



Tax & Business Lawyers

# NEWSLETTER

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## PRACTICAL GUIDE BUYING REAL ESTATE IN PORTUGAL

Portugal is one of Europe's most sought-after countries for its quality of life, culture, history, and low cost of living.

Portugal is a choice not to be overlooked when you're looking for a peaceful country by the sea, where you'll feel safe, warmly welcomed, and find a place to establish your family life project, leading a life taking advantage of all the local assets, knowing that you speak French, English or other languages.

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Private Team

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## INTRODUCTION

Buying property in Portugal is a straightforward process, but one that differs from those in other countries, so you need to be prepared for several stages that may require specific knowledge that only a professional, such as a lawyer, can provide.

## FIND YOUR PROPERTY

To find your property in Portugal, it is advisable to use a real estate agency with a real estate mediation license (IMPIC license), which will be responsible for putting the seller and buyer in contact, as well as handling the entire sales process on behalf of the owner, who will be responsible for paying the commission.

Having found the property, the buyer may be asked to fill in and sign a reservation form to keep the property under short-term reservation while the parties negotiate the terms of the purchase (e.g. price, deadlines, etc.). This is a possible step, but not mandatory.

The reservation does not represent a promise to buy, but simply an intention to purchase a property and initiate the first stage of negotiation. The real estate agency may ask for a deposit, which may vary according to the price of the house and must reimburse this amount if the negotiation does not lead to the conclusion of the sale within a pre-determined timeframe.<sup>1</sup>

## BUYING A PROPERTY

### Negotiation stage

Once you've found the property, you're invited to negotiate with the seller the specific terms of the sales contract, including price, the deadline for signing the final sales contract, or any other conditions that the parties consider important.

This stage ends with the signing of a promissory agreement, in which the parties set the price of the property, the deadline for signing the final deed, payment terms and other conditions.

### Promise to sell contract stage (CPCV)

The promissory agreement is not mandatory but is strongly recommended for setting out the terms of the parties' commitment, particularly those that are binding on both parties.

As a general rule, the promissory agreement must include the following main clauses :

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<sup>1</sup> *The reservation document may have specific conditions, so you should seek legal advice from a lawyer before signing.*

- Identification of parties
- Property identification
- The price of the property
- Sales conditions

**General rule :** In principle, the down payment is between 5% and 20% of the final sales price. However, nothing prevents the parties from negotiating a different percentage.

- Terms and conditions of advance payment

**General rule:** There is no legal requirement for the buyer to pay a deposit. Thus, the payment of a deposit is a clause added by the parties which, normally, the seller does not abdicate. The deposit is paid directly to the seller, not to the notary. The seller's IBAN can be indicated in the promissory agreement, although the buyer can also pay by bank cheque. Nevertheless, it is important to bear in mind that, in accordance with Portuguese and European legislation on money laundering, it is important to indicate in the deeds the origin of the amounts transferred and the recipient's bank account. For this reason, it is important that the CPCV is always drawn up or verified by a lawyer or notary as a way of avoiding risks.

- Terms of payment of the remaining amount

**General rule :** The final amount is paid directly to the seller upon signature of the deed of sale, by bank cheque certified by a Portuguese bank.<sup>2</sup>

- The deadline

**General rule :** In principle, the parties can set a time limit of between 60 and 90 days from the signing of the promissory contract. However, nothing prevents the parties from negotiating a different deadline.

It is important to bear in mind that, when you sign the promissory contract, you will be required to provide precise identification details, including name, address, marital status, matrimonial property status and details of your identity card or passport. You may also be asked to provide your Portuguese taxpayer number (NIF), although this is not compulsory at this stage, however you will need to have this when you sign the deed.

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<sup>2</sup> In Portugal, the remaining amount is paid directly to the seller, although some notaries may have a client account where the buyer can pay the final amount.

From this point of view, it is advisable to seek advice from a lawyer before starting any negotiation, who will analyze and confirm the validity of the documents, as well as accompany the entire negotiation and verification procedure in each case.

### Final contract stage

Once the promissory agreement has been signed, the parties can prepare to celebrate the final deed of sale.

In Portugal, the deed of sale is an authentic deed that can be signed at a notary's office indicated by one of the parties, usually the buyer, or before a lawyer or solicitor registered at the respective bar.

It is important to bear in mind that it is advisable to sign the deed of sale at a notary's office, enabling it to be registered in the land register, and that, for archiving purposes, the document signed at the notary's office will always be available so that a certified copy can be extracted, which can, a few years later, be found at the national archives.

At the deed of sale, the buyer must ensure that he has already paid the respective taxes, namely:

- **IMT (Imposto Municipal sobre as Transmissões Onerosas de Imóveis)**

IMT is levied on the higher of two values : (i) property acquisition value stated in the deed or (ii) the taxable value of the property.

The applicable rate varies, depending on whether the property is to be used as the buyer's own permanent residence (principal residence), as a second home or as rustic land. Il est important de tenir compte que, suivant le type de bien et son emplacement, l'achat peut être assorti d'une exonération ou d'une réduction du montant à payer.

It is important to bear in mind that, depending on the type of property and its location, the purchase may be accompanied by an exemption or reduction in the amount payable.

- **IS (Imposto selo)**

Stamp duty is levied on deeds, contracts, documents, and other items listed in the general stamp tax schedule. In this case, the flat rate is **0.8%** of the value of the property acquisition.

Taxes can be paid before the deed of sale, directly to the tax authority, or at the notary's office at the time of signing, bearing in mind that some notaries may accept payment by bank debit card, but only from a Portuguese bank.

In Portugal, the remaining purchase price is paid when the deed of sale is signed.

After signing, the buyer gives the seller a certified cheque from a Portuguese bank.

However, in exceptional cases and depending on the notary, it is also possible to pay the amount directly to the notary, who will then make the payment to the seller.

It's important to bear in mind that in Portugal, as a rule, notary and land registry fees are paid by the buyer.

Once the deed of sale has been signed, the buyer must notify the tax authority of the purchase and submit an application to have the purchase entered in the land register.

In this case, the notary or lawyer in charge of the case will be able to perform these acts.

## **FINAL NOTES**

Before initiating any purchase procedure, it is advisable for the buyer to obtain a NIF (Portuguese taxpayer number) and open a bank account in Portugal to facilitate all procedures. The time required to complete this step may vary from 5 to 10 working days, depending on the time needed for the bank's compliance department to analyze the file.

The property use permit (a document indicating the purpose of the property and proving that the local council has approved the construction project) used to be a necessary document for the deed of sale. However, with the entry into force of Decree Law n.º 10/2024, of 08 de Janeiro, this document ceased to be required, it being necessary to confirm with the seller its existence or run serious risks of buying a property that does not have a license.

In conclusion, buying a property in Portugal is an important step, and it is therefore strongly advised that any negotiations or signing of deeds of sale be carried out with the accompaniment of a lawyer who can give appropriate legal advice on the procedure and risks involved.

RFF Lawyers remains at your disposal.

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