

More Housing Program

Main changes for investors

Draft laws: 71/XV/1 and 77/XV/1



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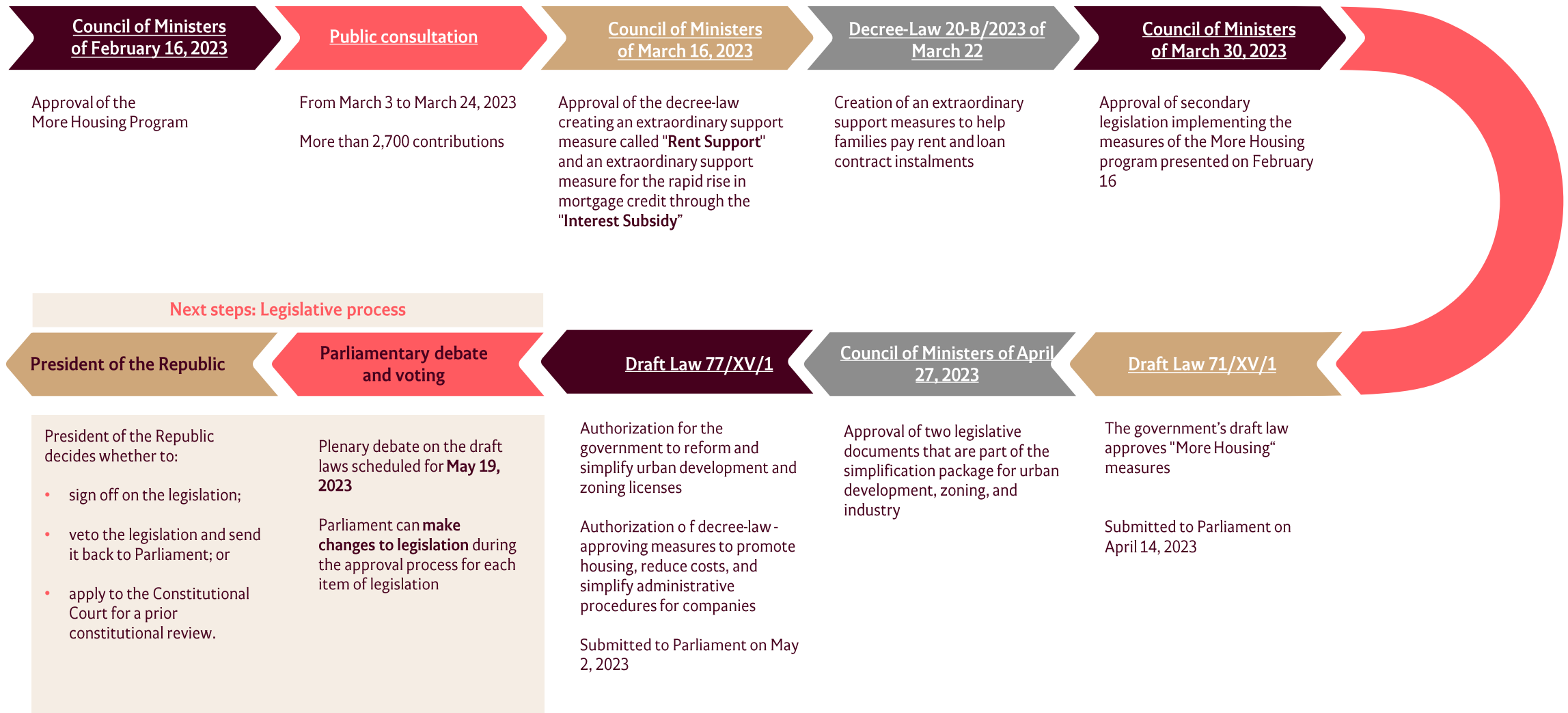
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1. Background



2. Rentals [DRAFT LAW 71/XV/1]

2.1 New residential rental agreements: Limits on the initial rent

For properties that were rented out within in the five years before the date the new law enters into force, **the initial rent for new rental agreements is capped at** the last rent amount for the same property under the previous agreement, plus a coefficient of 1.02. To clarify, the initial rent under new agreements cannot exceed **2% of the previous rent**.

This 2% limit applies to rental agreements that surpass the general rent price limits set by type established in the Rental Support Program (“RSP”). This condition was not included in the draft law version released for public consultation.

Specific cases with an **increase of more than 2%**:

- i. If the preceding rental agreement did not undergo any legally permitted updates, the **update resulting from the updating coefficients for the past three years** can be added. For 2023, the coefficient is 5.43%.
- ii. If **major renovation or restoration work** was carried out on the property and certified by the municipal council, the landlord can include the expenses incurred for that work, up to a maximum **annual limit of 15%**, in the initial rent.

2.2 Pre-1990 rental agreements: Non-transition to NRRL

Pre-1990 agreements that have not yet transitioned to the NRRL - **Landlords can no longer trigger the transition to the NRRL**.

Compensation measures:

- According to the government’s draft law and the communiqué of March 30, 2023, tax measures, such as the personal income tax and property tax (IMI) exemption, as well as the determination of the amounts and limits for the compensation to be awarded to the landlord and the rent to be set for the tenant) will **apply as of 2024**, after the report has been issued by PlanAPP and IHRU.
- Once this report has been issued, the compensation measures are expected to be confirmed.

