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# The Legal 500 Country Comparative Guides

## Brazil

# TAX

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This country-specific Q&A provides an overview of tax laws and regulations applicable in Brazil.

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## BRAZIL TAX



### 1. How often is tax law amended and what are the processes for such amendments?

Brazil is a federation, comprising the Union, 26 States, the Federal District, and over 5,500 Municipalities, all of which are invested with powers to tax, according to a division of taxes and criteria to resolve conflicts of competence provided by the Federal Constitution and supplementary law. Brazil has a heavily regulated environment.

The Brazilian legal system is based on Roman law. The Federal Constitution, supplementary laws, ordinary laws, decrees, and executive measures, which create rights and obligations are considered primary formal sources of Brazilian law. Secondary sources include executive orders and rulings aimed at clarifying and ensuring the applicability of the law.

The main directives for taxation are determined by the Federal Constitution, which sets forth the general principles of taxation, the limits of the power to tax, tax competence across levels of government, the criteria to share the tax revenues among the federal entities, among other rules.

The Brazilian tax system is complex and overall tax burden is high. In this context, amendments in the Brazilian tax system are frequent.

There is a complex legislative process in Brazil. In a brief summary, supplementary laws set forth general taxation rules and require a qualified quorum of the Congress to be approved. Ordinary laws shall be approved by the Congress with simple majority and are enacted by the President (or the Governor or the Major) and usually detail the main aspects of the tax (including fees, and social contributions). Decrees and executive measures are provided by the executive branch and comply with the guidelines set by the Federal Constitution and by supplementary laws, under the penalty of illegality.

Administrative rules can be issued solely to clarify legal provisions and are binding on the authorities that hierarchically fall under the authority that issued such

rules.

### 2. What are the principal procedural obligations of a taxpayer, that is, the maintenance of records over what period and how regularly must it file a return or accounts?

The taxpayer shall comply with a large number of procedural tax obligations, which may vary according to its activity and domicile, at the municipal, state, and federal levels.

Brazil uses state of the art computerized systems to optimize the tax compliance and supervise the tax collection. Currently, the most important tax returns are filed on-line on the Internet.

At the federal level, the accounting digital book ("ECD") and the digital income tax return ("ECF"), some of the principal procedural obligations, must be filled annually.

Tax authorities must claim their tax credits, if any, within five years from the tax settlement date (the starting date of such period is controversial). The general statute of limitations is five years, but it can reach seven years under certain circumstances. Hence, it is advisable the maintenance of the records for at least this period of time.

### 3. Who are the key regulatory authorities? How easy is it to deal with them and how long does it take to resolve standard issues?

At the Federal Level, the Internal Revenue Service authorities; at the State and Municipal levels, the tax authorities of the State Treasury Office and Municipal Treasury Office, respectively.

In general, it is difficult to deal with tax authorities, they tend to be very restrictive when dealing with taxpayers.

Standard issues may be solved on-line at the Federal level and fairly quickly in certain States.

However, most of the cases are deemed “non-ordinary” and will probably take a long, unpredictable time to be solved. Of course, it will depend on the complexity of the issue, but it usually takes several months to have an issued answered by the tax authorities.

#### **4. Are tax disputes capable of adjudication by a court, tribunal or body independent of the tax authority, and how long should a taxpayer expect such proceedings to take?**

Up to this moment, tax disputes can solely be decided at the administrative level (i.e., administrative courts composed of tax authorities and members of civil society) and at the Judicial level. Independent bodies are not allowed to decide on tax disputes.

#### **5. Are there set dates for payment of tax, provisionally or in arrears, and what happens with amounts of tax in dispute with the regulatory authority?**

There are set dates for payment of taxes and penalties are applicable in case of late payment, as determined by the entity invested with powers to tax.

Provisional payments are made in Court, according to the set dates for payment (“judicial deposits”). In case of a final favorable decision to the taxpayer, such amounts are withdrawn. In case of final unfavorable decision to the taxpayer, such amounts, are withdrawn by the authority which represent the federal entity involved in the case.

In case of a final unfavorable decision to the taxpayer on tax dispute when the relevant amounts were not provisionally paid, taxes and penalties apply.

