Doing Business in Brazil

2009

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1. Introduction

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in over 70 countries throughout the world. Business partners work together through the network to conduct trans-national operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Brazil has been provided by the office of UHY representatives:

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Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at January 2009.

We look forward to helping you do business in Brazil.

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2. Business environment

The Currency of Brazil

The Brazilian currency is the Real. The investor must convert their foreign currency into Reais through a Brazilian financial institution by foreign exchange transaction. These transactions must comply with Brazilian foreign exchange regulations.

The Brazilian Foreign Exchange Market

Under Brazilian regulations there are two foreign exchange markets:

- the Free Rate Exchange Market and,
- the Floating Rate Exchange Market.

The Free Rate Exchange Market is also known as the Commercial Rate Exchange Market. It is used for import and export transactions and foreign investments registered with BACEN. BACEN regulates all exchange transactions through the Commercial Rate Exchange Market.

Many transfers of funds to and from Brazil may not be affected through the Free Rate Exchange Market, but may be through the Floating Rate Exchange Market. The law defines these transactions, and examples include: the payment of services provided abroad, the purchase of real estate in Brazil by non-residents and transfers to create cash funds. BACEN also regulates Floating Exchange Market transactions. They do not have to be formally registered with BACEN, but the bank that exchanges the funds is required to inform BACEN of the transaction.

Forms of Investment

Investments in Brazil can be direct or indirect. Direct investments are made by creating a new corporate entity or by acquiring an equity participation in existing Brazilian companies. Equity participation includes: investments of cash, investments by conversion of foreign credit and investment by importation of goods which have not yet been paid for.

Indirect investments are made by investing in the financial and securities markets where there is no requirement to create or acquire participation in a Brazilian company.[2]

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3. Foreign investment

Registration of Foreign Capital

In August 2000, BACEN introduced the Electronic Declaratory Registry for Foreign Direct Investments (RDE-IED), to simplify and speed up the registration process.[3]

Under this system the foreign investor or the Brazilian company receiving the foreign investment must register it. To do so, that party must first obtain a BACEN access code allowing it to use the SISBACEN – RDE-IED. It must then enter information on the Brazilian company, the foreign investor and their legal representatives into the system. Once all the information is recorded, the software will generate an RDE-IED number for each foreign investor and for the Brazilian company. This number allows these parties to sign the exchange contract converting the foreign currency to Brazilian Reais. Once the parties have signed the exchange contract, they must then register the investment with 30 days, using the SISBACEN – RDE-IED.

This registration allows the foreign investor to remit profits, dividends and the capital initially invested abroad through the same exchange market as it used to bring the capital to Brazil. If the parties do not register the investment, it will be treated as if it were a domestic investment. Furthermore, the foreign investor may be subject to heavy fines for not having registered the investment with BACEN within the prescribed period.

Registering foreign investment with BACEN allows the Brazilian government to control the entry and outflow of foreign currencies, and keep reliable statistics on foreign investments. The government uses these statistics to set foreign investment policies and assess their contribution to Brazil's social and economic development. For example, as of 31st December 2004, according to BACEN, the accumulated stock of foreign direct investment in Brazil stood at approximately US$161 billion.

Direct Investment

BACEN's prior approval is not required with respect to direct investments. They are destined for equity purchases or capital subscription in a

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Brazilian company. Investors can send their funds through the Free Rate Exchange Market to any bank BACEN has authorized to operate with foreign exchange.

There is generally no minimum value for foreign capital investments. This depends on the Brazilian company's financial needs and foreign investor's ability and willingness to invest. There is also no deadline within which foreign or Brazilian shareholders must pay up their subscribed shares.[4]

Investments by means of Import of Goods which have not yet been paid for must also be registered through the RDE-IED. The goods, machinery or equipment must be intended for manufacturing purposes or providing services. Used goods and those imported under tax incentives must not be similar to goods produced in Brazil. Once Brazilian Customs clears the imported goods, the Brazilian company must capitalise them. The company or the foreign investor's legal representative must then, within 90 days, register the investment through the RDE-IED.

Registration of the Conversion of Debt into Direct Investments

Conversion of Debt resulting from foreign loans and industrial property rights (such as technology transfer, know-how or trademark and patent license agreements) into direct investments must be registered on SISBACEN.

When a foreign loan is converted into a capital investment, the lender becomes an investor and so becomes entitled to receive dividends in respect of the investment after the conversion is made. The conversion of loan proceeds into a capital investment will not limit the foreign investor's right to repatriate capital at any time.

Sending Profits Abroad, Repatriating and Reinvesting Funds

Sending Profits Abroad

Direct Investment: There are normally no restrictions on distributing and sending profits, dividends and interest on capital investments abroad. The investor must present the RDE-IED number to the bank in Brazil authorized to operate in the foreign exchange markets when sending the money abroad.

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Payments of profits and dividends from results accrued from 1st January 1996 are no longer subject to withholding income tax, but the payment of interest on capital investments is at 15%.

Sending funds abroad: Sending profits abroad, repatriating capital and registering reinvestments are all based on the amount of foreign investment previously registered with BACEN through the RDE-IED.

If the amount is proportional to the equity participation of the respective shareholders, there are normally no other restrictions on sending abroad profits relating to the capital, nor on how long the funds must remain in Brazil.

Repatriating Funds

Investors may repatriate BACEN registered foreign capital investments to their country of origin at any time without authorisation. If the investor attempts to repatriate more than the registered amount, the tax authorities will consider the sum to be a capital gain and levy withholding income tax at 15%.[6]

For capital repatriation purposes, BACEN will examine the company's balance sheet or financial statements to find its net worth. If that value is negative, the bank sending the money abroad may consider that the investment has been diluted, in which case BACEN could deny repatriation.

Reinvesting Profits

Under the law, reinvestment are "profits made by companies established in Brazil and assigned to individuals or companies resident or domiciled abroad, which have been reinvestment in the company that generated them or in another sector of the domestic economy".

If the foreign investor decides to reinvest profits rather than send them abroad, they may register them as foreign capital along with the original investment.

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Transfer Abroad of Investments in Brazil

A foreign investor who owns an equity interest in a Brazilian company may sell, assign or transfer it abroad, subject to taxation on capital gains.

The Brazilian company or the new foreign investor must update the earlier RDE-IED registration reflecting the change of foreign investor. Without this, the new investor cannot send profits abroad, reinvest or repatriate capital.

Foreign Investor Enrolment with the Brazilian Inland Revenue. (SRF)

Foreign Individual Investors

Non-resident individuals holding assets or rights located in Brazil, the title to which is subject to registration with public bodies, such as real estate, vehicles, vessels, aircraft, equity interests, current accounts or investments in the financial and capital markets, must enroll with the Federal Individual Taxpayers' Registry (CPF/MF)[11] through the Brazilian diplomatic representation in their country of residence. CPF/MF suspension and cancellation applications must also be filed with that Brazilian diplomatic representation. Non-resident individuals enrolled with the CPF/MF must file an Annual Exemption Declaration every year. They can do so by accessing the SRF website at: **www.receita.fazenda.gov.br**

Foreign Corporate Entities

Similarly, foreign corporate entities holding assets or rights located in Brazil, the title to which is subject to registration with public bodies, such as real estate, vehicles, vessels, aircraft, equity interests, current accounts, investments in the financial and capital markets, must enroll with the Federal Taxpayers' Registry for Corporate Entities (CNPJ/MF).[12] For the following transactions entered into by foreign corporate entities, a provisional enrollment[13] with the CNPJ/MF will be generated through SISBACEN:

- acquisition of intangible assets with payment periods longer than 360 days
- financing
- financed importation
- leasing transactions
- rental of equipment and chartering

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- importation of goods (which have not yet been paid for) as capital investments in Brazilian companies
- loans granted to Brazilian residents
- foreign investments in Brazil.

Foreign corporate entities holding industrial property rights (trademarks and patents) in Brazil and foreign investments made in depositary receipts issued abroad and representing securities under custody in Brazil are not required to enroll with the CNPJ/MF. Foreign corporate entities must appoint a Brazilian resident individual to act as its attorney-in-fact in relation to the CNPJ/MF. This person must also be enrolled with the CPF/MF. The attorney-in-fact must also have the power to administer such property belonging to the foreign corporate entity. Every year, foreign corporate entities enrolled with the CNPJ/MF must file an Annual Exemption Declaration and an Annual Declaration of Information relating to the foreign corporate entity, which are still pending specific regulation.

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4. Setting up a Business

Different Types of Corporate Entity

The New Civil Code abolished the traditional division between civil and commercial entities, and introduced a new division between simple and business entities. The scope of business entities is much broader than that of the previous commercial companies because it includes any entity in business to produce or circulate goods or services.

Simple entities, associations, foundations and co-operatives acquire legal personality once registered with the Civil Registry for Corporate Entities. Apart from corporations – which are always business companies – all the corporate types may also function as simple entities. If a simple entity does not adopt any of these corporate types, it must then observe its own regulation, as established by the Civil Code.

The Civil Code states that companies become corporate entities with separate legal personality from their owners once registered at the Trade Board. Other forms of association, such as consortia, must also be registered with the Trade Board but these do not have own legal personality.

Creditors generally cannot seize the partners' assets to pay the company's debts. However, the New Civil Code states that creditors can lift the corporate veil if there has been an abuse of that legal personality by disrespecting the company's purposes of if the company's assets are indistinguishable from those of its partners.

The most common company is the Corporation (S.A.) and Limited Liability Quota Company (Ltda.) because the shareholders enjoy limited liability.

