Value-Added Tax (VAT) in Portugal

Value-Added Tax (VAT) is a key component of Portugal’s tax system. This article outlines the different VAT rates

By **Silvia Santos**, 22nd July 2026

Value-Added Tax (VAT) is a key component of Portugal’s tax system. This article outlines the different VAT rates, the rules for the taxation of goods and services, and special considerations for certain types of supplies.

Portugal operates with three main VAT rates, which vary slightly in the Autonomous Regions of Madeira and the Azores.

- **Standard Rate:** The standard rate is **23%**, though it is **22%** in Madeira and **16%** in the Azores. This rate applies to all goods and services not covered by the reduced or super-reduced rates.

- **Reduced Rate:** Set at **13%** (with rates of **12%** in Madeira and **9%** in the Azores), this rate applies to a variety of goods and services. Examples include meals at restaurants and for takeaway, musical instruments, and agricultural tools.

- **Super-Reduced Rate:** The lowest rate is **6%** (**4%** in Madeira from 1 October 2024, and **4%** in the Azores). This rate is applicable to essential items and services such as certain food products, books, pharmaceutical products, hotel accommodation, passenger transport, and devices for solar, wind, and geothermal energy. It also applies to electricity consumption for a contracted power that does not exceed 6.90 kVA.

It is important to note that as of 4 January 2024, the basic food basket no longer benefits from a zero VAT rate. Exports and intra-EU supplies of goods, however, remain zero-rated.

The table below summarises the VAT rates across mainland Portugal and its autonomous regions.

Rate Type	Mainland Portugal	Madeira	Azores
Standard	23%	22%	16%
Reduced	13%	12%	9%
Super-Reduced	6%	4%	4%

Who is Required to Register for VAT

Businesses and self-employed individuals must register for VAT in Portugal before they begin any taxable activities if they expect or have exceeded the VAT thresholds for registration. The deadline for registration is within 15 days of a company's establishment with a business registry.

- **Registration Threshold for Resident Businesses/Self-Employed Individuals:** The annual turnover threshold for VAT is **€15,000**.

- **Registration Threshold for Non-Resident Businesses/Self-Employed Individuals:** There is no registration threshold for non-residents. They must register as soon as they make a taxable supply in Portugal.

- **Intra-Community Distance Selling:** For businesses selling goods and digital services to consumers in other EU member states, the threshold is **€10,000**. Once sales exceed this amount, they must register for VAT in Portugal or use the One-Stop Shop (OSS) scheme.

Non-EU businesses operating in Portugal are required to appoint a fiscal representative. For EU businesses, this is optional.

VAT Return Submissions and Deadlines

VAT returns must be submitted electronically to the Portuguese Tax and Customs Authority (*Autoridade Tributária e Aduaneira – AT*). The frequency and deadlines for reporting depend on the business's annual turnover and the type of return.

Report Type	Filing Frequency	Deadline
Monthly VAT Return	Monthly (for businesses with annual turnover of €650,000 or more in the previous year)	Submission by the **20th day** of the **second month** following the reporting period.
Quarterly VAT Return	Quarterly (for businesses with annual turnover of less than €650,000 in the previous year)	Submission by the **20th day** of the **second month** following the reporting period.
Annual VAT Return (IES/DA)	Annually (for all resident businesses)	Submission by **July 15th** of the following year.
VAT Payment	Monthly/Quarterly (depending on above)	Due by the **25th day** of the **second month** following the reporting period.
Standard Audit File for Tax (SAF-T)	Monthly	By the **5th day** of the **following month.**

Businesses with a monthly reporting obligation are also required to submit a Standard Audit File for Tax purposes (SAF-T) electronically. This file, which contains details of all invoices issued, must be submitted monthly.

Invoicing Requirements

In Portugal, taxable persons are required to issue an invoice or an invoice-receipt for every supply of goods or services. In some cases, a simplified invoice may be issued. If a transaction's value or VAT amount needs to be corrected, an amendment document (such as a debit or credit note) must be issued.

