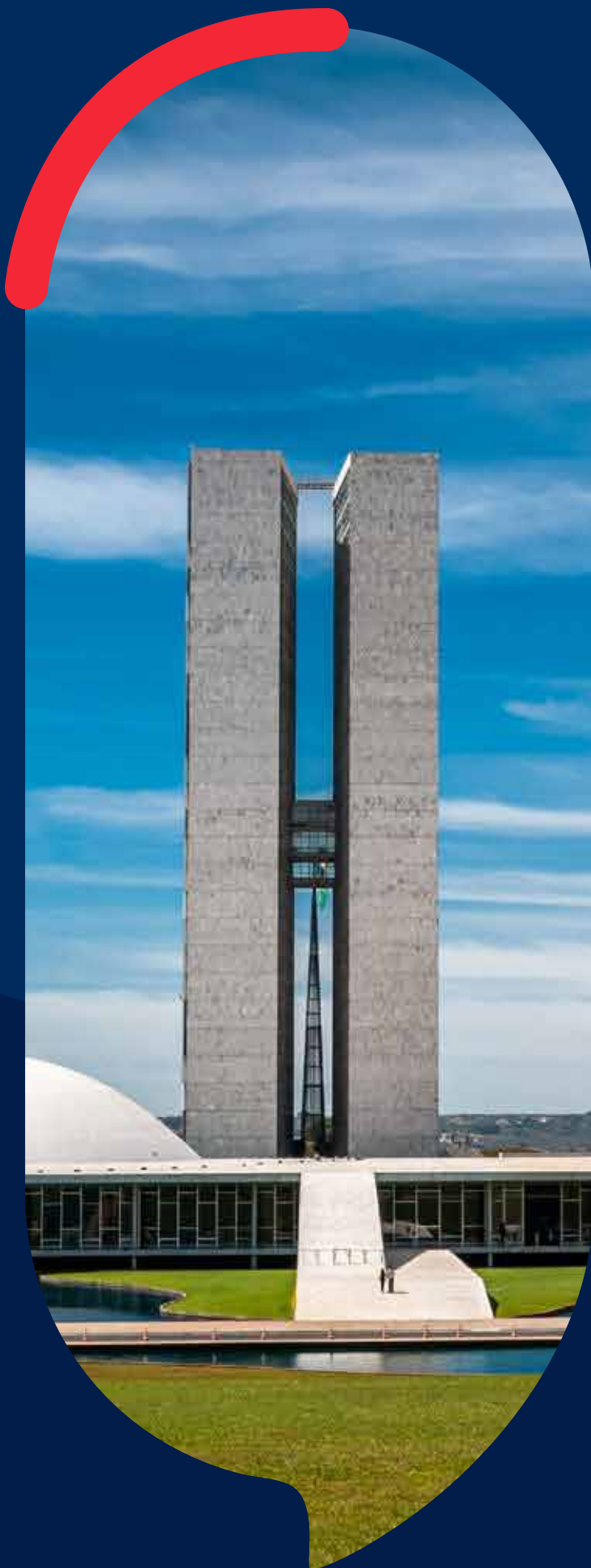


— Doing Business in **BRAZIL**



H&CO.



This guide has been prepared to provide basic information to people interested in investing and doing business in Brazil.

The following guide does not cover in detail all the requirements and topics that must be considered, but is intended to provide a general idea of the advantages of doing business in Brazil and the basic requirements regarding tax matters.

This document is intended to be used for informational purposes and its content is based on the information and regulations that came into force as of January 2023. If you wish to obtain more information, we recommend that you consult a professional tax advisor.



About us?

Since 1992, we have worked with one primary goal in mind “to simplify the burden of global compliance and maximize global operations through technology-enabled transformations.” Over the years, we empower people and organizations to conquer new frontiers by providing world-class global services in more than 29 countries.

Additionally, we are members of the BDO Alliance and founding members of BLITA International, an international association of independent tax advisors.



