



NEWCO®

Non-habitual
residents in Portugal

1. Why Portugal

Moving to Portugal can be a marvellous experience for any person or family and it is no surprise that Condé Nast Traveller magazine has already chosen Portugal as the best destination in the world.

There are many reasons why foreigners fall in love with Portugal:



Ideal geographic location, where three continents - Europe, Africa and America - converge, boasting regular connections to major international cities



Mild climate for most of the year: there can be up to 3300 hours of sun in the southern part of the country and 1600 in the northern part, some of the highest numbers in Europe



The fascinating diversity of **scenery and landscapes only short distances away from each other** means you can go from the sea to the mountains or from the hustle and bustle of the cosmopolitan cities to the tranquillity of the town in a very short time



A welcoming, friendly people, that speak various languages



A secular history rich in architectural heritage, not to mention **wine and unmatched cuisine** at very competitive prices



Security and excellent quality of life

Over 80% of tourists who visit Portugal are very satisfied and would like to return

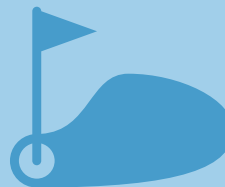


The Algarve was ranked by British portal TravelSupermarket as being among the best destinations for family holidays

Porto and the Douro Valley were ranked by the New York Times among the best travel destinations in Europe



The average price of real estate in Portugal is very competitive compared to the prices of major European cities



Portugal has been voted the best golf destination in Europe



The Telegraph called the Alentejo region “a food lover’s paradise”

Madeira was voted the best island destination in Europe in 2013 at the World Travel Awards, considered the “Oscars” of tourism

PORTUGAL



Portugal

2. Tax regime for non-habitual residents (NHR)

The characteristics of Portugal and its various regions are reason enough to justify a new life in this country, but the tax advantages on offer are the icing on the cake for anyone who wishes to invest and live in Portugal.

In 2009, in order to attract high net worth individuals to Portugal, a new and more favourable personal income tax regime (IRS), applicable for a period of 10 consecutive years, was created for non-permanent residents.

Expatriates, who establish their tax residence in Portugal but have not had resident status during any of the previous five years, are not considered to have habitual residence in Portugal.



Where Portugal is concerned, as a general rule, anyone who spends more than 183 days in the country in a given year acquires residence for tax purposes. The same is true even for those who spend less time in Portugal, but possess, on any given day during the year, housing under conditions that indicate an intention to maintain it and occupy it as a habitual residence. However, it is important to analyse the double taxation agreements that may exist between Portugal and the non-habitual resident's home country, in order to avoid possible conflicts between the two places of residence.

The taxpayer must register in that capacity at the taxpayer registry of the Tax and Customs Authority upon registering as a resident of Portugal or subsequently up until 31 March, inclusive, of the year that follows the year in which the taxpayer becomes a resident of Portugal.

Accordingly, the non-habitual resident acquires the right to be taxed as such for a period of ten consecutive years. Each year, the taxpayer must be considered a tax resident for income tax purposes.



Non-habitual tax residents benefit from a more competitive tax regime that functions on two levels:

INCOME SOURCE IN PORTUGAL

Income from a Portuguese source from services that are considered to be of added value of a scientific, artistic and technical nature (salaried and independent workers) will be taxed at a fixed rate of 20%, rather than the progressive rate, applicable to normal tax residents, which can be as high as 48%.

Examples of professions listed in the table of high value-added activities for the purpose of applying the non-habitual resident regime:

- Corporate executives
- Research and development in biotechnology, physical and natural sciences
- Scientific research and development activities
- Data processing activities, domiciliation of information and related activities; web portals
- Information services activities
- Programming activities, IT consulting, management and operation of IT equipment
- Biologists and specialists in life sciences
- Designers
- Psychologists
- Teachers
- Physicians
- Tax consultants
- Artists, musicians, painters, etc.
- Architects and engineers.

With the application of this regime and taking into account the characteristics that have made Portugal a destination of excellence with a mild climate, security, quality of life and modern and efficient infrastructure, our country offers unmatched conditions for attracting high value-added entrepreneurs or professionals and retirees.



INCOME FROM SOURCES OUTSIDE PORTUGAL:

As regards income from “non-Portuguese” resources, the non habitual resident tax regime implements an exemption mechanism as long as certain conditions have been met. These conditions can vary according to the type of income in question:

Income from Work

This exemption applies whenever income is subject to taxation in another country with which Portugal has signed a double taxation treaty; if there is no double taxation treaty, the exemption will also apply as long as the income is taxed abroad and the source is not considered to be Portuguese as per Portuguese domestic law.

