

Salvador, Brazil:

Sustainable Building Certification and Tax Discounts

Model: Market-Shaping Policy

Salvador's IPTU Verde (IPTU) programme uses tax discounts to incentivise individual, commercial, and industrial property developments to **incorporate sustainable building practices**. The programme is one of the actions listed in the city's Climate Action Plan.



THE CHALLENGE

With a geography of flat areas with steep surrounding slopes and unplanned urbanisation, Salvador is vulnerable to **extreme weather events**, particularly flooding. The city needed ways to promote a more sustainable construction industry.



HOW IT WORKS

The city awards points for sustainable solutions included in a development, for example, water-saving equipment, solar panels, or bicycle racks. Projects are then certified as bronze, silver, or gold - each offering tax discounts of 5, 7, or 10%.

The city also offers a 'Green Grant' - up to a 40% discount on the fees ordinarily payable as developments increase in height. This is a significant saving for companies.

The city government held meetings with groups such as the Union of the Construction Industry of the State of Bahia (SINDUSCON-BA) and the Association of Real Estate Market Executives of Bahia (ADEMI-BA) to jointly **establish industry-informed criteria** for IPTU.

The primary city contribution is **staff time**. The exempted amounts do not impact the overall city budget in terms of its revenue, while Salvador's municipal law allows for the granting of discounts.

Eighty-five developments benefited by mid-2023 and it remains high on the agenda for business groups.



LESSONS

The programme developed **legitimacy and acceptance** by involving the private sector early on and taking their inputs seriously.

Industry expertise was central to formulating **realistic and effective criteria**. When undertaking such a certification, well-defined criteria, where businesses understand the requirements, help to facilitate their investment in sustainable practices.