



SAMPSON PROPERTY

REAL ESTATE AGENTS

TAX BENEFITS AND COSTS FOR PROPERTY OWNERS

Property Taxes and Costs

All applicable tax associated with buying, owning and selling in Portugal.

Starting with the VPT which is the rateable value of the property. This value is attributed by the tax authorities and from this they will calculate the properties annual rates and minimum taxes payable on property transactions.

IMT – Property transfer tax

This tax is due to be paid prior to a purchase, there are 2 rates and they depend on whether the property will be classed as the primary residence or not, see table below:

IMT TAX for Permanent Occupation

Value of the property Transaction	%	Tax amount to deduct
Under € 92.407	0%	0€
From € 92.407 Until € 126.403	2%	1.848,14€
From € 126.403 Until € 172.348	5%	5.640,23€
From € 172.348 Until € 287.213	7%	9.087,19€
From € 287.213 Until € 574.323	8%	11.959.32€
Over € 574.323	6%	0€

IMT TAX for Non Permanent Occupation

Value of the property Transaction	%	Tax amount to deduct
Under € 92.407	1%	0€
From € 92.407 Until € 126.403	2%	924.07€
From € 126.403 Until € 172.348	5%	4.716,16€
From € 172.348 Until € 287.213	7%	8.163,12€
From € 287.213 Until € 550.836	8%	11.035,25€
Over € 574.836	6%	0€

Transactions on agricultural land are 5% of the value and for commercial and building plots there is a flat rate of 6.5%.

The minimum amount on which the IMT can be paid is the rateable value (VPT), even if the sale price is lower.

Stamp duty, Notary & Registration fees

Are all due to be paid by the purchaser. The stamp duty is 0.8% of of the sale price and again the minimum amount of which the stamp duty can be paid is the VPT even if the sale price is lower. Notary and Registration fees are usually +/-800€ and usually will not exceed 1,000€.

IMI – Annual property tax

This is a yearly tax paid in arrears in 2 or three installments - depending on the value. Values below 250€ are paid once in April, between €250 - €500 it is split in payments in April and November and above 500€ in April, July & November.

This tax is calculated on the rateable value. This can be between 0.2% and 0.8%, for the council of Lagoa it is calculated at 0.36% (Loulé & Faro councils are at 0.30% and Albufeira at 0.45%).

Exemptions may be granted depending on the price of the property (VPT) Up to 157,500€ – 6 year exemption.

From 157,500€ – 236,250€ - 3 years exemption.

To qualify for exemption the property must be your main residence.

AIMI – Additional municipal property tax

Also known as an additional IMI this tax was introduced in 2016 after the termination of the IS tax. This tax does not apply to rustic land, commercial or industrial. All other properties it applies to.

To be able to calculate the AIMI, you need the combined total value (VPT) of all properties owned by an individual and apply the following rates:

Up to 600,000€ - No AIMI

Between 600,000€ and 1M – 0.7% of the value between 600,000€ to 1M
Example: An individual owning property with a total VPT of 850,000€ will pay the following: $(850,000€ - 600,000€) \times 0.7\% = 1,750€$

Above 1M – 0.7% on 400,000€ (1M – 600,000€) + 1% on value in excess of 1M

Example: An individual owning property with a total VPT of 1,300,000€ will pay the following: $(400,000€ \times 0.7\% = 2,800€) + (300,000€ \times 1\% = 3,000€) = \text{Total AIMI is } 5,800€$

Offshore & company owned property – 0.4% on the total value
(If the company is domiciled in a “blacklist jurisdiction” the rate is 7.5% for both IMI & AIMI)

Capital gains tax

On the sale of a property the capital gains tax is currently set at 28% for non residents and 25% for companies (non residents).

The value is calculated on the sale price and the purchase/construction price. Certain costs can be offset against this tax such as any refurbishments made in the last 12 years (with receipts), purchasing costs (tax, notary & registration fees) & estate agents fees.

If the property is classified as your main residence and you reinvest the proceeds of the sale within 3 years in a property or construction also classed as your main residence within the EU or where Portugal has such agreements you are exempt from this tax
Offshore & company owned properties are now subject to capital gains tax since Jan 2018.

Inheritance tax

Between close relatives (spouses, children/parent) there is no inheritance tax in Portugal. On gifts you have to calculate a 0.8% stamp duty based on the VPT. In other situations of inheritance or gift a stamp duty of 10.8% on the VPT will be charged.

