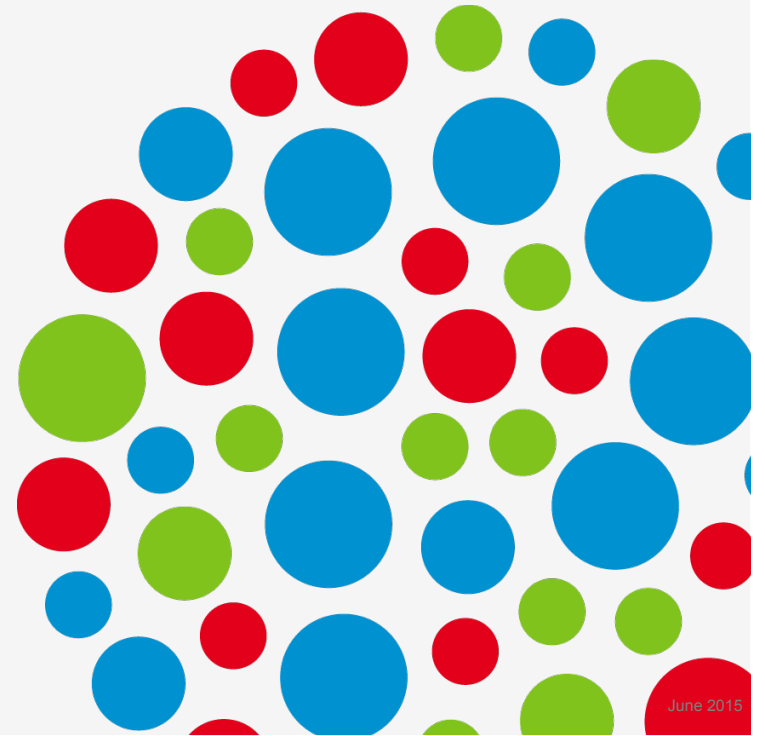


# INVESTINPORTUGAL

RIGHT CHOICE.  
RIGHT TIME.



aicep Portugal Global



June 2015

# INVEST IN PORTUGAL

Portugal is an attractive destination for investment, offering unique competitive advantages.

---

CORRECTION OF STRUCTURAL IMBALANCES AND IMPLEMENTATION OF STRUCTURAL REFORMS

3-11

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IMPROVED COMPETITIVENESS, BUSINESS ENVIRONMENT AND ECONOMIC OUTLOOK

12-16

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BETTER COMPETITIVE ADVANTAGES

17-25

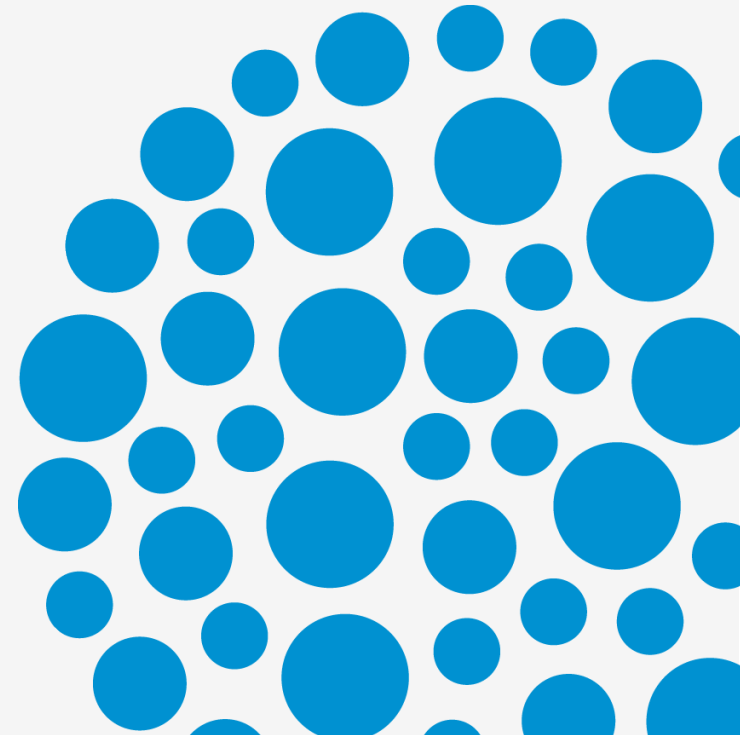
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BETTER SUPPORT

26-35

INVESTINPORTUGAL

# CORRECTION OF STRUCTURAL IMBALANCES AND STRUCTURAL REFORMS



## CORRECTION OF STRUCTURAL IMBALANCES

# EXTERNAL AND FISCAL BALANCES

Portugal already records an external balance surplus and has been reducing the fiscal deficit.

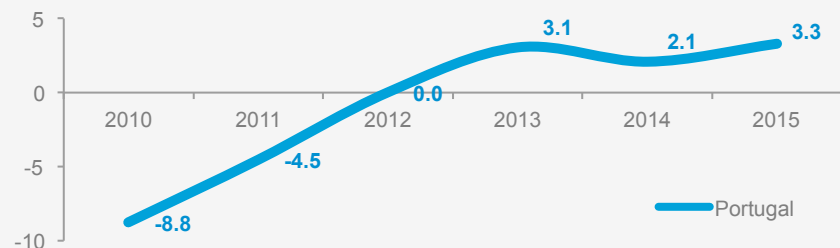


Improving from an external deficit (current and capital account) of 10.9% in 2008 to a **positive balance** of more than 2% of GDP.

