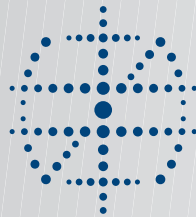




## Madeira: Global Solutions for Wise Investments



International Business  
Centre of Madeira





● Madeira: Global Solutions for Wise Investments

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## Madeira – A fast-growing economy in the European Union

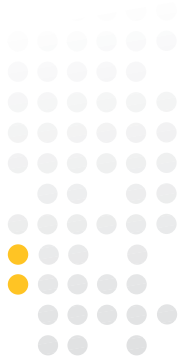
Madeira, an integral part of Portugal fully integrated in the E.U., is located in the Atlantic Ocean, 900 km southwest of Lisbon. The archipelago, with a total population of nearly 254,000 inhabitants, has the city of Funchal as its most important centre.

Madeira enjoys political and social stability, as an Autonomous Region of Portugal and having its own democratically elected governing bodies – the Regional Parliament and the Regional Government. Such political stability has created the fundamental conditions for the sustained growth of Madeira's economy.

In fact, Madeira has been one of the fastest-growing regions of Portugal and the European Union in recent years.

A significant contribution to Madeira's economic growth has been brought about by Madeira's International Business Centre, the island's main tool for attracting foreign investment. The MIBC has been formally approved by the European Union as a legitimate programme of economic development. Such fact, coupled with the MIBC's full integration in the Portuguese and the E.U.'s legal system, have made of Madeira not only an efficient investment location, but also a well-regulated business centre recently regarded by the OECD as a model to follow.





## The International Business Centre of Madeira

The IBC of Madeira is designated to attract foreign investment in order to diversify and modernize the island's economy. It has been conceived as a programme of State aid fully approved and supported by Portugal and the European Union, with the objective of providing the investor with a unique package of benefits. The wide scope of activities which may be carried out in the IBC, ranging from manufacturing and trading to shipping activities, and the various synergies which can be found among themselves, demonstrate that the MIBC has been carefully structured to serve the investor with a global package.

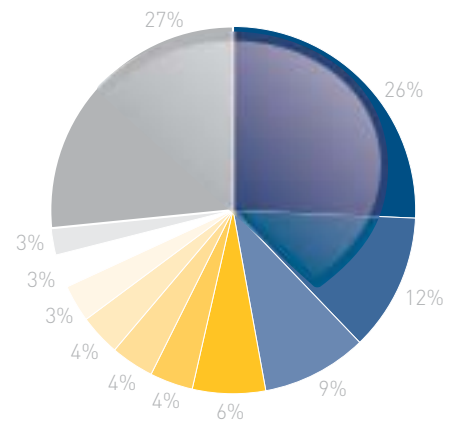
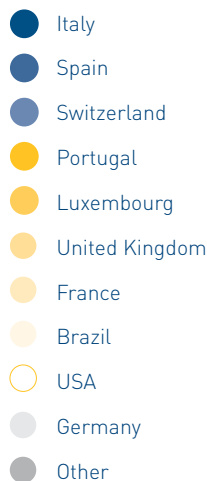


## A Wise Investment

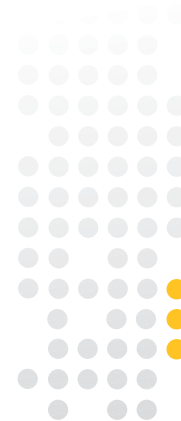
Companies from all over the world have chosen Madeira as their business location. Some are small firms, establishing a presence away from their home markets for the first time. Others are well-known and large multinationals continuing to expand their operations in Europe.

### INVESTMENT IN MADEIRA'S IBC

Countries of Origin (2006)



Source: S.D.M. - Sociedade de Desenvolvimento da Madeira, S.A.



