

Information on AL



Alojamento Local (CEAL)

New “MAIS HABITAÇÃO” Law approved & Implemented.

The Portuguese government has recently brought into effect the “Mais Habitação” bill of law ensuring changes in the holiday rental, real estate, and housing sector. On October 7, 2023, Law 56/2023 came into force, restricting the issuance of short-term rental (AL) licenses. This law mostly affects apartments and sectional title blocks. This applies throughout Portugal with the exemption of low-density zones (according to those identified in Ordinance No. 208/2017, of July 13).

Why?

This law was passed as a measure to promote housing for residential purposes rather than short term rental (AL).

This law was passed to mitigate the negative impact felt in the housing market resulting in a shortage of residential properties and to ensure there are sufficient apartments available for long-term rental.

Ordinance no. 455-E/2023, of 29 December (hereinafter referred to as "Ordinance"), regulates and defines the urban pressure coefficient, which constitutes, along with the economic coefficient, one of the values to be considered for the application of the aforementioned CEAL. The Ordinance determines the urban pressure coefficients respective to each locality covered by the scope of CEAL, as well as provides for the communication of the list of taxable persons between Turismo de Portugal, I.P. and the Tax and Customs Authority.

CEAL'S SCOPE OF FOCUS.

CEAL focuses on the allocation of residential properties for local accommodation, taking into account sectional title blocks for independent use of a residential nature (suitably licensed for this use).

In order to mitigate the negative impact of the shortage of residential properties, CEAL does not apply to properties located in inland territories (identified under the terms of Ordinance No. 208/2017, of 13 July), as well as to properties located in locations that have enough houses available (housing balance -i.e., that meet the requirements stipulated in Law no. 56/2023, of 6 October).



Properties exempt from CEAL include property that is not sectional title blocks as well as permanent housing that does not exceed 120 days of operation during the year. The Ordinance has the right to communicate a list of taxable persons (holders of the operating licenses of AL establishments and of the owners of the properties who are not holders of the operating AL license) and of the local accommodation licenses valid between Turismo de Portugal, I.P., and the Tax and Customs Authority, by means of a protocol to be signed between the entities.

THE URBAN PRESSURE COEFFICIENT AND THE ECONOMIC COEFFICIENT

The **urban pressure coefficient** results from the quotient between the positive variation of income per square meter, in the area where the local accommodation is established (between 2015 and the year before the tax event) and the positive variation to rent per square meter, in the area of highest variation at national level.

In turn, the **economic coefficient** results from the quotient between the average annual income per room calculated by the National Institute of Statistics, I. P. by reference to the year prior to the tax event, and the minimum gross area of a T1 housing unit (calculated in the terms of the General Regulation of Urban Buildings).

In accordance with Law 56/2023, of October 6, both coefficients will be published annually by the Government department responsible for finance.

The Ordinance introduced a table which highlights the urban pressure coefficients for each location applicable for the year 2023. The table will be updated annually.

In addition to the urban pressure coefficient, the economic coefficient of local accommodation also contributes to the calculation of the CEAL tax base. However, this coefficient is not yet defined and still requires regulation.

After applying each coefficient, the CEAL tax base is determined and the 15% rate will then apply.

It is important to highlight that the CEAL will apply even when the activity of operating the local accommodation does not generate income in relation to the expenses incurred. This is not deductible for the purposes of determining the taxable profit under IRC, even if it has been accounted for as an expense of the tax period.



SETTLEMENT AND PAYMENT

The CEAL should be declared and settled by the taxable person by the 20th of June of the year following the tax event. In the event of nothing being declared the Tax Authority has the power to liquidate the CEAL ex officio. The owner of the property (as registered) will be notified of this on the date of the tax event.

The owner of the operated property is subsidiarily responsible for the payment of CEAL, even if he does not hold the operating license for the Local Accommodation (AL) establishment.

Payment of CEAL takes place by June 25th of the year following the tax event and, in the event of late payment, late payment interest will immediately apply.

DISCLAIMER

The information shared is based on current legislation, always ensure you are up to date with any new rules, additions and/or laws that come into effect regarding this topic.

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