# INDEX

**PART I – INTRODUCTION** ................................................................. 2
  1 - FOREWORD ........................................................................... 2
  2 - THE INTERNATIONAL BUSINESS CENTRE OF MADEIRA .............. 2
  3 - THE ROLE OF S.D.M .......................................................... 2
  4 - ABOUT MADEIRA .................................................................. 3

**PART II – INTERNATIONAL SERVICES COMPANIES** ................ 4
  1 – ACTIVITIES ........................................................................ 4
  2 - TAX REGIME ....................................................................... 4
  3 - LICENSE APPLICATION ..................................................... 7
  4 - APPLICABLE FEES ............................................................... 7

**PART III – PORTUGUESE COMPANY LAW** ............................ 9
  1 – PORTUGUESE COMPANIES .............................................. 9
  2 – COMPANY REQUIREMENTS ........................................... 9
  3 - LABOUR ................................................................................ 11

**PART IV – COMPANY INCORPORATION** ................................. 12
  1 - NEW COMPANY .................................................................. 12
  2 - BRANCH .............................................................................. 13

**PART V – SUPPORT SERVICES, INFRASTRUCTURES, HUMAN RESOURCES** ........................................... 14
  1 - SUPPORT SERVICES ........................................................ 14
  2 - INFRASTRUCTURES ............................................................. 14
  3 – HUMAN RESOURCES .......................................................... 15

**PART VI – PURCHASE OF PROPERTY IN MADEIRA** ................ 17

**PART VII – GENERAL INFORMATION** .................................... 19

**PART VIII – LEGISLATION** ..................................................... 21
  1 - INTERNATIONAL BUSINESS CENTRE OF MADEIRA .............. 21
  2 - E-BUSINESS ACTIVITIES ................................................... 21
  3 – INTELLECTUAL PROPERTY ................................................. 21
PART I – INTRODUCTION

1 - Foreword

The present guide intends to provide investors, consultants and any other entity interested in the International Business Centre of Madeira (IBCM) with basic information regarding all the procedures and steps for setting up service-oriented companies, namely trading, holding and shipping companies (please see Guide to MAR), as well as e-business and telecommunication activities.

All the relevant operational issues are addressed, such as the tax regime, the applicable fees, Portuguese company law, labour law, company incorporation procedures, supporting services and infrastructure as well as other general information.

2 - The International Business Centre of Madeira

The International Business Centre of Madeira has been created to attract foreign direct investment in order to diversify and modernize the island’s economy. It has been conceived as a programme of regional development and it is a regime of State aid fully approved and supported by Portugal and the European Union. The IBC of Madeira has been created with the objective of providing investors with a unique package of benefits, offering a wide range of solutions to enhance the efficiency and performance of various forms of investment. The wide scope of activities which may be carried out, ranging from manufacturing and trading to shipping and e-business activities, and the various synergies which can be found among themselves, demonstrate that the IBCM has been carefully structured to serve the investor with a global package.

Such fact, coupled with the IBCM’s full integration in the Portuguese and E.U.’s legal systems, 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.

Both Portuguese and international investors may incorporate all types of service-oriented activities within the IBC of Madeira, benefiting from a very attractive tax regime and full membership in the European Union, having therefore full access to the E.U. single market.

3 – The role of S.D.M.

S.D.M. – Sociedade de Desenvolvimento da Madeira, S.A. is a mixed capital company appointed by the Regional Government of Madeira to promote and administer the International Business Centre of Madeira.

The licensing process for the installation of companies within the legal framework of the IBC of Madeira is carried out through S.D.M., which will issue the respective license after authorization granted by the Regional Government of Madeira. S.D.M. is also responsible for collecting the fees due to the Regional Government of Madeira by the companies operating in the International Business Centre.

In addition, institutional and operational support is provided by S.D.M. to companies locating in Madeira, by acting as a one-stop-shop and intermediary between the companies and all the local entities involved in the process of installation. A network of representative offices around the world has been established, providing support since the early stages of the investment. The contact details of S.D.M.’s network of representative offices may be consulted at http://www.ibc-madeira.com/.
4 - About Madeira

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 over 250,000 inhabitants, has the city of Funchal as its most important centre. Funchal is a very cosmopolitan city due to a long-established tradition in tourism.

The Portuguese Constitution of 1976 granted political and administrative autonomy to Madeira. From a political point of view, such fact means that Madeira has its own government and legislative assembly (parliament). However, this autonomy cannot override the supreme power and political unity of the Portuguese Republic.

The Madeira Regional Assembly is elected by the residents of the island and has the power to create laws in areas of special importance to the region, provided such laws do not contradict the Constitution and the general laws of the Republic. This power is also restricted by the fact that the Regional Assembly can only create laws in areas where the Assembly of the Portuguese Republic has no exclusive powers.

The Regional Government is politically responsible before the Regional Assembly and its President is appointed by the Representative of the Portuguese Republic in Madeira, having considered the results of the elections to the Regional Assembly. The Regional Government defines the political course of Madeira, namely creating regional regulatory decrees and supervising the public services.

