

**VAT EXEMPTION
(ARTICLE 53):
WHAT YOU NEED
TO KNOW ABOUT
THE NEW RULES**

ALL FINANCE MATTERS

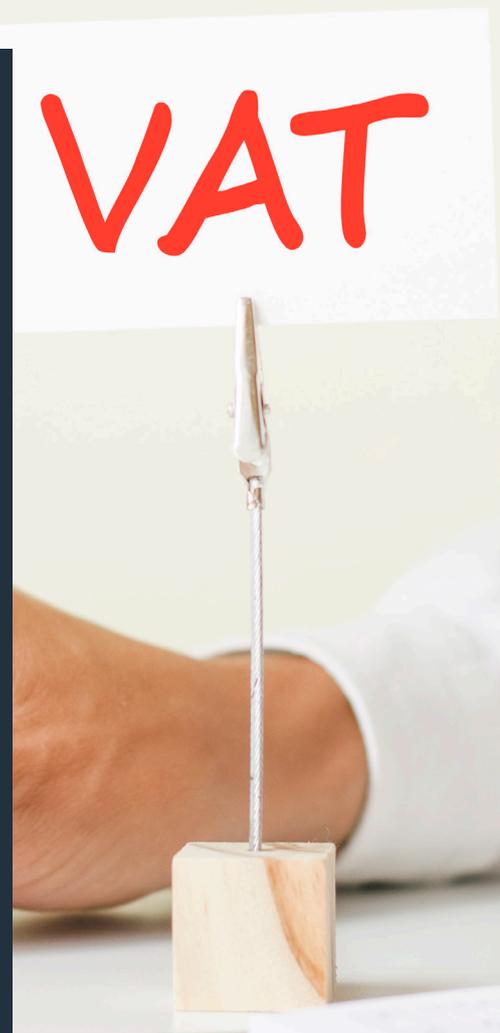
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Recent changes to the Portuguese VAT Code may significantly affect small business owners, freelancers, and anyone offering services in Portugal — including foreign residents and occasional service providers. Approved on March 24th, these updates modify the exemption rules under Article 53, tighten compliance obligations, and change the timeline for VAT liability.

Whether you rent out a property, offer translation services, or run a freelance consultancy, this article breaks down what the new rules mean for your business in practical terms.

What is the VAT threshold in Portugal?

In Portugal the VAT rate or exemption depends on the nature of the service and also the turnover declared when the business (sole trader) is registered at the tax office. If the expected business turnover is lower than 15.000€ per year, then the business is below the VAT exemption threshold.

I have a rental license on my apartment and I rent it to tourists, I have already registered my business with the tax office, what happens to my VAT threshold in Portugal? Does this law change anything?

The threshold is exactly the same, however the consequences when you exceed the VAT threshold are now much different. If a taxpayer exceeds the 15.000€ limit in a single year, the dates when he starts to become liable for VAT, change as per the examples below.

Example A

Mr. Smith's received rental income during the year in the total of 17.000€. The VAT liability in the current year is none as he was registered with VAT exemption. His VAT Liability in the following year will be 6% on all his rentals income and will start from January 1st (the alteration is performed in January of the year following the fact that determined the loss of the VAT exemption).

Example B

Mr. Smith's had a lot of rentals this year and in June he had already exceeded 18.750€. As the VAT exemption threshold was exceeded in more than 25% of the limit, his VAT liability changes in the following month. In this case if Mr. Smith reaches 18.750€ of rental income in June, it means he starts charging 6% on all his rentals income, from 1st of July.

Prior to this new law come into effect, in both these scenarios Mr. Smith was only liable for VAT in February of the following year. Now the VAT liability and the change of VAT status is much earlier and can happen during the same tax year, depending of the volume of business.

- It is important to note that self-employed individuals who are not tax residents in Portugal are no longer eligible for VAT exemption. Even if their annual turnover is below €15,000, they will fall under the standard VAT regime.