Impact

Limits on landlords negotiating the amounts for new rental agreements

Duration: Regime will apply until December 31, 2029

Impact

Landlords cannot terminate agreements; rent freeze

Duration: Non-transition to the NRRL becomes definitive. Compensation measures will only apply as of 2024



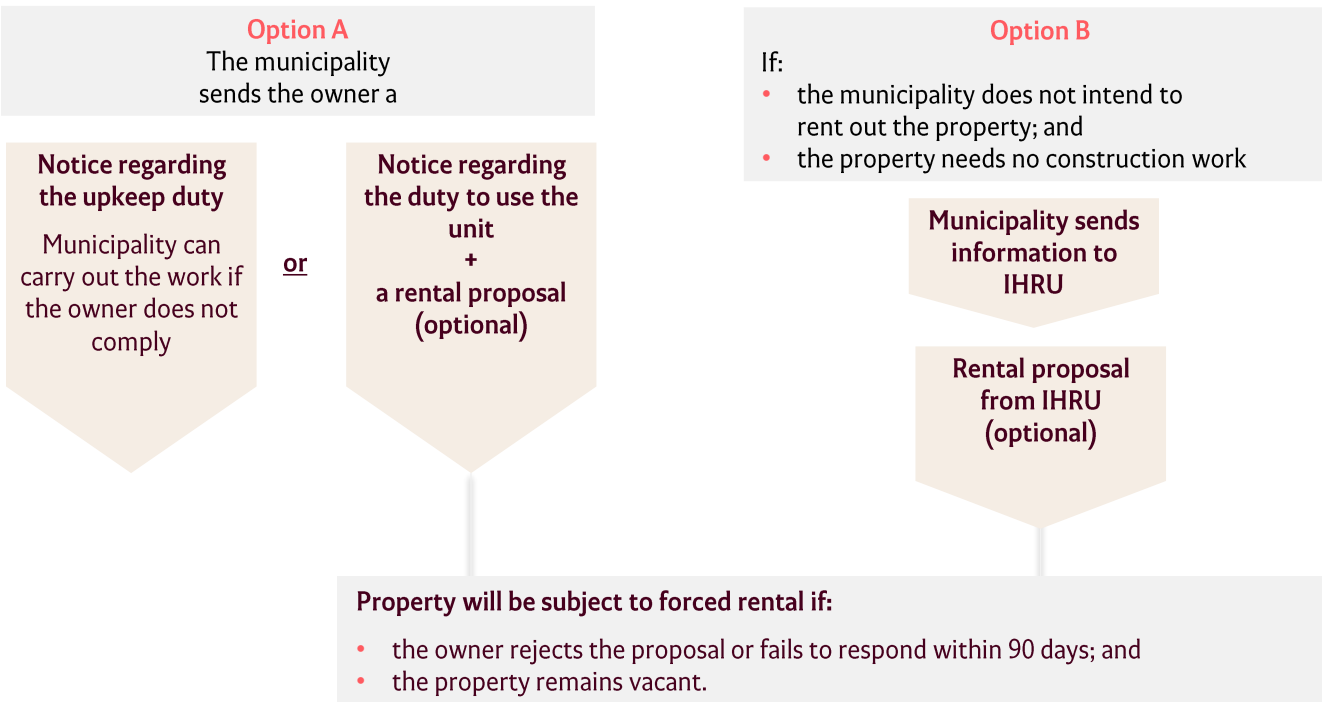
2. Rentals [DRAFT LAW 71/XV/1]

2.3 Forced rentals

- **Properties that can be subject to forced rental:**
 - i. Residential units
 - ii. Separate parts of a building that can be used for residential purposes

Not located in the interior of the country (see Schedule to Ordinance 208/2017), **Madeira and the Azores**
Classified as vacant for more than two years (see Decree-Law 159/2006)

- **Procedure:**



Evidence of vacancy (see Decree-Law 159/2006)

- a) No contracts with telecommunications and utility companies
- b) No telecommunications or utility bills
- c) Low water and electricity consumption – bills in each year do not exceed a consumption level of more than 7 m³ for water and 35 kWh for electricity
- d) Vacant property, as attested by an inspection carried out under article 90 of Decree-Law 555/99 of December 16, as amended.

New communication duty established in the draft law

Telecommunications and utility companies must send the municipalities an **updated list of properties with no supply agreements or where consumption is low or non-existent** for each building or unit by **October 1 each year**.

Impact

Risk of forced rental of properties vacant for more than two years

If municipalities waive forced rental, they cannot apply the higher property tax (IMI) rates for vacant properties.

Rent: The rent cannot exceed 30% of the general rent price limits per type depending on the municipality where the property is located (see article 10.1.a) of Decree-Law 68/2019),

3. Short-term letting [DRAFT LAW 71/XV/1]

3.1 Suspending new licenses

- **New short-term letting licenses will be suspended** for apartments and hospitality establishments in separate units. **Exception:** inland Portugal, Madeira and the Azores
- Municipalities can establish the balance between housing supply and student housing in their municipal housing charters, enabling them to terminate the suspension of new licenses, unless they have declared a housing shortage.