One of the main characteristics of Madeira is its political stability, with the Social Democratic Party in power with an absolute majority since 1976. The President of the Regional Government has remained unchanged since 1978.

Madeira has observed a significant development in social and economic terms in the last decade, with substantial investments in infrastructure. Examples of this development are the International Airport, which was expanded in 2000, the new road network and the new harbour, recently concluded.

This growth has been accompanied by a sustained increase in the levels of productivity and GDP per capita, which reached, respectively, 116% and 121% of the national average in 2003.

It should also be noted that Madeira has been classified as an ultra-peripheral region of the E.U., as recognised by article 349° of the Treaty on the Functioning of the European Union, granting a special status to Madeira.
PART II – INTERNATIONAL SERVICES COMPANIES

1 – Activities

All types of service-oriented companies may request a licence to operate within the IBC of Madeira, with full access to the preferential tax regime in force, to carry out activities such as international trading, consultancy and the management of intellectual property, as well as e-business, telecommunications and holding companies.

Companies licensed to operate in the IBC of Madeira are fully Portuguese and will be automatically attributed a VAT number.

2 - Tax Regime

Service-oriented companies

a) Corporate Taxation

The present regime of tax benefits allows the incorporation of new entities within the ambit of the IBC of Madeira until December 2013, granting significantly reduced corporate tax rates until 2020, as evidenced in the following table:

<table>
<thead>
<tr>
<th>APPLICABLE TAX</th>
<th>YEARS</th>
</tr>
</thead>
<tbody>
<tr>
<td>3%</td>
<td>From 2007 to 2009</td>
</tr>
<tr>
<td>4%</td>
<td>From 2010 to 2012</td>
</tr>
<tr>
<td>5%</td>
<td>From 2013 to 2020</td>
</tr>
</tbody>
</table>

The reduced corporate tax rates are only applicable to profits derived from operations exclusively carried out with non-resident entities or with other companies operating within the ambit of the IBC of Madeira. There are no restrictions, nevertheless, on the development of business activities with Portuguese companies, and profits deriving from such operations will be taxed at the normal corporate tax rate in Madeira, 20% from 2008 onwards.

To qualify for the tax reductions, companies incorporated in the IBCM have to comply with one of the following pre-established requirements:

- Creation of one to five jobs in the first 6 months of operation and undertake a minimum investment of €75,000 in the acquisition of fixed assets, tangible or intangible, in the first two years of operation;

- Creation of six or more jobs in the first 6 months of operation.

On the other hand, the reduced corporate tax rates are applicable up to a ceiling placed upon the annual tax base, which varies according to the number of jobs created, as follows:
### Table

<table>
<thead>
<tr>
<th>Number of jobs</th>
<th>Minimum Investment</th>
<th>Ceiling</th>
</tr>
</thead>
<tbody>
<tr>
<td>1, 2</td>
<td>€ 75,000</td>
<td>€ 2,000,000</td>
</tr>
<tr>
<td>3 to 5</td>
<td>€ 75,000</td>
<td>€ 2,600,000</td>
</tr>
<tr>
<td>6 to 30</td>
<td>-</td>
<td>€ 16,000,000</td>
</tr>
<tr>
<td>31 to 50</td>
<td>-</td>
<td>€ 26,000,000</td>
</tr>
<tr>
<td>51 to 100</td>
<td>-</td>
<td>€ 40,000,000</td>
</tr>
<tr>
<td>More than 100</td>
<td>-</td>
<td>€ 150,000,000</td>
</tr>
</tbody>
</table>

### Dividends

As a result of its full integration in the Portuguese and E.U. legal systems, companies operating within the legal framework of the IBC of Madeira will benefit from the application of the Parent/Subsidiary Directive EC/90/435, of the 23rd of July, which exempts from withholding tax the distribution of dividends paid by E.U. affiliated companies. Once received by the company operating in the IBC of Madeira, these dividends will also be exempt in accordance with the provisions of the referred Directive.

Dividends received from non-E.U. affiliated companies will be subject to 3% to 5% taxation.

The Parent/Subsidiary Directive EC/90/435 was transposed to Portuguese law by Article 46º of the Portuguese Tax code.

### Capital Gains and Interest

Capital gains realized and interest received by the company will be subject to 3% to 5% taxation.

### Shareholders

According to the tax regime of the IBC of Madeira, shareholders of IBC companies, private or corporate, will be exempt from withholding taxes on the worldwide distribution of dividends provided that they are not resident in Portuguese territory. This exemption also applies to income resulting from interest and other forms of loans, bonds, and capital advances to IBC companies.

In addition, shareholders of IBC companies will be exempt from capital gains tax due on any increases of share capital of these companies.

### Portuguese Pure Holding Companies (SGPS)

#### a) Dividends

Portuguese Pure Holding companies (SGPS) licensed to operate within the legal framework of the IBC of Madeira also qualify for the full participation exemption on E.U. sourced dividends, provided they comply with the requirements set by the E.U. Directive EC/90/435 and by Article 46º of the Portuguese Tax code, namely a minimum holding period of one year and a minimum shareholding of 10%.

