

BECOMING A PROPERTY OWNER IN PORTUGAL

An essential guide to all you need to know
when buying a property in Vale do Lobo



VALE DO LOBO
ALGARVE

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WELCOME

We are very pleased that you are considering becoming a property owner in Vale do Lobo and we look forward to welcoming you to the resort. This is a beautiful and very exciting process but can also be overwhelming with the various opportunities and details to consider.

To ensure our clients are well informed and in order to help you to make your decision, we have prepared this important guide with information about which you should be aware when buying and owning properties in Portugal.

The Vale do Lobo Real Estate Team, together with financial advisors and local lawyers are always available to assist you and help you throughout the process. While the general information contained in this publication is an important starting point, we always recommend our clients contact a local lawyer or tax advisor for specific and personalised advice.



I) SPECIAL INVESTMENT ADVANTAGES IN PORTUGAL



Favourable Tax Regime

Why Portugal should be your top tax choice

Portugal is part of the European Union, the Euro Zone and the Schengen area. With a stable political and social environment, a secure society, a highly skilled and fluent English labour force, an excellent quality of life, and an increasingly favourable investment climate.

Portugal provides excellent opportunities for investors. The tax regime for individuals is very attractive, surpassing other regimes in many ways. The low effective tax burden, further enhanced by the new tax incentives for non-habitual residents, the free remittance of funds, the friendly residence permit regime (allowing for free movement within the Schengen zone for non-European nationals) and the possibility to apply for Portuguese nationality and, consequently, a EU passport, make Portugal a very attractive location. Furthermore, it clearly shows the government's commitment to attract foreign investment to Portugal.

Examples of Portuguese tax planning opportunities include:

- A 20% flat rate for certain Portuguese sourced income, and an exemption for almost all foreign sourced income, available to Non Habitual Tax Residents.
- Tax exemption for gifts or inheritances to spouse, descendants or ascendants. Inheritance or gifts to other individuals will be either non-taxable, due to the generous territoriality rules, or subject to a flat 10% stamp tax rate.
- No wealth tax and free remittance of funds either to Portugal or abroad.
- Beneficial tax treatment for pensions and other life insurance products (including index linked) may further significantly reduce the effective tax burden on capital invested.
- Companies licensed to operate in the Madeira International Business Centre (MIBC), including branches of non-resident entities, with a license issued until 31 December 2013, benefit from a 5% CIT rate until 31 December 2020.
- Portuguese companies may take advantage of EU non-discrimination rules and EU Directives on mergers, dividends, interest and royalties, as well as Portuguese double tax treaties.
- Dividends and capital gains obtained by Portuguese companies can benefit from a participation exemption regime, which makes Portugal interesting as a location for investment abroad.

Portugal has signed more than 67 double tax treaties, with countries such as; Malta, Macao and Hong Kong, as well as more than 50 investment protection agreements. It has signed more than 15 tax information exchange agreements (most of which are already in force) e.g., Bermuda, the Cayman Islands and Gibraltar and several social security agreements, offering interesting tax planning opportunities in a tax friendly environment.

I) SPECIAL INVESTMENT ADVANTAGES IN PORTUGAL

Non Habitual Tax Residency – NHR

Tax regime for non-habitual residents

Portugal introduced a beneficial voluntary Personal Income Tax (PIT) regime for non-habitual residents aiming at attracting talent in high value added activities and Ultra and High Net Worth Individuals (UHNWIs) and their families to Portugal.

The regime is available to all individuals becoming tax resident in Portugal (if they were not Portuguese tax residents in the previous 5 years) and the status is granted for a period of 10 consecutive years.

To be considered as a tax resident, the individual should remain for more than 183 days in Portugal during the relevant fiscal year or have a dwelling in Portugal at 31 December of that year with the intention to hold it as his or her habitual residence.

Non habitual residents will be subject to a reduced 20% PIT rate both on salaries and business and professional income from a Portuguese source arising from high added value activities of a scientific, artistic or technical nature.

Non habitual residents will be exempt from PIT on salaries of a non-Portuguese source if such salaries were subject to tax in the country of source under an existing Double Tax Treaty or, if no Tax Treaty exists, were subject to tax in another jurisdiction and are not considered as Portuguese sourced income under domestic rules. Business and professional income of a non-Portuguese source relating to high added value services of a scientific, artistic or technical nature, as well as from intellectual or industrial property or industrial, commercial or scientific information, earned by non-habitual residents abroad are exempt from PIT provided such fees could have been taxed under an existing Double Tax Treaty or could have been taxed in another non blacklisted jurisdiction in accordance with the provisions of the OECD.

Rental income, investment income and capital gains of a non-Portuguese source obtained by non-habitual residents are also PIT exempt, provided the above mentioned conditions are met.

Pensions paid abroad to non-habitual residents are also PIT exempt if such pensions were subject to tax under an existing Double Tax Treaty or if the pension should not be considered as obtained in Portugal and related contributions did not allow a PIT deduction in Portugal.

