auren

TOGETHER FOR YOUR SUCCESS

SETTING UP BUSINESS IN PORTUGAL 2024

www.auren.com

General Aspects

Portugal is the westernmost country of mainland Europe, and also includes the Madeira and Azores archipelagos in the Atlantic Ocean. With about 94.000 square kilometres, has 832 kilometres of Atlantic coast. The total population is approximately 10 million people. The official language is Portuguese, but many people speak English fluently. As economy of the Euro Zone, its monetary unit of currency is the Euro (EUR). Traces of this worldwide historic presence may be felt even today. Portugal is a developed country, with a high human development index, and one of the most peacefull and globalized country in the world. Over the past years, it has proved to be a prime location to invest, to do business and to live. Our traditional qualities of adaptability, flexibility and warm welcoming still our main DNA, but the country has also became innovative and internationally recognized.

Legal Forms of Business Entities

Legal form	Feature	Remarks
Branch of a foreign company *(Sucursal)*	An extension of a non-PT company and as such has no legal personality in Portugal, but is part of the legal entity of the foreign company. It is basically a place of business, which is considered as a local extension to the head office. All responsibilities for any liabilities in Portugal belong with the foreign company.	Suitable for foreign companies looking for a presence in Portugal to initiate business or maintain contacts with business partners, especially in cases of uncertain success. Likely to be classed as a permanent establishment for tax purposes - Non-resident taxation.

The incorporation of companies is mostly ruled by the Commercial Companies' Code

There are several body corporate types under Portuguese law, but the following two types of company are the most common:

Private Limited Liability Company by Quotas *(Sociedade por Quotas, limitada – LDA. or Sociedade Unipes- soal por Quotas, limitada – LDA.)*	Requires at least two partners (or in certain conditions, just one) either an individual or a company. Generally, decisions are taken and written in General Meetings of Quotaholders. It should have at least one director *(gerente)*. The corporate entity is responsible for any company's liability, i.e., not the individual. The capital is freely established by the partners in the statutory contract (deed of incorporation), which is represented by "quotas", each one with a minimum value of EUR 1.	The most popular legal form for body corporates, with high flexibility and relatively few obligations.

Public Limited Company by Shares *(Sociedade Anónima, S.A.)*	As a rule, it is required at least five shareholders (individuals or legal entities, domestic or foreign). It is also allowed the incorporation by a foreign company which will be the sole owner of shares representing the entire share capital. The shareholders' liability is limited up to the value of its shares. Generally, decisions are taken and written in General Meetings of shareholders. Board of Directors (Conselho de Administração) are designated in General Meeting or in the company's articles. It must have a statutory auditor. Alternative structures: Board of Directors (or Sole Director if capital < EUR 200.000) + Audit Board (or Sole Auditor); Board of Directors (including an Audit Commission) + Auditor; Executive Board of Directors (or Sole Director if capital < EUR 200.000) + General and Supervisory Board + Auditor. Companies incorporated according to alternative i. must have an Audit Board and appoint an auditor if 2 of the following limits are exceeded for 2 consecutive years: total balance sheet EUR 20.000.000; net turnover EUR 40.000.000; average number of employees 250. The minimum registered share capital is EUR 50.000. 70% of contributions in cash may be postponed for 5 years' period.	The Public Limited Company can be listed publicly on the stock exchange and enjoys an high market reputation. The costs of the founding process and the organizational, accounting obligations and the publication requirements are often more extensive than in a Private Limited Liability Company. Minority rights: 2/3 of the votes cast – quality majority - are legally required for certain resolution matters. Previous limits aplied to the alternative struture i. (until 1 January 2016): total balance sheet EUR 100.000.000; net turnover EUR 150.000.000; average number of employees 150.
Conversion from one Company type to another	A Private Limited Liability Company can be converted into a Public Limited Company and vice versa.	On re-registration, the company keeps its original company number and retains the same corporate identification.

