

THE **AIPP/RICS**

GUIDE TO BUYING PROPERTY IN PORTUGAL

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Why this guide?

Welcome and congratulations! By seeking out this guide you have made an excellent step on the journey to buying a property in Portugal.

Through careful and thorough research, and by adhering to the steps and safeguards we will be highlighting in these pages, you will ensure that your purchase is as stress-free and successful as possible.

Anyone who has ever made a property purchase will know that with so many stages and people involved in the process, problems can and do arise along the way. With a property that lies on foreign soil these issues can seem exacerbated and the differences in procedure daunting. And let's not forget a possible language barrier also!

The AIPP and RICS, who have written this guide, are both independent and professional organisations who have no other agenda than promoting the best possible practices in overseas property purchases. We help people like you realise your dream of a home overseas by promoting ethics and standards within the industry and by educating buyers on what to expect and what to avoid.

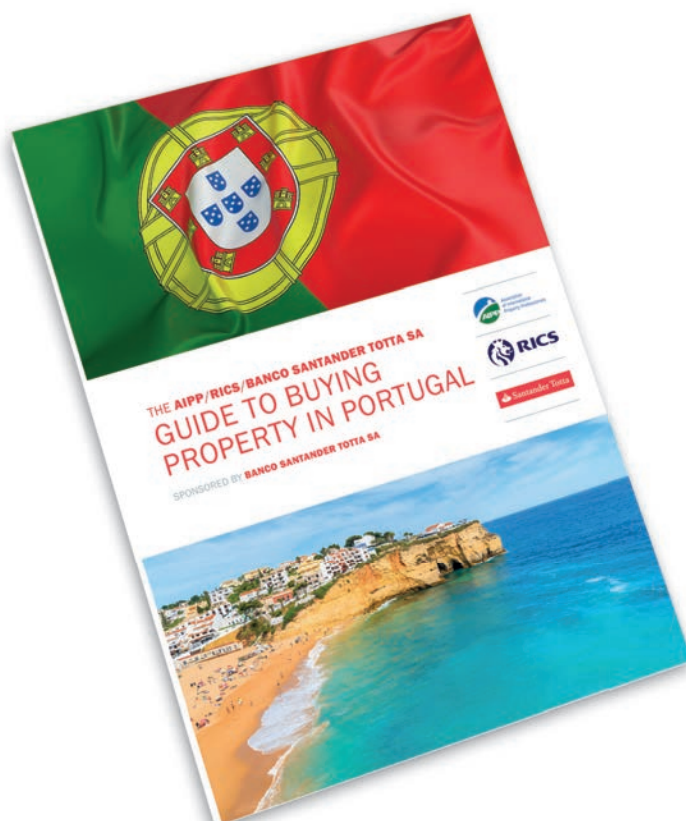
Within this guide we are going to tell a simple but exciting story, about a couple who buy an apartment in Portugal. Our couple, Richard and Kate, have dreamed about this home for a long time. They have talked about it, planned and saved for it. But they have hesitated in taking the plunge due to worry over whether they are doing the right thing and what happens if it all goes wrong.

This is the story of how none of those things happen to our couple. But it could have done. We follow Richard and Kate as they go through the process of buying a home in Portugal. Along the way we will discover more about the wonderful country of Portugal and investigate the whole buying procedure from beginning to happy ending.

We are basing Richard and Kate's experiences on the thousands of people that we at the AIPP and RICS have met and advised over the past ten years. Along with our associates who have also helped with their invaluable input from the Association of Portuguese Resort Developers, the Portugal Agents Association (APEMIP) Piscarreta & Associados – Sociedade de Advogados, RL and the Portuguese Chamber of Commerce, and our sponsors from Banco Santander Totta, we hope that this guide helps you to make a wonderful, and safe, start on your journey.

The UK & the EU - 'BREXIT'

The UK voted in a referendum on 23rd June 2016 to leave the European Union. This may, in the future, bring about changes to how UK citizens can travel to and own a property in Portugal, including the legal & financial aspects. That said, many non-EU nationals currently own and access their property in Portugal without issue and it is highly unlikely that Portugal would take any action to discourage British visitors and investors. Indeed, at the time of publishing this guide (September 2016), it is clear that the process to conclude BREXIT may take over 2 years and, during which, the UK will continue to be full members of the EU and its citizens retain the rights as currently afforded. Upon conclusion of the BREXIT process this guide will be updated accordingly.



Who are the AIPP?

The Association of International Property Professionals



The Association of International Property Professionals (AIPP) is a not-for-profit organisation set up in 2006 operating in the international property market and based in Westminster, London. AIPP now has over 350 corporate members in 30 countries around the world including estate agents, developers, lawyers, banks, FX, media, technical, advisory & other international property professionals.

The AIPP focuses on two key things:

1. Championing and delivering buyer education and protection through our free buying guides and seminars backed by AIPP's Code of Conduct, Arbitration and Dispute Resolution Services. All of our services are free to property buyers. AIPP presented the industry White Paper to UK Members of Parliament in the House of Commons in November 2014, with calls for an APGG (All Party Parliamentary Group) for the international property industry. The AIPP is also a Trustee of the International Property Ethics & Standards Coalition.

2. Guiding the international property industry to best practice. The AIPP, with its partners, are now bringing to the trade a significant new digital initiative to transform how developers, agents and buyers can transact a more secure property sale.

The sale of property is usually an (officially) unregulated activity in foreign countries (it is in the UK too, although RICS Blue Book is aiming to improve standards here), yet touches upon significant financial, tax, estate planning and other ownership issues. If you are at all unsure about how to navigate the many issues this presents, then please do contact an independent financial adviser. The AIPP is not regulated to give financial advice and, accordingly, we do not seek to do so here.

You can find out more about the AIPP on our website www.aipp.org.uk which includes a two-minute video on what we do, free, for buyers. Do take the opportunity to research and connect with our members in your country of choice.

Unfortunately, we cannot assist members of the public with issues arising with non-AIPP members. Members are listed on our website with current members to be found on our homepage through the simple search facility.

A couple of quick tips before you read-on; do ensure you use a truly independent lawyer to handle any purchase you make and you may also benefit from reading our free general buyers guide '**How to buy overseas property safely**' and our '**Guide to UK Pension Changes & buying a foreign property**' – you can download these free of charge from our homepage.



Peter Robinson,
Chief Executive Officer, AIPP

Who are RICS?

The Royal Institution of Chartered Surveyors



Confidence through professional standards.

Royal Institution of Chartered Surveyors (RICS) promotes and enforces the highest professional qualifications and standards in the development and management of land, real estate, construction and infrastructure. Our name promises the consistent delivery of standards – bringing confidence to the markets we serve.

We accredit 118,000 professionals and any individual or firm registered with RICS is subject to our quality assurance. Their expertise covers valuation and commercial property practice; property finance and investment; project management, planning & development; quantity surveying as well as facilities management.

From environmental assessments to real estate transactions, if our members are involved, the same professional standards and ethics apply.

We believe that standards underpin effective markets. With up to 70% of the world's wealth bound up in land and real estate, our sector is vital to economic development, helping to support stable, sustainable investment and growth around the globe.

With offices covering the major political and financial centres in the world, we are ideally placed to influence policy and embed professional standards. We work at a cross-governmental level, delivering international standards that will support a safe and vibrant marketplace in land, real estate, construction and infrastructure, for the benefit of all.

We are proud of our reputation and sustain it, so clients who work with an RICS professional can have confidence in the quality and ethics of the services provided.



Eric van Leuven FRICS,
Chairman, RICS in Portugal

Introducing the Portuguese Chamber of Commerce



The Portuguese Chamber of Commerce in the UK was founded in 1979 to give a collective voice to Portuguese and English companies operating here, and to provide them with business and networking opportunities. Today it has over 120 company members, and offers a full programme of conferences and networking events.

The Chamber of Commerce has always played an independent and pivotal role in spreading the word to British property buyers about the advantages of buying a second home in Portugal. We work closely with the AIPP, RICS and the Portuguese authorities in order to do this.

Many of Portugal's leading property developers and tourism resorts have a long tradition of selling property to British buyers, and they are very active members of the Chamber. As a result, every year the Chamber hosts an annual property conference in London for the trade and also supports the Portuguese Pavilion at the UK's leading overseas property show, A Place in the Sun Live. We also have many other Chamber members who work in the property arena, among them foreign currency experts, tax and legal consultants, residency advisors, architects and interior designers.

The Portuguese government is now making it extremely attractive in tax terms for other European citizens to buy property in Portugal, to retire there or to move their main residence there. These tax benefits, added to the wide range of properties available in Portugal, the excellent health care, the wonderful weather, lower living costs, healthier lifestyle and the easy access of flights, means it is now time to remind UK-based buyers that a second home or rental property in Portugal can be a brilliant investment. Prices are keen, there is a wide range of properties for sale, and the sunny lifestyle has year-round appeal.

The Chamber runs regular seminars for property buyers to inform them of all these options, so if you would like to know more, just email us on info@portuguese-chamber.org.uk or see www.portuguese-chamber.org.uk. You can also follow us on Facebook or Linked In.

We hope we can help you buy your new home in Portugal!

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Where to start?

Richard and Kate want to buy abroad...



Since their children were very young, Richard and Kate have been holidaying in the southern Portuguese region of the Algarve.

They have an enormous affection for the region, enjoying the relaxed pace of life, sun-drenched white beaches and bustling little markets. Richard is a keen golfer and enjoys the many excellent courses on offer. Kate has been taking Portuguese lessons for the last few years and feels much more confident using the local language when they are out exploring the villages.

Their children, who have had wonderful holidays on the beach and by the pool, are now older and beginning to take advantage of the nightlife and popular beach resorts when they join their parents on the annual holiday.

Although they have stayed in some fabulous apartments, villas and hotels over the years, Richard and Kate have found themselves yearning for a property of their own. Somewhere they can enjoy both in and out of season, that their extended family can also use, and that their increasingly independent children can share with friends.

For the past few years they have mainly holidayed in a pretty but lively coastal village called Armação de Pêra in the central Algarve, which seems to meet the needs of both themselves and their ever-more demanding children!

This has led them to the bold but exciting decision to purchase a holiday home in the country they have come to love with a view to perhaps one day retiring to Portugal permanently.

Richard and Kate have already come to some decisions - and you may also have a good idea of where, what or why you want to buy. Before you go any further however we

would urge you to ask yourself some key questions. In fact, get a piece of paper - and if you are also planning to buy with a partner, family member or friend we would also suggest that you do this exercise separately - and write them down and compare notes. This will ensure you are both truly on 'the same page'.

Questions to ask yourself:

What are you primarily buying this property for?

- Holiday home
- Financial Investment to be rented out or sold on for profit
- To retire into now
- To retire into later with some holiday/mixed rental use

What do you each see yourself doing in the region, facilitated by your property?

- 100% time together relaxing
- Boys golf trips/girls weekends away/family get-togethers
- Working
- Renovating the property

How often do you think you will visit your property in the first year, 3rd year, 5th year, 10 years +?

When your property is not occupied by your friends and family will you rent it out?

What NET rental income must your property realise after costs of servicing, agents' fees, taxes, running costs and other deductions?

There are no right or wrong answers - just the answers that give you both clarity of purpose and direction as to what is the right property and area that meets your own individual needs.

Once you have finished answering go ahead and share your notes. If you are both happy with each other's answers and are aligned, then proceed right on - if not, then you need to talk.

Top Tips

You may not intend to rent your property out but circumstances can change - a property you personally fall in love with but is out of the main tourist areas can be difficult to rent / manage should you later wish to do so.

The likely rental value that you may achieve should be considered before purchase - also who you might rent through. A local agent has some advantages although income will be in the local currency (not Sterling) and the quality of service can be highly variable - in some instances, fraudulent accounting of what the local agent says

they have let the property for in value and time being less than they have realised.

One way to beat both currency and fraud issues is to contract with a UK (or your home country) holiday company who could offer you a fixed contract (regardless of number of weeks used) in Sterling. Have a look at the likes of Villa Plus and James Villas etc. for typical market values and to perhaps make an enquiry as to whether they are looking to add properties to their portfolio in the area you are interested in buying.



Why Portugal?



