

Housing priorities

In the framework of incentives to promote construction of more houses that are within reach for the Portuguese it is **essential to encourage urgent housing supply, lower costs and streamline licensing procedures.**

How do we do that?

Firstly, our tax burden is absurd compared to our neighbouring country. Housing requires a "task force" regime, specially in terms of taxes, to start the placement of a more accessible supply. This is impossible with our burden. Only a package of courageous, vigorous, sharp and effective measures can change this situation, as was previously done for Urban Rehabilitation. The tax burden hinders projects and raises the real estate prices. When there is so much talking about access to housing, it is important to lower taxes.

It is imperative to end the "temporary" AIMI and IMT (according to the OECD). Regarding IMT, it is clear that by restricting with high taxes the individuals' housing mobility prevents them, and specially the youth, from moving to new houses. Then, we must end one major inconsistency in our tax policy: AIMI levied to buildings and housing plots. It is mind-boggling why should tertiary use be AIMI exempt and not housing properties, which naturally cause the price of houses for sale and rents to soar. Such excessive and disproportionate taxing equals to ask all those who are willing to invest to stop.

Then, VAT for new buildings must be reduced, or at least make them VAT deductible. Maximum rate, non-deductible VAT for housing is an exception in Europe, and it is one of the major obstacles to new housing construction projects, either for sale or to rent. The first sept was already taken by the Government, when a VAT regime at a reduced rate of 6% was approved in projects under the Affordable Rent Programme (in Portuguese, Programa de Arrendamento Acessível). We are in the right path. But we must move forward. The widespread implementation of VAT at reduced rate or its deductibility for all new housing construction projects, affordable to all the Portuguese would aim at creating a model of real incentive to investment on more housing for the middle class.

The huge fraction taken by the VAT tax at 23%, non-deductible with the new building, is one of the heaviest costs and one of the major obstacles to the projects progress. We must enable economic and financially sound construction projects relieving VAT in the construction of more houses. 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% or 50% if we include all the remainder assorted fees)

Another strategic axis should focus on rental credibility, considering that in the past 10 years the laws changed 10 times, and it is urgent to stabilize this regime as well as to improve its tax system, specially the long term logic. Large real estate developers, both national and foreign, still don't see the pros of investing in this area, with its very high risks and enormous unpredictability. The need for consistency and stability in law and tax matters is a critical factor to succeed in drawing investors to rental.

One must ensure that the rental models created and the rents make this investment feasible. Also, the rental investor's risk relies in the safety of their inflows (rents), and therefore a very welcome measure would be State or municipality guaranteed rents or even payment of rents directly to the investor. On the other hand, there are already some interesting tax schemes - among which we highlight the SIGI scheme - however, due to the low investment volume generated, these require ancillary measures and improvement in order for us to become more similar and competitive with the SOCIMIS market in Spain.

Finally, we have the red tape, that obstructs and prevents the appearance of more houses, specially more affordable ones for the national citizens. This subject, urban licensing, is a national matter: it makes impossible for the Portuguese to access a fundamental right, which is housing. The struggle for agility, simplicity, and clarity in the licensing must be one of the major battles. We must fight against what is one of the major national cancers. We must create bureaucracy free and projects streamlining administrative environments in support of the development of economic activities, investment in cities and, ultimately in support of more affordable housing for the Portuguese.

On the other hand, we must build more green houses, environmentally friendly and aligned to the financial capability of the Portuguese. Without more green projects tailored to the demand, we will not have more houses, the prices will continue to grow, and we shall not fight energy poverty of the existing buildings nor shall we have more green buildings. It is important to ensure a lower environmental impact of the building stock by means of renovation of the existing buildings or construction of new, environmentally sustainable ones. Incentives must be created targeting the construction of new buildings and other urban refurbishment operations that would contribute to reduce the EU's global greenhouse gases emissions.