

## DETAILED ANALYSIS

## I. Copy of: Introduction

## A. Tax Systems Overview

## 1. Brazil – Tax Systems Overview

Characteristics	Portfolio Content
<b>General</b>	
Revenue authority	<i>The Federal Revenue Secretariat (RFB)</i>
Type of tax system	<ul style="list-style-type: none"> <li>Residents: Worldwide system. (<i>Corporations: Section V.C.2.; Individuals: Section IX.</i>)</li> <li>Non-residents: Brazilian-source income. (<i>Corporations: Section VI.A.; Individuals: Section X.</i>)</li> </ul>
Residence	<p>Corporations: A company is tax resident in Brazil if:</p> <ul style="list-style-type: none"> <li>It is incorporated under Brazilian law; or</li> <li>It opts to register its corporate headquarters in Brazil. (<i>Section V.C.1.</i>)</li> </ul> <p>Individuals: An individual is tax resident in Brazil if he or she:</p> <ul style="list-style-type: none"> <li>Is domiciled in Brazil;</li> <li>Is not domiciled in Brazil but resides in Brazil for 183 days or more during a 12-month period (<i>Section X.</i>); or</li> <li>Enters Brazil with a permanent visa or work visa to be an employee of a Brazilian company.</li> </ul>
Basic domestic nexus rule for foreign corporations	Under Brazilian income tax rules, a foreign legal entity that carries on regular business activities in Brazil is treated in the same manner as if it were a resident legal entity. ( <i>Section VI.C.</i> )
Treaty network	<p>Brazil has less than 40 tax treaties in force. Its treaty network covers most industrialized countries, except the United States, the United Kingdom (signed, but not yet in force) and Germany. (<i>Section XIII.B.1.</i>)</p> <p>MLI signatory: No. (<i>Section XIII.B.1.</i>)</p> <p>For the texts and status of Brazil's tax treaties, see <i>International Tax Treaties</i>.</p>
<b>Corporations</b>	
Corporate income tax rate	Rate of 15% plus a surtax of 10% on any taxable income exceeding R\$20,000 per month or R\$240,000 per year, plus a Social Contribution on Profits of 9% or 15%. ( <i>Section V.C.2.</i> )
General withholding tax rates on payments to non-resident companies	<ul style="list-style-type: none"> <li><i>Dividends:</i> Dividends payable by a Brazilian company to a Brazilian or non-Brazilian shareholder are currently not subject to Brazilian Withholding Income Tax (<i>Section VI.A.2.</i>);</li> <li><i>Interest:</i> 15% (<i>Section VI.A.3.</i>);</li> <li><i>Royalties:</i> 15% (<i>Section V.A.4.</i>)</li> </ul> <p>For the rates of source country taxation applying under Brazil's domestic law and tax treaties and the context for their application, see the <i>Withholding Tax Chart</i>.</p>
Net operating losses carry back/ forward	<ul style="list-style-type: none"> <li><i>Carryback:</i> No carryback is permitted. (<i>Section V.C.3.a.(2).(l.)</i>)</li> <li><i>Carryforward:</i> Tax losses incurred in one tax period may be set off against taxable profits realized in subsequent years but only to the extent of 30% of such taxable profits each year. There is no statute of limitations for using tax losses. (<i>Section V.C.3.a.(2).(l.)</i>)</li> </ul>
Restrictions on deductibility of interest expenses	There are thin capitalization rules in place. ( <i>Section V.C.3.a.(2).(b.)</i> )