The spectacular white sand beaches of Portugal's shores have been enticing visitors from all over the world for many years. Foreigners have been snapping up retirement and holiday homes there ever since an inspired British family, the Stillwells, founded Penina Hotel, near Alvor (Portimão) and commissioned back in the 1960s the great Henry Cotton to design what is one of the Algarve's most beautiful golf courses. The course was opened with the presence of the Portuguese President at the time and started tourism in the Algarve. Later, in 1971, a property developer named André Jordan began building a golf resort on a prime piece of the Algarve coast. Let's take a closer look at what has entranced and enchanted foreigners such as Richard and Kate to return year after year.

Golf

And why not start with Golf? The aforementioned Penina and Quinta do Lago continue to be two of the most noted golf resorts in the world, enticing sporting

legends and celebrities alike with their luxurious facilities, beautiful beaches and exclusive reputation.

There is no denying that golf and the Algarve go hand-in-hand, with the region often voted the world's best golfing destination. There are more than 40 courses within the Algarve alone, meaning serious and casual golfers alike are spoilt for choice. The names Penina, Oceânico, San Lorenzo and Monte Rei have acquired almost mythical proportions and the original courses from the sixties and seventies now have honorary status. Lisbon, Porto and the islands of Madeira and the Azores also boast excellent courses however, so although the south enjoys the major reputation, golf can be enjoyed all over Portugal.

History

Over five centuries of Moorish rule have left an indelible influence on much of Portugal. Following the decline of the Roman empire in the 5th century and after a relatively brief period of rule by Teutonic tribes that invaded

Portugal's residential tourism incentives

Two key initiatives have contributed to a resurgence in foreign investment in Portugal.

1. Non-habitual Residents (NHR) Scheme

New arrivals to Portugal may be able to register under this scheme which provides tax exemptions on foreign sources of income both in Portugal and in the country of the source of income. Pensions, dividends, royalty and interest all potentially qualify for substantial tax benefits for the first 10 years of residence. Both retirees and those in employment are eligible as long as you spend 183 days a year in the country.

2. Golden Visa

Launched in 2012, this program gives citizenship to non-EU investors with no actual requirement to reside. As long as a property investment of €500,000 has been made, an entire family can apply for a residency visa. This can then be changed to permanent residency after just five years, without actually having to spend longer than two weeks in the country every two years. This has proved extremely popular for Chinese nationals with Lisbon coming up as the top purchasing location.





from the north, the Moors from North Africa conquered Portugal and most of today's Spain. The name 'Algarve' actually comes from the Moorish term 'Al-Gharb' which means 'The West'. The country grew prosperous as a result of the Moors' commercial acumen and, despite the mix of religions, the region flourished and was stable.

The Arab presence can be seen in much of the architecture, from the red sandstone walls of Silves Castle (the cultural capital back in the time of the Caliphates) to the impressive arches and domes of the religious buildings. The tightly packed streets in some of the towns are very much reminiscent of the souks and Kasbahs of Arab nations and the almond trees in the Algarve impart a lasting flavour of Moorish occupation.

In the North of Portugal, Christian resistance to the Moors soon developed and territory was slowly recaptured. The city of

Porto was reconquered by 868 and that of Coimbra by 1064. By 1147, Alfonso Henriques, the first king of Portugal, had retaken Lisbon, helped by crusading knights. Lisbon became the new capital, which it remains to this day. Portugal was completely reconquered in 1249, two-and-a-half centuries before Spain's 'Reconquest'.

Portugal went on to become a great maritime nation during the 'Age of Discovery', colonising Madeira and the Azores, gaining (but then losing) the Canary Islands, before its navigators sailed as far as the Cape of Good Hope and the East Indies as part of the creation of a trading empire. In 1580, Spain's king, Philip II, claimed the Portuguese throne upon the death of the Portuguese king. Under the reigns of the heavy-handed son and grandson of Philip II, Portugal declined and its golden age came to an end. This unhappy situation led to the 1640 uprising and the secession of the country from the Spanish crown.

In subsequent centuries, the country suffered varying fortune: the decline of its empire, economic expansion in the 18th century, the 1755 earthquake that destroyed Lisbon, various battles with Spanish forces, the 1807 invasion by Napoleonic and Spanish troops, political instability and social unrest in the 19th century.

A rise in republican feeling led to an attempted coup in 1908 and a revolution in 1910 when the monarch, Manuel II, fled the country for Britain. The republican regime, however, was unstable and fractious, and times were difficult. In another coup, in 1926, the army took power and four years later Antonio de Oliveira Salazar would become Prime Minister. He continued right up to 1968 (when he suffered a stroke) as head of a dictatorial government. Military dissatisfaction with having to fight colonial wars led to several hundred officers carrying out a nearly bloodless coup in April 1974, known as the Carnation Revolution. Democracy was restored though the first ten or so years were a period of instability and political conflict. Portugal joined the EU in 1986 and adopted the Euro in 2002. Like the rest of the world, Portugal suffered in the

recession, but its economy has stabilised and is once again growing. The current Prime Minister, António Costa, a former mayor of Lisbon and former Home Minister took office in November 2015.

Music

Although there are many different styles of music in Portugal, it is most famous for bringing the genre of folk music known as 'fado' to the world. Thought to originate as the music of the urban disadvantaged, it is a style performed as a solo piece accompanied by an acoustic guitar. The songs are full of sadness and woe leading some to believe it actually stems from Portugal's maritime history back in the 15th Century when the sailors' wives would cry yearnfully for their return.

The singer and actress, Amália Rodrigues, is attributed with making fado popular internationally in the 1930's. Known as The Queen of Fado, she was discovered singing while selling oranges on the streets of Lisbon and went on to make countless films and recordings, touring the world with her heartfelt and emotional music. In the second half of the 20th century, once the straits of Salazar's strict regime had been lifted, musicians began to combine fado with other popular styles such as rock and more modern fusions evolved from the traditional sound. The music can be heard in both popular and traditional forms in the bars and clubs of the cities, particularly in the older quarters. Fado has a special place in the hearts of the Portuguese people, performing a role above and beyond pure entertainment. The word saudade which translates very roughly as 'melancholic yearning' is said to be at the core of fado and it is imperative that this is brought within the performance, or the audience are likely to call for an end to the song!

Food

There is a lot more to Portugal's food than Nando's - which incidentally actually originates from South Africa through the introduction of the now famous 'Peri-peri' sauce to Portuguese settlers. From the



southern coasts up to mountains of the north, Portuguese cuisine is rustic, hearty and rich with ingredients local to the region.

Portugal being a maritime nation with hundreds of miles of coast, fish is a very important part of the country's diet. Its most famous fishy export is undoubtedly sardines or sardinha which make up approx. 40% of Portugal's fish production. The tiny canned variety, which we also know as pilchards, are not what the locals use when grilling however. Much larger, plumper juicy examples are presented - just follow your nose for the pungent, smoky incense which is typical along the beaches and outside restaurants throughout the summer.

Salt codfish, known as bacalhau, is another very popular fish dish and can be eaten in a myriad of ways with hundreds of family recipes and entire chef's books devoted to the so called o fiel amigo or 'faithful friend'. Another classic is the fisherman's stew or caldeirada which is combined with vegetables and white wine and traditionally uses manta ray as its main ingredient.

Battling alongside bacalhau for position of 'national dish' is the green broth known as Caldo verde. Originating from the north, the basic ingredients are potatoes, greens such as kale or cabbage, onion and olive oil. Invented originally to cope with an empty cupboard, chouriço (similar to Spanish chorizo) is added to the dish just before serving. You will find it served in the simplest

of fisherman restaurants right through to the most luxurious venues in Lisbon.

Portugal like Spain has a never-ending affair with pork - in fact the Black Iberian pigs known as pata negra are reared on both sides of the border. The best in the country are considered to be those from the Montado region of Alentejo, fed on acorns resulting in a very sweet moist meat. Commonly cooked 'confit' style, rojões or seasoned fried pork is often cooked with white wine, cumin and garlic.

The Portuguese are also famed for having a very sweet tooth and Pastel de nata or egg custard tart is a national favourite; there is even a fado song dedicated to the cake! Pastry shops or pastelarias are found on nearly every street in Portugal and it is said that many of the recipes were handed down by monks through the centuries. This would explain the aptly named Pão de Deus or God's Bread (a brioche roll with coconut topping), Toucinho do céu or Heaven's Lard (a type of almond cake) and Barriga de freiras or Nun's Belly (a kind of bread pudding). We must also mention the almonds of the Algarve and the very creative use of marzipan - particularly bolinhos de amendoa or almond cookies. There being over 200 popular Portuguese confections, you will have great fun finding your favourite!

Wine

Of all the wines Portugal is famous for, Port is its eponymous prodigal son. The sweet, dark

fortified wine became a fast favourite of the 17th Century English wine merchants who first began importing it. England's association with Port runs deep; social clubs at the time would offer membership to 'three-bottle men', which meant those who were able to drink three litres of Port and still stand. One such member was rumoured to be William Pitt the Younger.

Port is produced on the slopes of the Douro valley, the region having one of the world's oldest established 'appellations' (the Port 'appellation' was established by the Marquis de Pombal during the latter part of the 18th century). The grape, small and with a thick skin, is traditionally still trodden by foot, thought to be the best way to crush the berries and release the juice. During fermentation, a young brandy is added, stopping further fermentation and ensuring the sweetness of the grape is captured in the finished wine. This is known as 'fortifying'.

Another famous fortified wine is Madeira from the island of that name. This wine has a lovely golden hue, and a unique taste that comes from the practice of repeatedly heating the wine. This process was adopted after a boat that contained an unsold shipment returned to harbour and the wine was discovered to have deepened in flavour after repeatedly being heated as it journeyed through the tropics.

Moscatel completes our hat-trick of Portugal's prestigious wines. Emblematic of the Setúbal Peninsula, this elegant,



flower-scented fortification is wood-aged and is mainly drunk as a dessert wine.

Though famous for these three stand-out varieties, since Portugal joined the EU the other wines produced by the country are being discovered abroad and receiving international reputation and numerous awards. Look out for Vino Verde, a light and zesty white wine from northern Portugal, and the amazing red wine produced by the Douro, Alentejo and Dão regions (DOC).

Language

Portuguese is one of the world's most spoken languages, perhaps not surprising given the country's influence abroad during the Age of Discovery. The number of its speakers in the world is estimated at 245 million, Portuguese being the third most spoken European language after English and Spanish. It is one of the so-called 'Romance' languages, derived from Latin, and its written form will be fairly intelligible to those who know a Romance language. Yet its spoken form may come as a surprise as it does not

sound at all like Spanish or Italian, rather more like an Eastern European language. The 'shushing' sounds of its consonants are more evocative of Russian with closed nasalised vowels making it tricky for Spanish people to understand, although there are many words in each vocabulary that have similar roots.

In most major tourist areas and cities, English is widely spoken and accepted. If you are planning on living in the countryside however, then it is advisable to learn some basic vocabulary and grammar to help you get by. If you are considering working, especially in the cities, then a far higher level of understanding is required if you wish to be successful.

Suffice to say if you are planning on living permanently in Portugal, you will find life far less frustrating and much more rewarding if you make the effort to cross the language barrier.

Climate

As Portugal stretches from the coasts of the

south up to the northern mountainous areas, the climate does vary. The summer season is warm throughout much of Portugal with the Algarve receiving 12 hours of sunshine daily and an average temperature of 28°C/82°F although temperatures can soar as high as 40°C. Though very warm in the season, sea breezes make the summer highs very bearable.

The north is slightly cooler with an average of 23°C/75°F but it can be more humid along the northern coast. Winters are mild with an average daytime temperature of 16°C/61°F and 5-6 hours of sunshine per day. Again the south is warmer during the out-of-season months than the north - more apparent during the evening and night-time. There is also a distinct wet season in Portugal at the end of Autumn and the country is in fact classed as a 'Csb' climate. This indicates a warm, moist climate with dry summers and wet winters. The north of Portugal is noticeably greener than the southern area, also indicative of cooler, wetter climates.