3.2 Reappraising existing licenses

- The existing licenses on the date of entry into force of the draft law will be **subject to reassessment in 2030**. In the case of establishments that constitute a property guarantee for loan agreements entered on or before February 16, 2023, which have not been repaid by December 31, 2029, the reassessment will only take place after full repayment of the loan.
- **Renewal term:** five years

3.3 Non-transferability and expiry

- The license number of the **short-term letting establishment is personal and non-transferable**, even if held or owned by a company or business.
- The **license expires if any part of the holder's share capital is transferred**, regardless of the percentage. The only exception is in succession cases.
- Within **two months of the date the draft law enters into force, the holders of these licenses must provide proof that they are still active**, or the license can be canceled.

3.4. Objection to short-term letting

- If the short-term letting unit is in a building or a separate part of a building, the **condominium owners meeting can object to this activity** if (i) owners with over half the permillage (1/000) of the building approve the objection; and (ii) the master condominium deed makes no express provision for this type of use and there is no express resolution of the condominium owners meeting authorizing it.

Impact

- Impossible to obtain new licenses after the law enters into force
- Impossible to acquire a license by transfer
- Licenses expire if part of the share capital of the license holder is transferred
- Licenses are subject to review and five-year renewal terms
- Risk of objection by condominium owners if the short-term letting property is in a condominium

3. Short-term letting [DRAFT LAW 71/XV/1]

3.5. Extraordinary contribution

- An extraordinary annual contribution was created for short-term letting apartments (CEAL): units and parts or divisions of buildings that can be used separately for residential purposes

Who is obligated to pay?

- Holders of short-term letting licenses and, subsidiarily, property owners who are not the license holders

Tax base – based on two coefficients to be published annually and a rate of 20% (not 35%, as stated in the public consultation version):

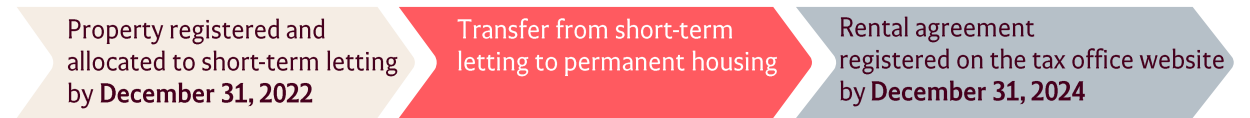
- Economic coefficient for short-term letting
- Urban development pressure coefficient for the gross private area of residential properties

Exceptions:

- Properties located in inland Portugal, Madeira, and the Azores
- Properties located in parishes that:
 - (i) are covered by an existing municipal housing charter that evidences an adequate balance between housing supply and student housing in the municipality;
 - (ii) are in municipalities where a housing shortage has not been declared; and
 - (iii) do not have any part of their territory defined as an urban development pressure zone.

3.6 Tax incentives for transferring properties from short-term letting to rentals

- **Personal income tax and corporate income tax exemption for income from residential rental agreements** if all the following conditions are met:



Duration: Exemption applies to property income obtained up to December 31, 2029



Impact

In non-exempt cases - CEAL must be considered in the short-term letting business plan

4. Purchase for resale [DRAFT LAW 71/XV/1]

Limit on the property tax exemption on purchases for resale

- The period for reselling properties purchased for resale decreases from three years to one year.

If a property benefits from an exemption, tax and compensatory interest will be due from the time of purchase if:

- i. the property purchased for resale is not resold,
- ii. the property is not resold within one year; and
- iii. the property is resold again for resale.

When the building is resold again—not for resale—within one year, any tax paid can be canceled by the head of the tax office at the request of the interested party who must submit a document evidencing the transaction.

See the article [Changes to the property transfer tax \(IMT\) exemption on purchases for resale](#) in the tax newsletter for the 1st quarter of 2023

Impact

The draft law does not restrict this reduction in the property tax exemption period to residential properties, so this **change will affect the purchase of any property for resale**.

This change affects:

- i. future purchases, which now have a shorter period of one year for resale; and
- ii. previous purchases of real estate for resale – the new one-year period begins when this change enters into force, unless the three years of the previous period have already elapsed.

Entry into force:

The draft law does not establish any transitory provisions or limit its scope to only new purchases.



5. Golden Visa [DRAFT LAW 71/XV/1]

- The Golden Visa program is revoked.
- **New applications** – there can be no more new applications for a residence permit for investment activity (IRP) under articles 90-A.1 and 90-A.1.2 of Law 23/2007 – as of the date of entry into force of the draft law and not retroactive to February 16, 2023, as stated in the version of the draft law for public consultation.

Renewals of IRPs granted under the current regime

are not affected

Granting or renewal of residence permits for family reunification

are also safeguarded

New applications for residence permits for investment activities or support for the artistic production, recovery, or maintenance of national cultural heritage

New applications will be allowed if the Bureau for Cultural Strategy, Planning and Evaluation (“GEPAC”) issues a declaration, before the draft law enters into force, attesting to the actual transfer of capital (investment of at least €250,000)

Pending IRP requests (Articles 90-A.1 and 90-A.2 of Law 23/2007)

These remain valid if:

- they are awaiting a decision from the competent authorities on the date the draft law enters into force; or
- prior check procedures at the municipalities are pending on the date the draft law enters into force.

