

DOING BUSINESS IN **BRAZIL**



FOREWORD

This guide has been prepared with the purpose of providing basic information to people interested in investing and doing business in Brazil. It does not cover in detail all the requirements and subjects to be considered, but instead it is intended to provide an overall idea of the benefits of doing business in Brazil and the basic taxation requirements.

The guide is intended to be used for informational purposes only and therefore, you should consult a professional tax and business advisor to acquire more information.

The material contained in this guide is based on information and regulations in effect as of May 2020.





ABOUT H&CO

Since 1992, H&CO has been providing international tax and business advisory services to multinational companies, global families and local companies that seek to invest or expand their operations in multiple jurisdictions in Latin America.

By working together with our affiliates in the region, we offer integrated solutions to help companies with all of their cross-border requirements and reporting obligations, from opening a new company abroad, and manage your operations, to helping you create an international tax strategy and repatriation plan.

With 3 offices throughout South Florida and partner firms in more than 15 countries in South and Central America, H&CO's primary goal is to be the most trusted service provider of accounting, tax and consulting services for the global community.

COUNTRY ESSENTIALS

Capital City	Brasilia
Area and population	8,515,770 km ² and a population of 211,715,973 people (July 2020 est.)
Language	Portuguese
Currency	Real (BRL) R\$
International calling code	+55
GPD	\$1,885 billion USD (2018 est.)
GDP - per capita (PPP)	\$ 9,040 USD (2018 est.)
Exports	\$239 billion USD (2018 est.)
Imports	\$181 billion USD (2018 est.)
Inflation rate	3.7% (2018 est.)
Government structure	<p>Brazil is a democratic republic, with a presidential system. The president is both head of state and head of government of the Union and is elected for a four-year term, with the possibility of re-election for a second successive term. The National Congress is the Federation's bicameral legislature, consisting of the Chamber of Deputies and the Federal Senate. Judiciary authorities exercise jurisdictional duties almost exclusively.</p>



WHY YOU SHOULD DO BUSINESS IN BRAZIL





GROWING ECONOMY

Brazil is the eighth largest economy in the world, with a value of about 1.8 trillion dollars. Although the Brazilian economy has been in recession since 2015, and suffered a contraction of 3.6% in 2016, the economy recovered in 2017 and the GDP recorded a 1% progression, supported by budget adjustments and an increase on the investments in the country.

Brazil has diverse and abundant natural resources, which makes it a major producer and exporter in the food industry. It is one of the main producers of coffee, soybeans, oranges and sugar cane in the world, and it is one of the largest exporters of wood internationally.

Brazil ranks ninth among the countries of the region in the pillar of business dynamism of the Global Competitiveness Report 2019 of the World Economic Forum.

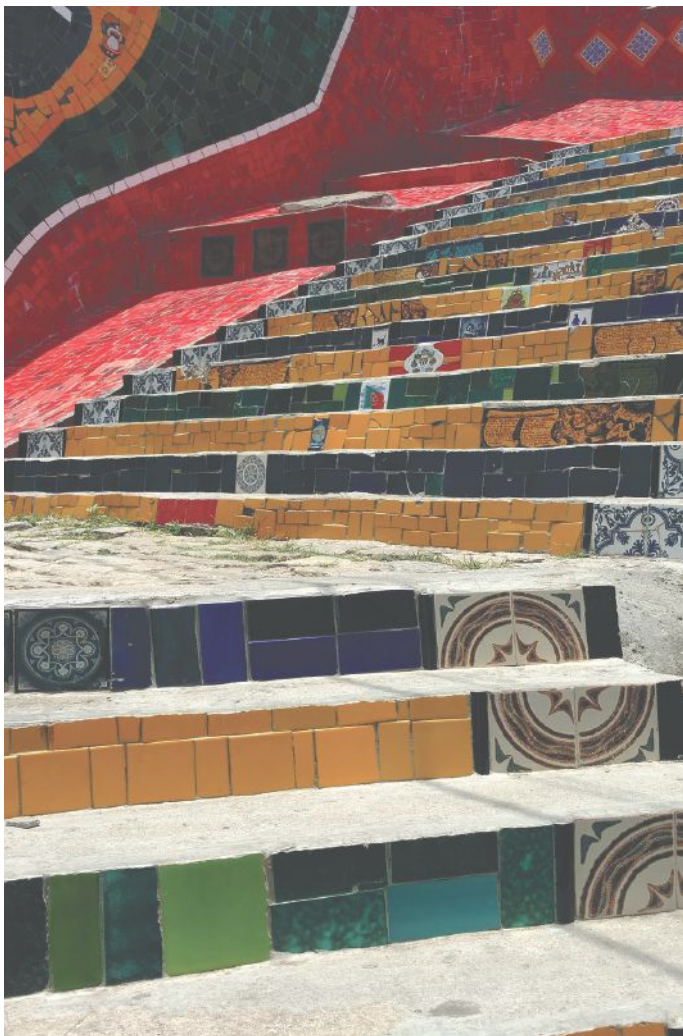
Additionally, Brazil ranks fifth overall in the Country Brand Report Latin America 2019-2020 by FutureBrand, and fourth as the country with the best business potential.