Income from Pensions

The regime is very attractive, allowing pensions to be received in Portugal without taxation. This exemption applies whenever income is subject to taxation in another country with which Portugal has signed a double taxation treaty, or the source of the income is not considered Portuguese, as per Portuguese domestic law. This regime only applies if the person in question has not made contributions in Portugal toward the social security system that pays the pension.

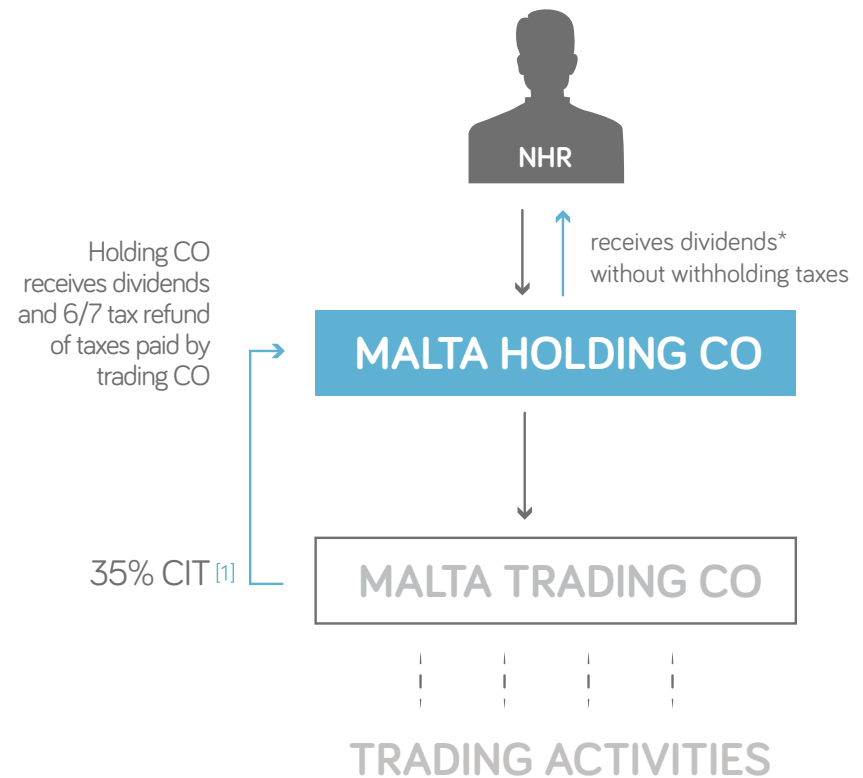
Corporate income, capital income, capital gains and rental income

In such cases (excepting corporate income), the exemption applies whenever income is taxable in another country with which Portugal has signed a double taxation treaty; or, in the absence of a double taxation treaty, the income is taxable in another country, region or territory in accordance with the OECD Model Tax Convention on Income and on Capital, interpreted in accordance with the observations and reservations made by Portugal, and the income is not considered to be from a Portuguese source, in accordance with Portuguese domestic legislation. In relation to corporate income, the exemption shall only apply to services that are considered to be of added value of a scientific, artistic and technical nature, or intellectual property and transfer of know-how.

COMBINING THE NHR REGIME WITH MALTA

Considering that Malta is a European Union country with which Portugal has a double taxation agreement, residents in Portugal covered by the non-habitual resident regime may have every interest in managing their international activities/income through a company in Malta, since income received there, if properly structured, will generally be exempt from taxation in Portugal. In Malta, the payment of royalties, interest, dividends or proceeds of liquidation to non-residents in Malta are not generally subject to withholding tax.

In fact, if an individual resides in Portugal under the non-habitual resident regime, capital income (dividends, interest and royalties), property income, income from work and income earned by high value-added entrepreneurs and professionals, obtained in Malta, will generally be exempt from taxation in Portugal. Such income is not subject to withholding tax in Malta. As for capital gains, whether or not tax must be paid in Portugal is assessed on a case-by-case basis.



[1] corporate income tax

* dividends exempt in Portugal

ADVANTAGES IN MALTA FOR INTERNATIONAL INVESTMENTS

Strictly speaking, various factors contribute to make Malta an extremely attractive country for foreign investment.

Malta is a solid, stable country which has been a member of the European Union for more than a decade and it uses its small size as its greatest strength. Being a small country has made it easier for Malta to adapt and combine everyone's wishes with the aim of proactively ensuring that it remains, on every level, a country that is highly attractive to international investors. With modern legislation that protects investors' interests, administration and regulators that are competent and strong but also business-friendly, qualified human resources, and specialised and efficient service providers, Malta has become an ideal jurisdiction in which to develop international business.