I do some translations occasionally, but not recurrently. This year I was asked to do a translation to a client and issued him a single invoice (ato isolado), in the amount of 3.750€ this was done without registering a business activity and I paid VAT on top of this, was this procedure correct? Now this client is asking me to register the activity and do other jobs for them, do I pay VAT on those jobs as well? I agreed to bill them 1.000€ per month, ie 12.000€ per year.

If you have a single operation in the year, it is possible to issue a single invoice (ato isolado), without registering your business activity. However please note that this is possible, providing the work is not done in consecutive years, otherwise if you issue a single invoice each year, the tax authorities will assume that you have a recurring business activity and will notify you to register your business activity.

When you issue the single invoice, you must charge VAT and pay the VAT in the following month. The single invoice, if done once a year (not in consecutive years) does not imply registering with the social security, which means that the single act pays VAT, but doesn't pay social security.

When you decide to register your business activity, the amount considered to determine your VAT status is 12.000€ and the amount billed in that single act is not considered to determine if you are below the VAT threshold of 15.000€. The 3.750€ will also not be considered to determine the 25% threshold excess mentioned in the example B, however at the end of the year, as the total turnover exceeds 15.000€, you will be liable for VAT at 23% from January 1st, as per the example A.

Currently, when I register my business during the year, I have a threshold of 15.000€ for the whole year, but if I register in July, my threshold is pro-rata and is half of the full year amount. Does this now change?

With the new law, the pro-rata calculation disappears and if you register your activity in July, you remain VAT exempt if you do not exceed the 15.000€ of turnover. Before the law your threshold was only 7.500€ for the referred months.

During 2025 I think I will exceed my 15.000€ threshold slightly. What happens if I stop my activity in December 31st and then restart it at later date? Do I keep my VAT exemption when I restart?

If you stop the activity during 2025 and as you are still VAT exempt at the time you stopped, there is no need to make any alterations in 2026. However, please note that your business activity needs to be inactive during a minimum of 12 months. If you re-register your activity during 2026, you will automatically be included on the normal VAT regime. If however you wait for January 1st, 2027 to register, you will be able to register as VAT exempt, providing you anticipate a yearly turnover up to the threshold of 15.000€.

I am an insurance broker and my wife is a doctor, when we register our business activities in Portugal, do we have the same VAT threshold of 15.000€ per year?

No. The VAT exemption can be determined by the yearly turnover (if below the yearly threshold), or if the service provided is included in the list of services that are VAT exempt (Article 9). Both of the services mentioned, are VAT exempt under article 9 and therefore there is no VAT chargeable, irrespective of the yearly turnover.

My main profession is teacher and I issue around 30.000€ of invoices which are VAT exempt due to the fact that the invoices I issue to the school are exempt. I am considering offering some massages as a small side business, will this activity be influenced by my global turnover, or the VAT exemptions relates only to the massage business?

To determine your VAT exemption, only the turnover of the massage business will be considered. This means that if the massage business is below the VAT exemption threshold, you will be exempt under article 53 and obviously your teacher invoices will remain exempt under article 9.

I am an IT freelancer and issue an average of 10.000€ of invoices per month, to my contractors outside Portugal. All my invoices are VAT exempt, do I need to file any VAT returns and can simply fill my tax return at the end of the year?

Be aware that any taxpayer with a business activity has rules to issue invoices and needs to inform the tax authorities on a monthly basis of the invoices issued. This communication is also required, even if there are no invoices issued in that month. Therefore is not possible to wait for the year end, to release the information of your business, as this needs to be reported monthly.

Also, please note that although in your case your invoices are VAT exempt, this is due to the reverse charge rules and technically you are crediting and debiting the invoice to the supplier. This means that for VAT purposes you are liable for VAT and can deduct the VAT on the purchases made. It also means that you are obliged to submit quarterly VAT returns.

Keep in mind that there are many other changes to the VAT rules, that may affect you. If you want to find out more, our team can guide you through the Portuguese tax system.

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"YOU MUST PAY TAXES, BUT THERE'S NO LAW THAT SAYS YOU NEED TO LEAVE A TIP."