

# Portugal: Real Estate Opportunities and one of the World's Leading Residence-by-Investment Programs



*By Andrew Coutts  
Managing Partner  
Henley & Partners Portugal Lda.*

As Portugal's economy recovers from recession, luxury Portuguese property is again becoming of interest to affluent investors. The market has been boosted by the success of the Residence-by-Investment program, known as the Golden Residence Permit (GRP), and the non-habitual tax regime.

## **The Golden Residence Permit**

Since its introduction in December 2012, the GRP has been highly successful. In the last quarter of 2013 and the first quarter of 2014 it was responsible for the sale of over half a billion euros worth of residential property. In May 2014, the Portuguese government stated that the program would continue to be aimed at the luxury residential property market.

Through the GRP, citizens from outside the EU can acquire a Portuguese residence permit by investing 500,000 € or more in property, allowing full access to the 26 Schengen states and the eligibility to apply for

Portuguese citizenship after 6 years of residence.

Within the GRP, there are 3 investment options: the transfer of an investment of a minimum of 1 million €; purchase of real estate with a minimum value of 500,000 €; or creation of at least 10 new jobs registered with the social security department.

The property investment route has proved the most popular choice among non-EU citizens, partly because of the excellent properties and lifestyle on offer in a country with a wide range of beautiful landscapes and historic monuments – Portugal has nearly 20 world heritage sites – and partly because of the attractive climate and lifestyle.

## **Taxation and non-habitual residents**

The Portuguese economy has also been fuelled by the taxation regime for non-habitual residents (NHR), which has been attracting significant interest from global citizens prepared to spend more than 183 days per annum in Portugal and become resident for tax purposes.

The most attractive feature of the NHR is that individuals not taxed as residents in Portugal in the immediately preceding 5 years receive, for a period of 10 years, a reduced rate on tax; and they may even be exempt from tax on certain income.

Income derived from a foreign source and relating to employment income, pension income as well as business and professional income can be subject to tax exemptions.

Foreign source income from royalties, investments, rental income and capital gains is also exempt from tax in Portugal, if the income will be taxed in the country of source under the rules of a relevant treaty.

Income derived from a Portuguese source will be subject to income tax at a flat rate of 20% under certain legally designated professions.

There is no wealth or inheritance tax and, in most cases, no gift tax in Portugal.

GRP investors who do not choose to be tax resident in Portugal will not be liable for any taxes except where the investment is in property as well as VAT on personal consumption expenditure.

## **Luxury real estate**

Portugal has some of the most attractive luxury property investment opportunities in Europe. High quality properties are considerably cheaper than they were 4 years ago before the economic recession. In many cases, property is anywhere between 10 and 30% cheaper depending on the area, with yield returns of up to 6%.

The upmarket Estoril Coast Riviera and the popular Algarve are sought-after by many investors. Others choose north Portugal with its rolling mountain ranges and vineyards.

Portugal also has some of the finest golf courses and associated residential resorts to be found anywhere in Europe, and these golf resorts are a particularly popular option. Lisbon has also become a respected luxury shopping destination, and the city's Avenida da Liberdade has been named the 7th most prestigious shopping avenue in Europe.

For non-EU foreign investors, Portugal offers an enviable and competitively priced lifestyle, a lovely climate and wonderful leisure facilities on the threshold of Europe, away from many of the world's political troublespots, and easy access to residence rights. For EU citizens looking to relocate to a milder climate, both literally and tax-wise, Portugal is equally attractive and offers excellent opportunities to acquire a property in the sun at still reasonable price levels.

[andrew.coutts@henleyglobal.com](mailto:andrew.coutts@henleyglobal.com)  
[www.henleyglobal.com](http://www.henleyglobal.com)