



GUIDELINES FOR

*PROPERTY
INVESTMENT
IN PORTUGAL*

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1.

WHY PORTUGAL ?



WELCOME TO PORTUGAL

GREAT WEATHER
almost the whole 12 months

+

15 AIRPORTS
International - Lisbon, Porto and Faro

+

GOOD RAILWAY NETWORK

+

ROAD NETWORK
14, 284 kms



Mainland Portugal is located geo-strategically, on the edge of Europe, between America and Africa, with borders that have been stable for several centuries, opening the way for solidification of its own identity and unity that promote and distinguish the country. This is not to forget the Autonomous Regions of Madeira and Azores, two visiting cards from the Atlantic Ocean to the world.

The Portuguese Republic is a democratic nation, a signatory of the most important International Conventions and a Member-State of the European Union and NATO. The Country's organization rests on the profound guarantee of fundamental rights and liberties and on the separation and interdependence of powers.

Portugal possesses excellent means of communication. In addition to a solid railway network, it has one of the most developed road networks in Europe with 14,284 kms (composed of Motorways (AE), Main Routes (IP), Complementary Routes (IC), National Roads (EN) and Regional Roads).

The air network is also important as there are 15 airports, of which Lisbon, Porto and Faro all serve international flights. Contrary to most European capitals, the location of Lisbon Airport is within the city and so considerably reduces travel time and increases investors' mobility, in addition to the natural inherent ease of travelling so easily.

With enviable weather almost all year and excellent human resources, Portugal is the ideal destination in which to invest and live, but is also an open door to different international markets.

This guide aims to demonstrate the virtues of property investment in the country itself.

2.

*THE DOMESTIC
PROPERTY
MARKET*

COMPETITIVE PROFITABILITY

IN LEASED PROPERTIES



HOUSING MARKET



OFFICE BUILDINGS



RETAIL TRADE IN PRIME LOCATIONS



SHOPPING CENTRES



HYPERMARKETS

The property market in Portugal today stands alongside the main European markets, in terms of the level of diversification and quality of supply in all the property sectors. Not only is it a properly regulated market, as the presence of most of the large international property consulting companies encourage transparency, accuracy and quality in their transactions.

Finalizing Portugal's international financial aid programme, the property market is being revitalized in a very positive way. North American, Chinese and Brazilian investors are providing a new impulse to the Portuguese housing market, especially in the Lisbon area.

However, it is not just the housing market that is being expanded, but also office buildings, retail trade in prime locations, shopping centres and even large supermarkets, have been the object of growing demand.

Please note, that generally, the square metre prices are more appealing than before the financial crisis of 2008, allowing for competitive profits on leased property.

Finally, it must be mentioned that the increase of investment equally results from the existence of competitive legal and tax regimes, which meet the desires of investors with different profiles.



3.

*PURCHASING
PROPERTY*

FAST AND SECURE PROCESS

THAT FAVOURS PRIVATE AUTONOMY



PROMISSORY PURCHASE AND SALE AGREEMENT

- Allows for establishing the conditions where the parties will do business.



DEED OF SALE AND PURCHASE

- The ownership of the property is transferred through this deed.

One of the biggest advantages of property investment in Portugal is the speed and security with which the processes for property purchase take place.

However, any property transaction must undergo a prior auditing process of the Property's legal status, by an analysis of the following documents:

- a) **Land Registry Certificate**, containing the description and all of the existing or pending registrations at the Land Registry (namely mortgages or other rights and charges subject to registration) and the complete identification of the owner of the Property to be sold;
- b) **Tax Property Registry**, containing the registration in the building register and the identification details of the Property for tax purposes;
- c) **Use permit**, which defines the purpose of the Property (only for Buildings built after August 7th, 1951);
- d) **Technical File with Housing Specifications**, containing the technical and operational characteristics of the Property (only applicable in some cases);
- e) **Energy Performance Certificate**, detailing the energy performance of the Property.

In the case of acquiring land, it is necessary to establish the permitted use of the land and deeply analyze the applicable land management instruments and the municipal regulations of the area where the land is located, so as to establish the feasibility of the urban operation that it intends to carry out.

The purchase and sale of Properties is commonly done in two stages: first, the parties sign **(i)** a promissory purchase and sale agreement, which serves to lay out the conditions where the Parties will conclude the transfer of ownership by means of the **(ii)** deed of purchase and sale¹.

Thus, the promissory purchase and sale agreement allows the parties to set out in writing their unequivocal intention of making the property transaction, establishing (i) a deadline for the signing of the public deed (which may be necessary in order to finish the construction of the Building and obtaining the necessary authorizations or administrative permits); (ii) the price and payment conditions, a down payment being common which is equivalent to between 15% and 45% of the fixed price for the purchase of the Property (occasionally, using a down payment backup mechanism), which functions as a guarantee of fulfillment of the agreement, to the extent that breach by the committed seller, as a rule, gives the committed buyer the right to demand double the down payment (the parties may agree on a different penalty or add other financial penalties); (iii) stipulate guarantees and make statements on the Property status that bind the committed seller; (iv) stipulate the possibility of a specific execution in case of a breach by either Party, which allows the non-breaching party to obtain a court ruling that has the effects that would result from the full compliance of the promissory agreement.

In addition to these functions, the promissory agreement also allows for the public and private entities to be informed of the promised transaction so that they can state and declare whether they intend to exercise their (possible) legal and contractual rights of preference.

1. It is also acknowledged that the Property transfer be issued by a private certified document signed before a lawyer, applicant or chamber of commerce and industry, registrar or notary public.

