



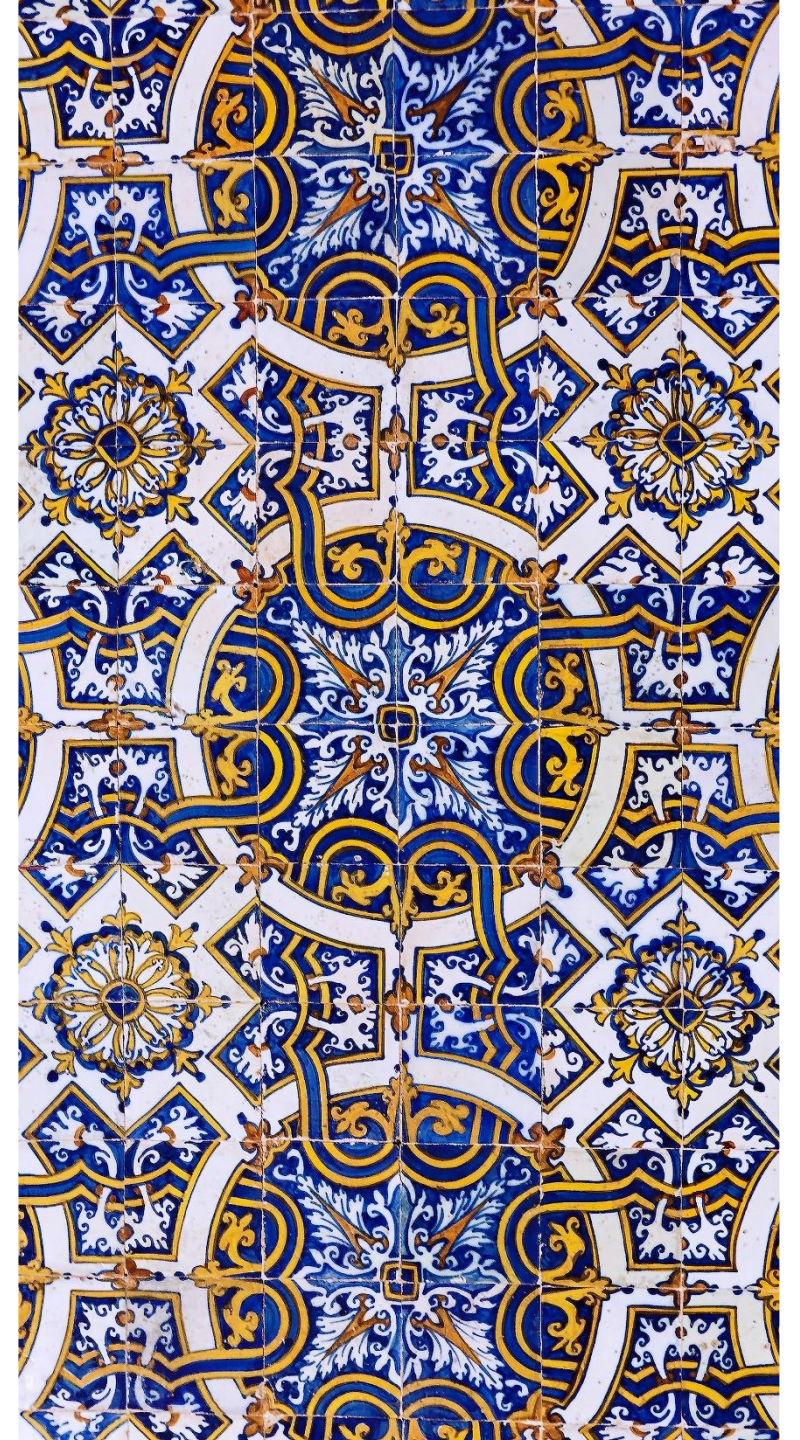
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Advogados

