



**OLIVE HOMES**  
PORTUGAL PROPERTY

# GUIDE TO COSTS & FEES

Helping you to budget & prepare  
for the additional expenses



## **BEING PREPARED**

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It is vital that you are fully aware of any additional expenditure that may be necessary when purchasing your home in Portugal. At Olivehomes.com we like to make sure we have explained everything to you clearly before you make any commitment to purchasing a property. This way there are no hidden surprises and we can aim to make sure the process remains smooth and proceeds as expected.

This guide covers two areas; the costs involved in buying the property and the costs of ownership.

# THREE STAGES TO BUYING A PROPERTY

Let's remind ourselves of the three stages of buying a property

## ● **Reservation**

This is undertaken immediately upon agreeing terms to the sale. An amount is lodged by the purchaser into his/her/their lawyer's account as a sign of commitment to proceed. This is usually done in Portugal at the lawyer's premises. At the same time, we ask the vendor to agree to remove the property from the market as a gesture of goodwill. The reservation is not legally binding but it does give both parties some 'piece of mind' while they prepare for the Promissory Contract. The Purchaser's lawyer is now able to conclude the necessary due diligence to ensure the clients can proceed and will request sufficient funds from the purchaser to complete the next step.

## ● **Promissory Contract**

This is legally binding and will involve a considerable sum (maybe up to 30%) being passed to the vendors (via the lawyers). This document will specify the price agreed, the timescales and any other conditions. The Promissory Contract is an important step in the process as it allows both parties to plan ahead with confidence. The vendor may wish to now empty the property of personal belongings while the purchaser can commit to new furnishings, dates etc. It is not a 100% guarantee that everything will proceed but financial penalties will be suffered if either party is unable to do so for whatever reason. Usually a 'power of attorney' is given to the lawyers to complete this stage.

## ● **'Escritura' or Deed**

This is often a very formal meeting usually held at a Notary's office. The Notary will overview all the paperwork to ensure everything is correct and the transaction can proceed. It is normal for all parties to be present but you can also nominate a representative with a power of attorney. The purchasers, the vendors, lawyers of both parties, bank officials (if a mortgage is being used) and even translators (for any clients who need it) will attend. It can seem bureaucratic but it's a system that works. The purchasers will pay (again via the lawyer) the balance outstanding and be provided with the keys of the property. The Notary will then update Land Registry records to confirm the new owners of the property.

# THE EARLY COSTS

What follows is a list of the costs you may incur at the **'Reservation'** or **'Promissory Contract'** stage:

- **Lawyer Fees** - You are likely to incur some charges now (usually 50%) as they start the due diligence of the property. The rest is paid at the deed. Lawyers' fees are generally around 1.25% plus IVA (VAT) of the agreed property purchase price.
- **Mortgage Fees** - (if you are taking a mortgage) – The banks will usually charge an application fee (which can vary from 250 euros to 500 euros) should your mortgage be approved. Often, they will not charge it, if it is declined. Upon approval they will request a valuation of the property and this will incur a valuation fee of around 500 euros – this can vary depending on the property price and size. Sometimes the banks will add the fees to the mortgage so you do not have to pay it all at the outset. You may also need life assurance! In view of the large variance in bank terms you are advised to obtain these costs directly from the bank.
- **Surveyor Fees** – The cost of a survey will depend on the size and nature of the property and to which type of survey you require. With some properties we always recommend a survey but it isn't compulsory and decisions vary based on property conditions. You should budget between 500 euros and 1300 euros plus IVA.

## COSTS PAYABLE AT COMPLETION

The largest amount of fees is payable at completion and include IMT (Property transfer tax) and stamp duty (0.8% of the deed value). It is normal to transfer the amounts necessary to your Portuguese lawyers seven/ten days prior to deed so they can make the payment twenty-four hours in advance. You cannot complete the deed without proof of payment. IMT is calculated on a sliding scale. There is a % calculated (based on the price band of your property) and a fixed amount is then deducted. On higher value property there is a flat rate calculated. On the following pages we provide the tables/charts demonstrating how this works. Exceptions to these charts are:

Urban building plots – flat rate 6.5% on purchase price

Rustic plots – flat rate of 5% on purchase price

Property with a touristic habitation licence – flat rate of 6.5% on purchase price

You should also note that if the property purchased has a higher rateable value (this is unusual) then the IMT will be based on the rateable value and not the purchase price. Historically, the rateable value is much lower than the market value.