Organizational and Compliance Questions

Topic	Feature	Remarks
Commercial Register *(Registo Comercial)*	Companies must be entered in the commercial register. The commercial register is administered in electronic form *http://www.mj.gov.pt/publicações* A permanent access to the online commercial registry certificate of the company is provided by the Commercial Registry Office.	If a company is legally required to be registered, but takes up business operations before being entered in the commercial register, the partners are personally liable for any losses up to the point of registration.
National Register of Companies	Any proposed name can be checked against a national computer database. If it has not already been taken, that name can be validated to be registered by the National Registry of Legal Entities *(Registo Nacional de Pessoas Colectiva, RNPC)*. Apply for an Admissibility Certificate (Certificado de Admissibilidade) and for a Company Card *(Cartão da Empresa)*. The Corporation Identification Number of the company shall correspond also to its Tax Payer Number *(Número de Identificação de Pessoa Colectiva, NIPC).* Apply also for the Social Security Registration Number *(Número de Identificação da Segurança Social, NISS).*	Depending on the activity, a licence or an approval for the business registration may be necessary. Licensing and installation procedures were also simplified: "Zero Licensing program" and "Industrial Responsible System".
Register at the Tax and Customs Authority	Apply for a Declaration of the commencement of activity for tax purposes *(Declaração de Início de Actividade)* at the Tax and Customs Authority *(Autoridade Tributária e Aduaneira).*	
Online services	General availability of services online. In fact, Portugal is an award winning country when it comes to e-government.	Portugal has carried out relevant measures of simplification. Full Knowledge of the local rules is advisable.
Central Register of the Effective Beneficiary	Obligation of companies to maintain an updated internal registry and the communication of the data of the legal person or persons that, even indirectly or through a third party, detains the ownership or the effective control of those entities.	This initiative is resulting from the current economic climate (the fight against money laundering, terrorist financing etc.), has brought a quest for transparency (in general) and exchange of tax information.
Bank Account and transfer of capital	All business forms are required for a corporate bank account in Portugal, which implies in an initial capital deposit. A business bank account required with clear indications as to whom can proceed to the movements. To open a bank account, individuals need an identification card, or valid passport, the proof of income and residence in Portugal, contact details, such as address/telephone number. Companies need an excerpt of the commercial register and the articles of association of the company. A tax number from the Portuguese Tax and Customs Authority is also needed.	Even though residents or non-residents may hold bank account in any currency, for account deposits of more than EUR 10.000 cash, they must declare to the Portuguese customs authorities in order to prevent money laundering.

Transfer of Goods and Machinery	Within the EU goods and machinery can circulate freely. Imports from non-EU states to Portugal cause customs, import turnover tax, and in some cases special exercise taxes. Imports from non-EU states to Portugal need also to meet the EU requirements to protect human and animal health, the environment and consumers rights.	There are several customs exemptions to be considered.
Money laundering and terrorist financing	Portugal has adopted a legal framework for the prevention of money laundering and legislative measures were adopted to make it easier to detect, prevent and suppress terrorist financing.	
Accounting Principles/ Financial Statements	Portuguese GAAP are in line with the IFRS conceptual framework. Portuguese companies listed in an EU/EEA securities market shall adopt IFRS since 2005.	As a member of the European Union (EU), Portugal is subject to the accounting, auditing and financial reporting requirements established in EU Regulations and Directives as transposed into national laws and regulations.
Financial audit	The Companies Code mandates that all public limited liability companies (S.A.) must have an annual audit conducted. Also all private limited companies (LDA) if they exceed 2 of 3 thresholds in two consecutive reporting periods: (i) net turnover of EUR 3.000.000; (ii) total assets of EUR 1.500.000; and/or (iii) average employees of 50 for the year. All public interest entities are required to be audited too. The Law directly adopts ISA as issued by the IAASB, and requires statutory audits to be performed according to ISA.	Public interest entities are defined as listed companies, credit institutions, insurance and reinsurance companies, pension funds, investment companies, and some insurance holdings companies.
Simplified Business Information *(Informação Empresarial Simplificada–IES)*	General Meeting must approve the annual financial statements within 3 months from the close of the fiscal year to which it relates.	Submitting the IES files online, annually, allows the company to fulfill, at once and in total desmaterialized way, account, fiscal and statistical obligations to the competent authorities