Renewal entails the **conversion of the residence permit into a residence permit for entrepreneurial immigrants**:

- First year: minimum stay of seven consecutive or non-consecutive days
- Subsequent two-year periods: minimum stay of 14 consecutive or non-consecutive days

Applicable, with the necessary changes

Impact

Unlike in the public consultation version, the draft law no longer establishes the obligation to rent out the property for a five-year period or to use it as one's own permanent residence.

Applications and renewals pending on the date of entry into force are safeguarded.

Major impact on investments after entry into force – no new IRP applications (except for artistic and cultural purposes, but with a GEPAC declaration issued before the entry into force of the draft law).

Duration: The regime will take effect when the draft law enters into force; it will not be retroactive to February 16, 2023.

6. Opportunities in Draft Law 71/XV/1

Lease Counter (*Balcão do Arrendamento*)

Established in the draft law and expected to **enter into force 120 days after the publication of the law**

- Aims to **bring together the Fast-Track Rental Claims Service and the National Lease Counter**
- Establishes a **mechanism for the state to guarantee payment to the landlord of rents** not collected during the process (after submission of the case to the Lease Counter)

Promoting accessible rentals

Credit line

Surrender of public land and buildings

Tax benefits:

- Six percent value-added tax (“VAT”) rate for real estate construction or refurbishment works contracts allocated primarily to the RSP (at least 70% allocated to RSP)
- Three-year property tax exemption after purchase or refurbishment if allocated to the RSP – this may apply for another five years
- Property transfer tax exemption on purchases for refurbishment or construction if allocated to the RSP after refurbishment or construction
- Exemption from additional property tax if properties are allocated to the RSP
- Stamp duty exemption for residential rental agreements when the properties are for accessible rentals



7. Urban Development Simplex - Draft Law 77/XV/1

Context

Recovery and Resilience Plan

TD-r33 - Economic Justice and Business Environment, component 18

Goal of reducing unjustified sectoral obstacles to licensing

Decree-Law 11/2023
of February 10

Environmental Simplex

(see [Publication](#))

Program + Housing
- urban development simplex

Goals:
Simplifying housing licenses
Converting land use
Simplifying transactions

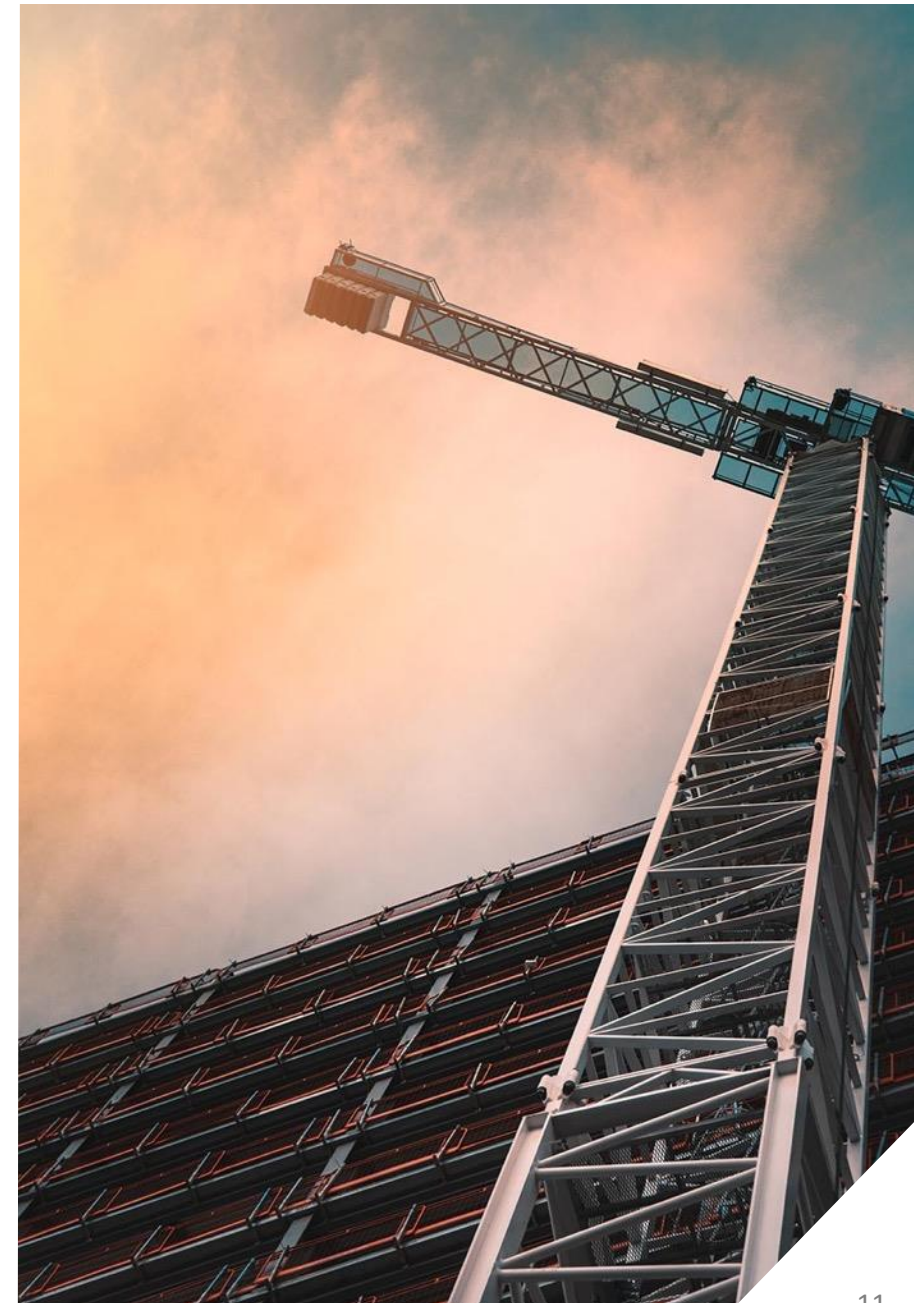
Draft Law 77/XV/1 entered Parliament on **May 2, 2023**:

