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REAL ESTATE · ALGARVE

GETTING STARTED

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Second Home in Portugal

Foreign buyers seeking a holiday or vacation property in
Portugal

TL;DR

- Most foreign buyers buy the wrong property because they confuse a holiday memory with a use case. Define use case first, then everything else.
- Non-resident IMT is moving to a flat 7.5%, with carve-outs — but the operative decreto-lei was promulgated 12 May 2026 and is not yet in force. Plan for it; don't pay it before it exists.
- AL economics are real but thinner than the brochure suggests: gross yields 6.5–10.5%, net yields 2.5–5%. Rental converts a lifestyle cost into break-even, not a property into an investment.

Key 2026 stat: foreign buyers acquired **27.6%** of all family-sector housing transactions in Portugal in 2025 — down from a 31% peak in 2023 and the lowest share since 2021 (INE, March 2026). The "wave of foreign buyers" narrative is two years stale. You are buying into a normalising market, not a frenzy.

Introduction: The Two Sides of the Dream

Most of what you read online about buying a second home in Portugal is written by people who only get paid if you buy something. That is not this guide.

A Portuguese second home can be one of the better quality-of-life decisions of your life. It can also become a slow, bilingual financial bleed that turns a beloved holiday country into a source of low-grade administrative dread. The difference is almost never about the property itself — it is about whether the buyer was honest, before signing, about what the house is actually for.

This guide is buyer-side and deliberately counter-commercial. The intended reader is a foreign buyer, probably non-resident, considering a property between €350k and €2M. If you are buying a €5M Comporta beachfront the structural questions are different and you should be working with a specialist tax adviser from day one.

I. Define the Use Case Before You Look at a Single Listing

There are three distinct use cases. They pull in opposite directions on almost every decision — location, property type, layout, finish, pool, security. Pick one, in one sentence, before your first viewing trip.

Use case A — Pure family use

You will use it 6–14 weeks per year. It sits empty otherwise. No strangers in your bed. Friends and family welcome, but no commercialisation.

This is the most expensive option in pure cash terms because nothing offsets the running costs — but it is the least stressful and the version that delivers the lifestyle dividend. Personal photos on the wall, your favourite coffee machine on the counter. Nobody else's wet swimsuit ever ends up on your sofa.

Use case B — Use it, then rent it when you're not there

You will use it 4–10 weeks per year (typically July plus shoulder weeks) and rent it the rest via Airbnb / Booking / a local manager. Rental income offsets some or all of the running cost.

The most common foreign-buyer model. Also the one that goes wrong most often, because people underestimate wear-and-tear, management fees, the regulatory load (AL licence, VAT, accounting), and the impossibility of keeping the property in showroom condition for both yourself and 25 changeovers a year. The maths can work — just not as easily as the brochure suggests.

Use case C — Retirement home in progress

You are 5–10 years away from spending half the year (or more) in Portugal. You want to plant the flag now and gradually move things over. Eventually you may switch tax residence; IFICI (the new NHR successor) may apply if you have a qualifying profession — note that **foreign pensions are not covered** by IFICI, contrary to a lot of stale internet content.

Arguably the smartest use case because you are buying with your future 60-year-old self in mind, not your current 45-year-old holiday self. It usually means choosing a region with year-round livability (mature healthcare, good airport links, walkable town) over the prettiest summer location.

Honest test: write down which use case is yours, in one sentence, before you book your first viewing trip. If your spouse writes a different sentence, do not buy anything until you reconcile. About a third of all "second home regret" cases are simply two people having quietly bought different properties.

2. The Best Regions for Second Homes (2026 Price Points)

Portugal is small, but its holiday-home markets are very different. Reference prices below pull from INE's 2025 full-year release (April 2026) and idealista's May 2026 index. INE puts the Algarve median at **€3,139/m²** and Greater Lisbon at **€3,439/m²**; idealista's asking-price index runs higher (asking ≠ transaction).

The Algarve — the obvious answer, and the right one for most

300 days of sun, 200km of coast, mature international infrastructure, Faro airport with direct flights across Northern Europe, and an English-speaking professional layer that genuinely understands non-resident buyers. Median Algarve transaction sits around €360,000; the average is closer to €470,000 because of luxury distortion.

