

**Law No 14/VI/2002
Of 19 September 2002**

Approves the Tax Reform System

By mandate of the People, under the terms of subparagraph b) of Article 174 of the Constitution, the National Assembly decrees the following:

Article 4

- c) The services provided that consist in classrooms ministered on a personal basis, at the level of pre-school basic education, secondary school, technical professional, medium or higher education;
- d) The services provided by non-profit organizations, that explore establishments or installations destined for the practice of sports, recreational and physical education activities, to persons that practice these activities;
- e) The services provided and the transmissions of goods connected to them, performed by collective persons under public law and non-profit organizations pertaining to congresses, colloquium, conferences, seminars, courses and analogous manifestations of a scientific, cultural, educational or technical nature;
- f)

- n) The transmissions of goods and the rendering of services performed by entities whose habitual activities are exempt, during occasional demonstrations destined to raise funds for their exclusive profit, in a maximum number to be fixed annually in the VAT Regulation and on the condition that the exemption does not provoke competition distortions;
- o) The exploration of gambling, under the terms foreseen in the appropriate legislation, as well as the respective commissions;
- p) The transmission of staple goods, to be defined specifically in the VAT Regulation;
- q) The transmission of drugs, including those destined for veterinary application, as well as pharmaceutical specialties and other pharmaceutical products destined exclusively for therapeutic or prophylactic purposes;
- r) The transmission of goods and equipment, of seeds, reproductive species, fertilizers, pesticides, herbicides, fungicides and similars, as well as nets, hooks and other fishing apparatus, also to be enumerated specifically in the VAT Regulation;
- s) The transmission of immovables subject to the Single Tax on Patrimony, under the terms of the respective regulation;
- t) The rental of immovables, including, however, in the latter, the situations in which the same are included in commercial, industrial or service rendering services;
- u) Service rendering performed by funeral or cremation enterprises, as well as the transmission of accessory goods to those same services;
- v) The public service of garbage removal;
- w) The transmission of goods affected exclusively to an exempt activity and that when the respective acquisition or affectation was not the object of a deduction law;
- x) The activities of the public radio and television companies that are not of a commercial character.

2. For the purpose of the provisions of the preceding number, the concept of non-profit

3.

Article 12
Rate

VAT's Tax rate is 15%.

Article 13
Right to Deduction

1. The right to deduction included the tax that may have been applied on acquired goods or services, imported or utilized by the passive subjects to perform their taxed operations or exempt operations entitled to deduction.
2. VAT's Regulation or complementary legislation shall define the formal and substantial conditions of the right to deduction by the passive subjects.

Article 14
Liquidation and Payment of the Tax

1. In the internal operations, the liquidation of the tax is the responsibility of the passive subjects and the net value of the tax is added to the amount of the invoice or equivalent document for the purpose of demanding it from the acquirers of goods and services or users of services.
2. In the importations the liquidation of the tax is the responsibility of the General Directorate of Customs.
3. Without prejudice to special provisions, the tax is periodic, and the amount of the tax relative to each period is determined by subtraction between the amount of the liquid tax in the period and the amount of the deductible tax in the same period.
4. The VAT Regulation shall establish the discipline relative to the situations in which the tax should be liquidated by initiative of the fiscal services.

Article 15
Accessory Obligations

Aside from the payment obligations, the passive subjects are obligated to comply with the following obligations to be established and disciplined in the VAT's Regulation:

- a) Declarative obligations;
- b) Invoicing obligations;
- c) Book-keeping obligations;
- d) Archiving and document conservation obligations.

Article 16
Special Regimes

Special regimes shall be adopted for passive subjects of small economic dimension, in the ambit of the VAT Regulation.

Article 17
Guarantees of Contributions

The guarantees of contributions shall be established in the General Taxation Code and in the Taxation Process Code.

Article 18
Infractions and Sanctions

The infractions to the tax discipline and the respective sanctions shall be typified in the VAT Regulation.

Article 19
Other Regulation

1. The VAT Regulation shall also contain the discipline of the remaining matters necessary to the launching, liquidation and collection of VAT, without prejudice to the development of legislation

- a) Restitution of the VAT to the Diplomatic Agents and similars, exporters and non-residents in the national territory;
- b) Application of VAT to second hand goods, collection art objects and antiques;
- c) Application of VAT to travel agencies and organizers of tourism circuits;
- d) Application of VAT to products and services subject to prices fixed by administrative authority.

