



PORTUGUESE NOMINEE COMPANIES

Problem n° 5: Portuguese Property in a UK Company

UK Companies holding Portuguese property are subject to the same tax treatment afforded to all *Non-Resident Companies* in Portugal: 25% assessment on gains and most other forms income. Since British legislation does not permit locally-based companies to transfer their headquarters out of the UK (a process commonly referred to as *Redomiciliation*), how may it be possible to achieve the multiple tax advantages inherent *in transformation to a Portuguese Nominee Company*?

Solution: UK Subsidiaries in Portugal

Under European Union Directive rules, Parent and Subsidiary Companies in different member states are permitted to transfer Capital, Assets and Profits to one another without incurring Gains Tax.

This means that the UK Parent Company can set up a Portuguese Subsidiary and transfer the property across to the new entity without incurring a Capital Gains assessment according to European Union rules. This new Portuguese corporate entity can subsequently be transformed into a Portuguese Nominee Company and spun off.

Note that while CGT is avoided with this process, the property transfer will trigger “IMT” (Portuguese Property Transfer Tax). Care must be taken to measure the impact of this levy against the potential benefits of an uplift on the basis for CGT assessment when the Portuguese Nominee Company is eventually sold.



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 *Portugese 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.