



XXIV GERMAN-PORTUGUESE SYMPOSIUM ON ENERGY

Tax Benefits for Energy Efficiency in Buildings –
Global Perspective and Reform Proposals

PROGRAMME

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GLOBAL PERSPECTIVE

The impact of tax benefits on energy efficiency of buildings

GLOBAL PERSPECTIVE

The impact of tax benefits on energy efficiency of buildings

- The current international context and the growing concerns with sustainability have highlighted the importance of the discussion on how countries can drive the improvement of the energy performance of buildings.
 - ✓ **This is a concern already demonstrated by the EU, specifically through the Directive 2010/31/EU of May 19, 2010 (on the energy performance of buildings)**
 - ✓ **This matter was also the subject of the 2014 Portuguese Green Tax Reform**
- Along with the tax benefits that the Portuguese legislator has been foreseeing, specifically in terms of Municipal Property Tax (IMI), Property Transfer Tax (IMT) and Personal Income Tax (PIT), the promotion of energy efficiency and the improvement of the energy performance of buildings is also one of the objects of the financing foreseen for the Recovery and Resilience Plan ("PRR"), through the More Sustainable Buildings Support Program (*Programa de Apoio Edifícios Mais Sustentáveis*).
 - ✓ **Variable rates of eligible expenses, depending on the typology of the project**
 - ✓ **Expenses supported by the Environmental Fund, for each intervention typology**

02

TAX BENEFITS

Main Tax Benefits in force

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Main Tax Benefits in force

TAX	BENEFIT	NOTES
IMI	<ul style="list-style-type: none">• 50% reduction of the IMI rate, for five years, on properties that are exclusively used to produce energy from renewable sources	Not applicable to residential, commercial, industrial, service buildings or building land
IMI	<ul style="list-style-type: none">• Authorization for municipalities to set a reduction of up to 25% of the IMI rate, for five years, on energy efficient urban buildings (upon verification of certain requirements)	The Lisbon Municipality has determined a 15% reduction in the IMI rate for energy efficient buildings
PIT	<ul style="list-style-type: none">• Legislative authorization to allow the deduction from taxable income of an amount corresponding to part of the VAT paid on "environmental expenditures" (e.g. building insulation, space and water heating systems, etc.)	The national legislator has not yet made use of this legislative authorization

TAX BENEFITS

The specific case of urban rehabilitation

TAX	BENEFIT	NOTES
IMI	<ul style="list-style-type: none">• IMI exemption, for a period of three years starting from the conclusion of rehabilitation works on urban buildings or autonomous fractions concluded more than 30 years ago or located in areas of urban rehabilitation (“AUR”)	Depends on verification of minimum energy efficiency requirements
IMT	<ul style="list-style-type: none">• IMT exemption on the acquisition of real estate for rehabilitation interventions	Depends on whether rehabilitation work begins within 3 years of purchase
IMT	<ul style="list-style-type: none">• IMT exemption in the first transmission, following the rehabilitation intervention	Renting for permanent housing or own permanent housing (in AUR)
PIT	<ul style="list-style-type: none">• Deduction of expenses incurred with real estate located in AUR• Autonomous tax of 5% levied on capital gains made by residents in Portugal for the first sale, subsequent to the intervention, of property located in the AUR• Autonomous tax of 5% levied on rental income from properties located in AUR	
VAT	<ul style="list-style-type: none">• 6% rate on urban rehabilitation works	

TAX BENEFITS

SIFIDE II and tax benefits in the scope of R&D

Beneficiaries?

- CIT taxpayers resident or with permanent establishment (“PE”) in Portugal with agricultural, industrial, commercial and service activities, who have R&D expenses
 - Companies specifically dedicated to R&D, specifically with regard to energy efficiency
 - Companies that internalize R&D in the energy efficiency area

Benefits?

- CIT deduction of expenses incurred with R&D, between 2014 and 2025 (in the part that has not been subject to a non-refundable state financial contribution) - 32.5% or 50% rate
- **Small and Medium Enterprises** – 15% increase of the 32,5% general rate



03

FINANCING

Energy efficiency in the Recovery and Resilience Plan (PRR)

FINANCING

Energy efficiency in the Recovery and Resilience Plan (PRR)

Object?

- Financing of policies that promote energy efficiency and reinforce the production of energy from renewable sources in self-consumption regime for the improvement of the energy performance of service buildings

Beneficiaries?

- Legal and individual persons who own (or are related to) buildings located in the national territory, where they carry out commercial activity (including entities from the Tourism and Social Economy areas)

Conditions?

- Reduction of at least 30% of primary energy consumption in the intervened buildings

Financing?

- 70% over the total eligible expenses up to € 200,000 per beneficiary



04

REFORM PROPOSALS

Some ideas

NEED FOR REFORM

Some proposals

- ✓ Optimize the use of funding with other tax benefits (e.g. VAT reduction on electricity for buildings subject to energy efficiency improvements, within the limits imposed by the VAT Directive)
- ✓ Use of the patronage tax regime and establishment of a regime of "*patronage for energy efficiency in buildings*", that allows investment in measures to enhance energy efficiency in buildings, with or without the intervention of public entities, ensuring the deductibility and increase of the amounts involved
- ✓ Establishment of an environmental deduction category (as stated in the legislative authorization granted by the State Budget Law for 2022) for PIT, with a minimum limit of € 1,000 per household, for expenses with: replacement of inefficient windows for efficient windows, class equal to "A+"; application or replacement of thermal insulation in roofs, walls or floors, as well as the replacement of entrance doors, using eco-materials or incorporating recycled materials; installation of photovoltaic panels and other renewable energy production equipment for self-consumption with or without storage or interventions aimed at water efficiency, among others



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