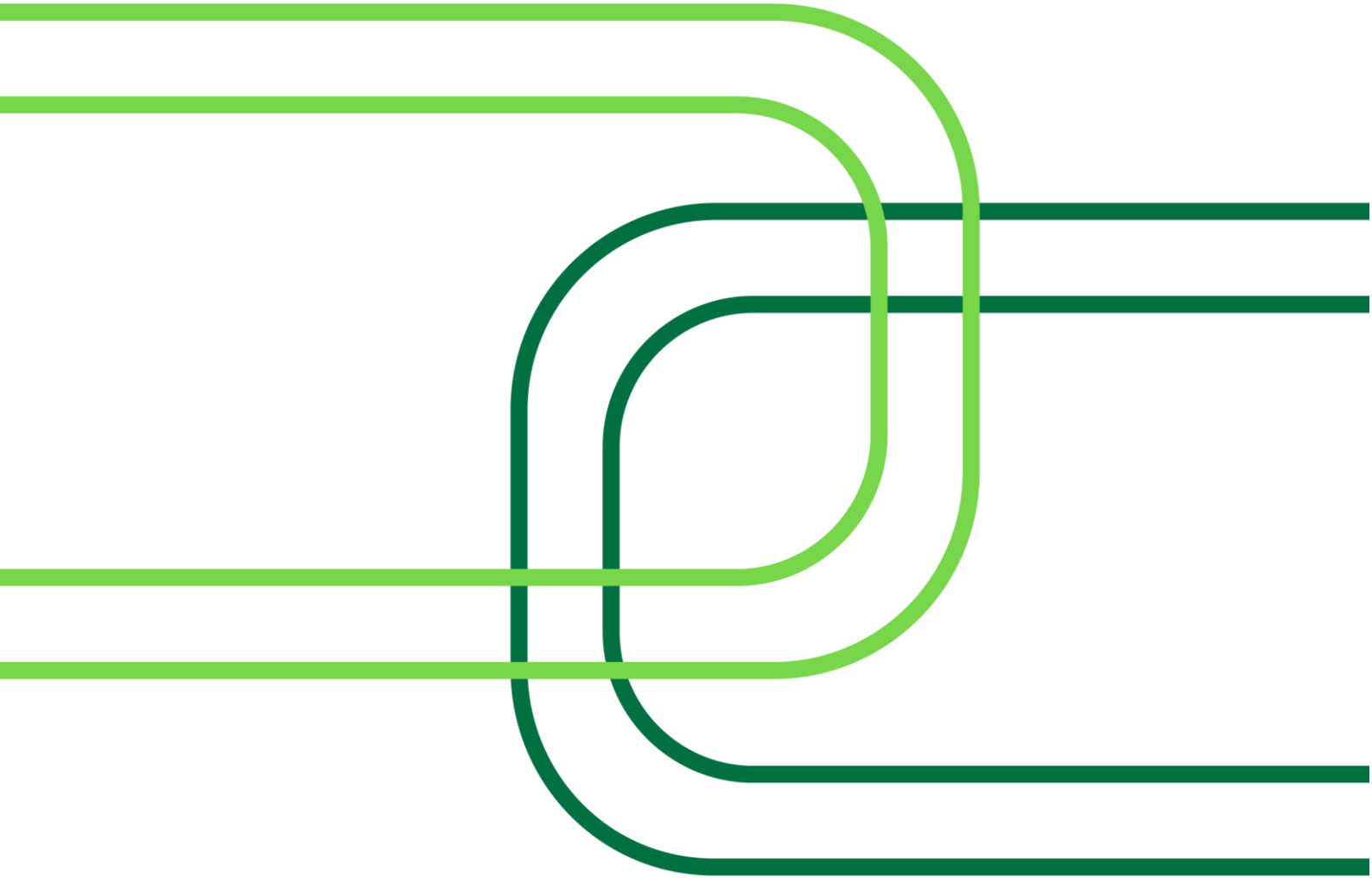
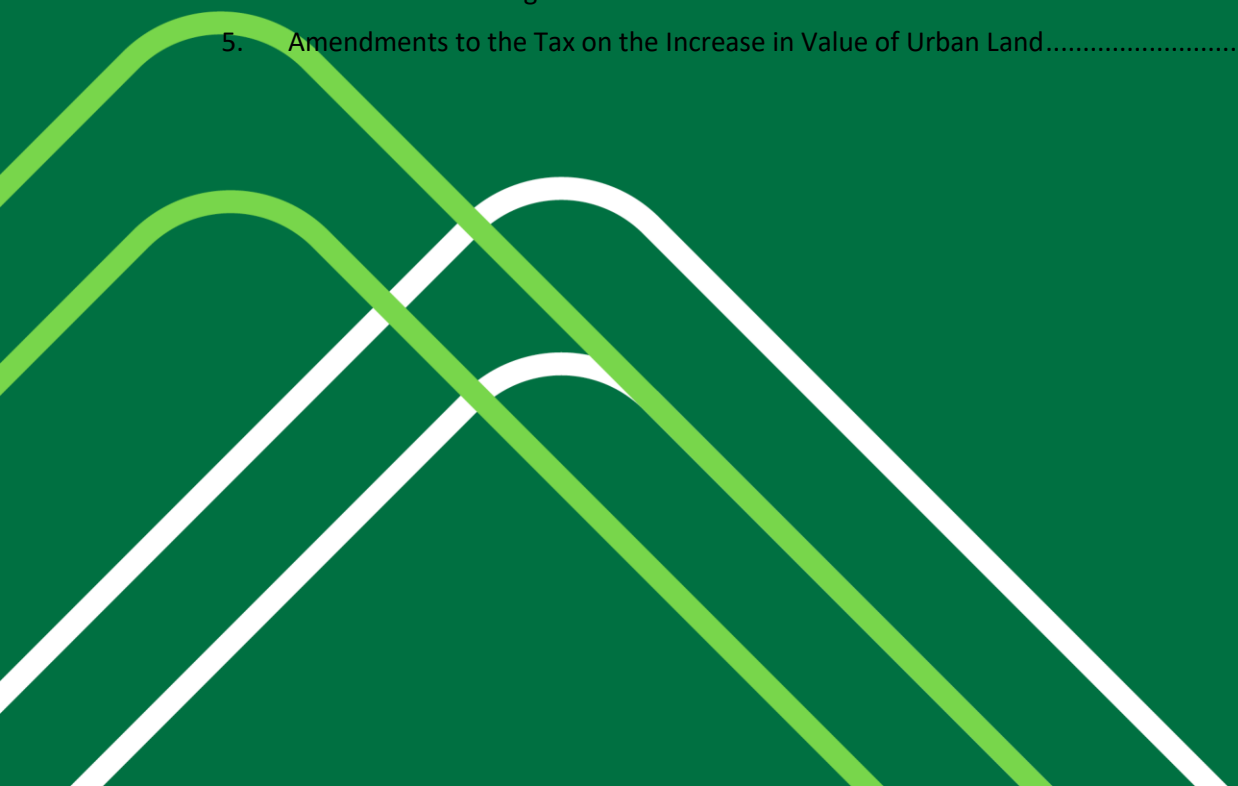
Tax Alert: Tax measures introduced by Royal Decree-Law 29/2026 of 6 October on urgent measures for the protection of housing and the expansion of affordable housing

