WHYPORTUGAL 2016

THE CASE FOR INVESTING IN PORTUGAL

MACEDO VITORINO & ASSOCIADOS
Sociedade de Advogados, RL

Contents

General information

Capital: Lisbon

Main District Capitals: Oporto, Coimbra, Aveiro, Leiria

Area: 92,152 Km^2

Currency: € / Euro

Population: 10,349,498

Working Population: 5,225,600

Unemployment rate: 12.2% (December 2015)

GDP per capita: €21,436.7

Exports of goods and services: €70.2 thousand million

Imports of goods and services: €68.2 thousand million

Source: Portuguese National Statistics Institute and Eurostat

FOREWORD

Foreword

Following its successfully exit of the bailout of the International Monetary Fund (IMF), the European Union (EU) and the European Central Bank (ECB), Portugal is now catching the attention of foreign investors.

Portugal is no longer in the news for bad reasons. Still there are challenges ahead. Portugal needs to reduce historically high levels of Government debt and unemployment and continue reducing its budget deficit still perilously close to 3%.

After implementing a harsh economic program with little social unrest, Portugal is bringing down its chronic trade deficit and correcting some of its imbalances that have hindered its economic growth since the beginning of the millennium.

For international investors looking for a place to invest in Europe, Portugal offers several advantages, of which many investors are not aware. Portugal is an ideal location for nearshoring industrial and services facilities because of its access to Europe's 500 million consumers' market and to the Portuguese-speaking world, which spreads across five continents: Europe, America, Africa, Asia and Oceania.

Portugal has a proven track record of successful foreign investments across a wide range of sectors.

Investors that are considering Portugal as a place to invest want to know the hard facts about the country and not the stereotypes associated with the country and its people.

Autoeuropa, Volkswagen's Portuguese auto-plant, is one of its most productive plants. Nokia Siemens Networks chose Portugal to install its new Global Networks Solutions Center. Microsoft, Colt, Ikea have also successfully invested in Portugal in recent years.

Portugal has one of the most favourable business environments in the world. The World Bank's "Doing Business 2016" Report ranks Portugal in the top 25 of the world's – 11th in the EU – most attractive locations to do business.

WhyPortugal 2016 aims to show international businesses and institutional investors, private equities and industry players considering Portugal as a location to invest in Europe.

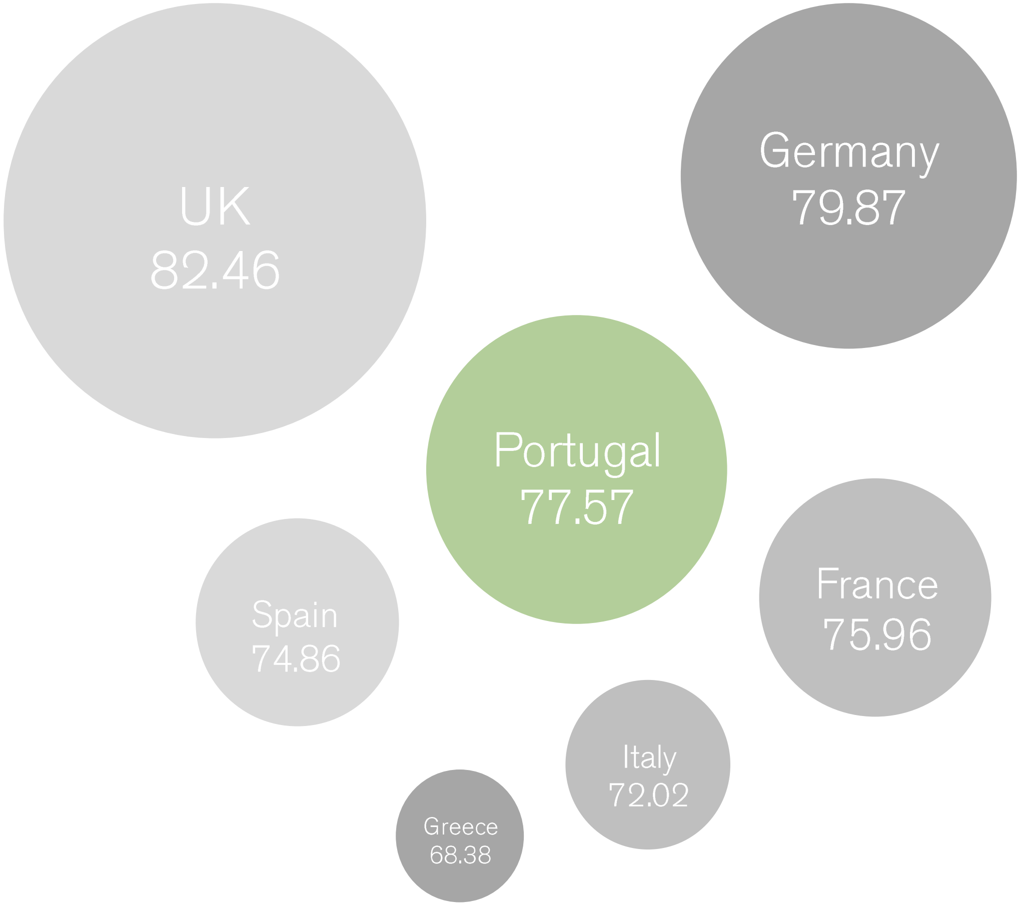
This report provides an overview of the opportunities and challenges of doing business in Portugal and reviews the main aspects to be considered by foreign investors considering Portugal as a place to invest as regards the setting up of a business, hiring employees, taxation and government incentives.

