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VAT GUIDELINES PORTUGAL

BELIM

Introduction

This guide intends to provide short Q&A style answers based on the day to day questions we receive from foreign businesses carrying out activities which may have VAT impact in Portugal

GENERAL INFORMATION

What are the main sources of legislation?

[Código do IVA and RITI.](#)

What are the steps towards registration of VAT in Portugal?

Registration consists of a 2-step procedure: (1) obtaining a PT tax and VAT number next to the RNPC - National Register of Collective Persons and (2) filing the declaration of commencement of activities next to the local tax office.

Evidence of the legal existence of the entity is required alongside other relevant documents. With all the documents duly provided, it is possible to complete the process within one week.

Is there a general registration threshold for foreign persons carrying out an economic activity in Portugal?

No. However, some taxable persons with annual turnover less than **€ 12 500** benefit from VAT exemption (this amount is **€ 11 000** in 2020).

What is the registration threshold for distance sales in Portugal?

The registration threshold for distance sales is **€ 35 000**.

Do I need to appoint a tax representative in Portugal?

It is only mandatory for taxable persons established outside of the EU.

What are the VAT rates in Portugal?

	Mainland Portugal	Madeira	Azores
Standard Rate	23%	22%	18%
Intermediate Rate	13%	12%	9%
Reduced Rate	6%	5%	4%

Type of VAT Rate	Goods / Services
Standard	The majority of the operations
Intermediate	Spring and mineral water, canned fish, take away, wine, coloured marked diesel, restaurant and catering services, among others.
Reduced rate	Foodstuffs, water, gluten free products, pharmaceutical products, medical equipment for disabled persons, car seats for children, transport of passengers, hotel accommodation, books and newspapers, urban rehabilitation work in urban rehabilitation areas, admission to certain cultural events and amusement parks, some agricultural inputs

COMPLIANCE OBLIGATIONS

What is the periodicity of the VAT returns?

Periodicity of the VAT return	Threshold	Filing Deadline (electronically)	Payment Deadline
Monthly return	≥ 650 000	Until the 20 th day of the 2 nd month following the respective tax period	Until the 25 th day of the 2 nd month following the respective tax period
Quarterly return	< 650 000	Until the 20 th day of the 2 nd month following the respective tax period	Until the 25 th day of the 2 nd month following the respective tax period

Is an annual return/recapitulative statement due?

Yes. You need to submit Annex L with the annual VAT operations of the preceding year, plus listings of suppliers and/or customers if thresholds are reached. The annual return must should be filed electronically before July 15th of each year.

Is an EC Purchase list required?

No.

Is an EC Sales list required?

Yes, the EC Sales list is required, generally, by the 20th day of the 1st month following transactions.

Taxpayers submitting quarterly VAT returns can file the EC Sales list on a quarterly basis, by the 20th day of the 1st month following the respective quarter, except when the amount of intra-EU deliveries in the respective quarter or in any of the 4 preceding quarters exceeds € 50 000, in which case they should submit monthly returns.

In any case, the return is only filed when there are operations to report.

The return reports intra-community delivery of goods or services and the electronic statement contains the VAT identification numbers of customers, the total value of the goods or services supplied and any triangular transactions.

What is the threshold for Intrastat returns?

Intrastat Returns thresholds		
2020	Dispatches	Arrivals
Mainland Portugal/Azores	€ 250 000	€ 350 000
Madeira	€ 25 000	€ 25 000

Are all the returns submitted electronically?

Yes.

Can payments of tax be performed by international bank transfer directly to the Portuguese Tax Authorities?

Yes. Provided the correct payment details are included in the bank transfer order.

Is certified invoicing mandatory for VAT registers with no headquarter, fixed establishment or domicile in Portugal?

Currently, non-established entities with a sole VAT register in Portugal are bound to adopt certified invoicing from July 1, 2021 onwards.

*Are VAT registers with no headquarter, fixed establishment or domicile in Portugal required to adopt **SAF-T** (Standard Audit Files for tax purposes) PT?*

No.

*Are VAT registers with no headquarter, fixed establishment or domicile in Portugal required **to report the invoices** issued on a monthly basis?*

No.

Know-how

Are there simplification measures for intra-community consignment stocks?

Yes. The “[Quick Fixes](#)” simplification measures have been published in [August 2020](#).

Is there a possibility to deferral the import VAT payment?

Yes. Portugal has adopted the possibility to self-assess the import VAT in the VAT returns (which has great financial impact to taxpayers which have a right to offset input VAT against this output VAT). Taxpayers can opt for this regime in Tax Portal, provided certain criteria is met.

Is there a bad debt relief scheme?

Yes. In Portugal, bad debt relief (deduction of VAT assessed in invoices not paid by clients) is available to taxable persons, under specified circumstances. The conditions to be met to recover the VAT included in bad debt depend on the nature and amount of the bad debt and time elapsing since the unpaid invoice was issued.

What are the applicable reverse-charge rules?

The general reverse charge rule applies to supplies of goods and/or services subject to VAT in Portugal made by taxable persons without a head office, permanent establishment, domicile or fiscal representative in Portugal. The VAT of these supplies should be reverse-charged by the client if the client is established in Portugal (not clear if the reverse-charge applies when the client is non-established in Portugal).

There are specific reverse charge rules applicable to supply of natural gas and electricity, construction work, waste and scrap, CO2 emissions and transfer of immovable property subject to VAT.

What categories of goods and services have limitations to deduction of VAT ?