In conclusion, under the non-habitual residents tax regime, MNC's will have a major advantage in placing their centres of excellence in Portugal, for example their R&D departments, and Portuguese companies will have a significant stimulus to attract the best talent.

Furthermore, by becoming Portuguese non habitual residents, the UHNW's are able to accrue their wealth in a white listed friendly tax environment, to dispose of their assets benefiting from tax exemptions, to pass on their wealth or estate without inheritance or gift taxes and/or to enjoy their retirement without tax leakage on their pensions.



I) SPECIAL INVESTMENT ADVANTAGES IN PORTUGAL

Portuguese Residency Visa Permit

Special and temporary residency permit

With the aim of attracting foreign investment to Portugal, the Portuguese Government has created a special residence card for investors (Golden Visa) for non-European nationals who wish to invest in Portugal.

This special residency card is aimed at any non EU nationals who are looking to gain a visa to allow free travel in the European Union and Schengen Countries.

Requirements

For purposes of obtaining the Golden Visa, the applicant should meet at least one of the following conditions:

- A transfer of capital to Portugal of at least EUR 1.000.000;
- Creation of at least 10 new jobs in Portugal;
- Acquisition of real estate in Portugal with the value of, at least, EUR 500.000.

The individual may carry out the investment directly or through a company with its registered head office in Portugal, provided that it meets one of the above requirements. However, when the investment is made through a company, the investment amount considered for purposes of granting a Golden Visa will be proportional to the share capital held by the applicant.

The requirements should be maintained during a minimum period of 5 years counting from the date the residence card is issued for the first time.

II) THE BUYING PROCESS

Initial Steps

Below are some important steps that you should take before making your purchase decision:

- Establish what type of property suits your needs and budget (apartment, linked villa, detached villa, plot of land for construction).
- Define what will be the main use for the property: as a residence, a holiday home or to rent.
- Seek advice from an accountant or financial advisor.
- Always use a lawyer or solicitor to finalise the contract and required paperwork for the purchase of the property.
- If you are considering buying through a foreign company for tax reasons, carefully analyse the pros and cons.
- Never buy shares in a property-owning company without instructing your lawyer to do a thorough due diligence of the company, its assets and respective legal situation.
- Finally, remember the legal title to transfer the property is the Notarial Deed (Escritura), which needs to be signed in an official Notary's Office.

Property Ownership Structure

There are a number of different ownership options available. It is very important to look at these options and take tax advice on them. The potential tax savings you could make in the future by setting it up properly at this stage are huge.

The main options for purchasing the property are:

- Buying the property in the name of the prospective buyer(s).
- Buying in the name of a company, national or international, although given current property tax provisions, it is not advisable to do so in the name of a "blacklisted offshore entity" (list issued by the Portuguese tax authorities)
- Buying the property freehold or the leasehold.

Please discuss the above options with your lawyer before proceeding with the purchase.

III) PROPERTY TAXES AND COSTS

a) Taxes and costs related to property transfer

There are some costs related to buying property in Portugal that you need to budget for.

All acquisition costs can be offset against future capital gains tax liabilities providing they are properly documented, so it is important to keep and file records carefully.

Notarial and Registration fees are fixed fees, whereas Purchase Transfer Tax (IMT) and Stamp Duty are based on the price of the property.

Stamp Duty is charged at a fixed rate of 0,8%, whereas Purchase Transfer Tax for villas and apartments is charged according to a sliding scale that is altered each year, varying between 1% and 8%.

Below is an example using the official Tax Department rates and scale range price in force for the year 2014:

Purchase Price	Rates	Amount deductible
€172.348,00 to €287.213,00	7%	€8.163,12
€287.213,00 to €550.836,00	8%	€11.035,25
Over €550.836,00	6%	

For urban plots for construction, the tax rate will be 6,5%.

In the event that the prospective buyer is a resident or a company domiciled in an offshore area pertaining to the aforementioned “blacklisted offshore entities”, the IMT tax applicable will always be 10% of the declared price of the property.

The below table is meant as an indication to enable you to work out the approximate cost of fees pertaining to the purchase of property.

Notarial and registration fees	Approx. €2.000
Stamp Duty	Calculated at 0, 8% of the declared value of the sale.
Legal Fees	Depending on the lawyers, but can usually be calculated at 1% or 2% of the value of the sale.

Note: The above information is in accordance with the official information available at the date of issue.

b) Real Estate Taxes and Levies

Annual tax on real estate property (IMI)

The IMI tax is payable annually in either 2 or 3 installments (i.e. values under €500 per year are paid in 2 installments and values over €500 annual are paid in 3 installments).

The tax is calculated upon the taxable value (VPT – Valor Patrimonial Tributário) of the real estate property. The IMI rate is determined by the local Municipality each year. The applicable rate ranges between 0,3% and 0,8%.