CHAPTER 1

Why Portugal

Portugal is the 11th most attractive location to do business in Europe

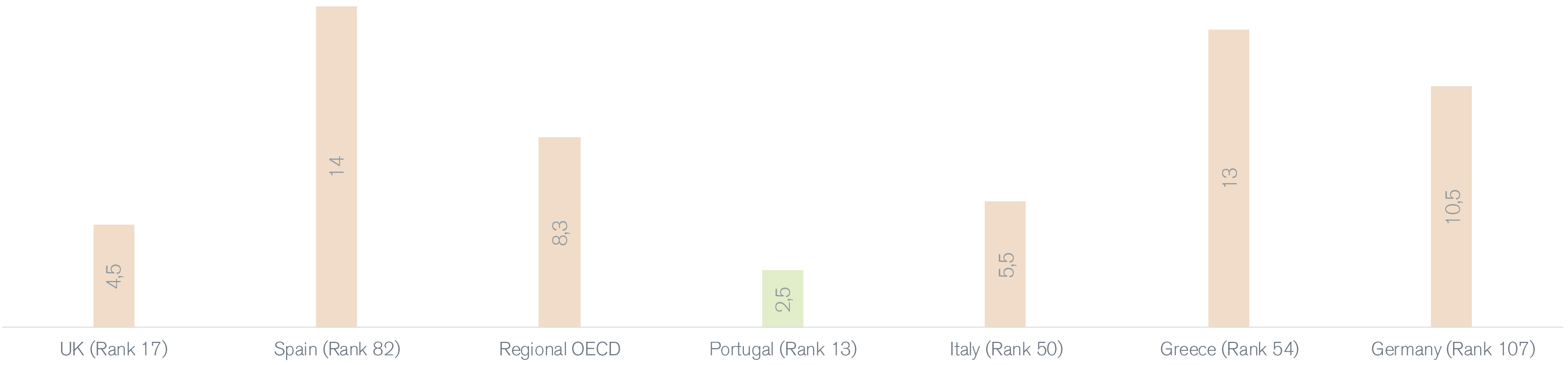
23rd in the World



World Bank | Doing Business 2016

It takes 2.5 days

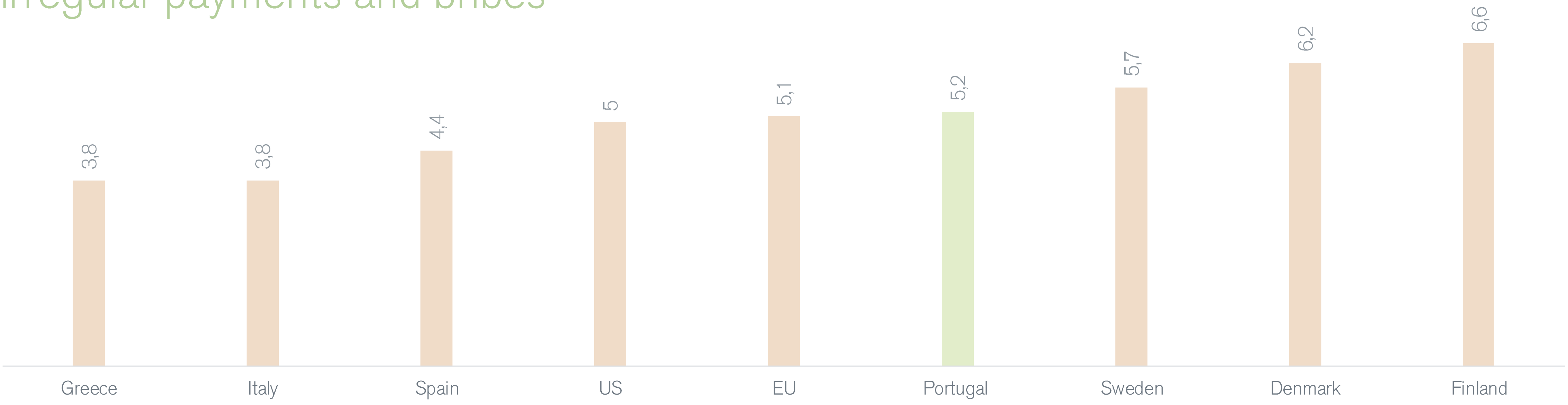
to start a business in Portugal



World Bank | Doing Business 2016

Portugal is ahead

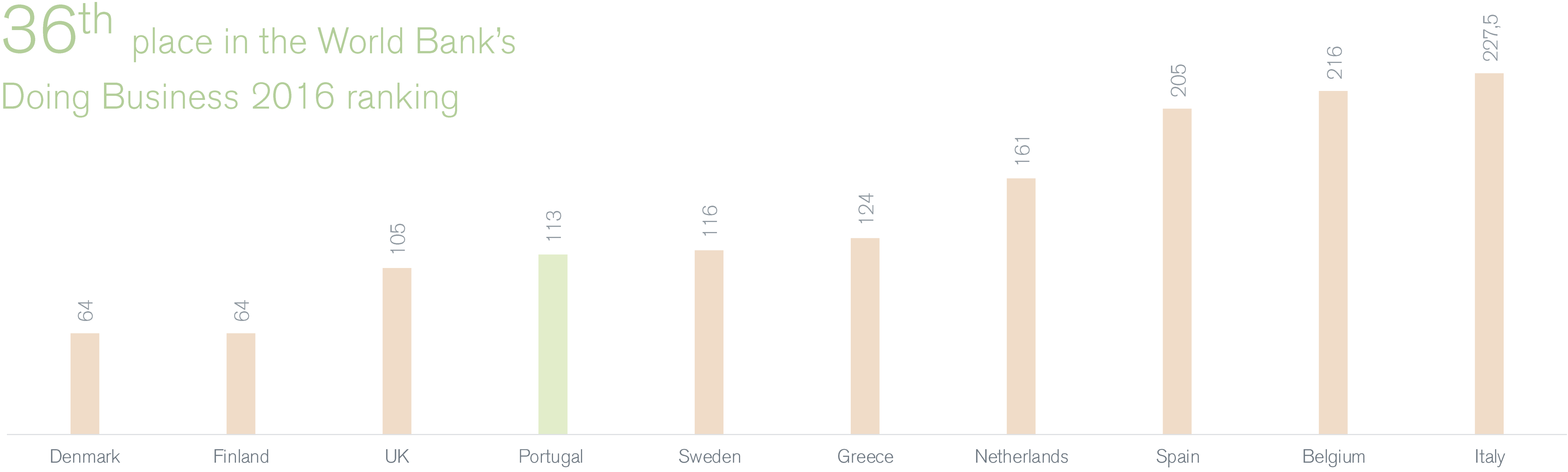
of the USA and the EU averages in World Economic Forum's index on irregular payments and bribes



World Economic Forum | Global Competitiveness Report 2015-2016

It takes 113 days to obtain a construction permit

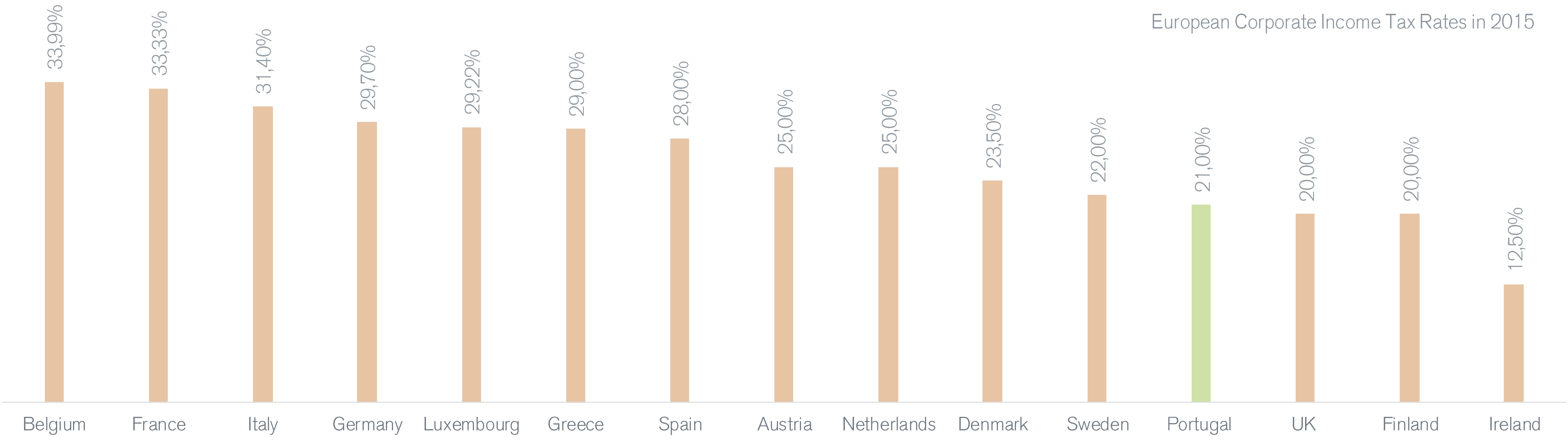
36th place in the World Bank's Doing Business 2016 ranking



World Bank | Doing Business 2016

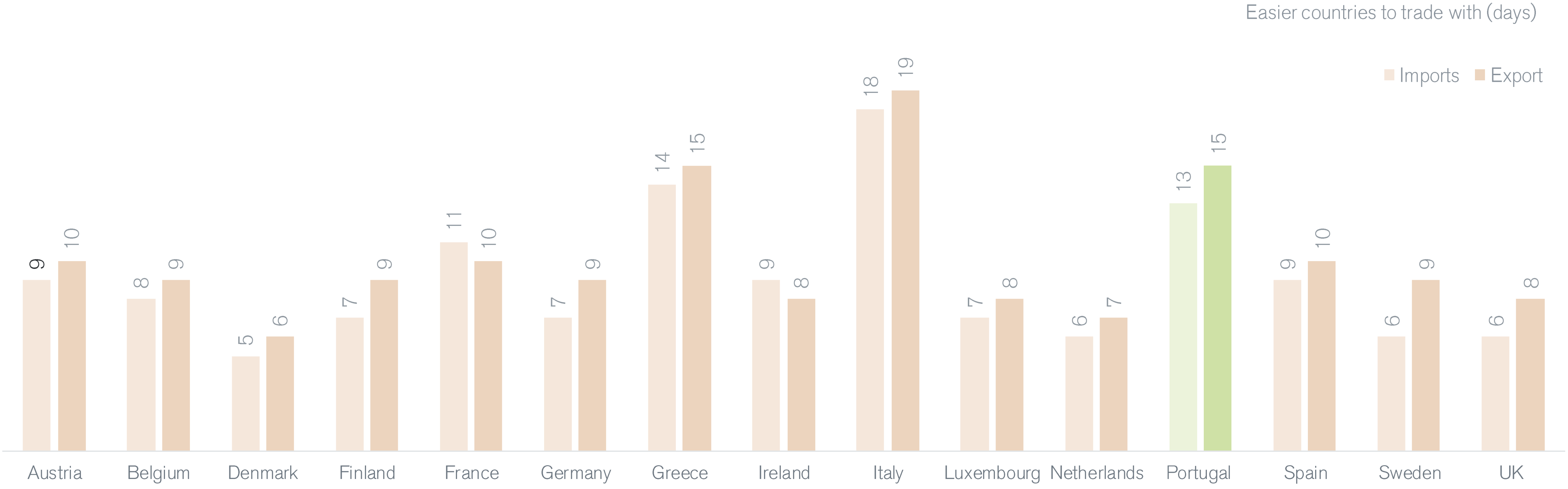
21%

Portugal's corporate income tax rate in 2015.



KPMG Global

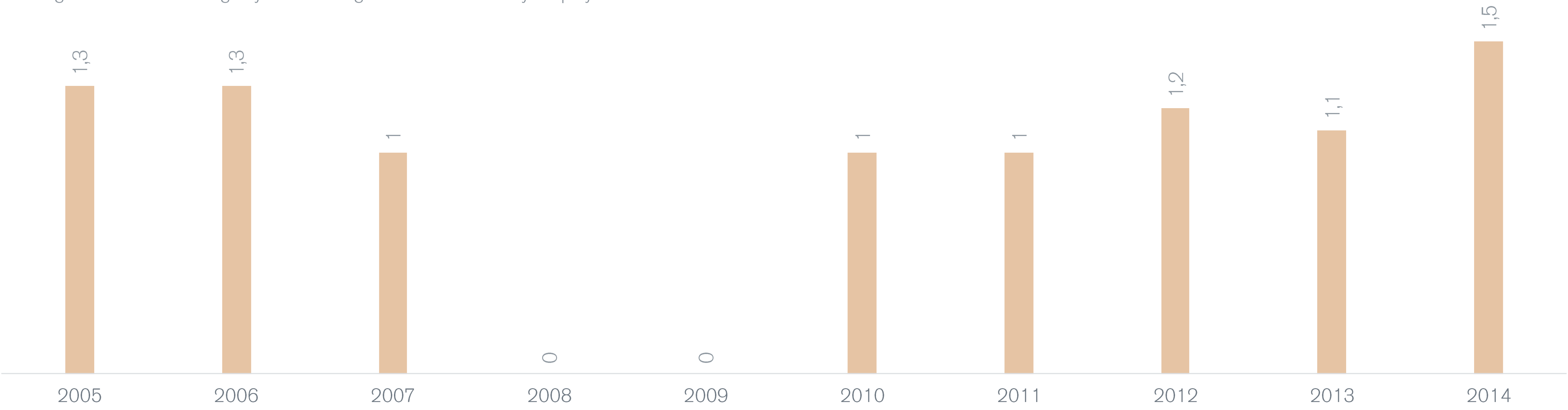
Trading in Europe and across Portugal's borders is easy



