



## PORTUGUESE NOMINEE COMPANIES

### Problem nº 3: *Downsizing*

Many people look to buy the home of their dreams when they first retire to Portugal. With the passing of the years, the dream house can be a burden with never-ending maintenance, repairs, gardening, etc. Often there is substantial accumulated equity value in the property, yet rather than added income comes only extra work. Downsizing starts to look like an attractive alternative.

#### ***Solution: Preparing the Transition***

When using a Nominee Company to downsize, you can often “kill two birds with one stone”. As mentioned in the Family Ownership Problem (*see brochure n° 8*), your Nominee Company can be valuable tool in Estate Planning and prove an effective means of passing your home to your children free of Inheritance Tax.

The benefits don't stop there. In downsizing, there is usually a substantial amount of liberated capital that can be invested and turned into supplementary income. A second Nominee Company, holding the capital investments, can act like a trust, providing a flow of income to supplement pensions while creating an important instrument in long-term Estate Planning.

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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