

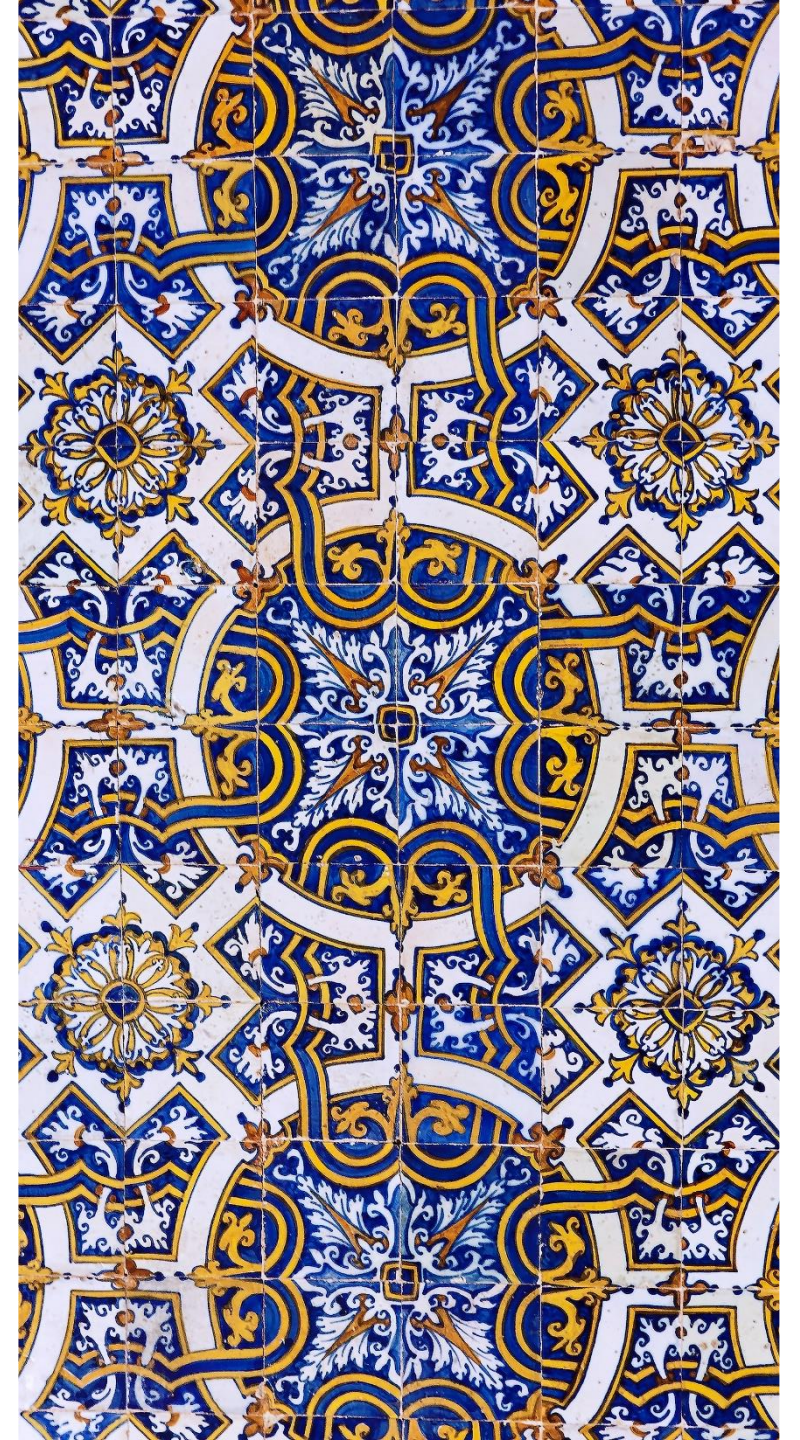


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How to buy a property in Portugal Dos and don'ts

Live and Invest In Portugal
Carvoeiro, Portugal
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www.gfdl.legal





Topics to consider

- Overview
- Acquisition process
- Other topics
- Case study
- Questions & Answers