Non-E.U. sourced dividends will be subject to 3% to 5% taxation.

#### b) Capital Gains

Worldwide capital gains obtained by SGPS companies will be exempt from taxation, according to Article 36º n° 8 and Article 32º n° 1, 2 and 3 of the Tax Incentives Statute, subject to a minimum holding period of 1 or 3 years and a minimum shareholding of 10%.
c) Interests and Services

E.U. sourced interests and income generated, respectively, by loans and services rendered to affiliated companies will be subject to 20% taxation. These types of revenue generated from non-E.U. sources will be taxed at 3% to 5% until 2020.

d) Stamp Duty

Documents, contracts and other operations requiring public registration carried out by IBC companies will be exempt from stamp duty, provided that other parties involved are not resident in Portuguese territory or are also companies operating within the legal framework of the IBC of Madeira.

e) Shareholders

Shareholders of SGPS companies are exempt from withholding taxes on dividends and interest received, as well as on income generated by services provided to the SGPS company. Capital gains obtained on the sale of shares held in the Madeira holding company are also exempt from withholding tax, according to the tax regime of the IBC of Madeira.

In addition, shareholders of pure holding companies are exempt from capital gains tax due on any increases of share capital of these companies.

Other tax benefits

Companies established in the IBC of Madeira are also exempt from:

- Property transfer tax due on the acquisition of immovable property for their premises;
- Capital gains tax due on the sale of estate property and other fixed assets or values, kept as reserves or under utilization;
- Local taxes and levies.

The fiscal regime of the IBC of Madeira has been established by Articles 33º, 34º, 35º and 36º of the Statute of Fiscal Benefits as well as by Decree Law 165/86, of the 26th of June.

VAT on e-business activities

Madeira enjoys the lowest VAT rate in Europe at 14%, particularly interesting for operations in the sector of telecommunications and e-business within Europe.

In fact, all companies based outside the E.U. selling digital products to private consumers within the E.U. (B2C) will need to comply with the E.U. Directive 2002/38/EC on digital sales, applicable as from July 1st 2003. The Directive covers digital goods and services supplied in electronic form only, as opposed to physically, over the internet and downloaded by the purchaser. Digital goods and services include broadcasting, web-hosting, software, images, databases, music, videos, films and games, online gambling and e-learning.

According to Directive 2002/38/EC, non-E.U. suppliers will have to register in one of the Member States and charge the VAT rate of the country of consumption to all E.U. services provided to individuals and unregistered traders.

E.U. suppliers will charge the VAT rate of the country of origin.

Thus, the incorporation of a company in the IBC of Madeira will allow the application of the VAT rate in force in Madeira, 14% from the 1st of July 2008 onwards - the lowest in the E.U., allowing therefore for a significant competitive advantage.
All E.U. directives on e-commerce activities have been duly transposed to Portuguese Law, namely those regarding e-invoicing, e-signature and data protection. In this respect, please refer to Part VIII n° 2 of this guide.

Double Taxation Agreements
All companies licensed to operate in the International Business Centre of Madeira may also benefit from the large network of international treaties to avoid double taxation ratified by Portugal, which may be consulted at http://www.ibc-madeira.com/.

3 - License application

All types of companies and other forms of corporate representation, such as branches, agencies or offices, foreseen in Portuguese company law, may set up in the IBC of Madeira, provided that the activities described in Decree-Law 13/2008, of the 18th of January, and the conditions defined therein are met.

Licence application
A formal application to operate in the International Business Centre of Madeira must be submitted to S.D.M., in duplicate, addressed to the Cabinet of the Regional Secretary for Planning and Finance of the Regional Government of Madeira. The licence may be requested by an existing company, in Portugal or abroad, or by a company to be incorporated. In the case of branches, it is also required to submit the statutes of the head-office and the record of proceedings of the meeting in which the formation of the branch was decided.

In case a new company is formed, the incorporation procedures are identical to those applicable to any other Portuguese company. In order to speed up the process, a Private Commercial Registry has been created for such purpose.

The license application may be submitted by the applicant in his/her own name or in the name of the company to be formed and in accordance with article 18º of the Regulation approved by the Regional Regulatory Decree n° 21/87/M, of the 5th of September, and by Decree-Law n° 13/2008, of the 18th of January. The application must include the following information:

- Company name and address or registered office of the applicant;
- Activity to which the application relates;
- Total value of investment;
- Indication of the number of jobs to be created;
- Statistical classification of the economic activity [NACE code] to be carried out.

In the case of a successful application, the licence is deemed to be granted in favour of the company once the applicant furnishes proof of the formation and registration of such company. All documents in support of the licence application must be duly translated into Portuguese and legalised.

The procedures to obtain a license to operate within the IBC of Madeira are set by the Regional Regulatory Decree n° 21/87/M, of the 23rd of July.

4 - Applicable fees

Service-oriented companies
Service oriented companies will be subject to an application fee of €1,000 and to an annual fee of €1,800.
**Holding companies**
Holding companies will be subject to an application fee of €1,000.