- It authorizes the government to reform and simplify urban development licenses and zoning.
- It includes an authorized decree-law approving measures to promote housing, reduce costs, and simplify administrative procedures for companies.

These **legislative items may be subject to change** during the applicable approval processes.

New legislative initiatives:

The preamble to the authorized decree-law states, “*further legislative initiatives will be adopted in the future with the same purpose of simplifying and reducing the administrative burden for companies in other areas, including (i) **trade, services, and tourism**; and (ii) **agriculture**.*”



8. Urban Development Simplex – Simplifying urban development procedures

8.1 Eliminating licenses - New exemptions or waivers of prior administrative control by municipalities

In addition to (i) **upkeep work**, (ii) **work of minor urban development significance**, and (iii) certain **features** that were already exempt from prior administrative control, the **following new exemptions** are established:

- i. **Alterations inside buildings or parts of buildings** that do not affect, maintain, or reinforce the stability of the structure and do not entail changes in the height or shape of the facades, roofs, or roof coverings, or do not involve removing Portuguese tiles (*azulejos*) from the façade, regardless of whether they face the street.
- ii. **Reconstruction work that does not entail increasing the height of the façade**, even if it increases the number of floors.
- iii. **Subdivision operations** in an area covered by a detailed plan with registration effects.
- iv. **Urban development work, land remodeling work, construction, alteration, or extension work**
- v. **Work on cultural assets**
- vi. **Reconstruction work in areas subject to an easement or public use restriction**
- vii. Urban development operations preceded by "sufficiently precise" favorable prior information



The reinforcement or maintenance of the stability structure is justified, declared, and signed by a qualified technician.

The current regime in the Legal Regime of Urbanization-and Building (RJUE) only provides for:

Alteration work inside buildings or parts of buildings that do not entail changes in the stability of the structure or to the height or shape of the facades, roofs, or roof coverings, or do not involve removing Portuguese tiles (*azulejos*), regardless of whether they face the street.



If it is in an area covered by:

- i. a detailed plan with registration effects;
- ii. a subdivision operation; or
- iii. an execution unit that has an urban design and urban development and building work program.

Impact

In these new cases, it is no longer necessary to obtain any license, authorization, or other kind of permit.

Regarding license exemptions when there is a detailed plan, subdivision, or execution unit that meets certain conditions, the project must be sent to the municipality.

Maintained inspection powers to ensure compliance with the applied provisions - importance of the responsibility of applicable technicians and developers.

During and after the work: risk of inspection and changes being ordered to restore legality.

8. Urban Development Simplex – Simplifying urban development procedures

8.2. Tacit approval for building permits

- Approves a tacit approval system for building permits if decisions have not been made within the applicable periods, individuals can go ahead with their intended project. **The tacit approval constitutes the authorization to carry out the urban development work** and, when requested by the interested party, to occupy the public road.
- **Effective irrespective of whether fees are paid:** In cases of tacit approval, non-payment of fees is not a condition for effectiveness.
- **Deadline for the work:** In cases of tacit approval, the deadline for completion of the work is the date proposed by the applicant. The period begins on the fee payment date.
- **Mechanism for certifying tacit approval by issuing a certificate obtained in an electronic procedure** - in line with the provisions of the Environmental Simplex – Decree-Law 11/2023 – Dependent on the IT developments necessary for the recognition of the tacit approval or other positive effects associated with the silence of the competent authorities by all IT systems - expected to be implemented by 2024

8.3. Calculating and suspending time limits

- The time limits always begin on the date of the application and not at some intermediate point in the procedure, such as when external opinions are received.
- Requests for information, clarification, or additional items can only be made **once** and all at the same time. Previously, multiple requests for information could be made to the applicant.
- If individuals reply within 10 days, **the decision period is not suspended.**
- If there is no preliminary rejection or invitation to correct or complete the application or communication, the application or communication is considered correctly made and cannot be rejected on the ground that it is incomplete.

8.4 Eliminating the building permit title

Elimination of the building permit title replaced by the fee payment receipt

Impact

- Greater certainty regarding the calculation of time limits and less red tape surrounding the application process.
- Faster procedure - requests for information and additional documents can only be made once, and deadlines are only suspended if there has been no reply from the applicant for more than 10 days.
- If decisions are not made within the established time limits, the applicant will be able to carry out the intended project. This enables the applicant to obtain an official electronic document certifying approval and allowing him or her to go ahead with the work – **as of 2024.**

8. Urban Development Simplex - Simplifying urban development procedures

8.5 Extending the effects of favorable prior information

- The application for a license or the submission of a prior communication following favorable prior information can be submitted within two years of the favorable decision on the prior information request.
- General rule - A prior favorable information and declaration from the drafters and coordinator of the plans that these comply with the limits contained in that prior information **exempts** the urban development operation in question **from prior administrative control**.

