



THE ALLIANCE OF INTERNATIONAL PROPERTY OWNERS'
GUIDE TO PROPERTY BUYING IN

Portugal



YOUR GUIDE TO PROPERTY BUYING IN PORTUGAL

Guide to Buying Property in Portugal in Association with AIPP

Buying a property overseas is a big decision which involves several steps and, of course, some thorough research. AIPO asked supporting partner and independent overseas property experts, AIPP (Association of International Property Professionals) to bring you answers to the most asked questions – and to share their top tips about buying a home abroad.



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Who is AIPP?

AIPP (Association of International Property Professionals) is the trade association offering voluntary regulation of the international property industry, focused on the UK buyer. AIPP members adhere to a strict code of conduct in how they treat customers and are bound by **The Property Ombudsman**. AIPP offers all UK buyers & owners of a foreign property free legal advice from their Legal Working Group. **Search for an AIPP member here.**

WHERE DO I START?

A relaxed Mediterranean lifestyle, white sun-soaked beaches and excellent golf courses makes Portugal a great alternative to Spain or France for Brits looking to buy abroad.

Though the global financial crisis hit Portugal hard, it's now making an excellent recovery and its economy is stabilising. Attractive tax and residency incentives, as well as low mortgage rates, have also proven popular with expat buyers.

Nevertheless, before you proceed, it's worth asking yourself these three simple questions:

1. What are you primarily buying the property for?

Is it a holiday home, a financial investment – or somewhere to retire to in the longer term?

2. What do you see yourself doing there?

This might be spending relaxing time with your partner, hosting family and friends, indulging in sport and leisure – or even working.

3. What is most important to you?

Is it budget, location, the kind of property or surrounding facilities? Once you have these answers you'll be clearer about what you are looking for and can move onto the fun part.



AIPP's Top 5 tips for buying in Portugal

1. Do your homework thoroughly
2. Get an independent lawyer
3. Use a reputable foreign exchange company
4. Stay in regular contact with your team
5. Have a plan for future eventualities

BREXIT IMPLICATIONS ON LIVING, WORKING AND PENSIONS IN PORTUGAL

Portugal's 90-day rule

UK Nationals are now 'third country' visitors or non-EEA (European Economic Area) nationals, meaning you can only stay up to a total of 90 days in any rolling 180-day period* without a visa in any EU member country. This applies across the whole of the EU Schengen Zone.

You can choose to use your 90 days however you wish, either in one three month stay, or divided up into smaller periods, as long as you or not in Portugal for more than 90 days during a 180-day period. This means you still get to spend almost 13 weeks in your Portuguese home every six months (or 22 x four-day weekends!) without the need for any additional documentation or visa application.

Things to bear in mind: You cannot join your 90 days together and stay in Portugal for 6 months. It also means that your 90 days includes any time you spend in other EU Schengen Zone countries. For example if you wish to drive to your property in Portugal, the 90 days will start as soon as you enter France. If you spend the whole of your 90 days in one go, you will have to return to the UK and you will not be able to return to any EU Schengen Zone country for another 90 days.

**The 180-day period keeps rolling. Therefore, anytime you wish to enter the Schengen, you just have to count backwards the last 180 days, and see if you have been present in the Schengen for more than 90 days throughout that period.*

Property Ownership

Nothing has changed regarding UK National's property ownership in Portugal, however. You can still buy and own property with the same rights and obligations as Portuguese Nationals.

Resident Permits

If you wish to retire to Portugal or spend more than 90 days in one go in the country, routes are still available. The D7 Passive Income Visa (D7 Visa) and D7 Passive Income Residency Permit (D7RP) are now the most suitable



routes for most individuals wishing to retire to Portugal and who have the financial resources to support themselves.

The Portuguese Golden Visa (PGV) has been a popular option, though the rules around the investment required have changed from January 2022, which may make this a less attractive option than previously. You can read more details in this guide from [Blevins Franks](#) here.

Tax Residence

You're a resident in Portugal for tax purposes if you spend more than 183 days a year there or have a permanent home in Portugal. Whether you have a pre-2021 residence card, or D7 or D7RP visa, you are likely to be a tax resident of Portugal and need to declare your worldwide income and gains accordingly. If you have the golden visa, it'll depend on how long you spend in the country. We recommend seeking personalised tax advice to see how you can legitimately limit your tax liabilities.

