



Tax & Business Lawyers

NEWSLETTER

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HOME PURCHASE INCENTIVES FOR YOUNG PEOPLE (UPDATE)

The XXIV Constitutional Government has made it one of its priorities to create conditions and opportunities for young people to maintain their life projects in Portugal. As such, two Decree-Laws have been in force since August 2024, applicable to young people up to the age of 35, which result in measures, particularly tax measures, that are relevant to the purchase of a first home for permanent residence.

Business Team



THE FRAME

The XXIV Constitutional Government made it a priority to encourage access to housing for young people, and to this end it introduced measures to support the purchase of first homes that are still in force today.

In this context, exemption from Municipal Property Transfer Tax (IMT) and Stamp Duty (IS) was introduced for the purchase of permanent home by young people up to the age of 35.

On the other hand, bearing in mind that banking institutions are subject to a maximum limit regarding the ratio between the amount of the loan and the value of the property pledged as collateral, the possibility of the State providing a personal guarantee for the first purchase of a permanent home was also enshrined, in order to make it possible to grant housing loans to young people.

IMT AND IS EXEMPTIONS

The IMT and IS exemptions are applicable to young people up to the age of 35 on the date of the purchase deed, provided that they are not considered 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, over an urban residential building at the time of the transfer or at any time in the previous three years.

The benefits of this regime also do not apply if the property is given a different use from that on which the benefit was based, within six years of the date of acquisition, except in the event of sale, change of household or change of workplace to a distance of more than 100 kilometres from the building.

It should also be noted that the IMT exemption is granted to properties with a value of up to € 316,772. If the property has a higher value, the IMT will only be calculated on the remaining value, considering the rates set out in the IMT Code.

PERSONAL GUARANTEES IN FAVOUR OF CREDIT INSTITUTIONS

In addition to the aforementioned tax exemption rules, the regime now in force 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 when the following cumulative conditions are met for the first 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 8th tax bracket of the Personal Income Tax
- ✓ does not own an urban building or an autonomous 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 building or autonomous fraction of an urban building
- ✓ the State's personal guarantee is intended to enable the credit institution to finance the entire transaction price of the urban building or autonomous fraction of an urban building

In addition, the registration of the first purchase of a permanent home and the registration of a voluntary mortgage to guarantee the loan conceded, 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 may be applied.

In fact, given the requirements laid down, there may be situations that are eligible for the guarantee, but not eligible for exemption from IMT and IS, which will be the case when the taxable person (purchaser) is the holder of the instalment's property right.

According to the figures released by the Ministry of Youth and Modernisation in February 2025, these measures generated tax savings that, at the time, exceeded 77 million euros. Remember that these measures came into force on 1 August 2024.

The aim of this initiative is to make it easier for young people to buy their own home, reducing the initial cost of buying a house and encouraging the financial autonomy of this generation.

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