The types of corporate entity are:

- Unlimited Partnerships
- General Partnerships
- Share-Oriented Partnerships
- Partnerships with Ostensive or Silent Participation
- Simple Companies

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- Limited Liability Quota Companies
- Corporations
- National and Foreign Companies which depend on Governmental Authorisation
- Bi-national Companies.

Unlimited Partnership

This is an association between two or more people who are not necessarily all merchant partners. The partners have joint and unlimited liability for the company's debts. However, the partners may internally agree upon the liability of each one towards the other.

The partners have inclusive powers to manage the partnership. Only those partners with the necessary power to may use the partnership name.

General Partnership

This is an association of two or more people who divide the equity in quotas. The partners' liability is proportionate to the participation in the partnership's management.

There are two categories of partner:

- Full partner: contributes to the company with both capital and services, has joint and unlimited liability, and must be the company's managing partner.
- Silent partner: contributes to the company only with capital. The silent partner's liability is limited to their capital contribution. Silent partners have restricted rights, so their names do not figure in the partnership name because the name only reflects partners whose liability is unlimited. The silent partner cannot be the managing partner, but can represent the business with specially defined powers.1 The partner can take part in the business's decisions and control its operations. However, if the silent partner practices any managerial act or has its name included in the company's name, its liability will be joint and unlimited.

Share-Oriented Partnership

This partnership is similar to the general partnership. However, in share-oriented partnerships, the partners divide the capital into shares, and the law of corporations applies.

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Only a shareholder may manage the company. Managing partners have subsidiary and unlimited liability for all the business's debts. If there is more than one managing partner, they will be jointly liable if the business' assets are insufficient to pay its debts. The director or managing partner must be appointed in the company bylaws for an unlimited term. The managing partner can only be removed if at least 2/3 of the voting capital passes a resolution in General Meeting. An outgoing managing partner will remain liable for any debts the business incurred under his or her management.[2]

Partnership with Ostensive or Silent Participation

This partnership is formed when two or more people associate to accomplish a common business objective by forming a company.

Despite being labeled a company, a partnership with ostensive or silent participation is not a separate corporate entity. The law does not confer a corporate identity distinct from that of its partners. However, for tax purposes, it is treated as having corporate identity.

There are also two categories of partners:

- Ostensive partners, who may be a sole trader or a commercial partnership. The partner assumes joint and unlimited liability in its own name. Ostensive partners must dedicate themselves to the business. All business will be done in their name. The ostensive partner is solely responsible for management. The bankruptcy of the ostensive partner will cause the dissolution of the company.
- Silent or hidden partners, who are not liable to third parties, but are liable to the ostensive partner as provided in the partnership's Articles of Association. Their liability is limited to the same amount as that of the managing partner for the business's operations.

This partnership's distinguishing characteristic is that it is a company that exists only between its partners, and not towards third parties. Third parties deal exclusively with the ostensive partner. It has no corporate or trade name because the ostensive partner deals with third parties using its own name. This kind of company does not reveal the identity of most of its partners because only the ostensive partner's name appears.

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These partnerships are usually set up for a specific period and commercial objective.

Limited Liability Quota Company

With corporations, limited liability quota companies are the most common corporate entity in Brazil. Because of the New Civil Code, these companies are more similar to corporations and more complex than before.

The Articles of Association may provide that the Law of Corporations will be the subsidiary legislation. If the company does not include this provision, the rules on simple companies will be the subsidiary legislation.

The company can either be a simple or business company, depending on the purposes set in its Articles of Association.

The capital is divided into quotas representing the amount in money, credits, rights or assets the quota-holder contributed when forming the company. Quotas are not represented by securities or certificates. The company will record the ownership and number of quotas in the Articles of Association. The quota-holders' liability is limited to the value of their quotas. However, until the company capital is fully paid-up, it will extend to the value of the company's entire capital.

Because all quota-holders share the same liabilities and form only one class, each can manage the company. However, the Articles of Association will normally appoint a manager, who is usually a quota-holder. Even though all quota-holders have powers to manage the company, the company cannot extend those powers automatically to quota-holders who join the company later. If the Articles of Association allow it the company may delegate managing powers to a third person, who need not be a quota-holder.[3]

The manager may be removed at any time. However, if the company appoints a quota-holder as manager under its Articles of Association, it may only remove him by resolution passed by quota-holders representing two-thirds of the quota capital.[4]

The manager must be a Brazilian resident individual. Therefore, the quota-holder may manage the company directly if resident in Brazil, or delegate its management powers to another resident in Brazil. This may, for

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example, happen where the quota-holder is a non-resident party or a legal entity with a foreign head office.

Limited liability quota companies may now have an Audit Committee. They must have General Meetings of quota-holders at least once a year within the first four months of the beginning of the financial year. The meeting must examine and approve the managers' accounts and financial statements for the past year and elect directors, if necessary. The company must publish the meeting call-notice three times in the Official Gazette and in a widely circulated newspaper, unless all the quota-holders:

- are present at the meeting; or
- declare in writing they know where and when the meeting will take place, as well as its agenda.

Under the Civil Code, quota-holders will make their decisions either in a simple meeting or, if there are more than ten quota-holders, in a general meeting. However, if the quota-holders unanimously decide the issue of the meeting in writing, they need not hold that meeting.

Under the Civil Code, quota-holders must now decide matter listed by law besides those that may be listed under the Articles of Association. The following table shows the subject and the majority needed to pass the resolution.

Resolution	Majority
To approve the managers' accounts	Majority of the quota-holders present
To elect[5] and remove the managers	Majority of the quota capital
To set the managers' remuneration	Majority of the quota capital
To amend the Articles of Association	3/4 of the quota capital
To takeover, merge, dissolve and end the company liquidation	3/4 of the quota capital
To appoint and remove liquidators and approve its accounts	Majority of the quota-holders present
To request debt rehabilitation	Majority of the quota capital

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If the company decides to amend its Articles of Association, merge or takeover, dissenting quota-holders may leave the company within 30 days of the meeting.

Once the quota capital is fully paid in, the company may increase it later. Existing quota-holders have pre-emptive rights in buying newly issued quotas. Companies may, if the quota capital is fully paid in, reduce their quota capital if they suffer irreparable losses. They may also reduce the company's quota capital if it is too high for the company's purposes.

Under the Civil Code the majority of the quota-holders may exclude minority quota-holders by amending the Articles of Association if the minority shareholders are a risk to the company's activities and if the Articles of Association expressly allow exclusion with just cause.

Business limited liability companies must register their Articles of Association with the Trade Board in the State where their headquarters are located. However, simple limited liability companies are registered at the local Civil Registry for Corporate Entities.

Corporations

A corporation is by law, a business corporation. Its capital comprises shares. It does business under a corporate name and the shareholders' liability is limited to the value of the shares they subscribed to, or acquired.

A corporation can be capitalised by public or private subscription. Open capital corporation offer public subscriptions by offering their shares to the public through the stock market. Closed capital corporations however, offer shares privately to existing shareholders.

Open capital corporations must be registered with the Brazilian Securities and Exchange Commission (CVM). Their shares can be negotiated on the Stock Exchange or on the over-the-counter market. Open capital corporations may cancel their CVM registration only if the corporation, its controlling shareholder or holding company makes a public offer to buy all its circulating shares for a fair price of at least the corporation's valuation based on the Law of Corporations criteria. If less than 5% of the issued shares remain after the offer, the corporation can hold a general meeting to decide to redeem the remainder at this same price.

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If the controlling shareholder or controlling company acquires additional shares, increasing its shareholding, and prevents the liquidity of the remaining shares, it will have to make a public offer to acquire all remaining shares.

The requirements for establishing a corporation are:

- at least two shareholders subscribe to all the shares comprising the share capital quoted in the bylaws
- a cash down-payment of at least 10% of the issue price of the subscribed shares is paid
- this amount is deposited in Banco do Brasil S.A. or another CVM authorised bank.

If shares are paid-up by using assets, goods, technology transfer, trademark licensing, or services, etc, instead of money, the company must call a general meeting to approve their valuation.

A corporation's capital can be divided into common, preferred or fruition shares. The rights they give their holders will vary accordingly. However all shares must be nominative, and the company must record their ownership in the Nominative Shares Registry Book. Book shares may also exist, without the bank having to issue certificates. Book shares are kept in bank accounts in their owners' name at a company-designated financial institution.

There may be many classes of common shares in closed-capital companies, and preferred shares in open or closed corporations. The class will depend on the privileges, rights or restrictions they carry. Common shares entitle the shareholder to one vote in the company's general meetings.

Preferred shares may have restricted or non voting rights. They cannot now exceed half of the remaining shares.

The new limit applies to:

- new companies
- closed-capital companies that had not opened their capital stock by November, 2001 and

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- open capital corporations that had not issued preferred shares by November, 2001.7

Therefore, open capital corporations that issued preferred shares by November 2001, and closed capital corporations that issued preferred shares but did not open their capital stock by November 2001, can use the previous two-thirds limit or follow the new half – limit voluntarily. Preferred shares have special financial and policy rights. Besides other advantages or preferences that may be established in the company's bylaws, preferred shares which are not negotiated on the Stock Exchange have priority in the distribution of fixed or minimum dividends, and priority in the reimbursement of capital, with or without premium, or both.

Companies can negotiate preferred shares on the Stock Exchange if they have at least one of the following advantages:

- the right to participate in dividends of at least 25% of the net profits of the fiscal year;
- the right to receive dividends at least 10% greater than those paid to each common share; or
- the right to be included in the public offer to assign control. In this case, they have the right to receive dividends at least equal to those paid to common shareholders.

