Spanish and Portuguese Tax Environment for High Net Worth Individuals

URÍA MENÉNDEZ

STEP
ADVISING FAMILIES ACROSS GENERATIONS

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Spain and Portugal as top destination choices

Why Spain and Portugal?

- Excellent quality of life
- Part of the European Union, Euro Zone and Schengen area and close links with the rest of the world
- One of the best climates in Europe
- Low cost of living
- Safety
- Good transports network: international airports, high-speed train, highways network and relevant ports

Spain and Portugal as top destination choices

Why Spain and Portugal from a tax perspective?

- Tax on inheritance and gifts and wealth tax
- Large network of double tax treaties
- Special programs to attract HNWIs:
  - Golden Visa (Spain and Portugal)
  - Special tax regime for employees moved to Spain (Beckham regime)
  - Non-habitual tax residents regime in Portugal
- Exit tax
- Tax reporting obligations on the assets held

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Spanish holding companies

A tax efficient structure for American investments

Requirements		Main Consequences	
Of the Spanish holding company (or ETVE)	✓ Registered shares (*ad hoc* analysis). ✓ Corporate purpose: must include the management and administration of equity securities of entities. ✓ Sufficient material and human resources for the management of the company. ✓ Need to opt for the special tax regime by means of a communication to the Spanish Tax Authorities. ✓ Financial Statements: certain information must be included.	For the Spanish holding company (ETVE)	✓ Exemption from Corporate Income Tax (CIT) for: • Dividends distributed by the non-resident subsidiaries companies to the ETVE. • Gains derived from the transfer of the foreign subsidiaries' shares. ✓ **Eligible for the Spanish tax consolidation regime.**
Of the ETVE's subsidiaries (domestic participation exemption regime on dividends and capital gains under CIT)	✓ Minimum participation treshold: direct or indirect stake of the ETVE: ≥ 5%, or above EUR 20 million ✓ Minimum holding period: ≥ 1 year. ✓ Minimum lever of taxation at the level of the subsidiary: 10% under a foreign corporate tax system identical or analogous to the Spanish CIT. It is a condition sufficient that there is a convention for the avoidance of double taxation with that country. ✓ Limitations may apply if the subsidiary derives substantial passive income.	For the foreign investors	✓ Non Spanish resident investors (resident in a jurisdiction other than a tax haven) are not subject to taxes in Spain regarding: • Dividends distributed by the ETVE (derived from exempt income). • Capital gains from the transfer of the ETVE shares (derived from exempt income). ✓ European Union (EU) resident investors may also benefit from the EU participation exemption regime (provided that its stake in the ETVE **is ≥ 5% for ≥ 1 year**): not taxed on dividends and capital gains from the transfer of the ETVE shares.

Spanish holding companies

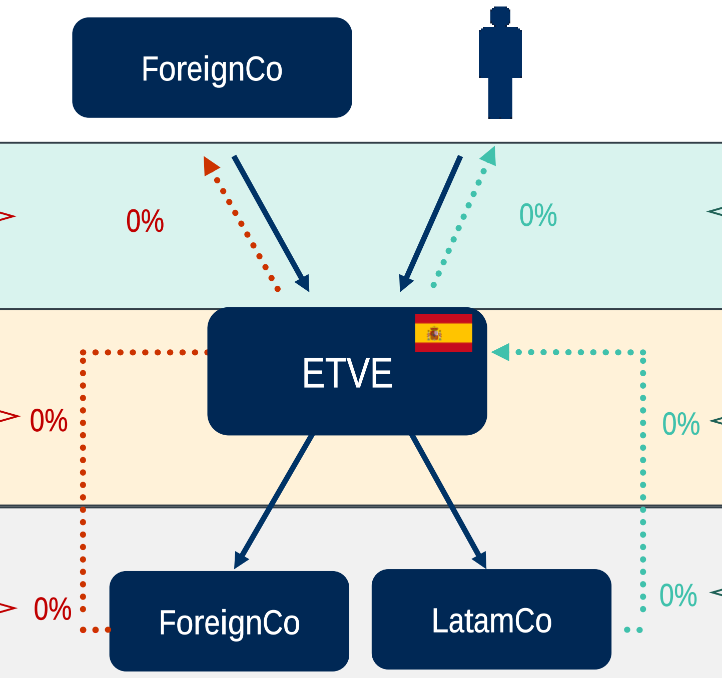
Tax regime of the Spanish holding companies

GAINS

Gains triggered by non-resident shareholders of the ETVE are not taxable in Spain.

Gains derived from qualifying foreign subsidiaries are exempt at the ETVE level under the Spanish domestic participation exemption regime.

Gains from foreign subsidiaries may be exempt in the country of source under the relevant tax treaty (e.g. Netherlands, Luxembourg, Colombia, or Venezuela).



DIVIDENDS

Dividends received by the non-resident shareholders of the ETVE are not taxable in Spain.

Dividends from qualifying foreign subsidiaries are exempt at the ETVE level under the Spanish participation exemption regime.

0% or reduced withholding rates in the country of source on dividends distributed by subsidiaries under the relevant tax treaty / EU participation exemption regime.

Spanish holding companies

Spanish Tax Treaty network with American countries

Tax Treaties currently in force

- ✓ Argentina *
- ✓ Barbados
- ✓ Bolivia
- ✓ Brazil
- ✓ Canada
- ✓ Chile *
- ✓ Colombia *
- ✓ Costa Rica *
- ✓ Cuba *
- ✓ Dominican Republic *
- ✓ Ecuador *
- ✓ El Salvador *
- ✓ Jamaica *
- ✓ Mexico *
- ✓ Panama *
- ✓ Trinidad and Tobago *
- ✓ Uruguay *
- ✓ USA
- ✓ Venezuela *

Tax Treaties under negotiation

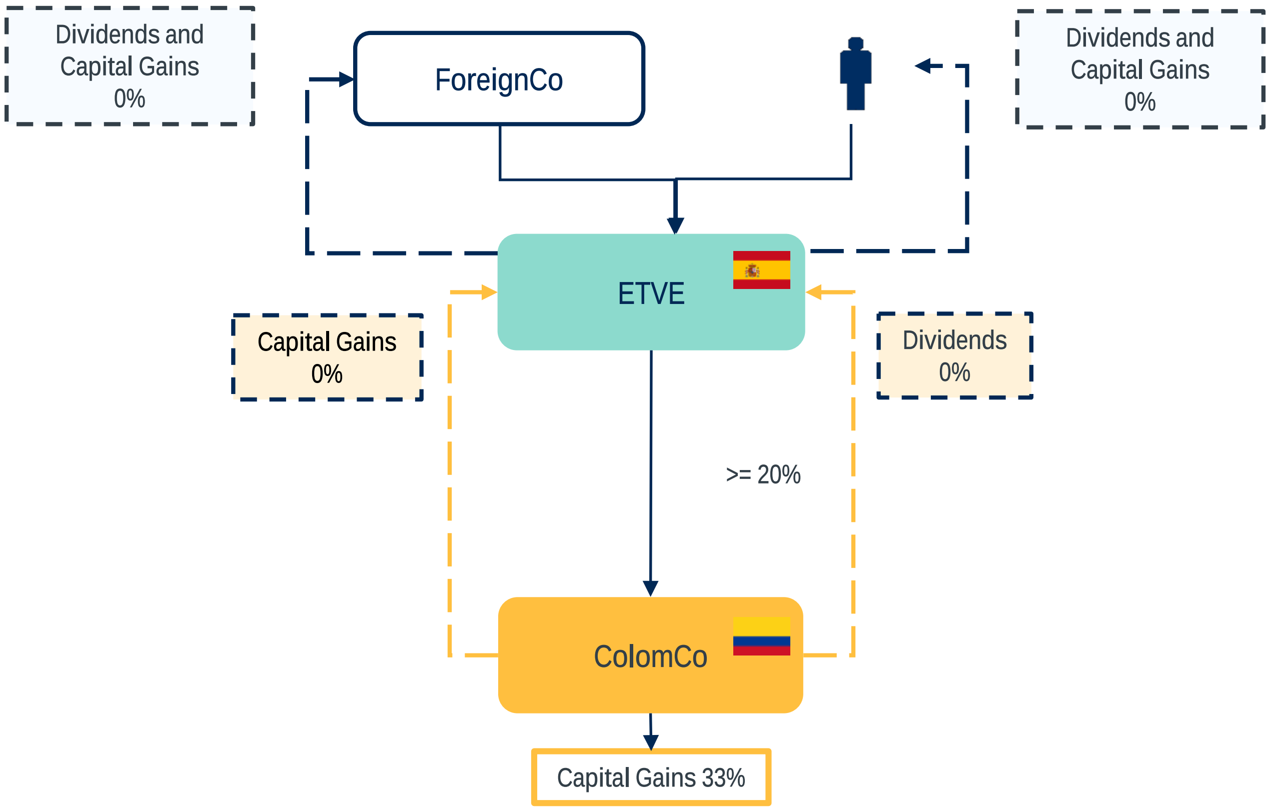
- ✓ Peru (signed) *
- ✓ Paraguay *
- ✓ Guatemala *
- ✓ Honduras *

*Countries that signed a Bilateral Investment Treaty on investments protection ("BIT") with Spain

Spanish holding companies

Examples of structures with Latin America countries

Colombia



- Dividends distributed to ETVE shareholders and capital gains upon ETVE transfer are not taxed in Spain.

