PKF Brazil

2026 | 2027 EDITION

Doing Business in Brazil

A technical guide for foreign investors

Tax reform 2026–2033
Corporate structuring
Accounting & audit
Labour
Market entry



Information current as at October 2026

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A technical guide in ten chapters

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Foreword

In Brazil, preparation is the competitive advantage.

Brazil is a continental market of more than 210 million people, the largest economy in Latin America, a global leader in food, energy and minerals, and a country in the middle of the most profound overhaul of its tax system in six decades. Few jurisdictions combine this scale of opportunity with this level of technical complexity.

This edition of **Doing Business in Brazil** was written for the decision-maker who needs more than a summary. Between 2025 and 2026 the rules of the game changed materially: consumption taxes entered their transition to a dual VAT (CBS and IBS); dividends, tax-exempt for three decades, became subject to withholding; Brazil adopted a domestic minimum top-up tax under Pillar Two; transfer pricing converged to the arm's length standard; and the provisional application of the EU–Mercosur trade agreement opened a new chapter for trade flows. Each of these changes is addressed in the chapters that follow.

Our approach is practical. In addition to the legal framework, the guide includes decision tables, worked numerical examples, a market-entry roadmap and the pitfalls we most often see foreign groups encounter. It is designed to allow a CFO, a general counsel or an investment committee to understand, before the first meeting, which structure fits, what it will cost, what must be filed and where the risks lie.

Each chapter closes with a short note on how PKF Brazil supports investors at that stage. They reflect the way we work: a single, partner-led team bringing together external and internal audit, assurance (including SOC 1 and SOC 2 reports), IT audit, corporate finance (valuation, due diligence and transaction advisory), tax consulting in both compliance and planning, and Business Solutions (BPO), working alongside our independent associated law firm, Vaz de Almeida Advogados, on legal matters.[1] A foreign group entering Brazil is best served by one coordinated view of the risks and of the numbers, rather than by separate advisers working in isolation. As a member of PKF Global, we extend that view to the investor's home jurisdiction.

Information is current as at October 2026. Brazilian legislation evolves quickly, particularly during the 2026–2033 tax transition, and this guide should be read as a well-founded starting point, never as a substitute for advice tailored to specific facts.

Cleverson Lacerda
CEO and Managing Partner, PKF Brazil
Board Member, PKF Global
Chair of the Board, PKF Latin America

[1] Legal services are not provided by PKF Brazil. They are provided exclusively by Vaz de Almeida Advogados, an independent law firm registered with the Brazilian Bar Association (OAB/SP no. 5,718), associated with PKF Brazil and solely responsible for those services.

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CHAPTER 01

Brazil at a Glance

The essential numbers and the ten changes that redefine the investment case.

IN THIS CHAPTER

- Key indicators at a glance
- The ten changes since the previous edition

213 m
people, the largest market in Latin America

R$ 12.7 Tn
GDP in 2025, +2.3% in real terms

34%
combined corporate income tax rate

2027
CBS replaces PIS/COFINS as the dual VAT goes live

The table below consolidates the reference data most frequently requested by investors at the screening stage. Monetary data are stated in Brazilian reais (BRL, R$).

Indicator	Data
Official name	Federative Republic of Brazil (*República Federativa do Brasil*)
Capital / largest city	Brasília (federal capital) / São Paulo (main business centre)
Territory	Approx. 8.5 million km², the fifth-largest country in the world; borders ten South American countries
Population	Approx. 213 million (IBGE estimate); 203.1 million at the 2022 Census
Political organisation	Federal presidential republic: Union, 26 States, the Federal District and 5,570 municipalities
Legal system	Civil law; Federal Constitution of 1988
Official language	Portuguese (English widely used in corporate and financial centres)
Currency	Real (BRL), free-floating exchange rate
GDP (2025)	R$ 12.7 trillion at current prices; real growth of 2.3% (IBGE)
Monetary policy	Inflation targeting; continuous 3.0% target (±1.5 p.p.). Selic policy rate 13.75% p.a. (Copom, Sept. 2026)[2]
Minimum wage (2026)	R$ 1,621 per month
Time zones	UTC-2 to UTC-5 (Brasília time: UTC-3; no daylight saving)
Corporate income tax	34% combined (IRPJ 15% + 10% surtax + CSLL 9%) for most companies
Dividends to non-residents	10% withholding tax from 1 January 2026 (Law 15,270/2025), with a credit mechanism
Consumption taxes	Transition to dual VAT (CBS federal + IBS sub-national) from 2026 to 2033
Trade blocs	Mercosur (with Argentina, Paraguay, Uruguay and Bolivia, a full member since 2024 in its adaptation period); EU–Mercosur Interim Trade Agreement provisionally applied since 1 May 2026

[2]Macroeconomic and monetary indicators (GDP, Selic rate, inflation target and minimum wage) are stated as at October 2026 and are not updated after publication. For current figures, refer to the Central Bank of Brazil (www.bcb.gov.br) and IBGE (www.ibge.gov.br).

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What changed since the previous edition: the ten points every investor must know

01 **Consumption tax reform (CC 132/2023, LC 214/2025, LC 227/2026).** PIS, COFINS, IPI, ICMS and ISS are being replaced by CBS, IBS and a Selective Tax (IS). 2026 is a test year (CBS 0.9% / IBS 0.1%, with payment waived for taxpayers that comply with the related reporting obligations); CBS is fully charged from 1 January 2027.

02 **Dividends are no longer fully exempt (Law 15,270/2025).** A 10% withholding tax applies to dividends paid abroad, regardless of amount, and to residents receiving more than R$ 50,000 per month from the same company.

03 **Minimum income tax for high earners (IRPFM).** Resident individuals with annual income above R$ 600,000 are subject to a minimum effective rate of up to 10%.

04 **Interest on net equity (JCP)** withholding increased from 15% to 17.5% (LC 224/2025).

05 **Presumed profit regime** became more expensive: presumption percentages are increased by 10% on the portion of gross revenue exceeding R$ 5 million per year (LC 224/2025), with effect from 1 January 2026 for IRPJ and 1 April 2026 for CSLL.

06 **Linear 10% reduction of federal tax incentives** (LC 224/2025), with exceptions for incentives conditioned on investment and certain constitutional regimes.

07 **Pillar Two:** an additional CSLL operates as a Qualified Domestic Minimum Top-up Tax (QDMTT) for in-scope multinational groups from 2025 (Law 15,079/2024).

08 **Transfer pricing** fully aligned with the OECD arm's length principle (Law 14,596/2023), mandatory since 2024.

09 **IOF on foreign exchange** restructured in 2025: a general 3.5% rate on outbound transfers not covered by specific rates. Remittances of dividends and JCP and the return of foreign equity investment remain at zero, and FDI inflows bear the general 0.38% rate.

10 **EU–Mercosur Interim Trade Agreement** provisionally applied between the EU and Brazil from 1 May 2026, with phased tariff elimination.

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CHAPTER 02

Demographic and Environmental Overview

Where the opportunity is, and what shapes it.

