Investor-friendly tax reform

By simplifying tax and promoting investment, the new CIT reform is repositioning Portugal as a gateway for international investment

As Portugal continues to align itself with other countries in a globalised economy, the new Corporate Income Tax reform is very much focused on being investor friendly, according to Joaquim Pedro Lampreia, Tax Managing Associate at Vieira de Almeida. Benefits range from simplifying the formalities that come with legal and tax obligations, to restructuring international tax policy to be more competitive for inbound and outbound investment.

"This is a country that has been traditionally viewed as a cultural bridge between other Portuguese-speaking countries," says Lampreia. "But despite business streams coming from all over the world, from a corporate point of view we just didn't have an efficient investment vehicle in place."

Within this global context, measures include a new worldwide participation exemption regime (applicable to inbound and outbound capital gains and dividend payments), a new intellectual property regime, allowing for partial exemption from CIT, and a new amortisation of intangibles regime, which adapts the tax rules to the accounting rules.

Lampreia hopes that such measures will result in a simple and efficient investment structure that seamlessly reinforces the country's existing worldwide ties. "But without complexity, numerous jurisdictions or several multi-tiered vehicles," he adds.

Despite the reform only just having been approved, lawyers are already seeing interest from clients, says Lampreia, and are assuming an advisory role. "Up until now, when clients or corporate groups were looking for a new tax structure to invest in another jurisdiction, they didn't want one that was complex or required spending more on tax consultancy and litigation," he explains.

"This Corporate Income Tax reform really does make sense," Lampreia says. By creating a good tax structure for a lot of different kinds of income, whether it be dividends, capital gains or royalties, he concludes, Portugal is keeping it very simple and straightforward for the international investor.

Joaquim Pedro Lampreia

Wealth taxes under review

Speculation is mounting that Spain's complicated personal income tax (PIT) regime will be revamped ahead of next year's general election.

Details of the proposals remain under wraps but, according to Miguel Ángel Albaladejo Torres, Head of Tax at Lener, the system could benefit from improvement.

"We do not know what the reforms will be, but the economic and political context means that changes could help stimulate growth," he explains. "At the moment around 80 percent of PIT comes from those earning less than €50,000, so the Government needs to provide more liquidity to families to push the recovery while also maintaining its tax revenues."

At present the PIT bands range from 24.75 percent at the lower end to 52 percent at the higher end, with five different steps in between. Albaladejo Torres suggests that a three-tier system running from 15 percent to 25 percent to 40 percent would make things much simpler.

"It is important that direct taxes are reduced because the more wealth people have the more they can spend," he continues. "I would instead focus on increasing indirect taxes or create new indirect taxes – not so much VAT but on things such as green levies or extra charges on tobacco or alcohol."

Albaladejo Torres also suggests that the wealth and real estate taxes could be included in the PIT but with a lower overall tax rate, while other reliefs and reductions for entrepreneurs could encourage further investment.

"In Spain, 70 percent of the employment occurs in small and medium-sized companies so providing benefits for investors frees up more money to fund expansion and new employment opportunities," Albaladejo Torres concludes. "This in turn brings in more revenue through taxes."

Miguel Ángel Albaladejo Torres