UK Pensions

Foreign pension income and withdrawals were once tax-free under Portugal's very favourable Non-habitual Residents Scheme (NHR). Since April 2020, Portugal now charges a flat 10% on all foreign pension income for those with NHR status. There is no charge for government pensions which continue to be taxed in the UK only. While less beneficial than zero tax, a 10% tax on foreign pension income is still lower than that charged in many other countries (including the UK). We recommend seeking independent tax advice from a specialist such as [Blevins Franks](#).

Schengen Area 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.

WHERE IN PORTUGAL SHOULD I BUY?

Attracted by its stunning beaches, excellent climate and award-winning golf courses, the **Algarve**, on Portugal's southern-most coast, is a number one property hotspot for Brits. It's also a great region for holiday rental opportunity.

The Algarve's central resort towns of **Vilamoura**, **Vale do Lobo** and **Quinta do Lago** are often singled out as its most desirable pockets. Property developments and their linked facilities are in the super league. But this, of course, also means they come with the highest price tag.

If your budget is more limited, the central Algarve offers some great alternatives. Check out **Loulé**, famous for its Saturday morning gipsy market, or **Silves** with its abundance of orange and lemon trees. Pretty **Armação de Pêra**, just west of **Albufeira**, has a great atmosphere yet avoids being too over-crowded in the seasonal months.

But money will go further still in the Western Algarve which has been steadily growing in popularity. Explore the leisure resort of **Carvoeiro**, the charming beach village of **Burgau** or the larger fishing town of **Lagos**. For a much quieter pace of life (and some great surfing) **Odeceixe** is worth a look.

The **Eastern Algarve** is perhaps the least touristy part of the region but you can still find some great property deals just 20 minutes drive of Faro airport. **Tavira**, close to the Spanish border, has been mooted as a potential hotspot for a few years now. For unspoilt countryside but still within 30 minutes of the coast, villages around the river town of **Alcoutim** may offer what you are looking for.

To discover 'real Portugal' leave the **Algarve** behind and head north-west to the **Silver Coast (or Costa de Prata)** which lies between **Lisbon** and **Porto**. With its famous 'glittering' beaches you'll find everything here from historic towns and traditional fishing villages to modern coastal resorts.

Also worth considering is **Aveiro** which is known as the 'Venice of Portugal' for its lagoons – or the bohemian medieval town of **Obidos** for its art and culture. If you want more in the way of amenities the bigger towns of **Nazaré** and **Marinha Grande** may be a better fit.



Loulé



Carvoeiro

WHERE IN PORTUGAL SHOULD I BUY?

Formerly overlooked by Brits but now gathering pace as a property hotspot is Portugal's **Blue Coast (or Costa Azul)**. Stretching from the top of the Algarve to just north of Lisbon, the region plays host to the gigantic natural reserve of the **Troia Peninsula** where you'll find protected dolphins and hundreds of varieties of birds.

Upscale developments have been built along the sheltered white sand dunes of **Troia** and **Carvalhal** and a wide range of property is now available there at reasonable prices. For something off-resort, consider the hillsides of **Sesimbra** province where you'll find stunning rugged views. Alternatively, look at the ancient sea town of **Setubal** – which is known to wine-lovers as the home of Moscatel and to football-lovers as the home of Jose Mourinho.

Finally, we should mention Portugal's beautiful islands. **Madeira** is perhaps the best-known and its international airport provides good connections. Steeped in history, the island has traditionally drawn an older profile visitor but trendy boutique hotels springing up in the last decade have since been attracting a younger, cooler crowd.

Property in **Madeira** is generally more expensive than on mainland Portugal but there is plenty of it available. Look at the charming village of **Ponta do Sol** in the south or the equally picturesque **Camacha** in the hills east of the capital **Funchal**.

Sao Miguel is the largest and most populated of Portugal's **Azores islands** and is built on rolling plains, mountains and deep crater lakes. Now serviced by the budget airlines, holiday homes on the island have become a feasible possibility.

Your first port of call for property there might be the cosmopolitan main town of **Ponta Delgad**, which sits on a modern marina. Although the smaller islands of the Azores will offer bargain prices access and amenities are limited, so do your homework.



WHAT TYPE OF PORTUGUESE PROPERTY IS AVAILABLE – AND AT WHAT COST?

Buying in Portugal will afford you the opportunity to purchase totally different property styles than you'd find in the UK. What's more, they'll often be much larger than you could perhaps afford at home.

As with many European countries, Portugal has a large rural population which translates into a good supply of **farm** and **country houses** or '**quintas**', so-called as they were traditionally rented out for one-fifth of the value of what was grown on the land.

