

# **PROGRAMME MORE HOUSING**

Measures approved by the Government  
in the Council of Ministers on March 30

10<sup>th</sup> April 2023

## “More Housing” Package | 30.03.2023

### Encouraging new private affordable rental projects

#### **Transfer of the right of surface ownership of State property**

- › Making land or public buildings available for the construction, conversion or rehabilitation of properties intended for affordable rentals, through the assignment of the construction rights for a maximum period of 90 years, ownership remains with the State.
- › This measure will be made operational through a public bidding process, which will establish the promotion method and define the terms under which the housing will be made available to low income families. Its main recipients are private companies that meet the criteria of eligibility for Housing Development Contracts.
- › The housing made available under this measure will be subject to the regime of the Rental Support Program (PAA).

#### **250 million financing line**

- › Approval of a new line of funding, with mutual guarantee and interest rate subsidy for projects in the area of affordable housing, namely for construction or rehabilitation, including the acquisition of property for this purpose and subsequent leasing, for a total amount of 250 million euros.
- › This line of funding will also apply to projects of Misericórdias, Private Social Solidarity Institutions (IPSS), collective persons of administrative public utility or of recognised public interest and construction cooperatives.
- › The housing that is promoted within the scope of this support shall be assigned to the affordable rental programme for at least 25 years, and a longer period may be established in the rental contract.
- › At the end of the period set forth in the previous number, and in case of sale, the municipalities have a preference right in the acquisition of the housing built, calculated in accordance with the legislation applicable to the promotion of housing at controlled costs.

## Rental Support Programme ("PAA")

In order to encourage affordable rent, the Council of Ministers has proposed the following measures:

- › Reduced VAT rate (6%), for construction or rehabilitation works of real estate allocated to the PAA.
- › IMI exemption for a period of between 3 and 5 years, after acquisition or rehabilitation of real estate allocated to the PAA.
- › IMT exemption on the acquisition of real estate for rehabilitation or construction if, after rehabilitation and construction, the real estate is allocated to the PAA.
- › Exemption of AIMI, if the real estate is part of the PAA.
- › Rental contracts allocated to Affordable Rentals will be exempt from Stamp Duty.

## Build confidence in the rental market

### Reduction of Taxes on Rent

- › Reduction of the IRS rate to be applied to income from long-term housing leases, based on the duration of the contract:
  - Up to 5 years: 25%
  - Between 5 and 10 years: 15%

- Between 10 and 20 years: 10%

- More than 20 years: 5%

- › Exemption of taxation on rental income in the following cases:
  - Contracts under the PAA.
  - Contracts prior to 1990.
  - Contracts resulting from the conversion of local accommodation into rental.
- › Rental insurance will now be deductible from gross Category F income (Property Income)

### Faster justice

- › Creation of a rental court that comprises the functionalities foreseen in the current SIMA (Injunction Service in rental matters), as well as in the BNA – Balcão Nacional de Arrendamento (National Rental Court).
- › Reinforcement of the payment guarantees to landlords regarding rents not paid by tenants, through settlement by the State, namely by the Housing and Urban Rehabilitation Institute (hereinafter IHRU), in the place of tenants, of unpaid rents after three months of default.
- › Elimination from the BNA of situations of non-payment of rents based on socially relevant causes.

- › The State, after replacing the tenants in the payment of the rents to the landlords, will proceed with an evaluation of the social and economic situation of the tenants, after which it may collect the debt by the means legally foreseen or determine that, given the lack of means and always in articulation with social security, it will proceed with the support of the families in order to find stable housing alternatives.

## New Subsidies

### Porta 65 Jovem

- › Regarding the program Porta 65 Jovem (financial support system for rental by young people, isolated, constituted in households or cohabiting), it is foreseen that it will operate continuously throughout the calendar year (only applicable as of June 2023; we would like to warn that the application period foreseen for April 2023 will still be maintained, since the change will only occur in June 2023).
- › The attribution of the Porta 65 Jovem supports no longer requires the coincidence between the permanent residence and the fiscal address.

### Porta 65 +

- › Support to vulnerable families, namely with a drop in income above 20% or single parent families.
- › Permanent support like the one attributed by the Porta 65 Jovem without age requirement.
- › Functioning in the Porta 65 platform in a continuous regime, without the need for specific application periods or opening of contests.

### Protection for tenants with old contracts

- › Inapplicability of the transition to the NRAU (New Urban Lease Regime) to rental contracts entered prior to 1990. Provisions are made for landlords to be compensated through taxation, subsidies, or the establishment of a maximum amount of rent to be charged.
- › The concrete proposal in relation to the landlords' compensation will be presented until July 2023.
- › The scheme is expected to enter into force in January 2024.

### State as a tenant of middle-class properties

- › Making real estate available for rental to middle-class households focusing on situations of income drop of more than 20% in relation to the income of the previous

month or the same period of the previous year, single-parent families, and young people.

- › The State will propose the rental of properties to private individuals, namely properties that are vacant but apt to be inhabited immediately, subsequently subletting them to middle-class families with a maximum effort rate of 35% of the average monthly income of the housing unit, under the terms of the Accessible Rental Platform (PAA).
- › The IHRU will appear as a tenant in rental contracts for housing purposes that will subsequently draw lots for candidates for the allocation of properties under sublease.
- › The IHRU and the landlords will freely establish the monthly rent price to be paid by the State to the property owner up to a maximum value 30% higher than the general rent price limits, considering the type and municipality where the property applicable to the PAA is located.
- › The rental contracts entered between the IHRU, and the landlord cannot have a duration of less than 3 years.

### **Registration of the Rental Agreement by the Tenant**

The Tenant may now register his rental agreement with the AT within two months after the end of the deadline

for communication by the landlord, if the landlord fails to do so.

