

Portugal's Residency Programme - GRP (Golden Residence Permit)

Incentives to Foreign Nationals:

- A friendly and Safe environment
- A robustly recovering economy
- Competitive property prices
- Low cost of living
- Lenient residency requirements (attainment & preservation)

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The Birth of the ARI

November 2012 Portugal introduced a programme aimed at granting residency status to individuals who are willing to make a substantial contribution to the Portuguese economy. The programme is called the ARI; ARI is the short form of "Authorization for Residency Investment".

The programme was born with three sub programmes; 1) Investing 1 Million Euros in a Portuguese fund, equity purchase, shares or a simple bank deposit.

2) Creating 10 full time job positions for residents of Portugal and finally, the most popular programme, the purchase of property for the value of minimum of Euro 500,000.



PORTUGAL

In 2012, the ARI programme received 2 applications only. In 2013, 494 applications and in 2014, 1526 applications. Up until March 31st 2015, 268 applications were submitted through the ARI matrix.

This programme became interesting to Portugal's nationals, particularly

the Acquisition of Real Estate branch, because an awakening in the Real Estate development and refurbishment industries in Lisbon was observed.

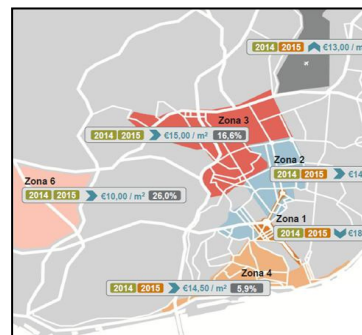
Owners of older more worn out apartments, are now hiring skilled workers to re-design and refurbish their apartments to make them more appealing to foreign investors.

This has created more job opportunities and resulted in the reviving of the industries of importation / manufacturing of building materials.

The government of Portugal claims that the ARI programme has reaped 1.3 Billion Euros since its launch in November 2012.

Real Estate in Portugal & the GRP Legislation's Objective

The capital of Portugal, Lisbon, has witnessed a spike in real estate prices over the past 2 years. This spike is also witnessed in the rental values of residential units.



The property acquisition branch of the ARI, The GRP, has been very successful in contrast to its siblings, Equity purchase and Jobs creation.

The government of Portugal's chief aim is to create employment opportunities, revive struggling businesses, and ultimately fight deflation across the entire land, not only Lisbon.

Portugal's Residency Programme - GRP

Challenges warranting change !



Portugal is experiencing an increase in tourism throughout the land (2014)

Portugal is considered to be Europe's lowest cost of living country.



Enhancing businesses in rural areas is key to the government of Portugal

In order to achieve this target, more rural regions of the country introduced more groundbreaking incentives to investors seeking to explore investment opportunities in regions such as the Azores, Madeira and Porto.

The Azores are now offering cash back incentives to investors, Madeira is offering extreme tax incentives both direct and indirect.

Dra. Margarida Almeida Santos, a partner at a high profile boutique law firm in Lisbon, who is heavily

involved in the ARI practice, said that her law firm is witnessing a substantial volume of applicants that are mainly flowing in from China, Russia and Brazil.

"Investors are primarily interested in obtaining a residency status that will not require prolonged residence periods inside the country in order for the status to be preserved and to invest in a Peaceful Country with a friendly nation"

Until the GRP programme conditions change, this will be its greatest incentive.

Andrea Falcão, a major player in the European Real Estate market said that her clients are mainly interested in the capital gain the properties they are seeking might realize. *"Investors who approach this programme are interested in Immigration status the programme bestows and the capital gain the property may reap"*. The government of Portugal on the other hand is interested in decreasing unemployment, bringing inflation to its acceptable targets and ensuring that the entirety of Portugal is reaping the benefits of this programme

The interests of the government and the interests of foreign investors... *The conflict and the impact*

"The interests of the parties involved are not really in line with one another"; commented ACIC's senior Immigration consultant Muhannad Samara, *"Investors are not really concerned about the wellbeing of the rural area's economies, nor will they ever worry if unemployment in Portugal rises! So Long as the residencies are valid and, to a lesser extent, the investment is, at least, safe, the investors' mandate is met"*.

The government on the other hand, whose mandate is to ensure the successful attainment of the programme's objectives, the blessing of the international community, would be more pleased with an investor willing to start a business and create 10 job opportunities (that are to be maintained throughout the 5 or 6 year period).

The government would also be pleased to see a Million Euros injected into an existing company

whereby the financial well-being of this company is revived by such a venture. We can therefore comfortably state that it is in the best interest of Portugal to bring the two neglected branches of the ARI up to par with the Real Estate Acquisition.

The change ...

