



PORTUGUESE NOMINEE COMPANIES

Problem nº 2: *Family Ownership and Tenancy Rights*

Most investors, whether buying property, are looking to build their net wealth, enjoy retirement and pass their assets on to the next generation. Many want to buy their home and include their children in the ownership intending to leave their affairs in order and mitigating eventual inheritance tax problems.

However, life sometimes takes unexpected and cruel twists: bitter divorce, crippling illness, untimely death. In the worst case scenario, a retirement home in the children's name can vanish as a consequence of an unanticipated calamity, leaving the parents without a home, nor the means to replace it.

Solution: STAYING IN CONTROL

One simple solution is to use a Nominee Company with the shareholding in the name of the children. The Company grants a Deed of Life Tenancy ("Usufruto Vitalício") to the parents who then have full and exclusive rights to the property for as long as they live. Upon the passing of the last survivor, the tenancy rights automatically revert to the Company which is already owned by the children, thereby solving any potential inheritance problem inside and outside of Portugal.

Additional advantages of the *Nominee Company* are numerous:

No punitive taxation

Unlike Offshore Companies, there is no punitive taxation. There are no punitive Property Rates, no Deemed Income against the Company. In fact, *Nominee Companies* are tax exempt and any tax are levied directly to the Shareholders.



Reduced CGT Liability

14% CGT, plain and simple. There is a CGT rate of 14% on the sale of Company shares. This tax is flat rated, assessed independently from other income, so it will not “top-slice”, unwittingly forcing the taxpayer into a higher tax bracket.

No Property Transfer Tax for Buyers

There is no “*IMT*” (Municipal Transfer Tax) on the sale of the shares as long as a single shareholder does not have absolute control of the Company (exceeding a 75% concentration of ownership).

Ease on Entry

When transacted through **euroFINESCO**, buying a property via a *Portuguese Nominee Company* should cost no more than the direct purchase of the property. We can perform both Company formation and the Property transfer simultaneously.

Reduced Closing Costs

Buyers also enjoy reduced closing costs, avoiding the 0.8% Stamp Duty on property transfers. For example, in a recent *Nominee Company* sale openly reported at €1,700,000, the total tax bill came to only €25 for incidental expenses on the deed, saving the buyer “*IMT*” and Deed Stamp Duty that normally would have cost more than €136,000.

Low Operating Costs

The annual operating costs are modest for *Portuguese Nominee Companies*: just €700 + VAT. This annual fee includes all basic compliance requirements and offers a support structure for non-Portuguese speaking investors to guide them through the maze of bureaucracy.



Capital Improvements Don't Expire

Under normal Capital Gains Tax calculations, only improvements done in the 12 years prior to sale are eligible to be considered as deductible expenses. In other words, after this period, these improvements “expire”. However, injections of capital into your company never lose validity and add value to the Company at the point of sale.

a Fully Compliant Solution

Last but not least, this is a fully compliant solution. The *Nominee Company* structure has been in Portuguese legislation since the nineteenth century and has survived countless reforms over the past 150 years. While no one has a crystal ball to look into the future, this basic structure under Portuguese Law has undoubtedly stood the test of time. Although this type of company had fallen into disuse until recently, its revival is thanks to the “win-win” solution that it offers to both buyers and sellers, squarely within legislation.

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