



EUROPEAN VAT HANDBOOK

2013

Detailed insight to VAT in 29 European countries



European VAT Handbook

2013

Detailed insight to VAT in 29 European countries
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4. Distance Sales Threshold

The distance sales threshold for Portugal is EUR 35,000.

The distance sales regime establishes as its main rule that the place of supply is where the goods are when transportation to the purchaser ends (i.e. the state of destination), if the value involved (exclusive VAT) exceeds the distance selling limit of the EU Member State of destination in the current calendar year or the previous year.

This means that a Portuguese distance seller must register or be represented in the Member State to which he sells goods. If, however, the amount charged for the sale does not exceed the distance selling limit of the Member State of destination, the place of supply is deemed to be the state of origin, i.e. Portuguese VAT is charged on the distance sale in Portugal. However, a Portuguese distance seller whose annual sales do not exceed that limit may elect to be subject to VAT in the state of destination for a minimum period of two years.

The distance selling limit in Portugal (as Member State of destination) is EUR 35,000. However, a supplier that performs distance sales in Portugal may opt to charge Portuguese VAT before the threshold is exceeded. The option would be applicable for a period of two years.

Supplies of new means of transport are excluded from the distance selling arrangements because those transactions give rise to an intra-Community acquisition under all circumstances.

5. Acquisition Threshold

The threshold for the acquisition of goods by taxable persons engaged in exempt activities and non-taxable legal persons (state, regional and local government authorities and other bodies governed by public law) from suppliers established in another Member State is EUR 10,000 for Portugal.

6. Effective Use And Enjoyment

Portugal has implemented effective use and enjoyment rules in relation to the following services:

- hiring out of movable tangible property, with the exception of means of transport, to a person established or domiciled outside the EU;
- short-term hiring of a means of transport to a non-taxable person;
- hiring out of a means of transport (other than short-term hiring out) to a non-taxable person by a non-EU company; and
- telecommunication, radio and television broadcasting services and electronically supplied services, to a non-taxable person, by a non-EU company.

These rules change regarding telecommunication, radio and television broadcasting services and electronically supplied services as of 1 January 2015.

7. Bad Debt Relief

In Portugal, bad debt relief is available to taxable persons, under specified circumstances, provided that they prove to the satisfaction of the tax authorities that the amount not yet paid by the customer became a bad debt in the relevant period.

8. VAT Rates

8.1 Standard rate

The standard rates in Portugal are 23% in the mainland, 22% in the Autonomous Region of Madeira and 16% in the Autonomous Region of the Azores.

8.2 Reduced rate

In Portugal there are six reduced rates: the intermediate rates of 13% in the mainland, 12% in the Autonomous Region of Madeira and 9% in the Autonomous Region of Azores and the reduced rates of 6% in the mainland, 5% in the Autonomous Region of Madeira and 4% in the Autonomous Region of Azores.

The intermediate rates apply for instance on:

- listed foodstuffs, including canned meat, canned fish and table wine; and
- oil and diesel oil, dyed or marked, and fuel oil and respective mixtures.

The reduced rates apply for instance on:

- listed foodstuffs, including, among others, cereals, bread, meat, fish, milk, vegetables;
- pharmaceutical products;
- passenger transport; and
- hotel accommodation.

8.3 Zero rate

Portugal has zero rates for the following supplies and services:

- exports and intra-Community supplies of goods;
- goods supplied to travellers resident outside the EU under retail export schemes or through tax-free shops;
- services in the framework of inward processing on behalf of principals resident outside the EU;
- services of intermediaries relating to transactions carried out outside the EU;
- sea vessels and aircraft and related goods and services;
- supplies made to customers with (diplomatic) tax immunity;
- supplies of monetary gold to the central bank;
- transport of goods to and from Madeira and the Azores;
- goods under customs control or VAT warehousing arrangements;
- international and intra-Community passenger transport by seagoing vessels and airplane;
- provisioning of seagoing vessels, with the exception of vessels for inshore fishing, with foodstuffs;
- services to goods under customs control; and
- goods and services supplied to exporters.