OPEN TO FOREIGN TRADE

Brazil is ranked 22nd as the largest export economy in the world. Exports reached 239 billion dollars and imports were 181 billion, resulting in a positive balance of more than 58 billion dollars. The GDP in 2018 was 1.885 billion dollars and its per capita was over 9,040 dollars.

As for the target markets, sales are distributed in Asia, Latin America and Europe. The main trading partners for Brazilian exports and imports are China, the United States, Argentina, Germany and the Netherlands

Brazil has a privileged location in South America and borders almost all countries in the region, allowing Brazilian companies to easily enter other Latin American and even African markets.



COMPETITIVE AND SKILLED LABOR FORCE

Brazil's active work force represents 36% of Latin America's total population, reaching almost 208 million people in 2018. Brazil has 16 million people with higher education level involved in technical-scientific activities. There are over 6 million registered students in technical schools and higher education.

The labor force participation rate in Brazil increased to 61.9% in December 2019 from 61.7% in March 2019.

TOP DESTINATION FOR FOREIGN DIRECT INVESTMENT

With a solid macroeconomic foundation, a steady-expanding industry and a stable democracy, Brazil is currently one of the most attractive countries for foreign investors. It offers a safe and outstanding investment climate, with significant business opportunities.

Brazil ranked 109th out of 190 countries in the Doing Business 2019 report of the World Bank, having the highest improvement among Latin American countries with 16 positions.

The country's legislation does not incorporate restrictions to the remittance of profits abroad, and foreign capital receives the same legal treatment as national capital.

ABUNDANT ENERGY

The Brazilian energy sector is abundant and diverse. The country is self-sufficient in oil and has several sources of clean energy, such as hydro, wind and ethanol. Today, 46% of the energy production in Brazil comes from renewable sources, out of which 75% is derived from hydroelectricity.

Brazil is the second country in South America, after Venezuela, with the most oil reserves, according to the Oil and Gas Journal (OGJ), with over 11.2 billion barrels. In addition, Brazil holds the 2nd largest coal reserves in the Western Hemisphere after the United States.

ESTABLISHING A BUSINESS





PROCESS TO INCORPORATE A COMPANY

The number of procedures and average days required by an investor aiming to establish a business entity in Brazil varies significantly by state, as do incorporation requirements.

While in São Paulo the constitution of a company consists of 10 procedures for an average of 13.5 days, this same process under the Rio de Janeiro regulations can be extended to more than 23.5 days.

With the *Empreenda Fácil* program, Brazil seeks to minimize bureaucracy and the time of opening of companies. Those interested in opening a business through this procedure will only have to wait 7 days. Currently the program only works with certain types of licenses, which represent 80% of all businesses in São Paulo.

