

A large, light-colored stone sculpture depicting several figures in historical Portuguese attire, including a man with a hat and a woman with a sword. The sculpture is set against a background of large, geometric, light-colored stone blocks.

WHYPORUGAL 2018

The Case for investing in Portugal



MACEDO VITORINO & ASSOCIADOS
Sociedade de Advogados, RL

About us

In today's competitive global market, Macedo Vitorino & Associados can provide a comprehensive commercial and corporate law advice to domestic and foreign clients. We have strong relationships with many of the leading international firms in Europe, the United States and Asia, which enable us to handle effectively any cross border legal matters.

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, corporate restructurings, etc..

We are ranked by The European Legal 500 in most of its practice areas, including Banking, Capital Markets, Project Finance, Corporate and M&A, Tax, Telecoms and Litigation. Our firm is also mentioned by IFLR 1000 and by Chambers and Partners in Banking, Corporate and M&A, TMT, Dispute Resolution and Restructuring and Insolvency.

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**
- **Competition and European law**
- **Copyright, intellectual property, IT, patents and trade marks**
- **Corporate and acquisition finance**
- **Dispute resolution**
- **Employment**
- **Foreign investment, mergers, acquisitions and privatisations**
- **Tax**

If you want to find out more about us please visit our website at www.macedovitorino.com.

Foreword

Following harsh years, the surge in tourism in 2017 has given Portugal its highest growth since the beginning of the millennium. Investors now seek opportunities in Portugal, predominately in real estate, tourism, agriculture, wine production and manufacturing.

Portugal's growth in 2017, the support of the European Central Bank's monetary policy and the projected reduction of the government deficit to 1.3% in 2017 have renewed investors' interest in Portugal. Still there are challenges ahead. Portugal needs to reduce historically high levels of Government debt.

Portugal has an easy process for the creation of new businesses, reduced the time for obtaining administrative permits and improved its labour legislation.

For international investors looking for a place to invest in Europe, Portugal offers several advantages. Portugal is an ideal location for nearshoring industrial and services facilities because of its access to Europe's 500 million consumers' market. Portugal also offers access to the Portuguese-speaking countries in four continents: Europe, America, Africa, and Asia.

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.

Volkswagen's Portuguese auto-plant, Autoeuropa, 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 2018» Report ranks Portugal in the World's top 30 – 13th in the EU – most attractive locations to do business, ahead of most southern and eastern European countries.

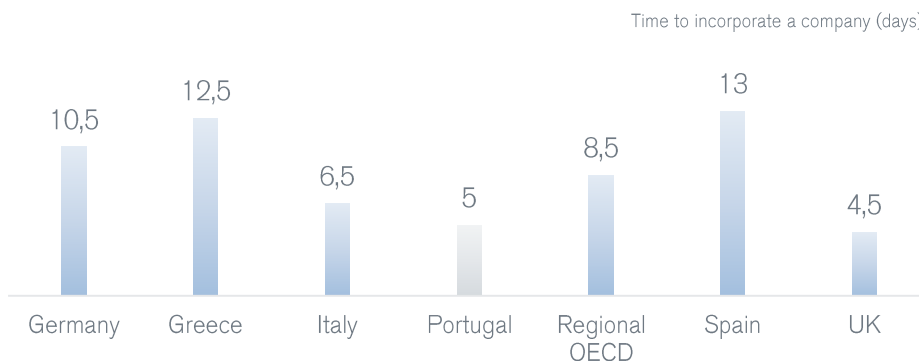
This briefing provides an overview of the main aspects to be considered by foreign investors looking at Portugal as a place to invest, in particular the setting up of a business, labour law, corporate tax, the judicial system and government incentives.

To read our full report visit our website at www.macedovitorino.com/en/why-portugal

It's easy to start a business in Portugal

Opening a branch office or incorporating a company in Portugal can take only one day. According to the DB2018 Report new business rankings, the number of working days needed to start a business is 5 days in Portugal against an average of 8.5 days in the OECD countries. The process can take just one day by using shell companies.

The process of business creation is totally integrated and dematerialized. It allows the entrepreneur to create a new company, register the trademark and name through a centralized monitoring of the entire process».



Source: World Bank | Doing Business 2018

Portugal is also pioneering in the use of online platforms for publishing companies' records and accounts, tax electronic filings and other eGovernment tools etc.