IN THIS CHAPTER

- Economy, trade and the EU–Mercosur agreement
- Foreign exchange and registration of foreign capital
- Incentives, regulators, M&A and capital markets

Geography and Population

Brazil occupies almost half of South America's landmass and is divided into five macro-regions with markedly different economic profiles. The **Southeast** (São Paulo, Rio de Janeiro, Minas Gerais and Espírito Santo) concentrates the largest share of GDP, financial services, industry and corporate headquarters. The **South** combines advanced manufacturing, agribusiness and a strong services sector. The **Centre-West** is the engine of grain and protein production. The **Northeast** is the fastest-evolving frontier for renewable energy (wind and solar) and benefits from regional tax incentives. The **North** hosts the Amazon and the Manaus Free Trade Zone.

The population is predominantly urban (more than 85%) and young by OECD standards, although ageing is accelerating. The State of São Paulo alone produces roughly a third of national GDP. For market-sizing purposes, investors should note that consumer purchasing power, logistics costs and state-level taxation vary significantly between regions; national averages often conceal the economics of a specific location.

Political System

Brazil is a federal presidential republic governed by the 1988 Constitution. Executive power is exercised by the President, elected for a four-year term with one consecutive re-election permitted. Legislative power rests with a bicameral National Congress: The Chamber of Deputies (513 members, proportional representation) and the Federal Senate (81 senators, three per State and the Federal District). The judiciary is independent; the Federal Supreme Court (STF) is the constitutional court, and the Superior Court of Justice (STJ) standardises the interpretation of federal law, including tax law, which is frequently litigated.

Federal, State and municipal governments each have constitutionally defined taxing powers, which explains the historical complexity of the tax system. General elections took place in October 2026, with the presidential run-off scheduled for 25 October 2026; the new federal and State terms begin in January 2027. Investors should monitor post-election policy signals on fiscal policy, the regulation of the Selective Tax and the calibration of the consumption tax reference rates.

Economy

Brazil is among the ten to twelve largest economies in the world. Services represent around 70% of GDP, followed by industry and a highly productive agribusiness sector. The country is the world's leading exporter of soybeans, coffee, sugar, orange juice, beef and poultry, a major exporter of iron ore and one of the ten largest oil producers, driven by pre-salt offshore fields. Its electricity matrix is predominantly renewable (hydro, wind, solar and biomass), a decisive competitive advantage for energy-intensive and decarbonisation-driven investment, including green hydrogen, data centres and low-carbon industry.

The economy grew 3.4% in 2024 and 2.3% in 2025, decelerating as monetary policy remained restrictive. The Central Bank began an easing cycle in 2026; the Selic rate stood at 13.75% after the September 2026 meeting, with inflation decelerating but still above the target. High real interest rates are a central variable in Brazilian corporate finance: they shape capital structure, working-capital strategy and the relative attractiveness of equity versus intercompany debt.

INVESTOR PERSPECTIVE

Brazil's structural strengths (scale, natural resources, a renewable energy matrix, sophisticated financial infrastructure and deep capital markets) coexist with a high cost of capital and a demanding compliance environment. In our experience, projects that model the tax transition, the cost of credit and labour costs accurately from the outset perform better than those built on headline rates.

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International Trade and Integration

Brazil is a founding member of **Mercosur**, a customs union with a Common External Tariff (TEC). On 17 January 2026, in Asunción, Mercosur and the European Union signed an Interim Trade Agreement. It was approved by the National Congress (Legislative Decree 14/2026), promulgated by Decree 12,953/2026 and has applied between the EU and Brazil since **1 May 2026**. The agreement provides for the phased elimination of tariffs on the vast majority of bilateral trade, rules of origin, sanitary standards, services and public procurement chapters. The broader EU–Mercosur Partnership Agreement still depends on ratification by EU Member States.

Brazil is also a member of the WTO, the G20 and BRICS, and has been in the process of accession to the OECD. The OECD alignment agenda has had concrete effects on domestic law, most notably in transfer pricing, exchange of tax information and anti-corruption enforcement.

Communications and Transportation

Brazil has a modern telecommunications infrastructure, with nationwide 4G coverage and 5G deployed in all State capitals and expanding following the 2021 spectrum auction. Digital adoption is high: the Central Bank's instant-payment system **Pix** has become the dominant means of payment for individuals and businesses, and the Open Finance framework is among the most advanced in the world.

Logistics are the principal infrastructure bottleneck. Freight is heavily dependent on roads, while rail and cabotage are expanding through concession and authorisation regimes. The Port of Santos is the largest container port in Latin America and São Paulo–Guarulhos (GRU) the busiest international airport in South America. Federal and State programmes for concessions and public-private partnerships (Law 11,079/2004) offer a pipeline of opportunities in highways, railways, ports, airports, sanitation and transmission lines.

Foreign Exchange Controls and Registration of Foreign Capital

Brazil does not restrict the inflow of foreign capital or the repatriation of capital and profits, provided transactions are properly documented and registered. The foreign exchange and foreign capital framework were modernised by **Law 14,286/2021** (in force since 31 December 2022) and regulated by Central Bank Resolutions BCB 277/2022 (foreign exchange market) and BCB 278/2022 (foreign capital).

- **Foreign direct investment (FDI)** must be reported in the Central Bank's SCE-IED module. The responsibility lies with the Brazilian investee, which must report relevant events (capital contributions, transfers, conversions, reorganisations) and, above total-asset thresholds, periodic economic-financial declarations.
- **Registration is the basis for repatriation.** An up-to-date record of foreign capital supports remittance of dividends, return of capital and the tax treatment of capital gains realised by non-residents.
- **Foreign loans** are registered in the SCE-Crédito module. Intercompany loans are also subject to transfer pricing and thin-capitalisation rules.
- **Non-resident portfolio investment** follows Joint Resolution BCB/CVM 13/2024, which requires a local representative and custodian.
- **Brazilian residents with assets abroad** must file the Brazilian Capital Abroad (CBE) declaration when holdings reach US$ 1 million on 31 December (quarterly declarations above US$ 100 million).
- The real is not convertible outside Brazil; all foreign exchange transactions are conducted through authorised institutions and are subject to **IOF-Exchange** (see Taxation).

Finance and Banking

The Brazilian financial system is large, well-capitalised and supervised by the Central Bank (BCB) and the National Monetary Council (CMN). Banking is concentrated in a small number of large public and private institutions, complemented by a vibrant ecosystem of digital banks and fintechs. Long-term financing has historically relied on the national development bank **BNDES**, which offers credit lines for infrastructure, innovation, exports and the energy transition, often at rates linked to the TLP rather than the Selic.

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Capital markets have deepened significantly. Corporate bonds (*debentures*), receivables securitisation (CRI, CRA and FIDC structures) and incentivised infrastructure debentures (Law 12,431/2011 and Law 14,801/2024) are mainstream funding sources. Interest earned by non-residents on incentivised infrastructure debentures is, as a rule, subject to a zero-income tax rate, which makes these instruments attractive for foreign institutional investors.

Grants and Incentives

Brazil offers a broad, but fragmented, menu of federal, State and municipal incentives. Since January 2026, most federal tax incentives have been reduced linearly by 10% under LC 224/2025 (with exceptions, notably for incentives conditioned on investment already made, Manaus Free Trade Zone rules and certain constitutional regimes). In parallel, State ICMS incentives will gradually lose relevance as ICMS is phased out between 2029 and 2033; a federal compensation fund was created to honour onerous incentives granted until 2032.