Overview





Advantages

- Corporation tax breaks for real estate investment companies
- Tax incentives for short term and long term rentals
- Full and unconditional ownership of the land
- Tax Treaty network avoids double taxation
- Absence of discriminatory legal provisions for foreign investors



Acquisition process





Plan ahead

- Establish goals and a timetable
- Search for your dream house (Always choose more than one house for survey)
- Hire trustworthy partners who can help you during the process
- Due diligence is a must



Steps

- Portuguese taxpayer number & Fiscal Representation
- Property survey
- Reservation + Promissory Purchase and Sale Agreement
- Payment of Taxes
- Final Deed + Registry



Fiscal representation

- First step – Portuguese taxpayer number
- Nonresidents must appoint a fiscal representative
- Required for:
 - Bank account
 - Rental agreements
 - Acquisition of real estate

Required documents and information



- Land Registry Certificate
- Tax Registry Certificate
- Utilization License (*Licença de Utilização*)
- Pre-Emption Rights (*Direitos de Preferência*)
- Property Passport (*Ficha Técnica de Habitação*)
- Energy Certificate
- Condominium Fees Statement*

Promissory Purchase and Sale Agreement



- Highly recommend vs Reservation Agreement
- Due diligence
- Registration prior to the public deed
- Penalties for default and breach of contract
- Deposit 10% - 30%



Purchase and sale deed

- Notary public
- Purchase price is paid accordingly to the provisions of the Promissory Contract.
- Payment of taxes (Transfer)
- Registration of the Property – Land Registry + Tax Authorities



Corporate ownership

- Corporate ownership is unrestricted
- Use of a branch or subsidiary in Portugal
- Blacklisted jurisdictions – Additional tax is levied upon the transaction and yearly.
- Different types of mortgages, liens and interest rates for financing.
- Advantages: Tax & Asset Protection & Probate (in certain cases)



Taxes

Acquisition, Holding and Disposal





Acquisition: Property Transfer Tax

- Main residence – 0%~8% (marginal rates)
- Vacation home – 1%~8% (marginal rates)
- Other properties – 6.5% | Rural – 5%
- Offshore Corporations – 10%
- Tax base – Sale Price or Tax Value, whichever is higher.
- Applicable to certain share deals



Acquisition: Stamp duty

- Tax base – Sale Price or Tax Value, whichever is higher
- Flat rate of 0.8 %



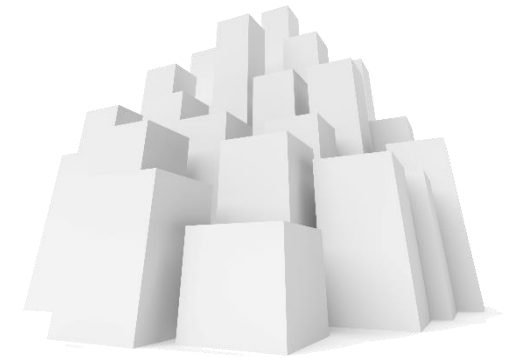
Holding: Property Tax (Yearly)

- Rates determined by each municipality
- Urban 0.3%~0.45% | Rural 0.8%
- Offshore corporations – 7.5%
- Exemptions for urban properties during 3 to 5 years - Properties older than 30 years old or urban rehabilitation areas
- Tax base is Tax Value
- Surtax - > Euro 600.000

Use and disposal: Personal Income Tax



- Portuguese rental income
 - Long term – 28% / 26% / 14% / 10%
 - Short term – Half of income not taxable + VAT
- Capital gains
 - Progressive rates $\frac{1}{2}$ + Rollover relief (36 months after, 24 months before)
 - 28% (NR)
- Corporate Income Tax 21%





