



PORTUGUESE NOMINEE COMPANIES “Avoiding an Offshore Nightmare”

Before the introduction of the new Portuguese tax legislation, putting a property Offshore was considered the sensible thing to do. However, annual property tax for black-listed companies is now set at 5% of registered value, some 6 to 12 times the rate on domestically held property. Equally important, rateable values, historically understated, are being updated. As a buyer, what should you look out for when the house of your dreams is in an Offshore Company?

a) Don't buy the Problem

Keep in mind Rule n° 1: *When you buy a company, you acquire both the assets and the liabilities.* The first problem, of course, is the Offshore Company structure itself. It can be expensive to maintain, needlessly forcing you to pay Portuguese Corporate Income Tax and, worst of all, can cost you tens of thousands of euros annually in extra Property Tax assessment. All because the Company's head office is located in an Offshore jurisdiction. However, if the owner were to move the Company's headquarters and management to Portugal, most of the problems melt away both for the buyer and the seller. Both will achieve surprising tax advantages as well as considerable savings in annual Company overhead costs when compared with direct personal property ownership.

b) Investigate the History of the Company

Many companies have a complicated past. Sometimes, there are underlying bureaucratic problems. All too often, improvements have been made without building permission or without registration. Some



former owners engaged the property in commercial activity, yet never declared a penny of the earnings. Remember rule n° 2: *the Company's outstanding liability is the responsibility of the current shareholder.* Finally, do your homework thoroughly. Have your lawyer check all registrations, deeds, licences, etc. to make doubly sure that everything is up-to-date and contains no surprises. You, as current owner, will be responsible for outstanding liabilities on the property.

c) Check out Compliance requirements

Another key issue is Compliance. Has the Company fulfilled all of its fiscal requirements since legislation started to changeover the past decade? Who is the Company's Fiscal Representative? Make sure that the Company tax returns have been submitted and that Rates payments are up-to-date.

d) Buy a "Clean" Company

The problem is not the Company *per se*. It lies in the fact that the headquarters of the Company is in a non-resident jurisdiction. If the headquarters are transferred to Portugal, the Company achieves a "New Beginning".

As always, the difference between a problem and an opportunity is your perception. While the current starting place may be less than desirable, simple, relatively inexpensive changes can dramatically reverse the fortunes for all concerned. With sound professional advice and a bit of perseverance, the situation can once again become the dream you originally were seeking.

A Portuguese Nominee Company

The problems of the Offshore Company, whether white-listed or black-listed, can usually be solved easily and relatively inexpensively



through a Portuguese Nominee Company. This fully compliant structure offers the beleaguered Company Owner a host of advantages:

- CGT uplift
- Low CGT rates
- IMT exemption
- Ease of transfer
- Tax-free Redomiciliation
- Reduced Closing Costs
- Simplicity
- Expenses never expire
- Low Domiciliary fees

In addition, local management can provide a support structure against eventual property related complications navigating Portuguese bureaucracy.

For more details on how to use a Portuguese Nominee Companies to solve your Offshore problems, please consult our eBook n° 1, “*Moving OnShore*”, now in its 15th edition.