- Dividend income and capital gains derived from these subsidiaries are exempt at the level of the ETVE.

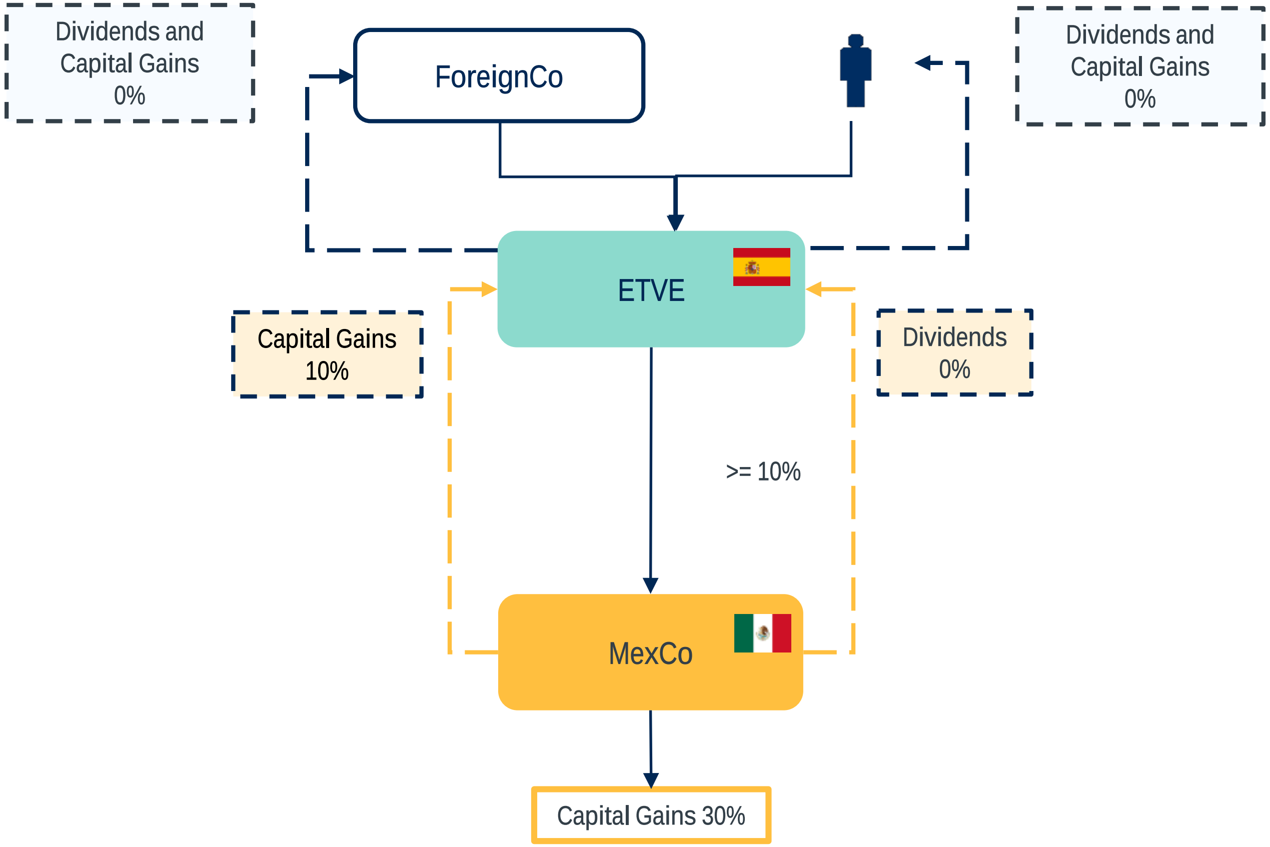
- Based on the tax treaty that Spain has entered into with Colombia, dividend income is not taxed in the State source when the investor owns at least 20% of the capital.
- In other case, dividend income can be taxed at 5%.
- Capital gains are not taxed in Colombia except for real estate companies.
- All of them enjoy BIT protection.

- Capital gains derived by tax-resident companies are taxed at the regular CIT rate.

Spanish holding companies

Examples of structures with Latin America countries

Mexico



- Dividends distributed to ETVE shareholders and capital gains upon ETVE transfer are not taxed in Spain.

- Dividend income and capital gains derived from these subsidiaries are exempt at the level of the ETVE.

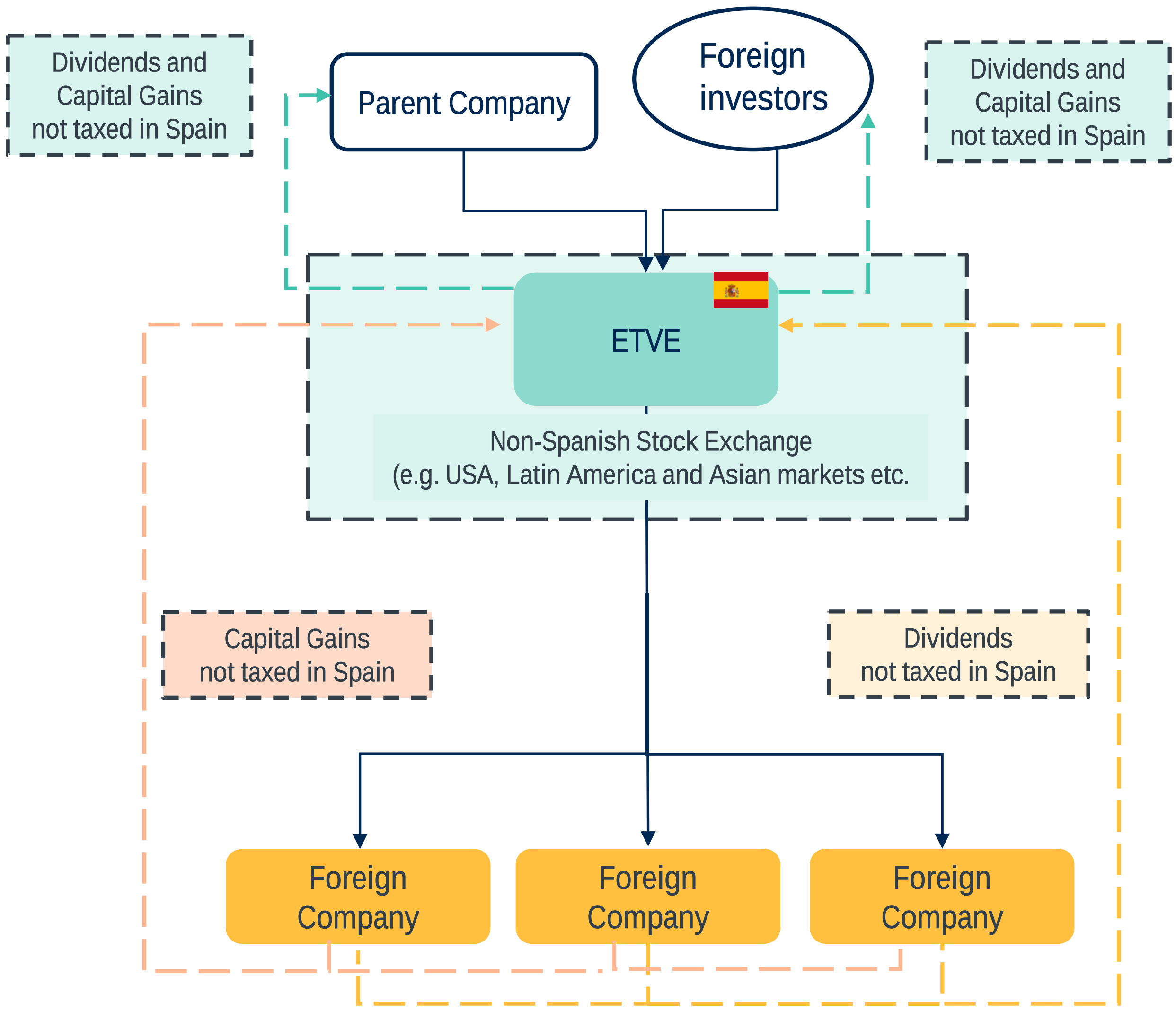
- Based on the tax treaty that Spain has entered into with Mexico, dividend income is not taxed in the State source when the investor has its capital totally or partially divided in shares and it owns at least 10% of the capital of the subsidiary.
- In other case, dividend income can be taxed at 10%.
- Capital gains can be taxed in Mexico at 10% and in some special cases they are not taxed in the source[1].
- All of them enjoy BIT protection.

