

PROPERTY RENTING

A QUICK GUIDE TO RENTALS IN PORTUGAL

(V1.0 2021-03-23)

Based on the “Novo Regime do Arrendamento Urbano” legislation and the Portuguese Civil Code, as applicable on the date of this document.

BASIC DECISIONS

1. Decide which kind of rental

i In Portugal, there are basically two types of residential rental, which have implications for both the property owner and the tenant:

1. So-called “long-term” rentals, the subject of this document
2. So-called “short-term” rentals, which are covered in a separate document written by this author: the Alojamento Local Quick Guide

The decision as to which rental is applicable is not straightforward, and may depend on several factors such as: length or dates of stay; tax implications for the owner; legal or fiscal implications for the tenant (will the contract be used to obtain residency, does the tenant need to deduct the amounts paid on the IRS declaration, etc.); whether the owner already has an Alojamento Local license; rental price; if water, electricity and other bills are included; etc.

From here on, this document will concern itself exclusively with long-term rentals, which are governed by the Novo Regime do Arrendamento Urbano (NRAU) legislation. See the associated Alojamento Local Quick Guide for information about short-term rentals.

2. Decide on the price

i A monthly price should be decided, which normally excludes all bills. You should know the area of your property (or room) in square metres and calculate the price/m², making sure that it does not differ too much from the local market price. The following may be used to decide the price:

- Use Idealista.pt, do a search in your area and filter for number of bedrooms, condition, furnished/unfurnished, etc. This site has an interesting map function, which even allows you to draw a personalised area around your street. Do not limit your options too much, you want to be able to see a good selection of similar properties. Once the selection has been made, view as a list and compare prices. At the bottom of the page, you should also be able to see the average price/m² for the selection. You should now be able to decide on a reasonable price for your property, although you may also want to repeat the task on Imovirtual, Casa Sapo, OLX and other sites.

- *Location, location, location! Is your property near a metro station or other good transport links? Does it have a view? Close to the beach? Some kind of terrace, veranda, garden, or other outside space? What are the parking possibilities, and does it have a private garage? How many bathrooms? Air-conditioning, lift, etc.? All these factors could imply a slightly higher-than-market price and should be taken into account.*
- *Is the property furnished or unfurnished? Furnished properties, especially in areas popular with foreign clients, can often demand slightly higher prices.*
- *Will you be using estate agents, or doing your own marketing & selling? If using agents/brokers, do not forget you will be paying a commission (normally 1 month's rent plus VAT, but sometimes even more).*

NOTE: The rent can be increased every year according to the coefficient calculated by the Instituto Nacional de Estatística and published every year on 30th October in the Diário da República. For the last few years, this coefficient has always been approximately 1%.

PROPERTY INFORMATION

3. Documentation

i *To rent out a property, or part of a property, certain documents are essential, and others may be necessary. Essential documents include:*

- *The “caderneta predial” or tax document of the property. This document is supplied by Finanças and can be downloaded from your personal area on the Finanças website (search for património predial once you have logged in). It is needed to obtain the exact location of the property, its registration and identification information, its area in m2 and sometimes the year of construction. The information from the caderneta is used to draft the rental contract.*
- *Energy certificate. By law, any properties bought or rented must possess an energy certificate. If you need to obtain one, just search for “certificado energetico” online and you should find plenty of options.*
- *“Licença de utilização” or usage licence, obligatory for properties constructed after 1951 or if the property has been renovated by licensed works.*

Non-essential documents, which may be requested by the estate agent, potential tenant, or any lawyers involved in the contract negotiation:

- *The “certidão predial” or property registration certificate. This indicates the owner of the property, registration details, areas, and what rooms or sections it contains. It allows interested parties to do some extra due diligence regarding the property and ownership.*
- *“Ficha técnica”. Technical datasheet, obligatory for properties constructed after 30th March 2004.*

4. Multimedia

i To market the property to find tenants, you will need photos, a good description of the property and other items, such as a video, 3D virtual tour, etc. Possible marketing tools include:

- A good description of the property, including all areas, if it is furnished or unfurnished, what floor of the building it is on, location and number of bedrooms, bathrooms, area in m², all equipment or appliances and all plus point such as: views; terrace, verandas, or other outside spaces; if there is a lift in the building; available parking; air-conditioning and/or heating; closeness to transport links, schools and other facilities, etc.
- A good set of photos. It may be worth investing €50-€100 in a professional set of photos, but normally smartphone photos are sufficient. Use the wide-angle option available on modern smartphones if possible, and before publishing, use your preferred platform (e.g., Google Photos or Apple Photos) to apply a brighter filter option.
- A video. A 3-5 minute walk-around with your smartphone is normally sufficient, making comments as you go, and describing the rooms, furniture, etc. A video is especially useful during the Covid-19 pandemic because you can send the link to possible tenants, avoiding unnecessary visits if they then decide they are not interested.
- **Tip:** On Windows 10, you can select several image files at the same time, right-click, and then select the “Create a new video” option. This will create a video slideshow of the selected images, and you can add music, text, etc. In my opinion it is not as good as a walk-through video with your smartphone, but it is an option.
- 3D virtual tour. Normally not necessary, but perhaps useful for more expensive or larger properties. It allows potential tenants to navigate through the property online. Example: <https://my.matterport.com/show/?m=j8FsrQqRzrX>
- Drone video: normally not necessary, except perhaps for properties with land, or in the country, where you want to show the surrounding countryside and landscape.

5. How to advertise

i According to the website SimilarWeb.com, the 3 top-ranking sites (excluding company sites) for real estate in Portugal are:

1. Idealista.pt
2. Imovirtual.com
3. Casa.sapo.pt

Anecdotal evidence supports the above ranking, with Idealista absolutely being the best place to advertise, and with other possible options being Facebook Marketplace or specialist

Facebook groups, OLX, Custojusto and even Airbnb, which has special conditions for monthly rentals. If you decide to advertise via a broker, they may require you to sign exclusive agreements to advertise with them and will then probably use Idealista and other sites to advertise anyway.

Idealista offers the first two adverts for free and is therefore an excellent option. The quality of the advert helps to achieve a better ranking, so make sure you have a good description, plenty of photos, a video (see Tip from Section 4 above), and if possible, a floorplan – all of which help to achieve a higher ranking in searches.

CONTRACTS, RIGHTS & LAWS

6. Relevant Legislation

i Residential rentals in Portugal are governed by the Novo Regime de Arrendamento Urbano (NRAU) in its current form and the most up to date version of the Portuguese Civil Code. Although individual contracts may outline different rental conditions, any disputes will certainly consider national law, which usually takes precedence, especially if a contract includes illegal or abusive conditions.

National legislation will also come into force for any contractual omissions – this is most often the case when either party wishes to cancel a contract, so it is well worth knowing what each side's rights are.

7. Minimum duration & renovation

i Rental contracts for permanent housing (*habitação permanente*) have a minimum length of 1 year. It is possible to have a contract of less than one year, but then the document must specify that it is for transitional purposes (*fins transitórios*), which by its very definition, means that it is not for permanent housing purposes and therefore may not be accepted by SEF and other institutions for residency purposes (although this seems to vary from office to office).

Contracts may be for a fixed term, or renewable. Fixed term contracts obviously end on the end date, and neither the tenant nor owner is required to renew. If an agreement is reached to extend the tenant's stay, then a new contract must be drawn up.

Renewable leases are renewed automatically for a minimum of 3 years, if not otherwise stated in the contract. For example, a renewable 2-year contract, is renewed automatically for 3 years. A renewable 5-year contract is renewed automatically for 5 years. In both previous cases, a different renewable period could be specified in the contract, if required.

Another particularly important point about renewable contracts, is that the owner can not oppose the lease renewal in the first three years. As an example, a 1-year contract starting on 1st January 2022, with a contract specifying that the lease can be renewed for equal periods of 1 year, cannot be cancelled – and automatic renewal cannot be opposed - by the

owner until the renewal at the end of 2024 is coming up. The tenant **can** decide to not renew at any time.