Algarve micro-market	2026 typical price	Character	Rental potential
Lagos (West)	~€4,000/m ² avg; villas €600k–€1.5M	Real town, year-round economy, dramatic coast	Strong; long season
Carvoeiro (Central–West)	Villas €500k–€1.5M with pool; apartments from €350k	Picturesque, intimate, cliff coast	Strong Jun–Sept, weak winter
Vilamoura (Central)	Apartments €450k–€900k; villas €1M–€3M+	Marina/golf resort, manicured, international	Most reliable AL market in Algarve
Quinta do Lago / Vale do Lobo	Villas €1.5M–€10M+	Top-tier resort, gated, golf	Strong but high cost base
Tavira (East)	€2,500–€3,500/m ²	Old-Portugal feel, less touristy, walkable	Lower but growing; longer-stay clientele
Olhão / Fuseta	Apartments €250k–€500k	Authentic, fishing-town feel	Niche but growing

The classic split: **west** (Lagos, Sagres, Aljezur) for surfers, families and a wilder coast; **central** (Albufeira, Vilamoura, Carvoeiro, Quinta do Lago) for golf, marinas and resort living; **east** (Tavira, Cabanas, Fuseta) for character, lower density and warmer winter sea.

Lisbon Coast — urban-meets-beach

For buyers who want the city as well as the sea, and who plan to use the property year-round.

- **Cascais & Estoril:** averages €6,500–€9,000/m², prime areas (Quinta da Marinha, Birre, Monte Estoril) regularly above €10,000/m². 30 minutes by train to Lisbon, schools, restaurants year-round. The "easy" choice for buyers who travel for work.
- **Comporta / Melides:** prime beachfront €16,000+/m² after prime values roughly doubled in five years. Low density, pine forest, the most discreet luxury market in Portugal. Tiny supply, particular aesthetic. Bargains do not exist here.
- **Sintra & Colares:** cooler, greener, more eccentric. Beautiful but humid in winter.

Madeira — the year-round island

Madeira is under-rated for buyers who care about climate stability (18°C in February, 25°C in August). Funchal averages around €3,900/m²; apartments €450k–€900k; villas €1M–€3M. **Catch:** AL is more restricted in Madeira than on the mainland — check the regional rules before banking on rental income.

Porto & Silver Coast

- **Foz do Douro / Nevogilde:** €4,500–€7,500/m², oceanfront higher. Sophisticated, gastronomic, walkable. Cooler/wetter winters than Algarve.

- **Silver Coast** (Óbidos, Nazaré, Peniche, Ericeira): the middle-budget alternative. Cheaper, less developed, surf-and-beach scene, easier AL rules than Lisbon. Worth a serious look if your budget is €300k–€600k and you can live without obvious geography.

3. Property Types: What Actually Works as a Second Home

Type	Strengths	Weaknesses
Villa with private pool	The classic Algarve dream; strong rental rates; privacy	Highest running cost (€10k–€20k/year); pool and garden need management; security risk when empty
Townhouse (resort or village)	Lower maintenance; communal pool; lock-up-and-leave friendly	Less privacy; condo politics; shared pool in peak season
Resort apartment (Vilamoura, QdL, Cascais)	Lowest hassle; concierge handles everything; strong rental	Condominium fees €100–€400/month; less character; AL caps in some buildings
Country quinta / farmhouse	Land, character, vines and olives	Heavy maintenance; wells/septic; isolated in winter; hard to rent
Old-town apartment (Tavira, Lagos, Funchal)	Character, walkable, rentable	Limited outdoor space; stairs; noise; damp
Gated community condo	Security, communal facilities, 24/7 staff	Sterile; condo politics; HOA fees

Rule of thumb: every additional 25m² of garden, every extra metre of pool, every additional remote feature is a maintenance commitment, not just a purchase. If you are abroad 40 weeks a year, choose the property your future-self can ignore for 10 weeks at a stretch.

4. The Buying Process for Non-Residents

Portugal is genuinely open to foreign buyers. There is no nationality restriction and the process is well-trodden. The bad news: there are eight or nine moving parts and getting them in the wrong order costs months.

