



e-INVOICES
Verification, Correction, Maximisation

The new e-Invoice system has pluses and minuses. On the one hand, it is “automatic” and should simply meeting tax obligations in the long run. On the other, it is in its first year with all of the implicit wobbles. Let’s look at some of the common questions that come up and the answers.

1) **Separate invoices:** *When shopping in the same supermarket for products for my home as well as buying textbooks for my children, should I ask for separate invoices?*

Yes. Different expenses give rise to different deductions under “IRS”. While most supermarket purchases are considered "general family expenses", school supplies fall under the category of *education*. The limits of each category is different. Together, when both are fully maximised, these two deductions can reduce your tax bill by as much as €1,300 euros per household assuming a joint return.

2) **Validating invoices:** *Are there outstanding invoices that must be validated? Does this also apply to my dependents?*

The answer to both questions is “yes”. Companies are required to submit invoices to “AT” by the 25th of the following month. However, the information reported does not describe the product purchased or service rendered. Only the amount and VAT rate are reported.

Where a single company has more than one business activity (“CAE”) registered (which is often the case for hypermarkets), invoices are often suspended and have to be validated and redirected by the taxpayer in order to be matched against the correct deduction. The same is true for your dependents. Invoices for your children may also be pending and need to be validated.

3) **Missing invoices:** *What if invoices fail to be reported?*

In this case, the taxpayer must enter them personally by going to "Register Invoices" and entering the appropriate data. If the company 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, in which case the taxpayer should rectify the data.

4) **Altering entries:** *This year I can change the amounts reported for healthcare, education, housing and nursing homes in the e-Invoice system. Will this still be the case in the future?*

Probably not. The possibility for taxpayers to register in Annex H (the paper version) the total amounts of invoices collected over the year or to alter the pre-completed values in electronic declarations is transitional in nature and will only remain active in April and May of this year.

5) **Maximising “General Family Expenses”:** *How much do I have to spend to achieve the maximum credit for “general family expenses”?*

You should always request the invoice with your tax number when paying for a purchase or a service. In order to achieve the full credit, you will need invoices totalling at least €715 per taxpayer. The tax authorities accept 35% of all general spending (excluding those amounts attributed to other categories) up to a maximum of €250 for each spouse. It is important to take advantage of the credit since it replaces a personal deduction that the tax authorities used to assign automatically (and invisibly) to each taxpayer.

6) **Swapping NIF's:** *Can I make a purchase and use my husband's NIF? Can I request expense invoices for my children with my VAT number?*

The answer to both questions is “Yes”. In order to assure the top limit allocated to each member of the household, a different tax number can be presented as necessary. The tax authorities have no objection to this practice.

7) **Invoices for “General Family Expenses”:** *Do I have to be concerned about entering the e-invoice for bills such as electricity and gas?*

According to the rules, no. The companies that provide this type of service are required to report the invoices. However, it is always a good idea to verify that there are no mistakes as these accounts go come directly to the category of “family general expenses”.



8) **Saving Invoices:** *Do I have to keep invoices that I enter directly?*

You must keep invoices until you verify that they have been entered by the issuing business. If this fails to occur, you are required to keep invoices for the following four years since they will be the only evidence of the transaction for the tax authorities.

Also, any invoices that you reclassify by changing from one category to another should also be saved so they can be confirmed if and when necessary.

9) **School Meals:** *Under new rules of the 2015 Tax Reform, school lunches charged at 23% VAT are no longer acceptable as Education Expenses. Is it still worth keeping these invoices?*

Yes. The IRS tax reform only recognises education expenses that are exempt from VAT or subject to the reduced rate. When school meals pay VAT at 23%, they can be used alternatively under the category of “restaurant expenses”. In this case, you are allowed to deduct 15% of the VAT charged.

10) **Nursing Homes:** *My mother went into a nursing home last year and my husband and I are footing the bill. Can I ask the nursing home for the invoice to be issued with my NIF?*

The invoice should be issued to those who actually pay the bill. If the cost of the nursing home is shared between several people, each individual should ask the facility’s administration for a separate invoice based on their respective portion of the bill.

11) **Separation and Divorce:** *My husband and I were divorced last year. How should we claim our children’s expenses? Do alimony payments enter to the e-Invoice system?*

If you are separated or divorced, only the spouse who has associated the children to his or her tax number (NIF) can claim their expenses. Where invoices are issued with the NIF of the dependents, the “AT” will divide the values equally between the spouses when they file separately.

The answer to the second question is “no”. Alimony must be declared independently in Annex H and is not part of the e-Invoice system.



12) **“Lucky Invoice” lottery: *I heard that I could win an Audi in a weekly drawing conducted by Finanças. Is this true?***

Not exactly. Starting in 2016, the prize is no longer an automobile but, instead, Treasury Bills. In 2014, the Government introduced a measure called the “Lucky Invoice Lottery” (“*Fatura da Sorte*”) to strengthen incentives for taxpayers to request invoices with their tax number. Up until 2016, the weekly prize was an Audi A4.

Nevertheless, the rules are still the same. 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.

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