

SAVILLS BUYING GUIDE

LISBON



LISBON IS ONE OF WESTERN EUROPE'S
OLDEST CITIES. IT IS BUILT ON SEVEN
HILLS THAT PROVIDE VERTIGINOUS VIEWS.
STEEP COBBLESTONE STREETS TUMBLE
DOWN TO THE TAGUS RIVER

Despite its long history, Lisbon presents a modern face to the world. The population of 550,000 includes international business people and a growing community of tech entrepreneurs, encouraged by an affordable lifestyle and welcoming tax policies

West-facing, waterfront Lisbon combines an Atlantic coastline with a Mediterranean climate: spirit-warming blue skies and year-round temperatures between 15C and 28C. International access is excellent via Lisbon airport, which is just five miles from the city centre. Exceptional surfing beaches are just 30 minutes away.

Lisbon is a small city centred on Baixa and the wide, tree-lined boulevard Avenida da Liberdade. Live west of here for easiest access to the coastal towns of Estoril and Cascais and the international schools. Lisbon's prime residential areas include:

BAIXA

Lively Baixa is the heart of downtown Lisbon. Completely rebuilt in neoclassical grandeur by the Marquis of Pombal after Lisbon's 18th-century earthquake, its grand boulevards, dramatic plazas, excellent shops and smart hotels include the city's most important tourist attractions. Baixa is also a thriving commercial area and the perfect place to experience Lisbon's café culture.



AVENIDAS NOVAS

North from Avenida da Liberdade, heading away from the waterfront, Avenida Novas developed in the early 20th century and is now a predominantly residential and business area with easy access to the airport. This is a flatter area of the city, with wide boulevards, beautiful parks, museums and galleries, and a large branch of department store El Corte Inglés. Architectural styles in Avenidas Novas range from classical buildings to new-build apartments. >





CHIADO

Immediately west of Baixa, on-trend Chiado has an artistic heart. Theatres, art galleries and museums mix with shops and award-winning restaurants and cafés. The convenient location and elegant 18th-century 'Pombaline' architecture, combined with traditional Portuguese tiling and cobblestones, make Chiado a popular and chic residential choice.

PRÍNCIPE REAL

Príncipe Real is one of Lisbon's most desirable residential areas. Beautiful, grand 19th-century buildings face quiet parks and squares. Streets are filled with antique shops and independent boutiques. It is close to Lisbon's best viewing point, Miradouro de São Pedro de Alcântara, yet retains an appealing local atmosphere.

LAPA

Lapa has attracted nobility for centuries. Today, its elegant palacios contain the Parliament, the Prime Minister's official residence and embassies. It is a hilly neighbourhood west of Chiado and, with Estrela, makes up one of the most wealthy



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and established residential areas of the city. Residents also appreciate easy access to the beaches of Estoril and Cascais.

CAMPO DE OURIQUE

Cafés, shops and tree-lined squares define this neighbourhood – a relaxed, residential area west of the centre. It is made up of late 19th-century traditional properties, and is a favourite with young families and older residents, who both appreciate its market and leafy park, Jardim da Parada. >

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ALFAMA

Alfama is filled with charm, from its labyrinthine narrow alleys and steep cobbled paths to the magnificent castle and Sé de Lisboa cathedral. It is one of Lisbon's oldest neighbourhoods. Tourists ride the yellow number 28 Tram through the area, photographing the pastel-coloured terraced homes, many with exquisite azulejo tiling. Some streets still hark back to Alfama's grittier past, and young creatives are eagerly moving in.

MARVILA AND BEATO

In the less touristy east of Lisbon, heading towards Parque das Nações, up-and-coming Marvila and Beato are attracting interest for their appeal to the (mostly) youthful entrepreneurs relocating to Lisbon. These are two old but fast-changing areas close to the Tagus River where tech start-ups are using once-abandoned warehouses to build a creative hub of co-workers.

SANTOS

Ten minutes' walk from the designer shops on Avenida da Liberdade, and between Lapa and on-trend Chiado, Santos is a central area filled with design shops, artist studios and architectural practices. It is beside the river and close to the train station that takes commuters along the coast to Cascais. Santos offers traditional older homes along with some striking and modern new build properties.



ESTORIL AND CASCAIS

Well-heeled, fashionable and chic, these two seafront towns attract affluent residents. Once quiet fishing towns, today this sandy 'Portuguese Riviera' offers a healthy escape route from city life. At only 20-40 minutes from Lisbon centre, they are a popular choice for year-round living. They are close to international schools, golf courses, and benefit from good restaurants and exhilarating surfing beaches. ■



01

ARCHITECTURE AND PROPERTY TYPES



Lisbon property ranges from centuries-old buildings to new build apartments. Older housing is being refurbished and updated as residents rediscover the pleasure of city living



02

01_POMBALINE ARCHITECTURE

When rebuilding Lisbon in the late 18th century, the Marquis of Pombal approved a design of grand squares, wide boulevards and neoclassical buildings of up to four floors (the first examples of earthquake-resistant architecture). Today, the strict road grid and flat-fronted buildings are best seen in Baixa.