Privatised companies may create a special class of preferred share. These are known as golden shares, and are owned by the government entity that privatized the company. The bylaws may grant may grant that entity specific powers such as the right to veto.

The bylaws may also grant shareholders of one or more classes of preferred shares the right to elect one or more members of the company's administrative body by separate ballot. They may also state that shareholders of one or more classes of preferred shares must approve specific statutory amendments by special shareholders' meeting.

Preferred shareholders with restricted voting rights and without voting rights will acquire full voting rights if the corporation does not distribute fixed or minimum dividends within the period stipulated in the bylaws.[8] This right continues until the company pays those dividends.

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Fruition shares result from the amortization of common or preferred shares.

Founders' shares are negotiable securities without nominal value and are independent of the corporation's annual profits. The owner of a founders' share has the right to share in the corporation's annual profits.[9] However, the owner does not have any exclusive shareholder right, except to inspect the acts performed by the officers.

Shareholders have the following essential rights:

- a share in the company's profits;
- a share of the company's assets upon liquidation;
- to supervise the management of the company's business;
- to be granted priority in subscribing to shares and debentures convertible into shares, and receiving subscription bonuses; and
- to withdraw from the company.

Shareholders may, by Shareholders' Agreement, regulate share purchases and sales, first refusal rights, the exercise of their voting and controlling rights. Shareholders of these shares cannot trade them on the stock exchange or in the over the-counter market. The company must observe the Shareholders' Agreements when registered at its head office. They must be enforceable against third parties only after they have been registered in the company's corporate books. A shareholder may also file a lawsuit for the specific performance of the obligations in the Shareholders' Agreement.

The management, especially the management of an open capital corporation, has duties of diligence and loyalty. They must publicly disclose any information arising from the normal course of business, which relevant to the company's activities. Examples include: information that may significantly affect the price of the securities the company issued, or an investor's decision to negotiate them or to exercise their rights as security-holder.

If an open capital corporation's control is to be directly or indirectly transferred, a public offer must be made to buy the other shareholders' voting stock. That offer must be at least worth 80% of the price paid for each share of the controlling block.

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Depending on what the bylaws state, the management board on its own or with the board of directors will manage the corporation. Four bodies manage the corporation. They are:

- the General Meetings
- the Board of Directors
- the Management Board
- the Audit Committee.

General meetings are the company's highest authority. They may decide almost any company matter. The meeting may be annual (AGO) or extraordinary (AGE). Corporations must hold their AGOs within four months of the closing of the fiscal year. AGOs examine and approve matters on:

- the directors' accounts and financial statements for the past year;
- paying net profits and dividends for each financial year, and
- electing directors and members of the Audit Committee.

AGEs decide upon amending the bylaws, and matters not within the scope of the AGO.

Corporations must publish the call-notice for the meeting in the Official Gazette and local newspapers. The meeting must be quorate before the company can call it to order. The quorum is 25% of shareholders for the first call and any, for the second. Sometimes, and depending on the subject, a qualified quorum may be required.

The board of directors is the collective decision-marking body. All open and authorised capital corporations must have a board of directors.[10] It sets the company's business, administrative and financial policies, and elects management board members, whom it also supervises. The board must have at least three members, who must be company shareholders and, until recently, Brazilian residents.[11] Directors can be elected and removed by general meeting at any time.

The management board is the corporation's executive body. It represents the company before third parties and does whatever is necessary for the normal functioning of the company. It members are elected and removed by the board of directors or, if the company does not have one, by general meeting. The board is composed of at least two managers who do not have

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to be shareholders. They must reside in Brazil and their term of office cannot exceed three years.

The audit committee polices the company and supervises management. It operates permanently or temporarily. If it does not operate permanently, shareholders holding at least 10% of the voting capital or 5%of the non-voting capital may convene it. The committee will continue until the next AGO. The committee is formed to maintain rigorous control over management. It must have between three and five members and an equal number of substitutes, who must be elected by general meeting. Its members do not have to be shareholders.

The bylaws may provide that any dispute between the shareholders and the company or between controlling shareholders and minority shareholders, be sent to arbitration. The Law of Corporations also lists crimes against the stock market (such as insider trading) and their penalties.

National and Foreign Companies which depend on Governmental Authorisation

Some companies – such as Brazilian companies with specific corporate purposes (e.g.: financial institutions and insurance companies) and branches of foreign companies – need federal governmental authorisation to operate. The New Civil Code establishes general rules applicable to national and international companies. The company must develop its activities within twelve months of the publication of the authorisation, or the authority will expire. Furthermore, the government may cancel its authority if the company breaches public policy or acts outside its corporate purposes.

In order to set up a branch in Brazil, foreign parent companies must first apply to the Federal Department of Trade Boards. The President can, by decree, give the government's approval for incorporation.

The company must support its application by sending amongst other information:

- evidence of its regular incorporation in its country of origin;
- the company's articles of association or bylaws;
- list of the members of all administrative bodies;

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- the company act which approved the opening of a branch in Brazil;
- the company act which defined the share capital in Brazilian currency, the parent company assigns to Brazilian operations, unless the parent company is not a business company;
- proof the company has appointed a representative in Brazil with express powers to accept the conditions required for the authorisation; and
- the last financial statements.

Unless the parent company is not a business company, such as an association, it must allocate capital to the branch office. Furthermore, the law treats a branch as an extension of the parent company. Therefore, the branch's liability towards third parties extends not only to its own capital, but also to the foreign company's capital in its country of origin. The foreign company is answerable in Brazilian courts for its branch's activities in Brazil.

The foreign company must have a permanent representative in Brazil. That person must have the power to deal with all matters, and receive legal and official documents, including judicial summonses, in the parent company's name. The branch must share the same shareholders as its parent company and adopt the same corporate structure.

Once the President has given its approval, the company must file all documents filed with the Federal Department of Trade Boards with the relevant registry and tax authorities.[14]

To maintain its operating authorisation, the branch and foreign company must publish their financial statements. The branch must publish its financial statements in the Official Gazette and a widely circulated newspaper. The parent company must publish all financial statements required in the country of origin and its administration acts in the Official Gazette and a widely circulated newspaper. The Brazilian federal government must approve any amendments to the foreign company's articles of association or bylaws which may have an effect in Brazil.

Foreign companies with a branch in Brazil may become a Brazilian company, by means of the transfer of the transfer of its head offices to the Brazilian territory.

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Foreign company branches may not carry on any activity forbidden for foreign companies. Activities requiring prior governmental approval may only be carried out under special conditions.

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5. Labour

Employment Law

The Consolidated Labour Laws (CLT) of 1943 contains the basic employment law principles. Since 1943, the government has passed a host of statutes covering salary increases, social security and pension fund, strikes, health and safety standards as well as protection of certain classes of workers. The Federal Constitution also provides worker's' rights that supersede some of those in the CLT.

Definition of employee

An employee is a person who provides services permanently to an employer, under its direction and in exchange for a salary. Subordination is essential in an employment relationship.

Companies belonging to a group of corporate entities under the same control, direction or management are jointly liable for the employment obligations and liabilities of any of the group's companies.

Employee hiring procedures

Companies incorporated in Brazil do not need prior authority to contract Brazilian nationals as employees. However, the employee must have an employee work and social security booklet (CTPS). On admission, the employee must complete a medical examination and present the CTPS to the employer. The employer must record the content of the employment contract in the employee's CTPS. Those contents must include:

- the company's name, tax registration number, address and activities;
- the number of the employment registration card or page of the employment registration book where the employee was registered;
- the employee's position, date of admission and form of payment; and,
- the company representative's signature.

The company must also register each individual's employment in its employment registry. The employer must update this registration throughout the employee's employment, recording details such as holidays taken, work accidents and illnesses, and termination of employment.

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The regional Employment Department must authenticate the company's first employment registration book or batch of employment registration cards, subject to inspection by the Ministry of Employment.

Hiring practices that discriminate against potential employees upon the bases of sex, ethnic origin, race, colour, marital status, family situation or age are prohibited. Discrimination against those with criminal records is not expressly forbidden, and companies can check potential employees' criminal records. However, employers must treat the information confidentially.

Employment contracts

Individual employment contracts may be in writing or implied from the relationship between the individual and the company to which it provides services. Foreign employees living abroad and transferred to Brazil must sign an employment contract and submit it to the Ministry of Employment before entering the country.

Employers and employees may negotiate employment contracts. The terms of the contract must obey the law, the decisions of the authorities and any collective bargaining agreements.

Collective bargaining agreements regulate the relationship between particular categories of employer and employee. They are between the employers association and employees' union or between the employees' union and a specific company. Collective bargaining agreements are not compulsory, but once the parties sing and accept them, they prevail over individual contracts.

Duration of individual employment contracts

Employment contracts normally last indefinitely: fixed terms are allowed only in specific circumstances. The term is indefinite when:

- the contract states it is indefinite;
- the contract does not stipulate a term;
- a fixed-term contract is renewed more than once; and
- a existing fixed term contract is terminated, but the same parties contract again for a fixed term within 6 months. (This does not apply

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where the termination was connected with the rendering of specialised services or the occurrence of certain events.)

For a company, the main advantages of having a fixed-term contract are that it is more flexible and brings lower benefit contributions and severance payments.

Fixed-term contracts are allowed for the first 90-day, trial employment period. If the employment continues, the contract will become a contract for an indefinite term; or for a maximum two-year term where:

- the nature of the services, considering the temporary character, justifies a present term or;
- the services are related to business in transition or;
- upon collective negotiation in other cases.