NHR – Non habitual residency scheme

What is attracting so much investment in Portugal? One of the main reasons is due to the NHR, the regime that provides tax residents in Portugal tax exemption from almost all foreign source income and a personal income tax rate of 20% for qualifying employment income from Portugal, provided they were not a Portuguese tax resident in the previous 5 years the status is granted for 10 years.

To qualify as a tax resident you must either spend more than 183 days in Portugal in any 12 month period or if spending less than 183 days maintain a residence suggesting being a habitual resident in Portugal.

So, why live and invest in Portugal?

Exemption for almost all foreign source income for NHR's, 20% flat rate for Portuguese (self) employment income for qualifying activities.

No gift or inheritance tax for assets out of Portugal. In Portugal to direct relatives is also exempt and to others a 10% stamp duty.

No wealth tax.

The Golden Visa

Another regime attracting foreign investment from outside of the EU is the golden visa program. To obtain a Golden visa you will need to meet at least one of the following conditions:

- (i) A transfer of capital to Portugal of at least EUR 1 million;
- (ii) Creation of at least 10 new jobs in Portugal;
- (iii) Acquisition of real estate in Portugal with a value of, at least, EUR 500,000;
- (iv) Acquisition of real estate in Portugal, where construction ended at least 30 years ago, or is located in an urban regeneration area and implementation of renovation works on the purchased real estate, amounting to a global value equal to, or greater than, EUR 350,000;
- (v) A transfer of capital equal to, or greater than, EUR 350,000, that is aimed at developing and enhancing research activities developed by public or private scientific institutions, integrated into the national scientific and technological system;
- (vi) A transfer of capital equal to, or greater than, EUR 250,000, that is aimed at the investment or support of artistic production, recovery or maintenance of national cultural heritage, through certain recognised institutions;
- (vii) A transfer of capital equal to, or greater than, EUR 350,000, for the acquisition of units of investment funds or venture capital funds dedicated to the capitalisation of companies, which are/were incorporated under Portuguese law, whose maturity, at the moment of the investment, is, at least, of five years, and, at least, 60% of the investment is realised in commercial companies with head office in Portugal;

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- (viii) Capital transfer in the amount of EUR 350,000, or higher, for incorporation of a commercial society with head office in Portugal, combined with the creation of 5 permanent working jobs, or for the reinforcement of the share capital of a commercial society with head office in Portugal, already incorporated, with the creation or maintenance of working jobs, with a minimum of 5 permanent jobs, and for a minimum period of 3 years.

Please note that the amounts mentioned above may be reduced by 20% when the related activities are carried out in certain less populated areas in the Portuguese territory (as defined in Portuguese law).

FOR THE PURPOSES OF MEETING THE CRITERIA RELATING TO THE ACQUISITION OF REAL ESTATE, THE FOLLOWING SITUATIONS ARE ALSO ADMISSIBLE:

- Co-ownership of the real estate, with each co-owner making an investment of a minimum of EUR 500,000;
- Making only Promissory Contracts of purchase before the initial application for the Golden Visa, provided that a deposit of a minimum of EUR 500,000 is made. However, at renewal stage (i.e. after 1 year), the purchase of the property must have been completed;
- (Bank) financing of the acquisition of the property for the purchase price in excess of EUR 500,000;
- Rental or letting of the property for commercial, agricultural and tourism purposes.

The individual may invest directly or by means of a limited liability company of which the applicant is the sole The requirements should be met throughout a minimum period of 5 years, counting from the date the residence card is issued for the first time, with the aim of applying for permanent residence.

Once issued, the Golden Visa will be valid for an initial period of 1 year and then should be renewed for subsequent periods of 2 years, provided that the conditions are maintained. For the purposes of renewing the residence permit, the investor shall provide proof that they have remained in Portuguese territory for the required minimum periods during the validity of the card: 7 days, consecutive or staggered, in the first year; or 14 days, consecutive or staggered, in subsequent 2 year periods.

The investor can apply for family reunification and extend the residence to their immediate family members, including: spouse, minor children, dependent adult children, first degree ancestors who are dependents of the bearer or his spouse, minor siblings provided they are under the tutelage of the resident. Once in possession of the Golden Visa, investors are allowed to travel within the Schengen Area, which is constituted by 26 European countries, without the need to apply for a visa. With the Golden Visa, the applicant may stay in other Schengen countries up to 90 days in each period of 180 days.