

HOW TO INVEST IN PORTUGAL

A STEP-BY-STEP GUIDE
COMMERCIAL REAL ESTATE



Portugal is a secure and safe place to invest your money in an unbeatable location. Property prices in Lisbon on the increase every year.



■ Why Invest in Portugal?

Portugal is now regarded as premium tourism and real estate location, as well as one of the leading EU countries for R&D and new technologies. The growth in housing and rental prices, the soar in tourist numbers and the rise in established companies, startups and freelancers, are confirming this claim. In addition, Portugal counts with a stable political and social environment, a secure society, a modern education system, a highly skilled and English fluent labor force and an excellent quality of life. For those reasons, Lisbon has taken the 1st place on the PwC's 2019 Emerging Trends Europe leader board.

The tax regime is very attractive, it offers a low effective tax burden, combined with a special Non-Habitual Residents tax regime, the free remittance of funds, the absence of inheritance and gift tax and no wealth tax. Moreover, the residence permit scheme (granting travels within the Schengen area) and the possibility to apply for Portuguese nationality and, consequently a EU passport, make Portugal a very attractive location.

■ Returns on Commercial Real Estate Investment



Annual yield on **commercial** real estate in Lisbon is around

5 – 6%



Annual yield on **residential** properties in Lisbon is

2 – 3%

■ A secure property market

Possibly the most important reason you would want to invest is that Portugal has a proven and secure property market with an average property growth of 15% per annum over the last 15 years. According to the 2019 Global Peace Index rankings, Portugal is the 3rd most peaceful country in the world, boasting one of the lowest crime rates in Europe. In fact, Lisbon was recently voted the safest capital city in Europe.

Living costs, including food, drinks, gas, electricity, water and transport, are relatively low compared to most other European cities. With close to 300 days of sunshine throughout the year, no snow, and temperatures that never reach the freezing point, Lisbon is a truly blessed city. It's great living in a place where you can have beach days in October or March, where you can sit comfortably outside at a café terrace in February, and where you don't have to worry about the dangers of snow on the ground.

Buying a commercial property in Portugal to qualify for Golden Visa

There are no limitations to foreign investors to buy real estate in Portugal.

€ 500.000



In order to obtain Residence Permit Visa (Golden Visa) an investor has to meet various investment requirements. One of the most traditional requirement is – Acquisition of Real Estate in total or equal value greater than € 500.000

Whatever your choice will be, you are fully entitled to buy one or more properties regardless of the type (residential, commercial, etc.) You are free to choose from Residential, Commercial, Rural or Plots properties as far as the investment amount of € 500.000 is fulfilled.

■ *What next?*

Portugal's economy is growing at a healthy rate and it became an international destination for companies, investors and tourists. As the supply of properties coming to the market is decreasing steadily, commercial real estate prices are expected,

according to the 2018 RICS survey, to continue to grow in the next 5 years by around 3.5% per year on average. The rental market overlook is also positive with expectations of rising yields.



WHAT YOU NEED TO KNOW

■ *Foreign Investment*



There are no limitations to foreign direct investment in real estate in Portugal. Nevertheless, investors may need to comply with certain tax formalities, particularly in what regards obtaining a Portuguese taxpayer

number, being that investors with tax residence in a non-EU country need to appoint a Portuguese tax representative (either individual or legal entity) mainly for the purposes of receiving notifications from the Portuguese tax authorities.

■ *Acquisition Costs*

When buying a property in Portugal the Buyer is responsible for paying the following taxes:

6.5%

**Real Estate
Transfer Tax**

0.8%

**Stamp
Duty**

€300

**Title deed
(Notary fee)**

€270

**Land
Registration Title**

■ *Holding Costs*

Property Tax (IMI) rates range from 0.3% to 0.45% per year of the Tax Registration Value of the property.

■ *Letting Costs*

As a non-resident the net rental income is taxed at a rate of 25%.

■ *Disposal Costs*

Capital gains obtained by a foreign investor on the sale of properties in Portugal are subject to a tax rate of 28%.

■ *Mortgage*

Financing for residents and non-residents is available, with a slim application process it can finance up to 70% of the property value. The loan can be taken for a period of between 8 and 15 years with interest rates between 2% and 2.5% per year.

PURCHASING A COMMERCIAL PROPERTY IN PORTUGAL

Selection

01 Step

Finding the right investment property with our consultants according to your investment criteria (expected return, budget, etc)

Obtaining a Portuguese Tax Number and Opening of Bank Account

02 Step

We recommend to get the Portuguese Tax Number and Bank Account, before your arrival in Portugal. This is important, because to have the bank account operational takes two weeks (due to compliance checkup). Tackling this subject previously will allow you to avoid headaches with transfer of the funds for the acquisition of the property. Our company can assist you with this process.

Coming to Portugal

03 Step

Visiting the properties and meeting legal, tax and financial representatives.