C O N T E N T

Brazil business guide

01

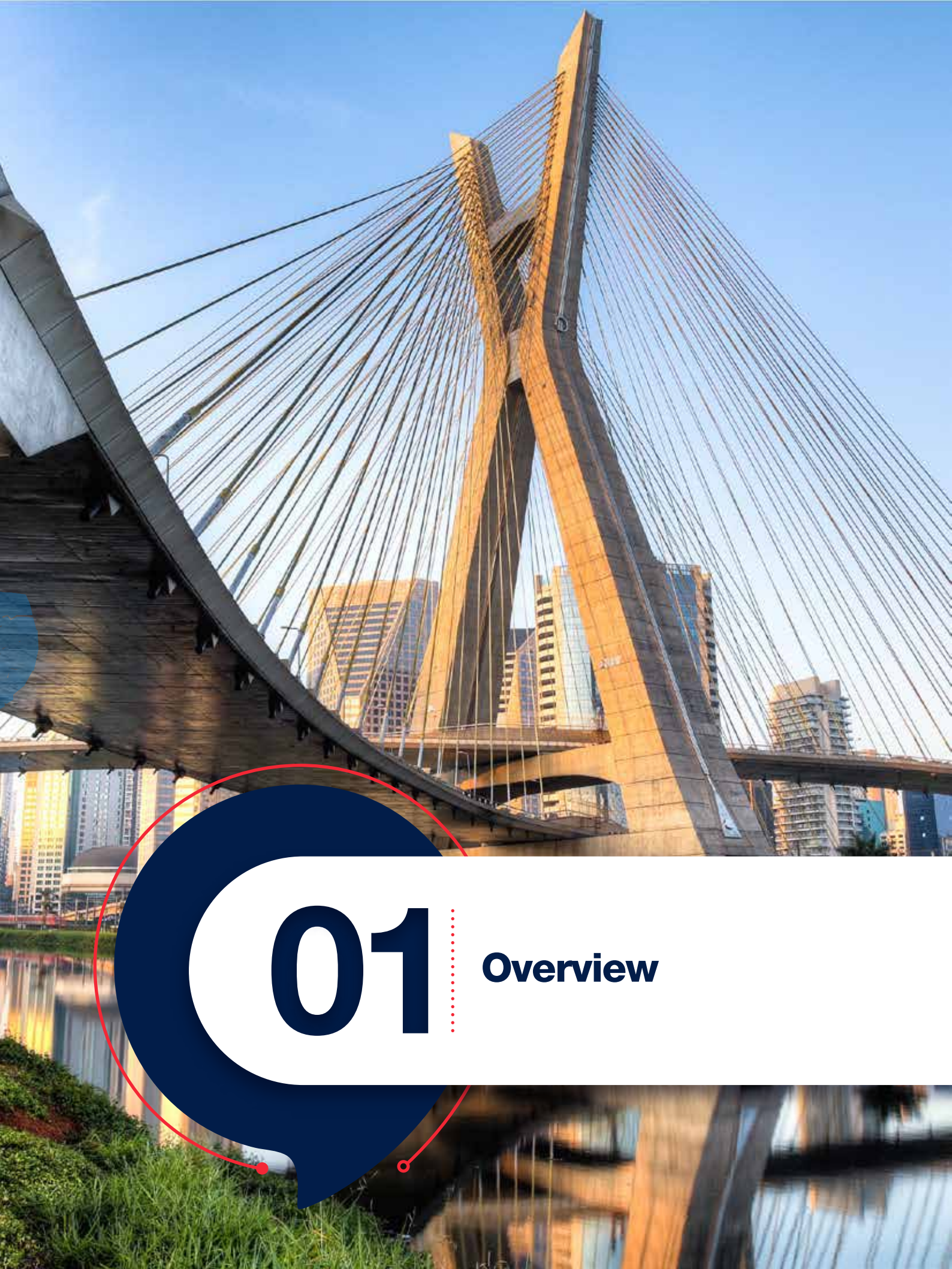
Overview

02

Doing business
in Brazil

03

Tax in Brazil



01

Overview

Geographic Location

Brazil is situated in the east-central part of South America, bordering the Atlantic Ocean in east and north east.

It is bordered by French Guiana, Suriname, Guyana, and Venezuela in north, by Colombia in north-west, by Peru, Bolivia, and Paraguay in west, by Argentina in south-west, and by Uruguay in south.

Country characteristics

Brazil occupies an area of 8,514,877 km² (3,287,597 sq mi), making it the fifth largest country in the world and also the largest country in South America and in the Southern Hemisphere.

The climate is equatorial, hot all year round with constant rain, in the northwest, in the Amazon rainforest, while it is tropical with a dry season in the centre-south. In the extreme south, on the other hand, the climate is subtropical, with mild winters (but colder than in the rest of the country) and hot summers.

Federal Capital

Brasília, 3,094,325 inhabitants

Political Regime

The politics of Brazil take place in a framework of a federal presidential representative democratic republic, whereby the President is both head of state and head of government, and of a multi-party system. The political and administrative organization of Brazil comprises the federal government, the 26 states and a federal district, and the municipalities.

