

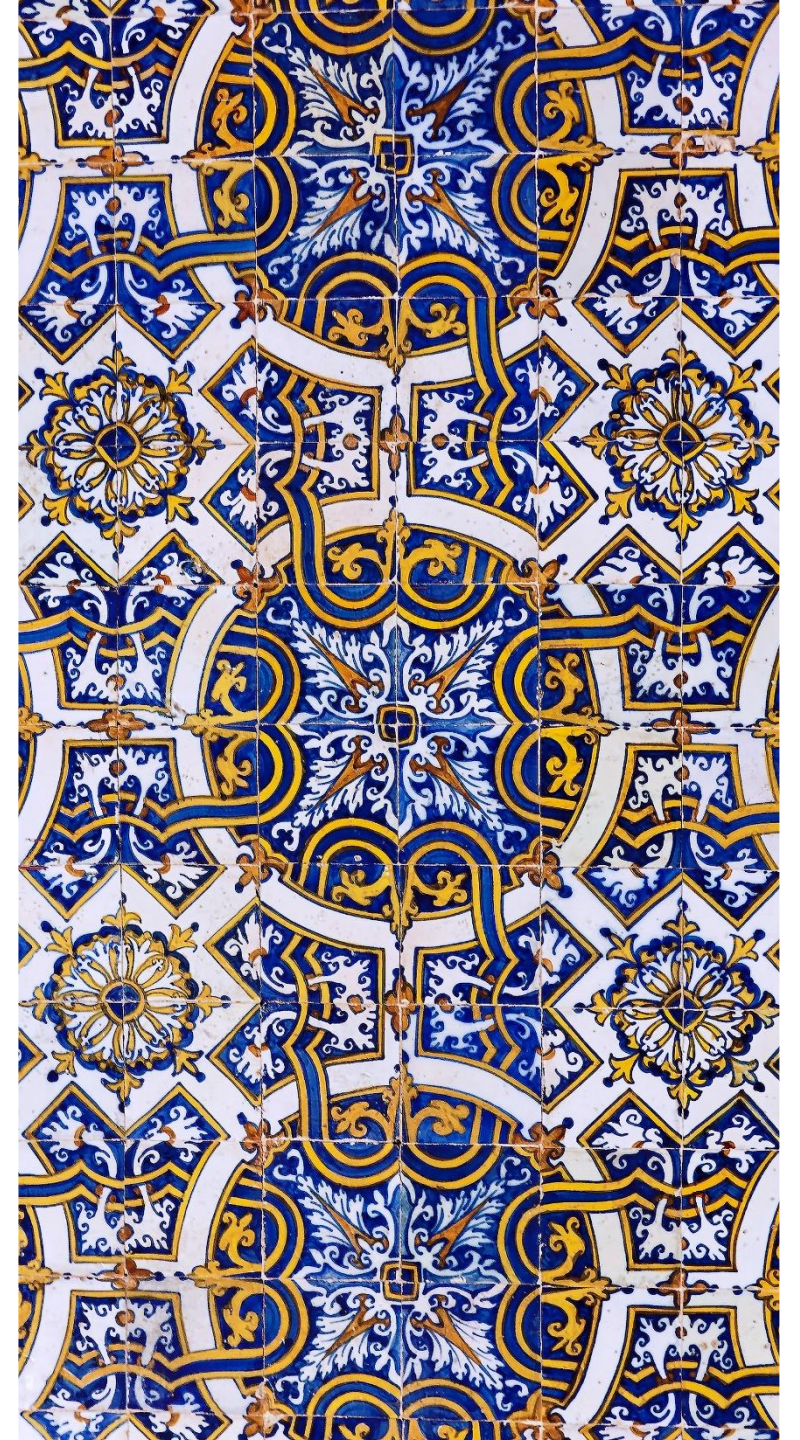


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# How to buy a property in Portugal Dos and don'ts

Live and Invest in Europe  
Virtual Conference  
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[www.gfdl.legal](http://www.gfdl.legal)





# Topics to consider

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





# Overview





# Advantages

- Property transfer 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
- Use of corporation?
- Due diligence
- Reservation + Promissory Purchase and Sale Agreement
- Payment of Taxes
- Final Deed + Registration



