

# VAT Groups - Portuguese VAT Group Regime

Law No. 62/2025 of 27 October

New regime providing for the consolidation of VAT balances (payable or recoverable) among taxable persons linked by financial, economic and organisational ties, through a group declaration submitted by the dominant entity.

**Effective for tax periods beginning on or after 1 July 2026.**

## Formation Requirements

Link	Requirement
<u>Corporate</u>	Dominant entity (group representative) $\geq$ 75% of share capital (direct or indirect) + $>$ 50% of voting rights.
<u>Economic</u>	Similar, complementary or interdependent economic objectives.
<u>Organisational</u>	Common management structure or subordinated to the same business strategy.

## Cumulative Conditions

- Registered office or permanent establishment in Portugal (i.e., non-resident entities or entities without a PE in Portugal cannot join the Portuguese VAT group regime).
- All group entities must carry out (wholly or partially) transactions conferring the right to deduction.
- Registered under the monthly normal VAT regime.
- Shareholding held for more than 1 year (exception: entities created by the dominant/member entity, if held since incorporation).
- Entities cannot simultaneously be part of another VAT group.

*All requirements must be met cumulatively and continuously during the group's existence.*

## Formalities and Deadlines



### Formation and Effects

- Option exercised by the dominant entity.
- Through declarations (Arts. 31/32 of the VAT Code).
- Effective from the tax period of filing.
- Minimum mandatory permanence: 3 years.
- Voluntary cessation: January of any year following the 3rd. Year.

### ENTRY INTO FORCE

- **Tax periods beginning on or after 1 July 2026.**
- Ministerial Order No. 244/2026/1 (of 1 June):
  - Approves the group declaration form;
  - Filing instructions;
  - Applicable from Q3 2026.

## Tax Assessment and Payment

Step	Responsible party	Deadline /Content
<u>Individual VAT Return</u>	Each entity	By the 10th of the 2nd following month
<u>Group Declaration</u>	Tax Authority makes available	Algebraic sum of individual balances
<u>Confirmation</u>	Dominant entity	By the 20th of the 2nd following month
<u>Payment</u>	Dominant entity	By the 20th of the 2nd following month

## Group Treasury

- **Automatic offset** of debtor/creditor positions among the various group entities.
- **Reduces the need to file VAT refund** claims and the risk of holding VAT credits that are difficult to use individually.
- **Group-level credit** may be carried forward or, under certain conditions, refunded to the dominant entity.
- **Joint and several liability** dominated entities are jointly and severally liable for payment.
- **Intra-group transactions** remain subject to VAT under general rules (unlike in other Member States' regimes).

# Cessation and Exclusion

## Group Cessation

- When participation requirements are no longer met.
- Exclusion of the dominant entity = automatic cessation of the group.
- Voluntary cessation: January after the 3rd year, via amendment declaration.

Effects in the tax period of cessation.

## Entity Exclusion

### Grounds for exclusion:

- Failure to meet participation requirements;
- No taxable transactions for more than 1 year;
- Declaration of insolvency, PER or RERE.

Group may be maintained, unless the dominant entity is excluded.

Effects in the tax period of exclusion.

**Remaining credit:** upon cessation of the regime, refund request under Art. 22/6 of the VAT Code.

**Notification:** via amendment declaration, taking effect in the tax period in which the exclusion or cessation occurs.

## Limitations and open topics

### Constraints of the Portuguese Model

- The regime provides for consolidation of VAT balances without creating a single taxable person.
- Intra-group supplies remain taxable under general rules.
- Limited relief for irrecoverable VAT.

### Sensitive Exclusions

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### Practical challenges ahead

- Territorial restrictions affecting branches and groups with ownership chains extending outside the EU/EEA.
- Uncertainties regarding the interaction with foreign VAT groups and CJEU case law.
- Regime's practical impact, level of uptake and implementation challenges after July 2026.

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