November 2026



CONTENTS

0. Executive summary 3
1. Amendments to the Personal Income Tax Law 3
   1.1 Reductions applicable to rental income from residential properties 3
   1.2 New deduction for the rental of a main residence 6
   1.3 Amendments to the imputed property income regime 6
   1.4 Exemption for capital gains arising from the disposal of vacant residential properties 7
   1.5 New tax incentives for savings and investment 8
   1.6 Exemption for certain public grants 9
2. Amendments to the VAT Law 9
   2.1 Taxation of short-term lettings 9
   2.2 Reduced rate for renovation and repair work on residential properties 9
   2.3 Application of the 4% rate to certain protected housing 10
3. Amendments to the Local Government Finances Law: Real Estate Tax (IBI) 10
   3.1 Surcharges on permanently vacant homes 10
   3.2 New surcharge on tourist accommodation 11
4. Amendments to the SOCIMI Law 11
   4.1 Changes to the special levy on undistributed profits 12
   4.2 Reductions in the special levy for affordable rental housing 12
   4.3 Transitional regime for 2026 and 2027 12
5. Amendments to the Tax on the Increase in Value of Urban Land 13



0. Executive summary

Royal Decree-Law 29/2026 (hereinafter, the "RDL") entered into force on 7 October 2026 and was ratified by resolution of the Standing Committee of the Congress of Deputies on 12 November 2026. It introduces urgent measures to protect the social function of housing and increase the supply of affordable housing.

