



**REDOMICILIATION FROM  
A BLACK-LISTED JURISDICTION**

At euroFINESCO, we continue to investigate options available to Offshore Property Company owners - both black-listed and white-listed - and can now recommend with confidence using a Portuguese civil company structure that may well prove to be the most appropriate vehicle for solving the immediate Offshore problem as well as meeting your long term needs: *the Portuguese Nominee Company*. This form of home ownership offers many of the advantages that property buyers once sought in Offshore Property Companies but achieves these objectives in a compliant, mainstream fashion. This type of non-trading company can provide stability as well as attractive benefits, meeting diverse potential needs:

- Offshore Property Companies (both white and blacklisted);
- Investment properties → buy-to-let;
- Property subdivisions;
- Capital Gains Tax mitigation;
- First-time home buyers in Portugal.

**A Fully Compliant Structure**

In fact, although infrequently used in the recent past, such small companies have been around since the mid-1800's and have been embraced in subsequent legislative reforms for over a century and a half. Therefore, they are fully compliant and are not subject to the punitive laws that have made Offshore Property Companies a pariah: no deemed income assessment, no 5% Rates bill. Because it is the Company headquarters and effective management that move, not the property, there is no crystallisation of Transfer Tax or Capital Gains Tax in the redomiciliation process.

**Lower Taxation**

**CGT:** One of the big advantages of the Nominee Company is a substantial reduction in the Capital Gains rate on the sale of the Company. As a fully resident structure, eventual CGT assessment is only 14% on the

sale of the shares, half the 28% rate than the rate non-residents may have to pay. In addition, this assessment is flat-rated, so your profit will not push up any other income into a higher tax bracket.

Another interesting possibility for Capital Gains Tax mitigation occurs when the Company establishes itself as a resident entity in Portugal. The Company's assets and liabilities must be declared based on *current* rather than *historical* values. This new balance sheet will serve as an uplifted starting point for eventual CGT assessment when the company shares are eventually sold.

**IMT:** In addition, future buyers may qualify for exemption from Property Transfer Tax ("*IMT*"), something that would be impossible under direct property acquisition. If future shareholders avoid a 75% or greater concentration of shares in one individual or couple, then the purchase of the Company's shares will not trigger "*IMT*" (formerly called "*Sisa*"). At the current 6% rate, this can save tens of thousands of Euros;

**IHT:** Like other assets in Portugal, bequests upon death or gifts during one's lifetime suffer no Inheritance Tax. Exempt transfers are permitted to immediate relatives: spouse, children, grandchildren, parents or grandparents. All others are assessed Stamp Duty of 10%. grandchildren, parents or grandparents.

**IMI:** Blacklisted Offshore Companies currently suffer annual property tax at the rate of 7.5%. A property with a VPT of €250,000 will pay Rates of €18,750. That compares to an IMI bill between €750 - €1,000 for redomiciled companies (rates at 0.3% to 0.4%, depending on local councils). In other words, almost a 20-fold increase.

**IRC:** Blacklisted Offshore Companies are also subject to a minimum Corporate Tax ("*IRC*"). There is a minimum "presumed income" of 1/15 of the rateable value, taxed at 25%. This means that a property with a VPT of €250,000 will pay annually "*IRC*" of €4,167. Redomiciled companies have declaration obligations but normally pay nothing.

### **Ease of Transfer**

The operating costs of a *Nominee Company* are a fraction of other company structures, thereby making them more attractive to both owners and to future buyers alike. With the property secured safely within the Company, bureaucracy is significantly reduced at the time of sale, cutting costs and complications so

often associated with property ownership in Portugal. A simple deed of transfer, declaring the sale of the shares, is all it takes, thereby avoiding the headaches related to licencing, registration and ever-changing rules related to property paperwork. This form of home ownership offers simplicity and full compliance while embracing many advantages that property buyers once sought in Offshore Property Companies.

### **No Benefit-in-Kind Assessment for Non-Residents**

While there has yet to be specific rulings from Tax Authorities in other EU jurisdictions regarding potential benefit-in-kind assessment for non-residents in Portugal, it is clear that the presumptions surrounding this type of taxation do not apply to Portuguese Nominee Companies and their owners:

- a) As a non-trading entity, the Nominee Company has the sole purpose of administering its assets to benefit the shareholders;
- b) The Company is bound to full Fiscal Transparency;
- c) The Company is required to have administrators with statutory compliance obligations.

Both under Legislation as well as Company Statutes, there is clearly no basis to conclude that the Shareholders could be construed as “*Shadow Directors*”, the underlying premise for any benefit-in-kind assessment.

### **Restrictions**

Needless to say, there are certain restrictions to such structures. Whether these limitations prove to be a negative or not depends on your situation. First of all, the company and shareholders must be declared in the Public Registry and thus there is no confidentiality as used to be the case in Offshore jurisdictions. Any assessment, although calculated by Company Code rules, will be taxed directly to the shareholders, not to the Company. Shareholding is also limited. These non-trading companies must have a minimum of 2 shareholders and no more than five. These shareholders are normally individuals, preferably family members, although corporate shareholding may be feasible.

The company is required to have an administration in order to meet basic corporate compliance obligations. However, these are not extensive and annual operating costs are modest. Auxiliary overhead requirements are also minimal and this type of company does not have to pay a minimum corporate income tax (“*P.E.C.*”). In fact, the administrative structure can provide an important support structure of knowledgeable professionals if and when things start to go wrong.

## **Costs**

*euroFINESCO's* flat fee for Redomiciliation to a Portuguese Nominee Company is €5,000 plus VAT. There will also be disbursements made on your behalf which typically run between €1,500-2,000.

Existing Offshore Management Companies will levy exit charges from the Jurisdiction of origin and/or Strike-Off expenses. Such costs are determined by your management company and jurisdiction requirements and are strictly the responsibility of the Company owners.

Finally, there is a one-time setup charge for a Portuguese Nominee Company of €500. Annual domiciliary service fees are €700 + VAT which include Company Administrators, Company domiciliary services, basic compliance obligations and an annual income tax declaration.

## **Time Line**

In order to start the redomiciliation process, we will need a number of documents about you, your company and property. In addition, we will need the following to move forward:

- Copies of Passports and Portuguese Fiscal Cards of Shareholders;
- Completion of the Service Agreement with *euroFINESCO*;
- Signed mandates and letters of instruction;
- Partial payment of the fees;
- An initial deposit into a Client Account to cover on-going disbursements;
- Power of Attorney, limited to represent you over the course of the process.

This is a bureaucratic procedure that may eventually take several months to complete. However, we are usually able to establish recognition of Fiscal Domicile of the Company in Portugal early on in the process that will effectively remove your Company from the "Blacklist", thereby eliminating the unwanted sanctions.

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