## **Measures to Address Real Estate Speculation**

### **End of Golden Visas**

- › Without prejudice to the eligibility of applications for residence permits for investment (ARI), as of 16 February 2023 no new Gold Visas may be granted.
- › With regard to requests which are pending from SEF or are pending prior control procedures in the municipalities, they will be processed automatically under the residence permit regime for entrepreneurial emigrants.
- › Regarding visas already attributed, every two years these will be safeguarded by the reconversion of the residence permit into a residence permit for entrepreneurial immigrants and as long as the applicable legal requirements are met.

### **Fair rent guarantee in new contracts**

- › In respect of real estate already on the rental market in the last 5 years, the initial rent in new contracts may not

exceed 2% in relation to the previous rent, except in the case of rents within the PAA's limits.

- › To this value the automatic update coefficients of the three previous years can be added.
- › In the case of properties that have been subject to profound remodelling or restoration works, duly certified by the municipalities, the increase can be of an additional 15%.

### **IMT exemption on the purchase for resale is reduced from three to one year**

The IMT exemption on the acquisition of property for resale now requires that the property is sold within a maximum period of one year, instead of the current three years.

## **Access to available Property**

### **More Vacant Public Property for Housing**

This measure focuses specifically on simplifying the procedure for integrating vacant State properties already in residential use into the Real Estate Stock Exchange of the Housing and Urban Rehabilitation Institute (IHRU), with the main objective of making housing available more quickly.

### **Creation of a new Entity – Parque Escolar e Habitacional**

Reinforcing the competencies of the recently created entity Parque Escolar e Habitacional, giving it more responsibility, along with the Housing and Urban Rehabilitation Institute (IHRU), to build public housing, with special focus on the mobilisation of vacant properties with housing capacity.

### **Financing for municipalities to carry out conservation works on private property**

- › Creation of a financing line in the amount of 150 million Euros that will allow municipalities to comply with their competences under the terms of the Legal Regime of Urbanization and Construction (RJUE), being able to carry out coercive works in private property whenever necessary. With the creation of the referred financing line, it is intended to overcome the non-conduction of the referred works by the municipalities due to lack of funds, thus guaranteeing that these do not need to channel own capital to the fulfilment of their legal attributions.
- › The amortization of the referred loan will be ensured through the payment of the debt by the owner or through the income generated by the property, through forced lease foreseen in the RJUE.

### **Mobilisation of flats which have been vacant for more than two years for rent**

- › Vacant apartments must be classified as such by the municipal councils, in territories which do not fall within the concept of low population density.
- › Holiday homes, emigrants' homes or homes of people displaced for reasons of health, profession, or training, and also homes whose owners are in nursing homes or whose owners are providing care as informal carers are excluded as vacant properties.
- › A property classified as vacant by the Municipality is considered vacant after 2 years, in cases where no use has been made of the property (after notification to that effect) and whenever the same property is located in territories other than low density territories.
- › At the end of the two-year period the Municipality shall notify the owner to proceed with conservation works or to accomplish the duty to use the property within 90 days, after which, in case of non-use, the Municipality may propose its lease or proceed with forced lease.
- › In case of forced lease, the IHRU can substitute itself for the municipality whenever the latter does not lease the property and it does not need conservation works, thus exercising its own right.

### **Unofficial possibility for municipalities to communicate the change of classification of rural properties to construction land**

This measure applies to rural properties that are located inside or outside an urban agglomeration and that are notified by the municipalities to the Tax and Customs Authority and to the taxpayer as being suitable for construction, will now be fiscally registered as land for construction.

### **Balancing local accommodation and renting in low density territories**

- › Suspension of issuing new licenses in the modalities of flats and lodging establishments integrated in an autonomous fraction of a building (Airbnb's and other short term rental flats, provided that the following conditions are met:
  - Until the respective municipality approves the Municipal Housing Map, in the case of territories that do not fit into the concept of low density.
  - Whenever the municipalities proceed with the declaration of housing shortage and as long as it remains so.
- › Regarding licences already attributed, these will be reviewed by the competent Municipal Council in the year 2030.

- › The new licenses will be valid for 5 years and a mechanism will be created for the expiry of the licenses due to any cause of transmission, excluding only the cases of succession.
- › Expiry of inactive licences and conferring to condominiums the possibility of putting an end to licences issued without their approval.
- › Reinforcing the supervisory powers of parish councils within the scope of local accommodation.
- › Creation of a new tax regime:
  - Creation of an extraordinary contribution on short rentals in the amount of 20% to be consigned to the Housing and Urban Rehabilitation Institute (IHUR) to finance affordable housing policies and which varies according to operating income, the evolution of rents and the weight of Local Lodging in the Zone.
  - Transition of short rental Establishments to the long-term rental market.
- › An exemption is created for property income earned until 31/12/2029 under IRS and IRC. The requirements for the application of the exemption are the following:
  - Transfer of the Property used for local accommodation activity to the housing rental market.

- Local accommodation establishment registered until 31/12/2022.
- Lease contract signed until 31/12/2024 and respective registration in the tax portal.

### **IRS exemption on capital gains on sales to the State, Autonomous Regions and municipalities**

Capital gains arising from the sale of real estate to the State, Autonomous Regions and Municipalities will be exempt from taxation.

### **Capital gains tax exemption on sale for credit amortisation**

- › Capital gains obtained from the sale of building land or residential real estate (other than owner-occupied housing), occurring after 1 January 2022, if applied in the amortization of a loan for owner-occupied housing or descendants, will be exempt from taxation.
- › If the capital gain is higher than the value of the loan, the remainder will be subject to taxation under the general terms.