Employment

<table>
<tr><th>Topic</th><th colspan="2">Feature</th></tr>
<tr><td>National visas</td><td colspan="2">All citizens of over 16 years of age, whether national or foreign, are required by law to carry a valid document identifying them to the authorities. This document may be an identity card, passport, residence certificate or residence card.
European Union (EU) citizens do not need to report their presence in Portugal after their arrival and EU citizens can set up business and take up self-employed work in Portugal without the requirement of any permit.
Citizens of countries that have a visa-free agreement with Portugal can stay in the country for up to 90 days every half a year. Nationals of other countries need to obtain a short-term or long-term visa. The type of visa should be chosen according to the intended duration of stay and its purpose. There are several knds
Recent changes to the Law on Foreigners came into effect, which will simplify visa procedures for people from member states of the Community of Portuguese Language Countries (CPLP), residence authorization for digital nomads and researchers, and entry and exit of minors from the country, among others.</td></tr>
<tr><td>Gonden visa</td><td colspan="2">A range of investment options allows permanent residency and citizenship. It provides visa-free access to the European Union’s Schengen area. The holders of Golden Residence Permit for Investment Activity have the right to family regrouping, and may gain access to a permanent residence permit, as well as to Portuguese citizenship in accordance with the current legal provisions.
Based on a new law, this visa program closed for real state investments or venture capital, but other five eligible investment options are still available.</td></tr>
<tr><td>Labour law</td><td colspan="2">There are detailed employment regulations. The Portuguese labour system is now more flexible, particularly in terms of organizing working time.
The law establishes 40 weekly working hours, with some flexibility allowed by labour code. Hours bank regímen can be agreed. Annual vacation period has the duration of 22 business days.
Statutory limits on working time are part of health and safety regulations.
The notice period for termination of employment depends on seniority of the employee.
Several regulations entered in force recently regarding the teleworking regime and the right to disconnect.
National minimum wage EUR 820 (since 1 January 2024), 14 months per year.</td></tr>
<tr><td>Social System</td><td colspan="2">Registration, of the company and each employee, at the local Social Security regional centre is required.</td></tr>
<tr><td>(Segurança Social)</td><td>In the normal scheme, the social security contributions are shared 11% and 23,75%, by employee and employer, respectively.
The accident insurance must be paid by the employer in total. No other amounts are obliged.
The payment entitles the payer to a range of social security benefits.</td><td>There are exemption, or rate reduction, for the employer in several situations.</td></tr>
</table>

Taxation

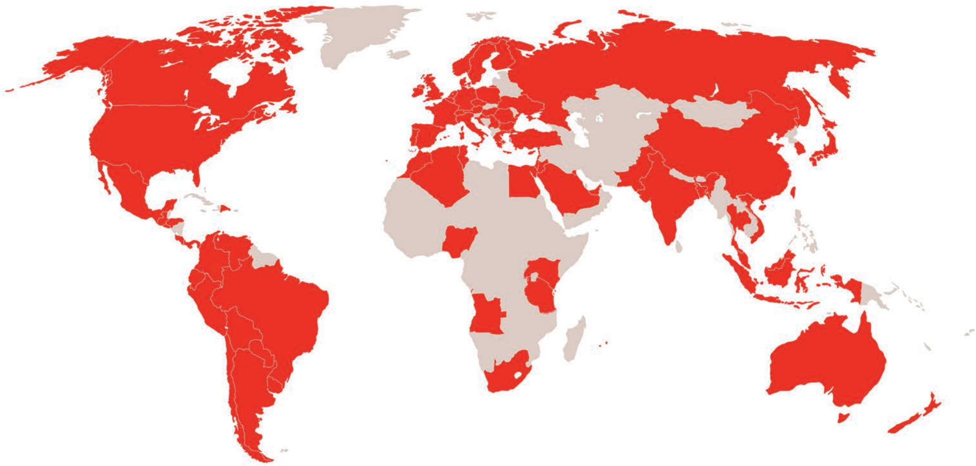
Companies in Portugal are usually taxed on two levels: on the first level, corporations are subject to corporate income tax *(Imposto sobre o rendimento das pessoas colectivas - IRC)*, whereas partnerships are subject to personal income tax *(Imposto sobre o rendimento das pessoas singulares - IRS)*. Both taxes are levied by the government. On the second level, taxable earnings are subject to the additional tax *(Derrama)*.

