



BRANCH OFFICE (with permanent establishment) VS SUBSIDIARY

Companies can set up either a Branch Office or a Subsidiary Company. The treatment of these entities is quite different requiring careful consideration.

A **Branch Office** (*permanent establishment*) is generally defined as a fixed site through which the business of the company is wholly or partly carried out within that territory. It can include an agent habitually exercising authority to do business on behalf of the company.

A **Subsidiary Company** is a separate legal entity so liabilities arising within the company can not be claimed against another company in the group.

A **Portuguese Nominee Company** (*Civil Company*) can cost more to set up. However, fewer on-going requirements make this local structure less expensive to run than a foreign company operating through a permanent establishment in Portugal.

<i>Issues</i>	Branch Office (PE)	Subsidiary	PT Nominee Co.
<i>Legal entity</i>	Not a separate legal entity. Claims and liabilities arising in the PE extend to the main company.	As a separate legal entity, liabilities in one jurisdiction can not be claimed against another company in the group.	As a legal entity, this form of company is fully compliant with Portuguese legislation.
<i>Inter office remittances/ repatriation of profits</i>	Inter office remittances are not taxable.	Repatriation of profits is flexible and can take various forms. Repatriation of profits can be arranged to suit tax position timing of the group. No withholding tax on dividends.	As a stand alone Portuguese Company, there are normally no remittances nor repatriation per se.



<i>Profits/ losses</i>	Start up costs and initial trading losses can offset parent company profits for tax purposes. Company Tax due on profits of the Branch.	The rate of tax can be higher as a result of increased numbers of companies in the worldwide group.	Capital Gains on sale of shares benefit from 50% exclusion.
<i>Filing requirements</i>	Public filing of parent company accounts is usually required, depending on the law in country of origin.	Public disclosure of the accounts. With cross border consolidation, administration can be more straightforward.	PNC's file annual PT IRC accounts normally at zero.
<i>General</i>	A Branch is easier to establish and close down if unsuccessful.	Customers may prefer to deal with a local UK company rather than a overseas branch.	On the sale of shares, no Property Transfer Tax (IMT) due nor PT Stamp Duty.

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