

• DECREE-LAW NO. 97/2026 · OFFICIAL GAZETTE, 20·05·2026

# Housing: the “*tax shock*” of **2026**

*Seven instruments, a single key concept — “moderate value”  
— to mobilise public, cooperative and private supply through  
2032.*

STATUTE Decree-Law no. 97/2026, of 20 May  
AUTHORISATION Law no. 9-A/2026, of 6 March  
ENACTMENT 12 May 2026  
ANALYSIS BY TFRA · Law Firm & Consultants

§ 01 OPENING · AN INTEGRATED PACKAGE TO STIMULATE SUPPLY

# An integrated package to stimulate *supply*.

On 20 May 2026, Portugal’s Official Gazette published a statute that the specialised press hastened to label a “tax shock”: a cross-cutting, simple and robust incentive regime aimed primarily at the middle class.

Decree-Law no. 97/2026 — approved by the Council of Ministers on 27 March and enacted by the President of the Republic on 12 May — uses the authorisation granted by Law no. 9-A/2026, of 6 March, to mobilise the **public, cooperative and private** sectors simultaneously.

*“A cross-cutting, simple and robust incentive regime”, in the words of the XXV Constitutional Government, aimed primarily at middle-class families.*

Four pillars structure the statute: **(i)** tax incentives for construction, rehabilitation, sale and lease; **(ii)** Rental Investment Contracts (CIA); **(iii)** partial VAT refund on construction works; **(iv)** the new Simplified Affordable Rental Regime (RSAA). At stake: amendments to the VAT Code, Personal Income Tax (IRS) Code, the Tax Benefits Statute and the Property Transfer Tax (IMT) Code.

PILLAR I	PILLAR II	PILLAR III	PILLAR IV
Tax incentives	CIA	VAT refund	RSAA

ANALYSIS BY TFRA · REAL ESTATE & TAX DEPARTMENT

## § 02 STATUTE SUMMARY · 10 SECTIONS

# What you will *read*.

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§ 01 ARTICLE 2 · DEFINITIONS

# The key concept: *“moderate value”.*

*Almost every benefit in the statute hinges on this threshold — anchored to the guaranteed minimum wage and to the 2nd IMT bracket.*

MODERATE MONTHLY RENT

**2 300** €/mo.

Up to 2.5 × the guaranteed monthly minimum wage projected for 2026.

MODERATE SALE PRICE

**660 982** €

Upper limit of the 2nd bracket of art. 17 of the IMT Code (State Budget 2026).

## What “value” includes

The relevant value **is not limited to the property itself**: it also includes movable assets and equipment physically attached with a permanent character, even where these are subject to separate legal transactions (article 3).

*These thresholds may be updated by ministerial ordinance, applying the update factor of article 24 of the NRAU.*

WHY IT MATTERS

*The “moderate value” concept is the master key of the statute: it defines who qualifies for — and who is excluded from — every tax benefit, from the VAT rate to the capital-gains exemption.*

§ 02 ITEM 2.42 · LIST I ANNEXED TO THE VAT CODE · ARTICLES 8 AND 10

# VAT at 6% on construction and rehabilitation.

The measure with the greatest immediate impact: **temporary** application of the 6% reduced VAT rate — replacing the standard 23% — to construction and rehabilitation works on residential property, via the new item 2.42.

## Item 2.42.1 covers construction works for:

- Sale for the buyer's **own and permanent residence**; or
- Exclusively for **residential lease** at moderate rents.

## Essential conditions

Sale for OPR	Rates under sub-paragraphs (a) or (b) of art. 17(1) IMT Code; sale within ≤ 24 months of the start of use (RJUE); express reference to the item.
Lease	VAT exemption (art. 9 of the VAT Code); contract in force within ≤ 24 months; lease ≥ 36 months over the first 5 years.

### APPLICABLE RATE

6 %

*instead of the standard 23% — for qualifying works through 31 December 2032.*

### NON-ALLOCATION TO OPR

+10 %

IMT surcharge on the taxable value (art. 10(5)) where the property is not allocated within 6 months, save for exceptional circumstances.

**Application window:** urban operations starting between 25-09-2025 and 31-12-2029, with VAT due from 01-01-2026.

§ 03 ANNEX II · PARTIAL VAT REFUND

# When the individual *builds their own home.*

*For those building their own and permanent residence outside any business activity, the State refunds the gap between VAT borne at the standard rate and what would have been due at the reduced rate.*

FILING DEADLINE

**12** months

after issuance of the use permit for the property.