Incentive	Main features	Who benefits
SUDENE / SUDAM	75% reduction of IRPJ (including surtax) on operating profit of approved projects in the Northeast and North regions	New, expanded or modernised projects in priority sectors (Lucro Real taxpayers)
Manaus Free Trade Zone (ZFM)	Federal and State tax benefits (IPI, import duty, ICMS credits); constitutionally preserved until 2073 and maintained by the tax reform	Manufacturers with an approved basic production process (PPB)
Lei do Bem (Law 11,196/2005)	Additional deduction of 60% to 80% of R&D expenditure (plus up to 20% for patents granted); accelerated depreciation of R&D equipment	Lucro Real taxpayers with taxable profit carrying out technological innovation
REIDI and infrastructure regimes	Suspension of federal contributions on acquisitions for infrastructure projects (to be adapted to CBS/IBS)	Energy, transport, ports, sanitation and irrigation projects
Drawback / RECOF	Suspension or exemption of import taxes on inputs used in exported products	Exporters and manufacturers
Ex-tarifário	Temporary reduction of import duty on capital goods and IT/telecom goods without domestic equivalent	Industrial investment projects
MOVER (Law 14,902/2024)	Financial credits linked to R&D and decarbonisation in the automotive chain	Automotive manufacturers and suppliers
Energy transition	Low-carbon hydrogen framework (Law 14,948/2024) and incentives (Law 14,990/2024); Brazilian Emissions Trading System (Law 15,042/2024)	Hydrogen, renewables, carbon-intensive industries

Regulatory Environment

Economic activity is overseen by a network of independent regulatory agencies. Licensing requirements are sector-specific and can take longer than corporate incorporation itself; they should be mapped at the very beginning of any market-entry plan.

Authority	Remit
BCB (Central Bank of Brazil)	Monetary policy, banking and payments supervision, foreign exchange and foreign capital registration
CVM (Securities Commission)	Capital markets, listed companies, investment funds, auditors of listed entities

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Authority	Remit
CADE (Administrative Council for Economic Defence)	Merger control and antitrust enforcement
RFB (Federal Revenue Service)	Federal taxes, customs, taxpayer registration (CNPJ/CPF)
ANPD (National Data Protection Authority)	Enforcement of the General Data Protection Law (LGPD)
ANVISA	Health surveillance: medicines, medical devices, food, cosmetics
ANEEL / ANP	Electricity / oil, natural gas and biofuels
ANATEL / ANAC	Telecommunications / civil aviation
ANS / SUSEP / PREVIC	Health plans / insurance / closed pension funds
ANTT / ANTAQ / ANM	Land transport / waterways and ports / mining
INPI (National Institute of Industrial Property)	Patents, trademarks, industrial designs, technology transfer registration

SECTORS WITH RESTRICTIONS ON FOREIGN PARTICIPATION

- **Rural land:** acquisition and lease by foreigners and by Brazilian companies controlled by foreigners are restricted and subject to authorisation and area limits (Law 5,709/1971).
- **Media:** foreign ownership of journalistic and broadcasting companies is limited to 30% of capital (Constitution, art. 222).
- **Border zone:** activities within 150 km of land borders may require prior consent from the National Defence Council.
- **Nuclear energy and postal services** are reserved to the State.
- **Financial institutions and insurers** require prior authorisation from the BCB or SUSEP.
- **Liberalised sectors:** foreign capital may hold 100% of airlines (since 2019) and healthcare providers (since 2015).

Acquisitions and Mergers

Brazil has an active M&A market, with strategic and private equity buyers across agribusiness, infrastructure, healthcare, technology and financial services. Key technical considerations include:

- **Merger control (Law 12,529/2011):** transactions must be notified to CADE before closing when one group had gross turnover in Brazil of at least R$ 750 million and another of at least R$ 75 million in the prior year. Review is suspensory; gun-jumping is penalised. Fast-track cases are typically cleared within 30 days. These thresholds have not been updated since 2012; in 2026 CADE opened public consultations (until 6 November 2026) on revised notification criteria, and an increase of the thresholds is under study by the government.
- **Due diligence priorities:** tax contingencies (including ICMS incentives and PIS/COFINS credits), labour and social security liabilities, environmental liabilities (strict liability), real estate title, and the target's position under the consumption tax transition.
- **Successor liability:** acquirers of a business or a going concern may inherit tax and labour liabilities (Tax Code, arts. 132–133; Labour Code, arts. 10 and 448).
- **Goodwill:** after a merger between non-related parties, goodwill supported by a purchase price allocation (PPA) report filed within the statutory period may be amortised for tax purposes at a maximum of 1/60 per month (Law 12,973/2014).
- **Tax losses:** carried forward indefinitely but offset is capped at 30% of taxable profit per period and is lost upon a simultaneous change of control and change of business activity. Losses are not transferable in mergers.

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- **Capital gains of non-resident sellers** are taxable in Brazil; the buyer (or its attorney-in-fact in Brazil) is responsible for withholding.

Securities

The securities market is regulated by the CVM and operated by B3, one of the largest exchanges in the world by market value of its trading infrastructure. Public offerings are governed by CVM Resolution 160/2022 and issuer obligations by CVM Resolution 80/2022. B3 offers listing segments with progressively higher governance standards, the most demanding being the **Novo Mercado** (single class of voting shares, independent directors, tag-along rights). Foreign issuers can access Brazilian investors through Brazilian Depositary Receipts (BDRs). Companies preparing for a listing or a first debenture issuance typically need two to three years of audited IFRS financial statements, documented internal controls and a governance structure compatible with the chosen segment. This preparation should begin well before the transaction.

Alternatives to an Audit

Where a statutory audit is not mandatory (see Accounting), Brazilian professional standards issued by the Federal Accounting Council (CFC), fully converged with IAASB standards, offer proportionate alternatives frequently requested by foreign parent companies, lenders and investors:

- **Review engagements** (NBC TR 2400 / 2410, equivalent to ISRE 2400/2410): limited assurance, commonly used for interim reporting and group reporting packages.
- **Agreed-upon procedures** (NBC TSC 4400, equivalent to ISRS 4400): factual findings on specific items such as covenants, royalties or earn-outs.
- **Compilation engagements** (NBC TSC 4410): preparation of financial information without assurance.
- **Group audit instructions:** full-scope or specified-procedures audits of Brazilian components under ISA 600 (revised) for consolidation purposes.

HOW PKF BRAZIL CAN HELP

- **Corporate Finance:** buy- and sell-side **due diligence**; **valuation** for transactions, PPA, goodwill and impairment; fairness opinions and transaction structuring.
- **External audit and assurance:** statutory and group-reporting audits (ISA 600), reviews and agreed-upon procedures for covenants and earn-outs.
- **Tax consulting:** FX and foreign capital structuring, SCE-IED compliance and incentive reviews under LC 224/2025.
- **Legal services, through the independent associated law firm Vaz de Almeida Advogados (see "About PKF Brazil", p. 46):** corporate, regulatory and M&A documentation.

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CHAPTER 03

Consumer Protection, Compliance and Special Industries

Compliance requirements that shape the business model from day one.

