

CONTABILIDADE  
PESSOAL  
TRIBUTOS

AUDITORIA E DUE DILLIGENCES

RH ESTRATÉGICO  
ARQUIVOS DIGITAIS

PLANEJAMENTO TRIBUTÁRIO



GRUPO  
**PLANUS**  
SOLUÇÕES EMPRESARIAIS

FORMAÇÃO DE PREÇOS  
SISTEMAS

TRIBUTAÇÃO DE EXPATRIADOS

SOCIETÁRIO  
GESTÃO FINANCEIRA

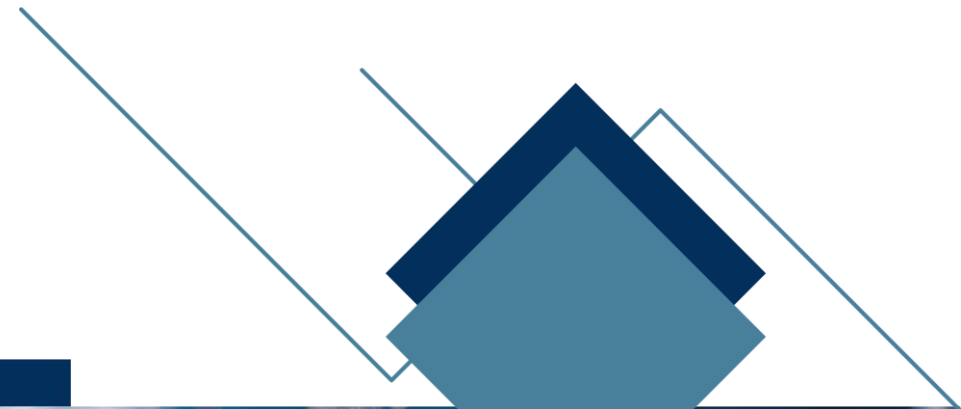
COMÉRCIO EXTERIOR  
IMIGRAÇÃO  
CÂMBIO |  
BANCO CENTRAL





# Brazil at a glance

- World 5th largest country
- 215 million people (7th)
- 2nd economy of the Americas
- 8th world economy
- GDP 2022 GBP 3,4 trillion PPP
- Economy: Agriculture (8%), Industry(22%) and Services (70%)
- 26 Forbes 2000 companies



# Challenges

- Complex tax system
- Heavy tax reporting structure
- High tax-to GDP ratio
- Old Labor Law
- English not common knowledge
- Hard to find qualified professionals
- Strict visa regulations
- Paper trail for funding
- Paper trail for Import / Export



# Challenges

TOPIC RANKINGS	DB 2020 Rank	Estimated Time
Starting a Business	138	13,5 days
Dealing with Construction Permits	170	384 days
Getting Electricity	98	132 days
Registering Property	133	24,5 days
Getting Credit	104	-
Protecting Minority Investors	61	-
Paying Taxes	<b>184</b>	1501 hours / year
Trading Across Borders	108	61 hours to export / 54 to import
Enforcing Contracts	58	731 days
Resolving Insolvency	77	4 Years

World Bank  
Doing  
Business  
Rank (124th  
of 190  
economies)





# Positive Aspects

- Biggest economy of Latin America
- 210 million people consumer market
- 2nd out of 190 countries in digital government maturity\*
- No petty corruption
- Respect for private property
- Diversified and clean energy matrix
- Rich mineral and energy resources
- Free flow of funds in and out
- Despite complexity, tax system is manageable with proper knowledge

\* The World Bank, GovTech Maturity Index 2022





# Funding

- International capitals – free flow, but monitored
- Investment, Loans, long term imports and rentals require reporting
- Popular funding options:
  - Share Capital (easy but not flexible)
  - Loans (beware thin cap and transfer price rules);
  - Services (beware TP rules); subject to some taxes
- Repatriation of funds:
  - Dividends
  - Loan Repayment (note fx effect and interest WIT)
  - Hiring intercompany services – careful with taxes