The annual operating fees are of €1,800 for the 1st year and €1,800 plus 0.5% of the previous year’s profit, the first 1 million euros being exempt, for the subsequent years. The annual fee so calculated will always be restricted to a ceiling of €30,000.

Application and annual fees have been set by the Regional Government of Madeira through Order n° 222/99, of the 28th of December.
PART III – PORTUGUESE COMPANY LAW

1 – Portuguese companies

Among the various legal structures available according to Portuguese law, investors have generally chosen the stock corporation (S.A.) and the private limited company (Lda.). In addition, two other legal structures are available, since they are often used to operate in Portugal and, therefore, within the legal framework of the IBCM. These are the branch and the S.G.P.S. (Portuguese pure holding company). The main characteristics of these various forms of companies are the following, according to the Portuguese legislation in force:

- Private limited company (Lda.), which may be incorporated with a single shareholder (Sociedade Unipessoal) and a minimum capital of Euro 5,000. This type of company does not need to appoint directors; the minimum requirement is to appoint a manager who, by law, has the powers to undertake the management of the company.

- Stock corporation (S.A.), which may be incorporated with a single shareholder (Sociedade Unipessoal) and a minimum capital of Euro 50,000. These companies may issue bearer shares provided all the share capital is fully paid up. Non-voting preference shares may be issued up to a maximum of 50% of the share capital. Redeemable preference shares may also be issued provided they are fully paid up. The management of these companies must be guaranteed by a board of directors made up by an odd number of members. If the share capital does not exceed Euro 200,000, these need only one director.

- Branch. There are no minimum capital requirements for a branch, unless it relates to a bank, in which case either a minimum capital of an acceptable amount applies or the head office must provide a full guarantee for the branch’s operations.

- S.G.P.S. (Portuguese pure holding) must have the legal form of an S.A. or Lda. company and must have as its single object the management of shares held in other companies. It may render services and, in certain cases, lend credit to the companies in which it holds shares. It qualifies for the application of the 90/435/CEE Directive.

The S.A. and the Lda. companies licensed to operate in the IBCM may be incorporated by means of D. L. nº 212/94, of the 10th of August, with a single shareholder.

Shareholders of IBC companies may be an individual or a company, national or foreign. According to Portuguese Law, shareholders may also be the managers of the company or may choose to appoint an individual to act as manager of the company.

Companies licensed to operate in the IBC of Madeira must keep the head-office in Madeira, whilst companies with branches licensed in the IBC of Madeira are required to maintain legal representation.

2 – Company requirements

Legal reserve
5% of the annual profits will be attributed to the constitution of a legal reserve, corresponding to at least 20% of the share capital. The legal reserve of Lda. companies is subject to a minimum amount of 2,500 euros.
Auditing requirements

In accordance with Portuguese law, all companies licensed within the legal framework of Madeira’s IBC must keep proper books of accounts and make them available, if required, for inspection by the relevant authorities which are understood to be the concessionaire company (S.D.M.- Sociedade de Desenvolvimento da Madeira, S.A.) and the Portuguese fiscal authorities.

The official books of accounts referred to above should be kept in the Portuguese language and currency (the EURO). Auxiliary records can, however, be kept in any currency.

Stock corporations are subject to auditing in the following conditions:

- By a single auditing entity (either a qualified auditor or auditing company) or by an Investigation Committee or;
- By both an Investigation Committee and a qualified auditor or auditing company in the case of stock corporations with shares or bonds admitted to the stock exchange and if two of the following three pre-requisites are fulfilled during any two consecutive years:

  1. Average of 150 employees or more per annum;
  2. Total assets of Euro 100 million or more per annum;
  3. Total income of Euro 150 million or more per annum.

The Investigation Committee must be made up by a minimum of three members.

In the case of private limited companies, if two of the following three pre-requisites are fulfilled during any two consecutive years, then such companies are required to present annual accounts audited by either a qualified auditor or an auditing company:

1 - Average of 50 employees or more per annum;
2 - Total assets of Euro 1,5 million or more per annum;
3 - Total income of Euro 3 million or more per annum.

Corporate Tax Returns

Periodical tax returns must be submitted to the Portuguese authorities, through the Portuguese Fiscal Authorities website http://www.dgci.min-financas.pt/:

- Periodical income declaration: to be submitted until the last working day of the month of May (if the fiscal year corresponds to the civil year) or five months after the term of the fiscal year (if different from the civil year).
- Annual Simplified Company Information (IES): to be submitted until the last working day of the month of June (if the fiscal year corresponds to the civil year) or six months after the term of the fiscal year (if different from the civil year).
- Periodical VAT declaration: to be submitted until the 10th day of the second month following the one to which the operations refer to (for a turnover of or above Euro 498.797,90 in the precedent civil year) or until the 15th day of the second month following the quarter to which the operations refer to (for a turnover under Euro 498.797,90 in the precedent civil year).

