



IRS & Housing

The *IRS* tax code offers partial tax credits for housing costs within Portugal. Unusual in the international context is the fact that domestic legislation affords similar treatment to mortgage, leasing and rent. Despite the advantages afforded to renters, none can benefit if there is no registered rental contract with the landlord landlord.

income: < € 7 000 > €30 000	<ul style="list-style-type: none"> • repayments of interest to buy, build, or improve one's principal residence • repayments of interest to cooperatives & group purchases 	€296
When income is between €7,000 and €30,000, use the following formula: $€296 + [(€450-€296) \times [€30.000 - \text{taxable income} / (€30.000 - €7.000)]]$		
income: < € 7 000 > €30 000	<ul style="list-style-type: none"> • rent or lease charges (excluding any subsidies) • permanent housing under Urban Rental Regime 	€502
When rent is between €7,000 and €30,000, use the following formula: $€502 + [(€800-€502) \times [€30.000 - \text{Taxable Income} / (€30.000 - €7.000)]]$		

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Question: *We have a mortgage on our flat but now rent out the apartment. Are we still eligible for this tax credit?*

euroFINESCO: Yes. As long as the property serves as the principal residence for the tenant, you (the landlord) can still claim the tax benefit on the mortgage. There are specific contract requirements for such an



arrangement; it must be done in triplicate, with one copy registered in *Finanças*. In other words, if the property is used for holiday lets, the credit does not apply.

Question: I have a home mortgage. How much is my tax credit?

euroFINESCO: Interest and capital repayments payments on your principal residence have a 15% tax credit (maximum of €591.00).

Question: I want to take out a loan for home improvements. Will this be eligible for a tax credit?

euroFINESCO: Yes. If the property is your principal residence, interest repayments also qualify for tax relief.

Question: My family gave me a loan to buy our home. Does this type of loan meet the requirements for tax credit?

euroFINESCO: Yes. This credit is available for loans from diverse sources, not just Portuguese banks. You will need proper documentation to substantiate the loan, not just a handshake.

Question: How do I declare my mortgage on my IRS return?

euroFINESCO: As with other credits with upper limits, you report only what you have actually spent. *Finanças* will do the calculations for you. If you have a mortgage from a Portuguese financial institution, they will send an annual statement for tax purposes.

Question: I bought an apartment in an historic neighbourhood. Are there urban renewal incentives?

euroFINESCO: If the neighbourhood is classified as an “Urban Rehabilitation Area”, there is a 30% deduction up to €500 for Owners. If you think you might be eligible, check with the local Council (“*Câmara*”).