Since the Portuguese legal regime favors private autonomy, the parties can still include in the promissory agreement different clauses in order to reduce risks or safeguard concrete interests, as suspensive or resolutive conditions and varied obligations.

The promissory agreement can be taken to registration by proceeding with the provisional purchase registration. This registration is purely obligatory, but it allows the beneficiary to enjoy a priority to pre-tabulate and publish its right for third parties.

Similarly, the parties can also give real effectiveness to the promissory agreement, allowing the obligations set forth to equally produce effects against any third party whatever the circumstance, constituting a real act of acquisition on behalf of the committed buyer.

Within the deadline established in the promissory agreement, the Parties authorize the definitive deed of purchase and sale, by which the ownership of the Property is transferred, while alongside, the respective registration is brought about on behalf of the Buyer.

It is also important to mention that when dealing with the non-residential market, the professionals of the sector, before formalizing the purchase and sale (or signing the promissory agreement), tend to sign preliminary agreements, which may be in the form of letters of intent, memorandum of understanding or agreements of principles, whose content is freely agreed on.

Also in the non-residential market, the public deeds tend to be more complex, setting forth, for example, additional guarantees.

GUARANTEE IN THE ACQUISITION OF PROPERTY

Failing written stipulation and notwithstanding special arrangements, the legal deadline for Property guarantee is 5 years from

the date the deed of purchase was granted (or from the date of taking ownership of the Property should this occur before), in that this deadline is suspended from the date of the claim of any non-compliance and during the period of deprivation of its use.

The claim of any noncompliance will have to be made within the period of 1 year from the date when it was detected (but always within the guarantee period of 5 years), preferably in writing, by registered letter, with notice of reception (to facilitate evidence of the prompt complaint of the breach).

Once the breach has been communicated, in case the seller does not voluntarily proceed to compensation, legal means will have to be used, bringing legal action within the maximum period of 3 years from the date of the claim (this period is suspended during the period when there is deprivation from using the Property, due to carrying out repairs or replacement, as well as the period during which there is an attempt at of an out-of-court settlement of the conflict).

Disregarding any of these terms results in the end of the obligation of the seller to remedy the defects in the Property.



4.

*MEANS OF
INVESTMENT*

MEANS OF INVESTMENT

PRIVATE LIMITED
LIABILITY COMPANIES



JOINT STOCK COMPANIES



COMPANIES WHOSE PURPOSE
IS THE RESALE OF PROPERTY



PROPERTY INVESTMENT
FUNDS AND COMPANIES



COMPANIES WITH MAIN OFFICE
OUTSIDE PORTUGAL

Property investment in Portugal comprises of several alternatives and several investment models, suitable for various investor profiles and types of investment. Many of these means benefit from the European passport, being able to easily operate in other Member States.

PRIVATE LIMITED LIABILITY COMPANIES

Private limited liability companies are the most common type in Portugal, mainly due to the ease, adaptability and lower initial costs associated with their incorporation, as well as greater control of the company by the shareholders. That control is also inherent to the simplicity of operation of the corporate structure.

Private limited liability companies are normally used for small and medium sized businesses, which must be incorporated with a minimum of one shareholder, with no maximum limit. The bodies of the company are, as a rule, the General Meeting, Management, and in some cases auditing bodies.

The minimum share capital is 1.00 EUR for each shareholder, while there are activities for which the law establishes a specific minimum. The shareholders are jointly liable for the agreed contributions in the articles of association but only the company's assets are responsible for the company debt.

The contributions of the shareholders do not have to be made necessarily in cash, they may be in kind, that is, in goods other than cash. However, in these cases, the contributions must be the object of a report prepared by an independent Chartered Accountant, which shall contain the description of the goods, as well as their real value. This report cannot be dated more than 90 days from the date of the articles of association.

Note that the contributions in kind, made in the act of the company's incorporation, must necessarily be paid-up at the time of signing the contract.

The name of the Company must be formed, with or without acronym, by the name or trade name of all, one or some of the shareholders, or by a private name, or even by the union of both elements, while always including the word "Lda." ("Ltd.") or "Limitada" ("Limited"). When the Company is incorporated by only one shareholder, it must include the word "Unipessoal", ("Sole shareholder").

JOINT STOCK COMPANIES

Joint stock companies are, as a rule, used for larger businesses, which involve a more complex structure;

The company must be incorporated, as a rule, with a minimum of five shareholders, with no maximum limit, the share capital being a minimum of 50,000.00 EUR divided into shares. In specific cases, the company may also have a sole shareholder. The share capital must be established in the articles of association, the payment of 70% of which may be deferred, when dealing with cash contributions. The shareholders limit liability to the value of the shares that they subscribe for, the company assets only responding to the debt, except in the case of a sole shareholder.

The name of the Company must be formed, with or without acronym, by the name or trade name of all, one or some of the shareholders, or by a private name, or even by the union of both elements, while always including the word "Sociedade Anónima" ("Joint Stock Company") or "S.A."

The joint stock company (referred normally as simply "company") as a rule, will have, as its bodies the General Meeting, the Board of Di-

rectors (or Sole Director) and also a Chartered Accountant (normally independent). Just like the private limited liability companies, it is also possible in the joint stock company to make contributions in kind.

For property investments it is common to use joint stock companies, when they own the Properties, since limited liability companies are subject to the IMT or Municipal Property Transfer Tax when more than 75% of the share capital is transferred. This does not occur in the case of joint stock companies.

COMPANY WHOSE PURPOSE IS THE RESALE OF PROPERTY

For any of the company types set forth above, the companies may select property investment for resale as its company purpose.

