



## IN443 - The Portuguese Comandita Structure and the benefits it offers

There are four different types of company that can be established in Portugal:

1. Private limited liability companies (*Sociedade por Quotas, LDA*)
2. Public limited companies (*Sociedade Anónima SA Corporation*)
3. Limited co-partnership companies (*Sociedade em Comandita, SC*)
4. General partnership companies (*Sociedade em Nome Collectivo, SNC*)

The third type of company is based on a structure similar to a Kommanditgesellschaft (KG) which is the German name for a limited partnership business entity. This structure is a traditional and well used corporate structure in Germany, Austria and a number of other European countries, including Portugal.

### **Comandita Tax Status - Germany: Portugal**

In Germany, the limited co-partnership company (KG) is not taxed as a separate entity. The German KG itself is not subject to German tax, neither German trade tax (Gewerbesteuer) nor German corporation tax.

Each partner is liable to pay tax on their share of income from the company, according to his or her individual tax status. In contrast, the Comandita (Partnership) in Portugal is considered a corporate entity and is taxed as such.

### **The Opportunity**

Tax efficiencies are available through the use of a Portuguese Comandita in jurisdictions where special tax treatments are applicable to partnerships. This is particularly relevant in Austria and in Germany.

Further tax efficiencies can be provided through the use of a Portuguese Comandita registered in the International Business Centre of Madeira.

### **Comandita Structure: Portugal**

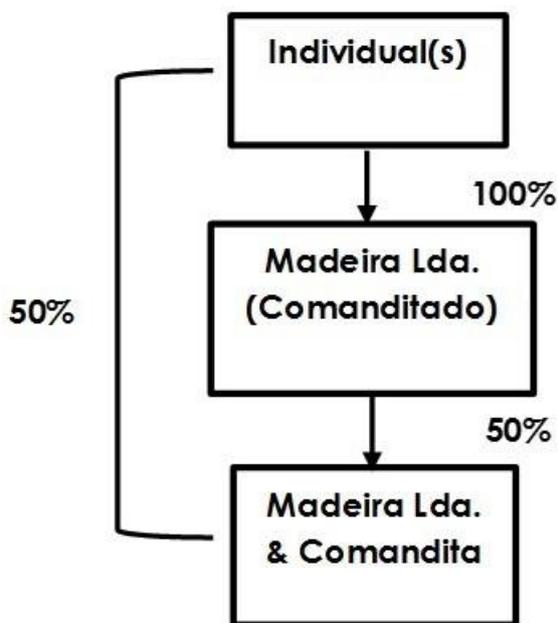
In accordance with Portuguese rules, these companies have two categories of partner: "Dormant Partners" (*Sócios Comanditários*) whose liability is limited to the amount of their shares; and "Full Partners" (*Sócios Comanditados*) who are liable for company debts.

It is possible to incorporate a Comandita structure with shares or quotas and to attribute special rights to certain classes of share; for example, different arrangements in the way that dividends are distributed.



### Double Tier Structure: Portuguese Comandita

The Comandita Company (Partnership) must adopt the name of one of the *Comanditado's* shareholders (Full Partner). Dixcart would generally propose a double tier structure, to be organised as follows:



### Tax Advantages Available to Comandita Structures (Partnerships) Registered in Madeira (Portugal)

A number of advantages are available to Portuguese Comandita Structures registered in the International Business Centre of Madeira. Madeira is part of Portugal and enjoys certain advantages which have been granted by the EU:

- Reduced corporate tax of 5% guaranteed until at least the end of 2027.
- Exemption of withholding tax on the distribution of dividends (participation exemption) even for individuals. This is as long as the individuals are tax resident in a country which is not considered to be a tax haven in Portugal.
- Exemption of withholding tax on the payment of royalties, services and interest.
- Patent box regime – additional potential reduction of 50% in terms of the corporate income tax payable.
- Tax exemption on capital gains resulting from the sale of a Madeira company or its subsidiaries.
- Tax credits may be applicable where an international double taxation agreement exists.
- Exemption from payment of notary and registration fees.
- 80% reduction in stamp duty, municipal and regional taxes.



