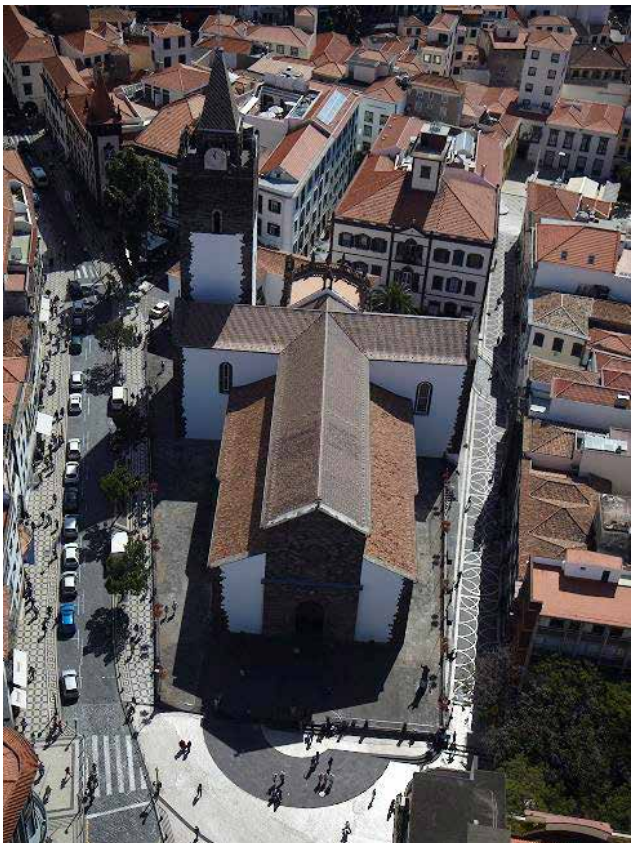
A guide to Madeira International Business Center

UMS
United Management Services
Consultoria Fiscal, Lda.

INDEX

Cathedral of Funchal



Mountain View
Funchal aerial view
Bank of Portugal Head Office

MADEIRA

ABOUT MADEIRA

Madeira Island was discovered in 1419 by the Portuguese navigators João Gonçalves Zarco, Tristão Vaz Teixeira and Bartolomeu Perestrelo.

Madeira, which is officially designated the Autonomous Region of Madeira, is a Portuguese archipelago endowed with political and administrative autonomy, ruled by the Political Administrative Statute of the Autonomous Region of Madeira, contemplated in the Constitution of the Portuguese Republic. Since 1976, Madeira is an autonomous region of the Portuguese Republic with self-government and its own Legislative Assembly. The Portuguese State is represented in the region by the Representative of the Republic for the Autonomous Region of Madeira. Madeira is an integral part of the European Union as an outermost region of the European Union, as per Article 299 -2 of the European Union Treaty.

The archipelago lies in the Atlantic Ocean between 30° and 33° north latitude, 978 km southeast of Lisbon and at about 700 kilometres from the coast of Africa, at almost the same latitude as Casablanca, relatively close to the Strait of Gibraltar. With a volcanic origin, the archipelago comprises the islands of Madeira, with 740.7 kilometers^2, Porto Santo (42.5 km ^{2}) and the uninhabited islands of Desertas and Selvagens.

The main access to the Madeira Island is the International Airport of Funchal, to and from where arrive and depart scheduled flights from most of the major European capitals. The sea port of Funchal receives several ships, especially cruise ships, and is also served by a regular shipping line of passengers and goods, linking the port of Funchal to Portimão, Algarve, in mainland Portugal. The Desertas and Selvagens Islands are nature reserves.

Despite having a population density (about 300 inhab./km ^{2}) higher than the national average, and even than the EU average, 75% of the population of

the island of Madeira only inhabits in 35% of the territory. The population is mainly concentrated on the south coast, where the city of Funchal, capital of the Autonomous Region of Madeira (ARM), is located, concentrating 45% of the population (130 000), with a population density of 1 500 inhab./km ^{2}. Most of the hotels are also located in this area.

THE INTERNATIONAL BUSINESS CENTRE OF MADEIRA (IBM)

Initially created as an industrial free zone, the International Business Centre of Madeira (IBCM) was designed and established with the main objective of contributing to the economic and social development of the ARM, by upgrading and diversifying the productive structure of the Region, including tourism, responding to the needs imposed by an economy deeply marked by the insularity, ultra-periphery and the economic dependence on a limited number of goods and services. The IBCM regime is framed, in community terms, as an aid of the State for tax purposes, duly authorized by the EU, aiming the regional development. The approval of a system of incentives to the ARM occurred the first time in 1987, comprising at that time an international register of ships, an industrial free zone, a financial services centre and a centre for international services. However, it is important to point out that the ARM is not included in any official list of territories or regions qualified as tax shelters. Indeed, the only singularity of the IBCM regime comparing to the remaining national tax legislation is the allocation of a set of tax benefits explicitly provided for in the Statute of Tax Benefits, according to the different regimes therein. In fact, all entities licensed to carry on any activity in the IBCM are subject to the same rules, conditions and requirements for their establishment and operation as any entity established in the rest of the country, without exceptions On the other hand, the regime of the IBCM is characterized by its total transparency (as opposed to what happens in most of tax shelters), translated by an effective supervision, control and fiscalisation, not contemplating any distinguishing specificity in matters of secrecy, in particular as in what regards the exchange of information, regarding the regime in force in mainland Portugal. Throughout its lifetime, the IBM system has been subject to review by the Community authorities, and as a result it suffered some changes from its initial configuration. The present tax regime that applies to entities licensed between January 1, 2007 and December 31, 2013 is properly approved and consecrated by the European Union, and will be in force up to 2020[1]

A – MAIN BUSINESS SECTORS

1. Multi - service companies

Madeira is one of the most efficient locations in the E.U. to set up service-oriented companies to carry out a wide range of activities such as import and export, e-business, maritime transportation, real estate investments or to hold intellectual property, both within and outside the European Union. Several reasons contribute to make Madeira an attractive location, among which we highlight the following:

- Extremely low corporate taxes, with an effective rate which ranges from 3% to 5% until the end of 2020;
- Full exemption from withholding taxes on the payment of dividends, interest and royalties;
- Access to Portugal's network of Double Taxation Agreements;
- Full compliance with C.F.C. rules;
- Last but not least, full approval by the E.U., conferring the whole system the transparency and credibility which many other jurisdictions lack.

2. Pure Holding Companies

The regime applicable to S.G.P.S. – Sociedades Gestoras de Participações Sociais (Portuguese pure holding companies) in Madeira is, undoubtedly, one of the best tools available today to structure investments in the European Union, given that:

- The E.U. Parent/Subsidiary Directive applies, exempting from taxation the income received from E.U. affiliated companies;
- Income received from non-E.U. subsidiaries, as well as worldwide income derived from interest and services, will be taxed at reduced tax rates of 3% to 5%;
- There is full participation exemption on worldwide capital gains received;
- No withholding taxes apply on dividends distributed to shareholders, regardless of their origin or nationality, with the exception of residents in Portugal;
- Access to Portugal's network of Double Taxation Agreements.

3. E-business activities

With the implementation of E.U. Directive 2002/38/EC and Regulation EC/792/2002, Madeira has become a prime location for e-business activities in the European Union, especially for B2C operations, which essentially involve the sale of digital goods and services through the internet to the final consumer. The Directive, which covers digital products such as software, data publications, music, videos, and fee-based broadcasting services, requires non-EU vendors to register for V.A.T. in a member-state of the E.U. and to charge the V.A.T. rate of the place of consumption in each operation. However, by incorporating a company in one E.U. country, the V.A.T. rate applicable in that Member State will also be applicable to all E.U. e-services provided by the company to individuals and unregistered traders.

Accordingly, Madeira is a prime location for such activities given that:

(1) IP/07/891Brussels, 27th June 2007

State aid: Commission endorses tax reductions for the free zone of Madeira for the period 2007-2013. The European Commission has approved under EC Treaty state aid rules a scheme providing tax reductions worth €300 million until 2020 to companies setting up in the free zone of Madeira (ZFM) between 2007 and 2013. The granting of the aid is subject to requirements to create jobs and strict safeguards as to the implementation of the aid. The Commission was satisfied that the aid was intended to promote regional development in Madeira by enabling companies established in this outermost region to overcome their structural handicaps. Competition Commissioner Neelie Kroes said "The aid will contribute to attract investment and economic activity to Madeira, supporting cohesion in the EU and regional development in this outermost region." The ZFM comprises an industrial free zone, an international services centre and an international shipping register. New companies licensed to carry on business there between 1 January 2007 and 31 December 2013 will benefit from a reduced tax rate of 3% in 2007-2009, 4% in 2010-2012 and 5% in 2013-2020. Access to the scheme will be restricted to companies which meet specific eligibility criteria, based on the number of permanent jobs created. The tax benefits will be limited by a ceiling placed on the taxable base per company which ranges from €2 million (where less than three new jobs are created) to €150 million (where more than 100 new jobs are created). The companies involved will have to start business within a fixed time limit (six months in the case of international services and one year in the case of industrial or shipping activities), beyond which they will lose their licences. Admission to the ZFM is also restricted to the activities included in a list drawn up by the Portuguese authorities on the basis of the statistical classification of economic activities in the EU. As under the previous scheme, authorised by the Commission on 11th December 2002 (see IP/02/1849), financial and insurance intermediary activities, financial and insurance auxiliary activities and "intra-group services" (coordination, accounting and distribution centres) are explicitly excluded. The Commission has assessed the aid in the light of the Regional Aid Guidelines for 2007-2013 (see IP/05/1653). Under the Guidelines, Madeira is fully eligible for regional aid until the end of 2013.

The fiscal advantages provided by the scheme are qualified as operating aid, which is generally prohibited under EU state aid rules. However, Article 299(2) of the EC Treaty recognises the specific permanent handicaps of the outermost regions:

remoteness, insularity, small size, difficult topography and climate, and economic dependence on a few products. Therefore, the new Regional Aid Guidelines allow operating aid for such regions as Madeira provided the aid is limited to offsetting the additional costs for pursuing economic activities in these regions.

The Commission's examination of the ZFM showed that the aid is targeted at specific handicaps of Madeira and is proportionate to the additional costs resulting from these handicaps. Moreover, in the past the measure has contributed positively to the regional development of Madeira.