Legal aspects of investing in Portuguese real estate

Global Property Summit
Panama
June 2023

www.gfdl.legal

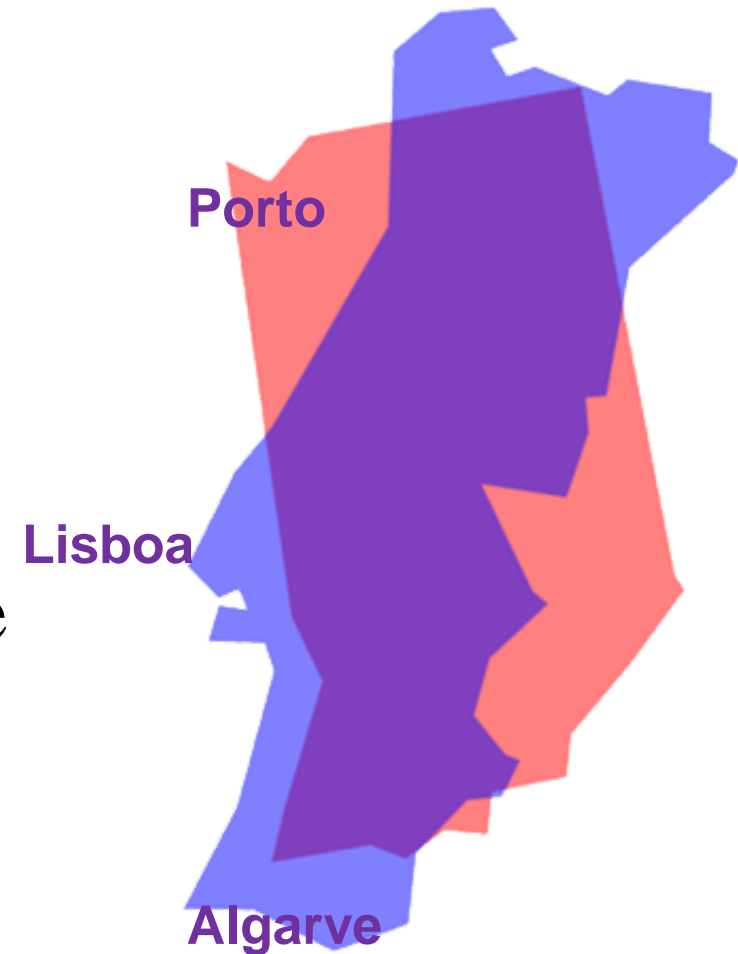
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Topics

- Acquisition Process
- Taxes
- Combining real estate with residence





Advantages

- Tax breaks for real estate investment companies
- Tax incentives for both short term and long-term rentals
- Full and unconditional ownership of the land
- Extensive Tax Treaty network to avoid double taxation
- Absence of discriminatory rules for foreign investors

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



Acquisition process





Plan ahead

- Establish goals and a timetable
- Search for several properties
- 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

- Portuguese taxpayer number
- Nonresidents* must appoint a fiscal representative
- Required for:
 - Bank account
 - Rental agreements / Utilities
 - 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



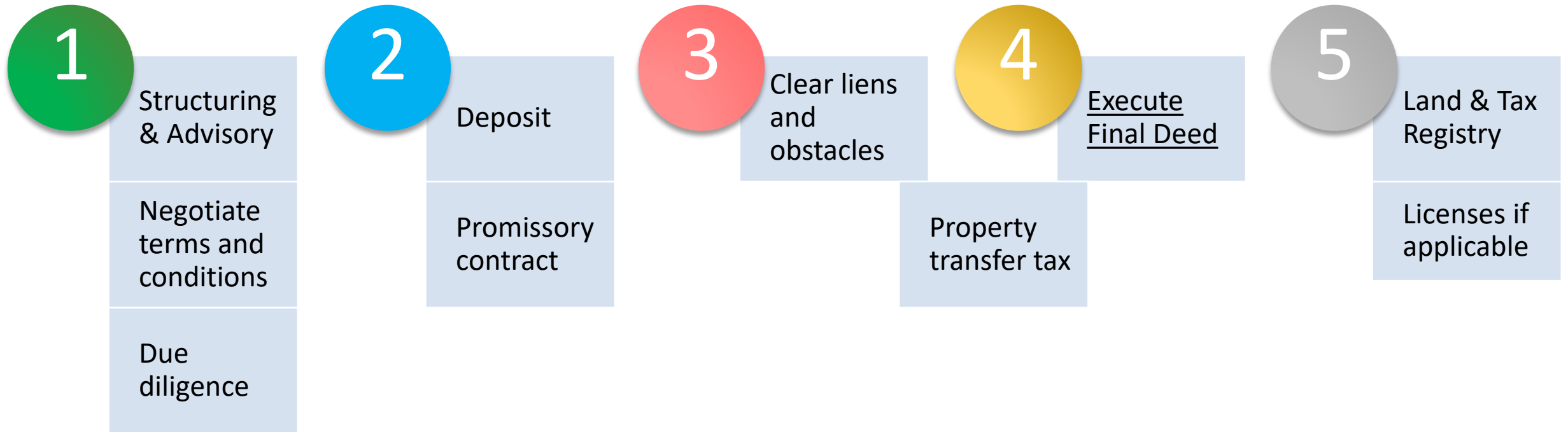
- Highly recommend vs Reservation Agreement
- Due diligence
- Registration prior to the public deed
- Penalties for default and breach of contract
- Deposit 10% - 30%



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

Timetable





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% for acquisitions for consideration
- Donations – 10.8%



