

PORTUGUESE GOVERNMENT REPEALS EXTRAORDINARY CONTRIBUTION ON RENTALS WITH RETROACTIVE EFFECT

The Portuguese Government has repealed the Extraordinary Contribution on Local Accommodation (CEAL), a 15% tax on properties used for short-term rentals, with retroactive effect to December 31, 2023. Additionally, properties used for local accommodation will no longer face increased property tax (MPT) rates, as the property's age will once again be factored into the calculation of its Taxable Asset Value (TAV).

CONTACTS

ANDRE DIAS

ADIAS@MACEDOVITORINO.COM

MARIA HELENA CÔRTEZ

MCORTES@MACEDOVITORINO.COM

Decree-Law 57/2024 has repealed the Extraordinary Contribution on Rentals (“**CEAL**”). This contribution was created by Law 56/2023 and regulated by Ministerial Order 455/E-2023, applying to owners of local accommodation properties (“**AL**”).

The CEAL was calculated by applying a 15% rate to the value obtained by multiplying the gross private area of the properties by the local accommodation economic coefficients and urban pressure coefficients.

The main objective of CEAL was to mitigate the negative externality caused by AL in the housing market, particularly the shortage of properties available for residential use in certain urban areas. By taxing properties used for AL, the goal was to increase the supply of housing and, with the revenue collected, fund public housing policies.

The CEAL for the year ending on December 31 was initially due to be paid by June 25, with the first contribution expected by June 25, 2024. However, from its inception, doubts arose regarding the constitutionality of this measure, as financial contributions generally imply a bilateral relationship, meaning compensation for services rendered or benefits received by the taxpayer.

With the change in the Portuguese Government – which had pledged to repeal the CEAL – the deadline for paying the CEAL for December 31, 2023, was extended. Since the repeal of the CEAL is retroactive to December 31, 2023, the obligation to pay the contribution for 2023 has also been eliminated.

In addition to repealing the CEAL, the Portuguese Government also amended the Municipal Property Tax Code (“**MPT**”), which previously prevented properties used for AL from benefiting from a reduction in the Taxable Asset Value (“**TAV**”) based on the property’s age, resulting in an increased IMI for those properties.

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