

MADEIRA FREE TRADE ZONE - TIME URGES...

Tax Law Practice Area

The 2012 Budget Law presented by the Portuguese Government to Parliament contains a provision that revokes the exemption granted to non-resident shareholders on dividends distributed, as well as on interest paid, by Madeira companies, save in respect of interest payments connected with loans used in connection with investments, or with the normal exercise of the activity of the Madeira company.

Similarly, the exemption granted to non-resident shareholders on the proceeds deriving from the liquidation of Madeira companies is also revoked.


At this stage, one can not anticipate if this provision will remain as proposed (we have some hope that the Madeira regional authorities will still manage to take it out of the approved Budget) but by the time the Portuguese Parliament takes a position on this matter it may well be too late to react.

In fact, one must remember that the original Madeira tax benefits system is coming to an end on 31st December 2011.

Abreu Advogados has been working intensely for clients, including multinational groups, wishing to find solutions or exit strategies for their Madeira companies. Such solutions range from simply winding up the company, to migration to another jurisdiction and even, in some cases, to adaptation and transition to the new Madeira tax benefits system (which requires substance).

The new Budget law proposals do not change the nature of any business decisions multinational groups have already taken with respect to their Madeira companies. However, it gives the whole matter a new sense of urgency.

Should you wish to obtain any additional information in respect of this matter, we shall be delighted to assist.

Abreu Advogados is a leading Portuguese law firm (with over 180 lawyers in Lisbon, Porto and Madeira) and we do have a very experienced tax team which, inter alia, has over 15 years of practice covering any type of Madeira transaction. 

This Highlight is not intended to be a comprehensive review of all developments in the law and practice, or to cover all aspects of those referred to. Readers should take legal advice before applying the information contained in this publication to specific issues or transactions. For more information please contact us at apdf@abreuadvogados.com

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