IN THIS CHAPTER

- Consumer and data protection (LGPD)
- Anti-corruption and integrity
- Intangibles, SOX and governance



Brazil has one of the most protective consumer and data protection frameworks in the region, enforced by administrative bodies (PROCON, Senacon, ANPD), the Public Prosecutor's Office and courts with a high volume of litigation. Compliance architecture is therefore not a post-entry task but a design parameter of the business model.

Consumer Protection

The Consumer Defence Code (Law 8,078/1990) provides for strict liability of suppliers for defects, joint and several liability across the supply chain, a seven-day withdrawal right for purchases made outside commercial premises (including e-commerce), the reversal of the burden of proof in favour of consumers, and the nullity of abusive contractual clauses. Collective actions are common. Advertising is subject to the Code and to self-regulation (CONAR).

Data Protection

The General Data Protection Law (**LGPD**, Law 13,709/2018) is comparable to the GDPR. It requires a legal basis for each processing activity, the appointment of a data protection officer (with simplified rules for small-scale processing agents), records of processing, data protection impact assessments for high-risk processing, incident notification to the ANPD and data subjects, and safeguards for international data transfers (standard contractual clauses approved by the ANPD). Administrative fines can reach 2% of Brazilian revenue, limited to R$ 50 million per infringement.

Anti-corruption and Integrity

The Clean Company Act (Law 12,846/2013, regulated by Decree 11,129/2022) imposes strict civil and administrative liability on legal entities for acts against domestic or foreign public administration, with fines of 0.1% to 20% of gross revenue. Effective compliance programmes are a mitigating factor, and leniency agreements are available. The Public Procurement Law (Law 14,133/2021) requires integrity programmes for large contracts. Anti-money laundering obligations (Law 9,613/1998) apply to regulated sectors and are supervised by COAF.

Legal Protection for Intangibles

Right	Legal basis	Protection
Patents of invention	Law 9,279/1996 (INPI)	20 years from filing
Utility models	Law 9,279/1996 (INPI)	15 years from filing
Trademarks	Law 9,279/1996; Madrid Protocol (since 2019)	10 years from registration, renewable indefinitely
Industrial designs	Law 9,279/1996 (INPI)	10 years, extendable by up to three 5-year periods
Software	Law 9,609/1998	50 years; registration optional
Copyright	Law 9,610/1998	Life of the author plus 70 years
Technology transfer contracts	INPI registration	Required for enforceability against third parties and to support remittances and tax deduction of payments

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Sarbanes-Oxley and Local Governance Requirements

Brazilian companies with securities registered with the US SEC are subject to the Sarbanes-Oxley Act, including management's assessment of internal controls (s. 404). Locally, there is no general SOX-equivalent statute, but listed companies are subject to CVM requirements on internal controls disclosure in the Reference Form (*Formulário de Referência*), statutory audit committees (CVM Resolution 23/2021), mandatory auditor rotation (five years, extendable to ten where a statutory audit committee exists) and governance codes on a "comply or explain" basis. Subsidiaries of SOX-reporting groups should treat the Brazilian tax and payroll processes, which are unusually transaction-intensive, as key control areas.

Relevant Legislation

Topic	Principal legislation
Companies	Civil Code (Law 10,406/2002); Corporations Law (Law 6,404/1976); Economic Freedom Law (Law 13,874/2019)
Foreign capital and FX	Law 14,286/2021; BCB Resolutions 277/2022 and 278/2022
Tax	Federal Constitution (arts. 145–162); National Tax Code (Law 5,172/1966); Income Tax Regulation (Decree 9,580/2018); LC 214/2025 and LC 227/2026 (CBS/IBS/IS)
Accounting and audit	Law 6,404/1976 as amended by Law 11,638/2007; CPC pronouncements; CFC NBCs
Labour	Consolidated Labour Laws (CLT, Decree-Law 5,452/1943) as amended by Law 13,467/2017
Competition	Law 12,529/2011
Data protection	Law 13,709/2018 (LGPD)
Anti-corruption	Law 12,846/2013; Decree 11,129/2022
Migration	Migration Law (Law 13,445/2017); CNIg resolutions
Startups and innovation	LC 182/2021 (Legal Framework for Startups); Law 10,973/2004 (Innovation Law)

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- **Internal audit:** outsourced or co-sourced internal audit functions, compliance programme testing under the Clean Company Act and risk-based audit plans reporting to the board or audit committee.
- **IT audit:** IT general controls, cybersecurity and access reviews, LGPD technical controls and data-flow mapping.
- **SOC 1 and SOC 2 reports:** assurance on controls at service organisations: SOC 1 for controls relevant to clients' financial reporting (ISAE 3402 / NBC TO 3402) and SOC 2 for security, availability, processing integrity, confidentiality and privacy. These reports are increasingly required of Brazilian fintechs, SaaS providers and shared service centres serving global clients.
- **SOX readiness:** documentation and testing of key controls in Brazilian subsidiaries of SEC registrants.
- **Legal services, through the independent associated law firm Vaz de Almeida Advogados (see "About PKF Brazil", p. 46):** LGPD compliance programmes, consumer and anti-corruption advisory, IP and technology transfer contracts.

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CHAPTER 04

Forms of Business Organisation

Choosing the vehicle that fits the strategy.

IN THIS CHAPTER

- Ltda., SLU, S.A. and branches
- Decision table
- Step-by-step incorporation roadmap

Foreign investors may operate in Brazil through a locally incorporated company (subsidiary), through a branch of the foreign company, or contractually (representation, distribution, joint ventures, consortia). In practice, more than nine out of ten foreign-owned operations are structured as either a **limited liability company (Ltda.)** or a **corporation (S.A.)**. Branches are rare because they require prior federal authorisation and expose the foreign head office directly.

Limited Liability Company (Sociedade Limitada, Ltda.)

Governed by the Civil Code, the Ltda. is the most common vehicle for wholly owned subsidiaries. Capital is divided into quotas; each quota holder's liability is limited to the value of its quotas, but all quota holders are jointly liable for the full payment of subscribed capital. Since 2019 a Ltda. may have a single quota holder (**sociedade limitada unipessoal, SLU**), a convenient structure for wholly owned subsidiaries.

- No minimum capital (except for regulated activities); capital may be contributed in cash or in kind.
- Managed by one or more administrators (who need not be quota holders), appointed in the articles of association or by separate instrument. Commercial Registry practice generally requires at least one administrator resident in Brazil.
- Non-resident quota holders must appoint an attorney-in-fact resident in Brazil with powers to receive service of process.
- No obligation to publish financial statements unless classified as a large company; statutory audit required only for large companies or regulated activities.
- Lower governance and maintenance costs than an S.A.; quota transfers are recorded by amendment to the articles filed with the Commercial Registry.

Corporation (Sociedade Anônima, S.A.)

Governed by Law 6,404/1976, the S.A. may be privately held (*fechada*) or publicly held (*aberta*, registered with the CVM). Capital is divided into shares, which may be common or preferred. It is the vehicle of choice when the investor anticipates an IPO, debenture issuance, multiple investors with sophisticated governance arrangements, or a regulated activity requiring this form (for example, banks and insurers).

