

A SHORT GUIDE TO INVEST IN AGRICULTURE IN PORTUGAL



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INVEST IN AGRICULTURE INVEST IN PORTUGAL

Portugal is well known for its Mediterranean climate, with warm and sunny summers, and a fresh breeze from the Atlantic coast. This, together with the availability of water resources, are possibly the most important factors to explain why Portugal is such an attractive place to invest in the agriculture sector.

Altogether, this is why the exports of many Portuguese agriculture products, including fruits and vegetables, have increased around 10% per year in recent years. And this is also why so many external investors are looking at the agriculture sector in our country.

This guide is a first step for anyone that would like to invest in agriculture in Portugal. It provides information on the agriculture sector, soil and climate conditions, how to set up a company, tax, labour and dispute resolution legislation and public investment support. But in this guide you will only find a summary of the information needed. If you want to invest in Portugal we will be happy to give in-depth information and help you to develop your business in the country.

Portugal is also well known for the quality of its agriculture products. Olive oil, wine, fruits, vegetables and many other products that are valued in international markets, because they taste and smell like if we were back in our grandmothers' time. But they are not produced like in the old days. They are produced by competitive companies, in large producer organizations, and with the highest standards of food safety and quality.

The Alqueva Dam, with a storage capacity of 4.150hm³, provides water to irrigate 170.000ha
Source: EDIA



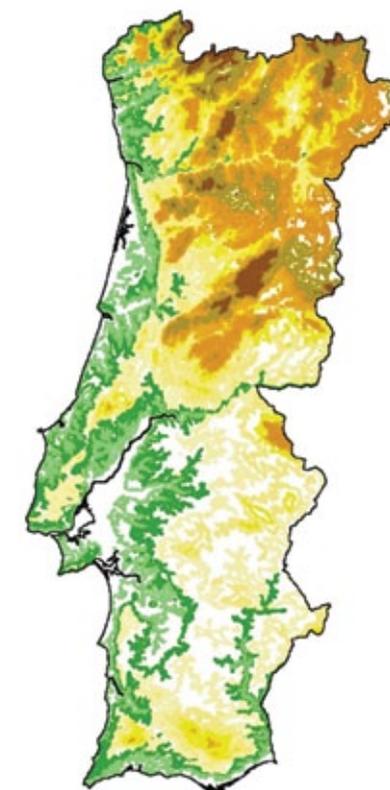
TOPOGRAPHY

Despite the small size of the country, the topographic conditions are significantly different in the North, in the Centre or in the South of Portugal. The figure below shows this very clearly. In the North, the slopes are steep. The landscape is dominated by forest and most of the properties are very small (less than 1 ha!). Despite the overall potential for agriculture being limited, there are some areas with good opportunities for investment, for example in vineyards / wine (e.g. the Douro valley, land of the Port Wine, the first protected designation of origin (PDO) region in the world, classified by UNESCO as a World Heritage site), but also in chestnuts, or cherries, amongst others.

In the Centre and in the South, the slopes are usually slight, but the topography is diverse. In the west (Oeste) region and the Tejo valley (Ribatejo), respectively North and Northeast of Lisbon, there are thousands of hectares of plains with good soils that have been irrigated for many years. These regions, as well as the Southwest coast (Alentejo region), have been used extensively to produce fruits and vegetables, which have increased substantially in area and value (and exports!), in the last decade.

In the Southeast of Portugal, in the Inner Alentejo region, there is another plain vast area. This used to be mostly dry land, dominated by permanent pastures, rainfed cereals in the best soils and large Montado areas (cork trees with extensive pastures underneath). In some areas, there were public irrigation schemes, which

greatly increased the potential for agriculture, but most of it was dryland. In the 90s, the Alqueva dam was finally finished, developing the largest artificial lake in Western Europe and creating a potential to irrigate 170 thousand hectares. In the last decade, this has been the biggest investment opportunity in agriculture in Portugal.



Map of
Portugal.
Topography
Source: Atlas
do Ambiente

Contour Lines
(meters)

| |
|------------|
| < 50 |
| 51 - 100 |
| 101 - 200 |
| 201 - 300 |
| 301 - 400 |
| 401 - 500 |
| 501 - 700 |
| 701 - 800 |
| 801 - 1800 |

SOILS

The soils in Portugal are extremely diverse, providing a variety of options, with different potential, for agriculture use. The basin of the Tejo river is dominated by Podzols, on the left side, and Luvisols and Cambisols, on the right side. These are mostly fertile soils, associated with gentle slopes. The proximity to Lisbon is also important, making this region one of the most competitive to produce fruits and vegetables. In fact, the Tejo valley (Ribatejo) and the West region (nearer the sea) have been for many decades the most productive agriculture regions in Portugal, with many of the best farms, in the country.

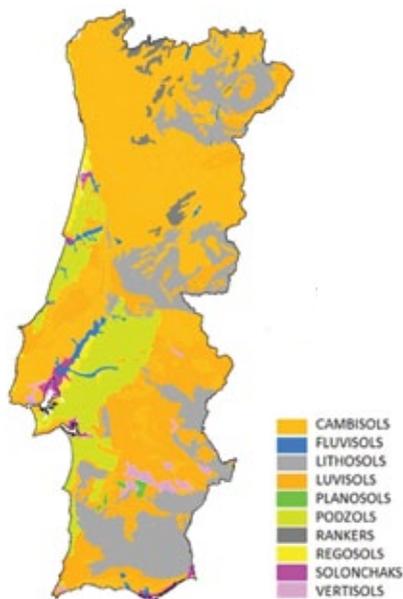
The Alentejo region covers most of the South. It is bordered by the Atlantic Ocean (West), Spain (East) and the Algarve (South). The West side is near the sea. It is less prone to frost and it has

large areas with Regosols (sandy soils), which make this area very attractive to horticulture or small fruits (strawberries, raspberries), among other crops, especially when the aim is to produce earlier than in the rest of Europe. Some crops can be produced two to four weeks earlier than in Central Europe.