Companies must also submit registration, alteration and cancellation declarations, whenever such situations occur, according to the Portuguese legislation, as well as periodical statistical information required by the Regional Secretary of Statistics, the National Statistics Institute and the Bank of Portugal.
Thin capitalization rules
Article 61º of the Portuguese Fiscal Code sets thin capitalization rules which impose a limit to the fiscal deduction of interest relating to debts exceeding the double of the amount corresponding to the participation of the lender in the share capital of the company. These rules do not apply if the lender is a resident in Portugal or in an E.U. Member State.

3 - Labour

Personal Income Tax and Social Security Taxes
Companies are required to withhold personal income tax and social security contributions on the payment of salaries and other forms of remuneration to workers.

Personal income tax rates vary according to the level of salary paid. As a reference, the applicable withholding rates in the Autonomous Region of Madeira for 2006 start at 0,41% (for a monthly income up to 465,40 euros, single individuals) to 31,20% (for a monthly salary over 10,110 euros, single individuals). Monthly salaries up to 465,40 euros are not subject to withholding personal income tax.

Social security contributions are of a fixed rate of 11% for the employee and of 23,75% for the employer. The social security rates applicable to Directors are of 21,25% paid by the company and 10% paid by the Director.

The amounts withheld will be delivered to the tax authorities until the 20th day of the following month in which the deductions were made.

Labour Regulations
For reference purposes, it should be noted that the working week includes a maximum of 40 hours. Sunday is the day of rest. Employees are entitled to 22 working days of vacation per year, plus 14 days statutory holidays, and to sick leave and maternity leave. Recent changes to labour law include 3 extra days of vacation per year for those employees that did not incur in more than one unjustified absence from work in the previous year. If the employee starts work in the first half of the calendar year, he will be entitled to a minimum vacation period of eight consecutive days during that year.

Overtime is payable at the rate of 150% for the first hour and 175% thereafter. Overtime worked during rest days is payable at the rate of 200%. Salaries are normally paid on a monthly basis and holiday and Christmas bonuses of an equal amount to the salaries are paid annually.

The labour law allows short-term contracts, with a minimum period of 6 months, renewable at the employer’s option, up to a limited period of 3 years, after which the employee is either granted a permanent contract or is dismissed.

Minimum and average wages
In the year 2006, the average monthly wages paid in the Autonomous Region of Madeira in the services sector were of approximately 2.258,44 euros for highly qualified workers and of 488,81 euros for non-qualified workers. The minimum wage set for 2008 is of 426 euros in mainland Portugal and 434,52 euros in Madeira per month, for a total of 14 months per year (which includes Christmas and holidays subsidies).
PART IV – COMPANY INCORPORATION

Existing companies or companies to be incorporated, as well as branches, in Portugal or abroad, may set up in the International Business Centre of Madeira. A Private Deeds Registry Office, made up by a notarial office and a conservatory of the commercial registry, has been created to allow a speedier process of incorporation and registration of companies in the International Business Centre of Madeira with full exemption from notarial and registration fees.

1 - New company

The following steps describe the incorporation process of a new company in the IBC through the use of the Private Deeds Registry Office.

Name approval

A name approval certificate and a provisional identification card must be requested to the National Company Registrar (RNPC – Registo Nacional de Pessoas Colectivas). This request may also be made through the internet.

The certificate and identification card must be required by either a shareholder of the company to be formed or by a duly authorized entity through the submission of the appropriate forms. The certificate will be valid for 180 days for registration purposes and for one year after the company incorporation.

Companies must inform the RNPC of their intention of incorporating and operating within the legal framework of the IBC of Madeira.

Company incorporation

Formation and registration of IBC companies must be requested to the Private Deeds Registry Office. The following documentation must be submitted to the notarial office upon the request:

- Company name approval certificate;
- Provisional company identification card;
- Copy of the identification documents of the applicants:
  - Single person: identification and fiscal cards;
  - Collective person: certificate of the conservatory of the commercial registry, company identification card, initial public deed, identification and fiscal number of the company’s legal representative;
- Report from the Official Account Auditor for capital shares entrances in goods;
- Licence and Authorization from the Regional Secretary for Planning and Finance.

The public deed will be performed at the date indicated by the notarial office. Identification and fiscal cards must be presented during the act.

IBC companies are exempt from fees and notarial costs.

Declaration of beginning of activity

Companies must declare the beginning of activity at the local tax dependency. The following documentation must be submitted together with the declaration:

- Specific form, available at the tax office, in triplicate and duly certified, with information regarding the official accountant responsible for the company’s books of accounts;
- Provisional company identification card;
- Copy of the public deed;
- Copy of identification and fiscal cards of the shareholders and official accountants.
Companies must submit the declaration before the beginning of the activity or within 90 days to the RNPC registration (date of issue of the provisional card).

**Commercial and RNPC registration, publication at the Official Journal (JORAM)**
To be submitted to the private conservatory of the commercial registry, until 90 days from the public deed, through the following documentation:

- Company’s incorporation public deed;
- Company name approval certificate;
- Beginning of activity declaration.

