



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

We continue our series on how to use Portugal as a business platform when investing in Portuguese speaking countries such as Brazil, Angola or Mozambique. In this edition of AVCO News we will take a look at Madeira's International Business Centre (IBC), its unique features and how it can help further an investor's plans.

### *What is Madeira's IBC?*

Due to its physical location, south of Continental Portugal and north of the Canary Islands, Madeira is considered an ultraperipheral territory within the EU. In order to redress this physical disadvantage and stimulate economic activity, Madeira was allowed the creation of an IBC that benefits from the following advantages:

- Located within the EU;
- Low taxation;

- Not considered an off-shore territory;
- Efficient infrastructures;
- Excellent climate and high living standards.

### *Which companies are suited to the IBC?*

All types of service-oriented companies may request a licence to operate within the IBC of Madeira, with full access to the preferential tax regime in force, to carry out activities such as international trading, consultancy, management of intellectual property, as well as e-business, telecommunications and holding companies. Companies licensed to operate in the IBC of Madeira are fully Portuguese and will be automatically attributed a VAT number.



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## What is the tax regime like?

### 1 CORPORATE TAXATION

The present regime of tax benefits allows the incorporation of new entities within the scope of the IBC of Madeira until December 2013, granting significantly reduced corporate tax rates until 2020, as per the following table:

APPLICABLE RATE	TAX YEARS
4%	From 2010 to 2012
5%	From 2013 to 2020

The reduced corporate tax rates are only applicable to profits derived from operations exclusively carried out with non-resident entities or with other companies operating within the sphere of the IBC of Madeira. There are no restrictions, nevertheless, on the development of business activities with Portuguese companies, and profits deriving from such operations will be taxed at the normal corporate tax rate in Madeira, 20% from 2008 onwards.

### 2 OTHER TAXES

Companies are exempt from stamp duty, as well as property and transfer tax.



## How does a company qualify for the tax reductions?

Companies incorporated in the IBC have to comply with one of the following pre-established requirements:

- Create one to five jobs in the first 6 months of operation and undertake a minimum investment of €75,000 in the acquisition of fixed assets, tangible or intangible, in the first two years of operation;
- Create six or more jobs in the first 6 months of operation.

On the other hand, the reduced corporate tax rates are applicable up to a ceiling placed upon the annual tax base, which varies according to the number of jobs created or minimum investment, as follows:

Number of jobs/ Minimum Investment	Ceiling
1,2/ € 75,000	€ 2.000.000
3 to 5/ € 75,000	€ 2.600.000
6 to 30	€ 16.000.000
31 to 50	€ 26.000.000
51 to 100	€ 40.000.000
More than 100	€ 150.000.000

In our next edition we will analyze some of the most common corporate vehicles and how to structure investment in other Portuguese speaking countries through Madeira's IBC.