Promissory Purchase and Sale Agreement

04 Step

After choosing the property and achieving agreement on the purchase price, a promissory purchase and sale agreement is signed and a reservation deposit between 10% to 20% has to be done as a proof of your intention to complete the purchase.

The promissory purchase and sale agreement identifies the price of the property and payment terms, who is the buyer and the vendor, dates

of closing (final deed), what is included in the purchase. This type of contract is used in almost all transactions made in Portugal and is legally binding both parties.

Photo Id/Passport copy, Portuguese Tax Number, address in your home country, marital status and bank account details are required as part of the anti-money laundering check process

Legal Due Diligence

05 Step

Mandating the lawyer to check all documents and issues related with the property and lease agreement.

Closing/Final Deed

06 Step

After lawyer due diligence is finished, the purchase is completed with the signature of the Public Deed in the presence of a Notary. On the same moment the Real Estate Transfer Tax and Stamp Duty has to be paid.

After sale services

07 Step

After completion of purchase, benefit from our services of property management, etc.



LEASES OF COMMERCIAL PROPERTIES IN PORTUGAL

The urban lease framework in Portugal is mainly found under the New Regime on Urban Lease Law and the Civil Code.



■ Duration

Commercial leases are qualified as non-residential leases, and encompass all leases for non-residential purposes (industrial real estate, retail facilities, offices, hotels, etc). The length of a commercial lease is freely determined by agreement between the parties, with a minimum of 1 year and a maximum limit of 30 years. In the absence of a specific term, the contract shall be deemed to be in force for a 5-year term. Lease agreements must

be executed in writing and, when entered into for longer than six years, must be registered with the Land Registry Office.

Parties may agree on the duration of the lease, as well on the regime applicable to termination rights and break options and opposition to the lease's renewal. They may also agree on the rules applicable to any maintenance and works on the leased property.



■ Rent

Rents are usually calculated by reference to a sum per square meter of the area let. Typically, rents are payable in advance (i.e. on the month prior to the one it respects to) on a monthly basis.

A tenant's security obligations are normally secured via a cash deposit or a bank guarantee in the amount corresponding to a certain number of rental installments.

Rent is normally charged free of VAT. However, subject to satisfaction of certain requirements, it is possible to

request the Tax Authority for a waiver from the VAT exemption.

The landlord may request the waiver and charge VAT in order to recover sums of VAT incurred on landlord expenses in connection with the property. The tenant must also be a VAT taxable person for the tax waiver from the VAT exemption to apply. The current VAT rate for leasing purposes is 23%.





■ **Rent Review/Update**

Parties may agree on phased or variable rents as well as rent update mechanisms.

A rent update shall be undertaken on an annual basis according to official criteria under the price

consumer index published in the end of each year by the National Statistic Bureau. However, parties may also agree other criteria for rent review.



■ **Operating Expenses**

The tenant is responsible for the payment of charges and expenses for the supply of goods or services related to the use of the property (for example: water, electricity, gas, telephone, and internet). The tenant is only responsible for other expenses if it is expressly agreed between the parties in lease agreement.

The landlord is responsible for the payment of the water

rates, insurance fees, property tax ("IMI") and stamp duty due on the grant of the lease (10% of the first rent).

Unless otherwise agreed, the Landlord is responsible for property repair. It is usual for the landlord to be liable for any cases of extraordinary repair that may be undertaken, and for the tenant to be responsible for ordinary repair costs.



■ **Maintenance, Repair and Reinstatement at end of Lease**

The tenant is only permitted to carry out works when the landlord has given their prior written consent (except in emergencies). However, the tenant may and is under an obligation to carry out minor repairs to the property to ensure that it remains adequate for its intended purpose.

Should the tenant carry out improvements to property they shall be entitled to receive compensation or remove these improvements provided their removal does not

cause damage to the property, unless otherwise is agreed.

The landlord is responsible for the repair and maintenance of the building common areas in which the property is located, except if otherwise agreed in the lease agreement.

Typically leases foresee that premises shall be let in a condition it for purpose for which they are intended (subject to fair wear and tear).



■ **Assignments & Transfers of Lease**

Assignment of a tenant's contractual position is not allowed without the prior consent of the landlord, except in the case of a transfer of the tenant's undertaking, which entails the automatic transfer of the relevant lease agreement. The landlord has a pre-emption right in relation to the transfer of the undertaking.



■ **Subleases**

The tenant cannot sub-let the property, either in whole or part, without the landlord's prior written consent. Should subletting occur without this being obtained, the landlord may terminate the agreement based on the tenant's definitive default.

The tenant may not charge the subtenant a higher or proportionally higher rent than is due under the lease agreement, increased by twenty percent, unless otherwise agreed with the landlord.



■ **Termination**

The landlord can only terminate the agreement before the end of its initial term or of its renewals or in the event of tenant's default (e.g. nonpayment of rent for a period equal or superior to three months after the due dates). The law sets out some of the grounds on which the landlord may terminate. In addition to these grounds, the landlord may specify, in the lease agreement, others which will be deemed to be an event of default.