8.6 Electronic urban development platform

There will be an electronic platform for urban development procedures with the following functionalities:

- i. Online submission of applications
- ii. Consulting the progress of processes and time limits
- iii. Receiving electronic notices
- iv. Obtaining certificates of exemption from urban development procedures
- v. Standardizing the procedures and documents required by the municipalities, thereby avoiding any multiplication of different practices and procedures
- vi. Future submission of applications in building information modeling (“BIM”) format, with automatic verification of compliance with the applicable plans

8.7 Municipal regulations and limitation of municipal powers – appraisal of specialty plans

- Municipal regulations cannot cover matters relating to administrative procedures and required documents.
- Municipalities cannot appraise issues relating to the interior of buildings or specialty matters. These are sent merely for information and filing purposes, together with the declarations issued by the relevant technicians that the plans were prepared in accordance with the law. Electricity, water, telecommunications, sewerage, and gas can be connected by engaging a certified company.
- End of the requirement for a plan prepared by a draftsman for the installation of electrical facilities under 41.4 kVA –to date, the compulsory lower limit for having a plan drawn up by a draftsman was 10.35 kVA.

Impact

Revalidation after one year is no longer necessary. After obtaining a favorable prior information and declarations of responsibility from the applicable technicians, the urban development operation project can go ahead, as a general rule, without prior administrative control.

Impact

Greater ease in submitting and following up on applications.

Municipalities can use their own IT systems but must ensure these are interoperable with the Electronic Urban Development Procedures Platform.

Implementation date: Platform will only be of mandatory use for municipalities **as of January 5, 2026**.

BIM mandatory as of January 1, 2030, for architectural and specialty projects - automatic validation by the municipalities.

Impact

The municipalities will have more standardized processes.

Specialties by certified technicians will be streamlined.

The number of cases where the preparation of an electrical installations plan is compulsory will be reduced.

8. Urban Development Simplex - Simplifying urban development procedures

8.8 Removing the need for an opinion - cultural heritage

There is no need for an opinion from the competent cultural heritage authority when:

- i. changes are made to the inside of properties without having an archaeological (or any other) impact on important architectural items and their integrated heritage;
- ii. upkeep works are carried out on the outside of the property without changing important architectural items; and
- iii. advertising banners, signage, awnings, esplanades, and street furniture are installed.

When the licensing application concerns a building classified as a national or public interest building and a request for an opinion is submitted to the Directorate-General for Cultural Heritage, **municipal councils cannot request new opinions** on cultural heritage, including from their own internal departments.

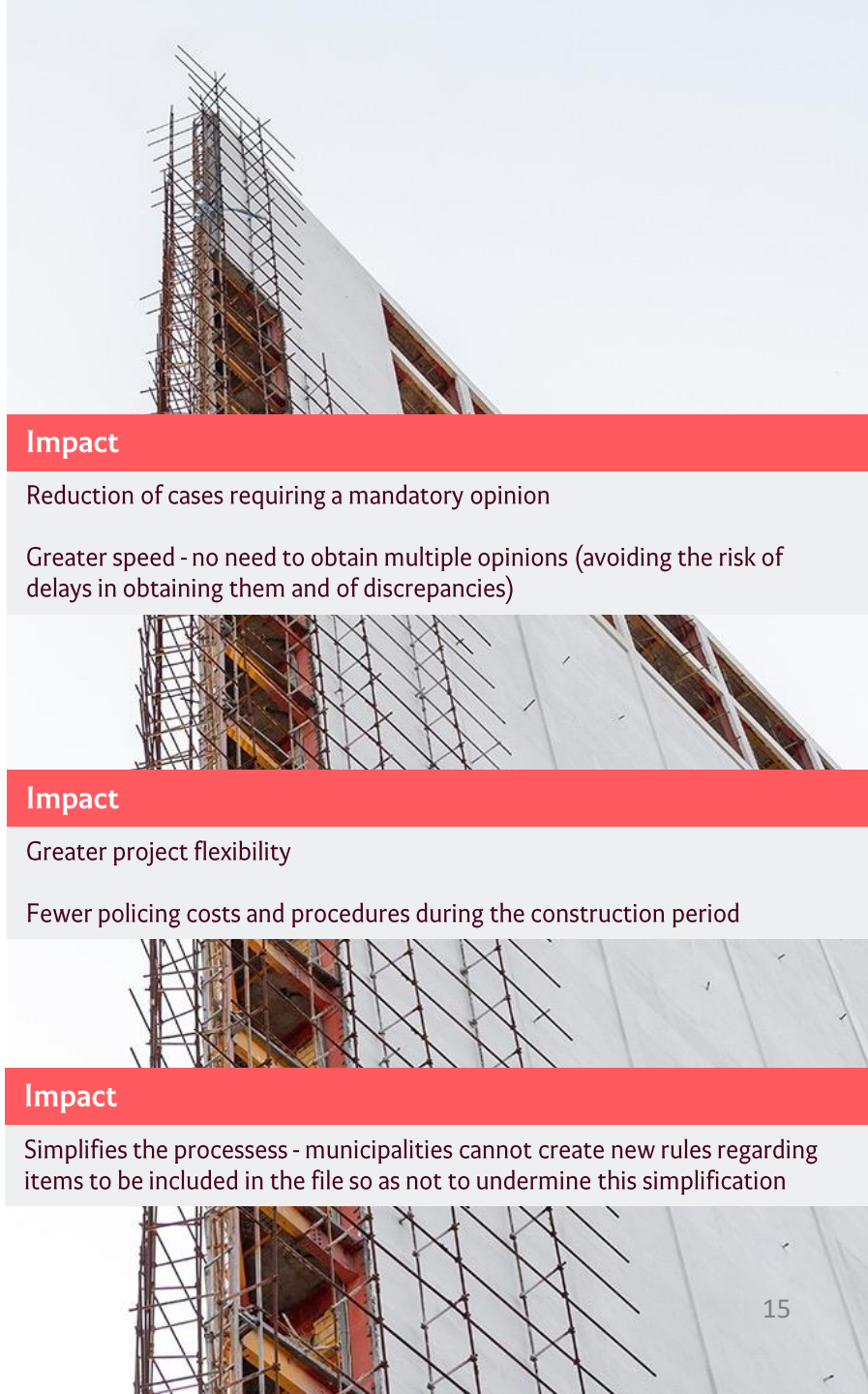
8.9 Repealing certain requirements of the National Building Code (RGEU) and during the construction work

