



# 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 is the process?

Brazil has a legal system in which there are Federal, State and Municipality tax laws, regulated by the Brazilian Constitution the competence of the Federal Union, the 26 States and over 5,500 Municipalities.

Along with the Federal Constitution, the Brazilian tax system is composed by the Brazilian National Tax Code (Código Tributário Nacional - CTN; Lei nº 5,172/1966), complementary laws, ordinary laws, executive measures, decrees, normative rulings, ordinances, and executive orders that are put in place to determine the rights and obligations that shall be observed by taxpayers and the Federal Union, State and Municipalities.

Therefore, given the multitude of forms in which the tax system can be legislated, there are frequent amendments and alterations. Briefly, a complementary law requires a qualified quorum in Congress for approval and is designed for a broader approach on tax regulation, whereas an ordinary law requires only a simple majority of Congress Member to be voted and is designed to a more micro regulation approach. Furthermore, executive measures and decrees are enacted by the Executive branch of the competent entity (Federal Union, State or Municipality), to deal with the execution of the law general terms. Moreover, normative instructions and executive orders can be issued by the competent authority, such as the Brazilian Internal Revenue Service, when regarding Federal tax matters, or the State or Municipal Tax Authority, when related to State or Municipal tax scenarios.

## 2. What are the principal administrative obligations of a taxpayer, i.e. regarding the filing of tax returns and the maintenance of records?

The taxpayer is obligated to the payment of Federal, State and Municipal taxes, which vary according to their

business venture and domicile. Overall, the tax payments can be filed through online systems made available by the Tax Authority of the competent entity at each level. One

of the most common taxes is the income tax, levied by the Federal Union which its returns are filed annually by the taxpayers, through the corresponding digital accounting system.

It is also important to bear in mind that the tax authorities at all levels have a general 5-years statute of limitations for the execution of tax credits that are eventually pending. With that, it is necessary that taxpayers maintain the related proof of payment and ancillary documents, for such period.

## 3. Who are the key tax authorities? How do they engage with taxpayers and how are tax issues resolved?

There are regulatory authorities in every tax level: at the Federal level there is the Internal Revenue Service, and at the State and Municipal there are individual Treasury Offices for each one.

The access to the tax authorities usually vary according to the level. At Federal level, common issues can be resolved online through E-CAC (the Federal online taxpayer service), whereas the in-person access to the entity's employees can be hard.

On another note, State and Municipal tax authorities don't always count with efficient online services and it can also be challenging to contact the fiscal auditors and other members.

With that and considering that each matter has a different level of complexity, it is difficult to estimate the exact time that each matter will take to be resolved at any level. Nevertheless, it is possible to say that tax matters submitted to tax authorities – at any level – will take at least a few months to be resolved.

#### 4. Are tax disputes heard by a court, tribunal or body independent of the tax authority? How long do such proceedings generally take?

In Brazil, the regular course of tax discussions is to start at the administrative branch and, if the full administrative proceeding is finalized without a favorable outcome for the taxpayer, the matter can be discussed at the judicial branch. On the contrary, if the taxpayer is granted a favorable decision, the tax authority cannot bring the matter to a judicial dispute.

At administrative level, the competent tax authority can issue a notice of infringement to collect taxes and fines. Said notice of infringement can be challenged by the taxpayer, and will be processed by first instance,

only composed by tax authorities. In case of an appeal, the second instance of administrative courts, composed by equal number of representatives of the tax authorities and the taxpayers.

Currently, the tiebreak vote will be cast by the President of each panel of the second instance of the administrative court, which is always a representative of the tax authorities.

However, in a case only decided based on the tiebreaking vote in favor of maintaining the charges, the eventual charging of fines and interests will be cancelled and the remaining amount can be settled in up to 12 installments, allowing the use of tax losses to offset the debt (also the use of registered warrant – IOU issued by the judiciary branch).

There are both instances of administrative Courts for Federal taxes, as well as for each State and Municipality, for State and Municipal taxes.

As mentioned above, after a final administrative decision, only the taxpayer can challenge it in Federal Court – for Federal taxes – or State Court – for State and Municipal taxes.

