



The Sociedade por Quotas de Responsabilidade Limitada (Lda) in Portugal

By ATPR Sociedade de Advogados

Establishing a company in a foreign country can be challenging in terms of designing the legal structure and organising a streamlined and efficient incorporation process. Alliuris member firms provide corporate legal services, in particular for the formation of companies in their home country.

This article provides a brief overview of the legal form of a limited company in Portugal.

Choice of headquarters and place of incorporation

In Portugal, the choice of the company's registered office has legal and operational implications. The registered office must be established in Portugal, and the location is stated in the Articles of Association. Although there are no significant regional regulatory variations, companies can benefit from proximity to relevant markets or industries, particularly in Lisbon, Porto or the Algarve, which are prominent economic centres.



Choosing a location involves considerations such as access to skilled labour, infrastructure and municipal incentives. In addition, in some municipalities there may be tax benefits or subsidies to encourage the development of specific industries.

Partners

An Lda can be created by one or more partners, who can be natural or legal persons. For sole proprietorships, the entity is known as a Sociedade Unipessoal por Quotas. The partners can be Portuguese or foreign.

Foreign partners must obtain a Portuguese tax identification number (Número de Identificação Fiscal - NIF) and, unless they are citizens or residents of a European Union country, they must appoint a tax representative in Portugal. The representative deals with tax matters and official communications on behalf of the partner. If the partner is a legal person, additional documentation must be submitted, such as commercial registration certificates and shareholders' resolutions.

Management

The management and representation of an Lda is assigned to one or more managers, who may or may not be partners. At least one manager must be appointed during the company's incorporation process and their details must be specified in the Articles of Association. The manager must have a Portuguese tax identification number and may be resident or non-resident in Portugal.

Non-resident managers who are not citizens or residents of a European Union country must obtain a Portuguese tax number and are obliged to appoint a Portuguese tax representative to ensure compliance with local regulations. The manager is responsible for the day-to-day running of the company, representing it before public and private organisations.

The General Assembly of members is the supreme decision-making body. It is convened annually or whenever important decisions need to be taken, such as changes to the statutes, transfer of quotas or dissolution.

Constitution

Setting up an Lda in Portugal usually takes 5 to 15 working days, depending on the complexity of the company structure and the availability of the necessary documentation. The main steps include:

1. **Name reservation:** The company name/firm must be unique and can be reserved through the National Registry of Legal Persons (RNPC). A certificate of admissibility of the name or denomination is issued, confirming its exclusivity for setting up the company.
2. **Articles of Association:** The Articles of Association describe the main details, including the company name, registered office, corporate purpose, share capital and the responsibilities of the partners and managers. They must be written in Portuguese.
3. **Deposit of share capital:** Shareholders must deposit the share capital in a designated bank account. Although the minimum share capital required is nominal (usually 1 euro per share), a more substantial amount is often recommended to ensure the smooth running of the company.

4. Commercial registration: The company must be registered with the Commercial Registry Office. Registration gives the company legal personality and is necessary for it to start its activities.
5. Tax and Social Security Registration: The company is assigned a tax identification number (NIF) and is registered with the Social Security Institute for the purposes of employee and management contributions.
6. Publication: The constitution of the company is published in the Diário da República.

Share Capital

Portugal does not impose a minimum share capital for an Lda, beyond the nominal requirement of 1 euro per share. Partners can decide the amount of capital that suits their business objectives. Capital contributions can be made in cash or in kind, with non-cash contributions requiring evaluation and documentation.

Partners are only liable for the company's obligations up to the amount of their respective contributions, which guarantees limited liability. However, in the event of fraud or serious negligence, the courts can lift the social veil, exposing the partners to personal liability, particularly with regard to tax and social security debts.

Registration with local authorities and other authorities

In addition to the Commercial Register, an Lda must obtain the necessary authorisations and licences based on its business activities. For example:

- Retail businesses may need municipal licences.
- Catering and drinking establishments must comply with health and safety regulations.
- Some industries, such as finance or pharmaceuticals, require sector-specific authorisations.

Tax registration

Lda is subject to Corporate Income Tax (IRC) and Value Added Tax (VAT). After incorporation, the company is registered for corporate income tax, VAT and employee withholding tax with the Tax and Customs Authority.

Non-resident partners must also register with the Tax Authority, ensuring that they fulfil their obligations in Portugal.

Measures against money laundering

Portugal has strict anti-money laundering (AML) regulations, in line with European Union directives. Banks, notaries and lawyers are obliged to verify the identity of partners, managers and ultimate beneficial owners (UBO). Final beneficiaries must be declared to the Central Registry of Beneficial Owners.

Control of foreign investment

Portugal is generally open to foreign investment, treating foreign investors on an equal footing with nationals. However, certain strategic sectors, such as defence, telecommunications and public services, are subject to additional control. Investments from third countries may require pre-approval under the foreign direct investment (FDI) screening mechanism.

Customs (Export/Import)

Companies involved in import/export activities must register with the Portuguese customs authorities. A Portuguese Economic Operator Registration and Identification (EORI) number is required for transactions within the European Union and with third countries.

Bank account

An Lda must open a corporate bank account to deposit its share capital and carry out commercial transactions. Portuguese banks may require documentation, including proof of incorporation, articles of association and details of the company's beneficial owners.

Accounting

All companies in Portugal are obliged to keep strict accounting records in accordance with the Accounting Standardisation System (SNC). Annual financial statements must be prepared and submitted to the Commercial Registry and the tax authority.

While smaller companies are exempt from statutory audit, those that exceed the thresholds for turnover, total assets or number of employees are subject to statutory audit.

Corporate income tax

The standard rate of corporate income tax (IRC) in Portugal is 20%. Small businesses (SMEs) benefit from a reduced rate of just 16% on the first 50,000.00 euros of taxable

income. Companies may also be subject to a municipal surcharge of up to 1.5 per cent and an additional state surcharge applicable to profits exceeding certain thresholds:

- 3% on profits between 1.5 million euros and 7.5 million euros.
- 5% on profits between 7.5 million euros and 35 million euros.
- 9 per cent on profits of more than 35 million euros.

Trade and turnover tax

The standard rate of VAT in Portugal is 23%, with reduced rates of 13% and 6% for specific goods and services. VAT registration is compulsory for companies carrying out taxable activities.

Incorporation costs

The costs of setting up an Lda vary depending on the complexity of the business structure and the involvement of legal and tax advisors. Typical expenses include:

- -Notary and registration fees: 200 to 500 euros.
- -Lawyers' fees: 1,000 to 3,000 euros, depending on the scope of services.
- -Other administrative expenses: 100 to 300 euros.

Staff

Portugal has a skilled and multilingual labour force, which makes it an attractive destination for international companies. Employers must register workers with the Social Security Institute and comply with labour legislation, including minimum wage requirements, working time regulations and employee benefits.

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