

Circular Letter No: 30219 of 02.04.2020
 General entry:
 Employer Identification Number (TIN): 770 004 407
 Your Ref:
 Technician:

Dear. Gentlemen DMDs Directors of Finance
 Directors Directors of Services Team Heads Customs
 Multidisciplinary Heads of Financial Services
 Coordinators Citizen Shops

Subject matter: VAT - STATE BUDGET FOR 2020 AMENDMENTS TO THE CODE OF VAT AND SUPPLEMENTARY LAW.

It was published in the Official Gazette, I.^a Series, No. 64, March 31, Law No. 2/2020 approving the
 The state budget for 2020 (OE2020), introducing changes to the VAT Code, the list I which
 It is attached and supplementary legislation.

In view of the clarification of the more significant changes, proceed to the disclosure of these
 instructions.

PART I - CODE VAT AND ATTACHED LIST I

A - Changes to the VAT Code

1. Article 9

1.1 The point 1) of Article 9 is replaced by the following:

" 1) The supply of services effected in the exercise of the professions of doctor, dentist, psychologist, midwife, nurse and other paramedical professions;"

With the change here recommended, point 1) of Article 9 goes on to cover the provision of
 services performed in the exercise of the profession of psychologist pouring, so the letter of the law
 understanding that has been advocated by the Tax and Customs Authority since the beginning of
 validity of the VAT Code ¹.

¹ See Official Circular No. 904/85 of 29 May, the then Conception Service Direction and Administration of VAT.

They are thus exempt from tax the services performed by psychologists under clinical psychology, being excluded from the acts related to education, selection and recruitment, psychometric tests or functions related to the organization of work.

1.2 It is added to paragraph 38) to Article 9 as follows:

" 38) The supply of services effected by Portuguese sign language interpreter. "

going to cover the provision of interpretation services Portuguese sign language.

2. Article 21

2.1 The b) of paragraph 1 of Article 21 is replaced by the following:

" b) Expenses relating to normally usable fuels in motor vehicle with exception of diesel acquisitions, liquefied petroleum gas (LPG), natural gas and biofuels, which is tax deductible at the rate of 50%, unless it be the goods to below, in which case the relative tax on diesel consumption, gasoline, LPG, gas natural and biofuels is fully deductible "

This change will allow the deduction of input tax on the purchase of gasoline consumption in vehicles or machines referred to in subparagraphs of paragraph b) cited, in particular in following:

- i) heavy passenger vehicles;
- ii) licensed vehicles for public transport, except for the rent-a-car;
- iii) (...) machines that have given registration by the competent authorities, provided that, in any case, are not registered vehicles;²
- iv) Tractors with exclusive or predominant use in performing cultural operations inherent to agricultural activity;
- v) freight vehicles weighing 3500 kg.

Continues therefore not be deductible input tax on the purchase of gasoline consumption **other vehicles or machines, in particular passenger cars³ that are unlicensed** for public transport.

2.2 Is added to paragraph h) to paragraph 2 of Article 21 as follows:

" h) Expenses relating to electricity used in electric vehicles or hybrid plug-in. "

² See, when applicable, the Official Circular No. 30142/2013 of 21 February, the VAT Services Directorate.

³ According to the definition provided in paragraph a) of paragraph 1 of Article 21 of the VAT Code.

Becomes deductible input tax on the purchase of electricity for vehicles
electric or hybrid *plug-in*, yet that they are classified as passenger cars⁴,
when used in the course of a taxable activity.

3. Article 53

Paragraph 1 of Article 53 is replaced by the following:

*" 1 - exemption of Benefit taxable persons, possessing or being
required to keep organized accounts for the purposes of IRS or IRC, or practicing operations
import, export or related activities or exercising activity consisting in
transfer of the goods or services mentioned in Annex E of this Code, no
have achieved in the previous calendar year, a turnover of more than 12 500 €."*

Nevertheless, paragraph 2 of Article 337 of OE2020 Law states that in 2020, the amount foreseen
in paragraph 1 of Article 53 is € 11,000.