Input VAT recovery is not recoverable in the following relevant expenses:

Expenses with limitations to the right of deduction
Non-commercial vehicles (passenger cars, leisure boats, helicopters, aircraft and motorcycles), including purchase, import, lease, repair, among others
Fuel for motor vehicles , except diesel, LPG, natural gas and biofuel, which VAT is deductible in the proportion of 50% and, for certain type of commercial vehicles, deductible in the proportion of 100%
Transport and business travel of the taxable person and its staff, including toll fees
Accommodation, food, beverage and tobacco, hospitality , and expenses related to immovable property or parts thereof, and its equipment, when incurred mainly for hospitality reasons
Entertainment and luxury

Exceptions to the limitations to recover VAT

- VAT incurred in expenses with electricity used in **electric or hybrid plug-in vehicles** is deductible.
- The VAT incurred in transport and business travel, accommodation, food and beverage related to the **organization of congresses, fairs, exhibits, seminars, conferences and similar events**, may be deducted in 50% when the following conditions are met:
 1. Expenses are made for the direct needs of the participants of the conference or similar event;
 2. Expenses result from contracts entered directed with the suppliers of the services or entities legally enabled for such purposes (for the intermediation of services); and,
 3. There is evidence that expenses contribute to the supply of taxable operations.

The deduction is limited to 25% in case the expenses relate solely to participation in events.

Please note that under the [Economic and Social Stabilization Program](#) recently announced by the Portuguese Government, it is foreseen the refund, to the organizers of an event, of an amount equivalent to the VAT deducted in expenses incurred for the direct needs of the participants of the event.

What is the statute of limitation of VAT deduction in Portugal?

In general terms, deduction of VAT may be exercised only for a period of 4 years from accrual of the right to deduct. In case of inexact invoices, material errors or calculous errors in the VAT records and returns, deduction may be limited to a 2 year period.

What are the main rules for VAT refund?

Credits are to be carried forward or claimed for refund upon the filing of the VAT return under condition that the credit amount is higher than **€ 3 000** or, after 12 months, still

higher than € 250. Bank guarantee can be requested by the Portuguese Tax Authorities for credit over € 30 000.

What information should appear in an invoice?

The content of an invoice is largely dependent on its type, and there are two types of invoices: standard and simplified.

Standard invoices are required to contain:

- the date of issue
- a sequential number, based on one or more series, which uniquely identifies the invoice¹;
- the VAT identification number of the supplier;
- the customer's VAT identification number;
- the full name and address of the taxable person and of the customer;
- the quantity and nature of the goods supplied or the extent and nature of the services rendered;
- the date on which the supply of goods or services was made or completed or the date on which the payment on account was made (in so far as that date differs from the date of issue of the invoice);
- the taxable amount per rate or exemption, the unit price exclusive of VAT and any discounts or rebates if they are not included in the unit price;
- the VAT rate applied;
- the VAT amount payable;
- where the customer receiving a supply issues the invoice instead of the supplier, the mention 'Autofacturação / Self-billing';
- in the case of an exemption, reference to the applicable provision of the Directive and the corresponding national provision of exemption;
- where the customer is liable for the payment of the VAT, the mention 'IVA – Autoliquidação / Reverse charge';

¹ It is expected for all invoicing series to be reported to the Tax Authorities as from 1 June 2021. It is also expected for all invoices to bear a QR Code and unique document code from 1 January 2021.

- In case of appointment of a tax representative (supplier or customer), the VAT identification number of that tax representative, together with his full name and address.

Simplified invoices are issued in the following cases:

- supplies made by retailers and pedlars to non-taxable persons for an invoice value < € 1 000
- other supplies, including services, for an invoice value < € 100
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These invoices shall (at least) include the following information:

- the date of issue;
- a sequential number, based on one or more series, which uniquely identifies the invoice;
- the name and VAT identification number of the supplier;
- the customer's VAT identification number, when the customer is a taxable person or whenever the recipient so requires it;
- the quantity and nature of the goods supplied or the extent and nature of the services rendered;
- the taxable amount per rate or exemption, the unit price exclusive of VAT and any discounts or rebates if they are not included in the unit price;
- the VAT rate applied;
- the VAT amount payable;
- where the customer receiving a supply issues the invoice instead of the supplier, the mention 'Autofacturação / Self-billing';
- in the case of an exemption, reference to the applicable provision of the Directive and the corresponding national provision of exemption;
- where the customer is liable for the payment of the VAT, the mention 'IVA – Autoliquidação / Reverse charge';
- In case of appointment of a tax representative (supplier or customer), the VAT identification number of that tax representative, together with his full name and address.

All the details must be reproduced by a legitimate computer program if made by software.

Can invoices be issued electronically?

Yes. Except for invoices communicated via EDI or with class 3 electronic signature, taxpayers must guarantee the authenticity of origin, the integrity of the content and the legibility of the invoices by setting up permanent and documented measures of control establishing a reliable audit trail between the invoice and the supply of the goods or services.

Please note that this reliable audit trail and the setup of the computer invoice programme must be formalised by a written documentation.

What are the time limits to issue an invoice?

- Generally, 5 working days from when goods are placed at the disposal of the client or services are provided.
- Until the 15th of the month following the one in which service was provided, in case of supply of B2B Intra-Community services;
- In the date of receipt of advanced payments of supplies of goods or services (on the respective amount received);
- 5 working days from the end of the period to which a global invoice refers to.

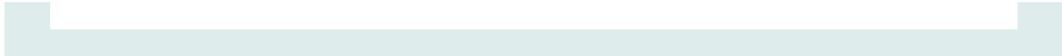
How long should invoices be stored?

Invoices and all accounting documents and books must be retained for 10 years in their original format.

Invoices must be stored within the EU. They can also be stored in a non-EU country that has signed a cooperation agreement with Portugal or upon prior authorisation of the Portuguese Tax Authorities.



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