Compensation and minimum salary

Compensation includes the employee's fixed salary, commissions, bonuses (such as Christmas bonus), fringe benefits (such as personal or family benefits), and living expenses. Companies cannot reduce compensation, except by collective bargaining agreement.

Employers must pay compensation at least monthly. This does not include commissions. Employees are entitled to receive a Christmas bonus of one month's salary: the employer must pay half by 30th November and the other by 20th December.

The employer must pay compensation in Brazilian currency. It can pay a portion in kind: for example, when the employer is responsible for providing employees with housing, food and clothing. This is only the case if these benefits are not necessary for performing the employees' job itself, if they are, they are, the are held do be instruments of work and not salary.

Employees also have the right to benefit from the company's profits or result - sharing plans. The law states that:

"Each company is to settle with its employees, through a commission formed by their elected representatives and a union representative or by direct collective negotiation, the form of the participation in either the company's profits or results. The guidelines for and conditions of, the

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participation are to be established freely, and clearly defined in a separate document that must be filed with the union with the power to represent the company's employees. Among other factors, the company's productivity, type, profitability and its previously agreed programmes for achieving its goals, results and deadlines, as previously agreed, are to be considered. Amounts paid as the employee's participation cannot replace or supplement the employee's compensation and do not form a tax base for any employment or social security charges". *Law No 10,101/00.*

All workers are guaranteed a legal minimum salary of R$ 435.00 per month.

Collective bargaining agreements may set a so-called "professional salary", which is the minimum wage for a specific class of workers. Professional salaries are always higher than the minimum wage.

Employees with monthly salaries of over R$ 1,164 must pay income tax on a sliding scale of between 15% and 27.5%. The income tax is the salary less deductible expenses. The employer deducts income tax and pays it directly to the tax authorities. Commission, bonuses and fringe benefits are taxable income.

Salary increases

Monthly base salary adjustments are not compulsory, but the parties may negotiate increases individually or though a collective bargaining agreement.

Working hours

The regular working period may not exceed 8 hours a day and 44 hours a week. Employees can take a weekly rest of 24 hours, which they generally take on Sundays. An employee who works overtime is entitled to pay of at time and a half.

A system entitled "Bank of Hours" may be negotiated with the applicable workers' union. Though which hours worked above the daily or weekly limits may be offset against future rest periods to be periods to be taken within one year. This system is generally established as a tool for lowering cost with overtime pay.

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Holidays and leave of absence

After each 12 months of employment, employees can take 30 day's holiday. They must take their holidays within the next 12 months. Further, the employees are entitled to receive a holiday bonus one-third of their salary.

Maternity leave is 120 days, during which the employee's job and salary are secured. During the maternity leave the INSS pays the employee's salary. Fathers are entitled to five days' paternity leave.

Termination of employment contracts

Contracts of employment may be terminated by:

- the employer (with or without just cause)
- resignation
- expiry of the term of a fixed-term contract
- constructive dismissal.

Notice and redundancy payments depend on the type of termination.

Employer's initiative

Termination without just cause

The law does not distinguish between terminating employment without just cause and redundancy. The law does not oblige the employer to tell the employee its reasons for terminating their contract. If the employer terminates the contract, the employee is entitled to:

- unused holidays and proportional holiday pay proportionate to how many months the employee worked in the previous 12 months, plus one third;
- Christmas bonus proportionate to the number of months worked during the calendar year; and
- the employee's dismissal fund (FGTS) contributions plus a 40 % fine.

The employer must give the employee at last 30 days' notice or dismiss immediately and pay salary in lieu of notice.

Termination with just cause

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The law defines just cause. Where an employee is dismissed with just cause they are only entitled to pay for unused holidays (after 12 months' work) plus one third. The employee is not to receive the 40% fine on its balance.

Resignation

The employee may resign with at last 30 days' notice to the employer. The employer may, however, release the employee from its obligation to work through the notice period.

The employee will be entitled to:

- pay for unused holiday plus third (after one year in employment);and,
- proportionate Christmas bonus equivalent to the number of months worked during the calendar year.

Expiry of fixed-term employment contracts

The employee is entitled to:

- holiday pay proportionate to the number of months worked in the previous 12 months, plus one third;
- Christmas bonus equivalent to the number of months worked during the calendar year; and,
- FGTS contributions.

A party who terminates a fixed-term contract without just cause must pay damages to the other party. Those damages are 50% of the amount of compensation the employee should have received until expiry of the contract. Furthermore, if the employer terminates the contract, it will also have to pay the 40% FGTS fine.

Constructive dismissal

An employee may terminate their employment for just cause and claim indirect or constructive dismissal. The employee can receive the same termination amounts payable as if the termination were without just cause.

Job security

These employees have protected stability rights:

- a pregnant employee – for up to 5 months after delivery;

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- a union leader – for 1 year after their mandate;
- members of the Internal Commission for Accident Prevention (CIPA) – for 1 year after their mandates;
- employees injured while carrying out their professional activities – for 1 year after their return to work; and,
- other employees provided for in the collective bargaining agreements (including pre-retirement periods).

The employer may not dismiss employees who have work stability except with just cause. If the employer dismisses the employee for gross misconduct, and the employee takes the employer to the employment tribunal the employer must then prove the grounds for the dismissal. If the employer fails to do so, it may have to rehire the employee or treat the dismissal as having been without just cause. This would subject the employer to having to pay all past employment indemnities.

Travelling costs

Employees are entitled to public transport vouchers for commuting between home and the workplace. Travel money is not compensation for legal purposes so long as the employer respects certain legal requirements. The employer can deduct the amount is pays against its income tax.

Social security

Employers and employees must compulsory monthly contributions to the INSS. These contributions provide employee sickness and retirement benefits, including maternity leave and death pension to dependants.

The employee's contributions are on a salary-dependant sliding scale of between 7.56% and 11% of salary up to about 7 times the minimum legal contribution salary. The value of the minimum contribution salary is one minimum salary.

Employer contributions average 27% of the employee's overall salary. Contributions may 6-12% higher if the employee works in hazardous conditions. Furthermore, companies must collect social security contributions of 20% of the total compensation it pays to corporate, non-employee directors and independent contractors.

Employee Dismissal Fun (FGTS)

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Every month, on employee's behalf, employers must deposit 8.5% of the employee's salary into a federal financial institution fund. The employee can only withdraw the fund if:

- their employer dismisses them without just cause
- the duration of their fixed-term contract expires
- they become ill with a certain illness
- they retire
- they wish to buy real estate.

If the employee dies, the fund will form part of their estate. If an employer dismisses an employee without just cause, it must pay the employee a fine of 40% the amount the company deposited in the FGTS.

The amount in the fund is increased monthly by the same interest rates as apply to savings accounts. If will also earn interest at from 3% to 6% yearly, depending on how long the employee has worked for the same employer.

Health and safety at work

Several compulsory programmes on health and safety standards include:

Occupational Health and Medical Control Programme (PCMSO)/Medical Records

This programme includes the compulsory submission of employees to a medical examination before admission, periodically during employment and upon dismissal. The pre-admission medical examination is to discover if the individual suffers from any health problems that might prevent him or her from performing his or her duties. The periodical examinations determine if the employee's health has deteriorated or if there is sing of a work-related disease. The medical examination on dismissal is intended to see if the employee is suffering from a health problem or is pregnant; both of which would prevent the employer from dismissing them.

Environmental Risk Prevention Programme (PPRA)

This programme is designed to protect the employee's health and integrity by anticipating, recognizing, evaluating and controlling environmental

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risks in the workplace, while respecting the environment and natural resources.

Internal Commission for Accident prevention (CIPA)

Brazilian companies must have an internal commission for accident prevention (CIPA). It comprises employees and company representatives who remain in office for 1 year. The number of CIPA members depends on how many employees the company has how dangerous the work is.

Those elected by the employees to the company's CIPA (either as current or substitute members), cannot be removed from their position from the date of their registration as candidates until 1 year after their term in office.

Health hazard allowance

Employees working under hazardous health conditions receive an added monthly 10% 20% or 40% of the current minimum salary. The amounts vary according to the degree of danger (which experts appraise). Companies must provide employees with satisfactory Individual Protective Equipment (EPI). They do not have to pay this allowance if there is satisfactory equipment to neutralize or erase the agents causing the health hazard.

On-the-job risk allowance

Employees working in dangerous conditions (that is, those in contact with explosives, inflammable materials or electricity) have the right to an added 30% of their base pay.

Trade union law

Members of a particular profession or a group of employers may form trade and professional associations. These associations aim to defend their members' common economic or employment interests and to ensure their representation and defence in administrative and legal proceedings. Either employees or employers may form such associations.

Employees in different professions or jobs may form a union when allowed by statute.

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The Federal Constitution guarantees the free creation and organization of trade and professional associations. They have the right to:

- represent their members
- carry out collective bargaining agreements
- collaborate on technical matters with the state
- elect their own representatives
- levy membership fees.

Trade and professional associations are recognized as private organizations. Only one union may represent members in a given category in each municipality. The Federal Constitution also guarantees employees the right to strike.

Certain employment arrangements beneficial to employers can only be implemented through negotiations with the employees' associations, including the establishment of a "bank of hours" and salary reductions.

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6. Taxation

Taxation of Direct Investments

The Tax System

The 1988 Federal Constitution and enabling legislation govern taxation in Brazil, and the 1966 Tax Code sets how the federal, state and municipal governments may levy taxes. The Federal Income Tax Regulation provides the rules on federal, personal and corporate income tax. The SRF manages the federal tax system. States and municipalities have similar bodies.