Portuguese legislation provides for exemption of the IMT - Municipal Property Transfer Tax in the case of acquisition of property for resale. The word resale is understood as the operation initiated with the acquisition of property and later the sale of the same property, without it having suffered any substantive change.

In this respect, it is understood that the trader considers the property as a commodity which is sold just as if it were any item. This notion implies that the agent does not represent modification or alterations to the state of the Property. Therefore, the only added value is the sales margin of the trader.

Thus, the purchase may benefit from an exemption from IMT, provided that this exemption is requested before signing the purchase agreement (and always before the settlement) and when the following conditions are met: **(i)** the buyer is liable for Corporation Tax (IRC in Portugal); **(ii)** the buyer is registered for the development of the activity of the purchase and sale of Property and resale of

those acquired; **(iii)** the buyer normally and habitually exercises the activity of buyer of buildings for resale (proven with exhibition of a certificate from the Financial Services of the registered office or domicile, where it is recorded that at least one building for resale has been acquired or sold in the year prior to the year they intend to benefit from the exemption) and **(iv)** resale of the acquired Property with an exemption within the period of 3 years after its acquisition.

The exemption expires if the Property is not resold within the mentioned period of 3 years or if the building is again sold for resale, a situation where the selling company has to settle the IMT that it did not initially pay due to the exemption.

PROPERTY INVESTMENT COMPANIES AND FUNDS

Property Investment Funds have their own legal regime and can be legally classified as a collective investment body, which constitutes an autonomous estate that results from the collection and application of savings from individual and collective entities in property or equivalent values, under a risk sharing principle.

The Property Investment Funds' capital is represented by units, while, as a rule, the management is exercised by management companies of independent property investment funds.

Property Investment Funds can be open, closed or mixed. The investment funds are open when the participation or investment units have a variable number. Conversely, the investment funds are closed when their units have a fixed number.

Property Investment Funds can also be established under a corporate form – the property investment companies, which can have capital which is fixed (SICAFI) or variable (SICAVI).

While Property Investment Funds have autonomous assets managed by third parties (management companies), the Property Investment Companies are collective investment entities with legal personality that own the assets on their own behalf and have their own administrative bodies.

With the proper adaptations, Property Investment Funds and Property Investment Companies benefit from a similar legal regime, in that their incorporation and operation are subject to regulation and supervision.

COMPANIES HEADQUARTERED OUTSIDE PORTUGAL

Notwithstanding the regimes mentioned above, the companies with legal seat (headquarters) outside Portugal may freely acquire Property, quotas, shares or shareholdings.

Naturally, the country of origin may determine a different fiscal impact, with companies headquartered in jurisdictions subject to a clearly more favourable regime known as tax havens (offshores) encumbered with special severity. This is why the acquisition of Property should be avoided by companies located there² (list of countries, territories and regions considered tax havens in Portugal are in the attachment).

2. The same is the case for individuals (as opposed to companies).



5.

*FISCAL IMPACT
(TAX ENVIRONMENT)*

FISCAL IMPACT

PROPERTY TAX

PURCHASE OF PROPERTY

IMT

- Varies according to the use and the value of the property.
- Various exemptions of IMT are set forth.

+

STAMP TAX

- As a rule, 0.8% of the transaction

PROPERTY HOLDINGS

IMI

- It is levied on the VPT, the taxable value of the Property.

+

IS

- When the VPT is over 1,000,000 EUR, there is a yearly payment of Stamp Tax with variable rates.

ACQUISITION OF PROPERTY

One of the prior analyses which are essential for the purchase and sale of Property relates to the fiscal impact of such transactions, namely in regards to:

a) Municipal Tax on Property Transfer (IMT)³

This is levied on the transactions, the rate applicable being on the purchase value or to the “VPT” the Taxable Value of the Building, according to which is higher. This rate varies according to the use and the value of the Property. Thus, as a general rule:

Rates applicable to the purchase of urban buildings exclusively for permanent home of the buyer are as follows:

TAXABLE INCOME (EUROS)	MARGINAL APPLICABLE RATE (PERCENTAGE)	PORTION TO BE DEDUCTED (EUROS)
UP TO 92,407.00	0%	0,00
OVER 92,407.00 UP TO 126,403.00	2%	1,848.14
OVER 126,403.00 UP TO 172,348.00	5%	5,640.23
OVER 172,348.00 UP TO 287,213.00	7%	9,087.19
OVER 287,213.00 UP TO 574,323.00	8%	11,959.32
OVER 574,323.00	6%	0,00

3. The IMT not only taxes the property transfers, such as the equivalent parts of that right and even other situations that the law equates to the property transfer tax (for example, transfer of the Property ownership before the deed, lease with the option to buy, assignment of the contractual position in the promissory agreement, irrevocable power of attorney to sell a determined Property, acquisition of over 75% of the share capital of a limited company that owns the Property – except Joint Stock Companies).

Rates applicable to the purchase of urban buildings exclusively for housing purposes:

TAXABLE INCOME (EUROS)	MARGINAL APPLICABLE RATE (PERCENTAGE)	PORTION TO BE DEDUCTED (EUROS)
UP TO 92,407.00	1%	0.00
OVER 92,407.00 UP TO 126,403.00	2%	924.07
OVER 126,403.00 UP TO 172,348.00	5%	4,716.16
OVER 172,348.00 UP TO 287,213.00	7%	8,163.12
OVER 287,213.00 UP TO 550,836.00	8%	11,035.25
OVER 550,836.00	6%	0,00

In general terms, the taxable property acquisitions are subject to IMT at the following rates:

- (i) 6.5% on land for construction, commercial spaces or urban buildings;
- (ii) Progressive tax up to 6% for property exclusively for housing;
- (iii) 5% for rural buildings;
- (iv) 10% for Property that is acquired by residents in jurisdictions subject to a clearly more favourable tax regime, commonly known as tax havens (offshores).