REFUND

**150** days

maximum payment period by the Tax Authority following the electronic claim.

HOLDING PERIOD

**≥ 12** mo.

property allocated to OPR within 6 months and kept as such for at least 12 months.

## How it works

The claim is filed electronically with the Tax Authority. The refund covers the gap between VAT paid at 23% and what would have applied at 6%, eliminating the tax disadvantage of those not acting in a business capacity. **Application:** VAT chargeable through 31 December 2032.

*An instrument that, for the first time, establishes tax parity between the self-builder and the professional contractor.*

BENEFICIARY	MODALITY	ALLOCATION
Individual	Self-construction outside any business activity	Own and Permanent Residence

§ 04 NEW ARTICLE 45-C OF THE EBF (ADDED BY ART. 9)

# The new taxation of the *landlord*.

*The statute substantially reduces the tax burden on landlords charging rents within the moderate threshold — expressly covering contracts already in force.*

IRS · AUTONOMOUS TAXATION

# 10 %

*on rental income from moderate-rent contracts — versus the usual 25%. Through 31-12-2029, unless a more favourable rate applies.*

IRC · ORGANISED ACCOUNTING

# 50 %

*rental income is taken into account at only half its value — category B and IRC — through end-2029.*

## Key points

- 01 **Withholding tax** on this category-F income drops to **10%** (article 101 of the IRS Code).
- 02 **Existing contracts** are covered by the reduction — as expressly stated in the preamble.
- 03 **Retroactive effect:** the amendments take effect from 1 January 2026.

### TFRA INSIGHT

Expressly covering existing contracts is the most significant policy innovation: the legislator chose to reward those already charging moderate rents rather than limiting the benefit to new contracts.

## § 05 AMENDMENT TO ARTICLE 10 OF THE IRS CODE (ART. 5)

# Capital gains: exemption *with reinvestment*.

*Gains from the sale of property are excluded from taxation whenever the realisation value — net of any loan — is reinvested in acquiring other properties on national territory, intended for residential lease at moderate rents.*

## Cumulative conditions

### 01 Reinvestment window

Between the **24 months prior** and the **36 months following** the realisation date.

### 02 Statement of intent

The taxpayer must declare the intent to reinvest in the income tax return.

### 03 Contract execution

Moderate-rent lease contract executed **within 6 months**.

### 04 Holding and non-alienation

Lease of **≥ 36 months over the first five years**; the property cannot be sold during that period.

*Breach “revives” the tax liability in the year of violation, plus compensatory interest (art. 35 LGT).*

Applies to transfers carried out between **1-01-2026** and **31-12-2029**.

#### TFRA INSIGHT

The reinvestment exemption resurrects a classic mechanism, now redirected to moderate-rent leasing — aligning individual incentives with public housing policy.

§ 06 IMT, STAMP DUTY AND RENT DEDUCTION IN IRS

# Cost-controlled, deductions and *non-residents*.

## A. Rent deduction in IRS · *art. 78-E*

The annual cap on tenants' rent deductions rises progressively:

2026

900 €

FROM 2027 ONWARDS

1 000 €

## B. Cost-controlled housing · *new art. 45-B EBF*

The first acquisition of a cost-controlled OPR enjoys **IMT exemption** (up to the upper limit of the 1st bracket) and a **Stamp Duty credit against assessment** (item 1.1 of the General Stamp Duty Schedule). Excluded: anyone already owning a residential property on the date or within the prior 3 years. Application is contingent upon a municipal assembly resolution.

## C. Non-residents · *art. 17 IMT Code*

A rate of **7.5%**, **with no exemptions or reductions**, applies to the acquisition of urban property earmarked exclusively for residential use by non-residents — unless they were (or become within two years) tax residents, or allocate the property to urban lease within 6 months. The payment deadline is extended to **30 days** (art. 36).

### TFRA INSIGHT

Three measures with distinct rationales: relief for middle-class tenants, encouragement to acquire cost-controlled housing, and a stricter regime for non-residents who fail to direct the property to urban lease within six months.

§ 07 ANNEX I · RENTAL INVESTMENT CONTRACTS

# CIA: the instrument for *institutional scale*.

*Targeted at real-estate funds and companies, the CIA regime takes the form of contracts between the investor and IHRU, I. P. (acting on behalf of the State), running for up to 25 years.*

MAXIMUM TERM

**25** years

*contract entered into with IHRU, I. P., on behalf of the State.*

## Eligibility

- **≥ 70%** of the construction area earmarked for moderate-rent residential lease;
- Investor with **technical capacity**, organised accounting and a clean tax record.

