



Rui Pereira de Melo advogados
responsabilidade limitada

Rua de Buenos Aires, 39
1200-623 Lisboa
Portugal
tel.: +351 213 928 840
fax: +351 213 956 739
rpm-10971l@adv.oa.pt

Doing business in Portugal

An independent kingdom since 1143, Portugal established its continental frontiers in 1297 and is one of the oldest nations in Europe. Situated on the west side of the Iberian Peninsula, its geographic location along the Atlantic coast soon determined its vocation to the sea. Portugal is also a gateway to a market of about 250 million people in the Portuguese speaking countries.

Portuguese is the 5th most widely spoken language in the world shared by the CPLP (Portuguese Speaking Countries Community) which includes countries such as Brazil (one of the BRIC countries), Angola (one of the fastest growing economies), Mozambique, Cape Verde, São Tomé and Príncipe, Guinea-Bissau and East Timor.

Facts

This compilation of short references, including geographical data, people, economy and statistics, aims to give you a quick summary of facts that may help you become familiar with the country's business environment. The sources are:

<http://www.portugalglobal.pt/EN/InvestInPortugal/Pages/InvestinPortugalTaxSystem1.aspx>;

<http://www.portaldaempresa.pt/CVE/en>

Geography

Location: Southwestern Europe, bordering the North Atlantic Ocean, west of Spain. Also includes Açores and Madeira Islands located along the western sea, approaching the Strait of Gibraltar.

Area: Has a total of 92.391 sq km (91.951 sq km are land and 440 sq km are water).

Climate: Predominantly maritime temperate; cool and rainy in north, warmer and drier in south.

Terrain: Mountainous north of the Tejo River; rolling plains in south; the highest point has 2.351 m on Pico Island in the Açores.

Natural Resources: Fish, cork, iron ore, copper, zinc, tin, silver, gold, uranium, marble, clay, gypsum, salt, arable land, hydropower.

People

Population: 10.500 (approximately).

Language: Portuguese.

Religions: Roman Catholic (94%) and Protestant.

Median Age: 38,2 years (male: 36,06 years; female: 40,33 years)

Literacy: 93,3% can read and write.

Politics

Government Type: Parliamentary democracy.

Constitution: 25 April 1976, revised many times.

Capital: Lisboa.

Administrative Divisions: 18 districts (Aveiro, Beja, Braga, Bragança, Castelo Branco, Coimbra, Évora, Faro, Guarda, Leiria, Lisboa, Portalegre, Porto, Santarém, Setúbal, Viana do Castelo, Vila Real, Viseu) and two autonomous regions (Açores and Madeira).

Executive: The chief of state is the President Aníbal Cavaco Silva and the head of government is the Prime Minister Pedro Passos Coelho.

Political Parties: Portuguese Socialist Party; Social Democratic Party; Portuguese Communist Party; Popular Party; The Left Bloc; Communist Party of the Portuguese Workers - Reorganizational

Movement Proletariat Party; New Democracy Party; Humanistic Party; National Renewer Party; Monarchical Popular Party; Land Party; Ecologist Party - The Greens; Working Party of Socialist Unity; Atlantic Democratic Party; Revolutionary Socialistic Party.

National Elections: All citizens may vote from 18 years of age.

Flag: Two vertical bands of green (hoist side, two-fifths) and red (three-fifths) with the Portuguese coat of arms centred on the dividing line.

Currency: Euro.

The joining the EU in 1986 triggered positive changes in the economic, social and cultural sectors, approaching the national environment to the remaining European partners.

On the website of the AICEP Portugal Global you will be able to find an array of statistical information related with exportation, importation, foreign investment and business costs.

<http://www.portugalglobal.pt/EN/General/Pages/StartHome.aspx>

Investment Opportunities

The Portuguese Government has developed a range of measures to incentivise the investor's initiative. Through the AICEP Portugal Global, the Portuguese Business Development Agency, have been created several proactive commercial tools specially directed to the foreign business have been put in place.

Export Companies

To encourage trade between national and foreign companies, the AICEP Portugal Global provides information to possible buyers and promotes Portuguese services within investors.

In fact, Portugal hosts a large number of sector networks within key industries representing manufacturers, consultants and service providers, making it an excellent platform to locate new business partners and suppliers.

The AICEP Portugal Global website has a database of export companies, where you are able to locate a Portuguese product, sector, company or brand. You may search the exporter's data base and find the partner you are looking for.

