



GOING INTERNATIONAL? GO SAFELY WITH PORTUGAL (II)

In our previous newsletter we had touched on the advantages of using Portugal as an investment platform, specifically when considering Portuguese speaking markets such as Brazil or Angola. Now we will take things a step further and see how all the different available treaties and agreements work.

Double Taxation Treaties

Presently, Portugal has signed over 50 double taxation treaties but we will only address the ones with Portuguese speaking countries: Brazil, Cape Verde and Mozambique. The much anticipated treaty with Angola (as this will be the first of one of its kind to be signed by the African country) is still in the works.



Country	Dividends (%)	Interest (%)	Royalties (%)
Brazil (in force since 2001)	10 or 15 ¹	15	15
Cape Verde (in force since 2000)	10	10	10
Mozambique (in force since 1994, reviewed in 2009)	15	10	10

1. Shareholders must hold at least a participation of 25% during 2 years prior to dividend distribution in order to benefit from the reduced rate.



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Investment Promotion and Protection Agreements (IPPA)

Portugal has concluded 52 IPPAs, of which 40 are in force, namely with Brazil, Cape Verde, East Timor, Guinea-Bissau and Mozambique. Such agreements, like double taxation treaties, usually follow a certain pattern and address three major concerns: free transfer of capitals, expropriation and settlement of disputes.

As regards free transfer of capitals, this usually includes: a) any monies necessary for the maintaining or increase of the investment; b) returns (such as interest, dividends or royalties); c) payments arising from the compensation of expropriation; d) salaries owed to foreign employees; e) proceeds from the sale of all or any part of the investment, or from the partial or complete liquidation of the investment.

Expropriation is forbidden, except for a public purpose related to the needs of one of the Parties and against prompt, adequate and effective compensation.

Finally, IPPAs lay down mechanisms in order to solve disputes between the Parties which include regular diplomatic channels and an arbitral tribunal. Decisions issued by an arbitral tribunal are binding on the Parties.

Social Security Agreements

Portugal has concluded 19 agreements (excluding those signed with EU Member States) of which 15 are in force, namely with Brazil and Cape Verde. When posting employees to these countries, they will remain subject to Portuguese Social Security legislation provided that the duration of the posting does not exceed a maximum number of months (60 in Brazil's case and 24 in Cape Verde's).

The provisions of the Convention apply to employees, family members and survivors, who retain benefits related to sickness, maternity, invalidity, retirement, death, work-related accidents and occupational diseases.



page 2

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