- Management by a board of officers (*diretoria*) and, optionally for closed companies, a board of directors (*conselho de administração*). Since Law 14,195/2021 officers are no longer required to be residents, but non-resident managers must appoint a resident attorney-in-fact.
- Mandatory annual shareholders' meeting within four months of year-end; minimum mandatory dividend defined in the bylaws or, if the bylaws are silent, 50% of adjusted net income (Law 6,404/1976, art. 202).
- Publication of financial statements is required, with simplified regimes for smaller closed companies (LC 182/2021 and Law 13,818/2019).
- Fiscal council (*conselho fiscal*) may be installed at shareholders' request.

Branch of a Foreign Company

A foreign company may operate directly through a branch only with prior authorisation from the federal government (granted through the Ministry responsible for the National Department of Business Registration and Integration, DREI). The branch must appoint a resident legal representative with full powers, maintain capital allocated in Brazil and is subject to the same tax rules as Brazilian companies. Because the head office is fully liable for the branch's obligations and authorisation adds time and cost, branches are rarely recommended.

Partnerships, Joint Ventures and Other Arrangements

- **Consortium (consórcio):** a contractual, non-incorporated arrangement frequently used for infrastructure and engineering projects; each member remains liable for its own obligations (joint liability may arise in public procurement and labour matters).

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- **Silent partnership (sociedade em conta de participação, SCP):** an unregistered partnership in which an ostensible partner conducts the business; it has its own tax registration and is taxed as a legal entity.
- **Contractual joint ventures** are common, but tax and labour authorities may recharacterize them where there is an underlying common enterprise.
- **Investment funds (FIP, FII, FIDC)** are widely used as acquisition and holding vehicles, particularly for private equity and real estate, under CVM Resolution 175/2022.

Choosing the Right Vehicle

Criterion	Ltda. / SLU	S.A. (closed)	Branch
Liability	Limited to quotas (joint for unpaid capital)	Limited to shares subscribed	Unlimited: head office liable
Minimum members	One (SLU)	Two shareholders (wholly owned only by a Brazilian company)	N/A
Prior government approval	No	No	Yes (federal authorisation)
Publication of financial statements	Only if large company (subject to debate)	Yes (simplified for smaller companies)	Yes
Access to capital markets	Limited (may issue certain debt instruments)	Full (debentures, IPO)	No
Governance cost	Low	Moderate to high	Moderate
Typical use	Wholly owned operating subsidiaries	JVs with complex governance, pre-IPO, regulated sectors	Exceptional cases

Setting Up a Company: Step-by-Step

With the national integrated registration network (**REDESIM**), incorporation of a Ltda. typically takes **3 to 8 weeks** from receipt of legalised foreign documents, depending on the State and municipality. Regulatory licences and bank account opening frequently define the critical path.

Step	Action	Indicative timing
1	Foreign shareholder documents: certificate of good standing, articles, board resolution and powers of attorney, apostilled under the Hague Convention and translated by a sworn translator	1–3 weeks
2	Federal taxpayer registrations for non-residents: **CNPJ** for each foreign corporate shareholder and **CPF** for foreign individuals and managers	1–2 weeks
3	Name search, definition of corporate purpose (CNAE codes), registered address and municipal zoning feasibility check	2–5 days
4	Filing of articles of association with the State Commercial Registry (*Junta Comercial*) and issuance of the company's CNPJ	1–2 weeks
5	State registration (*Inscrição Estadual*, for ICMS) and municipal registration (for ISS); operating licences (*alvarás*) and fire department clearance where applicable	1–4 weeks
6	Digital certificate (e-CNPJ), electronic invoicing enablement, registration in eSocial and other SPED platforms	1 week

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Step	Action	Indicative timing
7	Opening of corporate bank account; capital contribution via foreign exchange contract; registration of FDI in the BCB SCE-IED system	2–6 weeks
8	Ultimate beneficial owner (UBO) information to the RFB; importer registration (RADAR) if goods will be imported	1–3 weeks

PRACTICAL NOTE: ALPHANUMERIC CNPJ

Since 31 July 2026, newly issued CNPJ numbers may adopt an alphanumeric format (IN RFB 2,229/2024); existing numbers remain valid. Group ERP, treasury, intercompany and e-invoicing systems interacting with Brazil should be tested for compatibility before the first Brazilian entity is registered.

HOW PKF BRAZIL CAN HELP

- **Tax consulting:** entry structuring, choice of taxation regime and funding model, CNPJ/CPF registrations for foreign shareholders and FDI registration.
- **Corporate Finance:** joint-venture structuring, business plans and valuation of in-kind capital contributions.
- **Business Solutions (BPO):** local representative and attorney-in-fact for non-resident quota holders and shareholders.
- **Legal services, through the independent associated law firm Vaz de Almeida Advogados (see "About PKF Brazil", p. 46):** choice of vehicle, articles of association and shareholders' agreements, legalisation of foreign documents, incorporation and corporate secretarial maintenance.

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CHAPTER 05

Accounting and Audit

IFRS-converged accounts. Tax-driven complexity.

IN THIS CHAPTER

- Accounting framework and records
- Statutory audit thresholds
- Sustainability reporting and tax accounting

Brazilian accounting has been converged with International Financial Reporting Standards since the 2007–2010 reform. Pronouncements of the Accounting Pronouncements Committee (**CPC**) replicate IFRS and are made mandatory by the CFC (as NBC TG standards) and by the CVM and sector regulators. For most foreign groups, Brazilian statutory financial statements are therefore a close starting point for IFRS group reporting. The material differences arise in tax.

Fundamental Financial Accounting Standards

Entity profile	Applicable framework
Listed companies and large companies	Full CPC (equivalent to full IFRS as issued by the IASB); consolidated statements under CPC 36 (IFRS 10)
Small and medium-sized entities	CPC PME (IFRS for SMEs), unless full CPC is adopted voluntarily
Micro and small enterprises	ITG 1000 simplified model
Financial institutions	BCB accounting framework (COSIF), progressively converging with IFRS 9 (CMN Resolution 4,966/2021)
Insurers and pension funds	SUSEP and PREVIC frameworks

Accounting Principles and Records

- Books must be kept in Portuguese and in Brazilian reais, under the accrual basis.
- The tax year coincides with the calendar year. Different reporting periods for group purposes are achieved through reporting packages.
- The general ledger is filed electronically through the **Digital Bookkeeping (ECD)** within SPED, signed with a digital certificate by the legal representative and a registered accountant (CRC).
- Records and supporting documents must be retained at least until the expiry of the five-year statute of limitations, and longer where they support tax losses, depreciation or other attributes still being used.
- IFRS 18 has been incorporated locally as CPC 51 (Presentation and Disclosure in Financial Statements), replacing CPC 26 (R1), and is mandatory for publicly held companies for fiscal years beginning on or after 1 January 2027 (CVM Resolution 237).

Financial Reporting

A complete set of financial statements comprises the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement (mandatory for corporations with equity above R$ 2 million) and notes. Public companies must also present a **Statement of Value Added (DVA)**. Publicly held companies must publish quarterly information (ITR) and annual statements (DFP).

