

## It is time to reduce the taxes on the Portuguese homes

More than ever before, one expects the new Government and its State Budget to lower the taxes and cut the tax burden on housing, that is, the taxes on the Portuguese families' houses.

It suffices to add up to understand that, with all the installments the residential project is composed of, it is very difficult or even impossible to build affordable housing for the Portuguese. To reach this conclusion, one just has to add up the current context costs borne by the home builders. These costs impact the raising housing prices and the offer shortage in Portugal: shortage of manpower and installed capacity, licensing times, excessive and unstable regulation, heavy tax burden, raising production and construction costs, maximum non-deductible VAT rate for new buildings. Portugal is thus the most isolated case in Europe, with an exponential raise in the cost of commodities, and international political and macroeconomic instability, made worse by the war in Ukraine.

As never before **the creation of more houses for the Portuguese asks for a "task force" regime, with a mainly fiscal impact.** And this was already previously done with Urban Rehabilitation, and it worked. Lets recall the vigorous package created to boost it: 6% VAT rate in works, IMI reductions, IMT exemption, rents unfreezing, etc. The importance of those triggers to the regeneration of our cities is unanimously accepted. Regrettably, it took the *Troika* to notice all this and impose those measures in that time.

A fiscal shock in the Portuguese housing would aim at compensating other context costs more difficult to remedy and/or out of our hands to resolve, specially the raising costs of commodities and international conflicts. It is urgent to facilitate, with the right public policies, building projects for the major national needs, making them both economically and financially feasible, that is alleviating some of these context costs.

This is legitimized if we want to create a real incentive for investment in more houses for the youth, middle class and leasing, such that also involves those building new houses, with a massive and multiplying capacity to raise exponentially the supply of new available houses. In fact, new building is synonym of more houses for the Portuguese families and for leasing. With a kind of incentive policies we will boost placement of more supply and fight prices increase.

We insist, with the current tax burden and all context costs it is impossible or very difficult to significantly build affordable housing, both privately and publicly.

Only a package of vigorous, sharp and effective public measures can change this situation, as was previously done for Urban Rehabilitation. For quite a long time we have been asking for an integrated intervention targeting the tax resetting required to boost the investment in housing. The current tax burden is intolerable, makes projects impossible, raises the real estate prices. When there is so much talking about access to housing, it is important to lower taxes as the OECD said.

First of all we must end one major inconsistency in our tax policy: AIMI applied to assets and housing plots. It is mind-boggling why should tertiary use be AIMI exempt and not the assets for housing, which naturally causes an increase in the assets and rents value. Such excessive and disproportionate taxing of land for housing equals to asking all those who are willing to invest to stop.

Then, we must tackle the exponential raise in contextual costs, specially the huge fraction taken by the VAT tax at 23%, non-deductible with the new building, and we know this is one of the heaviest costs and, therefore, one of the major obstacles to the projects progress. We must enable economic and financially sound construction projects, mitigated from all these contextual costs, widening VAT to 6% in the building of all new housing construction projects for the Portuguese. How can we have affordable housing with 30% taxes? If we compare the taxes levied on the purchase of a house in in the Iberian Peninsula, we come to the impressive conclusion: in Spain 10% and in Portugal 30% (that adds up to 40% if we include all the remainder assorted fees) Non-deductible 23% VAT weights heavily on the real estate investments, which, for housing urban buildings, amounts to a end cost born by the end buyer considering that the real estate developer has no chance of deducting the VAT paid during the construction.

Finally, we just ask for a model of investment incentives in more houses for the Portuguese, with a fiscal shock leading to the massive construction of new houses throughout the country, thereby creating more supply and levelling the prices.