RIO DE JANEIRO

PROCEDURES	TIME TO COMPLETE
Check company name through the REGIN system	2 days
Apply for registration with the Federal Tax Authority (<i>Receita Federal</i>)	3 days
Pay registration fees	Less than 1 day (online procedure)
Register at JUCERJA to obtain CNPJ, INSS and NIRE	5 days
Register with the Rio de Janeiro Taxpayers' Registry (<i>Secretaria Municipal de Fazenda</i>)	5 days
Apply and obtain digital certification (token) for the use of e-invoice	2 days
Apply to the municipality for an operations permit (<i>Alvará de Licença para Estabelecimento</i>)	4 days
*Register the employees in the social integration program (<i>Programa de Integração Social, PIS</i>)	1 day
*Notify the Ministry of Labor (<i>Cadastro Geral de empregados e desempregados, CAGED</i>)	Less than 1 day (online procedure)
*Registration with the Patronal Union and with the Employees' Union	1 day (online procedure)
Total number of days	23.5 días

Note: Steps marked with an asterisk (*) may be completed simultaneously.

SÃO PAULO

PROCEDURES	TIME TO COMPLETE
Check company name with JUCERJA	Less than 1 day (online procedure)
Apply for registration with the Federal Tax Authority (<i>Receita Federal</i>)	3 days
Pay registration fees	Less than 1 day (online procedure)
Register at JUCESP to obtain CNPJ, INSS and NIRE and register with ICMS	3 days
Register with the Municipal Taxpayers' Registry (<i>Secretaria Municipal de Finanças</i>) of the City of São Paulo	Less than 1 day (online procedure)
Apply and obtain digital certification (token) for the use of e-invoice	2 days
Apply to the municipality for an operations permit (<i>Auto de Licença de Funcionamento</i>)	2 days
*Register and pay TFE (<i>Taxa de Fiscalização de Estabelecimentos</i>) to the Municipal Taxpayers' Registry	Less than 1 day
*Register the employees in the social integration program (<i>Programa de Integração Social - PIS</i>)	1 day
*Notify the Ministry of Labor (<i>Cadastro Geral de empregados e desempregados, CAGED</i>)	Less than 1 day
*Registration with the Employers' Union and with the Employees' Union.	1 day
Total number of days	13.5 days

Note: Steps marked with an asterisk (*) may be completed simultaneously.

REQUIREMENTS TO INCORPORATE A COMPANY





The *Sociedade Limitada* (Ltda.), similar to a Limited Liability Company, is the most common form of incorporation in Brazil. Shareholders of a Ltda. are liable only for the value of their shareholding.

COMPANY NAME

The name of a Limited Liability Company can contain the name of a natural person, as well as a made-up term. The purpose of the company must, however, be discernible from it. In addition, the suffix *Limitada* or its abbreviation Ltda. must be included. If the company name is used without any reference to its legal form, then the liability limitation is considered waived.

In Brazil, company names are registered at a state level, rather than at a national level. It falls within the state's responsibility to approve and protect company names. In order to ensure protection throughout Brazil, the company name must be registered as a trademark.

REGISTERED OFFICE

Companies registered in Brazil require a registered office where official company correspondence may be served and financial and reporting documents, records and other company documents are maintained.