1. **NIF (Número de Identificação Fiscal)** — every buyer needs one. EU/EEA residents apply directly at a Finanças office or online. Non-EU/EEA buyers (UK, US, Canada, Switzerland) need a fiscal representative to obtain it. Cost: €100–€250 issuance + €100–€350/year ongoing representation.
2. **Portuguese bank account** — Millennium BCP, Novobanco, ActivoBank and Santander all serve non-residents. Allow 2–4 weeks.

3. **Independent lawyer** — non-negotiable. Budget €2,500–€6,000. Their job is to verify the *Caderneta Predial*, *Certidão de Registo*, the *Licença de Utilização*, mortgage status, easements, and the match between what was viewed and what is registered. Never use the seller's lawyer or one "recommended" by the agent. Verify the lawyer's *Cédula Profissional* at the Ordem dos Advogados.
4. **Reservation contract** (optional) — €3,000–€10,000 to take the property off market for 2–4 weeks. Must be **fully refundable** if title issues are found.
5. **CPCV (Contrato Promessa de Compra e Venda)** — the binding promissory contract. Typically 10% deposit (occasionally 20–30%), completion 30–90 days out. Sign only after full due diligence. If you walk, you lose the deposit. If the seller walks, they owe you double.
6. **Mortgage finalisation** (if applicable) — see §9. Allow 6–10 weeks application to formal offer.
7. **IMT and Stamp Duty** — paid before the escritura via Portal das Finanças.
8. **Escritura (final deed)** — at a notary, read aloud in Portuguese (bring a translator), funds clear, keys hand over. Power of attorney is permitted.
9. **Registration** — your lawyer files at the *Conservatória do Registo Predial*.

Total timeline: 8–16 weeks with NIF, lawyer and bank lined up; 3–6 months from scratch.

5. Total Acquisition Costs in 2026 — Where the IMT Story Actually Stands

The headline change for non-residents in 2026 is **Lei n.º 9-A/2026, de 6 de março** — the "Pacote Fiscal da Habitação", politically branded *Construir Portugal*. It approved, among other things, a flat **7.5% IMT** on any non-resident acquisition of urban residential property, regardless of price, with five carve-outs.

Important — read this before you budget for it. Lei 9-A/2026 is an *autorização legislativa*. The complementary *decreto-lei autorizado* containing the operational rules was promulgated by the President on **12 May 2026** and must be issued (published in DR) by 2 September 2026. Until DR publication of that DL, the flat 7.5% is **approved but not yet operational**. If you escritura before publication, you pay under the existing progressive table — which, for a non-HPP (second home), already runs from 1% to 8% with a 7.5% flat tranche above €1,150,853. After DL publication, the flat 7.5% applies from euro one for non-residents who do not qualify for one of these carve-outs:

1. Buyer is already a Portuguese tax resident at acquisition;
2. Buyer becomes Portuguese tax resident within **2 years** of acquisition (with right to IMT refund);
3. Buyer is a Portuguese emigrant acquiring housing in Portugal;
4. Property is rented at "renda moderada" (\leq €2,300/month) within **6 months** of acquisition, for at least **36 months** within the first 5 years post-acquisition;
5. Buyer is in official Portuguese state service abroad.

The practical consequence for an Algarve villa: if you stay non-resident and use the property purely for family/seasonal AL, you pay 7.5% flat once the regime is operational. If you switch tax residence

within two years, or commit to a long-term moderate-rent tenancy, you can claim the difference back.

