

# H&CO.



Operating in

**Brazil:**

A Guide for  
Expansion  
Businesses

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# Introduction

**Brazil** is one of the **largest and most dynamic economies in Latin America**, offering **significant opportunities for international businesses**. With a population of over 215 million, abundant natural resources, and a **diversified economy**, the country serves as a strategic gateway for companies looking to expand in the region.

This guide provides an overview of the **key considerations** for companies planning to **establish or grow their presence in Brazil**. We cover topics such as legal structures, tax obligations, labor requirements, and market challenges, offering insights to help you navigate this complex yet promising market.



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# Why Start a Business in Brazil?

Starting a business in Brazil can be very rewarding due to the country's large population, which encourages high consumption. **The Brazilian government offers various incentives to attract foreign investment**, such as tax benefits, subsidies, and grants for businesses operating in specific sectors or regions. This country is part of several trade agreements, including **MERCOSUR**, which facilitate trade with other member countries.

The **tax treaties** that Brazil currently has in force to **avoid double taxation** include those with Uruguay, Peru, Argentina, Chile, Canada, Germany, among many others.

Brazil's business environment is characterized by a complex tax system and regulatory challenges. The recent tax reform, approved in December 2023, aims to **simplify the tax structure** by introducing a **dual Value-Added Tax (VAT) system**. Additionally, new transfer pricing regulations have been enacted to reduce double taxation on multinational firms.








2

**Business  
Opportunities**





Brazil offers a wealth of opportunities for businesses across various sectors. Here are some of the most promising areas:

**Renewable Energy:** Brazil is a global leader in renewable energy, particularly in hydropower. There are also significant opportunities in solar and wind energy, driven by the country's commitment to increasing its renewable energy capacity.

**Agriculture:** As one of the world's largest producers of coffee, soybeans, sugarcane, and beef, Brazil's agricultural sector offers vast opportunities for investment and innovation.

**Technology and Innovation :** Brazil's tech sector is growing rapidly with opportunities in software development, fintech, and e-commerce. The country's large and young population is driving demand for digital solutions.

**Digital economy:** Brazil's key sectors in the digital economy include artificial intelligence (AI), cybersecurity, the Internet of Things (IoT), edge computing, cloud services, and digital government, particularly in developing a trusted and inclusive digital public infrastructure (DPI).



# 3

## Challenges of Expansion

Brazil presents a potentially lucrative opportunity for investment; however, it also poses certain challenges. Foreign enterprises frequently encounter significant hurdles, including a complex tax system, elevated operational costs, and concerns regarding the protection of intellectual property.

**Brazil possesses a tax system characterized by significant complexity, encompassing various federal, state, and local taxes.** These complexities, which include multiple layers of cascading taxes and interstate disputes, present substantial challenges for companies engaged in operations and exports within Brazil, including those that are experienced in navigating such difficulties.

When it comes to **hiring, Brazil has strict labor laws** that can be difficult for foreign companies to navigate. These regulations often favor employees, resulting in high costs and legal complexities.

In certain states of Brazil, infrastructure is challenging; transportation and logistics remain important and somewhat outdated. **It's essential to have local expertise when establishing headquarters in the area to effectively plan your strategy.**





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# Start a Business in Brazil as foreigner

Before establishing a business in Brazil, it's crucial to conduct comprehensive market research. Brazil's economy is diverse, with significant opportunities in sectors such as agriculture, energy, technology, and consumer goods. Understanding regional differences, consumer behavior, and local competition will help in crafting a viable business strategy.

1.

## Define Your Business Idea and Plan

Choose a feasible business idea and create a detailed business plan that includes your financial projections, market strategy, and operational model.

2.

## Choose a Legal Structure

Brazil recognizes several business structures, but the most common for foreigners are:

- A) Sociedade Anônima – S.A.:** The S.A. is a more complex structure, suitable for larger businesses and those planning to go public. Requires at least two shareholders. Shareholders' liability is limited to the value of their shares. There are Minimum capital requirements that apply, and the capital must be divided into shares.
- B) Sociedade Limitada – Ltda:** Requires at least two shareholders, who can be individuals or legal entities. No minimum capital requirement, but the capital must be fully subscribed and paid in.
- C) Sucursal de uma empresa estrangeira:** A foreign company can establish a branch in Brazil, but this process is more complex and requires government authorization. The branch is an extension of the foreign parent company. No specific capital requirement, but the parent company must allocate sufficient funds to operate the branch.