2. Regulation may also be established with a view to:

- a) Oversight of the goods in circulation;
- b) Compliance with the invoicing obligation in the case of utilization of cash register machines and machines for the automatic distribution of goods.

Article 20
Compensation of the Consumption Tax

Special legislation shall establish the measures deemed necessary to the compensation, in future deliveries of VAT, of the amount of the Consumption Tax already supported with regard to goods of passive subjects not yet transacted at the effective date of the new tax.

CHAPTER III
Tax on Special Consumption

Article 21
Creation of the Special Consumption Tax

This legislation creates the Special Consumptions Tax, hereinafter designated as ICE, that is governed by the principles and norms foreseen in this law, in the respective Regulation and in the applicable complementary legislation.

Article 22
Ambit of the ICE Regulation

Within the constitutionally consecrated limits, the Regulation of the Tax on Special Consumption and complementary legislation shall be approved, in accordance with the provisions of the Articles that follow.

Article 23
General Applicability of the ICE

1. The ICE is a tax over certain consumptions, including over the respective national production or importation.
2. The ICE is a monophasic type tax, whose value shall be included in the VAT tax base, under the terms established in the respective Regulation.
3. Taxation on the importations is done at the same rate of taxation of the nationally produced goods. The exportations and assimilated operations are exempt.

Article 24
Goods Subject to ICE

1. The goods contained in the annexed list, defined by application of the criteria established for customs purposes, that is to say, customs designation and Tables code, are subject to Special Consumption Tax.
2. The goods are taxable at the moment they are produced in the national territory or on the date of the respective importation

3.:

- a) Production, any manufacturing process through which taxable products are obtained;
- b) Importation, the entry of goods into the national territory;
- c) Moment of production, that in which the manufactured product exits the production chain and is in normal conditions of commercialization, according to usual practices for this or for identical products.
- d) Moment of importation defined by the customs norms.

4. The tax is also due at the moment of cessation or violation of the assumptions for exemption.

5. There is also subjection to tax when the existence of products untaxed and detained for commercial purposes in the national territory and the requisites that constitute indications of the affectation for commercial purposes are noticed.

6. The determination that the detention of the products is destined for commercial

- b) The tax guarantees, in the situations to the fixed in the ICE Regulation;
- c) The winning bidder in the case of judicial sale or sale under administrative process;
- d) Any other singular or collective persons that, in irregular situations, produce, hold, transport, introduce in consumption sell or utilize taxable products.

Article 26
General Exemptions

1. Exemptions are granted when the taxable products are destined:

- a)

Article 27
Private Exemptions

1.

Article 29
Rates

The ICE rates are indicated in the attached list, are applicable at the moment at which the respective demand, to be determined in the ICE Regulation, is verified.

Article 30
Liquidation and Payment

1. The tax is liquidated by the Customs General Directorate, based on procedures to be established in the ICE Regulation and in customs regulations.
2. The tax shall be paid under the terms and under procedures to be established in the ICE Regulation and customs regulations.

Article 31
Other Obligations

The ICE Regulation establishes the accessory obligations or instruments necessary to the mechanics, operation, oversight and control of the tax.

Article 32
Deduction and Restitution of the ICE

1. The ICE shall not be the object of deduction in any direct or indirect taxes.
2. Restitution of the ICE is authorized only if it has been unduly paid, to be processed under the terms of the legislation in effect for the return of State's revenue.

Article 33
Special Regimes

Special measures can be granted to small producers, in the cases where the production is destined for private consumption by the producers and family members, as long as the products are not sold.

Article 34
Guarantees and Sanctions

- 1.

Article 35
ICE Regulation

1. The ICE Regulation shall establish the discipline, under the terms contained in this articulate, of all the matters necessary for the correct book keeping entry, liquidation, collection, oversight and control of the ICE, without prejudice to the development of special legislation complementary to the Regulation, when the complexity of the matters, its opportunity or execution so advise.

2. Upon the effective date of the tax legislation shall be published containing adequate transition measures destined to prevent double taxation of the goods subject to the new tax and that were in the installations

Article 38
Revocation Norm

With the going into effect of the revised Customs Table, of the VAT and the ICE Regulations, the following legislation and tax norms are revoked:

- a) Tax on Consumption, regulated by Legislative Diploma No. 1632, of 7 December 1966, and complementary legislation;
- b) The Tax on Petroleum Products, regulated by Law No. 61/IV/92, of 30