# Legal Update 9

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## Cash accounting scheme for VAT

In the last quarter of 2013 enters into force the cash accounting scheme for VAT approved by the Decree-Law 71/2013, of May 30.

The new law aims to promote the improvement of corporate treasury allowing the payment of VAT only when the customer pays the invoice.

In a first stage, the cash accounting scheme for VAT can only be adopted by companies with an annual turnover at up to 500 000 Euros. However, the Government estimate that this measure will cover more than 85% of Portuguese companies.

Aware of the economic impact of the new law, we prepared and disclose the present Legal Update.

### Transfers and Taxable Persons

— The cash accounting scheme for VAT is an optional system and applies to all transfers of goods and services made by a VAT taxable person to another VAT taxable person.

— The following transfers of goods are excluded:

(i) Import, export and related activities, referred to in articles 13, 14 and 15 of the VAT Code;

(ii) Transfers and intra-Community acquisitions of goods and transactions treated under the VAT sys tem for Intra-Community Transactions;

(iii) Intra-Community services;

(Iv) Transactions on which the purchaser is liable for the payment of VAT;

(v) Transactions on which taxpayers have a special relationship, under the numbers 10 and 12 of the article 16 of the VAT Code.

— Although the cash accounting scheme for VAT is a optional scheme, it can only be adopted

by taxpersons that:

a) have not reached on the previous calendar year a turnover for VAT exceeding 500 000,00 Euros;

b) do not act solely an activity referred to in article 9 of the VAT Code; and

c) are not covered by the exemption provided by the article 53 or by the regime of small retailers referred to in article 60 of the VAT Code.

The taxpayers should immediately notify the Tax Authority whenever they no longer fulfill the requirements set out in subparagraphs a) and b) above.

— Additionally, the cash accounting scheme for VAT can only be adopted by taxpayers registered for at least twelve months and whose tax situation is regularized.

### Chargeability of tax

— The tax related to the operations covered by the cash accounting scheme for VAT shall become chargeable on the moment of receiving the total or part of the price, by the amount received.

— The tax included on invoices for which has not yet been received all or part of the price is required:

a) Twelve months after the date of invoice, in the tax period corresponding to the end of the term;

b) In the period following the notification of termination of enrollment in the scheme;

c) During the period corresponding to the delivery of the declaration of termination of the activity.

— The option for the VAT system cash requires a notification to the Tax Authority, through the Tax Authority website, until October 31 of each year.

### Requirements of supporting documents

— The invoices related to transactions covered by the new scheme should contain the following mention "*IVA – regime de caixa*".

— At the time of the payment, total or partial, of the invoices, or when the company receives all or part of the price precedes the time of taxable transactions, is required to issue a receipt for the amount received.

### Irrecoverable debts or doubtful debtors

The new scheme can only be applied to transactions executed by taxpayers after having verified the chargeability of the tax. In these situations the tax is only payable in the $12^{th}$ month after the invoice date.

— The operations should be recorded separately in order to highlight:

(i) The value of supplies of goods and services, net of tax;

(ii) The amount and date of receipt;

(iii) The amount of tax related to transactions, with the amount not yet due.