



**PRIME ADVISORY**  
NETWORK

# **COUNTRY REPORT PORTUGAL**



**YOUR WEEKLY REPORT  
ON BUSINESS OPPORTUNITIES  
ACROSS THE GLOBE**

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# Prime Advisory Network Ltd of London



Prime Advisory Network is an international and highly professional network, made up of expert accountants, auditors and lawyers qualified to provide a complete consultancy service to companies and groups operating in several fields.

Thanks to a completely innovative communication technology for the management of the client, Prime Advisory Network represents the first “digital” global network of the accountant offices in the world.

Professionals can cooperate worldwide with each other in an integrated way, by managing their clients all over the world and expanding their services and of course growing the number of their customers.

# Portugal in a Nutshell

## Geography

Portugal is a coastal nation in southwestern Europe, located at the western end of the Iberian Peninsula, bordering Spain. The Portuguese territory also includes a series of archipelagos in the Atlantic Ocean (the Açores and Madeira), which are strategic islands along the North Atlantic. In total, the country occupies an area of 92,090 square kilometres of which 91,470 square kilometres is land and 620 square kilometres is water.

## Tourism

Tourism in Portugal serves millions of international and domestic tourists. Tourists visit to see cities, historic landmarks, enjoy beaches or religious sites. The most popular destinations were Almada, Cascais, Lisbon and Sintra (in Lisbon Region); Fátima (in Central Portugal); Porto (in Northern Portugal), and the Algarve beaches and Alentejo region.

## Demographics

Portugal's population records are among the oldest on earth and as far back as 1422, there is documentation to suggest that there were 1,043,274 people living here. Surveys from this point onwards were numerous, even if they didn't follow a strict chronological pattern. Based on the current UN estimates, the 2018 population of Portugal is 10.29 million.

# Economic Overview

Economic growth is projected to remain above 2% in 2018 and 2019, driven by both domestic demand and exports. Consumption growth will remain solid in response to further declines in the unemployment rate and stronger wage growth. Investment will be supported by a pick-up in major export market growth and increased public investment. Increased exports will be matched by higher imports as a result of the pick-up in domestic demand, leaving the current account balance relatively unchanged.

The stance of fiscal policy is projected to be mildly expansionary in 2017 and 2018. Any further fiscal expansion should be avoided given the need to reduce public debt, but there is scope to make fiscal policy more growth-friendly by adjusting the composition of spending and taxes. Productivity-enhancing reforms that ease entry barriers to professional services would reinforce the strength of the recovery.

# Key sectors in Portugal

## Fishing

Fishing is a major economic activity in Portugal. The country has a long tradition in the sector, and is among the countries in the world with the highest fish consumption per capita. Roman ruins of fish processing facilities were found across the Portuguese coast. Fish has been an important staple for the entire Portuguese population, at least since the Portuguese Age of Discovery.

## AERONAUTICAL

Portugal has a diverse set of skills in the aeronautical industry, from cork coatings to sophisticated technological systems that monitor critical appliances, and even in the development of aerostructures and unmanned aircrafts.

These competences have already been recognized by the largest international players, such as Airbus, Embraer and even the European Space Agency.

## Agrifood

The Portuguese agri-food sector is defined by genuine local products, produced exclusively in Portugal, which makes them highly competitive abroad, being associated to healthy dietary habits, such as the Rocha Pear and the Bravo de Esmolfe Apple.

The sector's importance comes not only from its economic value (representing 2 billion Euros of business volume and 16% of the total of the Portuguese industry), but also from being one of the main suppliers of the so-called Mediterranean Diet, adopted by an increasing number of European consumers.

## Building Materials

Portugal has a solid reputation, acquired over the years, in the field of Building Materials, from a significant number of construction works, in the four corners of the world, where our materials were used.

Portuguese Building Materials are used in Palaces and other complex construction works such as airports, subway stations and hotels. They are used in emblematic buildings such as the Rockefeller Center and Miami's Cultural Center and they may have even been part of your home construction

## **Eco-Innovation**

Sustainability must be at the forefront of economic development. Recognizing this, a large number of Portuguese companies has already embraced eco-innovation as a driving force in their R&D activities and in their product and service portfolios.

Public policies are also focusing on how to promote eco-innovation and how to support these companies in their R&D and internationalization efforts.

## **Engineering And Architecture**

Portugal has a solid reputation within the engineering and architecture sectors, which has been obtained over the years, with a significant number of works that reach the four corners of the world.

14 of the main world architectural works are Portuguese, according to the Phaidon Atlas of the Contemporary World Architecture, projecting the country's excellent reputation and technical competence.

## **Mining**

Due an excellent location Portugal is considered a place with great potential for the exploitation of mineral resources.

Portuguese territory covers half of the Iberian pyrite belt, the main metalogenic province of Western Europe, and the main primary source of base metals in EU.

Neves-Corvo is the largest copper mine in the EU and the extensions of these prime resources are considered excellent.

