



Yes

"Mais Habitação" ~ Portuguese Rental Law Changes Affecting Short-Term Rentals in 2023.

This is the name given to legislative changes (Law No. 56/2023, of October 6, 2023) to facilitate access to longer-term residential housing. The amendments to the law affect many stakeholders in the Portuguese real estate market, including owners of short-term rentals (STRs).

Locally, the term is Alojamento Local or AL ("Local Accommodation"), which are establishments that provide temporary accommodation services to tourists if they don't meet the requirements to be considered tourist resorts.

This law covers numerous aspects of the real estate sector, such as rental markets and the procedures and costs related to acquiring, maintaining, and transferring properties.

The most relevant tax measure for the STR activity is creating a new tax: the CEAL (Contribuição Extraordinária sobre o Alojamento Local). This is explained below.

A principal goal of the initiative is to enhance the availability of affordable long-term rental properties in the traditional market, notably by encouraging the transformation of short-term rental units into long-term living spaces. Other markets are seeing similar legislation. This is more firmly embedded in the multi-living, autonomous apartment accommodation.

The "Mais Habitação" program immediately stopped issuing new short-term rental licenses for apartments and lodging establishments within autonomous sections* of buildings across Portugal. However, this suspension does not extend to all rental types or regions.

***Note:** "Autonomous sections") typically means parts of a building that are independently owned or used. This term is often used in real estate and legal contexts to describe units within a larger structure that can be owned separately from the rest, such as individual apartments, offices, or commercial spaces. Each autonomous fraction has its legal boundaries and can be sold, rented, or managed independently from other building parts. This concept is central to understanding property rights and obligations in

multi-unit buildings, especially in urban areas where buildings are divided into many units for residential or commercial use.

Detached house rentals remain unaffected, and obtaining AL (local lodging) licenses in specified interior areas of the country that are not experiencing a housing shortage is still possible.

Conditions for Issuing New Short-term Rental Licenses

To obtain a new short-term rental license, applicants must submit a prior communication to the municipal council via an electronic platform. In line with updates to specific legal articles, the process now requires approval from a condominium meeting for properties under a horizontal property regime* aimed at designating the unit for short-term rental use.

****Note:** In this context, a "horizontal property regime" refers to a legal framework governing the division of a building into individually owned units, such as apartments or offices, alongside commonly owned areas (like hallways, elevators, and recreational facilities). This regime is essential for condominiums or residential complexes where ownership is split horizontally—meaning ownership is divided into sections above or below each other, as opposed to side-by-side (which might be considered a vertical division in different contexts). It also covers the legal structure for making decisions about the property as a whole, such as renovations or allocating costs for maintenance and repairs.*

Expiration of Existing Short-term Rental Licenses

Short-term rental licenses now automatically expire under several conditions, including ownership transfer and cessation of rental activity. Licenses are personal and non-transferable, with exceptions only in succession cases (inheritance).

Maintenance of Local Accommodation Operation

Proof of ongoing short-term rental activity must be provided via fiscal documentation through a designated electronic platform. This includes the latest tax return statement or VAT declaration relevant to the rental activity.

Renewal of Short-term Rental Licenses

Licenses are now valid for five years and can be renewed under criteria set by local municipal councils, which may include adherence to new legislative changes and municipal housing charters.

Cancellation and Obligations for Short-term Rentals

Condominiums have increased authority to cancel licenses based on a two-thirds majority vote without needing to prove disturbances. Short-term rentals must also display noise regulation signage and provide emergency contact numbers.

Tax Changes for Accommodation

An extraordinary contribution on local accommodation tax (CEAL) applies to particular urban short-term rentals, with exemptions available under specific conditions. This local extraordinary contribution applies to short-term rentals whose activity is carried out in residential properties, especially building units or fractions or parts or divisions of urban buildings suitable for independent use – mainly in high-density areas, often coastal (with some exceptions).