- Capital gains derived by tax-resident companies are taxed at the regular CIT rate.

1 This happens when the seller is a financial institution, an insurance Company, a pension fund or when the sold shares are listed.

Spanish holding companies

Listing on a stock exchange and issuance of debt instruments



Spanish holding companies

An alternative to obtain investment protection

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1. In 2018 Brazil, Colombia and Mexico have elected new presidents:
   - Colombia: Iván Duque elected on 27 May;
   - Mexico: Andrés Manuel López Obrador elected on 1 July;
   - Brazil: Jair Bolsonaro elected on 28 October.

2. Political Risks:
   - Radicalization of governmental policies - renewed rise in populism: impact on access to financing markets.
   - Increasing anti-establishment sentiment: risk of expropriation; risk of radical regulatory change.

3. Alternatives to mitigate risks:
   - Full corporate reorganization: Spanish holding companies (ETVEs)
   - Restructure to obtain investment protection now or set up a mechanism that can be triggered upon:
     - increased risk of expropriation;
     - interference with investments; or
     - downturn in financial and economic conditions in the country of origin

Spanish holding companies

Spanish Bilateral Treaty network with American countries

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Investment Treaties currently in force

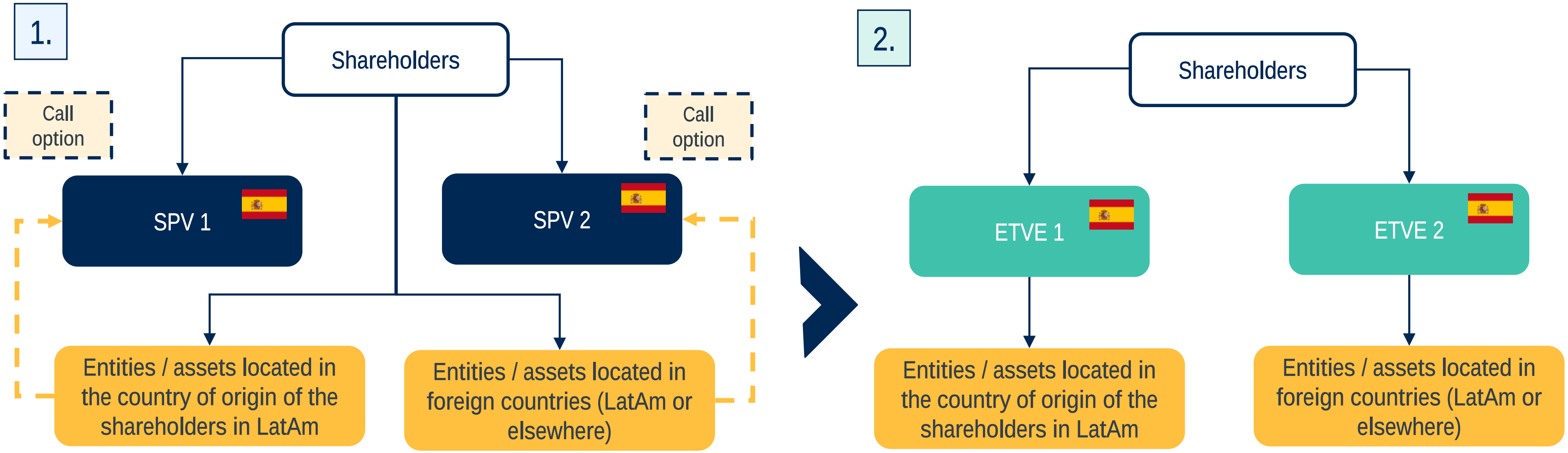
- ✓ Argentina
- ✓ Chile
- ✓ Colombia
- ✓ Costa Rica
- ✓ Cuba
- ✓ Dominican Republic
- ✓ Ecuador
- ✓ El Salvador
- ✓ Guatemala
- ✓ Honduras
- ✓ Jamaica
- ✓ Mexico
- ✓ Nicaragua
- ✓ Panama
- ✓ Paraguay
- ✓ Peru
- ✓ Trinidad and Tobago
- ✓ Uruguay
- ✓ Venezuela

Investment Treaties under negotiation

- ✓ Bolivia (the Treaty has been denounced by the Bolivian Republic and will remain in force until 9 July 2022).
- ✓ Haiti (signed)

Spanish holding companies

Investment protection mechanisms



Triggering of investment protection mechanics considerably reduces risk of expropriation / interference with control over foreign entities / assets located in country of origin:

a) Unlikely that country of origin will be able to expropriate assets located in foreign jurisdictions

b) Regarding assets located in country of origin (not for foreign subsidiaries) need to claim investment protection under BITs

c) Potential dispute will likely be solved in the context of arbitration

- If properly structured, the execution of the call option agreements should be neutral for both Spanish accounting and tax purposes. The exercise of the call options should not trigger Spanish taxable implications
- The ownership structure in the Spanish SPV can be efficiently structured to optimize wealth succession
- ETVEs minimize tax leakage and are suitable entities to invest in Latam countries

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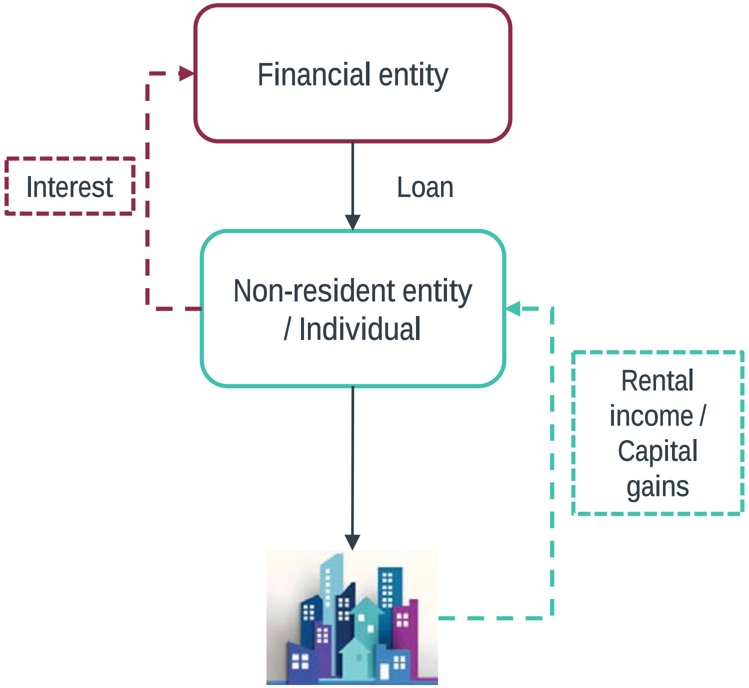
Investing in properties in Spain from America

Direct investments



(1) Acting through a Permanent Establishment ("PE"):

- Real estate alone does not qualify as a PE in Spain: it is necessary to have office space and an employee to manage the real estate in Spain
- Non-Resident Income Tax : 25% of the positive net income (operating income and capital gains less deductible expenses)
- Branch Tax: except EU/Tax Treaty
- Limitations on the deductibility of financial expenses

(2) Acting without a PE:

- 24% of gross rental income and 19% of interest, dividends and capital gains
- U residents pay 19% on rental income less deductible expenses
- Non deductibility in Spain of financial expenses

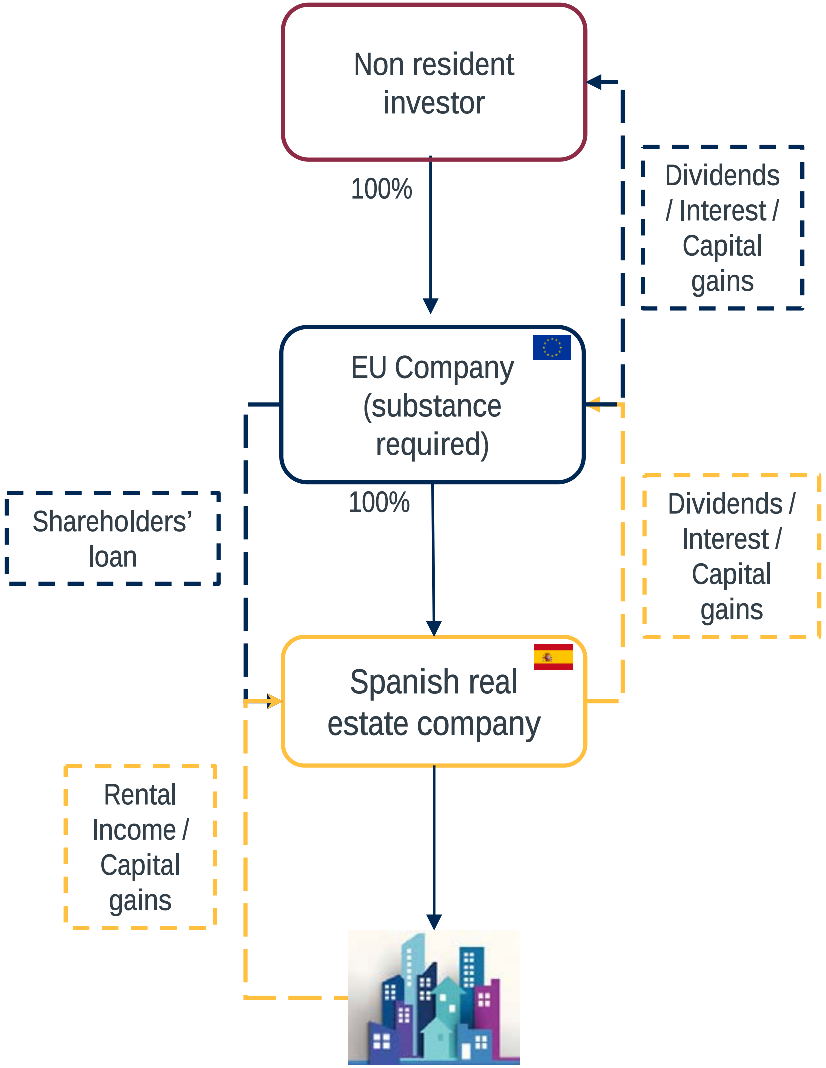
Some common disadvantages of investing in properties through a non-resident vehicle:

