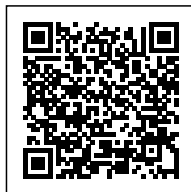


AUTHORITIES STEP UP FIGHT AGAINST TAX FRAUD - AM MOURA

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Demand for legal advice increasing as tax authorities adopt tougher measures to combat tax evasion, while new tax regime means more client costs are deductible

An increase in foreign clients looking for advice on Portuguese tax matters is creating significant opportunities that are boosting revenue for law firms, according to A. M. Moura Advogados managing partner Adelaide Moura.

Clients are demanding more and more input from lawyers on tax matters due to a number of current market trends. These include greater vigilance on the part of the tax authorities as they seek to step up the fight against tax evasion and fraud. Meanwhile, an increase in the type of costs that are considered to be tax deductible has meant that clients are seeking guidance on how to maximise the benefits from the changing tax regime.

In addition to an increase in instructions related to tax matters, Moura also observes that fees for tax-

related legal advice are rising. "The general trend is growing fees for tax work because the main clients are foreign entities and the tax system is becoming more and more complex, so clients need additional support from tax specialists," she adds.

Success fees more common

Another reason why tax-related legal work is generating more revenue for law firms, according to Moura, is that it is becoming more common to agree success fees with clients, so that the final fee received is not only dependent on the seniority of the lawyers involved, the amount of time the lawyers work, and the complexity of the matter, but also based on the savings the client makes. Consequently, the market for tax advice is very competitive, with Moura claiming that one of the biggest challenges tax lawyers face is surviving in such a fiercely competitive environment. Tax lawyers in Portugal not only face competition from rival firms from the traditional domestic firms, but also the Spanish players that have entered the market, according to Moura. Her firm was established in 1990 as part of PricewaterhouseCoopers network of law firms, which was later known as Landwell. However, as a result of the tightening of laws related to accountancy and independence – notably the Sarbanes-Oxley Act in the US – A. M. Moura Advogados became a fully independent law practice in 2005.

Among the current market trends creating major opportunities for law firms, Moura highlights the increase in "cross-checking" being carried out by tax authorities. Such measures are being taken to step up the fight against tax fraud and tax evasion and, consequently, tax law in Portugal is becoming more complex.

Other changes include steps being taken to improve relations between tax payers and the tax authorities, according to Moura. In this context she highlights the introduction of policies to "improve communication" between the two parties. In addition, certain additional costs have now been deemed to be tax deductible, with the aim of stimulating the demand for invoices for goods and services purchased. Meanwhile, there have also been reforms made to the personal income tax regime, as well as changes made in relation to green taxation.

Such a wide range of issues is leading to an increase in demand for tax-related legal advice, Moura explains. Among clients' key concerns are ensuring that they properly plan in order to fully utilise the benefits offered by the tax regime. As a result, Moura says there has been a significant increase in work for tax lawyers. In particular, client demand means tax advice more frequently has an extra international dimension.

"The great challenge will always be to better serve our customers, and contribute to their success," Moura explains. She adds that this includes advising clients on the "expansion and international diversification of their customer base, as well as helping them increase efficiency in the allocation of resources for the provision of services". Examples of the market dynamics that are driving the rising demand for legal advice in relation to tax-related matters, according to Moura, include the increasing trend for companies to merge or spin-off parts of their businesses. Meanwhile, in addition, tax planning as well as dispute resolution – including both litigation and arbitration – are also areas that are driving client demand for legal advice.

Such is the increase in workflow that AM Moura has plans to expand its practice in the coming year. Moura adds that, due to the complexities of the tax system – with the attendant myriad of rules and regulations – clients looking to save money need more and more advice from lawyers to navigate what can be difficult terrain.