Inner Alentejo is completely different. Most of the area is dominated by Luvisols and Cambisols, although there are many Lithosols as well. The Lithosols are not very suitable for agriculture but, with the water from Alqueva, some of these areas have been used recently to grow crops that are not very demanding. On the other side, many of the areas with Luvisols and Cambisols are very fertile, with deep and clay soils and a high potential for agriculture, especially when there is water available and gently sloping land suitable for mechanised farming. The Alqueva project - 170 thousand ha of irrigated land - has made this region a new "Eldorado" for agriculture in Portugal, with many foreign investors looking at it.

The regions described above are possibly the most attractive for developing new projects in Portugal. They are significantly diverse and have varied potential, each of them for specific crops. But there are also other regions in Portugal for agricultural investment. Whenever i) the topography is favourable, ii) there are properties available with suitable areas and iii) there is availability of water for irrigation, it is usually possible to produce good quality products early in the season.

Map of Portugal. Soils (according to FAO classification) Source: Atlas do Ambiente



CLIMATE

Portugal has a Mediterranean climate characterized by warm and dry summers and cool and wet winters. The average annual temperature varies between 7°C, in the inner highlands of central Portugal, and 18°C, in the Southern coast.

The average annual precipitation is around 900 mm, with a strong North-South gradient, reaching values of 3.000 mm in the Northwest mountains and values below 500 mm in the Southeastern part of the country. The highest values are found in the highlands of the Northwest region (Minho) and the lowest in the Southern coast and in the Eastern part of the territory.

The mean monthly air temperature values vary regularly during the year, reaching their maximum in August and minimum in January. In Summer, the mean values of maximum temperature vary between 26°C in the North and 34°C in the inner Central region and Eastern Alentejo. The average minimum temperature in winter varies between 2°C in the mountainous interior zones and 12°C in the Algarve.

The number of days of the year with a minimum temperature below 0°C ("frost days") is higher in the Northern mountains and the Central interior, with more than 100 days/year, but are zero in the West coast of Alentejo and in the South (Algarve). This again increases the potential to grow some crops, particularly (but not only) some horticultural crops and fruits, than can be produced and harvested earlier than anywhere else in Europe.



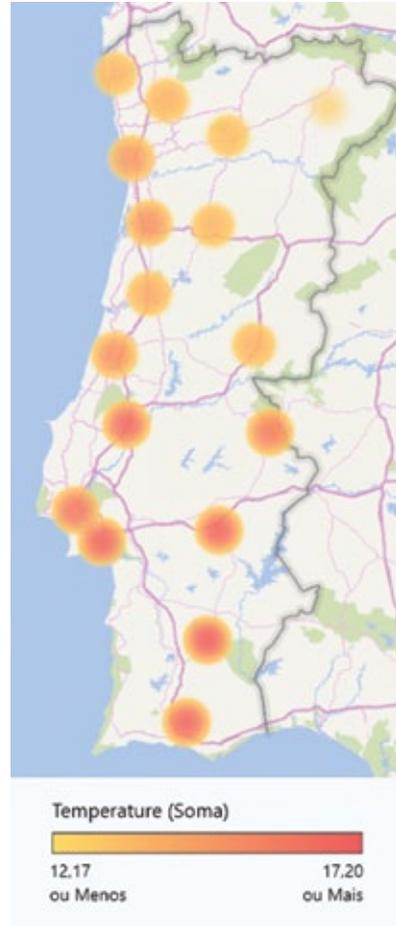
Rainfall and Cumulative Chill hours in the different Portuguese regions Source: IPMA

■ Rainfall

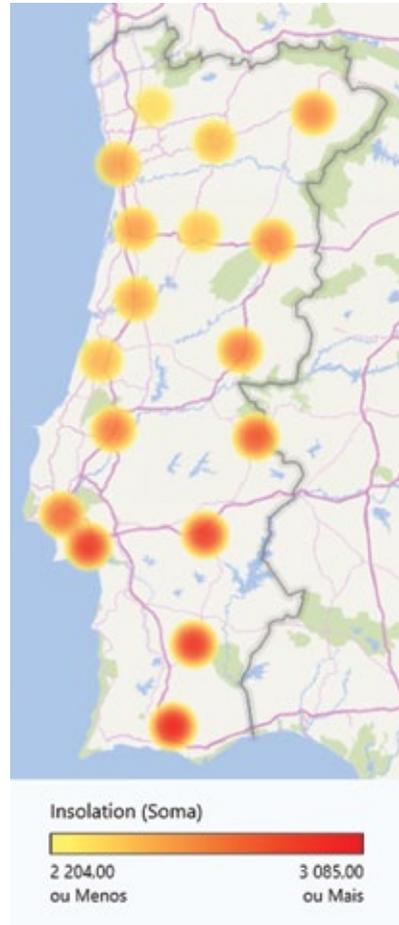
■ Cumulative chill hours

The figures in this and the previous page, with average rainfall, cumulative chill hours, insolation and temperature, show very clearly the regional differences in the Portuguese climate.

These differences are also well marked in the variation throughout the year of the temperature and precipitation in different regions of Portugal. The figures in the next