#### **6. Is taxpayer data recognised as highly confidential and adequately safeguarded against disclosure to third parties, including other parts of the Government? Is it a signatory (or does it propose to become a signatory) to the Common Reporting Standard? And/or does it maintain (or intend to maintain) a public Register of beneficial ownership?**

Taxpayer data is recognized as highly confidential, and it

is supposed to be safeguarded by the tax authorities against disclosure to third parties, including other bodies of the Government. There are disputes on the limits of such protection, but, in general, tax information can only be disclosed to other bodies of the Government by means of a legal obligation or a judicial decision.

Brazil is signatory to the Common Reporting Standard (i.e., the tax authorities have signed the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information) and the relevant controls have already been implemented by means of a specific tax return (“E-financeira”). Besides, the Internal Revenue Service authorities have required the mandatory identification of beneficial ownership, as provided by Normative Instruction No. 1,863, of 2018.

#### **7. What are the tests for residence of the main business structures (including transparent entities)?**

There are certain tests for residence applicable to the determination of the deductibility of expenses. Payments in general made directly or indirectly to beneficiaries domiciled in tax havens or incorporated abroad and subject to a favorable taxation or under a privileged tax regime are not deductible unless, there is, cumulatively: (i) the identification of the effective beneficiary of the entity abroad, recipient of these amounts; (ii) proof of the operational capacity of the individual or entity abroad to carry out the transaction; and (iii) documentary proof of payment of the respective price and receipt of goods and rights or use of service. For the purposes of such provisions, effective beneficiary is the natural or legal person not incorporated with the sole or main purpose of tax savings that earns these amounts on its own account and not as an agent, trustee or on behalf of a third party. Exceptions to this rule may apply.

#### **8. Have you found the policing of cross border transactions within an international group to be a target of the tax authorities’ attention and in what ways?**

Cross border transactions within an international group always caught the tax authorities’ attention due to transfer pricing and thin-capitalization rules. In addition, due to their size, Brazilian companies that are part of international groups tend to be included in a “differentiated” or “special” monitoring regime of the Internal Revenue Service applicable to the largest taxpayers. The criteria for the inclusion in these regimes are related to the revenues and the amount of taxes paid, among other requirements. As a rule, taxpayers

with annual revenues greater than BRL 250 million (approximately USD 48 million<sup>1</sup>) are eligible for such differentiated monitoring by the Internal Revenue Service. In general, it implies that the taxpayer is analyzed by the tax authorities in a closer and more detailed manner.

1 - USD 1,00 is equivalent to approximately BRL 5,22 in August 2021.

### **9. Is there a CFC or Thin Cap regime? Is there a transfer pricing regime and is it possible to obtain an advance pricing agreement?**

It is understood that Law No. 12,973/2014 introduced rules for the treatment of controlled and affiliated companies for Brazilian CFC purposes.

For controlled companies, the law expressly applies to both directly and indirectly controlled entities individually. According to such rules, the results of any investment in a controlled foreign entity must be recognized in proportion to the Brazilian parent's participation in its equity, and any positive adjustment relating to profits earned, calculated under the local accounting standards of the jurisdiction of the controlled entity, must be subject to the corporate income taxes ("IRPJ" and "CSLL", at the approximately combined rate of 34%) annually.

For affiliated companies, the law focuses on the distributed profits. Profits will be considered distributed to the parent company when credited, paid or under other specific circumstances defined by the legislation. Therefore, such profits will generally only be taxable in Brazil on 31 December of the year in which they were actually distributed to the Brazilian entity, provided that the affiliate satisfies certain conditions defined by the legislation, including not being located in a low-tax jurisdiction.

There are many other particularities in relation to those rules that must be observed.

Deductibility of interest expenses incurred in debt transactions entered into with related parties is contingent on compliance with Brazilian thin capitalization rules. Accordingly, the Brazilian resident borrower will have to review if there is any applicable restriction for deduction of interest payments for purposes of assessing its IRPJ/CSLL taxable basis.

Under the thin capitalization rules, a general 2:1 debt-equity ratio should apply to transactions between a Brazilian borrower and related parties abroad. If this

debt-equity ratio exceeds such threshold, the interest on the excess debt should not be deductible for Brazilian IRPJ/CSLL purposes.

Note that the amount of debt granted by the foreign related party which has an equity interest in the Brazilian entity cannot exceed twice the amount of its participation in the net equity of the Brazilian entity, while the amount of debt granted by a foreign related party which does not have an equity interest in the Brazilian entity cannot exceed twice the amount of the net equity of the Brazilian entity.

