

Jornal: **Algarve Resident**

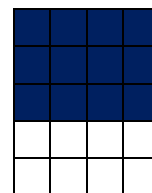
Periodicidade: **Semanal**

Tiragem: **5.500**

Data: **10/06/2011**

Secção: **Feature**

Página: **20**



## ■ money matters



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# How to survive paying (less) taxes!

**B**enjamin Franklin once said "in this world nothing can be said to be certain, except death and taxes".

Indeed in light of the economic turmoil and thus the heavy tax burden, which companies will have to endure this is nowadays an undisputed truth.

Hence a sound internal organisation system will help investors and entrepreneurs to survive! Learning how to reorganise your business affairs and how to cope with the Portuguese tax system will prove extremely valuable.

It is therefore extremely important that your tax advisor or accountant advises you proactively and with this main objective in mind: minimising your taxable income legally. But how?

Well, there are minimum requirements that must be taken into consideration.

When companies are organising their business documentation, they must take into consideration several requirements. We have highlighted some of these below:

- 1) Have a bank account solely for making payments, duly supported by legal documents (originals of supplier invoices filed with all legal requirements, such as detailed description of the products or services being acquired, which must correspond to the company's business objectives). Failure to do so will lead you to pay autonomous tax rate on expenses of up to 50%.
- 2) Have proper documentation for any money taken out of the company. Otherwise, tax authorities may consider such withdrawal as tax evasion.

- 3) It is also advised that any void invoices must have the original stapled to the duplicate and the number of the substitute invoice written on it with the rationale for such cancellation.

- 4) If you issue invoices to intra-community clients, VAT exemption applies solely if the client's Vat number is at VIES.
- 5) Credit notes issued to clients must be signed by the client and returned to the accountant, otherwise deduction against profits is not allowed and VAT cannot be deducted either.
- 6) If you receive payments in advance, before the service is rendered (or goods are sold), the payment has to include VAT on the receipt. You cannot wait until the invoice is issued, in which case VAT should be charged anyway.

- 7) Invoices received from services provided from abroad must be accompanied by an authenticated copy of the Certificate of Fiscal Residency (valid for 1 year). Should you fail to obtain such certificate, you will have to pay taxes up to the 20<sup>th</sup> of the following month of the date of the invoice ("taxa libertória").
- 8) Travel expenses must always be justified, and the plane ticket must be stapled to the receipt from the hotel, fair or conference attended.

In addition to the above, fiscal benefits depend on the kind of activity which your company pursues and this is where your accountant can prove most useful. We will endeavour to highlight some of the available tax benefits in the forthcoming articles of



"Money Matters" by *Moneris*.

Although what Benjamin Franklin said is the utmost truth, i.e. death and taxes are the only two things in life

that are certain, at *Moneris* we make sure that you don't let your tax responsibilities drive you or your business to an early grave.

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