



Invest in Portugal

a quick guide

We advise. You succeed.

 **ESPANHA**
e associados
sociedade de advogados, RL





Why Portugal?

Unique Country

Portugal is a unique European country to live or invest, evidencing, among other things, a pleasant all year climate, friendly people, passionate food, safety and a beautiful Atlantic coast-line with endless landscape views.

Being part of EU since 1986, Portugal has seen significant growth since then, being now an indisputable modern western country, well-served in terms of network connections, business friendly laws, competitive and qualified professionals and, at the same time, a cost of living well below the EU average, which represents a clear advantage when you are thinking about investing or living abroad.

Strategic Location

Lisbon, the Portuguese capital, which used to be called the Europe's "sleeping beauty", has awoken and is

now a world reference for its warm-welcoming and flourishing investment.

One of the main advantages of being in Lisbon is the fact that the city is the closest European capital to USA and to South America, in particular to Brazil. There are more flights from Lisbon to more cities in the former Portuguese colony than from any other city in the world.

It is also less than one hour away from Madrid with several flights every day, and about two and a half hours from Paris and London.

Leading in Innovation and Technology

Portugal's commitment and leadership in supporting innovation and technology is unquestionable.

In fact, Portugal is hosting the biggest technology conference of the world, the [Web Summit](#) | Lisbon 2016.

As a result of this investment policy and creative attitude, Portugal is boosting the setting-up of Start-up hubs, positioning Portugal as a country of endless opportunities.

Visas and Residency Permits

Portugal is part of the Schengen Area, made up of a group of 25 European countries that have abolished all border controls between them.

Moreover, Portugal has implemented several measures to attract foreign investors and workers-both immigrants and retirees who are encouraged to choose to settle in Portugal.



ESPANHA e ASSOCIADOS is your trusted partner when it comes to legal and tax advice



Investing in Portugal



Portugal at a Glance

Great Location
Great Technology
Great Infrastructures
Great Market
Great Talent
Great Skills
Great Companies
Great Quality of Life

Golden Visa

Since the end of 2012, the Golden Visa regime (also known as “ARI – Autorização de Residência para Actividade de Investimento”), allows foreigners, personally or through a company, to invest in Portugal and to simultaneously obtain a Residence Permit in this country, under a simple and non-burocratic process.

To obtain the Golden Visa it is necessary to comply with specific investment conditions, for the minimum duration of five years.

After 5 years, the law expressly provides the possibility of the investor to request the grant of a Permanent Residence Permit, without any validity limit.

Investor friendly economic environment

There are no restrictions in Portugal as to foreign investment.

Portuguese law is based on a principle of non-discrimination based on the investor’s nationality.

Portugal has increasingly competitive conditions – technological, labour, infrastructure, logistics, geographical, legal and tax – to continue to attract large investment projects.

There are no requirements as to a mandatory Portuguese shareholder and no limitations on the repatriation of profits or dividends.

The rules that will apply to a foreign investor are the

same that rule the national investment and the foreign investment is not subject to any special registration or notification to any authority (without prejudice of mandatory registration obligations or compliance with regulatory obligations in specific activities).

Notwithstanding the above, the shareholders that are not resident in Portugal must obtain a Portuguese taxpayer number for tax purposes. For EU residents, this taxpayer number may be obtained directly with the tax administration (in presence or by means of an appointed proxy); as to non-EU residents the same must appoint a Portuguese tax resident representative to handle matters with the tax authorities.

Special Gateway to Portuguese-speaking countries

Due to its historical path, Portugal is a major player for companies aiming to invest and seeking opportunities in Portuguese-speaking countries.

The cultural ties and the expertise of Portuguese companies are the perfect starting point for those wanting to reach these markets.





