



Older Properties and Unauthorised Improvements

Many property owners who acquired their homes in Portugal in years gone by face a common dilemma: they bought at a time when real estate was dirt cheap. These houses were often primitive and in poor condition, requiring substantial improvements. In those days, it was common practice to do the work and worry about the formalities later: no building permits, no formal plans, no invoices issued or kept. In addition, the Rateable Value (“VPT”) remained low, sometimes too low to tax!

Today, the situation has inverted. Valuations and tax appraisals have skyrocketed. Unauthorised alternations require planning permission prior to sale. Low deed prices and low Rateable Values can mean a whopping Capital Gains tax assessment upon sale.

The Solution

The problem can be solved by “*killing two birds with one stone*”. First, have plans drawn up and building permits issued for any unrecorded improvements. Then, upon completion and inspection, the old “*matriz*” (tax registration) should be struck off and a new one assigned, along with a revision of the Rateable Value.

This new “*matriz*” will serve as the base when you finally sell your property, substantially reducing your CGT liability as well as sorting out the bureaucratic “*skeletons in the closet*”.

Example: The Smiths bought and renovated an old farm house in the mid 1980's with little or no paperwork to show for the improvements that they made over the years. While today's selling price is €500,000, most of the proceeds of the sale will be seen as a Capital Gain.



To achieve a much needed update in bureaucratic formalities and a significant “VPT” uplift, they apply for building permits and subsequent inspection. Their old “matriz”, with an original “VPT” of just €50,000, is struck off and a new tax registration approved at over €375,000, leaving them with a far more manageable CGT bill to settle.

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11 August 2018

