

Landlord Incentives – IRS Residential Leases

Decree-Law no. 97/2026, of 20 May

CONTACT



Ana Pinto Moraes
Counsel



Building Portugal Package – Residential Lease

Decree-Law no. 97/2026, of 20 May, as rectified by Rectification Statement no. 26/2026/1, of 13 July, introduced, amongst various other housing-related measures, two relevant regimes for landlords in respect of residential leases:

- **10% rate for moderate rents:** applicable to Category F property income arising from agreements exclusively intended for residential letting, where the monthly rent does not exceed the moderate rent threshold (corresponding to two and a half times the national minimum monthly wage), i.e. €2,300.00 per month for 2026. It applies to income received up to 31 December 2029.
- **Exemption under the Simplified Affordable Rental Scheme (RSAA):** a voluntary affordable rental scheme applicable from 1 September 2026, subject to specific rent caps, minimum lease terms, notification to the IHRU and a Personal Income Tax exemption.

Notes:

**An agreement may benefit from the 10% rate without being included in the RSAA, provided that the specific requirements applicable to moderate rents are met. The RSAA exemption is more favourable from a tax perspective but is subject to additional conditions and formalities.*

**The moderate rent threshold may be updated by ministerial order of the members of Government responsible for finance and housing, in accordance with the annual rent adjustment coefficient provided for in article 24 of the New Urban Lease Regime (NRAU).*

Q&A

I. Personal Income Tax: 10% rate on moderate rents

1. What is the tax benefit for the landlord and for how long does it apply?

Category F property income arising from agreements exclusively intended for residential letting may be taxed at a special 10% rate, provided that the monthly rent does not exceed the moderate rent threshold established by the Decree-Law.

The rate applies to income received from 1 January 2026 to 31 December 2029, without prejudice to the application of a more favourable rate where available under the law.

2. What is the moderate rent threshold?

The threshold corresponds to 2.5 times the national minimum monthly wage for 2026, i.e. €2,300.00 per month. For purposes of assessing the threshold, the total amount paid under the agreement is taken into account, including amounts relating to assets, equipment, ancillary parts or services connected with the enhancement of the property, even where separately documented.

3. Does the 10% rate require participation in the RSAA?

No. The 10% rate and the RSAA are separate, alternative and non-cumulative regimes.

For the 10% rate, the agreement must be exclusively intended for residential purposes and the rent must comply with the moderate rent threshold. For this benefit, the Decree-Law does not require participation in the RSAA or the minimum three-year term applicable under that scheme.

Where a more favourable special rate applies to the same income, in particular by reference to the duration of certain permanent residential lease agreements, the more favourable rate prevails.

4. Does the 10% rate apply to existing lease agreements?

Yes, provided that the income is received during the relevant period and the agreement meets the statutory requirements, including the exclusively residential purpose and the monthly rent threshold.

5. Does the 10% rate apply to residential lease agreements that are not intended as a permanent residence?

Yes. The application of the 10% special rate does not require the property to be used as the tenant's permanent residence. Residential lease agreements for temporary purposes may also qualify, provided that the property is used exclusively for residential purposes, the monthly rent does not exceed the moderate rent threshold and the remaining tax requirements are met.

6. Does the 10% rate apply to non-residential leases, local accommodation or accommodation services?

No. Non-residential leases, local accommodation and accommodation services do not benefit from the reduced 10% rate. For Personal Income Tax purposes, the general special rate applicable to property income arising from residential leases is 25%, whilst the 28% rate generally applies to other property income, without prejudice to aggregation or any specific regimes that may apply.

7. Do I need to apply in order to benefit from the 10% rate?

No. The benefit applies automatically. The Decree-Law does not provide for a specific application procedure in order to benefit from the 10% special rate.

The benefit applies provided that the agreement is exclusively intended for residential letting, the monthly rent does not exceed the moderate rent threshold and the general tax compliance obligations are met, including notification of the lease agreement and reporting of the relevant income.

8. Does the rate apply to gross rental income?

Under Category F, tax is levied on net property income determined under the general rules of the Portuguese Personal Income Tax Code, after taking into account tax-deductible expenses. The deductibility of expenses should be assessed separately.