Democracy Index

Flawed Democracy



Economic Freedom

133rd globally and 26th in the Americas

Tax treaties

Brazil signed tax treaties to avoid double taxation with the following countries: Argentina, Austria, Belgium, Canada, Chile, China, Colombia (*), Czech Republic, Denmark, Ecuador, Finland, France, Hungary, India, Israel, Italy, Japan, Luxembourg, Mexico, Netherlands, Norway, Paraguay (*), Peru, Philippines, Portugal, Russia, Singapore, Slovakia, South Africa, South Korea, Spain, Sweden, Switzerland, Trinidad & Tobago, Turkey, Ukraine, United Arab Emirates, Uruguay (*), and Venezuela.

(*) Treaties pending ratification (not yet in force).

In the case of the United States, United Kingdom, and Germany, the Brazilian authorities have already officially recognised the reciprocity of tax treatment, which permits the offsetting of the tax paid in those countries against the tax due in Brazil, on the same earnings.

Foreign tax relief

Tax credits are available with respect to income tax paid to countries with which Brazil has a ratified tax treaty or to countries that would render reciprocal treatment in relation to income tax paid to the Brazilian government, provided that some requirements are met.

OCDE

Participating non-member



Country strongest economic regions, cities and main industry sectors

North

The North region is the largest region of Brazil, which borders six different South American countries.

States	Area	Population	Demographic Density	HDI	GDP
Amazonas (AM) Roraima (RR) Amapá (AP) Pará (PA) Tocantins (TO) Rondônia (RO) Acre (AC)	45%	16,000,000	3.77 people/km ²	0.764	201.511.000 BRL

● Climate

The states comprising this region have their territories predominantly covered by the Amazon rainforest and subsequently an equatorial climate: high temperature and high rainfall levels.

● Population

Despite being the second least populated region of Brazil, the North is home to a diverse population of indigenous tribes, migrants from the Northeast and South and the local descendants of colonies. The place is also marked by huge properties and the constant and violent conflict between landowners and indigenous tribes.

● Economy

Its economy is driven by the extraction of raw materials from the Amazon forest and by the mining, highlighting the Serra dos Carajás (Pará), from which the highest amount of iron ore is extracted in the country and the Serra do Navio (Amapá) a major producer of manganese.

Even having the smallest contribution to the Brazilian GDP, the North has a huge industrial concentration thanks to the Manaus Free Trade Zone, which provides tax incentives to foreign and national companies developing business activities in the region. The free trade zone makes the place a technology hotspot in Brazil.

Northeast

Northeast is the Brazilian region with the largest coastline of the country, which makes the region very appealing to tourists around the world. They are a very important source of income for the Northeast, thousands of foreign and Brazilian tourists visit the Northeast annually in search of beautiful beaches, vistas and sun.

States	Area	Population	Demographic Density	HDI	GDP
Maranhão (MA) Piauí (PI) Ceará (CE) Rio Grande do Norte (RN) Pernambuco (PE) Paraíba (PB) Sergipe (SE) Alagoas (AL) Bahia (BA)	18%	53,000,000	32 people/km ²	0.720	507.502.000BRL

●Climate

Composed by many states, the Northeast presents not one type of climate, but four different ones. In the interior of the states there is a semi-arid climate, while in the south of Bahia and in the center of Maranhão the climate is tropical. Coastal areas are humid and coastal climate accompanies them while the humid equatorial climate can be found in the west of Maranhão.

●Population

The Northeast region was the first place effectively colonized by the Portuguese in the 16th century and that explains the ethnic diversity presented there. When Portugal caravelas arrived in the northeastern lands, indigenous people were already established there, which promoted a cultural meeting between the natives and Portuguese, and with time, Africans slaves were brought. The ethnic and cultural mix of these three groups still marks the composition of the Northeastern population today.

●Economy

The beginning of Brazilian economy is historically based on activities linked to Pau-Brasil extraction and sugarcane production, both initiated in Northeast. These activities predominated the country's economy for many years making the region the richest one of Brazil until the mid of the XVIII century. However, over the years, the economy has stagnated.

In the 21st century, the Northeastern economy started to recover, being currently the third largest economy among the five Brazilian regions. Many industries have left the Southeast and settled in the Northeast in the search of tax benefits. Activities related to IT, oil extraction, raising goats, agriculture of tropical fruits, honey production and shrimp fishing are two very strong sectors of the Northeast economy as well.

Center-West

The Center-West is the second largest region of Brazil by area, but in terms of population it's the least populated one. It's the only region that has borders with all other Brazilian regions and also with other countries. That's why military bases were constructed there in the past in order to defend the Brazilian frontiers. The borders and the construction of Brasília helped to populate this interior region.

States	Area	Population	Demographic Density	HDI	GDP
Mato Grosso (MT) Mato Grosso do Sul (MS) Goiás (GO) Distrito Federal (DF)	19%	14,400,000	8.97 people/km ²	0.815	350.596.000 BRL

● Climate

In the Center-West the tropical semi-humid climate dominates, with the presence of two well defined seasons: a wet summer, with rainfall between the months of October to March and a dry climate during the winter months between April to September with temperatures ranging around 25 and 19 degrees. The countryside climate is very common in this region.

