



## Redomiciliation Rewards

When an Offshore company redomiciles to Portugal, there is no asset transfer: no crystallisation of Capital Gains, no “*IMT*” and no Stamp Duty on Real Property. No chargeable event takes place; only the headquarters and effective management move to Portugal. The assets remain safely within the Company. Thus the alternative term for Redomiciliation: *Continuance*. Continuance opens attractive opportunities for tax mitigation sanctioned by legislation.

### ***Updated Basis for Capital Gains Tax***

Following Company registration in Portugal, a Balance of Accounts needs to be presented to mark the starting point as a Portuguese resident corporate entity. This Balance Sheet must be based on *current* rather than *historical* values. Thus, the Company’s assets reflect either their book value or the present market value of the property. Any shareholders’ loans to the Company, as well as a mortgage (if one exists), show as “Liabilities”. “Capital” is the paid-up share capital as well as Reserves, reflecting any appreciation in the value of the property. As such, there is a fresh start, and many historical problems, such as under-declared deed values or lack of bonafide invoices for capital improvements can be mitigated.

### ***Reduced CGT following Redomiciliation***

Following the move to a Portuguese domiciled entity, Capital Gains Tax on the eventual sale of Company shares reduces to 14%, as compared to 28% that otherwise would be the norm. Further Capital Gains Tax mitigation can take one of two forms. With the uplift in the nominal price of the shares upon registration of the now Portuguese entity, the stock can be sold at full value with little or no gain. Alternatively, the company can be liquidated and the assets distributed to the shareholders. As in the previous instance, with similar values, there should be little or no tax to pay.



### ***Potential Transfer Tax Exemption***

If the Company assets include Portuguese immovable property, the sale of the shares may be exempt from “*IMT*” depending on the circumstances of the eventual buyer of the Company. Under Portuguese law, when a shareholder does not exceed a concentration of more than 75% of shares to a shareholder, no Property Transfer Tax (“*IMT*”) is due on the underlying assets. If eligible, the buyers may potentially save many thousands of Euros, thus making such an acquisition more appealing than a purchase in one’s own name.

### ***Reduced Bureaucracy***

When a property changes hands, many organs of government get into the act. *Finanças* records the change of ownership and updates the Rateable Value (“*VPT*”) in a somewhat lengthy and labourious process. The local Council checks to see that current architectural drawings match the building(s) on site. The Land Registry verifies that boundaries and areas are correctly recorded. In short, the change in ownership of a property presents a sea of bureaucracy that can be both slow and expensive. The transfer of Portuguese shares is a simple notarial process. While there is some paperwork involved in amending records to reflect the changes of Company domicile or ownership, the process is straightforward and does not trigger reevaluations of the underlying property nor latent licensing problems inherent with many older properties.

While Redomiciliation may not be a “magic bullet”, it potentially offers significant advantages to owners who find themselves unwittingly trapped offshore. In contrast, treatment of Portuguese Nominee Companies has been remarkably stable since they were first introduced into legislation almost 200 years ago.