

Cape Verde (CV) Tax Advice for Individual Property Purchasers in CV⁺

1. If I buy a property in CV, am I required to pay Stamp Tax (“ST”) in CV?

Yes. The public deed of the transfer of a property in Cape Verde is subject to notary expenses and ST at the rate of 0.2% of the declared price.

2. If I buy a property in CV, am I required to pay Property Transfer Tax in CV?

The purchase of immovable property is subject to a 3% Property Transfer Tax, levied on the purchase price.

3. If I rent out my property in CV, will I be liable to pay CV Income Tax (“IT”) on the rents received?

Yes, a non-resident individual (generally someone who spends less than 183 days per year in CV) is taxable on the income obtained in CV. The net rental ‘profits’ (see calculation in point 3. below) will be liable to tax in CV at a flat rate of 20%.

4. How do I calculate my rental ‘profits’?

The amount chargeable to IT will be the gross rents earned for the tax year less 10% of the gross rent (which is treated as maintenance expenses). Property tax paid annually may also be deducted from the tax due. If the property is only let out for part of the year, annual expenses should generally be pro-rated based on the period that the property is available for rent. Capital expenditures, i.e. improvements of the property, are not an allowable expense for IT purposes.

5. If I buy a property in CV, do I have to pay annual property tax?

Annually, a property tax of 3% on the tax registered value (which is 25% of the value attributed by an Evaluation Commission) is due.

6. If I rent out my property and make a loss, can I claim a deduction for this loss against my other income?

The provisions of the law in this area are unclear; however, in our view it may be possible for rental losses in CV to be offset against other CV income in the same year. A non-resident of CV cannot carry forward losses to offset against income of the following year.



⁺ This advice is based on the current law and practice on 1 November 2006. It assumes that the purchaser is an individual considered non-resident for Income Tax purposes in CV. The above information is for general guidance only and should not be relied upon in ascertaining your own tax position in the CV. Individual circumstances differ and in particular, depending on the size of your investment in CV, there may be different ways of structuring your investment. You should always seek investment, legal and tax advice from a professional advisor before purchasing foreign property as there may be opportunities to reduce taxation.

Cape Verde (CV) Tax Advice for Individual Property Purchasers in CV⁺ (cont.)

7. If I sell my CV property and make a profit, which taxes should I pay in CV?

You are subject to the following taxes:

- i) Income Tax at a rate of 20%.
- ii) Property Tax at a rate of 3% of the gain if:
 - the selling price is more than the double of the purchase price, in the case of land for construction (if part of urbanization plan approved by municipality).
 - the selling price is more than 30% above the purchase price in the case of buildings.

8. Are there any deductions I can claim to reduce the taxable gain?

Yes. The capital gain is calculated by deducting the purchase price from the selling price. For Income Tax purposes, you may also deduct any sale related costs (e.g. solicitor's fees).

9. What happens if I sell my property and make a loss?

The loss may not be carried forward to offset against any future gains, if the individual is not resident in CV. The provisions of the law are not clear but in our view it may be possible to offset the loss against other CV gains made in the same tax year.

10. What are the tax implications if I gift my property during lifetime or bequeath it on death?

Where a property is gifted or transferred, a property tax is payable by the beneficiary at a rate of 3% of the tax registered value. However, this amount is subject to revaluation by the authorities where they consider that the consideration was not equal to the market price.



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