

RED BOOK

RICS Valuation – Global Standards: Portugal national supplement

1st edition, July 2021



RICS VALUATION – GLOBAL STANDARDS: PORTUGAL NATIONAL SUPPLEMENT

National supplement

1st edition, July 2021

Effective from July 2021



Published by the Royal Institution of Chartered Surveyors (RICS)

Parliament Square

London

SW1P 3AD

www.rics.org

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ISBN 978 1 78321 440 2

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Acknowledgements

Lead author

Paul Batho FRICS

Working group

Jose Covas MRICS (AURA Real Estate Experts)

Carlos Pereira MRICS (Ernst & Young)

RICS Standards lead

Ben Elder FRICS, Global Valuation Director

Standards delivery project manager

Helvi Cranfield

Editor

Sam Birch

RICS would like to thank Guilherme Antunes Ferreira MRICS (Whitestar Asset Solutions) for his help in reviewing this national supplement during the drafting stage.

Part 1 Introduction

This national supplement sets out supporting guidance for *members* on the application of *RICS Valuation – Global Standards* (Red Book Global Standards) to *valuations* undertaken subject to Portuguese jurisdiction.

It places fresh emphasis on the fact that the content is supplemental to that in Red Book Global Standards, and not in substitution for it. This removes the need for an overall Introduction reproducing that in Red Book Global Standards.

Scope

1 This national supplement complements Red Book Global Standards, which incorporates the latest *International Valuation Standards*, and local statutory requirements in respect of the *valuation of real estate* property.

2 This document is intended to highlight only the significant differences in terminology and in the content or coverage of *valuation* standards.

The following conventions are adopted throughout:

- Terms defined in the Red Book Global Standards *Glossary* are shown in italics.
- References to Red Book Global Standards use the relevant global section identifier only, e.g. **PS 1**, **VPS 1**, VPGA 1, etc.

Status of this RICS national supplement

3 This national supplement includes mandatory Portuguese professional standards (PPS) and valuation technical and performance standards (PVPS). *Members* must comply with mandatory requirements when undertaking valuation assignments subject to Portuguese jurisdiction.

More specifically:

- Where recommendations are made for specific professional tasks, these are intended to represent best practice, i.e. recommendations that in the opinion of RICS meet a high standard of professional competence.
- *Members* conforming to the practices recommended in this national supplement should have at least a partial defence against an allegation of negligence.
- In the event of a legal dispute, a court or tribunal may require a *member* to explain why they deviated from best practice recommended in this national supplement. Also, if *members* have not followed this national supplement and their actions are questioned in an RICS disciplinary case, they will be asked to explain their actions, and this may be considered by the RICS Panel.
- In addition to this national supplement, professional statements and guidance notes are relevant to professional competence in that each *member* should adhere to and have knowledge of relevant RICS standards and guidance within a reasonable time of their coming into effect.

4 This national supplement reflects case law and legislation as at its date of publication. *Members* are responsible for establishing whether any changes in case law or legislation after the date of publication have an impact on the guidance in this document.

Effective date

5 This national supplement takes effect immediately upon publication.

Naming conventions explained

Description	Status	Inclusions	Comments
Standards	Mandatory	<ul style="list-style-type: none"> • <i>International Valuation Standards (IVS)</i> as issued by the International Valuation Standards Council (IVSC). • RICS professional standards – denoted by the prefix PS. • RICS valuation technical and performance standards – denoted by the prefix VPS. 	The IVS are adopted and applied by RICS in Red Book Global Standards, being cross-referenced throughout.
Guidance	Advisory	<ul style="list-style-type: none"> • RICS valuation practice guidance applications – denoted by the prefix VPGA. 	VPGAs are advisory and not mandatory in content. However, they alert <i>members</i> (where appropriate) to relevant mandatory material contained elsewhere in this Red Book supplement, including to the relevant IVS, by the inclusion of appropriate cross-references.

RICS also separately publishes guidance from time to time on other valuation topics in the form of guidance notes. Such material is advisory in nature. It is available on the RICS website.

