

**UNDERSTANDING
THE CHANGES
IN REAL ESTATE
CAPITAL GAINS
TAXATION UNDER
THE "MAIS
HABITAÇÃO"
PROGRAM**

ALL FINANCE MATTERS

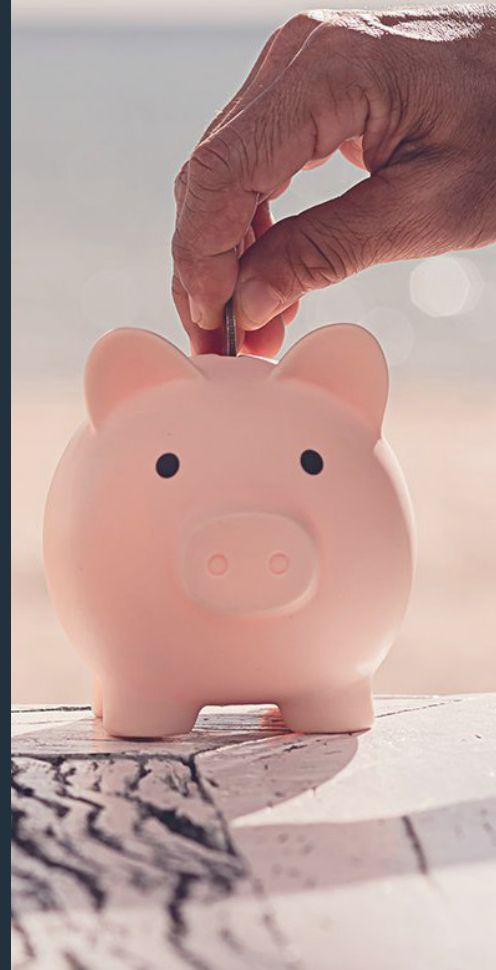
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The Mais Habitação program, effective as of October 7th, 2023, brought significant changes to real estate capital gains taxation, particularly regarding eligibility criteria for tax exemption.

Capital Gains: Stricter Reinvestment Requirements

Under Mais Habitação, changes to the exclusion regime for capital gains taxation entail stricter reinvestment rules. Previously, gains from the sale of primary residences were exempt from taxation if reinvested in another property within a specific timeframe.

Now, to qualify for this exemption, two additional criteria have been introduced:

- The property sold must have served as the taxpayer's primary residence for at least 24 months preceding the sale, as evidenced by their tax domicile.
- Taxpayers cannot have benefited from this exclusion regime in the year of sale or the preceding three years, except in cases of exceptional circumstances, which must be verified during the tax assessment process.

Second Home Sales for Loan Repayment Exempted:

Additionally, the Mais Habitação program includes a transitional provision exempting capital gains from the sale of land or second homes used to repay the mortgage on the taxpayer's primary residence or their descendants'.

This exemption applies when the proceeds from the sale, minus any loan repayment, are directed towards reducing the outstanding mortgage balance. However, any surplus sale proceeds beyond the mortgage repayment remain subject to taxation under IRS regulations.


This provision covers sales made between January 1, 2022, and December 31, 2024. Taxpayers may be required to provide documentation of loan repayment after filing their IRS declarations for 2023 and 2024.

The loan repayment must occur within three months of the sale, with the three-month period commencing from October 7th for sales made before the new law's enactment.

Sales to the State Entitled to Exemption, with Exceptions:

Furthermore, the new law grants tax exemption on gains from property sales to specific entities, such as the State, Autonomous Regions, and local authorities. However, certain exceptions apply, including gains realized by residents in jurisdictions with favorable tax regimes and gains resulting from preferential alienation rights.

It's important to note that exempted income under this measure is factored into the overall income tax calculation for determining applicable tax rates.



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THAT SAYS YOU NEED TO LEAVE A TIP."**