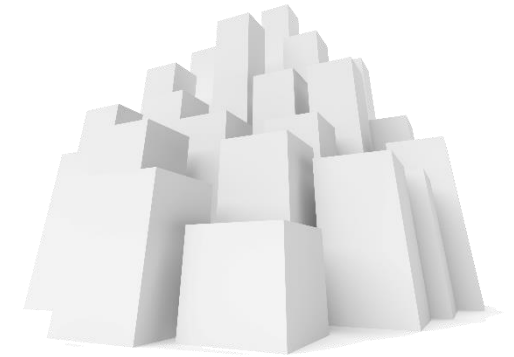
Holding: Property Tax (Yearly)

- 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%





Combining investment with residency The Portuguese Golden Visa





Golden Visa

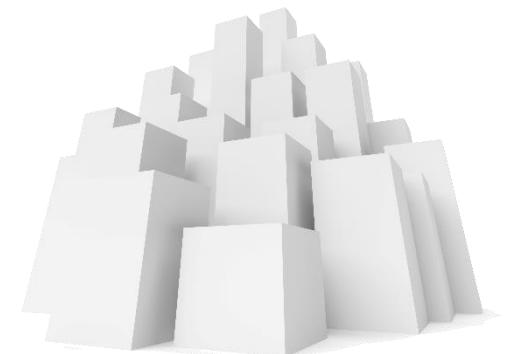
- Investment residency permit for non E.U. citizens
- Real estate, business and capital investments
- Access to Schengen Area
- Low stay periods
- Residency Permit & Citizenship



GV Real Estate Investments – Last call



- Standard minimum investment – € 500,000
- Lower thresholds:
 - € 350,000 – > 30 years or in an urban rehabilitation area.
 - 20% discount for property in low density areas.
- Geographic eligibility restrictions





Eligibility restrictions

- Restrictions in place since 2022
- Eligibility restricted to the **Azores** and **Madeira** Autonomous Regions or **inland districts**, as per specific ordinances
- Investment in commercial property is not geographically limited



Other GV Investments

- Capital investment or transfer – € 1.5m EUR
- Corporation – € 500,000 + 5 jobs (3 years)
- Creation of at least 10 jobs
- Investment or venture capital funds – € 500,000
- Funding scientific research – € 500,000
- Sponsorship of national cultural heritage – € 250,000



Last call

- Discontinuation of the GV program
- Debate & Unconstitutional provisions
- Present bill proposal n. 71/XV/1
 - End of the Golden Visa Program
 - Last Call for GV applications

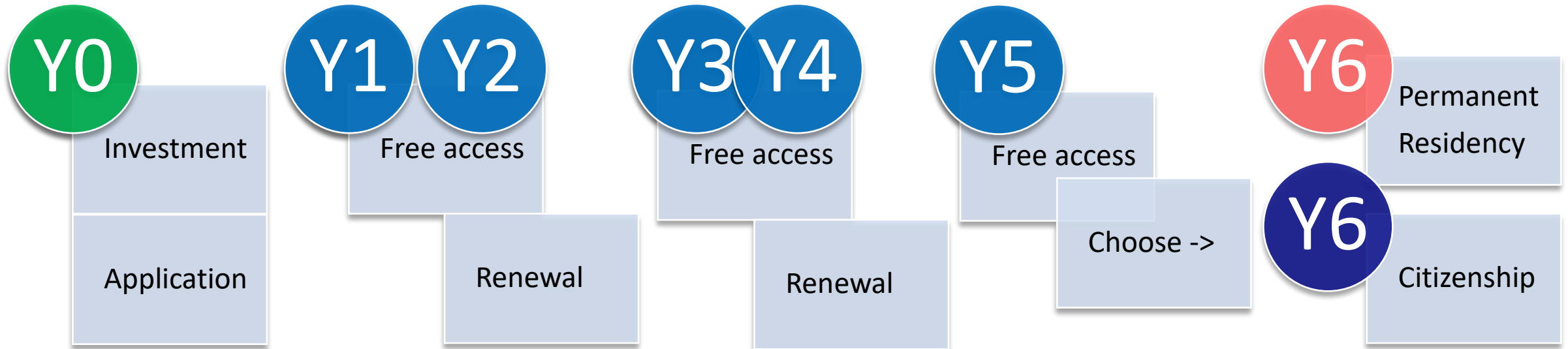


Consequences

- No new GV Submissions after bill is passed and into force
- GV Applications grandfathered in
- Safeguard of Renewals and Family Reunions for previous applicants
- Conversion to Entrepreneur's RP – same stay requirements



Timetable





Benefits of Portuguese citizenship

- Multiple citizenships allowed
- No citizenship or wealth tax
- E.U. member – Schengen area
- Access to 185 countries visa free
- Whitelisted jurisdiction





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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