

# PORTUGUESE REAL ESTATE INVESTMENT VEHICLES & FINANCING

Hotel Pestana Palace

Comparative analysis of Portuguese  
Investment Vehicles – The best route for  
each kind of real estate player's & the  
future of listing alternative

LISBON  
23<sup>rd</sup> APRIL

ORGANIZED:



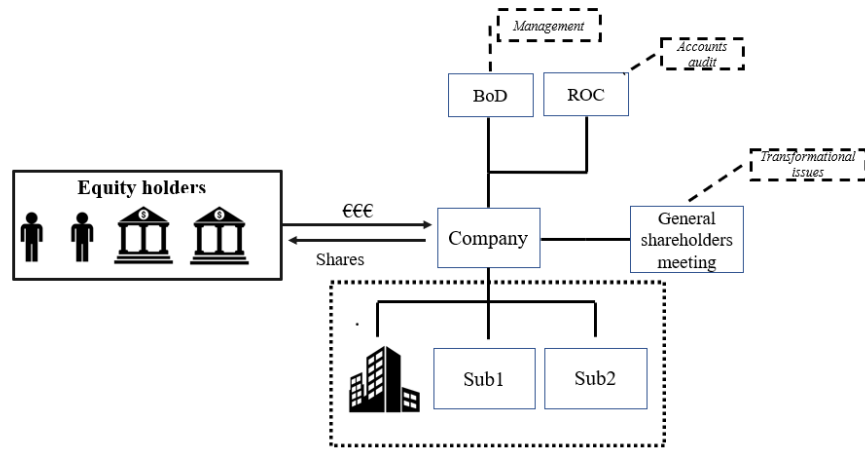
SPONSORS:



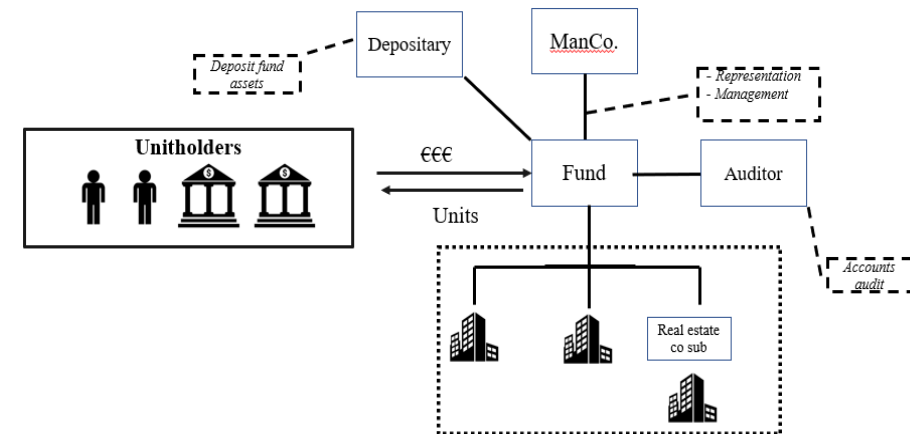
# Main Investment Vehicles in Portugal

## SIMPLIFIED STRUCTURE DIAGRAMS

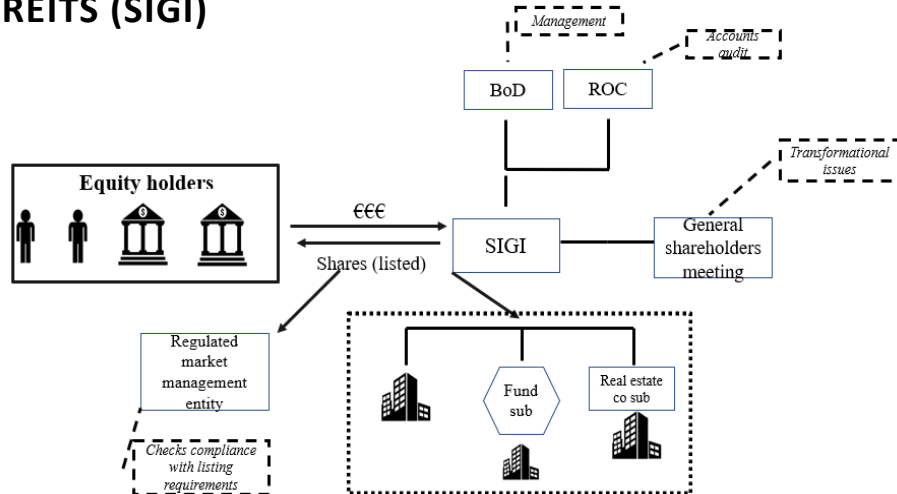
### LIMITED LIABILITY COMPANY (SA)