Brazilian transfer pricing rules aim at imports and exports of goods, services or rights, interest payments, and interest income between "related parties", as technically defined by law.

Brazilian transfer pricing rules are, to some extent, inspired by the Organisation for Economic Cooperation and Development's ("OECD") Transfer Pricing Guidelines. However, there are some distortions, for instance the broad concept of "related parties", different methods for imports and exports, fixed profit margins and limited use of functional analysis.

Brazilian double taxation agreements do not provide for any kind of transfer pricing correlative adjustment and Advance Pricing Agreements are not established by the Brazilian legislation.

### **10. Is there a general anti-avoidance rule (GAAR) and, if so, in your experience, how would you describe its application by the tax authority? Eg is the enforcement of the GAAR commonly litigated, is it raised by tax authorities in negotiations only etc?**

This is a controversial issue, but it is understood that Brazil does not have a general anti-avoidance rule. In our opinion, the tax law system targets the tax evasion, as opposed to the tax avoidance. Regardless, Brazilian case law has progressively adopted the substance over form approach and has accepted the theory of the abusive exercise of rights when analyzing tax planning cases.

### **11. Have any of the OECD BEPs recommendations been implemented or are any planned to be implemented and if so, which ones?**

Up to this moment, Brazil is not an OECD member, although we have already applied for OECD membership. Notwithstanding, Brazil is a G-20 member

and, therefore, it has joined the BEPS project.

Please see below brief comments on the implementation, impacts or internal rules related each of the BEPS's actions in Brazil:

Action 1 – Tax Challenges Arising from Digitalization: internal tax legislation regarding the taxation of digital goods was issued at the State and Municipal levels, regardless of BEPS actions.

Action 2 – Neutralizing the effects of hybrid mismatch arrangements: none.

Action 3 – Controlled Foreign Company (CFC): Law 12,973/2014 governs the Brazilian CFC rules relating to the taxation of profits incurred by controlled foreign companies.

Action 4 – Limitation on Interest Deductions: Law 12,249/2010 sets forth the Brazilian thin-capitalization rules that apply to intercompany foreign loans. In addition, transfer pricing rules on foreign loans between related parties observe minimum/maximum market rates, as well as a spread defined by law.

Action 5- Harmful tax practices: Brazil has its own “blacklist” (tax havens) and “grey list” (tax privileged regimes). Normative Instruction No. 1,689/2017, issued by the Brazilian Internal Revenue Service, includes guidance on measures for the implementation of Action 5.

Action 6 – Prevention of tax treaty abuse: none.

Action 7 – Permanent establishment status: none.

Action 8-10 – Transfer Pricing: Brazil has its own transfer pricing rules (governed mainly by Law No. 9,430/1997 and Normative Instruction No. 1,312/2012), which differ from the OECD guidelines, especially in relation to the minimum/maximum profit margins. Currently, there are many discussions on how to align the Brazilian rules with the OECD guidelines.

Action 11- BEPS data analysis: none.

Action 12 – Mandatory Disclosure Rules: none.

Action 13 – Country-by-Country Reporting: Decree No. 8,842/2016 approves the Convention on Mutual Administrative Assistance on Tax Matters. On October 21, 2016, Brazil signed: (i) the Multilateral Competent Authority Agreement on Exchange of CbC Reports and (ii) the Multilateral Competent Authority Agreement of Financial Account Information. Normative Instruction No. 1,681/2016 governs the CbC reporting, which is included in the annual income tax return (“ECF”).

Action 14 – Mutual Agreement Procedure: Normative Instruction No. 1,846/2018 regulates the dispute resolution mechanism applicable to Brazil's tax treaties.

Action 15 – Multilateral Instrument: none.

## 12. In your view, how has BEPS impacted on the government's tax policies?

In our opinion, the tax authorities are engaged to implement the BEPS actions in Brazil, especially in relation to the transfer pricing rules. Brazil's involvement in the OECD's tax work began in 2010 when the country became a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes, and later strengthened in 2013, when Brazil became a member of the G20/OECD BEPS Project, with transfer pricing as one of the main focuses.

