

## New VAT rules: Decree-Laws n.º 33, 34 and 35/2025

Changes to online cultural services, profit margin regime for works of art, VAT cash regime and exemption for small companies

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### KEY ASPECTS

- On March 24, 2025, **Decree-Laws n.º 33/2025, 34/2025 and 35/2025** were published, introducing significant changes to the location rules for digital services, the profit margin scheme, the VAT cash regime and exemption regime for small businesses.
- According to the new location rules, **online cultural services** will now be taxed at the place where the recipient has their registered office, permanent establishment or domicile to which the services are provided.
- It is no longer possible to opt for the **profit margin regime** when items of art, collector's items, or antiques that a taxable reseller would apply the special taxation regime rules to have been purchased or imported at a reduced VAT rate.
- The **new VAT cash regime** raises the threshold for access to the regime and now allows it to be applied to VAT taxpayers whose annual turnover in the previous calendar year does not exceed €2,000,000.
- The scope of the **exemption regime for small companies** has been extended so that it can benefit taxpayers with organized accounting, importers, and those that transfer goods or provide services mentioned in annex E of the VAT Code.





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## Framework

On March 24, 2025, Decree-Laws n.º [33/2025](#), [34/2025](#) and [35/2025](#) – introducing significant changes to the **VAT regime** – were published, reflecting the alignment with European directives and the modernization of various special regimes. The changes include **the location of cultural services provided through virtual participation**, the **profit margin regime for works of art**, and the **expansion of the VAT cash regime**.

The new legislative framework also includes a reformulation of the VAT exemption regime for small companies and now includes operators established in other Member States. It also introduces new reporting obligations with a direct impact on tax management companies. These changes will enter into force in phases, with the new VAT cash regime starting to apply on July 1, 2025.

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## Online cultural services and changes to the special taxation regime on second-hand goods, works of art, collectables and antiques

### Rules for the location of online services

[Decree-Law n.º 33/2025](#) of March 24 partially transposed article 1 of Council [Directive \(EU\) 2022/542](#) of 5 April 2022. This amended **article 6 of the VAT Code**, with a direct impact on the rules governing the location of cultural, artistic, sporting, scientific, educational, recreational and similar services, when participation in these events takes place virtually or through means such as streaming.

The guidelines for the practical application of these new rules were complemented by [Circular n.º 25064/2025](#), providing interpretative guidance and operational criteria.

#### ➤ Applicable rules:

- When the services are provided to **VAT taxpayers**, as a rule the location will now be the place where the recipient has the **registered office, permanent establishment or domicile** to which the services are supplied.
- When the services are provided to **non-VAT taxpayers**, taxation takes place at the location where the recipient is **established, domiciled or has their habitual residence**.

These changes reflect the intention of the European legislators to strengthen the principle of taxation at the place of consumption, combating competition distortions in the internal market and ensuring greater VAT neutrality.

#### ➤ Effective use or exploitation clause:

To cover situations where the application of the general rules means that the services could be taxed in another country (outside of the European Union), **Portugal may now tax services whose effective use or exploitation takes place in the national territory**, even when the recipient is established outside of the country.

**Effective use or exploitation** is considered to take place in Portugal when the physical presence of the recipient is essential for providing the service. Examples include the use of facilities such as telephone booths, internet cafés, public internet access areas (hotels, stores, kiosks) and other physical locations where access to the service is provided locally.

This mechanism reinforces the principle of territoriality and ensures that the provision of digital services with a substantial connection to Portugal does not escape national taxation, thus contributing to greater fairness and efficacy in the tax system.



## Special tax regime on second-hand goods, works of art, collector's items and antiques

[Decree-Law n.° 33/2025](#) also introduced substantial amendments to the special tax regime on second-hand goods, works of art, collectors' items and antiques envisaged in the annex to [Decree-Law n.° 199/96](#) of October 18, which were complemented and clarified by [Circular n.° 25063/2025](#).

Until this law entered into force, taxable resellers could opt for the profit margin regime even when the goods, particularly works of art, were purchased at a reduced VAT rate, benefiting from a significant tax advantage at the time of resale. This possibility created competition distortions, enabling goods purchased with tax benefits to be resold under a simplified and potentially more advantageous regime from the perspective of the tax burden.

The amendment introduced by the decree-law **restricts this possibility** by establishing that **the profit margin regime can no longer be applied to goods purchased or imported at a reduced VAT rate**. The aim of this measure is to bolster tax neutrality and ensure that the tax benefit associated with the purchase is not unduly extended at the resale phase.

[Circular n.° 25063](#) clarifies that the benefits of the margin regime no longer apply to works of art:

- imported by the reseller itself;
- purchased directly from the author, their heirs or legatees; or
- purchased from another taxable person and applying a reduced rate.

The margin regime can only still be applied to **collector's items or antiques that have been imported by the taxable person themselves**, provided they have not benefited from the reduced rate. It is therefore forbidden to apply it to transfers of works of art in these circumstances, and the **general rules of the VAT Code** and the **standard tax rate of 23%** apply.