It is emphasized that different IMT exemptions are set forth (provided that certain requirements are met), namely, in the following cases:

- a) Acquisition of buildings for resale;
- b) Acquisition of urban buildings for urban renewal;
- c) Acquisition of buildings classified as those of national/public/municipal interest.

b) Stamp Duty (IS)

In addition to the IMT, the I.S. is levied on the taxable acquisition of property, as a rule, at 0.8% of the transaction value.

Both the IMT and the IS must be paid by the purchasers of the Property before the transfer.

PROPERTY HOLDINGS

Normally, property holdings are subject to payment of other taxes.

a) Municipal Property Tax (IMI)

The IMI is levied on the VPT – the taxable value of the Property located in Portugal (as a rule, the VPT is lower than the market value of the Property by around 15% to 20%), reverting the proceeds from this tax to the municipalities where the Property is located.

The owner of the Property on 31st December of the respective tax year is the one responsible for the payment of the Tax. Therefore, even if on 1st January, 2016 the Property is sold, the previous owner of the Property will be responsible for the IMI of that year, since the IMI of 2017 will be settled in 2016.

The IMI rates vary from municipality to municipality, as a rule, between 0.3% and 0.45% for urban buildings (including land for construction) and 0.8% for rural buildings.

There are, however, cases where these rates are tripled, namely, in the cases of urban buildings that are vacant for over 1 year and buildings in ruins.

This tax rate increases up to 7.5% in the cases of buildings owned by companies domiciled in jurisdictions subject to a clearly more favourable regime, commonly known as tax havens (offshores).

It is emphasized that different IMI temporary exemptions are set forth (provided that certain requirements are met), namely, in the following cases:

- a) Urban buildings for their own permanent housing
- b) Buildings for touristic use
- c) Buildings object of urban renewal

The IMI is paid in a single installment (in the month of April), if the amount is equal to or less than 250 EUR; in two installments (in the months of April and November), if the amount is higher than 250 EUR and equal or less than 500 EUR; in three installments (in the months of April, July and November), if the amount is higher than 500 EUR.

b) Stamp Duty (IS)

In the cases where the taxable value of the house or land for construction is higher than one million euros, there is a yearly payment of 1%, on the VPT, being raised to 7.5% when those responsible for the tax, the owner is a company domiciled in a jurisdiction subject to a clearly more favourable regime, commonly known as tax havens (offshores).

6.

URBAN PLANNING
AND PERMITS

TERRITORIAL MANAGEMENT INSTRUMENTS

NATIONAL, REGIONAL, MUNICIPAL

- Classify the land as rural or urban.
- Define the land use.



NATIONAL REGULATORY
FRAMEWORK



MUNICIPAL REGULATIONS

In Portugal, the development of any property project must give special consideration to the legal norms in regard to occupation, use and transformation of the land, urban planning and administrative control of the urban operations.

In these matters there is no single national regulatory framework, so municipalities play a very important role in defining the rules applicable to their area by approving municipal regulations.

The entire country is covered by monitoring tools, which can have a national, regional or municipal scope. It is natural for there to be different territorial management tools (commonly called plans) applicable to the same urban operation where the rules to be applied must be analyzed on a case by case basis.

The Territorial Management Instruments not only classify land as rural or urban (determining their basic purpose), but they define the use system of the land (they define the content of its use.) It should be emphasized that, depending on the type of tool you are dealing with, a plan can define in detail, for example, the layout and volume of buildings, the indices, fire density, number of floors and patterns, indicators regarding colours and materials and use, as well as the form and organization of the community usage spaces and the layout of infrastructures.

Notwithstanding the constant reduction of the intensity of prior monitoring by public entities and the increase in responsibility of the property developers, the implementation of urban operations (for example, urbanization, demolition, construction, alteration or expansion, building use permits) is, as a rule, dependent on permits, prior communication or administrative authorization.

Prior monitoring of urban projects is normally the responsibility of the municipalities, although other public bodies can be called in to intervene (for example, the Institute of Housing and Urban Renewal, IP or the Director General of Cultural Heritage).

Within the context of prior monitoring, the public entities verify whether the urban project is or is not in compliance with the legal rules and regulations in force and whether the construction requires authorization of use, which certifies that the Property is appropriate for the purpose it was built for.

In addition to these general arrangements, there are special licensing ones that should be taken into consideration when planning an urban operation, such as the industrial permit, the commercial license and the tourist license.

URBAN RENEWAL

Being aware that in cities, the urban structures, the buildings, the outdoor spaces are progressively decaying as a result of time, over-use, or even misalignment of their organizational designs with new life styles, the promotion of urban renewal is currently a strategic objective and a national plan.

In this sense, there is not only one actual legal arrangement for urban renewal since exceptional and temporary ones have also been approved.

Therefore, the urban renewal works benefit, for example, from a simplified procedure of prior monitoring, as well as from temporary exemption from compliance with certain technical norms applicable to construction, since those norms tend to be aimed at new construction and not at the renewal of buildings.

It is important to remember that acquisitions of urban buildings for urban renewal may be exempt from IMT provided that within two years from the date of acquisition, the buyer starts the respective works. These Properties can also benefit from IMI exemptions.

There are numerous opportunities for investors that might want to focus on urban renewal.

7.

*ALTERNATIVE
MEANS OF
PROPERTY
INVESTMENT*

ALTERNATIVE MEANS OF PROPERTY INVESTMENT



LEASING

- For non-residential purposes there is ample contractual freedom.



