

NAVIGATING PORTUGAL'S NEW LEGAL FRAMEWORK FOR LOCAL LODGING: KEY CHANGES AND IMPACTS

by: **Manuel Bragança Santos** | Associate
Tomás Mendonça Viçoso | Trainee Lawyer



Portugal's real estate and tourism sectors are currently navigating a transformative period, driven by significant legislative changes under the current government's programme "Construir Portugal", with some of these changes targeting the local lodging market. Recent amendments, introduced through Decree-Law no. 57/2024, of 10 September⁽¹⁾ and Decree-Law no. 76/2024, of 23 October⁽²⁾, are set to reshape the landscape for property owners, investors, and local communities. This article delves into the key aspects of these legislative changes, including the revocation of the Extraordinary Contribution on Local Lodging (CEAL), the lifting of non-transferability restrictions on local lodging registrations, adjustments to the ageing coefficient (*coeficiente de vetustez*), updates to registration cancellation rules, and new powers granted to apartment owners and municipalities.



Repeal of the Extraordinary Contribution on Local Lodging (CEAL)

One of the most impactful changes in the recent legislative updates is the repeal of the Extraordinary Contribution on Local Lodging (CEAL). Introduced last year under the "Mais Habitação" programme and effective this year, CEAL was an additional tax applied exclusively to autonomous units designated for local lodging, excluding (i) properties used for permanent residence (provided the operation did not exceed 120 days per year) and (ii) properties located in the interior regions of the country. The tax rate, determined based on economic and urban pressure coefficients, was set at 15 percent. This contribution imposed an extra financial burden

on property owners who offered their homes as short-term rentals, justified at the time as a response to the housing crisis in Portugal, particularly in tourist-heavy areas where local lodging was booming.

The recent Decree-Law no. 57/2024, of 10 September repeals CEAL, widely regarded as a relief for property owners and investors in the sector. The decision to abolish this tax acknowledges that the conditions which warranted its introduction no longer exist. With tourism recovering and the economy stabilizing, the government has decided to lift this financial obligation, thereby easing the financial pressure on property owners, and encouraging further investment in local lodging.

Amendment to the coefficient of ageing (*coeficiente de vetustez*)

The coefficient of ageing is part of the formula used to calculate the Tax Asset Value (*Valor Patrimonial Tributário or VPT*), which directly influences the amount of Municipal Property Tax (*Imposto Municipal sobre Imóveis or IMI*) that property owners are required to pay. Traditionally, the coefficient of ageing, which ranges from a minimum of 0.40 to a maximum of 1, has been used to reduce the taxable value of older properties. This reduction acknowledges that older buildings generally have lower market values and often require more maintenance compared to newer constructions.

¹ Decreto-Lei n.º 57/2024, de 10 de setembro | DR (diariodarepublica.pt)

² Decreto-Lei n.º 76/2024, de 23 de outubro | DR (diariodarepublica.pt)

However, under the *"Mais Habitação"* programme, the coefficient of ageing for properties used as local lodgings was fixed at 1. This fixed value meant that, upon revaluation, the VPT of these properties could not decrease, leading to a stable or even increased IMI, regardless of the property's age or condition.

Recently, with Decree-Law no. 57/2024, of 10 September, the current government amended Decree-Law, no.287/2003, of 12 November and repealed the rule set under the *"Mais Habitação"* programme, allowing the coefficient of ageing to vary according to a property's specific condition and age. This adjustment is expected to significantly mitigate the tax obligations of property owners, particularly those with older buildings used for local lodging.

Non-transferability and cancelation of local lodging establishment's registration

Decree-Law no. 76/2024, of 23 October also repealed the non-transferability rule of local lodging establishment's registration number. Nevertheless, the Municipalities have the possibility of foreseeing proportional and specific limits to this transferability through their own local regulations.

Additionally, the decree-law introduces new conditions for local lodging establishment's registration cancellation.

A registration can now be cancelled (i) if the property lacks the mandatory insurance; (ii) if there are ongoing and verified disturbances affecting the normal use of the building; and (iii) if the property is located in a designated contention area and was subject to an urban lease agreement for permanent housing in the two years prior to the registration request, in violation of the applicable municipal regulations.

New rules on the apartment owners' and the Municipality's powers

Decree-Law no. 76/2024, of 23 October, also reshaped the regulatory authority of Municipalities while slightly reducing the influence of apartment owners over local lodging establishments.

Under this decree-law, the Municipalities are now able to approve their own regulations regarding the local lodging activity on their respective territory. If they decide to approve said regulation, Municipalities

can foresee a local lodging ombudsman to oversee and to examine complains and the practices on local lodging. They can also determine areas of sustainable growth (i.e. areas where monitoring and support measures are justified in order to prevent overload situations), in addition to the already existent contention areas (i.e. areas where local lodging establishments are overloaded).

Furthermore, for apartment owners of urban properties where the local lodging establishment is to be installed, the decree-law allows condominiums to completely ban the installation of new local lodging establishments in their building if more than two thirds of the building's permillage approve the ban. However, this restriction only applies to new local lodgings.

For existing local lodgings, apartment owners can vote (with more than half of the building's permillage), on the grounds of (i) the repeated practice of acts that disturb the normal use of the building; or (ii) the practice of acts that cause disturbance and affect the rest of the owners.

Conclusion: Implications for the Real Estate Market

Portugal's recent legislative reforms in the local lodging sector bears in mind property investors interests, providing a more attractive framework for investment. The repeal of the Extraordinary Contribution on Local Lodging (CEAL) and the restoration of flexibility in the ageing coefficient reduce tax pressures on property owners. Additionally, the removal of the non-transferability rule for local lodging registrations allows for greater fluidity in property transactions.

By granting municipalities and apartment owners more control, while also easing certain restrictions, the amendments strike a balance between promoting local lodging and addressing housing concerns.

These changes signal a clear shift toward encouraging further investment in the sector, supporting economic growth while maintaining oversight to protect local communities and addressing long-standing housing challenges.

As these changes take effect, property owners, investors, and local communities will need to navigate the new landscape carefully. For those involved in the local lodging sector, staying informed and proactive will be key to thriving under the new legal framework. ■