The official publication will be at JORAM, the Official Journal of the Autonomous Region of Madeira. Companies may also request the publication at a local newspaper.

**Social Security Registration**
Companies must proceed with the registration at the Regional Social Security Centre within 30 days of the beginning of activity. The following documents must be presented:

- Tax payer’s identification card;
- Company’s incorporation public deed;
- Company’s identification card;
- Record of proceedings of the election of the members of the board and forms of income;
- Copy of the fiscal card of the members of the board;
- Fiscal document of beginning of activity.

**2 - Branch**
Existing companies wishing to operate within the legal framework of the International Business Centre of Madeira may do so either through the formation of a branch, agency or other form of legal representation foreseen in Portuguese law or by requesting the transfer of the company’s headquarters to Madeira. In either case, a license must be obtained through the application process described in PART II nº 3. The registration in the private conservatory of the commercial registry is also required.
1 - Support services

Companies setting up in the IBC of Madeira may benefit from a wide range of professional support services, provided by local companies. These include:

- Management companies, which provide incorporation and consultancy services, as well as other permanent supporting services;
- Accounting companies;
- Efficient network of computer-related companies;
- Law firms;
- National and international banks;
- Local University;
- Providers of office space, either for rental or purchase.

The contact details of the above-listed entities are available for consultation at www.ibc-madeira.com/.

2 - Infrastructures

**Bandwidth and Telecommunications infrastructure**

E-business and ICT companies may benefit from the Madeira Datacenter, a modern dedicated building designed to host telecommunications and data equipment, such as Data Centres and Internet Service Providers, among others. This Datacenter offers the following facilities:

- Uninterrupted power supply;
- Intrusion detection system;
- Fire detection system;
- Specialised air conditioning system;
- Computerized access control system;
- Redundant telecommunications network;
- Technical support by dedicated personnel.

Additionally, Madeira benefits from 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.

Another available infrastructure is the 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.

**International Airport**

The recent improvements made to the local airport included the extension of the runway to 2,781 meters and the increase of the traffic capacity to 3,500,000 passengers per year. The cargo capacity has also been increased to 16,000 tons per year with the improvement of the cargo terminal. Several international airlines fly to and from Madeira, with direct flights to international destinations such as London and Paris.
Science park
A science park and regional innovation centre have been developed with the purpose of promoting and implementing new technologies on the island. Innovative and technological start-ups may set up in the science park, benefiting from support services and close links with R&D departments of the University of Madeira.

3 – Human resources

Local recruitment
Companies moving to Madeira benefit from the availability of a young and skilled workforce. It is possible to resort to several local professional class associations for recruitment, such as the Chamber of Chartered Accountants and the Chamber of Barristers. Placing an advertisement in local and national newspapers is also a very common procedure, as well as resorting to the local Employment Centre or a recruitment agency. Recently, the Association of Professionals of the MIBC (APCINM) has set up an on-line database with a large scope of CV’s, which may be accessed at www.ibc-jobs.com. Companies may also use this database to advertise their recruitment needs.

The University of Madeira, as well as other local technical schools, are a good source of skilled professionals. Currently, nearly 300 students graduate from the university every year. It is also possible to recruit highly qualified professionals from a large pool of Madeirans studying in Portuguese universities or working abroad.

Foreign staff

a) Citizens of non-EEA countries or Switzerland

The entrance of foreigners in Portuguese territory is regulated by Decree-Law n.º 244/98, of the 8th of August as amended by Law n.º 97/99, of the 26th of July, Decree-Law n.º 4/2001, of the 10th of January and Decree-Law n.º 34/2003, of the 25th of February.

As part of the E.U. and of the Schengen Agreement, Portugal abides by Article 9º of the Convention for the Application of the Schengen Agreement, namely regarding the regime of the concession of visas.

The working visa will allow the entrance in Portuguese territory of foreign citizens, of countries other than the members of the European Economic Area (EEA) or Switzerland, for the undertaking of their professional activities for a maximum of three years (allowing for multiple entrances). Visas should be applied for from a Portuguese consulate or embassy in the country of residence and the following documentation will be required:

- Specific form duly filled and signed;
- 3 color photographs;
- Valid traveling documentation (e.g. passport);
- Working contract, preceded by information sent by the employing entity to the IEPF - Instituto do Emprego e Formação Profissional [Portuguese Employment Institute], confirming the working contract and the approval by the IGT – Inspecção Geral do Trabalho [Portuguese Work Inspection Institute];
- Proof of accommodation and subsistence conditions or presentation of declaration from a Portuguese or foreign entity residing in Portugal guaranteeing such conditions, duly filled in specific form and authenticated by SEF – Serviço de Estrangeiros e Fronteiras [Portuguese Institute for Foreigners and Frontiers];
- Criminal record;
- Certificate of health;
- Health insurance.
Further to the presentation of the above-mentioned documentation, the applicant will be subject to an interview at the Portuguese Consulate.

b) Citizens of the E.U., E.E.A. and Switzerland

According to Law n.º 37/2006, of the 9th of August, all citizens from the EU, EEA and Switzerland are allowed to enter, remain and live in Portugal, up to three months, without formalities other than holding a valid passport or identity card. Relatives accompanying such citizens, irrespective of their nationality, are also allowed to enter, remain and live in Portuguese territory.

