

# **AVCONEWS**

BARCELONA

LISBON

MADRID

MILAN

ISTANBUL

VIGO



# **GOING INTERNATIONAL? GO** SAFELY WITH PORTUGAL (IV) **INTRODUCING MADEIRA (II)**

In our concluding installment on how to use Portugal as an investment platform we will address different corporate structures and their effects on investors. We will make use of Madeira's IBC and analyse other benefits that can be brought in to the mix.

## Tax Benefits Statute

Before we go any further, it is worth knowing what the Tax Benefits Statute (TBS) can do for our investment. Article 42 of the TBS combined with article 46 of the Corporate tax code provides a significant advantage with regard to the incorporation of subsidiaries in Portuguese speaking African countries (Angola, Mozambique, Cape Verde, Guinea-Bissau and São Tomé and Príncipe) as well as East Timor.

Dividends distributed by said subsidiaries benfit from a participation exemption and as such are not subject to corporate tax. However, all of the following conditions must be met:

- a) The parent company must be subject to Portuguese corporate tax;
- b) The parent company must hold at least a participation of 25% in the subsidiary;
- c) Said participation must be held for a two year period prior to distribution of dividends.

This feature is applicable to all Portuguese companies, whether resident in Continental Portugal or in Madeira's IBC.

# GOING INTERNATIONAL? GO SAFELY WITH PORTUGAL (IV) INTRODUCING MADEIRA (II)



#### Holding companies

Pure holding companies known in Portuguese as Sociedade Gestora de Participações Sociais (SGPS) should also be considered when structuring an investment. In order to benefit from the holding regime dividends must have been effectively taxed, whilst the participation of the holding company in its subsidiary must be of at least 10% and held during one year prior to distribution of said dividends.

#### Madeira Trading Company

Let's take a look first at regular income received by a Madeira trading company from clients in different parts of the world.



4%-5% Corporate tax on income from trading operations.

## Madeira Pure Holding Company

A pure holding company in Madeira can be a useful solution as shown below.



0% Corporate tax on dividends received from EEA Co and Angola Co.

4%-5% Corporate tax on dividends received from Brazil Co and Third Country Co.

0% Capital gains tax on the sale of the holding company.

0% Capital gains tax on the sale of qualifying subsidiaries.

If you would like to discuss any particular set up, please contact our Lisbon office.

Telephone: (351) 21 355 01 87 E-mail: lisboa@avinalabogados.com

page 2

The following presentation is for information purposes only and does not constitute legal advice. Please contact one of our offices should you wish to discuss any issue.