Non-residential leases are more flexible and parties may set out specific break options during the term or renewals of the lease agreement, including the right for the landlord to terminate the lease prior to initial term.

The landlord and the tenant may agree that the contract can be automatically renewed for a similar renewal period or for a different one.

Regarding non-residential leases, with recent changes in the law, the first opposition to the renewal by the landlord can only occur after 5 years of duration.

Landlords may agree on nonrenewable lease contracts.



■ **Sale of Leased Property**

The sale of a leased property does not affect the lease and all rights and obligations of the previous owner are transferred to the new owner. However, in case of a lease in force for more than 2 years, the tenant has a pre-emption right in the transaction and must be given notice of the sale and purchase terms and conditions in order to assess if the tenant intends to exercise its preemption right.

GOLDEN VISA PORTUGAL by REAL ESTATE INVESTMENT

Golden Visa Portugal is the world's foremost EU residency solution, offering you a smart international investment opportunity and an unparalleled European lifestyle for you and your family. By matching you with a carefully selected Portuguese property, you gain a secure international investment that earns you foreign currency income and full access to Schengen Europe.

■ Introduction

The "Golden Visa", also known as the Golden Residence Permit Programme, provides non-EU investors with the opportunity to apply for European residency by purchasing an investment property in Portugal. The visa offers the potential for:



■ Qualifications

The Golden Visa programme is available to all foreign national investors who are not citizens of the European Union. This means that investors from all corners of the globe, regardless of which country they originate from, may qualify for this programme.

To qualify, the investor will need to make an investment in Portugal either privately or through a single-member private limited company, in at least one of the following:



Further new qualification categories for investment were legislated in 2015, please speak to a Golden Visa consultant if you are interested in exploring these. The criteria are simple and transparent. The Portuguese state is committed to supporting investment in Portugal in order to attract capital, promote job creation and increase investment in real estate.



■ Schengen Visa

Successful Golden Visa applicants will have all the benefits provided by a Schengen Visa, entitling the holder to freedom of movement across much of Europe. The borderless zone created by the Schengen agreements currently consists of 26 countries - Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden and Switzerland.



■ Family Reunification

Holders of the Golden Visa have the right to family regrouping, and may gain access to permanent residency permits as well as to Portuguese citizenship in accordance with current legal provisions. Family regrouping means that the family and dependents of the holder of the Golden Visa qualify for residence as well, including but not restricted to:

Spouse

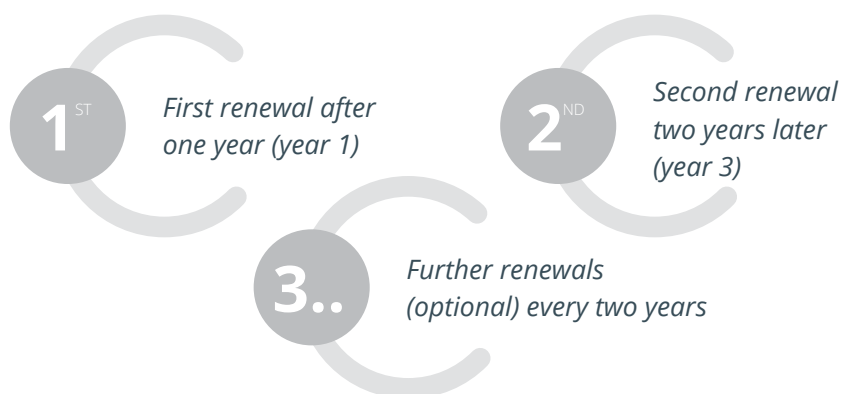
Minor children

Adult children who are dependents (such as full time students)



■ Residency & Citizenship

Portuguese law enables you to qualify for permanent residency after five years of residence. The visa needs to be renewed three times over the five-year period:



After six years of residency, permanent and/or temporary, you may apply for Portuguese citizenship and an EU passport. This is subject to the terms and conditions set out by Portuguese nationality law. As a Golden Visa holder, you are required to spend a minimum of only 35 days in Portugal over a five-year period:

<i>Year one:</i>	<i>Year two to three:</i>	<i>Year four to five:</i>
a total of 7 DAYS	a total of 14 DAYS	a total of 14 DAYS

ABOUT US

Prima Carta is a Portuguese Commercial Real Estate Broker, founded to provide full support to international real estate investors who want to invest in Portugal. Since our beginning in 2016, we focus our operations mainly in the city of Lisbon and its surrounding area.

We assist private investors, family offices, real estate private equity firms and institutional investors, to identify investment opportunities in retail, office, hospitality, residential development projects in Portugal.

In close cooperation with our partners, we provide a “one-stop-shop” services related to the acquisition, due diligence, financing and ownership of Commercial Real Estate in Portugal.



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