Although the taxpayers can submit its dispute to the administrative courts, they can directly challenge any charge or notice of infringement directly at the Judiciary branch.

#### 5. What are the typical deadlines for the payment of taxes? Do special rules apply to disputed amounts of tax?

Tax payments are set by law and can be charged

annually, monthly, or according to the date of the triggering event of determined taxes, such as sale of assets. Also, penalties are applied in case of nonpayment or payment with delay.

Regarding amounts in dispute, the taxpayer can deposit the amount that should allegedly be paid to the Tax Authority, on the dates established for such payments, into a judicial account linked to the lawsuit. At the end of such lawsuit, the amount deposited will be withdrawn by the winning party, accrued by interest.

Another option is to request the reimbursement of the amounts unduly paid, after a final decision is rendered in the records of a lawsuit. Such reimbursement can be carried out by administrative compensations, requested by the taxpayer, or by a judicial bond in the amount that shall be reimbursed, that will be included in the Federal Union's, States's or Municipality's budget (precatório).

#### 6. Are tax authorities subject to a duty of confidentiality in respect of taxpayer data?

N/A

#### 7. Is this jurisdiction a signatory (or does it propose to become a signatory) to the Common Reporting Standard? Does it maintain (or intend to maintain) a public register of beneficial ownership?

In Brazil, taxpayer data is classified as highly confidential and, therefore, all tax authorities have the duty to safeguard such information, not being able to share it with third parties – including government agencies.

Taxpayer information can only be shared by Tax Authorities if demanded by a specific judicial decision.

Brazil is signatory to the Common Reporting Standard, as regulated by the Brazilian IRS Normative Ruling no. 1,680/16, and the relevant information is gathered through “e-Financeira” system, being also required the identification of beneficial ownership.

#### 8. What are the tests for determining residence of business entities (including transparent entities)?

Brazilian tax legislation establishes a few tests for residence related to the deductibility of expenses. In general, funds remitted directly or indirectly to ultimate beneficiaries located in low tax jurisdictions and

privileged tax regimes are deductible only if the following requirements are met:

- Evidence of the individual or entity's capacity (substance) located abroad for the operation;
- Identification of the ultimate beneficiary, who will receive the funds;
- Evidence of payment and receipt of rights/goods/use of service.

For a better clarification, ultimate beneficiary is the natural or legal person not incorporated with the sole or main purpose of tax savings on its own account and third parties. There is also exemption for this rule

### 9. Do tax authorities in this jurisdiction target cross border transactions within an international group? If so, how?

Tax authorities are always attentive for cross border transactions within an international group because of cross-border taxes, transfer pricing rules, thin capitalization, substance requirements and Controlled Foreign Companies ("CFC") rules, under which there are certain minimum revenues and additional deductibility requirements for Brazilian companies engaged in transactions with foreign related parties and with companies located in low tax jurisdiction (tax havens), or subject to "privileged tax regimes".

The chart below resumes the application of the relevant rules:

TAX RULES	TAX HAVENS	PRIVILEGED TAX REGIMES
Higher WHT Rate on payment, credit or remittance of income and capital gains abroad.	✓	It does not generally apply. Exception to WHT levied on charter hire payment, credit, or remittances in the so-called "split contract structure" applied to oil and gas E&P and regasification activities.
Transfer Pricing Provides for Minimum revenue and/or maximum deductibility for import and export transactions for goods, sales and rights between related parties, parties located in low tax jurisdiction or subject to privileged tax regimes.	✓	✓
Thin Capitalization Provides for maximum debt/equity ratio for loan interest deductibility for transactions between related parties, parties located in low tax jurisdiction or subject to privileged tax regimes.	✓	✓
Substance Requirements Provides for deductibility requirements for payment, credit or remittances to entities, directly or indirectly, located in low tax jurisdiction or privileged tax regimes: identification of the beneficial ownership, evidence of the operational capacity and documental evidence of the receipt of goods and rights and utilization of the services.	✓	✓
Controlled Foreign Companies ("CFC") Rules Brazilian CFC rules require the profits or losses recognition at the year-end, regardless of its effective distribution, for controlled and related companies abroad. For companies located in low tax jurisdictions or subject to privileged tax regimes, such profits and losses cannot be recognized consolidated with other group companies.	✓	✓

It is worth mentioning that the biggest Brazilian companies, who belong to international groups, receive special monitoring regime from the Brazilian Internal Revenue Service – IRS.

