

VAT GROUPING IN PORTUGAL

SUMMARY

Portugal has adopted the VAT grouping, allowing companies within the same group to be treated as a single VAT taxable entity.

The VAT grouping will enable the consolidation of VAT payable and deductible across the various group companies and will be available as of 1 July 2026.

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The Portuguese Parliament has approved the VAT grouping, which will allow closely connected companies to be treated as a single taxable entity for VAT purposes.

Under the new rules, the VAT group may include companies that are closely linked from financial, economic, and organizational perspectives. A financial link exists when one company — the controlling entity — directly or indirectly holds at least 75% of the capital of another, granting it more than 50% of the voting rights. The group companies must also carry out similar, complementary, or interdependent business activities and share common management or pursue the same business strategy.

The implementation of the VAT grouping is determined by the controlling company and may apply to all entities that:

- 1) Maintain their registered office or a permanent establishment in Portugal;
- 2) Conduct transactions that give rise to the right to deduct VAT, in whole or in part;
- 3) Operate under the standard VAT regime with monthly reporting; and
- 4) Have held the required ownership threshold for more than one year, except for companies created by the group within the past year, provided that the ownership level has existed since incorporation.

Each member of the VAT group will continue to submit its periodic return by the 10th day of the second month following the relevant period and report the VAT payable or recoverable as if it were not part of the group.

Once all individual returns have been submitted, the Portuguese Tax and Customs Authority (AT) will prepare a consolidated group return, combining the results reported by each company. This consolidated return aggregates both VAT payable and recoverable, resulting in a single net amount for the entire group. The group return is considered accepted unless amended by the controlling entity.

Payment of the VAT due is made by the controlling entity, which bears primary responsibility for fulfilling the group's tax obligations. However, all group companies will be joint and several liable for this payment.

This information is general and should not be considered professional advice.

The VAT grouping will be available as of 1 July 2026. The controlling entity wishing to form a VAT group must submit a declaration of change of activity to the Tax and Customs Authority in order to apply the VAT grouping.