The government of Portugal has therefore introduced a few changes to the programme aiming at gently and gradually achieving this mandate. More criteria tightening is expected on the Real Estate Acquisition branch of the ARI, the first set of proposed rules is discussed in this article.

Will Portugal Change the requirements of the Real Estate Acquisition arm of the ARI?

"Most likely"; said Counsel Muhannad Samara, *"this programme has reaped more than 1.3 Billion Euros so far. Cash strapped Lisbon is rather happy about this as confirmed by the Foreign affairs Service (www.sef.pt). The change we might soon witness is the increase in the minimum price of the property being purchased in Lisbon or the introduction of reduced property prices minimum for properties purchased in rural areas of Portugal"*.

On April 13, 2015, SEF (The department responsible for processing immigration applications in Portugal) issued an internal policy whereby the Bio-Metrics of all applicants are to be collected at the SEF premise once, and only once, the complete application for a GRP has been approved. This change, will mean that the applicant buying a property has to travel twice to Portugal to accomplish the two aforementioned steps.

May 2015

Challenges the Real Estate Acquisition branch of the ARI might face in the near future

The government of Portugal is keen on protecting the Real Estate market from massive spikes in prices and defending the formation of Real Estate market bubbles. *“It is a good thing to make 1.3 Billion in 2 years, but it is also detrimental to all concerned to cripple local inhabitants and impair their ability to purchase and rent properties, because wealthy investors do not mind paying a little extra to own an apartment in Chiado, or Avenida Da Liberdade”* said Samara.

The Vice Prime Minister an-

nounced the introduction of a new criteria to the application once submitted to the relevant immigration department.

The department has announced that it might be enforcing the submission of initial registration value documents – Valor Patrimonial Tributavel” along with the recent purchase document of any said property to assess the appreciation of the property price, or, to perhaps detect any extreme overvaluation.

This method falls perfectly in line with ACIC Inc.’s predictions that were published in the July 2013 commentary on the evolution this programme is most likely to experience.

In its July 2013 analysis, published and audited by Counsel Samara, ACIC predicted that the Portuguese immigration department “SEF” will shortly be requiring applicants to submit independent third party evaluation reports of the properties being purchased to ensure that foreign investors are protected and that extreme commissions on properties are circumvented.



Real Estate Prices in Lisbon and Cascais have experienced a spike since the introduction of the GRP programme

The Enforcement of a Due Diligence process .. Immigration Done Right!

ACIC has advocated and lobbied a due diligence process be implemented alongside the process of the Golden Residence Permit (Real Estate Acquisition Branch). This whole concept stemmed from ACIC’s foresight of the imminent evolution of this programme ACIC has enforced this concept voluntarily, whereby all clients represented by ACIC were required to undergo a sever due diligence process where:

1. The legal accumulation of the applicant’s funds was to be estab-

lished through satisfactory evidence.

2. The value of the “investment asset” is to be evaluated by an independent evaluator who is competent and regulated by the relevant department (CMVM Portuguese Securities Market Commission). Counsel Samara said that *“it is of the essence Portugal’s SEF realizes the need to act fast and enforce a due diligence process across the 3 branches of the ARI before the global community starts developing concerns about the integrity of the administration of the*

programme; we have learned from similar miss happenings in Saint Kitts, where the outcome was a complete disaster for those who enjoyed the convenience of the lack of background checks and accumulation of funds tracking” “Clients we represent are secured, even if Portugal wishes to enforce a due diligence process, ACIC has never filed a single application without having a robust presentation of the client’s background and his/her investment initiative in Portugal.

Investing in a New Market can be tricky; Do your homework!

The Road to Portuguese Nationality

The dream to acquire the Nationality, the passport, the token that grants ultimate freedom of travel without any restrictions is the without doubt the aspiration of many of the applicants through this programme.

Understanding the essence of Nationality laws of Portugal is indeed of the essence. *“Differentiating between the concept of Residency laws and the Law of Nationality is key in*

determining if one applicant may be able to achieve this aspiration or no” Said Samara.

“Countries that value their own citizenship and highly regard it, require substantial proof that one “Resident” is worthy to have this status bestowed upon them” continued Samara. Should a Resident, regardless of the length of period s/he have preserved their residency status for,

wish to become nationals of the country, major requirements have to be met.

Many seasoned practitioners promote this programme by making statements such as “invest in Portugal and get your citizenship” or “Buy a property and receive a European passport”. *“There is much more to the Citizenship story than simply buying the property”* commented Counsel Samara.



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ACIC Inc. has advocated the implementation of a thorough due diligence process across its practice spectrum. ACIC's robust and comprehensive practice methods have gained the recognition and attention of governments and Immigration departments around the world.

ACIC Inc. is now the firm of choice for official Immigration Departments in auditing, analyzing and commenting on Immigration programme designs, implementation and programme progress and evolution forecasts.

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