- The tax authorities could consider that the structure operates in Spain through a PE and claim the tax due plus default interest and penalties
- Non-resident companies cannot deduct the expenses that are directly related to their business activity unless they are EU residents and follow a burdensome refund procedure at the end of each tax year (1)
- Non-resident vehicles must follow a more burdensome Value Added Tax ("VAT") refund procedure.
- Non-resident companies may not benefit from the participation exemption regime on dividends and capital gains.

(1) In Spain, the procedure is conducted entirely on-line with the non-established company sending an electronic refund application to Spain and to its EU country of establishment. The refund application should refer to a period (i) of not less than three consecutive calendar months in one calendar year and (ii) not more than one calendar year, unless the period represents the remaining period of a calendar year (e.g. from 1 November to 31 December of the following year)

Investing in properties in Spain from America

Investing through a EU holding entity



(1) Taxation in Spain of the EU company

- Dividends: exempt under Parent Subsidiary Directive (subject to anti-abuse test: business purpose and substance requirements)
- Interest: exempt under domestic law if it is the beneficial owner of interest under the loan
- Capital gains: as per the applicable Double Tax Treaty ("DTT")

TOTAL TAXATION IN SPAIN	Max. 19% (generally, 0%)

(2) Taxation in Spain of the Spanish company

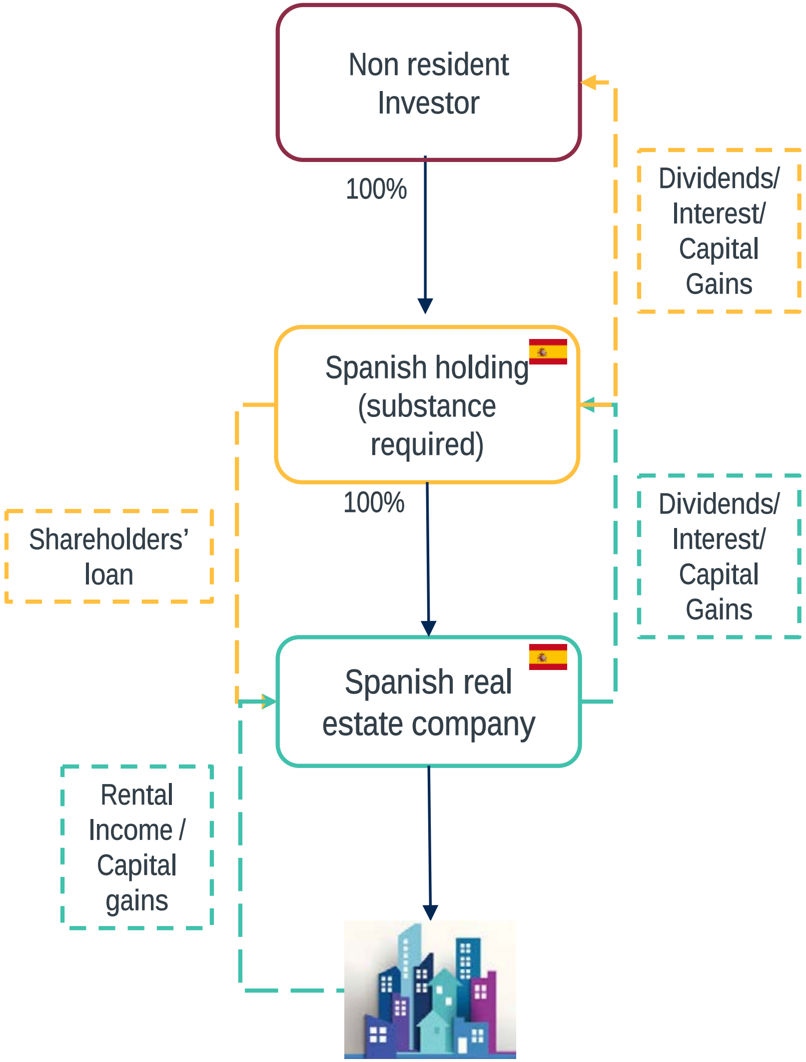
- Taxation at the general Corporate Income Tax ("CIT") rate: 25%
- Limitations on the deductibility of financial expenses by the Spanish entity (30% of the EBITDA with a EUR 1 million threshold)
- Tax losses may be carried forward without time limitation up to 70% of the positive CIT base, with a minimum of EUR 1 million, which may be carried forward in any case (1)

TOTAL TAXATION IN SPAIN	25%

(1) Tax losses may be carried forward without time limitation for the following percentages of the positive annual taxable base: 25% for companies with a net turnover above EUR 60 million; 50% for companies with a turnover of between EUR 20 million and EUR 60 million; or 70% for companies with turnover below EUR 20 million.

Investing in properties in Spain from America

Investment structures through Spanish companies



(1) Taxation in Spain of the non resident investor (legal or natural person):

- Dividends: taxed at a 19% under domestic law or at a lower rate as per the applicable DTT.
- Capital gains on the transfer of the shares of the Spanish holding: as per the applicable DTT [(1)].

TOTAL TAXATION IN SPAIN	Max. 19%

(2) Taxation in Spain of the Spanish holding:

- Dividends/capital gains should be exempt under the participation exemption, if statutory requirements are complied with and the business purpose test is met

TOTAL TAXATION IN SPAIN	0%

(3) Taxation of the Spanish real estate company:

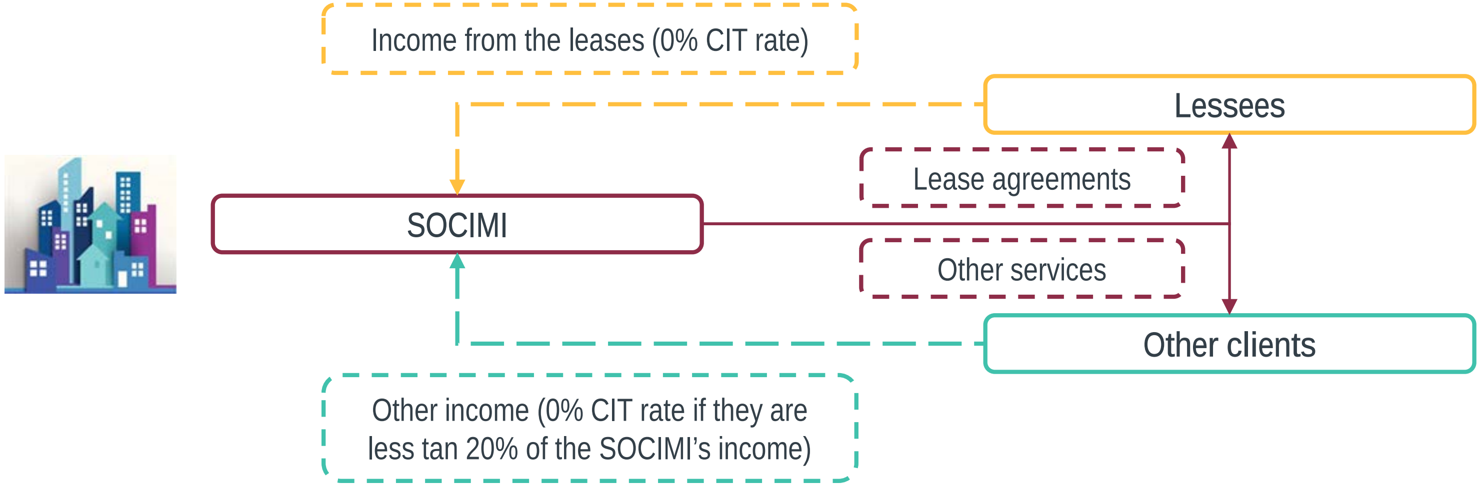
- Taxation at the general CIT rate (25%)

TOTAL TAXATION IN SPAIN	25%

(1) Investors from certain jurisdictions (i.e. Cuba, Brazil, Ecuador or Bolivia) could benefit from a 0% on capital gains derived from the sale of Spanish 'real estate rich' companies.