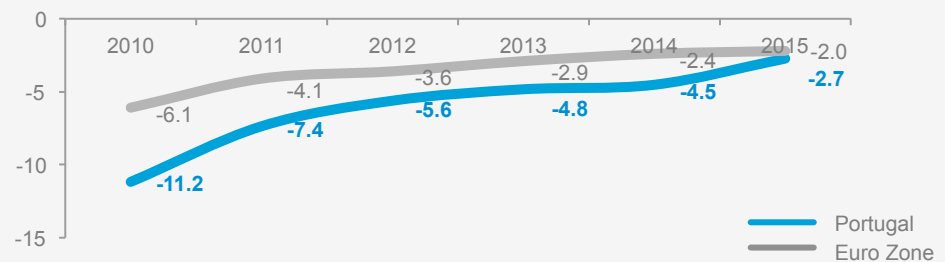


The **budget deficit** is expected to be under 3% of GDP in 2015.

External balance, Portugal, 2010-2015<sup>E</sup> (Percentage of GDP)



Fiscal balance, Portugal, Euro Zone, 2010-2015<sup>E</sup> (Percentage of GDP)



<sup>E</sup> Estimate.

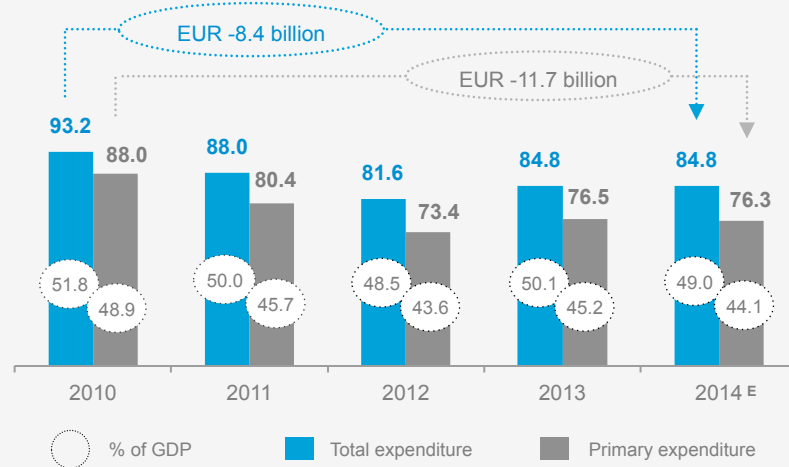
Sources: Portuguese Government, INE, Bank of Portugal, European Commission, AICEP.

## CORRECTION OF STRUCTURAL IMBALANCES

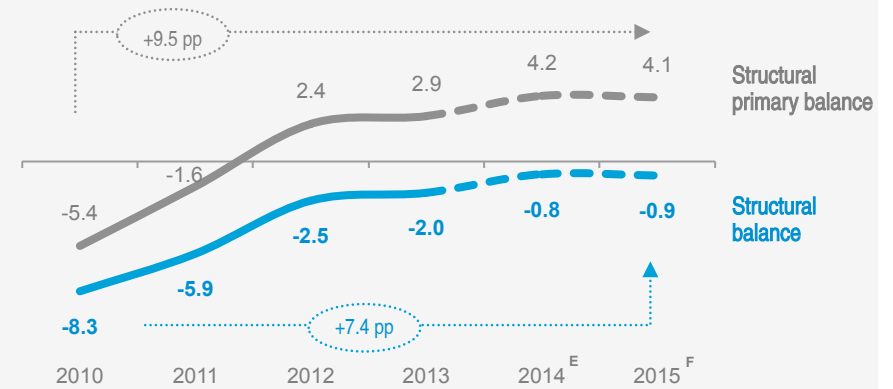
# FISCAL CONSOLIDATION

Public expenditure has been declining and the structural fiscal balance<sup>1</sup> improving.

**Public expenditure, 2010-2014**  
(EUR billion, Percentage of GDP)



**Structural fiscal balance, 2010-2015<sup>F</sup>**  
(Percentage of GDP)



<sup>E</sup> Estimate. <sup>F</sup> Forecast.

1. Fiscal balance adjusted for cyclical and other short-term effects, a key concept of the European Fiscal Treaty, in force since the beginning of 2014.

Sources: Portuguese Government, INE, Bank of Portugal, European Commission, AICEP.

## STRUCTURAL REFORMS

# TO IMPROVE COMPETITIVENESS

**500** Measures

Around **500 measures** implemented since 2011.

Fiscal structure and Public Administration	Regulation and supervision of the financial sector
Health	Education
Labour Market	Goods and services market
Rental Market	Tax Policy
Justice	Competition
...	...

## STRUCTURAL REFORMS

# LABOUR MARKET



Portugal converged to the OECD average, regarding flexibility of the labour market.

### STRONG MEASURES TO ENHANCE LABOUR FLEXIBILITY

- More working days.
- “Hours bank” system during production peaks can be negotiated directly with the workers.
- Compensation for dismissal has decreased.
- Reduction of overtime work costs.



### LEICA

“(...) With their outstanding expertise in precision engineering, our Portuguese colleagues have made a considerable contribution to Leica Camera’s success story.”

Andreas Kaufmann, Chairman of the Supervisory Board, Leica AG.

