

Tax burden relief for housing also?

The Prime-Minister stated that the 2022 State Budget shall be will be marked by tax relief and easing the tax burden. These are good news yet to be fulfilled, but we hope that will impact the resolution of two of the largest national problems, which are the lack of housing offer and the non-existent rental market.

In fact this would make perfect sense as the creation of more houses, both by means of sale and rental, requires a "task force" regime, specially in terms of taxes, to start the placement of a more accessible offer.

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. We do not need a new *Troika* to do the same as regards housing.

Lets shout out: with the current tax burden and all context costs it is impossible to build affordable housing, both privately and publicly, as one started to notice recently.

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 and reduces competitiveness. 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. What kind of information are we sending to the investors? To those who intend to build more for renting? For housing? For the middle class? Such excessive and disproportionate taxing of land for housing equals to asking all those who are willing to invest to stop. Also, in what town planners - real estate developers are concerned - it is disturbing that any company, whose core business is owning land to develop real estate projects (and many for housing), must pay AIMI.

Also targeted are small and medium landlords, because even the buildings placed in the rental market are subjected to AIMI. Even if we expect to deduct AIMI or

encompass it in IRS or IRC, the truth is most of our landlords, mainly SME, only recently was starting to have a tiny mark-up. Well, with the pandemic and the associated economic crisis, which froze rents all over again, this extra cost, which is the AIMI, added to all the other costs the landlords must bear and did not disappear, consumed the tiny mark-up, thereby threatening more than ever these small businesses, which were already unprofitable for a long time.

But also families and the middle class are impacted. In a country of owners, where everybody was enticed to purchase a home by the public policies of the last decades, it is easy to find someone who owns his own house and additionally, looking for safe investments, invested all savings to purchase a second house for renting out. Well, also these citizens are punished with double property taxation. Many of those small proprietors can barely handle IMI, whilst in many instances the rents are frozen in their properties, let alone AIMI.

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, relieving VAT to 6% 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% 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. This is unique in Europe, and would be difficult to explain to any international investor.

Finally, we just ask for a real model of investment incentives in more houses for the Portuguese.