



## PORTUGUESE NOMINEE COMPANIES Opportunity nº 3: *Fractional Ownership*

Fractional ownership simply means the division of any asset into portions or shares. When the “asset” is real property, this division is done more readily by creating a "*mezzanine structure*", i.e. creating a company which owns the property then allowing multiple owners or investors to own shares in the company. *Portuguese Nominee Companies* are ideally suited to this purpose.

Shares can be purchased and owned by more than one individual. The purposes behind a "*mezzanine structure*" can vary. Two common reasons are:

- a) *simplicity*: to allow transfer of shares without the need to reflect changes in the title of the property;
- b) *favourable tax treatment*: reduced CGT, exemption from Property Transfer Tax, reduced Stamp Duty.

Fractional ownership divides a property into more affordable segments for individuals and also matches an individual’s ownership time to their actual usage time. A fractional share gives the owners certain privileges, such as a number of days or weeks when they can use the property.

Conceptually, Fractional Ownership is *not* the same as Timeshare. Fractional Ownership affords much of the freedom and usage benefits offered in timeshare, however, the fundamental difference lies in the fact that the purchaser owns part of the title (as opposed to units of "time"). Therefore, if the property appreciates in value, then so do the shares. As with whole ownership, fractional owners can sell whenever



they deem necessary or prudent, releasing the capital growth from their "bricks & mortar" investment.

A key aspect for any fractional owner is to understand their usage rights and the reservation plans. These vary from property to property. Some offer fixed occupancy periods in which an owner uses the same time each year. Others create "floating" periods with occupancy times rotating. Still others have a mixture of the two concepts.

A variety of models exist in fractional ownership offerings. Private residence clubs are the luxury, high end of the fractional property market, providing the services and amenities of five star hotels. Some of the luxury hotel groups, such as Ritz-Carlton, Four Seasons and Hyatt run their own private residence clubs. Another variation in the business model is what are called "destination resorts". These are typically properties - hotel rooms, suites, or freestanding villas located on property owned and managed by a hotel developer - with amenities typical of a luxury resort. Some hotels are also developed as a condo-hotel, in which individual rooms are sold off to individual owners or groups of fractional owners.

Fuelling the growth of this active slice of the holiday home market is the fact that Fractional Ownership requires far less capital investment. Because it is deeded ownership, it is a real asset, one that can be rented, mortgaged, sold or willed to heirs.

Shareholdings can range from 2 to 5 owners and the company statutes define respective rights and obligations to be shared in common. Shares may be mortgaged and owners are free to transact their shares whenever they wish.



Using a *Portuguese Nominee Company* to achieve Fractional Ownership has many key advantages:

- ***Shareholder Structure***

It is easier to divide up shares rather than splitting the ownership of a property.

- ***A Fully Compliant Solution***

A bonafide Portuguese structure, not Offshore;  
No punitive taxation, no deemed income;  
Free from the onus of Anti-Avoidance legislation

- ***Eliminates Property Bureaucracy***

Quick and easy share transfer, reducing normal closing costs;

- ***Low Operating Costs***

Simplicity means reduced requirements, modest annual fees yet full professional support;

- ***Improvements Build Value***

Capital injections increase the worth of the Company, not just the property;

- ***Tax Efficiency***

Nominee Companies enjoy surprisingly favourable tax treatment under Portuguese law.

- ***Estate Planning***

By nature, Real Property is “invisible” whereas Shares can easily be divided amongst heirs.

- ***Flexibility***

Future buyers may continue to enjoy the benefits of the structure or purchase the property out of the Company, if they so choose.