- The requirement to have bidets in bathrooms no longer applies.
- Bathrooms can have a shower unit instead of a bathtub.
- Greater flexibility for kitchens, such as kitchenettes or walk-through kitchens.
- Police presence is only compulsory in urban development operations that require the closure of a public road.

8.10. Eliminating unnecessary application items

The following items will no longer be required:

- | | | |
|---|---|-----------------------------------|
| a) Forms of authentication, recognition, or certification of signatures on any document | c) Land registry certificate | f) Safety report |
| b) Copies of documents that the council has in its possession, such as operations permits and records | d) Copies of online certificates – only the certificate number needs to be provided | g) Digitized construction logbook |
| | e) Safety plan, but this may be subject to inspection, when applicable | h) Cost estimate of the work |



Impact

Reduction of cases requiring a mandatory opinion

Greater speed - no need to obtain multiple opinions (avoiding the risk of delays in obtaining them and of discrepancies)

Impact

Greater project flexibility

Fewer policing costs and procedures during the construction period

Impact

Simplifies the processes - municipalities cannot create new rules regarding items to be included in the file so as not to undermine this simplification

9. Urban Development Simplex - Real estate use and transactions

9.1 Eliminating the authorization for the use of real estate

Eliminates the authorization for the use of real estate

Replaces it with a simple advance notice or advance notice with a deadline

- **When construction work was already subject to a prior check**, the authorization for use is eliminated and replaced with a **simple prior communication** (i.e., simply submitting the documents).
- If there is a change in use **when the construction work was not subject to prior administrative control**, a **prior communication** must be submitted, **and the municipality has five days to respond**. If the municipality does not respond, the application for the authorization for use is considered accepted.
- All legal and regulatory references to the use license permit are to be understood as being references to the payment receipt for legally payable fees.

9.2 Simplifying formalities – Purchase and sale of real estate

Formalities for the purchase and sale of real estate are simplified by eliminating the requirement to:

- i. prove the existence of the housing technical data sheet; and
- ii. exhibit the authorization for use or prove that it is not needed.

When the execution of public deeds involves transferring ownership of a building, **the notary must state that the property may not have the necessary urban development licenses** for use or construction.

Impact

Reduces delays in obtaining legal authorization for the use of real estate

Real estate transactions are possible even without the necessary urban development licenses for construction or use

Applicable to any kind of real estate (not just for residential purposes)

10. Urban Development Simplex – Simplifying zoning processes

10.1 Simplifying the land reclassification process

Currently

- Preparatory, review, or alteration procedures for detailed plans with registration effects
- Contract establishing (i) urban development charges, (ii) respective execution period, and (iii) conditions for redistributing benefits and charges

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Draft Law 77/XV/1

New simplified mechanism for reclassifying non-building land as building land

New simplified mechanism: Municipalities can order the reclassification of unbuildable land as buildable land when the cumulative conditions below are met:

- The land is intended for **industrial, storage, or logistics** activities and their support services or for the **construction of cost-controlled housing**.
- The land is not located in a sensitive area, a national ecological reserve, or a national agricultural reserve.

The reclassification proposal is drafted by the municipal council, which simultaneously arranges for:

- a **single public consultation** for the draft resolution with a minimum duration of 10 days (waiving any other public consultation established in special legislation, thereby avoiding several overlapping consultations; and
- a **procedural conference—which must take place during the public consultation period—where all public bodies, services, and legal persons express their opinions**, which are recorded in the minutes and where the issuing of any written opinion is expressly prohibited.

The process is not suspended during the public consultation period.

The reclassification of unbuildable land as buildable land is done using the simplified alteration procedure whenever (i) the intended purpose is housing, (ii) the land owned is exclusively public, and (iii) the land is located alongside existing buildable land.

Impact

The procedure is streamlined for reclassifying unbuildable land as buildable land, specifically without the need for a detailed plan for industrial, storage, or logistics purposes, outside a national agricultural or ecological reserve.