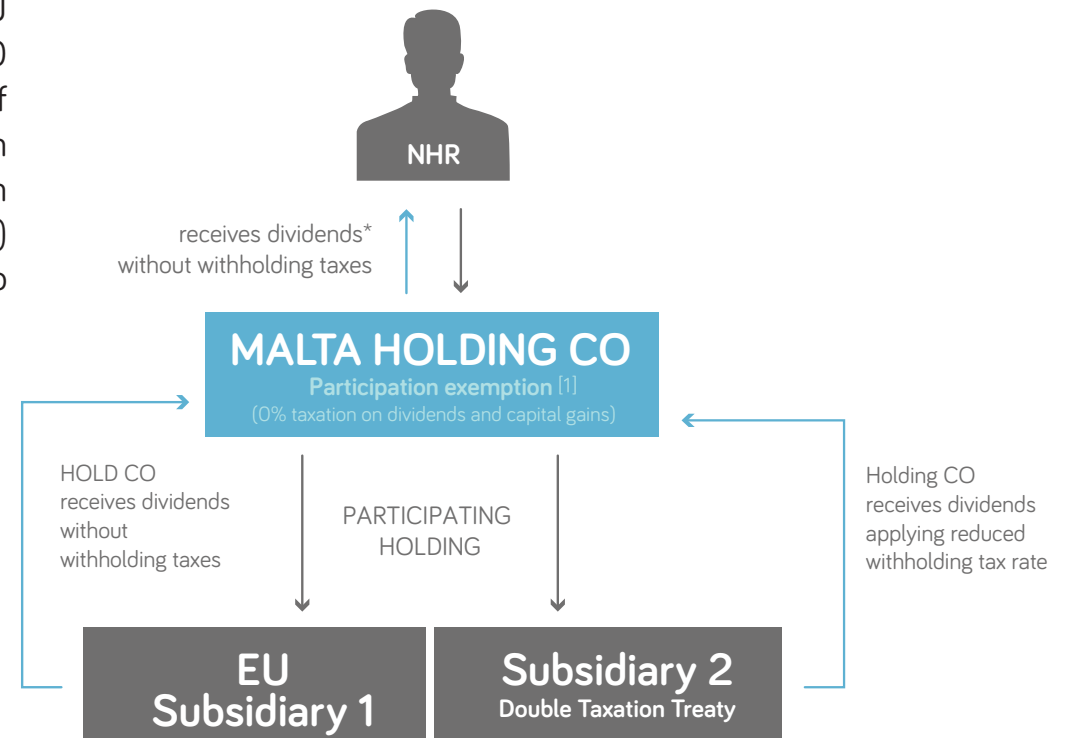
The benefits for investors are obvious

- A European Union country with a solid economy and robust financial system;
- A flexible, competitive tax regime with effectively very low tax rates;
- Exemption from withholding tax on the distribution and payment of dividends, interest and royalties;
- One of the EU's most comprehensive participation exemption regimes;
- Qualified, bilingual workforce with advanced knowledge in other languages;
- Highly attractive for overseas personnel;
- Low operational costs.

Therefore, by managing their international activities through a company in Malta, non-permanent residents of Portugal will not only get the maximum return on their corporate investments but will also benefit from a framework of tax exemptions at personal level. Some of the most efficient opportunities are to be found in the management of shareholdings, international trade and the provision of all kinds of international services and intellectual property management, for example.

Holdings

The holding regime in Malta is very attractive. The EU Parent-Subsidiary Directive or the existence of more than 60 double taxation treaties avoid or mitigate taxation at source of dividends received from the subsidiaries. Malta has an extremely flexible and comprehensive participation exemption regime (exemption of taxation of dividends and capital gains) and, in turn, does not levy tax on the dividends distributed to the shareholders of the Maltese company.