## Benefits package (art. 3 of Annex I)

- 01** **IMT** exemption on the acquisition of land and property.
- 02** **Stamp Duty** exemption on transfer.
- 03** **IMI** exemption for up to 8 years; 50% rate reduction thereafter.
- 04** Exemption from the additional IMI (**AIMI**).
- 05** Reduced VAT rate (**item 2.42.2**) on construction works.
- 06** Refund of **50% of VAT** on architecture, engineering, design and studies.
- 07** **50%** reduction of the rate under item 29.2 of the General Stamp Duty Schedule.

*Termination for breach entails loss of all benefits and repayment of 100% (first 10 years), 50% or 30%, depending on timing — plus compensatory interest.*

### TFRA INSIGHT

The CIA is the statute's most ambitious instrument: it replaces piecemeal benefits with a long-term contract with the State, setting reciprocal obligations and graduated penalties. It is designed for institutional capital.

§ 08 ANNEX III · SIMPLIFIED AFFORDABLE RENTAL REGIME

# RSAA: affordable rental, *rewritten*.

*The RSAA replaces the Rental Support Programme, revoking Decree-Laws no. 68/2019 and 69/2019, of 22 May — betting on simplicity and efficiency.*

RENT CEILING

≤ 80 %

of the median rent per municipality published by Statistics Portugal (INE), by typology (ordinance; automatic update).

TAX REGIME

0 %

*Full exemption from IRS and IRC on rental income — including renewals and assignment of the lease.*

## Contract structure

Term · Permanent residence	Minimum of 3 years.
Term · Temporary residence	Minimum of 3 months.
Filing of documents	IHRU electronic platform, by 15 January of the year following execution.
Coverage	Includes municipal affordable-rental programmes and public affordable rental — “reduced rent”.

**EXPRESS REPEAL**

The RSAA makes the 2019 framework obsolete: it is today the tax regime most favourable to the landlord, in exchange for a rent significantly below the municipality’s median.

§ 09 ANNEX IV · COLLECTIVE INVESTMENT UNDERTAKINGS SUPPORTING RENTAL

# OIA: *collective savings* at the service of rental.

*Tax benefits for OIAs and their participants are strengthened — aligning the collective investment vehicle with the supply of affordable rental.*

DISTRIBUTED INCOME · RSAA

**5 %**

*on income distributed to participants or shareholders, to the extent it relates to results from the immediately preceding tax period and in the proportion corresponding to OIA income from residential lease or sublease contracts entered into under the RSAA or similar statutes.*

OTHER INCOME · PARTICIPANTS

**−30 %**

reduction in the taxation of all other income obtained by participants or shareholders in OIAs, whether by distribution, redemption or liquidation.

STAMP DUTY · ITEM 29.2 TGIS

**−25 %**

reduction of the Stamp Duty due under item 29.2 of the General Schedule.

EFFECTIVE DATE

From **1 January 2026**.

CONSTITUTION WINDOW

OIAs constituted — or whose constitutive documents are amended accordingly — **by 31 December 2029**.

**TFRA INSIGHT**

The regime channels collective savings into affordable rental: it combines a low rate on RSAA-derived income, a cross-cutting 30% relief on the participant's other gains, and a 25% Stamp Duty reduction. The 2026–2029 window provides predictability — and creates a clear timing advantage for those who set up or adapt vehicles early.

§ 10 SYNTHESIS · THREE PILLARS · ONE KEY CONCEPT

# Three pillars, one *horizon* 2026—2032.

PILLAR I

## Construction & Rehabilitation

6% VAT (item 2.42), self-construction refund, and CIAs with an integrated benefits package.

PILLAR II

## Acquisition

Cost-controlled housing (IMT exemption and Stamp Duty credit); stricter regime for non-residents (7.5%).

PILLAR III

## Rental

Reduced rental-income tax (10%), capital-gains exemption with reinvestment, RSAA with full exemption.

## Calendar

MILESTONE	DEADLINE
Implementing ordinances	30 days from publication
Interim report (IHRU)	By 31 December 2028
Final report (IHRU)	By 31 December 2030
Duration of reduced VAT rate	Through 31 December 2032