The cost stack

Cost	Rate / amount	Notes
IMT	Flat 7.5% (non-resident, once DL is published); else progressive table	Refund available under carve-outs 2 and 4
Stamp Duty (Imposto do Selo)	0.8% of price/VPT	Always payable
Notary fees	€600–€1,500	
Land registry	€250–€500	
Lawyer fees	0.5%–1.5% (or fixed €2,500–€6,000)	
Mortgage costs (if financed)	~1–2% of loan: arrangement + stamp duty on loan (0.6%) + valuation €300–€600	
Fiscal representation (non-EU)	€100–€350/year	
Bank transfer / FX	0.3%–1%	Wise, Revolut Business or specialist broker — never your retail bank

Worked examples (post-DL publication, non-resident, no mortgage)

€500,000 apartment, Carvoeiro

Item	Amount
Purchase price	€500,000
IMT (7.5% flat)	€37,500
Stamp Duty (0.8%)	€4,000
Notary + Registry	€1,500
Lawyer (1%)	€5,000
Total	€548,000 (premium 9.6%)

€750,000 villa, Vilamoura

Item	Amount
Purchase price	€750,000
IMT (7.5%)	€56,250
Stamp Duty (0.8%)	€6,000
Notary + Registry	€1,800
Lawyer (0.8%)	€6,000
Total	€820,050 (premium 9.3%)

€1,000,000 villa, Quinta do Lago

Item	Amount
Purchase price	€1,000,000
IMT (7.5%)	€75,000
Stamp Duty (0.8%)	€8,000
Notary + Registry	€2,000
Lawyer (0.7%)	€7,000
Total	€1,092,000 (premium 9.2%)

Plan for 9–10% on top of headline price for non-residents once the new regime is operational. This is the single most under-budgeted line in the transaction. Until the DL is in DR, run the progressive scale instead — for a €500k second home that is roughly €19k–€22k of IMT, not €37.5k.

6. Ongoing Ownership Costs

This is where foreign buyers underestimate by 30–50%. Below is a realistic 2026 stack for an Algarve villa.

Cost	Typical range (2026)	Notes
IMI (annual property tax)	0.3%–0.45% of VPT	VPT usually 30–60% of market value
AIMI (wealth-on-property)	0.7% above €600k VPT individual / €1.2M couple; 1.0% above €1M/€2M; 1.5% above €2M/€4M	Only on Portuguese real-estate VPT above threshold
Building insurance	€350–€900	Mandatory; replacement-value basis
Contents insurance	€200–€600	Optional but advisable
Condominium fees	€100–€400/month	More in Quinta do Lago / Cascais prime
Internet + TV	€40–€60/month	Always-on broadband worth it for security cameras
Standing-charge utilities	€25–€45/month	Contracted minimums apply even when empty
Water + sewerage	€300–€800/year (light use)	Higher with pool/garden
Alarm / security monitoring	€25–€60/month	Increasingly standard
Pool maintenance	€60–€90/month + electricity €30–€50/month	
Garden / landscaping	€100–€250/month	Depends on size, watering load
Cleaner	€15–€18/hour, 4–8 hours per visit	
Property check service (no rental)	€40–€100/visit, weekly or biweekly	Mail, leaks, damp, garden
Misc repairs / replacements	0.5%–1% of value/year	Always more than you think

Worked example — €750k Vilamoura villa, VPT €380,000

- IMI at 0.35% of VPT = **€1,330/year**
- AIMI: VPT below €600k threshold → **€0**
- Combined: **€1,330/year**

Worked example — €1.2M Quinta do Lago villa, VPT €700,000

- IMI at 0.32% of VPT = **€2,240/year**

- AIMI on €100,000 above individual threshold at 0.7% = **€700/year**
- Combined: **€2,940/year** (joint filing would shelter this entirely under the €1.2M couple threshold)

7. Renting It Out: AL in 2026

If your use case is B (use it, then rent it), you operate under Alojamento Local. The framework has stabilised after the 2023–2024 churn — here is where it actually stands.

Current framework

- **Decreto-Lei 76/2024** (in force **1 November 2024**) reversed most of the 2023 *Mais Habitação* restrictions. AL licences are again **permanent and transferable with the property**. The CEAL (Contribuição Extraordinária sobre o Alojamento Local) was repealed. The national freeze on new apartment registrations was lifted. Containment and growth-area regulation was devolved to municipalities.
- **EU Regulation 2024/1028** applies from **20 May 2026**. Platforms (Airbnb, Booking, Vrbo) must validate the RNAL number for every Portuguese listing; unlicensed listings face automatic delisting. Member States must set penalties; Portugal's transposition act is pending as of mid-May 2026.
- **Municipal containment**: Lisbon has tightened most of its historic centre; Porto has similar zones. The Algarve, Silver Coast and most secondary markets remain broadly open. Containment lists change frequently — check the current câmara municipal map, do not rely on guides.