You will also have to pay Notary and Land Registry fees at this time. The notary will usually charge around 850 euros for their services but always check in advance. Normally the lawyer is able to appraise you of this fee at the time of reservation. Land Registry fees can be around 350 euros. So, budget around 1250 euros (plus IVA). So, as an example. If you bought an apartment costing 400,000 euros, as a holiday home in Portugal, you would pay:

**IMT – 400,000 at 8% = 32,000 euros less 11,035.25 euros = 20964.75**

**Stamp duty = 0.8% = 3,200 euros**

**Notary fee and Land registry = c1,500 euros**

# IMT Table: A

## Continental Portugal

First and Permanent residence

Purchase Price	Tax %	Deduction
from €92 407 to €126 403	2%	€1848.14
from €126 403 to €172 348	5%	€5640.23
from €172 348 to €287 213	7%	€9087.19
from €287 213 to €574 323	8%	€11959.32
from €574 323 to €1 000 000	Flat - 6%	-
from €1 000 000	Flat - 7.5%	-

# IMT Table: B

## Continental Portugal

Secondary residence

Purchase Price	Tax %	Deduction
from €92 407 to €126 403	2%	€924.07
from €126 403 to €172 348	5%	€4716.16
from €172 348 to €287 213	7%	€8163.12
from €287 213 to €550 836	8%	€11035.25
from €550 836 to €1 000 000	Flat - 6%	-
from €1 000 000	Flat - 7.5%	-



## COSTS OF OWNERSHIP (IMI & AIMI)

You take the property keys and head towards your new home in Portugal dreaming of long sunny days, sand on your feet and barbecue aromas. You've got the happy bug and well done, congratulations are in order. Let's make sure your buzz continues by understanding any costs that are coming your way.

The local taxes are called IMI. This is an annual property tax paid in arrears. Payment dates are April, June and September. IMI varies from council to council and also varies depending on the property. The calculations for the property are based on several factors such as size, age, location and amenities. Once assessed the property is given a Rateable Value. Typically, most properties are then levied at a level between 0.2% and 0.5%.

As an example, you may have purchased a property in Vilamoura that cost 500,000 euros. The Rateable Value of that property could be 350,000 euros. Remember the value you pay no longer bears much resemblance to the Rateable Value. The IMI rate for Vilamoura (part of Loulé Council) is currently 0.3%.  $350,000 \times 0.3\% = 1,050$  euros. Payable annually in arrears. 350 euros to be paid in April, June and September.

AIMI is an additional tax on residential property and construction plots. If you have a property portfolio in excess of 600,000 euros then you will pay an additional 0.7% on the amount in excess of 600,000 euros. If your portfolio is in excess of 1,000,000 euros then you will pay an additional 1%. The increases are not aggregated. Between 600,000 and 1m euros = 0.7% and you only pay 1% on the amount above 1m.

Some good news! It is not unusual for large villas sold at a value of 2m+ to still have Rateable Values far below 1m. Also, the 600,000 threshold applies to each owner. If the property portfolio is owned jointly (by say husband and wife) the AIMI will not kick in unless the Rateable Values exceed 1.2m. If this is a consideration then it is important to make sure your paperwork is in order.



## **WHAT ELSE?**

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Most owners can give you an idea of the running costs: water, electric, gas. Internet is extremely fast in most parts of Portugal and a simple package is less than 100 euros per month. Banks do charge to run an account here – there is no such thing as a ‘free’ account in Portugal but the internet capabilities and ATM machines are at the forefront of latest technology. Check whether or not you have to pay condominium fees – this is normal for apartments and cover the gardens, pools, cleaning areas, communal lights etc. It should also cover a fund for emergency repairs and buildings insurance. If you are in a resort then you may also need to contribute to its upkeep. Find out these costs and make sure the current owner is up straight with payments. If it’s a stand-alone villa then you’ll probably be paying for a gardener or pool cleaner. In the overall scale of things some of these costs may be minor, but we always believe it is better to be prepared.



## **CONFUSED?**

If you've made it to the end of this guide your head is probably spinning. Rest assured, you don't have to remember a thing. We make it our goal to ensure the whole process of buying a property through OliveHomes.com is as straightforward as possible.

We are a professional team who have all lived in Portugal for a long time. We have all bought and sold property and are entirely familiar with the process. We also have a panel of experts that we have recommended for many years. Surveyors, lawyers, currency exchange specialists, mortgage brokers, architects and gardeners. We will help with it all.

Utilities will be connected, bank accounts opened and at each stage all the costs will be detailed, in advance, so you are aware what needs to be done when. We treat you like we wish to be treated ourselves. Please note that this information was written with the best intentions to assist you. It could change so make sure you contact us for the up to date position. We look forward to seeing you in Portugal very soon and to welcoming you to the OliveHomes.com team.

## **CONTACT US NOW ON:**

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