# Tax Returns – Federal Revenue

FEDERAL REVENUE TAX RETURNS				
Name	Who	Description	Time	Deadline
DIRF	Main Office	Retained Tax information; all taxes retained when paying individuals or legal entities, in any kind of payment, are reported, in an yearly base	Year	End of February, following year
ECF	Main Office	Annual tax file containing the monthly calculations for corporate taxes, reconciliation between accounting result and taxable base and other adjustments	Year	End of July, following year
DCTF	Main Office	Monthly tax return, comprising information of net payable federal taxes of any kind as well as vinculation of payment forms and compensations with the payable tax declared	Month	15th working day of the second following month
DCTF-Web	Main Office	Monthly tax return, comprising information of net payable social security contributions and retentions, as well as vinculation of payment forms and compensations with the payable tax declared	Month	15th calendar day of the following month
ECD	Main Office	Digital file containing the complete bookkeeping information of the company in the Day / Ledger Book + monthly trial balances format, according to a standard chart of accounts and layout file stated by Federal Authorities	Year	End of June, following year
EFD Contribuições	Main Office	Digital file containing detailed information on PIS, COFINS and Social Security, demonstrating taxable base, tax credits, tax retention, tax benefits and such.	Month	10th working day of the second following month
EFD Reinf	Main Office	Declaration of services taken with staff allocation; tax retentions on services hired; report of Social Security on income and specific segment information and some kinds of industries	Month	15th calendar day of the following month
DIRBI	Main Office	Report disclosing any kind of tax benefits and exemptions on Federal Taxes used by the company	Month	20th calendar day of the 2nd following month
Earnings Report	Main Office	A detailed report containing monthly payments made throughout the year to individuals and corporations, regardless of tax retentions	Year	End of February, following year



# Tax Return – State, City, Payroll

STATE REVENUE TAX RETURNS				
Name	Who	Description	Time	Deadline
GIA-ST	Each company branch delivers its report	Monthly tax return with a compilation of all ICMS related operations subject to tax substitution.	Month	9th/10th day of the following month
DECLAN	Each company branch delivers its report	A compilation of ICMS related operations + tax information + inventory information	Year	State authorities determine the date - generally between April and May
EFD ICMS/IPI	Each company branch delivers its report	Digital file containing detailed ICMS related operations, with a compilation of the tax calculations. This is reported to the Federal Revenue AND states, in a specific file layout	Month	20th of the following month
CITY REVENUE TAX RETURNS				
Name	Who	Description	Time	Deadline
Nota Carioca	Each company branch delivers its report	Information about services hired from companies in different cities	Month	10th of the following month
SOCIAL SECURITY / LABOR TAX RETURNS				
Name	Who	Description	Time	Deadline
E-SOCIAL / FGTS Digital	Each company branch delivers its report	Real time system covering bookkeeping payroll, maintaining a complete and updated register of employees, as well as all social events related to workers. Information about vacations, certified occupational health, termination of contract and even information about labor actions.	Real Time	Following day/ 7th of the following month

# Most Common Taxes

- II – Import tax (customs only)
- IPI – Tax on Manufactured Products
- PIS and COFINS – taxes on gross revenue or imports, with a social destination
- ICMS – Sales Tax
- ISS – Service Tax
- IRPJ – Income Tax
- CSLL – Social contribution (Income Tax 2)
- IOF – Tax on Financial Operations
- CIDE – Special Economical Contribution
- INSS / CPRB – Social Security





# Two tax modes to choose from (changeable at every new year)

## Classic mode: Real Profit

- Same as most countries: Income Tax over P&L +/- adjustments
- Income Tax – 25% over tax base
- Social Contribution (CSLL) – 9% over tax base
- Higher PIS and COFINS at 1,65% and 7,6%, with possibility of tax credits (costs paid to legal entities)
- Tax loss carryforward – no time limit; used to reduce up to 30% of current profit base
- Conservative, good for loss or low margin, e.g., pre-op period
- Attention to deductibility of expenses
- High compliance required



# Two tax modes to choose from (changeable at every new year)

## Alternative: Deemed Profit

- Income Tax and CSLL are mostly calculated on a fixed percentage of the gross revenue:
- Service / Rental base: 32%
- Sales / Manufacturing base: 8% for IR, 12% for CSLL
- Lesser PIS and COFINS at 0,65% and 3%, with no tax credits
- No loss compensation; no loss carry-forward
- Good for high profit activities
- Deductibility of expenses not a concern
- Less compliance required
- Capped at BRL 78 million / year