Prices vary enormously. An isolated single story **quintas** ruin with 10,000 square metres of land in the hills of Portugal's Blue Coast can be found for as little as €20,000, while a fully renovated five-bedroom **farmhouse** in Lagos with swimming pool will be nearer to the €3m mark.

A sun-splashed **villa** is often the dream when it comes to overseas property – and Portugal offers no shortage of these in all regions and at all price points. Portuguese **villas** tend to lie on the outskirts of towns or within small developments and come with a pool, terrace and gardens.



Again, prices vary. An older villa four-bedroom villa close to Tavira for example (away from the frontline coast) could cost in the region of €500,000, whereas it would be easy to find a luxurious beachfront six-bedroom **villa** in Val Do Lobo on the market for between €6m and €8m.

Townhouses are a great alternative to **villas**. They offer plenty of living space internally, while externally you'll only have a terrace and roof-top area to look after rather than the often extensive gardens of a **villa**. An older style three-bedroom **townhouse** in Nazare will cost in the region of €200,000, while a new-build **townhouse** on an upmarket development in Albufeira will start from around €450,000.

The majority of Portuguese developments will also have **apartments** of varying sizes, purpose built for the holiday market. These offer a great 'lock-up-and-leave' option for those in search of a holiday let. With communal facilities including swimming pools and gardens, maintenance costs are also shared which is a popular draw among Brits. **Apartment**s can also offer a sense of community and – if you are lucky – even some readymade friends.



WHAT TYPE OF PORTUGUESE PROPERTY IS AVAILABLE – AND AT WHAT COST?

The downsides of buying in an **apartment** block include over-crowding at peak times of year and the fact your next-door neighbours (which can change frequently during holiday season) are in such close proximity.

Prices of **apartments** vary hugely depending on location, size and level of finish. A two-bedroom coastal **apartment** in Carvoeiro for example, will cost around €300,000 while a four-bedroom luxury **apartment** in Porto with a river view could be nearer to the €1m mark.

A **resort** property on a golfing leisure complex in Portugal is another option for the melting pot. Even if you don't play golf, the stunning views and excellent facilities associated with these high-end developments mean they can represent excellent investment potential.

A five-bedroom **villa** in a prime position on a **resort** such as Villamoura will come at a tidy sum – in the region of €3m. But a two-bedroom **apartment** in the Troia Beach Resort will be much less, ringing in at around €450,000.



Specific to Portugal are quirky **Swiss style chalets** built by Portuguese who had spent time in Switzerland and Germany. There are now established companies in Portugal you can commission to build these **timber houses** for you. And at an assembly time of around six-weeks, a plot of land instead may be worth considering instead!



HOW CAN I FINANCE A HOME IN PORTUGAL?

If you have cash to buy your Portuguese home – either through existing funds or a remortgage of your UK home – you can move right on to our section on currency exchange. If not, you will need to consider your borrowing options.

The first thing to note is that very few banks will offer a UK based mortgage product for a home that sits on foreign soil. All of the main UK high street banks have an international service but you'll need to check which countries they operate in. While the mortgage may be set up in the UK you would be dealing with the foreign branch of the bank once it is arranged. However, non-residents are permitted to take Portuguese mortgages against Portuguese property. An overseas mortgage broker based in the UK can help you search for the best deals from Portuguese banks.

The Portuguese mortgage market is slower than the UK's and the process can be even more rigorous, so ensure you are organised with all the right paperwork in place. You'll need at least a 20% deposit, although some banks require up to 35%. As in the UK, the bigger cash deposit you have, the easier you will find it to secure a loan at a decent interest rate. Portuguese mortgage rates can be some of the lowest in Europe, although tend to be priced on a variable basis.

Unlike other European countries Portuguese loans can cover work required on a property. You will need to prove your ability to pay the loan back and rental income cannot be included.

Also, bear in mind it is good practice to borrow in the same currency you intend to repay the loan in. This avoids currency fluctuations moving against you. For example, if you are paying your mortgage with your UK salary, borrow in sterling. If you are funding your purchase through renting your Portuguese home out, borrow in euros.

Get the most for your money

- When moving large amounts of cash a small difference in rate can equal a huge loss or saving – a 1% change when exchanging £500,000 can mean £5,000 either way!
- FX (Foreign Exchange): Banks generally offer poorer rates than specialist FX providers
- Fix your rate with an FX company so you know exactly what your money is worth
- Find out what your money is worth today with our currency partner **Clear Currency**



WHAT OTHER COSTS ARE INVOLVED?