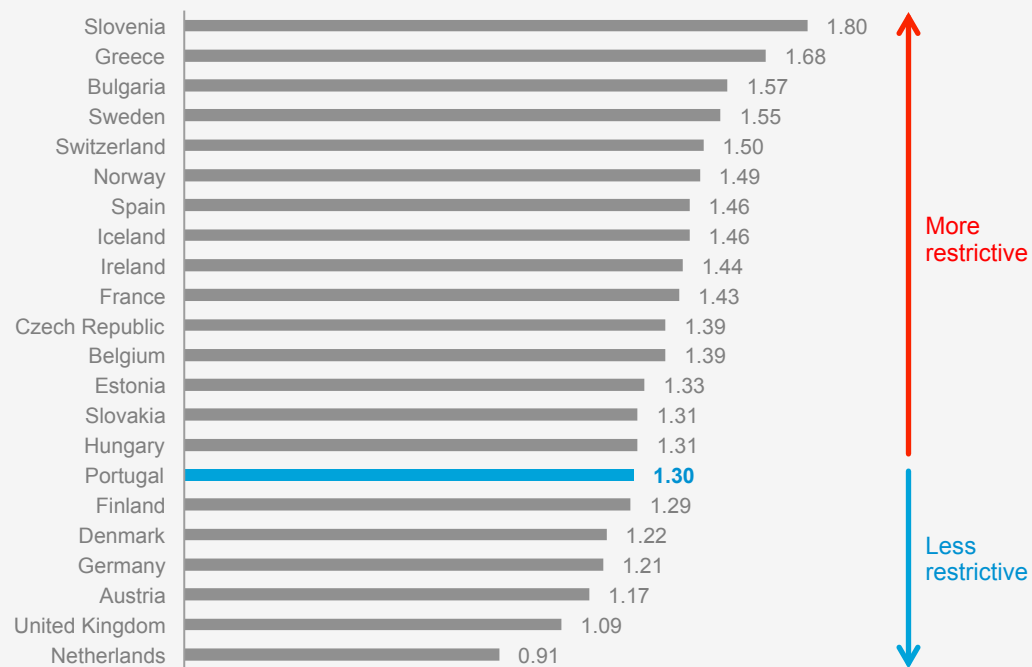
# STRUCTURAL REFORMS REGULATION

7th

Portugal has been improving its OECD overall Product Market Regulation (PMR) score, and is currently the **7th least restrictive country in the EU-28.**

Source: OECD.

### Product Market Regulation, 2013





## STRUCTURAL REFORMS

# CORPORATE INCOME TAX REFORM

Portugal ahead of EU average.

### PARTICIPATION EXEMPTION REGIME

Dividends paid by Portuguese subsidiaries to non-resident parent companies located worldwide (tax havens excluded), as well as capital gains obtained from the disposal of their shares are fully tax exempt, provided a 5% shareholding is held for 24 months.

### TAX LOSSES

Carry forward period extended from 5 to 12 years.

### PATENT BOX

50% taxation of income from patents, licenses and similar rights.

### CIT FOR SMEs

Reduced CIT rate (17%) to the first €15.000 threshold of taxable income;

Simplified tax system.

### CORPORATE INCOME TAX RATE

Reduction of the Corporate Income Tax rate.



One of the lowest CIT rates in Europe

\* Top adjusted CIT rate (i.e., 25% CIT rate in 2013, 23% in 2014, 21% in 2015 and 17%-19% in 2016, plus other municipal and statutory charges, which are expected to be eliminated until 2018).

Sources: Portuguese Government, INE, Bank of Portugal, European Commission, AICEP.

## STRUCTURAL REFORMS

# CORPORATE INCOME TAX REFORM

Portugal ahead of EU average<sup>1</sup>.

## CORPORATE INCOME TAX RATE, 2013<sup>2</sup>

Reduction of the Corporate Income Tax rate.



1. In 2013 EU-28 = 22.9%. Euro Zone = 25.1%

















2. Top adjusted CIT rate (i.e., 25% CIT rate in 2013, 23% in 2014, 21% in 2015 and 17%-19% in 2016, plus other municipal and statutory charges, which are expected to be eliminated until 2018).

Sources: Portuguese Government, INE, Bank of Portugal, European Commission, AICEP.

## STRUCTURAL REFORMS

# PRIVATIZATIONS

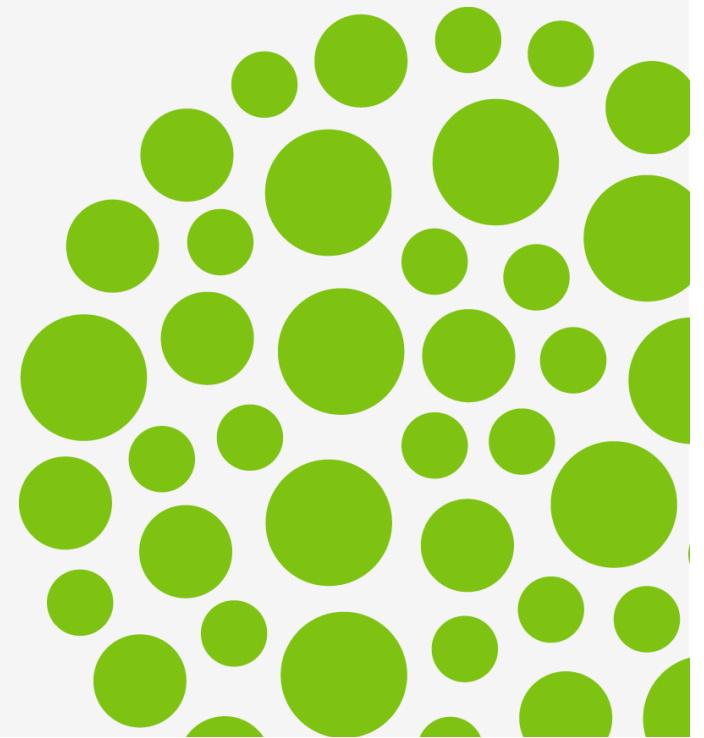
The programme has been successfully implemented  
(revenues of around EUR 8.8 billion, above initial expectations of EUR 5 billion).

