

Portugal VAT

A tax professional's essential guide to calculating, reporting and paying indirect taxes in Portugal



Introducing VAT in Portugal...

VAT was introduced in Portugal in 1986 as part of the country's entry into the European Union (EU). Locally, it is known as Imposto sobre o valor acrescentado (IVA).

As a member of the EU, Portugal is expected to follow its core rules and regulations on VAT. This means it shares common themes with other major EU VAT regimes in areas such as registration, returns, compliance and EC sales lists.

One of the main peculiarities of VAT in Portugal is the way its three main rates - standard, intermediate and reduced - are

applied at different levels on the mainland compared with in the regions of Madeira and the Azores.

This effectively triples the number of rates businesses trading in or with Portugal must consider before applying the correct one to each transaction.

All businesses with turnover above certain thresholds must register for VAT in Portugal, including foreign companies importing or trading goods and services in the country that should register as a non-resident trader.



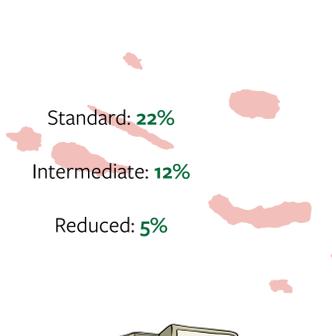
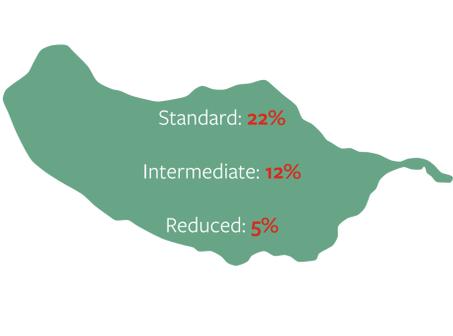
What VAT rates apply?

Portugal has a standard rate of 23%, which is complemented by a range of other rates that businesses can apply:

- 23%** **Standard**
e.g. most goods and services
- 13%** **Intermediate**
e.g. some food, events, agricultural supplies
- 6%** **Reduced**
e.g. water supplies, some medical equipment
- 0%** **Zero**
e.g. intra-community and international transport

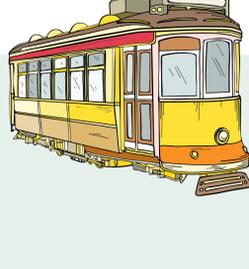


Any exceptions?



Exemptions

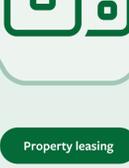
A number of goods and services are exempt from VAT in Portugal, including:



Hospital care

Education

Financial services



Restaurant services

Property leasing



How to comply

Foreign businesses that are registered for VAT in Portugal must comply with a range of rules in accounting, invoicing and more. These include:

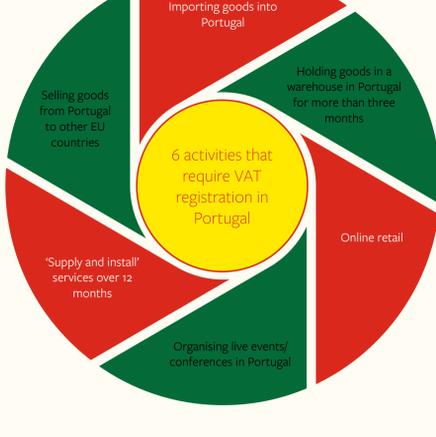
- 1 Preparing invoices with all details presented in the Portuguese VAT Code.
- 2 Maintaining and retaining accurate accounts and records for at least eight years.
- 3 Correctly invoicing customers in line with the country's time of supply rules.
- 4 Processing credit notes and other corrections in suitable fashion.
- 5 Using electronic invoices with proper signatures and authenticity.

Registering for VAT

Businesses are permitted to buy and sell goods and services in Portugal without creating and maintaining a local entity.

This scheme - known as non-resident VAT trading - is open to all organisations and there is no threshold for registering for it. However, any business will want to retain records of all its transactions and, what's more, Portuguese customers will expect to see proof that a company has obtained a valid registration.

For a business to register for VAT in Portugal, several strict rules must be met. If a business completes any of the following processes, it will require registration.



VAT returns

Businesses with a Portuguese VAT number are obliged to submit VAT returns detailing all their taxable supplies and costs.

These VAT returns must be filed monthly if the company's turnover is €650,000 or above, while they can be submitted quarterly if income is below this level.

€650,000

The deadline for monthly VAT returns is the 10th business day of the second month following the reporting period, while quarterly returns must be submitted by the 15th business day of the second month following the reporting period.

Did you know...

Not only must businesses complete and submit VAT returns in Portugal, they are also required to lodge additional data with the tax authority.

The Portuguese Intrastat return should be submitted on the 15th day of the month following the reporting period in question, while companies must also file the Portuguese EC Sales list by the 20th of each month.



The expert's view...

If your business trades in or with Portugal, it's likely that you'll need to register for Portuguese VAT.

Many of our clients do so despite being based outside Portugal itself, meaning they must register as a non-resident trader. The rules governing foreign service providers changed in 2010 as part of the EU VAT Package, which actually reduced the number of overseas entities needing to collect and pay VAT in Portugal.

Nonetheless, if your company imports goods into Portugal, buys or sells within the country, holds goods in local warehouses, charges admission to events in Portugal or self-supplies goods, you'll need to take Portuguese VAT seriously as you will be liable.

Under the EU's Mini One Stop Shop scheme, one group that does not have to register for VAT in Portugal is providers of electronic, broadcast or telecoms services to consumers. They can instead register for VAT in just one EU country and file a single VAT return that covers all 27 member states.

Once registered, Portuguese VAT is made more complex by the range of rates that cover not only mainland Portugal, but also the regions of Madeira and the Azores. Different rates in various parts of one country makes it notoriously difficult to ensure your business correctly applies the relevant VAT rate to each shipment or transaction and to guarantee its accuracy.

We have helped many clients get to grips with Portuguese VAT in recent years by implementing our out-of-the-box solution for Portugal within their ERP. This allows seamless compliance and ultimate peace of mind that the correct rate will be applied to every single transaction to deliver complete accuracy.

For more information on how we can help your business determine and calculate Portuguese VAT, get in touch.

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