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Update

Tax



Fixing the value of square metres in Portugal

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On 3 April last, the Regional Regulatory Decree n.º 9/2023/M was published in the Diário da República, setting the value of the square meter of construction for 2023 in the Autonomous Region of Madeira.

In this regard, as results from the diploma approved by the Regional Government of Madeira, the value of the square meter of construction for the year 2023 was set at 850 euros, representing a substantial increase from the outset in relation to the values established in recent years. The established value represents an increase of 60 euros compared to the value of 790 euros established for 2022 and an increase of 105 euros in relation to the last three years.

The successive increases in the value of the square meter of construction in the Autonomous Region of Madeira in no way deviate from the orientation that the Government has followed in the sense of gradually increasing the value set, year after year.

We recall that on 3 January, the Ministry of Finance published Ministerial Order No. 7-A/2023, which, for the year 2023, set the average value of construction per square metre at 532 euros, plus 25% - rising to 665 euros, for the purposes of article 39 of the Municipal Property Tax (Property Tax) Code -, which represents the highest value ever.

The value of the square metre of construction has a significant weight in the formula for calculating the Property Tax Value (VPT) since it is applied to all urban properties, whether buildings or land for construction. In effect, the increase of the said value may lead to increases in Property Tax for taxpayers when in question is the construction, reconstruction or modification of real estate or requests for re-evaluation of the VPT of the property.

Notwithstanding, and since the increase in the value of the square metre is significant, the remaining parameters used to calculate the VPT must be analysed carefully in order to verify a possible reduction in the amount of Property Tax payable.

It was expected that the inevitable increase in the price of labour, building materials and energy itself - resulting from the last three years marked by the Covid-19 pandemic, the War in Ukraine and the coming financial crisis - would be reflected in property valuation. However, it is curious that in the "advent" of housing support plans, the Government and the Regional Government established an increase in the square meter values, eventually leading to the tax burden on taxpayers.