Federal corporate income taxation

The income tax regulations apply to all taxpayers. Only the Federal Government may charge income tax. It does, however, transfer part of that income to states and municipalities.

World-wide scope of Brazilian taxation

Brazilian companies are taxable on their worldwide profits and capital gains. The origin of the capital is irrelevant, as is whether the investor is foreign or domestic. Foreign branches must pay tax in the same manner as resident entities.

Permanent establishment

Permanent establishment is a feature of Brazil's double taxation treaties. It includes:

- branches – when the foreign company established a branch in Brazil;
- "de facto" operations – where the foreign company has an unregistered branch or office;
- consignments – if sales are made consignment and the consignee in Brazil does not keep accounting records, these sales would be subject to arbitrated profits. Consignment is now only permitted in special cases;
- direct sales – if sales are made in Brazil, through a resident agent or representative of a foreign company who has the power to bind the company.

Tax year

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The tax year is the calendar year, irrespective of the corporate financial year. In general, companies must file their annual tax returns by the last working day of June.

Tax payments

Companies may choose to pay income tax under two systems: presumed profits or actual profits.

Presumed profits

This system is available to many corporate entities. It has two advantages: firstly bookkeeping requirements are less stringent; and secondly, if the actual profits of an entity are higher than calculated under the system, the company saves tax. Corporate entities which may not choose to pay under the presumed profits system are:

- those with an annual income above R$ 48,000,000;
- commercial banks, investment banks, development banks, savings and lending organisations, credit, financing and investment organisations, real estate credit entities, securities or currency exchange houses, leasing companies, credit co-operatives, insurance companies and retirement plan bodies open to the public;
- those which receive profits, capital gains or income from abroad;
- those which benefit from tax incentives;
- those which paid tax under the estimated system during the same tax year;
- factoring entities.

Under the presumed system, the tax authority will presume the company made a profit of between 1.6% and 32%.[17] The company's actual profit is irrelevant. Presumed profits are taxed at normal rates of 15% plus 10% on profits above R$ 240,000. The tax basis for the Social Contribution on Profits (see below) is 12% of gross income or 32% in case of service companies.[18]

If the company wants to pay tax under this system, it must elect to do so by April of each tax year.

Actual Profits System

Under actual profits, the taxpayer may opt to be taxed on an:

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- Actual basis. The taxpayer reports quarterly or yearly. Under quarterly reporting, companies must pay tax quarterly. If they choose report annually, they must pay monthly advance tax payments; or
- Estimated basis. The company pays income tax on estimated profits as a percentage of gross income.19 The company may switch from the estimated regime back to the actual regime at any time.

After the end of the calendar year, the company must file a tax return reporting income as follows:

- if the company opted for Actual Basis taxation over the entire calendar year, the tax return must report income for those twelve months. There is no tax payment or refund; or
- if the company elected to pay under the Estimated Basis over the entire calendar year, the tax return must report income for those twelve months. The tax will be calculated accordingly. The tax authorised will offset estimated tax payments against the tax shown on the return. If the company overpaid income taxes, it may offset the overpayment in the following tax year. If additional tax is due, it must pay the difference on filing the tax return.

Government determined profits

The tax authorities may (if the company keeps inadequate or deficient records for example) arbitrate profits.

Tax rates

The basic rate of corporate income tax is 15% and there is a surcharge of 10%for all corporate entities on annual, taxable income over R$ 240,000.

Audit of tax returns

Federal tax inspectors randomly audit tax returns. The scope and frequency of auditing does not follow a set pattern. The tax authorities' right to assess income tax expires five years after the end of the tax year in which the tax return should have been filed.

Taxpayers wishing to appeal against assessments must file their appeal within 30 days of the assessment. If the assessment is upheld, the taxpayer may appeal to the administrative court, and finally to the Federal Court.

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Tax fines

Before 1995, a government tax index adjusted tax credits and obligations. Since then, they have been calculated in reais. The fine for overdue federal taxes is 0.33% per day up to 20% depending on the period in arrears. Interest on overdue federal taxes is at a floating SELIC rate plus 1%. The authorities impose a 75% fine on assessed tax deficiencies, but if there is proof of fraudulent intent, the fine is increased to 150%.

When corporate entities are in arrears with any federal taxes or social security contributions, they cannot distribute bonus shares to their shareholders or pay profit-sharing to quota-holders, partners, managers, or directors. Business owing back taxes are also subject to restrictions in bidding for government contracts and may encounter difficulties such as when applying for a work permit on behalf of a foreign citizen.

Other matters

Foreign airlines and shipping companies are exempt from Brazilian income tax on their operations in Brazil if reciprocal exemptions are available to Brazilian transportation companies in their countries.

Taxation of Non-Corporate Entities

- Partnerships with Ostensive/Silent Participation. These are not corporate entities. For corporate tax purposes, they have the same tax burden as any other local company.
- Consortia. A consortium is not a taxpayer; profits are taxed in each of the participating companies.
- Groups. A parent and its subsidiary or affiliates may form a group by formal agreement to combine resources and efforts to achieve their objectives or to participate in a common enterprise. Transactions between companies in the group must be at fair market value to avoid disguised profit distribution issues.

The consolidation of accounts has no tax effect.

Tax Accounting

In general, companies must adopt the accrual basis of accounting for both accounting and tax purposes, although tax reporting may differ. For example, only a few provisions are allowed for tax purposes such as

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provision for employee vacation payments. The taxpayer must record the reconciliation between book and taxable income in a tax register (LALUR).

Taxable income does not include:

- dividend income from other Brazilian entities on profits earned after January 1st, 1996; and
- positive equity pick-up from investments in related companies.

Taxpayers may defer tax on income in some cases, such as:

- income from the sale of fixed assets
- income not yet received from long-term government contracts
- income from the sale of real estate paid in instalments.

Deductible expenses are generally all items relating to the company's ordinary business, and which are necessary to maintain its source of income.

The most important deductible items are:

- credits in bankruptcy or those not honoured in court-supervised composition with creditors;
- secured credits – after two years if the taxpayer takes legal action to recover the credits;
- unsecured credits limited to:
    - credits under R$ 5,000 if outstanding for over six months;
    - credits between R$ 5,000 and R$ 30,000, if outstanding for over one year and the taxpayer has taken administrative collection measures;
    - credits over R$ 30,000, if outstanding for over one year and the taxpayer has taken legal action for collection.
- Inventory – the taxpayer must value inventory at actual cost using either 'First in First Out' (FIFO) or average cost. 'Last in First Out' LIFO) is not acceptable, nor is standard cost unless the taxpayer adjusts it to actual cost. For companies without integrated costing systems, it must value finished goods at 70% of the highest sales price during the year, and work in process at either 80% of the finished goods valuation or at 1.5 times the highest raw material cost during the year;
- cost of assets consumed in some production activities;20

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- depreciation – charged on the asset's useful life. The annual rates are: buildings - 4%; equipment -10%; passenger vehicles - 20%. Where the company functions in two or these shifts, it may increase these rates by 50% and 100%, respectively. Furthermore, if the company bought assets under approved projects or income tax incentive programmes, it may depreciate at twice the normal rates;21
- fixed assts costing less than roughly US$ 100;
- technical assistance and royalty payments – subject to conditions, such as INPI approval;22
- profit-sharing schemes – under specific conditions; and
- foreign exchange losses (usually tax deductible).

Non-deductible items include:

- fines not inherent to the taxpayer's trade or business; and
- provision for estimated inventory obsolescence or price fluctuations.

Miscellaneous tax provisions:

- Companies may defer and amortise expenditure benefiting future years such as for interest paid during the construction and pre-operational phase of a new plant, and expenditure on company reorganisation;
- companies must capitalise taxes they have paid on buying fixed assets;
- companies may defer start-up expenses until the project is operational, when they should be amortised over at least five years.

Tax Losses

Companies may carry forward tax indefinitely against future profits. However, they can only set-off 30% of the current year's taxable income. Carry-back of losses is not allowed.

Interest on Equity

When calculating income tax, companies may deduct interest they have paid or credited to shareholders as remuneration on their capital investment.

The calculation is:

- interest on the value of the company's net worth accounts (excluding any revaluation reserve) at the beginning of the tax year;

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- interest is limited to the daily "pro-rata" variation of the government's Long-Term Interest Rate (TJLP); and
- the interest payment or credit is limited to 50% of the company's accumulated profits or current profits before the interest deduction.

The interest the company pays or credits is tax deductible but subject to 15% withholding tax on the date paid or credited to the recipient (or 25% in case of payments to low tax jurisdiction countries). Amounts the company withholds on paying interest on equity are creditable against its corporate tax or against its interest on equity tax. However, if the recipient of the income is an individual, the amount the company withholds will be deemed full payment of taxes.

The amount a company pays or credits in interest may be attributed to the minimum dividend payment that these companies must pay. In this context, the tax authorities treat interest as a dividend payment. The interest paid or credited is deductible in computing the social contribution tax on profits.