As mentioned, Brazilian transfer pricing rules are inspired by the OCDE guidelines, but there are some distortions, as the use of the arm's length principle and fixed margins. In 2019, a deep analysis of the Brazilian transfer pricing rules was jointly carried out by the Brazilian Internal Revenue Service and OECD to assess the similarities and differences between Brazilian and OECD transfer pricing structures. According to the report, the Brazilian transfer pricing system contains a number of significant gaps and divergences from the OECD system which, on the one hand, may give rise to double taxation and, on the other hand, may allow the opportunities for BEPS. Therefore, it is necessary to better understand the specific divergences and their effects (impact on investment and revenue collection)<sup>2</sup>.

2- Portuguese version of the report:

<https://www.oecd.org/tax/transfer-pricing/precos-de-transferencia-no-brasil-convergencia-para-o-padrao-ocde-folheto.pdf>. Accessed on August 29, 2021.

## 13. Does the tax system broadly follow the recognised OECD Model? Does it have taxation of; a) business profits, b) employment income and pensions, c) VAT (or other indirect tax), d) savings income and royalties, e) income from land, f) capital gains, g) stamp and/or capital duties. If so, what are the current rates and are they flat or graduated?

One could say that, in general, the Brazilian tax system follows the OECD Model, as it encompasses personal income tax, corporate income taxes, value added taxes and taxes on labor income. However, Brazil has specific

tax rules, mainly set forth by the Federal Constitution. Please see below the main aspects of the taxation:

- a. **Business profits:** are taxed by corporate income taxes - Corporate Income Tax ("IRPJ") and Social Contribution on Net Profit ("CSLL"). The IRPJ tax rate for Brazilian legal entities is 15%. A surcharge of 10% is applicable for taxable income exceeding BRL\$ 240,000 per year (approximately US\$ 45,977<sup>3</sup>) or BRL\$ 20,000 per month (approximately US\$ 3,831) in case of base periods shorter than one year (the acronym "IRPJ" designates the corporate income tax and its surcharge altogether). The Social Contribution on Net Profit ("CSLL") is generally due at a 9% rate, higher CSLL rates are applicable to financial institutions (up to 25%, according to the Law 14,183/2021).
- b. **Employment income and pensions:** are subject to the withholding income tax at progressive rates ranging from 7.5% to 27.5%. Income up to BRL 1,903,98 (approximately USD 364,75) per month is exempt. Pension paid by the Union, State, Federal District, Municipality and private pension funds up to BRL 1,903,98 per month, without prejudice to the exemption provided for the applicability of the tax progressive rates.
- c. **VAT (or other indirect tax):** Excise tax ("IPI") is a federal VAT imposed on each phase of the manufacturing process or on the importation. Its rates vary depending on the fiscal classification of the manufactured good. IPI rates vary depending on product's essentiality, ranging from 0% to 300%. Tax on the Circulation of Goods and Services ("ICMS") is a state VAT imposed on sales, importation, and other legal transfers of goods (and certain interstate and inter-municipal transport services and communications services), which allows the taxpayer to book input tax credits from the ICMS paid on the purchase of raw materials, intermediate products, packaging materials and goods for resale. ICMS rates vary on the State, on the nature of the goods or services and on type of transaction ("internal" or interstate), usually, ranging from 0% to 25%. Social contributions on gross income ("PIS" and "COFINS") may also be considered as indirect taxes. PIS/COFINS are imposed under two systems: cumulative and non-cumulative. The law lists which companies are subject to each regime, but, in general, the non-cumulative system is applicable in case the taxpayer opts for the actual profit method; and the cumulative system is applicable if the taxpayer opts for the deemed profit method. In certain cases, a company may be subject to both regimes and/or a special regime. Under the cumulative system, PIS/COFINS is levied on 3.65% on gross income. Under the non-cumulative system, the PIS/COFINS burden is equivalent to 9.25% on gross income less PIS/COFINS credits calculated at a 9.25% rate on raw materials, inputs, the lease of buildings and equipment from corporate entities and certain services expenses. Tax on Services ("ISS") is levied on the rendering of certain services. The Complementary Law No. 116/03 listed the services taxed by ISS, and the rates range from 2% to 5%. Each Municipality enacts its own legislation on ISS, but it cannot add any additional service not listed by the federal law.
- d. **savings income and royalties:** interests derived from savings account ("poupança") are exempt from taxation. Royalties earned by individuals are subject to the income tax at progressive rates up to 27.5%. Royalties earned by legal entities are, in general, subject to the corporate taxes (at the combined rate of approximately 34%) and taxes on revenues (social contributions on gross income "PIS" and "COFINS" at 3.65% or 9.25%, depending on the tax regime).
- e. **income from land:** income earned by individuals are subject to the income tax at progressive rates up to 27.5%; legal are, in general, subject to the corporate taxes (at the combined rate of approximately 34%) and taxes on revenues (social contributions on gross income "PIS" and "COFINS" at 3.65% or 9.25%, depending on the tax regime), there is a beneficial tax regime for legal entities which develop activities related to real state and taxed according to the deemed profit regime.
- f. **capital gains:** individuals are subject to income tax on capital gains, at progressive rates ranging from 15% to 22.5%; legal entities are subject to corporate income taxes (at the combined rate of approximately 34%) on capital gain.
- g. **stamp and/or capital duties:** Brazilian tax system does not encompass stamp and/or capital duties.