- **Issuance:** Invoices must be issued using invoicing software certified by the Portuguese Tax and Customs Authority. These documents must be dated, numbered progressively, and uniquely identified within each series for at least one tax year. While the use of pre-printed invoices with pre-printed sequential numbering is generally allowed, it is subject to certain conditions.

- **Self-Invoicing:** This is permitted if a prior written agreement exists between the supplier and the acquirer. The acquirer must be able to prove that the supplier has acknowledged and accepted the contents of the invoice. The document must explicitly state "*autofaturação*" (self-invoicing).

- **Electronic Invoicing:** Electronic invoices are valid if the recipient accepts them and if the authenticity of origin, integrity of content, and readability are guaranteed through a reliable audit trail. Advanced electronic signatures and EDI (Electronic Data Interchange) are common methods to ensure this.

VAT Deductions

Businesses can only deduct VAT if it is supported by a valid invoice or import document issued by the Portuguese Tax and Customs Authority.

- **Capital Goods:** VAT on movable capital assets has a 5-year adjustment period, while immovable capital assets have a 20-year period. If these goods are used for exempt transactions during this period, a pro-rata adjustment of the deducted VAT must be made for each remaining year.

- **Deduction Restrictions:** VAT is generally not deductible for the following expenses:
    - Non-commercial vehicles (using gas or diesel), leisure boats, helicopters, and motorcycles.
    - Fuel for motor vehicles, though 50% of the VAT on diesel, LPG, natural gas, and biofuels is deductible. In specific cases, this deduction can be 100%.
    - Transport, food, beverage, and accommodation expenses.
    - Tobacco, entertainment, and luxury expenses.

VAT incurred on expenses for organising events like congresses, fairs, or seminars is 50% deductible, but this deduction is capped at 25% for participation in these events. VAT on electricity for electric or plug-in hybrid vehicles is fully deductible if the acquisition price of the vehicles does not exceed 62.500€ + VAT and 50.000,00€ +VAT, respectively.

The taxation of goods in Portugal is determined by their location. VAT is applied if the goods are located in Portugal at the time they are transported or at the time they are dispatched to the customer. If there is no transport, the goods are subject to VAT when they become available to the customer in Portugal.

The rules for taxing services depend on whether the customer is a business (B2B) or a private consumer (B2C).

- **Business-to-Business (B2B):** Services are generally subject to VAT in Portugal if they are acquired by a taxable person with a business, fixed establishment, domicile, or residence in the country.

- **Business-to-Consumer (B2C):** Services are generally subject to VAT in Portugal if the provider has its business, fixed establishment, domicile, or residence in the country and is supplying services to a non-taxable person.

Regardless of the B2B or B2C rules, certain services are always subject to VAT in Portugal if they are physically carried out within the country. These include:

- Services related to immovable property in Portugal.

- Passenger transport for distances covered in Portugal.

- Admission to cultural, sporting, educational, or similar events in Portugal.

- Restaurant and catering services.

- Short-term hiring of a means of transport (up to 30 days, or 90 days for boats) when the vehicle is made available to the customer in Portugal.

Additionally, some services are taxed in Portugal only if they are physically performed there and the acquirer is a non-taxable person. These include the transport of goods, valuations of movable property, and services related to cultural, artistic, and scientific activities.

Specific rules apply to telecommunications, broadcasting, television, and electronic services supplied to non-taxable persons. These services are taxed in Portugal under certain conditions, such as when the service provider is established in Portugal and the total value of such services to a customer in another member state does not exceed €10,000, with reference to the previous or current year.

Furthermore, the EU's e-commerce VAT package, introduced a one-stop shop (OSS) system. This allows suppliers to account for VAT on cross-border services and intra-EU distance sales of goods through a single platform, simplifying compliance and ensuring VAT is paid in the member state of consumption.

Contact Us

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