If the three months period is exceeded, such citizens must proceed with a registration at the SEF-Foreigners and Frontiers Services, to formalize the right to reside in Portugal. The registration must be made no later than 30 days after the three months period expires.

The following documentation will be required:

- Specific form duly filled and signed;
- ID card or passport;
- Declaration, under word of honour, that the applicant fulfills one of the following conditions:
  1. Undertakes a professional activity, under working contract or independently, in Portuguese territory;
  2. Has enough financial resources for himself and his relatives, as well as health insurance in the case such condition is required in the Member State of his nationality to Portuguese citizens;
  3. Is enrolled in a private or public teaching institution, officially recognized, as long as he can prove, by declaration or other mean of proof, the possession of enough financial resources for himself and his relatives, as well as health insurance in the case such condition is required in the Member State of his nationality to Portuguese citizens.

Relatives, of EU or non-EU citizenship, are also required to register at the SEF. The following documentation will be required to obtain a Registration Certificate (EU relatives) or a Residence Card (non-EU relatives):

- Specific form duly filled and signed;
- ID card or passport;
- Document proving the relationship, if not evident in the ID card or passport;
- Registration certificate of the EU citizen he/she is accompanying or reuniting with;
- Documental proof that he/she is under the responsibility of the EU citizen (for direct descendants under 21 years of age, spouses and direct ascendants), share a common residency or that there is a health condition that demands the personal assistance from the EU citizen.

Permanent Residence

Citizens of the EU and their relatives, who have resided legally in Portuguese territory for a period of more than 5 years, have the right to permanent residence in Portugal. A Permanent Residence Certificate must be requested to the SEF services through a specific form.
PART VI – PURCHASE OF PROPERTY IN MADEIRA

There is a wide availability of properties for sale in Madeira. A list of the main real estate agents in Madeira is available in the document CONTACTS which may be downloaded from http://www.ibc-madeira.com/DocumentLibrary/. These entities may provide further information and assistance in the acquisition of property in Madeira.

There are no restrictions on the acquisition of real estate by foreigners. The purchase of property generally follows the steps described hereinafter:

Promise of Sale and Purchase Contract
Although not mandatory by law, this contract is usually adopted as a security measure for both parties involved in the transaction. The terms and conditions of the transaction, agreed between the seller and the buyer of the property, are laid down in a Promise of Sale and Purchase Contract, signed by both parties. This is a private contract that precedes and defines conditions for the actual transfer of ownership. The signing of this contract is generally accompanied by a deposit payment, which is freely established between the parties, but is usually a minimum of 20% of the purchase price.

A typical Promise of Sale and Purchase Contract includes:

- Full legal descriptions of the seller, the buyer and of the property;
- Purchase price of the property and payment conditions, stating the amount of deposit;
- Intermediate payment amounts and dates if applicable, and final payment date;
- Completion date, i.e., date of title transfer, and conditions for hand-over of property (possession);
- Other specific clauses agreed upon by both parties.

Deed of Sale
When the conditions set out in the Promise of Sale and Purchase Contract have been met, the document of transfer of the deed of sale is drawn up at a Public Notary Office, where it is signed by the parties. At this time the final payment is usually made. The original document will remain with the Public Notary, and a copy is registered with the Public Records office. The purchaser requests a certified copy to prove ownership in applying for the connection of utilities, etc.

Necessary documentation:

- Identification documents and Portuguese tax numbers of the parties involved (the tax number of a foreign purchaser is obtained prior to the act);
- Property docket of the property, issued by the Tax Office of the area in which the property is located;
- Registration Certificate issued by the Property Registry Office of the area in which the property is located;
- Housing License: issued by the local City Council certifying that the property is licensed for use;
- Proof of payment (or exemption) of the purchase taxes issued by the respective Tax Office.

Property Registration
The buyer of the property must register the purchase at the Property Registry Office of the area in which the property is located, and at the respective Tax Office with the purpose of establishing the annual property taxes, which are based on the property’s estimated value.
Companies operating within the legal framework of the MIBC will be exempt from tax on the transfer of property, death and legacy duties due on the acquisition of immovable property for their establishment.

**Bank Loan and Mortgage**

It is very common to resort to a bank loan for the purchase of property in Madeira. The loan is approved through a mortgage on the property. The mortgage is registered simultaneously with the property registration. The following personal documentation is generally requested for the approval of the loan by the bank:

- Copy of ID/Passport and Portuguese fiscal number of borrowers and guarantors, when required;
- Annual income or, if self-employed, letter of Inland Revenue stating income and tax paid (last available year);
- Copies of four last pay slips and three last monthly bank statements.

