

Portugal intends to end its Golden Visa Program: What existing and new investors need to know

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Portugal's Prime Minister announced the intention to end the country's investment-based visa program.



Many believe the measure, which has yet to become law, is not going to solve the country's housing problem.

By Shilpa Menon

Portugal's Prime Minister Antonio Costa announced on February 16, 2023, that the country intended to terminate its decade-old golden visa program, which allows permanent residency to non-EU citizens in exchange for a significant investment. This has still not been voted into law, and therefore, the Portugal Golden Visa program is still very much valid in its current form.

Investors are still continuing to apply – one may even say that they are doing so with heightened urgency today. Also, immigration attorneys are confident that none of the measures will be retrospective – meaning existing investors who have already applied for their visas will not be impacted.

The announcement comes amid soaring real estate prices that are believed to have risen due to high demand for short-term rentals.

Portugal first launched its golden visa program in 2012 as a way to fight the financial crisis and avoid the collapse of their banking system. The idea worked; the program has attracted nearly 12,000 people since 2012 and contributed 6.8 billion Euros to Portugal's economy, saving it at its most vulnerable time.

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Costa said that the presence of a large number of short-term rentals in the Portugal real estate market is driving up real estate costs and pricing out the locals (currently, over 60% of the available property market in Lisbon consists of short-term rentals). While golden visa holders may have contributed to this trend, the percentage of short-term rentals falling under the Golden Visa investments category is in fact quite small.

Paulo Silva, head of real estate consultant Savills in Portugal, said in an interview with Fortune that golden visas only account for 3% of all property deals in the country. He thinks blaming the golden visa program for the soaring rentals would be "a mistake." He also notes that if entirely banned, investors looking for residency options will simply choose countries that haven't banned their residency programs, like Spain, Malta or Greece.

Some experts feel that the Portugal golden visa may not be entirely terminated. While a large percentage of Portugal Golden Visa investments are real estate investments, many of these are investments in commercial properties or private real estate funds, which have little to do with short short-term rental properties. It is possible that there could be exceptions made for these kinds of investments.

Costa said nothing of the country's digital nomad visa, which, many believe, contributes to the country's real estate problem. Critics believe that overturning the golden visa program without amending the nomad visa requirements will provide little to no reprieve to the real estate market. Real estate prices increased by 37% in 2022 in Lisbon, despite golden visa investors being banned from buying properties in the capital city starting Jan 1, 2022.

The Prime Minister said that existing golden visas are expected to be renewed as long as the visa holder either lives in Portugal (or his/her dependents) or rents out their property long-term. Immigration attorneys, however, believe that any changes to renewals would only apply to new applicants as retrospective application is unheard of in the country. Further clarification would only emerge after a formal proposal is put to a vote at the Portuguese Assembly. This is at least a few weeks, if not months, away.

Right now, it is unclear exactly when the measures, which will allegedly cost Portugal 900 million Euros, will go into effect and if the program will suffer changes or be completely terminated. As of today, the visa program is still in place. A 30-day period of "public discussion" is believed to have started following Costa's announcement on February 16. After this period concludes, on March 16th, the Council of Ministers is expected to meet, vote on and present the final version of the measures package.

Historically the Portuguese government has always allowed a grace period after passing any new law, which leads experts to believe that any changes officially made to the golden visa program will only go into effect towards the end of the year.

This may well be the last chance for investors to apply for the program under the existing regulations. Investors would be well placed to consult experts to navigate this uncertainty and make decisions only after assessing the risks involved.

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