● Population

The indigenous people were the first inhabitants of Center-West Region and they still a very strong presence there nowadays, but they weren't the only ones to live in the region. The Brazilian-Portuguese – known as bandeirantes – arrived after the indigenous people. They came to found a series of villages due to the discovery of gold the region. Farmers from Minas Gerais and São Paulo also occupied Center-West, where they organized huge farms for cattle creation. According to studies, Center-West is composed of 66.6% European descendants, 21.7% African descendants and 12% indigenous descendants.

● Economy

The Center-West region has a relatively large urban population, while in rural areas the predominant population densities are low, indicating that extensive livestock is the most important activity. Commercial agriculture, in turn, has gained great prominence in recent years and now exceeds vegetable and mineral extraction.

The Industrial activities are still not very extensive; however, it's remarkable that the agro-industrial district of Anapolis is where the largest industrial park in the Center-West of Brazil is located. The area's main highlights are the production actives for the pharmaceutical and fertilizers industry.

Southeast

The Southeast is the vital center of the country, where the largest cities, the highest population density, the largest deposits of iron ore, the largest hydropower plants, the largest rail network and the best ports are concentrated. It's the most important industrial, commercial and financial region of Brazil, employing 70% of the Brazilian working class.

States	Area	Population	Demographic Density	HDI	GDP
São Paulo (SP) Rio de Janeiro (RJ) Espírito Santo (ES) Minas Gerais (MG)	11%	84,400,000	84.21 people/km²	0.824	2.088.221.000BRL

● Climate

The region has several types of climate, being the tropical climate the one that prevails in the coastal areas of Rio de Janeiro, Espírito Santo, the north of Minas Gerais and west of São Paulo. Usually the temperatures are high with two well-defined seasons: the summer – marked by heavy rain – and the winter – very dry.

● Population

The Southeast population might be considered the most diverse of Brazil, composed of all kinds of nationalities, ethnicities and skin colors. The region was inhabited by indigenous tribes when the Portuguese occupation occurred. With the coffee expansion in the late 19th and early 20th century, the Southeast received immigrants from different parts of the world, mainly Italian, Japanese, Germans, Syrians and Lebanese to work in the coffee plantations.

The migration flow to the region has never ceased, later Spanish, Korean, Polish, Swiss, Dutch, French and many others came to the Brazilian Southeast. It's estimated that more than 70 different nationalities compose the Southeastern population. Besides the foreign immigrants, the southeastern states, in particular São Paulo, attracts hundreds of thousands of migrants from others Brazilian regions.

● Economy

Economically, the Southeast stands out as the most developed regions of the country, housing the largest Brazilian industrial park. The industry is quite diverse, operating in segments of steel, metallurgical, automotive, computer technology, food, petrochemical, and many others.

The livestock is practiced with modern techniques, which increases productivity. Another important source of funding is the service sector, with banks, capital markets and tourism, especially in the coastal city of Rio de Janeiro and business center of São Paulo.

South

The South may be the smallest area of the Brazilian territory, but its population is twice as large as the number of inhabitants of North and Center-West regions. With a relatively equal development in primary, secondary and higher education sectors, this population presents the highest literacy rates recorded in Brazil, which explains the social and cultural development of the region.

States	Area	Population	Demographic Density	HDI	GDP
Paraná (PR) Rio Grande do Sul (RS) Santa Catarina (SC)	7%	27,700,000	47.99 people/km²	0.831	622.255.000BRL

●Climate

The South is the only Brazilian located almost entirely below the Tropic of Capricorn, therefore, this region is the coldest of Brazil. At higher elevations, there is occasional snowfall and frosts. The seasons are well defined and rains are usually distributed in large quantities throughout the year.

●Population

The indigenous, as in all Brazilian regions, were the first inhabitants of South, but with the colonization of the country European foreigners started to occupy the region. The southern forests were colonized by German, Italian and Slav immigrants, which made the region, have a European appearance in architecture and physical characteristics of its population. The southern region of fields was, since the colonization, occupied by landowners.

●Economy

The southern forests are characterized by medium-sized farms with poly-cultural agricultural activities; the fields are used for extensive livestock production and for the cultivation of wheat and soybeans. Nowadays, with the rural exodus and agriculture innovations the land concentration has increased a lot.

Most of the South's income originated through services and industrial areas such as the metallurgy, textile, automobile and food sectors being very strong. There is also a predominant presence of extraction activities and electricity generation, mainly through the Itaipu Hydroelectric Power Plant, the second largest in the world.