• It enjoys extremely low direct and indirect taxation, including the E.U.'s lowest V.A.T. rate, with the added benefit of full E.U. membership;
• High quality support services – existence of an efficient network of computer-related companies, legal advice as well as administrative support;
• Telecommunication costs at the level of the E.U. average;
• Existence of the "Madeira Datacenter", a modern dedicated building designed to host telecommunication and data equipment, such as Data Centres and Internet Service Providers, among others;
• Existence of a Submarine Cable Station, hosted in the Madeira Datacenter, operating several international optical submarine cables, allowing interconnectivity with national and international SDH networks and providing, as such, significant advantages in terms of quality, cost, bandwidth and scalability;

4. Yacht and ship registry

Madeira's International Shipping Register – MAR was created within the framework of the MIBC and has become a credible and competitive alternative compared to other international registers, maintaining the quality levels and the safety culture of an E.U. register.
All entities which undertake the maritime transportation of persons and goods - companies, branches or agencies - may register vessels in MAR, flying the Portuguese flag. Shipping companies licensed to operate within the framework of Madeira's International Business Centre will fully benefit from the tax regime in force.

Specific advantages on the registration of commercial vessels:
• E.U. register, with total access to continental and island cabotage within the framework of the E.U.;
• Flexible crew nationality requirements. The captain and 50% of the safe manning of the ship must be European or citizens of Portuguese-speaking countries. This requirement may be eliminated whenever it is duly justified;
• A competitive social security regime. The members of the crew of vessels registered in MAR and their respective employers are not obliged to contribute to the Portuguese social security system. However, some form of insurance must be guaranteed;
• Flexible mortgage system, allowing both parties to choose the jurisdiction which will regulate the terms of the mortgage;
• The vessel may be registered in the name of a company licensed within the framework of the MIBC or of a company based abroad. In this case, a legal representative in Madeira must be nominated with sufficient powers;
• Existence of a network of correspondents in various European countries with the objective of providing local support to shipowners wishing to register vessels in MAR.
Specific advantages on the registration of yachts:
• E.U. register with full access and without any restrictions to navigation in E.U. waters;
• Low taxation, including V.A.T.;
• Reimbursement of V.A.T. in case the yacht is chartered;
• Exemption from V.A.T. on the purchase of fuel by commercial yachts and on chartering activities;
• No obligation to form a local company;
• No citizenship requirements for the crew on board the commercial yachts registered in MAR;
• Flexible social security regime for the crew on board commercial yachts.
All classification societies recognised by Portugal may undertake surveys and other services regarding the registration of vessels in MAR.
Currently, Portugal recognises seven classification societies in order to undertake some of its tasks within the framework of MAR:

- Lloyd's Register of Shipping (LRS);
- Bureau Veritas (BV);
- Det Norske Veritas (DNV);
- Registro Italiano Navale (RINA);
- American Bureau of Shipping (ABS);
- Germanischer Lloyd (GL);
- Rinave Portuguesa (RINAVE).

The register has a Technical Commission whose duties include the establishment of the crew composition. As a matter of fact, the shipowner may propose the crew composition of his vessel, and on the basis of the characteristics of the ship to be registered as well as in full compliance with the international conventions on safety and the preservation of the quality of life on board and at sea, the Technical Commission will establish minimum crew composition requirements.
Temporary registration is allowed by law, as well as the bareboat charter, and may be carried out in Portuguese consulates or in any other departments which have been or may come to be duly authorised for such effect.
MAR, as a Portuguese register, is among the international registers of the highest quality, having guaranteed adequate measures to ensure an efficient surveillance of all vessels registered. All international conventions ratified by Portugal are fully applicable to and respected by Madeira's Register, which has never been considered as a "flag of convenience", namely by ITF (International Traffic Federation).

B – TAX BENEFITS

1. CORPORATE TAX

Regime applicable to entities licensed between January 1, 2007 and December 31, 2013

Bearing in mind the new guidelines on State aid for regional purposes, together with the consideration of a new development model for the Autonomous Region of Madeira, the tax regime of the IBCM became the subject of further amendment in accordance with the decision of the European C (2007) 3037 final, of June, 27. The new regime, the effects of which will be seen up to the end of 2020, maintains the structural lines of the previous regime, insofar as it excludes financial intermediation and insurance activities and further activities as 'intra-group services' (coordination, treasury and distribution centres). In similarity to the previous regime it is provided a general scheme of decreasing benefits, the entities licensed from 1 January 2007 until December 31, 2013, being taxed on their Income Tax at the following rates:

Licensing period	Tax rate
From 2007 to 2009	3%
From 2010 to 2012	4%
From 2013 to 2020	5%

In parallel, it is expected that the addressed entities are entitled to a reduction in the corporation tax rate, arising from the activities actually and effectively carried out in the region, applicable to a maximum tax amount that depends on the number of jobs created.

In this respect, it is to highlight the extension of the ceilings established in the previous regime, as shown below:

Jobs to be created	Taxable profit limited to tax benefits
1 to 2 jobs	€ 2,73 millions
3 to 5 jobs	€ 3,55 millions
6 to 30 jobs	€ 21,87 millions
31 to 50 jobs	€ 35,54 millions
51 to 100 jobs	€ 54,68 millions
More than 100 jobs	More than 205,50 millions

Still considering the tax benefits limitation depending on the number of jobs created, it is noted that it was agreed with the European Commission the possibility to increase the ceilings if demonstrated, through a quantitative study to be submitted by the Portuguese Government, that maintaining the ceilings currently in force will affect the competitiveness of the system in terms of proportionality between cost and benefit. Therefore, it may be considered that the current ceilings may be revised and expanded in order to maintain the attractiveness of the fiscal incentives.

1.1 Creation of Jobs

The creation of jobs by entities licensed to operate in the IBCM must be assessed and confirmed by the labour relationship established between the employee and the licensed activity, based on a work form provided for in the general labour law in force in Portugal Thus, the requirement of jobs creation is accomplished:
a) With the conclusion of an employment contract of indefinite duration, a fixed term employment contract, determined or undetermined, an employment contract for a work commission, an employment contract for part-time work, an employment contract for tele-work or an employment contract for intermittent work, even with a number of employers, provided that they are entities licensed to operate in the IBCM;
b) With the filling of the positions of members of the governing bodies of the entities licensed to operate in the IBCM, provided their work relationship with the company may be considered within a salaried employment, in accordance with law;
c) With regimes of secondment, temporary assignment or casual assignment of employees, provided that the entity licensed to operate in the IBCM is responsible for paying the wages in such terms that the work provided may be classified as dependent on that entity;
d) With the perception by the employee of remuneration considered, for purposes of income tax and social security, as an income from salaried employment, whether or not subject to any taxation or effective contribution in the national territory, the worker maintaining a labour relationship with the activity licensed in the IBCM.

Remuneration and allowances:
Remuneration is considered as the compensation for which the employees are entitled in return for their work.
The said compensation must be satisfied in cash, and must be available to the employee on the due date or on the previous business day. (see articles 258º, 259º, 276º and 278º of the Labour Code). In addition to this monthly salary, employees are entitled, in each calendar year, to paid vacations, due in January with a minimum duration of business 22 days. Employees are also entitled to a Christmas allowance equivalent to one month salary, to be paid by 15 December of each year.

Workers shall be guaranteed a minimum guaranteed monthly salary, which amount is determined every year by specific legislation. In 2009, the minimum guaranteed monthly salary for the mainland Portugal was determined in 450 euro and in 459 euro for the ARM.

The monthly salary paid to the employees is subject to the following mandatory taxes to be supported be the company:

- The company must withhold, upon the payment of wages and other due remunerations, the amount referring to the individual income tax (IRS), which rate varies according to the salary level and the worker's household. The amounts to be withheld in the ARM are set out in the tables published in the Official Gazette, Series II, No. 30 of 12/02/2009 and Oder 3/2009/M.

- The company should also make the mandatory social security contributions at the following rates:

General Contribution Rates			
Type of Employee	**Rate borne by the Employer**	**Rate borne by the Employee**	**Total Rate**
Managers	23,75%	11%	34,75
Other Employees	23,75%	11,20%	34,95%

1.2. Nationality of the Managers

Directors of the companies licensed by the IBCM may be natural persons, non residents in Portugal, providing they are invested of full legal capacity.

The salaries of officers of companies non resident in Portugal are also subject to the compulsory deductions set out above in respect of income tax, as this is a yield obtained in the Portuguese territory and therefore subject to withholding. However, contributions to the Portuguese social security may be waived if the officer makes prove that he/she is already covered under the social security system of another Member State of the Union.

CREDIBILITY AND TRANSPARENCY

As a result of the findings of the G20 summit, held on the 2nd of April 2009 in London, the International Business Centre of Madeira (IBCM) has consolidated its position as a transparent and well regulated jurisdiction, fully integrated in the new architecture of the world's financial order.

The IBCM is a Portuguese place of business focused to the international markets, expressly authorized by the European Commission following the proposal made by Portugal aiming to create the most adequate conditions for the development and diversification of a small island and outermost economy such as the one of Madeira.

The most consensual matter discussed at the summit, which gathered the twentieth most powerful economies in the world (G20), was the need to distinguish the States that have always cooperated with the rules of transparency and sharing of information, in which Portugal has always been included and, inherently, the IBCM, from those that do not cooperate and that

need to be under a more strict surveillance.

Based on this decision, Portugal was left out of the new black and gray lists published by the Organization for Economic Cooperation and Development (OECD), clearly confirming the position of the IBCM as a credible and legitimate jurisdiction, at a time when world leaders seek to restore confidence in the international financial system.

However, the fact of IBCM being out of these lists is not surprising, as in more than twenty years of operation it has never been classified as an "Offshore" or a "tax shelter" by the major international organizations, namely the European Union or OECD, being entirely subordinated to the community and national legal regulations.

The stability of the IBCM tax regime, which will remain unchanged until 2020, and the confirmation of its accuracy and transparency on the part of the world's leading authorities on regulatory and fiscal supervision, place the IBCM at a high level of security and competitiveness that gives national and international investors a unique package of benefits, applicable to a wide range of activities.