Home-buying charges vary in Portugal, according to whether it's a new-build or a re-sale property and whether you will be a permanent resident. As a rule of thumb, you should allow up to 15% of the purchase price for costs and fees. These charges are broken down as follows:

Tax

→ **VAT (IVA)** for new-build property is payable at the standard rate of 23%. It's usually included in the property price

OR

→ **Transfer Tax (IMT)** for resale property. The valuation of this tax is based on a sliding scale which can be between 0% and 8% depending on the declared value (rather than selling price) and whether you intend to live in the home permanently.

- Bank charges
- Notary fees
- Surveyor fees (optional)
- Legal Fees
- Deed registration fee
- Utility fees (new-build only)

Free legal advice

The **AIPP Legal Working Group** is an AIPP initiative designed to protect British Buyers of foreign property. It provides a free legal roadmap of what to expect and points out common pitfalls to avoid.

What you'll get:

- A free Legal Guide Download
- Free access to legal members of AIPP
- Free one-to-one advice and information
- [Click here](#) to visit



WHO DO I NEED TO HELP ME WITH MY PURCHASE?

A lawyer: In the UK, the nature of our conveyancing process means that using a **solicitor** is the norm. This is not always the case in Portugal, so the one appointment that's highly recommended is a **good independent lawyer** who speaks English (if you don't speak Portuguese) and will work for *you* and protect *your* interests alone.

When making your choice, ensure your lawyer has no connection with the agent or developer. Even if your agent recommends a brilliant one to you that 'they always work with', be wary. It is possible they have a financial relationship. One way around this of course, is to engage your lawyer first. Check the AIPP website where you will find a list of specialist property lawyers based in either the UK or Portugal.

An agent: Agents in Portugal are legally required to be licensed and hold professional qualifications but they are not regulated by the state. Choose one that's a member of a trade association, such as the AIPP which will mean you get recourse to a property ombudsman and financial compensation.

Bear in mind it's not uncommon for Portuguese agents to ask you to sign a document before they show you any property at all. This protects their commission in case you see it through another source.



Your notary or notário (a public official):

Mandated to ensure legal affairs are conducted properly and the correct taxes are paid, notaries should not be confused with **lawyers**. They do not act for either the vendor or the buyer – and are usually local to the area you are purchasing in. A recommendation to a notary by your **agent** or your vendor will suffice, although you are free to choose.

A surveyor: A surveyor or **agrimensor** is not a legal necessity but if you are buying a home that has either had a lot of building work or needs a lot of work done it is good insurance against nasty surprises. If you'd commission a survey on the property in the UK, do the same in Portugal.

Specialist Foreign Exchange Service: You may need to buy your foreign currency to complete on the property and it is important to select a company that can provide an alternative to your bank. An FCA regulated currency specialist can guide you through the process delivering safe, fast and expert transfer of funds saving you time and money.

A removal firm: Finally, the move itself may require a **removal firm** if you are taking your possessions with you. As with the UK, it is wise to choose an insured company who are members of an association. Specialist overseas removal experts will lead you through the process and advise you on storage, sea transit and regulations you may be unaware of when transferring your goods to Portugal.

Selling up your Portuguese property? Things to consider!

1. Choose your agent depending on your market – local or international?
2. Get together all necessary reports and certificates prior to putting your house on the market – it could save you precious time further down the line
3. Consider the implications of Capital Gains Tax if you are not using the money from your sale to reinvest in Portuguese property
4. Be realistic about the time it may take to sell your property – the more isolated or unique, the longer it could be

WHAT CAN I EXPECT FROM THE LEGAL PROCESS?

The Portuguese legal process, when it comes to property can take as little as a month. But, depending on the property, documents required and level of service, it could take up to five.

Here is a six-step plan of what to expect:

Step One: Once you have had an offer accepted you may be asked to sign a reservation agreement which, although not legally binding, does demonstrate your commitment to buy.

At this point, the seller should remove the property from the market. You may also have to stump up a small deposit as a gesture of intention but this should be retained by your lawyer – not handed over to the agent or vendor.

Step Two: Your lawyer will carry out checks to ensure the property is free from any existing debts – and that the seller is, in fact, the legal owner of the property and has the right to sell it.

Relevant and various documents including tax certificates, local council licences and any planning or project approval will also be collected.

If you haven't already, this is also when you'll need to obtain a tax identity number (NIF) from the local tax office. This is similar to a National Insurance number and you'll need it to open a Portuguese bank account.

Finally, a survey will be carried out and builders consulted if you are planning any building or renovations.