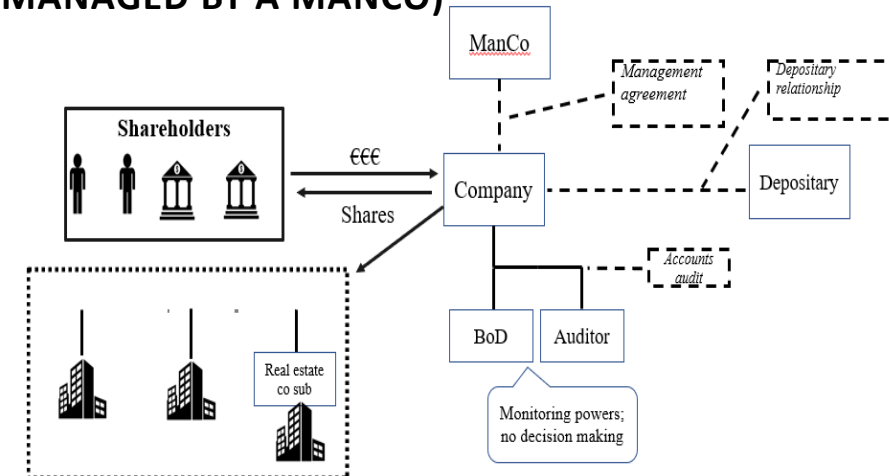
### REAL ESTATE INVESTMENT FUND



### REITS (SIGI)



### REAL ESTATE INVESTMENT COMPANY (MANAGED BY A MANCO)



# Governance and control

## LEVEL OF CONTROL OVER THE ASSETS

Regulated SPV	REIF	Open ended Fund	<ul style="list-style-type: none"> <li>▪ <b>Management:</b> Managing Company acting in the best interests of the REIF and its unitholders</li> <li>▪ <b>Investors:</b> Unitholders' meeting only for closed-ended funds</li> <li>▪ <b>Level of Control:</b> Less control and flexibility investors in terms of the investment policy than a non-regulated company (as the management lies with the Managing Company under a regulated management contract, in particular in the case of open-ended funds)</li> </ul>
		Close ended Fund	
Regulated SPV	REIC*	Open ended Company	<ul style="list-style-type: none"> <li>▪ <b>Management:</b> Managing Company acting in the best interests of the REIC and its shareholders + Board of Directors with limited powers</li> <li>▪ <b>Investors:</b> Shareholders' meeting in a SIC with the powers to elect of corporate bodies</li> <li>▪ <b>Level of Control:</b> Less control and flexibility for investors in terms of the investment policy than a non-regulated company (subject to more demanding conflict of interests rules and the management lies with the Managing Company under a regulated management contract, in particular in the case of an open-ended company)</li> </ul>
		Close ended Company	
Non-Regulated SPV	SIGI		<ul style="list-style-type: none"> <li>▪ <b>Management:</b> Board of Directors and Executive Committee or Delegated Director</li> <li>▪ <b>Investors:</b> Shareholders meeting competences under the Companies Code</li> <li>▪ <b>Level of Control:</b> Higher control and flexibility for investors in terms of the investment policy than in regulated vehicles</li> </ul>
	SA		

\* Managed by a ManCo (self managed investment companies are also allowed)

