

SUSPENDING TAXES IS THE RIGHT WAY TO SUPPORT OWNERS

Regarding the insufficient support provided to property owners in Portugal, Filipa Arantes Pedroso, Senior Partner at Morais Leitão, assures that there are measures that can be implemented. One example of this is to suspend taxes associated with the sector, which the lawyer believes should be a priority.

As this expert notes, in the last few months the situation has become «very difficult» for real estate investors and developers, in a scenario where tenants can delay paying their rents. This measure «has had an enormous impact on owners because they don't receive rents, but must keep paying all of their suppliers and employees. Although they can implement lay-offs, which is one type of support, this does not apply to all cases», she explains.

In this sense, «municipal taxes, like the municipal property tax (IMI) and municipal tax on property transfer (IMT), should be suspended this year to aid the economy and help owners who are now paying their taxes but do not collect their rents», argues the Senior Partner of Morais Leitão.

«Another important tax is Value-Added Tax (VAT). There is a strong movement exerting pressure to reduce VAT in construction from 23% to 6%, which would be significant. In a sector that has been so important to the economy, 6% VAT is applied to regenerate our cities, and this should apply to the whole construction sector. If we want lower prices for rental and sale, then construction must also have access to lower prices», she explains.

Furthermore, Filipa Arantes Pedroso underlines that «developers have a major problem, since they pay 23% VAT but are unable to recover it because they sell without VAT. Property sales in Portugal do not carry VAT. And this is a subject that warrants reflection, because there are some countries where real estate is sold with VAT and, this way, the VAT invested in construction can be recovered. This is an extremely important issue to be analysed, since it is crucial to accompany construction prices».

«Another enormous problem is licensing. We need a quicker and more effective licensing process. We need licensing processes for construction to be faster so that real estate can move forward», states Filipa Arantes Pedroso, while mentioning that although construction wants to move ahead, banks also represent a problem, as they have placed new financing processes on hold.

Deals that drove the boom in recent years may be at risk

According to this Senior Partner at Morais Leitão, «another important question is the amendments made to rental leases, golden visas, short-term rental and regeneration, which were behind the

real estate booms that took place in 2008, 2012 and 2014». On this point, Filipa Arantes Pedroso warns that «all these crucial laws that drove the boom in the property market are now being analysed, and there's a risk that they will be amended. This is another issue that must be considered, since some laws are already being changed in a way that does not benefit owners or investors».

