

## LEGAL ALERT

# AMENDMENTS TO THE VAT CODE IN LIGHT OF THE MEASURES TO ACCELERATE THE ECONOMY PACKAGE

Law no. 22/2022, of December 28, was recently approved, amending the Value Added Tax Code (VAT Code) approved by Law no. 32/2007, of December 31, aiming to accommodate this legal device to the measures for the country's economic acceleration package announced by the Government on August 9 of 2022. Therefore, the articles 9, 10, 12, 15, 17, 19, 20 e 21 of the VAT Code were amended, consisting of the following:

1. Reduction of the VAT rate from 17% to 16%, as provided in article 17, no. 1, of the VAT Code, aiming to reduce the tax charges borne directly by the final consumer, thereby increasing his purchasing power;
2. The leasing of real estate for commercial, industrial and service provision purposes, even if located in rural areas, will now be taxed at the above-mentioned rate;
3. The supply of funeral and cremation services, as well as the transfer of ancillary goods, are exempt from VAT, only in cases where the supplier is a public entity;
4. Until December 31 of 2023, imports of agricultural inputs are exempt from VAT;
5. At the same time, transfers (and some imports) of electrification factors will be exempt from VAT, aiming to promote more and larger investments in the renewable energy sector in order to accelerate its access, particularly in rural areas;
6. Last, but not least, a reduced VAT tax rate of 5% was created (new article 17-A of VAT Code), applicable to the following transmissions of goods and rendering of services:
  - Medical and sanitary, well as for related operations, performed by private hospital establishments, clinics, dispensaries and similar;

- That have teaching as their scope, as well as the transfer of goods and related services when performed by private establishments integrated in the National Education System and recognized by the Ministry of Education;
- Whose object is professional education, as well as related transfers and supplies, such as the provision of accommodation, food, and educational materials; and
- That are conducted in a personal capacity on school or higher education subjects.

Briefly, these changes intend to mitigate the impact of the shifts that the national economy has been suffering as a result of external and internal political and economic changes, especially the conflict between Ukraine and Russia, the suspension of support for the State Budget, as well as the need to ease the tax burden on domestic and foreign investors.

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