



## **Registering a Branch Office with Permanent Establishment in Portugal**

Offshore Companies - both black and white listed - have found that current international information sharing practices make it impossible to use the same confidential practices that were once available when the Company was originally formed. Latent Capital Gains are often crystallised when the Company's property is finally sold, creating a heavy tax burden.

Redomiciliation is normally the best solution but the exit process from an Offshore jurisdiction can be tedious and time consuming. Creating a permanent establishment and registering a Branch Office can provide a shortcut to tax mitigation. Here is an overview of the procedures involved.

### **A) Presentation of Documents**

The following are the required documents when registering a Branch Office in Portugal:

1. Identification document of the interested party;
2. Document proving their legitimacy;
3. Document proving the legal existence of the Parent Company;
4. Full text of the statutes of the Parent Company;
5. Board Resolution approving the establishment of Branch Office and the designation of the local Representative(s);
6. Tax Identification Number of the Portuguese Representative(s) .

Except when written in English, French or Spanish, documents in a foreign language must be accompanied by the corresponding official translation of the above documents.



## B) **Company name and description**

After checking the above mentioned documents, the participants should proceed to the assignment of the branch's name, which should correspond to the Parent Company in question as well as include the designation "permanent representation" (*representação permanente*), "branch" (*sucursal*) or its equivalent.

## C) **Registration and Publication**

Once the documents have been verified and the name of the branch determined, the *Business Activity Number* ("CAE") needs to be recorded. Once completed in the Commercial Registry, participants are given the access code to the *Permanent Certificate of Business Registration* and the "NISS" (*Número de Identificação de Segurança Social*) of the branch. In addition, the Commercial Registry will issue the company identification card in electronic format.

## D) **Business Registration** (*"Início de Actividade"*)

The Branch must be registered for tax purposes by filing the **Business Registration form** (*"Início de Actividade"*) with the Portuguese Tax Authority. When not transmitted electronically via the Internet, a hard copy must be presented to the local tax office within 15 days following completion of the branch registration.

## E) **Accounting**

Branch Offices must use Standard Accounting practices to allow control of taxable income associated with the Branch, covering all operations attributable to the Permanent Establishment. This requires using a Certified Accountant.

All movements in the accounts of the Branch must also be reflected in the financial records of the Parent Company. Any expenses attributable to the Branch must be issued in the name of the Branch with its Portuguese identification elements.



## F) **Redomiciliation**

Setting up a Branch Office is the first step of a larger process. Once permanent representation has been established, *Redomiciliation* can begin. There are several purposes to this Company Headquarter uprooting to be achieved.

First, the Parent Company becomes a full fledged domiciled entity under Portuguese law. The Branch can be re-absorbed back into the main company.

Upon Redomiciliation, share capital needs be uplifted to reflect the current market value of the Company's property which can partially or wholly mitigate future Capital Gain Tax liabilities.

Finally, in conjunction with the move, original shareholders' loans can be formally registered into the Company's financial accounts further mitigating future CGT liabilities.

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