As a rule, the requirement to be part in this special monitoring regime is linked with the revenues and the portion of taxes paid by company, which is: annual revenues greater than BRL 300 million. Currently, this amount is equivalent to USD 60 million (1 USD = BRL 5 (approx.) in September-2023).

### 10. Is there a controlled foreign corporation (CFC) regime or equivalent?

The Brazilian legal system has CFC rules for the taxation (by Corporate Income Taxes – IRPJ/CSLL) of profits from foreign subsidiaries and certain affiliates (e.g., if located in tax havens or privileged tax regimes) of Brazilian companies every December 31 based on the profits accrued on the foreign subsidiary's balance sheet. There is ongoing litigation regarding whether Double Tax Treaties prevent taxation by CFC rules.

Lastly, Brazilian individuals are still taxed on cash basis regarding their foreign companies, but a new Bill of law is under discussion at Congress to tax foreign profits (even of not distributed to the shareholder) every December 31 based on the profits accrued on the foreign subsidiary's balance sheet.

### **11. Is there a transfer pricing regime? Is there a "thin capitalization" regime? Is there a "safe harbour" or is it possible to obtain an advance pricing agreement?**

Brazil enacted in 2023 new transfer pricing rules under OECD's arms' length and best method standards. The new rules don't have fixed statutory margins, include new methods (e.g., also based on profit), cover intangibles (e.g., license of intellectual property, with the fixed margins for deductibility being revoked) and provide for a specific consult regarding transfer pricing that may be considered a kind of advance pricing agreement (pending Brazilian IRS regulations to be confirmed).

Safe harbour is expected for low value-adding services on the regulations to be enacted by Brazilian IRS.

The new legislation will enter into force in 2024, but companies may choose to apply in 2023.

About the Thin capitalization rules, a general 2:1 debt-equity ratio apply to transactions between a Brazilian borrower and related parties abroad. In the hypothesis of this debt-equity ratio exceeds such threshold, the interest on the excess debt should not be deductible for IRPJ/CSLL (Corporate Income Taxes). On the other hand, for beneficiaries located in low tax jurisdiction or privileged tax regime the debt-equity ratio is 0,30:1.

There is a relevant rule to be follow, which is: While the amount of debt granted by a foreign related company which does not have an equity interest in the Brazilian legal entity cannot exceed twice the amount of the net equity of the Brazilian entity, the amount of debt granted by the foreign related company which has an equity interest in the Brazilian legal entity cannot exceed twice the amount of its participation in the net equity of the Brazilian entity.

### **12. Is there a general anti-avoidance rule (GAAR) and, if so, how is it enforced by tax authorities (e.g. in negotiations, litigation)?**

Brazil National Tax Code has a provision regarding GAAR, but such provision is not applicable yet since it requires a law to be enacted regulating and establishing the procedure in this regard.

In this sense, there is an understanding that Brazil does not have a general anti-avoidance rule yet.

Even with the lack of this general rule, Brazilian tax law

system prevents the tax evasion, as opposed to the tax avoidance, and Brazilian tax authorities sometimes try to apply a substance over form approach, resulting in litigation in this regard.

From another angle, Brazilian Courts have progressively accepted the theory of abusive application of rights and ruled that substance (operational capacity) is more relevant than form approach in the analysis of tax planning cases (and abusive situations), but a case-by-case analysis is always required.

### **13. Is there a digital services tax? If so, is there an intention to withdraw or amend it once a multilateral solution is in place?**

At this moment, there is not a general rule for digital services taxation in Brazil. Nevertheless, States and Municipal Governments have changed their legislation and are collecting taxes on some digital goods and services, regardless BEPS actions. There are some discussions before Brazilian Courts involving the legality and legitimacy of this charging.

On the other hand, there are also ongoing discussions to observe multilateral solutions, considering the efforts of Brazil to make part in OECD.

Lastly, it is important to remind that Brazil apply withholding income tax on almost all remittances (for services) abroad.

