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A Guide to Buying Property in Portugal

Portugal continues to align its laws with those of the other EU countries and adjustments continue to be made. For this reason it is absolutely essential that you deal only through a competent Portuguese lawyer or agent.

Estate Agents

Unlike the UK, estate agents in Portugal are subject to Government licence, and are called *Mediador Autorizado*. We at **Classic & Antique** are officially registered under number AMI 5032.

Lawyer

In Portugal called *Advogados* and many established on the Algarve speak excellent English. It is always advisable to get an independent recommendation from someone who has used their services. We will be happy to provide a list of reputable and recommended local lawyers.

You may wish to consider whether to buy the property in your own name(s) or through an offshore company. The latter offers certain advantages when considering capital gains and inheritance taxes. Again, legislation is changing and you should take advice from your lawyer in Portugal and an accountant in England.

The Notary Public

Unlike the UK, the Portuguese legal system depends heavily on the *Notário*, whose job it is to ensure that all parties are in agreement and the documentation is correct.

The Buying Process

First, establish the upper limit of your budget and stick to it, remembering that on top of the purchase price a further 12-15% will be required to cover the various taxes and expenses. Also factor in an allowance for any renovations, decoration, furniture and if appropriate, the cost of moving house. If you are in a position to finance your purchase the conveyancing process can be initiated. Should you have any doubts regarding finance, feel free to consult us as we have arrangements in place with Banks here and in the UK which may be appropriate.

Briefly the steps are as follows:

1. A Promissory Contract which legally binds both parties to the transaction and starts the whole process in motion. At this stage the purchaser is normally required to pay a deposit of at least 10%, but this may differ.
2. The local Tax Office is advised of the transaction and your new tax contribution number is issued.
3. All documentation required for the purchase of the property is handed to the Notary Public.
4. The Property Transfer Tax (IMT) is paid at the local Revenue Tax Office. For current rates and other information, please check with our office.
5. Make an appointment at the Notary's Office.
6. Execute the Deed of Transfer(Escritura) at the Notary's Office.
7. The property is now considered as transferred to the new owners. Registration of Property - this is done at the Land Registry (Conservatória), and formalises the change of ownership.

Note:

Provided you leave a Power of Attorney with your lawyer, they will be able to sign documents on your behalf after you have returned home. They will become responsible for presenting to the Notary all appropriate documentation so ensure that they communicate well in English and that they fully understand your requirements. In addition to the documents listed here, they will also require photocopies of the purchasers' passport(s), matrimonial details, statement of occupation and an outline of your financial arrangements.

The Promissory Contract:

This is legally binding and is signed by the vendor as well as the purchaser. The following points are important:

- The property to be purchased, must be totally free of all obligation such as mortgages, outstanding debts to the state, local authorities and others.

- In the case that possible future repairs are to be charged to the vendor, the general condition of the property should be listed and agreed.
- A comprehensive inventory should be made of the grounds, all buildings and their contents.
- The financial consequences of withdrawal by either one of the parties should be stipulated.

Other important items in the contract

Detailed personal identification of both parties.

The exact location of the property and its registration number.

The expiring date of the promissory contract and the date when completion is due

The deposit paid by the purchaser, in principal 10-15% of the total amount and the date the final payment is due

The signature of both parties and the date.

Registration at the Tax Department

At the Tax Department you will receive a personal Tax number (*Número de Contribuinte*) which the notary requires before the main contract can be signed.

This will also enable the local finances to send you the annual Property Tax demands.

Property Transfer Tax (IMT) must be paid before the transfer can be completed.

The main contract (Escritura) will be written by the Notary in Portuguese. It is possible to get a translation by an official translator.

Provided your Lawyer has a suitable Power of Attorney, all of the above can be completed in your absence.