Sustainability reporting: CVM Resolution 193/2023 introduced sustainability-related financial reporting based on the ISSB standards (locally CBPS 01 and 02), with independent assurance by a CVM-registered auditor. CVM Resolution 244, of 29 May 2026, replaced the mandatory regime with a **comply or explain** model: from 1 January 2027, a listed company that elects not to file the report must explain its reasons to the market by the date its annual financial statements are filed, and a company that elects to report must do so for at least three consecutive years. Investor, lender and supply-chain demand for ISSB-aligned information continues regardless of the regulatory choice.

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Statutory Audit Requirements

An independent audit by an auditor registered with the CVM (for listed entities) or with the CFC is mandatory for:

- Publicly held companies (quarterly reviews and annual audit);
- **Large companies**: companies or groups under common control which, in the prior year, had **total assets above R$ 240 million or gross revenue above R$ 300 million** (Law 11,638/2007, art. 3), regardless of legal form;
- Financial institutions, insurers, pension funds, health plan operators and other regulated entities;
- Certain investment funds, entities receiving public funds and companies whose bylaws, financing agreements or shareholders' agreements so require.

Audits follow Brazilian auditing standards (NBC TA), fully converged with ISAs. Mandatory auditor rotation applies to listed entities. Even where no audit is legally required, foreign parents commonly require a local audit or review for consolidation, banking or exit purposes.

Tax Accounting and Reporting

Since Law 12,973/2014, taxable income starts from IFRS-based accounting profit, adjusted through a statutory tax ledger (**e-LALUR/e-LACS**) reported in the annual Corporate Income Tax Bookkeeping (**ECF**). IFRS adjustments that do not represent realised income (for example fair value gains, present-value adjustments and certain business-combination effects) are subject to specific neutrality rules and sub-ledger controls. Weak sub-ledger control is one of the most common findings in Brazilian tax audits.

HOW PKF BRAZIL CAN HELP

- **External audit:** statutory audits under NBC TA / ISA, group-reporting audits for foreign parents, first-time audits for companies crossing the large-company thresholds and IPO-readiness audits.
- **Assurance:** assurance of CBPS/ISSB sustainability reports (CVM Resolutions 193/2023 and 244/2026), reviews of interim information and reasonable or limited assurance engagements on non-financial information.
- **SOC 1, SOC 2 and IT audit:** controls assurance for outsourced processes and IT environments relied upon in the audit of financial statements.
- **Internal audit:** internal control frameworks (COSO), process mapping and testing of financial close, tax and payroll controls.
- **Business Solutions (BPO):** bookkeeping, ECD/ECF and monthly reporting packages to the parent company.

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CHAPTER 06

Taxation of Business

Two consumption tax systems running in parallel until 2033.

IN THIS CHAPTER

- IRPJ, CSLL and taxation regimes
- Withholding taxes and a repatriation model
- Transfer pricing and Pillar Two
- The CBS/IBS reform, year by year



Brazil levies taxes at the federal, State and municipal levels. The overall tax burden is around one third of GDP, and compliance is intensive: the RFB receives transaction-level data through the Public Digital Bookkeeping System (**SPED**) and electronic invoices, allowing automated cross-checks. The system is now in transition: from 2027 to 2033, five consumption taxes will be replaced by a dual VAT. Investors must therefore plan for two systems at the same time.

Overview of Federal, State and Municipal Taxes

Level	Main taxes (current system)	Status under the reform
Federal	IRPJ and CSLL (income); PIS and COFINS (revenue); IPI (manufactured goods); IOF (financial transactions); II (import duty); social security contributions; CIDE	PIS/COFINS replaced by **CBS** from 2027; IPI reduced to zero from 2027 (except for products competing with the Manaus Free Trade Zone); **Selective Tax (IS)** introduced
State	ICMS (goods, interstate/intercity transport, communications); IPVA (vehicles); ITCMD (inheritance and gifts)	ICMS phased out between 2029 and 2032, extinct in 2033; replaced by **IBS**
Municipal	ISS (services); IPTU (urban property); ITBI (real estate transfers)	ISS phased out between 2029 and 2032, extinct in 2033; replaced by **IBS**

Corporate Income Taxes: IRPJ and CSLL

Brazilian-resident legal entities are taxed on worldwide income through two taxes: the Corporate Income Tax (**IRPJ**) and the Social Contribution on Net Profit (**CSLL**). Branches of foreign companies are taxed as Brazilian entities.

Tax	Rate	Comment
IRPJ	15%	Basic rate on taxable profit
IRPJ surtax	10%	On annual taxable profit exceeding R$ 240,000 (R$ 20,000 per month)
CSLL	9%	General rate. Banks: 20%; other financial institutions and insurers: 15% (with higher rates phased in for certain fintech categories under LC 224/2025)
Combined	34%	Effective nominal rate for most companies above the surtax threshold

Taxation Regimes

Companies choose, within legal limits, among three regimes. The choice is made annually with the first payment of the year and is irrevocable for that year. It is one of the most consequential tax decisions for a new subsidiary.

Feature	Lucro Real (actual profit)	Lucro Presumido (presumed profit)	Simples Nacional
Eligibility	Any company; mandatory if prior-year revenue > R$ 78 million, for financial institutions, companies with foreign-source profits or using certain tax benefits	Revenue up to R$ 78 million; not available to financial institutions or companies with foreign-source profits	Revenue up to R$ 4.8 million; **not available** where a partner is domiciled abroad or the capital is held by another legal entity

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Feature	Lucro Real (actual profit)	Lucro Presumido (presumed profit)	Simples Nacional
Tax base	Accounting profit adjusted by additions and exclusions	Fixed percentage of gross revenue: 8% (trade/industry) or 32% (most services) for IRPJ; 12% or 32% for CSLL, increased by 10% on revenue above R$ 5 million/year	Unified monthly payment on gross revenue, by bracket and annex
Losses	Carried forward indefinitely, 30% cap	Not applicable	Not applicable
PIS/COFINS (until 2026)	Non-cumulative, 9.25% with credits	Cumulative, 3.65% without credits	Included in unified rate
Typical fit	Low-margin or loss-making operations, large groups, incentive users	High-margin services and small operations with simple structure	Not available to foreign-owned subsidiaries

WHY MOST FOREIGN SUBSIDIARIES END UP IN LUCRO REAL

Start-up losses can only be preserved under Lucro Real; non-cumulative PIS/COFINS (and, from 2027, CBS/IBS) credits are fully usable; transfer pricing and CFC rules are better integrated; and the LC 224/2025 increase made Lucro Presumido more expensive for companies with revenue above R$ 5 million. Lucro Presumido remains attractive for high-margin service companies, but the comparison must now be modelled including the 10% dividend withholding and the consumption tax transition.

Determination of Taxable Income

DEDUCTIBILITY OF EXPENSES

Expenses are deductible, when necessary, usual and normal for the company's activity and supported by appropriate documentation. Non-deductible items include, among others, provisions (other than specific provisions such as vacation and 13th salary), fines for non-compliance, gifts, most donations (except to qualifying entities within limits), and payments to individuals or entities that cannot be identified.

TAX DEPRECIATION AND AMORTISATION

Asset	Annual rate
Buildings	4%
Machinery and equipment	10%
Furniture and fixtures	10%
Vehicles	20%
Computers and peripherals	20%
Software	20%

Accelerated depreciation applies for multiple shifts (1.5x for two shifts, 2x for three) and under specific incentive regimes. Accounting depreciation based on useful lives under CPC 27 may differ; differences are controlled in e-LALUR.

