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Nº35/24

2 AUGUST 2024

## HOME PURCHASE INCENTIVES FOR YOUNG PEOPLE

The XXIV Constitutional Government has made the creation of conditions and opportunities that will enable young people to maintain their life plans in Portugal one of its priorities. Two decree-laws have been published and come into force for young people up to the age of 35. These decree-laws set out measures, including tax measures, for the purchase of a first home with a view to permanent residence.

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Business team

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## THE FRAME

Against the backdrop of the current crisis in access to housing, which is having a major impact on the lives of young people, with adverse effects on the birth rate and the emigration of the most highly qualified, the government has made it a priority to promote access to housing, in particular by introducing measures to help people buy their first home.

In this context, the exemption from municipal property transfer tax (IMT) and stamp duty (IS) for the purchase of a permanent home by young people up to the age of 35 has been enshrined in law.

On the other hand, given that banking institutions are subject to a maximum limit on the ratio between the amount of the loan and the value of the property pledged as collateral, the possibility has also been established for the State to provide a personal guarantee for the first purchase of a permanent home, in order to enable housing loans to be granted to young people.

## IMT AND IS EXEMPTIONS

Under the measures already in force, exemption from IMT and IS applies to young people up to the age of 35 on the date of the deed of sale, provided that they are not considered to be dependents for Personal Income Tax purposes in the year of purchase.

This exemption does not apply to taxpayers who hold ownership rights, or partial ownership rights, in an urban residential building at the time of the transfer or at any time during the previous three years.

The benefits of this scheme also do not apply if the property is used for purposes other than those for which the benefit was granted, within a period of six years from the date of acquisition, except in the event of sale, change of household or change of place of work at a distance of more than 100 kilometers from the property.

It should also be noted that the exemption from IMT is granted to property with a value of € 316,772 or less. If the property has a higher value, the IMT will only be calculated on the remaining value, taking into account the rates set out in the IMT Code.

## PERSONAL GUARANTEES IN FAVOUR OF CREDIT INSTITUTIONS

In addition to the above-mentioned tax exemption rules, the current scheme also allows the State to grant a personal guarantee to credit institutions, to enable permanent housing loans to be granted to young people up to the age of 35.

Under the terms of the applicable scheme, the guarantee may be granted to credit institutions where the following cumulative conditions are met for the first-time purchase of a permanent home:

- the borrower is aged between 18 and 35
- is resident in Portugal for tax purposes
- taxpayers whose taxable income is not comprised within the 8<sup>th</sup> tax bracket of the Personal Tax Income
- does not own an urban building or a self-contained fraction of an urban residential building
- has never been personally guaranteed by the State
- the value of the transaction does not exceed € 450,000
- the State's personal guarantee does not exceed 15% of the transaction value of the urban property or the autonomous part of an urban property
- the State's personal guarantee is intended to enable the credit institution to finance the entire transaction price of the urban property or the autonomous part of an urban property.

In addition, the registration of the first purchase of a permanent home and the registration of a voluntary mortgage to guarantee the loan granted, the value of which does not exceed € 316,772, are exempt from duty.

## CONCLUSIONS

These measures can be applied simultaneously, but depending on the specifics of each situation, only one of them can be applied.

Indeed, given the requirements set out, there may be situations that are eligible for the granting of a guarantee, but not eligible for exemption from ITM and SI, which will be the case where the taxable person (purchaser) is the holder of the instalment property right.

These measures, which have been in force since 1st August, should be a further effective step in promoting access to housing for young people, strengthening personal and family stability and leading to wealth creation and the country's economic and social development, as they have an impact on the effective presence of the most highly qualified people.

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