## A win-win location

- Significantly reduced direct and indirect taxation. The corporate tax applicable on the island may be reduced to effective rates ranging from 3 to 5% until the end of 2020, within pre-established ceilings. Such fact becomes crucial in the application of CFC rules and Double Taxation Agreements;
- Full-membership in the European Union, providing duty-free access to a market of 370 million people, the elimination of transaction costs, consistently lower interest rates and a generally more stable economic environment;
- Low operational costs in comparison with other european countries;

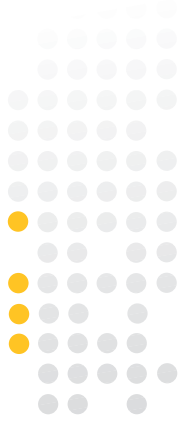
### Office Monthly Rental

	Funchal (Prime locations)	Funchal (Other locations)	Outer Funchal
Approximate cost	20 € / m2	10 € / m2	7,5 € / m2

Source: ACIF-CCIM - Associação Comercial e Industrial do Funchal

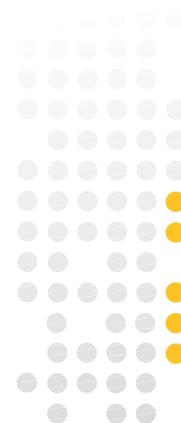
- High quality support services – existence of an efficient network of banks, management companies, local university, international schools and modern telecommunications infrastructure;
- Pro-business attitude – Deep commitment by the Madeiran authorities and the local population to develop the island's economy by encouraging and welcoming foreign investment and the consequent transfer of know-how;
- Existence of an intercontinental airport, with ten daily connections from and to Lisbon as well as with frequent connections every week to London and other major european cities such as Milan, Amsterdam, Paris and Berlin;
- Multi-lingual character of the local population. English, German and French are widely spoken on the island due to the influence of tourism-related activities. The average madeiran has 6 years of English in public schools;





- Madeira enjoys a great quality of life, having a mild climate, one of the safest living environments in the world as well as one of the lowest costs of living in the European Union. The island's capital, Funchal, is a cosmopolitan city, while the unspoiled interior of Madeira is characterized by abundant vegetation and spectacular scenery. Residents on the island enjoy a vast range of leisure activities, such as golf, surfing, sailing, fishing, horse-riding, mountain-climbing, complemented by a diversified network of hotels and restaurants. The existence of numerous foreign communities living in Madeira is a good illustration of the island's appealing life-style;
- The existence of the University of Madeira, a source of skilled professionals for international companies. Currently, nearly 300 students graduate from the university every year;
- Possibility to recruit highly qualified professionals from a large pool of Madeirans studying in Portuguese universities or working abroad and no restrictions on the employment of foreign qualified staff;
- Young available workforce. In fact, 35% of the population are under the age of 24;
- High productivity of the local workforce, matching the level of the E.U. average.





## Activities

The MIBC welcomes the establishment of a very wide range of activities, covering basically all industrial, commercial, shipping and service-oriented activities, with special emphasis on e-business, trading and holding companies, as well as ship and yacht registration.

### Service - oriented companies

Madeira is one of the most efficient locations in the E.U. to set up service-oriented companies to carry out a wide range of activities such as import and export, e-business, maritime transportation, real estate investments or to hold intellectual property, both within and outside the European Union. Several reasons contribute to make Madeira an attractive location, among which we highlight the following:

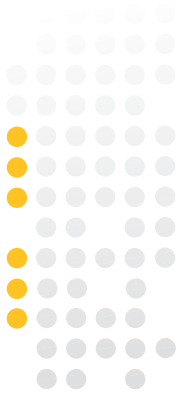
- Extremely low corporate taxes, with an effective rate which ranges from 3% to 5% until the end of 2020;
- Full exemption from withholding taxes on the payment of dividends, interest and royalties;
- Access to Portugal's network of Double Taxation Agreements;
- Full compliance with C.F.C. rules;
- Last but not least, full approval by the E.U., conferring the whole system the transparency and credibility which many other jurisdictions lack.

### Holding Companies

The regime applicable to S.G.P.S. – Sociedades Gestoras de Participações Sociais (Portuguese pure holding companies) in Madeira is, undoubtedly, one of the best tools available today to structure investments in the European Union, given that:

- The E.U. Parent/Subsidiary Directive applies, exempting from taxation the income received from E.U. affiliated companies;
- Income received from non-E.U. subsidiaries, as well as worldwide income derived from interest and services, will be taxed at reduced tax rates of 3% to 5%;
- There is full participation exemption on worldwide capital gains received;
- No withholding taxes apply on dividends distributed to shareholders, regardless of their origin or nationality, with the exception of residents in Portugal;
- Access to Portugal's network of Double Taxation Agreements.