Investing in properties in Spain from America

Investment through Spanish SOCIMIs



Income derived from ordinary lease agreements

Income from operating leases over "qualified assets" should be eligible to be taxed under the SOCIMI rate (0%) if all the requirements of the regime are met.

Capital gains

Capital gains from "qualified assets" should be eligible to be taxed under the SOCIMI rate (0%). Failure to hold the qualifying assets for at least a three-year period would result in the taxation under the general CIT regime (currently, at a rate of 25%) of (i) the capital gains obtained from their sale and all the accrued income and (ii) all the income generated by such properties in all tax periods in which the SOCIMI tax regime was applied

Special tax on dividend distributions

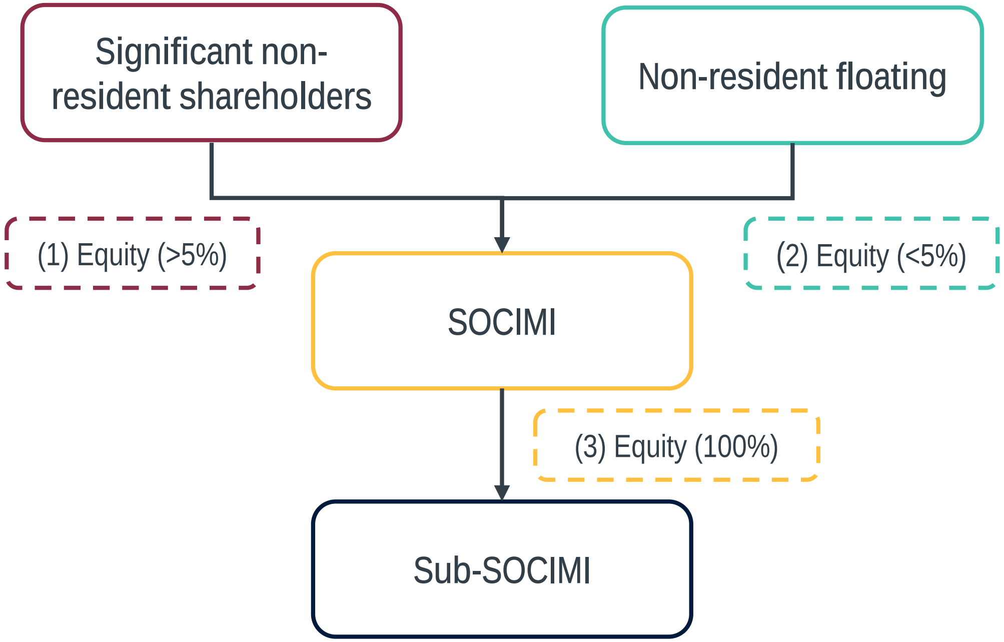
SOCIMIs may be subject to a special 19% tax rate on dividends distributed to significant non-resident shareholders holding at least 5% of the parent company's share capital who cannot provide sufficient evidence that they are subject to taxation (and not exempt) at over 10% in their country of residence. Withholdings paid in Spain would count as 'effective' taxation for this purpose.

Other income

Other ancillary activities should be taxed at 0% if the income they generate represents less than 20% of the SOCIMI's total income.

Investing in properties in Spain from America

Investment through Spanish SOCIMIs



(1) Significant non-resident shareholders[1]

Dividends and gains obtained from the SOCIMI shares by significant non-resident shareholders would be taxed at the general 19% Non-Resident Income Tax rate or at the reduced rate set forth in the applicable DTT or any domestic exemption.

(1) If the shareholders are not taxed at a minimum of 10% in their country of residence (for these purposes, any Spanish withholding should count), dividends may be taxed at the level of the SOCIMI at 19%

(2) Non-resident floating

Dividends and gains obtained from the SOCIMI shares by significant non-resident shareholders would be taxed at the general 19% Non-Resident Income Tax rate or at the reduced rate set forth in the applicable DTT or any domestic exemption. Nevertheless, gains may be exempt if the SOCIMI is listed in the *mercado continuo*

(3) Distributions from the Sub-SOCIMI to the SOCIMI

Dividends and gains obtained from the Sub-SOCIMI should be taxed at 0% rate if the Sub-SOCIMI is deemed a "qualified asset" and the SOCIMI fulfils all the SOCIMI regime requirements.

Investing in properties in Spain from North and Central America

Taxation applicable in each country according to the DTTs entered into with Spain

Country	Shareholding (1)	Dividend withholding	Real Estate Clause on Capital Gains on DTT (2)	Taxation on capital gains through share deal in Spain
Barbados	≥25%	0%	Yes	19%
	<25%	5%		
Canada	≥10%	5%	Yes	19%
	<10%	15%		
Costa Rica	≥20%	5%	Yes	19%
	<20%	12%		
Cuba	≥25%	5%	No	0%
	<25%	15%		
Dominican Republic	≥75%	0%	Yes	19%
	<75%	10%		
El Salvador	≥50%	Exempt	Yes	19%
	<50%	12%		
Jamaica	≥25%	5%	Yes	19%
	<25%	10%		
Mexico	≥10%	Exempt	Yes	19%
	<10%	10%		
Panama	≥40%	5%	Yes	19%
	<40%	10%		
Trinidad and Tobago	≥50%	0%	Yes	19%
	≥25%	5%		
	<25%	10%		
USA	≥25%	10%	Yes	19%
	<25%	15%		

(1) Minimum shareholding required in the corresponding Double Tax Treaty in order to apply reduced withholding rates on dividen distributions.

(2) Most of the Double Tax Treaties entered into by Spain included a Real Estate clause for capital gains by virtue of which the capital gain triggered in the sale of a company the property of which consists, directly or indirectly, mainly of real property situated in Spain, may be taxed in Spain.

Investing in properties in Spain from South America

Taxation applicable in each country according to the DTTs entered into with Spain

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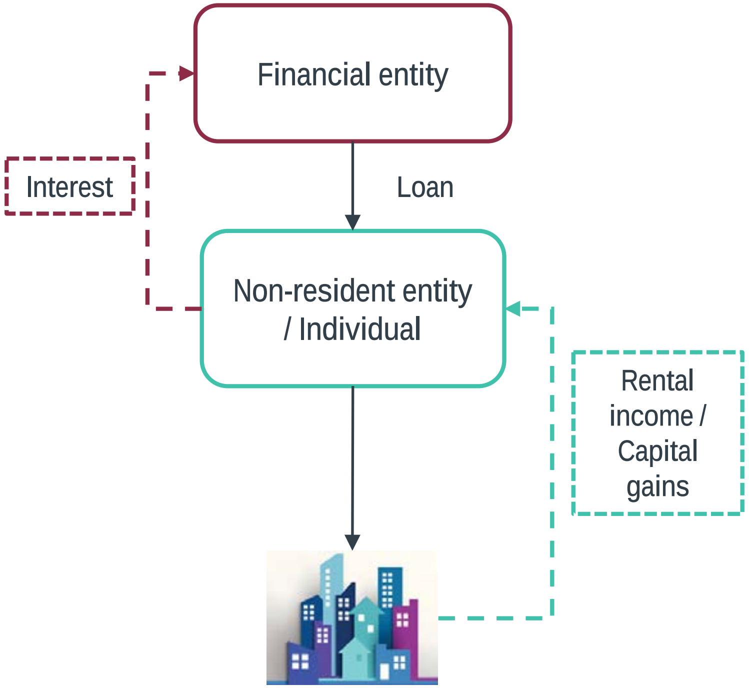
Country	Shareholding (1)	Dividend Withholding	Real Estate Clause on Capital Gains on DTT (2)	Taxation on capital gains through share deal in Spain
Argentina	≥25%	10%	Yes	19%
	<25%	15%		
Bolivia	≥25%	10%	No	0%
	<25%	15%		
Brazil	≥25%	10%	No	0%
	<25%	15%		
Chile	≥20%	5%	Yes	19%
	<20%	10%		
Colombia	≥20%	0%	Yes	19%
	<20%	5%		
Ecuador	-	15%	No	0%
Peru (No DTT)	-	19%	-	19%
Uruguay	≥75%	Exempt	Yes	19%
	<75%	5%		
Venezuela	≥25%	Exempt	Yes	19%
	<25%	10%		

(1) Minimum shareholding required in the corresponding Double Tax Treaty in order to apply reduced withholding rates on dividen distributions.

(2) Most of the Double Tax Treaties entered into by Spain included a Real Estate clause for capital gains by virtue of which the capital gain triggered in the sale of a company the property of which consists, directly or indirectly, mainly of real property situated in Spain, may be taxed in Spain.