[1] Participation exemption

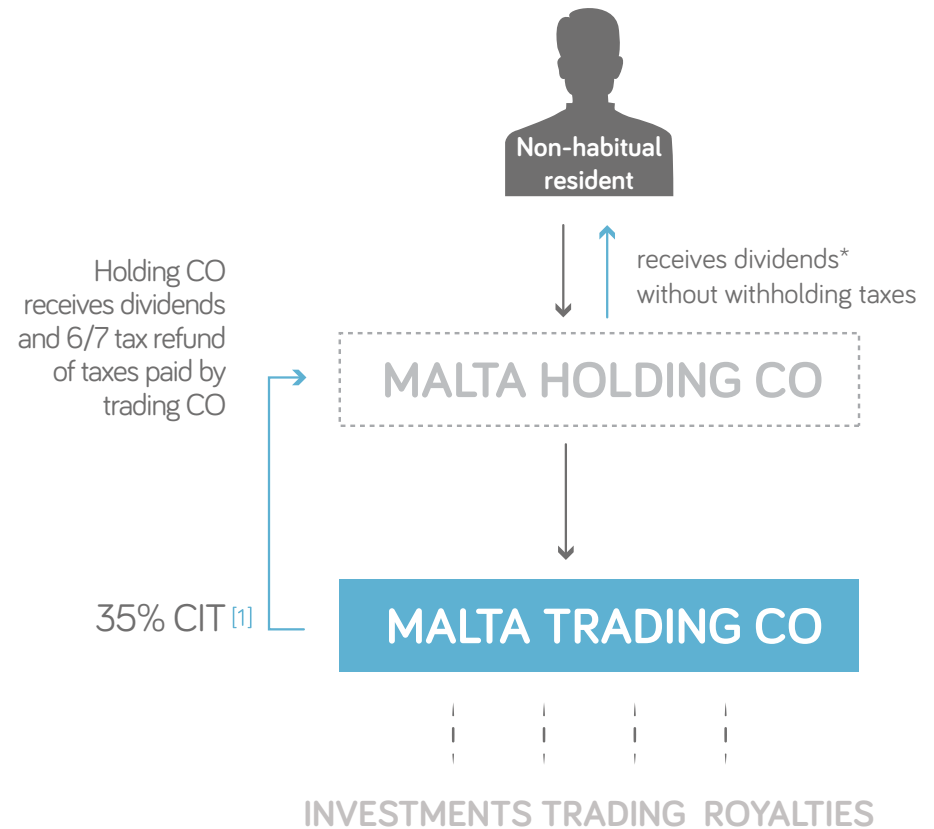
Generic term applied to the exemption from taxation on dividends received from a subsidiary and on any capital gains on the sale of such participation.

* dividends exempt in Portugal

Tradings

Malta has a very wide concept of Trading; any activity that constitutes a business is trading. Not exclusive to sales of products or provision of services. This includes financing, management of own portfolio of securities, including shareholdings and licensing of intellectual property. Profits from such activities are taxed at a rate of 35%, with the shareholder receiving a refund of 30% (6/7 of the tax paid by the company).

The dividends paid by the Maltese company to the shareholders are not subject to withholding tax.



[1] Corporate income tax.

* dividends exempt in Portugal

3. The International Business Centre of Madeira

As an autonomous region of Portugal, Madeira offers the possibility of taking advantage of one of the most favourable tax regimes in Europe within the scope of the **International Business Centre of Madeira (IBCM)**.

This is a special tax regime (state aid) approved by the EU in full compliance with all EU treaties and legislation. Among its characteristics, we would highlight the 5% Corporate Income Tax rate applicable to all income earned outside of Portugal. Madeira companies can be used in a broad variety of activities: trading, consulting, shipping activities, technical and professional services, holding companies, telecommunications, e-commerce and any other international services.

The non-habitual resident may incorporate a company within the International Business Centre of Madeira and thus develop international activities benefitting from a very special tax regime both from a corporate and personal perspective. Under these circumstances, if the company develops international activities that are considered to be of added value of a scientific, artistic and technical nature, the non-habitual resident's salary may be taxed at a fixed rate of 20% and the company's profits (derived from international activities) may benefit from the reduced corporate income tax rate applicable within the IBCM (5%).



4. Authorisation of residence for investment activity (GOLDEN VISA)

A new regime has been in place since late 2012 that allows citizens from outside the EU to obtain authorisation for temporary residence via a simplified process if the foreign citizen undertakes investment activities in Portugal.

Any activity performed by an individual or a company is considered an investment activity if it leads to at least one of the following situations in Portugal:

a) Transfer of capital equal to or greater than one million euros:

The applicant must prove that the minimum investment amount was complied with; investment in shares or stakes of companies with head office in Portugal or any other EU Member State are considered acceptable.

b) Creation of a minimum of ten jobs

c) Acquisition of real estate with a value equal to or greater than 500,000 euros:

d) Acquisition of real estate property whose construction has been concluded at least 30 years ago or which is located in an urban rehabilitation area and rehabilitation works have taken place on the acquired real estate property to a total value which is equal to or greater than 350,000 euros

e) Transfer of capital equal to or greater than 350,000 euros, which is used for the purpose of research activities conducted by public or private scientific research institutions that are part of the national scientific and technological system

f) Transfer of capital equal to or greater than 250,000 euros, which is used to invest in or support artistic production or recovery or maintenance of national cultural heritage

g) Transfer of capital equal to or greater than 500,000 euros, earmarked for acquiring shareholdings in investment funds or risk capital funds directed at capitalizing small and medium enterprises that submit their respective capitalization plan for the purpose, and said plan is considered feasible.