Whereas under the provisions of paragraph a) of paragraph 2 of Article 58.^odo VAT Code, the change
framing of taxpayers who in 2019 exceeded the threshold laid down in Article 53
occurred during the month of January 2020 and that the OE2020 Act only came to enter into force on 1
April did not provide a device away or replace the effects of that period this year, the standard
provided for in paragraph 2 of Article 337 of the Law OE2020 has no practical application to these taxpayers.

Indeed, taxpayers who in 2019 achieved a turnover of more than € 10,000,
carried out, or should have made, the necessary amendment of the framework for the regime
normal in January, compared to the legal provisions in force at the time, lying to settle VAT on
asset transactions giving them the right to deduct the tax paid on liabilities,
which held since February 1.

Thus, the frames in the normal regime of the resulting tax obligation are valid
presentation of a statement of changes during the month of January 2020 by subject
liabilities in 2019 were framed in the special arrangements for exemption provided for in Article
53 and achieved a turnover of more than € 10,000.

It appears, too, that taxable persons who commenced their activities between January 1st
and March 31, 2020 and, pursuant to paragraph 3 of Article 53 have estimated a volume of
Top business to € 10,000, being framed in the normal system of taxation is not possible
application of the rule provided for in paragraph 2 of Article 337 of OE2020 Act, since the date of its
entry into force, have carried out active taxable transactions, giving the right to deduct tax
supported in their lending operations.

⁴ According to the definition provided in paragraph a) of paragraph 1 of Article 21 of the VAT Code.

It must therefore be concluded that the amount of € 11,000 provided for in paragraph 2 of Article 337 of the Law OE2020 applies only to taxable persons who commence their activity from April 1, 2020, observing the provisions of paragraph 3 of Article 53 of the VAT Code.

The threshold of € 12,500 will be applicable in the year 2021 with reference to the turnover achieved in 2020.

4. Article 78a

Point a) of paragraph 2 of Article 78a is replaced by the following:

" a) The credit is in arrears for more than 12 months from the date of the respective maturity and there objective evidence of impairment and have been made efforts to their receipt;"

It is therefore reduced to 12 months after which period, in accordance with the standard, Credits can be considered bad debts.

Claims that the entry into force of OE2020 Act, were in arrears for less than 24 months, but no more than 12 months counted from the time when it was found the respective maturity, go on that date (April 1), to be considered non-performing loans, verified that the remaining requirements are for the purpose.

Since paragraph 1 of Article 78-B sets the period of six months as from the date where credit is considered doubtful for application submission prior authorization for the tax deduction associated with them, should be considered that, in the case referred to in the previous paragraph, this period begins on the date of entry into force of OE2020 Act, or is, on 1 April.

5. Article 78-B

Paragraph 2 of Article 78-B is replaced by the following:

" 2 - Without prejudice to paragraph 4, the request for prior authorization should be enjoyed by Tax and Customs Authority within four months, after which it is considered rejected. "

It is thus reduced from eight to four months the deadline granted to the Tax and Customs Authority to enjoy the prior authorization submitted in accordance with paragraph 1 of Article 78-B, relating to loans classified as doubtful of collection referred to in paragraph a) of paragraph 2 of Article 78a.

After this time without having been appreciated, prior authorization requests are considered:

- Rejected - is equal to or greater than € 150,000, including VAT, per invoice;

- Granted - if amount less than € 150,000, including VAT, per invoice. ⁵

6. Section 78-D, paragraphs 1, 2 and 3

Paragraphs 1, 2 and 3 of Article 78-D are replaced by the following:

"1 - The identification of the invoice for each doubtful loans, the identification of purchaser, the invoice amount and the tax paid, conducting part by charging steps the lender and the failure of all or part of such investigations, as well as other elements that evidencing the operations in question must meet documentary

Proven and be certified as follows:

a) by the statutory auditor or an independent certified accountant, in situations where the tax settlement does not exceed 10 000 € per periodic statement;

b) exclusively by the auditor, in other situations.