3- USD 1,00 is equivalent to approximately BRL 5,22 in August 2021.



#### 14. Is the charge to business tax levied on, broadly, the revenue profits of a business as computed according to the principles of commercial accountancy?

Companies may elect to calculate their taxable income under the actual profit method (“lucro real”) or the deemed profit method (“lucro presumido”) every fiscal year.

Under the actual profit method, companies determine taxable income by effectively subtracting all permitted deductions from gross income, as computed according to the principles of commercial accountancy.

Under the deemed profit method, companies calculate taxable income by applying a percentage established by law (ranging on operational income from 1.6% to 32% for IRPJ and 12% to 32% for CSLL) and adding the result to non-operational income.

Certain companies cannot adopt the deemed profit method, such as banks, companies with gross income exceeding BRL \$ 78 million (approximately USD 15 million<sup>4</sup>) which have foreign subsidiaries, etc. In the actual profit method, tax losses incurred in Brazil may be carried forward indefinitely, but they are only able to offset taxable income by up to 30% in a given fiscal year.

4- USD 1,00 is equivalent to approximately BRL 5,22 in August 2021.

#### 15. Are different vehicles for carrying on business, such as companies, partnerships, trusts, etc, recognised as taxable entities? What entities are transparent for tax purposes and why are they used?

Businesses in Brazil are usually carried on by means of companies, i.e., corporations (“S/A”) and limited liability companies (“Ltda”). Both are subject to the same taxation, except for the small companies defined as those whose annual gross revenues in the preceding year do not exceed BRL \$ 4,800,000 (approximately USD 919,540<sup>5</sup>). Those so-called “small companies” can pay federal, state, and municipal taxes (with some exceptions) according to a simplified regime known as Simples Nacional. It is important to point out that certain companies/activities cannot benefit from this regime (v.g. corporations, companies with foreign shareholders and companies engaged in certain services).

“Consortium”, which is a kind of association, is transparent for tax purposes and it is used for specific

transactions for a determined period of time, mainly related to infrastructure projects.

Brazil does not have trusts laws or regulations. Trusts incorporated abroad are recognized as transparent for tax purposes according to the Brazilian tax authorities.

5 – USD 1,00 is equivalent to approximately BRL 5,22 in August 2021.

#### 16. Is liability to business taxation based upon a concepts of fiscal residence or registration? Is so what are the tests?

Tax residence will be determined on a case-by-case basis, according to the general tax rules. Corporate income taxpayers are generally: (i) legal entities performing their activities in Brazil, whether regularly or irregularly incorporated; (ii) branches, representations, commission merchants, and agents appointed by foreign companies, as provided by the law; (iii) single-person legal entities, as defined by the law (*empresas individuais*); (iv) cooperatives formed with the sole purpose of purchasing and supplying goods to consumers; and (v) silent partnerships (“SCP”).

Corporate income tax rules determine that tax domicile will be: (i) the location of the sole establishment of the taxpayer; (ii) the taxpayer’s headquarters or the center of the taxpayer’s activities in Brazil; (iii) the establishment that makes payments subject to withholding taxes (unless the payment of the tax is centralized); and (iv) the place where the representatives of foreign companies are located or the place of its representation office in Brazil.

Brazilian domestic law does not address, in particular, the characterization of permanent establishments of non-residents in Brazil. The taxation of any such establishments in Brazil has to be analyzed on a case-by-case basis in light of the rules governing the entities subject to corporate taxes (“IRPJ” and “CSLL”), the taxation of branches, representations, commission merchants and agents of foreign companies and the provisions of any relevant double taxation agreement.