Some useful Portuguese words

Yes - *sim*
No - *não*
Thank You - *obrigado / obrigada*
Good Bye - *adeus* or *(t)chau*
Good Morning - *bom dia*
Good Afternoon - *boa tarde*
Good Night - *boa noite*
Welcome - *bem-vindo*
Excuse Me - *com licença*
I'm Sorry - *desculpe*
Coffee - *café*
Tea - *chá*
Wine - *vinho*
Beer - *cerveja*
Sick - *doente*
Pain - *dor*
Hospital - *hospital*
Doctor - *médico*



Religion

The predominant religion in Portugal is Roman Catholicism, with over 80% of the population identifying itself as such in the census of 2011. Though approximately only a third of that amount of people regularly attend mass, it remains traditional to be baptised and married in church. Many of the carnivals and festivals you will see in the towns and villages are based on religious events with almost every village having some kind of fiesta, celebrating their local saint's day.

Culture

Portugal has a very rich culture, dating back far beyond the Age of Discovery. We've touched upon Fado music and Moorish-influenced architecture, along with traditional food and wine, but a thriving arts scene is also on offer to those who wish to take advantage. Lisbon has an ample Cultural Calendar, full of festivals, exhibitions, concerts and sporting events. From outdoor theatre to Jazz concerts, the squares and parks of Portugal's cities and towns are full

of diverse entertainment.

The entire month of June is dedicated to Lisbon's patron saint, Santo António, with the city hosting festivities including concerts and a grand parade. In November, Lisbon becomes the venue for the annual Contemporary Art Fair. All over the country, smaller versions of these events are played out in the towns and villages, along with their own unique festivals and celebrations.

Carnaval or carnival has also become a regular feature of the cultural agenda with both Lisbon and some Algarve towns organising Rio-inspired events, and as in the rest of Europe, summer music festivals are held all over the country. The largest rock festival in Europe, 'Rio-Lisboa', is actually now staged in Lisbon biannually.

Sport

Football (soccer) is without doubt the most popular sport in the country and its national team is one of the premier teams in the world, even winning the European Football Championship in July 2016. Football legends such as Luis Figo and Cristiano Ronaldo are

synonymous with Portuguese football, and its three main clubs, Porto, Sporting and Benfica, have fans all over the world.

Along with golf, cycling is another popular sport and large races are held, whilst many holiday companies offer cycling tours particularly through the north of the country. Motor sports are also gaining in popularity, and a new Grand Prix circuit (the Autódromo Internacional do Algarve) near Portimão was opened in 2008.

With miles of incredible coastline, yachting, scuba and surfing are another area Portugal excels in, with international competitions taking place in some of the country's top surfing spots. With a great variety of waves, Portugal is considered a surfer's paradise and the town of Sagres is fast becoming the centre of the Algarve's surfing scene.



Where to buy?



Richard and Kate have got to know the Algarve pretty well over the last fifteen years. They have explored the region from top to bottom, staying in rented apartments and hotels. They have tried out villages in the hills, busy seaside towns and exclusive resorts but have decided that the pretty, bustling village of **Armação de Pêra** (Silves municipality), just west of **Albufeira**, is the place for them to start their property search. If you are not in the same position of being able to narrow down an area for your potential purchase, then go back to your notes and consider carefully your criteria.

Do you wish to take on the challenge of living in an entirely new culture where almost no-one speaks English, or would you prefer the safety net of other people of your nationality living nearby? Do you want some land to enjoy a more rural lifestyle? Could you cope with looking after chickens, or would you really prefer just to relax by the golf course and pool? Even if you would like to, could you meet those challenges, physically? If buying in retirement, do you have a plan for when you become more frail? How are you with extreme heat? Will you be able to learn Portuguese - you will be very isolated in rural areas or small towns if you cannot. Will you be spending long enough in Portugal to maintain your own garden and pool? Will you want to rent the property out if

you are not living there? On the other hand, can you afford to buy the stress-free properties where everything is done for you?

All of these decisions will determine the sort of environment where you choose to buy. Here are a few options for you to think about.

Living in the countryside

Portugal's interior is vast with a wild and rugged beauty. Dotted with medieval villages and hilltop towns, the stunning 'Centro' is bisected by the **Serra de Estrela** Mountain range. If you are not put off by having to drive to reach the nearest town, the peace, quiet and untamed nature of the countryside is reward in itself. Although the amenities will be wider spaced than the popular towns or coast, it is far from inaccessible and the warm welcome from the locals at the heart of the country will add to a more authentic Portuguese lifestyle.

Towns and villages

From charming traditional fishing villages to ancient hilltop towns, Portugal has a plethora of thriving communities. Many of these towns are incredibly historical and have routes back to medieval times. The red-roofed, white-washed houses and tranquil groves of lemon and olive trees are connected by winding lanes with a bustling heart. Markets, festivals and local traditions along with food specific

Portugal's regions

Located between Spain and the Atlantic ocean on the west side of the Iberian Peninsula, Portugal has diverse geographical features and a warm and pleasant climate. With a population of just over 10 million, there is space aplenty and with great airlinks to most destinations you are never too far from home.

It is divided into regions as follows:

1. Minho (Green Portugal)
2. Porto & North Portugal
3. Silver Coast
4. Beiras & Central
5. Lisbon & Tejo Valley
6. Blue Coast/Alentejo
7. Algarve
8. The Azores
9. Madeira





to the area entrance visitors with their unspoilt ambiance and the impressive Moorish architecture adds a touch of magic and romance to these unique settlements.

The cities

Budget flights to **Lisbon**, **Porto** and **Faro** have made the idea of a weekend bolthole very appealing. While city apartments are often highly expensive, and cities can be polluted and noisy, Portugal has invested heavily in those things that bring in tourists, such as transport infrastructure, museums, the arts and culture. Compared to many countries' cities, Portugal's are clean and well-managed, with extremely good shopping, both in street markets and high-end international brands. And of course, the café culture in tapas bars and street cafes is unsurpassed. The rental potential for a property in the city is tempting too.

The seaside

Most Britons come for the seaside. It isn't just the chance to swim in it, the coastal strip also has the facilities and infrastructure - airports, golf courses, nightlife, international schools, attractive property, English-speaking professionals - as well as cooling sea breezes and a ready-made expat social life. Prices are, of course, more expensive, but you might not necessarily need a sea view and many of the seaside advantages can be had a few miles inland. Portugal is blessed with two wonderful island groups, **Madeira** in the Atlantic and the **Azores** further south off the north African coast (which makes them warm all year).

Urbanização / Loteamento

Although the word *urbanização* may not sound very attractive, there are sound reasons for expats to choose buying in one. Essentially, they are housing estates approved by the local authority and built outside towns and villages in which a large parcel of land is sub-divided into building plots. The owners form themselves into a club and manage the development amongst themselves. The benefits of buying on an *urbanização* include: far less risk of buying

an 'illegal' property, a good way to meet the locals (the Portuguese are just as likely to buy on an *urbanização* as foreigners are), you can have a say in how your estate is run as you can get a place in the management committee (indeed you may have to whether you like it or not!).

Resort developments

This is undoubtedly the stress-free option (so long as money isn't short). Buy on a resort and Richard and Kate won't have to worry about cleaning the communal pool, watering the garden, maintaining the roads or finding rental guests. Depending on the resort they choose, of course, they are likely to be living among a wide range of foreign owners as well as Portuguese. There will be social and sports activities onsite, often including beach clubs, golf courses, tennis courts, gyms and spas.

Drawbacks include the expensive management and maintenance fees, the somewhat artificial nature of some resorts, the control over how you can decorate the outside of your home and that many of your neighbours may be an endless churn of holidaymakers.





The Grand Tour

Let us now take you on a whistle-stop tour of the delights of Portugal's varied and intriguing regions. While first-hand on-the-ground research is of course your very best way of deciding where to buy, you may be inspired to check out an area that you had previously not considered.

The Algarve

Located on Portugal's southern-most coast, the Algarve has long been a property hotspot for overseas purchasers and is also one of the world's top hideaways for superstars and sporting heroes. Its stunning beaches, excellent climate and award-winning golf courses make it a great rental location and plenty of expats have settled there too. The administrative capital is **Faro**, whilst **Portico** is known as the shopping capital.

Central Algarve

The central resort towns of **Vilamoura**, **Vale do Lobo** and **Quinta do Lago** will most likely ring a bell and there is no doubt that they are the most famous and prestigious areas, attracting the world's elite. These enclaves of the super-rich pride themselves on discretion and offer its residents some peace and normality from intrusion due to the Algarve's unspoken etiquette and reluctance to 'cash in' on its famous visitors. International brands, super chic restaurants and exclusive clubs abound and golf is of course at its heart, with magnificent courses designed by the greats and revered worldwide.

The facilities of these 'mini towns' are indeed outstanding and property is in the super league, but these top-end developments come with a matching top-end price tag. If your budget is limited (and you are not fussed about rubbing shoulders with pop-stars and sporting legends), then there are plenty of other areas that are appealing and just a short drive to the beaches.

Loulé, is famous for its eclectic Saturday morning gipsy market and **Silves** has an abundance of orange and lemon trees, as well as a castle and an annual medieval fair. **Albufeira**, just a short drive from Faro airport is a charming old town, full of restaurant-

Central Algarve



Western Algarve



lined cobbled streets, with lively nightlife if you want it, whilst **Armação de Pêra** close by seems to have everything going for it, golf, stellar beaches and a wide variety of available property.

Western Algarve

The coast west of **Armação de Pêra** has steadily been gaining in popularity and your money will go further here. Explore the family leisure resort of **Carvoeiro** with its sheltered sandy bays, the lovely beach village of Burgau full of white washed houses or the larger fishing town of **Lagos** with its modern marina. For a much quieter pace of life (and some great surfing) Odeceixe is worth a look. Lastly, **Sagres** adds to its surf reputation recent projects such as the award-winning **Martinhal Beach Resort** and has a nature reserve (Parque natural del Suroeste

Eastern Algarve



Alentejano y Costa Vicentina) on **Cape St. Vincent** (Cabo de São Vicente), the most western point of Europe.

Eastern Algarve

With its plethora of lemon and olive groves and green hills, the east coast is far less touristy than central regions and good deals can be found within 20 minutes' drive of Faro airport. **Tavira**, close to the Spanish border, has been mooted as the region's potential hotspot for a few years now and offers a relaxed lifestyle away from the busier resorts. For unspoilt countryside but still within half an hour of the coast, the villages around the river town of **Alcoutim** inland may offer what you want. Luxury is still available at the 1000-acre **Monte Rei Golf and Country Club** resort with spas, restaurants tennis courts and championship golf



Blue Coast / Alentejo



Lisbon



Silver Coast

Blue Coast/Alentejo

Previously somewhat ignored by overseas buyers but recently gathering pace as a potential property hotspot is the **Blue Coast** or **Costa Azul**. Stretching from the north of the **Algarve** to just north of Lisbon, this region in the corner of the **Alentejo** region is more accessible than you might think and includes mountains, plains and forests of eucalyptus trees. The light is said to be unique and the area is popular with cyclists and horseback riders keen to explore this fairly unknown part of Portugal. It also plays host to the gigantic natural reserve of the Troia Peninsula with its protected dolphins and hundreds of varieties of birds.

Upscale developments have been built along the sheltered white sand dunes of **Troia** and **Carvalhal** and many types of property are available at reasonable prices offering sport and leisure but retaining a more genuine Portuguese feel.

For something off-resort, look at the hillsides and clifftop castles of **Sesimbra** province for stunning rugged views. Explore the charming fortified village of **Palmela** on the edge of the Arrábida Mountain range or the ancient sea town of **Setúbal** - known to wine-lovers as the home of Moscatel and to football-lovers as the hometown of Portugal's number one son, Jose Mourinho (who nowadays when in Portugal lives near **Portimão, Algarve**).

Lisbon

Overlooking the Rio Tejo, the gothic capital of Portugal, **Lisbon**, is at once ancient and youthful, combining Roman and Moorish ruins with bohemian spirit and boutique café culture. Arguably one of Europe's most precious hidden gems, the colourful narrow backstreets open up to sweeping vistas revealing white domed cathedrals and sun-soaked plazas. The sunflower-yellow

trams snake their way past galleries, fine restaurants and designer shops taking in museums, botanical gardens and stunning architecture.