CONTRACTS FOR THE USE OF SPACE

- New legal model of concession of commercial and/or office spaces.
- For retail parks and shopping centres.
- The parties establish the applicable rights and obligations.



TOURIST HOUSING UNITS

- Rendering of accommodation services for the obtainment of income.

LEASING

In Portugal, the leasing of real estate for housing or non-residential (commercial) purposes is regulated by the New Urban Lease Regime.

Portuguese Law imposes a formal system on leasing contracts, which should be signed in writing and contain a set of specific information otherwise it is considered void, such as the identification of the parties plus the purpose and rent for which the lease is agreed.

The leasing contracts for housing purposes assume more open regulations, as they are subject to a set of mandatory provisions (namely in regards to contract termination by the landlord and/or the leaseholder) due to the fact that the lawmaker understands that housing is a social right that must be protected, though notwithstanding the inherent rights of the Property owners.

Conversely, leases for non-residential purposes benefit from a broad contractual freedom with the landlord and the leaseholder being able to freely set the rules related to the duration and termination of the contract. In addition, the norms set out for leases for housing purposes are applied whenever the parties do not specifically make provisions on any matter.

CONTRACT FOR THE USE OF SPACE

In addition to the standard solutions for leasing and purchase of spaces, the domestic market has developed new legal models of assignment of commercial and/or office spaces. In this sense, the so called usage contracts came about where the space that is assigned is accompanied by the services associated with it, which may include cleaning, telecommunications, secretarial, security, amongst others.

This assumed particular prominence for spaces in business centres, retail parks and shopping centres, so that today, it is unanimously accepted that this type of contract is not subject to the urban leasing legal system, with the parties being able to establish independently the respective rights and obligations.

This atypical or unusual regime allows the owners of spaces to be able to exclude some of the rights which are typical of a leasing relationship, such as the leaseholder's right of preference in the sale of the Property or the right of transfer by the leaseholder of the commercial establishment.

TOURIST HOUSING UNITS

Investing in a touristic undertaking can be an alternative means to obtaining income from property in Portugal. According to the Portuguese legal system, touristic undertakings can be defined as establishments intended for accommodation, for remuneration, providing an appropriate set of structures, equipment and complementary services for their operation. Inside the touristic undertakings, it is possible to invest in a specific accommodation unit (a defined space for the exclusive and private use of the user of the undertaking, such as rooms, apartments or dwellings) and to exploit it in a commercial and touristic manner, whether directly or through companies specialized in the promotion of touristic units.

In order to protect buyers of this type of unit, Portuguese law established a specific legal system that provides for the establishment and administration of the touristic undertakings applicable to the owners of the accommodation units and to the operators and administrators of the touristic undertakings.

Local accommodation establishments have seen major growth in the past few years. The law defines local accommodation establishments

as housing, apartments and hosting establishments that, having usage authorization, provide temporary accommodation services, for remuneration, but do not meet the requirements to be considered touristic undertakings. In these cases, there is no licensing or authorization mechanism, with only a mere prior communication required (through the Electronic One-Stop or Single Mechanism, that at the same time, issues the opening permit for establishments) the territorially competent Municipal Chamber. The operation of local accommodation establishments can be performed directly by the owners or they can be leased or granted for operation of that purpose to entities that focus on providing those services.

Since tourism is one of the main assets of Portugal, this area should not be forgotten about when thinking about investing.



8.

*OPENING A BANK
ACCOUNT AND
TRANSFERRING
OF FUNDS*

EUROPEAN
BANKING SYSTEM

PORTUGUESE BANKING SYSTEM

NATIONAL BANKS



INTERNATIONAL BANKS

· Banco Santander +
Deutsche Bank + Barclays Bank...



DEPOSITS IN PORTUGAL GUARANTEED BY
THE F.G.D. - THE DEPOSIT GUARANTEE FUND

The Portuguese banking system is fully integrated into the European Banking System, including following the same legal framework as the other countries of the so called Eurozone. It is worth noting that deposits in Portugal are guaranteed by the Deposit Guarantee Fund up to the maximum amount of 100,000 EUR per depositor/owner under the terms set out in the European rules.

In addition to the renowned national banks, there is a group of International Banks in Portugal, such as Banco Santander, Barclays Bank or Deutsche Bank, with an easily accessible network of agencies.

Currently, opening a bank account in any Bank of the Eurozone requires the bank provide a set of information about the new customer, commonly known as Know Your Customer (KYC).

Most of this information is related to the professional activity of the new customer; their address, origin of the funds and are common in any European jurisdiction.

Especially important is the information related to the public activity of the customer, the so called “high profile client” that is, the customer needs to inform the Bank, in particular, if they hold or held any political office in Government, or in public administration in general.

In practical terms, the documents required by Banks in Portugal, in order to open an account are:

- a)** A certified copy of all Passport pages;
- b)** A copy of a supporting document as proof of the respective address (e.g.: electricity, water or gas bill);
- c)** A certified copy of the last pay slip. In the case of an person who is self-employed, a copy of the last income tax statement may be required.

TRANSFER OF CAPITAL ABROAD



WITHOUT PRIOR AUTHORIZATION

- Transfers to more scrutinized offshore
- Under the European Community Right of Free Movement of Capital

It should be noted that these rules, apparently required for companies, also end up having an effect on the accounts of individuals, that is, if the bank account were opened in the name of the company, the bank is obligated to know the UBO (ultimate beneficial owner), in other words, the “owner of the company”. Therefore, these documents are also required for the UBO.

