

# NEW VAT EXEMPTION REGIME FOR SMALL BUSINESSES

The upcoming legislative changes will introduce significant innovations, including stricter conditions for accessing the special VAT exemption regime, extending its application to taxable persons established in other Member States, excluding certain operations from the exemption, allowing taxable persons to opt out of the regime, and other key adjustments.

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COM O APOIO  KEY TERMS

Law 16/2025 authorizes the Government to partially transpose Directives (EU) 2020/285 and (EU) 2022/542 ("Directives"), establishing the framework for a future VAT exemption regime for small businesses.

The aim of the new legislation is to establish clearer and more specific conditions for the application of the special VAT exemption scheme for small businesses, simplifying the regime and ensuring a more effective and uniform application throughout the European Union.

Among the main changes to be approved by the Government, as set forth in Law 16/2025, are the definition of stricter criteria for the application of the exemption regime, the determination of situations in which the regime ceases, the adaptation of declarative and invoicing obligations, the revision of the regime applicable to agricultural producers, the exemption from registration obligations for holders of income from isolated acts and income from category B of the IRS.

The conditions to access this regime will become more restricted, with the annual turnover limit in the national territory set at €15,000 and the exclusion of occasional transactions and transfers of new means of transportation.

In addition, the exemption regime will now apply to taxpayers headquartered or domiciled in other Member States who, provided certain requirements are met, do not exceed an annual turnover in the EU of €100,000. For taxpayers residing in Portugal, there will be the possibility of benefiting from the small business exemption regime in other Member States, provided that certain conditions to be defined by the Government are met.

The taxpayers covered by the special exemption scheme will not be able to exercise the right to deduct the VAT paid or to its refund.

The government shall, when transposing, provide for transitional measures for taxpayers not established in national territory who no longer qualify for the special exemption regime.

The new regime will also bring changes to the reporting, invoicing, and registration obligations applicable to the taxable persons covered, as well as the adaptation of the lump-sum regime for agricultural producers and the conditions for the exemption from the registration obligations currently provided for holders of income from isolated acts and income from category B of the IRS.

Upon the entry into force of Law 16/2025, the Government will have 180 days to transpose the Directives as outlined in this authorization. Small businesses should remain alert and prepare to review their internal procedures, ensuring compliance with the new legal requirements to be established.