, however, exceed €25,000. If so, you will need to open a freelancer business activity.

#### **2) No Social Security contributions**

With the Isolated Act, it is not necessary to enroll in Social Security nor pay monthly contributions. You are also exempt from completing the SS attachment to your IRS income tax return.

#### **3) Unemployment benefits**

When issuing an Isolated Act, you will not lose your right to unemployment benefits. While the emission of an Isolated Act itself temporarily suspends an unemployment benefit (for the same amount received), your benefits are not permanently cancelled.

#### **4) With or without withholding tax**

Isolated Acts under €10,000 do not require IRS withholding. However, you can opt for withholding, avoiding paying later on your annual IRS tax return which can prove advantageous.



## 5) VAT and the Isolated Act

Isolated Acts are normally subject to a VAT charge of 23% (in mainland Portugal) in most cases, based on the value of the provision of the given service. The VAT rate to be charged depends on the activity, in accordance with what is stipulated in article 18° of the CIVA. In Madeira, VAT is 22% and in the Azores 18%.

The payment of VAT must be made by the last day of the month after the month of completion of the service provided, either in person at a *Finanças* Office with the collection document *Modelo P2* or by ATM, after issuing a payment note available from the “AT” website.

As a rule the Isolated Act is subject to VAT but some activities may be exempt the collection of this tax, such as Isolated Acts passed to consumers in a VAT regime within the EU.