An exodus to the suburbs back in the 70's and 80's left the centre of the city fairly deserted. Recent times however have seen new and renovated luxury apartments being snapped up by foreigners at far less than they would pay in their own capital cities.

For a neighbourly atmosphere, the area of **Campo de Ourique** is a lively residential district. If you want to be right in the midst of the hustle, the fashionable quarter of **Bairro Alto** offers restaurants, shops and nightlife. A riverfront view may come at a premium price but affluent **Restelo** and nearby **Belém** offer green spaces and spacious apartments.

Silver Coast

For 'real Portugal', head northwest to the **Silver Coast** or **Costa de Prata** between



Green Portugal

Lisbon and **Porto**. With its famous ‘glittering’ beaches it has everything from historic towns, fishing villages and modern coastal resorts. **Coimbra** was the capital of Portugal back in medieval times and this central area of the country with its steep cobbled streets is at the core of its culture. Take a trip to **Aveiro** just inland from the coast and known as the ‘Venice of Portugal’ because of its lagoons and canals that twist through the town. For art lovers, the bohemian medieval town of **Obidos** has inspiring views over terracotta roofs from the town walls that completely enclose it. If you want more in the way of amenities, then the legendary surf villages of **Ericeira** and **Nazaré**, the latter with its record-breaking waves and both with restaurants, spas and festivals a plenty, and kilometres of wide beaches.

Green Portugal (the region of Minho)

The very north of Portugal is different from the rest of the country, being relatively hilly and wooded and with a cooler climate. It is home to some very attractive historic towns,

such as **Guimarães** and **Braga**. **Bracara Augusta** (today’s Braga) was Portugal’s first capital, founded by the Romans and therefore over 2000 years old. For many centuries, it was the archbishopric capital of Iberia.

Madeira

Madeira is perhaps Portugal’s best known island and its international airport provides good connections. Steeped in history, the island has a reputation for drawing an older profile visitor but in the last ten years trendy boutique hotels have been springing up and a younger, hipper crowd spotted. Property is generally more expensive than on the mainland but there is plenty 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**.

The Azores

Recently called ‘Europe’s answer to Hawaii’, this group of islands was uninhabited until the Portuguese colonised it in 1445, though the volcanic archipelago remains fairly



Madeira



The Azores

untouched. **Sao Miguel** is the largest of the group and, although remote, budget airlines have found it, at last making it an option for holiday homes and tourists alike. It is the most populated of the Azores and has much to offer with its rolling plains, mountains and deep crater lakes. The cosmopolitan main town of **Ponta Delgada** has a modern marina and a good property choice. The smaller island of **Terceira** has the oldest, continuously settled town of all the islands, **Angra do Heroismo**, full of history and culture. Both **Terceira** and the island of **Pico** have air links from Lisbon and will offer bargain prices but there are limited amenities so do your homework.



What to buy? How much to pay?



Part of the joy in buying in Portugal is the opportunity to purchase a property of a totally different style from what you would find at home. If you have completed your research and answered the earlier questions we suggested you ask yourself, you will probably have some idea of the type of dwelling you require.

The price you pay will of course depend very much on the location you have chosen, and where within that location you desire to be. If a front-line golf villa in a major resort in the Algarve has been in the front of your mind, you will need a substantial budget (north of €1 million) to secure your dream. On the other hand, an apartment in a quiet town away from the coastline will average around €200,000.

Richard and Kate are not looking for a renovation project but are happy to entertain an apartment or villa that may be in need of maintenance or updating. They require a minimum of three bedrooms and are considering either a modest villa with its own pool or an apartment with good size terraces and well maintained facilities.

The majority of developments will have **apartments** of varying sizes, purpose-built for the holiday market. These offer a great lock-up-and-leave option for those wanting a holiday let. With communal facilities such as swimming pools and gardens and shared maintenance costs, they are extremely popular among the British and other Europeans. The disadvantages are mainly 'other people'; such developments become crowded during the holiday season and entail close proximity to neighbours you may not get on with, yet they do offer an instant community. Prices will vary hugely depending

on location, size and level of finish.

A two-bedroom coastal apartment in Carvoeiro will cost around €300,000, a 4-bedroom luxury apartment in Porto with a river view could be nearer €1m.

Many people dream of a sun-splashed villa when they imagine a new life abroad. In Portugal you will find these everywhere and at all price points. Generally, they come with a pool, terraces and gardens and lie on the outskirts of town or are built in small developments. A luxurious beachfront 6-bedroom villa in Val Do Lobo will set you back €6-8m. If you are happy to look at older properties back from the shore, a 4-bedroom villa close to Tavira will be nearer €500,000.

Townhouses are a great alternative to a villa and offer good living space but less land to have to worry about, often having good terrace and rooftop areas. An older-style 3-bedroom townhouse in Nazare will cost in the region of €200,000. A new townhouse on an upmarket development in Albufeira will start from around €450,000.

A **resort property** on a leisure complex is a further possibility. You don't have to play golf to enjoy the stunning views and excellent facilities associated with high-end golf developments and they represent good investment potential. A 5-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 2-bedroom apartment in the Troia Beach Resort will be nearer €450,000.

As with many European countries, Portugal has a large rural population leading to a good supply of **farmhouses** and **country houses** or '**quinta's**' (so called as they were rented out for one fifth of their produce). Rustic properties have caught many intrepid expat imaginations over the years and they do offer stunning locations and incredible views and surroundings. If traditional features and a tranquil, quieter environment are what you are after, then there is a plethora of property on the market, be it renovated or in need of work.

Even if you choose a remote location, with pretty good road links throughout most of Portugal, amenities will never be too far away. Another advantage of living out in the country is a low cost of living. (Look at our

section later on for more details on this)

The majority of the 'bargains' will be in the north, yet if you have your heart set on the south you will still have plenty of opportunity to locate an Algarvian farmhouse - and the rental prospect will be pretty good too.

An isolated single-story ruin with 10,000 m² of land in the hills of the Blue Coast can be found for as little as €20,000, but a fully renovated 5-bedroom farmhouse in Lagos with swimming pool will be in the region of €3m.

A final thought: specific to Portugal are quirky Swiss-style **chalets** built by Portuguese people who lived in Switzerland and Germany. There are now established companies in Portugal who will build these timber houses for you and with only a six-week assembly time a plot of land may be worth considering!

BUYERS TIP!



Condo-Hotel

Benefit Hotels Group has a big focus on Portugal with one project already completed and another due to start end of 2016. Their research shows a growing consumer tendency for 'no frills' affluence, with the condo-hotel concept becoming one of the most popular trends in holiday home ownership in recent years. Their core product focus are hotel-rooms as an alternative to traditional investment property or condo/apart-hotels - a superb turnkey product, fully managed for the investor by the hotel operator, requiring far less involvement than a buy-to-let property, and offering 'low entry level' access opportunities for investors. Unit owners receive a higher level of rental income by being in a rental program with a recognized professional operator that utilizes global marketing initiatives, hotel's affiliation, sophisticated reservation system, brand recognition, and management expertise to ensure higher occupancy rates.

www.benefit-hotels.com **BENEFIT-HOTELS SA**





How to Conduct Your Property Search



When Richard and Kate bought their first UK home 25 years ago it had been very easy: a choice of two or three towns close enough to each other's workplace, to relatives and a decent school, with the budget dictated by their deposit and earnings. They just looked through the local paper, visited a few estate agencies and, a handful of viewings later, chose a house they both loved. Everything was sorted out by the solicitors and estate agent. It was nice and easy.

With a Portuguese property, the choices are infinitely wider. So their first step is to see what they can get for their money. We know they have narrowed down their search to a specific town, but it is good to have a look in similar locations if they don't find their money buys them what they have in mind. They have been told that they should budget 15% for buying expenses [link to buying costs section

later]. On the other hand, they would hope to negotiate a little of the price off. So they have decided to look at properties on or slightly above their budget.

Portals

Kate has already started looking at properties via her iPad. Property portals are now the standard search method and virtually all properties appear on them, in every country.

Portals are not estate agents, they are more like an online magazine where individual estate agents pay to list their properties. To use a portal, Kate went to the website, typed into the 'search' box her chosen area, type of property (villa, apartment, farmhouse, land, etc.), minimum and maximum budget and number of bedrooms, and the portal instantly listed all the properties that matched the

criteria, from a range of different agents.

She could flick through them, then save any she wanted to take a closer look at on her own dedicated list. She also prints the details of the ones she likes to show them to Richard. With a couple of the properties she really likes, Kate clicks on the contact details to see who the agent is and what else they offer.

Search Engines

Portals are not the only resource online. After a few minutes of Googling, Kate had found hundreds of estate agent websites and online magazines. As well as these, she also found herself invited to sign up for free guides offering advice on buying property in Portugal.



CRUNCH POINT This is a potential risk. People with the money to buy a property abroad are a tempting target for anyone, honest or not, trying to sell "investments". The relaxation of UK pension rules in 2015 has made those over 55 even more tempting. The first step in getting you to part with your money often sounds innocent enough, a pension review, for example, or a free downloadable guide. The vast majority of these are entirely innocent and often very useful; at worst you may get a sales call from an "investment expert". But when giving out personal details use extreme care, especially when it comes to financial details.



Magazines, newspapers, books

Richard is happier using old technology and over the course of a week has gathered up a pile of magazines and newspaper supplements. Most national newspapers include a property supplement, especially at the weekends, and there are also magazines devoted to overseas property, such as A Place In The Sun in the UK, or global titles such as Abode2. Some countries also have specialist magazines dedicated to Portugal. As Richard intends to brush up on his golf skills, he has also bought some golfing magazines as they carry adverts (as well as advice and information) for property in Portugal.

Having been to his local library, Richard has found many books to read on buying property and retiring to Portugal. Looking closer, he notices that many were written at least a decade ago. Kate has been following several expat websites on her iPad and these give far more up to date information from people actually living in Portugal. Check out <https://www.justlanded.com/english/Portugal> or <http://www.expattarrivals.com/portugal/moving-to-portugal> for starters.



BUYING TIP As a first step in their search, Richard has bought two identical copies of a popular overseas property magazine. He keeps one for himself and gives one to Kate and each of them, separately, circles properties in the magazine using coloured pens. A property Richard loves gets a green circle, one he quite like gets orange and a property he hates gets red. Only after finishing circling all their properties do they swap magazines to see what the other really likes (and hates!).

Property Exhibitions

These type of exhibitions peaked in popularity about 10 years ago, but they are gaining attention once again and are well attended. Shows such as A Place In The Sun offer a huge amount of exhibitors, all in one place, and an easy Sunday mooch around the Portugal Pavilion may be a great place to

Five critical reasons to buy through an AIPP and/or RICS member

“That crack? Purely cosmetic.”

“You don’t need a survey, no-one gets them.”

“I’ve got a mate who is a lawyer, he’ll do it much cheaper and quicker”

“Okay, it hasn’t got *official* permission, but this is Portugal...!”

“No, it’s simple to get utilities connected, they’ll do it on your first morning.”

Sadly, these comments are typical of those you hear when buying a property in Portugal. AIPP and RICS are bound by Codes of Conduct to offer an honest service. AIPP CEO Peter Robinson answers six common questions.

1. Is buying a home in Portugal difficult?

Not at all! However, potential heartache, time and money can be saved by just ‘starting right’. Most people purchase a foreign home with their spouse or partner, so it is very important that you are both completely in agreement, that you want the same outcomes, same country, region, property and lifestyle. Take some quiet and reflective time to ponder these issues and perhaps write down, separately, what it is you really want before embarking on your journey together towards a purchase. Selecting a good agent to work with is even more important than in the UK as the process of buying and then support

following a purchase is different from that in the UK. It can take much longer (often 6-18 months) to find the right location, advice and property in Portugal, so you will feel much more comfortable if your agent is reputable and can offer you the appropriate, expert guidance. Being a member of the AIPP is a great start.

2. Any tips on budgeting?

If you own a property in your home country, you understand what it costs to both buy and own a property. But while the sales price of your Portuguese property may be appealing, the actual cost of buying and owning it may be higher than you thought.

