

PROPERTY AND TAXATION

IN PORTUGAL



PURCHASING PROPERTY IN PORTUGAL

Buying a new property is always an exciting endeavor. However, you must be aware of several important aspects of the buying and taxation processes to ensure a smooth purchase. Please read the information below to learn the most critical components of property sale, taxation, and other buyer information specific to Portugal.

FISCAL NUMBER (NUMERO FISCAL DE CONTRIBUINTE)

Like in most countries, to purchase property in Portugal, you first need a fiscal (tax) number called a NIF. This number can be applied for and received on the same day at your local Tax Office and is also necessary to open a bank account in Portugal (Repartição de Finanças). The application process is relatively straightforward and requires your residency/ID card or a valid passport. Most foreigners will require a fiscal representative to be approved and the website is in Portuguese, so if you need help, get in touch with us (contact@buyproperty.com)

Purchasing property can be a complicated process under certain circumstances. With this in mind, we ask that you only work with fully qualified attorneys, solicitors, and government-licensed real estate agents, who are easily identified by their AMI numbers. The fees of these professionals typically range from 1 – 1.5% of the value of the transaction for the legals. Should you need any assistance finding someone to work with, we will be pleased to provide you with a list of several English-speaking attorneys to choose from who are knowledgeable and competent with a track record of success in real estate transfers.

MORTGAGE

There are no restrictions on non-EU residents buying property in Portugal and the government does what it can to encourage foreign property investment including offering great mortgage rates to locals and foreigners alike. Most Portuguese banks offer loans of up to 70-80% of the value of the property or its sale price (whichever is lower) to non-residents. Fiscal residents in Portugal can borrow up to 85-90% of the sale price in some cases.

LOAN

Before offering you a loan, mortgage providers in Portugal will review your financial situation. Most mortgage lenders don't allow the sum of any existing debts and your new mortgage payments to exceed 35% of your monthly income after tax.



If you're looking to buy land and build your dream property, Portuguese banks will loan you development costs in stages but insist you already own the land.



Mortgage rates in Portugal are some of the lowest in the world. They are going up but still remain very attractive when compared to other countries. Fixed and variable rates are available. Contact us and we can point you towards the banks offering the best rates for your circumstances.

[Try out Mortgage Calculator](#)

PRIVATE OWNERSHIP

Promissory Contract (Contrato Promessa Compra e Venda)

During the next phase of the purchase, both parties will be required to sign a promissory contract stating that you promise to purchase the property and that the current owner agrees to sell it to you for a specific agreed price within a specified period of time. A deposit is expected - typically 10% of the purchase price - and a date will be set for closing the deal and completing the transaction.

The 'contract' refers to several legal documents detailed below, in addition to the terms of the transaction and any other conditions of the sale that have been discussed. It is always important to keep in mind that both the buyer and seller are protected under Portuguese law. Should the buyer back out of the transaction after he enters into a contract, he will lose his deposit, whereas if the seller changes his mind, he must return double the deposit amount to the buyer. If he does not do so, the seller can be forced by legal means to complete the sale.

Completion of Sale (Escritura Publica de Compra e Venda)

The final stage of the property purchase is the transfer of ownership through the final deed. The deed must be signed at a notary office, either by the buyer/vendor or their representative, who has power of attorney over legal documents. Upon the deed's completion, the remaining balance of the purchase price will be expected to be paid, after which the property is considered sold. The parcel belongs to you at this time, and the notary will take the necessary steps to register the property in your name.

CORPORATE OWNERSHIP

Company Due Diligence

When a corporate structure owns a property, things happen a little differently. In this case, the buyer is purchasing the company share of the property. It is your lawyer's responsibility to conduct their due diligence on the company to determine whether there are any obligations, or any additional requirements made by the shareholder(s). It is essential to have a professional attorney who has a history of success working with buyers purchasing corporate-owned properties.

Share Purchase Agreement

Once all parties agree on the purchase price and conditions of sale, a Share Purchase Agreement is prepared. This document requires the signatures of both parties-buyer and seller representative- and indicates the agreed-upon price that will be transferred in exchange for the company shares of the property. This document is a binding agreement that allows the parties to legally complete the sale.

NECESSARY DOCUMENTS FOR A PROPERTY SALE

Property Tax Document (Caderneta Predial)

The official Property Tax document certifies the property details for fiscal tax purposes and can be obtained from the local Tax Office (Repartição de Finanças).

Property Registration Certificate (Certidão Permanente de Registo Predial)

The local Land Registry Office (Conservatória do Registo Predial) determines whether the seller has actual property ownership and the rights to sell it.

Habitation License (Licença de Utilização)

A Habitation License, also referred to as a usage license, must be obtained from the local Town Hall (Câmara) to move forward with the sale. Houses previous to 1951 are not required to have Licença de Habitação

Ficha Técnica

The Ficha Técnica details important information about any on-site buildings' construction and provides a listing of the materials used. Properties built after 2004 require this.

IDs and Tax Numbers of both the owners and buyers

Energy Certificate

The Energy Certificate is a legal requirement for all properties sold or rented.

Proof of IMI Tax Paid

The Tax Department (Finanças) must confirm that all IMI (annual council taxes) are current and paid up to date.

Proof of Payment of IMT

Before the property sale can be completed, the property transfer tax must be paid. The tax rate differs based on the property's use and/or value.

Certidão Comercial

Only when a company is involved in the transaction is this document issued by the Conservatória do Registo Comercial.

Property Transfer Tax – IMT (Imposto Municipal Sobre Transmissões)

Permanent Residency	Rate	Deductible
up to €104,261	0	0
€104,261 to €142,618	2%	€2,085.22
€142,618 to €194,458	5%	€6,363.76
€194,458 to €324,058	7%	€10,252.92
€324,058 to €648,022	8%	€13,493.50
648,022€ up to 1,128,287€	Flat Rate 6%	-
> €1,128,287	Flat Rate 7.5%	-

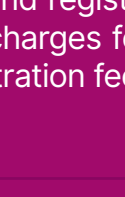
Second Home	Rate	Deductible
up to €104,261	1%	0
€104,261 to €142,618	2%	€1,042.61
€142,618 to €194,458	5%	€5,321.15
€194,458 to €324,058	7%	€9,210.31
€324,058 to €621,501	8%	€12,450.89
€621,501 to €1,128,287	Flat Rate 6%	-
> €1,128,287	Flat Rate 7.5%	-

- Other – Rustic, undeveloped, and agricultural plots – 5%;
- Other property and urban plots – 6.5%; Offshore – 10%

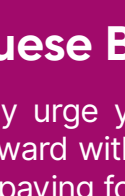
Stamp Duty (Imposto de Selo)

Stamp Duty is the tax placed on legal documents during the transfer of property. It is calculated based on the property sale price. This tax must be paid before the sale can be completed, typically when the IMT (transfer tax) is due.

The Stamp Duty rates are as follows:



Property
Single rate of 0.8% on the declared value.



Mortgage
Single rate of 0.6% on the value of the mortgage.

Fees and Registration Costs

The legal and registration fees must be calculated to cover the deed and bank charges for the mortgage. Please note that the notary and deed registration fee is capped at 1,000€.

Portuguese Bank Account

We strongly urge you to open a Portuguese bank account before moving forward with a property purchase in Portugal. Not only can it help make paying for the purchase of the property itself considerably more straightforward, but it can also eliminate many complexities involved with paying taxes, solicitors, utility bills, and other expenses. Overall, it is much more convenient to pay through a local bank account when you own a property abroad.