Tax Treaties

Brazil has double taxation treaties with many countries. These treaties grant tax relief by reducing or eliminating withholding tax rates on dividends, royalties and loan interest payments sent abroad. The lower of the treaty or domestic tax rate applies. Brazil has signed and ratified tax treaties with the following countries:

Signatory	In force since	Profits & dividends (1)	7 to 10 year bank interest (2)	Interest in general (3/4)	Royalties/ Trademark/ Copyright % (5)	Decree No.
Argentina	01.01.83	25%	25%	25%	25/25/25	87,976/82
Austria	01.01.77	15%	15%	15%	15/25/10	78,107/76
Belgium	01.01.74	15%	10%	15%	15/25/10	72,542/73
Canada	01.01.86	15%	10%	15%	15/25/15	92,318/86
Chile	01.01.04	10/15%	-	15%	15%	4,852/03
China	01.01.94	15%	-	15%	15/25/15	762/93
Czech Republic	01.01.91	15%	10%	15%	15/25/15	43/91

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Denmark	01.01.75	25%	15%	15%	15/25/15	75,106/74
Ecuador	01.01.88	15%	15%	15%	15/25/15	95,717/88
Finland	01.01.74	25%	15%	15%	15/25/10	73,496/74 and
						2,465/98
France	01.01.73	15%	10%	15%	15/25/10	70,506/72
Germany	01.01.76	15%	10%	15%	15/25/15	76,988/76
Hungary	01.01.91	15%	10%	15%	15/25/15	53/91
India	01.01.93	15%	-	15%	15/25/15	510/92
Italy	01.01.82	15%	-	15%	15/25/15	85,985/81
Japan	01.11.78	12.5%	12.5%	12.5%	12.5/25/12.5	61,.899/67
Luxembourg	01.01.81	15%/25%	10%	15%	15/25/15	85,051/80
Netherlands	01.01.92	15%	10%	15%	15/25/15	355/91
Norway	01.01.82	15%/25%	-	15%	15/25/15	86,710/81
Philippines	01.01.92	15%/25%	-	15%	15/25/15	73,496/74 and
						2,465/98
Portugal	01.01.00	10%/15%	15%	15%	15%	4,012/01
Slovak	01.01.91	15%	10%	15%	15/25/15	43/91
South Korea	01.01.92	15%	10%	15%	15/25/15	354/91
Spain	01.01.76	15%/12.5 %	10%	15%	15/15/12.5/10	76,975/76
Sweden	01.01.76	15%/25%	-	15%/25 %	15/25/15	77,053/76

Notes – Tax treaties providing for reduced rates of withholding tax:

- The statutory withholding tax rate for dividends is 0%.[23] Thus, this exemption on profits generated since 1996, approved after the negotiation of the treaties, prevails over the higher treaty rates;
- The category "7-year bank interest" refers to interest where the payee is a bank and the interest is from loans with a minimum term of seven years (in some treaties a longer period is set) lent for the purchase of industrial equipment;

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- The statutory withholding tax rate on interest is 15%. This tax rate prevails over higher treaty rates;
- Interest on loans between the governments of the treaty parties are exempt from withholding;
- The statutory withholding tax rate on payments for intellectual property is 15%. This tax rate prevails over higher treaty rates. 10% CIDE (Intervention in the Economy contribution) may also apply.

Withholding Taxes

Loan Interest and Royalties Remittance Abroad

Interest and royalties payments to non-residents are subject to withholding tax at the 15% standard rate or at the applicable treaty rate. Royalty payments are subject to 15% withholding and 10% Intervention in the Economy Contribution. Payments for services not subject to CIDE or those to beneficiaries in tax haven countries are subject to a 25% income tax withheld at source.

A zero income tax withholding rate is available for:

- sea and air charter, demurrage, container and freight payments to foreign companies;
- aircraft and ship leases;
- some promotional activities abroad, such as export fairs;
- commissions exporters pay to their agents abroad;
- payments for hedging operations;
- interest and commissions on export notes; and
- interest and commissions for credits obtained abroad for export financing.

Tax on dividends

Profits generated after 1995 are exempt from withholding taxes when paid.

Disguised Profit Distributions

Transactions between a business and its shareholders, quota-holders, related companies, partners and administrators or their families must be on a fair value basis. Amounts held to be income distributions under these provisions are taxable to the recipient and are not corporate tax deductible.

Income from Securities

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Income from fixed-income investments is subject to a withholding tax that may vary from 15% to 22.5%, while income from investment in the stock exchange, is subject to a withholding tax of 15% (or 20% for day trade transactions)[24]. Special rates may apply to non-residents in some circumstances.

Undocumented Expenses

Commissions and other payments a corporation pays are only tax deductible if the company specifies and documents the transactions and identifies the beneficiaries. If it does not, these payments are subject to a withholding tax of 35%, which it must gross-up. For other corporate entities, any commission or payment of undocumented bonuses, etc. are characterized as payments to the owners and taxed accordingly.

Sale of Foreign Investments

Income a non-resident earns on selling their capital investment up to the amount that does not exceed the cost of acquisition for Brazilian tax purposes is tax-free. Significant changes in Brazilian legislation have imposed Brazilian taxation on the sale of assets (including shares or quotas) held in Brazil when the transaction is performed by two non-residents. Non-residents' capital gains from selling assets held in Brazil are subject to 15% withholding. If the sale is made to a resident of a tax haven, capital gain is subject to 25% withholding tax. Liquidation distributions are subject to the same tax treatment as the proceeds from a sale.

The capital gains are the positive difference between the sales proceeds and the cost of acquisition of the investment. In this respect, it is important to mention that there is a discussion in Brazil on how capital gains of a non-resident are determined.

The two methods would be either (a) the cost of acquisition in local currency, supported by reliable and qualified documentation or (b) the amount foreign capital registered with the Brazilian Central Bank electronic system (RDE-IED). In practice, these two methods often lead to different cost of acquisition figures and thus a different amount of capital gain to be recognized.

Tax Incentives

Introduction

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A wide range of government incentives is available for start-up projects in Brazil. International investors have almost equal access with local investors to these incentives.

Types of incentives employed

The use of government incentives is a significant feature of the Brazilian business environment. Incentives are usually subsidized-rate loan financing and tax exemptions or reductions rather than cash grants.

Local, state and federal incentives

Federal government incentive programmes promote domestic policy objectives, including the growth of exports and capitalizing the domestic private industry. However, state and local incentive programmes aim at specific objectives such as increasing local employment.

State and local governments commonly use an exemption or deferral of indirect and property taxes they are entitled to levy and help potential investors get access to federal programmes. Thus, a company that has decided to establish a new plant for export production and which is eligible for federal programmes will seek the best package of local incentives when deciding where to locate a plant.

Frequency of revisions

The Brazilian government frequently revises its incentive programmes. They revise their basic approach, categories and tax incentive rates. Hence, companies planning to take advantage of incentive programmes should first seek the most up-to-date information.

Capital grants

Governments do not give cash grants to reduce initial outlays on industrial building and equipment. Exceptionally, local governments can provide capital grants in land.[25]

Low-cost finance

There are various government incentive programmes providing low-cost finance. In former years, Brazil experienced chronic inflation and even presently continues to have some of the highest worldwide rates of real

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interest. Under these circumstances, subsidized rate financing has often been very important for certain sectors of the Brazilian economy and has formed the basis for the expansion and modernization of Brazilian agriculture.

Tax incentives

Tax incentive investments

Rather than paying an equivalent amount of income tax, corporate taxpayers could, before 1997, invest up to 24% of their basic income tax liability in investments in the north-eastern and Amazon regions.[26] The companies established in these regions or in economic sectors qualifying for use of tax-incentive investment funds are granted a partial or full income tax exemption for a limited period, and other tax and financial concessions described below.

Regional and industry incentive programs

Various concessions are offered to encourage economic development in Brazil, either on a regional or industry basis. These concessions usually offer taxpayers the opportunity to invest part of their tax liability and also by granting the following fiscal incentives for approved investments.

Investments in the ADENE area[27]

The north-eastern region includes the states of Maranhão, Piauí, Ceará, Rio Grande do Norte, Paraíba, Pernambuco, Alagoas, Sergipe, Bahia and the semi-arid region north-eastern Minas Gerais.

The investment incentive plan under ADENE's administration offers these tax benefits:

- exemption from federal taxation on imported equipment used in new industries established in the region is under analysis for ADENE;
- partial exemption from income taxes;28
- eligibility to receive tax liability investments from other companies;
- government loans or loan guarantees from the Bank of North-eastern Brazil or the National Development Bank;
- authorisation for the import of equipment without foreign exchange cover by approved industries in the region;

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- income tax reduction of 75% until 2013, for manufacturing or agribusiness projects carried after year 2000.

Eligibility for these concessions depends on approval of an industrial project or a project for the expansion of an existing industry. Not only is the project evaluated for its technical and economic feasibility, but also for its suitability within the region's overall economic development.

New investments may also be partially exempt from state taxes: some state governments have granted the maximum exemption permitted. They require companies to deposit the amount of the tax exemption in the state development bank for investment in state approved projects. The bank can either reinvest in the depositing company itself or make a new investment in third party projects.

The tax liability investments in 3 above are in local currency, so the investor cannot send any income from them abroad.

Investments in the ADA area

Companies investing in the Amazon region are also entitled to tax benefits. The Amazon Development Agency is the federal government agency overseeing development in this region. The region includes the states of Acre, Pará, Roraima, Rondônia, Amapá, Amazonas, Tocantins, Mato Grosso, Mato Gorsso do Sul and Goiás and part of Maranhão.

Manaus duty-free zone

Manaus city is on the junction of the Amazon River with one of its tributaries, the Rio Negro. The City is home to over 600 industries which are eligible for duty-free tax incentives. The incentives aim to encourage occupation and development in the Amazon region.