Tax	Feature
International doble taxation	Portugal employs two methods to avoid double taxation of foreign-source income, i.e. the exemption and ordinary tax credit methods. Portugal has almost 80 conventions for the avoidance of international double taxation. Portugal also signed the multilateral convention to implement tax treaty related measures to prevent base erosion and profit shifting.
Corporate Income Tax -CIT *(Imposto sobre o Rendimento das Pessoas Colectivas – IRC)*	The standard rate is 21%. A special reduced rate of 17% and 12,5% applies to the first EUR 25.000 and EUR 50.000, of taxable profits of small and medium-sized enterprises and star-up, respectively. Reduced rates are also aplicable to companies with head office or place of effective management in the Autonomous Region of Azores or Madeira. Once profits are distributed to the shareholders, personal income tax on the dividends is applicable. Portuguese resident companies and local permanent establishments of foreign entities are taxable on their taxable income, determined in accordance with accounting standards and subject to the Portuguese CIT Code provisions. Expenses related to the business activity are generally deductible for CIT purpose, but there are some non-deductible items.
Additional Tax *(Derrama)*	Between 0% to 1,5% on taxable earnings of the body corporate, levied by a municipality (municipal surtax). An additonal tax rate - state surtax - is applicable at following conditions: 3% on the taxable earnings between EUR 1.5 million and EUR 7.5 million; 5% to earnings between EUR 7.5 million and EUR 35 million; or 9% to earnings over EUR 35 million.
Participation exemption	Dividends received and capital gains realized by a resident company from a domestic or foreign shareholding are exempt, provided that some conditions are met, such as: the shares are held for a minimum continuous period of 12 months; the shareholder has held, directly or indirectly, at least 10% of the capital or voting rights of the entity that is disposed of.
Autonomous surcharge *(Tributação Autónoma)*	For anti-abuse purposes, certain expenses can be taxable with tax rates between 5% to 20%; for non-documented expenses, the tax rate is between 50%, in general cases.
Carry forward tax losses	The period to carry forward tax losses is 12 years since 01.01.2014, 5 years for 2012, 4 years for 2011 and 2010, and 6 years for tax losses arisen before 2009. This period will be reduced to 5 years for tax losses arisen in periods commencing on or after 01.01.2017, although the 12 year-period will be mantained for small and medium-sized companies. Tax losses assessed in tax years starting on or after 01 January 2023 can be deducted against taxable profit generated in future taxable years for an unlimited time period. The new rule also applies to tax losses assessed in tax years prior to 01.01.2023, which carry forward period is still running as of that date. Since 01.01.2014, losses used in each period cannot exceed 70% of the taxable earnings. Since 01.01.2023, is capped at 65% of the taxable income. The carryback of losses is not permitted. Since 01.01.2017, the FIFO criteria for using tax losses was repealed.
Group taxation	Resident companies may elect to be taxed under the special regime for groups of companies. Each entity must individually assess their taxable result, and so, the Portuguese tax group does not work as a pure consolidation or fiscal unity system.

Transfer Pricing	The Portuguese transfer pricing regime has come into force in the Portuguese tax legislation in 2002 and follows closely the OECD guidelines. As of 01.01.2022 a number of significant new changes entered in force. The new legislation explicitly provides that the documentation obligation is considered fulfilled only when the documentation file submitted contains all relevant information relating to the controlled transactions in which the taxable person has been involved. The standard model is now composed of a master file and a local file. The master file must contain information relating to the Group. Taxpayers are required to report transfer pricing information in Annex H of the Company Simplified Information/Annual Statement. Portugal has approved a law implementing the European Union public Country-by-country report Directive into domestic legislation. The new reporting obligations will apply to financial years starting on or after 22.06.2024. For taxpayers with a calendar financial year, the reporting obligation will apply for the first time to financial year 2025 and the report must be published until the end of the calendar year 2026. It applies to taxpayers belonging to an economic group with annual consolidated revenue in the preceding fiscal year of at least EUR 750 million.	
Lim**itation on the deductibility of financing expens**es	Net financial costs are deductible only up to the greater of these thresholds: EUR 1 million or 30% of EBITDA as adjusted for tax purposes. The exceeding amount may be carried forward for 5 years, up to the 30% threshold.	Specific limitations apply to the tax deductibility of interest expense, instead of previous thin capitalization rules.
Personal Income Tax - PIT *(Imposto sobre o Rendimento das Pessoas Singulares – IRS)*	There are several categories of income like employment income, business and professional income, investment income, real estate income, increases in net worth and pensions. The rate starts at 13,25% for an annual income exceeding the tax-free allowance of EUR 7.703. It rises progressively to a maximum personal income tax rate of 48%, which is applicable to earnings of EUR 81.199 or more. New tax benefit: Tax incentive for scientific research and innovation.	Tax advantages are available for married couples, non-marital union and children. New reinforcement of the tax benefits applicable to income earned by young workers (non dependents) aged 18 to 26 or up to 30 if finalizing a PhD. The Non-habitual Residentes regime *(Residentes Não-Habituais)* was revoked for taxpayers that become tax residents after 31.12.2023.
Tax regime to ex-residents	Employment and professional income received by a person that becomes a tax resident is excluded from taxation in the amount of 50% if certain requirements are met, excluding for non-habitual residents (since 2019).	
Personal Income Tax in case of partnerships	As partnerships are not separate legal entities but associations of partners, the partners themselves generally are subject to the personal income tax, with the individual tax rate applicable to each shareholder. There are rules in place to achieve a tax burden neutrality between partnerships and corporations.	