Getting licensed

1. Confirm the property sits in a zone where new AL is permitted.
2. Confirm the building's *propriedade horizontal* and the condominium *acta* do not prohibit AL.
3. Register on the RNAL via the *Balcão Único Eletrónico*; AL number typically issues in 30–60 days.
4. Display the number on the property, on every listing and on every invoice.
5. Comply with safety requirements: extinguisher, smoke detector, first-aid kit, information in 4 languages, complaints book.

Penalties for operating without an AL: up to **€40,000** per infraction.

Tax treatment of AL income (non-resident, 2026)

AL is **Category B (business)** income, not Category F. Under the simplified regime (default below €200,000 turnover):

- Apartments and villas: **35%** of gross revenue is taxable.
- Hospedagem (rooms): 15%.
- Properties in containment zones: 50%.

Non-residents pay a flat **25% IRS** on the taxable portion. Effective rate on gross AL revenue: **~8.75%** (35% × 25%) for a standard villa or apartment.

VAT: from 1 July 2025, non-resident AL operators must register for VAT, charge **6% VAT** on stays, and appoint a fiscal representative. Budget €600–€1,500/year for accounting.

Realistic occupancy and ADR (2026)

Region / property	Peak ADR	Shoulder ADR	Annual occupancy	Gross revenue
Vilamoura 2-bed apartment	€180–€260	€100–€140	60–70%	€25k–€38k
Vilamoura 4-bed villa w/ pool	€450–€800	€220–€350	55–65%	€55k–€95k
Lagos 3-bed villa w/ pool	€350–€650	€170–€280	55–70%	€40k–€75k
Carvoeiro 2-bed apartment	€150–€220	€90–€130	50–65%	€20k–€32k
Tavira 2-bed townhouse	€120–€180	€70–€110	45–55%	€15k–€22k
Cascais 2-bed apartment	€180–€280	€120–€180	60–75%	€30k–€45k
Comporta villa (luxury)	€1,200– €3,500	€600– €1,500	35–55%	€80k– €250k+
Funchal 2-bed apartment	€120–€180	€80–€120	60–75% (more even)	€22k–€35k

Reality check: typical gross yields for Algarve short-term rental are 6.5%–10.5%. After management (15–25%), AL tax (~9% effective), insurance, deeper cleaning, replacements and your own use weeks, **net yields are usually 2.5%–5%**. Anyone quoting you 8% net is extrapolating July to twelve months.

8. Property Management: Three Models

Model 1 – Full-service rental management

Standard Algarve commission is **20% + 6% VAT = 21.2% effective**. They handle listing, pricing, calendar, guest comms, check-in/out, linen, cleaning, replenishment, routine maintenance triage, quarterly statements. Cleaning fees, linen and consumables are normally additional.

Model 2 – Caretaker only (fixed fee)

For owners who don't rent. Weekly/biweekly visits, garden and pool oversight, post-storm checks, quarterly deep clean, trades coordination. Typical cost: **€150–€400/month**.

Model 3 – Hybrid

Owner lists on Airbnb (paying the 3% host fee plus guest fees), local co-host charges 8–12% to handle physical operations, plus per-changeover cleaning. Cheapest if you have admin tolerance.

Red-flag checklist before signing

- Do they manage properties they themselves own? (Conflict of interest if yes)
- Will they share *net* revenue figures from comparable properties (not gross headline)?
- Are statements monthly with full booking-level transparency?
- Damage deposits and breakages — how are they handled?
- Can you exit the contract with 60 days' notice?
- Are they integrated with a proper PMS / channel manager, or running spreadsheets?
- Will they invoice you with proper *fatura-recibo* for tax purposes?

Avoid managers who refuse 12-month historicals, will not show an anonymised owner statement, or push "exclusivity for life".

9. Financing a Second Home

Most non-residents pay cash because the IMT bill plus mortgage stamp duty plus arrangement fees adds friction — and because primary-residence equity often funds the purchase. But euro-denominated debt against a euro asset is a natural hedge, and 2026 mortgage rates remain competitive.