World Bank | Doing Business 2016

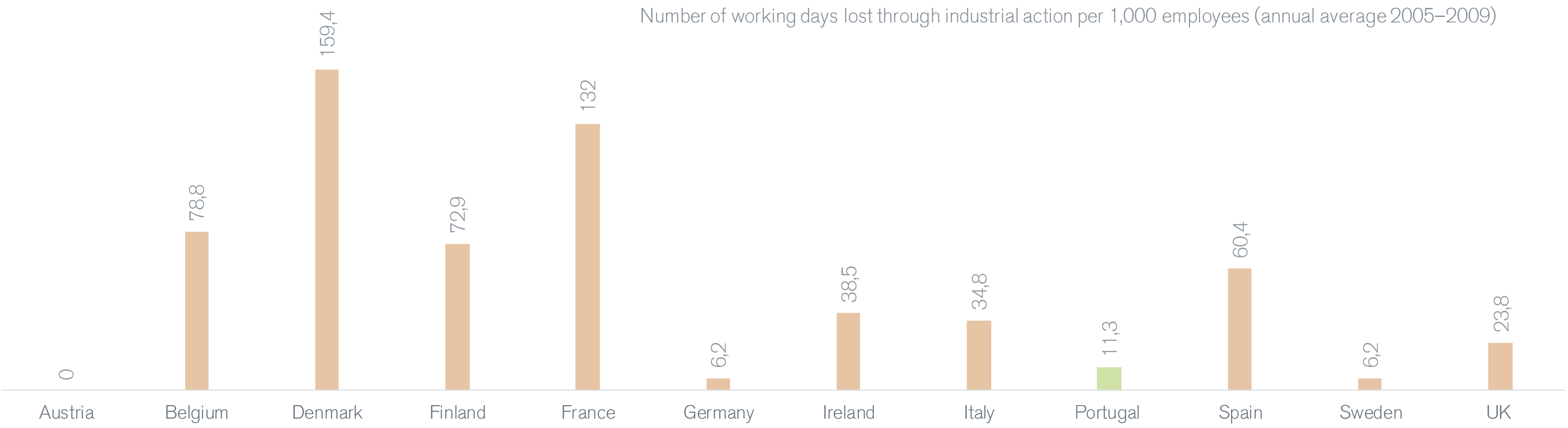
Only 1.5 days of work were lost in employment disputes in 2014

Average number of working days lost through industrial action by employee



PORDATA

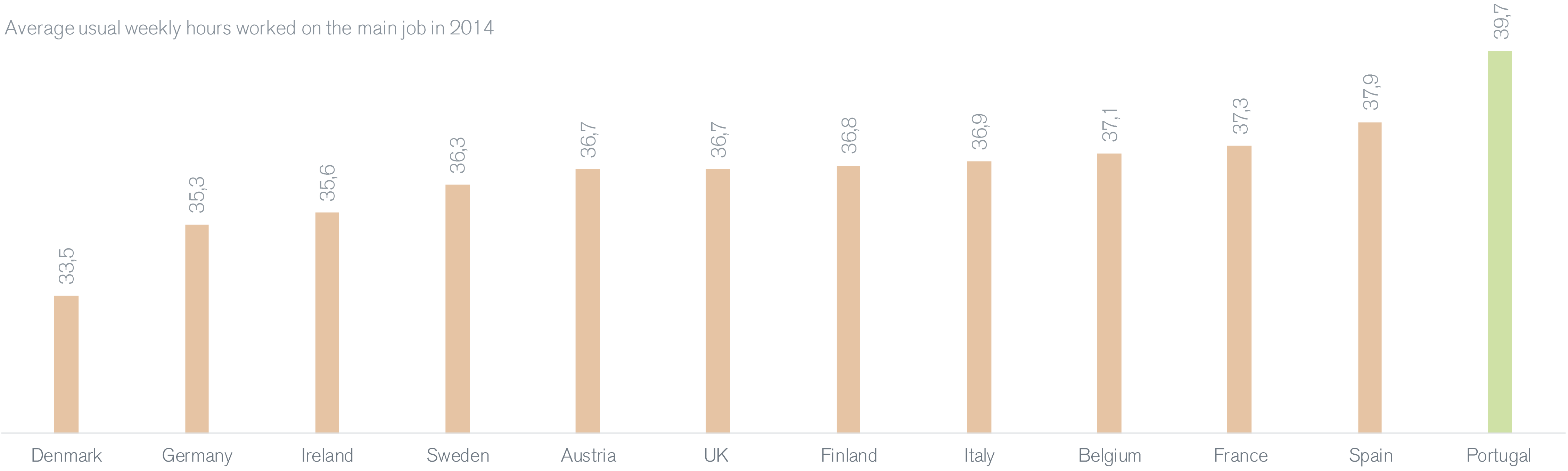
Portugal has a low level of employment disputes when compared to other EU countries



European Industrial Relations Observatory

More weekly hours worked in Portugal than in most European countries

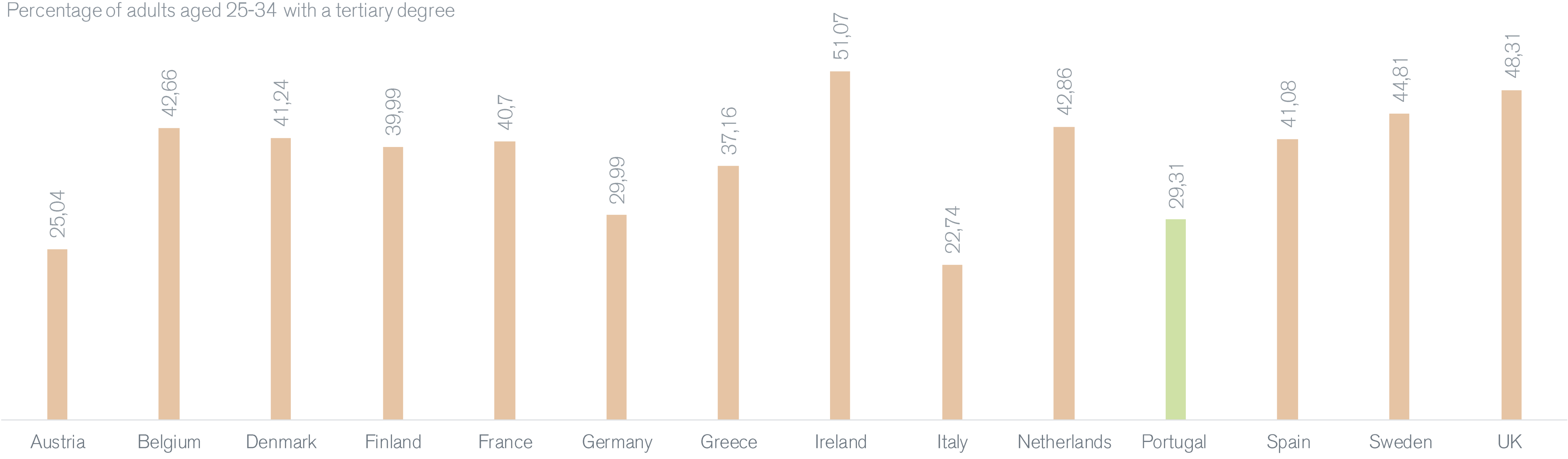
Average usual weekly hours worked on the main job in 2014



OECD

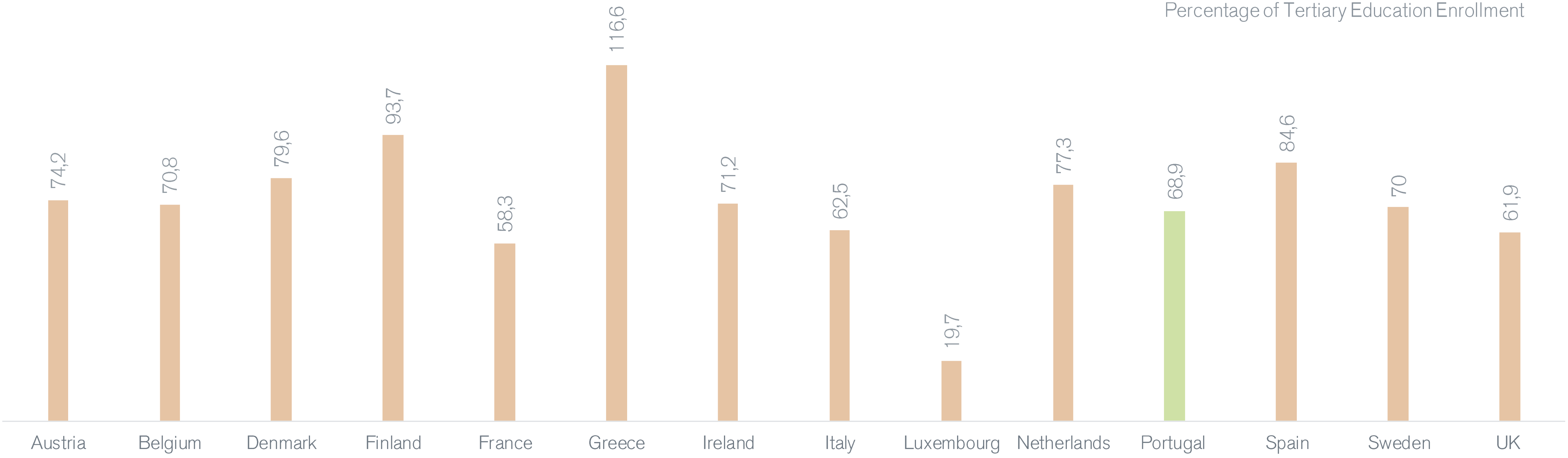
Increasing percentage of adults with higher education

