

# Purchasing a Property in Portugal

To buy a property overseas is a very important step in people's life, as well as big challenge.

When people are investing their savings of a life, it is really important they have protected themselves legally and secured their interests.

So, you have to make sure that you are aware of the pitfalls a purchase in Portugal involves.

## Before you buy

Once you have found a property you wish to purchase, as a non-resident of Portugal you will need a Portuguese tax number and a Portuguese bank account. If you are not planning to reside in Portugal, then you also can appoint someone to be your fiscal representative. If you are hoping to move quickly then it is advisable to have these essential elements in place as early as possible. The decision as to whether to purchase the property in joint names or in one name or in name of a company should be taken at an early stage. There could be tax consequences if you change your mind between signing a deposit agreement and completing the purchase. You should seek independent legal advice to determine the best solution for you.

## Why should you use a lawyer to purchase a property in Portugal?

Dealing with a property purchase in a familiar legal system can be very complicated. The complications are increased when purchasing a property in a different legal jurisdiction. You need to be certain when you purchase a property that you know all there is to know about the planning status of the property, if there are any debts or onus, otherwise you could become liable for these. Engaging an independent lawyer means that you will receive full information from the outset. You can also be certain that if a problem is identified your lawyer will be able to advise you as to how best to solve that problem.

## How does a property purchase work in Portugal?

The first stage of any purchase of property is to establish that the person who is marketing the property for sale has authority to sell that property. At this stage the title and planning status of the property can also be verified. It must be established that the property was built with the correct legal permissions and that any subsequent extensions or building works have been carried out with the correct authority. In addition it will become clear at this stage if any debts have been charged against the property. In the event that a planning problem or a secured debt is identified it is vital to ascertain how this will be rectified before you take ownership of the property.

Subject to the above the next stage is to negotiate the terms of the deposit agreement with the seller. During these negotiations you need to establish exactly what items are included with the sale. If action is required by the seller to rectify a planning issue or to clear a secured debt then this ought to be *stipulated in the contract to ensure that the problem is rectified before you* take ownership of the property. Once terms are agreed the deposit is paid and both parties are committed to the purchase.

The next stage is for the purchase deed to be signed. At this stage the balance of the funds will be paid and taxes paid. If you are purchasing land the purchase can be completed once you are satisfied with the results of the enquiries set out above. If you are purchasing an apartment, villa or townhouse the purchase deed should only be signed once you (or your agent) have carried out an inspection of the property and the local authority has issued the Habitation

License. The completion meeting takes place in the presence of a Lawyer, with notarial powers, a notary or in some cases in the presence of a Land Registrar.

The next step is for the purchase to be registered. The registration process can take 2-3 days to complete. If the purchase is completed using the *Land Registry* process then the purchase and registration will occur simultaneously.

### **What are the expenses of purchasing a property in Portugal?**

IMT is a one-off tax payment which must be paid at the local tax office prior to the signature of the purchase deed. The tax payable will be calculated immediately after the enquiries have been made and you have decided you want to proceed with the purchase. Payment will be made and the tax office will issue a receipt confirming the payment which must be presented prior to signature of the completion deed. The total amount of tax payable depends upon the purchase price of the property and tax is charged between 2% and 8% of the purchase price. Each purchase also benefits from a fixed rate deduction from the tax payable. If you are purchasing the property for use as a holiday home then the deduction from the taxable amount is lower than if you are purchasing a property to be your primary residence. Properties sold for more than €574,323 the tax is charged at 6%, but there is no deduction from the tax.

In addition to IMT, in Portugal you need to pay stamp duty tax, on the amount of 0.8% of the property price, prior to signature of the completion deed. You can expect to pay expenses in relation to the legal's fee, or the Land Registrar's fee as well as a fee for the property registry and further disbursements in respect of bank fees, courier fees and minor miscellaneous expenses.

### **After your purchase**

Immediately following completion it will be necessary to arrange for the utilities supplying the property to be contracted in your name and in some cases it may be needed to arrange for the supply to be connected.

If you are planning to rent out the property then you will be obliged to submit annual tax returns declaring the income you have received as a result of letting your property and paying tax on any profit, in Portugal. You have to register the property as well for "Alojamento local" (local lodging), at the competent authorities, if you intend to rent it out to holidaymakers.

I wish you a happy living in your new dream home in Portugal!

Please feel free to contact, in case you would like to know more.

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(Lawyer and post-graduated in Tax Law)

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