02_ORIGINAL TRAÇA ANTIGA

Characterised by high ceilings, elaborate plaster mouldings, wooden floors and high-gloss tiles, these buildings ooze traditional charm and character, but rarely have – or have space for – lifts, garages or storage rooms. These homes can be found mainly in Príncipe Real, Chiado, Baixa, Alfama and Avenidas Novas.



03

03_REFURBISHED TRAÇA ANTIGA

Demand is high for this typical Portuguese, yet refurbished, style. Developers often preserve historic exteriors, but modernise interiors, removing much period detail. Communal areas are upgraded and lifts are added. Sound-proofing on these beautiful, but not always well noise-insulated, buildings is also often improved. >

04



04. PLACA BUILDING

Built in the mid 20th century, Placa buildings represent around 40% of Lisbon's residential property. The exteriors are plainer in design, but make convenient apartments. They are solidly constructed, with concrete floors and walls. All have lifts and many have garages. They can be found in Avenidas Novas, Príncipe Real, Lapa, Campo de Ourique and Belém.

05. NEW BUILDS

What a new build apartment lacks in historic charm, it gains in modern-day comfort and superior build quality. New build homes can be found in Amoreiras, Campolide, Belém and Restelo along with Avenidas Novas. The waterfront Parque de Nações, six miles east of the centre, was built for Expo 1998. Today, it has good infrastructure, but is often criticised for emptying out after dark.

06. VILLAS

Buyers looking for villas with spacious gardens, possibly with a pool, will find them in the city, but the widest choice is in the beachfront towns of Cascais and Estoril. Families appreciate the proximity to international schools and retirees enjoy the ocean air and relaxed lifestyle. Lisbon is close enough to commute to, as it is only around 25km away. ■

05



06



Lisbon's beautiful Azulejo tiles reflect the sun and bounce light across the city. They were brought from Arabia in the 15th century and were used for decoration and story-telling. They remain a major design feature of the capital and it is now illegal to destroy buildings covered in Azulejo

LIVING IN THE CITY

Lisbon has a reputation for its affordability and easy-going lifestyle. As Portugal's largest city, it is also the centre of Portuguese economic and cultural life, and English is widely spoken. In recent years, there has been huge investment in infrastructure, notably along the waterfront

SCHOOLS

The range and quality of international schools in and around Lisbon for all ages and academic abilities is a major factor in the city's appeal for expatriates. However, new arrivals have increased demand, so many have long waiting lists.

A favourite is St Julian's School in Carcavelos, 14 miles west of central Lisbon and six miles east of Cascais. It is a private co-educational school with 1,100 pupils aged from 3 to 18 covering more than 40 nationalities. It is the only local school to follow the English curriculum up to GCSE, followed by the International Baccalaureate (IB) Diploma Programme, and has a strong reputation for excellence in sport and drama.

Another choice is the Park International School, which follows an international curriculum until the 6th grade, then the international curriculum of Cambridge.

There is also the International Preparatory School (a feeder school for St Julian's), which follows an English syllabus, and the Carlucci American International School of Lisbon, which follows an American syllabus up to 16, followed by the IB.

Lisbon also has German, Swedish, French and Spanish international schools.



HEALTH

The Serviço Nacional de Saúde is the Portuguese equivalent of the UK's National Health Service. It is universal and residency-based, although not all services are provided free of charge. Healthcare is well regarded in Portugal – it was recently ranked 9th in Europe and 12th in the world*. Hospitals are well-equipped and English is widely spoken.

Despite this, many expatriates choose to take out private health insurance as well, which need not be expensive. Typically, a healthy 45-year-old pays €60 a month and then €15 per doctor's appointment.

TRANSPORT

Lisbon's Metro network is modern, but fairly limited in length – it does not reach Lapa, for example. Buses, trams and funiculars run across the city, including the distinctive yellow trams from the 1930s.

