



GUIDE TO HOUSE BUYING IN PORTUGAL



AMI: 14201

WWW.ALGARVE-SALES-AND-RENTALS.COM

INTRODUCTION

As with all property purchases, there is a process that needs to be followed. We have outlined below the current process. We recommend you appoint a lawyer or accountant who is qualified in all areas of property purchase to assist you during this process. This information is merely here to provide you with a guide of what to expect.

AGENTS

When you purchase a property, always deal with a Government licensed agent. Agents must provide their license on their website and advertising. Our license number is AMI 14201.

Being licensed means the agent has the required insurances and, for example, we belong to a professional association and are accountable for any activity undertaken.

CHOOSING YOUR NEW HOME

When you visit the Algarve to find your new home, you will need to have the following information:

- How you are going to pay for the property
- How much deposit you have (between 10-20% is usually required)
- Whether you want to buy any of the furniture or fixtures and fittings
- When you want to complete the purchase
- Have you got a fiscal number (more information below)
- Mortgages require information from your tax office - please check with the bank to find out what information is required

Once you have found your new home, make an offer for the property. We will help you with the negotiations between you and the owner and find a deal which works for both parties. At this stage it is possible to use a surveyor to check over the property.

NEXT STEP

The next step is to appoint a lawyer. We have several English-speaking lawyers we can recommend who will provide a professional service at an agreed rate. There are many lawyers to choose from in the Algarve and you are free to choose whoever you want to deal with. It is NOT a legal requirement to appoint a lawyer, but we would recommend you do so.

The lawyer will ensure that the property is registered in the vendor's name and that the property is free of any charges and debts. They will also check that the correct planning permission has been granted and that a habitation licence is in place.

PROMISSORY CONTRACT

The property will not come off the market until the Promissory Contract is signed. This can often take a few weeks. The Promissory Contract is a preliminary contract drawn up to cover the purchase of property. A deposit (usually) between 10-20% is required at this stage.

After the promissory contract is signed, if the owner decides they no longer want to sell the property you can either force them to sell through court, or they give you compensation equal to twice the amount of the deposit you paid. If you decide to pull out, then you may lose your deposit.

COMPLETION

All the property documents will be provided to the Notary along with proof of payment of tax on the transfer. The escritura is signed at the Notary's office on the day of completion, and the balance of the purchase price is transferred to the owner of the property at this time. Your lawyer will also deal with the final registration of the property into your name and the property is yours!

DOCUMENTATION GLOSSARY

- Fiscal Number - A fiscal number is required in Portugal for many transactions, such as opening a Portuguese bank account, purchasing a property. Visit your local office with proof of your current address (not necessarily in Portugal) and ID (passport) and a fiscal number will be issued. Your lawyer can help you with this if required.
- Land Registry - A search will be made to check the land registry title at the local council and checks on licences and permissions will be made.
- Inland Revenue - A search will be made to ensure tax registration on the property is correct and that there are no charges outstanding
- Habitation Licence - Properties for habitation must have a habitation licence, confirming the property has been constructed in accordance with the plans submitted to the Camara (local council). Properties constructed before 1951 are exempt from this requirement
- Energy Performance Certificate is required for all properties being sold or rented, and is valid for a period of ten years

TAXES AND ADDITIONAL COSTS

Prior to completion the purchaser is required to pay a property transfer tax or IMT to the Finanças.

The current transfer tax is between 2% and 8% of the purchase price for a first property (second properties have a different "Value to cut down") and properties under €92,407 are exempt from this tax altogether.

For those who must pay the IMT tax, a scale of deductions up to €11,959.32 comes into operation. So, for a property worth €150,000 with a tax of 5% (€7,500)there is an allowance of €5,640.23 meaning that only a net sum of €1,859.77 is payable.

For second homes, the tax is slightly higher. In the above case, for example, the allowance would only be €4,716.16 meaning that a net sum of €2,783.84 is payable.

TAXES AND ADDITIONAL COSTS

- The table below shows the current information. Please take professional advice - this document and its contents are for advisory purposes only.

Taxable value	Marginal Rate (%)	Value to cut down
Up to 92.407 euros	0 %	0,00
from 92.407 to 126.403 euros	2 %	1.848,14
from 126.403 to 172.348 euros	5 %	5.640,23
from 172.348 to 287.213 euros	7 %	9.087,19
from 287.213 to 574.323 euro	8 %	11.959,32
Over 574.323 euros	Single Rate 6%	Single Rate 6%

- The IMT tax on rural properties is capped at a general rate of 5%.
- In addition, a 'stamp duty' of approximately 0.8% must also be paid.
- Notary fees are depending on Notary (vary between €300 - €1.000)
- Registration fees are maximum €300 (without mortgage, etc)

THE INFORMATION ABOVE IS TO GIVE BUYERS AN INDICATION OF THE COSTS INVOLVED IN PURCHASING PROPERTY IN PORTUGAL. THIS INFORMATION CAN CHANGE WITHOUT PRIOR WARNING.

IT IS IN YOUR INTEREST TO TAKE PROFESSIONAL ADVICE FROM A LAWYER AND/OR ACCOUNTANT BEFORE GOING AHEAD WITH A PROPERTY PURCHASE IN PORTUGAL.