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The new VAT Group regime

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Law No. 62/2025 was published on 27 October, introducing the VAT group regime. The Law aims to provide a solution for the consolidation of VAT balances by business groups.

The VAT group regime consists of consolidating VAT balances—payable or refundable—of members of a group of entities linked by financial, economic and organisational ties, which are individually calculated by the entities within the group. This mechanism allows the aggregation of the various VAT balances determined by companies within a corporate group, resulting in a single amount of VAT payable or receivable by the group, instead of the multiple results determined by each company.

The assessment of the VAT due by the VAT group is carried out through the group VAT return made available by the Portuguese Tax Authority (AT), based on the algebraic sum of the credit or debit amounts determined in each of the periodic VAT returns of the entities forming part of the group, and confirmed by the parent entity.

■ Which corporate groups may opt for this regime?

Financial, economic and organisational links apply where there is a so-called parent or holding company, and dependent entities, referred to as subsidiaries.

The law provides that the required financial link exists where the parent entity holds, directly or indirectly, a shareholding of at least 75% of the capital of one or more subsidiary entities, provided that such shareholding grants it more than 50% of the voting rights.

Both at the economic and organisational level, the law requires that the entities pursue similar, complementary or interdependent economic objectives, and that they have a common management structure or one subordinated to the same business strategy.

■ What are the requirements for the application of the regime?

The entities within the group must cumulatively meet the following conditions:

- i. Have their registered office or a permanent establishment in Portuguese territory;

- ii. Carry out, wholly or partially, transactions that give rise to the right to deduct VAT;
- iii. Be covered by the normal VAT regime with monthly periodicity at the time of opting in, or move to that regime;
- iv. The subsidiary must have been held by the parent entity, with the legally required level of participation, for more than one year, with reference to the date on which the application of the regime begins (this requirement does not apply to entities incorporated less than one year earlier by the parent entity or by another entity within the group, provided that since the date of incorporation there has been a direct or indirect holding of 75% of the capital and more than 50% of the voting rights).

■ How is the option exercised?

The option must be exercised by the parent entity by submitting a declaration of commencement or amendment of activity, in fields yet to be defined. This declaration must identify the Portuguese tax identification numbers (NIPC) of the entities that form part of the VAT group and takes effect from the tax period corresponding to the date on which it is submitted.

All entities forming part of the VAT group must individually calculate the tax by submitting their respective periodic VAT returns by the 10th day of the second month following the period to which the transactions relate.

The parent entity confirms the group VAT return made available by the AT (still to be created by ministerial order), which corresponds to the algebraic sum of the VAT payable and refundable individually determined by each entity, by the 20th day of the second month following the period to which the transactions relate.

If confirmation is not carried out by the end of that deadline, it is deemed to have been submitted by the parent entity, and any VAT credit determined for the group is carried forward to the following period (month).

If a VAT credit is determined for the group, the parent entity may carry it forward to subsequent periods or request a refund under the general terms of Article 6 et seq. of the VAT Code (CIVA) and the refund regime.

If there are any prior VAT credits held by any of the entities, as of the date of their integration into the VAT group, they can only be used to offset the group's tax liability up to the amount of tax charged by the entity to which they relate, as reported in its respective periodic return.

Failure by any entity in the group to submit its periodic VAT return does not exempt the group from the obligation to file the group return.

The obligation to pay VAT lies with the parent entity, by the 25th day of the second month following the month or quarter to which the transactions relate, with the subsidiary entities being jointly liable.

■ And cessation?

The application of the regime is mandatory for a minimum period of three years, and cessation by option is effected through the submission of an amendment declaration during the month of January of any year following the completion of the three-year period.

The regime ceases mandatorily for one or more entities where any of the above-mentioned requirements is no longer met, where no taxable transactions have been carried out for more than one year, or where insolvency or a special revitalisation procedure (PER) has been initiated. The exclusion of subsidiary entities does not result in the cessation of the regime; however, this does not apply if the excluded entity is the parent entity.



The Law is already in force; however, it will only produce effects from next year, in relation to tax periods beginning on or after 1 July 2026.

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