For example, when judged against a UK property by number of bedrooms or per square metre, a Portuguese property may be very well priced. But you need to factor in 12% - 15% for buying costs, especially when buying with a mortgage loan. These costs need to be paid and cover mainly legal, notary and local taxes.





start. As well as agents and developers, you will be able to meet professional services with expert advice on legal, financial, tax and currency. Industry experts will be on-hand to talk you through the buying process and answer any questions you may have. Just because they are at a UK exhibition however does not necessarily mean due diligence has been done on the service they offer, so do your checks and ask questions. Do NOT turn up with your cheque book and purchase a place unseen in the heat of the excitement!

On the high street

Whenever they go to Portugal, Richard and Kate enjoy looking in estate agent windows. It's a good place to start, because even with the growth of portals and the web, decent premises is an early indication of a respectable agent. Portugal some years ago established compulsory registration and licensing of estate agents in the country. For this reason, it is important that any buyer works with only a duly licensed estate agent. The agent should be asked to show his licence. To see AIPP and RICS members



Five critical reasons to buy through an AIPP and/or RICS member

Running costs must be carefully considered too. Factors such as hotter weather and the effects of sea air can mean spending more care and money on your property. Detached villas with private pools need more caretaking than an apartment, for example, and there will be local municipal taxes to pay too. It is with this in mind that buyers should consider the rent-appeal of their property, and indeed whether local laws allow them to rent out their property. Renting out your property even for a short time can help to offset or completely cover the costs of maintenance & ownership, albeit such incomes will also be subject to taxation both in Portugal and in the UK. Do your sums very carefully.

3. Could we save by not getting a lawyer?

Few British people would buy a property in the UK without appointing an independent legal representative, and the same goes in most countries. So why take the risk when buying abroad?

The AIPP and RICS advise appointing a truly independent lawyer (advogado) who only has your best interests at heart. A lawyer linked to the agent/developer selling

you the property may be working for the 'deal' rather than you.

Beware the term 'Solicitor' too. In English it normally means a qualified lawyer but translated from Portuguese it may refer to someone without any formal legal training but with a business 'advising' on property sales. You can find advogados who are AIPP or RICS members at www.aipp.org.uk and www.ricsfirms.com.

The solicitor who is used in the UK is often equated to the Portuguese 'notário'. The apparent similarity is misleading. The Portuguese equivalent is, in reality, a public officer who certifies documents and deeds (amongst other duties); his role is to represent the state. He verifies the validity of documents, ensures there is good title, all the required papers are filed, and that all taxes are paid. He cannot advise the purchaser or vendor on the transaction. That is why you should appoint a truly independent lawyer (advogado), more the equivalent of a solicitor. To avoid conflict of interest, it is prudent to choose the lawyer yourself rather than follow the classic recommendation of your agent, whose recommended lawyer will, after all, be acting for the vendors.





working in Portugal, consult their websites at www.aipp.org.uk and www.ricsfirms.com.

A local, trained and experienced agent should be every homebuyers best friend. Although paid by the seller, it is the buyer they need to impress and they should be pricing property fairly, but to sell. They will be able to offer guidance on all aspects of the area, the property and the buying processes. Many will stay in touch and help buyers long after the sale - this is a specialised market where word of mouth recommendation goes a long way!

Property Finders

Another option is to employ the services of a "property finder". These are most popular with expatriate executives who are short of time but receive a relocation budget from their employer. Property finders are usually expats themselves and so able to offer a supportive "handholding" role to nervous buyers. There are several advantages in using one. Firstly, you are their client and so they will be looking out for your interests, whereas estate agents are working for the seller. Secondly, they should speak English and Portuguese. Thirdly, they should know the right prices in their area. Given those three factors, they are in a strong position to negotiate from a position of local knowledge and expertise, which in theory will mean that they pay back their own service by getting

Five critical reasons to buy through an AIPP and/or RICS member

4. What about a survey?

You normally get a survey done on a UK property, so why not on a prospective Portuguese home? Many repossessed or unsold homes built in the property building boom of 2000 to 2007 have lain empty. Unless your property comes with a specific guarantee that your independent lawyer verifies, AIPP/RICS recommend you have a building survey undertaken. If you are buying a 'resale' property, one previously owned and occupied, a survey is well worth having too. Portuguese building regulations have improved immeasurably over the last 20 years or so, but even more recent properties might have been built by 'cutting corners' and need checking over by a professional.

5. What issues do permanent immigrants face?

Relocation for short / long periods or on a permanent basis brings different considerations. Schools tend to require applications in the January for the autumn intake. Tax residency is a big subject and you should take specialist, regulated advice. If you are receiving a pension in the UK, you need to consider the upside/downside of sterling currency fluctuations into euros. A currency broker (several members are listed on AIPP website) can help you manage your money and deliver bank transfers that could significantly improve what you receive versus your bank default option. Healthcare is freely available to EU citizens (and also to some non-EU citizens) in member states but you should

register with the local GP and satisfy yourself that your Portuguese language skills, or the doctor's English, are good enough to be understood, perhaps in an emergency. Hospitals vary in their ability to understand English and can be hard-pressed to cope if a significant number of older expats (of many foreign nationalities) live close by and are frequent users of their services. Planning every-day considerations around an up-to-date passport, European driving license and the logistics of moving house contents in a lorry for a permanent move, also need care and attention.

6. Planning for the future

Making a legally binding Will in your home country and Portugal is very important. Inheritance and succession planning may be sober subjects but you will need to pay careful attention if you are to leave to your family / beneficiaries all that you intended. On 17 August 2015, EU legislation (regulation number 650/2012) introduced changes to 'forced heirship' rules. A person owning property in a participating EU state can, should he wish, choose between the law of the country of habitual residence, or the law of his nationality to govern the devolution of their EU estate. However, now that the majority of the British electorate voted in June 2016 to leave the European Union, this provision may eventually become obsolete. Between your home country, Portugal and the European Union, rules can change frequently, so getting proper, up-to-date and regulated tax advice is essential.

you a cheaper price.

It is important to find a property finder who does genuinely have contacts and knowledge in your chosen area and also in your price range - many only work at the upper ends of the market - and they are not

regulated. Nevertheless, it is preferable that your property finder be listed by the the Instituto da Construção e do Imobiliário (INCI), and display his licence (AMI) number, for which he is required to hold adequate professional indemnity insurance.



Inspection Trips

As they know the area well, Richard and Kate decide to go it alone. They call a few of the agents in Armação de Pêra and take advice on how many properties they can view in a day. One agent in particular seems very pushy. “Don’t worry about any other agents in the area,” he says, “we all pool our properties anyway, so I can show you them all. In fact, we can do it all for you, we have lawyers, our own in-house surveyor. You can even stay in our subsidised guest house!” Agents do indeed often share properties, but you should never use an ‘in-house’ lawyer. Richard decides to steer clear of this agent.



CRUNCH POINT Here is the crux of the problem for British people buying property in Portugal: the legal system is different, the language is different, vital legal and planning documents will be in Portuguese. Professionals whose roles that Richard and Kate think they understand, such as surveyors, may be hard to find, while they are suddenly expected to understand what a notary does. It can feel

like costs are mounting up all the time, while at the back of their mind they are remembering the news reports of people losing their life savings on developments that were never completed.

And they are not doing this from the comfort of their own home with friends to consult with, but in Portugal, probably from a hotel, with the clock ticking because they have flights home scheduled.

This is what is known as being out of your comfort zone and explains exactly why so many people make mistakes. Subconsciously, buyers are looking for someone to trust, but the only people they are talking to are trying to sell them an expensive product, a property. No wonder people drop their guard!



BUYING TIP Richard and Kate need to get back in control. They should do this before they even leave the UK by preparing for each eventuality and recognising potential problems in advance. First they need a team of people behind them. So while Richard is checking the flight prices, Kate is organising “Team Richard & Kate”.

Inspection Trip Vs Going It Alone



CRUNCH POINT

With so much planning already done, Richard is keen to get on the phone and book flights. But then Kate sees an advert: “Inspection trips, €49!!”

An inspection trip is a short break in Portugal subsidised by the agent, who will be your tour guide on the trip while trying to sell you a property.

Inspection trips gained such a bad reputation in the previous boom that these days they tend to be called something different, ‘discovery visits’ or ‘viewing trips’ perhaps. Ten years ago, entire jets were being chartered by developers to bring Britons over for two or three days as a captive audience while commission-desperate agents blasted them with hard-sell techniques. The advantages to the house-hunter was a cheap trip to a location they might like, with expert (if biased) guidance to the local area and no need to worry about booking hotels or cars.

The days of those kinds of mass inspection trip may be over, but most agents will help potential clients in other ways. For example, in giving them a free night in a resort, or promising to repay the cost of flights if they do agree to buy. There is nothing wrong with taking an inspection trip, but you need to be aware that you are not staying with friends, but with an agent who won’t earn a cent from the trip unless you buy.





How to Assemble Your Purchase Team



So who are the key players that Richard and Kate need on their side?

Lawyer

In the UK, due to our conveyancing process, using a solicitor is the norm. But this is not always the case in Portugal. Nevertheless, the one appointment that's highly recommended is a good independent lawyer who will work only for you and protect your interests. The lawyer is your most important team member. The essential thing is that they are on your side and have no financial connection with the estate agent or developer. This is easier said than done in the excited flush of making an offer on a home. You don't want to rock the boat or upset your new friend when the agent says "we have a brilliant lawyer who we always work with." However, bear in mind 'your' agent is really acting for another person with competing interests at the same time: the seller. This is the number one issue with the mis-selling of overseas property, when the enthusiasm about a brand new home combines with traditional British reserve about upsetting your "host", leading to buyers making unwise choices.

That is why it is so important to get the lawyer in advance. You can expect to pay around 1–1.5% of the property value, plus VAT, or a flat fee in the area of €2,000 plus VAT (as an estimate given that Portuguese

lawyers' Code of Conduct prohibits them from charging fees based solely on a percentage – prohibition of quota litis), but you will only start paying when they start working for you on finding a property, at which point you will usually pay around €1500 initially and the rest on completion.

Richard and Kate can find specialist Portuguese property lawyers in any of the magazines, books and websites they visit. With a British-based lawyer, they should first check that they are qualified, reliable and have experience operating in Portugal. Richard checks that they are registered with the Law Society in the UK - although the work in Portugal won't be regulated by them - and that they specialise in international transactions. A good place to start when looking for a lawyer in Portugal is the British consulates' list of Portuguese lawyers, <https://www.gov.uk/government/publications/Portugal-list-of-lawyers>. You can also look for a local Portuguese lawyer (advogado) by typing in www.oa.pt (the Ordem dos Advogados, or association of lawyers), choosing 'advogados' and typing the locality in the following page. Alternatively check the AIPP website for a list of their legal members practising in Portugal.

The Building Surveyor

A surveyor is not a legal necessity, though if you are buying a home that has either had a lot of

LWG

The 'AIPP Legal Working Group' or 'LWG', for short, is a new AIPP initiative to ensure British buyers of a foreign property get a decent (free) legal roadmap before they venture out and make mistakes and over-commit (sign things they should not!).

The LWG provides the following:

- Free AIPP Legal Guide Download - <http://aipp.org.uk/downloads/AIPP%20Legal%20Guide%20FINAL%202016.pdf>
- Free access to legal members of AIPP
- Free one-to-one advice and information
- www.aipp.org.uk/LWG/



building work or needs a lot of work done, using a building surveyor is good insurance against any potential nasty surprises. As a rule of thumb, if you'd commission a survey of the property if you were buying it back in the UK, do the same in Portugal. An old property that has been restored may hide secrets that a good surveyor can reveal and this will give you a stronger negotiating stance should you need it.

There are qualified Chartered Surveyors living and working in Portugal. They can be found via the internet or from the RICS's offices in Portugal. Richard and Kate are used to experiencing the services and benefits of



having a survey in the UK and can also have the same benefits when buying in Portugal.

A surveyor will be able to advise Richard and Kate if there are significant building defects in the property of their choice, and importantly the likely costs of rectifying those defects. The surveyor will also be able to advise on the construction methodology and practices employed in Portugal and how this differs from the UK. With the different construction systems, there may be issues that Richard and Kate have spotted when viewing their chosen property, which may give them concern. A survey can give reassurance and peace of mind as to whether such

matters are something to be concerned about.