9. Deduction Of Input VAT

9.1 Non-deductible input VAT

The input VAT is not recoverable in case of:

- vehicles for passenger transport (motor cars, yachts, helicopters, aircraft and motorcycles), including transformation and repairs;
- fuel for motor vehicles. However, in respect of diesel oil, liquefied petroleum gas (LPG), natural gas and biofuel, input VAT is recoverable (i) 50% or (ii) 100% under certain circumstances, namely, when used for public transport vehicles or heavy vehicles for passenger transport;
- travel, including toll fees;
- accommodation, food, drinks and tobacco. However (with the exception to tobacco), VAT is recoverable (i) 50%, when incurred for the purpose of the organisation of congresses, fairs and exhibitions, provided that they are incurred to meet the participants' direct needs, that they are directly contracted with the service supplier(s) or through legally qualified entities and that they clearly contribute to carry out supplies subject to VAT, or (ii) 25%, when incurred for the purpose of the participation in these events, provided that they are directly contracted with conference organisers and that they clearly contribute to carry out supplies subject to VAT;
- entertainment and luxury; and
- second-hand goods, art or collection works and antiques, where the taxable amount of the supply is equivalent to the difference between the selling price and the purchase price.

9.2 Excess input VAT

Input VAT is generally deducted through the VAT return of the tax period in which the right of deduction has arisen. Excess input VAT of a given tax period must be carried forward to the following periods. However, a refund may be claimed under the following circumstances:

- after a twelve-month period, if excess input VAT exceeds EUR 250;
- immediately, provided that the excess input VAT exceeds EUR 25, if the taxable person ceases its activity or leaves the normal taxation regime; and
- before that period, if excess input VAT exceeds EUR 3,000.

9.3 Capital goods – adjustment periods

Immovable property	nineteen years following the year of first use
Movable property	four years following the year of first use

Portugal does not have an adjustment period for services.

10. Reverse Charges

In Portugal there are several reverse charges.

10.1 Reverse charge mechanism – supply of natural gas and electricity

In case of the supply of gas through a natural gas system, of electricity and of heat or cooling energy through heating and cooling networks, supplied by non-resident suppliers, the reverse charge applies under the following circumstances:

- the acquirer is a taxable dealer with head office, permanent establishment or domicile in Portugal to which the goods are supplied;
- the acquirer is a taxable person (but not a taxable dealer) with head office, permanent establishment or domicile in Portugal to which the goods are supplied, in relation to the part of the goods that is not for its own use and consumption; and
- the acquirer is a taxable person (but not a taxable dealer) that effectively uses and consumes the goods in Portugal.

On the invoice reference should be made to the application of the reverse charge, as follows: “IVA – Autoliquidação” (VAT – self-assessment).

10.2 Reverse charge mechanism – B2B services

The following entities will be regarded as a business in relation to the application of the place of the services rule for B2B services:

- businesses (with taxable or exempt activities);
- businesses which also have non-taxable activities (for instance a holding company); and
- legal entities (non-businesses) with a Portuguese VAT identification (ID) number.

The VAT liability in relation to these B2B services will be shifted to the Portuguese recipient of the service. On the invoice reference should be made to the application of the reverse charge, as follows: “IVA – Autoliquidação” (VAT – self-assessment).

10.3 Reverse charge mechanism – non-resident suppliers

In Portugal the reverse charge applies to supplies of the goods and/or services by entrepreneurs without head office, permanent establishment, domicile or tax representative in Portugal. The reverse charge even applies if the customer is a legal entity although not a taxable person. In principle the reverse charge does not apply in case the customer is a non-resident company with a Portuguese VAT ID number. The reverse charge applies to all supplies of goods and services which are subject to VAT in Portugal.