Part 2 Valuation standards

Overview

- 1 The purpose of this document is to assist valuers who are *members* of RICS in ensuring that a *valuation* undertaken in accordance with Red Book Global Standards is also compliant with Portuguese standards.
- 2 Globally recognised high-level *valuation* principles and definitions are now embodied in the IVS, published by the IVSC. RICS has long been a supporter of, and contributor to, the development of such global standards, and not only fully embraces such standards but also proactively supports their adoption by others around the world. Before considering how these shared objectives are put into practice on the ground, it is helpful to explain the derivation and purpose of Red Book Global Standards in more detail.

Applicable RICS standards

- 1 *RICS Valuation – Global Standards*, commonly referred to as Red Book Global Standards, formally recognises and adopts the latest IVS, therefore requiring *members* to follow them. It also complements the IVS by providing detailed guidance and specific requirements concerning their practical implementation.
- 2 Expectations regarding *member* and *firm* conduct are set through the application of the *RICS Rules of Conduct* and the *RICS Global Professional and Ethical Standards*, and such conduct is assured through a well-established system of regulation. This ensures the positioning of *members* and *firms* as the leading global providers of IVS-compliant *valuations*.
- 3 To assist *members* working in different countries or under different jurisdictions with the practical application of Red Book Global Standards in individual national or local contexts, RICS issues a number of jurisdiction-specific national supplements, highlighting additional steps that may be taken to make a *valuation* that is compliant with both locally required standards and Red Book Global Standards.
- 4 *Members* are reminded that:
 - All *members* who undertake *valuations* are required to comply with the RICS Valuer Registration requirements. Full details of the requirements can be found at www.rics.org/vrs
 - All *members* who are RICS Registered Valuers are obliged to follow Red Book Global Standards as the primary *valuation* standard. *Departures* from Red Book Global Standards are permitted in certain specified circumstances (see **PS 1 sections 4 and 6**). Compliance with jurisdictional standards (which may extend to matters not covered in Red Book Global Standards, such as compulsory acquisition) is also recognised as proper in the circumstances described in **PS 1 section 4**.

- When an allegation of professional negligence is made against a *member*, a court or tribunal may take into account the contents of Red Book Global Standards in deciding whether or not the *member* acted with reasonable competence.
- *Members* are reminded to ensure, when conducting their professional activities in Portugal, that they are also following any appropriate country-, state- or municipality-specific regulations and guidance.

Part 3 National background and standards

Background

1 Red Book Global Standards recognises that it is proper for members to comply with other, additional valuation standards where these apply within a particular jurisdiction, provided it is clear which standards are being adopted. This does not preclude the valuation being declared as performed in accordance with Red Book Global Standards.

Valuation regulations – summary

1 Depending on the purpose for which it is intended, property valuation in Portugal may be subject to diverse legislation and regulations, in particular the following.

Legislation or regulation	Explanation
Law no. 153/2015 of 14 September	Regulates property valuation experts providing services to the areas of banking, investment funds, insurance, re-insurance and pension funds.
Law no. 168/99 of 18 September, which approved the <i>Expropriation Code (Código das Expropriações)</i>	Regulates valuations for the purpose of assessing the compensation due in cases of compulsory purchase.
Decree Law no. 287/2003 of 12 November	Established the rules for calculating the taxable asset value of properties.
CMVM Regulation no. 2/2015	Established the rules for collective investment institutions investing in financial and non-financial assets, and marketing open, individually-subscribed pension funds.

2 In addition to the applicable legislation and regulations, some guidelines and professional standards are published, most notably the following.

- *Urban Properties Valuation Manual* produced by the Department of Valuation Services, Ministry of Finance
- Criteria and technical standards to adopt in the valuation of properties within the responsibilities of the Directorate General for the Treasury and Finances, and

- *National Accounting Standards (Sistema de Normalização Contabilística or SNC)* produced by the Portuguese Accounting Standards Board (*Comissão Normalização Contabilística or CNC*), which are relevant to valuations for financial reporting.

3 Law no. 153/2015 of 14 September established the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários or CMVM*) as the regulatory body for, among other things, the following matters.

- access to the securities markets
- rules of operation for the markets
- supervision and regulation
- disciplinary regime and
- for property-related securities, the contents of the valuation report.

Qualification requirements

1 Valuations of real estate for the Portuguese Financial System (*Sistema Financeiro Portugues or SFP*), for secured lending purposes or for financial statements, must be undertaken by a registered valuer (*Perito Avaliador de Imóveis or PAI*; Law 153/2015). To be registered as a valuer in Portugal, persons undertaking valuation work must be members of a self-regulated professional group with a code of conduct that has been accepted by CMVM.