Trade fairs

The AICEP Portugal has a trade fairs database that includes information about national and international exhibitions. If you are an exhibitor, an exhibition organizer or an exhibition visitor, this service will provide you with useful and detailed data to plan trips to the events.

You may search the fairs by exhibition name, by exhibition date or by exhibition type. The list is updated regularly; however, we recommend that you check the details with the organizers before you travel because changes may have been made.

Case Studies

Several companies that decided to establish their business in Portugal are outstanding examples of success. Autoeuropa in the automotive industry, REPSOL in the energy industry, Bosch in the electric and electronic sector, Microsoft in the ICT area, IKEA in the wood factories industry, Artenius in the production of PET and CISCO are some of those companies.

Portugal has no restrictions on foreign capital inflows. In fact, the principle that guides the Portuguese legal framework is investment of non-discrimination on grounds of nationality.

Likewise, it is not mandatory to have a domestic partner and there are specific obligations for foreign investors.

There are also no limitations on repatriation of profits and / or dividends.

Foreign companies, apart from enjoying the same conditions and rights as domestic companies, are also tax payers.

Companies must comply with certain deadlines with respect to payment of social security contributions, as well as the delivery of contributions payable by employees (withheld at source).

Labour Regulations

The normal working week schedule has 40 hours of work, distributed from Monday to Friday, on an 8 hours per day basis. All employees are entitled to 22 working days of vacation per year.

Since August 2012 overtime is payable with 25% increase on the first hour and 37,5% increase thereafter. Overtime worked during rest days is payable with a 50% increase.

Labour law allows short-term contracts grounded on starting-up of a business enterprise, renewable up- to 2 years at the employer's option. After this period, the employee is either granted a permanent labour contract or the contract is terminated.

Social Security

Contributions to the Portuguese social security system are made on a monthly basis and are calculated based on the employee's salary at the rate of 23,75% for the employer and 11% for the employee.

Permits:

All foreign citizens who intend to visit Portuguese territory even for a short period must present their ID card or passport.

As a general rule, foreign citizens from outside E.U. who plan to live and work in Portugal must

first apply for a visa within Portuguese consular office of their country of origin before entering Portugal. Several documents must be submitted with this request, namely a medical certificate attesting good health and a evidence of adequate living conditions and financial capacity.

E.U. citizens have automatically the right to live and work in Portugal.

To start a Company

Portugal is an award winning country when it comes to e-government.

A company takes just 46 minutes to be incorporated and the process is at the reach of your fingertips.

The *Portal da Empresa* (the company portal) offers the finest information and government services specially directed to the dealing community. This website will guide you quickly through all legal steps for setting up a business. You may even start a company online.

<http://www.portaldaempresa.pt/CVE/en>

The costs for incorporating a company are the following:

Standard: € 180 (bylaw or pre-approved model) or € 120 in case of reduction;

Standard: € 380 (custom bylaw – drafted up by the interested parties) or € 320, in case of reduction.

In case of an Online Company with an associated Trademark with one class of products or services, there's an additional payment of € 100. Each additional class of products costs € 44.

Tax

State taxes comprise Income Corporate Tax, Personal Income Tax and Value Added Tax.

The Portuguese tax year follows the calendar year, closing 31 December.

In Portugal the standard corporate tax in 2012 is with an additional surtax of 3%-5% for income exceeding EUR 1.5 million and of up to 1.5% municipal tax making a total of 29.5%-31.5%.

Companies in the free trade zone of Azores are eligible for a reduced tax rate of 17.5%.

All income received by a Portuguese resident, such as salaries, capital gains and real estate income, including income obtained abroad, is taxed in Portugal by the Personal Income Tax. Note that for income earned abroad, there are several tax treaties that may be applicable to avoid double taxation.

Several aspects define an individual as a resident or non-resident for tax purposes in Portugal. The general rule is that if a person spends more than 183 days per year in Portugal, they are considered a resident. However, in some cases a person who spends less than 183 days per year in Portugal may also be considered a resident in Portugal. This includes:

- A person who has permanent residence in Portugal at 31 December of the tax year in question
- Anyone who is part of a family whose head of household is resident in Portugal
- Individuals who at 31 December are crewing any ship or aircraft belonging to a Portuguese entity
- Any person working in a foreign country for the Portuguese State

Portugal's tax rates for individuals is progressive. The 2012 tax rate is 11.5%-46.5% with an additional surtax for income exceeding EUR 153,300.

The general VAT tax rate is of 23%.