In a city of severe hills, bicycles are not popular (although the cycle path along the waterfront from Belém to Baixa is a delight), but cars and motorbikes are well used. Even residents of Cascais and Estoril prefer to drive rather than use the regular train service. This reliance on cars means that buying a property with space to park can be particularly important. ■

* World Health Organisation

BUYING REAL ESTATE IN PORTUGAL





THE PROCESS IN DETAIL

Whether you have arranged a Letter of Intent or not, there are a number of legal procedures to complete ahead of the Promissory Contract. Technical due diligence should also be carried out, but an offer may be made (or the preliminary agreement may be executed) subject to a condition that such investigations will not reveal any material issue or defects. This is often the case where the buyer is generally satisfied with the result of a preliminary due diligence and only a few aspects need to be investigated or finalised.

DOCUMENT CHECKLIST

It is important that the following legal documents are verified. These can be handled by your lawyer, who will make searches to confirm that the property registered conforms to the building and plot being sold, and that the vendor has clear title of ownership and no one else has rights, charges or mortgages over the property.

Fiscal Number

For a non-resident buyer of property in Portugal, it is mandatory to have a Portuguese Fiscal Number from the local tax office. This Number will be used to open a bank account and will appear on documents relating to the purchase of the property and associated taxes.

Use Licence

All properties constructed after 1951 need a Use Licence stating what the building can be used for. This also confirms that the property complies with planning permission and building regulations. If the property was in existence prior to 1951, a certificate to state this must also be obtained.

Technical Habitation Certificate

This is a mandatory document regarding properties destined for residential purposes completed after March 2004.

Land Registry Certificate

Issued by the Land Registry Office.

Tax Registry Certificate

Issued by the Tax Office.

Energy Certificate

This is a legal requirement and serves to certify the energy performance of the property.



PROMISSORY CONTRACT

Once an offer has been made and accepted, a Promissory Contract is typically drawn up between the owner and the buyer. This sets out the terms of the transaction, such as the identity of the owner, a detailed description of the property and land boundaries, registration and tax numbers, purchase price, deposit and date of completion. It is usually prepared by the purchaser's lawyer and might include conditions such as completion of any building work or building permits. The Contract secures the purchase until the sale is concluded. Signatures must be authenticated by a notary or lawyer. At this point, the buyer pays a deposit, usually between 10% and 30% of the purchase price.

Portuguese law protects both parties in case one fails to fulfil any contractual obligation. If the buyer fails to complete the purchase, they risk losing their deposit. If the owner fails to complete the sale, they must repay twice the amount of the deposit. The parties may also agree to subject the Promissory Contract to 'specific performance' in the event of a default. This requires legal action so that the other party fulfils the contract (insist on the sale being completed rather than gaining compensation). >



REAL ESTATE TRANSFER TAX (IMT) & STAMP DUTY

Two taxes must be paid before completion: the Portuguese Real Estate Transfer Tax (IMT) and Stamp Duty.

IMT: Real Estate Transfer Tax

Urban property used exclusively for residential purposes: up to 6%*

Rural property: 5%

Urban property not intended exclusively for residential purposes: 6.5%

Property purchased by a company resident in a tax haven: 10%

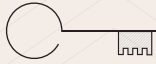
* Progressive rate due on either the tax value of the property (as set by the Tax Department) or the acquisition price, whichever is higher. Online calculators are available; the official one is <http://apemip.info/info/IMT.cfm>

Stamp Duty

Onerous or free transfers of ownership or parts thereof: 0.8% of the value of the transaction or value of the property, whichever is higher

And

1. When you inherit a property;
 2. When a property is a donation from someone (spouses, descending and ascending relatives who inherit a property or who are the beneficiaries of a donation are exempt)
- 10% Stamp Duty is payable



COMPLETION

To complete the sale, the buyer must show proof of payment of IMT and Stamp Duty. All parties involved in the purchase/sale must attend, unless the buyer or seller grants power of attorney for another party to act on their behalf, often their lawyer.

The balance of the purchase price is paid and the notary records the transaction in the official record. Once the deed and all other associated transactions are complete, the (new) owner must register the acquisition (definitively, if the Promissory Contract was signed and registered before) at the Land and Property Registry Office, to ensure the transfer of the ownership and the legal proof of ownership.

To develop commercial buildings or carry out large construction projects, usually a protocol of agreement between the Town Hall and the developer is required. It is advisable to request previous confirmation from the Town Hall, in order to ensure the successful implementation of the project.

CORPORATE OWNERSHIP

It is also possible to acquire property indirectly through an equity stake in an investment vehicle owning such property – often done to mitigate tax consequences.

ONGOING COSTS OF OWNERSHIP

IMI: REAL ESTATE TAX

The IMI tax is based on the rateable value of the property as set by the Tax Department. The rate varies from 0.3% to 0.8% a year.

Urban property: 0.3% to 0.45%

Rural property: 0.8%

Property owned by residents in certain off-shore jurisdictions: 7.5%

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ADDITIONAL IMI (AIMI)

The IMI surcharge (Adicional ao IMI), is due by individuals and companies that own urban real-estate properties located in Portuguese territory. However, urban properties classified as commercial, industrial or service-providing are outside the scope of the AIMI.

