

The Advantage of Buying Property in Portugal with Finance for Expats

International investors buying property in Portugal increasingly consider the strategic use of finance rather than relying solely on cash.

By **Lionel de Freitas**, 18th March 2026

International investors buying property in Portugal increasingly consider the strategic use of finance rather than relying solely on cash. While cash purchases offer simplicity, experienced investors often recognise that carefully structured leverage can enhance capital efficiency, support long-term tax planning, and preserve liquidity for broader investment objectives. Portugal remains one of the most accessible jurisdictions in Southern Europe for international capital. Its well-established banking sector, led by institutions such as Millennium BCP, Santander and Novobanco, has extensive experience in underwriting loans for non-resident borrowers.

Access to Finance for Non-Residents

The primary requirement for securing finance in Portugal is meeting regulatory and compliance standards. Banks will require complete and accurate Know Your Customer documentation, including proof of income, source of funds, and personal identification, to satisfy both local and international regulatory obligations.

Portugal's lending environment, overseen by the Banco de Portugal, is regarded as transparent and competitive when compared with other European markets.

Competitive Lending Terms

The lending environment, supervised by the *Banco de Portugal*, remains transparent and attractive compared to other markets.

- **Loan-to-Value (LTV):** Non-residents typically see an LTV of 60% to 70%. From a balance sheet perspective, banks use the lower of the independent valuation or the purchase price (however, at least 20% of the loan is typically required as a deposit, even if the value of the property is higher than the loan request).
- **Interest Rates:** Borrowers may have access to both fixed and variable rate options. While US rates have fluctuated, Portuguese rates for premium touristic-

use or residential assets often range between 2.75% and 4%. Most facilities are variable, tied to the 3, 6, or 12-month Euribor plus a bank spread.

- **Loan Duration:** Terms can extend up to 30 years, provided the borrower's age does not exceed 75 at maturity.

Financial Eligibility

Portuguese banks utilise conservative underwriting, which actually serves as a protective layer for your investment. On a personal level, the following considerations are applied by the bank:

1. **Debt Service-to-Income** represents the percentage of a person's gross income that is required to covering the debt repayment. Although the regulatory cap is 50%, banks are typically more comfortable when your total global debt obligations do not exceed 35% of your net income.
2. **Currency Risk Mitigation:** If your income is in a currency other than euros, banks will likely discount that income (often by 10-20%) during the stress test to account for exchange rate volatility.

Where a property is held through a company and financed at corporate level, banks will also require a formal business plan demonstrating income, costs, and long-term viability.

Tax Considerations for Financing a Property through Personal or Corporate Capacity

When deciding between holding ownership in your personal or corporate capacity, the situation becomes complex as several taxes come into play for comparison. Although certain expenses are tax deductible for rental properties in your personal capacity, mortgage interest is not deductible from your taxable rental income (but is deductible in a company).

As mentioned, other tax considerations are required as taxes vary between holding the property in your personal versus corporate capacity. These include property transfer tax (IMT), Annual Municipal Property Tax (IMI), and others.

Companies typically have higher setup costs and ongoing accounting obligations but are typically most efficient for high-value portfolios or active rental businesses where the interest savings and depreciation outweigh the administrative overhead.

Further information on property-related taxation can be found [here](#).

The Strategic Advantage

The strategic advantage of applying leverage is clear for a professional investor in optimising returns using low-interest debt against an appreciating asset in Portugal to significantly improve cash-on-cash return and provide for greater liquidity and additional funds to invest in other ventures.

Our experience tells us that international clients often have a sobering reality that Portugal's legal landscape may in many instances be very different to their local

jurisdiction. Ensuring you have a team who can manage local requirements with international understanding will ensure your best interests are not assumed but recognised and protected. This starts with having the right team.

Get in Touch

For further information or to discuss how financing a property purchase in Portugal may support your wider investment and lifestyle objectives, please contact one of our professional team members at [Dixcart Portugal](#) on advice.portugal@dixcart.com.

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