🕒 Currency

Brazilian Real – BRL

🕒 Official Language

Portuguese

🕒 Is English widely used by the workforce?

Brazil is number 70 in level of fluency in English, out of 78 countries.

🕒 GDP Per Capita

USD 1,920,100,000,000 (2022)

🕒 Real GDP (constant, inflation adjusted)

\$1,766,230,000,000 (2022)

🕒 GDP per Capita

\$9,041 (2022)

🕒 Unemployment rate

6.4% in the third quarter of 2024

🕒 Active Workforce

100 million people employed.

69 percent of the workforce are employed workers, and a quarter are self-employed.

Most employees are between the ages of 25 and 44, with the largest age group, 25.5 million workers, being between 35 and 44. 39 percent of the entire employed population worked in informal jobs, i.e., jobs that are not taxed or monitored by government agencies.

Demographics:

🕒 Population

212,311 (2024)

🕒 Life Expectancy:

72 years

Characteristics:

- Brazil population is equivalent to **2.6%** of the total world population.
- Brazil ranks number **7** in the list of countries (and dependencies) by population.
- The population density in Brazil is 25 per Km² (66 people per mi²).
- The total **land** area is 8,358,140 Km² (3,227,095 sq. miles).
- **91.0 %** of the population is **urban** (192,914,763 people in 2024).
- The **median age** in Brazil is **34.4 years**.

🕒 Main Cities

#	City Name	Population
1	Sao Paulo	12,400,232
2	Rio de Janeiro	6,747,815
3	Belo Horizonte	2,721,564
4	Salvador	2,711,840
5	Fortaleza	2,400,000
6	Manaus	2,219,580
7	Brasilia	2,207,718
8	Curitiba	1,948,626
9	Recife	1,653,461
10	Goiania	1,536,097
11	Belem	1,499,641
12	Porto Alegre	1,488,252



Social Classes

Educational Level

- **Classes A and B:** usually composed of those who have completed higher education. The younger generation in these classes tend to be fluent in several languages
- **Class C:** most people in this class have finished high school and there is also a significant quantity of people who have completed higher education or have at least a technical level degree
- **Class D:** people who tend not to finish high school
- **Class E:** people who do not attend or finish elementary school and illiterate people

Occupation

The educational levels previously presented support the level of submission among the five different classes. This employment relationship can be simplified as:

- **Class A:** composed of bankers, investors, business owners, major landowners and people with extraordinary skills for the industry they operate in
- **Class B:** composed of directors and managers, judges, prosecutors, highly educated professors, doctors, well qualified engineers, lawyers, etc
- **Class C:** composed of those who provide services directly to the wealthier groups, such as teachers, managers, mechanics, electricians, nurses, etc
- **Class D:** composed of people who provide services to Class C, such as housemaids, bartenders, bricklayers, people who work for civil construction companies, small store owners, low-paid drivers, etc
- **Class E:** composed of people who earn minimum salaries, such as cleaners, street sweepers and also unemployed people

Distribution Across Social Classes

The well known Brazilian statistics firm IBOPE Inteligência published, in early 2015, an economic classification of the Brazilian population. Their model is a bit more complex than the simple measure of a household's gross monthly income. They use the same classification labels with letters from A to E but measure assets to normalise purchasing power.

- **Class A:** 2,7%
- **Class B:** 23,1%
- **Class C:** 47,5%
- **Class D and E:** 26,6%

Classes D and E are merged together as many of these households have less formal accommodation and they are difficult to accurately separate.

Geographic Distribution by Social Classes

In some regions there is a strong predominance of classes D and E, which is the case for the North, Northeast and Central-West regions, with the exception of the city of Brasília.

However, it is in the larger cities that social differences are most visible. A city like São Paulo, for example, has people from all five social classes. Sometimes this inequality can be observed in the same neighbourhood, where an upmarket building is located right next to a favela.

The same applies to Brasília, Brazil's capital and one of the cities that, along with São Paulo, present the highest levels of inequality.

This inequality occurs due to an intense migration movement that results in a significant population increase and a centralisation of job opportunities and salaries.

Southeast Region

This region includes the states of São Paulo, Rio de Janeiro and Minas Gerais.

- **Class A:** 3,3%
- **Class B:** 29,7%
- **Class C:** 51,2%
- **Class D and E:** 15,9%

South Region

This region includes the states of Paraná, Rio Grande do Sul and Santa Catarina.

- **Class A:** 3,2%

- **Class B:** 27,6%
- **Class C:** 53,5%
- **Class D and E:** 15,6%

Northeast Region

This region includes the states of Alagoas, Bahia, Ceará, Maranhão, Paraíba, Pernambuco, Piauí, Rio Grande do Norte and Sergipe.