A PROGRESS REPORT ON THE JURISDICTIONS SURVEYED BY THE OECD GLOBAL FORUM IN IMPLEMENTING THE INTERNATIONALLY AGREED TAX STANDARD[2]

Progress made as at 2nd April 2009

Jurisdictions that have substantially implemented the internationally agreed tax standard		
Argentina	Iceland	Portugal
Australia	Ireland	Russian Federation
Barbados	Isle of Man	Seychelles
Canada	Italy	Slovak
China[3]	Japan	Republic South
Cyprus	Jersey	Africa Spain
Czech Republic	Korea	Sweden
Denmark	Malta	Turkey
Finland	Mauritius	United Arab
France	Mexico	Emirates United
Germany	Netherlands	Kingdom
Greece	New Zealand	United States US
Guernsey	Norway	Virgin Islands
Hungary	Poland	

(2) The internationally agreed tax standard, which was developed by the OECD in co-operation with non-OECD countries and which was endorsed by G20 Finance Ministers at their Berlin Meeting in 2004 and by the UN Committee of Experts on International Cooperation in Tax Matters at its October 2008 Meeting, requires exchange of information on request in all tax matters for the administration and enforcement of domestic tax law without regard to a domestic tax interest requirement or bank secrecy for tax purposes. It also provides for extensive safeguards to protect the confidentiality of the information exchanged.

3) Excluding the Special Administrative Regions, which have committed to implement the internationally agreed tax standard.

João Gonçalves Zarco Monument

Jurisdictions	Year of Commitment	Number of Agreements
Tax Havens[4]		
Andorra	2009	(0)
Anguilla	2002	(0)
Antigua and Barbuda	2002	(7)
Aruba	2002	(4)
Bahamas	2002	(1)
Bahrain	2001	(6)
Belize	2002	(0)
Bermuda	2000	(3)
British Virgin Islands	2002	(3)
Cayman Islands[5]	2000	(8)
Cook Islands	2002	(0)
Dominica	2002	(1)
Gibraltar	2002	(1)
Grenada	2002	(1)
Liberia	2007	(0)
Liechtenstein	2009	(1)
Marshall Islands	2007	(1)
Monaco	2009	(1)
Montserrat	2002	(0)
Nauru	2003	(0)
Netherlands Antilles	2000	(7)
Niue	2002	(0)
Panama	2002	(0)
St Kitts and Nevis	2002	(0)
St Lucia	2002	(0)
St Vincent & Grenadines	2002	(0)
Samoa	2002	(0)
San Marino	2000	(0)
Turks and Caicos Islands	2002	(0)
Vanuatu	2003	(0)
Other Financial Centres		
Áustria[6]	2009	(0)
Belgium[6]	2009	(1)
Brunei	2009	(5)
Chile	2009	(0)
Guatemala	2009	(0)
Luxembourg[6]	2009	(0)
Singapore	2009	(0)
Switzerland[6]	2009	(0)
Jurisdictions that have not committed to the internationally agreed tax standard		
Costa Rica		(0)
Malaysia (Labuan)		(0)
Philippines		(0)
Uruguay		(0)

TAX SYSTEM

Advance transfer pricing

The possibility of concluding Advance Pricing Agreements (hereinafter TPAs), a well known practice in other jurisdictions where it is already deeply implemented, was recently introduced in Portugal, lying under Article 128-A of the CIRC and Ordinance No. No 620-A/2008 of 16 July.

With its introduction and regulation, companies are now allowed to notify the tax authorities on their interest in concluding an TPA, setting forth in advance the best transfer pricing methodology to be used in operations with related parties. By concluding a TPA, companies may avoid subsequent adjustments and corrections to the taxable base by the tax authorities, since the method or methods had been accepted in advance for determining the taxation on operations subject to the principle of free competition.

Thus, these agreements contribute for an increased competitiveness and security for taxpayers and even for the tax administration itself, as they introduce greater transparency in the tax system, making it a more predictable system for international operations.

TPAs may cover the whole or part of the company's business operations. These agreements may be unilateral, when involving the agreement between a single Tax Authority and the taxpayer (DGCI and an individual tax payer of IRS or IRC), or multilateral when, in addition to the agreements celebrated with the DGCI, they involve one or more Tax Authorities under the mutual friendly agreement procedure provided for in the Convention to avoid double taxation on income taxes. In the Autonomous Region of Madeira, the process of concluding a TPA follows the same procedures as the ones concluded in mainland Portugal, being subject to the same requirements, forms and deadlines provided under terms of the Ordinance. Under the fiscal decentralization that took place in 2005, the agreement proposal should be addressed, not the Director General of Taxes, as provided under the ordinance, but to the Regional Director for Fiscal Affairs, which is the competent authority in the Autonomous Region of Madeira in these matters.

In fact, the Decree-Law No. 18/2005 of 18 January (the pioneer legislative act of the Portuguese fiscal decentralization) enabled the transfer to the Autonomous Region of Madeira of all the taxation duties and powers that, within the frame of the Tax Directorate of the Autonomous Region of Madeira and all its related services, were being conducted in the Region by the Portuguese Central Government. As a result of this tax decentralization, it was created in Madeira the Directorate Regional of Fiscal Affairs, RDFA, wich

(4) These jurisdictions were identified in 2000 as meeting the tax haven criteria as described in the 1998 OECD report.
(5) The Cayman Islands has enacted legislation that allows it to exchange information unilaterally and has identified 11 countries with which it is prepared to do so. This legislation is being reviewed by the OECD.
(6) Austria, Belgium, Luxembourg and Switzerland withdrew their reservations to Article 26 of the OECD Model Tax Convention. Belgium has already written to 48 countries to propose the conclusion of protocols to update Article 26 of their existing treaties. Austria, Luxembourg and Switzerland announced that they have started to write to their treaty partners to indicate that they are now willing to enter into renegotiations of their treaties to include the new Article 26.

became the competent authority to pursue such matters working in coordination with, but as a separate and independent body of the Directorate General of Taxes.

The Regional Regulatory Decree 29-A/2005/M of August, 31, defines and explains the functions, duties and powers of the DRAF. The DRAF mission is not only to secure and manage the taxes on income, expenditure and capital and on other incoming provided by law, but also to execute the fiscal policies and guidelines set by the Regional Government in fiscal matters to be applied in the ARM including, without prejudice of the provisions of Articles 140 and 141 of Law No 130/99 of 21 August, the administration, assessment, levying and collecting of the taxes that are a revenue of the region and to ensure the implementation and enforcement of further legislation on national tax matters.

It is further provide that, in the exercise of the powers assigned to it, DRAF should be guided by the same principles of exemption, independency and strict obedience to the rules of secrecy provided for by law and to the unity of the tax system, working in articulation and coordination with the Directorate General of Taxes, although being an autonomous and independent body.

Accordingly, a TPA concluded by a company incorporated in the ARM or at the IBCM will be proposed, discussed, negotiated and accepted by the Directorate Regional for Fiscal Affairs, which, in the exercise of its functions, is the competent authority at the ARM.

The TPA process begins with the submission of a draft agreement to the Directorate Regional for Fiscal Affairs for a preliminary assessment within the following 60 days. Within this time frame, the Directorate Regional for Fiscal Affairs may decide immediately or it may make use of the entire 60 days deadline, when and if the complexity of the proposal so requires. If the proposal is not particularly complex, the Directorate Regional for Fiscal Affairs shall diligently pronounce its decision and, therefore, the applicant may promptly present its TPA project, duly accompanied by all data and documents required under the Ordinance. On the contrary, the applicant may only submit its TPA proposal after 60 days on submission of its initial draft.

After the reception of the request, the TPA formalization process is initiated going through at least four stages: preliminary assessment, proposed agreement, evaluation and negotiation with tax authorities of other states, in case of a multilateral agreement, and conclusion of the agreement.

According to the Ordinance, these agreements can not be concluded for a period exceeding three years. However, TPAs may be renewed if the applicant so requests within six months before the term of the validity period.

After the conclusion of the agreement and with the fulfilment of all the conditions set out therein, the price may not be revised, leading to a greater stability in the operations carried out by the companies, providing a much desired fiscal security.

The use of TPAs is, therefore, an efficient mechanism for taxpayers to advocate their point of view on this matter without a pre-litigation or litigation with the tax authorities which, in turn, are required to adopt a proactive and cooperative behaviour.

Fiscal Transparency Regime

For IRC purposes, partnerships are subject to the same treatment as corporations, although a fiscal transparency regime is applicable to certain resident companies: civil law companies not incorporated under a commercial form, incorporated firms of professionals and holding companies the equity capital of which is controlled, directly or indirectly, during more than 183 days by a family group or a limited number of members, under certain conditions. For IRC purposes, a fiscal transparency regime also applies to ACEs (Complementary Business Groupings) constituted and operating in accordance with the applicable law and to AEIEs (European Economic Interest Groupings), treated as resident.

The transparency regime is essentially characterized by attributing to the shareholders or members of the transparent entity its taxable amount (or, in case of ACE or AEIE, respective profits or losses), even in case of undistributed profits. Thus, the transparent entity is not liable to IRC, and the amounts attributed to the taxable income of its shareholders or members being therefore embodied for IRC or IRS purposes, as the case may be. In relation to IRS, such amounts are taken into account as net incomes in category B.
Where the shareholders or members of companies covered by the fiscal transparency regime are non-resident, there shall be considered derived income attributed to them through a permanent establishment situated within the Portuguese territory.

The Taxable Period

The IRC falls due for each taxable period corresponding, in principle, to a calendar year.
Legal entities having their head-office or effective management in the Portuguese territory and required to have a consolidated accounting, as well as legal persons or other entities liable to IRC without their head-office or effective management within the domestic territory but having a permanent establishment in that territory may adopt a yearly tax period other than the calendar year. However, such tax period must be kept for at least the next five fiscal years.
This option may also be extended to other entities, upon request and in the same conditions, by decision from the Minister of Finance, on the ground of special economic reasons.

Determination of Taxable Income
Legal Persons and Other Resident Entities Exercising as Their Main Business a Commercial, Industrial or Agricultural Activity

The taxable income - the assessment of which is in accordance with the distinctions resulting from the different taxable bases for IRC taxable persons - is determined, as a general rule, on the basis of a taxpayer's tax return, without prejudice to its auditing by the Tax Administration. If there is no tax return, it is incumbent upon the Directorate General for Taxation to assess the taxable income, as the case may be.
The use of indirect methods for assessing taxable profits shall only be accepted in the following circumstances:
a) Simplified taxation regime;
b) Impossibility of certifying and obtaining a direct accurate quantification of thoseelements absolutely necessary to an accurate determination of taxable income;
c) A significant deviation of taxable amount with no justifiable reason in relation to objective indicators relating to such activity

on a technical-scientific base;
d) Taxpayer producing without a justified reason null taxable income or tax losses during three consecutive years.