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INVENTORY

Inventory is valued at the lower of cost and net realisable value. Average cost and FIFO are accepted for tax purposes; LIFO is not permitted. Companies with a cost accounting system integrated with the general ledger may use actual cost; otherwise, statutory arbitrated cost rules apply, typically less favourable.

CAPITAL GAINS AND LOSSES

Capital gains of legal entities are included in taxable income and taxed at the regular 34% combined rate. Within the same period, capital losses reduce taxable income. Non-operating (capital) losses carried forward, however, may only be offset against future non-operating gains, subject to the 30% cap.

DIVIDENDS RECEIVED

Dividends received by a Brazilian company from another Brazilian company remain exempt and are not subject to the new withholding tax. Dividends from foreign subsidiaries are effectively taxed through the CFC rules described below.

INTEREST ON NET EQUITY (JCP)

Brazilian companies may pay shareholders a deductible remuneration known as **interest on net equity (juros sobre capital próprio, JCP)**. Deduction is limited to the daily pro-rata variation of the long-term interest rate (TJLP) applied on specified equity accounts (as restricted by Law 14,789/2023) and is capped at the greater of 50% of current-year net income (before the JCP deduction) or 50% of retained earnings and profit reserves. JCP is subject to **17.5% withholding tax** (LC 224/2025), or 25% where the beneficiary is in a tax haven.

INTEREST DEDUCTIONS AND THIN CAPITALISATION

- Interest paid to related parties abroad is deductible only if the debt does not exceed **2:1** of the related party's equity participation in the Brazilian company (or of total equity where the lender has no participation), aggregated with other related-party debt.
- For debt with parties in tax havens or privileged tax regimes, the ratio is **0.3:1** of the Brazilian company's equity.
- Interest is also subject to transfer pricing and, where applicable, withholding tax and IOF on credit.

FOREIGN-SOURCE INCOME AND CFC RULES

Brazil applies a broad controlled-foreign-company regime (Law 12,973/2014). Profits of directly and indirectly controlled foreign entities are included in the Brazilian parent's IRPJ/CSLL based on 31 December of each year, whether or not distributed, with credit for foreign income taxes paid. Profits of affiliates (non-controlled) are taxed when made available. The rules reach Brazilian multinationals far more broadly than typical OECD CFC regimes.

FOREIGN TAX RELIEF

Foreign income taxes paid on income included in the Brazilian tax base are creditable, limited to the Brazilian IRPJ and CSLL attributable to that income. Credit is available for treaty countries and for countries granting reciprocity.

Corporate Groups

Brazil does not allow tax consolidation or group relief: each legal entity is a separate taxpayer, and losses cannot be transferred between group companies. Mergers, spin-offs and incorporations are generally tax-neutral at book value, but losses of the absorbed company are forfeited. Group structuring in Brazil is therefore centred on entity design, intercompany flows and the location of profits and losses.

Transfer Pricing and Related-Party Transactions

Law 14,596/2023 replaced Brazil's historic fixed-margin model with a regime aligned with the OECD Transfer Pricing Guidelines, mandatory from 1 January 2024. Key features:

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- The **arm's length principle** applies to all controlled transactions, including services, intangibles, financial transactions, business restructurings and cost-contribution arrangements.
- Accurate delineation of the transaction, comparability analysis and the most appropriate method (CUP, resale price, cost plus, TNMM, profit split and other methods).
- Expanded definition of related parties, including transactions with entities in tax havens or privileged tax regimes.
- Documentation in the form of a **Master File and Local File**, plus Country-by-Country Reporting for in-scope groups.
- Royalties and technical assistance paid to related parties, historically subject to fixed deductibility limits, are brought under the arm's length framework, subject to the specific transitional and anti-avoidance provisions of the law.
- Specific penalties for failure to submit or for inaccurate documentation.

Global Minimum Tax (Pillar Two)

Law 15,079/2024 introduced an **additional CSLL** designed as a Qualified Domestic Minimum Top-up Tax (QDMTT) under the OECD GloBE Rules, effective from fiscal year 2025. It applies to constituent entities in Brazil of multinational groups with annual consolidated revenue of at least EUR 750 million in at least two of the four preceding fiscal years, ensuring an effective rate of 15% in Brazil. Tax incentives that reduce the Brazilian effective rate, including SUDENE/SUDAM, must be modelled against the QDMTT. Reporting and payment are made through DCTFWeb (IN RFB 2,319/2026), with the first payments, for fiscal year 2025, due in mid-2026. As at the date of this guide, Brazil has not enacted an Income Inclusion Rule or Undertaxed Profits Rule.

Payments Abroad: Withholding Taxes

The table below summarises the domestic withholding tax rates on the most common outbound payments. Treaty relief may reduce income tax rates; it does not apply to CIDE, IOF or the consumption taxes on imported services.

Payment to non-resident	Withholding income tax	Other taxes typically due
Dividends (profits from 2026 onwards)	10% (credit if combined effective burden exceeds 34%/40%/45%)	IOF-Exchange: 0%
Interest on net equity (JCP)	17.5% (25% tax havens)	IOF-Exchange: 0%
Interest on loans	15% (25% tax havens)	IOF-Exchange on inflow of short-term loans (≤ 364 days): 3.5%
Royalties (trademarks, patents, know-how)	15% (25% tax havens)	CIDE 10% (borne by payer); INPI registration
Technical and administrative services	15% (25% tax havens)	CIDE 10%; PIS/COFINS-Import 9.25% (2026) → CBS/IBS from 2027; ISS 2%–5% (until 2032)
Other services	25%	PIS/COFINS-Import 9.25% (2026) → CBS/IBS; ISS 2%–5%
Rent and leasing	15% (certain aircraft and vessel leases: reduced rates)	n/a
Capital gains (sale of Brazilian assets)	15% up to R$ 5m; 17.5% to R$ 10m; 20% to R$ 30m; 22.5% above (25% tax havens)	Buyer responsible for withholding
Investment income (portfolio, Res. BCB/CVM 13/2024)	0% to 15% depending on instrument (25% tax havens)	Specific exemptions for equities traded on exchange and certain debentures

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DIVIDENDS AND THE CREDIT MECHANISM

From 1 January 2026, dividends paid, credited or remitted to non-residents (individuals or legal entities) are subject to **10% withholding tax regardless of amount** (Law 9,249/1995, as amended by Law 15,270/2025). Profits relating to results up to calendar year 2025 whose distribution was approved by 31 December 2025 (a deadline extended to 31 January 2026 by a provisional decision of the STF) are protected by transitional rules, provided payment occurs within the terms of the approving act and up to 2028 (the scope of this transition for non-residents has been debated). Where the sum of the Brazilian company's effective IRPJ/CSLL rate and the 10% withholding exceeds the combined nominal rate (34% for most companies; 40% insurers; 45% banks), the non-resident beneficiary may claim a credit for the difference, to be requested within 360 days after the end of each fiscal year. Exemptions apply to foreign governments (on a reciprocity basis), sovereign wealth funds and qualifying pension entities.