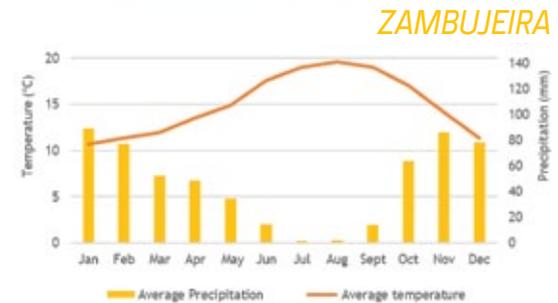
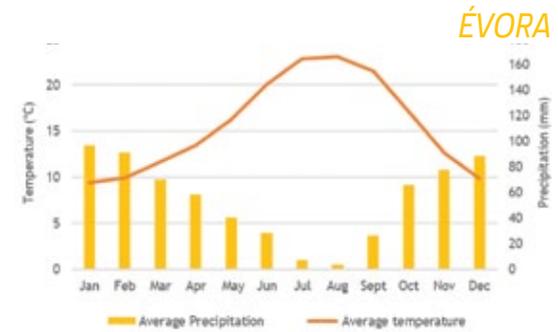
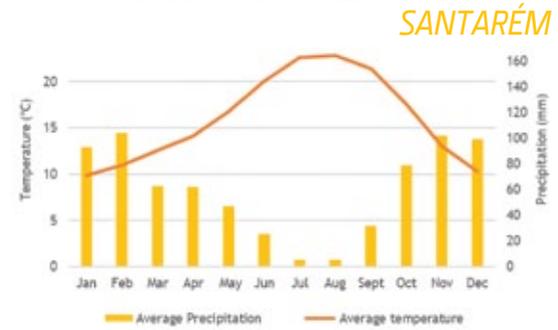
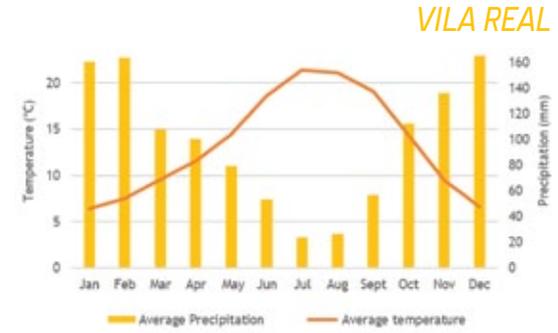
page compare Vila Real (interior North), Santarém (interior Centre), Évora (interior South) and Zambujeira (Atlantic coast South). The temperature in Santarém (Tejo valley) and Évora (Alqueva) are very similar, hot in the summer (good for irrigation) and cold in the winter. In Vila Real the summer is a little less hot, but the winter is much colder. Zambujeira, near the sea side in the Alentejo coast, is clearly less warm in the summer, with



Cumulative Insolation hours and Temperature in the different Portuguese regions
 Source: IPMA

an average temperature that is never higher than 20 °C. This is another reason why many horticulture crops are grown here – the extremely high temperatures in the Summer in the interior are not good for more sensitive crops.

The precipitation is very different in Vila Real (North) and all the other regions. In the Winter it rains a lot in the North, and not so much in the centre and the South. But the real difference is in the Summer. In the North of Portugal it still rains a few times, but the South is very dry from June to September. This is a huge limitation for rainfed crops but an excellent opportunity for irrigated crops. If there is water available for irrigation, the potential for agriculture can be very high, and crops grow fast and produce earlier, what is an important competitive advantage for many crops (like fresh fruits and vegetables).



Average Precipitation and Temperature in four different Portuguese regions, from North to South: Vila Real (Trás-os-Montes); Santarém (Tejo valley); Évora (Alentejo Southeast); Zambujeira (Alentejo Southwest)
 Source: IPMA

A large center pivot irrigation system is shown in operation over a field of lush green crops. The system consists of a long metal structure supported by multiple wheels, with numerous vertical pipes extending down to the ground. The wheels are large and black with yellow hubs. The crops are arranged in neat rows, and the overall scene is bright and clear.

**INVEST IN
AGRICULTURE
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PORTUGAL**

MAIN CROPS

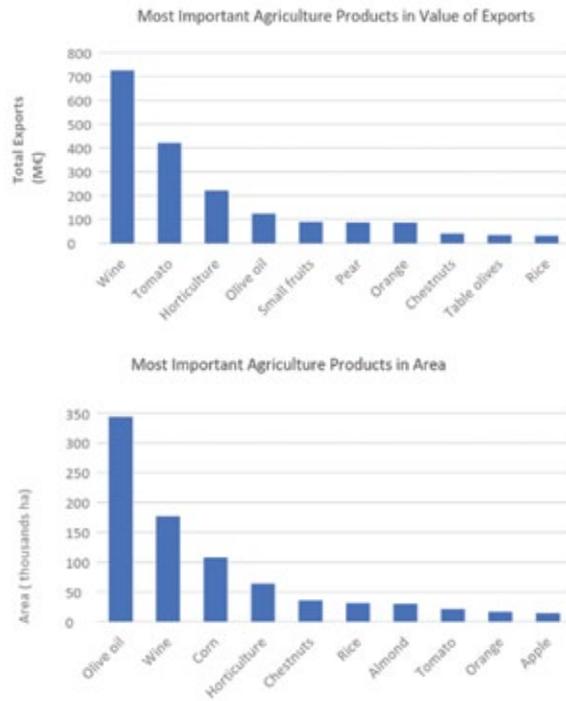
The most representative Portuguese agricultural products in value of exports are different from the ones observed if we consider the area of production. In terms of exports, wine is the most important product, representing more than 700 million euros in 2014, followed by tomato with more than 400 million euros, other horticulture products, with around 200 million euros, and olive oil, with 100 million. The five products that follow are mainly fruits and rice with less than 100 million euros exported. Most of these products are exported primarily to EU countries, which represent 70% of the market. The most important countries are Spain, France and Germany. The remaining 30% correspond to non-European countries,

with Angola, Brazil and the United States as key importers.

In production area, olive oil is the largest crop, with nearly the double of the area of wine. Next, and still with more than 100.000 ha, is corn, a crop used mainly for domestic consumption and almost non-existent in exports figures. Horticulture products represent 64.000 ha of production area, with a strong impact in

exports. The remaining products have less than 50.000 ha of occupied area each.

Comparing the two figures, it is possible to conclude that wine and olive oil are the two most important agriculture products in Portugal, with a high value in production area and exports. On a second level we have tomato, highly representative in exports but with a smaller production area, and horticulture products. Small fruits should be mentioned as well. Although they don't appear in the production area graphic, they are the first fruit category on what concerns exports, accounting nearly 100 million euros.



Most important agriculture products in value of exports and in area of production
 Source: GPP, Estatísticas de Comércio International 2014, INE

If we divide Portugal in regions, from the North to the South, it is possible to identify the main agricultural products and crops in each region. Corn is the most frequent crop in the North and the Centre, where the rainfall is more abundant, but it can also be found in Alentejo, a region that changed in recent years, because of the Alqueva irrigation scheme. Olive trees and vineyards are also very common in these three regions. Rice is important in the Centre, Lisbon and Alentejo, as it is cultivated in the alluvial soils of the main rivers (Mondego, Tejo and Sado).