Taxable profit

General Regime for the Determination of the Taxable Income
The determination of the taxable income is based on the amounts shown by the accounting records, representing the algebraic sum of the net income for that period (the difference between profits or gains and costs or losses) as well as positive or negative variations in net equity during the same period which are not reflected in the taxable income and fiscal corrections deriving, as a general rule, from non deductible accounting costs or non taxable accounting profits.

IRC Assessment Scheme

Net income
+
Positive changes in net equity non reflected on the income
–
Negative changes in net equity non reflected on the income
±
Fiscal corrections
(e.g., non deductible costs or non taxable proceeds)
=
Taxable profit
–
Tax losses from previous accounting periods
–
Tax incentives
=
Taxable income
x
Tax rate
=
IRC assessed income
–
Tax Credit
=
Assessed IRC
–
Withholding at Source
–
Advance Payments
=
Payable or receivable IRC

Changes in Net Equity Not Reflected on the Accounting Period Net Income

Although the determination of the taxable income is based on a balance theory, some components shall be excluded there from. Thus, as far as it concerns positive changes in equity, there shall not be taken into account to estimate the taxable profit: any potential or underlying capital gains even if shown in the accounting; capital contributions, in particular if designed to cover losses, made by capital owners; contributions made by an associated member to the association within the scope of any kind of arrangement for participation in profits (associação em participação and associação à quota). The positive changes in equity relevant for determining the taxable profit include,
in particular, positive variations in equity obtained free of charge, to be taken into account for their market value.

From negative changes in equity there shall be excluded: wealth decreases unrelated to the taxpayer's activity; any potential or underlying capital losses even if shown in the accounting; payments in cash or in kind in behalf of capital holders as a remuneration or as a capital decrease, or as a distribution of property; and also the contributions made by the association to the associated member within the scope of any kind of arrangement for participation in profits (associação em participação and associação à quota).

Negative changes in net equity in respect of bonuses and other work remuneration granted to the members of the company boards and to the employees of an enterprise as a profit sharing shall be considered as forming part of the taxable profit for the accounting period to which the profits relate, provided that such amounts are paid or made available to the beneficial owners until the end of the next accounting period. Nevertheless, there shall not be considered as forming part of the taxable profit the negative changes in net equity in respect of bonuses and other work remuneration granted to the members of the board of directors of a company as a profit sharing, where the beneficial owners hold, directly or indirectly, one per cent of the capital stock of the company, and such amounts exceed twice the amount of their monthly remuneration in the accounting period to which the profits relate; the part in excess shall be assimilated to distributed profits for tax purposes. Thus, the recipient beneficial owner shall be considered to hold indirectly the corporate rights in the company when they are owned by the other spouse, ascendants or descendants to 2nd degree.

Profits and Costs

Profits and costs as well as other positive or negative components of the taxable income are attributable to the accounting period to which they relate according to the accrual basis principle (cash basis method). There shall be considered as profits or gains those derived from an operation of whatever nature as a result of a normal or occasional action, basic or merely accessory, resulting from: selling or supply of services, discounts, bonus and reductions, commissions and brokerages; income from immovable property, financial and industrial property income; supply of scientific or technical services; realized capital gains; indemnities and operating subsidies or subventions.

With regard to subsidies or subventions granted to finance the acquisition of fixed assets if in connection with the reintegration or amortization of fixed assets elements, there shall be comprised in the taxable profit a part of the subsidy or subvention, at the pro rata of the reintegration or amortization estimated on the acquisition or production cost.

However, the yearly taxable part shall not be lower than the reintegration minimum quota corresponding to such fixed asset. If the subsidies are not in connection with fixed assets elements, they shall be included in the taxable profit, in equal parts, in the accounting periods during which such elements may not be alienated, according to the law or to the concession agreement or, in all other cases, for 10 years as from the year in which such subsidy or subvention is received. There shall be considered as costs or losses those deemed to be absolutely necessary for the realisation of profits or gains liable to tax, or to the maintenance of the productive source, in particular, costs related to:
• Production or acquisition of any goods or services such as used materials, labour,
energy and other manufacturing, conservation and repair costs;
• Distribution and sale;

• Financial costs;
• Administrative costs, such as remunerations, allowances, etc.;
• Research, analysis, rationalisation;
• Tax planning;
• Provisions;
• Depreciation and amortization;
• Realised capital losses;
• Indemnities paid on non-insurable risks.

There shall not be accepted as costs for the determination of taxable profit, in particular, costs related to:
• illicit expenses;
• that part of rents under a leasing agreement designed for financial depreciation;
• non-substantiated charges;
• losses borne in relation to the transfer for consideration of corporate rights, regardless of how such transfer occurs, where:
- Corporate rights held by the transferor for less than three years and having been acquired or, regardless for how long they are held, having been transferred to any entity with which there is a special relationship, or to an entity with its domicile in a country or territory with a more privileged taxation system, or also to an entity resident in the Portuguese territory subject to a special taxation regime;
- The alienator entity results from the transformation, including the modification of the social object, of a company to which a different tax regime would apply in respect of such costs, and the period of time between the moment that fact occurs and the date of transfer is less than 3 years;

50 per cent of the negative difference between the realized capital gains and capital losses by way of a transfer for consideration of corporate rights, including its redemption and depreciation with capital decrease, as well as other losses or negative changes in equity in connection with corporate rights or other elements belonging to the equity capital, namely supplementary payments not covered by the preceding paragraph;
• IRC or any other taxes levied, directly or indirectly, on profits;
• Amounts shown on documents issued by taxable persons with null or void tax identification number, or by taxable persons whose notice of termination of business is officiously produced;
• Taxes or any other charges levied on third persons, which the enterprise is not entitled to bear;
• Fines and penalties of a non contractual nature resulting from any kind of infringement;
• Indemnities for any event with insurable risks;
• Allowances for expenses and compensation in respect of the use by the employee of his own vehicle in the service of the employer, which are not attributable to clients, regardless of how they are registered into the accounting records, where the employer does not keep for each payment a control chart of such displacements, except for that part subject to IRS in the hands of the beneficial owner;
• Amounts due on renting of light or mixed passenger vehicles (without a driver) for that part corresponding to the depreciation value of such vehicles not allowed as costs;
• Fuel costs for that part in relation to which the taxable person has no supporting document that they are related to goods belonging to his assets or used by him under a leasing arrangement, provided that the average consumption is not exceeded;
• Interest and any other kind of remuneration of supplies and loans granted to the company by its members for that part in excess of an amount corresponding to Euribor 12-month reference rate on the day in which the debt was incurred plus 1.5 per cent spread.

Depreciation and Amortization Regime

Depreciation and amortization are estimated, as a general rule, on the acquisition or production costs of the relevant fixed assets that they may refer to. There may also be accepted as costs any allowances higher than those resulting from the application of such methods by reason of an extraordinary devaluation as a result of duly justified abnormal circumstances.
Depreciation and amortization are, as a general rule, allowed by way of the straight-line method according to the rates as set down by a legal text (Decreto Regulamentar nr. 2/90, of 12th January).

Regime of Realised Capital Gains and Losses

Realised capital gains or capital losses are gains derived or losses suffered in respect of elements belonging to fixed assets. The law adopts a broad concept of realisation for this purpose in order to cover both voluntary capital gains (e.g. from a sale or exchange) and involuntary capital gains (e.g. from expropriation or indemnity for destruction or theft). Nevertheless, in order to assure the continuity of the exploitation by companies there shall be excluded from taxation by 50 per cent of the positive difference between realised capital gains and losses through the transfer for consideration or casualties, involving tangible fixed assets elements, whenever the realisation value, corresponding to the whole sum of the elements referred to, is reinvested in the acquisition, production or construction of tangible assets elements in connection with the exploitation, other than second-hand goods purchased to a IRS or IRC taxpayer with whom there are special relations. The reinvestment has to be carried out between the immediately preceding accounting period and the end of the second accounting period next following that in which the realisation takes place. Furthermore, the elements belonging to tangible assets must be held for a minimum period of one year.
This partly exemption is also applicable to the positive difference between realised capital gains and realised capital losses from the transfer for consideration of corporate rights. However, the realisation value must be reinvested, in the whole or in part, in the acquisition of corporate rights in trading companies or civil companies under commercial form with their head-office or effective management in the Portuguese territory, in Government bonds issued by the Portuguese State or in tangible assets elements in connection with the exploitation and that such alienated corporate rights must have been held for a minimum period of one year and correspond, at least, to 10 per cent of the equity capital of the controlled company.

In any case, if the reinvestment is made only in part, the corresponding fraction shall be excluded from the exemption.

If such total or partial reinvestment is not concluded in the above-mentioned period of time, the difference (or the corresponding fraction) not included in the taxable profit of the realisation period shall be considered as a profit or gain, increased by 15 per cent. Capital gains and capital losses are determined by the difference between the realisation value after deduction of any charges connected thereto and the acquisition value after deduction of any reintegration or depreciation amount. The adjusted acquisition amount is updated by applying the currency devaluation coefficients where, on the realisation date, at least two years have elapsed since the acquisition date. This adjustment shall not apply to financing investments, except for investment in immovable property and corporate rights.

FiscalCapitalGain = RealisationAmount - (AcquisitionAmount - Reintegration/ Depreciation) x Coeff.

There shall be considered as realisation amount:
• the market value of goods or rights received, in the case of exchange;
• the market value of goods permanently allocated to non-business purposes, and in case of a merger or demerger;
• indemnity payment in case of expropriation;
• the value of the transaction after deduction of interest due since the last maturity date, or from issuance, first placement or endorsement, if no maturity occurred until the transfer date, as well as the difference for that part corresponding to such periods of time between the reimbursement value and the issuance price, in the case of securities whose remuneration is, wholly or partly, composed by that difference in case of securities;
• the consideration value in any other cases.

Elimination of Economic Double Taxation

With a view to the elimination of the economic double taxation of distributed profits, trading companies or civil companies under a commercial form, co-operatives and public enterprises having their head-office or effective management in the Portuguese territory are allowed to fully deduct income comprised in the taxable base corresponding to profits distributed, provided the entity distributing the profits has its head-office or effective management in the same territory, is liable to and not exempt from IRC, or is subject to gambling tax. Further requirements must also be complied with for the com plete elimination of double taxation: e.g. the beneficial entity may not be covered by the tax transparency regime and must hold directly a participation in the capital of the controlled company of at least 10 per cent or with an acquisition value not lower than €20 000 000,00, provided that such participation is held, uninterruptedly, by such company in the year prior to the date on which the realized profits were made available. If such participation is held for less than the above-mentioned period of time, the benefit shall not cease insofar as such participation is held during the period of time necessary to complete one year.

