

# Franco Caiado Guerreiro & Associados

## Attorneys at Law

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#### Legal

### **REPATRIATION OF OFFSHORE DEPOSITS TO PORTUGAL**

Until 16 December 2005 individuals residing in Portugal (Portuguese or foreign individuals deemed as residents in Portugal for tax purposes) are allowed to bring back to Portugal undeclared deposits, certificates, and other financial instruments located outside the Portuguese territory.

This is a very attractive opportunity for individuals residing in Portugal to declare previously undeclared personal estate by paying only a flat tax of 5% over the declared value of deposits, bonds or other financial instruments or even by paying a flat tax of just 2,5% in case said personal estate is invested in Portuguese public debt over a period of at least three years.

One of the most appealing features of the above mentioned regime is that the associated information is not disclosed to the Portuguese Tax Authorities and remains secret and confidential within the Portuguese banking system (although the relevant operations are overseen by the Bank of Portugal).

**Furthermore there is a full pardon of any criminal offences or other penalties related to said personal estate.** This regime is expected to contribute to the tax regularization of undeclared personal estate

### **PORTUGAL MANDATORY CORPORATE NOTICES GO ONLINE**

Newly enacted legislation establishes that all notices associated to companies and other legal organizations that are mandatory under Portuguese law will from 1 January 2006 onwards be published in an unrestricted website, thus replacing the traditional publication in the Portuguese Official Gazette (Diário da República).

This procedure applies both to notices to convene partners and other corporate announcements when publishing is required by law or by the company's by-laws and to the publications in respect of company filings when mandatory.

Said procedure is also appropriate for Societas Europea notices and other organizations, such as cooperatives.

The website in question (<http://www.mj.gov.pt/publicacoes>) is managed and maintained by the Directorate-General of Registrars and Notaries

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## Business

### **RESEARCH AND DEVELOPMENT TAX RELIEF**

A new tax relief for investment in entrepreneurial research and development named SIFIDE was launched under Law No. 40/2005, of 3 August.

SIFIDE provides benefits for corporate tax payers that are engaged in commercial, industrial or agricultural activities. As a result, expenses with R&D, which have not been previously supported by any incentive program as a non reimbursable subsidy, are deductible to the corporate tax bill in the following conditions:

- Base rate: 20% of expenses of the current tax year;
- Incremental rate: 50% of the incremental expenses of the period, in comparison to the simple average of the two previous tax years. The benefit limit is € 750,000.

SIFIDE is due to start on 1 January 2006 and will last for five years. The relevant tax deduction must be made in compliance with article No.83 of the Corporate Tax Code (IRC), with reference to the mentioned accounting periods.

Costs not deductible by insufficient tax due in a given tax period may be deferred up to six subsequent tax periods

### **MOTOR VEHICLE TAX COULD END IN THE NEAR FUTURE**

Portugal's controversial one-off taxation system of new cars is set to be gradually eliminated from 2007. The likelihood of the Portuguese government changing the existing rules became even more certain now that the European Commission revealed a proposal calling for its end over a period of five to ten years.

The basis of the EC's proposal will see cars eventually cost the same across the European Union, differing only according to value added tax rates imposed in each member state.

However, once a Member State has eliminated its one-off tax on new cars, it will be able to charge an annual fee.

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