Fruit production is relevant along the whole country. Nuts are more representative in the Northeast region (colder and less rainy) and almonds have a

Portugal has a wide production calendar, particularly in some horticulture and fruit crops. The Mediterranean climate, with sunny, warm and long days, starting in the beginning of spring and only ending in the middle of autumn, is very good for many irrigated crops. When they are grown in adequate conditions, the productivity is high, with top quality, and the crops can be harvested out of season (before or after the main season in Europe). Many irrigated crops produced in Portugal are therefore highly competitive in the international markets.

The biggest advantage of the production calendar in Portugal is, in fact, the capacity to produce earlier than in Northern and Central Europe, allowing

| REGIONS (NUTS II) | MAIN PRODUCTS AND CROPS |
|-------------------|--|
| NORTH | ALMOND, APPLE, BEAN, CHERRY, CHESTNUT, CORN, GRAPE, KIWI, OLIVE, POTATO, RYE, WALNUT |
| CENTER | APPLE, BEAN, CHERRY, CORN, GRAPE, OLIVE, PEACH, PEAR, PLUM, POTATO, RICE |
| LISBON | GRAPE, RICE, TOMATO |
| ALENTEJO | ALMOND, BARLEY, CHICKPEAS, CORN, GRAPE, OLIVE, PLUM, RICE, SUNFLOWER, TOMATO, WHEAT |
| ALGARVE | ALMOND, MANDARIN, ORANGE |

Main products and crops for regions
 Source: Estatísticas Agrícolas 2016, INE

significant presence in Algarve and Alentejo (again mostly due to the water from Alqueva). Apples and pears are very important in the Centre West region, with Protected Designation of Origin – PDO for most products. The Algarve produces oranges and mandarins, which are known worldwide (as a curiosity, orange in Turkish is “Portakala”). Tomato is, as well, a very representative crop in Ribatejo and Alentejo. Portugal is, in fact, the third largest European tomato producer for industry use.

farmers to get high prices for their products during the pre- season, with high quality products. Many of the foreign investors that are developing new projects in the irrigated areas, in the Centre and South of the country, are European farmers that want to “complement” what they produce in their countries (Spain, France, Germany,...) with out of season crops in Portugal. In the end, they are just looking to extend their production calendar, to be able to offer their clients fresh produce (usually vegetables and fruits) before their competitors.

PUBLIC IRRIGATION SCHEMES

The irrigation policy in Portugal has been one of the most important drivers for agriculture development. Since the 1950s until today, the Portuguese government has built many large dams in the country, with the objective of producing electricity (mostly in the Northern mountains) and of irrigating (mostly in the South and Centre).

The table below shows that most of the "large" irrigation schemes (i.e. with more than 5,000 ha of land with infrastructure to irrigate) are in the Alentejo region, the Tejo valley and the Centre of Portugal.

With the Alqueva project, Alentejo has become the biggest irrigation region in the country. When the project is concluded, in about three years, the

area with irrigation infrastructure in Alqueva will be about the same as the sum of the area in all the other public irrigation schemes in the country! This is why Alqueva is so important.

In addition to the public irrigation schemes, there are also hundreds of smaller private dams, and possibly thousands of water holes that are used for irrigation. One way or the other, the potential for investment is usually associated to irrigated crops and irrigated land. The demand for irrigated land has thus been increasing, and the prices of land are currently much higher than they were just a few years ago. For instance, the value per hectare of land with irrigation infrastructures in Alqueva, can reach more than 15 thousand euros.

| REGION/IRRIGATION SCHEME | INFRASTRUCTURE AREA (HA) | PROJECT AREA (HA) |
|---------------------------------|--------------------------|-------------------|
| ALENTEJO | | |
| ALQUEVA | 60.186 | 170.000 |
| MIRA | 12.084 | 12.084 |
| CAIA | 7.237 | 7.237 |
| ROXO | 6.211 | 6.211 |
| CAMPILHAS E ALTO SADO | 6.098 | 6.098 |
| LISBON & TEJO VALLEY | | |
| SORRAIA / MAGOS | 16.351 | 16.351 |
| ODIVELAS | 12.717 | 12.717 |
| VALE DO SADO | 6.171 | 9.614 |
| CENTRE | | |
| COVA DA BEIRA | 12.360 | 12.500 |
| CAMPINA IDANHA NOVA | 8.198 | 8.198 |
| BAIXO MONDEGO | 5.478 | 12.286 |
| ALGARVE | | |
| SOTAVENTO ALGARVIO | 8.261 | 8.479 |

Source:
<http://sir.dgadr.gov.pt>
 ,2017

OPPORTUNITIES FOR INVESTMENT

As referred to previously, the opportunities to invest in agriculture in Portugal are very diverse. In the list below, we summarized what we believe can be the main opportunities, according to our experience and knowledge (with Portuguese farmers and external investors). Although this is not an extensive list (there are surely many other opportunities), it can be a good starting point for any investor.

Contrasting with other regions, in the North of Portugal there is not a clear pattern for investment. The "oldest" opportunity is possibly the vineyards in the Douro valley, which are known for many decades by the

region of the Port wine. In recent years the wines from Douro (mostly matured red) have also gain international recognition, and this has led to new business opportunities. In addition, there are some examples of specific crops/ areas with a good potential for investment, like Trás-os-Montes.

