

Real Estate Investment and Management Companies (“SIGIs”) – a new vehicle to dynamise and promote investment in the Portuguese real estate market

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Decree-Law no. 19/2019 of 28 January (“DL 19/2019”), approving the legal regime governing real estate investment and management companies (“SIGIs”) - a new vehicle to dynamise and promote investment in the real estate market, particularly the rental market - entered into force on 1 February 2019.

SIGIs’ main activity is the acquisition of rights in rem, for the purpose of leasing or otherwise operating real estate, the acquisition of holdings in companies with an equivalent corporate purpose and equivalent legal requirements, and the acquisition of units in real estate investment funds with similar profit distribution policies.

The key aspects of SIGIs’ legal regime are the following:

1. **Minimum share capital:** the minimum share capital subscribed and paid up in SIGIs is EUR 5,000,000.00 (five million euros), in the form of ordinary shares;
2. **Shares admitted to trading:** SIGIs shall take the form of public limited companies (sociedades anónimas) – with or without public offering – and all shares representing the share capital must, within a year (from the registration of their incorporation or from date of conversion of an existing public limited company or real estate investment undertaking into a SIGI) be admitted to trading in a regulated market or selected for trading on a multilateral trading facility located or operating in Portugal or in any other EU Member State or in the European Economic Area;

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3. **Asset portfolio:** SIGIs' asset portfolio must be mostly composed of ownership rights, surface rights or other equivalent rights in real estate (for the purpose of leasing or otherwise operating real estate), within certain (cumulative) limits – (a) the value of the rights in rem and holdings must represent at least 80% of the total value of SIGIs' asset portfolio and (b) the value of the rights in rem for the purpose of leasing or otherwise operating real estate must represent at least 75% of the total value of SIGIs' asset portfolio;
4. **Income distribution:** within nine months following the end of each financial year, SIGIs must distribute, in the form of dividends, at least (a) 90% of the financial year profits resulting from dividend payments and other income from shares and units held, and (b) 75% of the remaining profits that are distributable according to the Portuguese Companies Code. In addition, at least 75% of the net proceeds from the sale of assets within SIGIs' main corporate purpose must be reinvested in other assets attached to the fulfilment of the same purpose, within three years from the date of the respective sale. SIGIs' statutory reserve must not exceed 20% of the share capital and the creation of other non-distributable reserves is not permitted.
5. **Maximum indebtedness:** taking into account the need to ensure the stability of the national financial system, SIGIs' maximum indebtedness cannot exceed, at any time, 60% of the total value of their asset portfolio.

SIGIs' legal regime includes specific provisions regarding share capital dispersion.

Considering that SIGIs are a new form of real estate investment company whose purpose is to dynamise and promote investment in the Portuguese real estate market, SIGIs will benefit from a neutral tax scheme applicable to the remaining real estate investment companies which are incorporated and operate under the laws of Portugal.