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NEW TAX EXEMPTION FOR NON-RESIDENTS INVESTING IN PORTUGUESE BONDS

Since 1994, non-residents investing in Portuguese public debt have been exempted from taxation in Portugal.

Under new rules that will come in force in January 1st, 2006, non-residents investing in Portuguese bonds, including convertible bonds, are exempt from taxation in Portugal (these instruments must be traded in a centralized system recognized by the Portuguese Securities Code).

These are excellent news, as will provide Portuguese Companies and subsidiaries of foreign companies of a valuable management instrument for financing purposes and of course, for tax planning purposes.

The tax exemption applies as long as the beneficial owner presents proof of residing in a foreign state other than a tax haven (Portugal has a "black list" of tax havens, including, for example, Gibraltar, Monaco and Liechtenstein). This proof can be a certificate of tax residency issued by the tax authorities of that State or a declaration by any public authority and is valid for a period of three years.

Forthcoming privatization of 5% of the Portuguese Electricity Company ("EDP") will benefit from this attractive tax regime as the company will issue convertible bonds.

THE END OF STAMP DUTY OVER MOTOR VEHICLES IS COMING IN 2006

According to the Portuguese Media, the Municipal Stamp Duty over Vehicles as it is will end in 2006. Its current structure will be modified, the proceeds of said tax reverting to municipalities although the tax will be charged by the Portuguese Central Tax Office.

The new tax over motor vehicles will apply over the possession of the motor vehicle, and its amount will depend on the vehicle's year of registration.

Without the usual stamp visible on the window, the owner of the vehicle shall have in his possession the payment receipt if asked by the traffic authorities.

Business

THE PORTUGUESE CITIZEN COMMON CARD

The Portuguese Government has been discussing the creation of a Citizen Common Card to fight bureaucracy. This card will replace the Identity Card, Taxpayer Card, Poll Card, National Health Service Card, Driving Licence, among others.

On the other hand, a Single Motor Vehicle Document that gathers the information of the Car Credentials and the Car Document Title was already approved.

OECD SAYS PORTUGUESE GDP WILL BE 1.4% IN 2006

OECD autumn forecasts for the Portuguese economy are more optimistic than government targets in Budget 2006 recently debated in Parliament says a November 9 report. The OECD expects GDP to grow 1.4% in 2006.

PORTUGAL ASSURES THE CREATION OF THE BRAZILIAN EXCLUSIVE DISTRIBUTION WAREHOUSE FOR EUROPE IN LISBON

Despite negotiations between Brazil and Spain to create an exclusive warehouse to distribute all kinds of Brazilian-made products in Europe, the Portuguese Agency for Exportations and Investment (APEX) has already announced that said warehouse will be created in Lisbon, Portugal.

Subsequently, APEX has also announced that negotiations are under way between Brazilian and Portuguese Authorities to create a similar warehouse of Portuguese products in São Paulo, Brazil.

According to official figures, Brazilian exports to Portugal have reached € 800 million last year, and imports from Brazil reached € 160 million, although there still is room for a potential growth of these figures in the next years.

Portuguese direct investment in Brazil in 2004 has grown around 180% in comparison with 2003, with the amount of business registered of € 475 million.

The creation of this distribution warehouses in Lisbon and São Paulo may be the beginning of a new stage in Luso-Brazilian business relationship development, with major foreign investment opportunities in Brazil through Portugal, and vice-versa.

CAHORA BASSA DAM SOLD TO MAPUTO

A November 3 report says Portugal and Mozambique have reached agreement on the sale of Portugal's majority stake in the Cahora Bassa Hydro-Electric scheme to Maputo. A memorandum of understanding signed November 3 will give Mozambique a controlling 85% in HCB-Hidroeléctrica de Cahora Bassa leaving Portugal, a "strategic partner", with 15%.

ENI THREATENED WITH THE COURTS

According to Portuguese Media, the long negotiations between the Portuguese Public Oil Company GALP and the Italian Public Oil Company ENI, SPA concerning ENI's holding of 1/3 of said Portuguese Company have come to an uncomfortable standstill. In fact, Lisbon has given 4 options to Rome: ENI swaps its current 1/3 holding in GALP for a stake in GDP; ENI sells said holding; or ENI continues to hold its holding but gives up its call option. The 4th option is a Court threat.

This Newsletter is designed to provide a summary of the subject matter. It does not purport to be comprehensive or a substitute for specialist legal advice in individual circumstances.

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