Percentage of adults aged 25-34 with a tertiary degree



OECD

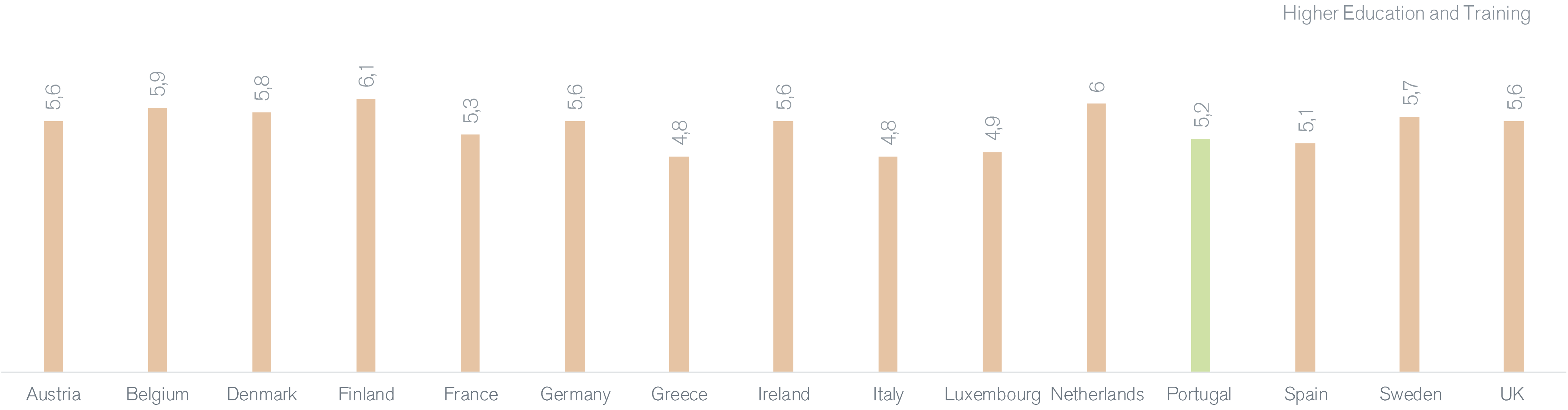
World's 29th place on tertiary education enrollment



World Economic Forum | Global Competitiveness Report 2015-2016

26th in the World Economic Forum's higher education index

14th in the European Union

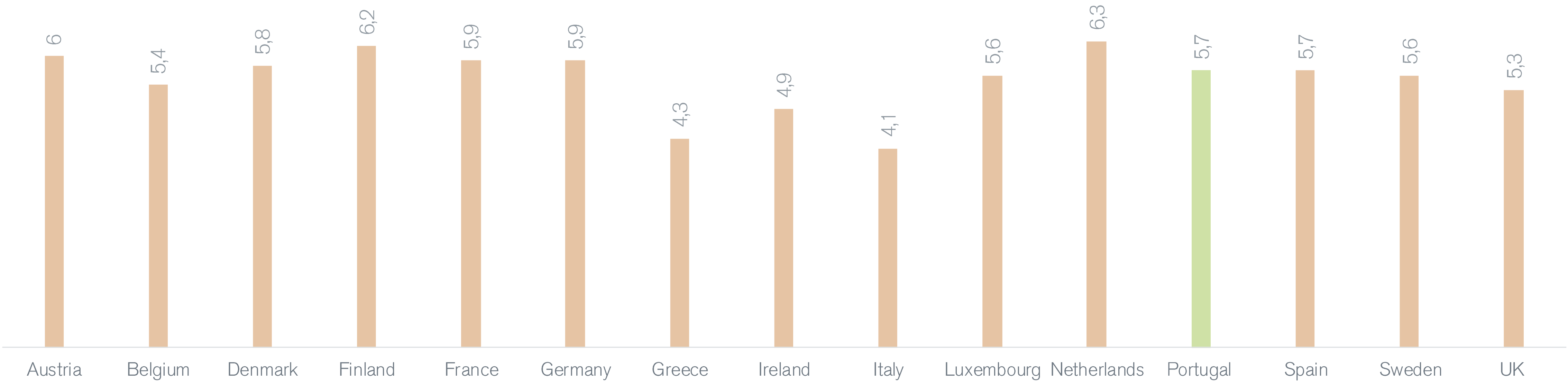


World Economic Forum | Global Competitiveness Report 2015-2016

20th best transport infrastructure in the World

8th in the European Union

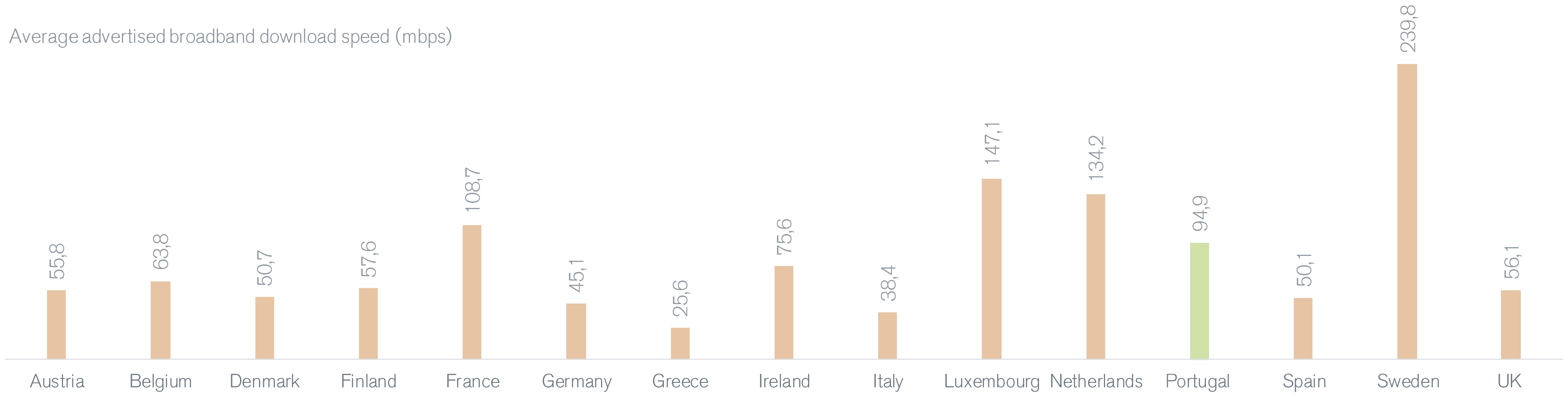
Quality of overall infrastructure (1=worst, 7=best)