The determination of the Taxable Value is the result of the following formula:

$$V_t = V_c \times A \times C_a \times C_l \times C_q \times C_v$$

Where:

V_t – taxable net worth

V_c – base value of built-in property

A – total area of the building construction plus area in excess of building ground

C_a – type of building coefficient

C_l – location coefficient

C_q – quality and comfort coefficient

C_v – age of the building coefficient

Stamp Duty (IS)

Residential properties with a taxable value (VPT) of €1.000.000 (1 Million Euros) or higher are annually subject to stamp duty at 1%.

Properties owned by offshore companies, regardless of its use, are charged at 7,5%.



IV) RESORT SERVICES AND PROPERTY MANAGEMENT

Public Services

Within the area of Vale do Lobo, all property owners must pay a Public Services fee to Infralobo, E.M., a mixed company operated by the Council of Loulé to render and charge to Vale do Lobo's property owners the services connected with the operation, maintenance, cleaning and conservation of the resort, namely:

1. Roads, footpaths, access ways and adjacent areas;
2. Common areas and parking zones;
3. Beach cleaning;
4. Treatment and pumping stations for sewage networks;
5. Water supply and sewerage system networks;
6. Public sanitary installations and fire hydrants
7. Public, domestic and garden refuse collection.

The services are invoiced to property owners by Infralobo, E.M, on a monthly basis together with the water consumption charges.

Vale do Lobo Resort Membership

The Resort Membership provides:

1. Discounts and privileges within the Resort on the numerous facilities and services.
2. Access to the wide range of property management services provided through the Proprietors Club.
3. The following operational Resort services:
 - 24 hour Security;
 - 24 hour Reception facilities;
 - Daily door to door collection of domestic refuse;
 - Beach refurbishment;

By Villa / Apartment	Annual Cost (including VAT)
1 bedroom	€ 1.487
2 bedroom	€ 2.131
3 bedroom	€ 2.776
4 bedroom	€ 3.421
5 bedroom	€ 4.066
6 bedroom	€ 4.711
7 bedroom	€ 5.356

(Year: 2014)

Resort Members are provided with the following exclusive Vale do Lobo cards:

- 2 Courtesy cards - for the property owner/spouse or partner (maximum 2).
- Family Cards - for family members such as; children, childrens spouse, parents, grandchildren, brothers, sisters, nephews or nieces (maximum of 6 per year).
- Welcome cards are also available for owners guests.
- Courtesy and Family cards are issued with photographs on the reverse.
- Upon presentation of your Vale do Lobo card you can benefit from a wide range of benefits and discounts, such as;
 - Free access to the swimming pools at the Praça and Tennis Academy
 - Free use of the internal shuttle bus
 - 55% off Green Fees on the Royal and Ocean Golf Courses
 - 20% discount at the Wellness Centre
 - Up to 50% discount at the Tennis Academy
 - 50% off at the Kangaroo Kids Club
 - Up to 40% discount on Beach services
 - 10% discount at Restaurants, bars and shops
 - 20% off Car Rental
 - 5% discount at the Vale do Lobo Medical Centre





Proprietors Club

The aim of the Proprietors Club is to take the stress out of owning a property abroad by offering a high level of personalised service and a comprehensive range of property management services.

With a dedicated reception located at the exclusive Club of Clubs lounge, the Proprietors' Club multi-lingual team offer services such as:

- Administrative assistance – payment of bills, sending of monthly accounts (also available by internet).
- Property Service packages offering Villa supervision, technical services, weekly property inspection, access maid service & laundry.
- Swimming pool & jacuzzi maintenance services.
- Garden / flowerbed maintenance services.
- Telephone and internet services.
- Alarm installation, monitoring and security services.
- Construction, renovations, interior design and repair works.
- Condominium Administration (for apartments).

V) RENTING PROPERTY

Renting your property is a commercially viable option.

If after you have purchased your property you are interested in renting it out, the Vale do Lobo Rental Department can assist you and explain all the conditions required to include your property in our rental portfolio.

Required Standard Legal Documents for Renting Property

To rent your property you will require the following documentation:

Local Accommodation Licence (Alojamento local) – which can be obtained through the Proprietors Club for the respective fee.

The following additional documents will also be required. These are standard documents which you or your legal representative will have following the purchase of your property:

- Promissory Contract of purchase and sale
- Property Registration Certificate
- Tax Office Certificate
- IMT (property transfer tax) receipt
- Habitation Certificate and Technical Habitation Certificate.
- Notarial Deeds of Transfer of the property
- Registration of the ownership of the property.

Taxes on Income from the Property *Individual income (IRS)*

The income arising from the rental of the property is taxable at the rate of 25% for non-resident taxpayers in Portugal, which is withheld at the source. You must appoint a tax representative for the Tax authorities.

There are several costs and expenses, namely property maintenance works, insurance premiums, IMI and IS that can be deducted to offset against the gross rental income. Further details should be obtained from your fiscal representative or from the Proprietor's Club.



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