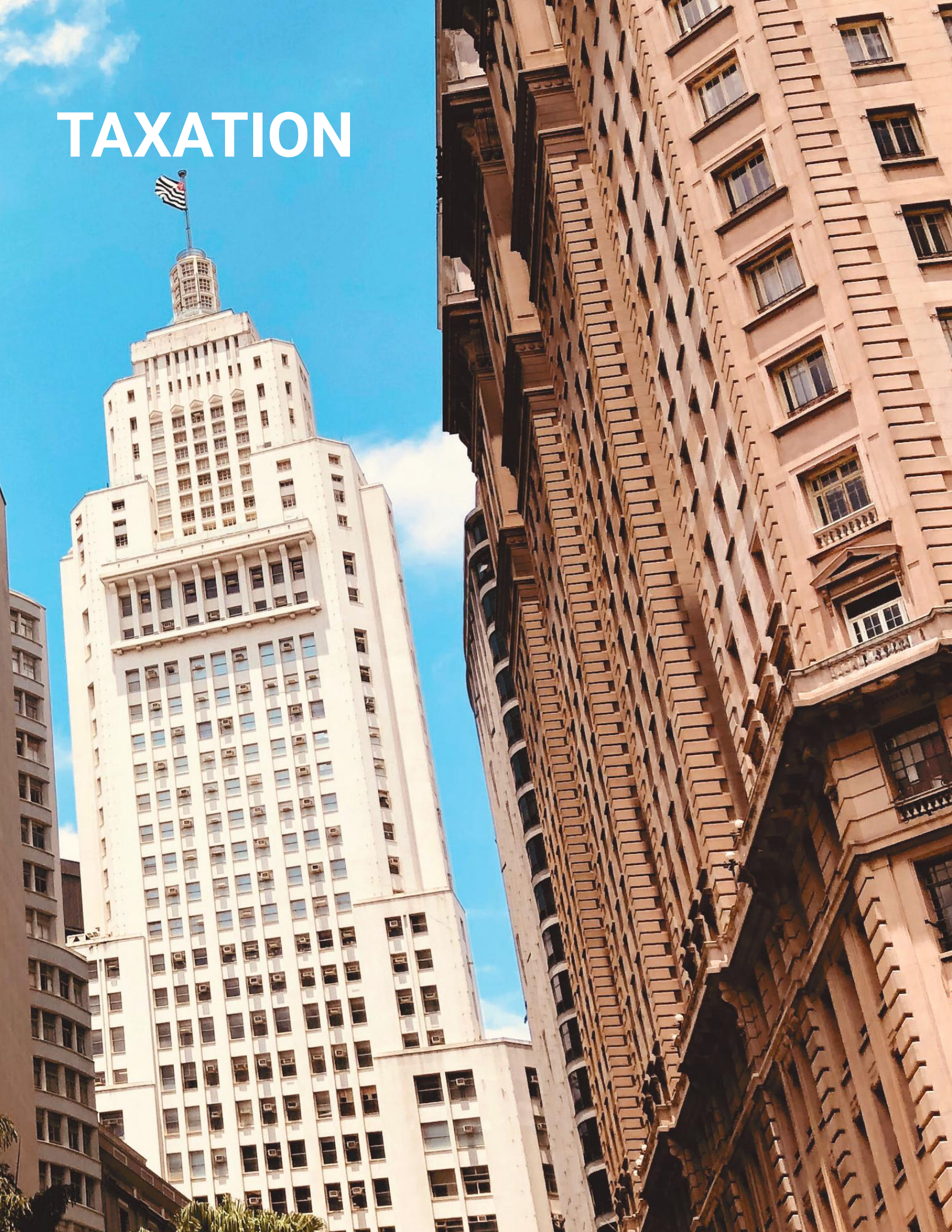
DIRECTORS

A minimum of two directors are required, without nationality restriction. Company management must be carried out by an individual resident in Brazil, who may be a foreigner with a permanent visa or work permit.

SHAREHOLDERS

A *Limited Liability Company* registered in Brazil must have a minimum of 2 shareholders. There are no restrictions on the nationality or residence of shareholders, and they can be natural persons or corporate entities. Shareholder anonymity may be acquired through the appointment of candidate shareholders. An annual general meeting must be held within four months following the end of the fiscal year.

TAXATION



CORPORATE TAXES

Corporate income tax is levied on income derived worldwide by corporations and business entities resident in Brazil. A corporation is considered a resident in Brazil if it has been incorporated in the country.

A foreign entity is subject to taxation in Brazil only if it performs sales activities in the country through an agent that is domiciled in it and can legally bind the foreign entity, or through a domestic branch of the foreign entity. Under Brazilian regulations, an agent will not rise taxable presence of the foreign entity in the country if the final transaction is concluded outside the country by the non-resident entity.

The Corporate Income Tax (IRPJ) is levied at a rate of 15%. However, a surtax of 10% is imposed on income in excess of R\$ 240.000, and a 9% Social Contribution Tax (CSLL) is levied on adjusted net income. This results in a combined nominal corporate income tax rate of 34%.

TAXES ON CAPITAL GAINS AND DIVIDENDS

There are no special rates for the taxation of capital gains, which are generally included in the normal corporate tax base. However, capital gains derived by non-residents on investments registered with the Central Bank are subject to progressive rates between 15% and 22%.

Dividends derived from other Brazilian companies are not subject to income tax.



ESTATE AND GIFT TAXES

Brazil does not have an inheritance or estate tax on the federal level. However, individual states have the authority to tax inheritances at varying rates. The average inheritance state tax rate is 3.86% and the maximum state rate is 8%.