According to the European Commission's «eGovernment Benchmark 2017» Portugal tops most of the charts concerning the availability and ease of use of eGovernment services.

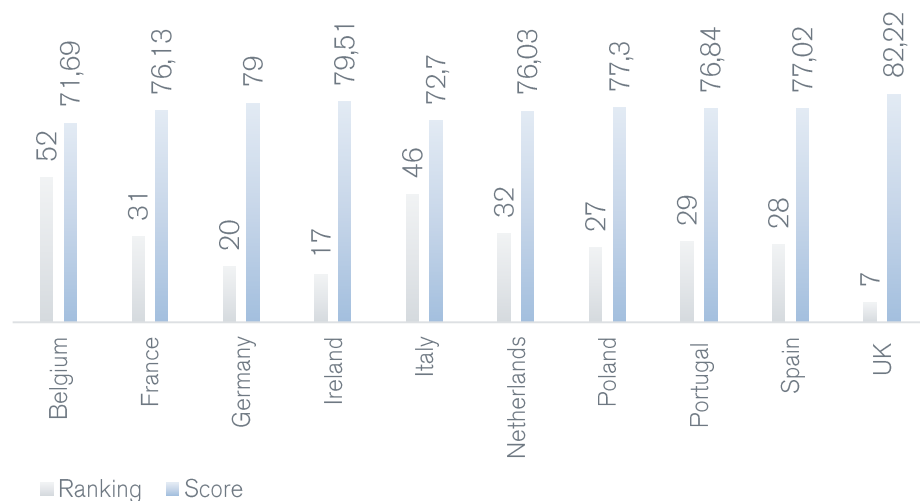
Most administrative permits that are required to start a business activity can be submitted online. Procedures vary according to the sector that will be carried but, generally, the process is transparent and can be achieved in a reasonable timeframe.

The World Economic Forum (WEF) gives Portugal a mark of 5.1 in its Irregular Payments and Bribes index in a scale of 1 (worst) to 7 (best) in line with the EU average and the United States.

Portugal is open to foreign investment and trade

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.

According to the World Bank's report "Doing Business 2018", Portugal ranks in the top 30 of the World's most attractive locations to do business, 13th in the EU .



Source: World Bank | Doing Business 2018

WEF's «Global Competitiveness Report» ranks Portugal in the 6th place in the World with fewer barriers to competition.

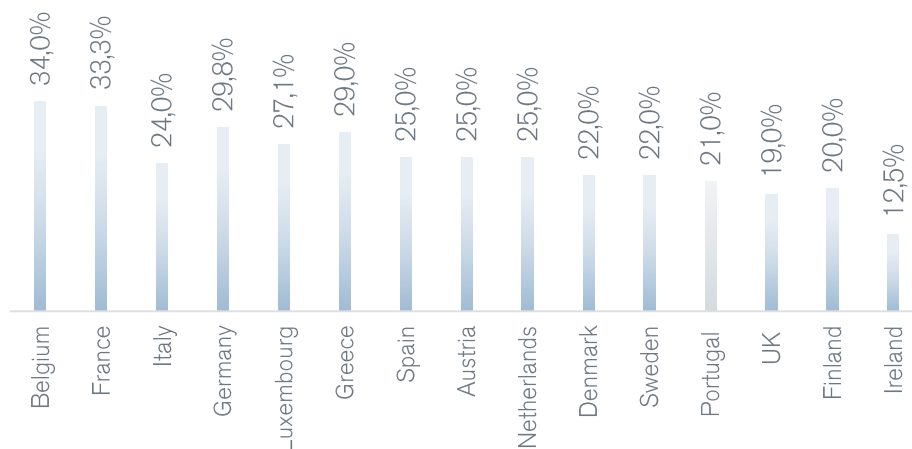
Although Portugal only achieved a 4.1 mark in WEF's market dominance index, there are several examples of successful investments directed to the domestic market and international markets, such as Vodafone, which are able to compete head-to-head with incumbent player Portugal Telecom for the leadership in the mobile market, and Banco Santander, which grew internally and through acquisitions to become one of the main banks in the country.

21%

Portugal's corporate income tax rate

Portugal's corporate income tax (CIT) rate is 21%, which is below the EU average of 21.51% and the global average of 24.25%.

European Corporate Income Tax Rates in 2017



Source: KPMG Global

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 in 2014 was of 13.8%, lower than the average rate of 18.4% of a basket of 17 OECD countries (including the EU-15 but excluding Luxembourg and Greece).

