



PERMANENT ESTABLISHMENT IN PORTUGAL: BRANCH OR SUBSIDIARY?

DEFINITION OF A PERMANENT ESTABLISHMENT

A permanent establishment (PE) is a fixed place of business which will give rise to income or value-added tax liability in the Portuguese jurisdiction. A permanent establishment is considered a resident establishment and can be incorporated as a branch or as a subsidiary.

DEFINITION AND MAIN DIFFERENCES BETWEEN A BRANCH AND A SUBSIDIARY

A subsidiary is independent from the mother company; only the shares shows the connection.

A branch can only act by the Memorandum & Articles of Association of the mother company.

TAX AND ACCOUNTING OBLIGATIONS

Both permanent establishments must pay VAT on sales and corporate income tax at the official rate. The Transfer Price Manual must be set up for subsidiaries with relevant transactions with group companies.

REGISTRATION FORMALITIES

Both companies must nominate a manager and a statutory accountant that will be the responsible to prepare and submit the VAT returns, CIT form and the financial statements.

A branch has no minimum capital to be established.

Subsidiaries can be established as limited or as shares companies. A Limited company can be incorporated with a minimum paid capital of 1€ and a minimum of two shareholders. A shares company can be has created with a minimum of 50.000€ for paid capital and should have at least five shareholders. For shares entity it is mandatory also to nominate an auditor (Revisor Oficial de Contas) but for a Limited subsidiaries it is only mandatory after achievement of some criteria.

A company can be incorporate in one day.

STANDARD LEGAL OBLIGATIONS AND FORMALITIES FOR A BRANCH

The registration of the company will require a minute resolution from the mother company explaining the activity that will be developed by the branch (must be related to the mother company activity), nominating the manager of the branch and the address of the branch and the fiscal year adopted for the branch.