Setting up a Company

Corporate Guidance

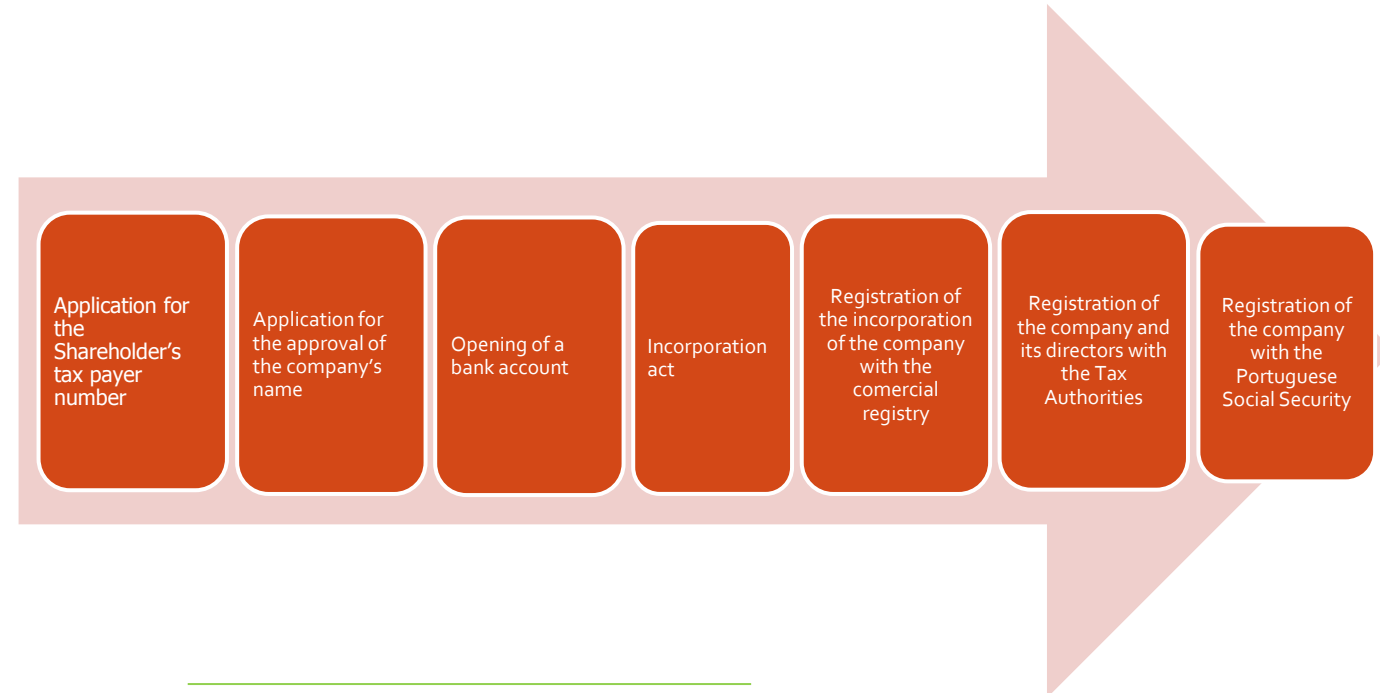
ESPANHA e ASSOCIADOS has an extensive experience in advising on corporate structures and the best type of company for your business.

ESPANHA e ASSOCIADOS is often requested to represent and advise Portuguese and international clients in merger, splitting and acquisition transactions, sale, transformation and company structuring, partnerships and joint ventures, transfer of establishments and asset transfer.

Each Project is carried out by multi-disciplinar teams especially created for such purpose, which include members of our tax, finance, labour and real estate departments, in order to

guarantee the provision of an added value service for our client.

We often carry out these tasks in close cooperation with company directors/managers, chartered accountants and the persons responsible for the financial area.



*Tell us what you need and we will find the best solution.
Have time to focus on your business.*

Types of companies

Legal overview





What to choose?



Corporate structure | Minimum Capital Required

The following types of companies are the most relevant provided for in the Portuguese Companies Code. Those are frequently chosen by foreign investors aiming to start their own enterprise structure in Portugal.

The choice of one of these structures depends on many factors, such as the type of business to be implemented, the simplicity or size of the operations, the amount of capital to be invested, the possibility to freely transfer ownership and disclosure rules about the aforesaid ownership.

This being said, setting up a company in Portugal would not be an issue and ESPANHA e ASSOCIADOS can help you structuring your investment.

	Public Limited Company (SA)	Private Limited Company (Lda.)	Sole Shareholder Private Limited Liability Company (Sociedade Unipessoal por Quotas)
Minimum Number of Shareholders	Five (or one if incorporated by a corporate entity)	Two	One
Formal Requirements of Incorporation	Written deed of incorporation (signatures must be certified by a notary or lawyer in the presence of the signatories) and registration with the Commercial Register. Additional formalities may apply if the shareholders perform contributions in kind	Written deed of incorporation (signatures must be certified by a notary or lawyer in the presence of the signatories) and registration with the Commercial Register. Additional formalities may apply if the shareholders perform contributions in kind	Written deed of incorporation (signatures must be certified by a notary or lawyer in the presence of the signatories) and registration with the Commercial Register. Additional formalities may apply if the shareholders perform contributions in kind.
Minimum Registered Share Capital and Capital Contribution at Incorporation	€50.000. 70% of contributions in cash may be postponed for a 5 years' period. The issuance premium (if existent) may not be postponed.	€2. Contributions in cash may be postponed for a 5 years' period. The shareholders may declare in the incorporation document that the share capital will be deposited in a bank account opened in the name of the new company until the end of the first fiscal year (this is not considered as deferment of payment and, consequently, is not subject to commercial registration).	€1. 50% of contributions in cash may be postponed for a 5 years' period. The sole shareholder may declare in the incorporation document that the share capital will be deposited in a bank account opened in the name of the new company until the end of the first fiscal year (this is not considered as deferment of payment and, consequently, is not subject to commercial registration).



