

A "**sociedade anónima**", on the other hand, is a public limited company formed by, at least, five shareholders. This is a type of company more suitable for medium and large-sized business.

This type of company requires a minimum share capital of 5,000,000 escudos duly paid up. Such a company must have, in addition to the Shareholders Meeting, a Board of Directors with executive functions. It must also have a single auditor or a Supervisory Board<sup>2</sup> to review the accounts and supervise the compliance of the company regarding the requirement of tax and corporate law.

**b) Branch** - A branch can be defined as to being an extension of the parent company with no legal personality of its own. Consequently no forming of another company is needed in order to establish a branch. In comparison with the subsidiary, a branch which is not liable separately has the disadvantage of rendering the company responsible (as the so-called "parent company") in unlimited liability for its branch operation. But it has the advantage that no withholding tax on distribution of dividends is levied. There are no dividends to be distributed since a branch is not a company and as such does not issue dividends.

## 2.2 Joint Ventures

(i) The participation of foreign investors in Portugal is practically unlimited. However some exceptions may exist in the case of public companies being privatised. It has been the Government's policy to limit the participation of foreigners in the majority of companies, which have been privatised, to a minor share holding. However, this policy is about to be reviewed as the European Commission has strongly held that it violates the free competition rules.

In certain cases joint-ventures with local partners are advantageous. The most common form of joint-venture is the jointly-owned company or "**equity joint-venture**" through one of the above-mentioned commercial companies (especially the "**sociedade por quotas**" or the "**sociedade anónima**"). The joint-venture can also be in the form of a "**contractual joint venture**" typically called consortium, without the need for incorporating a company. In this case, the consortium contract which is provided for in Portuguese law can be used (see

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<sup>2</sup> The Supervisory Board is usually formed by three members.