How to buy a property in Portugal

The dos and don’ts

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Topics to consider

• Why Portugal?
• Acquisition process
• Other Topics
• Case study
• Questions & Answers
Why Portugal?
Advantages

• Corporation tax breaks for real estate investment companies

• Tax incentives for short term rentals

• Full and unconditional ownership of the land

• Tax Treaty network avoids double taxation of rental income and capital gains

• 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 trustfully partners who can help you during the process

• Due diligence is a must
Steps

• Portuguese taxpayer number & Fiscal Representation

• Asset or share deal?

• Property survey

• Reservation + Promissory Purchase and Sale Agreement

• Payment of Taxes

• Final Deed + Registry
Fiscal representation

• First step – Portuguese taxpayer number

• Non residents – Appoint a fiscal representative

• Required for:
  • Bank account
  • Rental agreements
  • Acquisition of real estate
Property documents

• Land Registry Certificate

• Tax Registry Certificate

• If the property has not been registered with the Tax Office, a stamped legal duplicate of the registration application is required;

• Property Transfer Tax and Stamp Duty
Property documents

• Utilization License (*Licença de Utilização*) – Required for the deed

• Pre-Emption Rights (*Direitos de Preferência*)

• Property Passport (*Ficha Técnica de Habitação*)

• Energy Certificate
Promissory Purchase and Sale Agreement

- Highly recommend

- Due diligence

- Registration prior to the public deed

- Penalties for default and breach of contract

- Non residents – Appoint a fiscal representative

* A deposit 10% to 30% of the purchase price is usually paid at this stage and the parties will agree with a date for completion.
Purchase and sale deed

• Notary public

• Purchase price is paid accordingly to the provisions of the Promissory Contract.

• 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
Taxes

• Property Transfer Tax
  6-10% depending on the type of the property.
  Tax base - selling price or Tax Value, whichever is higher.

• Stamp Duty
  Flat rate of 0.8%.
  Tax base – selling price or Tax Value, whichever is higher.

• Property Tax
  Due by the owners
  Paid annually.
  0.3% to 0.8%
  Tax base is the Tax Value

• As a rule VAT is not due in relation to the transfer of property in Portugal.
Other costs associated with a purchase

• Health Insurance – Around €800,00 per year for a family of three

• Real Estate Agency Commission – Usually payable by the seller

• Notary Fees – Euro 500,00 – 700,00

• Property Registration Fees – Fixed fee of Euro 250,00

• Costs with utilities

• VAT is triggered in relation to services connected to real estate in Portugal
Timetable

1. Get advice
   - Structuring the purchase?
   - Due diligence

2. Deposit
   - Promissory contract

3. Clear liens and obstacles
   - Property transfer tax

4. Execute Final Deed

5. Land & Tax Registry
   - Licenses

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Other topics

Inheritance and probate
Inheritance

• US/Canada rules + Portuguese rules + EU rules (for citizens of the EU)

• EU rules can be, as a rule, overridden by an express election (Will)

• Portuguese Rule: Law regulating succession is the law of nationality

• No inheritance tax
Case study A
The Algarve expats
Outline

• Two married American citizens

• Going to acquire a property

• Asking price of the property – Euro 150.000,00

• Will relocate to Portugal full time
Taxes & Costs

• Purchase Price - Euro 150,000.00

• Property Transfer Tax – Euro 9,000.00
• Stamp Duty – Euro 1,200.00

• Notary Fees – Around Euro 500.00
• Property Registration Fees – Fixed Value of Euro 250,000

• Total: Euro 160,950.00
Timings

After the property is chosen and the price agreed, the whole process should take no longer than three weeks.
Case study B
A summer house in the city
Outline

• American citizen, single

• Going to acquire a property in Lisbon

• Asking price of the property – Euro 190,000,00

• Will not relocate to Portugal, only 3 month/year
Taxes & Costs

• Purchase Price - Euro 190,000.00
• Property Transfer Tax – Euro 5,137.00
• Stamp Duty – Euro 1,520.00
• Notary Fees – Around Euro 500,00
• Property Registration Fees – Fixed Value of Euro 250,00
• Total: Euro 197,407.00
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 to increase your chances of making a good investment!
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 (that will cost you)

• Forget to follow up after the purchase

• Jump into projects where your lawyer is on the realtor’s payroll
Most of all..
enjoy your dream house in Portugal!
Questions?
And answers…
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