A surveyor's report should contain a description of the extent of the accommodation and the facilities and services. Richard and Kate should use the survey report in conjunction with their lawyer and the lawyer should be shown a copy of the survey. Unfortunately, in Portugal many homes do not fully comply with their approved planning permission, often having unauthorised alterations and extensions, and features such as illegal swimming pools. The lawyer will normally not visit the property being purchased, but the surveyor's report will be invaluable in assisting the lawyer to determine if the property, as it stands, complies with planning approvals and regulations and the other official documents relating to the property of Richard and Kate's choice.

The survey will also assist in highlighting the possible need for additional documents. For example, if Richard and Kate are purchasing a home in the countryside, then it may have a borehole for water. Under Portuguese law, boreholes must be registered with the appropriate authority. The survey will help to highlight matters such as this.

Being more informed following a survey, Richard and Kate will be in a better position to decide if they wish to proceed with the purchase of their choice.

If the property requires work that you are willing to carry out, it would also be good practice to have a local builder give his opinion. (A chartered surveyor can often help

with recommending a suitable contractor, as well as managing the building project.) They will be used to the idiosyncrasies of the area and will know what to look out for. Even houses built in the last ten years can suffer from subsidence and rising damp. Properties that are less than five years old should come with a builder's warranty and it is not usual to engage a surveyor if this is the case. The builder should be registered with the Instituto da Construção e do Imobiliário (INCI), his mandatory legal warranty is for five years as from completion of the work.

Currency ("FX") specialist

When transferring large amounts of money abroad, the best method is via a specialist currency broker. They will give you a better rate of exchange than using one of the more obvious methods such as your debit card, high street bank or airport currency shop. How much? Around 3 or 4% on the exchange rate and usually with no transfer fees. On a £100,000 property an FX firm should save you several thousand pounds.

Richard and Kate find the process is quite simple: they go to the website of one of the currency brokers (they are regulated by the FCA and as safe as a bank) and are invited to set up a trading account. Then they decide whether to make a "forward contract", which sets the price of the euros they are buying. The advantage of this is in determining exactly what they will pay for their property. Exchange rates change every second, and without a



APEMIP

The majority of Agents also voluntarily belong to the Association of Professionals and Real Estate Companies in Portugal or APEMIP which is acknowledged by the government and acts to promote ethics within the industry along with promoting property rights and real estate issues. Set up over 40 years ago, it is highly regarded and will only accept members who hold the AMI licence as above.



forward contract they would never know exactly what it would cost until the day of purchase.

Let's say, for example, Richard and Kate have set a budget of £100,000 and agree to buy euros at €1.20, which they know they can afford. If they purchase for €120,000 but by the time they complete the pound has dropped to €1.15, then to find €120,000 would have cost them an extra £4,348, perhaps taking the property out of their reach. Buying in advance has saved them that risk. Of course currency can go up as well as down, and if your budget is flexible then this may be a risk you are prepared to take. Buying a forward contract however means you know exactly what it will cost. And the good thing is, you don't need to pay the money when setting the rate, only when actually completing on the purchase.

Agent

By now you may well have identified an agent through a portal, exhibition or inspection trip who you are happy to deal with. Of course, if you spot a property that you like which is on the market with someone else you may end up switching. It's worth noting that it is not uncommon for agents to ask you to sign a document before they show you any property at all to protect their commission in case you see it through another source. Your lawyer will act as a layer of protection if you do end up buying through an agent who is unverified.

As mentioned briefly above, unlike in the UK, an estate agent in Portugal is required to have a licence granted by the authorities, meaning they must have insurance and qualifications. The governing body that issues these licences (AMI) is the said INCI and they have a website <http://www.inci.pt/Portugues/Mediacao/Paginas/LicencaMediacao.aspx> whereby you can look up the agent and confirm they are registered. Formal complaints can also be registered here against the agent, and regulatory sanctions may be issued.

Notary

Next comes your notary or notário (a delegated public official as the notary in Portugal became a private profession not long



ago), mandated to ensure legal affairs are conducted properly and the correct taxes are paid. This is not something we use in the UK, our lawyers and agents handle the property transaction between them but it is common to most of Europe. It is crucial that notaries are not 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. Their role is to draw up the deed of conveyance and verify that all the papers are in order and also to register the new owner with the Portuguese Land Registry once the transaction is completed.

A recommendation of a notary may be made by your lawyer, though either the agent or your vendor may do so, although you are free to choose. If you are buying from a British vendor, you could consider using a British notary (who is also not a solicitor). Using the CROBECO system created by European Land Registry Association (ELRA), a British notary can liaise with your agent, although it may be necessary to employ a third party to translate

if language is an issue. For further information, please visit the website of ELRA at www.elra.eu/elra-european-land-registryassociation

Removal Company

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.

Firms can quote vastly different prices, particularly with a move overseas, so it's good to identify what you might take before calling up. You may even decide that it is worth sharing space in a container/lorry with another party to make it cost effective. As an aside, it is worth considering getting your own insurance for the move, as the removers may contest a claim you make against them.



How To Finance Your Purchase

It is critical from the outset to work out your budget and exactly how much you can afford. This will save you time and protect you from falling in love with something you later find is out of reach. If you are fortunate enough to be cash buyers, then please move right on to the next section. If however you need some kind of loan vehicle to fund your purchase then there are several routes you can take.

Richard has made sure he has enough money in their new Banco Santander Totta bank account to cover the deposit and any early fees they need to pay.

Equity release from your UK property is a popular way of releasing funds to finance second-home ownership. Another very common route is to re-mortgage your existing home (or other property you might own). UK banks are well used to dealing with these transactions for people who wish to raise finance. But be aware that the term offered will depend on the age of the eldest person on the mortgage agreement- and of course you will be paying interest on that borrowing

If you need an outright new mortgage loan, then non-residents are allowed to take Portuguese mortgage loans on Portuguese property and an overseas mortgage broker will help you search for the best deals from Portuguese banks.

Banco Santander Totta SA is one of the few banks who provide a UK-based mortgage product from its London Branch.

The Applicant

Finance is available to residents of the UK or Portugal. The Bank will satisfy itself that an applicant is in a financial position to be able to meet the conditions of the loan which will be based on "affordability".

If an applicant is self-employed, an application must be accompanied by audited accounts for the previous three years together with the current year's management or unaudited accounts, satisfactorily certified by an accountant acceptable to the Bank, together with three years' tax returns.

Mortgage Products

The Bank will usually consider lending up to 65% of the valuation of the property or purchase price, whichever is lower, with a minimum loan of EUR 100,000.

The loan will be in EUR. Interest will be charged at a margin over the Bank's mortgage loan rate applicable to the currency borrowed.

The mortgage will be on a capital repayment basis.

Term

All loans have a maximum term of up to 15 years and will not usually be allowed to extend beyond the borrower's 75th birthday.

Security

The security will be either a mortgage over the property or if the property is owned by a company (which the Bank requires to be managed by a specialist management company from its approved list) the Bank will require a charge over the shares of the company along with a mortgage registered on the property. The Bank will recommend an assignment over a suitable life policy.

It will also be a condition of the loan that the property is insured for its full replacement value and the Bank's interest noted thereon.

If required, the Bank can effect introductions to Insurance Brokers.

Valuation Of Property

Approval of a loan application will depend upon the Bank's valuers providing a favourable report on the property, the cost of which will be borne by the applicant.

Costs

Costs associated with the Mortgage:

With each application, the Bank will require a processing fee of GBP 500 that is non-refundable and includes the cost of valuation. Upon acceptance by the applicant of the Bank's Offer, a cheque covering the following must be given:

Banco Santander Totta

SA is a Portuguese commercial Bank, which can trace its origins back to 1843. It is a member of Grupo Santander, one of the largest financial groups in the world, and has a wide network of branches and representative offices in Portugal and throughout the world, including London.

The London branch, established in 1973, is regulated by the Financial Conduct Authority and Prudential Regulation Authority and provides a wide range of banking services to assist companies and individuals involved in trade or investment in Portugal.



- i) The Bank's arrangement fee of 0.50% of the amount borrowed (minimum GBP 1,000).
- ii) The Bank's legal fee as follows:
 - When lending against a mortgage on the property GBP 2,000
 - When lending against a charge on the shares of a company minimum GBP 5,000

Mortgage stamp duty, notarial fees and land registration fees will be payable.

Procedure

Once an application has been approved by the Bank and the terms and conditions have been offered and accepted, all legal documents will be prepared by the Bank's lawyers with all legal fees to be borne by the applicant.

To request an application form, or for further information, please contact:

The Mortgage Department
Banco Santander Totta SA
50 Mark Lane London EC3R 7QR
t: +44 (0) 20 7264 1329
e: mortgages@santandertotta.co.uk
www.santandertotta.co.uk

Full written quotations are available on request. Your home is at risk if you do not keep up repayments on a mortgage or other loans secured on it.

Where a loan is arranged in a foreign currency, the sterling equivalent of your liability under a foreign currency mortgage may be increased by exchange-rate movements.

Authorised by the Bank of Portugal and regulated by the Financial Conduct Authority and the Prudential Regulation Authority for the conduct of UK business.



What Additional Costs Are Involved?

Home buying charges vary in Portugal, according to whether you are purchasing a new build or a re-sale property and also whether you will be a permanent resident or not. As a rule of thumb, you should allow up to 15% of the purchase price. These charges are broken down as follows:

Tax:

- **VAT (IVA)** for new-build property payable at the standard rate of 23% (included in the price of residential property, and not applicable to other property), or
- **Transfer Tax** (*Imposto Municipal sobre Transmissões Onerosas de Imóveis*, or IMT) for resale property. The amount of this tax is based on a sliding scale, varying from 0% to 8% according to the sale price or fiscal value (whichever is higher) and whether you will be living in the home permanently or not. This tax is payable before completion and must be accounted for by the Notary who will check it for validity before completion. At the same time, Stamp Duty (IS or *Imposto de selo* of 0.8% of the sale price) is paid together with IMT.
- **Bank charges**
- **Notary fees**, which may include land registry charges (allow 1.5-2% of the value of the property)
- **Surveyor fees** (optional)
- **Legal Fees** (allow 1 -1.5% of the purchase price)

Purchase In The Name Of A Company

Another method of purchasing property overseas is via a company. The company purchases the property, and you purchase (or already hold, or incorporate new) shares in the company. The company may be either 'onshore' or 'offshore'. Depending upon the company, savings can be made on IMT Tax, Stamp Duty and Capital Gains Tax, and there is usually the benefit of simplifying the perhaps tricky question of inheritance. This route needs careful inspection by a lawyer to ensure the company is legal and satisfies all criteria of the Portuguese Authorities, and also the advice of a tax accountant.





The Viewing

Richard and Kate have flown to the Algarve. They have gone in October, when things have quietened down and hope to be in possession of their new property by early in the new year. This is a realistic time-frame. It is important not to jump the gun and plan things before the buying process is well on the way. As in the UK, dates can change all the time and it is crucial not to leave yourself in a difficult position 'between' properties.

Richard has made sure he has enough money in their new Banco Santander Totta bank account to cover the deposit and any early fees they need to pay.

The balance of their funds is with their FX currency company, ready to be transferred to the notary when the time comes.

Richard and Kate have decided to look at apartments up to €450,000 and hope to negotiate the price down to a more comfortable €425,000. They are staying in a hotel and have access to phone and internet so can contact their lawyer quickly. Having become familiar with where the local shops, restaurants and beaches are they can judge distances from the properties they are viewing. They have also instructed their agent NOT to show them anything outside their price range.

Kate has her iPad which she can take video and photos from and they have built in some relaxing time to discuss what they are seeing. They also plan to email

the images back home to their son and daughter for their opinions. Lastly they have a checklist of their requirements so they don't get caught up in the moment and forget to ask for vital information.

Richard and Kate know that whatever is stated on a later contract, the seller must provide what is listed on the initial sales information, including all services and facilities. So when conducting a viewing, they check that the property matches what is listed on the details in terms of quality of materials, state of repair, views, the local neighbourhood, noise, access to transportation, etc. They bring any issues to the attention of the seller or agent showing them the house, and, if they are not convinced by the agent's explanations, they may return accompanied by a professional architect or surveyor to inspect it and get a valuation to correct it.