This regime may apply regardless of the participation value percentage and the duration of holding in relation to income from corporate rights in which technical reserves from insurance and mutual insurance companies have been applied as well as in relation to income from regional development companies, investment companies and brokers companies and to foreign insurers agencies. Any entity having its domicile in the Portuguese territory and holding a participation in entities resident in another EU Member State shall also benefit from this regime, provided that both the resident and the non-resident entities comply with the conditions set up under Art. 2 of Directive 90/435/EEC, of 23rd July. The same applies to incomes comprised in the taxable base that correspond to distributed profits attributable to a permanent establishment situated in the Portuguese territory, belonging to an entity having its domicile in other EU Member State and holding a participation in the capital of an entity resident in an UE Member State, provided that both entities comply with the requirements and conditions provided for in the above-mentioned Directive.

In those cases where the conditions mentioned above are not met and the deduction is reduced to 50 per cent for profits distributed by resident entities, liable to and not exempt from IRC, or that comply with the conditions set up under Art. 2 of Directive 90/435/EEC, of 23rd July.

Fiscal Losses

Losses carry-over is allowed for tax purposes according to the carry-forward method up to a maximum of the six subsequent financial years. Any loss carry-over shall cease to have effect if at the end of the fiscal period during which the deduction takes place there is a change in the social object of the enterprise concerned, or a substantial modification is introduced in the nature of the previously exercised activity or the ownership is modified by, at least, 50 per cent of the corporate capital or of the major part of the voting rights. However, in some specific cases of generally recognized economical interest, the Minister of Finance may authorise, upon request by the entity concerned, the nonapplication of the above-mentioned limitation.

Payments to Resident Entities in Countries with a Privileged Taxation System

In determining the taxable profit, there shall not be allowed as a deduction the amounts paid or payable, regardless of the reason why they are paid, by an IRC taxable person to an individual or legal person resident outside the Portuguese territory and subject therein to a clearly more favourable regime, except if the taxpayer is able to produce evidence that the amounts concerned are in connection with expenses resulting from transactions effectively carried out, and are not of an unusual nature or of an excessive amount[7].

The definition of a clearly more favourable tax regime is based on a mixed criterion, that is to say, either the territory where the beneficial owner of payments is a resident is included in a list approved by a ministerial order from the Minister of Finance[8], or, if not, such entity has not been subject in the territory of its residence to a tax on income identical or similar to IRS or IRC, or if the above-mentioned amounts paid or payable is lower than 60 per cent of the tax that would be due if such entity would be considered as a resident in the Portuguese territory.

---

(7) Moreover, if no such proof is given, these amounts paid or payable shall be taxed autonomously at 35 per cent. The rate shall be increased to 55 per cent for taxable persons (wholly or partially) exempted or who do not exercise as their main business a commercial, industrial or agricultural activity.

(8) Ministerial Order nº150/2004, of 13th February, contains a list of 83 countries, territories or regions qualified as «tax heavens» or subject to privileged taxation regimes, as follows: Andorra, Anguilla, Antigua and Barbuda, Antilles (the Netherlands), Aruba, Ascension Island, Bahamas, Bahrain, Barbados, Belize, Bermuda Islands, Bolivia, Brunei, Cayman Islands, Channel Islands (Alderney, Guernsey, Jersey, Great Sark, Herm, Little Sark, Brecqhou, Jethou and Lihou), Christmas Island, Cocos(Keeling) Islands, Cook Islands, Costa Rica, Cyprus, Djibouti, Dominica, Falkland Islands (Malvinas), Fiji Islands, Gambia, Gibraltar, Grenada, Guam, Guyana, Honduras, Hong Kong, Isle of Man, Jamaica, Jordan, Kiribati Island, Kuwait, Labuan, Lebanon, Liberia, Liechtenstein, Luxembourg (only in relation to holding companies in the sense of the Luxembourg law as governed by Law of 31st July 1929 and by the Grand-Duc Decision of 17th December 1938), Maldive Islands, Marshall Islands, Mauritius, Monaco, Montserrat, Nauru, Niue, Norfolk Island, Northern Mariana Islands, Oman, Pacific Islands not referred to, Palau, Panama, Pitcairn Islands, Polynesia (French), Puerto Rico, Qatar, Qishm Islands, Samoa (American), Samoa (Western), San Marino, Seychelles, Solomon Islands, St Christopher (Kitts) and Nevis, St Helena, St Lucia, St Pierre et Miquelon, St Vincent and the Grenadines, Svalbard Islands (Archipelago of Spitzbergen and Bjornova Island), Swaziland, Tokelau, Tonga, Trinidad and Tobago, Tristan da Cunha Island, Turks and Caicos Islands, Tuvalu, United Arab Emirates, Uruguay, Vanuatu, Virgin Islands (British), Virgin Islands (US), Yemen.

Allocation of Profits of Companies Resident in Countries with a Privileged Taxation System

A CFC (Controlled Foreign Company) measure provides for the allocation to members of a company who are resident within the Portuguese territory, at the pro rata of the participation held in the capital of the company and regardless of its distribution or not, of profits derived (after deduction of tax on profits already charged)

by companies resident outside such territory and subject therein to a clearly more favourable taxation regime. The company members covered by this rule are those owning a participation in the company of at least 25 per cent, which is reduced to 10 per cent if the non-resident company is held by more than 50 per cent by resident members. The concept of a clearly more favourable taxation regime is similar to that referred to in the preceding number; it therefore means that we are dealing with any such regime where it is included in a list approved by a ministerial order from the Minister of Finance, or where the company resident therein is not subject to an income tax identical or similar to IRC, or still where the tax effectively paid is equal or lower than 60 per cent of IRC that would be payable if the company were a resident within the Portuguese territory. Excluded from the scope of this provision is any company resident outside the Portuguese territory deriving more than 75 per cent of its profits from the exercise of an agricultural, industrial or commercial activity, provided that in the last-mentioned case it has no intermediary who is a resident of the Portuguese territory or, if so, it is mainly designed to the market of the territory in which it is situated. Equally excluded from the scope of this provision are those non-resident companies whose main business does not consist, in particular, in banking operations, insurance of goods or persons situated outside the Portuguese territory, operations concerning corporate rights and other marketable securities and rental of property, except immovable property situated in the territory in which they are resident.

Where an effective distribution of profits previously allocated takes place in a given financial period, such profits shall be deducted from the taxable base giving rise to a tax credit for international double taxation, if any.

Tax Credit

There shall be allowed as deductions from the amount resulting from the application of the tax rate to the taxable income (assessment base) the following amounts:
(a) Deduction for international double taxation[9];
(b) Deduction concerning tax incentives;
(c) Special advance payment.

After these deductions – a negative value being not accepted – the IRC withheld at source shall also be deducted. In relation to those entities exercising as their main business a commercial, industrial or agricultural activity not covered by the simplified tax regime, as well as non-resident entities with a permanent establishment in Portugal, tax assessed by way of a periodical income tax return, after deduction for international double taxation and tax incentives, may not be lower than 60 per cent of the amount which would be assessed if the taxpayer would not benefit from tax incentives.

Withholding at Source

As a general rule, the withholding of IRC at source has the nature of an advance payment, except in the following circumstances in which it is a final withholding:
• income derived by non-resident entities and not attributable to a permanent establishment situated within the Portuguese territory, that is not income from immovable property; or
• income from capital not wholly or partly exempt, obtained by resident entities that benefit, as a rule, from an IRC exemption.

Equally subject to final withholding at source, at the standard rate provided for in Art. 80 (2) (25 per cent) are profits made available by a resident entity, according to the conditions set down by paragraph 2 of Directive 90/435/EEC, of 23rd July, to an entity resident in another EU Member State or to a permanent establishment situated in another Member State, belonging to an entity resident in a EU Member State being in the same conditions and holding directly, or through a permanent establishment situated in the territory of a Member State, a participation in the capital of the first-mentioned company of at least 20 per cent, and if such participation has not been held, uninterruptedly, for a period of two years prior to the date on which they are made available. If the period of two years is completed after the date the profits are made available, the reimbursement of the tax withheld at source during such period of time may occur upon request by the recipient entity, addressed to the DGCI competent services, within two years counting from the date on which such preconditions are met, provided evidence is given that the conditions established in Art. 2 of the above-mentioned Directive and Art. 46 (1) of IRC Code are complied with.

The law specifies those situations exempted from withholding at source. In particular, there is no obligation to make a withholding at source where the resident taxable persons benefit from full or partial exemption in relation to income that would be subject to withholding at source, if the taxable persons gives evidence of such exemption to the paying entity until the end of the period set forth for the production of the tax return that should have been withheld.

With regard to income derived by non resident entities, there is no obligation to make a withholding at source of IRC in respect of income referred to in Article 88 (1) of IRC Code, where under an international agreement or domestic legislation, the right to tax income earned by a non-resident entity and provided that such income is not attributable to a permanent establishment situated within the Portuguese territory, is not attributed to the source country or, if so, only in a limited way. In such case, and also in case of interest and royalties provided that the requirements and the conditions set down by Directive 2003/49/EC, of 3rd June, are met, (see point 7), the beneficial owners of such income must give evidence to the withholding entity that the different requirements required by law are fully met.

(9) The deduction for international double taxation occurs where income derived from abroad is included in the taxable income. The tax credit is equal to the lesser of the following amounts: the income tax paid abroad or the IRC fraction calculated before the deduction is given corresponding to incomes that may be taxed in the country concerned, net from any costs or losses, directly or indirectly incurred, for the purposes of its realisation. Where there is a convention concluded by Portugal to eliminate double taxation, the deduction may not exceed the tax paid abroad, according to the terms provided for under the convention.