SALES TAXES / VAT

VAT in Brazil is levied at the federal and state level. The federal tax (IPI) is levied at an average rate of 20% in the manufacture and import of goods. Exports are exempt. The state VAT (ICMS) applies to the circulation and import of goods and to interstate transportation and communications services. The ICMS rates vary from 4% to 25% depending on the state.

In addition to the general sales tax, special rates are applied to alcoholic beverages, tobacco, leisure boats, and vehicles and aircrafts used for non-commercial purposes.



EMPLOYMENT TAXES

Withholdings on income derived from employment are applied according to the following rates of contribution:

	Employee	Employer
Social Security (INSS)	20%	8% - 11%
Severance Fund	8%	–
Other INSS Taxes	Up to 8%	–

The 20% INSS contribution was replaced in some business sectors by a contribution levied on gross revenue.

PERSONAL TAXES

Brazilian residents are subject to tax on their worldwide income. Non-residents are only subject to income tax on Brazilian sourced income. For tax purposes, the following individuals are considered residents: naturalized foreigners, foreigners holding a permanent or temporary visa, with a local employment contract, and foreigners with a temporary visa that have spent more than 183 days in the country within any 12 month period.

Individual income tax is levied according to the following progressive rates:

If the net income is:	Tax rate:
De R\$ 0 to R\$ 22,847.76	Exempt
De R\$ 22,847.77 to R\$ 33,919.80	7.5%
De R\$ 33,919.81 to R\$ 45,012.60	15.0%
De R\$ 45,012.61 to R\$ 55,976.16	22.5%
De R\$ 55,976.17 and over	27.5%

MARKET OPPORTUNITIES AND COMMERCIAL SECTORS





AGRICULTURAL EQUIPMENT AND SERVICES

Brazil is a key producer, consumer, and exporter of a wide variety of agricultural products. The country has a large, dynamic and rapidly expanding market for agricultural equipment. This expansion is driven by a wide sector of commercial agriculture, being a key exporter of agricultural products, such as coffee, orange juice, soybeans, meat, corn, sugar, tobacco, ethanol, and cellulose.

Thanks to the improvement and continuous growth, the Brazilian agroindustry does not depend on government subsidies to be competitive. According to the OECD-FAO Agricultural Outlook 2010-2019, Brazil has the fastest growing agricultural sector and is projected to increase production by more than 40% by 2019.

The top Brazilian imports include high-tech self-propelled machinery, post-harvest machinery, including refrigeration units, GPS and precision devices, grain storage and irrigation equipment.



ARCHITECTURE, CONSTRUCTION AND ENGINEERING SERVICES

Brazil stands out for having an excellent scenario for foreign investment, a clean and diversified energy matrix, and some of the largest ports in Latin America.

Brazil's architecture, construction and engineering industry is experiencing major growth, a dynamic that was intensified when Rio de Janeiro hosted the Summer Olympic Games in 2016. Architectural design and engineering projects, from roads and stadiums to airports and retail space, are and will become even more abundant. Currently investment opportunities are based on four pillars: logistics, energy, telecommunications and social sectors.

Today, a significant part of Brazil's economic development plan is based on an investment plan in infrastructures and privatizations, whose auctions include rail concessions, airports and port terminals.



AIRPORTS

As Brazil's middle class expanded over the past several years, commercial passenger flight services increased significantly, generating new opportunities in the airport sector and particularly for domestic travel.

Brazil has the 3rd highest level of domestic air traffic in the world and represents 35% of all air traffic in Latin America. Brazil's airport infrastructure upgrades present significant business opportunities. In addition to providing consultancy and design services, concessions winners are also purchasing products such as docking and luggage systems, passenger bridges, check-in conveyors, x-ray integration and other safety and security equipment.



RENEWABLE ENERGY

Brazil is the seventh largest country in investments in clean energy, and the sixth most attractive.

The Brazilian National Energy Plan for 2030 (PNE 2030) places non-hydroelectric renewable energies as a key alternative to meet the growing demand for electric power that it will face in the coming years, as well as to increase the participation of sustainable sources in the Brazilian energy matrix.





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