

Portuguese Double Taxation Agreements, Particularly Attractive Agreements and the Madeira International Business Centre

By **Catarina Sardinha**, 22nd June 2018

Companies licensed to operate within the legal framework of the Free Trade Zone of Madeira are Portuguese companies. The double taxation agreements (DTAs) concluded between Portugal and its treaty partners generally apply to Portuguese companies registered in Madeira. Not only is access to most of the agreements available, but also access to EU Directives, for instance the Parent-Subsidiary Directive.

Certain agreements are particularly advantageous and when combined with the benefits enjoyed by a Portuguese company licensed in Madeira the advantages are further enhanced.

Portugal does not impose withholding tax on dividends if the conditions for the application of the domestic participation exemption regime are satisfied and dividends are paid to a country with which Portugal has a DTA.

Particularly Attractive Agreements

Detailed below is a brief review of the particularly attractive DTAs between Portugal and Cape Verde, China, Colombia, Mexico, Mozambique, Singapore, South Africa and Turkey.

◦ Double Taxation Agreement between Portugal and Cape Verde

Portugal is the only country with a signed agreement with Cape Verde. Foreign investors into Cape Verde, therefore, frequently use Portuguese companies licensed in Madeira to invest into Cape Verde.

- **Double Taxation Agreement between Portugal and China**

This agreement is unique with regard to the taxation of capital gains from the sale of shares. Taxation only occurs in the state where the seller is resident. This is contrary to other agreements signed by China. In the case of a Madeira licensed company, capital gains realised from the sale of shares in China would be taxed in Portugal. If the company was licensed in Madeira, this would be at the low tax rate (of 5%) available to Portuguese companies licensed in Madeira.

- **Double Taxation Agreement between Portugal and Colombia**

Portugal signed a double taxation agreement with Colombia in 2015. The agreement allows a withholding tax of 10% on dividends and also includes information exchange mechanisms to control tax evasion.

- **Double Taxation Agreement between Portugal and Mexico**

There is a 10% withholding tax on the distribution of dividends from and to Portugal.

- **Double Taxation Agreement between Portugal and Mozambique**

Portugal is one of only two countries with a signed agreement with Mozambique. Potential investors into Mozambique can therefore use Portugal, more particularly Portuguese companies licensed in Madeira, to invest into Mozambique.

- **Double Taxation Agreement between Portugal and Singapore**

Although there is a provision in the agreement if 10% of withholding tax on dividends distributed by Portugal to Singapore, Portugal does not impose withholding tax on dividends if the conditions for the application of the domestic participation exemption regime are satisfied and the dividends are paid to a treaty partner recipient.

- **Double Taxation Agreement between Portugal and South Africa**

The agreement provides for a 10% tax rate where dividends are paid to a company that directly holds at least 25% of the capital of the company paying the dividend for a minimum two-year period before the dividends are paid; otherwise the rate is 15%.

- **Double Taxation Agreement between Portugal and Turkey**

The agreement provides for a 5% tax rate where dividends are paid to a company (other than a partnership) that directly holds at least 25% of the capital of the company paying the dividends for a minimum two-year period before the dividends are paid; otherwise the rate is 15%.

A 10% tax rate applies to interest on loans where the duration of the loan is a minimum of two years; otherwise, the rate is 15%.

The Madeira International Business Centre: Additional Corporate Tax Details

The Madeira International Business Centre provides a specific license, approved by the EU, and in line with EU Tax Directives, the OECD and BEPS requirements. See [here](#) for more information.

Additional Information

If you require additional information regarding Portuguese holding companies or registering a company in the International Business Centre of Madeira, please speak to your usual Dixcart contact, or contact the Dixcart office in Portugal:
advice.portugal@dixcart.com.