MAIN INVESTORS / STAKES SOLD		AMOUNT IN EUROS	COMPANIES TO BE PRIVATIZED IN 2015
	 中国三峡 China Three Gorges Corporation	21.35%, at a premium of 53.6% per share EUR 2 693 million	AIR TRANSPORT 
 <b>REN</b> Redes Energéticas Nacionais	 国家电网公司 STATE GRID CORPORATION OF CHINA	40%, at a premium of 33.6% per share EUR 593 million	
	 شركة النفط العمانية س.م.ع.م. Oman Oil Company S.A.O.C.	11%, at a discount of 6.3% per share EUR 157 million	
	 VINCI	100% EUR 1 127 million for the shares + EUR 1 200 million for the concession fee + EUR 753 million of pre-existing debt	RAILWAY LOGISTICS 
		100% EUR 910 million	
 <b>FIDELIDADE</b> SEGUROS DESDE 1908	 <b>FOSUN</b> 复星	80% of Fidelidade, Caixa Poupança, Multicare and Cares EUR 1 000 million	CONCESSIONS Urban transportation (Lisboa, Porto) Maritime Ports
		1% for GALP EUR 101 million	
 HPP Saúde	 Amil	HPP (CGD Health) EUR 85.6 million	
 EGF		100% EUR 149.9 million	

Sources: Portuguese Government, AICEP.

INVESTINPORTUGAL

IMPROVED  
COMPETITIVENESS,  
BUSINESS  
ENVIRONMENT  
AND ECONOMIC  
OUTLOOK



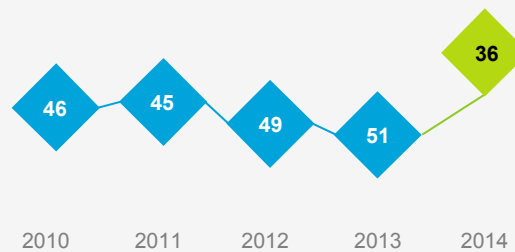
## IMPROVED COMPETITIVENESS

# PORTUGAL HAS BEEN IMPROVING ITS COMPETITIVENESS

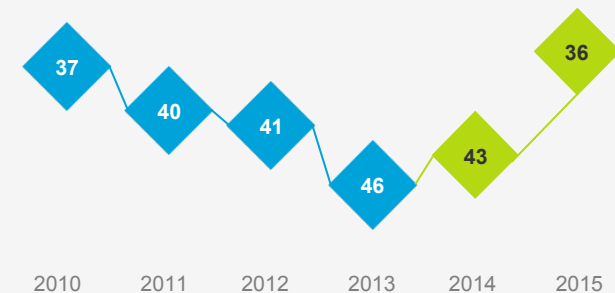
36<sup>th</sup>

Portugal rose 15 places, becoming the **36<sup>th</sup> most competitive country worldwide<sup>1</sup>**, according to the World Economic Forum's competitiveness ranking<sup>2</sup>.

Evolution of Portugal's position in the competitive ranking of the World Economic Forum (WEF), 2010-2014<sup>2</sup>



Evolution of Portugal's position in the competitive ranking of the Institute for Management Development (IMD), 2010-2015<sup>3</sup>



1. Portugal is the 14<sup>th</sup> most competitive country within the EU-28, ahead of countries such as Italy, Czech Republic and Poland.

2. In 2014, out of 144 countries.

3. In 2015, out of 61 countries.

Source: World Economic Forum.

## BUSINESS ENVIRONMENT

# BETTER BUSINESS ENVIRONMENT

Easy to do business in Portugal.

25th

According to *Doing Business* 2015 published by *The World Bank*, **Portugal is the 25<sup>th</sup> easiest country in the world<sup>1</sup> when it comes to doing business.**

1st

Our country ranks highly in some indicators: Portugal is, for example, the **1<sup>st</sup> country within the EU-28** (10<sup>th</sup> among 189 countries analyzed) where it is **simpler to create a new company.**

In Portugal, starting a new business takes 2.5 days and 3 procedures. To register a property takes just 1 day and 1 process.

1. Portugal, the 11<sup>th</sup> most competitive country within the EU-28, has a better classification than the Netherlands, France, Spain, Italy and Poland.

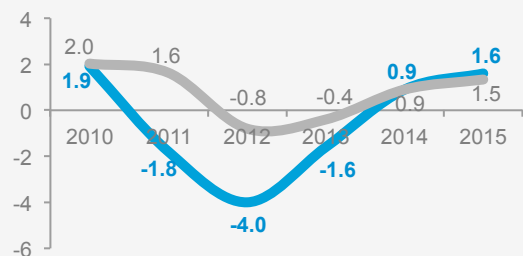
Source: World Bank.

## ECONOMIC OUTLOOK

# ECONOMIC RECOVERY

Portugal returned to economic growth and unemployment has been decreasing.

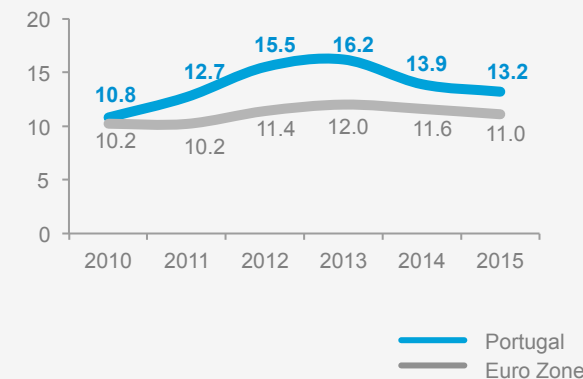
**GDP, Portugal, Euro Zone, 2010- 2015<sup>E</sup>**  
(Percentage)



**GDP Forecasts, 2016**  
(Percentage)



**Unemployment, Portugal, Euro Zone, 2010-2015<sup>E</sup>**  
(Percentage)



<sup>E</sup> Estimate.

Sources: Portuguese Government, INE, Bank of Portugal, European Commission, AICEP.