Special Advance Payment

The special advance payment is a special payment on account of the Corporate Tax. After the two first years of activity, any entity exercising as its main business a commercial, industrial or agricultural activity, as well as a non-resident entity with a permanent establishment within the Portuguese territory are subject to a specific advance payment to be made in March, or by two instalments in March and October (in the 3rd and 10th month of the respective taxation period for entities adopting a taxation period other than the calendar year). Such payment is equal to the difference between 1 per cent of the turnover (corresponding to the amount of sales and supply of services) in respect of the previous financial year with a minimum limit of € 800, and, if higher, shall be equal to this limit increased by 20 per cent added of the exceeding part, up to a maximum limit of € 70 000. The advance payments made in the previous tax year, calculated in accordance with Article 97 of IRC Code, shall be deductible from the amount assessed in accordance with the above-mentioned terms.

Funchal comercial street

Particular aspects of Stock Companies (S.A. sociedade anónima)

Issuance of bonds

According to chapter IV of the Portuguese corporate code stock companies are allowed to issue bonds, provided its articles of association have been registered more than a year before the date of issuance of bonds.

SA companies are not allowed to issue bonds in amount exceeding twice the value of its own capitals. The fiscalization body shall supervise the fulfilment of this requirement.
There are also some exceptions to the limit of issuance of bonds.
The issuance of bonds must be deliberated by the shareholders, unless the articles of association authorise the board of directors to do so.

The issuance of bonds when made for private offer shall be registered at the commercial registry. The bond titles cannot be issued before the registration of the issuance of bonds near the commercial registry.

The creditors of series of bonds may meet at a bondholders meeting. The bondholders meeting is convoked and presided by the common representative of the bondholders.

A company may issue bonds that:
1.Apart from the right to obtain a fixed interest, confer to the bondholder the right to a supplementary interest or a reimbursement premium, which can be pre determined (fixed interest) or a variable interest, depending on the profits of the company,

2. Show a reimbursement plan and an interest income dependent and variable in accordance with the profits;

3. That may be converted in shares;

4. That may confer the right to subscribed one or more shares;

5. That confers premiums of issuance

7. Supplementary interest and reimbursement premium
The supplementary interest and the reimbursement premium may be determined;

1. as a fixed percentage of each annual profit, independently from its amount and from its oscillation during the loan period;

2. in accordance with the previous paragraph, but only if the profits exceed a certain minimum limit of profits, which shall be determined on the issuance of the bonds. The applicable percentage may be calculated on top of all the profits or only on the exceeding part;

3. in accordance with previous paragraphs, but as a variable percentage of the volume of the profits of each exercise or only on the profits exceeding the limit referred on the last paragraph.

4. in accordance with the previous paragraphs, but with the imputation of the profits of the shareholders and the bondholders in proportion to the nominal value of the existing titles.

The profits to be considered for the purposes referred on paragraph 1 and 2 of the previous item (Supplementary interest and reimbursement premium), correspond to the net profit of the exercise deducted from the amount due for legal and compulsory reserves, without consideration of the depreciations, adjustments and provisions exceeding the maximum legal limits accepted on the corporate income tax.

The determination of the profits to be considered for the purpose of defining the amounts due to the bondholders, as well as the calculation of the amounts to be paid to the bondholders shall be submitted, together with the management report, to the opinion of an auditor appointed by a meeting of the bondholders.

The proposal of issuance of bonds to be submitted to the shareholders meeting, must define the following conditions:
A) the global amount of bonds to be issued and the reasons for such issuance, the nominal value of the bonds, the issuance price and the reimbursement price or the method of determining the reimbursement price.

B) The interest rate and, depending on the cases, the method of calculating the appropriations for the payment of the interest and the reimbursement or the fixed interest rate, the criteria for determination of the supplementary interest or the reimbursement premium;

C) The loan amortisation plan,

D) The identification of the bond subscribers and the number of bonds to be subscribed by each one of them, should it be a private subscription;

The supplementary interest of each year shall be paid in one single payment or in several payments, together with or separated from the fixed interest. The reimbursement premium shall be integrally paid at the date of amortisation. The amortisation date cannot be scheduled for a date prior to the deadline for the approval of the accounts.

The bonds issued can be converted into shares.The proposal of issuance of bonds convertible into shares must be approved by a majority of votes. The majority shall be determined on the articles of association of the company. The proposal of issuance of bonds must specify:

1. the global amount of bonds to be issued and the reasons for such issuance, the nominal value of the bonds, the issuance price and the reimbursement price or the method of determining the reimbursement price, the interest rate and the loan amortisation plan;

2. The terms of the conversion;

3. If the preference right of the shareholders on the subscription of the bonds converted into shares shall remain untouched or if it should be withdrawn;

4. The identification of the bond subscribers and the number of bonds to be subscribed by each one of them, should it be a private subscription;

Conventions against double taxation

Companies operation on Madeira International Business Centre are considered Portuguese companies for all purposes and therefore conventions signed by the Portuguese Republic for the elimination of double taxation are applicable to these companies. The Conventions against double taxation signed by Portugal are described below. Many other are under negotiation.

COUNTRIES	DATE OF ENTRY IN FORCE	Income		
		Dividends	Interest	Royalties
		Rates	Rates	Rates
ALGERIA	01.05.2006	10%-15%	15%	10%
AUSTRIA	28.02.1972	15%	10%	5%-10%
BELGIUM	19.02.1971	15%	15%	10%
BRAZIL	01.01.1972	10%-15%	15%	15%
BULGARIA	18.07.1996	10%-15%	10%	10%
CANADA	24.10.2001	10%-15%	10%	10%
CAPE VERDE	15.12.2000	10%	10%	10%
CHILE	25.08.2008	10%-15%	5%-10%-15%	5%-10%
CHINA	08.06.2000	10%	10%	10%
CUBA	28.12.2005	5%-10%	10%	5%
CZECH REPUBLIC	01.10.1997	10%-15%	10%	10%
DENMARK	24.05.2002	10%	10%	10%
ESTONIA	23.07.2004	10%	10%	10%
FINLAND	14.07.1971	10%-15%	15%	10%
FRANCE	18.11.1972	15%	10%-12%	5%
GERMANY	08.10.1982	15%	10%-15%	10%
GREECE	13.08.2002	15%	15%	10%
HUNGARY	08.05.2000	10%-15%	10%	10%
ICELAND	11.04.2002	10%-15%	10%	10%
INDIA	05.04.2000	10%-15%	10%	10%
INDONESIA	11.05.2007	10%	10%	10%
IRELAND	11.07.1994	15%	15%	10%
ISRAEL	18.02.2008	5%-10%-15%	10%	10%
ITALY	15.01.1983	15%	15%	12%
KOREA (SOUTH)	21.12.1997	10%-15%	15%	10%
LATVIA	07.03.2003	10%	10%	10%
LITHUANIA	26.02.2003	10%	10%	10%
LUXEMBOURG	30.12.2000	15%	10%-15%	10%
MACAO	01.01.1999	10%	10%	10%
MALTA	05.04.2002	10%-15%	10%	10%
MEXICO	09.01.2001	10%	10%	10%
MOROCCO	27.06.2000	10%-15%	12%	10%
MOZAMBIQUE	01.01.1994	15%	10%	10%
NETHERLANDS	11.08.2000	10%	10%	10%
NORWAY	01.01.1971	10%-15%	15%	10%
PAKISTAN	04.06.2007	10%-15%	10%	10%
POLAND	04.02.1998	10%-15%	10%	10%
ROMANIA	14.07.1999	10%-15%	10%	10%
RUSSIAN FED.	11.12.2002	10%-15%	10%	10%
SINGAPORE	16.03.2001	10%	10%	10%
SLOVAKIA	02.11.2004	10%-15%	10%	10%
SLOVENIA	13.08.2004	5%-15%	10%	5%
SOUTH AFRICA	22.10.2008	10%-15%	10%	10%
SPAIN	28.06.1995	10%-15%	15%	5%
SWEDEN	24.12.2003	10%	10%	10%
SWITZERLAND	18.12.1975	10%-15%	10%	5%
TUNISIA	21.08.2000	15%	15%	10%
TURKEY	18.12.2006	5%-15%	10%-15%	10%
UKRAINE	11.03.2002	10%-15%	10%	10%
UNITED KINGDOM	20.01.1969	10%-15%	10%	5%
USA	01.01.1996	10%-15%	10%	10%
UZBEKISTAN		10%-15%	10%	10%
VENEZUELA	08.01.1998	10%-15%	10%	10%-12%

CORPORATE LAW

Main aspects

Madeira companies are governed by the same corporate law, central bank regulations and accounting principles, which means that they enjoy from a solidity and credibility not available in other business centres.

The rules established in SNC – Accounting Standards System are duly applicable to the Madeira companies, therefore companies incorporated within the scope of Madeira International Business Center are obliged to fill annual tax returns, VAT declarations and in general to maintain their bookkeeping in accordance with the international accounting rules in force in the EU and with the current versions of the fourth and seventh community accounting directives regarding individuals and companies, respectively.

Decree Law 212/94, allow Madeira Companies to be incorporated with only one shareholder, however the expression "Sociedade Unipessoal" or simply "Unipessoal" must be added to the social denomination.

Companies operating in MIBC are also allowed to use foreign names on their social denomination, due to the specific exception created by Decree Law no. 225/95 only applicable to entities operating under the scope of MIBC.

Madeira IBC companies have immediate access to VAT registration and are entitle to free circulation of goods and services and the right of establishment within EU market.

Decree Law 234/88 created the Madeira Free Trade Zone Private Notaries Office to ensure that public deeds, contracts, powers of attorney or any other notary act are executed in due time and furthermore free of stamp duty and emoluments.

Since the Private Notaries Office is only competent to legalised documents concerning MIBC companies, the efficiency and celerity demanded for issuing legal documents concerning the companies, is guaranteed. Portugal as a signatory of the Hague Convention will provide for the international legalisation of those documents trough the Hague Apostille.

For the purposes of incorporation of a company, which will take 2 days approximately, the following main six steps must be complied with:

(i) Obtaining the company's corporate name. The National Registry of Corporate Names is the entity responsible for issuing the certificate of corporate name. The name shall not be approved if it may be confusable with an already existing name.

(ii) Obtaining a license issued by the "Madeira Development Company" ("Sociedade de Desenvolvimento da Madeira") in order to allow the company to operate within the Madeira Free Trade Zone;

(iii) Deposit of the minimum share capital;

(iv) Signature of the Memorandum and Articles of Association by the correspondent shares holders.

(v) Registration of the company near the Commercial Registry Office of Madeira Free Trade Zone with automatic publication of the Articles of Association adopted at the official web site of the Ministry of Justice;

(vi) Registration of the commencement of the activity form near the Tax department and the Social Security.