# Fiscal representation

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



# 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)



# Vehicles for investment in Portugal

- Commonly used types of companies:
  - **Sociedade por Quotas** – Limited liability, 2 shareholders, no minimum share capital
  - **Sociedade Unipessoal por Quotas** – 1 shareholder
  - **Sociedade Anónima** – Limited liability, 5 shareholders, 50.000 € share capital
- Collective investment vehicles – Funds
- Blacklisted jurisdictions – Additional tax is levied upon the transaction and yearly.
- Use of a branch or subsidiary in Portugal
- Probate, Asset Protection, Tax considerations



# Other associated costs

- Life Insurance
- Real Estate Agency Commission – Payable by the seller
- Notary Fees – Euro 500,00 – 700,00
- Property Registration Fees
- Costs with utilities
- VAT is due in relation to services provided in connection to real estate transactions



# 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 %



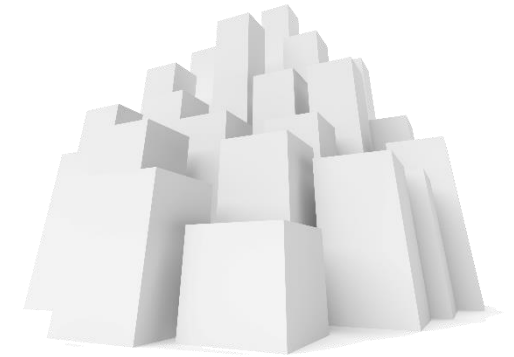
# Holding: Property Tax (Yearly)

- 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 Assessed Value
- Surtax - > Euro 600.000 (Tax Assessed Value)

# Use and disposal: Personal Income Tax



- Portuguese rental income
  - Long term – 28% | 26% | 23% | 14% | 10%
  - Short term – Half of income not taxable + VAT
- Capital gains
  - Residents: Progressive rates 1/2 + Rollover relief (36 months after, 24 months before)
  - Nonresidents: 1/2 at 28%
- Corporate Income
  - Tax 17% - 21%





# Other topics





# Inheritance

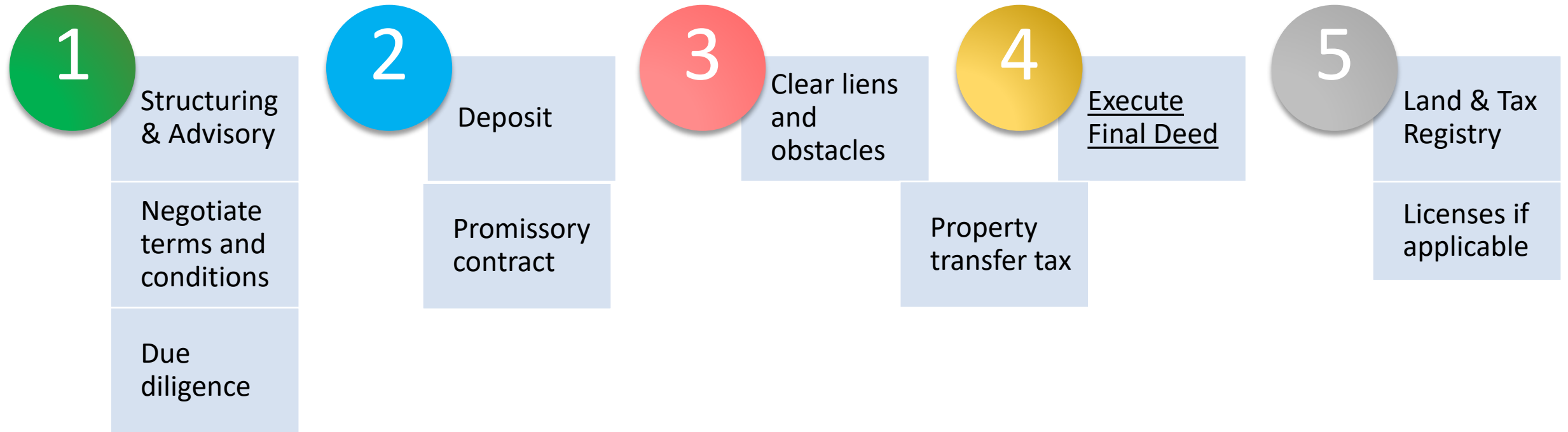
- Potential overlap of rules
- Home country rules + Portuguese rules + EU rules (for citizens of the EU)
- EU rules can be, as a rule, overridden by a will
- Portuguese Rule: Law regulating succession is the law of nationality
- No inheritance tax



# 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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