- **Class A:** 1,1%
- **Class B:** 12,3%
- **Class C:** 39,4%
- **Class D and E:** 47,2%

Central-West Region

This region includes the states of Distrito Federal, Goiás, Mato Grosso do Sul and Mato Grosso.

- **Class A:** 3,7%
- **Class B:** 26%
- **Class C:** 48,5%
- **Class D and E:** 21,8%

North Region

This region includes the states of Distrito Federal, Goiás, Mato Grosso do Sul and Mato Grosso.

- **Class A:** 1,5%
- **Class B:** 13,7%
- **Class C:** 48,5%
- **Class D and E:** 21,8%





02

Doing business in Brazil

Key Benefits of doing business in Brazil

1. Largest economy in Latin America

2. Brazil has the fifth-largest population globally and a rapidly growing middle class, which means it has an enormous consumer market.

This large and diverse consumer market offers numerous exciting commercial opportunities for foreign companies from various sectors looking to reach new clientele in the country.

3. Diverse market opportunities

Brazil's diverse market offers a variety of investment and business opportunities for foreign companies:

Brazil's warm climate and natural resources have long made the country a global leader in agriculture. Plus, room for modernization within this sector has created unique opportunities for international companies with access to new technology to help modernize and improve industry efficiency.

Other national sectors present similar opportunities, such as energy, mobile app development, and financial tech, which are growing at impressive rates.

4. Advanced infrastructure and transportation facilities

Brazil's robust infrastructure and transportation facilities provide excellent support for businesses transporting goods within the country and beyond:

a) local companies enjoy access to 175 maritime and river ports, large and developed roads, including one of the most extensive highway systems in the world, and numerous railway systems.

b) This robust domestic transportation infrastructure simplifies doing business across the country and opens doors for trade with other countries in South America.

5. International trade access

- c) Foreign companies operating in Brazil enjoy lucrative trade opportunities with ten other Latin American countries of the Southern Common Market (MERCOSUR) trade bloc.
- d) MERCOSUR facilitates duty-free goods exchange between the four founding member states (Argentina, Brazil, Paraguay, and Uruguay) and tariff reductions on trade with seven associated countries (Bolivia, Chile, Colombia, Ecuador, Guyana, Peru, and Suriname).
- e) Brazil is also a member of the BRICS trade group (Brazil, Russia, India, China, and South Africa), which represents more than 25% of the global GDP and 42% of the world's population.

Challenges of doing business in Brazil

Despite the numerous benefits of doing business in Brazil, foreign companies expanding to this market face significant challenges with skills shortages, high market entry costs, entity establishment processes, and a notoriously complex tax system.

Below we outline each of these challenges in detail:

1. Skills shortage

According to Korn Ferry Institute, Brazil's worker deficit across all skill levels will reach 15.8 million by 2030.

While several initiatives are currently in place to fill the skills gap and boost Brazil's growth potential, the skilled labor market in the country remains exceptionally competitive.

Many global companies doing business in Brazil invest additional effort into creating competitive, locally-tailored benefits packages to attract and retain top talent in their industry.

2. High cost to start a business

While there is no minimum required capital for starting a business in Brazil, obtaining the necessary licenses, completing inscriptions, and acquiring verifications with local, state, and federal authorities is costly.

Initial company registration costs are relatively low, averaging about R\$2,500 (US\$520), depending on the location, industry, and entity type. However, foreign companies face significant costs in taxes, municipal licenses, and annual registry charges ranging from 4.9% to 13% of income per capita.

Additionally, the purchase, transfer, and registration of business property entail fees of up to 3% of the property value. When added together, total expenses related to entity establishment in Brazil are exceptionally high.

3. **Low ease of doing business**

The reformation of entity establishment proceedings in Brazil has lagged behind the country's impressive economic growth in recent years. As a result, incorporation processes remain a significant headache for foreign companies entering this market.

On average, starting a business in Brazil requires about 11 procedures and takes roughly 119 workdays. According to the World Bank's Ease of Doing Business report, Brazil ranks 124th out of 190 countries for ease of starting and operating a local business.

4. **Complex tax system**

Brazil is notorious for having one of the world's most burdensome and excessively complex tax systems.

Its decentralized structure causes extreme complexity in tax laws, with 26 states and over 5,000 municipalities each responsible for enacting their own tax rules.

This complexity has resulted in tens of thousands of regulations at each level of government. Companies that fail to meet their tax obligations face hefty penalties ranging from 20% to 150% of the unpaid tax amount, depending on the circumstances.



