



Foreign Brazilian Investment from the Portuguese Perspective

Branch V Subsidiary

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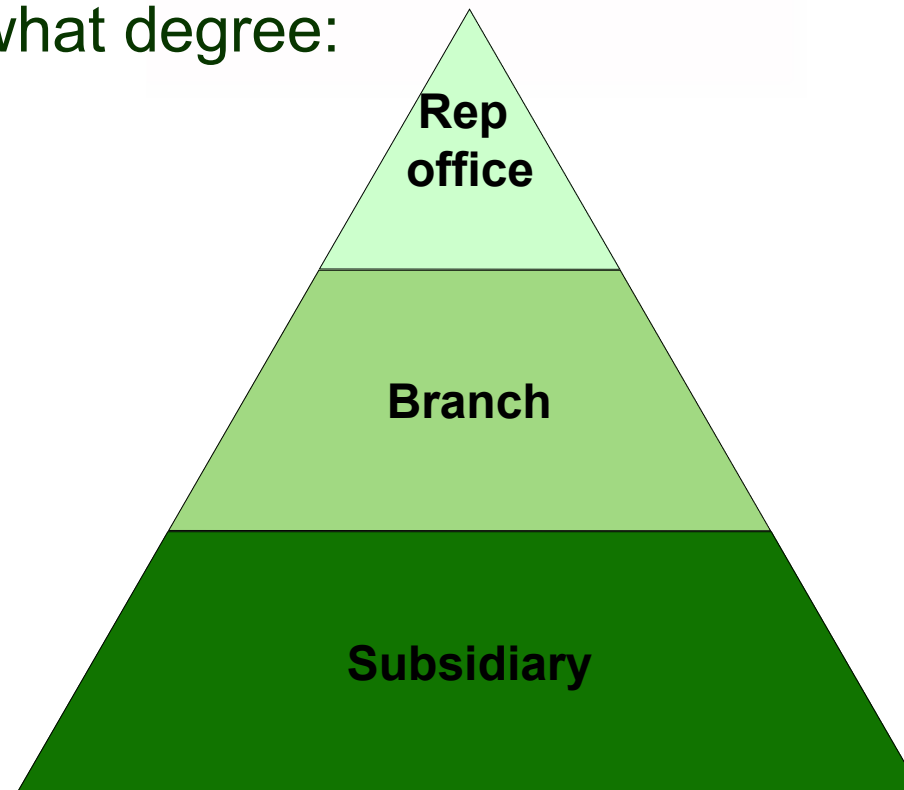
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Investment Vehicles:

- No National Presence
- National Presence

To what degree:



Directly through the foreign vehicle



Legal and Tax Considerations:

- Legal restrictions;
- Income arising from the Portuguese investment will be subject to a withholding tax of 25% (profits/dividends), 20% (interest) or 15% (royalties);
- Wherever a DTT is applicable rates will generally vary between 5% and 15%.

Long-term Investment

Tailoring the Vehicle's Structure to the Form and Type of Investment

Decision-Making Factors:

- Purpose / Function
- Liability
- Speed and costs of establishment
- Taxation

Branch & Subsidiary

The Similarities

Branch & Subsidiary

Shared characteristics:

- Deemed resident for tax purposes
- Identical tax rates;
- Independent accounts;
- Registration requirements;

Branch V Subsidiary

Contrasting Characteristics

Contrasting characteristics:

Branch: *“Keep it simple”*

- No minimum capital requirement, except in specific sectors of activity;
- Low start-up and running costs;
- Unlimited liability for the branch's activities.

Subsidiary: *“Take it further”*

- Incorporation and minimum capital requirements;
- Management structure;
- Auditing and fiscal board;
- Start-up and running costs dependent on selected corporate vehicle; always higher than branch's costs;
- Liability limited to the share capital.

Branches **V** Subsidiaries

The Tax Connection

Corporate Income Tax

Corporate Income Tax is levied at a basic rate of 25%, in addition to a local tax of up to 2.5%

Branch:

- Tax levied on profits attributable to the branch is paid in Portugal;
- Parent company incorporates branch's profits into its accounts and deducts tax previously levied on them.

Subsidiary:

- Taxation in Portugal on the worldwide income;
- Option of a "*simplified assessment system*" with a 20% rate.

Profits, Dividends & Interest

Branch:

Profits:

- Profits distribution exempt from withholding tax;

Interest:

- Subject to withholding tax at a rate of 20%

Subsidiary:

Dividends distribution:

- Subject to withholding tax at a rate of 25%;

Interest:

- Subject to withholding tax at a rate of 20%

Rates reduced if DTT applicable

The Portugal-Brazil DTT

The Portugal-Brazil DTT

Dividends	10%(*) - 15%
Interest	15%
Royalties	15%

(*) Holdings of 50% or more

Royalties & Transfer Pricing

Branch:

- Royalties:

As a rule the branch does not pay royalties to the parent company;

Subsidiary:

- Royalties:

Payment subject to withholding tax (15%);

Transfer pricing rules applicable to both

Losses

Tax losses arising from the operations and transactions carried out by the:



Branch:

Can be deducted from the parent company's profits.



Subsidiary:

Tax losses are non-transferable

Capital Gains

Rollover relief:

Fixed material assets:

- 50% deduction wherever the proceeds are reinvested within the next two tax years;

Shareholdings:

- The above is applicable to disposal of shareholdings whenever they:
 - . Are held for at least one year;
 - . Represent at least 10% of the share capital; and
 - . Were originally acquired for at least €20,000,000.00.

Branch V Subsidiary

Financial Leverage and the Limits of Liability

- A subsidiary creates a stronger brand and is recognised by the market as a full commitment;
- A subsidiary has a wider spectrum of fundraising options available;
- A subsidiary creates a *legal shield* that may prevent liability from reaching the parent company;
- Restrictions on the use of a branch as vehicle for a joint-venture with local investors.

While the branch
is more “*tax
friendly*”, the
subsidiary is more
“*user efficient*”



Thank you!

For further information please
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