Investing in properties in Portugal from America

Direct investments



(1) Acting through a Permanent Establishment ("PE"):

- Real estate alone does not qualify as a PE in Portugal: it is necessary to have a commercial activity being performed through the real estate or for the property to be used itself as a commercial activity in Portugal
- Income Tax: 21% (plus a municipal surcharge of up to 1.5% and a State surcharge of up to 9%) of the positive net income obtained and directly imputed to the PE (operating income and capital gains less deductible expenses)
- Limitations on the deductibility of financial expenses

(2) Acting without a PE:

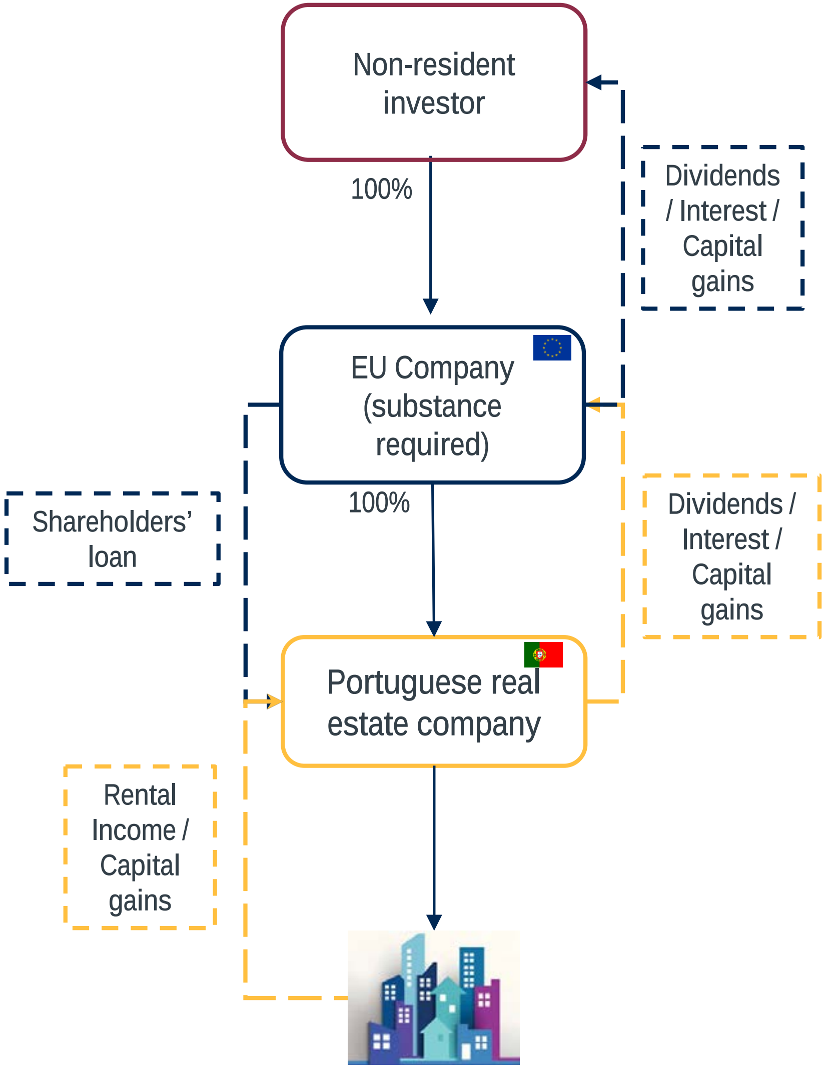
- 25% of rental income and capital gains derived from the sale of the property
- Non deductibility in Portugal of financial expenses

Some common disadvantages of investing in properties through a non-resident vehicle:

- The tax authorities could consider that the structure operates in Portugal through a PE and claim the tax due, plus default interest and penalties
- Non-resident companies (without a PE) cannot deduct the expenses that are directly related to their business activity
- Non-resident vehicles must follow a more burdensome Value Added Tax ("VAT") refund procedure
- Non-resident companies may not benefit from the participation exemption regime on dividends and capital gains

Investing in properties in Portugal from America

Investing through a EU holding entity



(1) Taxation in Portugal of the EU company

- Dividends: exempt under Participation Exemption and Parent Subsidiary Directive (subject to anti-abuse test: business purpose and substance requirements)
- Interest: it may be exempt under Interest and Royalties Directive
- Capital gains: as per the applicable Double Tax Treaty ("DTT") (1)

TOTAL TAXATION IN PORTUGAL	Max. 25% (generally, 0%)

(2) Taxation in Portugal of the Portuguese company

- Taxation at the general Corporate Income Tax ("CIT") rate: 21% (plus a municipal surcharge of up to 1.5% and a State surcharge of up to 9%)
- Limitations on the deductibility of financial expenses by the Portuguese entity (30% of the EBITDA with a EUR 1 million threshold)
- Tax losses may be carried forward within the five (5) tax periods following the one where the loss was verified, up to 70% of the positive CIT base

TOTAL TAXATION IN PORTUGAL	21% + (up to) 1.5% + (up to) 9%

(1) Most of the DTTs allow the source State to tax capital gains derived from shareholdings in real estate companies (whose real estate is located in Portugal). However, certain DDTs (such as the DTT entered into between Portugal and Luxembourg and Netherlands) do not include a real estate clause on capital gains and, therefore, they do not allow the taxation of these capital gains in Portugal (as source State).

Investing in properties in Portugal from America

Investment structures through Portuguese companies

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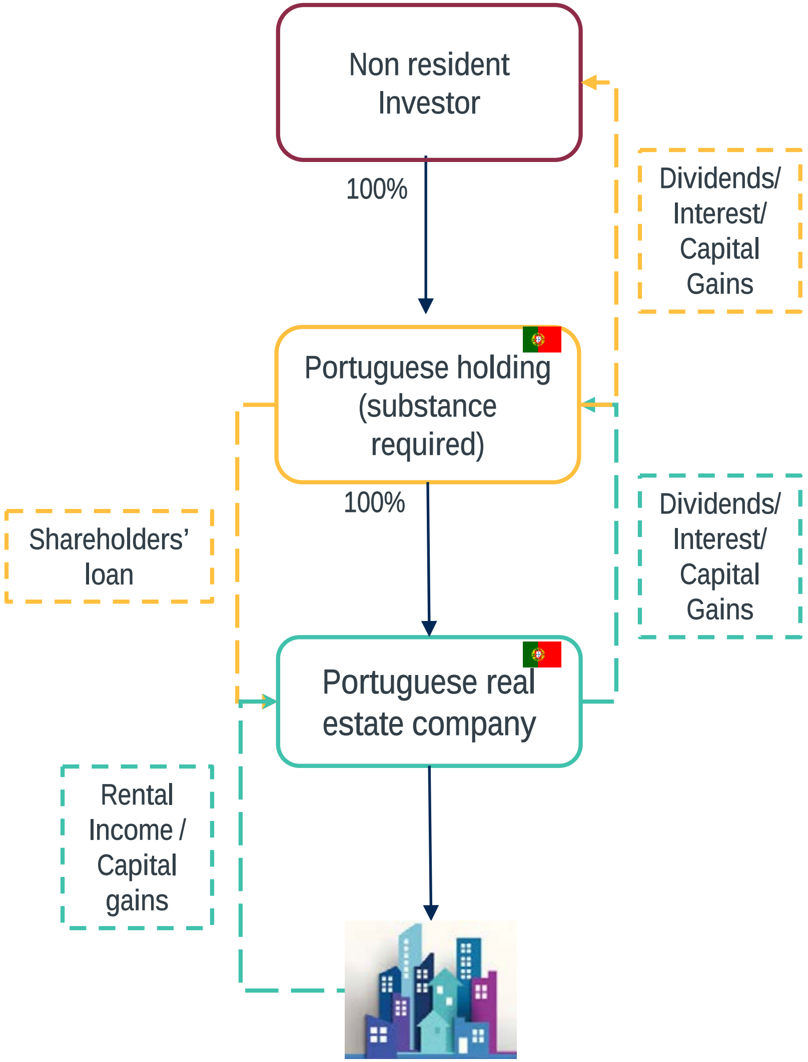

(1) Taxation in Portugal of the non resident investor (legal or natural person):

- Dividends: taxed at a 25% for legal persons and 28% for natural persons under domestic law or at a lower rate as per the applicable DTT (legal persons may be exempt under the participation exemption regime, if the legal conditions are met)
- Capital gains on the transfer of the shares of the Portuguese holding: as per the applicable DTT

TOTAL TAXATION IN PORTUGAL	Max. 25% / 28%

(2) Taxation in Portugal of the Portuguese holding:

- Dividends and capital gains[(1)] should be exempt under the participation exemption, if statutory requirements are complied with.

