



PrimeGlobal

*An Association of
Independent Accounting Firms*

DOING BUSINESS IN PORTUGAL





COMPANY FORMATION IN PORTUGAL

MAIN FORMS OF COMPANY/BUSINESS IN PORTUGAL

In Portugal a company can be established as a resident or a non-resident entity.

Resident entities can be established as subsidiaries or as branches.

Subsidiaries can be established as limited or as shares companies.

SPECIFIC TAX CONCERNS RELATED TO ESTABLISHING A COMPANY

Both resident and non-resident companies must pay VAT on the sales at the official rate.

The resident companies must pay corporate income tax at the official rate. Both companies can have employees.

LEGAL ISSUES RELATED TO ESTABLISHING A COMPANY

The resident companies must nominate a manager and a statutory accountant that will be the responsible to prepare and submit the VAT returns, CIT form and the financial statements.

A branch has no minimum capital to be established.

A Limited company can be incorporated with a minimum paid capital of 1€ and a minimum of one shareholder. A shares company can be has created with a minimum of 50.000€ for paid capital and should have at least five shareholders. For both type of entities it's mandatory to have a minute book for general shareholders assembly. For shares entity it is mandatory also to nominate an auditor (Chartered Accountant/Revisor Oficial de Contas) but for a Limited subsidiaries it's only mandatory to have auditor after achievement of some criteria.

CULTURAL CONCERNS RELATED TO ESTABLISHING A COMPANY

Both subsidiaries (limited or shares company) have limited responsibility and can have a selection of the name according to the availability what is available and does not create confusion with the existing ones. For the branch, the name selection is limited to the name of the investor's company plus " – Sucursal em Portugal" and will have responsibility according to the investor's legal type.

OTHER COUNTRY-SPECIFIC ISSUES RELATED TO ESTABLISHING A COMPANY

For European investors there are no obligations for tax representation. A local bank account is required.

Our team is available for any further information and can incorporate a company in one day.



PERMANENT ESTABLISHMENT IN PORTUGAL: BRANCH OR SUBSIDIARY?

DEFINITION OF A PERMANENT ESTABLISHMENT

A permanent establishment (PE) is a fixed place of business which will give rise to income or value-added tax liability in the Portuguese jurisdiction. A permanent establishment is considered a resident establishment and can be incorporated as a branch or as a subsidiary.

DEFINITION AND MAIN DIFFERENCES BETWEEN A BRANCH AND A SUBSIDIARY

A subsidiary is independent from the mother company; only the shares shows the connection.

A branch can only act by the Memorandum & Articles of Association of the mother company.

TAX AND ACCOUNTING OBLIGATIONS

Both permanent establishments must pay VAT on sales and corporate income tax at the official rate. The Transfer Price Manual must be set up for subsidiaries with relevant transactions with group companies.

REGISTRATION FORMALITIES

Both companies must nominate a manager and a statutory accountant that will be the responsible to prepare and submit the VAT returns, CIT form and the financial statements.

A branch has no minimum capital to be established.

Subsidiaries can be established as limited or as shares companies. A Limited company can be incorporated with a minimum paid capital of 1€ and a minimum of two shareholders. A shares company can be has created with a minimum of 50.000€ for paid capital and should have at least five shareholders. For shares entity it is mandatory also to nominate an auditor (Revisor Oficial de Contas) but for a Limited subsidiaries it is only mandatory after achievement of some criteria.

A company can be incorporate in one day.

STANDARD LEGAL OBLIGATIONS AND FORMALITIES FOR A BRANCH

The registration of the company will require a minute resolution from the mother company explaining the activity that will be developed by the branch (must be related to the mother company activity), nominating the manager of the branch and the address of the branch and the fiscal year adopted for the branch.



HOW TO HIRE MY FIRST EMPLOYEE IN PORTUGAL

MAIN LEGAL STEPS TO FOLLOW TO HIRE A FIRST EMPLOYEE

After the registration of the company as resident or non resident, you must:

- Register the company in Social Security and Compensation funds;
- Have a contract signed by both the company and the employee;
- Register the employee in the company's Social Security and Compensation Funds system.

DESIGN AND CONTENTS OF AN EMPLOYMENT CONTRACT

We work directly with a team of lawyers that would be available to produce any employment contract required, in 2 days.