A company operating in Manaus is eligible for the following tax incentives:

- income tax – reduced income taxes. This does not include social contribution taxes on profits, however. The company must book the tax reduction as a capital reserve and cannot pay them as dividends;
- import duties- suspension of import duties until the products leave the duty free zone. If the company uses the imported product in a

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manufacturing process within the free zone, the law grants reduced import duties;
- industrialised property tax (IPI) – exemption on the import of products which remain in, and products manufactured within, the duty-free zone is the company employs local labour, incorporates new technologies in their production process, increases productivity and reinvests profits in the region; and
- service tax (ICMS) – the law grants a deemed tax credit on the purchase of products from other states and for some industries, a deferral of ICMS paid on imports.

A gross revenue tax (PIS/COFINS) exemption for sales to companies located in to the Manaus duty-free zone, provided certain conditions are met, and exemption on PIS an COFINS levied on imports of raw material/inputs to be used in the manufacturing process. [29]

Industrial development projects

The industrial and Agro-industrial Technology Development Programmes (PDTI and PDTA) stimulate industrial technology development by creating and maintaining a permanent technology management structure and by establishing associations between companies and research institutes.

Tax incentives include:

- accelerated amortization for certain intangible assets;
- accelerated depreciation on domestically produced equipment;
- reduced withholding income taxes by up to 30% for remittances of royalties and technical service fees, if there is an investment commitment of twice the amount of the tax benefit;30
- income tax reduction of 75 percent until 2013, for manufacturing or agribusiness projects carried out after year 2000.

Other tax incentives

Other tax incentives are available:

- meals for employees – a business expense deduction and a tax credit of up to 4% of taxable income – with a two-year tax credit carry-forward – for expenses in providing meals to employees;
- agriculture – income tax withholding at source reduced by up to 30% on royalties the company pays under an INPI registered, Agricultural or Industrial Development project. ICMS and IPI are suspended or

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eliminated for the sale and production of various foodstuffs. There are also favourable depreciation and loss carry-forward provisions;

- culture – to provide funds for cultural activities in Brazil, including the domestic cinema industry. Companies may deduct investments in Ministry of Culture approved cultural projects. These deductions are limited to 40% of donations and 30% of sponsorship investment, or 40% of tax liability. Companies may also deduct the investments as a business expense;
- audio-visual – corporate taxpayers are also eligible for tax incentives of up to 3% of total tax liability on investments in approved domestic film production.31 Foreign film producers and distributors may reduce their income tax withholding liability by 70% if they invest that amount in the co-production of audio-visual cinematic pictures projects approved by the Ministry of Culture; and a
- children's fund – Companies may donate up to 1% of their tax liability to federal, state or municipal children's funds.

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Phase out of tax incentives

In 1997, Congress approved a law that will gradually phase out several of these corporate income tax incentives:[32]

Regional Incentives	Tax year - Limits				
	1997 %	1998/2003 %	2004/2008 %	2009/2013 %	2014 %
Investment of income tax payable in these projects.[33]					
- FINOR/FINAM	24	18	12	6	-
- PIN/PROTERRA	16	12	8	4	-
- FUNRES	33	15	17	9	-
Deposit of income tax payable with company's 50% matching funds in SUDENE or SUDAM industrial and agro-industrial projects[34]	40	30	20	10	-
Reduction of income tax withheld at source and tax on exchange operations on the remittance of royalties under an Agricultural or Industrial Development project with contract registered with the INPI[35]	50	30	20	10	-
Expansion, modernization and installation projects within SUDENE and SUDAM regions approved since 01.01.98: - Income tax exemption – SUDENE - SUDAM	exempt	75	50	25	-

- Not applicable to projects approved or filed for before 14.11.97, which will be exempt for the period originally granted.[36]					
Companies that maintain industrial or agricultural projects within the SUDENE or SUDAM areas: - income tax reduction.[37]					-

Other taxes

Excise Tax on Industrialised Products (IPI)

IPI is a value added, or excise, tax on imports and products made in Brazil. It has regulatory purposes and the government uses IPI to carry out its financial and economic policies. Unlike most taxes, the government can raise rates by Executive Decree; the Legislature cannot interfere is this. Further, it can be collected in the same financial year in which the law or Decree was published.

IPI rates vary depending on how the government has classified the product: they can be higher for nonessentials such as cigarettes and perfumes. Some products are exempt: for example, exports and sales to the Manaus Duty-Free Zone. Since it is a value added tax, the amount paid in previous taxed operations – as a tax credit – can be offset against IPI debts in later operations. The tax authorities restrict the use of IPI tax credits when the matching inputs are bought to make a product whose following sale is not taxed.

Taxpayers may sometimes use IPI tax credits to pay other federal taxes or contributions even if they are due by other taxpayers, or to request a refund from the Federal Government. They cannot, though, offset these credits against the debts in their next operations.

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Import Duty (II)

This is a federal tax on imports. The tax basis is normally the 'customs value' – usually the Cost, Insurance and Freight (CIF) value of imported goods. The rates are set on the Common External Tariff (TEC), which is based on the Mercosul Common Nomenclature. Under the Mercosul Treaty all member countries must apply the same import duty on goods from third party countries.[38] The rate between Mercosul countries is 0%.

The Executive can raise the import duty rates. Taxpayers must pay the tax in the same financial year as the law creating it, or the decree increasing its rate, was published.

The Customs Valuation Agreement provides the taxable basis of import duty. The First Method calculation is based on the value the importer paid for the goods – the CIF value with some adjustments. The tax authorities will use the other 5 methods if any of the legal conditions are not met. An example of this is where the importer and exporter are related parties and that relationship has affected the import price.

Export tax (IE)

Export tax is a federal tax and applies to goods exported from Brazil and is paid when they are registered with SISCOMEX. As the government is trying to encourage exports, it has mostly stopped levying export tax. Because the tax is used to control foreign trade, the government can set the rates depending on the country's economy, foreign currency balance, and internal market needs.

Only these exports are taxed:

- some cigarettes bought by South and Central American countries (at 150%)
- some animal skins bought by any foreign country (at 9%)
- weapons (150%).

The tax is charged on the normal price of the export. This price is that of the product or a similar one in a free and competitive market: it cannot include other taxes and financing costs.

Tax on Credit Transactions, Insurance, Foreign Exchange and Securities Transactions (IOF)

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IOF is a federal tax on gold transactions and credit, exchange, insurance and securities transactions, carried out through financial institutions. The authorities can levy the tax in the same financial year as the publishing of the law that created it, or the decree increasing its rate. The Executive can increase IOF rates. The IOF rates and tax bass vary.

Tax on Rural Land (ITR)

ITR is a federal tax collected every year on the property, possession and use of rural real estate. ITR does not extend to small rural properties when the land's user and owner (and family) does not own any other property. The tax discourages the keeping of non-productive properties. ITR rates vary depending on the land's location and use. The rates are calculated on the value of the bare property without its improvements.

Tax on Wealth (IGF)

The Tax on Wealth is a federal tax and commonly known as the "tax on large fortunes". There is no law triggering its assessment, and Congress is drafting legislation to set its basis and rates.

Sales Tax (ICMS)

Sales Tax is the main state tax and is paid on:

- the customs clearance of any imported product or goods;
- shipping products from any importer, manufacturer or commercial property until its purchase by the end consumer;
- the supply of food and drink by bars, restaurants and similar establishments;
- interstate and inter-municipal transport services (even if they originate abroad); and
- paid communications services (even if they originate abroad).

The tax basis will vary depending on the taxable event but is usually the price of the operation. The Federal Constitution and law provides for the general ICMS rules. As ICMS is a State tax, each state sets specific measures, such as those on rates and payment dates.

For interstate operations, the rate is 12% if the receiver of the goods is in the South and Southeast Regions, and 7% for those with the Northeast and Northern Regions and Espírito Santo.

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Each state sets the intrastate rates on internal operations depending on the need of the goods or services. These rates are usually:

- 17% or 18% for most products
- 7% and 12% for essential products
- 25% for non-essential products.

The authorities cannot levy ICMS in the same financial year as the publishing of the law creating it or increasing its rate. ICMS tax-exempt items include:

- goods exports
- interstate electric energy and petroleum operations when bought for industrial or commercial purposes22
- easing of goods39,
- sale of assets.

Similarly to the IPI, ICMS is a value added tax. Therefore, the amount paid in prior taxed operations as a tax credit, can be offset against outstanding ICMS debts in the following operations. If an operation is carried out without prior taxation of ICMS, due to tax immunity or exemption, no credit of ICMS can be offset.

ICMS credits are complex and controversial, because the law continuously restricts their use. A recent Supplementary Law limited ICMS credits from the purchases of fixed assets, electric energy and services of telecommunications. [40] Taxpayers must divide these tax credits into 48 instalments and can only credit one a month – or 1/48 of the total tax credit. Limits also apply to credits from office material purchases, telephone and energy bills.

São Paulo has allowed ICMS taxpayers sometimes to:

- transfer ICMS tax credits which cannot be offset against the ICMS tax debts, to other establishments of the same company or related party or supplier;
- seek a refund of the tax credits from the State government; and
- pay a tax debt which has not been collected before its due date.

ICMS is now levied on all imports. That the importer is a non-ICMS taxpayer is irrelevant; it must pay ICMS to gain customs clearance.[25] The calculation formula has changed to include the tax in its own tax basis.[42]

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"Causa Mortis" and Donation (ITCMD) and "Inter Vivos" (ITBI).

The Causa Mortis and Donation Tax is a state tax on transfers of goods and rights on death-related inventories or donations. The tax is collected by the State where the real estate is located when transferring real estate and its corresponding rights. ITCMD on commodities, securities and credits transfers must be collected by the State where the donor lives or where the corresponding inventory occurs. The rate in São Paulo State is 4%.