### **14. Have any of the OECD BEPS recommendations, including the OECD's recent two-pillar solution to address the tax challenges arising from digitalisation of the economy, been implemented or are any planned to be implemented?**

Brazil has held the position of listener in the OECD, but, in the last few years, the previous Government made new efforts to become a full member. Besides, Brazil is a G-20 member and, therefore, it has joined the BEPS project, even though the guidelines have no binding effect.

Please see below brief comments on BEPS's actions adopted (or not) in Brazil:

Step 1 – Tax Challenges Arising from Digitalization: As anticipated, States and Municipal Governments has changed their legislation and are collecting taxes on some digital goods and services, regardless BEPS actions.

Step 2 – Neutralizing the effects of hybrid mismatch arrangements: None action adopted effectively.

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

Step 4 – Limitation on Interest Deductions: Brazilian thin capitalization rules that apply to intercompany foreign loans and transfer pricing rules (a new law was enacted in 2023 following OECD standards) on foreign loans between related parties with minimum and maximum market rates through the Law 12,249/2010.

Step 5- Harmful tax practices: Brazilian IRS establishes a blacklist of low tax jurisdictions (Normative Ruling 1,037/2010). Besides, there are also the Normative Ruling (2,058/2021) which includes guidance on measures for the implementation of Action 5.

Step 6 – Prevention of tax treaty abuse: None action adopted effectively.

Step 7 – Permanent establishment status: None action adopted effectively.

Steps 8 up-10 – Transfer Pricing: Brazil enacted a new law following OECD standards (see above).

Step 11- BEPS data analysis: None action adopted effectively.

Step 12 – Mandatory Disclosure Rules: None action adopted effectively.

Step 13 – Country-by-Country Reporting: Convention on Mutual Administrative Assistance on tax Matter approved by Decree 8,842/2016. In the same year, Brazil Government signed: (i) the Multilateral Competent Authority Agreement on Exchange of CbC Reports and (ii) the Multilateral Competent Authority Agreement of Financial Account Information. Internally, the Country-by-Country Reporting, which is inserted in the Annual Income Tax Return (aka “ECF”), is ruled by Normative Ruling 1,681/2016.

Step 14 – Mutual Agreement Procedure: Dispute resolution mechanism applicable to Brazil’s tax treaties is ruled by Normative Ruling 1,846/2018 and there is a Mutual Agreement Procedure Manual.

Step 15 – Multilateral Instrument: None action adopted effectively

## 15. How has the OECD BEPS program

### impacted tax policies?

In our view, Brazilian tax authorities are engaged to implement certain BEPS actions in Brazil, especially in relation to the transfer pricing rules and access to information from taxpayers.

In 2010, Brazil became a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes, and, in 2013, the country entered in G20/OECD BEPS Project.

In the last years, internally, Federal Government also reviewed normative rulings trying to simplify procedures and some ancillary obligations to contribute for that.

In respect to transfer pricing rules, as anticipated, the old Brazilian transfer pricing rules had distortions from the OECD standards. For instance, old Brazilian rules established fixed margins and did not have any profit methods.

### 16. Does the tax system broadly follow the OECD Model i.e. 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 how are they applied?

Brazil has a complex tax system, with specific rules foreseen by Federal Government and competences distributed between Federal, States and Locals Government.

Please see below a summary of Brazilian specific taxes:

1. Business profits: Taxation through the Corporate Income Tax (“IRPJ”) and Social Contribution on Net Profit (“CSLL”) (Corporate Income Taxes). 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 or BRL\$ 20,000 per month in case of base periods shorter than one year. The CSLL is generally due at a 9% rate, higher CSLL rates are applicable to financial institutions and insurance companies (up to 20%, based on Law 14,446/2022).
2. Employment income and pensions: Taxation through the withholding income tax at progressive rates ranging from 7.5% to 27.5%. Income up to BRL 2.112,00 per month is exempt. On the other hand, the employment income is also subject to taxation by social security



contribution (so called INSS). The INSS general rates are 11% upon the employment income/ pensions less than the annual federal minimum salary and 20% on the employment income/pensions higher than the federal minimum salary. There are exemptions.