Other conditions or requirements:

- The investment activity must be maintained for at least 5 years as of the time the residence visa has been granted.
- This residence authorisation is granted for an initial period of one year and is renewable for two periods of two years; the investor must remain in Portugal for seven consecutive or non-consecutive days during the first year and fourteen consecutive or non-consecutive days during the subsequent periods of two years.
- It is also possible to request authorisation for permanent residence after holding a Golden Visa for five years, and to apply for Portuguese nationality after six years (other conditions apply).

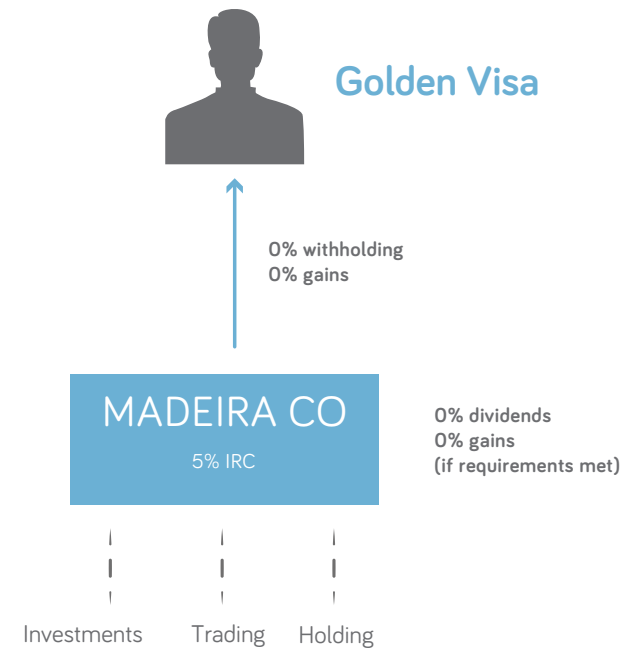


Combining the Golden Visa with the IBCM

The investment activity can be performed directly by the candidate or through a company in which he or she holds a stake. When investment is made through a company, only the portion corresponding to the candidate's stake in the company's capital is considered.

Option a) above can be implemented via a company established within the scope of the IBCM, benefitting not only from the aforementioned advantageous regime, but also making it possible for investors to obtain authorisation to reside in Portugal.

Furthermore, the means to implement option b) can also be an IBCM company.



5. NEWCO®

NEWCO is a **corporate services provider** that has been supporting the installation of companies and individuals in competitive tax jurisdictions for over twenty years. It has great experience and know how and NEWCO is present in Madeira and Malta, where it helps its clients benefit from a broader set of tax opportunities in this extremely attractive jurisdiction.

While its clients focus on their own business, NEWCO, together with the clients' own specialists, offers effective solutions that can result in a 35% net increase in profit.

As a service provider, **NEWCO** ensures that its clients receive all the necessary information to effectively establish themselves in Madeira and Malta, namely in:

1. Tax compliance, legal, financial, tax and accounting advisory, both for companies and individuals with a high net worth or highly qualified professionals
2. Establishment and management of companies
3. Formalities and services related to starting a company, or individual persons and respective family in another jurisdiction.

The strategic values that have guided **NEWCO** business activity are know-how, customer satisfaction, integrity, excellence of service and innovation; and our clients acknowledge this.

To better understand how we can help you company take advantage of the opportunities that Malta and Madeira offers, visit us at www.newco.pro. Or follow us online through our blog, LinkedIn, Twitter or Facebook.

The findings of a survey carried out to assess our clients' satisfaction speak for themselves:



“NEWCO values the client relationship and ensures that the client's experience in dealing in a foreign jurisdiction is smooth.”

Tom Walsh
Vice-President, Tax & Treasury-
COREL CORPORATION
San Francisco Bay Area, EUA

“ I consider the understanding of customer needs and willingness to accommodate and find appropriate solutions the key differentiator of NEWCO service.”

Luís Franco
Vice-President
SURVEYMONKEY
Palo Alto, EUA

“ Honest and Professional. ”

Giuseppe Luongo
President
YOUTHSTREAM GROUP
Monaco

We Know How. 17



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