CAN SOMEBODY DO BUSINESS FOR ME AND NOT BE AN EMPLOYEE?

Yes, with the "Recibo Verde" system (subcontractor) it is possible to hire people for specific projects without having to hire them as employees. They would be classified as independent workers.

We also have available the Directorship service, to replace the manager function.



HOW TO READ FINANCIAL STATEMENTS IN PORTUGAL

The main Portuguese Financial Statements always consists of:

- Balance Sheet
- Profit and Loss Statement
- Cash Flow Statement
- Changes in Equity
- Notes
- Management Report

You will find hereafter a translation of the model of a Balance Sheet and Profit and Loss Statement and Cash Flow Statement.

If you have any queries, do not hesitate to ask.



| Nome da Empresa Tax Number | | Company Name Fiscal Number | |
|--|--|---|-----|
| Balanço Demonstração da Posição Financeira | | Balance Sheet Statement of Financial Position | |
| ACTIVO | ASSETS | Exercícios (Fiscal Years) | |
| | | N | N-1 |
| <u>Activo não corrente</u> | <u>Non-current assets</u> | | |
| Activos fixos tangíveis | Tangible fixed assets | 0 | 0 |
| Propriedades de Investimento (Investment Properties) | Investment Properties | 0 | 0 |
| Goodwill | Goodwill | 0 | 0 |
| Activos Intangíveis | Intangible Assets | 0 | 0 |
| Activos Biológicos | Biological Assets | 0 | 0 |
| Participações financeiras - método da equivalência patrimonial | Investments - equity method | 0 | 0 |
| Participações financeiras - outros métodos | Investments - other method | 0 | 0 |
| Accionistas / Sócios | Shareholders | 0 | 0 |
| Outros activos financeiros | Other Investments assets | 0 | 0 |
| Activos por impostos diferidos | Deferred tax assets | 0 | 0 |
| | | 0 | 0 |
| <u>Activo Corrente</u> | <u>Current assets</u> | | |
| Inventários | Inventory | 0 | 0 |
| Activos Biológicos | Biological Assets | 0 | 0 |
| Clientes | Customers | 0 | 0 |
| Adiantamento a fornecedores | Advances to suppliers | 0 | 0 |
| Estado e outros entes públicos | State and other public bodies | 0 | 0 |
| Accionistas / Sócios | Shareholders | 0 | 0 |
| Outras contas a receber | Other debtors | 0 | 0 |
| Diferimentos | Deferred | 0 | 0 |
| Activos financeiros detidos para negociação | Financial assets available for negotiation | 0 | 0 |
| Outros activos financeiros | Other Investments assets | 0 | 0 |
| Activos não correntes detidos para venda | Non-current assets available for sale | 0 | 0 |
| Caixa e depósitos bancários | Cash and Bank deposits | 0 | 0 |
| Total do activo | Total Assets | 0 | 0 |

Note: This information is only a rough summary. It doesn't cover all the situations nor resume the whole Portuguese Tax Code - which is very complex. Please contact us for accurate information adapted to your situation. We cannot be held responsible for any misinterpretation of this document.