What to choose?

	Public Limited Company (SA)	Private Limited Company (Lda.)	Sole Shareholder Private Limited Liability Company (Sociedade Unipessoal por Quotas)
Management and Auditing	<p>Alternative structures:</p> <ul style="list-style-type: none">(i) Board of Directors (or Sole Director, if share capital does not exceed € 200,000.) + Audit Board (or Sole Auditor);(ii) Board of Directors (including an Audit Commission) + Auditor; or(iii) Executive Board of Directors (or sole director, if share capital does not exceed € 200,000) + General and Supervisory Board + Auditor. <p>Companies incorporated according to alternative (i) must have an Audit Board and appoint an auditor, if two of the following limits are exceeded (for two consecutive years):</p> <ul style="list-style-type: none">• Total balance sheet: EUR 100,000,000;• Net turnover: € 150,000,000;• Average number of employees: 150.	<p>Management: one or more directors.</p> <p>Auditor is not mandatory. However, companies which do not have a Statutory Audit Board or a Single Auditor must appoint an Auditor to audit the company's accounts when two of the following limits are exceeded (for two consecutive years):</p> <ul style="list-style-type: none">(i) Total balance sheet: EUR 1,500,000;(ii) Net turnover: EUR 3,000,000;(iii) Average number of employees: 50.	<p>Management: one or more directors. Auditor is not mandatory. However, companies which do not have a Statutory Audit Board or a Single Auditor must appoint an Auditor to audit the company's accounts when two of the following limits are exceeded (for two consecutive years):</p> <ul style="list-style-type: none">(i) Total balance sheet: EUR 1,500,000;(ii) Net turnover: EUR 3,000,000;(iii) Average number of employees: 50.

Corporate Governance

Finding the best structure to govern your company requires a deep understanding of the business and legal framework applicable.

ESPANHA e ASSOCIADOS advises on corporate governance issues for listed companies, SMEs, financial institutions, institutional investors, private equity players, underwriters, board committees, directors and others.





What to choose?

Safeguard Rights and Liabilities

At ESPANHA e ASSOCIADOS we cover the full spectrum of risk management/corporate compliance issues as companies across all sectors face increasingly complex compliance challenges in a variety of areas, with the risk of reputational damage, civil liability, enforcement action and even criminal prosecution when things go wrong.

