

## A Madeira (Portugal) Company - An Attractive Way To Establish A Company In The EU

Madeira is a Portuguese island and is an integral part of the European Union. Individuals and corporations that are resident,

By **Catarina Sardinha**, 6th August 2025

Madeira, a picturesque Portuguese island in the Atlantic, is renowned not just for its stunning landscapes and vibrant tourism, but also as home to the **International Business Centre of Madeira (MIBC)**. This unique economic trading zone, existing since the late 1980s, offers compelling tax framework, making it an attractive gateway for foreign investment into the European Union.

*Please note that the Portuguese State Budget has extended the MIBC tax framework until 2033 (previously 2028 as noted in our publication below).*

As an integral part of Portugal, Madeira enjoys full access to all of Portugal's international treaties and conventions. This means individuals and corporations registered or resident in Madeira benefit from Portugal's extensive network of international agreements. An MIBC is for all effects and purposes - a Portuguese registered company.

The MIBC operates under a credible and EU-backed regime (with full oversight), distinguishing it from other lower tax jurisdictions. It is fully accepted by the OECD as an on-shore, EU-compatible free trade zone and is not included on any international blacklist.

The reason MIBCs enjoy a lower tax rate is because the regime is recognised as a form of state aid which has been approved by the EU Commission. The regime is compliant with the principles of the OECD, BEPS and the European Tax Directives.

Madeira provides the framework for:

- **EU Membership Benefits:** Companies in Madeira gain the advantages of operating within an EU Member State and the OECD, including automatic VAT numbers for seamless access to the EU intra-Community market.
- **Robust Legal System:** All EU Directives apply to Madeira, ensuring a well-regulated and modern legal system that prioritises investor protection.
- **Skilled Workforce and Low Costs:** Portugal and Madeira offer a highly skilled workforce, and competitive operating costs compared to many other European jurisdictions.
- **Political and Social Stability:** Portugal is deemed a politically and socially stable country, providing a secure environment for business.
- **Quality of Life:** Madeira offers an excellent quality of life with security, a mild climate, and natural beauty. It boasts one of the lowest costs of living in the EU, a young, multilingual workforce (English is a key business language), and an international airport with strong connections to Europe and other parts of the world.

The MIBC provides a reputable tax framework for corporations:

- **Reduced Corporate Tax Rate:** A 5% corporate tax rate on active income, guaranteed by the EU until at least the end of 2028 (*note that because this is a state aid regime, renewal by the EU is required every several years; it has been renewed for the last three decades, and discussions with the EU are currently ongoing*). This rate applies to income derived from international activities or business relationships with other MIBC companies within Portugal.
- **Dividend Exemption:** Non-resident individual and corporate shareholders are exempt from withholding tax on dividend remittances, provided they are not residents of jurisdictions on Portugal's 'blacklist'.

- **No Tax on Worldwide Payments:** There is no tax payable on worldwide payments of interest, royalties, and services.
  
- **Access to Double Tax Treaties:** Benefit from Portugal's extensive network of Double Tax Treaties, minimising tax liabilities across borders.
  
- **Participation Exemption Regime:** This regime offers significant benefits, including:
  - Exemption from withholding tax on dividend distributions (subject to certain conditions).
  
  - Exemption on capital gains received by the MIBC entity (with a minimum 10% ownership held for 12 months).
  
  - Exemption on the sale of subsidiaries and capital gains paid to shareholders from the sale of the MIBC company.
  
- **Exemption from Other Taxes:** Enjoy exemptions from stamp duty, property tax, property transfer tax, and regional/municipal surcharges (up to an 80% limitation per tax, transaction, or period).
  
- **Investment Protection:** Benefit from Portugal's signed investment protection treaties (which, from past experience, have been respected).

The MIBC is suitable for a wide range of activities, including commercial, industrial, and service-related industries, as well as shipping. Businesses in e-business, intellectual property management, trading, shipping, and yachting can particularly maximise these benefits.

See [here](#) for more details.

To establish a company in the MIBC, certain conditions must be met:

- **Government Licence:** The MIBC company must obtain a government licence from *Sociedade de Desenvolvimento da Madeira (SDM)*, the official concessionaire of the MIBC.
  
- **International Activity Focus:** The reduced 5% corporate income tax rate applies to income generated from international activities (outside Portugal) or from business relationships with other MIBC companies within Portugal.
  - Income generated in Portugal will be subject to the standard rates applicable to where the business was conducted – see [here](#) for rates.
  
- **Capital Gains Tax Exemption:** This exemption on the sale of shares in the MIBC company does not apply to shareholders who are tax resident in Portugal or in a ‘tax haven’ (as defined by Portugal).
  
- **Property Tax Exemptions:** Exemption from Real Estate Transfer Tax (IMT) and Municipal Property Tax (IMI) is granted for properties exclusively used for the company’s business.

A crucial aspect of the MIBC regime is its clear definition of substance requirements, primarily focused on job creation. These requirements ensure the company has a genuine economic presence in Madeira and is verifiable at different stages:

1. **After Incorporation:** Within the first six months of activity, the MIBC company must either:
  - Hire at least one employee AND undertake a minimum investment of €75,000 in fixed assets (tangible or intangible) within the first two years of activity, OR
  
  - Hire six employees during the first six months of activity, exempting them from the €75,000 minimum investment.

1. **Ongoing Basis:** The company must continuously maintain at least one full-time employee on its payroll, paying Portuguese personal income tax and social security. This employee can be a Director or Board Member of the MIBC company.

Please read [here](#) for more details on the type of investments and other information on the substance requirements.

Taxable income ceilings apply to companies in MIBC to ensure the equitable distribution of benefits, especially for larger companies. The 5% corporate tax rate applies to taxable income up to a certain ceiling, which is determined by a company's number of jobs and/or investment - see table below for details:

<b>Job Creation</b>	<b>Minimum Investment</b>	<b>Maximum Taxable Income for Reduced Rate</b>
1 - 2	€75,000	€2.73 million
3 - 5	€75,000	€3.55 million
6 - 30	N/A	€21.87 million
31 - 50	N/A	€35.54 million
51 - 100	N/A	€54.68 million
100+	N/A	€205.50 million

In addition to this taxable income ceiling above, a secondary limit applies. The tax benefits granted to MIBC companies - the difference between the normal Madeira corporate tax rate (up to 14.2% from 2025) and the 5% lower tax applied to taxable profits - are capped at the lowest of the following amounts:

- o 15.1% of the annual turnover; OR
- o 20.1% of the annual earnings before interest, tax, and amortisation; OR
- o 30.1% of the annual labour costs.

Any taxable income that exceeds the respective ceilings is then taxed at Madeira's general corporate tax rate, which is currently 14.2% (from 2025). This means a company

may have a blended effective tax rate between 5% and 14.2% at the end of each tax year, depending on whether they exceed their designated tax ceilings.

## **Ready to Explore Opportunities in Madeira?**

Establishing a company in the Madeira International Business Centre offers a compelling proposition for businesses seeking an EU presence with significant tax advantages. With its strong regulatory framework, economic stability, and attractive quality of life, Madeira provides a robust foundation for international operations.

Do you want to learn more about the specific requirements for your business type, or perhaps get assistance with the incorporation process in Madeira? Reach out to Dixcart Portugal for more information ([advice.portugal@dixcart.com](mailto:advice.portugal@dixcart.com)).