Other topics





Inheritance

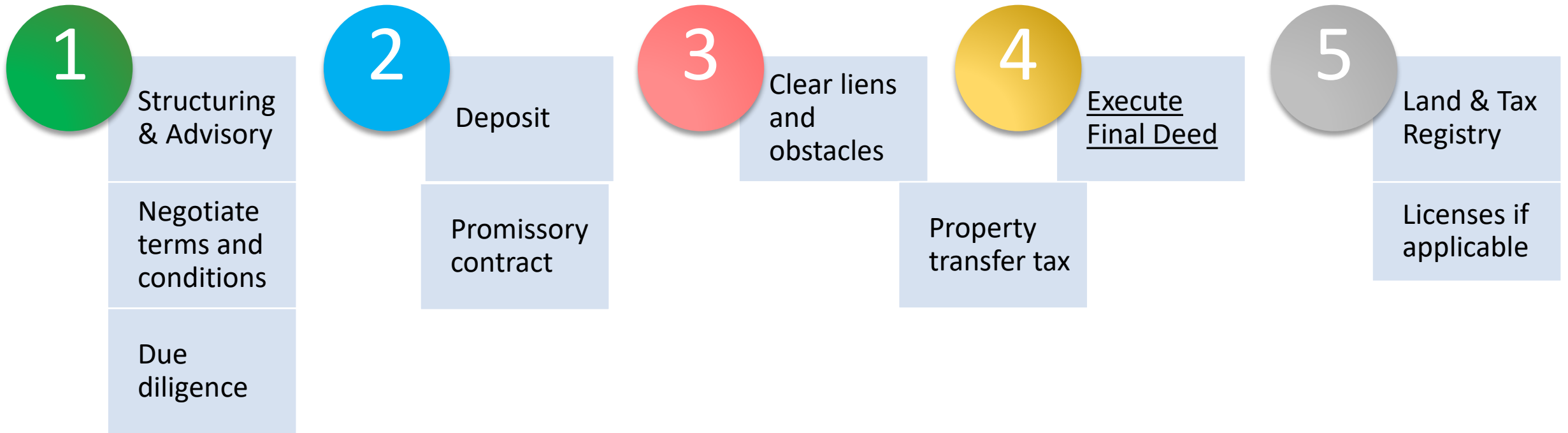
- Potential overlap of rules
- Home country rules + Portuguese rules + EU rules (for citizens of the EU)
- EU rules can be, as a rule, overridden by a will
- Portuguese Rule: Law regulating succession is the law of nationality
- No inheritance tax



Other associated costs

- Life Insurance
- Realtor's commission – Payable by the seller
- Utilities
- VAT (services provided in connection to real estate transactions)

Timetable





Case study A

Expat acquires property in Algarve





Outline

- Two married American citizens
- Going to acquire a property
- Asking price of the property – EUR 200.000,00
- Will relocate to Portugal full time



Taxes & Costs

- Purchase Price EUR 200.000
- Property Transfer Tax EUR 4.912,81
- Stamp Duty EUR 1.600
- Notary Fees EUR 600 ~ 800
- Property Registration Fees EUR 225



Case study B

Second home in the city





Outline

- American citizen, single
- Going to acquire a property in Lisbon
- Price of the property – Euro 250.000,00
- Will not relocate to Portugal, only 3 month/year



Taxes & Costs

- Purchase Price EUR 250.000
- Property Transfer Tax EUR 9.336,88
- Stamp Duty EUR 2.000
- Notary Fees EUR 600 ~ 800
- Property Registration Fees EUR 225



Case study C

A farm in Santarém





Outline

- Couple wish to open a new business
- Going to acquire a farm in Santarém
- Price of the property – EUR 250.000,00



Taxes & Costs

- Purchase Price EUR 250.000
- Property Transfer Tax EUR 12.500
- Stamp Duty EUR 2.000
- Notary Fees EUR 600 ~ 800
- Property Registration Fees EUR 225



Dos and don'ts





Dos

- Good planning and advice ensures
 - Proper selection of properties to survey
 - Proper selection of your place to life
- Take time to know your partners in Portugal
 - Lawyer
 - Bankers
 - Realtors
- **Due diligence is a must**



Due diligence

- Legal set of documents
- Surroundings
- Property survey
- Make sure the property will be yours
- **Make sure the property matches the picture on brochure!**



Don'ts

- Buy houses at a distance
- Make unnecessary upfront payments
- Evade taxes by underreporting on the purchase price
- Jump into projects where “*your*” lawyer is on the realtor’s payroll



Questions & Answers





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