2 A valuation undertaken in accordance with the terms of Red Book Global Standards and the Portuguese national supplement will comply with Law 153/2015, provided it has been undertaken by an RICS *member* registered by the CMVM.

Part 4 Portuguese professional and valuation standards – mandatory

Professional standards

PPS 1 Compliance with valuation standards in Portuguese jurisdiction

1 *Members* must take care to ensure compliance with Portuguese law and any other authoritative requirements when providing valuation services (as defined in **PS 1**) that are subject to Portuguese jurisdiction. The requirements and supporting guidance set out here modify or supplement Red Book Global Standards, with which *members* undertaking or supervising *valuation* services must otherwise continue to comply at all times.

Implementation

2 It is important that *members* are aware not only of their general obligations under Portuguese law, but are also alert to specific requirements that may arise according to the particular *valuation* assignment on which they are engaged, under secondary legislation or regulation, or from other authoritative requirements.

3 Compliance with such requirements will often be a matter for a valuer's client in the first instance, but the valuer is expected to provide the necessary professional advice to support the client in discharging that responsibility. Occasionally, however, a responsibility or duty may be placed directly on the valuer.

Valuation technical and performance standards

PVPS 1 Valuations for the SFP

1 PAIs undertaking valuations for the SFP must act in compliance with Law no. 153/2015. This law identifies requirements for registration, qualifications and experience, and also covers supervision, regulation and disciplinary matters.

2 The SFP's rules are designed to ensure confidence in the financial system, its stability and soundness, and the efficiency of its operation.

3 The categories of property valuation that are subject to regulation by Law no. 153/2015 are:

- valuation of interests for secured lending
- valuation for inclusion in financial statements of:
 - national banks

- national collective investment institutions
- national pension funds and
- insurance companies.

4 Chapter II of this law identifies the requirements for registration, qualifications and experience for PAIs undertaking this work; Chapter III covers supervision and regulation; and Chapter IV relates to the disciplinary regime. The minimum content of the valuation report is set out in the annex to the law.

5 Article 17 of Law no. 153/2015 covers regulations regarding:

- the standards of ethics, independence, professional qualifications and internal organisation that should be observed in the performance of the valuer's duties
- the methodology and professional practices employed to guarantee the quality of the valuer's services
- the terms under which the valuer may carry out transactions in their own name
- policy in matters of conflicts of interest, and the method to determine remuneration that should be followed to guarantee the independence and objectivity of the valuation prepared, and
- matters of confidentiality.

PVPS 2 Valuations for compulsory purchase

1 The valuation process is regulated by Law no. 168/99 of 18 September. Valuers appointed by the parties and undertaking valuations for the purpose of compulsory purchase must be familiar with the scope of this legislation and comply with its requirements.

For the functions required by Law no. 168/99 of 18 September under articles 10 (paragraph 4), 20 (paragraph 6), 45 and 62, valuers must be familiar with the scope of the following legislation and comply with its requirements:

- Academic background requirements are set by Ordinance no. 788/2004 of 9 July.
- Valuers must have completed an appropriate course that meets the requirements of Ordinance no. 449/2009 of 29 April.
- Valuers' rules of conduct are set by Decree Law no. 125/2002 of 10 May.

PVPS 3 Valuations for taxation purposes

1 Decree Law no. 287/2003 of 12 November regulates the valuation of properties in connection with a range of taxes, including Municipal Property Tax and Stamp Tax.

2 Therefore, when undertaking a valuation for taxation purposes, or if the valuer is appointed to challenge a taxation assessment, valuers must be familiar with the scope of this legislation and comply with its requirements.

Delivering confidence

We are RICS. Everything we do is designed to effect positive change in the built and natural environments. Through our respected global standards, leading professional progression and our trusted data and insight, we promote and enforce the highest professional standards in the development and management of land, real estate, construction and infrastructure. Our work with others provides a foundation for confident markets, pioneers better places to live and work and is a force for positive social impact.

Americas, Europe, Middle East & Africa
aemea@rics.org

Asia Pacific
apac@rics.org

United Kingdom & Ireland
contactrics@rics.org



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