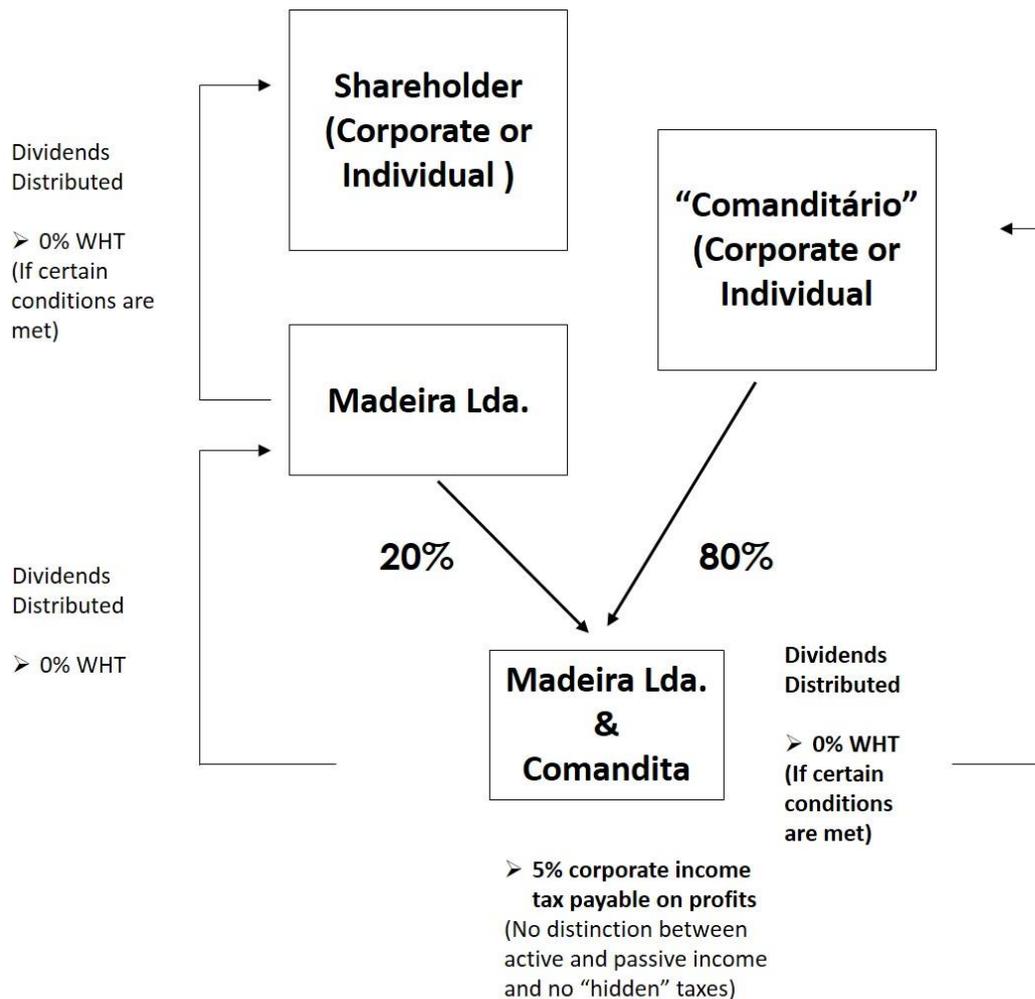
## Why is the Comandita Structure of Particular Interest in Germany and Austria?

The Portuguese Comandita structure is of special interest to German and Austrian taxpayers, due to the fact that Double Taxation Agreements are in place with Portugal and internal tax rules in each country provide personal income tax reductions for the individual shareholders.

### Summary

Higher rate taxpayers, in jurisdictions where special tax treatments are applicable to partnerships, such as Germany and Austria, can significantly increase the returns they enjoy on foreign investments, by holding them through a Portuguese Comandita Company (Partnership). These returns can be enhanced further if these foreign investments are held through a Portuguese company registered in the International Business Centre of Madeira.

An example is detailed below:





- The taxable income of a Comandita is imputed to the Dormant Partners (Comanditário investors).
- Comanditário investors are liable to personal income tax in respect of their share of taxable income in the Comandita.

### **Additional Information**

If you would like additional information on this topic, please speak to [Carlos Santos](#) at the Dixcart office in Madeira or to your usual Dixcart contact.

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Dixcart Management (Madeira) Lda is a company incorporated in Portugal and registered in Madeira under the provisions of the International Business Centre Legislation, which allows companies to undertake activities from Madeira whilst enjoying tax exemptions.

The Madeira International Business Centre was established in 1987 to allow Portuguese companies, as well as companies registered elsewhere in the world, to carry on activities in Madeira whilst enjoying the benefits of the tax exemptions provided in the legislation. Madeira's position as an integral part of Portugal and, therefore, a full member of the European Union make the International Business Centre a very attractive proposition.

Our Madeira office helps clients to incorporate companies in Portugal. We register companies in the International Business Centre and can provide ongoing management and administrative facilities for those companies.