

Golden Investments or Golden Cityscape?

Portuguese Residence Permit for Investment (ARI / Golden Visa)



According to aicep Portugal Global - Trade & Investment Agency, a government business entity created in 2007, whose mission is to promote foreign investment, Portugal is not only *a good country to invest but also a most desirable place to live*.

And indeed, it is true that over the years many foreigners have elected the country as their second home and a place for doing business. This is of course very important for the country's economic development, especially given the severe financial and economic crisis that has hit Portugal since 2010.

But what does this investment translates into? Who benefits from it?

In recent times there has been a recurring debate about the nature of foreign investment in Portugal and its impacts, namely the ones related to gentrification and displacement affecting the country's main cities.

This seem to be intrinsically linked to the most daring foreign investment program carried out by the Portuguese government: **the Golden Visa scheme**.

The Portuguese Golden Visa programme, as others in Europe, grants residence visas with access to the Schengen space to individuals from states outside the European Union, as long as they are wealthy enough



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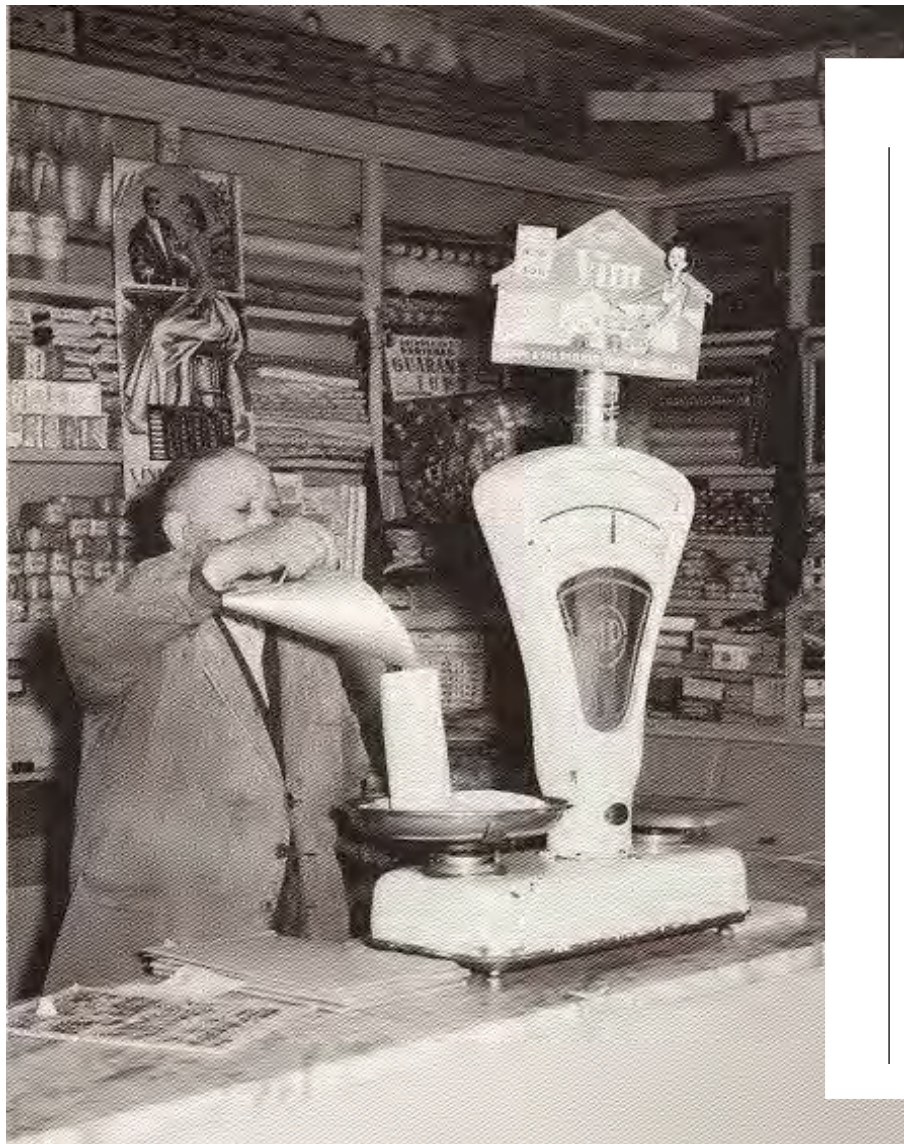
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The New York Times

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Now Labour is the enemy of the I



The Portuguese Golden Visa

The Portuguese Residence Permit for Investment (ARI/ Golden Visa) was launched in October 2012.

Since then, over 15.200 individuals and their families were granted resident permits in Portugal and full access to the Schengen area, representing 4% of the total number of immigrants living in Portugal, and

The Immigration and Borders Service (SEF) says it has generated more than 3.5 billion euros, but the truth is the program did not have the expected impact in the Portuguese economy, as there was no job creation for instance, reason why over time the Portuguese government changed the criteria for granting visas, facilitating them with regard to the minimum number of jobs created by the investment, the mandatory number of days of residence in the territory, and more recently the amounts.

