

## Five urgent steps for more housing

A paradigm shift was required in the current housing scenario and we hope that the new strategy "Construir Portugal", recently announced by the Executive, will bring that much-needed change. The major advantage in the Government's new approach lies in the change of focus to fight this crisis from the demand to encouraging housing supply. **This paradigm shift is critical, but suitable and viable policies must follow, enabling housing construction projects' conversion from nonfeasible to feasible.**

It is urgent to implement steps that make an effective difference in the construction of affordable homes for the Portuguese citizens. The new strategy features some critical measures, but many are scheduled only to the end of the legislative period. I have been insisting that four years is too long! Housing is a national emergency and the Portuguese citizens cannot wait that long to access decent and affordable houses.

The government considered housing a "National Emergency" and I could not agree more. However, this consideration should be followed by urgent and speedy steps. Firstly, **VAT reduction for 6% rate applicable to new houses should be prioritised.** This may increase housing supply and cut construction costs, positively impacting the properties' market value.

I have said again and again, Portugal struggles under one of the heaviest housing tax burdens. The current VAT regime imposes a significant tax burden on construction costs, impacting from materials to services, thereby inflating the global costs of new housing projects. This reality results in a "hidden tax" affecting the houses final price and withdrawing trust in the market.

In Portugal there is also the AIMI on land and properties for housing construction. This is a tax that directly impacts the houses' price and is not deductible in any way. What we should demand to know is: **why do we pay such a heavy tax burden in Portugal whilst, in the rest of western Europe the tax burden is significantly lighter.**

Looking into international examples, such as Spain, France and Italy, we notice other approaches that we can use as inspiration. In Spain, the VAT rate in construction is 10%, deductible with the sale and renting, whereas in Portugal this rate is a non-deductible 23%. In France, VAT rates of 20%, 10% or 5.5% are all deductible and in Italy the VAT for construction of new houses is 4%, plus a null IMT rate for purchase of the first house.

It is urgent to adopt measures to take Portugal from the top of the list of countries with the heaviest tax burden on housing. A positive and consensual measure in the industry is the programme Simplex Urbanístico, which implementation is also urgent. The

advanced proposals should be "surgical" and restricted to minor amendments that would cause no further licensing delays.

Although some measures announced by the Government are positive and on the right track, it is urgent to adopt swifter and more decisive steps.

**The formula I put forward to solve the issue includes** five items that, even though they are not magic, are quite obvious to start solving this housing crisis we are currently experiencing in Portugal: 1) **regain trust**; 2) **reduce the tax burden** on new houses construction, specially reducing VAT rates and eliminating taxes on first transfer transactions and the AIMI; 3) **immediate implementation of Simplex Urbanístico** after some quick amendments; 4) **conversion of public land for housing construction** on a large scale; and 5) create a **favourable environment for renting** and **boost Build-to-rent**.

I believe that, with these measures, we will finally watch some actual progress in affordable and decent housing construction for all Portuguese citizens. Shall we get to work?