The Inter Vivos Transfer Tax is a municipal tax on transfers of real estate and rights in rem in any real estate. It differs from the state tax because it applies to transfers in which consideration is paid in exchange, while ITCMD applies to transfers by donation or causa mortis inventories. In this sense the ITBI is not a gratuitous but a charged transfer and only applies to real estate and rights in rem, while ITCMD is paid on the transfer of any goods and rights.

ITBI is based on the value of the real property or the rights in rem to any real estate. Each municipality sets its rates; in São Paulo city it is 2%. ITBI is not due when real estate, or rights to any real estate, is transferred in paying up a corporate entity's capital, or through a company merger, consolidation, spin-off or closure. ITBI is due if the buyer's main activity is buying these assets and rights, leases or commercial leases of real estate.

Service Tax (ISS)

ISS is a municipal tax paid on the rendering of listed services. Each city must have its own list of taxes services, provided that the services, provided that the services in that list do not exceed those listed in the Complementary Law nr. 116, dated July 31st 2003. The maximum rate is 5% and the lowest is 2%.

ISS taxpayers can be corporate entities, such as hospitals and clinics, or self-employed professionals such as doctors, lawyers, accountants, if the service is included in the city's list.

The tax is to be collected by the municipality where the service provider is located, except for some services on which the tax must be paid to the city where the service was rendered (ex.: cleaning services). Many

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municipalities close to the main cities therefore offer tax incentives of lower ISS rates to encourage companies to transfer their headquarters there. This is creating fiscal wars between those cities.

ISS is usually paid on the gross revenue of the service. However, certain kinds of services rendered by the so-called professional companies (such as law firms) are calculated differently; the tax is calculated according to how many professionals work for the company.

Import of services is also assessed by the ISS tax as of January 1st 2004, pursuant to the new rules set forth by Complementary Law nr. 116/03.

Tax on Urban Building and Property Tax (IPTU)

This is a municipal tax collected every year on the ownership, possession, and use of city real estate. The tax basis is the market value of the property. Municipalities can set progressive rates.

Provisional Contribution on Financial Transactions (CPMF)

The CPMF is more popularly known as the cheque tax. It is a contribution to federal coffers, and is due such as when funds are:

- debited from a bank account
- transferred to a savings accounts from a bank account
- debited from a bank account to be invested in financial funds.

Being provisional, the tax should have ceased in June 2002, but Constitutional Amendment 42/03 extended it until December 2007 and CPMF would be charged at a 0.38% rate. Some operations are CPMF exempted in order to encourage investments into the Brazilian capital market: foreign investors no longer have to pay CPMF on stock exchange operations and transfers of financial investments are also exempted of CPMF.

Social Integration Tax (PIS)

Brazil has currently three different forms of calculating the PIS tax, which is a revenue based tax fund social security.

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Pursuant to the cumulative rule the PIS tax is assessed on monthly gross revenues at a 0.65% rate. In this case, PIS is accrued on each and every sale or service provision.

Besides that, there are specific rules applicable to certain kinds of goods, such as perfumes, cosmetics, medicines, oil and gas, vehicles and parts. For such products, an anti-evasion rule established the imported or producer for paying the PIS on behalf of the whole production and commercialization chain. This rule is called 'monophasic regime.'

Recently a new disciplinary rule – the non-cumulative rule – was created for the PIS. Rates have jumped from 0.65% to 1.65%. However, taxpayers are now ensured the right to deduced, from the payable contribution, all the credits originating from the use of the same rates on the goods acquired for resale or as input aimed to sale or service provision, as well as on expenses such as financial, depreciation, rent and other expenses incurred by legal entities.

That new way of calculating PIS apply to legal entities in general, except to financial institutions, credit securitization companies, legal entities falling under the SIMPLES tax system, legal entities taxed based on presumed profit, as well as revenue deriving from activities subject to monophasic accrual of the contribution, which remain subject to PIS collections as previously established, under the 0.65% instead of the higher ones.

Social Contribution Tax (COFINS)

Similarly to the IS, the COFINS is also assessed based on monthly gross revenues and is due at a 3.0% rate.

There are also similar related to the monophasic and to the non-cumulative rules. The COFINS rate for companies falling under the non-cumulative rule has jumped from 3% to 7.6% and likewise to the PIS companies which are allowed to offset some credits against their COFINS debits.

PIS and COFINS on imports of merchandise and services

Law Nr. 10,865, enacted on April 30th 2004 (Law nr. 10,685/04) creates the payment of PIS and COFINS over the import of merchandise and sales. Rates are the same as the ones applicable on company's revenue – 1.65%

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for PIS and 7.6% for COFINS. Tax basis is the customs value, plus import duty and ICMS and the PIS and COFINS themselves.

Companies falling under the non-cumulative rule are allowed to offset the PIS and COFINS paid on their imports with PIS and COFINS accrued on their revenue.

Social Security (INSS)

This contribution is payable by employees, and is managed by the National Social Security Institute (INSS). The contribution is 20% of the employer's gross monthly payroll.[43] The rates the employee pays varies depending on their gross monthly salary, but is set at between the current minimum salary of R$ 300.00 and R$ 2,668.15. The average is 9%.

Is some employment relationships, especially when transferring of labour, the contractor must withhold 11% of the invoice as an advance payment of Social Security Contribution.

Social Contribution on Profit (CSSL)

The CSSL is a social contribution tax that funds the social security system. It is assessed on net corporate profits before income tax and after adjustments for non-deductible items. The rate is 9%.

Law 10,637/02 created a tax compliance bonus. The bonus is a reduction of 1 percent of CSSL tax base, to taxpayers, the have complied with their tax duties in the actual or presumed profit regimes for the past five years.

Withholding tax provisions

Recently issued provisions also require the Brazilian taxpayers hiring certain services to withhold social contributions on payments made to local service providers, together with the already existing withholding income tax (IRF) and social security contributions (INSS), at a combined rate of 4.65% (this includes 1% for social contribution, 0.65% for PIS and 3% for COFINS). Please note that exception rules would apply to payments made to small business companies or to entities engaged in international transportation.

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CIDE

The government introduced a new special contribution in 2000.[44] Brazilian legal entities that licence, purchase or otherwise acquire "technological knowledge" must pay a special contribution of 10%. The legislator did not define "technical knowledge" but Brazilian companies must pay the 10% on payments for trademarks, technical services and technical assistance, administrative services and any royalty payments.

A CIDE credits is also foreseen for values paid, credited, delivered or remitted abroad as royalties related to trademarks and trade names.

Law No. 10,331/01 extended the scope of the CIDE to include payments for technical services, administrative assistance and similar services. There is no longer a reference to the transfer of technology. So it appears the CIDE now applies to normal administrative services, even those not involving the transfer of technology.

CONDECINE

The Contribution to the Development of the National Cinema Industry (CONDECINE) tax is levied on the marketing and promotion, production, license and distribution of commercial motion picture and video works.

CONDECINE is also levied at 11% on the payment, credit, use, remittance or delivery to foreign producers, distributors or intermediaries, or income from the commercial use of motion picture or video works, or their purchase or import.

Contribution for Improvements

The contribution is only occasionally levied on all real estate benefiting from public works, and calculated using the value of the improvement of the property. The federal, state and municipal government levels, and the Federal District, levy this tax depending on which made the improvements.

Charges

Charges are taxes the public administration charges either for public services at the taxpayer's disposal or for exercising supervisory powers. Public services include the public registration of corporate or personal

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documents, and supervisory powers include inspecting commercial property. The charge for supervisory powers is not a fine, but an amount for gaining a certificate of good standing.

The federal, state and municipal government levels and the Federal District levy this charge at rates that vary depending on the services provided.

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7. Accounting & reporting

Bacen Annual Declaration of Assets Held Abroad

As from 2002, all corporate entities and individuals resident, domiciled or with head-offices in Brazil must access the BACEN website (www.bcb.gov.br) providing information on all assets, property and monies they hold outside Brazil. Such information includes:

- overseas deposits
- loans
- financing
- leasing transactions
- direct investments
- portfolio investments
- investments in financial derivatives
- Brazilian Depositary Receipts (BDRs)
- foreign investment funds (FIEXs)
- other investments, including real estate and other assets.

In 2006, Brazilian residents holding assets worth over R$ 100,000 (on 31st December 2005) had to file this declaration in a term to be fixed by BACEN in the future.

1. Law No. 4,131/62 amended by Law No. 4,390/64. Both laws are regulated by Decree No. 55,762/65 and supplemented by regulatory instruments issued by BACEN.
2. See Chapter 4.
3. The RDE-IED was implemented under BACEN Circular No. 2,997/00.
4. However, several State Trade Boards do require that companies include a deadline in their bylaws or Articles of Association.
5. 25% when sent to tax havens.
6. If the investor sends the funds to a tax haven, the rate increases to 25%.
7. 36th Amendment to the Federal Constitution and Law No. 10,610/02.
8. Native-born Brazilians or those who have been naturalized for more than ten years.
9. The ROF was implemented by BACEN Circular No. 3,027/01.
10. This is known as securitization of exports.
11. Decree No. 3,000/99, Art. 33; SRF Normative Instruction No. 190/02, Art. 2.
12. SRF Normative Instruction No. 200/02, Art 12, §4.

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13. In these cases, within 180 days after obtaining the provisional CNPJ/MF, the foreign corporate entities must send to the SRF the documents required by SRF Normative Instruction No. 312/03 in order to obtain their definitive CNPJ/MF.

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9. UHY offices worldwide

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