The main types of companies are the following:

(i) A limited liability company (locally called "Limitada" or "Lda"); and

(ii) A limited liability company incorporated by shares / stock company (locally called "Sociedade Anónima" or "S.A.")

In order to incorporate a limited liability company ("Limitada") it must be respected the statutory minimum share capital of €5.000 (five thousand euros). The incorporation of a stock company is subject to a higher share capital in the minimum amount of €50.000 (fifty thousand euros).

There are no requirements to have local directors. In fact, directors can be nationals of any other countries.

The relevant aspects of the principal type of companies are described below:

	Type of Company	
	LDA.	S.A.
Minimum No of Shareholders	1	1 (bearer shares are not allowed) 5 (bearer shares are allowed
Minimum No of Shares	1	1
Minimum No of directors	1	1 (up to a registered share capital of 150 €) 3 (more than 150 € of registered share capital)
Residency requirements for directors	NO	NO
Public disclosure of shareholders required	YES	NO
Disclosure of directors required	YES	YES
Local directors required	NO	NO
Minimum sharecapital required	5.000 €	50.000 €
Delay on subscription of sharecapital	YES (50% provided it is more than the minimum)	YES (70%)
Audited accounts required	NO (in principle)	YES
Time to incorporate	2 days	2 days
Re-domiciliation	PERMITTED	PERMITTED

The bondholders are entitle to the interests of the correspondent bonds until the moment of its conversion.
The issuance conditions shall determine the regime of attribution of dividends to be applicable to the shares created by the conversion of the bonds, regarding the year
on which the conversion occurs.

The increase of the share capital resulting from the conversion of bonds into shares shall be declared in writing by any of the company directors.

It is possible to issue bonds with warrant. Such bonds confer the right to subscribe one or more shares that will be issued by the company during a certain length of time and for the price and conditions set at the moment of issuance.
Unless otherwise established on the conditions of issuance, the rights of subscription can be negotiated and sold independently from the bonds.

Under the terms of decree law no. 160/87, of 3rd of April, the limited liability companies (LDA) may issue shares, being applicable the regime of the SA companies above described.

The regime of preference shares

Preference shares without voting right

The memorandum of association of the company may authorise the issuance of preference shares without voting right, provided it does not exceed half of its share capital.
Preference shares confer to its owner the right to a priority dividend, equivalent to not less than 5% of its nominal value, withdrawn from the distributable profits, which may be distributed to the shareholders and to the priority reimbursement of its nominal value on winding up the company.
Apart from these rights, the preference shares without voting right confer to its owner all the rights inherent to ordinary shares, except the right to vote.
These shares do not count for the determination of the representation of the share capital, required by law or by the memorandum of association for the deliberations of the shareholders.

Non payment of the priority dividend

If the distributable profits or the actives on liquidation are not sufficient to fulfil the payment of the dividend or the nominal value of the shares, it shall be split proportionally by the preference shares without voting right.
The priority dividend not paid during a social exercise, shall be paid on the following 3 social exercises, prior to dividends of such exercises, provided there are distributable profits.
If the priority dividend is not fully paid during 2 social exercises, the preference shares will confer, from there on, the right to vote under the same conditions of the ordinary shares, being such right cancelled only on the social exercise after the one in which the overdue dividends are paid.

Participation on the shareholders meetings

If the memorandum of association of the company does not allow shareholders without voting right to participate on the ordinary shareholders meetings, then the owners of preference shares with out voting right, are entitle to be represented at those meeting by one of such owners, provided those shares were issued at the same time.

Share conversion

The ordinary shares may be converted into preference shares without voting right, upon deliberation of the shareholders meeting. The deliberation must be published.
The conversion of shares is made upon request of the interested shareholders, within the period set on the deliberation, not less than 90 days from the date of the publication, being its execution submitted to the principle of equal treatment.

1. Special rights of the owners and privilege shares.

Under the terms of article 24º of the Portuguese Corporate Code (hereinafter PCC) privileges can only be conceded to the shareholders if authorise by the memorandum of association. The authorisation can be given at the time of incorporation of the company or introduced by amendments.

For this analysis there are, in particular, 2 modalities of special rights that need to be referred: those related to the distribution of the profits and those connected with the reimbursement of the shares due to the winding up of the company.

The first (connected with the distribution of dividends) concedes a privilege which consists on giving to those types of shares a certain percentage of dividends calculated in respect to the nominal value of the share. The priority dividend may be accumulated or not, meaning in case of accumulation, that if the priority dividend due for one certain social exercises is not fully paid, it shall then be paid prior to any other dividend, by the profits of the social exercises of the following years (for example: if the privilege is 5% of the nominal value and during a certain exercise it is only paid 3% of that nominal value, then on the following year the owner of the privilege shares is entitle to receive, prior to any other dividend receiver, 2% in respect to the previous year plus the 5% due for the current year). Another factor of importance is the existence or non existence of the right to participate of the remaining dividends, meaning that either the privilege shares may be fully paid upon satisfaction of the privilege dividend or it may also be entitle to participate together with the other type of shares (ex: ordinary shares) on the distribution of the remaining available dividends.

2. Companies that can issue privilege shares

According to the Portuguese law there are no requirements in respect to the issuing company, which means that any S.A. company can issue privilege shares.

3. Contractual authorisation for the creation of these shares

In order to issue privilege shares it is required the specific authorisation of the memorandum of association. The memorandum of association should not simply authorise the issuance of such type of shares, it should also specify eventually the number of such shares that will be created, the express indication of the number of shares and the rights inherent to such category of shares. One fundamental characteristic is naturally the percentage of priority dividend that such shares are entitled to.

As previously mentioned, the authorisation can be given at the memorandum adopted at the incorporation of the company, or

alternatively during the life of the company by way of amendment to the former memorandum. The authorisation may respect also to shares to be issued immediately after the incorporation of the company or it may respect to shares to be issued on a future increase of capital. In any case such amendments shall be formalised by public deed signed before a notary public, preceded by a shareholders meeting in which 2/3 of the votes approve the amendment. There is however doubts if the qualified majority of the votes are enough to amend the articles of association in light of issuing new privilege shares.

In Italy for example, this matter has been studied in face of article 2376º 1 tr. Codice Civile: «Se esistono diverse categorie di azioni, le deliberazioni dell'assemblea, che pregiudicano I dirriti di una di esse, devono essere approvate anche dall'assemblea speciale dei soci della categoria interessata» FERRI, Le società, pp. 340.
The solution is not pacific, however, it is commonly accepted that due to the principle of equal treatment of the shareholders, it should not be created any differentiation between ordinary and privilege shareholders.

4. Limitation on the number of privilege shares

Some legislation establishes limitations to the quantity of privilege shares that can be issued, in other, such limitations do not exist. Among theses last, we can find the German Law, and on the opposite side we can find the British Companies Acts and the Italian Law. The PCC disposes on its article 341º no 1 that privilege shares can not exceed half of the amount of the share capital. The share capital corresponds to the nominal share capital, not having any relevance if it is liberated or not, or if it has been affect by losses.

5. Specific content of those shares

The preference shares in comparison to the ordinary shares have an added patrimonial privilege however on the other hand they do not have the voting right.
The preference shares without voting right concede an untouchable double privilege to its holders:

- Regarding the dividends: the right to a priority dividend not less than 5% of its nominal value.
- Regarding the reimbursement: the right to priority reimbursement of its nominal value at the liquidation of the company.
-

According to article 341º no. 2 of PCC the priority dividend shall be withdrawn from the profits which under the terms of article 32º and 33º of the said Code can be distributed to the shareholders, therefore, before payment of the priority dividend, the accumulated losses and the legal reserves shall be covered. Then the distributable dividends shall be used at first to pay the priority dividends.

Article 297º no 1 do PCC allows payments made to the shareholders by anticipation of profits. The owners of preference shares are entitle to theses anticipations in the same conditions of the owners of ordinary shares, having however priority on the payments made.

6. Conversion of other shares in preference shares.

The conversion of shares is subject to the fulfilment of 2 requirements (article 341º no. 1 PCC):

- The existence of an authorisation on the memorandum of association (regarding this requirement, the memorandum of association should authorise the conversion of shares);
- The limit of such category of shares (regarding this requirement the limited amount of preference shares shall be calculated in connection to the amount of preference shares to be created by issuance and by conversion)

Redeemable preference shares

If authorised by the memorandum of association, shares benefiting from a patrimonial privilege may be subject to redemption on a fixed date or whenever the shareholders decide on a shareholders meeting.
Redeemable shares shall be redeemed in accordance with the dispositions of the memorandum of association, without prejudice of the following rules:
– Shares must be liberated before its redemption.
– Redemption is made by the nominal value of the shares, unless the memorandum of association establishes the concession of a premium.
– The value due for the redemption of the shares, including the premium, can only be withdrawn from profits and distributable reserves, provided the net assets of the company are higher than the amount of the share-capital added of the legal reserves. Also the redemption of the shares can not be done unless the legal reserve is fulfilled and losses are covered.
– From the redemption on, an amount equal to the nominal value of the shares redeemed shall be taken into a special reserve, which can only be used for incorporation on the share capital, without prejudice of its cancellation in case of capital decreases.
- The redemption of shares does not implicate the reduction of the share capital and, unless the memorandum disposes otherwise, if decided by the shareholders meeting, it can be issued new redemption shares on the same amount of the redeemed shares.
- The deliberation of redemption of shares is subject to registration and publication.
- The memorandum of association may establish penalties for the non compliance of the duties of redemption on the set date; In case of omission, any holder of those type of shares may require a Court Law to promote the dissolution of the company, one year after the date set for the redemption of the shares.

1. The importance of the memorandum of association.

The central instrument for the creation of redeemable shares is the memorandum of association, either it is the memorandum adopted at the incorporation of the company or its future amendment.
The memorandum of association does have to comply with the rules set on paragraphs of article 345º of the PCC, therefore, the memorandum of association apart from the authorisation to issue redeemable shares it should:

a) Determine the event that will operate the redemption of shares;

b) Establish the premium for the redemption, should it exist;
c) If so required, forbid the issuance of new redemption shares of same kind, in substitution of the redeemed;
d) Establish penalties for the non compliance of the obligation of redemption on the date fixed on the memorandum of association;
e) Determine the procedures for the redemption of the shares.