The aim of this legislation is to facilitate access to housing, increase the supply of affordable housing and strengthen protection for tenants.

In the area of taxation, the measures principally affect property owners and landlords, tenants renting their main residence, investors and entities operating in the property sector, including SOCIMIs, as well as taxpayers undertaking certain savings and investment transactions.

The following sections summarise the tax measures introduced by the RDL, grouped by the taxes concerned.

1. Amendments to the Personal Income Tax Law

Article 6 of the RDL introduces several amendments to the Personal Income Tax Law (LIRPF). The main changes concern reductions applicable to income from residential lettings, a new deduction for the rental of a main residence and revisions to the imputed property income regime.

New tax incentives are also introduced for the disposal of vacant homes, savings and investment, together with certain exemptions for public grants.

1.1 Reductions applicable to rental income from residential properties

The regime of reductions applicable to positive net income from the letting of residential properties is amended. Different percentages are established according to changes in rent, the tenant's characteristics and the location of the property.

The first two categories below apply only where the landlord is not a large property holder (a taxpayer owning more than 10 residential properties or more than 1,500 square metres of residential floor space).

A) Entering into a new tenancy agreement

The following reductions depend on how the initial rent changes compared with the preceding agreement:

Circumstances	Reduction
Initial rent reduced by more than 5% compared with the previous agreement	
New agreement with the same tenant after the statutory minimum term or its extensions, or with another tenant at a rent below the reference index	100%
Home in a stressed housing market area and tenant aged 18–35	95%
Home in a stressed housing market area	90%
Tenant aged 18–35	85%
All other cases	70%
Rent maintained or reduced by up to 5%	50%
Increase in initial rent	
Increase of up to 5%	40%
Increase of more than 5% and up to 10%	30%
Increase of more than 10% and up to 15%	25%
Increase of more than 15% and up to 20%	20%
Increase of more than 20%	15%

B) First letting of a residential property

Where a property is let for the first time and the landlord is not a large property holder, the following reductions apply to positive net rental income:

Circumstances	Reduction
Initial rent below the maximum level established under the reference rental price index system	100%
Home in a stressed housing market area and tenant aged 18–35	95%
Home in a stressed housing market area	90%
Tenant aged 18–35	85%
Initial rent equal to or above the maximum level established under the reference rental price index system	50%

Where there are several tenants and the reduction depends on age, it applies only to the proportion of income attributable to tenants meeting the age requirement.

C) Other reductions

The following additional reductions are provided for:

Circumstances	Reduction
Properties used for certain social housing programmes, accommodation for vulnerable people or public housing programmes subject to rent caps	70%
Refurbished properties where the works were completed within the two years preceding the tenancy agreement	60%
Tacit renewals of tenancy agreements, if rent does not exceed the reference price index ceiling and the landlord is not a large property holder	80%

D) Common rules for applying the reductions

The above reductions are subject to the following conditions:

Circumstances	Conditions
Requirements	Must be met when the agreement is entered into and throughout its term.
Concurrent reductions	The highest available reduction applies.
Declaration of income	Only positive net income declared before the commencement of a tax verification procedure qualifies.
Exclusions	Omitted income, improperly deducted expenses adjusted by the tax authorities, and agreements breaching Article 17.6 of the Urban Leases Law (properties located in stressed housing market areas).
Stressed housing market areas	Those designated by resolution of the Ministry of Housing and Urban Agenda.

E) Transitional regime

A transitional regime applies according to the date on which the tenancy agreement was entered into:

- Agreements entered into before Law 12/2023 came into force continue to apply the reduction regime in force on 31 December 2021.
- Agreements entered into from the date Law 12/2023 came into force and before 1 December 2026 apply the regime in force on 31 December 2025.
- As a general rule, the new rates apply to agreements entered into on or after 1 December 2026.