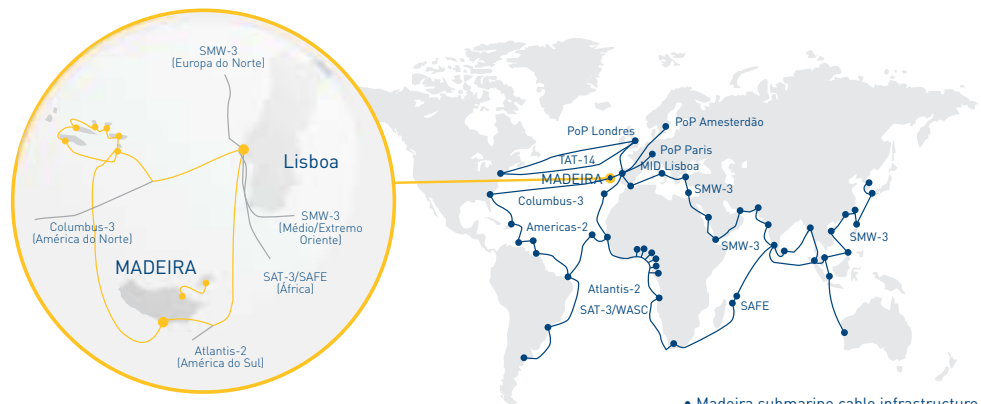


### E-business activities

With the implementation of E.U. Directive 2002/38/EC and Regulation EC/792/2002, Madeira has become a prime location for e-business activities in the European Union, especially for B2C operations, which essentially involve the sale of digital goods and services through the internet to the final consumer. The Directive, which covers digital products such as software, data publications, music, videos, and fee-based broadcasting services, requires non-EU vendors to register for V.A.T. in a member-state of the E.U. and to charge the V.A.T. rate of the place of consumption in each operation. However, by incorporating a company in one E.U. country, the V.A.T. rate applicable in that Member State will also be applicable to all E.U. e-services provided by the company to individuals and unregistered traders.

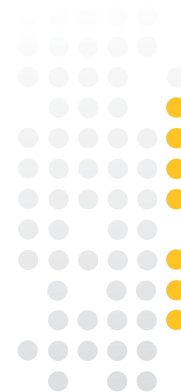
Accordingly, Madeira is a prime location for such activities given that:

- It enjoys extremely low direct and indirect taxation, including the E.U.'s lowest V.A.T. rate, with the added benefit of full E.U. membership;
- High quality support services – existence of an efficient network of computer-related companies, legal advice as well as administrative support;
- Telecommunication costs at the level of the E.U. average;
- Existence of the “Madeira Datacenter”, a modern dedicated building designed to host telecommunication and data equipment, such as Data Centres and Internet Service Providers, among others;
- Existence of a Submarine Cable Station, hosted in the Madeira Datacenter, operating several international optical submarine cables, allowing interconnectivity with national and international SDH networks and providing, as such, significant advantages in terms of quality, cost, bandwidth and scalability;



- Internet Gateway provided by Marconi Internet Direct (MID). This MID offers international Internet access without any kind of contention and using diversity in the access to international backbones. The IP platform has its international connectivity distributed by: 3 PoPs (London, Amsterdam and Paris), peering connections with hundreds of major international ISPs and IP transits to Europe and the USA.





### **Production and Assembling Operations**

Madeira has put at the disposal of manufacturing companies an Industrial Free Trade Zone (IFTZ), strategically located 8 Km away from the island's international airport. The industrial park, with a total area of 130 hectares, allows the establishment of production, assembling and warehousing operations either on plots which have been carefully prepared and infrastructured for the construction of industrial premises, or in modules of small areas for companies which do not require large spaces to carry out their activity. All companies enjoy full access to the preferential tax regime of the International Business Centre of Madeira and, in addition, may enjoy a 50% reduction on the applicable corporate tax rate under specific conditions, namely that they:

- Contribute to the modernization of the regional economy, namely through the technological innovation of products and industrial processes;
- Contribute to the diversification of the regional economy, namely through the undertaking of new activities of high value added;
- Contribute to the recruitment of human resources of high merit and competence in the technical and scientific fields;
- Contribute to the improvement of the environment;
- Create, at least, 15 jobs which shall be maintained for a minimum period of five years.