IMPROVED COMPETITIVENESS, BUSINESS ENVIRONMENT AND ECONOMIC OUTLOOK • 15/37

## ECONOMIC OUTLOOK

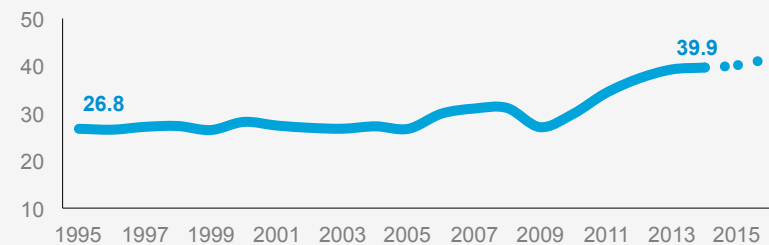
# GROWTH DRIVERS

Exports have been increasing at a sustainable rate and Investment has been recovering.

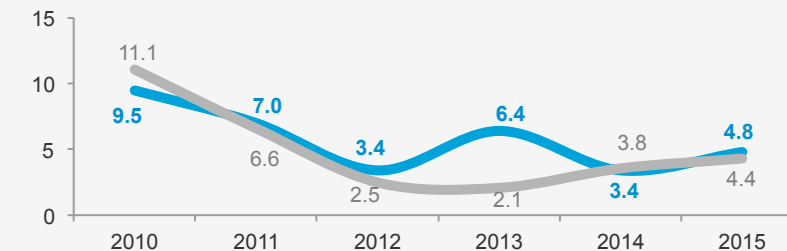
### ENCOURAGING SIGNS SUSTAIN THIS EXPORTS TREND

1. An increasing number of exporting companies;
2. Increasing diversification (more exports to extra-EU countries);
3. Improvement in the country's technological profile;
4. World market share gains.

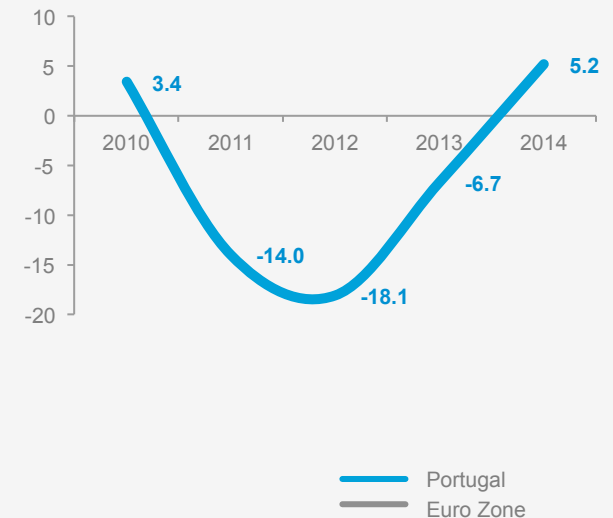
Evolution of Portuguese exports (services and goods), 1995-2015<sup>E</sup> (Percentage of GDP)



Exports, Portugal, Euro Zone, 2010-2015<sup>E</sup> (Percentage)



Investment, Portugal 2010-2014 (Percentage)



<sup>E</sup> Estimate.

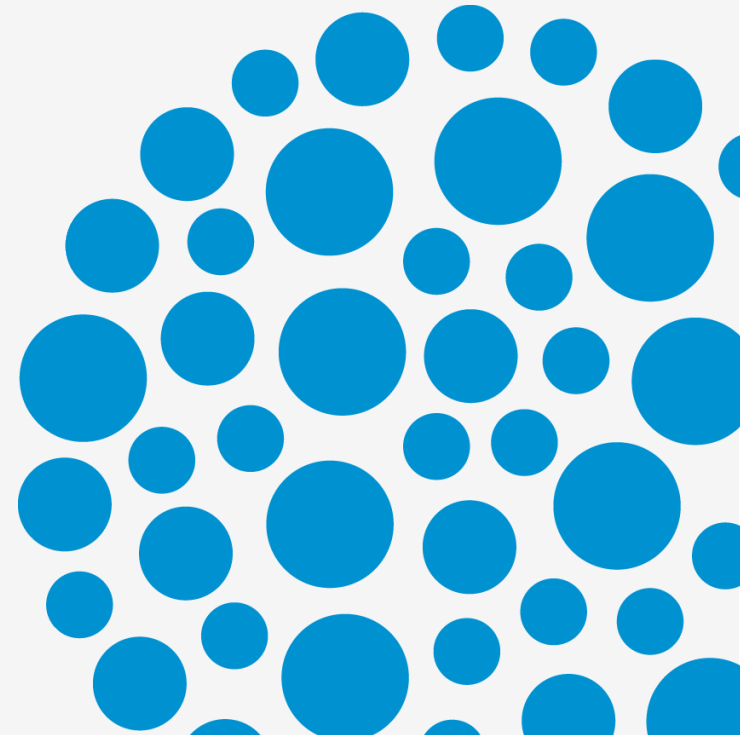
Sources: Portuguese Government, INE, Bank of Portugal, European Commission, AICEP.