3.

## Reserve Your Company Name

Register a unique name with the Board of Trade (Junta Comercial) that reflects your business activity and follows local naming conventions.



## 4. Register with the Board of Trade

Submit your Articles of Association and other incorporation documents. This step typically takes between 60 to 90 days.

## 5. Obtain a CNPJ (Taxpayer ID)

Solicite un número CNPJ ante la Receita Federal (Servicio de Impuestos Federales). Este es su número de identificación fiscal oficial en Brasil.

## 6. Register Shareholders

Enroll foreign shareholders in the taxpayer registry. This process may require a CPF (individual tax ID) for each shareholder.

## 7. Obtain Licenses and Permits

Depending on your industry and location, you may need operating licenses, health permits, and environmental clearances.

## 8. Register at the State and Municipal Levels

**A) State registration:** For businesses that sell goods and services.

**B) Municipal registration:** Required for a municipal license to operate locally.



## Legal Requirements



### **Board of Trade registration:**

Essential to legally establish your business.



### **CNPJ:**

Required for tax compliance.



### **CPF:**

Required for individual shareholders.



### **Licenses and permits:**

Industry-dependent but mandatory.



### **Corporate tax compliance:**

Brazil's corporate tax rate is 34%. Businesses must also meet financial reporting obligations.





## Opening a Business Bank Account

Opening a bank account is essential for operational activities. Follow these tips:



Company registration papers, CNPJ, proof of address, and shareholder IDs.



Compare banking services and fees.



Try to establish a relationship with a bank to ease the onboarding process.

A city skyline at dusk, featuring several tall buildings. The sky is a mix of blue and orange. A red speech bubble with a white number 5 is positioned in the lower-left area of the image.

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# Corporate Accounting & Taxation



Brazil's corporate tax system includes two core components: the Corporate Income Tax (IRPJ) and the Social Contribution on Net Profit (CSLL). Together, these form the basis of the country's tax burden on legal entities.

**The IRPJ is levied at a base rate of 15%. An additional 10% surcharge applies to companies whose annual taxable income exceeds BRL 240,000 (approximately USD 48,000).**

The CSLL is calculated as a percentage of net profit and varies by industry. In 2025, the government increased the CSLL rates temporarily to strengthen public finances. Financial institutions now face a CSLL rate of 22%, while insurance companies and securities firms are subject to a 16% rate. For most other companies, the rate is 10%.

**Legal entities are subject to CSLL at the rate of 9%** (except for some prescribed entities, such as financial institutions and private insurance companies, which are taxed at higher rates), which is not deductible for IRPJ purposes. The tax base is the profit before income tax, after some adjustments, depending on the calculation method (i.e., APM or PPM).

Corporate income tax (IRPJ) is assessed at the fixed rate of 15% on annual taxable income, using either the 'actual profits' method (APM) or the 'presumed profits' method (PPM).

These adjustments result in an effective combined corporate tax rate of approximately 34% for standard businesses, and up to 47% for banks. According to Brazil's current Ministry of Finance, these increased CSLL rates are expected to remain in place through the end of 2025, with a scheduled reversion in 2026.



## Value-added tax (VAT)

The **new tax reform** will introduce a **Dual VAT system** beginning in 2026. This model **aims to streamline the process of tax collection and eliminate the cumulative effects of taxation on consumption.** It is based on the traditional concept of **Value Added Tax (VAT)**, which applies the tax only to the value added at each stage of the production chain.



**Dual VAT** will be made up of the **Contribution on Goods and Services (CBS)**, which will replace PIS, Cofins, and **IPI with federal collection**, and the Goods and Services Tax (IBS), which will replace ICMS and ISS with state and municipal collection.

The main feature of **IVA DUAL** or **Dual VAT** is that it taxes the added **value at each stage of the production chain**. This means that **the tax** will not be levied on the total value of the product or service, but **only on the added value that occurs at each stage of production, marketing, and service**.