9. Can the landlord elect for aggregation?

The general Personal Income Tax rules on aggregation continue to apply. Before making an election, it is advisable to compare the marginal rate applicable to the taxpayer's household with the special rate and to assess the other tax implications.

10. Is withholding tax applicable?

Where Category F income qualifying for the benefit is subject to withholding tax, the Decree-Law provides for a 10% withholding tax rate. Whether withholding is required in a particular case depends on the nature of the tenant and the general rules applicable.

11. Does the benefit depend on nationality or any special tax status?

No. The benefit does not depend on the landlord's nationality or on the landlord being tax resident in Portugal.

II. Tax exemption - RSAA:

1. What is the tax benefit for the landlord and for how long does it apply?

Property income arising from agreements that meet the RSAA requirements is exempt from Personal Income Tax. If the landlord elects for aggregation for Personal Income Tax purposes, the exempt income is nevertheless taken into account in determining the rate applicable to the landlord's other income.

No maximum duration is provided for the application of the scheme.

2. How is the maximum rent determined?

The monthly rent must not exceed the applicable threshold by property type and municipality established by Ministerial Order no. 454/2026/1, of 13 October. The thresholds may be increased cumulatively by 10% where the lease includes private parking and by a further 10% where the leased property has an energy performance rating of A or above, in accordance with the Ministerial Order. For parts of a dwelling, the threshold is determined using the specific formula set out in the same Ministerial Order.

3. Are additional charges included in the rent threshold?

The RSAA maximum rent does not include expenses or charges payable under article 1078 of the Portuguese Civil Code. Nevertheless, the distinction between rent and charges must reflect the contractual reality and be clearly documented and must not be used to circumvent the scheme's threshold.

4. What is the minimum lease term?

For permanent residence, the lease must have a minimum term of three years.

For qualifying temporary residence, the minimum term is three months. The lease must be for a specific temporary purpose and the tenant must be tax resident in a municipality other than that in which the property is located.

5. What formalities must the landlord comply with?

By 15 January of the year following the year in which the agreement is entered into, the landlord must submit, through the IHRU electronic platform, a copy of the agreement and evidence that it has been reported through the Portuguese Tax Authority's online portal. The IHRU subsequently reports the agreement to the Portuguese Tax Authority by the end of February.

6. From when does the exemption take effect?

Once these formalities have been completed, the contract becomes subject to the RSAA tax regime, with effect from the date on which it was entered into. The exemption also covers renewals and remains applicable in the event of a transfer of ownership of the property, provided that the contract remains in force. Ministerial Order No. 454/2026/1 entered into force on 14 October 2026, with effect from 1 September 2026, the date on which the RSAA began to apply.

7. What happens in the event of non-compliance?

Failure to comply with the requirements results in the loss of the tax benefits from the time of the breach, with payment of the resulting tax shortfall and compensatory interest.

Compliance is verified by the IHRU, subject to the interested party's right to a prior hearing.

***The maximum rent thresholds are subject to periodic review by amendment to the Ministerial Order, with effect from 1 January of the year following the review. In years in which no review takes place, they are automatically updated with effect from 1 January in accordance with the adjustment factor provided for in article 24 of the NRAU and published in the preceding year.*

III. Comparison of the regimes

Issue	10% rate	RSAA
Benefit	Taxa autónoma de IRS de 10%	Personal Income Tax exemption
Rent	Up to the general moderate rent threshold (€2,300.00 per month for 2026*)	Até ao limite do RSAA por tipologia e concelho (Portaria n.º 454/2026/1**)
Specific minimum term	Not provided for under this benefit	3 years for permanent residence; 3 months for qualifying temporary residence
Specific formalities	Lease registered through the Portuguese Tax Authority's online portal and general tax compliance obligations	Notification through the Portuguese Tax Authority's online portal and submission to the IHRU
Period	Income received from 1 January 2026 to 31 December 2029	Scheme applicable from 1 September 2026
Non-compliance	Loss of eligibility and application of the relevant taxation	Payment of tax shortfall and interest from the date of non-compliance

Key Contact



Ana Pinto Moraes
Counsel
ana.moraes@mdme.com
visit profile