



**Cross Border VAT  
in the EU and Beyond**

## **SALES**

Specific rules apply when you buy or sell goods or services to or from the European Union.

### **SALES: *Countries within the EU***

#### *Selling to Businesses*

- If you sell goods to another business and these goods are sent to another EU country, you do not charge VAT if the client has a valid VAT number.
- You may still deduct the VAT that you yourself have paid on your related expenses (goods/services bought to make those sales).

If the client does not have a VAT number, you must normally charge VAT on the sale at the applicable rate in Portugal.

#### *Selling to Consumers*

- If you sell goods and send them to consumers in another EU country, you need to register there and charge VAT at the rate applicable in that country unless the total value of your sales to that country in the year falls below the limit set by the country (€35,000 or €100,000).
- If you are selling excise products or new means of transport (car, boat or aircraft), there are special rules.

#### *Buying*

- If you buy and receive goods for business purposes from another EU country, you must account for the VAT on the transaction as if you had sold the goods yourself, at the applicable rate in your country.
- Later, you can deduct this amount. (*Reverse charge procedure*)



## **SALES: Countries outside the EU**

There are several exceptions to these basic rules.

### *Selling*

- If you sell goods to consumers outside the EU, you do not charge VAT, even though you may still deduct the VAT that you have paid on your related expenses.

### *Buying*

- If you buy goods for business purposes from a supplier outside the EU, you must generally pay VAT at the point of import (and may deduct this in your next VAT return if you make taxed sales).

## **SERVICES**

You normally charge your clients VAT at the applicable rate in Portugal except for electronic services, telecommunications and broadcasting.

If you buy and receive services for business purposes from another EU country, you must account for the VAT on the transaction as if you had sold the services yourself, at the applicable rate in Portugal (using the reverse charge procedure). You will later be able to deduct this amount. There are several important exceptions to these basic rules. The VAT rules must be applied throughout the EU, although there are some territories linked with member countries where, because of specific circumstances, the rules may not apply.

There are also places outside the EU where the EU VAT rules apply such as Monaco, Isle of Man and UK bases in Cyprus

## **SERVICES: Countries within the EU**

### *Services to businesses*

- You do not normally charge your clients VAT. Your clients report VAT on services received using the reverse charge procedure.
- You may still deduct the VAT that you yourself have paid on your related expenses.
- If the client is the final consumer and does not have a VAT number, you must normally charge VAT on the service at the applicable rate in Portugal.



## **Reverse Charge Procedure**

*(This procedure only applies when VAT registered)*

The *reverse charge* is the amount of Value Added Tax that would have been paid on services had they been performed in Portugal. You add this amount to the total VAT to be paid in that quarter. You also report the amount as VAT to be reclaimed in that quarter. In effect, the dual reporting cancels out the transaction.

## **SERVICES: Countries outside the EU**

### *Selling*

If you provide services to clients outside the EU, you normally do not charge VAT though you may still deduct the VAT that you yourself have paid on your related expenses.

### *Services for Businesses*

If you receive services for the purposes of your business from a supplier based outside the EU, you must generally pay VAT at the rate that applies in Portugal as if you had supplied the service yourself (using the *reverse charge procedure*). Normally, you will later be able to deduct this amount, eliminating the charge.