3. VAT (or other indirect tax): Excise tax ("IPI") is a federal VAT charged on each phase of the manufacturing process or on the importation. Its rates vary depending on the fiscal classification of the manufactured good and depending on products essentiality, ranging from 0% to 300%. Social contributions on gross income ("PIS" and "COFINS") are imposed under two systems: cumulative and non-cumulative. Brazilian law indicates 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 method. In some cases, a company may be subject to both regimes and/or a special regime. On the cumulative system, PIS/COFINS is levied on 3.65% on gross income. On the other hand, at the noncumulative regime, 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. State VAT ("ICMS") is charged imposed on sales, importation, and other legal transfers of goods (and certain interstate and intermunicipal transport services and communications services). This tax 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. The rates vary on the State, on the nature of the goods or services and on the type of transaction ("internal" or interstate), usually, ranging from 0% to 25%. Local Service Tax ("ISS") is levied on certain services listed in the Supplementary Law 116/2003 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 referred supplementary law.

4. savings income and royalties: As general rule, the taxation is exempted upon the interests applied in savings account revenues. For other financial application, there are specific 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 corporate taxes (IRPJ/CSLL, PIS/COFINS, with also ISS in some cases).

5. income from land: Income earned by individuals are subject to the income tax at progressive rates up to 27.5% and legal entities are, in general, subject to the corporate taxes (IRPJ/CSLL, PIS/COFINS). There is a special regime for legal entities in the deemed regime.

6. capital gains: individuals and non-resident individuals or legal entities 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.

7. stamp and/or capital duties: None provision in Brazilian tax system, but there is 0.38% (standard tax rate) to 6.38% IOF (tax on financial transactions) on exchange agreements to receive or remit amounts abroad under certain transactions. Some transactions are subject to zero tax rate.

It is worth to highlight that, since 2019, there are ongoing Bills of Law or Constitutional Amendment Bills ("PEC") for Tax Reform in Brazil being analyzed by the National Congress which may affect both direct and indirect taxation. This year the proposed reform on taxes over consumption (PEC 45/2019) aims to replace the Federal Welfare Contributions (PIS and COFINS) and IPI with a Federal Contribution on Goods and Services (CBS) and the ISS/ICMS to a Municipal/State Tax on Goods and Services (IBS), with both being a value added-tax with the same standards.

This is a hot topic under discussion.

### **17. Is business tax levied on, broadly, the revenue profits of a business computed in accordance with accounting principles?**

Yes, on a broadly approach, Brazil levies business tax according to revenue profits according to the principles of commercial accountancy (accrual basis). More specifically, companies can be taxable based on their actual profit method, in which the tax basis is obtained by revenue less necessary costs, expenses and legal deductions according to the principles of commercial accountancy with some adjustments under tax law. There is also the deemed profit method under which the profit is calculated by applying a sectorial business rate over the gross income.

### **18. Are common business vehicles such as companies, partnerships and trusts recognised as taxable entities or are they tax transparent?**

Brazilian main vehicles for carrying on business are traditional companies incorporated as corporations (called Sociedade Anônima or S/A) and limited liability companies (called Sociedade Limitada or LTDA.), as they provide limited liability to the shareholders. Some

investors also use investment funds, which are not legal entities, but have a specific tax regime according to its investors and investments.

Brazilian Law also allows for a consortium between companies, without forming a proper legal entity and ruled by contract. In that case the taxation occurs on the affiliated companies level, although the consortium can have a proper accounting and labor relations. Specific tax rules for consortium are provided by Brazilian IRS Normative Ruling no. 1.199/11.

In addition, a special partnership (*sociedade em conta de participação*), which is not a legal entity, can also be formed by silent partners and an ostensible partner.

Lastly, Brazilian legislation does not provide for an incorporation of trust in Brazil. However, there are discussions regarding the tax treatment of trusts incorporated abroad, settlors and beneficiaries. In this sense, a new Bill of law is under discussion at Congress regarding the matter, establishing the trust as transparent for tax purposes.

### **19. Is liability to business taxation based on tax residence or registration? If so, what are the tests?**

Brazilian legislation provides that a legal entity is considered resident in Brazil, and a Brazilian company, if it has been incorporated in Brazil, with tax domicile where the headquarter is registered.