#### 17. Are there any special taxation regimes, such as enterprise zones or favourable tax regimes for financial services or co-ordination centres, etc?

There is a special taxation regime related to the Manaus Free Trade Zone (“ZFM”). ZFM incentives are granted by the Brazilian Constitution and comprises the municipality

of Manaus (in Amazonas State) and certain nearby municipalities.

The ZFM counts on federal, state, and municipal tax benefits and may include the excise tax ("IPI") reduction, corporate income taxes reductions, PIS and COFINS rate of 0%, ICMS exemption, ICMS refunds, and urban property tax ("IPTU") exemption, as long as detailed requirements are met.

There are other free trade zones in Brazil, to which similar ICMS and IPI benefits apply, comprising territories in the North of the country in Amazonas, Rondônia, Roraima, Acre, and Rondonia States.

In addition, enterprises in the North (Acre, Amapá, Amazonas, part of Maranhão, Pará, Rondônia, Roraima and Tocantins), Northeast (Alagoas, Bahia, Ceará, part of Maranhão, Paraíba, Pernambuco, Piauí, Rio Grande Norte and Sergipe) and in certain states in the Middle West (Mato Grosso State) and Southeast (certain areas of Espírito Santo and Minas Gerais) can benefit from federal, state, and municipal benefits.

Some other Brazilian states have enacted favorable ICMS tax regime to attract investments. However, it is important to check if these favorable regimes are duly authorized by Federal laws. It is common that certain States grant exemptions and benefits not observing the limits and restrictions imposed by law.

There is no favorable tax regime for financial services or co-ordination centers. However, "cost arrangements" between companies of the same group in Brazil may be accepted by tax authorities as long as certain requirements are met.

### **18. Are there any particular tax regimes applicable to intellectual property, such as patent box?**

There are certain tax incentives related to technological innovation, governed by Law 11,196/2005. Such incentives focus on developing investments of legal entities in the research of new products or manufacturing processes and in improvements in quality, productivity and competitiveness of existing products and manufacturing processes. Requirements mainly related to the evidence of such innovation must be fulfilled.

Such incentives are related to the deduction of the corporate income taxes ("IRPJ and CSLL" at the combined rate of 34%) and may include the excise tax ("IPI") reductions. Government subventions to fund the remuneration of experts with master's or doctorate

degrees, hired by Brazilian companies to perform the above-mentioned research may also be granted.

### **19. Is fiscal consolidation employed or a recognition of groups of corporates for tax purposes and are there any jurisdictional limitations on what can constitute a group for tax purposes? Is a group contribution system employed or how can losses be relieved across group companies otherwise?**

Fiscal consolidation for payment of taxes is not allowed. The taxes shall be calculated and paid by each and every legal entity.

### **20. Are there any withholding taxes?**

Yes, income tax, social contributions and service tax may be withheld by the source as provided by the relevant rules. In general, income tax is withheld on revenues remitted abroad on services, interests, royalties; on certain sort of services provided by legal entities and individuals in Brazil; and on many types of payments made by legal entities to individuals.

Social contributions are withheld on compensation for certain types of services provided to legal entities, and service tax shall be withheld by the contractors depending on the type of service provided and on remittances for services rendered by foreign parties.

### **21. Are there any recognised environmental taxes payable by businesses?**

Up to the moment, there is no environmental taxes payable by businesses. Fees for environmental purposes may be due on specific situations related to projects that may impact the environment.

### **22. Is dividend income received from resident and/or non-resident companies exempt from tax? If not how is it taxed?**

Up to this moment, dividends received from companies domiciled in Brazil are exempt from taxation. This exemption is currently under discussion at the Congress in the context of a tax reform. Dividends received from non-resident companies are taxed, according to the Brazilian CFC rules.



**23. If you were advising an international group seeking to re-locate activities from the UK as a result of Brexit, what are the advantages and disadvantages offered by your jurisdiction?**

Brazil may be a challenging environment for business, especially when taxes are concerned. However, there might be tax opportunities (tax incentives) at the federal, state, and municipal levels that may vary

according to the activity to be developed in Brazil and to the location where the business will be established.

In general, business activities developed in the North and the Northeast of the country may have incentives related to the reduction of corporate income taxes and the indirect taxes.

At the present moment, the distribution of profits and dividends is tax free.

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