| Nome da Empresa Tax Number | | Company Name Fiscal Number | |
|---|--|---------------------------------|-----|
| Balanço | | Balance Sheet | |
| Demonstração da Posição Financeira | | Statement of Financial Position | |
| CAPITAL PRÓPRIO E PASSIVO | EQUITY CAPITAL AND LIABILITIES | Exercícios (Fiscal Years) | |
| | | N | N-1 |
| Capital próprio | Equity Capital | | |
| Capital | Capital | 0 | 0 |
| Ações próprias | Own Shares | 0 | 0 |
| Prestações suplementares e outros instrumentos de capital próprio | Supplementary installments of capital and equity instruments | 0 | 0 |
| Prémios de emissão | Stock Premiums | 0 | 0 |
| Reservas Legais | Legal Reserves | 0 | 0 |
| Outras reservas | Other Reserves | 0 | 0 |
| Resultados Transitados | Retained Earnings | 0 | 0 |
| Ajustamentos em activos financeiros | Adjustments in financial assets | 0 | 0 |
| Excedentes de revalorização | Revaluation surpluses | 0 | 0 |
| Outras variações no capital próprio | Other changes in equity capital | 0 | 0 |
| Resultado líquido do período | Net Income | 0 | 0 |
| Interesses minoritários | Minority Interests | 0 | 0 |
| Total do capital próprio | Total Equity Capital | 0 | 0 |
| PASSIVO | LIABILITIES | Exercícios (Fiscal Years) | |
| | | N | N-1 |
| Passivo não corrente | Non-current Liabilities | | |
| Provisões | Provisions | 0 | 0 |
| Financiamentos obtidos | Loans | 0 | 0 |
| Responsabilidades por benefícios pós-emprego | Liabilities for post-employment benefits | 0 | 0 |
| Passivos por impostos diferidos | Deferred tax liabilities | 0 | 0 |
| Outras contas a pagar | Other payables | 0 | 0 |
| | | 0 | 0 |
| Passivo corrente | Current Liabilities | | |
| Fornecedores | Suppliers | 0 | 0 |
| Adiantamentos de clientes | Advances from customers | 0 | 0 |
| Estado e outros entes públicos | State and other public bodies | 0 | 0 |
| Accionistas / Sócios | Shareholders | 0 | 0 |
| Financiamentos obtidos | Loans | 0 | 0 |
| Outras contas a pagar | Other payables | 0 | 0 |
| Diferimentos | Deferred Liabilities | 0 | 0 |
| Passivos financeiros detidos para negociação | Financial liabilities held for negotiation | 0 | 0 |
| Outros passivos financeiros | Other financial liabilities | 0 | 0 |
| Passivos não correntes detidos para venda | Non-current liabilities held for sale | 0 | 0 |
| Total do passivo | Total Liabilities | 0 | 0 |
| Total do capital próprio e do passivo | Total Equity Capital and Liabilities | 0 | 0 |

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| Nome da Empresa Tax Number | | Company Name Fiscal Number | |
|--|---|----------------------------------|-----|
| <u>Demonstração dos Resultados por Naturezas</u> | | <u>Profit and Loss Statement</u> | |
| RENDIMENTOS E GASTOS | INCOME AND EXPENSES | Exerc. (Fiscal Years) | |
| | | N | N-1 |
| Vendas e serviços prestados | Sales and Services rendered | + | + |
| Subsídios à exploração | Trading Subsidies | + | + |
| Ganhos/perdas imput. de subsid., assoc. e empreend. conj. | Gains / losses charged to subsidiaries and joint ventures | +/- | +/- |
| Variação nos inventários da produção | Change in inventories for production | +/- | +/- |
| Trabalhos para a própria entidade | In House Work | - | - |
| Custo das mercadorias vendidas e das matérias consumidas | Cost of goods sold and materials consumed | - | - |
| Fornecimentos e serviços externos | Third party suppliers and services | - | - |
| Gastos com o pessoal | Staff expenses | - | - |
| Imparidade de inventários (perdas / reversões) | Impairment of inventories (losses / reversals) | +/- | +/- |
| Imparidade de dívidas a receber (perdas / reversões) | Impairment of receivables (losses / reversals) | +/- | +/- |
| Provisões (aumentos / reduções) | Provisions (increases / reductions) | +/- | +/- |
| Impar. de activos não deprec./amort. (perdas / reversões) | Impairment of non-depreciable / amortizable (losses / reversals) | +/- | +/- |
| Aumentos / reduções de justo valor | Increases / decreases in fair value | +/- | +/- |
| Outros rendimentos e ganhos | Other income and gains | + | + |
| Outros gastos e perdas | Other expenses and losses | - | - |
| Resultado antes de deprec., gastos de financ. e impostos | Result before depreciation, financing costs and taxes | 0 | 0 |
| Gastos / reversões de depreciação e de amortização | Expenses / reversals of depreciation and amortization | +/- | +/- |
| Impar. de activos deprec. / amort. (perdas/reversões) | Impairment of assets depreciable / amortizable (losses / reversals) | +/- | +/- |
| Resultado operacional (antes de gastos de financ. e impostos) | Operating results (before financing costs and taxes) | 0 | 0 |
| Juros e rendimentos similares obtidos | Interest income obtained | + | + |
| Juros e gastos similares suportados | Interest and similar expenses incurred | - | - |
| Resultado antes de impostos | Results before tax | 0 | 0 |
| Imposto sobre o rendimento do período | Income tax For the period | - | - |
| Resultado líquido do período | Net income of the period | 0 | 0 |

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