However, the new 80% reduction may apply to certain tacit renewals of earlier agreements, provided the statutory conditions are met.

1.2 New deduction for the rental of a main residence

From the entry into force of the RDL, a national tax deduction of 10% of the amounts paid to rent a main residence is introduced for taxpayers whose annual taxable base is below 33,007.20 €. The maximum deduction base is determined by the taxpayer's taxable base:

Annual taxable base	Maximum deduction base
23,007.20 € or less	11,630 €
More than 23,007.20 € and less than 33,007.20 €	11,630 € less 1.163 times the difference between the taxable base and 23,007.20 €
33,007.20 € or more	Deduction not available

To claim the deduction, for at least half of the tax period neither the taxpayer nor any member of their family unit may own the freehold or hold rights of use or enjoyment over another dwelling situated within 50 kilometres of the rented residence, unless an administrative or judicial decision prevents its use as a residence.

This deduction is also incompatible with the transitional deduction for renting a main residence in respect of the same property and tax period.

1.3 Amendments to the imputed property income regime

A) Imputed property income for 2026

With effect from 1 January 2026, the 1.1% imputation rate is extended for properties in municipalities where cadastral values were revised, amended or determined under a general collective valuation procedure and came into effect on or after 1 January 2012.

B) New imputed property income system from 2027

With effect from 1 January 2027, Article 85 LIRPF is amended to replace the existing system with a progressive scale based on the aggregate cadastral values of the taxpayer's properties subject to imputation:

Aggregate cadastral values up to	Accumulated imputed income	Next band	Rate
100,000.00 €	0 €	100,000.00 €	1.1%
500,000.00 €	1,100.00 €	400,000.00 €	1.5%
1,000,000.00 €	7,100.00 €	500,000.00 €	2%
More than 1,000,000 €	17,100.00 €	Any excess	3%

The new scale applies to urban properties and certain rural properties not used for business activities and not generating investment income, excluding the main residence and undeveloped land.

Where a property has no cadastral value, 50% of the higher of the value assessed by the tax authorities and the acquisition value is used.

Article 24 LIRPF is also amended: for lettings to relatives up to the third degree of kinship, the minimum net income is determined using the effective average percentage resulting from the new imputed property income system.

1.4 Exemption for capital gains arising from the disposal of vacant residential properties

A new Additional Provision 65 is introduced into the LIRPF, providing an exemption for capital gains arising from the disposal of vacant homes to certain public-sector entities responsible for the development and management of affordable social housing.

The exemption applies to disposals made between the entry into force of the RDL and 31 December 2027, provided the dwelling was continuously vacant without justified cause for the two years preceding the disposal. The applicable percentages are:

Disposal value	Exemption
200,000 € or less	100%
More than 200,000 € and less than 800,000 €	Percentage obtained by dividing the difference between 800,000 € and the disposal value by 600,000 €
800,000 € or more	Not available

An additional reinvestment exemption applies to the portion of the capital gain not otherwise exempt, provided the corresponding disposal proceeds are reinvested in a Financia Europa Reinvestment Savings and Investment Account, subject to the following conditions:

- As a general rule, reinvestment must take place within six months of disposal.
- The maximum aggregate amount eligible for reinvestment is 800,000 €.
- Reinvested amounts must be retained for at least five years, except in the event of the taxpayer's death.
- The reinvestment exemption applies only to disposals made after 30 working days have elapsed since the entry into force of the RDL.

Failure to meet the applicable requirements entails an adjustment to the relevant capital gain through the filing of an additional self-assessment, together with the corresponding late-payment interest.

1.5 New tax incentives for savings and investment

A new tax regime is introduced for Financia Europa Savings and Investment Accounts, alongside changes to the rules governing Long-Term Savings Plans, to encourage long-term saving and investment.

A) Financia Europa Savings and Investment Account

This is a new investment vehicle enabling individuals to invest in certain financial assets. Its principal benefit is the deferral of tax on capital gains and losses arising from disposals of assets until amounts are withdrawn, in whole or in part, from the account.