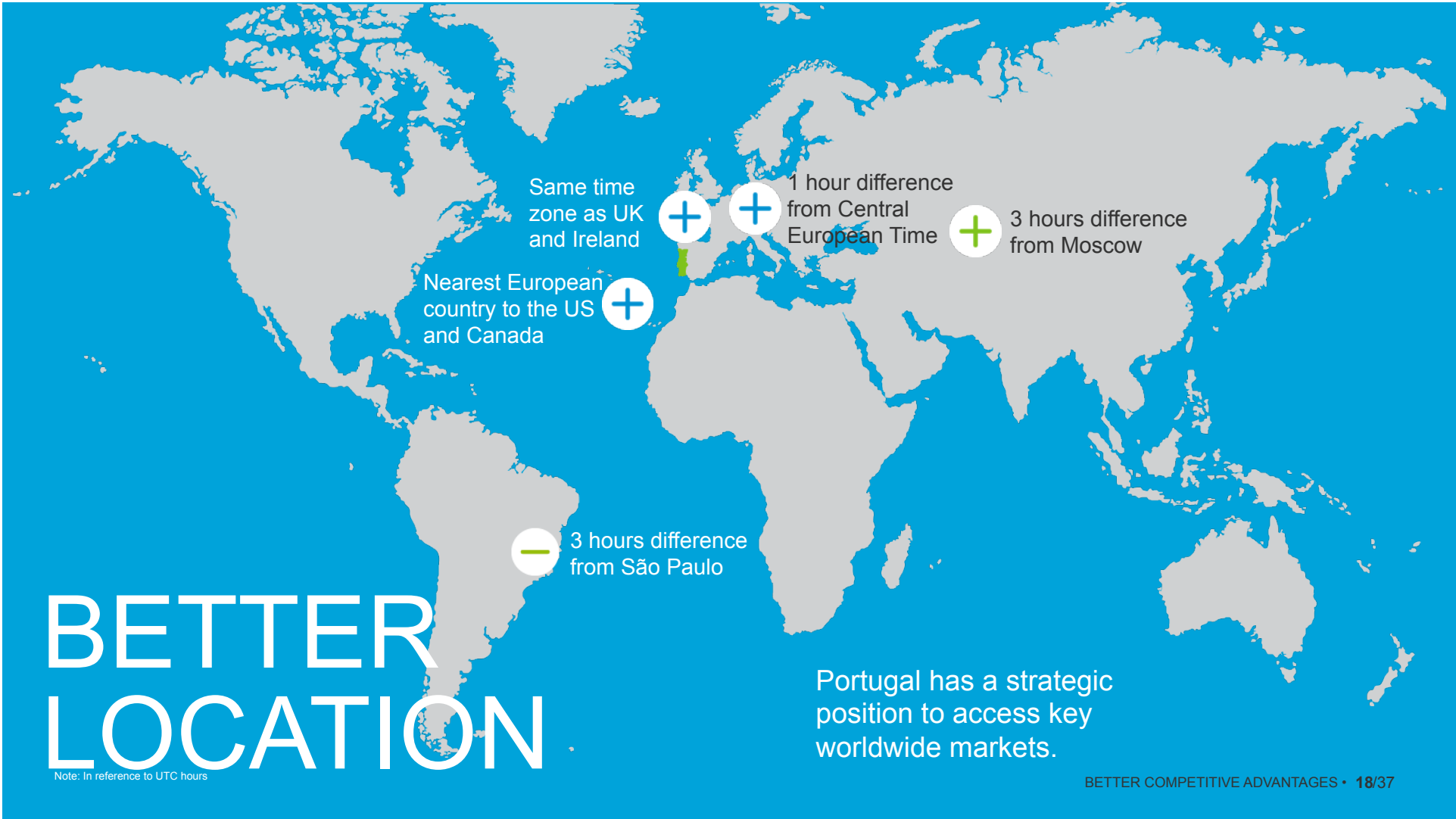
IMPROVED COMPETITIVENESS, BUSINESS ENVIRONMENT AND ECONOMIC OUTLOOK • 16/37



INVESTINPORTUGAL

# BETTER COMPETITIVE ADVANTAGES





# BETTER TECHNOLOGY

Portugal is a Top Country in providing technological services.

## TELECOM

Percentage of **fiber connections** in total broadband: 18.1% in Dec 2013 (above OECD average 16.7%). Ranks 7<sup>th</sup> among EU-28 countries.



Portugal ranks #8 among EU-28 countries in number of high-speed fixed-broadband subscriptions per inhabitant.

## E-GOVERNMENT



According to United Nations “**e-Government** survey 2014”, Portugal ranks #37 among 193 countries in e-Government Development Index.

## ELECTRONIC PAYMENTS



Portugal is a leading country in performing operations through ATM network.



Via Verde, Portuguese Electronic Toll System, is a world pioneer in road toll operations.

**Sources:** OECD Broadband Statistics, The World in 2014 - ICT Facts and Figures (ITU), Eurostat, Anacom, INE, DGEEC, United Nations, European Commission (e-Government).

# BETTER INFRASTRUCTURES

Portugal is the 12th country in the world with better infrastructures<sup>1</sup>.



## QUALITY OF ROADS

2<sup>nd</sup> among the best in the world<sup>1</sup>.

Portugal ranks 6<sup>th</sup>, in motorway network density, well above the OECD average.



## QUALITY OF PORT INFRASTRUCTURE

23<sup>rd</sup> among the best in the world<sup>1</sup>.

Deep-sea port of Sines: Post-Panamax Vessels; The port of Sines was the world's fastest growing container port in 2013 (+68%).



## QUALITY OF AIR TRANSPORT

20<sup>th</sup> among the best in the world<sup>1</sup>.

The Porto Airport was distinguished as the 3<sup>rd</sup> Best European Airport in 2013.



## QUALITY OF RAILROAD INFRASTRUCTURE

23<sup>rd</sup> among the best in the world<sup>1</sup>.

Recently launched, the Atlantic Corridor is a rail freight line between Portugal–Spain–France. Extension to Germany is expected to be operational by November 2016.

1. World Economic Forum's competitiveness ranking (144 countries).

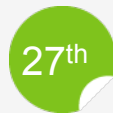
Sources: OECD, Container Management, World Economic Forum, Airports Council International, Corridor 4.