In the Centre, the major opportunities are in the area that is covered by public irrigation schemes. The potential in this region is also diverse, ranging from crops that demand cold in the winter, like cherries and apples, to fruit trees like almonds, that grow in the South, and horticulture. Rice is also grown, but only in the Mondego valley.

| REGION | CROPS |
|---------------------------------|---|
| NORTH | |
| DOURO | VINEYARDS |
| TRÁS-OS-MONTES | ALMONDS, APPLES, CHESTNUTS, STONE FRUITS AND OLIVE OIL |
| CENTRE | |
| COVA DA BEIRA IRRIGATION SCHEME | APPLE, CHERRIES, OTHER FRUITS |
| IDANHA IRRIGATION SCHEME | NUTS, NAMELY ALMONDS AND WALNUTS, PISTACHIO |
| BAIXO MONDEGO | CORN, HORTICULTURE (MAINLY FRESH PRODUCE), RICE |
| OESTE | |
| RIBATEJO (TEJO VALLEY) | CORN, RICE, TOMATO, VEGETABLES (FRESH AND INDUSTRY) |
| OESTE (WEST REGION) | FRUITS (APPLE, PEAR), HORTICULTURE (FRESH) AND VINEYARDS |
| ALENTEJO | |
| ALQUEVA | ALMONDS, APPLES, BEANS, CATTLE, COLZA, HORTICULTURE, OLIVE OIL, PEARS, STONE FRUITS, AMONGST OTHERS |
| ALENTEJO COAST (WEST) | BERRIES, HORTICULTURE |
| DRYLAND | MONTADO AND EXTENSIVE PASTURES |
| VALE DO SADO | RICE |
| ALGARVE | |
| ALGARVE | ORANGES, TROPICAL FRUITS |

The greatest opportunities are in the Tejo valley, the Oeste region and Alentejo (Alqueva and the West coast). This was discussed in detail before in this guide, and the most important crops are listed below, so it is not worthwhile to refer to each of them here. Most of the opportunities are in irrigated areas (public irrigation schemes or private dams/holes) and the majority are in the fruits and vegetables sector, olive oil, and vineyards - for wine or table grapes. But there are also

other interesting options: extensive montado (cork trees) in the South, for investment with long term returns, and rice in Vale do Sado (a public irrigation scheme).

In the South there is Algarve, which is known for its good potential to grow citrus fruit (oranges and mandarins) and some tropical fruits, namely in the irrigation scheme of Sotavento Algarvio.

CREATE AN AGRICULTURAL COMPANY IN PORTUGAL

In Portugal, there are no restrictions to the entry of foreign capital. The principle guiding the Portuguese normative framework is the non-discrimination of investment on grounds of nationality. It is not mandatory to have a national partner nor are there limitations to the distribution of profits or dividends abroad.

The rules governing foreign investment are like those applicable to domestic investment, not imposing the need for any special registration or notification to any authority about foreign investment (subject to any registration requirement provided for specific activities).

Notwithstanding the above, holders of an equity stake in a Portuguese company that are not resident in Portugal shall, for tax purposes,

obtain a Portuguese tax number ("NIF"). For EU residents, this NIF can be obtained directly from the relevant tax authorities (in person or through appointed representatives). Residents outside the EU will have to appoint an individual or entity resident in Portugal for representation *vis-a-vis* the Portuguese tax authorities.

Portuguese law offers different possibilities for individual or joint investment. The main types of companies are:

| MAIN TYPES OF COMPANIES IN PORTUGAL | | |
|---|---|---|
| <p>LIMITED LIABILITY COMPANIES (SOCIEDADES POR QUOTAS) ("LDA."): </p> | <p>They may be incorporated by any number of shareholders; Minimum share capital of €1/per shareholder;</p> <p>The management may be carried out by any number of managers;</p> <p>The main decisions are made by the shareholders – the managers must comply with such decisions –, however, it is possible for the company's by-laws to transfer specific decisions to the managers;</p> <p>No statutory auditor or audit of accounts is required, except whenever two of the following limits are exceeded for two consecutive years: (a) total assets of €1,500,000.00, (ii) total sales of €3,000,000.00 and (iii) average number of employees of 50.-</p> | <p>This is a convenient form for small and/or closely held enterprises due to its less complex administrative and supervisory structure. The main characteristic of limited liability companies is the division of their share capital in nominative participations ("quotas"). In this kind of company, partners are liable for their own contributions to the share capital and will be jointly liable for contributions necessary to pay up the full amount of the company's share capital.</p> <p>The owner and nominative value of the quotas are described in the company's by-laws.</p> <p>A limited liability company may have a sole partner in which case it is called a sole shareholder company ("sociedade unipessoal por quotas").</p> <p>The transfer of quotas may be executed by means of a written agreement between the seller and the buyer and is subject to registration with the commercial registry office. However, the quotas' transfer shall only be effective towards the company after its prior consent, unless its by-laws establish otherwise. Certain restrictions to the transfer of quotas may be foreseen in the company's by-laws.</p> |
| <p>PUBLIC LIABILITY COMPANIES (SOCIEDADES ANÓNIMAS) ("S.A."): </p> | <p>Minimum of 5 shareholders (if physical persons) or a sole shareholder (if legal person);</p> <p>Minimum share capital of €50,000.00; the performance of 70% of the share capital may be deferred;</p> <p>The management may be carried out by a sole director in case the company has a share capital up to the amount of €200,000.00 or a board of directors in case this share capital is exceeded;</p> <p>The main decisions regarding the company's activity are made by the board of directors/sole director;</p> <p>Statutory auditor is required and the annual accounts must be audited.</p> | <p>The public liability company is usually the most appropriate form of organisation for large and widely held companies. The main characteristic of this type of company is that its share capital is represented by shares (book-entry shares or shares represented by certificates). The shareholders are only liable for the amount of their own participations.</p> <p>The transfer of shares is very simple and depends on their type. Nominative shares are transferred by means of a statement, issued by the transferor and written on the share certificate(s) whenever represented by certificates, followed by a registration with the company or with the financial institution representing it for the purpose.</p> |

INCORPORATION OF A COMPANY IN PORTUGAL

Formalities & Procedures to incorporate a company

(a) Normal Incorporation of a Company.