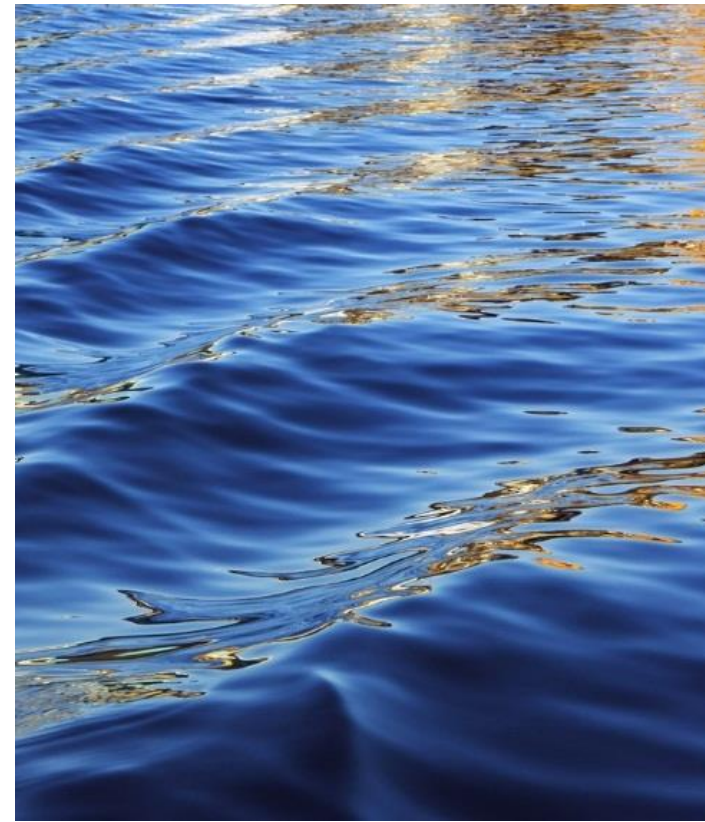


	Public Limited Company (SA)	Private Limited Company (Lda.)	Sole Shareholder Private Limited Liability Company (Sociedade Unipessoal por Quotas)
Minority Rights (Matters subject to Qualified Majority)	2/3 of the votes cast are legally required for certain special resolution matters (e.g. amendments to the articles of	A majority of 3/4 of the share capital is legally required for certain special resolution matters (e.g. amendments to the articles	N/A.
Shareholders' Liability	Limited to the capital subscribed (although additional liabilities may apply to the shareholder in case it is a fully controlling company)	Limited to capital subscribed, but shareholders are jointly and severally liable for all contributions foreseen in by-laws (and additional liabilities may apply to the shareholder in case it is a fully controlling company)	Limited to capital subscribed, but shareholders are jointly and severally liable for all contributions foreseen in by-laws (and additional liabilities may apply to the sole shareholder in case it is a company)
Incorporation and Registration Costs ⁽¹⁾	Approx. € 700,00	Approx. € 700,00	Approx. € 700,00
Duration of Incorporation Process and Registration	Approx. 2 weeks	Approx. 2 weeks	Approx. 2 weeks

(1) not including legal fees but including the registration costs of the appointment of the members of the corporate bodies



Tax Overview





Personal Income Tax

Residency

An individual is resident if present in Portugal for 183 days or more in any twelve-month period or, if the individual has available in Portugal accommodation in conditions that show an intention of occupying it as habitual residence. Individuals that were not Portuguese resident in any of the five tax years before moving to Portugal may request a special non-habitual tax residency status for 10 years.

Non-Habitual Residents

Non-habitual residents are taxable on worldwide income but exempt from tax on some foreign-sourced income. Portugal also has the concept of part-year residency.

Moreover, Non-habitual resident individuals are eligible for a flat 20% rate on income related to work or services rendered in Portugal involving pre-determined activities.



“A flat rate of 20% may apply to Non-habitual resident income related to work derived from high added value activities”

Taxable Income

Income is generally taxed at progressive rates (exception is made to investment income, real estate income and capital gains on securities, which are taxed at a flat rate of 28%). There are six categories of income that are subject to personal income tax: employment income, business and professional income, investment income, real estate income, increases in net worth and pensions.

Rates

Rates are progressive up to 48%. For 2016, a surcharge up to 3.5% is applicable to income in excess of the minimum wage. An additional surcharge of 2.5% applies to income between EUR 80.000,00 and EUR 250.000,00. For income over EUR 250.000,00, the additional surcharge rate is 5%.



Other taxes



Stamp Tax

Although some exemptions apply, stamp tax is levied on various types of agreements, deeds and documents, as well as certain transactions not subject to VAT, such as the acquisition of real estate, leases and subleases, financial transactions, insurance premiums and certain bets. Property (including land approved for construction of residential property) valued for tax purposes at over EUR 1 million is subject to stamp duty at 1% if used for residential purposes, or 7.5% if owned by entities resident in a listed tax haven.

However please note that the Portuguese State Budget Proposal for 2017 is likely to change this scenario.

Social Security

Contributions are due on full remuneration paid at the rates of 11% and 23,75%, respectively for employee and employer. .

Value Added Tax (VAT)

VAT generally is levied on the supply of goods and services, and on importation of goods and intra-community acquisition of goods.

On mainland, a standard rate of 23%, an intermediate rate of 13% and a reduced rate of 6% apply. The rates are 22%, 12% and 5% in Madeira and 18%, 9% and 4% in the Azores, respectively.

Changes to Stamp Tax levied on property may apply in 2017.



Other taxes

Real Estate Tax (IMT & IMI)

A municipal tax is levied on property sales and transfers. The municipal authorities also levy an annual property tax.

Municipal Real Estate Transfer Tax (IMT)

Municipal real estate transfer tax is levied by municipalities at a maximum rate of 6% on the transfer of residential property, 5% on the transfer of rural property, 6.5% on the transfer of urban property and 10% if the purchaser is located in a listed tax haven.

