

## Tax Simplification Agenda | Main Approved Tax Measures

On March 27, a diploma introducing legislative changes for the implementation of various measures established in the Agenda for Tax Simplification was published. This document aims to provide a summary of these measures, which will come into effect on July 1, 2025.

### IRS

#### PERSONAL INCOME TAX

Several deadlines for communication and reporting of information to the Tax Authority (AT) have been extended to the **end of February**, including:

- ✓ Submission, through the Tax Website, of proof of attendance in an educational institution for dependent students
- ✓ Communication of the household composition for the purposes of automatic IRS return
- ✓ Communication of the existence of alternating residence, as established in the parental responsibility regulation agreement in force on the last day of the year to which the tax refers
- ✓ Communication of the percentage of shared expenses for dependents, as established in the parental responsibility regulation agreement (when different from 50%)
- ✓ Communication of the allocation of expenses and charges to business or professional activity, within the simplified regime of category B of the IRS
- ✓ Communication and classification of invoices issued in the e-invoice system for IRS deduction purposes
- ✓ Communication of household members studying in the interior or autonomous regions, as well as the total expenses incurred and rental invoices for relocation to these areas
- ✓ Submission of Model 44 – “Annual Communication of Rents Received” for taxpayers who are exempt from issuing electronic rent receipts and have not opted for this issuance
- ✓ Submission of Model 10 – Communication of income and withholdings – residents

- ✓ Submission, by entities providing custody and administration services of crypto assets on behalf of third parties or managing one or more crypto asset trading platforms, of the Model for operations carried out with their intervention, which is still awaiting publication
- ✓ Submission, by credit institutions, housing cooperatives, leasing companies, insurance companies, and fund management companies and other complementary regimes, including mutual associations and non-profit institutions that provide healthcare services, and other entities that may contribute to healthcare expenses, of Model 37 for communication of interest and amortizations of permanent housing, health insurance premiums, life and personal accident insurance, PPRs, pension funds, and complementary regimes.

Withholding tax is waived for income in categories B and F when the amount of each withholding is less than 25 euros. For income in category E, the exemption limit increases from 5 to 25 euros.



### IRC

#### CORPORATE INCOME TAX

In terms of IRC, the following simplification measures have been introduced:

- ✓ For the purposes of the proof of acquisition of goods or services that support the expenses incurred or borne by the taxpayer, it is necessary to have an "invoice" issued under the terms of the VAT Code (CIVA), when the supplier or service provider is obliged to issue it, and the expression "or legally equivalent document" has been eliminated.
- ✓ Impairment losses on non-current assets and physical write-offs:

Intangible Assets: Article 31-B of the Corporate Income Tax Code (CIRC) now explicitly includes intangible assets in paragraph 2, which means that impairment losses recorded on these assets can be accepted for tax purposes, provided they do not result from physical write-off, dismantling, abandonment, or decommissioning in the same tax period.

Tangible Assets: For situations where the physical write-off, dismantling, abandonment, or decommissioning of tangible assets occurs in the same tax period, the applicable requirements must be communicated to the Large Taxpayers Unit, instead of the Tax Authority (AT).

Additional Simplifications: The communication to the Tax Authority (AT) regarding the procedures



for physical write-off, dismantling, abandonment, or decommissioning of tangible assets is waived. On the other hand, the substantiated explanation of exceptional devaluation for intangible assets and situations where the

procedures do not occur in the same tax period is no longer mandatory, provided the net tax value of the assets does not exceed 10,000 euros and the documentation proving the facts that determined the exceptional devaluations is included in the tax file.

- ✓ A communication (declaration of commencement or changes, as applicable) is now required within 30 days from the date of establishment of the permanent establishment abroad, and until the last day of the tax period in which the regime is intended to start, when it is created after the deadline of the end of the third month of the period in which the exemption method is intended to be chosen.
- ✓ The waiver of withholding tax on corporate income tax (IRC) for resident income is provided when the amount of each withholding is less than 25 euros.

- ✓ Article 136 of the IRC Code is repealed, meaning that the Tax Authority (AT) will no longer be required to organize an individual file for each taxpayer containing declarations and other related confidential elements.

#### IVA/ VAT VALUE ADDED TAX

The following simplification measures have been introduced regarding VAT obligations:

##### Compliance with declarative obligations

- ✓ The obligation to submit the recapitulative statement of clients, which previously still applied to non-resident taxpayers, is abolished
- ✓ The specific documents that prove exempt supplies of goods and services under points (a) to (j), (p), and (q) of paragraph 1 of Article 14 and points (b), (c), (d), and (e) of paragraph 1 of Article 15 (exports and similar transactions) are now explicitly defined. These documents consist of the customs declaration with exit certification, as per the applicable customs regulations, and a simplified export certificate issued by the Tax and Customs Authority
- ✓ In the case of single acts, it will no longer be necessary to submit a declaration of commencement of activity, regardless of the transaction amount (currently, this obligation exists if the transaction exceeds €25,000)
- ✓ The current deadlines for submitting periodic VAT returns remain unchanged