Company Set up

Common legal structures

Brazil offers several legal structures for business operations. Some of the most common include:

- **Sociedade Limitada (Ltda):** This structure limits liability to company assets and is the most suitable option for small and medium enterprises.
- **Sociedade Anônima (S.A.):** This is a corporation with stricter regulatory requirements, suitable for larger enterprises and those intending to raise capital through public offerings.
- **Individual Microentrepreneur (MEI):** This designation simplifies the regulation for small businesses, allowing for reduced taxes and simplified compliance.

Estimated time to open an entity

The entire process of incorporating a new entity in Brazil can take 60-90 days, excluding the time needed to open a bank account.

Accepts foreign shareholders?

Foreign shareholders can incorporate a business in Brazil by following these steps:

1. Enroll with the Brazilian Federal Revenue's taxpayers' registry (CNPJ) within 30 days of initial filing.
2. Submit ultimate beneficial owner (UBO) information and relevant supporting documents.
3. Foreign companies can be partners, investors, or shareholders in Brazilian companies, making them subsidiaries of the foreign entity².
4. Both limited liability companies and corporations can have Brazilian or foreign individuals as members or shareholders³.
5. Foreign legal entities can be sole shareholders in Brazilian Limitadas, subject to certain restrictions⁵.



Needs local representation?

It is required for foreign companies to designate a legal representative (Representante Legal). This individual must be a Brazilian resident, serving as the point of contact for local authorities and ensuring compliance with Brazilian law.

General Payroll Information

A written employment contract is not required in Brazil. However, it is strongly recommended to furnish a written contract to include agreement on certain conditions and details. **These include:**

- Salary and benefits.
- Job role.
- Working hours.
- Place of work.
- Agreement on overtime pay and the offset of extra working hours.
- Probation periods.
- Fixed terms (if applicable).
- Employee's duties of confidentiality, non-disclosure agreements and non-competition clauses.
- Company policies and standard operating practices, such as IT-related practices and expense reimbursement.
- The conditions of travel and transfers.

Any provisions concerning the above may not be considered valid and enforceable if a written contract is not executed. In that case, the employment relationship would be subject to the Labor Code and interpreted similarly by any court.

The employment contract should additionally observe the following minimum conditions:

- The legal minimum wage or a minimum wage negotiated by CBA
- Holiday entitlement of 30 days, with payment of additional holiday pay at one-third of the regular salary
- Maximum working hours (normally eight hours per day and 44 hours per week)
- Payment of one extra month's salary (13th month's salary)
- Brazilian Severance Indemnity Fund (FGTS)

Contracts must be signed and registered at least 48 hours before the start date.

Probation Period

The maximum probation period in Brazil is 90 days, or in two terms totaling 90 days. If initially, an employee is subject to 45 days of probation, then it can be extended by an additional 45 days.

Working Hours: Workers can work eight hours a day or 44 hours per week, unless stated otherwise in an employment agreement or a collective bargaining agreement.

Minimum Wage: As of January 2024, the minimum wage in Brazil stands at 1,412 Brazilian reais per month.

Overtime pay:

- Maximum of 2 hours per day.
- Paid at 150.00% of the standard salary rate.
- Work on a holiday is paid at up to 200.00% of the regular pay.
- Collective bargaining agreements may provide for higher amounts of overtime compensation.
- It is not possible to make a fixed payment in lieu of overtime.

Trade Unions / Collective Agreements in Brazil

All employers and employees are mandatorily represented by their respective union. The unions that will represent the employer and its employees are linked to the activities performed by the company in each city or state.

Social Insurance information

Brazilian social security benefits are only available to Brazilians and foreigners who are contributing to the social security system in the form of contributions paid by the employer and the employee, or by the individual if they are a self-employed worker or business owner.

To benefit from the scheme, it is necessary to be registered and contribute every month. An employee will pay between 8 and 11 percent; a self-employed individual will pay 20 percent. This contribution guarantees that the contributor or their family will receive money in the event of illness, injury, accident, pregnancy or death of the payee.

Types of Leave

Employees are eligible for seven paid national holidays and five religious or municipal holidays. They are also eligible for three days' paid leave upon marriage, two days' paid leave for a period of mourning, and fifteen days' paid leave (annually) for illness. Paternity leave (Licença Paternidade) is paid for five days and maternity leave is paid for 120 days. For every 12 months of service provided to the company, the employee receives 30 days of paid vacation



03

Taxes in Brazil

Tax Structure

The principal taxes levied upon sales transactions in Brazil are as follows:

- IPI (manufactured items; importations) – Federal;
- PIS and COFINS (kind of turnover taxes, charged upon all kinds of revenues) – Federal;
- ICMS (commercial transactions with merchandises in general; importations) – State;
- ISS (services in general) – Municipal.