TOTAL TAXATION IN PORTUGAL	0%

(3) Taxation of the Portuguese real estate company:

- Taxation at the general CIT rate (21%, plus a municipal surcharge of up to 1.5% and a State surcharges of up to 9%)

TOTAL TAXATION IN PORTUGAL	21% + (up to) 1.5% + (up to) 9%

(1) The participation exemption regime cannot apply to capital gains derived from shareholdings in a subsidiary whose assets are composed, directly or indirectly, in more than 50%, of real property located in Portugal, unless these assets are allocated to an industrial, commercial or agricultural activity which does not consist on the purchase and sale of real property .

Investing in properties in Portugal from America

Investment through Portuguese REITs (SIGIs)

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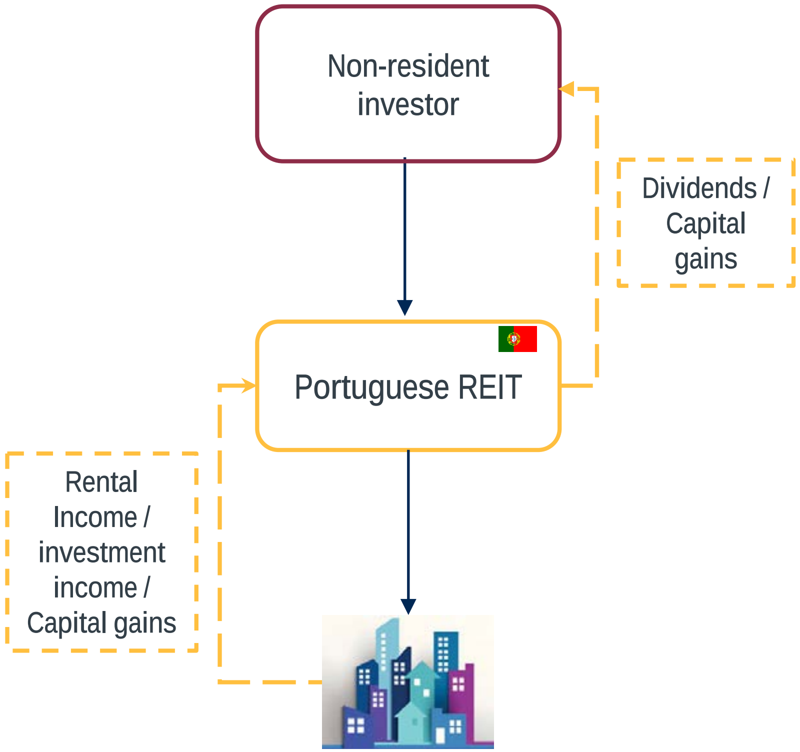

The SIGI benefit from the special tax regime applicable to Real Estate Investment Companies and Funds set up by the Tax Benefits Code:

- Rental income, investment income and capital gains obtained by a SIGI are, as a general rule, exempt from taxation under the terms of the Tax Benefits Code;
- Other income obtained by a SIGI that is not exempt under the terms of the benefit provided by the Tax Benefits Code is subject to CIT in general terms (21%, plus a municipal surcharge of up to 1.5% and a State surcharges of up to 9%);
- Dividends distributed by a SIGI to its non-resident shareholders, as well as capital gains derived from the sale of SIGI' shares by its non-resident shareholders, are, as a general rule, subject to a special 10% tax rate.

Investing in properties in Portugal from North and Central America

Taxation applicable in each country according to the DTTs entered into with Portugal

Country	Shareholding	Dividend withholding	Real Estate Clause on Capital Gains on DTT	Taxation on capital gain through share deal in Portugal
Barbados	> 25 % < 25 %	5 % 15 %	YES	28 %
Canada	> 25 % < 25 %	10 % 15 %	YES	28 %
Costa Rica (no DTT)	-	35 %	-	28 %
Cuba	> 25 % < 25 %	5 % 10 %	NO	0 %
Dominican Republic (no DTT)	-	35 %	-	28 %
El Salvador (no DTT)	-	0 % to 28 %	-	28 %
Jamaica (no DTT)	-	35 %	-	28 %
Mexico	-	10 %	YES	28 %
Panama	> 10 % < 10 %	10 % 15 %	YES	28 %
Trinidad and Tobago (no DTT)	-	35 %	-	28 %
USA	> 25 % < 25 %	5 % 15 %	NO	0 %

(1) Minimum shareholding required in the corresponding Double Tax Treaty in order to apply reduced withholding rates on dividend distributions.

(2) Most of the Double Tax Treaties entered into by Portugal included a Real Estate clause for capital gains by virtue of which the capital gain triggered in the sale of a company the property of which consists, directly or indirectly, mainly of real property situated in Portugal, may be taxed in Portugal.

Investing in properties in Portugal from South America

Taxation applicable in each country according to the DTTs entered into with Portugal

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Country	Shareholding	Dividend withholding	Real Estate Clause on Capital Gains on DTT	Taxation on capital gain through share deal in Portugal
Argentina (no DTT)	-	28 %	-	28 %
Bolivia (no DTT)	-	35 %	-	28 %
Brazil	> 25 % < 25 %	10 % 15 %	NO	0 %
Chile	> 25 % < 25 %	10 % 15 %	YES	28 %
Colombia	-	10%	YES	28 %
Ecuador (no DTT)	-	28 %	-	28 %
Peru	> 10 % < 10 %	10 % 15 %	YES	28 %
Uruguay (no DTT)	-	28 %	-	28 %
Venezuela	-	10%	YES	28 %

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Golden Visa
Main investment activities

Financial investments of €1,000,000 in Spain

Acquisition of Spanish public debt for €2,000,000

Acquisition of real estate in Spain for €500,000

Investment in a Spanish business "common interest"

Golden Visa

Residence permits and citizenship. Minimum staying requirements

Golden Visa – Temporary Residence Permit

- Valid for 2 years
- Subsequently renewable for 5-year periods (no minimum staying requirements)

Permanent Residence Permit

- May be obtained after 5 years.
- Individuals cannot be out of Spain uninterruptedly for more than 6 months (and the sum of the absences should not be more than 10 months in a period within the period of 5 years).

Spanish Citizenship

- May be obtained after 10 years (2 years for certain countries)
- Basic knowledge of Spanish and Spanish general knowledge
- No minimum staying requirements in Spain

Golden Visa

Main investment activities

Transfer of
€1,000,000
of capital into Portugal

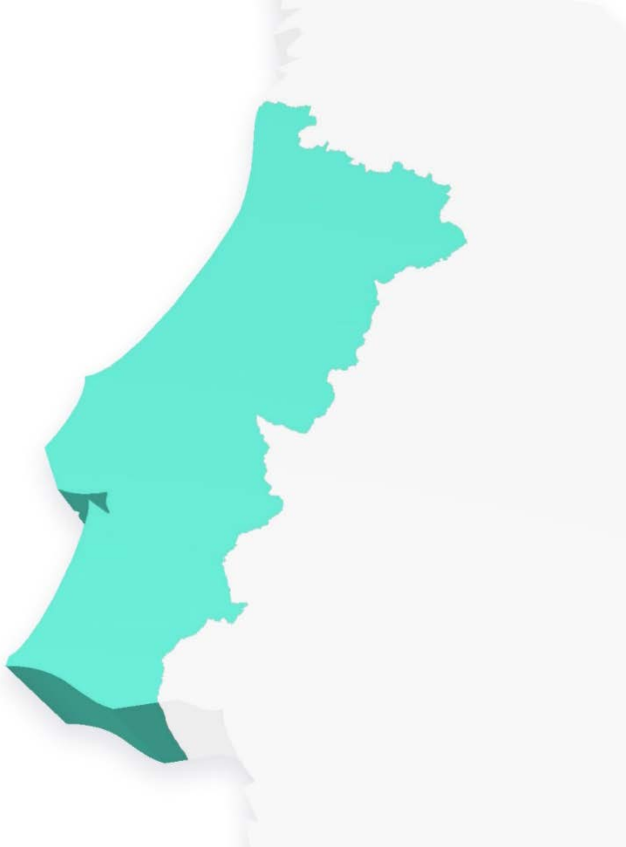
Creation of 10
jobs in Portugal

Acquisition of real estate in Portugal for
€500,000

Acquiring and refurbishing real estate in Portugal for
€350,000

Transfer of
€350,000
to acquire units in funds or venture capital funds to capitalise companies

Transfer of
€250,000
to invest in artistic productions



Golden Visa

Residence permits and citizenship

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Golden Visa – Temporary Residence Permit

- Valid for 1 year
- Subsequently renewable for two-year periods
- Family reunification visa