The AIMI is assessed on the sum of the taxable value of the urban properties owned by each taxpayer as of January 1 of each year.

RATES: INDIVIDUALS

Up to the value of €600,000: no AIMI

On the value between €600,000 and €1 million (married taxpayers and unmarried cohabiting couples who opt for an aggregated taxation are granted a deduction of €1.2 million): 0.7%

On the value that exceeds €1 million (married taxpayers and unmarried cohabiting couples who opt for an aggregated taxation are granted a deduction of €2 million): 1%

These rates also apply when a property owned by a legal entity is allocated to the personal use of shareholders, members of the corporate bodies, or of any administrative, management or supervisory bodies (or their spouses or relatives in the ascending or descending lines).

RATES: COMPANIES

On the global sum of the taxable value of eligible properties (companies are not entitled to any deduction): 0.4%

Due on the global sum of the taxable value of eligible properties, whenever the company is resident in a tax haven: 7.5%

Exemptions: Urban properties which have benefited from an IMI exemption in the previous year are excluded from the surcharge taxable basis. >

TAX CONSIDERATIONS WHEN LIVING IN PORTUGAL

PERSONAL INCOME TAX (IRS)

If a resident or non-resident individual receives rental income, the earnings may be taxed.

Residents: 28%*
autonomous
tax rate

Non-Residents:
28% autonomous
tax rate

* However, if the taxpayer opts to tax the rental income together with any remaining taxable income, such income will be liable to the IRS progressive tax rates up to a maximum of 48%. In this case, a surtax of 2.5% or 5% is applied to the part of the taxable income that exceeds €80,000 or €250,000, respectively. If the property being rented has been subject to eligible urban rehabilitation works, the applicable rate may be reduced to 5%.

CORPORATE INCOME TAX (IRC)

If a resident or non-resident company receives rental income, the sum of the rent, as well as the costs incurred in order to obtain such income, are included in the taxable result of the company.

Residents: the company will be liable to IRC in Portugal, which is due on its taxable profit at a 21% rate, plus:
(i) a municipal surcharge at a rate of up to 1.5% levied on the taxable profit, and; (ii) a state surcharge on the part of the taxable profit exceeding €1.5 million, at progressive rates up to 9%

Non-residents without a permanent establishment in Portugal: 25%

THE NON-HABITUAL RESIDENTS TAX REGIME IN PORTUGAL

In September 2009, the Portuguese Government approved a new regime for non-habitual tax residents.

Who can apply?

It is available to non-resident individuals who decide to become a resident in Portugal, provided they have not been taxed as a Portuguese resident in the five years prior to taking up residence. EU, EEA and Swiss citizens have an automatic right to live in Portugal, and individuals of other nationalities must obtain a residence permit.

What are the qualification conditions?

To qualify, an individual must become a tax resident in Portugal under Portuguese domestic legislation. This means they must either stay in Portugal for more than 183 days during a 12-month period, or keep a house in Portugal that can be considered their personal and permanent address. The regime is applicable for a 10-year unbroken period and is not renewable.

How does taxation work?

The regime differentiates between income derived from a domestic source and income derived from a foreign source.

Domestic-source income

Under the regime's rules, employment and self-employment income derived from high value-added activities of a scientific, artistic or technical nature in Portugal are taxed at a flat rate of 20%. Income from sources other than these high value-added activities are taxed at the normal rates applicable to resident taxpayers.

Rental income, capital gains, dividends and interest earned in Portugal, are also subject to the same rules as the ones applicable to Portuguese residents.

Foreign-source income

Foreign-source employment income is exempt from Portuguese tax as long as it is taxed in the source country under a double taxation treaty or under the OECD-model tax convention. In addition, income must not be considered Portugal-sourced under applicable Portuguese law.

Self-employment income obtained from high added-value activities, royalties, rental income and capital gains are also exempt from Portuguese tax provided they may be taxed in the source country under a double taxation treaty or under the OECD-model tax convention. In addition, income must not be considered Portugal-sourced under applicable Portuguese law.

Occupational pension income is exempt from Portuguese tax as long as it is liable to tax in the source country under a double taxation treaty or it is deemed as not being Portuguese-source income under applicable Portuguese law. ■

WITH THANKS TO...

The conveyancing and tax advice in this 'Buying Real Estate in Portugal' section has been written with the help of CMS Rui Pena & Arnaut, a law firm that dates back to 1964 and is firmly established in the Portuguese market. CMS Rui Pena & Arnaut contact:

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