Except for the ISS, the aforesaid taxes usually permit the deduction of tax credits taken on the prior acquisitions – the exceptions are numerous and require specialized case-by-case analysis

1. Corporate Income Tax

Corporations are subject to tax on worldwide income at a nominal rate of 15%, but the tax rate is 34% with surtax and social contribution.

2. Personal Income Taxation

Brazil has anti-avoidance rules and preferential tax regimes.

3. Excise Tax (IPI)

Normally between 5% and 30%.

4. Federal VATs (PIS/COFINS)

Generally a combined rate of 3.65% (cumulative) or 9.25% (non-cumulative).

5. State VAT (ICMS)

Normally between 17% and 20%.

6. Municipal Service Tax (ISS)

2% to 5% (cumulative)

Tax Regimes

- I Brazilian resident companies are taxed on worldwide income.
- I Non-resident companies are generally taxed in Brazil through a registered subsidiary, branch, or PE, based on income generated locally.
- I Non-resident companies can be subject to withholding tax (IRRF) on income derived from a Brazilian source.
- I Brazil has four systems of corporate income taxation: Presumed Profit Method, Actual Profit Method, Arbitrated Profit Method, and SIMPLES (Simplified tax regime).
- I Brazilian taxpayers are subject to IRPJ and CSLL using an 'actual profits' method (i.e. APM - Lucro Real).

Corporate Income Tax

Under the taxable income is calculated on a quarterly basis and corresponds to a deemed profit margin applied over gross revenue, adjusted as determined by tax law.

Generally speaking, for IRPJ purposes, the statutory profit margin is defined as 8% of gross revenue for most commercial and manufacturing activities, over which the regular 25% IRPJ rate is applied (15% plus a surcharge of 10% on annual taxable income in excess of BRL 240,000).

For CSLL purposes, the presumed profit margin is defined as 12% for the same activities, over which the 9% rate is levied. For most services, the profit margin is set at 32% for both IRPJ and CSLL, although exceptions do apply.

The benefit of this method lies in its simplicity, as it disregards expenses and costs and also requires no transfer pricing adjustments for import transactions with related parties. It is usually advantageous for qualifying companies whose actual profit margins are higher than the statutory presumed profit margins.

Actual profit method

In contrast, under the actual profit method, computed on either an annual (calendar year) or quarterly basis, taxable income is calculated over book results, adjusted by certain additions and exclusions, as determined by Brazilian legislation. Tax losses generated can be carried forward indefinitely, however, taxpayers may only compensate up to 30% of the taxable profit generated in a given year with accumulated losses.

Accounting and Fiscal Obligations

Financial Records

Businesses are required to maintain accurate financial records, comply with Brazilian Generally Accepted Accounting Principles (BR GAAP), and fulfill tax filing obligations timely. The intricate nature of Brazil's fiscal requirements highlights the need for diligent financial management and record-keeping.

Digital Accounting in Brazil and EFD-Reinf

Brazil stands at the forefront of digital accounting innovation with the Public Digital Bookkeeping System (SPED) transforming tax reporting and compliance. The Digital Tax Bookkeeping System (EFD-Reinf) further augments this digital landscape, mandating the electronic submission of revenue and tax withholdings information by businesses. Embracing these digital systems is crucial for operational efficiency and compliance.

Tax Year

From 1 January to 31 December

Accounting Standards

Brazil adopted the IASB's International Accounting Standards on a gradual basis between 2008 and 2010. As a consequence, there are several important changes to the Brazilian accounting practices, the most important of which is that these new accounting practices are required not only in consolidated financial statements but also in the individual financial statements (Law 11638/07). These include the recognition of leasing transactions, depreciation treatment, the recognition of intangible assets, impairment concept etc.

Accounting Regulation Bodies

Regulation of financial institutions

Accounting Reports

Financial statements must include at least: a balance sheet, profit and loss statement, statement of cash flows and notes to the financial statements.

Publication Requirements

Commercial companies are required to annually publish a balance sheet, a profit and loss account and all the information necessary to understand the financial health of the company. The documents are required within the 60 days preceding the shareholders' Annual General Meeting.

Professional Accountancy Bodies

CFC, Federal Accountancy Council
CPC, Accounting Pronouncements Committee

Certification and Auditing

Independent auditors and international firms are registered with the Instituto Brasileiro de Contadores. Financial statements are controlled by an independent auditor registered with the 'Securities and Exchange Commission' or the 'Instituto Brasileiro de Contadores'. Approximately half of the audits in Brazil are carried out by international audit firms. The present trend is towards an increase in the number of companies audited, even those which are not required to be audited. The guarantee of quality arising from a certification represents a considerable advantage for Brazilian companies.





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