



CGT and Redomiciliation to Portugal

Company Redomiciliation: *Non-Resident to Resident*

Historically, many offshore jurisdictions had lax accounting practices, when financial statements were not required at all for “exempt” companies. At best, practices tended to be *pro forma*. Upon Redomiciliation to Portugal, we must begin with an accurate, current balance of accounts, so that future declarations will be fully correct and compliant, not merely historical figures that may be a decade or more out-of-date. (“*O valor das quotas ou partes em sociedades ... determina-se pelo último balanço.*” Art. 15º, CIS). For these and other reasons, we perform a proper appraisal of the company’s property, so that the closing balance prior to Redomiciliation, as well as the opening balance once a recognised Portuguese entity, reflect the present rather than the past of the Company and its assets.

Non-Resident Companies

Nonetheless, any uplift takes place while the Company is *non-resident without permanent establishment* in Portugal, still subject to the statutory law of its home jurisdiction. Theoretically, the change from historical to current accounts could constitute a taxable event in that resident territory. However, for the overwhelming majority of offshore jurisdictions in question (whether blacklisted or not), this rarely proves to be the case.

In Portugal, chargeable events for *non-resident companies without permanent establishment* are determined in accordance with Articles 15º and 51º of the CIRC. Under current legislation, an event such as the one mentioned above is not contemplated as taxable income.



Once Redomiciliation is complete, it is the current nominal value of the Company that will be the basis for calculating capital gains on an eventual sale of the Company.

CGT: *Company* versus *Property* transfers

Confusion easily arises if the value of a *Company* is mixed up with the worth of its *Property*. It is the Company that makes its accounts current. There is no effective carryover if the *Property*, rather than the *Company*, is sold. Capital Gains on Real Estate is always calculated on the net difference between purchase and sale of a property. Any eventual sale of the *Property* by the Company will trigger a CGT assessment to the *Company*, the owner of the *Property*, net of settlement of any outstanding shareholders' loans and deductible expenses. On the other hand, a sale of the *Company* would normally spark Capital Gains Tax to the shareholders on the difference between recorded values when registering in Portugal and the eventual sale of the *Company*. Needless to say, each event is distinct in nature and subject to entirely different fiscal rules.

***Finanças*' Position**

We, at **euroFINESCO**, have always acted with full knowledge and cooperation from the Portuguese tax authorities regarding Company Redomiciliation. In fact, it was *Finanças* that recommended and encouraged us to pursue the strategy of bringing offshore companies to Portugal, rather than moving them to other jurisdictions. They have actively helped us to overcome obstacles that we have encountered over the past three years, working with us to bring these entities to a fully compliant, resident status here in Portugal.