In addition to the documentation related to the UBO, it is equally necessary to provide the Bank (with small variations, according to each individual Bank) with:

- a) The approved accounts from the past two financial years of the legal company;
- b) A Business Registration of the Company.

Finally, and in contrast to what happens in some jurisdictions, there is no prior authorization in Portugal for capital transfer abroad, that is, the principal of the European Community Right of Free Movement of Capital prevails.

Naturally, the bank must be informed of the reason for the transfer for the Bank’s internal control, with a supporting document needing to be presented (i.e.: deed of property purchase and sale).

Transfers to countries with a clearly more favourable system, commonly known as tax havens (offshores), are subject to greater scrutiny by the customer’s Bank and possibly reported to the Banco de Portugal for their knowledge and possible opening of a process for obtaining more complete information on the transaction in question.

In regards to the transfer of funds to Portugal, originating from accounts open in a foreign Credit Institution, it is recommended that it be verified, case by case, with the Institution in question what the best way is to transfer funds and, above all, how long on average, does it take for this operation.

This verification must be done before the closure of any property purchase in Portugal, so as to guarantee that the Buyer does not default for not having the available funds within the agreed deadlines.



9.

AUTHORIZATION
OF TEMPORARY
RESIDENCE FOR
INVESTMENT
PURPOSES
(GOLD VISA)

GOLD VISA



INVESTMENT ACTIVITY IN PORTUGAL

· Minimum period of five years.



A) ACQUISITION OF PROPERTY LOCATED IN PORTUGAL	500,000 EUR EQUAL OR GREATER
B) TRANSFER OF CAPITAL	1,000,000 EUR EQUAL OR GREATER
C) JOB CREATION	10 POSITIONS MÍNIMO
D) INVESTMENT IN SCIENTIFIC RESEARCH	350,000 EUR* EQUAL OR GREATER
E) ALLOCATING INVESTMENTS OR SUPPORT TO ARTISTIC PRODUCTION, RECOVERY OR MAINTENANCE OF NATIONAL CULTURAL HERITAGE	250,000 EUR EQUAL OR GREATER
F) ACQUISITION OF PROPERTY WITH CONSTRUCTION > OR = 30 YEARS	350,000 EUR* EQUAL OR GREATER
G) ACQUISITION OF PROPERTY LOCATED IN AN AREA OF URBAN RENEWAL + EXECUTION OF RENEWAL WORK	350,000 EUR* EQUAL OR GREATER
H) ACQUISITION OF SHAREHOLDINGS IN INVESTMENT FUNDS OR VENTURE CAPITAL FOR THE CAPITALIZATION OF SMALL AND MEDIUM SIZED COMPANIES	500,000 EUR EQUAL OR GREATER

The so-called gold visa is intended for third-country nationals, as well as for their immediate family, whose main advantages are:

- a) Exemption from prior obtention of a residence visa;
- b) The significant reduction of mandatory minimum periods of stay for the cardholders in Portugal; and
- c) The possibility of free movement throughout the entire Schengen Area, now composed of 26 European countries.

REQUIREMENTS

Access to the gold visa depends on the execution of an investment activity in Portugal, which must be maintained for a minimum period of five years from the date the mentioned visa is granted.

For this effect, “investment activity” is considered to be any activity that aims at the implementation of one of the following situations in Portugal:

- a) Acquisition of property located in Portugal, with a value equal to or greater than five hundred thousand euros and the foreign investor may: (i) acquire the Property in a joint ownership system, provided that each joint owner invests an amount equal to or greater than five hundred thousand euros or through a promissory purchase and sale agreement, with a down-payment equal to or greater than five hundred thousand euros, with the respective title of definitive acquisition of the Property must be presented before requesting renewal of the gold visa; (ii) encumber the Properties starting at a value greater than five hundred thousand euros; or (iii) lease the Properties or develop them for commercial, agricultural or tourist purposes;
- b) A transfer of capital equal to or greater than one million euros, including investment in company shares or quotas;
- c) The creation of a minimum of 10 jobs.
- d) Transfer of capital equal to or greater than 350,000 EUR,

applied to investigation activities developed by public or private scientific research institutions, integrated in the national scientific and technological system;⁴

e) Transfer of capital equal to or greater than 250,000 EUR, applied to investment or support for artistic production, recovery or maintenance of national cultural heritage;*

f) Acquisition of property, whose construction was finished, at least, 30 years prior or located in an urban renewal area and execution of renewal works for the acquired property, equal to or greater than 350,000 EUR.*

g) Transfer of capital equal to or greater than 500,000 EUR, aimed at the acquisition of shareholdings in investment funds or venture capital aimed at the capitalization of small and medium sized companies that, for that purpose, present the respective capitalization plan which is shown to be feasible.*

The investment activity may be personally carried out by the gold visa applicant or through a commercial company headquartered in Portugal or in another Member State of the European Union and with a stable establishment in Portugal. In this last case, only the proportion of the investment corresponding to its share in the capital of the respective company is considered attributable.

4. Access to the gold visa through the execution of any of the investment activities marked with a " * " is, at the date of this guide, pending publication of the respective regulation.

STAY AND RENEWAL PERIODS

For purposes of renewing the gold visa, the applicant must show they have met the following minimal presence requirements in Portuguese territory:

- a) Seven days, consecutive or staggered, in the first year of the gold visa; and
- b) Fourteen days, consecutive or staggered, in the subsequent periods of two years.

The renewal request for the gold visa must be submitted at SEF - the Foreigners and Borders Service in the applicant's residence area together with the documents, referring to the type of investment made in Portugal.