Happily, after just four viewings, Richard and Kate are shown a property in a development that they have rented while on a previous holiday and both are delighted with the apartment. It is spacious and airy, with a good outside terrace area and four generous size bedrooms. After a second viewing - and a thumbs up from the family back home - they are ready to proceed! Time for a call to the lawyer - they have made it clear to their agent that they will not sign ANYTHING until their legal representative has seen it first - and the first of many celebratory glasses of Port!

Surface Area/IMPS -

How a property is customarily described to a prospective purchaser can vary from one country to another. In the UK, a dwelling is most often described in terms of the number of bedrooms whereas in other countries, such as Spain and Portugal, the total floor area is the most prominent aspect. Those who deal with property in these and other countries well know that the floor area of a dwelling will vary upon how it is measured: what is included and what is excluded. Here, our prospective purchasers need to be alert to this.

In Portugal, the surface areas of property may be listed in several ways:

Gross floor area/constructed area (área construída)

This specifies the outer area of the building and defines all the enclosed space. It includes all built spaces, partitions, walls and facilities.

Net floor area (área útil)

This also specifies the outer area, but ignores the partitions, structure and facilities and only includes the built spaces that may be used by the inhabitants.

Habitable floor area (área habitável)

This is effectively the area of the 'habitable' parts of a dwelling, by which is understood the net floor area of the dwelling with exclusion of parts such as entrance hall, corridors, landing, bathroom and WC, kitchen and utility room (the 'non-habitable' parts).

If the dwelling is part of a co-ownership (condominium) building, there is a further concept of surface:

Gross floor area including share of common parts (área construída com repercussões comuns)

This is the gross floor area of each flat of the condominium, plus the proportionate part of the gross floor area of all public areas of the same building. These are calculated according to shares set by the statutes of the home-owners. It includes all the spaces of the apartment in question plus a part of the common areas (entrance hall, staircase, broom closet and machine room, elevator shaft, etc.) of the building in which it is located.

Today, it happens that over 70 professional and standards bodies, including the RICS, have collaborated to form the International Property Measurement Standards Coalition, which will establish a common international standard for measuring property. The measurement standards for residential property have now been published, and will be introduced in Portugal as in other countries. Obviously, some time will elapse before such standards are universally applied. Nevertheless, Richard and Kate should raise the issue with the agent with whom they are dealing and obtain a satisfactory and clear answer.

Banco Santander Totta SA offer bank accounts to enable you to manage your finances locally, which is useful for paying utility bills, receiving rentals etc. Located in our London branch we have a dedicated bilingual team available to assist you on **020 7264 1300**.



The Legal Process - A Step By Step Guide



The Portuguese government have made it relatively easy for non-nationals to buy property and there are very few restrictions. However, there are significant legal differences in the sales processes between countries, such as property law, urban planning and coastal law, building regulations, money laundering regulations, mortgage regulations and consumer rights. What follows now is a general overview of the procedure you will undertake to secure your new home. Like Richard and Kate, you should always get independent legal advice before attempting to buy property in Portugal. It is of paramount importance that Richard and Kate take care with every step.

Step One: The first step in purchasing a property in Portugal for Richard and Kate, once their offer is (provisionally) accepted) is by reserving the property. A reservation form is not invariably used in every Portuguese property transaction nor it is legally binding, but shows the commitment to buy especially when the next stage, the promissory contract of sale and purchase, cannot be entered into immediately. A small deposit may also be asked for as a gesture of intention. This

should be held by your lawyer - not paid to the agent or vendor.

Step Two: Normally the reservation stage involves the property being taken off the market, and may also determine a timetable for signing a promissory contract (this reservation is often called *deposito* in Portuguese but it is different from the promissory's contract deposit). The vendor should remove the property from the market. Your lawyer will now check title and whether the property is free from debt and that the vendor is the legal owner of the property with power to sell. Various documents also need to be collected including tax certificates, local council licences and any planning or building approvals. The following documents are essential:

- **Licença de Habitação ou Utilização:** this document is a permit to use the property as a dwelling or otherwise, and is issued by the local town hall.
- **Certidão do Registo Predial:** this land registry document indicates the charges, such as mortgages or servitudes, affecting the property, and the owner, as well as all previous registers.

NIF - Número fiscal de contribuinte and payment of taxes

This is similar to a National Insurance number and will be needed to open a Portuguese bank account. To be able to pay taxes you will need a tax number. Non-residents in Portugal must appoint a fiscal representative and obtain a fiscal number (*Número Fiscal de Contribuinte*) from the local tax office. This nine-digit number is used on all documents relating to the purchase of the property and on subsequent invoices. Married couples must both obtain a Fiscal Number even if only one of them is to purchase the property, otherwise the Tax Department will not accept payment of the IMT (*Imposto Municipal sobre Transmissões*) Transfer Tax. You will be charged an initial registration fee and subsequently an annual fee for continued representation. Fiscal representation can only be cancelled by the appointment of another representative or if you become tax resident in Portugal.

Residents in Portugal are liable to Portuguese Tax, as are non-residents who pay IMI - *Imposto Municipal sobre Imóveis* (Municipal Tax on Property). This is an annual tax and is based on the Valor Patrimonial (VP) or the declared value of the property. The rates range from 0.2%-0.8% depending on location. As with some other European countries such as Spain, where a 'valuation' amount was required it has been common practice to under-declare the value to reduce the tax to be paid. This practice is unlawful and subject to penalties. Properties that have not been sold for some time will come under the radar and are likely to be reviewed so don't be surprised if there is an increase in value to the previous registered amount - it could be quite substantial.



- **Caderneta Predial:** this is the main fiscal document and gives the size, location and boundaries of the property, as well as bordering neighbours. Most importantly, it indicates the property's fiscal value, VPT (valor patrimonial tributário - which may be considered equivalent to Rateable Value in Britain).
- **IMI Tax:** this is a document that may be considered the equivalent of a Council Tax Demand. The IMI tax is based on the rateable value of the property as set by the Tax Department; the rate of imposition varies from 0.3% to 0.8% a year. Demands are generally issued twice a year, in April and September, but if there has been a revaluation, additional bills are issued, often retrospectively back to the revaluation year. If the property is a new development, and is occupied as the main residence, the ratepayer may be entitled to an exemption from IMI of up to six years. Through IMI we can confirm that payment of the rates is up to date and also the property's fiscal value.
- **IMT Tax:** This is a tax, akin to Stamp Duty, due on the real estate transfer and is paid by the buyer. It ranges from 0% to 8% of

the property's value and must be paid to the Notary before the conveyance is completed.

- **Ficha Técnica de Habitação (FTH):** dwellings built or altered since 31 December 2003 will have a Book containing a description of its main characteristics, services, materials used and suppliers as well as the full ID of the builder.
- **Certificado Energetico (CE):** is a legal requirement for any property in Portugal that is being commercially advertised for sale or lease. A surveyor will measure the energy performance of the property based on total consumption, quantity and energy efficiency, location of the building, sun exposure, construction materials etc. This document must be supplied by the current owner and normally is delivered when he signs the agency agreement with his agent.

Step Three: During this time, your lawyer may assist you in obtaining a tax identity number (NIF) from the local tax office. With the NIF and ID (passport), a bank account should be opened to facilitate future proceedings. Also a

Ten things your lawyer will be checking

1. The legal ownership: who owns the property, and therefore has the right to sell it.
2. If there are debts against it, such as a mortgage loan or a debt or seizure registered against the property.
3. If there are sitting tenants in the property, or other rights of occupation.
4. If it is subject to any special rules such as subsidised housing, property in a conservation area, in an agricultural or ecological reserve.
5. In the case of an *urbanização / loteamento*, whether the seller is up-to-date with the community fees.
6. If the annual Municipal Tax (*Imposto Municipal sobre Imóveis* (IMI)) has been paid. If it has not been paid within the last five years, the new owner will be responsible for payment.
7. For new or off-plan homes, if insurance is in place to cover any damages that may result from structural defects of the building.
8. For Subsidised Housing, *habitação social*, and historic and classified buildings, if there is any prohibition against selling it or any rights of first refusal from the authorities.
9. Whether there is (as there should be) an Energy Certificate (*Certificado Energetico*) for the property. If not, the vendor needs to obtain one quickly for the sale to proceed.
10. In the event that you contemplate the possibility, even remote, of letting out the property for holidays to obtain a little income to help pay the bills, whether the property is licensed for holiday lettings (*Alojamento Local - AL*).

Your lawyer will get most of this information from the Land Registry where the property is registered. The buyer could also get the information, or the seller, the estate agency or an administrative manager may do it for you. Either way, do not hand over any money other than a reservation deposit or sign any contract other than a reservation contract until you have checked this information, preferably with your lawyer.



survey should now be carried out and builders consulted if you have any building or renovation plans.

Step Four: If you are happy to proceed following the surveys, and no issues have been brought up by your lawyer, you can move on to the preliminary contract or **Contrato de Promessa de Compra e venda (CPCV)**. This contract stipulates the date by which the conveyance must be completed and cannot be broken without one of the parties receiving compensation. This promissory contract is when you normally pay the deposit. The contract indicates all the conditions of sale, which could include refurbishment, connection of utilities, payment of late taxes, cancellation of mortgage. This is very similar to an exchange of contracts in the UK and is binding. A non-refundable deposit is required at this point, normally from 10% to 20% of the purchase price but this can vary. If the vendor pulls out of the sale once this contract is signed, he has to pay twice the deposit to you. Alternatively, you can request the execution of the promissory contract before a Court of Law. All being well, the deposit is deducted from the price. Lastly, there is a special CPCV that can be registered in the *Conservatória do Registo*

Predial (Land Register) to protect your contract against other possible ones on the property.

Step Five: Purchase funds will now need to be put in place. If you are paying with the help of a mortgage loan, the lender will arrange for the funds to be sent to the notary or vendor. If paying with **your own funds**, your currency exchange company or bank will organise the transfer.

Step Six: After you have signed the CPCV, and following the timetable of the promissory contract, you and your lawyer will be invited to the notary's office to sign the **escritura de compra e venda**, and thereby complete the conveyance. If you are unable to travel to Portugal, you must grant power of attorney to your chosen representative to sign on your behalf. Your lawyer will normally handle all necessary documents and taxes in your behalf.

The balance of money owing will be transferred to the vendor and all other associated costs paid to the notary. Keys are then handed over.

Step Seven: Finally, with the deeds signed and everything in order, registration of title may proceed. This is the formal record of the purchase. The registration is effected by the notary or by your lawyer. You need to ensure you are inscribed as the owner in the land registry, *certidão do registo predial*, and in the local tax office, **cademeta predial**. In addition, a special IMI (*Imposto Municipal sobre Imóveis*) form (known as a "Modelo 1" form) has to be completed and presented to the tax authorities together with the deed. This is something usually completed by the notary or your lawyer.

Note: *if you are buying a property under construction, you may be asked to pay the purchase price in instalments as building proceeds, rather than on completion. (These stage payments may be index-linked and therefore subject to slight variation from the original price.) Ensure you receive bank guarantees for each payment in case construction is delayed or not completed and you wish to recover your money.*

The owner of Richard and Kate's apartment is an elderly British lady who has moved back to the UK to be close to her family. They are able to take vacant possession of the apartment in the first week of January after meeting with their notary and the vendor's power of attorney, along with their lawyer.

The apartment was sold furnished, so they can move in straight away and take their time deciding what to keep and what to replace. Choosing the decor for a holiday home is a very exciting task and there are specialised companies such as John Lewis who offer excellent overseas shipping rates for holiday home owners. Kate is looking forward to exploring the local markets for rustic finds!

Hopefully, like Richard and Kate, if you have followed all the advice of your lawyer and made sure thorough research and due diligence is done, you will now be in possession of the keys to your new property!

Not everything always goes to plan however. Here are some of the potential issues that could possibly face you.

Power of Attorney

It can be inconvenient for overseas buyers to return to Portugal each time a document needs signing, so many will grant Power of Attorney to their lawyer if they have one. This authorises the attorney to sign on the buyer's behalf, thereby facilitating the transaction.

Both the buyer and whoever is getting the Power of Attorney will go to the lawyer's or notary's office, prove who they are and explain the terms and limitations of the power of attorney. You can also organise to get Power of Attorney in Portugal by going before a notary in the UK, the entire process costing around £250, but much less in Portugal.

