



## PORTUGUESE NOMINEE COMPANIES

### Problem nº6: *Settling a Portuguese Estate*

When a loved one dies and leaves a Portuguese home to the next generation, the value of the property transfer is calculated based on the Rateable Value (*VPT*) of the property. While there is no universal rule, it is quite common for *VPT* values to be substantially below market value. This low value has a short-term benefit of reducing initial costs but such differences can also sharply exaggerate the Capital Gains Tax due when the property is eventually sold.

For example, Mr. Smith dies and leaves his Portuguese home to his 3 children. While the market value is estimated at €250,000, the Rateable Value is only €75,000. Because the heirs are forced to sell in order to settle the inheritance, they incur CGT of €35,000 and Property Transfer Tax and Stamp Duty for the Buyers exceed €11,000.

#### ***Solution: Transfer the Inherited Home into a Portuguese Nominee Company***

*If the heirs place the property into a Portuguese Nominee Company, they can achieve a total tax savings of almost €20,000 in this example. In addition, the new owners can also save over €11,000 in transfer taxes. Needless to say, the sellers can either pass on savings to the buyers or build them into the final price. When values are higher, the proportional savings are even more dramatic.*

The advantages of a *Portuguese Nominee Company* are numerous:

- ***No punitive taxation***

Unlike Offshore Companies, there is no punitive taxation. There are no 5% Property Rates, no Deemed Income Tax against the Company. In fact, *Nominee Companies* are tax exempt and any tax are levied directly to the Shareholders.



- ***Reduced CGT Liability***

10% CGT, plain and simple. There is a CGT rate of 10% 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***

If transacted through **euroFINESCO**, buying a property via a *Portuguese Nominee Company* should cost no more than the direct purchase of the property. Because of our market volume, we can pass on wholesale pricing and perform both Company formation and the Property transfer on a ***two-for-one*** cost basis.

- ***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 €136,000.

- ***Low Operating Costs***

The annual operating costs are modest for *Portuguese Nominee Companies*: just €600 pa. 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 Never Expire***

Under normal Capital Gains Tax calculations, only improvements done in the five 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 early 19th 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 was often ignored in the past, its recent revival is thanks to the “win-win” solution that it offers to buyers and sellers while fitting compliantly within Portuguese and EU legislation.

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