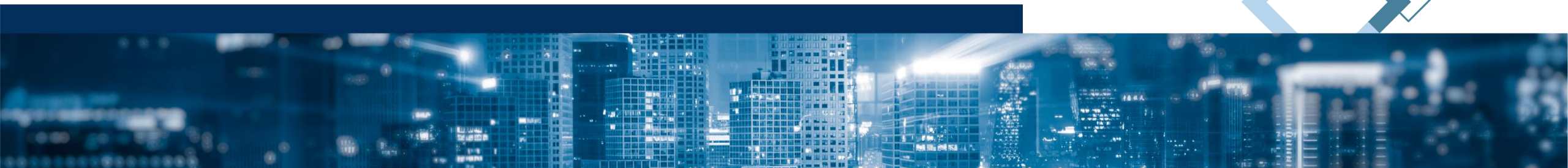


# Real Profit x Deemed Profit Example 1 – Sales Company

Real Profit (Lucro Real)	
<b>Gross Revenue - Sales</b>	<b>3.000.000,00</b>
PIS 1,65%	(49.500,00)
COFINS 7,6%	(228.000,00)
ICMS 20%	(600.000,00)
<b>Net Sales</b>	<b>2.122.500,00</b>
Costs paid to legal entities in Brazil	(1.200.000,00)
PIS/COFINS Credits	111.000,00
Other costs	(200.000,00)
<b>Gross Profit</b>	<b>833.500,00</b>
Overheads	(200.000,00)
<b>Profit Before Taxes</b>	<b>633.500,00</b>
Profit Taxes	(191.390,00)
<b>Net Result After Taxes</b>	<b>442.110,00</b>

Deemed Profit (Lucro Presumido)	
<b>Gross Revenue - Sales</b>	<b>3.000.000,00</b>
PIS 0,65%	(19.500,00)
COFINS 3%	(90.000,00)
ICMS 20%	(600.000,00)
<b>Net Sales</b>	<b>2.290.500,00</b>
Costs paid to legal entities in Brazil	(1.200.000,00)
PIS/COFINS Credits	-
Other costs	(200.000,00)
<b>Gross Profit</b>	<b>890.500,00</b>
Overheads	(200.000,00)
<b>Profit Before Taxes</b>	<b>690.500,00</b>
Profit Taxes	(87.000,00)
<b>Net Result After Taxes</b>	<b>603.500,00</b>

Clever planning,  
optimized tax!



# Real Profit x Deemed Profit Example 2 – Sales Company

Real Profit (Lucro Real)	
<b>Gross Revenue - Service</b>	<b>3.000.000,00</b>
PIS 1,65%	(49.500,00)
COFINS 7,6%	(228.000,00)
ISS 5%	(150.000,00)
<b>Net Revenue</b>	<b>2.572.500,00</b>
Costs paid to legal entities in Brazil	(850.000,00)
PIS/COFINS Credits	78.625,00
Other costs	(1.200.000,00)
<b>Gross Profit</b>	<b>601.125,00</b>
Overheads	(400.000,00)
<b>Profit Before Taxes</b>	<b>201.125,00</b>
Profit Taxes	(48.270,00)
<b>Net Result After Taxes</b>	<b>152.855,00</b>

Deemed Profit (Lucro Presumido)	
<b>Gross Revenue - Service</b>	<b>3.000.000,00</b>
PIS 0,65%	(19.500,00)
COFINS 3%	(90.000,00)
ISS 5%	(150.000,00)
<b>Net Revenue</b>	<b>2.740.500,00</b>
Costs paid to legal entities in Brazil	(850.000,00)
PIS/COFINS Credits	-
Other costs	(1.200.000,00)
<b>Gross Profit</b>	<b>690.500,00</b>
Overheads	(400.000,00)
<b>Profit Before Taxes</b>	<b>290.500,00</b>
Profit Taxes	(302.400,00)
<b>Net Result After Taxes</b>	<b>(11.900,00)</b>

Not so brilliant...





# Taxes charged in an import operation (nationalization of goods)

Import Taxes			
Name	Rate	Recoverable?	Base
II	HS Code	Non Recoverable	Customs Value
IPI	HS Code	If resale / manufact.	Customs Value + II
ICMS	18%	If resale / manufact.	Customs Value + II + IPI + PIS + COFINS + itself!
PIS	2,1%	Yes, if cost and Real Profit	Customs Value
COFINS	9,65%	Yes, if cost and Real Profit	Customs Value

Note:  
Temporary  
Admission :  
1% / month







## REPETRO

- Tax benefit to the Oil & Gas industry
- Exemption of import taxes for O&G equipment on temporary admission

## DRAWBACK

- Tax benefit to export industries
- Exemption of import duties, conditioned on a future export

**Important note:  
REPETRO and  
DRAWBACK**



## ICMS

- on gross revenue (built into the price) 17% to 22%

## PIS

- on gross revenue minus ICMS. 0,65% or 1,65%

## COFINS

- on gross revenue minus ICMS. 3% or 7,6%

## CPRB Social Security (some activities)

1%, to 4,5% of gross revenue

## IPI

- (charged if sale of imported goods / own manufacturing) – rate according to HS code