It can be prudent to state the limits of the Power of Attorney, i.e., that it relates to no more than the purchase of the property (and not, for example, to all your estate.)



What Potential Pitfalls To Watch Out For



Thousands of people have bought property in Portugal and the majority of them have suffered little or no problems when purchasing. If you use an independent lawyer, and the property and transaction is free from issue, your home-buying process in Portugal should run smoothly. However, there are some things you should be aware of, most of which can be avoided if you go into the purchase with your eyes open and legal advice readily available to you.

Not calculating the exchange rate correctly when working out the final purchase price

Currency prices fluctuate all the time and one of the biggest mistakes people make when buying a home in a foreign currency is failing to allow for this. 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 big problem.

We recommend fixing your rate via a specialist foreign exchange (FX) company, as Richard and Kate did. By doing this as soon as you have found a property that you want to make an offer on, you guarantee that it stays within your budget and you are not out of pocket when it comes to making your final fund transfer.

Is the property by the seashore, or otherwise in a protected area?

Special rules can apply for land along the seashore (and even sometimes adjoining inland waters) and inland as far as around 100 metres. Such land is designated as within the public domain. You can buy a house already there, and you will be able to renovate the home but without extending the size of the building either horizontally or vertically.

To check if the house is on land within the public domain, you need to go to the Coastal Service or the Town Hall. The information provided by the Land Registry will also indicate this. For completion of the sale, a certificate from the Coastal Authority must be given to the notary, stating if the property is on or adjacent to the public domain, and any restrictions arising from that.

In some cases, the purchase of property on or near a nature reserve or of a historical nature will require the permission of the relevant government authority to build or alter an existing building.

Falling into the 'under-declared' valuation trap

As taxes were based on the declared value of the property rather than the purchase price,

Fix your exchange rate

- 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
- Be aware that FX companies are not covered by the Financial Services Compensation Scheme (FSCS), so do your research and ask questions
- Find out what your money is worth today with our currency converter





it was common practice in the past to declare an amount lower than the price paid. The fiscal value of the majority of properties have been reassessed in recent times to bring them more in line with actual sales values and there are strict penalties for under-declaring. Properties that haven't been on the market in several years are targeted for reassessment and the difference can be quite significant in some cases. In the event a revaluation is justified, additional bills are issued, often retrospectively to the revaluation year.

Is your dream property legal and truly for sale?

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. There was a time when many properties (all over Europe) were built on areas that were not zoned for residential buildings, had no planning permission or were constructed in a different way to the approved plan. Portugal is not exempt from this, so compliance with permits and regulations must be verified by your lawyer before you sign anything!

There has also been the odd occasion when a property has been sold to more than one buyer. Again, before you part with any money, ensure your lawyer has verified that the vendor has the right to sell to you, and that you are the only party they are selling to.

Finally, property can disappear from a listing just as quickly as it appears. Some unscrupulous agents will 'float' attractively priced property for sale on their sites to draw you in, only to remove it when you make an enquiry and show you something 'similar'. Vendors will also (as with the UK) sometimes test the market out to see what interest they get without any intention to sell at that time, so be sure that the property you truly want to view is available before you get on a plane!

Failing to ensure the property is 'unencumbered' by debt

Again a good lawyer will make all these checks for you so nasty surprises are avoided but some owners will attempt to sell on a property with undischarged mortgages, outstanding utility and tax bills or charges against the house to other family members. A dispute over a property deal can take years to unpick in a Portuguese court so some simple checks carried out at the beginning can save a lot of heartache - even if it means pulling out of that particular property.

There are also situations when a buyer is happy to take over a loan or mortgage - this is known as subrogation. If you do decide to subrogate, you should require the seller to show a certificate issued by the creditor bank stating the outstanding balance due. You can also ask the creditor bank for a more favourable interest rate and term of payment, and if they refuse to do so, may request another bank or entity to improve on

the conditions at which point the outstanding amount can be moved over to the new creditor. Such operations are virtually free, being tax exempt, with notary, registry and bank fees strictly limited by law. It may also be your only choice if you have your heart set on an encumbered property.

Being inflexible on the completion date

Although the completion date will be agreed when the promissory contract is signed, it is a guide only and not always adhered to. Don't plan your move, building work or purchases for the house until further down the line. So many things can happen, as with the UK, to affect the date - you don't want to leave yourself with nowhere to live or expensive storage costs for your belongings.

And don't feel rushed into a hasty decision to adhere to someone else's timeline, be it the vendor, the agent or the exchange rate. It's vital to have time to think, reflect, check and ensure you are 100% certain before making any decisions, or signing anything you are not sure about.

Possible holiday lettings in the future

You may contemplate letting out your dwelling for holidays, and thereby obtain some useful income to defray some of the running costs. But beware! Portugal requires such properties to be registered for what is called Alojamento Local (AL). Rental income must be declared in Portugal even if the rentals are administered and funds received abroad, but certain maintenance and repairs expenses can be offset. The AL licence is mandatory (fines are rather high for non-compliance) for holiday lettings but not to let the dwelling as a main residence. A local authority officer inspects to ascertain if the property is suitable for holiday letting and meets the legal criteria. The applicant receives a certificate confirming that the property is in Alojamento Local that can be posted at the property for public information. An inspection by the local Fire Department will also be needed to certify that the building meets fire safety requirements. Your lawyer, obviously, can help with this process.



Additional Considerations Of Owning And/Or Living Abroad

Is there anything else I should consider?

It's easy to get caught up in the dream of foreign home ownership and not factor in the cost of living and running your home going forward. Consider the following:

Cost of living

With a far more relaxed way of life and generally lower cost of living, one of the main attractions of moving to Portugal is a better quality of life for far less than at home. Don't be mistaken in thinking that the price of goods and utility bills will be substantially cheaper than at home however.

The last ten years have seen a considerable rise in household bills and rates, although you will still pay far less in rural areas. Salary increases in Portugal have meant that many services and consumer goods are aligned with other European countries - particularly clothes, cars and anything imported.

The good news is that food, drink and entertainment are generally still far cheaper than in the majority of northern European countries. Again it will depend on where you are, the cities will have areas where you will still pay higher and the top resorts will command the highest prices. Out in the towns and villages though, you will notice a substantial difference from back in the UK. Richard and Kate will be able to live comfortably on their budgeted net income of around €2,000 a month and many pensioners survive on far less - one of the things that makes living in Portugal so attractive to retirees on a fixed pension.

Healthcare

Although Portugal has a relatively good public health system with a reciprocal arrangement with other EU member countries, it is recommended that you take out your own private health insurance if you can afford it. Their public health service suffers just like the UK's, with long waiting lists for non-essential

procedures and specialist appointments. You will only qualify for free healthcare if you pay into the social security system, or are over 65 and have filled in an S1 document from the UK. This question of healthcare, however, is an aspect that may change as a result of 'Brexit'.

Most areas have state health centres which offer emergency treatment facilities and English-speaking doctors are widely available in all major resort areas and cities. More rural areas will have limited facilities, as with any country, and hospitals will be a journey which is something to factor.

Taxes and Pensions and Inheritance

It is important to understand any tax implications you may have and how your pension will be affected if you rely on it. The new rules on UK pensions mean that you now have more flexibility over your pension than ever before with freedom to withdraw the whole lot down or transfer into a Qualifying Recognised Overseas Pension Scheme (QROPS). Advice should be taken from a professional on what is best suited to you and your own situation.

If you choose to work in Portugal and spend more than 183 days a year in the country, you will be liable to pay taxes. If you come under the Non-habitual Residents (NHR) Scheme, you may well be liable for tax but only on the amount of money actually earned in Portugal. Everyone's tax situation is unique however and if you are liable for higher tax rates at home, you may have to pay the difference (or some of it) in Portugal. Again, it is wise to check with an accountant or tax specialist.

Finally, inheritance can be a minefield for expatriates, with often several wills in play. As with many other European countries, Portugal adheres to the system of 'forced heirs', meaning you are obliged to leave your assets to specific relatives (usually spouse and children). It can

be avoided though - if you are resident in Portugal and you want to leave your estate to someone else or include other people you should seek advice on drafting a Portuguese will that specifies this.

Planning for the unexpected

What happens if you or your partner is taken seriously ill or even dies? No-one wants to consider the possibility of critical illness or death - particularly when embarking on an exciting new adventure - but none of us know what is round the corner. Ensuring that you have insurances in place, or funds you can call on should you need, to will save even more stress at a difficult time.

Are you able to get back to the UK if you are needed urgently? It may not be you that is ill but perhaps a close friend or family member who needs your help. It's imperative to see beyond the initial property purchase and put plans like these in place.

Finally, for British nationals, 'Brexit', the departure of the United Kingdom from the European Union

Nobody knows what will happen now that the British electorate has decided the UK should leave the EU. It is not to be assumed, nevertheless, that the Portuguese government and the EU will discriminate against the British buyer. Non-EU nationals have bought, and continue to buy, property in Portugal without hindrance. We may suppose that there will be certain changes in the freedom of the British to change residence in the EU and to benefit from the social services of the EU country. On the other hand, now that Britain is to leave the EU, some British nationals might be all the more interested in making their home in Portugal!

Our couple, Richard and Kate, will go on to enjoy a long and happy association with the country they have come to love and the holiday home which may well become their permanent residence one day.

By following our guide, and ensuring that your research is done - you too could soon be raising a glass in the glowing sunset of the Portugal skies. Boa Sorte!





Contributing Authors



AIPP

Peter Robinson

Peter was formerly an agent in Spain where he also privately bought and sold property. Active in a variety of roles in the international property and financial services industry in the UK, Portugal and around the world since 2001, Peter has worked extensively with property developers to improve how they bring their projects to market. Peter is now Chief Executive Officer of the AIPP - Association of Property Professionals based in Westminster London. In 2016 Peter hosted the Portuguese Chamber of Commerce's annual Property Conference.



AIPP

Claire Robinson

Claire comes from a marketing background and has worked extensively in the luxury hotel loyalty sector. Her career in overseas property includes living and working in the Middle East and Spain, and heading up the marketing teams for award-winning five star hotel developments in London, Marrakech and Italy. Now increasingly involved in content creation, Claire has authored overseas property guides for AIPP and Zoopla as well as writing a number of successful blogs.



RICS

Anthony Fisher MRICS

British, and a chartered surveyor since 1977, Anthony's career in property includes living and working in England, France and Spain. Much of this career has been related to property management, more recently to the valuation and inspection of residential property. Anthony has served on various committees and working parties of professional associations, latterly in RICS España. He has written various articles in English on aspects of property in Spain and Portugal for journals of the RICS.



RICS

Antonio Silva MRICS

Born in Zimbabwe of Portuguese parents, Antonio qualified as a chartered surveyor before moving to Portugal in 1990. Working mainly in the Algarve, he has had spells in Lisbon, Oporto and Madrid as well as returning to Africa to work in Angola for a brief spell. Antonio runs a practice in the Algarve specialising in project management, quantity surveying, valuations and property inspections.



RICS

Richard Kale MRICS

A British chartered surveyor who qualified in 1990, Richard's career includes working for the British Government. The last 13 years have been living and working in Portugal. His career has focussed on providing building surveys, project management of building construction and renovation projects and valuations. Richard has been invited as a guest lecturer on construction matters at the University of Faro in the Algarve.



RICS

Tiago Piscarreta

Tiago is Founder and Manager of Piscarreta & Associados – Sociedade de Advogados, RL, established in 2007. He graduated in Law from the Catholic University of Lisbon and the Université Misericorde in Fribourg. His post-Graduate studies cover Commercial Law at Coimbra University and a Master in Real Estate Management at the ISEG – School of Economics and Management in Lisbon. Tiago is co-author in Portugal representation for Venice Biennale of Art and Architecture 2014 with the project Lisbon Skyline Operation.



Related Links

Association of International Property Professionals (AIPP)

- www.aipp.org.uk

Royal Institution of Chartered Surveyors (Portugal)

- www.rics.org/pt

Portuguese Chamber of Commerce

- www.portuguese-chamber.org.uk/

Banco Santander Totta S.A.

- www.santandertotta.co.uk/

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