Anticorruption activists and organizations such as Transparency International highlighted the money laundering risks connected to Golden Visa, but assessing the origin of capitals seems not to be a concern: **only the money is.**

What do people need to get a Golden Visa?

✓ 1 Million Euros to open a **bank account**

✓ 1 Million Euros to buy **treasury bonds** or other public debt and savings certificates, **stock exchange shares** or **company actions**

✓ 350 Thousand Euros to buy a **property**

✓ 350 thousand Euros to buy or set up a **company** with at least 10 workers, or to be used as **Venture Capital** financing

✓ 250 thousand Euros to become a **Philanthropist**



What has been chosen?

Real Estate, 94,4%

Capital, 5,4%

Jobs, 0,2%



The beneficiaries of ARI / Golden Visa only need to stay in Portugal for 7 consecutive days per year (extended to 14 days if non sequential).

This means that they can actually live and work and do their businesses elsewhere.

In fact, Portugal's golden visa residency and second passport program is a very efficient option and a valuable asset for those who want to live and work in the European Union.

It has been said that Portugal's golden visa is much more flexible than its competitors, taking into account that it gives access to 171 countries and territories, ranking the Portuguese passport 6th in terms of travel freedom (tied with the Canadian, Greek and Swiss passports).

The top five countries with more Golden Visas are China, Brazil, South Africa, Russia, and Turkey.



In Lisboa and Porto the price per square meter in some areas rose more than 20%. It is possible that in the near future these cities will be populated by the very rich – those that can afford the luxury apartments of the city centre – and the very poor and old, whose homes are deteriorating.

Middle- class families and young people are being pushed out of the city and, since foreign investors and non or just part-time residents, city centres are increasingly empty.

#GoldenVisas

The experts say that we are enjoying a Golden Age of real estate across the globe, and that the recession in Portugal resulted in huge real estate investment opportunities.

Nevertheless, the financial and economic crisis had dramatic consequences for the traditional real estate sector, which means that the added value was somehow circumscribed to the luxury segment (increased 28% just in 2015).

Although, at first sight, foreign investment in such a relevant sector for the Portuguese economy may seem very welcome, which has encouraged tolerance over the origin of the funds, this shift on the national real estate market has serious consequences for Portugal.

The link between Golden Visas and real estate purchases makes it easy for transnational terrorist networks to establish safe houses or logistical bases in Portugal and get residency Visas that allow them to travel in the Schengen area.

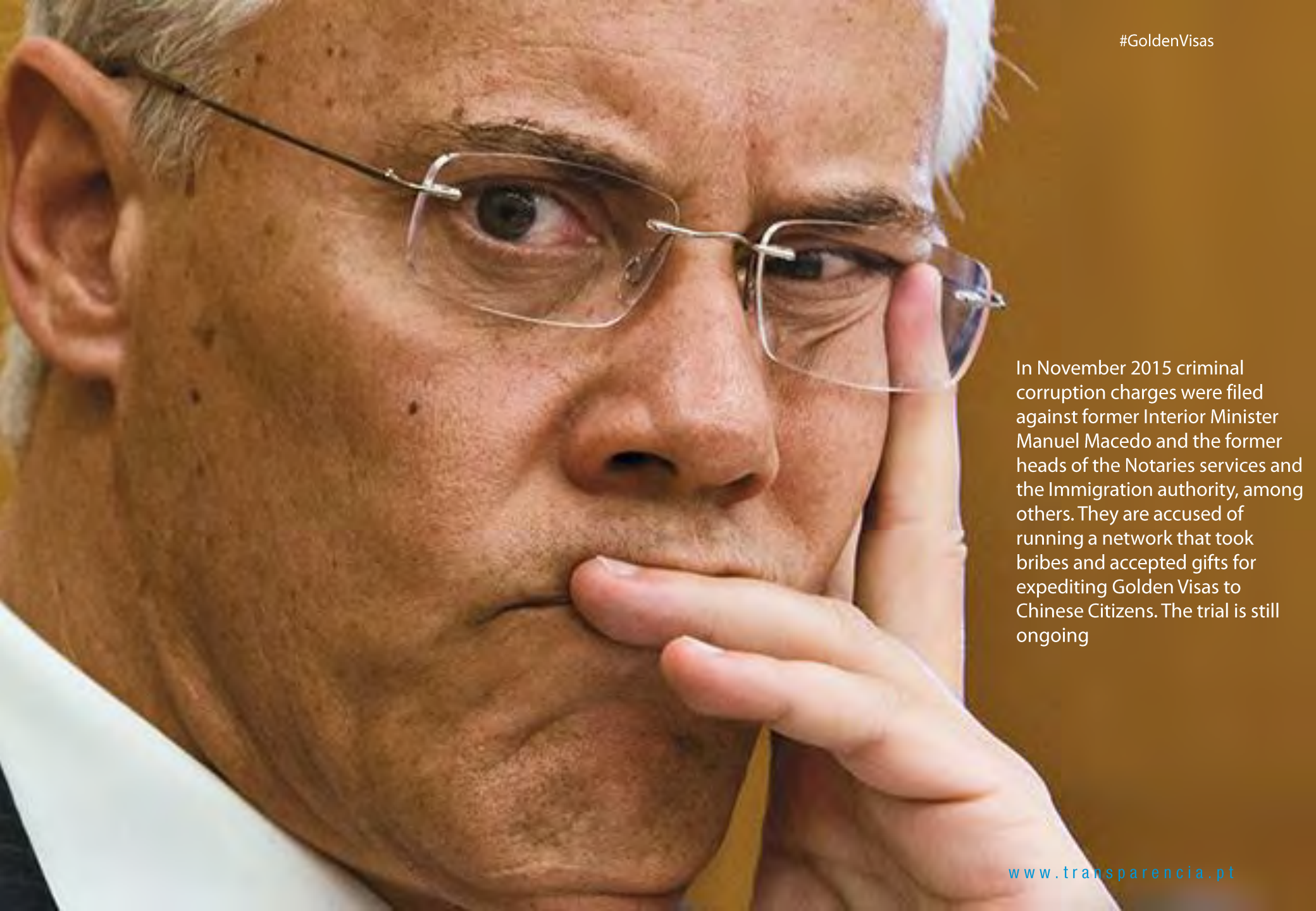
Applicants need only to provide a clean criminal record from their country of origin. There are no more required due diligence obligations beyond that. No exchange of information with other jurisdictions where the applicant may have business or personal interests, no exchange of fiscal information, no due diligence on the origin of capitals.