Portugal is also becoming one of the preferred destinations of many high net worth individuals in the World due to the non-permanent resident tax regime.

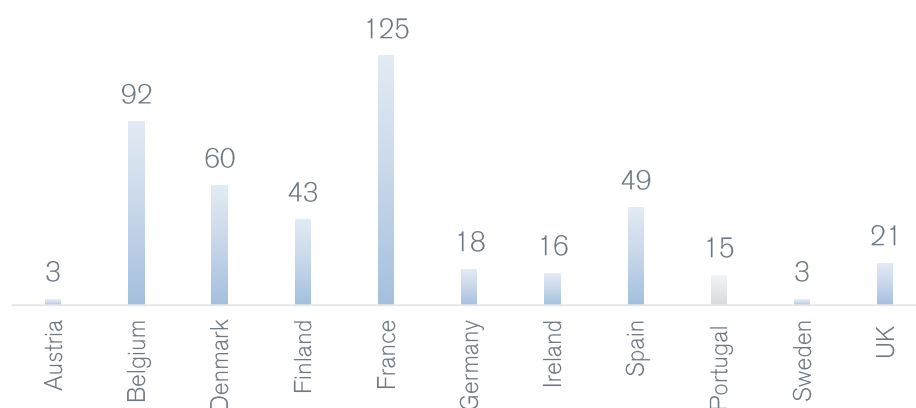
On the «paying taxes» topic Portugal now ranks 38th, after moving up eight positions from 2016 to 2017. Portugal ranks above the OECD high income average in three of the four indicators, including the total tax and contributions rate (% of profit), the number of tax payments per year and the post-filing index, where Portugal ranks in the top 10 EU countries and 29th place in the World.

Low level of employment disputes

WEF ranks the Portuguese economy's competitiveness in 42th place out of 137 countries in its Global Competitiveness Index (GCI), which puts Portugal in the 18th place within the EU28 countries. According to WEF, Portugal's employment legislation is less rigid than that of many European countries.

In contrast, the productivity levels of foreign multinationals operating in Portugal are considerably higher. Volkswagen, Siemens, Bosch, Cisco, Microsoft and many others international companies have highly productive subsidiaries in Portugal. This is because Portugal's workforce is available and proactive as shown by the low level of employment disputes and the number of worked hours, which are better than in most of Europe's.

Number of working days lost through industrial action per 1,000 employees
(annual average 2010–2016)



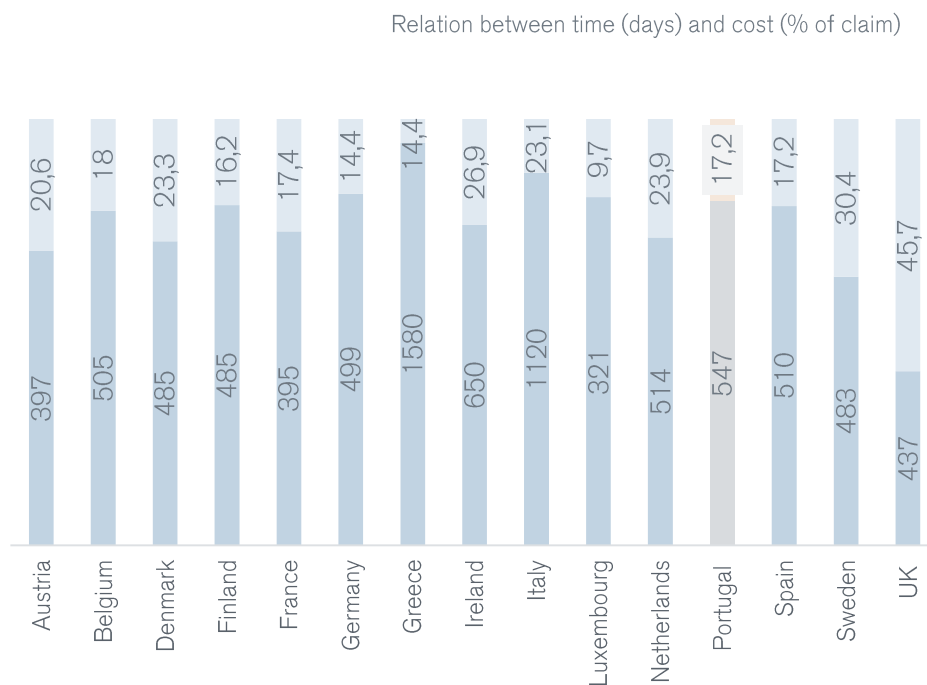
Source: European Trade Union Institute

The new Labour Code of 2009 and the reforms of 2012 created a more employer-friendly legal environment for the work organisation. For instance, working schedules may now be managed in a more flexible way without increasing costs and employers are allowed to unilaterally change the place of employment and the employee's functions. Compensations for dismissal have also been reduced significantly, although offering more protection to employees with longer tenures.

