



LEX MUNDI
PUBLICATION

ISSUES RELATING TO FOREIGN INVESTMENT

PORTUGAL

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1) Is national governmental permission required for foreign investors to acquire real estate? If so, please identify.

No. All real estate located in Portugal may be acquired, held and disposed of by any foreign entities in the same manner as by nationals.

2) Are there other national restrictions imposed on ownership of real estate by foreign investors? To acquire interests in entities which own real estate? If so, please identify.

No.

3) Are foreign investors required to invest with a local partner? If not, is investment with a local partner advisable?

No. However, a foreign investor may find a relationship with a local partner advantageous due to local business bureaucracy and practices.

4) What national taxes are levied solely on foreign individuals or entities acquiring or transferring real estate or interests in entities which acquire real estate?

None. In Portugal all taxes are imposed both to foreign entities and nationals. However, there are tax exemptions and tax rates exclusive of non resident entities:

- Real Estate Municipal Tax (“IMI”): it is a tax on the fiscal value of the properties located in Portugal. The tax rate depends on the nature of the property (plot: 0,8%, building: between 0,4% and 0,8%, evaluated building: between 0,2% and 0,5%). Such tax is annual and due by the owner of the property. Foreign entities subject to a favorable tax regime according to a list approved by the Portuguese Minister of



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Finance are charged with a 5% tax rate. Such tax is annual and due by the owner of the property. Please note that the Law on the State Budget for 2007, approved by the Parliament to be published and become effective on January 2007, provides for a reduction of the above referred tax rate to 1% (or 2% for vacant property over one year).

- Real Estate Transfer Municipal Tax (“IMT”): it’s a tax on the contractual price of the property, due by the transferee. Its rate depends on the nature of the property (plot: 5%, building: 6,5%) and on the purpose of the acquisition (in case of acquisition for the purpose of house purchase, the rate will depend on the price of purchase and sale). Foreign entities subject to a favorable tax regime according to a list approved by the Portuguese Minister of Finance are charged with a 15% tax rate. Please note that the Law on the State Budget for 2007, approved by the Parliament to be published and become effective on January 2007, provides for a reduction of the above referred tax rate to 8%.
- Taxation of capital gains: the capital gains obtained from the transfer of interests, issued by entities resident in Portugal and traded in regulated stock markets, by non resident entities or natural persons that do not have fixed establishment in Portugal, are exempt from the payment of individual income tax (“IRS”) and corporation tax (“IRC”). This rule shall not apply to non-resident entities without fixed establishment in Portugal, which (i) are held, directly or indirectly, by resident entities in more than 25%, (ii) are subject to a favorable tax regime according to a list approved by the Portuguese Minister of Finance, or to non-resident entities or natural persons that have obtained capital gains with the transfer of units of participation in resident corporations, which assets comprise more than 50 % of real estate located in Portugal, or being a holding (“SGPS”) are in a dominant position in relation to resident corporations, which assets comprise more than 50 %, of real estate located in Portugal.

5) Describe reporting requirements for reporting the acquisition, ownership or disposition of real estate which relate solely to foreign direct or indirect owners of real estate.

There are no requirements for reporting the acquisition, ownership or disposition of real estate which relate solely to foreign direct or indirect owners of real estate.