The Golden Visa and the beneficial tax regime for non-habitual residents have been attracting a high number of foreign investors on real estate whose target segment is luxury properties.

While these programmes are licit and attract honest investors, they also provide a cover of legitimacy to those aiming to invest in real estate for the sole purpose of introducing large amounts of illicit funds in the market.

The unprecedented demand for gold visas and investment by Chinese citizens goes side by side with the launch of a vigorous anticorruption policy by the Chinese government, aimed to recover assets generated through corruption, which Chinese businessmen and senior civil servants have applied in real estate abroad.

It is estimated that more than 72 billion euros have left China using corruption and money laundry schemes.

A close-up photograph of a man with glasses, looking thoughtful with his hand to his chin. The man has short, light-colored hair and is wearing thin, wire-rimmed glasses. He is resting his chin on his right hand, with his index finger pointing upwards. The background is a solid, warm brown color.

In November 2015 criminal corruption charges were filed against former Interior Minister Manuel Macedo and the former heads of the Notaries services and the Immigration authority, among others. They are accused of running a network that took bribes and accepted gifts for expediting Golden Visas to Chinese Citizens. The trial is still ongoing

A great number of opportunities for discretionary decision making that pose corruption risks were flagged and the programme was reviewed, but aside from broadening the criteria for awarding the Golden Visas (including for investments in Science and Technology, urban renewal or cultural heritage), there was no tightening of oversight and controls.

“Know your customer” obligations have traditionally been minimally enforced (or not enforced at all) by real estate brokers and cash payments have been known to take place. Assessments of the origin of capitals being invested are not done on a regular basis, nor are they a due diligence requirement of the process of granting the Visa.

Asides the officials currently on trial for corruption and favoritism, there are political connections with big law firms dealing in Golden Visas, namely selling consultancy services for candidates, thus creating problems with conflicts of interest and the inefficiency of oversight mechanisms.

Portuguese authorities should publish more information regarding the programme, including due diligence procedures undertaken and identification of players that provide consultancy services for applicants of Golden Visas.

In the aftermath of the case involving former Interior Minister Manuel Macedo, the programme was reviewed, but aside from broadening the criteria for awarding the Golden Visas (including for investments in Science and Technology, urban renewal or cultural heritage), there was no tightening of oversight and controls.

Transparency and accountability are lacking in the Portuguese Golden Visa scheme

Due diligence obligations need to be implemented and the governance of the process needs to be reviewed, as well **a proper oversight mechanism needs to be put in place**, with assurances of independence and capability.

The Government publishes monthly statistics on the number of Golden Visas awarded, including the nationalities of the beneficiaries and the criteria under which the Visa has been granted (real estate purchases, capital investments or job creation).

However, **no information is published on the number and type of due diligence procedures undertaken**, the number of Visa requests denied, and the reasons for that denial, **or the number of contacts undertaken with foreign jurisdictions or financial and real estate brokers or luxury goods dealers to look into the origins of the money being brought in.**

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