# BETTER MARKET

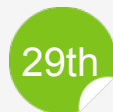
Portugal is an open door to a market of 500 million people in Europe and more than 250 million-Portuguese speaking consumers.



Portugal is a member country of the EU sharing the common currency. Free trade, non-tariff barriers, free movement of labour and capital are among the main benefits.



Portugal is ranked 27<sup>th</sup> in the Enforcing Contracts Rank 2015.



Portugal is ranked 29<sup>th</sup> in the Trading Across Borders Rank 2015.

## Community of Portuguese Language Speaking Countries

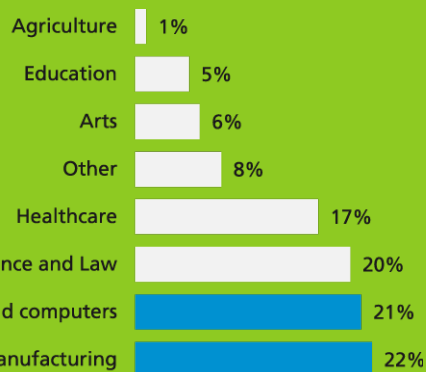


# BETTER TALENT

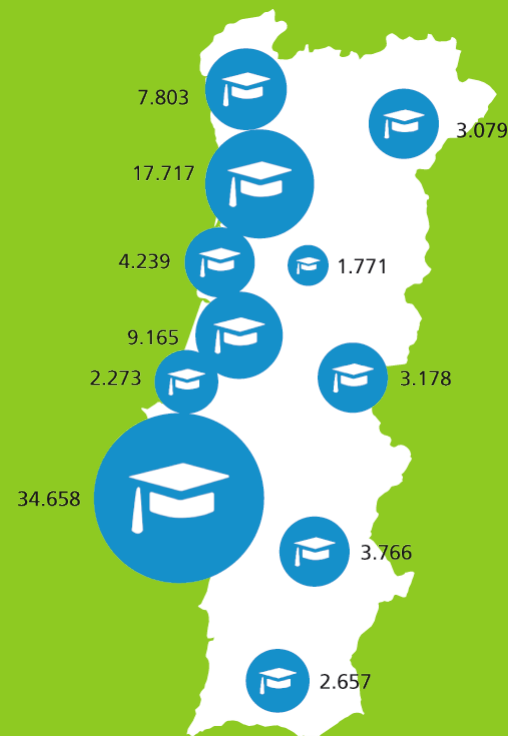
Portugal has a strong flexible, committed and productive workforce with a high level of education in business-oriented areas.

## STUDENTS ENROLLED IN HIGHER EDUCATION INSTITUTIONS BY FIELD OF STUDY, 2012/2013.

Math's, Science and Tech areas represent almost 43%.



Source: INE (2014).



## TOTAL NUMBER OF GRADUATES BY REGIONS IN PORTUGAL, 2011/2012.

# BETTER SKILLS

61% of Portuguese people speak at least 1 foreign language.

## LANGUAGE

English learning is mandatory from elementary school.

78% of the students learn 2 or more foreign languages (65% in EU-28, 53% in France or 42% in Spain).

Mathematics performance above OECD: 19.6%, PISA 2012 (OECD average of 14.8%).

4<sup>th</sup>

Quality of Management Schools: Portugal ranks #4.

8<sup>th</sup>

Availability of scientists and engineers: Portugal ranks #8.

18<sup>th</sup>

Quality of Scientific Research Institutions: Portugal ranks #18.

# BETTER FDI TRACK RECORD

Satisfied customers.



## BOSCH

"Bosch has invested in the development and production of innovative solutions and technologies in Portugal for the global market of Car Multimedia products because it believes in the potential of the country. The Bosch facilities in Braga are highly competitive in terms of quality and productivity in Europe."

Dr.-Ing. Sven Ost, Technical Plant Manager of Bosch in Braga



## H. B. FULLER

"At HB Fuller, our expanding Portuguese team has quickly gained a reputation for professional expertise, high energy, quick learning and cross-functional teamwork. I am delighted by the quality of the people we can attract and how fast they have developed."

Malcolm Grey, Finance Director EIMEA,  
H.B. Fuller Europe.





# BETTER QUALITY OF LIFE

Portugal is not only a good country to invest in but also a great place to live and enjoy. Safe, sunny, with unique nature, rich leisure and cultural amenities, and with high quality healthcare facilities.



Portugal is 20<sup>th</sup>  
(out of 140) in Travel &  
Tourism Competitiveness  
Report 2013.

16 Million Tourists  
in 2014.

**Source:** INE.



Best European Country  
to visit.

**Source:** USA Today 2014.

Lisbon is the 2<sup>nd</sup> Best  
City to Invest.

**Source:** Financial Times, (2014).



Average Temperature  
at 12:00 am: 25°C  
(summer) and 16°C  
(winter).

Algarve is the Best Place  
in the World to Retire.

**Source:** FORBES "Retire  
Overseas Index", (2014).



INVESTINPORTUGAL

# BETTER SUPPORT INCENTIVES & GRANTS



BETTER SUPPORT

# INCENTIVES & GRANTS

Incentive instruments were revised, simplified and reinforced.

---

## NEW ADDED VALUE PROPOSAL

### PRODUCTIVE INVESTMENT

- Financial incentives (Portugal 2020)
- Tax incentives (Investment Tax Code)

### R&D INVESTMENT

- Financial incentives (Portugal 2020)
- Tax incentives (SIFIDE II)

---

## OTHER INCENTIVES

### INTERNSHIPS

### JOB CREATION INCENTIVES

### NON-HABITUAL RESIDENTS

Flat rate for qualified expatriates

BETTER SUPPORT

# INCENTIVES & GRANTS

+ Productive Investment.

