

NEW LOCAL LODGING REGULATIONS (AL) – EFFECTIVE FROM NOVEMBER 1ST, 2024

ALL FINANCE MATTERS

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The Local Lodging (AL) sector in Portugal is undergoing significant changes with the introduction of new regulations that come into effect on November 1st, 2024.

These changes, aim to address various issues within the sector and provide a more structured framework for short-term rentals.

This new decree changes some of the rules that came into force in October 2023, when the More Housing Law Package (Mais Habitação) started.

Revocation of Previous Measures:

One of the most notable changes is the revocation of Article 19 from the "Mais Habitação" law, which previously restricted new AL registrations.

From November 1, 2024, new AL registrations will be allowed across the country, except in certain Contention Areas. These areas, currently implemented in most of Lisbon and central Ericeira, will continue to have restrictions on new registrations.

We suggest that anyone looking to obtain a AL license to their apartment to act quickly. In fact this law decree attributed new powers to the municipalities, which means that in case the local council wants to restrict the touristic rentals, they may act quickly and determine contention areas within the council.

Transmissibility of AL Licences:

The new regulations also make AL licences transmissible under all circumstances, except in Contention Areas where municipal rules may differ. This change provides greater flexibility for property owners, allowing them to transfer their AL licences more easily. So from now on, it should be possible to transfer the rental license, when you are selling your apartment or villa.

Changes to Operational Limits:

For ALs implemented in primary residences, the previous limit of being open for more than 120 days has been removed.

This means that property owners can now operate their ALs year-round without any restrictions on the number of days they can be open.

Hostel Requirements:

Hostels will still require unanimous approval from the condominium to obtain an AL licence in horizontal property buildings.

This measure ensures that all residents in a building agree to the operation of a hostel, thereby reducing potential conflicts.

Municipal Oversight:

The municipality now has the authority to oppose the registration of ALs within 60 days (90 days in Contention Areas).

Additionally, property owners can request an inspection during the registration process if a licence is not granted. This increased oversight aims to ensure that all ALs comply with local regulations and standards.

Cancellation of AL Licences:

The new regulations also introduce provisions for the cancellation of AL licences. If a condominium votes by a majority (more than 50% of the total owner share) to cancel an AL due to proven and repeated acts of disturbance, the municipality can immediately cancel the licence. However, the licence holder has the right to reply in person, and any cancellation cannot exceed five years.

Capacity Limits and Additional Services:

The maximum capacity for ALs registered as Apartamentos or Estabelecimento de Hospedagem is now set at nine rooms and 27 guests.

Additionally, fold-up or extra beds may be installed as long as their number does not exceed 50% of the "normal" beds. ALs registered as Estabelecimento de Hospedagem may also implement other services such as the provision of food and drink.

Communication and Insurance Requirements:

The person responsible for the AL must communicate their telephone number and email address to the condominium administration.

Furthermore, the municipality may request that the AL licence holder provide the contract of the appropriate AL insurance within three days.

Contention Areas and Areas of Sustainable Growth:

Municipalities have the authority to create Contention Areas and Areas of Sustainable Growth. Contention Areas are defined as those having a surplus of ALs, while Areas of Sustainable Growth are monitored to prevent a surplus of ALs. These measures aim to balance the supply of ALs and ensure sustainable growth within the sector.

Taxation remains the same on operation and sale of the property:

These new Alojamento Local regulations effective from November 1, 2024, bring significant changes to the sector, by revoking previous restrictions, but please note that these changes do not bring any tax alterations. This means that the taxation of your AL operation remains the same as well as the CGT rules on the sale of the property.

If you personally own a property with an AL license and you are conducting the business directly (as a sole trader) the limit of 3 years remains. This means that you need to stop the activity and wait 36 months before selling, to be able to reduce your tax liability to the normal rules. If you sell with the AL or within 36 months of stopping the rental activity, you won't be able to deduct any expenses to the capital gains liability and the tax will be assessed on 95% of the gain.

As this CGT rule penalises considerably the owners of property with AL, we urge property owners to plan ahead, meeting with us before placing the property in the market. There may be opportunities available to reduce the capital gains liability and we can help you to take advantage of these.



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**"YOU MUST PAY TAXES, BUT THERE'S NO LAW
THAT SAYS YOU NEED TO LEAVE A TIP."**