Madeira's new commercial port is located beside the industrial park, meaning that all loading and unloading of cargo takes place within a few hundred meters of the IFTZ. In addition, the industrial park has an immediate connection to the island's main motorway, allowing a fast and easy distribution of products through Madeira.

More than 50 companies of various origins are presently operating at the IFTZ or are in the process of setting up. The scope of activities carried out range from fish-processing and food products to cosmetics, cleaning and electronic goods.

### **Registration of vessels and yachts**

Madeira's International Shipping Register – MAR was created within the framework of the MIBC and has become a credible and competitive alternative compared to other international registers, maintaining the quality levels and the safety culture of an E.U. register.

All entities which undertake the maritime transportation of persons and goods - companies, branches or agencies - may register vessels in MAR, flying the Portuguese flag. Shipping companies licensed to operate within the framework of Madeira's International Business Centre will fully benefit from the tax regime in force.



#### Specific advantages on the registration of commercial vessels:

- E.U. register, with total access to continental and island cabotage within the framework of the E.U.;
- Flexible crew nationality requirements. The captain and 50% of the safe manning of the ship must be European or citizens of Portuguese-speaking countries. This requirement may be eliminated whenever it is duly justified;
- A competitive social security regime. The members of the crew of vessels registered in MAR and their respective employers are not obliged to contribute to the Portuguese social security system. However, some form of insurance must be guaranteed;
- Flexible mortgage system, allowing both parties to choose the jurisdiction which will regulate the terms of the mortgage;
- The vessel may be registered in the name of a company licensed within the framework of the MIBC or of a company based abroad. In this case, a legal representative in Madeira must be nominated with sufficient powers;
- Existence of a network of correspondents in various European countries with the objective of providing local support to shipowners wishing to register vessels in MAR.

#### Specific advantages on the registration of yachts:

- E.U. register with full access and without any restrictions to navigation in E.U. waters;
- Low taxation, including V.A.T.;
- Reimbursement of V.A.T. in case the yacht is chartered;
- Exemption from V.A.T. on the purchase of fuel by commercial yachts and on chartering activities;
- No obligation to form a local company;
- No citizenship requirements for the crew on board the commercial yachts registered in MAR;
- Flexible social security regime for the crew on board commercial yachts.

All classification societies recognised by Portugal may undertake surveys and other services regarding the registration of vessels in MAR. Currently, Portugal recognises seven classification societies in order to undertake some of its tasks within the framework of MAR:

Lloyd's Register of Shipping (LRS);  
Bureau Veritas (BV);  
Det Norske Veritas (DNV);  
Registro Italiano Navale (RINA);  
American Bureau of Shipping (ABS);  
Germanischer Lloyd (GL);  
Rinave Portuguesa (RINAVE).





The register has a Technical Commission whose duties include the establishment of the crew composition. As a matter of fact, the shipowner may propose the crew composition of his vessel, and on the basis of the characteristics of the ship to be registered as well as in full compliance with the international conventions on safety and the preservation of the quality of life on board and at sea, the Technical Commission will establish minimum crew composition requirements.

Temporary registration is allowed by law, as well as the bareboat charter, and may be carried out in Portuguese consulates or in any other departments which have been or may come to be duly authorised for such effect.

MAR, as a Portuguese register, is among the international registers of the highest quality, having guaranteed adequate measures to ensure an efficient surveillance of all vessels registered. All international conventions ratified by Portugal are fully applicable to and respected by Madeira's Register, which has never been considered as a "flag of convenience".

## The Role of SDM

S.D.M. – Sociedade de Desenvolvimento da Madeira, S.A. is a company incorporated by both official and private investors, especially appointed by the Regional Government of Madeira to promote and administer the International Business Centre. SDM is committed to providing international companies with the finest standards of any international business centre in the European Union. In addition, SDM has established a network of correspondents around the world with the purpose of providing investors with the necessary institutional and operational support from the very beginning. In sum, a professional "one-stop-shop" to meet the needs of international companies.



