

MAJOR CHANGES TO PORTUGAL'S CORPORATION TAX REGIME - EDUARDO PAZ FERREIRA & ASSOCIADOS

Posted on 24/02/2015



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Portuguese tax lawyers have had a busy start to 2015 due to the government introducing a raft of reforms that led to significant demand from clients for legal advice, according to Clotilde Celorico Palma from Eduardo Paz Ferreira & Associados in Lisbon.

Among the legislative changes were alterations to individual tax rules as well as a revamp of green taxes. The latter included the extension of carbon tax provisions to a number of new industry sectors, a vehicle tax based on carbon dioxide emissions, a new charge on plastic bags and tax breaks for electric and hybrid vehicles.

However, Celorico Palma says the most significant of the recent changes affect the corporation tax regime. "The corporation tax rate was cut from 25 per cent to 21 per cent, and this is set to drop further, to 19 per cent, next year," she explains. "There are other new provisions on corporate tax reporting, alterations to surcharges and other adjustments, as well as exemptions and benefits such

as a participation exemption and a patent box regime – while this is good news for businesses, the reforms also require a great deal of planning and advice.”

Celorigo Palma says that such regulatory reforms – as well as changes to reporting obligations – have led to clients requiring not just general tax advice but also compliance advice. She adds that, as the system is so complicated, companies must ensure they are following the correct procedures. These circumstances have led to an increase in tax disputes, which is also keeping lawyers busy.

“Many cases are going through the Tax Arbitration Court, which was established to provide an alternative route for tax disputes,” she says. “The aim of the court is to have cases resolved within six months so the flow of cases is much heavier than the traditional courts.” Celorigo Palma concludes: “All of this means we expect our tax practice to remain busy this year.”