2 - Certification by the auditor or accountant independent certificate provided in the preceding paragraph is performed for each of the periods and documents referred to regulation and to the delivery of such request, subject to the application for prior authorization not be considered filed, should the certification be made in the case of regularization of credits not depend on application for authorization until the end of the deadline for Delivery periodic statement or until the date of delivery of the same, when this occurs outside the deadline.

3 - The chartered accountant or certified independent accountant must also ensure that are checked legal requirements relating to the deduction of tax credits considered bad, given the paragraph 4 of article 78a. "

The verification and certification of the elements and steps relating to each credit collection doubtful and, also, that the certification are checked the legal requirements for the deduction of tax credits relating deemed irrecoverable covered by paragraph 4 of Article 78a, so far secured exclusively by the auditor, can now also be performed by an independent certified accountant, since, for the recovery of claims doubtful, the corresponding regulation of the tax does not exceed € 10,000 per periodic statement.

B - Amendment to Schedule I attached to the VAT Code

The funds 2.10, 2.28 and 2:32 of List I annexed to the VAT Code are replaced by the following:

"2:10 - Tools and other equipment designed exclusively or mainly for the operations relief and rescue acquired by humanitarian associations and fire departments, as well as

⁵ In this case, the Tax and Customs Authority has the power to review the legality of the claim of the taxpayer.

*by the Institute for Aid to Castaways at SANAS - Volunteer Corps Savers and Nautical
the National Medical Emergency Institute, IP. "*

The amendment to the budget lies in the replacement of the term "fire brigades" the concept of "fire department" provided for in Decree-Law No. 241/2007, of June 21 ⁶, aiming to clarify that the reduced rate of tax applies to purchases made by fire brigades, regardless of whether they are held by public or private entity, including by a municipality or by a humanitarian association of firefighters.

"2:28 - The assistance of services domiciliary children, the elderly, drug addicts, sick or disabled, and the benefits of telecare services to the elderly and the sick chronic, provided to the user end or to public or private entities. "

The reduced rate shall be applied to benefits of telecare services to the elderly and the sick chronic, regardless of the entity to whom they are billed.

"2:32 - Entries in singing performances, dance, music, theater, cinema, circus, entries exhibitions, entries in zoos, botanical gardens and public aquariums, provided they do not benefit the exemption provided for in paragraph 13 of Article 9 of the VAT Code, except for the entries in shows of pornographic or obscene character as such considered in the legislation on the matter. "

The scope of the grant is extended to entries in exhibitions, zoos, botanical and aquariums public, who do not benefit from the exemption provided in paragraph 13) of Article 9 of the Code VAT.

The money ceases to be in the scope of the bullfighting shows, which start to be subject to the standard rate of tax.

C - Amendment to Schedule I attached to the VAT Code

Are added to the list I annexed to the Code, the funds 2:34 and 2:35, with the following wording:

" 2:34 - The supply of services consisting of providing the visit, guided or not, buildings classified national, public or municipal interest and museums that meet the requirements under Article 3 of Law No. 47/2004 of 19 August, excluding profit, and do not benefit from the exemption provided in paragraph 13 of Article 9 of the VAT Code.

This money comes agree to apply the reduced rate of tax to visiting listed buildings public, national or local interest, as well as museums that meet the requirements in Article 3 of Law No. 47/2004 of 19 August, which do not benefit from the exemption provided in paragraph 13)

⁶ Defines the legal regime applicable to Portuguese firefighters on national territory without prejudice to the powers of self-government bodies of the autonomous regions.

Article 9 of the VAT Code and also to similar-profit institutions, provided they meet the other requirements of Article 3 of the abovementioned law.

" 2:35 - treated wastewater. "

It is appropriate to apply the reduced tax rate to the treated wastewater.

PART II - ADDITIONAL LEGISLATION

Decree-Law No. 84/2017 - Regulates the benefit to be granted to certain public interest entities through the total or partial refund of the amount equivalent to the tax value added tax (VAT) supported on certain purchases of goods and services.

Articles 1, 2, 3 and 6 of the Decree-Law, to include within its scope are changed the non-profit organizations of the national system of science and technology and the Conservation Institute Nature and Forestry, IP.

Best regards.

The Deputy Director General