8. Cancellations and non-renewals

i As indicated above, owners can not oppose lease renewals in the first three years of the contract. Obviously fixed-term, non-renewable contracts are not renewed anyway.

Tenants can decide not to renew at any time, by giving notice hence:

- 120 days' notice for initial contract **or** renewal periods of 6 years or more
- 90 days for contracts/renewals of 1 year or more, and less than 6 years
- 60 days for contracts/renewals of 6 months to 1 year.
- One third of the contract/renewal length, when less than 6 months.

Tenants may also **cancel** entirely the contract, without waiting for a renewal date, after one third of the contract duration has passed, and then giving notice:

- 120 days before the proposed cancellation date for contracts of 1 year or more
- 90 days before the proposed cancellation date for contracts of less than 1 year

Example for a 1-year, renewable contract, starting 1st January 2022:

After one third of the contract has passed (in this case after 4 months, or after 1st May 2022), the tenant can give notice that they wish to cancel the contract. Perhaps they only decide to give notice on 15th June 2022. They then must wait a further 120 days before leaving, and the contract is cancelled from 31st October 2022, since whole months are counted. Rent is due for every month from January 2022 until October 2022, inclusive.

(The above conditions are outlined in Artigo 1098.º of the Código Civil.)

The tenant may also have a reasonable motive to cancel a contract if the property is not habitable.

NOTE: If the property is sold, the tenant's rights are not affected. The contract and all conditions remain valid, except for the fact that the rent must be paid to the new owner.

Owners may decide not to renew a contract (after three years, as noted above), by giving notice hence:

- 240 days' notice for initial contract **or** renewal periods of 6 years or more
- 120 days for contracts/renewals of 1 year or more, and less than 6 years
- 60 days for contracts/renewals of 6 months to 1 year.
- One third of the contract/renewal length, when less than 6 months.

Owners may also **cancel** entirely the contract, but only under one of the following conditions:

- 5 years before the proposed cancellation date for all contracts
- If permanent housing is needed for the owner or the owner's immediate family
- If renovation work is necessary, such that the property must be vacated.

(The above conditions are outlined in Artigo 1098.º and Artigo 1101.º of the Código Civil.)

9. Contract details

i Please note that all contracts must, by law, be drawn up by a lawyer. One exception to this law is if you are writing a contract for your own use, but we would not recommend this.

A contract should contain information about both the owner and tenant: full name and address, nationality, passport or national ID, date of birth, marital status, and Portuguese fiscal number.

The property must be correctly defined with address, land registry information and residential license, if applicable.

The duration of the lease should be defined, with start and end dates, and it should be specified if the lease is renewable or not, and for what periods (e.g., a 2-year lease, renewable for 1-year periods)

The contract should include the monthly rental amount, if more than 1 month's rent is paid initially, and if there is a security deposit. Payment methods & conditions should be defined – normally the rent is paid at the beginning of the month previous to the month it applies to. Note that legally, the rental amount can be automatically increased every year by the official rate of inflation, but the owner is required to formally notify the tenant of this increase.

Typically, owners request 2 months' rent (current and following month) and 1 month security deposit and may also ask for proof of earnings such as salary slips, work contract or IRS declaration, or a "fiador", which is a guarantor, and who is legally liable for all payments should the tenant not pay. The maximum number of months' rent requested in advance is 3, according to the law, but there is no limit to the security deposit.

The purpose of the lease should be included, e.g., for permanent housing, or transitional purposes.

Often contracts include conditions stating that the property and its contents should be maintained in good condition. Normally, the tenant is responsible for any damage or breakages due to improper use, and the owner is responsible for any repairs due to normal wear and tear.

Replaceable items such as light bulbs and cleaning products should be bought by the tenant, although this is normally not mentioned in the contract. What should be specifically mentioned is who pays the water, electricity, gas, TV, and Internet bills and how.

