

## Editorial

The present edition introduces to all our customers our new corporate image, which will assume from now on the trademark NEW MADEIRA. With such an update we would like to reflect our sober and professional spirit, yet an increasingly dynamic and modern attitude. The NEW MADEIRA team, with the know-how, professionalism and dedication laid up in the rendering of its services, will continue to work side by side with its clients in order to ensure that they benefit to the highest degree from the advantages offered by Madeira. New Madeira. We Know-How.

### Means of payment

Under the terms of E.U. law it is now possible to make income-tax or VAT payment by means of banking transfer or cheque payable in a bank located in the remaining European Economic space.

### Transferral of losses

The Law establishes that tax losses computed in a certain fiscal year are deductible from profits of one or more of the six subsequent fiscal years.

Such possibility stops being applicable whenever it is verified, on the date of the end of the taxation period in which the deduction is made, that, in relation to the one the losses refer to, the concerning company has changed its business/object clause or altered, on a substantial way, the nature of the activity formerly undertaken or even if a change of ownership of, at least, 50% of the share capital or the majority of the voting rights has been effected.



In special cases of recognised economic interest, the above referred changes may be authorised by means of prior authorisation of the Finance Minister.

### Bank accounts

According to new instructions from the Central Bank of Portugal, the general conditions for opening bank deposit accounts have been altered. In this respect, we highlight the obligation for the bank to take notice, on a permanent basis, of the identity of the individuals that are the ultimate beneficial owners of the companies.

In this regard we also stress that, as from October 19 2005, Portuguese banks are obliged to request and file copy of documents supporting transactions higher than € 12,500.

### Minimum wage

The values of the minimum wage that are in force in Madeira for the year 2006 have been updated and set at € 393,62. We recall that the updating of the minimum wage is of relevance, as its value remains as a reference criterion at several levels, namely in respect of the minimum contributions for the social security system of managers and directors. Considering the social security rate of 31.25% (21.25% paid by the company + 10% paid by the director), the minimum monthly contribution for social security is of € 123,01.

### Double tax treaties

The Proposal of Resolution approving the double tax treaty with Chile that followed, in general terms, the OECD pattern has now been approved in the Counsel of Ministers.

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# newmadeira update

## VAT reimbursement regime

The revision of the procedures relating to the request and control of the reimbursements under VAT normal regime has now been enacted. It simplifies the fulfilment of the obligations imposed to taxpayers, exempting them from the delivery of documents with information already existing in the tax administration, which is the case of copies of periodical declarations. It also provides for using the potentialities of new technologies, allowing the remittance of reports via Internet and, simultaneously, exercising a better control through the introduction of mechanisms of automatic checking.

In fact, all VAT reimbursement requests now start being automatically submitted to a system of risk indicators, according to which priorities will be defined, as well as the level of intervention of the inspection services and the reimbursement requests to be inspected will be selected.

## Delivery of income-tax returns via internet

As it was already the case for the VAT declarations, as from January 1 2006, companies are compelled to send all annual income-tax returns via Internet.

## Non deductible charges

Losses or negative asset variations relating to parts of capital or other equity components, namely supplementary contributions, become now deductible for only half their value.

Charges with entities whose ceasing of activity has been officiously declared are no longer deductible either.

## Thin capitalisation rules

Thin capitalisation rules have been altered so that the regime applicable to entities resident in Portugal may comprehend entities resident in the European Union.

As such, interests debited by entities resident in the European Union to companies located in Portugal will always be deductible, as long as market prices are practiced.

## Special payment on account (PEC)

As from 2006, all companies operating within the ambit of Madeira's International Business Centre are subject to the payment of € 1,125 regarding special payment on account (PEC), which must be made during the month of March or, in two instalments, during the months of March and October or, in case of companies having adopted a taxation period non-coinciding with the civil year, in the 3rd month and in the 10th month of the respective taxation period.

## Accountant's liability

As from 2006, Chartered Accountants are jointly liable for fiscal debts as long as it is proved the violation of duties of assumption of liability for the technical regularisation in the accounting and tax areas or of signature of income-tax returns, financial statements and respective appendices.

In the past, such liability was only applicable on cases of fraudulent violation of the above referred duties.

We witness, thus, a clear increase in accountants' liability, insofar as it is now foreseen, though tacitly, the cases in which the violation occurs by negligence, accountants being, therefore, jointly liable for the debts of their clients in all situations and not only in fraud cases.

Directors and Chartered Accountants are furthermore jointly liable, and severally amongst themselves, for penalties due to the lack or delay of any such declarations that must be presented within the period of exercising of their duties, whenever, up to 30 days after the deadline of the declaration's delivery, they do not communicate to the fiscal authorities the reasons that impeded the fulfilment on time of the obligation and that the delay or the lack of delivery is not attributable to them.