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Building Projects Over Strong Relationships

LEGAL ALERT - Housing Fiscal Package (Decree-Law No. 97/2026)

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Decree-Law No. 97/2026 introduces a set of measures with direct impact on the construction, rehabilitation, leasing and acquisition of residential property. The aim is to strengthen housing supply through tax incentives and new investment frameworks. The key measures are as follows:

- **Reduced VAT rate (6%):** applicable to construction and rehabilitation works on properties intended for permanent residence or residential leasing, within the limits of moderate sale prices/rents. The sale or lease must occur within 24 months after the issuance of the occupancy permit, and leases must be maintained for 36 months within the first 5 years.

- **Personal Income Tax (capital gains and rental income):** exemption of capital gains from taxation through reinvestment in residential leasing properties with moderate rent, and rentalincome from such contracts is taxed at a reduced rate of 10%.

- **Property Transfer Tax (Non-Residents):** the general IMT rate for non-resident purchasers of residential property is reduced to 7.5%, unless one of the legal exceptions applies.

- **RSAA (Simplified Affordable Rental Regime):** where rent is limited to 80% of the median rent for the relevant municipality, and the accessible rental contract has a minimum duration of 3 years (permanent residence) or 3 months (temporary residence), rental income is exempt from IRS/IRC.

- **CIA (Investment Contract for Residential Leasing):** a contractual regime for up to 25 years relating to construction, rehabilitation or acquisition projects for residential leasing, granting tax benefits such as exemption from IMT, IMI, AIMI and Stamp Duty, and application of 6% VAT to eligible construction or rehabilitation works.

To better understand the impact of these changes on your specific situation and when they will effectively enter into force, please contact our team.

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