What Sort of Investments may be Used to Meet Madeira International Business Centre (MIBC) Substance Criteria

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By **Catarina Sardinha**, 26th September 2023

The Madeira International Business Centre (MIBC) offers several benefits to companies that are registered there, including a low corporate tax rate of 5%.

However, to qualify for these benefits, and reflecting the modern international tax planning landscape, companies must meet certain substance requirements. One of these requirements is that companies must make a minimum investment of €75,000 in fixed assets, tangible or intangible.

There are many different investments that can be used to meet the €75,000 substance requirement. Some examples include:

- Investments in tangible assets: This includes investments in land, building, and equipment. Please see exclusions below, regarding land and real estate.

- Investments in intangible assets: This includes investments in intellectual property, such as copyright, patents and trademarks.

The specific investments that are most appropriate for a particular company will depend on the company's business activities. However, the examples above provide a

reference point for companies considering registering in the MIBC.

Financial investments and/or financial portfolios are excluded from the scope of the minimum investment criteria for MIBC companies.

An association between business activity and the type of substance is required to ensure compliance with the law – any inconsistencies may raise questions regarding the company's tax liability, by the tax authorities.

The investment, which needs to be identifiable in nature, must be controlled and generate future economic benefits for the company. In addition, the investment must be productive or active, rather than passive in nature.

Yes, it is possible to invest more than the €75,000 minimum investment level. The investment must always be made at market-related terms.

Only real estate, purchased in Madeira, falls within the definition (real estate, located outside Madeira, does not qualify for the MIBC minimum investment criteria).

However, investment, in property in Madeira (such as short-term accommodation), that is not used for the purpose of the specified business activity qualified under the scope of the MIBC, will not meet the investment requirement.

In addition, land in Madeira, will only qualify if the purpose is to build an office or other related business activity structure for the company.

The investment, in fixed tangible or intangible assets, must be made in the first two years of activity. The investment should be made within the first two calendar years of activity (rather than the first 24 months of activity).

Although substance needs to be maintained during the operation of the company, only the gross amount of the investment is relevant. Subsequent depreciation, after initial acquisition, does not require new investment. Thus, the €75,000 is not a threshold that is required to be maintained annually.

Additional Tips Regarding Meeting the Investment Criteria

Here are some additional tips for meeting the €75,000 substance requirement:

- Make sure that your investments are related to your company's business activities. A link between the investment and the business activity needs to exist.
- Keep good records of your investments.
- Be prepared to provide evidence of your investments to the MIBC and to the Portuguese Tax Authorities.

By following these tips, you can increase your chances of meeting the €75,000 substance requirement and qualifying for the tax benefits offered by the MIBC.

To Conclude and Contact Information

If you are considering registering a company in the MIBC, it is important to speak to a qualified professional who can help you assess your specific needs and requirements.

Please also refer to: An Attractive Way To Establish A Company In The EU (dixcart.com), for the advantages that an MIBC offers and details of all the substance criteria required to be met for an MIBC.

Dixcart Portugal would be delighted to assist you with more information regarding MIBCs and substance. Please contact us on: advice.portugal@dixcart.com