



LEGALINK

INTERNATIONAL BUT PERSONAL

FIVE ADVANTAGES OF DOING BUSINESS IN...

FOR PRIVATE CLIENTS
AND CORPORATE ENTITIES



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PORTUGAL

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1. Geographical, Political and Economic framework

Its geographical and political placement justify saying that the Portuguese democratic republic is, indeed, an outstanding country to live and invest in. Located in the southwest of the European continent, Portugal is directly accessible by the Atlantic Ocean (west and south), with numerous ports with advanced commercial capacity (93,9 million tons in goods/year in 2016). On the other side, Portugal is bordered by Spain, being equipped with a developed and far-reaching rail and roadway net, providing full access to the rest of the European economies. The official language of Portugal (Portuguese) is the 7th most spoken language in the world (with almost 219 million speakers), making it easy to communicate with nations from every continent. In fact, Portugal maintains very prosperous cultural and economic bonds with countries such as Brazil, Angola, Mozambique, Cabo Verde, São Tomé e Príncipe, Guinee-Bissau, Timor-Leste and China (Macau). Concerning languages, it is also very important to mention that 71,8% of the population can speak a second language (data of 2016, age rate 18-64, 59,6% English, 21,5% French and 14,8% Spanish). Being a member of the European Union since 1986, Portugal's currency is the EURO and the European rules on the free movement of goods, capital, services and labour are fully in place. With a population of circa 10M and a GDP of approximately \$205B, abundant reasons explain Portugal's 29th rank in the World Bank's 2018 Doing Business Report.

2. Equality in investment access

Portugal treats foreign investment much as the domestic's, with no barriers being lifted to the entry of foreign capitals or to the exit of dividends. Foreign investors are not required to obtain Portuguese citizenship (only the Portuguese Tax ID number), and a Portuguese partner in the intended business is not required.

3. Straightforward company incorporation

It is currently possible to fully incorporate a Private Limited Company in Portugal within 24 hours, either online or in person. Registration of an Ltd requires a minimum contribution of 1€ per partner, while a public limited company (plc) must have a minimum share capital of € 50K and at least 5 partners.

4. Better education, fewer labour conflicts

Within 10 years (2007-2017), the number of students concluding a degree with master level

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included escalated from 984 to 8.386, having almost 40% of the Portuguese population concluded a university degree presently. Investors will easily find a highly skilled and technically competitive workforce.

According to the EEF's Global Competitiveness Report 2017/2018, the Portuguese Labour legal framework is more flexible than many other European countries. In addition, in the "labour market efficiency", Portugal is ranked 55th in 137 countries worldwide. According to the European Trade Union Institute (yearly average between 2010 and 2016), only approximately 15 days per 1000 employees were spent in labour conflicts, close to the European standard. 76 strikes occurred in 2016, a number significantly lower in the last 18 years (250 strikes in 2000).

5. Tax rates, benefits, investment protection and special regimens

On a broad and simplified overview (i.e., not taking tax benefits, deductions or exemptions into account), companies are taxed 21% on their gross profit (Companies Income Tax, "IRC"). Additional municipal tax (derrama municipal) varying between 1,5% and 7% may be imposed whenever companies' income exceeds certain amounts. Tax benefits and lower tax rates may apply for companies operating in different regions of the country (e.g., in the islands, Madeira and Azores), and various incentives for pursuing certain activities may be granted. It should be made reference to the fact that Portugal has concluded more than more than 60 double tax treaties (preventing double taxation) and more than 50 agreements of investment protection.

On what concerns individuals' taxation ("IRS"), progressive rates may vary between 14,5% and 48% (and a solidarity tax may be imposed). Deductions may also apply.

Due to their impact on investment, two special regimens deserve to be briefly highlighted herein. The first one is the Tax Regimen for Non-Habitual Residents ("NHR"), in place since 2009. Under certain conditions, the NHR is valid for 10 years and may be used by individuals who are willing to register his/her tax residency in Portugal (having to live at least 183 days/year in the territory). Individuals under this regimen will be subject to a reduced 20% rate on personal income tax ("PIT") on certain income sourced in Portugal, and, complying with determined requirements, possibly exempted from paying PIT on income from a foreign source.

The other regimen worth to be mention is the Residence Authorization for Conducting an Investment Activity (commonly known as "Golden Visa"). Under this regimen, a citizen from outside the European Union may be granted a visa to live and work in Portugal (and have access to the Schengen space) by conducting certain investment activities (such as a capital transfer, creation of job positions, purchase or purchase and regenerate real estate property, invest in scientific research, art, culture, heritage or creating a small or medium-size business).

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For all these reasons it is possible to conclude that Portugal is, indeed, a very attractive jurisdiction for ultra and high net worth individuals and businesses.

For additional information visit www.servulo.com.

CONTACT

Sofia Carreiro

Partner

E-mail: svc@servulo.com