The following steps are required to incorporate a company:

- 1 Non-resident shareholder(s)/director(s)/manager(s) must obtain a Portuguese taxpayer number (TIN) prior to the incorporation of the company. In case the shareholders are legal persons it will be necessary to obtain a company identification number;
- 2 Define the main activity and request a Company Admissibility Certificate along with a Provisional Identification Number of Corporate Entity with the National Registry of Corporate Entities ("Registo Nacional de Pessoas Coletivas", "RNPC");
- 3 Open a bank account in the company's name and deposit the minimum required share capital;
- 4 Execute the incorporation deed;
- 5 Register the company at the Commercial Registry Office ("Conservatória do Registo Comercial") within 2 months from the execution of the incorporation deed;
- 6 File the company's Statement of Commencement of Activity with the Tax Authorities ("Autoridade Tributária e Aduaneira");
- 7 File the company's Statement of Commencement of Activity with the Social Security ("Segurança Social") within 10 business days from the date of the company's commencement of activity with the Tax Authorities;
- 8 The incorporation costs are approximately €500.00 or €1,000.00 (with urgency fee);
- 9 The incorporation takes approximately between two and three weeks (depending on the time to

obtain the Company Admissibility Certificate and on the payment of urgency fees).

(b) Immediate Incorporation using the immediate incorporation regime ("Empresa na Hora"):

It is possible to incorporate a company in one day following this procedure which includes the following steps:

- 1 Select the company's name from a list of names published on the RNPC website (http://www.empresahora.mj.pt/ENH/sections/EN_homepage.html);
- 2 Choose the company's articles of association from one of the samples approved by RNPC and available on its website (http://www.empresahora.pt/ENH/sections/PT_pactos.html);
- 3 Open a bank account in the company's name and deposit the minimum required share capital;
- 4 File the Statement of Commencement of Activity with the Tax Authorities within 15 days from the incorporation date;
- 5 File the company's Statement of Commencement of Activity with the Social Security ("Segurança Social") within 10 business days from the date of the company's commencement of activity with the Tax Authorities;
- 6 The incorporation costs are approximately €360.00.

Incorporation of a branch in Portugal

Main characteristics of a branch

In general, the establishment of a branch involves many of the same formalities required for the incorporation of a company.

A branch has no formal share capital, although, the parent company may decide to allocate an amount of capital to its Portuguese branch. The branch's allocated capital is not subject to any minimum amount.

A legal representative of the parent company is required to be appointed to manage the branch's activity.

The branch is not a separate entity from the parent company. Consequently, the parent company will be liable for all obligations incurred by the branch.

All resolutions are passed by the parent company's corporate bodies.

Formalities and procedures to set up a branch

- (a) Register the branch with the Commercial Registry Office ("Conservatória do Registo Comercial"); should the appointed Legal Representative(s) of the Branch not be Portuguese, it will be necessary to obtain a Portuguese taxpayer number prior to setting up the Branch;
- (b) File the branch Statement of Commencement of Activity with the Tax Authorities ("Autoridade Tributária e Aduaneira") within 15 days as of the registry;
- (c) File the branch Statement of Commencement of Activity with the Social Security immediately upon completion of the company's commencement of activity with the Tax Authorities (if applicable);
- (d) The costs for the incorporation of a branch are approximately €200.00 or €400.00 (with the urgency fee).



OPPORTUNITIES FOR INVESTMENT



PUBLIC SUPPORT SCHEMES

| | | | |
|----------------|---|--|---|
| ACTION | 3.2. INVESTMENT IN FARMS | 3.3. INVESTMENTS IN THE TRANSFORMATION AND COMMERCIALIZATION OF AGRICULTURAL PRODUCTS | PRODUCTIVE INNOVATION |
| OPERATION | 3.2.1. INVESTMENT IN FARMS | 3.3.1. INVESTMENTS IN THE TRANSFORMATION AND COMMERCIALIZATION OF AGRICULTURAL PRODUCTS | PRODUCTIVE INNOVATION |
| OBJECTIVE | Support the realization of investments in the farm to improve the performance and viability of the farm | Support the realization of investments in the transformation and commercialization of agricultural products destined to improve the competitive performance of the industrial units | Support for investments to improve the competitive performance of industrial plants |
| SUPPORT | Support for the realization of investments in the farm to improve the quality of the support provided by the Commission. Support is granted in the form of non-reimbursable grants and reimbursable grants, depending on the total amount of investment * | Grants are awarded in the form of non-reimbursable grants and reimbursable grants, depending on the total amount of investment * | Grants are awarded in the form non-reimbursable grants and reimbursable grants, depending on the accomplishment of the project's objectives |
| BENEFICIARIES | Individuals or legal entities engaged in agricultural activities | Individuals or legal entities legally incorporated at the date of submission of the application | Companies (SMEs and other Companies) of any nature and in any legal form, intending to develop investment projects that meet the objectives and priorities referred except with agricultural NACE (economic activity) |
| ELEGIBLE COSTS | Land preparation; Buildings and other constructions directly linked to the activities to be developed; Adaptation of existing facilities related to the execution of the investment; Multi-annual plantations; Set-up of permanent pasture; | Fencing and preparation of land; Buildings and other constructions directly linked to the activities to be developed (up to 35% of the investment); Adaptation of existing facilities related to the execution of the investment; New machinery and equipment, including computer equipment; Internal transport, cargo handling and box and pallet equipment with a life span of more than one year; | Construction, acquisition or re-qualification of immovable property; Purchase new machinery and equipment; Intangible investments |

| | | | |
|-------------------|---|---|---|
| ELEGIBLE COSTS | Irrigation systems; New machinery and equipment, including computer equipment; Equipment for the valorization of by-products and waste of the activity; Fences necessary for livestock activities. | Isothermal boxes, cold storage tanks and transport tanks and means of external transport where the latter are used exclusively for the collection and transport of milk to the processing plants; Mandatory social facilities as determined by law; Automation of existing equipment in the unit; Non-directly productive equipment, namely equipment for the recovery of by-products and waste destined for energy recovery or quality control. | |
| ACCESS CONDITIONS | Hold accounting under current legislation Total investment amount over €25,000 Evidence of economic and financial viability as measured by IRR, NPV and Pay-Back | Determine Accounting under current legislation Total investment amount over €200,000 Amounts of investment and Conditions of access vary according to each opening notices for submission of applications Present technical, economic and financial coherence | Includes investment in Agroindustry if > 4M€ |
| SUPPORT LEVEL | Support rate which may not exceed 50% in the case of less developed regions or areas with natural or other specific constraints or 40% in other regions of the amount of eligible investment | Support rate cannot exceed 45% in the case of less developed regions, or 35% in other regions Base rate: 30% in less developed regions and 20% in other regions | Support refundable up to 70%, and can be transformed (up to 45% of this support) into non-refundable if the project objectives are exceeded |

* The conditions of the allocated grants may vary according to the opening notices, so they should be consulted whenever you wish to make an investment / application.

