

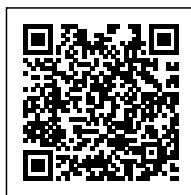
VAT DECREASE ANNOUNCED IN PORTUGAL - PLMJ

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Category: [Tax](#)

Tags: [and in principle, approved a proposal to reduce the standard rate of the Value Added Tax \(VAT\) from 21% to 20%, benefiting more, both sellers and services providers, but appropriate, Finland \(22%\), in Portugal, instead, Ireland \(21%\), Poland \(22%\), probably, recently, who will most likely see their profits rise. The reasons for this amendment are therefore essentially of a political nature, will at least mitigate this disproportion and therefore make the tax system less regressive](#)



The Portuguese Government has, recently, approved a proposal to reduce the standard rate of the Value Added Tax (VAT) from 21% to 20%, with effects from July 1 onwards.

The reduction of the VAT rate will hardly be reflected in a reduction of prices for consumers, or in a clear decline in inflation, benefiting more, instead, probably, both sellers and services providers, who will most likely see their profits rise.

The reasons for this amendment are therefore essentially of a political nature, but appropriate, since the level of indirect taxation is, in Portugal, still too discrepant from the direct taxation (about one fifth), and contrary to what happens in most western countries. Thus, the reduction of the weight of indirect taxation on the whole tax revenue, will at least mitigate this disproportion and therefore

make the tax system less regressive, and in principle, more fair.

Notwithstanding, the standard VAT rate will remain higher than the rate applied in most other EU countries. Only a few Member States have higher rates than Portugal, such as Belgium (21%), Ireland (21%), Finland (22%), Poland (22%), Denmark (25%) and Sweden (25%).

Moreover, the standard rate of VAT practised in Spain remains lower (16%) than the Portuguese. Even though the VAT rules eliminate the benefits of a lower tax rate in Spain, the impact of consumers that travel to Spain to purchase services and products at lower rates has not been marginal.

Finally, it should be noted that the announced reduction in the VAT rate could have a positive impact especially in the Madeira Business Centre (Zona Franca da Madeira). In particular for companies that render services in certain sectors (such as e-commerce and telecommunications) whenever the applicable place of supply is deemed to be the place where the supplier is located. Should the VAT rate, as it was also announced, be reduced in Madeira to 14% that could represent a comparative advantage for those companies.

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