



BUYING REAL ESTATE IN PORTUGAL - FAQS

1.- Which steps do I have to go through in order to buy real estate in Portugal

As a general rule, buyers have to undertake the following steps:

- a) Sign a promise to purchase and sale agreement;
- b) Pay property transfer tax;
- c) Execute a deed or private agreement;
- d) Lodge the transfer of title before the Land Registry Office and the local Tax Office.

2.- What is a promise to purchase and sale agreement?

The purpose of this agreement (*contrato promessa de compra e venda*) is to engage both parties in the transaction whilst allowing them sufficient

time to get the necessary paperwork resolved and the funding ready.

The buyer usually fronts a percentage of the total price (between 10%-20%), which he will receive in double if the seller goes back on his promise. If it is the other way round, the buyer will lose the deposit.

3.- How much property transfer tax is the buyer subject to?

Transfer tax is levied according to a sliding scale which depends on the price of purchase when real estate is bought as a permanent residence.

Real estate bought for commercial purposes is taxed at a flat rate of 6.5%. However, if the buyer is resident in an off shore jurisdiction, transfer tax is levied at a rate of 10%.

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PURCHASE PRICE (€)	RATE (%)
Till 92,407	0
From over 92,407 till 126,403	2
From over 126,403 till 172,348	5
From over 172,348 till 287,213	7
From over 287,213 till 574,323	8



4.- Are there any other taxes?

Yes, there is stamp duty levied at a rate of 0.8% on the price of purchase and real property tax charged at a percentage of the rateable value. In this last case rates will vary according to the municipality your real estate is located in (from 0.3% to 0.8%).

5.- Is it a good idea to acquire property through an off-shore company?

This should be assessed on a case-by-case basis, but potential buyers should know that in this situation real estate tax is levied at a much higher 7.5% rate. As stated in question nº 3, transfer tax is levied at a rate of 10%.

6.- Do all transactions go through a notary's office?

Until 2008 transfer of title could only take place through the intervention of a notary. However, that has changed and a private agreement is enough.

7.- What happens after the deed or private agreement?

The transfer of title must be lodged before the relevant Land Registry Office and the local Tax Office.

8.- Is tax residency mandatory?

Buyers need not become tax residents in Portugal. However, they must obtain a Portuguese tax number and appoint a tax representative if they are non-EU residents.

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