2026 snapshot for non-residents

- **LTV (market practice):** typically 60–75% for non-residents; residents reach 80–90% on HPP. Banco de Portugal's macroprudential framework caps non-HPP / investment at 70% LTV.
- **Term:** usually capped at 30 years and at age 75–80.
- **Rate (mid-May 2026):** variable Euribor + spread typically 1.0–1.5pp for strong profiles; fixed 5–10 years available at a slight premium. Euribor 6M, the dominant index in Portuguese variable-rate stock, was **2.548%** on 13 May 2026 (EMMI); Euribor 12M at **2.860%**. Quote rates as ranges with an "as of" date — they move.
- **DSTI ceiling:** 50% (BdP recommendation; limited share of new credit allowed at 50–60%).
- **Stress test:** borrower capacity tested at index + 3 pp.
- **Documentation:** 6 months bank statements, 2 years tax returns, payslips/income proof, debt declaration.

Second-home and investment-purpose mortgages typically attract a 0.1–0.3 pp spread premium over primary-residence rates. Brokers usually beat what you walk in to a branch and ask for.

10. Avoiding Emotional Buying Mistakes

You will view in summer. You will fall in love at golden hour. You will then consider spending six or seven figures on the feeling. The patterns that catch buyers:

The "summer-only" view. Almost every viewing trip is June–September. You see the cliffs at their most cinematic, the bougainvillea in flower, every restaurant open. You do not see January damp on north walls, the closed shutters in November, the sea fog rolling in for two weeks in March. Visit in February before CPCV. If you cannot, ask three local residents what winter is actually like.

Falling for "potential". "It just needs a refresh." "You could open the kitchen wall." Renovation runs €1,500–€2,500/m² for proper Algarve work, plus a 30% optimism premium and a 6–18 month delay. Buy as-is or buy something else.

Mistaking holiday memory for daily reality. Living somewhere four months a year is different from being a tourist for a fortnight. Where is the supermarket open in January? Where is the GP? The pharmacist matters more than the rooftop bar.

Ignoring shoulder-season reality for AL. Carvoeiro is paradise in July. From mid-October to mid-March, half the restaurants close and AL bookings collapse. Vilamoura, Lagos, Cascais and Funchal hold up better in shoulder months because they have year-round local economies; pure resort villages do not.

Over-relying on agent comparables. Asking is often 8–15% above what eventually transacts. Insist your lawyer pull comparables from *Casa Pronta* / *Finanças*, not just idealista listings.

Buying without a buyer's agent. In Portugal the seller pays the agent (typically 3–6%), so the agent's loyalty is structurally to the seller. A buyer's agent represents you. Worth it on anything above €500k.

II. Furnishing — the Hidden €25k–€100k

A €600k villa needs another €25k–€60k to be properly habitable. A turnkey buyer can spend €60k–€100k.

Property	DIY careful	Mid-range	Turnkey design-led
1-bed apartment	€8k–€15k	€18k–€30k	€35k–€50k
2-bed apartment	€12k–€22k	€25k–€45k	€50k–€80k
3-bed villa	€18k–€35k	€40k–€70k	€80k–€140k
4-bed+ villa, full kit	€30k–€60k	€70k–€120k	€150k–€300k

A few practical notes: kitchen appliances frequently leave with the seller in Portugal — confirm what stays in the CPCV inventory annex. Air conditioning is now table stakes — retrofitting a multi-split is €4k–€12k. Mosquito screens make summer livable. A water softener protects everything against aggressive Algarve calcários.

12. Tax on Exit and Tax Optimisation (Light)

This is not tax advice. Get a Portuguese accountant before signing the CPCV.

Capital gains on exit — the correct framing

Since 1 January 2023, **non-residents (EU and non-EU alike) are taxed on the same basis as residents** for real-estate gains: **50% of the net gain enters IRS at progressive rates** (top marginal 48% plus solidarity surcharge). Worldwide income is taken into account only to determine the rate, not as tax base in Portugal.

