IPTI Xtracts
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A GENERAL INTRODUCTION TO REAL ESTATE INVESTMENT TAXATION IN PORTUGAL

i Investment vehicles in real estate

A public limited company (SA), often known as a joint stock company, is the most frequently used vehicle for investing in real estate in Portugal. It is an unregulated flexible vehicle with low initial and continuing administration costs and few compliance requirements.

Regulated vehicles, such as real estate investment funds (FIIs), real estate investment companies (SICAVIs or SICAFIs), and real estate investment and management companies (SIGIs), might also be appealing investment vehicles; however, they are not so widely used because of their highly regulated regimes, as well as their higher management and compliance costs.

ii Property taxes

In the acquisition of real estate, the purchaser must consider the charges associated with the acquisition and ownership of the property, in particular those relating to real estate transfer tax (IMT), stamp duty (IS) and municipal real estate tax (IMI).

IMT is due on onerous transfers of ownership rights or equivalent rights held in respect of real estate located in the Portuguese territory, whereas IMI is due annually by the holders of ownership, usufruct or surface rights over real estate. An additional and separate tax (AIMI) is also levied on residential property and land for building if certain circumstances are verified (see below).

As for value added tax (VAT), the transfer of real estate is, as a rule, exempt from such tax. However, the seller (together with the purchaser) may waive the VAT exemption on the transfer of urban non-residential real estate under specific circumstances.