World Economic Forum | Global Competitiveness Report 2015-2016

7^{th} fastest broadband speed in the World

5^{th} in the European Union



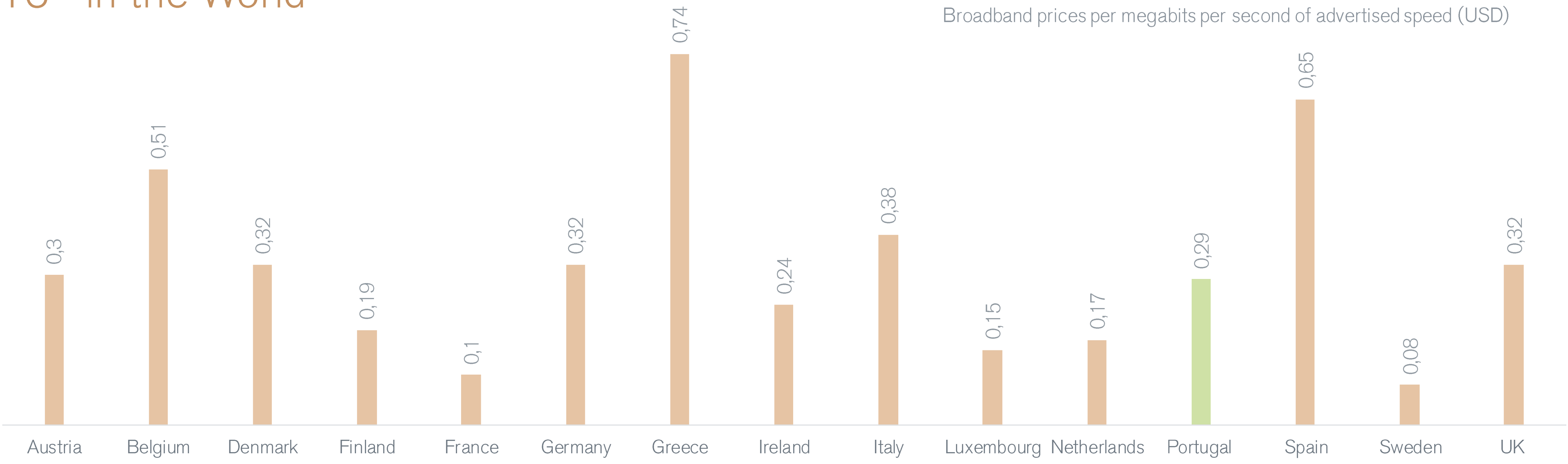
OECD

Most competitive

broadband prices in the European Union

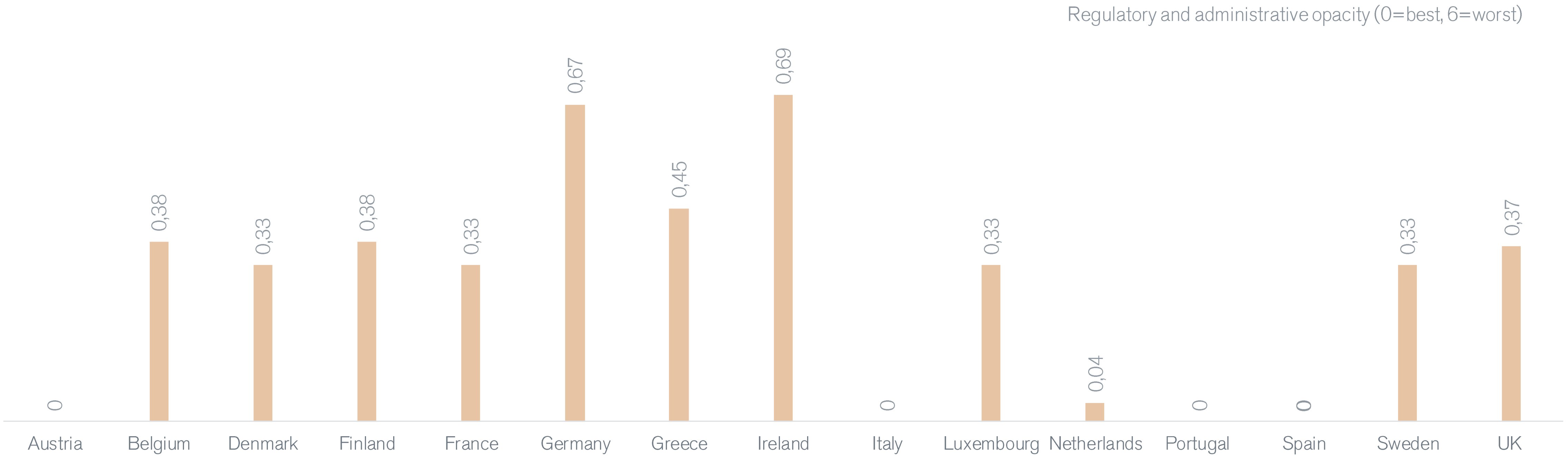
16th in the World

Broadband prices per megabits per second of advertised speed (USD)



OECD

More advanced regulatory and administrative proceedings

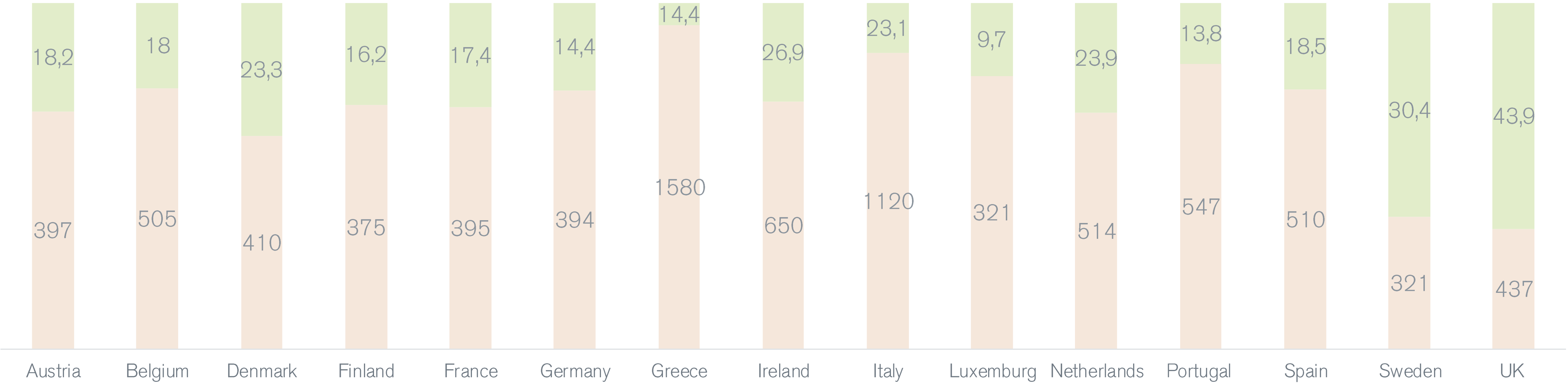


OECD

20th in the World in the resolution of legal disputes

8th in the European Union

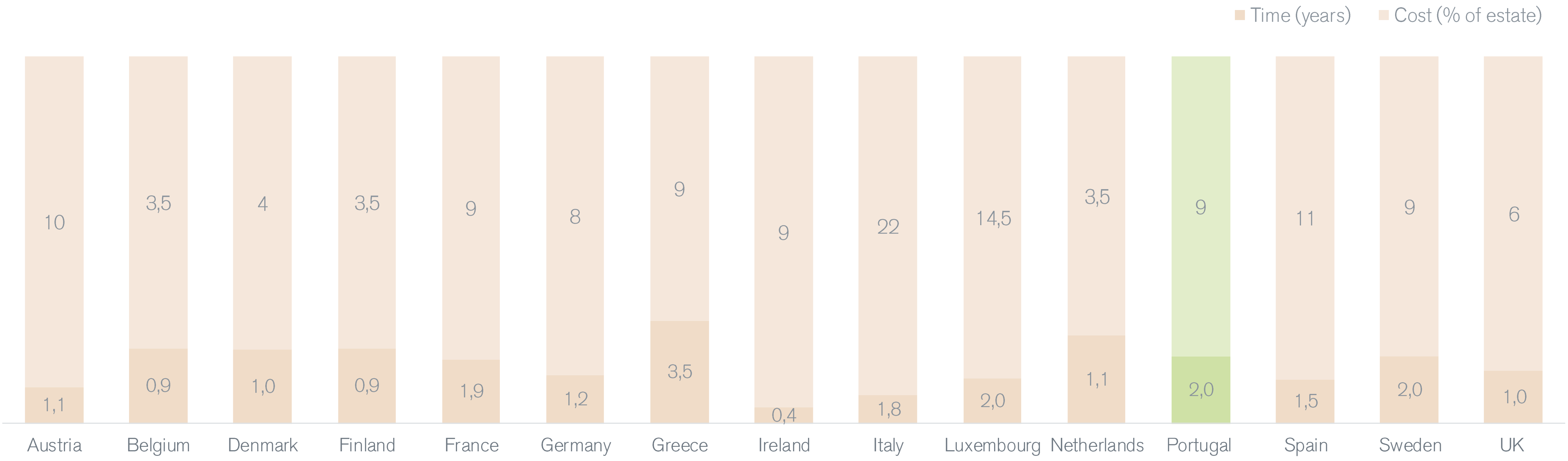
Relation between time (days) and cost (% of claim)



World Bank | Doing Business 2016

3rd in the European Union in resolving insolvencies

8th in the World



World Bank | Doing Business 2016

CHAPTER 2

Starting a business

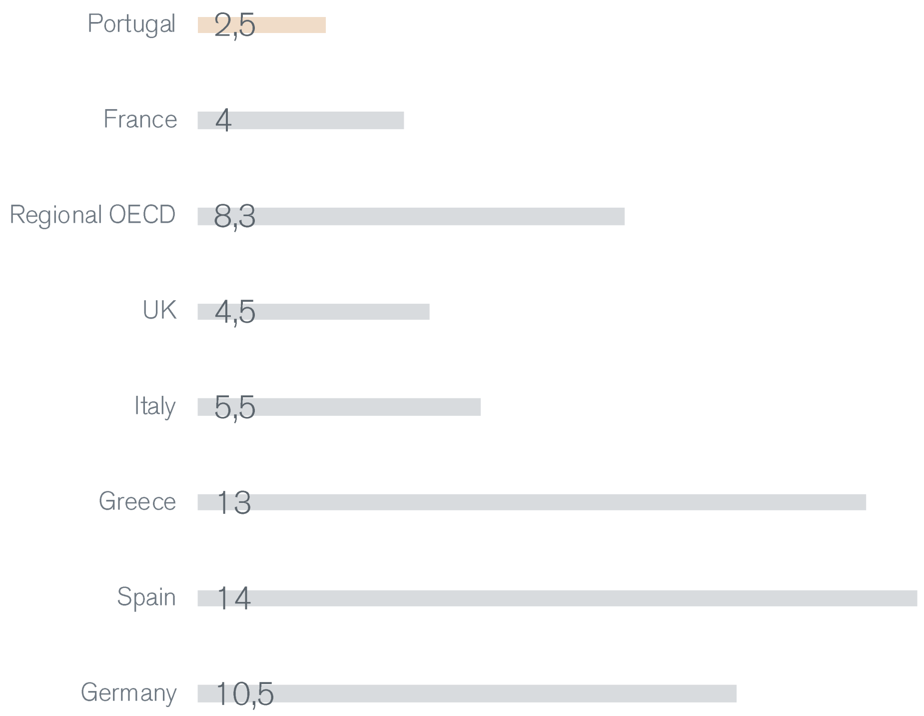
Starting a business

According to the World Bank's Doing Business 2016 Report Portugal is in the first place of ranks in the top 5 EU countries where it is easier to set up a business and in the 13th position worldwide.

Over time Portugal has been able to reduce the average time for incorporating a company from several months to 2.5 days while the EU average is 9,94 days. The process can take just one day by using shell companies. Portugal is also pioneering in the use of online platforms for the incorporation of companies and making available company records and accounts.

According to the Europe – eGovernment Benchmark 2012, the Portuguese business portal is an example of good practice because it provides «*an excellent example of how to enable full online service provision*».