The review of zoning programs and plans with regard to land classification also follows the land reclassification procedure



10. Urban Development Simplex – Simplifying zoning processes

10.2 Conversion and construction of buildings for residential use

The conversion of buildings to residential use and construction of new residential buildings in urban areas classified as spaces for equipment, commerce, and services in the applicable municipal plan can be done through the **simplified regime**.

The municipality has 20 days from the date of receiving the communication about the intention to use the property for residential purposes to submit a justified objection. Any objection must be based on public interest reasons, specifically related to:

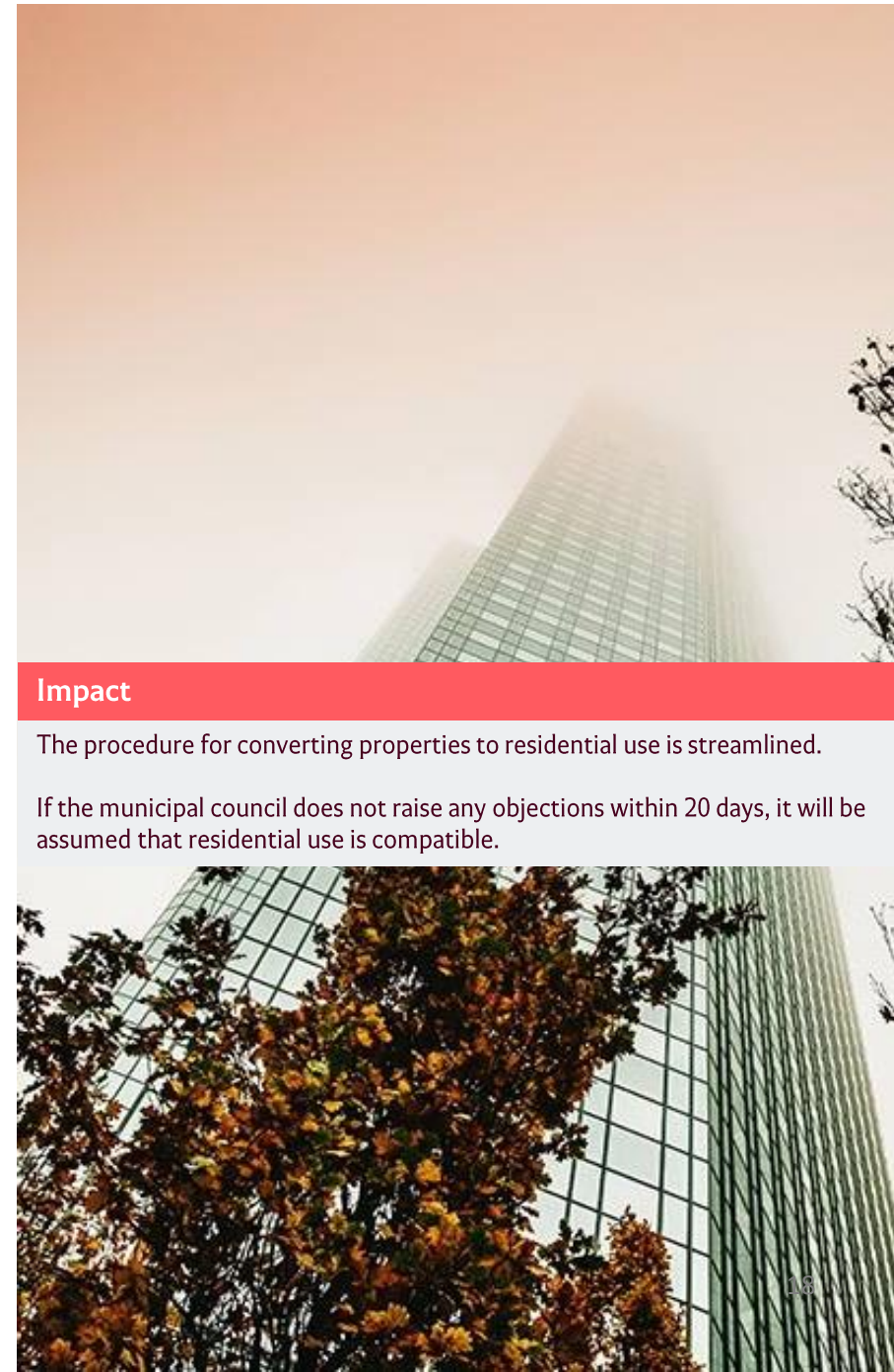
- a) noise;
- b) parking;
- c) existing mobility systems; and
- d) green spaces, public facilities, and recreational equipment.

If no objection is raised, it is assumed that residential use is compatible. In those cases, the rules applicable to the neighboring plots, with any necessary modifications, will be applied to ensure that the plot in question integrates harmoniously with its surroundings.

Impact

The procedure for converting properties to residential use is streamlined.

If the municipal council does not raise any objections within 20 days, it will be assumed that residential use is compatible.





Final mark

The government's draft laws mentioned in this document (Draft Laws 71/XV/1 and 77/XV/1) are still under parliamentary consideration and may eventually undergo changes within the respective approval procedures.

This document is based on the initial versions of the draft laws as of May 12, 2023.

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