# Taxes Charged on a Sales Operation





# Practical example – import and sell

**Example: Subsea tubes made of steel / plastics**

HS Code: 8307.10.10

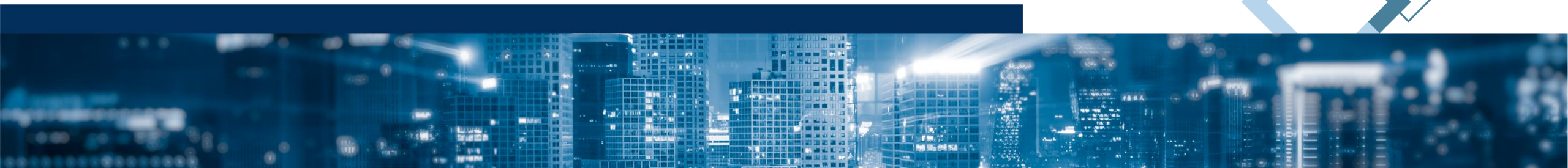
II: 0% / IPI: 3,25% / PIS: 1,65% / COFINS 9,65% / ICMS 22%

Total Customs Value = 10.000

Tax Assets,  
not cost  
(cash only)

Total cost = 1.000  
IPI credit = 325  
PIS credit = 210,00  
COFINS credit = 965,00  
ICMS credit = 2.524,39

HS Code	Import Cost	Tax Rates					Total Import Value
		II	IPI	PIS	COFINS	ICMS	
83071010	10.000,00	0%	3,25%	2,10%	9,65%	18%	14.024,39
		0,00	325,00	210,00	965,00	2.524,39	



# Practical example – import and sell

## Selling at break even:

HS Code	Net Inventory Value	Mark Up	Net Sales Value	Tax Rates				Total NF Value
				PIS	COFINS	ICMS	IPI	
83071010	10.000,00	0%	10.000,00	1,65%	7,60%	22%	3,25%	14.586,42
				181,82	837,47	3.108,00	459,14	

Mostly no cash used, as tax credits offset against these



# Taxes charged on Services Providing

## **ISS**

- 2% to (mostly) 5% – applied on gross revenue

## **PIS**

- 0,65% or 1,65% on gross revenue

## **COFINS**

- 3% or 7,6% – on gross revenue

## **CPRB Social Security (some activities)**

- 1% to 4,5% of gross revenue





# Withholding Taxes (services -legal entities)

- IRRF – 1,0%, 1,5% or 4,8%
- PIS - 0,65%
- COFINS – 3%
- CSLL – 1%
- INSS – 11% (allocation of manpower)
- CPRB – 3,5% (allocation of manpower)
- ISS – 2% to 5%, for specific services, according to local city laws and service code.



# Wire Transfer Taxes

## General rule for technical services, technology transfer, royalties and management services

COUNTRY WITH DOUBLE TAXATION AGREEMENT			
TOTAL WIRE COST		12.557,28	125,57%
BRAZIL IMPORT TAX	IOF	38,00	0,38%
	CIDE	1.000,00	10,00%
	ISS	500,00	5,00%
	PIS/COFINS	1.019,28	10,19%
<b>INVOICE VALUE</b>		<b>10.000,00</b>	<b>100,00%</b>
WITHHOLDING TAX	IRRF 15%	-1.500,00	-15,00%
Net Value received at destination		<b>8.500,00</b>	<b>85,00%</b>

COUNTRY <u>WITHOUT</u> DOUBLE TAXATION AGREEMENT			
TOTAL WIRE COST		14.678,33	146,78%
BRAZIL IMPORT TAX	IOF	38,00	0,38%
	CIDE	1.176,47	11,76%
	ISS	500,00	5,00%
	PIS/COFINS	1.199,16	11,99%
GROSSED UP VALUE		11.764,71	117,65%
WITHHOLDING TAX	IRRF 15%	-1.764,71	-17,65%
<b>INVOICE VALUE</b>		<b>10.000,00</b>	<b>100,00%</b>

**PIS/COFINS may be taken as a credit if, cumulatively: Brazilian entity is Real Profit AND the invoice relates to Cost of Sales / Services, not overheads**



- Argentina
- Austria
- Belgium
- Canada
- Chile
- China
- Czech Republic
- Denmark
- Ecuador
- Finland
- France
- Hungary
- India
- Israel
- Italy
- Japan
- Luxembourg
- Mexico
- Netherlands
- Norway
- Peru
- Philippines
- Portugal
- Russia
- Singapore
- South Africa
- South Korea
- Spain
- Slovakia
- Sweden
- Switzerland
- Trinidad and Tobago
- Turkey
- Ukraine
- United Arab Emirates
- Uruguay
- Venezuela