This same report states that «*the Portuguese approach to the process of business creation combines integration of key enablers that allow for full online service provision with focus on the requirements and demands of entrepreneurs. The process of business creation is totally integrated and dematerialised. It allows the entrepreneur to create a new company, register the trademark and name through a centralised monitoring of the entire process*».



World Bank | Doing Business 2016

Investment vehicles

Types of vehicles

Opening a branch office and incorporating a subsidiary company are the investment structures commonly chosen by national and foreign investors.

Other business forms can be used as investment vehicles in Portugal such as representative offices or unincorporated joint ventures.

Branches *vs.* companies

The main differences between opening a branch and incorporating a company are:

- A branch has no separate legal personality and operates as an extension of the parent company; companies have legal personality of their own;
- A branch has no equity requirement, although the parent company may allocate a capital amount to the branch for operational purposes; for some companies the law requires a minimum equity; and
- The branch's appointed legal representative is empowered to manage the business, no corporate bodies are required; companies are required to have a management body and a supervisory officer.

Types of companies

Most national and foreign investors choose the following type of companies, as they suit the purpose of limiting the parent company's liability:

- Public limited liability companies (*Sociedade Anónima* – "S.A."); or
- Private limited liability companies (*Sociedade por Quotas* – "Lda.").

S.A. *vs.* Lda.

The main differences between private limited liability companies and public limited liability companies are:

- Private limited liability companies with a business volume of less than €100,000 only require a Managing Director; public limited liability companies generally require a Board of Directors and a supervisory body;
- The minimum initial investment for public limited companies is €50,000, while private limited liability companies do not require a minimum share capital, although the share nominal value cannot be less than €1; and
- The shareholders of private limited liability companies retain the power to intervene on management issues, unlike the shareholders of public limited liability companies.

Incorporating a company

“On-the-spot” companies (*Empresa na Hora*)

This method allows founders incorporate a company in a single act at one of the official registration offices in the country (there is at least one registration office in each main city of Portugal), using a pre-approved corporate name and a standard form articles of association.

Online incorporation

It may be possible incorporate a company online through the website www.empresaonline.pt by providing the following information:

- The company's name, chosen from the list of pre-approved names available at www.empresaonline.pt or previously obtained from the National Registry of Legal Entities (*Registo Nacional de Pessoas Colectivas*) (RNPC);
- The articles of association, using one of the forms available online or submitting a draft articles of association for approval; and
- The data specified in the form to register the business with the employment, social security and tax authorities.

Traditional method

The traditional method comprises the following steps:

- Requesting the company's name certificate with the RNPC;
- Depositing the minimum initial share capital in a bank institution (in the case of public liability companies);
- Executing the articles of association by way of public deed or private document;
- Registering within the Commercial Registry Office;
- Publishing the articles of association and the list of the members of the company corporate bodies at the website at http://www.mj.gov.pt/publicacoes; and
- Registering the company with the tax authorities, the social security and the authority for working conditions (ACT).

CHAPTER 3

Taxation

How does Portugal compare with others

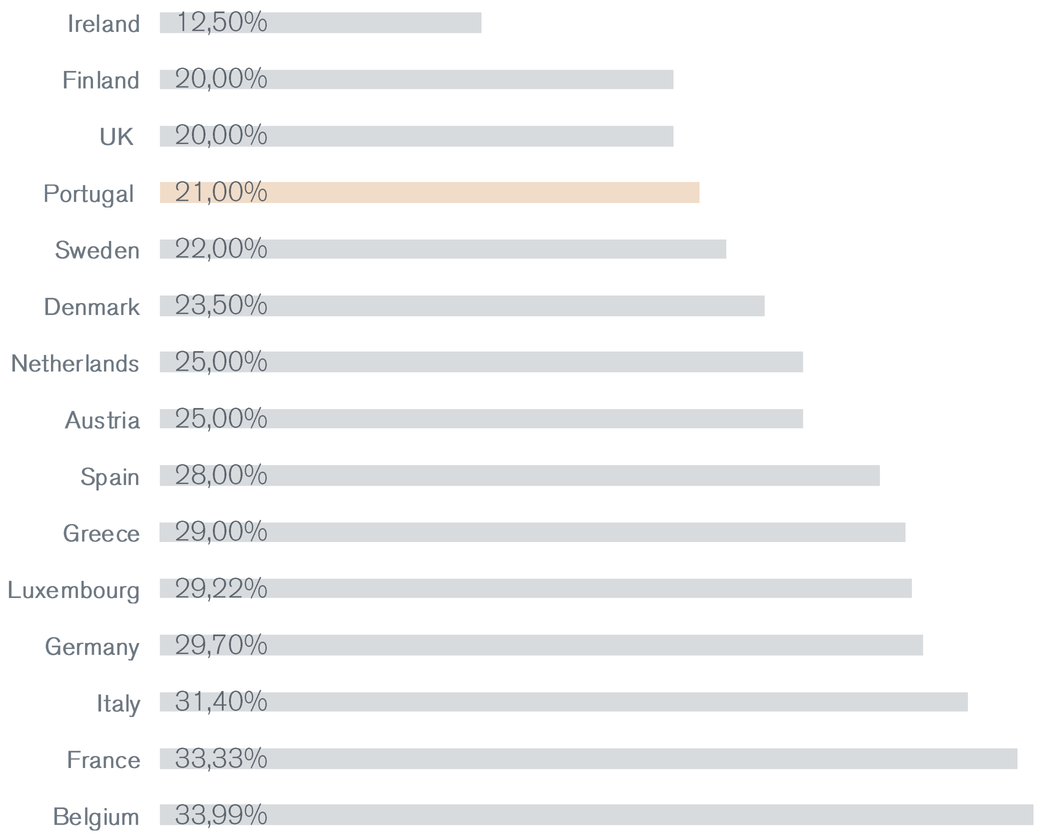
In 2015, the Portugal reduced its corporate income tax rate from 23% to 21%. Portugal's corporate tax rate is now below the EU average of 22,25% and the global average of 23,87%.

For many investors the effective tax rate, which measures the average tax paid by corporations to local tax authorities discounting exemptions and tax benefits, is a more reliable way of determining the level of taxation.

In this regard, according to the European Commission (EC) report "Effective Corporate Taxation, Tax Incidence and Tax Reforms: Evidence from OECD Countries", the Portuguese effective marginal capital tax rate was of 13.8% in 2014.

Portugal's marginal tax rate lower than the average rate of 18.4% of a basket of 17 OECD countries (including the EU-15 but excluding for Luxembourg and Greece).

This data shows that Portugal is as competitive as most of its competitors in the region, if not more competitive.



KPMG Global

Corporate taxes

Corporate income tax

Any company whose head office or effective place of management is located in Portugal will be deemed to be resident in Portugal and subject to corporate income tax. Foreign companies may also be subject to corporate income tax if they have a permanent establishment in Portugal or earn income that is deemed to be obtained in Portugal.

A permanent establishment may exist if the foreign company carries out its activity in Portugal through a fixed place of business as well as if a person is acting in Portuguese territory for the account of such company and has and exercises an authority to intermediate and conclude contracts on behalf of the company.

Tax rates

In 2015, CIT was reduced to 21% of the worldwide income or, in case of a foreign company with a permanent establishment in Portugal, over the income attributable to such establishment.

Municipal and State surcharges

The municipal surcharge (*derrama municipal*) will be levied on the taxable income subject to and not exempt of corporate tax at a rate to be approved every year by each municipality or municipalities where the income is obtained (up to 1.5%). The State surcharge (*derrama estadual*) will be levied on the taxable income subject to and not exempt of corporate tax in excess of €1.5 million at the following rates:

- 3% when the taxable income ranges between €1,5 and €7,5 million;
- 5% when the taxable income ranges between €7,5 and €35 million; and
- 7% when the taxable income exceeds €35 million.

Carry forward tax losses

Carry forward tax losses may be set-off against taxable income for CIT purposes. In 2016, the Parliament proposed the reduction of the period for deducting the carry forward tax losses from twelve to five years but limited the amount of the carry forward tax losses that companies are allowed to deduct in each tax year to 70% of the taxable income.

Taxation of non-residents

Repatriation of income

Non-resident companies that do not have a permanent establishment in Portugal may also be subject to corporate tax if they earn income that is deemed to be obtained in Portugal and that may be taxed in Portugal under the applicable double taxation treaty (e.g. dividends, capital gains and interest).

In general, income (other than capital gains) that is deemed to be obtained in Portugal will be subject to withholding tax at a rate up to 23%, although this rate could be reduced under the applicable double taxation treaties.

Dividends, interest and royalties

The payment of dividends to companies resident in another Member State of the European Union which hold a shareholding representing not less than 10% of the share capital of the Portuguese resident company, for an uninterrupted period of one year, will be exempt provided that the companies are eligible under the Parent Subsidiary Directive.

Interest and royalties are exempt from withholding tax if payment is made to an affiliated company resident in another Member State of the European Union subject to the fulfilment of the relevant holding requirements.

Capital gains

The capital gains obtained by non-resident companies without a permanent establishment in Portugal from the sale of real estate property located in Portuguese territory will be subject to corporate tax.

Unless otherwise provided in double taxation treaties, capital gains from the sale of shares and other securities issued by Portuguese resident companies may benefit from an exemption of corporate tax, except if:

- The seller is domiciled in a jurisdiction subject to a clearly more favourable tax regime;
- The shareholder is, directly or indirectly, owned in more than 25% by resident companies or persons; or
- More than 50% of the target company's assets are composed by real estate property located in the Portuguese territory or, if the target is a holding company, more than 50% of any controlled company's assets include real estate property located in the Portuguese territory.

