



ASKING FOR AN INVOICE

IRS Tax Breaks

As part of the fight against the underground economy, the Portuguese government has introduced several tax incentives to encourage consumers to ask for invoices, thereby assuring that VAT is paid and income tax reported. Starting in 2013, the “AT” (“*Autoridade Tributária*”) began offering partial VAT refunds for certain high profile services. Since then, new measures have been introduced each year. Parallel to these measures, traditional tax credits such as health care, education, housing and insurance have stagnated or suffered net decreases.

The overall results are plain to see. According to *Finanças*, between January and October 2014, over 4,000,000,000 invoices were issued and communicated, a 10% increase over the same period one year previously.

Here are three tax advantages resulting from asking for an invoice with your fiscal number when making normal purchases:

1. VAT benefit: up to €250 per household

The first fiscal break - however modest - from requesting invoices was implemented. This incentive currently consists of deducting 15% from the VAT paid to certain businesses such as hairdressers, beauticians, restaurants, hotels and car repair services. The maximum tax credit is €250 per household and is only valid for invoices with a fiscal number. To achieve the upper limit of the credit, you currently need to spend almost €9,000. Initially only 5% of VAT was considered, which meant consumers had to make expenditures totalling €26,600 to attain the upper limit. Needless to say, the 15% benefit proves a more attractive stimulus.



2. “Lucky Invoice” lottery: a treasury bill every week

To further strengthen incentives, in 2014 the Government introduced a new measure called the “Lucky Invoice lottery” (“*Fatura da Sorte*”). The weekly prize was an Audi A4. The current prize is a Treasury Bill. To be eligible to win, you need only to request an invoice with your fiscal number. *Finanças* automatically assigns a "Lucky Invoice" coupon for every €10 invoiced. The drawings are weekly plus two special sweepstakes in June and December.

3. General Family Expenses: up to €250 per person

This year, there is a broad, new category for requesting invoices: *general family expenses*. Under this programme, you can deduct 35% of reported purchases of goods and services. In accordance with e-invoice rules, general everyday outlays qualify, such as groceries, travel, electricity, water, telephone, etc. The maximum credit is €250 per person (€500 per couple). To obtain the full benefit requires an annual consumption of €714 per person or €1,528 per couple. Note that only invoices that include your fiscal number are eligible for the tax credit. These invoices also remain eligible for the “Lucky Invoice” drawing.

General Considerations

To simplify matters, *Finanças* has made available online a personalised, printable “*e-fatura*” card with your fiscal number and a bar code for quick and accurate reading. Showing the card sorts out the difficulties cashiers often have with foreign names and helps to avoid long, frustrating queues at the checkout in supermarkets. To receive these credits, taxpayers must validate invoices online at **<https://faturas.portaldasfinancas.gov.pt/home.action>**. Unfortunately, to date, there is only a Portuguese language version of the web page available.



QUESTIONS AND ANSWERS

Why do I need to confirm my invoices?

Bills appear on each taxpayer's personal "e-faturo" page and must be verified. Businesses report invoices monthly to the tax authorities along with green receipts passed on their behalf. First, we must confirm that they are all there and are correct. Second, some invoices can relate to different expenses for different activities. Sometimes the taxman cannot always determine what's what.

How long do I have to confirm my invoices?

Until 15 February of the following year. Please note that businesses must report issued invoices by the 25th of the following month. Only at the end of that month do they appear on an individual's IRS web page.

What if there are invoices missing?

In this case, the taxpayer must enter them personally by going to "Register Invoices" to enter the appropriate data. If the business later declares the invoice, don't worry. The invoices will appear in duplicate on the site but only one will count. The rules are the same in the case of an invoice not being reported correctly; the taxpayer should rectify the data.

Do I need to save invoices?

Once confirmed on the site, there is no further need to save these bills. In the case where it is the taxpayer who enters the bill or makes any corrections, you should wait until 15 February of the following year to make sure that everything is okay. If by then the issuer has still not transmitted the invoice, the hard copy should be kept for four years.

How do we control our son's invoices?

Invoices of dependent children may be issued under a parent's taxpayer number. When it is the child's tax number that is used, bills must also be verified on the respective "e-faturo" web page. To do this, a password is needed for each child. After that, parents can create a direct access path to the child's page.



Conclusion

There are several assumed prerequisites to manoeuvre through this “*e-fatura*” system. First, you must be computer literate. Second, you need to be comfortable navigating the Internet. Next, you must have a reasonable command of written Portuguese. Currently, there are no other languages available. Finally, you need the predisposition to visit regularly the *Finanças* website to do your verifications. Will several hundred Euros in tax savings be sufficient to motivate foreign residents over these hurdles? Or will these changes encourage many foreign taxpayers to find professional help to achieve the promised tax savings? This is a somewhat baroque system, in line with traditional bureaucratic thinking wrapped in contemporary information technology. A “*simplified regime for invoices*” – in spirit with the programme that has worked successfully for years with Sole Traders – could overcome most of the obstacles and yet still fulfil the primary objective behind these changes: re-enforce the fight against fraud and tax evasion.

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