### ➤ Transitional provision and VAT deduction:

For taxpayers that purchased works of art under the previous conditions up to the time [Decree-Law n.° 33/2025](#) entered into force (March 29, 2025), a **transitional rule** has been created that allows for the deduction of the VAT paid on the purchase or import of these goods. The deduction can be made by the end of the following tax period (April or the second quarter of 2025) if the goods are contained in the inventory on the date it enters into force and the tax is correctly documented.

The circular states that the deduction must be made in **field 21 of the** corresponding **periodic VAT return**, and taxpayers must keep adequate documentary proof of the origin and framework of the purchases.

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## Extensions of the VAT Cash regime

[Decree-Law n.° 34/2025](#) of March 24 amended the VAT cash accounting scheme approved by [Decree-Law n.° 71/2013](#) of May 30. The decree-law raises the threshold for access to the regime, enabling it to be applied to VAT taxpayers whose annual turnover in the previous calendar year **does not exceed €2,000,000** (previously set at €500,000).

This amendment aims to extend the VAT cash regime to a broad range of economic operators, particularly small and medium-sized enterprises (SMEs), allowing them to pay the tax only when they actually receive payment from their customers. The main objective is to align the time the tax can be claimed with companies' cash flows, mitigating the financial risk associated with the gap between invoicing and receiving payment.

### ➤ Access requirements:

The new VAT cash regime, effective from **July 1, 2025**, can be adopted voluntarily by taxpayers that meet the following cumulative requirements:



- They had a turnover of at least **€2,000,000** in the previous calendar year.
- They do not carry on **exclusively activities** that **are exempt** under article 9 of the VAT Code.
- They are not covered by the **exemption regime** established in article 53 or by the **small retailers regime** (article 60 of the VAT Code).

Taxpayers must opt for the regime electronically through the Portuguese Tax Authority's Website, and any company that is currently excluded because it exceeds the previous limit of €500,000 can choose this option from July 2025, to apply from 2026.

➤ **Key features of the regime:**

The VAT cash regime is based on the **principle of deferred payment**:

- VAT becomes due when the customer receives payment (and not when the invoice is issued).
- The right to deduct the VAT paid is also contingent on payment to suppliers.

However, the decree-law maintains the **maximum twelve-month rule**: VAT is payable at the end of that period even if the customer has not paid the invoice.

This feature introduces a **time limit for the suspension**, operating as a balancing mechanism between the flexibility given to the taxpayer and the need to ensure collection of the tax within a reasonable period.

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## Reformulation of the VAT exemption regime for small companies

[Decree-Law n.º 35/2025](#) of March 24 partially transposed [Directive \(EU\) 2020/285](#) and [Directive \(EU\) 2022/542](#), substantially revising the special VAT exemption regime for small companies established in article 53 of the VAT Code. This new framework is reflected in changes to the VAT Code, the VAT Regime on Intra-Community Transactions, and the Personal Income ("IRS") Code, introducing innovations both for taxpayers established in Portugal and operators from other Member States.

The changes were subsequently clarified through [Circular n.º 25062](#), which systematizes the criteria for access, permanence, termination, and reporting obligations associated with the new regime.

➤ **Broadening the subjective and material scope:**

The amendment to the regime enables access for:

- **Taxpayers with their registered office or domicile in Portugal**, with an annual turnover in the national territory of **at least €15,000**, provided they do not carry on export transactions or related activities; and
- **Taxpayers in other EU Member States**, provided the annual turnover in the European Union **does not exceed €100,000**, by notifying the Member State and obtaining a tax identification number ending in "EX".

The material scope will be expanded by admitting taxpayers (i) with organized accounting; (ii) that make imports, or (iii) that make transfers of goods and provisions of services established in annex E of the VAT Code (waste and residues sector).

➤ **Thresholds and termination of the regime:**

The exemption regime for taxpayers can be terminated:

- when, in the previous calendar year, **a taxpayer established in Portugal had a turnover of more than €15,000**;



- when, in the current calendar year, **it has a turnover of more than €18,750** (€15,000 + 25%); or
- when it no longer meets any of the legal conditions required for applying the regime to taxpayers who have their registered office or domicile in Portugal.

However, the exemption regime will no longer apply to taxpayers not established in Portugal when **their annual turnover in the European Union is more than €100,000** in the previous or current calendar year.

Nonetheless, a company that has its registered office or domicile in Portugal, and which is covered by the VAT exemption regime, can continue to benefit from it even if it exceeds the EU threshold as long as its turnover in national territory remains within the legal limit.

➤ **Reporting obligations and transitory regime:**

- Taxpayers must file an **electronic quarterly return** with the turnover made in Portugal and in the other Member States.
- Taxpayers already registered in Portugal that wish to change to the exemption regime must file the relevant **declaration of changes by the end of June 2025**, effective from July 1.



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