## List of countries with double taxation agreements with Brazil





- 
- 
- 
- Andorra
  - Anguilla
  - Antigua and Barbuda
  - Aruba
  - Ascension Island
  - Bahamas
  - Bahrain
  - Barbados
  - Belize
  - Bermuda
  - Brunei
  - Campioni D'italia
  - Channel Islands
  - Cayman Islands
  - Cyprus
  - Cook Islands
  - Djibouti
  - Dominica
  - United Arab Emirates
  - Gibraltar
  - Grenada
  - Hong Kong
  - Kiribati
  - Labuan
  - Lebanon
  - Liberia
  - Liechtenstein
  - Macao
  - Maldives
  - Isle of Man
  - Marshall Islands
  - Mauritius
  - Monaco
  - Montserrat
  - Nauru



## List of countries considered Tax Havens

- Niue
- Norfolk Islands
- Panama
- Pitcairn Islands
- French Polynesia
- Qeshm Island
- American Samoa
- Western Samoa
- Saint Helena
- Saint Lucia
- Saint Kitts and Nevis
- Saint Pierre and Miquelon
- Saint Vincent and the Grenadines
- Seychelles
- Solomon Islands
- Swaziland
- Oman
- Tonga
- Tristan da Cunha
- Turks and Caicos Islands

- Vanuatu
- US Virgin Islands
- British Virgin Islands
- Curacao
- Saint Martin
- Ireland

## List of countries considered Tax Havens



# PRIVILEGED TAX REGIMES

**Uruguay** - For legal entities constituted in the form of "Inversion Financial Companies" until December 31, 2010.

**Denmark, Netherlands and Austria** - For "holding company" which are not engaged in a substantial economic activity.

**Iceland** - For "International Trading Company" (ITC).

**United States of America** – For state "Limited Liability Company", whose participation is composed of non-residents, not subject to federal income tax.

**Spain** - For "Entidad de Tenencia de Valores Extranjeros".

**Malta** - For "International Trading Company" and "International Holding Company".

**Switzerland** – For holding/domiciliary/auxiliary/mixed/administrative companies (including other types of companies created by tax authorities' rulings) that pay Income Tax in less than 20%.

**Costa Rica** - For "Free Zone Regime".

**Portugal** - For "International Business Center of Madeira".

**Singapore** - A number of special tax regimes are deemed as privileged.





# Dividends

Cost for remitting dividends, after taxes, provided accumulated losses have been absorbed: 0%

There is currently a bill in Congress that may impose taxation on dividends as a counterpart to corporate income tax reduction.



# Payroll

## Company Taxes

20% Social Security (not if INSS is charged on revenue)

5,8% Social Assistance

0,5% to 6% accident insurance

8% FGTS (severance fund / saving account)

## Employee Taxes (retained by company)

Up to 27,5% Income Tax

Social Security (maximum of BRL 908,86)

## Other elements to consider

Christmas Wage (extra salary at the end of year)

Vacation (extra salary + 1/3 for every 12 months)

Food and Transport (vouchers, not money)

Labor Union specific demands



# Payroll

		REGULAR EMPLOYEES	COMPANY OFFICER
	<b>TOTAL MONTHLY COST WITH ACCRUALS</b>	<b>20.479,00</b>	<b>14.400,00</b>
Vacation and 13th salary - accruals and social charges on accruals	CHARGES OVER ACCRUALS	809,67	0,00
	1/12 VACATION	1.333,33	0,00
	1/12 CHRISTMAS WAGE	1.000,00	0,00
	<b>DIRECT MONTHLY COST - COMPANY</b>	<b>17.336,00</b>	<b>14.400,00</b>
Direct Social Charges on gross payable	FGTS 8%	960,00	0,00
	SOCIAL ASSISTANCE 5,8%	696,00	0,00
	SOCIAL SECURITY 20%	2.400,00	2.400,00
	ACCIDENT INSURANCE 1,5%	180,00	0,00
	<b>GROSS AMOUNT DUE</b>	<b>13.100,00</b>	<b>12.000,00</b>
Not taxable if not given in money	MEAL TICKETS	660,00	0,00
	TRANSPORT TICKETS	440,00	0,00
	<b>GROSS SALARY</b>	<b>12.000,00</b>	<b>12.000,00</b>
Taxation and co-participation of employee on allowances	(-) Withholding Social Security	908,86	908,86
	(-) Withholding tax	2.154,06	2.154,06
	(-) Co-participation on meals	132,00	0,00
	(-) Co-participation on transport	440,00	0,00
	<b>NET PAYABLE</b>	<b>8.365,08</b>	<b>8.937,08</b>

Total Burden	<b>65,89%</b>	<b>20,00%</b>
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