NOTE : There is a specific measure for the Support of Young Farmers setting up for the first time on a farm.

Source : PDR 2020 (www.pdr-2020.pt) and COMPETE 2020 (www.poci-compete2020.pt)

TAX SYSTEM

Corporate Income Tax (CIT)

Income obtained by companies that carry on an activity of agricultural nature are subject to CIT. Income resulting from such activity is included in their taxable profits and is subject to CIT at the general rate of 21%. As for agricultural companies legally qualified as SMEs, taxable profits up to EUR 15,000 are taxed at the rate of 17% and any taxable profit in excess is taxed at a rate of 21%. A Municipal surcharge of up to 1.5% of the companies' taxable profits may be added. Companies with taxable profits greater than EUR 1,500,000 are also subject to a state surcharge that can range between 3% and 7% according to the amount of the taxable profits.

Tax benefits

Tax Benefits Statute (TBS)

(i) Establishment of companies in remote areas (Article 41-B of the TBS)

Provided that certain requirements are met, agricultural companies qualified as SMEs may benefit from a 12.5% rate on the first EUR 15,000 of taxable profits if they are established in one of the country's remote areas foreseen in the law.

This tax benefit cannot be combined with other identical tax benefits and is subject to the de minimis rule.

(ii) Expenses with organic certification of agricultural holdings (Article 59-E of the TBS)

Expenses incurred with the organic certification of agricultural holdings have a weight of 140% as a cost of the tax period.

Investment Tax Code

The Investment Tax Code also contains a number of tax benefits regimes from which agricultural companies may benefit upon application and provided the subjective and objective legal requirements are met:

(a.i) Contractual Tax Benefits for Productive Investment

Agricultural companies with investment projects whose relevant capital investments (i.e., expenses with tangible fixed assets, save for legal exceptions, and certain intangible assets) are equal to or greater than EUR 3,000,000 may benefit for a period of 10 years from several tax benefits, notably:

- Tax credits in a percentage ranging between 10% and 25% of the relevant capital investments to be deducted from the CIT collection (newly-formed companies may benefit from an annual deduction of up to 100% of the collection);
- IMT (Property Transfer Tax) and IMI (Property Tax) exemption or reduction respecting to buildings purchased and used in the investment project (while the contract is in force);

- Stamp duty exemption regarding all deeds or agreements relating to the investment project.

(a.ii) Tax Scheme Supporting Investment

Agricultural companies may benefit from a CIT deduction corresponding to a percentage ranging between 10% and 25% of the relevant capital investments (for start-ups up to total collection during three taxation periods). The agricultural companies may also benefit from the following tax benefits:

- IMT and IMI exemption or reduction (for a period of up to 10 years) regarding buildings purchased and used in the relevant capital investments;
- Stamp Duty exemption regarding purchases of buildings that are relevant capital investments;

(a.iii) Tax benefit for the reinvestment of retained earnings

Agricultural companies may benefit from a CIT deduction of up to 10% of retained earnings that are reinvested in capital investments deemed relevant under the law (e.g., expenses with tangible fixed assets, save for exceptions legally foreseen) within two years as from the end of the tax period to which the retained earnings pertain. The maximum amount of retained and reinvested earnings in each tax period shall be EUR 5,000,000 per taxpayer, and the deduction must be made up to 25% of the CIT collection.



EMPLOYMENT RELATIONSHIPS

Labour system

Employment relationships are generally regulated in Portugal by (i) the Labour Code and other labour legislation, (ii) collective labour instruments, including collective bargaining agreements negotiated between companies and trade unions, and (iii) company practices.

Companies must always verify which collective labour instruments apply specifically to them.

Types of employment contracts

As a rule, and by default, employment contracts have a permanent nature. However, the law offers some alternatives to help manage companies' resources more efficiently, including:

(a) Term contract – To address temporary needs of the company, of a fixed or undetermined duration, or in case of start-up, launch of a new business, recruitment of a first-job seeker or recruitment of long-term unemployed.

(b) Very short-term contract – For hires of up to 15 days, for seasonal activities.

(c) Temporary work – To address temporary needs of the company, of a fixed or undetermined duration, through workers provided by a temporary employment agency.

(d) Part-time – To work less hours than a full-time employee.

(e) Multiple employers – To work for several employers at the same time and under a single contract.

(f) Management employment contracts – For managerial positions and their personal assistants, with high flexibility as regards termination.

General rules

Trial period

The employment contract may be subject to a trial period during which either party is entitled to terminate the contract, without cause, prior notice or severance payment.

Working time

As a rule, employees may not work more than 8 hours/day and 40 hours/week.

However, the Portuguese labour system offers several mechanisms to extend, concentrate and/or manage working hours with more flexibility, according to company needs (e.g., exemption from working hours, concentrated schedules, adaptability or bank of hours regimes).

Workplace and job scope

The company may transfer employees to other workplaces, temporarily or definitively, and determine their duties on rather broad terms.

Remuneration

Current national minimum monthly salary is EUR 557.00.

Employees are further entitled to vacation and Christmas allowance and additional payments for work performed in certain conditions (e.g., overtime, night work or work on public holidays).

As a rule, collective labour instruments have pay scales higher than the national minimum monthly salary, and may also contain additional payments and benefits.

Termination

The employment contract may expire, be terminated by mutual agreement between

the parties or by unilateral decision of the employee (with or without cause).