2. The redemption act.

The redemption of shares even when occurring on the date fixed on the memorandum of association does not operate automatically. The redemption is therefore dependent of a special deliberation taken for that purpose. In fact the redemption (because followed by a payment) needs to be analysed by the shareholders, at least to verify if there are funds to proceed with the payment due. This operation obviously should take place at a shareholders meeting. The redemption of the shares does not have to be formalised by public deed.

3. Consequences of the redemption

The deliberation of redemption will cause 2 consequences:
1 – The shares will be cancelled, and its owners will become creditors of the company for the amount due for the redemption;
2 – Such credit is immediately due.

According to no 7 of article 345º of PCC the redemption of shares does not implicate the reduction of the share capital. The first option therefore is to allow the shareholders meeting to decide to issue new redemption shares to substitute the extinguished, unless the memorandum of association does not authorises it.

No. 6 of the referred article orders, that from the date of redemption, the importance equivalent to the amount of the nominal value of the shares, shall be incorporated on a special reserve which can only be used for incorporation on the share capital, unless the shareholders opt to reduce proportionally the share capital. This paragraph corresponds to the paragraph e) of article 39th of the 2nd Directive CEE.

Dissolution and liquidation

The dissolution of the company must be approved by the company's shareholders.
The dissolved society enters immediately into liquidation, with the immediate division of assets if it is found that the company has no debts. Before dissolution, should be organized and approved all the accounts reporting to the date of dissolution.

Unless otherwise provided in the memorandum and statutes of the company or by a shareholders' decision, the members of the administration shall be the liquidators of the company, which, upon completion of the liquidation and assets distribution, if any, should proceed with the registration of the closing of the liquidation.

The Portuguese Commercial Registry Code was recently amended by the approval of the Decree Law no. 122/09, 21st of May of 2009, which introduced a new article to the redaction of this registry code - article 23rd – A.
According to the said article 23rd – A, at the moment of the registry of the dissolution and liquidation of the companies, a representative of the dissolved company shall be appointed for tax purposes. The tax representative must have a residence in Portugal and should be holder of a Portuguese tax number.

The purpose of the appointment of this tax representative is to allow the tax authorities to prosecute the individual representative for tax debts or penalties imputable to the dissolved and liquidated companies, not determined before the date of registry of its dissolution and liquidation. In practical terms, the tax representative may be held responsible for the payment of tax debts or penalties of the dissolved and liquidated company.

According to article 45th of the General Tax Regulations (Lei Geral Tributária) approved by Decree Law no. 398/98, of 17th of December, the right to liquidate taxes shall expire, if the liquidation is not notified to the tax debtor, in the term of 4 (four) years.

This new rule represents a significant tax aggravation for the representatives of the dissolved and liquidated companies.

Furthermore, according to article 157th no. 4 of the Portuguese Corporate Code, the shareholders of the company to be dissolved must appoint, at the shareholders meeting for the approval of the dissolution, a bailee for the custody of the corporate documents and books of the dissolved company.

As determined on article 52nd no. 1 of VAT Code (Código do I.V.A.) and article 123rd no. 4 of the Portuguese Corporate Income Tax Code (Código do I.R.C.), the corporate books and documents should be kept in archives for the period of 10 years after the date of the dissolution and liquidation of the company.

Also the Portuguese Social Security Contributions Code, approved by the Law 110/09, of 16th of September establishes that the corporate books and documents should be filed for a period of 5 years after the date of dissolution and liquidation.

COSTS

1. Incorporation fees

SCHEDULE OF COSTS (euros)

	LDA	S.A.
Professional fees for the incorporation of the company[1]	€ 1.500,00	€ 2.000,00
Official licensing fee	€ 1.000,00	€ 1.000,00

(1) Price includes all legal services related to the licensing, incorporation and registration of the company as well as all inherent expenses.

2. Annual maintenance fees

SCHEDULE OF COSTS (euros)

	LDA	S.A.
Governmental official annual fees	€ 1.800,00	€ 1.800,00
Registered office & administrative services	€ 850,00	€ 850,00
Nominees Shareholders[1]	€ 500,00	€ 500,00
Nominee Directors[2]	€1.400,00	€ 1.400,00
Statutory auditors[3]	N.A.	€ 1.000,00

(1) Price includes the designation up to 5 nominee shareholders.

(2) Price for 1 nominee director, resident in Madeira, appointed and remunerated according to a labour contract celebrated under the regime of part time job in order to meet the substance requirement of creation of jobs.

(3) The auditors fee's are established by Decree Law, published in the Official Newspaper. Should you need further details regarding the Official Schedule of Auditors fees, please contact us. The fees indicate correspond to the minimum.

Funchal comercial street

3. Annual accounting services

The SNC – Accounting Standards System replaces the POC (Official Accounts Plan) and associated legislation. The SNS is based on the IASB - International Accounting Standards Board, adopted in the EU. Businesses will now have to adapt their financial and accounting structures so as to comply with the Community Directives. The SNS is accordingly a body of rules that accords with the international accounting rules in force in the EU and with the current versions of the fourth and seventh community accounting directives regarding individuals and companies, respectively.

SCHEDULE OF COSTS (euros)

Description of the accounting service	
Minimum accounting fee - Comprises the fulfilment of all tax obligations, including the execution of the accounting services up to a limit of 20 movements per year.	€ 650

Price per movement	
From 20 up to 100 movements	€ 10
From 100 up to 250 movements	€ 8
From 250 up to 500 movements	€ 4
From 500 up to 1000 movements	€ 2
More than de 1000 movements	Subject to a specific agreement

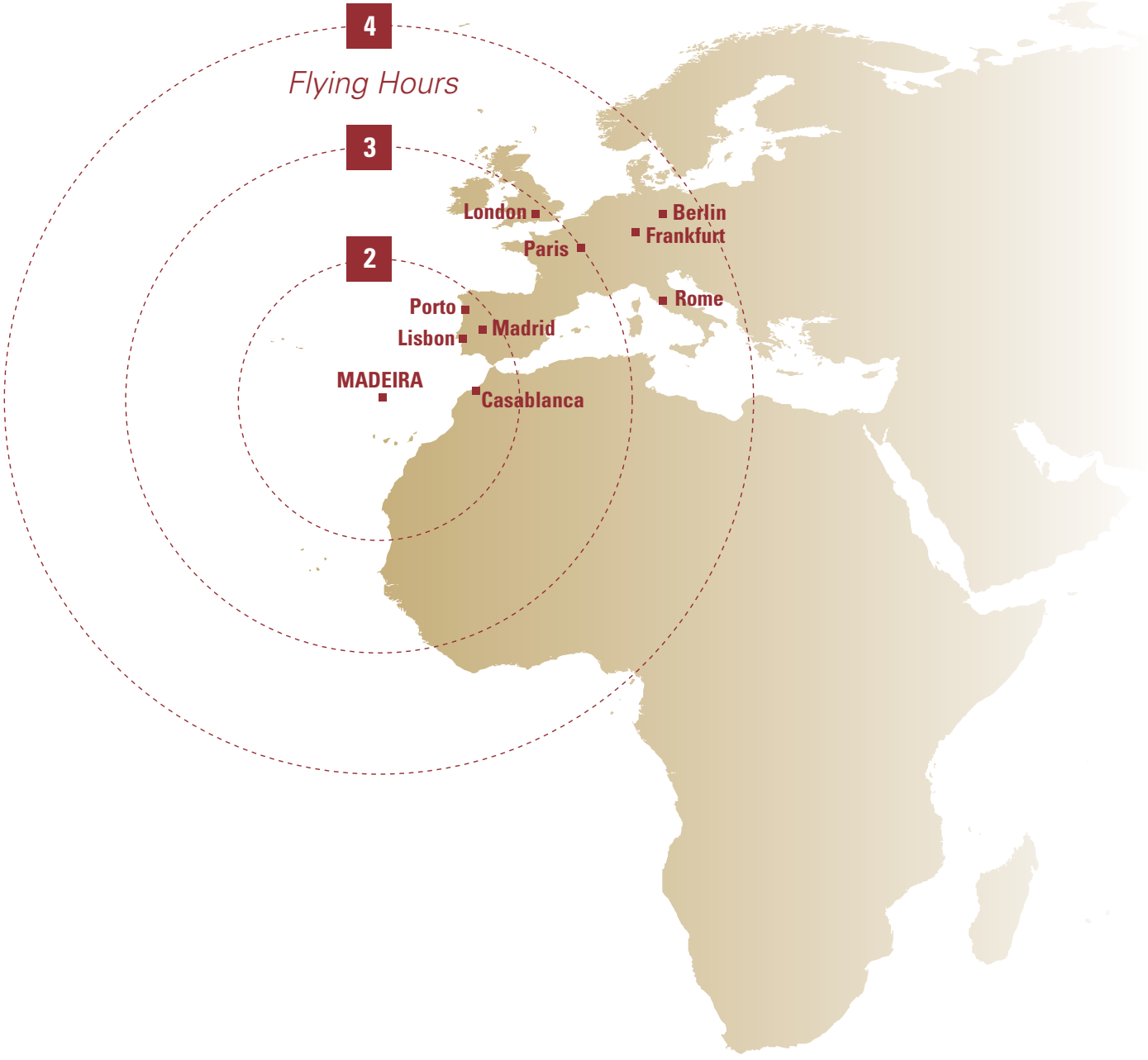
NOTE: Each credit or debit entry on the accounts corresponds to an accounting movement. The fees for the accounting services are due at the approval of the accounts.

4. Legal services

SCHEDULE OF COSTS (euros)

Description of the service	
General Power of attorney	€ 300
Change of company name	€ 650
Transfer of shares	€ 750
Transformation of the company	€ 1.500
Increase of capital	€ 1.500
Shares conversation (SA companies)	€ 300
Redomiciliation of foreign companies	€ 2.500
Merger	€ 3.000
Exoneration and appointment of directors	€ 250
Tax residence certificate	€ 75
Dissolution of the company	€ 1.000

NOTE: Prices indicated are referential and may vary depending on the complexity of the work. Prices do not include the fees of auditors or accountants, or any other specialized experts, when these are required.


4
Flying Hours
3
2
London
Berlin
Frankfurt
Paris
Rome
Porto
Madrid
Lisbon
MADEIRA
Casablanca

Notes

Head office:
Rua dos Aranhas, 53 - 3ºH • 9000-044 Funchal - Madeira - Portugal
Tel: (351) 291 207 080 • Fax: (351) 291 207 089

filipedantas@ums.pt
www.ums.pt