Often provision is made for visits by the owner in the last 2-3 months. This is normal and should not create problems, since obviously the owner will need to find a new tenant if the previous one is leaving.

Sometimes an addendum is provided with an inventory of equipment and furniture.

Normally, all condominium costs are paid by the owner, although if stipulated in the contract and both parties agree, these costs can be passed on to the tenant.

The contract should be initialed on all pages (including the addendum, if present), and signed on the last page. Both the tenant and the owner receive a signed copy.

The owner is legally required to register the contract with Finanças and pay the corresponding stamp tax (10% of the first month's rent). This can be done online or in person. For every payment, a rental receipt must be issued. This can also be done online.

FISCAL IMPLICATIONS

10. Owner

i *As mentioned above, the owner is required to register the contract with Finanças. This means that earnings from the rental are automatically reported and will be taxed on the owner's yearly IRS declaration. Rental earnings are taxed as follows:*

- *28% for contracts of less than 2 years*
- *25% for contracts of 2 years or more and less than 5 years*
- *23% for contracts of 5 years or more and less than 10 years*
- *14% for contracts of 10 years or more and less than 20 years*
- *10% for contracts of 20 years or more*

For contracts of 2 or 5 years, further deductions are possible for each renewal, up to the 14% limit.

11. Tenant

i *If the rental contract has been properly registered by the owner, the tenant can deduct 15% of the yearly cost, up to a maximum of €502, on their IRS declaration.*

The contract must be registered with Finanças, the stamp tax paid, and rental receipts or invoices issued every month. Also, the property must be the registered fiscal residence of the tenant.

If the tenant is a student aged 25 or less, up to €300 can be deducted, if the property is located more than 50km from the student's family home.

12. Rental receipts

i Owners are legally required to issue electronic receipts (in the case of individuals) or invoices (in the case of businesses). Owners over 65 are exempt from the electronic receipt requirement, although they can do so if they wish, and they are still required to issue paper receipts.

Rental receipts can be issued from the Finanças website, if the contract has been previously registered on the portal (see relevant link below)

EVICCTIONS

13. Non-payment or other valid reasons

i It is possible to initiate an official eviction process online via the “Balcão Nacional do Arrendamento” (see link below). The request will only be accepted if there is a legal rental contract which has been registered with Finanças and the corresponding stamp tax paid.

If accepted, the tenant has 15 days to contest after being notified of the eviction process. If the eviction process is successful, the tenant is allowed 30 days to vacate the property.

We highly recommend consulting a lawyer before initiating an eviction process.

The civil code (articles 1083 and 1084) covers the following situations as valid reasons for the owner to start an eviction process:

- *A two-month or greater delay in payment.*
- *Failure to temporarily vacate the property if public authorities require renovation work to be done on the property.*
- *After being formally notified of either of the above two cases, the tenant has 1 month to rectify the situation (make payment or leave the property accordingly). The tenant may only rectify such situations once during the lease, otherwise the eviction process can be initiated immediately.*
- *If the tenant pays more than 8 days late four times (whether consecutively or not) in a 12-month period.*

MISCELLANEOUS

14. Useful links

i Novo Regime do Arrendamento Urbano: <https://www.portaldahabitacao.pt/web/guest/nrau>

Código Civil: <https://dre.pt/legislacao-consolidada/-/lc/34509075/view>

Balcão Nacional do Arrendamento: <https://bna.mj.pt/>

Portal das Finanças: <https://www.portaldasfinancas.gov.pt/>

Link to issue rental receipts:

<https://www.portaldasfinancas.gov.pt/pt/TC/menu.action?pai=5326>

Idealista: <https://www.idealista.pt/en/>

Imovirtual: <https://www.imovirtual.com/en/>

Casa Sapo: https://casa.sapo.pt/en_gb/

Balcão Nacional do Arrendamento: <https://bna.mj.pt/>

Chave Móvel Digital: <https://eportugal.gov.pt/pt/servicos/obter-informacoes-sobre-a-chave-movel-digital>

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Annex: Changelog



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- *First version created.*