The company may terminate the contract based on (i) disciplinary reasons, with no payment of severance or (ii) objective and/or business reasons (collective dismissal, redundancy or inadaptability), in which case employees are entitled to severance between 12 and 30 days of base salary and seniority payments (when applicable), for each year of seniority (some limitations on minimum or maximum amounts may apply).

Incentives to employment

The Portuguese labour system offers a number of incentives to hire workers, as exemplified in the table below:

| MEASURE | SCOPE | INCENTIVE |
|--|--|--|
| Contract - Employment | Employment of unemployed (permanent contract or fixed-term contract for 12 or more months) | <ul style="list-style-type: none"> EUR 3,791.88 for permanent contracts. EUR 1,263.96 for fixed-term contracts. Amounts may be scaled up (in accordance with the type of unemployed hired or the workplace location) |
| Social Security contributions exemption or reduction | Employment of first-job seekers or long (or very long) term unemployed. | <ul style="list-style-type: none"> 50% reduction of the rate of employer contributions for (i) 5 years in the case of employment of first-job seekers, and (ii) 3 years in the case of long-term unemployed. Exemption for 3 years in the case of very long-term unemployed. |
| Support to Geographical Mobility | Support to temporary geographical mobility (contract with a duration greater than 1 month, where the workplace is at least 50 km away from employee's residence) or permanent geographical mobility (contract of 12 or more months, entailing relocation, and where the workplace is at least 100 km away from employee's former residence). | <ul style="list-style-type: none"> Temporary and permanent mobility: EUR 210.66/month (maximum 6 months). Permanent mobility: share-in the costs of travel of employee's household and transport of belongings to new residence. |
| Professional Internships | Employment of trainees (9 months). | Share-in the costs of (i) internship scholarship (65% to 95% of the amount of the scholarship), (ii) meals (EUR 4.77 / day) (iii) transportation expenses (up to EUR 42.13 / month), and (iv) work accident insurance premium (EUR 13.89 / month). |

DISPUTE RESOLUTION

General remarks on the legal and judicial system

The Portuguese legal system is a civil law system.

The Portuguese civil procedure is based on the dispositive principle, which means that it is up to the parties to allege the facts, gather evidence and determine the type of evidence they choose to provide. The court may, however, on its own initiative, request any evidence that it deems necessary to reach its decision.

There is no binding precedent rule: case law is a complementary source of interpretation and application of the law.

The Portuguese judicial system has the following categories of courts: the constitutional court, the judicial courts, the administrative and tax courts, the court of auditors, maritime courts, arbitral tribunals and justices of the peace ("Julgados de Paz").

The judicial courts have general jurisdiction in civil and criminal matters and also in all matters not assigned to other courts. The judicial courts are organised in three instances: the Supreme Court, with jurisdiction over the whole country, the (5) second instance judicial courts, which by rule are courts of appeal, and the first instance courts.

Court sessions are usually open to the public. Public disclosure of judicial proceedings covers the right to access to the bundles and to obtain copies.

Costs and funding

During the proceedings both parties are required to make payments on account for the final judicial costs (calculated by reference to the amount in dispute).

In its decision, the Court determines the total amount of costs (calculated by reference to the amount in dispute and considering, amongst other criteria, the conduct of the parties and the complexity of the matter) and the proportion of costs allocated to each party, according to its liability.

The winning party may request directly from the losing party the payment of the judicial costs and other expenses incurred in the proceedings by sending a statement of its costs.

The payment of the winning party's lawyers' fees is subject to a limit of 50% of the amount of court fees paid by all the parties.

Third-party funding is quite new in Portugal, so it is not yet common practice. However, there is an increased interest presently in the topic, both from the legal practitioners' and funders' perspective, which are trying to promote themselves in the Portuguese market.

Arbitration

Portugal has a large experience in the recognition and practice of Arbitration, as well there is a history of arbitration friendly case law in the Portuguese courts.

The new Portuguese arbitration law (Voluntary Arbitration Act of 2011):

follows the Uncitral Model Law (1985) and (2006), although with influences from more recent arbitration laws;

contains a more detailed set of procedural rules to be applied within the arbitral proceedings, if the parties fail to agree on those rules between themselves;

maintains the underlying idea that party autonomy constitutes the essential framework of arbitration; and regulates matters formerly absent from the former Voluntary Arbitration Act of 1986, such as multi-party issues, interim measures and preliminary orders which may be issued by the arbitral tribunal (and their enforcement), and the recognition and enforcement of foreign awards.

The recognition and enforcement of foreign awards follows the New York Convention rules if the country of origin is a signatory, resulting in fewer opportunities to refuse to recognise and enforce the award.

Protection of foreign investments

Portugal is also a signatory of the Washington Convention on the Settlement of Investment Disputes between States and Nationals of Other States (the ICSID Convention), a multilateral treaty with the objective of promoting international investment, which created ICSID as the world's leading institution devoted to international investment dispute settlement.

Portugal has signed several Agreements for the Reciprocal Protection and Promotion of Investments, which are bilateral instruments containing binding measures aimed at creating more favourable conditions for investments by investors of one signatory state in the territory of another, ensuring more favourable treatment of investors and a guarantee of complete security and protection of investments already made, on a reciprocal basis (for example, referring dispute resolution to ICSID).

FINAL REMARKS

In recent years, CONSULAI has established partnerships and protocols with many different institutions in the agri-food value chain, building a knowledge network and a valuable support to farmers and investors in this sector.

Vieira de Almeida is an independent Portuguese law firm with a deep knowledge of the local business environment and a strong experience in foreign investment legal advice. Over the past 40 years, Vieira de Almeida has participated in a significant number of pioneering transactions in both Portugal and

in the international markets (including in Africa and other jurisdictions through VdA Legal Partners), ranking among Europe's leading independent law firms.

This Short Guide to Invest in Agriculture in Portugal is a good example of these partnerships. It was produced by a consortium to build a practical tool to support foreign investors that want to start their agricultural activity in Portugal.

To collect the information available in this Guide we also had the contribution of BPI, one of the major bank institutions in the agribusiness sector in Portugal.

We have built this partnership to promote investment in agriculture in Portugal. So if you are looking at new opportunities in our country we will be here to help.



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