WHAT CAN I EXPECT FROM THE LEGAL PROCESS?

Step Three: If you are happy to proceed after the legal checks and surveys, this is when you move onto the preliminary contract or **Contrato de Promessa de Compra e venda (CPCV)**. This is very similar to an exchange of contracts in the UK – and it's also legally binding.

A non-refundable deposit is now required, normally of 10% of the purchase price but it can vary. If the vendor pulls out of the sale once this contract has been signed they'll have to pay you twice the deposit as compensation. When paying the deposit ensure you are speaking to your currency specialist about the exchange rate - the exchange rate is constantly moving thus although the contract may be fixed in Euros the price you pay in Sterling isn't - this could cause problems further down the track.

Step Four: Main purchase funds will now need to be put in place. If you are using a mortgage, the lender will arrange for the funds to be sent directly to the notary or vendor. If you're paying with cash, your bank or currency exchange company will organise the transfer.



Step Five: Around four weeks after you have signed the CPCV, you will be invited to the notary's office along with your lawyer for the completion or escritura de compra e venda – where the deeds of sale or escritura are signed. If you are unable to travel to Portugal, you must appoint power of attorney to your chosen representative to sign on your behalf.

The balance of money owing will be transferred to the vendor and all other associated costs paid to the notary. And this is when you get the keys.

Step Six: Once the deeds are signed, and the notary has registered you as the new owner, you need to ensure your name is lodged at the land office and the local tax office.

Note: if you are buying a new-build property you may be asked to pay the purchase price in key stages throughout the build, rather than make a one-off payment on completion. You will be charged each time you make a cash transfer so shop around for the cheapest way to do it – this could be a FX company rather than your bank. Make sure you receive guarantees for each payment.



WHAT POTENTIAL PITFALLS SHOULD I BE WARE OF?

So long as you've enlisted the help of an independent lawyer your home-buying process in Portugal should run smoothly. However, it's still worth reading these common pitfalls:

1. Failing to calculate the exchange rate correctly when working out the final purchase price

Currency prices fluctuate all the time. And while this might be manageable when buying your holiday money if the final price of your home varies significantly from the time you made your offer, it can prove a major problem. We recommend fixing your rate via a specialist foreign exchange company.

2. Falling into the 'under-declared' valuation trap

In Portugal, taxes are based on the value of the property. No prizes for guessing then, that a common practice in the past has been to declare this amount as being much lower than the actual price paid.

But tricks like this won't cut it these days. The fiscal value of the majority of Portuguese properties has since been reassessed and brought in line with actual sales values. There are also now strict penalties for under-declaring.

3. Buying a home that's not legal

Some purchasers (usually those without legal representation) have been caught out by buying property without a legal title or without correct planning consent for work completed. Don't sign anything until a lawyer has looked at it first.

4. Being inflexible on the completion date

Although the completion date will be agreed when the preliminary sales contract is signed, bear in mind it's only a guide. Don't plan your move until further along the purchasing process.



IS THERE ANYTHING ELSE I SHOULD CONSIDER?

The costs don't stop once you've completed on your Portuguese property. Make sure you factor in the ongoing cost of living in Portugal and running your home to avoid any nasty surprises. Consider the following:



Healthcare – Healthcare – Although there is a relatively good public health system in Portugal you need to be registered as resident to access it, and not all of it is free. For the latest information visit the [gov.uk](https://www.gov.uk) website. You'd still be advised to take out your own private health insurance, if you can afford it.



Taxes and Pensions – The cost of living is pretty low in Portugal compared with the UK. But, especially if you are permanently relocating, it's still important to understand how your tax position – and state pension – will be affected. Always seek professional advice as inheritance and taxation laws differ to those in the UK.



Fix your finances - Being able to forecast your living expenses, especially in the 'honeymoon period' immediately following your purchase can be difficult! Once your costs are easier to predict, you can also look to exchange your monthly budgets with a Specialist Foreign Exchange Service via a fixed contract to avoid any irregularities owing to market movements.



Planning for the unexpected – Circumstances change sometimes in ways which we simply can't foresee. Are you able to get back to the UK if you are needed urgently? Or could you cope if you were left on your own? It's imperative to see beyond the initial property purchase and have a plan for sudden and future eventualities.



Home Insurance – Consider how you will use your home in Portugal and get appropriate home cover. Properties left unoccupied for long periods, for example, need special insurance.

Follow these steps and you should soon be enjoying your new life in Portugal.

Boa sorte!



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