The old flat **28% on 100%** of the gain still nominally exists as an autonomous-taxation option but is rarely the better choice — typically only when worldwide income would push the progressive rate above 28%.

Effective tax for most non-resident sellers lands in the 6%–24% range. Improvements with proper invoices add to the cost base. **Lei 9-A/2026** extended the HPP capital-gains roll-over exemption to gains reinvested in residential property destined to moderate-rent tenancy (\leq €2,300/month) — a new option worth knowing about.

Holding structure

- Hold the property in your personal name. Cleanest.
- Avoid offshore SPVs. Portugal taxes property held by entities in blacklisted jurisdictions at **7.5% AIMI** (not 0.4%), which destroys the return on anything above the threshold.
- Use the simplified AL regime if renting; budget for VAT registration and a fiscal representative if non-resident.
- Track every receipt for improvements — they reduce the eventual gain.

If you become resident

IFICI (the NHR successor) applies a 20% flat rate to qualifying Portuguese-source employment and self-employment income for 10 years. **Foreign pensions are not covered** — this is the most material break from the old NHR. Most foreign-source income (employment, self-employment, royalties, capital, rental, capital gains) is exempt in Portugal but counts for rate determination. Switching tax residence within two years of acquisition unlocks the IMT carve-out — but switch only if the broader picture justifies it.

Double-tax treaties

Portugal has DTAs with the UK, US, Canada, France, Germany, Netherlands and most EU countries. Rental income and capital gains are generally taxable first in Portugal, with a credit at home. Do not file this yourself.

13. Common Pitfalls

- Buying without seeing the property in winter
- Underestimating maintenance by 30–50%
- Picking a pure-summer location and then trying to make it work for AL
- Forgetting travel costs from your home country (€800–€2,500/year per family) in the P&L

- Underestimating furnishing budget by half
- Using the seller's lawyer
- Skipping the *Caderneta* and *Licença de Utilização* check — unlicensed extensions are deal-breakers
- Forgetting that condominiums can ban AL by majority vote
- Forgetting AIMI when you own multiple Portuguese properties
- Failing to appoint a fiscal representative as a non-EU buyer (fines and missed communications accumulate)
- Buying off-plan from a developer without an *Hipoteca Legal* over your unit and a bank guarantee for staged payments
- Leaving 100% of your equity exposed to GBP/USD when the asset is in EUR
- Optimising for July guest reviews and forgetting you will also spend Christmas there

14. Realistic Yearly Cost Example: €600k Algarve Villa

3-bed villa, private pool, small garden, non-prime central Algarve. Owner uses 8 weeks/year.

Pure family use (no rental)

Line	Annual cost
IMI (VPT €280k @ 0.35%)	€980
Building + contents insurance	€750
Pool maintenance + electricity	€1,500
Garden	€2,200
Cleaner (12 owner visits @ €120)	€1,440
Property check service (biweekly)	€1,800
Utilities (incl. standing charges; 8 wk use)	€1,800
Internet + alarm	€960
Repairs / replacements (0.7% of value)	€4,200
Misc / accountant	€600
Total	~€16,230

That is ~2.7% of property value/year before any return. For 8 weeks of use, that is roughly €2,000/week — still cheaper than renting an equivalent villa, but not by much.

With rental (use 8 weeks, rent 30 weeks)

Line	Annual amount
Gross rental income (30 weeks @ avg €1,800)	€54,000
Less: Manager commission (21.2% effective)	(€11,448)
Less: Cleaning fees (not always 100% passed through)	(€1,800)
Less: Channel fees, linen, consumables	(€2,000)
Net to owner before tax	€38,752
AL/IRS tax (~8.75% effective on gross)	(€4,725)
VAT admin / accounting	(€1,200)
Net rental income after tax	~€32,827
Running costs (higher with rental wear: ~€20k)	(€20,000)
Net to owner after all costs	~€12,827

In the rental scenario you turn a €16k annual cost into roughly **€13k positive cashflow**, before any mortgage interest. Over a 10-year hold with modest 3% appreciation, the total return is meaningful.

The mental model: **rental income converts a luxury holiday into a break-even or modestly positive use case. It does not turn a property into an investment.** If you would not buy the same villa for cash with no rental, do not buy it.