Additionally, the following property documents are required:

- Copy of the Promise of Sale and Purchase Contract detailing the conditions of sale;
- Property docket;
- Property full Record Certificate;
- Property Plans;
- Housing License;
- Construction License (only for home building loans);
- Approved property plan and building specifications (only for home building loans);
- Home Insurance;
- Tax Office document certifying settlement of Municipal Transfer.

Companies operating within the legal framework of the MIBC will be exempt from tax on the transfer of property, death and legacy duties due on the acquisition of immovable property for their establishment.
PART VII – GENERAL INFORMATION

Internet connections
There are a number of Internet Service Providers (ISP’s) in Madeira with various connection options available, namely:

- Analogue telephone line (up to 56Kbps) or ISDN (64Kbps) telephone line.
- ADSL connection which works as a parallel data transfer over the normal telephone line. Connection speeds start at 256Kbps and can go as high as 1000Kbps.
- Cable Internet, which works through the Cable TV connection. Connection speeds depend on the number of users that are online, but may reach 1MBps.

Cable TV
The local cable provider offers over 60 channels, depending on the chosen decoder and package. There are channels in English (CNN, MTV, VH1, BBC World, BBC prime, SKY News, Travel, CNBC, Bloomberg, Cartoon Channel, Disney, etc.), German, French, Spanish and Portuguese.

Electricity
Madeira uses a 220 volt system, with individual metering per household, which means that most European appliances work perfectly here.

English Schools
There are two schools in Madeira teaching in English and Portuguese. These are the British School, and the International School. A number of language institutes offer Portuguese lessons to foreign residents. Courses are given both during the day and in the evenings. Private lessons can also be arranged through private tutors. The University of Madeira will also be introducing in the short-term Portuguese courses for foreigners residing in Madeira.

Bank accounts
The requirements and formalities for opening bank accounts in Portugal are set by the Bank of Portugal, according to its Organic Law and to article 7º of Decree-Law n° 454/91, of the 28th of December.

In the case of private individuals, the following information and documentation must be provided to the bank:

1. Full name, signature, date and place of birth and nationality: through the presentation of I.D. (or equivalent document), passport or residence permit (in the case of residents), or passport, I.D. or any identification document with the full name and photograph of the bearer and issued by a competent public entity (in the case of non-residents);
2. Filiation: through the presentation of the documentation listed in n° 1 or, in alternative, through the presentation of a public registration certificate, or, in the case of foreign citizens, through the presentation of an equivalent public document;
3. Full address: through the presentation of any document considered suitable and sufficient by the bank;
4. Professional activity and employer: through the presentation of a business card, wage receipt or any other corroborative documentation;
5. Fiscal number: through the presentation of the fiscal card or certified copy;
6. Public offices held: does not require any supporting documentation.
In the case of companies, the following information and documentation must be provided to the bank:

1. Company name, activity and headquarters: through the presentation of the commercial registration certificate or equivalent public document;
2. Company identification number: through the presentation of the identification card issued by the National Company Registrar (RNPC) or, in the case of non-resident companies, through the presentation of an equivalent document;
3. Company fiscal number: through the presentation of the company’s fiscal card or certified copy;
4. Identification of shareholders with participations and voting rights equal to or above 25% and of managers or directors of the company: by the presentation of a declaration issued by the company.

The above-listed information and documentation must also be provided in cases where the bank has not a direct and personal contact with the account holder or his legal representative. In such cases, certified copies of the requested documentation or a written declaration issued by a bank in which the interested entity already holds a bank account must be sent through registered mail.
PART VIII - LEGISLATION

1 - International Business Centre of Madeira

The legislation ruling the incorporation of companies, the tax regime in force and the activities carried out within the legal framework of the International Business Centre of Madeira may be downloaded directly from http://www.ibc-madeira.com/.

2 - E-Business Activities

Portugal has enacted extensive legislation and has transposed to the Portuguese legal system all the relevant E.U. Directives and Regulations regarding e-business activities, allowing for a fully regulated environment and strict compliance with the E.U. guidelines for the e-business sector. The full texts are available for download at the website of ANACOM, the Portuguese Authority for Telecommunications: http://www.anacom.pt/template16.jsp?categoryId=98039.

3 – Intellectual Property

Industrial property and copyright in Portugal are regulated, respectively, by the Industrial Property Code, approved by Decree-Law nº 36/2003, of the 5th of March, and by the Code on Copyright and Neighbouring Rights, approved by Decree Law No. 63/85, of the 14th of March.

Industrial property protects patents, industrial design pieces and trademarks, covering as such all investments in commercial and technological innovation.

Copyright protects literature, art pieces and artistic works, including all forms of public communication – books, articles, drawings, paintings, music compositions, movies, software, amongst others.

All the relevant E.U. directives and regulations have been transposed to the Portuguese legal system.

Further information and legislation may be obtained at the Copyright Institute’s website (http://www.gda.pt/outros_ingles.html) or at the Industrial Property section of the Public Ministry’s website (http://www.pgdlisboa.pt/pgdl/lei/mostra_articulado.php?nid=438&tabela=leis&ficha=1&pagina=1).
Madeira: Global Solutions for Wise Investments