Once a company is considered a Brazilian company, they are liable to income tax on their worldwide income and capital gains, regardless of the source of income, being subject to file an annual income tax return.

On the other hand, Brazilian Law does not adopt the concept of permanent establishment. However, nonresident companies can be understood as a taxable entity if they have a fixed place of business; or operates through an agent with power to enter into contracts in Brazil.

### **20. Are there any favourable taxation regimes for particular areas (e.g. enterprise zones) or sectors (e.g. financial services)?**

Brazil has the Manaus Free Trade Zone (Zona Franca de Manaus – ZFM), classified as an industrial area that counts with Federal, State and Municipal tax benefits as well as import and export facilitations for the companies that are established in the city of Manaus – Amazonas

State capital – and adjacent municipalities. Such zone is provided for in the Brazilian Constitution.

Also, for specific industry sectors there are special regimes that allow the suspension of Federal taxes – such as REPETRO-SPED for the Oil & Gas industry, REIDI for the infrastructure industry, among others. Along with such Federal regimes, some States and Municipalities offer corresponding regimes with benefits for the taxes of their competence.

Finally, it is important to mention that all regimes referred above share the common goal of incentivizing the development of business and attracting investments of certain areas of the Brazilian territory.

### **21. Are there any special tax regimes for intellectual property, such as patent box?**

Although Brazilian legislation does not provide for a patent box regime, there are Corporate Income Tax (IRPJ), Social Contribution on Net Profit (CSLL), and Excise Tax (IPI) tax incentives specially designed for companies with costs related to R&D.

The main tax incentives are R&D expenses deduction (between 160% and 200%) from IRPJ and CSLL on current year profits, exemption of IPI from the acquisition of assets destined to R&D, accelerated amortization of intangibles, full depreciation of assets, full exemption of WHT over remittance abroad of value destined to patent registration etc.

Lastly, for a legal entity exclusively engaged in R&D activities, the R&D expenses deduction for IRPJ and CSLL can be carried forward (if not used in current year).

Those benefits and relative requirements are provided by Law 11,196/2005.

### **22. Is fiscal consolidation permitted? Are groups of companies recognised for tax purposes and, if so, are there any jurisdictional limitations on what can constitute a tax group? Is there a group contribution system or can losses otherwise be relieved across group companies?**

Consolidated tax returns are not allowed in Brazil, each company must file a separate return and losses arising from inter-company transactions are not tax deductible.

Only Brazilian CFC rules have a consolidation regime for



foreign legal entities until 2024, if certain requirements are met.

### 23. Are there any withholding taxes?

In Brazil, there can be withholding of income tax, service tax and social contributions, especially when the operation involves the remittance of amounts abroad or rendering of services beyond the country's borders.

Related to income tax, it is common the withholding on revenues remitted overseas for royalties, services, and interests.

For service tax, the withholding can be verified on part of the contractor when the services rendered involve foreign parties, also when the service is rendered through labor assignment.

Finally, social contributions are withheld on predetermined services provided to legal entities.

### 24. Are there any environmental taxes payable by businesses?

Currently there is no environmental or green taxes in Brazil. However, to be allowed to pursue some potentially polluting activities, Brazilian Companies must

pay an environmental fee.

### 25. Is dividend income received from resident and/or non-resident companies taxable?

Currently Brazil does not tax companies' dividend income (tax exemption).

### 26. What are the advantages and disadvantages offered by your jurisdiction to an international group seeking to relocate activities?

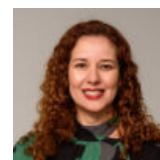
The complexity of the Brazilian tax system with 3 levels of entities with taxable power (Federal Union, States and Municipalities) are the major tax concerns for doing business in Brazil. However, that same complexity can provide advantage for allocating the business, with a less taxing Municipality or State.

The current full exemption of tax over dividend income, even when remitted abroad, is an important advantage of the Brazilian jurisdiction. Brazil also has important benefits for R&D, as above analyzed and may be used as a hub for activities/investments in LATAM

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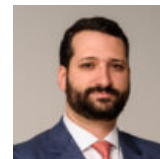
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