Anti-Hybrid mismatch rules	No.
Incentives (major incentives, R&D)	Yes. ( <i>Section V.B.1.</i> )
Holding company regime	No.
Tax consolidation	There is no consolidation of profits and losses of different foreign companies controlled by the same Brazilian shareholder. ( <i>Section V.C.3.a.(1).(c).</i> )
M&A regime	There are rules that restrict and prevent the use of carried forward losses in mergers and spin offs (in proportion to the amount of net equity transferred to another entity in the case of a spin-off). ( <i>Section V.C.2.</i> )
OECD Pillar One and Two	No legislation enacted implementing Pillars One and Two. Legislation unlikely in the short to medium term. ( <i>Section IV.C.</i> )
Controlled foreign company regime	Yes. ( <i>Section XIII.B.5.</i> )
Transfer pricing regime	Yes. ( <i>Section XII.</i> ) Country-by-country report: Yes. ( <i>Worksheet I</i> ) See also <i>Chapter 25 of 6940 T.M., Transfer Pricing: Rules and Practice in Selected Countries (A-B).</i>
General anti-avoidance rule (GAAR)	No domestic law GAAR. ( <i>Section IV.C.</i> )
Mandatory disclosure regime	No. ( <i>Section IV.C.</i> )
Foreign tax relief	Relief may be granted by way of a credit under the terms of a tax treaty or unilaterally. ( <i>Section XIII.A.</i> )
<b>Individuals</b>	
Personal income tax rates	<ul style="list-style-type: none"> <li>• R\$2,212.01 — 2,826.65: 7.5%%</li> <li>• R\$2,826.66 — 3,751.05: 15%</li> <li>• R\$3,751.06 — 4,664.68: 22.5%</li> <li>• Above R\$4,664.68: 27.5%</li> </ul> ( <i>Section IX.</i> )
Equity incentives	There are no incentives for individuals to invest in stock.
Foreign tax relief	Brazilian law allows a foreign tax credit only if the relevant foreign country provides for reciprocal treatment or if an applicable tax treaty so provides. ( <i>Section XIII.A.</i> )
Wealth tax Inheritance tax Gift Tax	<ul style="list-style-type: none"> <li>• No wealth tax.</li> <li>• Yes (the rate depends on the State in which the donor or the beneficiary resides).</li> <li>• Yes (the rate depends on the State in which the donor or the beneficiary resides).</li> </ul> <i>Section V.D.4.</i>
Exit taxes	No.
<b>Other Taxes</b>	
VAT/GST/Sales tax	<p>The Brazilian system comprises both a federal and a state tax that operate like a VAT, known as the excise tax on manufactured products (IPI – the rates vary depending on the type of product and how it is used and the IPI may function as an excise tax), social contributions on revenues (PIS/COFINS – combined rate of 9.25%) and state VAT (ICMS) (levied at rates of up to 35%). (<i>Section V.B.</i>)</p> <p>Constitutional Amendment no. 132/2023 approved a tax reform to replace these existing taxes with two VATs, CBS (Contribution on Goods and Services, federal level) and IBS (Tax on Goods and Services – State/Municipal levels), and one excise tax (IS) levied on goods and services that can be harmful to health or the environment. The replacement process will start in 2026 and be completed in 2032. The legislation that creates these taxes is yet to be approved. Constitutional Amendment no. For further research on Brazil's VAT system, see also the <i>VAT Navigator</i>.</p>
Digital services tax	Payments for all services, including digital services, in Brazil are subject to a 15% withholding income tax and a 5% withholding service tax when made to a nonresident beneficiary. ( <i>Section IV.C.</i> )

Local taxes	Several state and municipal taxes apply. ( <i>Section IV.B.</i> )
<b>Administrative</b>	
Standard tax return filing date	<ul style="list-style-type: none"> <li>• Corporate Income Tax Return: filed for each calendar year (January 1 to December 31) by the last business day of July of the following year, even if the company concerned adopts a different fiscal year for corporate purposes. (<i>Section V.F.4.a.</i>)</li> <li>• Individual Income Tax Return: Residents must file a tax return annually by the last business day of April of the following year. In recent years, because of the pandemic and other factors, the RFB has postponed the filing deadline to the end of May, but has offered no assurance to the effect that it will continue to do so in future years (<i>Section IX.</i>)</li> </ul>
Limitation period for assessment	The tax authorities may issue tax assessments or supplemental assessments within a five-year period starting from the date on which the tax should have been paid and/or the date when the applicable tax return was filed. ( <i>Section IV.D.</i> )
Advance tax rulings.	Brazil does not have a system of rulings, but a taxpayer may consult the tax authorities. The tax authorities' answer ( <i>Solução de Consulta</i> ), issued by COSIT (RFB Coordination of the Taxation System), is binding on the taxpayer concerned and all other taxpayers in the same situation.