# Tourism in Portugal

Tourism in Portugal serves millions of international and domestic tourists. Tourists visit to see cities, historic landmarks, enjoy beaches or religious sites. The most popular destinations were Almada, Cascais, Lisbon and Sintra (in Lisbon Region); Fátima (in Central Portugal); Porto (in Northern Portugal), and the Algarve beaches and Alentejoregion.

Only accounting international travelers, the most popular were Lisbon, the Algarve and Northern Portugal. National tourists, however, prefer Northern Portugal, followed by Central Portugal and Estoril coast.

Travel & Tourism is an important economic activity in most countries around the world. As well as its direct economic impact, the industry has significant indirect and induced impacts.

- Travel & Tourism generated 371,500 jobs directly in 2016 (8.1% of total employment) and this is forecast to grow by 3.4% in 2017 to 384,000 (8.2% of total employment). This includes employment by hotels, travel agents, airlines and other passenger transportation services (excluding commuter services). It also includes, for example, the activities of the restaurant and leisure industries directly supported by tourists.
- By 2027, Travel & Tourism will account for 441,000 jobs directly, an increase of 1.4% pa over the next ten years.



# Taxes in Portugal

## What income is taxable in Portugal?

This depends a bit on whether you're considered to be a tax resident in Portugal, or not. To keep everything straight, you have to register with the tax authorities before you do any work in Portugal. You'll need to complete a subscription form, and hand it to the tax authorities, so they have a record and can contact you to arrange your tax declaration.

If you're a tax resident in Portugal you'll have to pay tax on your worldwide income to the authorities in Portugal. This will include any income from work, but can also cover other sources like rental income.

If you're not a tax resident in Portugal, you still have to pay some tax there. Usually though, this is charged at a different rate to resident taxes, and will only be due on money you've earned in Portugal.

There are also special taxation rates fixed for capital gains and investment income, so you'll have to declare this on your tax return, too.

## Income tax and surcharges

The minimum and maximum income tax rates remain the same as last year (indeed, they have been unchanged since 2013), but two new income tax bands have been introduced. Tax now starts being levied on income over €7,091 (previously €7,000) and the 48% top rate applies to income over €80,641 (previously €80,000).

We finally see the end of the two extra taxes that were introduced under austerity measures. The surtax was phased out last year and the solidarity tax will be removed in 2018.

## Investment income

As previously, interest and investment income is taxed at a flat rate of 28%. If you are resident here, you can choose to be taxed at the scale rates above instead, if this is more beneficial.

Note that if the bank account or investment is in a jurisdiction on Portugal's list of 'tax havens', income is taxed at a higher rate of 35%. Gibraltar remains on this blacklist. The Isle of Man, Jersey and Uruguay were removed in 2017, but have been reinstated as the procedure that removed them did not follow the correct legal procedure.

## **Non-Habitual Residents regime**

Portugal's NHR regime remains in place – with no changes – providing new residents with very attractive tax benefits for their first 10 years.

Following comments from the Portuguese Finance Minister in September 2017, it was widely speculated that the tax benefits could be watered-down for expatriates settling in Portugal. In particular, many expected a 5-10% tax would start to be applied to foreign pension income.

There was no mention of this or other NHR reforms in the 2018 budget, so Britons with non-habitual residency can continue to receive most UK pension income or lump sums without attracting tax for their first 10 years in Portugal.

Rental income, certain capital gains, interest and dividends can also be exempt, with any UK tax deducted reclaimable. The key exceptions are UK government service pensions and UK rental income, which always remain taxable in the UK.

## **Wealth tax**

Introduced in 2017, the Adicional ao Imposto Municipal Sobre Imóveis (AIMI) affects those with higher-valued Portuguese property. Regardless of residency, rates are 0.4% for properties held by companies, 0.7% for individuals and 1% for those owning property valued over €1 million.

Relief comes via a €600,000 allowance per person, deducted from the value of all Portuguese properties. So if you and your partner jointly own one Portuguese home, the property will only attract AIMI if it is worth over €1.2 million, and then only on the value above this. Alternatively, someone owning three properties worth €500,000 would be liable for tax on €900,000 – the combined value minus the allowance.

The €600,000 allowance is available for individuals and estates, except for those whose tax affairs are not in order. Some companies are not eligible.

There are no changes to this tax in 2018, other than the ability to be taxed on a joint basis.

## **Capital gains tax**

With effect from January 1, 2018, non-residents who own shares in a non-trading company that owns Portuguese real estate will be subject to capital gains tax when they dispose of the shares.

## Trusts

There are no changes this year to the tax treatment of trusts in Portugal. Since January 2015, Portugal taxes distributions from fiduciary structures such as trusts and foundations made to individuals resident in Portugal.

There can still be good value in a trust - they remain very effective for estate planning purposes. However, if and how you should use a trust, and how you combine it with investment arrangements for an income and gains perspective, depends on your specific circumstances and objectives.

Your estate planning, tax planning and investment planning should be considered together. You should have a tax informed investment strategy, based on a thorough understanding of the tax landscape.