During the validity period of the renewed gold visa, the Foreigners and Borders Service may, at any moment, require proof of the quantitative minimum temporal requirements for obtaining and maintaining the gold visa.

FAMILY REGROUPING

Family members who are dependent on the gold visa cardholder may request the gold visa under the family regrouping arrangement, in the general terms set forth under Portuguese law.

Accordingly, the valid gold visa holder has the right to family regrouping with family members who: **(i)** are outside Portugal; **(ii)** have lived with the gold visa holder in another country; **(iii)** depend or live with the gold visa holder, regardless of whether the family ties were before or after the gold visa holder's entrance into Portugal. In the mentioned circumstances, the right to family regrouping is equally recognized with family members who: **(i)** have legally entered Portugal; and **(ii)** who depend or live with the gold visa holder.

For this purpose, family members of the gold visa holder are:

- a)** A spouse;
- b)** Minors or handicapped children under the responsibility of the couple or one of the spouses.
- c)** Children adopted by the gold visa holder when he/she is not married, by the gold visa holder or by the spouse, by decision of the appropriate authority of the country of origin, provided that the law of that country recognizes the adopted rights and identical obligations of the natural affiliation and that the decision is recognized by Portugal;
- d)** Adult children under the responsibility of the couple or one of the spouses, who are single and studying in an educational establishment in Portugal;
- e)** Those in the direct genealogical line and as first degree relative of the gold visa holder or of the spouse, provided that they are under his/her responsibility; and
- f)** The younger siblings, provided that they are under the guardianship of the gold visa holder, in harmony with the decision pronounced by the appropriate authority of the country of origin and provided that the decision is recognized by Portugal.

In addition, the family regrouping may be extended to:

- a)** Any person who maintains with the gold visa holder, whether in Portugal or outside, a duly proven non-marital partnership, under the terms of the applicable legislation; and
- b)** Any single or handicapped children, including children adopted by the unmarried partner, provided that they are legally entrusted.

FEES

Currently, the reception and analysis of the request for concession or renewal of each gold visa is subject to the payment of a fee of 514.80 EUR.

The issuance of each gold visa and subsequent renewals are subject, respectively, to the payment of a fee of 5,147.80 EUR and 2,563.90 EUR, the mentioned amounts being subject to annual updates (as of 1st March of each year) based on the variation of the average consumer price index in Mainland Portugal related to the previous year, excluding housing, published by the National Institute of Statistics.

In addition, people that come to reside in Portugal as a result of the attribution of the gold visa may acquire the right to access the tax system of the “non-habitual residents”, with the possibility of benefiting from IRS exemption on the majority of their income from foreign sources, as well as from reduced rates of 20% on the income acquired as a result of the exercise of high value added activities of a scientific, artistic or technical nature.

FAMILY REGROUPING



SPOUSE

- May be extended to the unmarried partner.



UNDERAGE, HANDICAPPED, ADOPTED CHILDREN

- Under the responsibility of the couple or one of the spouses.
- May be extended to the children of the unmarried partner.



ADULT, SINGLE CHILDREN AND STUDENTS IN PORTUGAL

- Under the responsibility of the couple or one of the spouses.



ELDERS IN DIRECT LINE AND 1ST DEGREE

- Under the responsibility of the couple or one of the spouses.



SIBLING CHILDREN

- Under guardianship of the Gold Visa holder.

10.

*TAX SYSTEM FOR
NON-HABITUAL
RESIDENTS*

FISCAL FRAMEWORK DIRECTED AT:



*BENEFICIARIES OF PENSIONS
RECEIVED FROM ABROAD*



QUALIFIED PROFESSIONALS

· In high value added activities, of intellectual property,
industrial property, or know-how.

This framework was approved in 2009 and contains some tax advantages, during a period of 10 years, for people that request tax residence in Portugal. The objective of this special framework is to attract “non-resident professionals qualified in high value added activities or of intellectual or industrial property, or know-how, as well as beneficiaries of pensions received from abroad.

This framework was figured out for taxpayers of Personal Income Tax (IRS) who, not having resided in Portugal, for tax purposes, in the past five years, transfer their tax residence to Portugal, that is, the framework does not depend on nationality, but may be granted to a Portuguese citizen who has not had tax residence in Portugal for a minimum period of five years.

Recently, Portuguese legislation has also upheld the possibility for the taxpayer to interrupt the application of the framework and retake the status of a non-habitual resident, until completing a 10 year period, provided that they become residents in Portugal.

TAX BENEFITS

The framework sets forth the concession of some tax benefits to these taxpayers. These benefits vary according to the type of income in question, such as:

a) Income earned in Portugal

Taxation at the fixed rate of 20%, if resulting from the following activities (considered high value added activities):

- (i) Architecture, engineering or geology;
- (ii) Theatre, dance, cinema, radio and television, singing, sculpturing, music or painting;
- (iii) Auditing and tax consulting;
- (iv) Medicine and dentistry;
- (v) University teaching;
- (vi) Psychology;

- (vii) Archeology, biology, self-employed, in general, technical and other similar professions in the area of computers, information services news agencies, scientific research and development;
- (viii) Design;
- (ix) Investment, administration and management of companies sponsoring and promoting productive investment, provided that allocation is verified to eligible projects with a contract granting tax benefits signed under the Investment Tax Code, and
- (x) Performance of roles by senior officials of companies.

a) Income earned outside Portugal

In these cases, the tax exemption method is applied in Portugal, provided that specific requirements are verified.