Municipal Tax Over Real Estate (IMI)

A real estate municipal tax is levied annually by municipalities and is payable by the registered owner on 31 December. The rates range from 0.3% to 0.8% of the taxable value of the property. A rate of 7.5% applies if the owner of the real property is located in a listed tax haven.



All businesses require technical advice. We help you to achieve your goals without unpleasant surprises.

New Real Estate Additional Tax (AIMI) | Portuguese State Budget Proposal for 2017

The Portuguese State Budget Proposal for 2017 establishes a new real estate additional tax of 0.3% to be levied on the sum of the tax net worth value (VPT) of the tax payers properties (except industrial and touristic real estate). The taxpayer may deduct €600.000,00 from that amount. Married couples or in a civil union may opt for joint taxation and in this case, they should add the tax net worth value of all of their properties and may multiply by two the amount of the above mentioned deduction.

For further information, [please contact us](#).



Corporate Taxation



Taxable income

Corporate tax is charged on a company's profits, which consist of business/trading income, passive income and capital gains. Expenses are deductible to the extent that they are necessary for the purpose of generating taxable income and are properly documented.

Rate

The standard corporate tax rate is 21%. A reduced rate of 17% applies to the first EUR 15,000 of taxable profits of small and medium-sized enterprises.

Surtax

A state surcharge is levied on taxable profits at the following rates: 3% for profits over EUR 1.5 million up to EUR 7.5 million; 5% on profits over EUR 7.5 million and up to EUR 35 million and 7% on profits exceeding EUR 35 million. A municipal surcharge is levied on taxable profits at rates up to 1.5%, depending on the municipality, resulting in a maximum possible combined tax rate of 29.5%.

Participation Exemption

Dividends received and capital gains realized by a resident company from a domestic or foreign shareholding are exempt from tax, should the shareholder not be a transparent entity and has held, directly or indirectly, at least 10% of the capital or voting rights of the other company for at least 12 months.

The subsidiary shall not be resident in a listed tax haven and must be subject to, and not exempt from, an income tax listed in the EU parent-subsidiary directive or an income tax rate that is equal to at least 60% of the Portuguese corporate tax rate.

An ordinary credit is available when the conditions for the application of the participation exemption regime are not fully satisfied but are intended to be, with an option for an underlying tax credit for dividends on foreign shareholdings of at least 10% held for at least 12 months.



Corporate Taxation

Incentives to Investment

Dividends

Dividends paid to nonresident companies are subject to withholding tax at 25% (35% if paid to a resident of a listed tax haven). The rate may be reduced to 0% where the conditions for the domestic participation exemption regime are met and the recipient of dividends is resident in the EU/European Economic Area (EEA) or a tax treaty jurisdiction. If the participation exemption does not apply, the rate may be reduced under a tax treaty.

Interest

Interest paid to a nonresident company is subject to withholding tax at 25% (35% if paid to a resident of a listed tax haven), unless reduced under a tax treaty. Under the EU interest and royalties directive, payments to qualifying EU recipients are exempt.

Royalties

Royalty payments made to a nonresident company are subject to withholding tax at 25% (35% if paid to a resident of a listed tax haven), unless the rate is reduced under a tax treaty. Under the EU interest and royalties directive, payments to qualifying EU recipients are exempt.

Avoidance of International Double Taxation

Portugal has 66 tax treaties in force



Madeira Free Trade Zone (ZFM)

The tax regime of ZFM allows the incorporation of new entities in the International Business Centre of Madeira (IBC) of Madeira until the end of 2020, granting a reduced corporate income tax rate of 5% until the end of 2027.

Non-resident shareholders of companies registered in the ZFM, who are not resident in a listed tax haven, are exempt on profits and interests, as long as the operations are not concluded with entities located in listed tax havens

Profile



At a Glance

- Regularly ranked among Portuguese leading tax law firms
- Awarded by most important directories in our expertise areas.
- Part of **TAGLaw** a global alliance of high quality, independent law firms with 150 member firms based in over 90 countries.

About ESPANHA e ASSOCIADOS

ESPANHA e ASSOCIADOS is a specialized law firm focused on businesses and companies, wealth management and foreign investment, providing legal services in the main areas of current legal market, being organized through the following practice areas:

- Tax
- Corporate / M&A / Capital Markets
- Finance, Banking and Insurance
- Labour
- Litigation and Dispute Resolution
- Health and Safety
- Real Estate & Construction

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accomplish.*



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