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A Pandemic, several solutions in the area of VAT

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March 2020. It is marked for history as the month in which the COVID-19 pandemic spread unprecedented across the globe. The catastrophic strength of this pandemic takes on humanitarian, economic, financial and operational features for most sectors.

The impacts for operators in priority sectors and related to supply chains or supply of goods and services of general economic interest are highlighted, in view of the international public health emergency declaration. At the global level, Governments have been adopting short and medium term contingency measures considering that there is no comparable precedent in universal history after the Second World War.

However, an economy is made up of and for people as individuals and organized business fabric to be protected and encouraged across different states. From a macroeconomic point of view, VAT being one of the main sources of revenue for States, it assumes a fundamental

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preponderance, which determines the introduction of some changes to the current system or put into practice measures hitherto not feasible.

The solutions for protecting the impact of VAT on companies (therefore, maintaining the productive and entrepreneurial strength whose revenue allows the State to obtain, therefore, the redistribution of revenue in pursuit of the public interest) are evidently more comprehensive than those which, unfortunately, have been clinically possible in controlling the negative impacts of the pandemic. With the sharp drop in global activity, it is necessary to maximize resources and reduce transaction costs to ensure liquidity, efficient management of treasury and jobs. Let's see.

The Portuguese Government recently approved a package of tax measures that aims, in essence, to allow, under certain circumstances, the deferral of compliance with obligations relating to the settlement of various taxes, with VAT included.

At the same time, SEAF Order No. 129/2020-XXII, of 27 March, allows taxpayers with a turnover for the year 2019 up to EUR 10 million, as determined under article 42 of the Code VAT; or who started their activity on or after January 1, 2020; or who have resumed activity on or after 1 January 2020 and had no turnover in 2019 (if the previous turnover limit of up to EUR 10 million applies), they can calculate the tax to be entered of the February 2020 periodic VAT declaration based on the data in the *e-invoice* (regardless of supporting documentation). Reporting and payment that will only be admissible if the declarative and payment regularizations that prove to be necessary are effected through substitution declarations and the tax duly paid in July 2020. In this assumption and term, without being subject to the application of any additions or penalties.

Keeping the digital trend (now more necessary than ever) during the months of April, May and June, PDF invoices must be accepted, which are considered electronic

invoices for all the purposes provided for in the tax legislation.

But in addition to the new, temporary and exceptional rules, considering that the liquidation and recovery of VAT significantly impact the treasury management of companies, some opportunities are identified that based on existing mechanisms can help at the present moment, namely:

1. In a tax settlement perspective, ensure the correct document issuance and favor the adoption of electronic invoicing mechanisms. On the other hand, also the cancellation of events or their postponement in time can determine the immediate issuance of the corresponding credit notes, allowing companies to adjust in their favor the VAT already delivered to the State and deducting these amounts from the amount of tax to be paid monthly / quarterly;
2. With regard to tax recovery, in terms of periodic declaration, try to ensure that the invoices that certify the acquisition of goods and services are registered immediately after receipt. In case of reimbursement, submit and ensure its correct completion, avoiding reasons for suspension or refusal, with an evident delay in recovering the incurred VAT;
3. In the case of bad debts and / or doubtful collection, it is imperative to diligently collect the largest number of supporting documentation, ensuring speed and avoiding the expiry of the tax;
4. On the other hand, the demand for suppliers outside the European Union creates a cost associated with the payment of VAT at customs. Also, the adoption of self-assessment mechanisms for tax on imports by reducing the gap between the payment of tax to customs and the deduction by taxpayers allows for more efficient treasury management;
5. The analysis for the purpose of recovering VAT incurred by workers' travel and accommodation

- expenses abroad may guarantee greater financial liquidity (some countries allow retroactive recovery of the tax incurred upstream with this type of expenditure);
6. The current moment also favors the reanalysis of the goods circuit (and respective rates) as a result of the disruption of national and international distribution chains, namely with the possibility of applying zero rates or exemptions to specific products now used for purposes other than traditional ones;
 7. A paradigmatic example will be the catering sector in which, with the current restrictions imposed, the correct application of VAT rates to *take-away* meals or home delivery, namely, 13% for meals or prepared foods, on the one hand, and the individual fees that apply to the other products subject to the order, on the other hand, can have a significant impact;
 8. At a later stage, it is important to consider tax adjustments in favor of the State as a consequence of business reorganizations, activity, corporate changes, the reallocation of assets from a taxed activity to an activity exempt or outside the scope of VAT (private use) or the need to regularize in favor of the State the VAT deducted on the acquisition of investment goods or immovable property (if the VAT exemption has been waived), which they may impose on economic operators;
 9. On the other hand, in terms of business reconfiguration, for example, in the case of transfers and / or business transfer, the correct application of the requirements provided for in the law is essential to ensure that, from a VAT perspective, the lack of settlement of tax or incorrect settlement and deduction will prove to be a cost with associated penalties.

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Since it is impossible to predict the long-term outcomes of this pandemic, it is important to try to protect the future, so, like TA, we do not stop, we cannot stop. **We're**

on !



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