

A POSITIVE PLATFORM FOR INVESTMENT - ABREU ADVOGADOS

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A recent trend for investors using Portugal-based ‘holding companies’ as vehicles to access the African markets may have positive implications for the Portuguese market, according to Miguel Castro Pereira, Managing Partner of Abreu Advogados. “Aside from creating tax advantages for the foreign investors, these companies create employment and domestic investment, for example in real estate.”

Many countries, such as China and Hong Kong, do not have a double taxation agreement with African Portuguese-speaking jurisdictions, so may consider using Portugal as a platform from which to headquarter their African investments to reduce double taxation. “This means their operations are treated as being Portugal-based and they can take advantage of a specific provision in domestic law that creates conditions that effectively replicate a double taxation treaty where none is in place,” explains Castro Pereira.

The profits made in Africa are taxed locally and the holding company will be subject to zero tax in Portugal while double taxation agreements between Portugal and China or Hong Kong, for instance, will apply to the profits sent upstream. “This could lead to savings of up to 10 percent tax on

investment, which, given the size of transactions these Asian markets are involved in, is a huge advantage," he adds.

Any investors that use these structures, and invest over €1m, will also have direct access to Portugal 'Golden Visa' programme, whereby they can secure a Portuguese residence permit, and benefit from a flat tax rate of 20 percent on domestic employment, business and professional services income. So while the domestic market is stagnant, the use of the country as a platform to other markets may bring investment that is otherwise lacking, says Castro Pereira. "However, the Government has still to effectively turn Portugal into an attractive offshore regime that could help in boosting the ailing economy."