



Property Buyers Guide

Disclaimer

This general information only applies to individuals, and it is strongly recommended to take legal advice before any purchase or sale of properties.

Legal aspects and tax rates may change accordingly to new state regulation. (Updated in January 2013).



Before you buy

When making a decision to purchase a property in Portugal, it is very important to verify its legal aspects in order to confirm that there are no issues that can or may have an impact on the acquisition and subsequent ownership.

If you need to finance your purchase, it is highly advisable that you submit your mortgage enquiry to the bank, before taking any steps towards property reservation and deposit.

How to buy a property

How to reserve and buy a property in Portugal

To reserve a property, it is common for both parties to enter into what is called the “Promissory Contract of Purchase and Sale” (CPCV). In general, this contract should address issues such as:

1. Purchase price and payment terms (a deposit between 10% and 30% is considered common);
2. Timeline for the transaction (60 to 90 days);
3. Specific conditions (e.g. a contract may be subject to the buyer obtaining the necessary financing for the transaction);
4. Consequences for breach of contract.

General consequences for a contract breach:

- If caused by the buyer – deposit loss in favor of the vendor;
- If caused by the seller – returns twice the value of the deposit to the buyer.

Property Ownership Transfer

Property ownership transfer in Portugal generally occurs by Public Deed, Private Contract or directly at the Land Registry (or associated services).

In the event that the purchase is financed by a bank in Portugal, together with the purchase, the buyer will also be entering into a Deed or a Loan Contract with Mortgage, which sets out the terms and conditions of the loan and grants a property charge on the banks’ behalf.

Once the relevant documents are signed by both parties, certified and checked accordingly to Portuguese law by the competent entity (Notary, Lawyer, Land Registry Official) the acquisition, as well as the mortgage, will be registered at the Land Registry and Tax Department.

The buyers can be represented at the deed by means of a power of attorney given to a third party (lawyer/solicitor/individual).



Mortgages

Obtaining a Mortgage

The buyer should submit the bank all required documents and information. In general, the financing granted by a bank towards the purchase of a property will be secured by a property charge registered on the banks' behalf.

This property charge will be granted simultaneously with deed completion.

Costs

CGD will, upon request, provide customers with, inter alia, an estimate of bank charges, tax and property registration and conveyance fees, and others like:

- Registration Costs – €250 per registration;
- Deed or Contract costs – usually between €200 and €500;
- Bank Fees – as set out by the bank;
- Legal Fees – usually between 1% and 2%;
- Connection of Utilities – usually around €400



Fiscal implications

Obtaining a Mortgage

One very relevant aspect of a property acquisition is the fiscal aspect, that's why all non-residents purchasing and owning property in Portugal must have a Portuguese Fiscal number. In this respect, it is important to be aware of all fiscal implications of buying and owning a property in Portugal.

a. IMT (Imposto sobre Transmissões Onerosas de Imóveis)

The IMT rates for 2015 that apply to second home purchases are as follows:

- Commercial or industrial property and building land – Single rate of 6.5%;
- Rustic land – Single rate of 5%.

b. STAMP DUTY (Imposto do Selo)

Stamp Duty is also payable with the purchase of property. It is calculated on the purchase price and also on the value of the mortgage, if exists. The Stamp Duty rates for 2015 are as follows:

- Property – Single rate of 0.8%;
- Mortgage – Single rate of 0.6%.

c. IMI (Imposto Municipal sobre Imóveis)

IMI is the tax payable by property owners. The tax is calculated on the tax value of the property, which is defined by the Tax Authorities. It is paid yearly, in one or two installments. The IMI rates for 2015 are as follows:

Legal aspects	
Type of property	Rate
Rustic property	0,8%
Urban property (Evaluated by CIMI)	Between 0,3% and 0,5%

d. Other Taxes

- Rental income will be subject to IRS tax (Individual Income Tax) = the rate of tax applicable is 16.5%;
- Capital Gain Tax = 21.5% of the capital gain (sale price – purchase price – deductible expenses [IMT,...])