Value Added Tax (VAT) *(Imposto sobre o Valor Acrescentado – IVA)*	For mainland, the standard VAT rate is 23% and there are also a rate of 13% and 6%. Lower rates are applicable in Madeira and Azores. Some services, including banking, healthcare, and non-profit work, are VAT-exempt. For certain services rendered by a foreign entrepreneur, the reverse-charge-system has to be applied.	Each entrepreneur can apply for a VAT-Identification-number, which is particularly necessary for intra-EU supplies and services. Import turnover tax has to be paid for goods imported from non-EU states.
Real Estate Transfer Tax *(Imposto Municipal sobre as Transmis-sões Onerosas de Imóveis – IMT)*	When domestic real estate changes owner, a one-time tax over the purchase price has to be paid, usually by the buyer. The rate varies from 5% on the transfer of rural properties, a maximum rate of 6% on the transfer of residential properties, 6,5% on the transfer on urban properties and to 10% if the purchaser is located in a listed tax haven.	
Real Estate Tax *(Imposto Municipal sobre Imóveis – IMI)*	Every property owner in Portugal is annually liable to real estate tax. The tax rate depends on the category of the real estate, the assessed value of the property and the municipal collection rate.	
Stamp duty *(Imposto do Selo)*	Applicable on several types of agreements, documents and deeds foreseen in the General Stamp Tax Table, which occur in Portugal and are not subject or exempt from VAT. Subject to exemptions.	
Non-resident Taxation	A non-resident company which is trading through a permanent establishment is liable to corporation tax on income connected to the permanent establishment in Portugal, and on capital gains arising from assets connected with the activities of that permanent establishment. Non-resident individuals and companies in Portugal receiving income generated in Portugal, are subject to Portuguese limited taxation with their Portuguese-sourced income. Double taxation of this income is avoided by double taxation agreements between Portugal and other countries. In case of a non-resident company, the tax treatment depends on each kind of income.	
Tax benefits *(Benefícios Fiscais)*	Portuguese tax law allows tax benefits in several issues, namely in the following: Special tax credit for qualified investments (e.g. Tax Incentives System for Entrepreneurial Research & Development “SIFIDE II”, Tax Regime for Investment Support “RFAI”); Tax reductions for net jobs creation; tax incentive for salary valorisation; incentive to capitalise companies “ICE” (regime fiscal de incentivo à capitalização das empresas). Exemption for capital gains reinvestment.	Part of these benefits are determined or renewed by the govern-ment in an annual basis. Several revevant mesures have been adopted to support companies and the social sector, to combat rising energy prices ant to mitigate the effects of inflation.

auren
TOGETHER FOR YOUR SUCCESS



EUROPE
Andorra
Austria
Belgium
Bulgaria
Croatia
Cyprus
Czech Republic
Denmark
Finland
France
Germany
Greece
Hungary
Ireland
Italy
Luxembourg
Malta
Montenegro
Norway
Poland
Portugal
Romania
Russia
Serbia
Spain
Sweden
Switzerland
The Netherlands
Ukraine
United Kingdom

AMERICA
Argentina
Bolivia
Brazil
Canada
Chile
Colombia
Costa Rica
Dominican Republic
Ecuador
El Salvador
Guatemala
Honduras
Mexico
Panama
Paraguay
Peru
Uruguay
USA
Venezuela

MIDDLE EAST AND AFRICA
Algeria
Angola
Egypt
Israel
Jordan
Kenya
Kuwait
Lebanon
Mauricio
Morocco
Nigeria
Saudi Arabia
South Africa
Tanzania
Tunisia
Turkey
UAE
Uganda

ASIA-PACIFIC
Australia
Bangladesh
China
India
Indonesia
Japan
Malaysia
New Zealand
Pakistan
Singapore
South Korea
Thailand
Vietnam

auren
Antea
Alliance of independent firms
ASSOCIATES

www.auren.com