8th in the European Union

It takes 547 days to enforce a contract in Portugal

Enforcing contracts and resolving insolvencies have been made easier and speedier. Portugal ranks in 8th place in the EU28 countries, where it is easier to enforce a contract, and 11th in OECD's high income countries, ahead of Spain, the United Kingdom, Finland and Denmark.



Source: World Bank | Doing Business 2018

Time to enforce a contract is estimated to be around 547 days, which puts Portugal in 8th place in the European Union.

In resolving insolvency, Doing Business 2018 ranks Portugal in 15th place in the World, 9th in the European Union.

Portugal offers investment incentives

Portugal offers national and foreign investors investment incentives to promote and attract new investments.

The incentives may include:

- Incentives granted under the «Portugal 2020» programme established through a partnership between the EU and Portugal covering the period 2014-2020;
- Tax incentives granted under the Investment Tax Code which aim to promote the competitiveness of the Portuguese economy; and
- Incentives programmes designed for specific situations, such as the creation of jobs, which may include temporary reductions of the employer's social security contributions, financial support for hiring young people, unemployed etc. and co-funding of training costs.

Under the «Portugal 2020» programme the EU will allocate approximately 25,000 million euros of structural funds to Portugal until 2020.

The Portugal 2020 programme is composed of 16 operational programmes, as well as several territorial cooperation programmes.

Applications for «Portugal 2020» incentives are made through an online platform, named «2020 Desk» (*Balcão 2020*), which enables an easier and faster process. This platform also contains the applicable laws and regulations, support guides.

Portugal also grants tax incentives for investments of at least €3,000,000 euros under the Tax Relief Investment Code (*Código Fiscal do Investimento*) to be granted until 31 December 2020 and for a period of up to ten years since the completion of the investment project. The tax benefits may include:

- Tax credits;
- Reduction or exemption of Municipal Property Tax in relation to the buildings used in the investment project; and
- Exemption from Stamp Duty in relation to all the acts or contracts necessary to carry out the investment project.

Looking for growth

Portugal has a long track record of successful investors in a wide range of sectors. Led by tourism, the country has experienced an unexpected surge in investment in the last years.

Tourism

Tourism increasing at a rate of more than 10% per year for some time. Well known for its three thousand hours of sun and more than 520 miles of beaches, a new wave of tourists has invaded Lisbon, Oporto and other cities attracted by culture, history and quality of living. Tourism is expected to continue growing along with international investors in residential real estate.

Automotive

Automotive is an important industrial cluster. Peugeot Citroën, Volkswagen, Mitsubishi Fuso and Toyota have factories in Portugal. Many local companies make car components, including dashboards, batteries and doors, for Audi, BMW, Peugeot Citroën, Porsche, Mercedes, Renault, Volkswagen and Volvo.

Luxury and fashion

Many luxury and fashion brands, such as Louis Vuitton, Burberry, Kenzo and Dior, choose to install factories or commission from Portuguese manufacturers.. Portuguese brands of clothing and footwear are also the choice of several international personalities such as Michelle Obama and Chiara Ferragni.

Agriculture, forestry and fishing

Agriculture, forestry and fishing are also among Portugal's main exporting sectors. Portuguese wines, olive oil, cork, fresh and preserved products, fish, forestry products production is on the high, as local producers adapt to the highly competitive international markets.

Shared services

Portugal is the location of choice for Altran, Cisco Systems, BNP Paribas, Europcar, Fujitsu, Xerox, IBM and many others for installing their shared services facilities for finance, human resources, IT and logistics.

““

Excellent. Very good lawyers with the ability to provide tailor made solutions, and a different approach to problem solving. ””

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Clients say «Very efficient, detailed and thorough when presenting solutions and addressing the issues; we were impressed». ””

Chambers and Partners

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