## FINANCIAL INCENTIVES

SCOPE

New products or services;  
New production methods or processes;  
Innovation must be at least nationwide (non SME).

ELIGIBLE EXPENSES

**Tangible Fixed Assets:** machine, equipment and buildings;  
**Intangible Fixed Assets:** software, technology transfer;  
**Training expenses.**

NATURE OF SUPPORT

**Loan:** 35% of eligible expenses as an interest-free loan; 8-years reimbursement period;  
**Cash Grant:** Loan conversion of up to 50% of the incentive depending on the performance of the project.



Base rate

MAXIMUM SUPPORT

Financial grants combined with tax incentives, applied to the same expenses may not exceed **25%** of the eligible investment (tax credit + cash grant + loan interest saving).

Source: Portuguese Government.

## TAX INCENTIVES

Investment projects with positive impact on innovation and jobs creation.

**Tangible Fixed Assets:** machine, equipment and buildings;  
**Intangible Fixed Assets:** software, technology transfer.

**Corporate Income Tax Credit** from 10% up to 25% of eligible investment;  
Tax benefits up to a 10-year period after the conclusion of the investment.  
Exemption from Municipal Property Tax, Municipal Tax and Stamp Tax Transactions.



BETTER SUPPORT • 28/37

BETTER SUPPORT

# INCENTIVES & GRANTS

+ R&D investment.

	<u>FINANCIAL INCENTIVES</u>	<u>TAX INCENTIVES</u>
SCOPE	Investment in R&D activities to develop new products/services or new production methods or processes.	
ELIGIBLE EXPENSES	Costs with technical staff dedicated to R&D activities; Acquisition of services from third parties, including technical and scientific assistance and consulting; Purchase of scientific and technical instruments and equipment; Costs associated with patents registration and acquisition.	
NATURE OF SUPPORT	Base Rate: 25% of eligible expenses; Bonuses: up to +60 pp according to project scope and company size; Cash Grant: up to €1,000,000 of incentive; For incentive amount that exceeds €1,000,000, 25% as an interest-free loan and 75% as cash grant.	Corporate Income Tax Credit: Base rate: 32.5%; Incremental Rate: 50% of the increase in expenses incurred during that period compared to the average from the previous two fiscal years, up to €1,500,000.
MAXIMUM SUPPORT	Financial grants combined with tax incentives, applied to the same expenses may not exceed: 80% of Gross Grant Equivalent for Industrial Research Projects; 60% of Gross Grant Equivalent for Experimental Projects.	

Source: Portuguese Government.

BETTER SUPPORT • 29/37

BETTER SUPPORT

# INCENTIVES & GRANTS

Internships (up to 9 months\*).

## TARGET

Unemployed aged between 18 and 30 (inclusive)\*, with a qualification level >1.

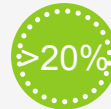
## GRANT TO EMPLOYERS

Monthly support\*:



Primary education (Level 2)	438,16
Secondary education (Level 3)	505,23
Secondary vocational educational (Level 4)	538,77
Post-secondary non-tertiary (Level 5)	572,31
Tertiary education (Levels 6, 7 and 8)	656,15

## EMPLOYERS COST



Monthly  
Salary



Social Security  
Contributions

## ENTITY IN CHARGE

Public Employment Service (IEFP).

\* General rule.

Source: Portuguese Government.

BETTER SUPPORT

# INCENTIVES & GRANTS

Exemption of social contributions.

---

## TARGET

Young people looking for first job, aged under 30 years;  
Long-term unemployed (registered at the employment centre for more than 12 months).

---

## GRANT TO EMPLOYERS

Exemption from payment of Social Security Contributions [23.75%] for a maximum period of 36 months (only applies to permanent contracts).



---

## ENTITY IN CHARGE

Social Security.

BETTER SUPPORT

# INCENTIVES & GRANTS

“Estímulo Empleo” Programme.

---

## TARGET

Unemployed people (registered at the employment center).

---

## GRANT TO EMPLOYERS

Annual support up to:



Permanent contract	5.533,68
Fixed-term contract (general rule)	2.012,26
Fixed-term contract (exceptional circumstances)	2.515,32

---

## ENTITY IN CHARGE

Public Employment Service (IEFP).



BETTER SUPPORT

# INCENTIVES & GRANTS

+ World Class Talent in Portugal (Tax incentives to expats).

---

## TARGET

Qualified Expatriates in (i) high added-value activities, (ii) scientific, artistic or technical activities, and (iii) upper management positions.

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## INCENTIVES FOR EMPLOYEES

Flat rate for Income tax of 20%  
(plus 3.5%) for 10 years.



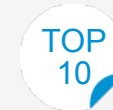
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## ENTITY IN CHARGE

Tax Authority.

# BETTER SUPPORT

**aicep Portugal Global** is your one-stop-shop.  
Close to you, to take you further.



AICEP is one of the Top 10 Investment Promotion Agencies that best responds to requests from investors.

Source: World Bank.

1

## PRE-INVESTMENT

Promoting a direct negotiation with companies, through which a tailored approach to incentives may be applied in order to define a global package that fully satisfies the investor's needs.

2

## INCENTIVES NEGOTIATION

Single point of contact in all phases: pre-investment, incentives negotiation, settling in and after care.

3

## SETTLING IN

Government business entity, flexible, free of charges and streamlined services.

4

## AFTER CARE

Dynamic approach focused on the client or investor.





# OVERSEAS NETWORK & FDI SCOUTS

June 2015

**Disclaimer**

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# INVESTINPORTUGAL

RIGHT CHOICE.  
RIGHT TIME.

[aicep@portugalglobal.pt](mailto:aicep@portugalglobal.pt)  
[investinportugal.pt](http://investinportugal.pt)



aicep Portugal Global