Conclusion

A second home in Portugal is, more than almost any property decision, a use-case decision dressed up as a property decision. The buyers who do well are not the ones who found the cleverest fiscal angle or who bought the prettiest villa. They are the ones who wrote down — honestly, before any viewing trip — what the house was actually for, and then bought the property that served that purpose. The buyers who do badly almost always blurred two use cases into one: a private family retreat that also magically pays for itself, a retirement-home-in-progress that they can also rent 30 weeks a year, an investment that is also a personal lifestyle anchor.

Those compromises rarely work. The property that maximises rental yield is not the property that gives you the best private summer. The property that becomes your retirement home is not the property that performs in shoulder season. Pick one, build the cost stack honestly around it, and visit it in February before you sign anything binding. Assume running costs will be 30% higher than the spreadsheet says, furnishing will be at least double your first guess, and the new IMT regime, once operational, will land at 7.5% of headline price unless one of the five carve-outs applies.

If after all of that the numbers still make sense, buy the property and enjoy it. If they do not, the second-best outcome is the one you reach by walking away — and renting a beautiful villa for two weeks every July for a decade is almost always cheaper than owning one badly.

Related Reading

- **Taxes and Costs of Buying Property in Portugal** — the canonical entry-tax reference: IMT brackets, Stamp Duty, IMI, AIMI in detail.
- **The Real Cost of Owning a Property in the Algarve** — the ongoing-cost reference, with four worked P&Ls including pool and condominium-heavy cases.
- **Where to Buy in the Algarve** — the sub-region matchmaker: where the lifestyle, the AL economics and the year-round livability actually line up.
- **Passive Property Investor Guide** — if your use case is drifting toward "mostly rent it", read this before committing to AL.
- **When Buying Property in Portugal Does Not Make Sense** — the counter-commercial check. Twelve buyer profiles for whom renting beats buying.

How 2nd Haus Can Help

We are a buyer-side advisory in the Algarve. For second-home buyers we run three specific services:

1. **Use-case audit** — a single 90-minute call to pressure-test your written use case against your real budget, travel logistics and family situation. €450, refunded against any subsequent engagement. The cheapest €450 most clients spend.
2. **Buyer's-agent search** — full-cycle representation: brief, sourcing (on- and off-market), viewings, due-diligence coordination with an independent lawyer, negotiation, CPCV-to-escritura project management. Fee structure published on request; typically 1.5–2.5% of purchase price.
3. **Acquisition cost review** — a 2-week diagnostic on a specific property you have already shortlisted: title, planning, AL feasibility, condominium rules, comparable transactions, total-cost-of-ownership P&L. Flat fee.

We do not list properties for sellers, take referral fees from agents, or operate AL rentals ourselves.

Sources

Primary

- Lei n.º 9-A/2026, de 6 de março — Diário da República (Pacote Fiscal da Habitação 2026)
- Decreto-Lei n.º 76/2024, de 23 de outubro — Diário da República (AL framework)
- Regulamento (UE) 2024/1028 — EUR-Lex (EU short-term rental regulation, applies 20 May 2026)
- Banco de Portugal — LTV, DSTI and maturity limits
- BPstat — Euribor by maturity

- INE — Estatísticas de Preços da Habitação ao Nível Local
- Portal das Finanças — IFICI FAQ

Further reading

- PwC Portugal — Património no OE 2026
- PwC Portugal — IMT tabelas práticas 2026
- Cuatrecasas — IVA reduzido e benefícios fiscais habitação
- Idealista — IMT 7,5% para não residentes
- EY — Fim do RNH e introdução do IFICI
- OCC — IRS mais-valias não residentes
- Idealista — preços +10,8% maio 2026
- AirROI — Lagos STR data

Last updated: 15 May 2026. Verified against CANONICAL_FACTS.md 2026-05-15. Tax and regulatory information changes — confirm with a Portuguese accountant and lawyer before transacting.

Want a buyer-side advisor on your specific case?

2nd Haus is a buyer-side real-estate consultancy specialised in the Algarve. We will tell you not to buy if that is the honest answer.

[Talk to 2nd Haus](#)

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