##### Monthly vs. Quarterly VAT Regime

Regarding the classification of taxpayers under the monthly regime (business turnover > €650,000) or quarterly regime (business turnover < €650,000), the following changes have been introduced:

- ✓ For taxpayers covered by the quarterly VAT regime who wish to opt for the monthly regime, it is no longer required a minimum stay in that regime for 3 years
- ✓ The option for the monthly regime remains valid as long as the taxpayer does not submit a declaration of changes to switch to the quarterly regime (if the

business turnover remains < €650,000). The option for the quarterly regime takes effect from the year in which the declaration of changes is submitted, provided it is done by the end of January

- ✓ Taxpayers who are under the quarterly regime and, in the previous calendar year, reach a business turnover equal to or greater than €650,000, are required to submit a declaration of changes in January of the following year in which this limit was exceeded, so that they are covered by the monthly regime from January 1 of that following year. The Tax Authority (AT) will no longer communicate this change of regime officially.

#### Automatic VAT Periodic Return

- ✓ A provisional periodic return will be made available to some taxpayers, prepared by Tax Authorities based on available information, with the breakdown of the elements that served as the basis for its completion – for input and output operations carried out from July 1, 2025.
- ✓ The scope of taxpayers eligible for this feature will be defined by an ordinance issued by the government official responsible for finance. These taxpayers, after verifying that the data provided by Tax Authorities is correct and includes all transactions, may confirm the provisional return
- ✓ This provisional periodic VAT return, in the absence of taxable operations, becomes final and submitted when, at the end of the legal submission deadline, the taxpayer has not validated it nor submitted any periodic VAT return.
- ✓ Except for the scenario mentioned above, the automatic VAT periodic return always depends on confirmation and submission by the taxpayer.

#### Recording of Operations

- ✓ For taxpayers who are not required to have organized accounting, the obligation to maintain simplified bookkeeping records (books of purchases, sales, services rendered, expenses, and operations related to investment goods, merchandise, etc.) is no longer foreseen. These are replaced by the classification of operations documented by invoices or simplified invoices in the e-fatura system, to be carried out by the taxpayers, up to the deadline for submitting the periodic VAT return.

- ✓ This classification requirement is now also mandatory for taxpayers under the special regime for small retailers. They will have access to a provisional VAT return on the Tax Authority's (AT) Website, based on relevant data available (particularly invoices classified in the e-Fatura system by the taxpayer). This return must be confirmed by the taxpayer by the 20th of the second month following each calendar quarter, with the corresponding payment due by the 25th of that month.
- ✓ However, the obligation to store and preserve in good order the bookkeeping records related to transactions carried out before July 1, 2025, remains in place.

#### IMI

##### MUNICIPAL PROPERTY TAX

For the purpose of the first property evaluation initiative at the request of the taxpayer, measures have been introduced to simplify the submission of documents to Tax Authorities, favoring the use of electronic means for this purpose.

#### IMT

##### PROPERTY TRANSFER TAX

To benefit from the IMT exemption for the purchase of properties for resale, the certificate proving that the taxpayer regularly engages in this activity (specifically, that they have done so in the past two years) will now be obtained through the Tax Authority's website, and will no longer be requested near Tax Offices.



## OTHER DECLARATIVE OBLIGATIONS

### IES Declaration

Annex O – “Recapitulative Statement of Clients” and Annex Q – “Annual Stamp Duty Declaration” have been revoked.

### Invoicing

All VAT taxpayers in Portugal will be able to issue invoices using the applications available on the Tax Authorities website.

Taxpayers performing single acts are now required to issue invoices exclusively through the invoicing system available on the Tax Authorities website.

It is also foreseen that invoices will be available for consultation by both the issuers and the acquirers of the goods or services provided, through individual authentication. When related to the last 2 years, this consultation is immediate, and in other cases, it is made available upon request through the Tax Authorities website.

In the event of the cancellation of invoices and other tax relevant documents, Tax Authorities send an informative communication to the purchaser of the goods or services provided when they are identified with the respective Portuguese tax identification number, by electronic data transmission for those who have an electronic mailbox or who have authorized, on the Tax Authority website, the sending of electronic mail; or by simple postal mail, in other cases.

### Models 35, 36, and Others – Taxation of Savings – Non-Residents

The diploma that transposes into national law the Directive on the taxation of savings income in the form of interest, along with the corresponding models approved by ministerial orders, is revoked, specifically:

- ✓ Model 35 – Savings income in the form of interest paid or attributed to non-residents
- ✓ Model 36 – Savings income in the form of interest paid or attributed to individuals who are not the beneficial owners
- ✓ Models No. 01-DP to 05-DP

### Digital Forms for Compliance with IRC and IRS Reporting Obligations

Tax Authorities will now have a minimum lead time of 90 days (previously 120 days) to make available on the Tax Authority website the digital forms, in a format that allows their completion and submission, for compliance with the reporting obligations set out in Articles 57 and 113 of the IRS Code and Articles 120 and 121 of the IRC Code.

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