An exclusion from taxation is also provided for gains attributable to contributions held for more than five years:

Capital gain	Exclusion from taxation
Up to an aggregate maximum of 10,000 € per taxpayer	100%
Remaining gain meeting the holding-period requirement	20%

To benefit from this regime, a taxpayer may hold only one account of this type; contributions must be made in cash; and contributions not yet recovered may not exceed 150,000 €.

B) Changes to Long-Term Savings Plans

A new form of plan is introduced, the Financia Europa Individual Long-Term Savings Insurance Policy (SIALPFE). It is a life insurance product designed for long-term saving, whose technical provisions are invested in certain European financial assets. This product increases the annual contribution limit compared with traditional products.

Positive investment income generated by these plans is exempt from Personal Income Tax, provided the statutory requirements are met and the capital is not withdrawn within five years of opening the plan.

C) Financia Europa Reinvestment Savings and Investment Account

A specific form of investment account is created exclusively for the reinvestment of proceeds from the disposal of vacant homes, linked to the exemption described in section 1.4.

Aggregate contributions of up to 800,000 € may be made to this account and must generally be retained for at least five years to preserve the reinvestment exemption.

In addition, capital gains generated within the account that are attributable to contributions held for more than five years may benefit from a 20% exclusion from taxation, but not the initial €10,000 exclusion available for the general account.

1.6 Exemption for certain public grants

Lastly, the Fifth Additional Provision of the LIRPF is amended to extend the range of public grants excluded from the Personal Income Tax taxable base.

These include grants awarded under the State Housing Plan 2026–2030, regulated by Royal Decree 326/2026 of 22 April, to promote building refurbishment, improved accessibility and urban and rural regeneration.

Grants satisfying the requirements established in that legislation will therefore not be subject to Personal Income Tax.

2. Amendments to the VAT Law

Article 7 of the RDL introduces various amendments to the VAT Law with effect from 1 December 2026, mainly concerning short-term lettings, renovation and repair works on residential properties, and supplies of certain protected housing.

2.1 Taxation of short-term lettings

Article 20. One.23 of the VAT Law is amended to provide that lettings of furnished apartments or residential properties are subject to VAT and not exempt where:

- The landlord undertakes to provide ancillary services characteristic of the hotel industry (catering, cleaning, laundry or similar services).
- The letting to the same tenant lasts no more than 30 nights, except where the letting takes place in the landlord's main residence, in which case it is exempt.

Article 91 of the VAT Law is also amended so that the reduced 10% VAT rate applies to these taxable, non-exempt lettings.

2.2 Reduced rate for renovation and repair work on residential properties

Article 91. One.2.10 of the VAT Law is amended to extend the 10% rate to renovation and repair works carried out on properties intended to be let as a main residence, provided the following requirements are met:

- The customer is an individual not acting as a business or professional who uses the property privately, or a community of property owners, or the works are carried out on properties intended for letting as a main residence.
- The construction or refurbishment of the property was completed at least two years before the works began.

- The cost of materials supplied by the person carrying out the works does not exceed 40% of the taxable amount of the transaction.
- Payment is made by credit or debit card, bank transfer, nominative cheque or deposit into the bank account of the person carrying out the works.

2.3 Application of the 4% rate to certain protected housing

Article 91. Two.1.6 of the VAT Law is amended to apply the 4% rate to supplies by developers of protected housing with permanent or indefinite protected status.

The rate also applies to officially protected housing under the special regime or public development scheme, as well as garages and ancillary units transferred together with the property, up to a maximum of two parking spaces.

The 4% rate is also maintained for properties acquired by entities subject to the special Corporate Income Tax regime for residential property letting, provided rental income from subsequent letting may qualify for the tax credit under Article 49.1 of the Corporate Income Tax Law.

3. Amendments to the Local Government Finances Law: Real Estate Tax (IBI)

Article 8 of the RDL amends Article 72 of the Local Government Finances Law (LRHL), changing the surcharges applicable to unoccupied residential properties and introducing a new surcharge for tourist accommodation.

These surcharges apply to tax periods beginning after the RDL enters into force and must be established by the relevant municipal tax ordinance. They accrue on 31 December each year and are assessed by the local councils.