Licensed short-term rentals not located in urban buildings in “horizontal property” or with full ownership but with areas or fractions capable of independent usage are exempt from paying this tax. **In other words, detached houses or villas will not pay CEAL.**

The Urban Pressure Coefficient on CEAL

The introduction of CEAL represents a significant change, targeting licensed short-term rentals in autonomous fractions or parts of urban buildings for urban use. This extraordinary contribution encompasses the Portuguese territory, including the Azores and Madeira. The [Ministerial Ordinance no. 455-E/2023](#), of December 29, 2023, regulates and defines the urban pressure coefficient,

Critical exemptions from CEAL include:

- Short-term rentals in interior regions as defined in the annex to Order No. 208/2017.
- Properties in fully-owned buildings, including detached houses with lodging establishments.
- Room-based rentals are limited to no more than three rooms within the tax residence of the license holder.
- Short-term rentals within the permanent residence of the license holder are limited to not exceeding 120 days per year.
- Rentals in properties not designated for residential use.

Additional exemptions are based on specific conditions at the parish level, tied to the housing pressure status and the municipality's housing balance.

Non-deductibility and Calculation of CEAL

CEAL, set at a fixed rate of 15%, is calculated based on the short-term rental's gross area, incorporating factors such as the average income per room (from 2019) in the short-term rental market, an urban pressure coefficient and the increase in long-term rental values. This contribution is non-deductible for corporate income tax purposes.

Payment of CEAL

License holders must submit an official declaration form and complete payment by June 25th of the following year based on calculations considering factors communicated annually by the competent authorities.

IMI (Municipal Property Tax) for Short-term Rentals

The "Mais Habitação" legislation has modified the Municipal Property Tax (IMI) framework for properties utilised for short-term renting. Notably, the obsolescence coefficient (read depreciation) is effectively removed. This change means that the IMI value for these properties will not reduce over time, affecting the tax obligations of short-term rental property owners.

Licensed Property Requirements

Local license holders must meet the following general conditions. The Tourism Board and the Food and Economic Security Authority can inspect at anytime to ensure compliance with all legal requirements.

- The internal and external premises need to be maintained in good condition, and an adequate standard of cleanliness and hygiene must be maintained.
- The premises must be cleaned, including changing bed linen and towels, at least once weekly or whenever a new guest is needed.
- A private system with a controlled water supply must exist, or the premises must have mains water connected.
- The premises need to be supplied with both hot water and cold water.
- The premises must be linked to the central municipal drainage system or have a septic tank adequate for the number of guests.
- The premises must have one private bathroom with a toilet, wash basin, and shower/bath for every three bedrooms.
- Each private bathroom needs to have a secure lock system to ensure occupants' privacy.
- Each room to be occupied by a guest needs to have a window or balcony with direct access to the outside so that there is adequate ventilation.
- Each room to be occupied by a guest must have a means of blocking external light.
- Each guest's private room needs a locking system to ensure occupants' privacy.
- The premises must observe general rules concerning fire safety. There needs to be an adequate number of fire extinguishers and a fire blanket accessible. The national emergency number for Portugal (112) needs to be displayed clearly.
- The premises need to have adequate first aid equipment that is accessible and clear instructions for domestic appliances.
- Any commercial documentation, publicity, or marketing materials on the premises need to show the name of the premises followed by the letters "AL", alongside the AL Registration Number.
- Fire extinguisher;
- Fire blanket;
- First aid kit;
- Visible explanation of the 112 emergency number;
- Information on the availability of a complaint book (both in paper and digital format)

- House instruction book in 4 languages (two of those being Portuguese and English) that contains information such as neighbourhood and house rules and contacts of the AL owner/manager
- Smoke detector and carbon monoxide detector

Regarding a rental, please note that a property purchaser must consider considerable details regarding property size, number of bedrooms, condominium ownership percentage, application, etc.

Disclaimer: Please note that this is a summary by Yes Consulting dated 14/03/2024 and is only provided as guidance. This is a superficial analysis; please check with the local and national authorities to confirm all or any information and details are correct. W

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