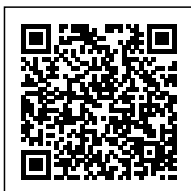


A NEW LARGE TAXPAYERS' UNIT - F CASTELO BRANCO

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As a result of the reform of the Portuguese Tax Administration (PTA), agreed in the Memorandum of Understanding between Portugal and the Troika, a large taxpayers' unit (LTU) was created to monitor around 290 entities representing 50 percent of Portuguese tax revenues. The rationale for this decision is to provide a more adequate relationship between these large

taxpayers and the PTA, capable of addressing their specific needs in terms of tax compliance and ensuring a closer control on this source of tax revenues. Furthermore, since the LTU will have exclusive jurisdiction in dealing with the most relevant issues of these taxpayers, a business climate improvement is expected, particularly for large foreign investors, who will find that tax assessments, audits, disputes or any other tax related issues will be dealt with in a more reasonable, faster and more transparent manner.

These objectives should be achieved with the allocation of a team of 100 fully dedicated tax managers to the LTU, who will be the preferential contact of such large taxpayers when dealing with the PTA. The criteria to qualify an entity as a large taxpayer are yet to be defined, although it is expected that these will include turnover and global amount of taxes paid.

In addition, the LTU will be responsible for deciding any tax claims filed by these large taxpayers, which should reduce significantly the time of reply. The LTU will also handle the investigation regarding tax crimes of large taxpayers, as well as apply penalties or other sanctions.

Within the LTU, a new simplified administrative procedure was also created, which allows the large taxpayers to request, in advance, a written report on the tax treatment of transactions deemed to trigger tax contingencies in light of their complexity and consequent uncertainty as to the respective tax consequences.

This new procedure will cover transactions in which an anti-abuse rule may be applied, transactions with non-resident entities, and any transactions that may raise doubts regarding its qualification and that require facts to be analysed. The request must be filed until 90 days prior to the date of the filing obligations and the LTU must reply within the same 90 days (as opposed to the request for an urgent binding opinion, which must be replied within 120 days).

This regime expressly foresees that the reply of the PTA cannot be used for any adjustments of the taxable values, to issue tax assessments or for charging penalties. In case the LTU fails to reply within 90 days and such delay was not caused by the taxpayer, or the taxpayer follows the tax treatment foreseen in the report, any tax liability will exclude penalties and interest.

Furthermore, if the taxpayer agrees with the tax treatment included in the report, a binding effect may be requested, which, if accepted, will prevent the PTA from acting differently for a period of three years, except if it is proven that the conduct of the taxpayer in the transaction was illegal (eg, through simulation, forgery, etc).

In light of the above, we believe that the LTU is a significant step towards a more sophisticated management of tax issues of large taxpayers, and should significantly reduce the bureaucracy and response times of the PTA, as well as the uncertainty regarding tax contingencies of relevant transactions that the taxpayers wish to carry out. This reform of the PTA is part of the overall effort of creating a more business friendly environment in Portugal and attracting foreign investment.

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