

A SPOTLIGHT ON TAX FRAUD ENFORCEMENT - PARES ADVOGADOS

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Portuguese companies may be operating in predominantly the same corporate tax environment as before the crisis, but there is now a very different enforcement emphasis, says João Maricoto Monteiro, Tax Partner at Pares Advogados.

La mayoría de las empresas portuguesas operan predominantemente dentro del marco fiscal vigente en la época previa a la crisis pero ahora el énfasis es completamente distinto por lo que deben adaptarse, dice João Maricoto de Pares Advogados.

"Across Europe there has been a major effort by the Authorities to tackle aggressive tax avoidance and evasion schemes and this is certainly true for Portugal," he explains. "But we are also seeing

greater scrutiny of the most transparent company dealings, including the re-evaluation from a tax perspective of past transactions."

Headline corporate tax rates have decreased over recent years to around 27 percent, taking into account the municipal surcharge, meaning that at first glance companies might think they should be paying less tax than before. In reality this drop has been more than matched by a virtual reduction of the deductions available, says Maricoto.

"The enforcement focus seems to have moved away from investigating the most fragile companies towards a reassessment of the past dealings of the healthiest ones – the Authorities know that a reinterpretation of transactions is often possible and that they will likely be able to recover any amounts deemed to be owed."

Portugal is facing very serious financial issues and major adjustments are being made to turn the economy around. And with pressure on the Tax Ministry to consolidate public accounts, and a sense that the country cannot bear further tax rises, the enforcement approach being taken is proving to be an effective allocation of resources, he adds.

The vast majority of cases are not about the dramatic uncovering of elaborate frauds but a completely different analysis of liabilities owed, with more companies finding themselves under the spotlight. While it is an effective strategy, he says, unfortunately it is arguably not a fair one for companies struggling in the crisis.