Other taxes

Value added tax (VAT)

VAT is levied on any transfer of goods and the rendering of services. The VAT rate applicable in mainland Portugal is 23%. However, certain goods and services may be subject to an intermediate VAT rate of 13% or a reduced VAT rate of 6%.

In the Azores the general VAT rate is 18%. The intermediate rate is 10% and the reduced rate is 5%. In Madeira the VAT rates are 22%, 12% and 5%, respectively.

Stamp duty

Stamp duty is levied on certain transactions that are exempted from VAT, such as loans (up to 0.6%), consumer credit (up to 1.5%), insurance (5%) and real estate transfers (0.8%).

Municipal property transfer tax

Property transfer tax will be levied (in addition to stamp duty) over the property tax value or the purchase price, if higher, at the following rates: from 1% up to 6% in respect of urban property allocated to housing purposes, 6,5% in respect of other urban property and 5% in respect of land property.

Municipal property tax

Property tax is levied on an annual basis on the tax value of the property at the following tax rates:

- 0.8% in respect of land and attached facilities (*prédios rústicos*); and
- Between 0.3% and 0.5% on the urban property evaluated in accordance with the MPT Code.

Real estate with a tax value above €1 million will be subject to stamp duty at the rate of 1% in case of real estate properties allocated to habitation purposes (7.5% if the properties are owned by residents in “tax havens”).

Social security contributions

Companies which hire employees in Portugal will have to pay social security contributions at a general rate of 34.75%, of which 23.75%) (or 23% for workers hired before 1 January 2016 with the minimum wage will be borne by the employer and 11% by the employee. The employer’s contribution is adjusted to the type of employment agreement: in the case of unfixed term employment agreements it is reduced to 22.75% and in case of fixed term employment agreement it is increased to 26.75%.

CHAPTER 4

Employment

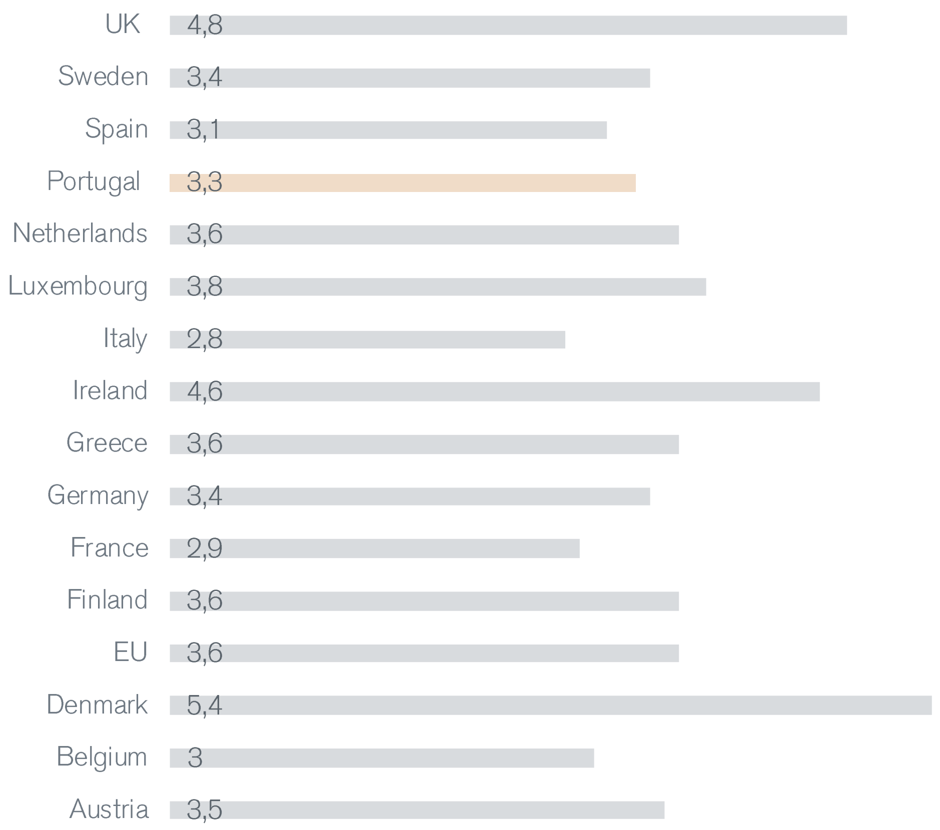
How does Portugal compare with others

According to the World Economic Forum's Report 2015-2016 the Portuguese employment legislation alongside that of many continental Europe countries is less rigid than many European countries, such as Spain, France or , although still more rigid than that of the benchmark countries.

There is a marked gap in Portugal between the rights of the more recently employed workers and those benefitting from longer tenures. For instance, Portuguese legislation reduced the severance pay from 30 days to 12 days but leaving several safeguards for older contracts.

Other aspects of the legislation have been revised since the adoption of a new Labour Code in 2009, which adopted more employer-friendly legislation as regards the organisation of its workforce. For instance, working schedules may now be managed in a more flexible way.

The changes in the labour regime has put Portugal only 0.3 points behind the EU average and ahead of larger European countries such as Spain and France.



World Economic Forum Report 2015-2016

Hiring employees

Employment rules

Hiring in Portugal is subject to the mandatory rules and statutory limits set out in Portuguese law on several matters, such as remuneration, working hours, vacation rights or duration of contracts.

In general, employment contracts do not need to be in writing. Only for some types of contracts the law requires a written document, such as fixed-term contracts, part-time contracts, secondment contracts and contracts with foreign employees.

Remuneration

Employees are entitled to a minimum monthly remuneration, which in 2016 was set at €530 by the Portuguese Government. The remuneration must be paid on a regular and permanent basis and may be fixed, variable or mixed (comprising fixed and variable components). In addition, employees are entitled to receive:

- Christmas bonus: equal to one month remuneration payable until 15 December of each year; and
- Holiday bonus: equal to one month remuneration payable before the holiday period.

Working hours

The maximum regular working period is of forty hours per week, eight hours per day.

Employees are entitled to a minimum rest period of eleven consecutive hours between two successive daily work periods, as well as to one day of rest per week. An additional half or full day of rest (in all or in certain weeks of the year) may be also given other than the rest day required by law.

Vacation rights

Employees are entitled to twenty two business days of paid holiday per year. Employees are also entitled to thirteen national public holidays: 1 January, Good Friday, Easter Sunday, 25 April, 1 May, Corpus Christy, 10 June, 15 August, 5 October, 1 November, 1 December, 8 December and 25 December.

Under the collective bargaining agreements employers may be obliged to grant two optional public holidays: Carnival/Shrove Tuesday and the local municipal holiday.

Employment contracts

Types of employment contracts

Depending on the needs of the employer and the duration of the employee's tasks, the employer may enter into the following employment contracts:

- Fixed-term contracts: contracts that are in force for a pre-established period set according to employer's temporary needs, which must be specified in the contract, and expire at the end of the agreed term, unless they are renewed; fixed-term contracts cannot be renewed for more than 3 times and have a maximum duration of three years;
- Unfixed-term contracts: contracts that are not subject to a pre-established period, but expire after the completion of the employer's project or when the reason for which the employee was hired ceases to exist; unfixed-term contracts have a maximum duration of six years; and
- Open-ended contracts: in case the parties do not agree a term (fixed or unfixed), the employment contract is deemed to be entered into for a permanent period of time, which means that the contract could only cease upon termination by one of or both parties under the law.

Probation period

The probation period, during which either party may unilaterally terminate the contract without prior notice and without cause, varies depending on the type of contracts.

The maximum probation period is:

- For open-ended contracts: (i) 240 days for employees with management or senior positions, (ii) 180 days for employees with job positions of technical complexity, high degree of responsibility or which require special qualifications, and for employees who perform duties of confidence and (iii) 90 days for other employees;
- For fixed and unfixed-term contracts: (i) 30 days for contracts with a duration equal or higher than six months and (ii) 15 days for contracts with a duration of less than six months.

In case of termination of the employment contract during the probation period, employees are not entitled to any compensation unless otherwise agreed in writing by the parties.

Dismissing employees

Expiration of term contracts

Term employment contracts expire at the end of their initial or renewal term, provided that serves a termination notice to the employee as follows:

- In fixed-term contracts, 15 days prior to the term of the contract; and
- In unfixed-term contracts, 7, 30 or 60 days prior to the relevant date if the employment contract has lasted for less than 6 months, from 6 months to 2 years, or more than 2 years, respectively.

Collective dismissal

A collective dismissal is possible if the employer intends to dismiss a minimum of 2 employees (in companies with less than 50 employees) or 5 (in companies with 50 or more employees) within a 3 month's period, it may carry out a collective dismissal. Collective dismissal must have one of the following grounds:

- Market structure reasons;
- Organization-related and economic reasons; and/or
- Technological reasons.

Redundancy

In case the number of employees involved does not allow a collective dismissal, termination on the ground of redundancy could be an alternative. Redundancy must be justified on the same grounds as collective dismissal and meet the following requirements:

- The reasons for the termination do not relate to an intentional behaviour of the parties; and
- The same tasks are not being executed by employees hired under a term employment agreement.

Dismissal for ineptitude

The employer may terminate the employment contract when the employee demonstrates ineptitude or inability to perform the assigned tasks, provided that such ineptitude occurs in the course of the performance of the functions.

Breach

The employer may terminate the employment with just cause following a disciplinary action.