# Governance and control

## AUDITING, CORRECT VALUE AND DISCLOSURE

Regulated SPV	R E I F	Open ended Fund	<ul style="list-style-type: none"> <li>▪ <b>Auditing and statutory auditor (of fiscal board):</b> Audited financial information (annual).</li> <li>▪ <b>Custodian</b> (not required in investment schemes targeting professional investors only and managed by small ManCo): Supervisory role + draws up a monthly inventory of the investment scheme assets and liabilities</li> <li>▪ <b>Valuations:</b> Portfolio appraised by two experts periodically (every 12 months in closed-ended and every 6 months or whenever redemptions are possible in open-ended)</li> <li>▪ <b>Disclosure requirements:</b> Reports to the CMVM on the portfolio and disclosure of the value of interests. Disclosure requirements related to the admission to trading in a regulated market or MTF</li> </ul>
		Close ended Fund	
	R E I C	Open ended Company	
		Close ended Company	
Non-Regulated SPV	SIGI		<ul style="list-style-type: none"> <li>▪ <b>Auditing and Fiscal Board:</b> Audited annual financial information by a ROC. SIGIs must have a Fiscal Board</li> <li>▪ <b>Valuations:</b> Assets evaluation at least every 7 years, by external auditor registered with the CMVM</li> <li>▪ <b>Disclosure requirements:</b> No specific requirements in addition to the annual accounts and disclosure requirements in the context of offer or admission to trading in a regulated market or MTF (1 year as from registration to require admission)</li> </ul>
	SA		<ul style="list-style-type: none"> <li>▪ <b>Auditing and Supervisory Body:</b> Audited annual financial information by a ROC. The supervisory bodies may be (i) a statutory auditor or a fiscal board (+ a ROC in large or listed companies) or (ii) an audit committee or a supervisory board and a ROC</li> <li>▪ <b>Disclosure requirements:</b> No specific requirements in addition to the annual accounts and disclosure requirements in the context of offer or admission to trading in a regulated market or MTF</li> </ul>

# Investment policy and restrictions

## ELIGIBLE ASSETS AND PORTFOLIO RESTRICTIONS

	Open ended Fund / Investment Company	Closed ended Fund / Investment Company
Regulated SPV	<ul style="list-style-type: none"> <li>▪ <b>Eligible assets:</b> property (free from liens materially affecting transfer), interests in investment schemes, shares in certain real estate companies and liquidity</li> <li>▪ <b>Main purpose:</b> acquisition of ownership, surface or equivalent rights over property and construction and rebuilt projects for leasing (or other forms of use) or resale</li> </ul>	
Non-Regulated SPV	SIGI	<ul style="list-style-type: none"> <li>▪ <b>Eligible assets:</b> property and interests in other SIGIs and certain OILs and companies</li> <li>▪ <b>Main purpose:</b> acquisition of ownership rights, surface rights or equivalent rights over properties for leasing (including atypical services contracts related with property use and construction and rebuilt projects) – under the tax regime, properties shall be held for leasing at least 3 years</li> <li>▪ <b>Limits:</b> Mainly property rights for leasing and, at least 2 years after setting up, (i) rights over properties and interests (held for at least 3 years) and (ii) rights over properties leased must represent, respectively, at least 80% and 75% of the total value of its assets on a consolidated basis (free from liens affecting transfer, unless those related to the financing of acquisition, rebuilt or construction)</li> </ul>
	SA	<ul style="list-style-type: none"> <li>▪ <b>Eligible assets, limits and main purpose:</b> No limits except for having a general commercial or industrial purpose and not a specific investment purpose or policy</li> </ul>

# Tax regimes

## SPV LEVEL

	Regulated SPV			Non-regulated SPV	
	Open-ended Fund	Closed-ended Fund	REIC	SIGI	SA
CIT	Subject to tax on taxable profits determined according to the GAAP applicable to CIVs but typical fund income (rents, CG, interest etc) should be exempt. Qualification of income is essential. Exempt of State and municipal surcharges. No WHT on rental income.			Subject to WHT on rental income (25% - applicable to CIT taxpayers or PIT taxpayers undertaking a professional / commercial activity and treated as a prepayment ) Subject to tax (21% plus State and Municipal surcharges)	
VAT	The supply, leasing or letting of immovable property is generally exempt of VAT. It is possible to elect to levy VAT (exemption waiver), provided certain conditions are met (may be beneficial to allow the deduction of input VAT, for example, from construction, rehabilitation and maintenance activities).				
IMT	The onerous transfer of Portuguese-situs real estate property is subject to IMT on purchase price or Property's Tax Value (whichever higher) and taxable in the hands of the acquirer (5% for rural property and up to 7,5% for urban property). Exemptions may apply (rehabilitation, purchase for resale).				
IMI	Due by the owner of property rights by December 31 (0.8% on rural property and 0.3-0.45% on urban property). Exemptions may apply (rehabilitation). An IMI Surtax is due on the sum of the property tax value held by the taxpayer at a 0.4% rate applying to companies.				
SD	0.8% on the acquisition of real estate property for consideration. Applies in addition to IMT. If SPV is capitalized via loan, SD may be due on the loan amount between 0.04%/month (for loans with maturity of less than one year) to 0.6% (for loans with a maturity of 5 years or more). If capitalized via bond issuance, no SD will apply, except for the security package at rates (0.04% / month – 0.6% / year) varying on the term of the guarantee applicable on the secured amount				
	0.0125% rate on net asset value of the fund (quarterly)			N/A	

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