3.1 Surcharges on permanently vacant homes

Permanently vacant homes are those remaining unoccupied continuously and without justified cause for more than two years.

The following maximum surcharges apply according to the location of the property and the owner's circumstances:

Maximum surcharge	Circumstances
MUNICIPALITIES OUTSIDE STRESSED HOUSING MARKET AREAS	
50%	Homes vacant for more than two years belonging to owners of four or more homes
100%	Homes vacant for more than three years
Additional 50 percentage points	Owners of two or more vacant homes in the same municipality
MUNICIPALITIES IN STRESSED HOUSING MARKET AREAS	
50%	Homes vacant for more than two years
100%	Vacant homes belonging to owners of four or more homes
Additional 50 percentage points	Homes vacant for more than three years belonging to owners of four or more homes

Surcharges are calculated on the net IBI liability and must be provided for in the relevant municipal ordinance.

Certain justified reasons for vacancy remain recognised, including relocation for work, refurbishment works, use as a second home within the prescribed limits, and offering the property for sale or rent for certain periods.

3.2 New surcharge on tourist accommodation

A new provision allows local councils in stressed housing market areas to impose surcharges on residential properties used for tourist accommodation.

The maximum surcharges are as follows:

Circumstances	Maximum surcharge
Owners of one property used for tourist accommodation	50%
Owners of two or three properties used for tourist accommodation	100%
Owners of four or more properties used for tourist accommodation	150%

4. Amendments to the SOCIMI Law

Article 9 of the RDL amends Law 11/2009 governing SOCIMIs (Spanish listed real estate investment companies), changing the special levy on undistributed profits and providing tax incentives for entities that make properties available at affordable rents. It applies to tax periods beginning on or after 1 January 2026 that had not ended when the RDL came into force.

4.1 Changes to the special levy on undistributed profits

The 15% special levy is retained on undistributed SOCIMI profits that have not been taxed at the standard Corporate Income Tax rate and are not covered by the statutory reinvestment period.

However, the levy rises to 25% where the undistributed profits arise from the letting or granting of rights to use residential properties, regardless of the form or duration of the arrangement, including tourist or short-term accommodation.

This levy is treated as a Corporate Income Tax liability and accrues on the date the resolution on the allocation of the financial year's profit is adopted. It must be self-assessed and paid within two months of accrual.

4.2 Reductions in the special levy for affordable rental housing

Reductions in the 25% special levy are provided for SOCIMIs allocating a significant proportion of their housing stock to affordable rental housing:

Requirements	Reduction in levy
More than 80% of residential properties available for letting are allocated to affordable rent	50%
More than 80% of residential properties available for letting are allocated to affordable rent, and undistributed profits are reinvested in such properties within three years	100%

4.3 Transitional regime for 2026 and 2027

A transitional regime relaxes the minimum affordable-housing proportions required for the above reductions:

Tax period	Minimum proportion of affordable rental housing
2026	More than 60%
2027	More than 70%
General regime	More than 80%

The changes to the special levy apply to tax periods beginning on or after 1 January 2026 that had not ended when the RDL entered into force.

5. Amendments to the Tax on the Increase in Value of Urban Land

With effect from 1 December 2026, the statutory maximum coefficients to be applied to the land value at the time the tax accrues, according to the period over which the increase in value arose, are as follows:

Holding period	Coefficient
Less than 1 year	0.17
1 year	0.16
2 years	0.16
3 years	0.17
4 years	0.17
5 years	0.19
6 years	0.21
7 years	0.23
8 years	0.24
9 years	0.25
10 years	0.22
11 years	0.18
12 years	0.14
13 years	0.12
14 years	0.11
15 years	0.11
16 years	0.11
17 years	0.11
18 years	0.13
19 years	0.20
20 years or more	0.30

UHY Fay & Co

UHY Fay & Co

Better business better lives

UHY Fay & Co is a member of Urbach Hacker Young International Limited, a UK company, and forms part of UHY, an international network of independent audit and consultancy firms. UHY is the brand name for the UHY international network. The services described herein are provided by UHY Fay & Co and not by UHY or any other member of UHY.

© 2026 UHY Fay & Co.