Look to protect your wealth for the long-term, for yourself and your family. There are many opportunities available to residents of Portugal to help you do just that, if you take specialist and personalised advice.

Tax rates, scope and reliefs may change. Any statements concerning taxation are based upon our understanding of current taxation laws and practices which are subject to change. Tax information has been summarised; an individual is advised to seek personalised advice.

# Investing in Portugal

## **Strong Opportunities for Investing in Portugal**

Portugal has taken great strides in recent years to boost growth by increasing its competitiveness and simplifying the process of investing and doing business in the country. It has now become much easier to invest in Portugal, thanks to reforms in competition law, the labor market, and the tax system, all put in place to further drive an economic recovery. The country is currently in the enviable position of having world-class infrastructure, a highly qualified young work force, a safe environment and high standards of investment protection.

The legal system in Portugal is based on non-discrimination with regard to the national origin of investment, and foreigners are permitted to invest in all economic sectors open to private enterprise.

## **Portugal Investment Incentives**

The government of Portugal has gone great lengths to attract foreign investment with tax incentives for investments in certain sectors under certain circumstances. Corporate tax rates have been reduced and tax credits of up to 25% are now offered for incoming investments depending on the location, the number of jobs created and the degree of technological innovation involved. There also is a 10 year exemption from property tax and an exemption from stamp tax for new investments. Local government authorities also sometimes offer additional incentives for job-creating initiatives.

# The right partners for you in Portugal. Meet our members!

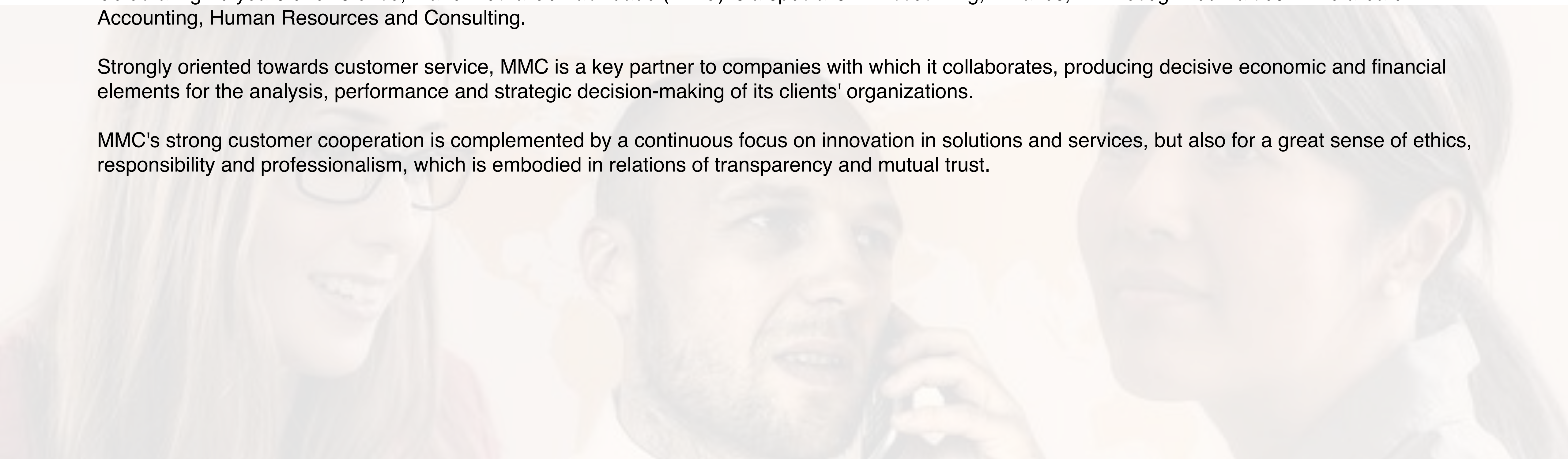
## Mário Moura Contabilidade Lda

MMC | 20 years serving Accounting

Celebrating 20 years of existence, Mário Moura Contabilidade (MMC) is a specialist in Accounting, in Taxes, with recognized Values in the area of Accounting, Human Resources and Consulting.

Strongly oriented towards customer service, MMC is a key partner to companies with which it collaborates, producing decisive economic and financial elements for the analysis, performance and strategic decision-making of its clients' organizations.

MMC's strong customer cooperation is complemented by a continuous focus on innovation in solutions and services, but also for a great sense of ethics, responsibility and professionalism, which is embodied in relations of transparency and mutual trust.



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Together with accountants and lawyers from around the world can help create a more united world.

If you have colleagues interested to expand internationally, send us their contact details and we will explain them how Prime Advisory Network can be a powerful tool for their growth.

## Grow worldwide with our Export Management Program

Prime Advisory Network announces a new, free service for Premium Members. You can now upload your client's Export Management projects (products, services, investors research).

For information, don't hesitate to contact our back office.



## Our Growth

Our network is growing rapidly. Coverage shown is from January 2018.



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