Severance compensation

Open-ended contracts entered into before 1 November 2011

The severance compensation is calculated as follows:

- Until 31 October 2012: 1 monthly base salary and seniority per each year of employment;
- Between 31 October 2012 and 30 September 2013: 20 days of monthly base salary and seniority per each year of employment; the amount of the monthly base salary and seniority may not be higher than 20 times the minimum monthly salary (currently, €10,600);
- After 1 October 2013: 18 days of monthly base salary and seniority per each year of employment in the first 3 years of the contract, and 12 days of monthly base salary and seniority per each year of employment in the following years (the New Rules).

If the compensation calculated for the period until 31 October 2012 is equal or higher than 12 monthly base salaries and seniority or 240 of minimum monthly wage (currently, €127,200) (Relevant Threshold), the period after 31 October 2012 will not be taken into account; if that compensation is less than the Relevant Threshold, the total compensation may not exceed the Relevant Threshold. The minimum compensation is 3 monthly base salaries and seniority.

Term contracts entered into before 1 November 2011

The severance compensation will be as follows:

- Until 31 October 2012: 3 or 2 days of base salary and seniority per each month of employment, if the term of the employment is lesser or higher than 6 months, respectively, with a minimum of 3 monthly base salaries;
- After 31 October 2012 and until 30 September 2013: 20 days of monthly base salary and seniority per each year of employment; the amount of the monthly base salary and seniority may not be higher than 20 times the minimum monthly salary (currently, €10,100);
- After 1 October 2013: it is applicable the New Rules; and
- Minimum compensation is 3 monthly base salaries and seniority.

Contracts entered into on or after 1 November 2011

The severance compensation is calculated in accordance with the New Rules and the severance compensation may not exceed the Relevant Threshold. No minimum severance compensation amount is imposed by law.

CHAPTER 5

Government incentives

Investment incentives

Contractual Incentives

The Portuguese Government grants contractual incentives to large investment projects and, in general, to other productive investments.

Projects are considered large investments when:

- They have a positive impact in the Portuguese economy regardless of the sector or nationality of the investor and represent an investment of in excess of €25 million, within a maximum period of 3 years; or
- They are promoted (i) by companies whose consolidated annual turnover exceeds €75 million or (ii) by other entities whose annual budget exceeds €40 million.

The contractual incentives may consist of:

- Financial incentives (refundable or non-refundable);
- Tax benefits; and
- Co-financing

Exceptionally, it may also include co-funding of vocational/professional training costs, among others.

Portugal 2020

The European Commission and Portugal entered into a partnership for the period from 2014 to 2020: the "Portugal 2020" programme.

The Portugal 2020 programme will be financed through with funds from the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), European Agricultural Fund for Rural Development (EAFRD), the European Fund of Maritime Affairs and Fisheries Fund (EMFF) and other relevant operational programmes and rural development programs.

Until 2020, the European Union will allocate to Portugal approximately 25,240 million euros of its structural funds, which will be used to fund:

- The operational agenda for competitiveness factors, which focuses on the qualification of production, on innovation, technological and entrepreneurship development;
- The operational agenda for human potential, for the promotion of academic and professional qualifications and the promotion of employment and social inclusion;
- The sustainability and efficiency in the use of resources; and
- The operational agenda for territory enhancement, aiming at providing the country with attractive conditions for productive investment and improve living conditions.

Other incentives

Financing schemes for SMEs

Small and medium enterprises (SMEs) may benefit from a range of financing support, promoted by several programs, including without limitation:

- €2,000 million SME credit line *Linha de Crédito PME Crescimento 2014*, whose purpose is to facilitate the access of SMEs to bank financing;
- *Finicia* programme, which facilitates the access to financing solutions and technical assistance on enterprise creation, or companies at an early stage, which present differentiated business ideas;
- *Fincresce* programme, which was designed to optimize the financing conditions of firms with certain risk profile and which pursue growth strategies of companies that obtain the status of SMEs leader; and
- *PME Consolida* programme, which consists of a special support to economic activity and employment, comprising three support instruments to corporate financing: (i) the autonomous fund to support the concentration and consolidation of companies, (ii) the special real estate fund business support and (iii) venture capital support.

PIN projects

Projects of National Interest (PIN) will benefit from a system to simplify and speed up investment projects, remove any administrative blockages and facilitate the granting of incentives.

For a project to be recognised as a PIN project it must:

- Ensure the project's environmental and territorial sustainability;
- Involve a total investment worth more than € 25 million or which has a strong R&D, innovation or environmental interest; and
- Have a positive impact in several areas, fostering the development of other activities, job creation and insertion into regional development strategies.

Ad hoc incentives

Portugal also grants *ad hoc* autonomous when specific situations so require, *i.e.* for job creation, such as:

- Temporary exemption from the payment of social security contributions due by the employer; and
- Financial support for hiring youngsters, the unemployed, former trainees, among others.

CONCLUSIONS

Answering investors' questions

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How long does it take to start a business and obtaining the permits I need to carry out a business activity? Is the process for obtaining licenses and permits transparent?

Opening a branch office or incorporating a company in Portugal can take only one day. According to the Doing Business Report new business rankings, the number of working days needed to start a business is 2.5 days in Portugal against an average of 8.3 days in the OECD countries.

Most administrative permits that are required to start a business activity can be submitted online. Procedures vary according to the activity that will be carried out but, generally, the process is transparent and can be achieved in a reasonable timeframe.

The OECD also gives Portugal the best mark on its regulatory and administrative opacity index, which ranks how clearly and transparently are regulations and administrative procedures.

The World Economic Forum gives Portugal a mark of 5.2 in its Irregular Payments and Bribes index, above the 5.1 EU average and ahead of the United States with 5.0.

Will I be allowed to compete in the domestic market with the local players?

Traditionally the Portuguese economy welcomes foreign investors and is open to foreign competition across all sectors. Portugal has no restrictions to foreign ownership of banks and companies in regulated sectors such as telecommunications and energy.

The World Economic Forum ranks Portugal in 7th place in the world with fewer non-tariff barriers to competition. However, practice shows that it is hard to break monopolies and oligopolies in many sectors, hence Portugal's poor ranking in the World Economic Forum market dominance index with a 4.1 mark, clearly below European standards. There are examples of successful investments directed to the domestic market alone, such as Vodafone, which was able to compete head-to-head with incumbent player Portugal Telecom for the leadership in the mobile market and Banco Santander, which now owns the fourth largest local bank. In open sectors with fewer barriers to entry, such as retail and consumer products, many international companies have a strong foothold in Portugal and took a fair share of the market in direct competition with local players.

Answering investors' questions

Will my Portuguese operations match the efficiency and productivity levels of other locations?

International statistics show low efficiency and productivity levels in Portugal when compared with the best international standards.

The World Economic Forum's 2016 Report Report ranks the Portuguese economy's competitiveness in 38th place out of 144 countries in the Global Competitiveness Index (GCI) which puts Portugal in the 16th place within the EU countries, below the EU GCI average. Portugal ranks in 113th place out of 148 countries in the world in the Pay and Productivity which is a poor result when compared with the European benchmark countries.

These rankings are explained by the poor management of public and some private sector companies which drag the overall figures down. In contrast, the productivity levels of foreign multinationals operating in Portugal are considerably higher.

Volkswagen, Nokia-Siemens, Cisco, Microsoft and Ikea are some well-known companies which have highly productive subsidiaries in Portugal.

Will I be able to enforce contracts?

The World Bank ranks Portugal in 20th place worldwide and in the top 8 EU countries in enforcing contracts. Time to enforce a contract is estimated to be around 547 days, which puts Portugal in 17th place in the EU countries according to the World Bank's "Doing Business 2016" Report.

Clearly there is a long way to go reach the benchmark countries, where it takes of less than one year to enforce a contract. However, Portugal ranks better than many when compared to other European countries.

Is it easy to hire and dismiss employees in Portugal?

Portuguese employment regulations are generally perceived as rigid, although Portugal has gone a long way and has adopted legislation that is broadly in line with other continental European countries.

ABOUT US

Our corporate and commercial group

Our corporate and commercial group

Macedo Vitorino & Associados was established in 1996, focusing its activity on advising domestic and foreign clients in specific activity sectors, including banking, telecommunications, energy and infrastructures.

Since the incorporation of the firm we have been involved in several high profile transactions in all of the firm's fields of practice, including banking and finance, capital markets, corporate and M&A, etc.. We have also acted on many complex disputes and corporate restructurings.

We are mentioned by The European Legal 500 in twelve of fifteen practice areas, including Banking and Finance, Capital Markets, Project Finance, Corporate and M&A, Tax, Telecoms and Litigation.

Our firm is also mentioned by IFLR 1000 in Project Finance, Corporate Finance and Mergers and Acquisitions and by Chambers and Partners in Banking and Finance, Corporate and M&A, TMT, Dispute Resolution and Restructuring and Insolvency.

Macedo Vitorino & Associados has strong relationships with many of the leading international firms in Europe, in the United States and in Brazil, which enable us to handle cross-border transactions effectively.

Macedo Vitorino & Associados has a truly international practice. We act in several domestic and cross-border transactions, including mergers and acquisitions, financings and foreign investments.

The multidisciplinary and integrated character of our corporate and commercial group allows us to efficiently solve the legal issues of our clients, in particular:

- Commercial contracts, distribution agreements and franchising
- Commercial litigation
- Competition and European law
- Copyright, intellectual property, IT, patents and trade marks
- Corporate and acquisition finance
- Employment
- Foreign investment
- Mergers, acquisitions and privatisations
- Tax

If you want to find out more about Macedo Vitorino & Associados please visit our website at www.macedovitorino.com

Rua do Alecrim 26E | 1200-018 Lisboa | Portugal
Tel.: (351)21 324 19 00 | Fax: (351)21 324 19 29
www.macedovitorino.com