

A MADEIRA (PORTUGAL) COMPANY

AN ATTRACTIVE WAY TO
ESTABLISH A COMPANY IN
THE EU

WHAT AND WHERE?

Madeira is part of Portugal, an island located south west of Portugal's mainland, in the Atlantic Ocean.

It is well known for its tourist attractions but it also boasts the International Business Centre of Madeira, which offers appealing tax benefits to attract foreign investment.

Madeira is a Portuguese island and is therefore an integral part of the European Union. Individuals and corporations that are resident, or registered in Madeira, therefore have full access to all of Portugal's international treaties and conventions.

ADDITIONAL ADVANTAGES OFFERED BY THE ISLAND OF MADEIRA

The island offers an attractive quality of life and has one of the lowest costs of living in the EU. It is a top tourist and retirement destination and has a young workforce, with one third of the population being under the age of 24. It is a multi-lingual jurisdiction with English being the second language and regarded as the business language, alongside Portuguese.

Madeira also has an international airport, with many daily connections to Lisbon and several weekly connections to Germany, Switzerland, and the UK.

The IBCM covers a wide range of activities, including; commercial, industrial, service-related industries and shipping. The greatest benefits can be enjoyed by; corporates in general, the managing of intellectual property, shareholders, trading and shipping and yachting businesses.

KEY TAX ADVANTAGES OFFERED BY THE INTERNATIONAL BUSINESS CENTRE OF MADEIRA (IBCM)

The IBCM offers a number of attractive tax benefits for corporations:

- A 5% corporate tax rate which is guaranteed by the EU to remain in place, until at least the end of 2027.
- Non-resident individual and corporate shareholders benefit from a total exemption from withholding tax on dividend remittances, as long as they are not resident in jurisdictions featured on Portugal's 'black list'.
- No tax is payable on the worldwide payment of; interest, royalties and services.
- Access to the wide network of Double Tax Treaties that Portugal has with other countries.
- Madeira is accepted by the OECD as an on-shore, EU-compatible free trade zone.



DIX CART

SUBSTANCE REQUIREMENTS

An important feature of the IBCM regime is that the law clearly defines appropriate substance requirements to be met, for the company to obtain the relevant tax benefits.

These substance requirements essentially relate to the creation of jobs.

There are two key requirements, verifiable at different times:

1. After the incorporation of the company:

- within the first 6 months of the activity, the IBCM company must hire at least, 1 worker, and undertake a minimum investment of €75,000 in fixed assets(tangible or intangible) within the first 2 years of activity.

OR

- it can hire 6 employees during the first 6 months of activity, and then be exempt from the minimum investment of €75,000.

2. On an ongoing basis, the company must have at least one full time employee on its payroll, paying Portuguese personal income tax and social security. This employee can be the Director or a Board Member of the IBCM company.

CAPPING OF BENEFITS

The regime is very favourable and, not surprisingly, upper limits apply, to ensure that very large companies have a cap on the benefits that they can receive.

As detailed previously, the corporate tax rate of 5% applies to a company's taxable income. There is an upper limit of income which can enjoy this favourable tax rate, based on the number of jobs that have been created in Madeira by the company.

These figures are detailed below:

Job Creation	Minimum Investment	Maximum of Table Income Reduced Tax Rate Applies to
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	€205.5 million

In addition, the total benefits granted to companies licensed to operate in the IBCM are capped at one of the following amounts:

- 15.1% of the annual turnover;

OR

- 20.1% of the annual earnings before interest, tax, and amortisation;

OR

- 30.1% of the annual labour costs.

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HOW CAN DIXCART HELP?

Dixcart has had an office in Madeira for over thirty years.

We are very experienced in providing advice regarding the establishment of a company in the IBCM and provide a complete range of services relating to the incorporation and management of the company.

These services include meeting all of the company's day-to-day obligations, including: accounting, legal, human resources, tax compliance and IT.

GET IN TOUCH

If you require further information regarding the IBCM and the benefits it can provide.

Please speak to the Dixcart office in Portugal:

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