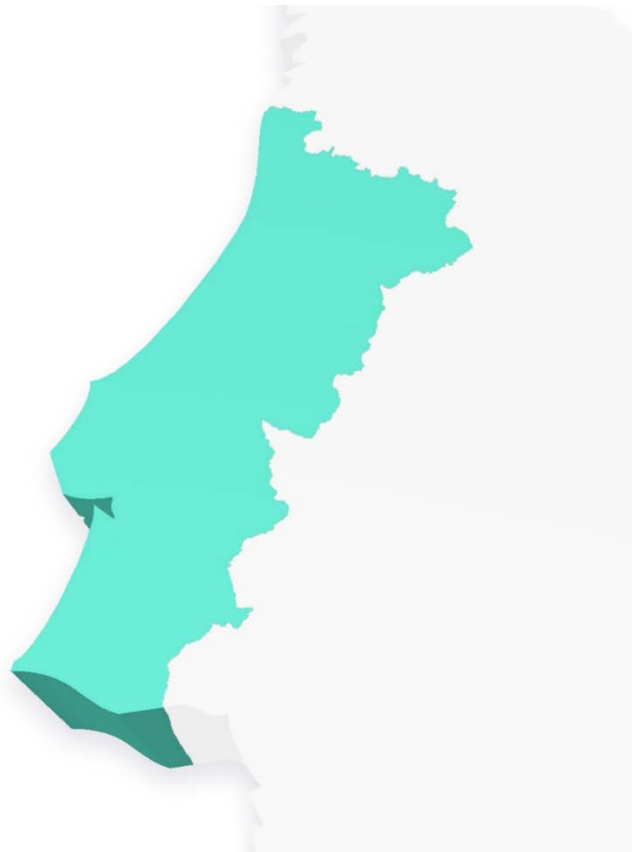
Permanent Residence Permit

- May be obtained after 5 years;
- Individuals cannot be out of Portugal uninterruptedly for more than 24 consecutive months or for more than 30 months in a period of three years

Portuguese Citizenship

- May be obtained after 5 years under Golden Visa
- Knowledge of the Portuguese language
- No minimum staying requirements in Portugal

- Minimum Staying Requirements:
  - First year: At least 7 days
  - Subsequent period of two years: At least 14 days



Beckham regime
Main requirements

- An individual may benefit from the Beckham Regime for a period of five years, whenever:
  - He/she as not resident in Spain during the ten years preceding their relocation to Spain
  - The relocation to Spain is for work reasons and: (i) based on an employment contract or (ii) holding a position as a director or manager in a Spanish entity (as long as the individual does not have a direct or indirect ownership in the company of 25% or more)
  - The income obtained as a result of the employment or managerial position cannot be qualified as income obtained through a permanent establishment located in Spain

Beckham regime

Tax benefits

- Only income from Spanish sources will be taxed, (but all employment income deemed to be obtained in Spain)
- 24% flat rate for income up to €600,000
- 19%-23% for interest, dividends and capital gains of Spanish source

Non-habitual tax residents regime

Main requirements

- An individual may benefit from the non-habitual tax residents Regime for a period of **ten years**, whenever he/she:

1 Was not deemed as a resident in Portugal for Personal Income Tax purposes in the five preceding years;

2 Becomes resident in Portugal for PIT purposes; and

3 Chooses to benefit from this regime and is specifically registered with the Portuguese tax authorities as a non-habitual tax resident.

Non-habitual tax residents regime

Tax benefits

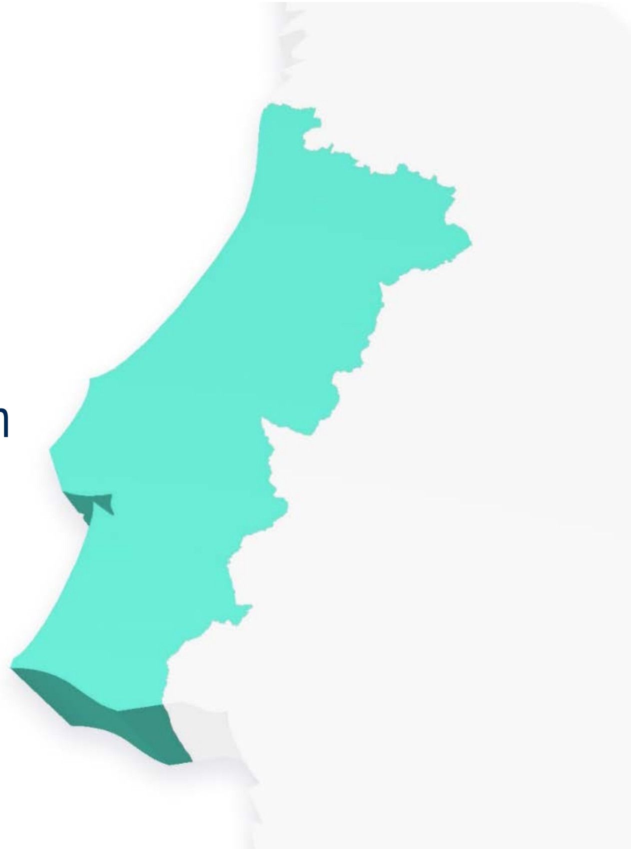
Foreign Income

- **Investment income and capital gains** obtained by non-habitual tax residents are **exempt** from taxation in Portugal if:

Could be taxed in the source State under the applicable DTT (or, where no DTT exists, under the OECD Model Tax Convention, and if the source State is not deemed as a Tax Haven)

If not exempt, the general PIT rates will apply

- **Pension income** obtained by non-habitual tax residents is **exempt** from taxation in Portugal



Non-habitual tax residents regime

Tax benefits

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Foreign Income

Employment Income is exempt if

Is effectively taxed in the source State

Professional Income is exempt if

Could be taxed in the source State under the applicable DTT or according to the OECD Model Tax Convention on the same terms as for investment income

And it derives from high-value-added activities

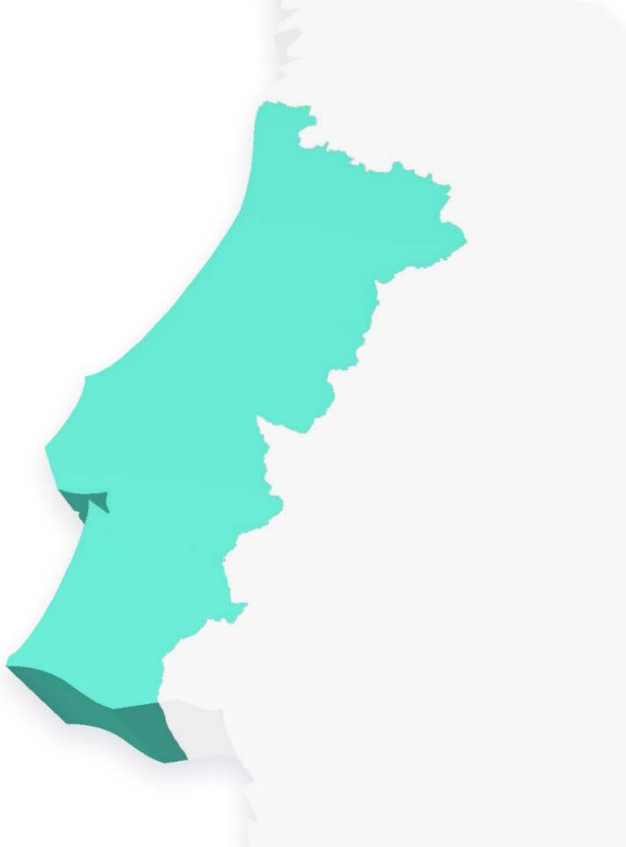
A 20% flat rate to both employment and professional income derived from high-value-added activities applicable to income that does not fulfil the abovementioned requirements for the exemption

Non-habitual tax residents regime

Tax benefits

Portuguese Income

Employment and professional income derived from high-value-added activities	20% flat rate
Other income	general PIT rates



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- Spanish
- English

Luis Suárez de Centi Martínez joined Uría Menéndez in 2007 and he currently heads the tax practice in the New York office of the firm. During 2016 he was seconded to the Sydney office of the Australian law firm Corrs Chambers Westgarth.

Luis focuses his practice on corporate taxation, international tax matters, real estate tax law and advise to family offices and high net worth individuals. He is regularly involved in corporate restructuring transactions (in Spain and Latin America) and frequently advises on tax litigation, including audits carried out by the tax authorities and tax disputes before the courts.

In recent years, he has been heavily involved in several private equity real estate investments, transactions for the acquisition of distressed real estate and mortgage debt assets, and the creation of, and ongoing tax advice to, several Spanish REITs (SOCIMIs).

Relevant experience:

- Spanish tax advice to a private equity firm in the acquisition and financing of a mortgage debt portfolio valued at approximately EUR 3 billion to the Spanish branch of a non-resident bank and advice regarding the subsequent management of the portfolio.
- Tax advice regarding the investment and financing structure for a non-resident entity to purchase 15 hotels in Spain for a price of EUR 520 million and apply the Spanish SOCIMI regime.
- Advising on the tax aspects of the sale of 85% of the share capital of the real estate and debt management platform of a significant Spanish financial entity to an international fund and advice regarding the sale of a portfolio of assets.
- Advice regarding the tax implications of the financing restructuring of a Spanish company and advice in connection with the procedure to opt for the SOCIMI regime and its listing on the Spanish Alternative Market (MAB).
- Advise to Spanish holding companies (ETVE) in their investments and the restructuring of their activities in Latin America.

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