Therefore, the following are exempt from taxation:

- (i) interest;
- (ii) dividends;
- (iii) capital gains;
- (iv) income from buildings;
- (v) business and professional income⁵

provided that it is able to be taxed in the country of origin:

- (i) In compliance with the Agreement against Double Taxation signed between Portugal and the respective State; or
- (ii) when there is no Agreement against Double Taxation, in compliance with the tax convention model of the OECD (excluding the jurisdictions with a clearly more favourable tax regime, tax havens), and are not considered as earned in Portugal under the terms of the CIRS – the Individual Income Tax Code.

5. Only when resulting from high value added activities or from intellectual property, industrial property, or know-how

Also, Foreign-sourced Employment Income benefits from exemption from taxation, provided that:

- (i) the income is taxed in the country of origin, in compliance with the Agreement against Double Taxation signed between Portugal and the respective country; or
- (ii) the income is taxed in the country of origin, provided that, under the terms of the CIRS, it cannot be considered as earned in Portugal, in cases where there is no Agreement against Double Taxation with the country of origin.

Finally, income from Pensions are exempt from taxation provided that:

- (i) the income is taxed in the country of origin, in compliance with the Double Taxation Agreement signed between Portugal and the respective country; or
- (ii) the income is not considered as earned in Portugal, under the terms of the CIRS – the Individual Income Tax Code.

OTHER ADVANTAGES

The following tax benefits can also be pointed out for non-habitual residents:

- a) In Portugal, there is no tax or even declaration on assets, whereby there is no obligation to declare any goods to the Portuguese tax authorities (only income)⁶
- b) Inheritances and donations, between the ascending and descending family line and between husband and wife, are exempt from taxes;
- c) Other inheritances and donations are taxable at a fixed rate of 10% on the assets located in Portugal (the other assets are not subject to taxes).

6. The only exception is the declaration of foreign bank accounts (only the respective existence and identification is declared, not the balances).



11.

WHY TFRA?

CONSOLIDATED PRACTICE:



*FAST, EFFICIENT,
AND FLEXIBLE ACTION*



SÓLID LEGAL KNOWLEDGE



*PROFOUND COMPREHENSION
OF THE CORPORATE REALITY*

TFRA - Teixeira de Freitas, Rodrigues e Associados is a limited liability company of lawyers that bases its business on a practical approach to their clients' problems.

Combining solid legal knowledge and profound comprehension of the corporate reality, the office developed a notable capacity to act fast, efficiently and flexibly in resolving problems.

TFRA's activity is based on a consolidated practice, whether in legal assistance for national and foreign companies, such as taxpayers covering everything from the study and planning of investments to their implementation, development and daily monitoring of inherent operations.

It is about a cross positioning and approach for all disciplines that present direct or indirect contact points with the clients' business activity, with the benefits resulting from the integrated provision of legal services.

In the field of property transactions, we can provide:

- a) Availability to help the investor in all of the necessary steps for the acquisition of Property in Portugal, with security and tranquility;
- b) A team fully capable of supporting their clients in obtaining the gold visas or other beneficial tax arrangements;
- c) Consulting in all the underlying processing for the execution of investment activities in Portugal. In order to provide consulting on their clients' transnational investments, TFRA not only founded the LEGAL GROUP AFRICA in Angola – resulting in a multifaceted structure of local and international professionals, in total coordination with TFRA – as also, it maintains close professional relations with the most important law firms throughout the world, particularly with offices in other Portuguese-speaking countries.

COUNTRIES, TERRITORIES AND REGIONS

*WITH CLEARLY MORE
FAVOURABLE TAX SYSTEMS*

Andorra	Hong Kong	Qatar
Anguilla	Jamaica	Solomon Islands
Antigua and Barbuda	Jordan	American Samoa
Netherlands Antilles	Keslim Islands	Western Samoa
Aruba	Kiribati Island	Saint Helena Island
Ascension	Kuwait	Saint Lucia
Bahamas	Labuan	Saint Kitts and Nevis
Bahrain	Lebanon	San Marino
Barbados	Liberia	Saint Pierre and
Belize	Liechtenstein	Miquelon Island
Bermuda Islands	Maldives	Saint Vincent and
Bolivia	Isle of Man	the Grenadines
Brunei	Northern Mariana	Seychelles
Channel Islands	Islands	Swaziland
Cayman Islands	Marshall Islands	Svalbard Islands
Cocos (Keeling) Islands	Mauritius	Tokelau Island
Cook Islands	Monaco	Tonga
Costa Rica	Montserrat	Trinidad and Tobago
Djibouti	Nauru	Tristan da Cunha Island
Dominica	Christmas Islands	Turks and Caicos Islands
United Arab Emirates	Niue Island	Tuvalu Island
Falklands	Norfolk Islands	Uruguay
Fiji Islands	Sultanate of Oman	Republic of Vanuatu
Gambia	Pacific Islands	British Virgin Islands
Grenada	Palau Islands	United States
Gibraltar	Panama	Virgin Islands
Guam Island	Pitcairn Island	Yemen
Guyana	French Polynesia	
Honduras	Puerto Rico	

Lisbon

Av. da República, 32 - 4º Esq.
1050-193 Lisbon

T +351 217 815 660
F +351 217 815 679
lawfirm@tfra.pt

Funchal

Edifício Marina Forum,
Av. Arriaga, 77 - 6º
9000-060 Funchal – Madeira

T +351 291 232 374
F +351 291 230 324
lawfirm@tfra.pt

Luanda

Masuika Office Plaza
Rua Centro de Convenções S8
Bloco B, 4º andar A
Talatona - Luanda

T +244 947 326 416
lga@legalgroupafrica.com

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The information contained in this guide has a mere informative intention, which must be adapted to each concrete case by the service of a lawyer.



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