The current Brazilian indirect tax system is complex and has been subject to multiple changes over the past years. The text below contains general information applicable to each of the taxes mentioned herein. It is important to note that the respective legislation includes various exceptions to the general stated rules. In the case of the **state VAT (ICMS)**, although federal law should be followed, **each state issued its own legislation, which brings certain differences when compared to federal law**.

The Brazilian indirect tax system comprises three key indirect taxes:

- VAT on Sales and certain Services (ICMS)
- Excise Tax (IPI)
- Service Tax (ISS), which are state, federal, and municipal taxes, respectively.







## Federal level Tax/Contribution:

- IPI (Tax on Industrialized Products):** A federal tax on industrialized products, levied on manufacturers and importers.
- PIS/COFINS (Social Contributions to Sales Revenue):** Federal taxes on gross revenue, with rates varying depending on the type of product or service.
- IBS – Imposto sobre Bens e Serviço – Goods and Services Tax.**



## Municipal level tax:

- ISS (Tax on Services):** A municipal tax on services provided within the municipality.



## State-level tax:

- ICMS (Tax on Circulation of Goods and Services):** Levied by states on the circulation of goods, interstate and intermunicipal transportation, and communication services.

**The full CBS** rate will take effect **starting in 2027**, while the **IBS rate will be established in 2029**. According to the approved tax reform, the reference rates for the new taxes will be determined by a Senate resolution.

Several sources within the current government estimate that the **general VAT (IVA)** rate should be around **28%**. However, the proposed regulation includes a **cap of 26.5%** for the average rate.

As a result, the government will need to submit a supplementary bill to review tax benefits if the actual rate exceeds expectations.



# 6

## Digital Bookkeeping System

One of the most defining features of Brazil's accounting and tax landscape is its digital reporting infrastructure, known as the **Public Digital Bookkeeping System (SPED)**. It was developed by the **Brazilian Federal Revenue (Receita Federal)** to **increase transparency and reduce tax evasion**.

**SPED includes several modules, two of which are particularly relevant for corporate taxpayers:**

- **ECD (Digital Accounting Bookkeeping):** This is the electronic version of traditional accounting books. Companies must file it annually, including the journal, general ledger, trial balance, and financial statements.
- **ECF (Digital Tax Bookkeeping):** This module replaces the traditional Corporate Income Tax Return. It includes detailed information about the company's financial performance, tax base calculations, and adjustments required for tax purposes.





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# Permanent Establishment and **Withholding Taxes**

**Non-resident companies** doing business in Brazil may trigger a **permanent establishment (PE)** if they maintain a fixed place of business or conduct business through a **dependent agent**. Once PE is deemed to exist, the entity is **subject to local corporate income tax and compliance obligations**.

**Brazil also imposes withholding taxes on cross-border payments.** Dividends are currently exempt from withholding tax, but **interest, royalties, and technical service fees** are subject to rates ranging from **15% to 25%**, depending on the nature of the payment and the recipient's jurisdiction. It's important to note that **Brazil does not follow the OECD Model Tax Convention** and is not part of the OECD Multilateral Instrument (MLI), so **each treaty must be reviewed individually**.

A **proposed tax reform bill under review** may **introduce changes to dividend taxation** and alter the withholding regime. Businesses should monitor these developments closely.

Companies looking to enter or expand into the Brazilian market should consider **partnering with experienced local tax and accounting professionals like H&CO**. Staying informed about legislative updates and utilizing available digital tools are essential steps to maintaining regulatory compliance and optimizing your tax situation in this dynamic environment.





An aerial photograph of a city at dusk or dawn. A large cable-stayed bridge with a tall, triangular pylon and numerous stay cables spans a river. The city skyline is visible in the background, with many high-rise buildings. The sky is a mix of blue and orange hues. In the foreground, there are multi-lane highways with some traffic. A large white number '8' is overlaid on a blue speech bubble shape in the lower-left quadrant.

8

**H&CO conquers  
new frontiers  
beside you**

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Facilitating 800+ business expansions and 2,000+ cross-border investment projects annually.





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