RISING DEMAND FOR TAX ADVICE, THOUGH CORPORATE RATE COULD AFFECT PORTUGAL'S COMPETITIVENESS - CAIADO GUERREIRO

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Demand for tax advice in Portugal is growing as foreign investment increases, but the country's corporate tax rate could jeopardise its competitiveness, says Tiago Caiado Guerreiro, partner at Caiado Guerreiro.

Law firm tax departments in Portugal are experiencing significant client demand as the country experiences an uptick in M&A and foreign direct investment. Caiado Guerreiro says there is widespread interest in Portugal among investors, with many coming from Europe, Asia and the Middle East in particular.

However, a troubling issue for some companies with operations in Portugal is the country's "heavy tax burden", according to Caiado Guerreiro. Portugal decreased its standard corporate tax rate from 23 to 21 per cent in 2015. However, 2017 saw fierce competition among OECD countries, with eight countries reducing their corporate tax rate in that year. Hungary was the first to reduce its corporate tax rate, to just 9 per cent. Meanwhile, sweeping tax reforms in the US, signed in December 2017, brought the country's corporate tax down to 21 per cent. Caiado Guerreiro notes that, in light of these global developments, Portugal needs to make its own corporate tax rate more competitive.

In terms of legislative developments, the push for taxation on sugar and salt has been felt in Portugal as in other countries across the world, Caiado Guerreiro says. The Portuguese government introduced a sugar tax on soft drinks in 2017, which was in line with the World Health Organisation's advice on tackling soaring childhood obesity rates, which Caiado Guerreiro agrees is a worrying phenomenon in Portugal. The impact on the public purse is also significant: "The cost of obesity to the health system is billions of euros every year," he notes.