WORKED EXAMPLE: REPATRIATION OF PROFITS

Brazilian subsidiary taxed under Lucro Real, effective IRPJ/CSLL rate of 34%, pre-tax profit of R$ 10,000,000, fully distributed to a foreign parent. Figures in R$, before home-country taxation.

	Dividend only	Dividend + JCP
Profit before JCP and tax	10,000,000	10,000,000
JCP paid (within statutory limits)	n/a	(1,500,000)
Taxable profit	10,000,000	8,500,000
IRPJ + CSLL at 34%	(3,400,000)	(2,890,000)
Net profit available as dividend	6,600,000	5,610,000
Withholding on dividend (10%)	(660,000)	(561,000)
Withholding on JCP (17.5%)	n/a	(262,500)
Cash received by parent	**5,940,000**	**6,286,500**
Total Brazilian tax before dividend credit	4,060,000 (40.6%)	3,713,500 (37.1%)
Potential dividend credit (sum of effective rates > 34%)	up to 660,000	to be computed on effective-rate basis

Reading the example. JCP still reduces Brazilian tax, but the gap narrows once the dividend credit is claimed, and the effective-rate computation is refined; the credit procedure, its timing and the parent's home-country treatment of JCP (often taxed as interest) must be modelled before choosing the mix. The calculation of the "effective rate" follows the statutory formula and should be confirmed annually.

Treaty and Non-Treaty Withholding Tax Rates

According to the official list maintained by the Federal Revenue Service, Brazil has comprehensive double tax treaties in force with 38 jurisdictions: Argentina, Austria, Belgium, Canada, Chile, China, the Czech Republic, Denmark, Ecuador, Finland, France, Hungary, India, Israel, Italy, Japan, Luxembourg, Mexico, the Netherlands, Norway, Peru, the Philippines, Poland, Portugal, Russia, Singapore, Slovakia, South Africa, South Korea, Spain, Sweden, Switzerland, Trinidad and Tobago, Turkey, Ukraine, the United Arab Emirates, Uruguay and Venezuela. The network has been actively renegotiated: a new convention with Norway (2022) and a treaty with Poland (2022) entered into force, and protocols updating the treaties with Chile, China, India, Singapore and Sweden were promulgated in 2025 and 2026. In 2026 the RFB also issued interpretative acts on the treaty treatment of JCP under the treaties with Spain and the Netherlands.

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Brazil has **no comprehensive income tax treaty in force with the United States, Germany or the United Kingdom**. The treaty with Germany ceased to have effect on 1 January 2006. The convention with the United Kingdom, signed on 29 November 2022, still depends on approval by the National Congress and is not in force; only limited instruments apply between the two countries, such as the agreement on the taxation of air crew in international traffic (Decree 8,984/2017) and the tax information exchange agreement (Decree 9,815/2019). Reciprocity for foreign tax credits may nevertheless be recognised in specific cases.

Recent Brazilian treaties follow OECD/UN models and BEPS minimum standards, including a principal purpose test. Treaty rates for royalties and technical services commonly range from 10% to 15%, and several treaties treat technical services as royalties. Treaty benefits require proof of residence and beneficial ownership and do not affect CIDE or consumption taxes. Investors should always confirm the specific treaty text, the protocol and the status of entry into force at the date of the transaction.

Indirect Taxes: The Current System (until 2026)

Tax	Scope	Rates and features
PIS and COFINS	Gross revenue (federal)	Non-cumulative: 1.65% + 7.6% = 9.25% with credits; cumulative: 0.65% + 3% = 3.65%; imports: PIS/COFINS-Import
IPI	Manufactured products (federal)	Rates per the TIPI table (0% to over 300% for specific goods); non-cumulative
ICMS	Goods, interstate and intercity transport, communications (State)	Internal rates generally between 17% and 23%; interstate 7% or 12% (4% for imported goods); tax substitution regimes; DIFAL
ISS	Services (municipal)	2% to 5%, depending on municipality and service
Import duty (II)	Imports (federal)	Per Mercosur Common External Tariff; plus AFRMM (sea freight surcharge) and customs fees

The Consumption Tax Reform: CBS, IBS and the Selective Tax

Constitutional Amendment 132/2023, regulated by **LC 214/2025** and **LC 227/2026** (which also created the IBS Management Committee and the integrated litigation structure), replaces five taxes with a dual, destination-based VAT and an excise tax:

- **CBS** (federal Contribution on Goods and Services) replaces PIS and COFINS;
- **IBS** (Tax on Goods and Services, shared by States and municipalities) replaces ICMS and ISS;
- **IS** (Selective Tax) applies to goods and services harmful to health or the environment (e.g. tobacco, alcohol, sugary drinks, certain vehicles, mineral extraction).

Core design features: a broad base covering goods, services and intangibles; **full input credits** on acquisitions (with limited exceptions for personal-use items); taxation at destination; zero-rating of exports with mechanisms for credit refunds; taxation of imports of goods and services; reduced rates for defined sectors (e.g. 60% reduction for health, education and certain food products; 30% reduction for regulated professional services); a zero-rated national basic food basket; and **split payment**, under which tax is segregated and collected at the moment of electronic payment.

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Year	CBS	IBS	Existing taxes
2026	Test rate 0.9%	Test rate 0.1%	Fully in force; CBS/IBS payment waived if reporting obligations are met (LC 214/2025, art. 348); CBS/IBS fields mandatory in NF-e/NFC-e from 3 August 2026, other documents phased in until 1 January 2027 (Joint Act RFB/CGIBS 4/2026)
2027–2028	Full rate (reference rate set by Senate resolution, less 0.1 p.p.)	0.1% (0.05% State + 0.05% municipal)	PIS/COFINS extinguished; IPI zero except ZFM-competing products; IS begins (rates subject to ordinary law)
2029	Full rate	Increasing	ICMS and ISS reduced to 90%
2030	Full rate	Increasing	ICMS and ISS reduced to 80%
2031	Full rate	Increasing	ICMS and ISS reduced to 70%
2032	Full rate	Increasing	ICMS and ISS reduced to 60%
2033	Full rate	Full rate	ICMS and ISS extinguished; new system fully in force

The reference rates have not yet been fixed. The Federal Revenue Service submitted its calculation of the CBS reference rate to the Federal Court of Accounts (TCU) in September 2026; the TCU must validate it by 30 October 2026, and the Senate must set the rate by resolution by 15 December 2026, for application from 1 January 2027. The latest official estimate, published by the IBS Management Committee in Resolution CGIBS 14/2026 (July 2026), points to a combined standard rate of approximately 27.9% (18.7% IBS and about 9.2% CBS). LC 214/2025 uses 26.5% as a benchmark, with a review mechanism should the combined rate exceed it. The operational rules are set out in the CBS Regulation (Decree 12,955/2026) and the IBS Regulation (Resolution CGIBS 6/2026).

WHAT THE REFORM MEANS FOR FOREIGN INVESTORS

- **Pricing and contracts:** long-term contracts signed today will straddle two systems; tax-adjustment and rebalancing clauses are essential.
- **Location decisions:** destination-based taxation progressively neutralises State "tax wars"; ICMS incentives lose value from 2029.
- **Cash flow:** split payment and credit refunds will change working capital dynamics; credits will depend on the supplier's actual payment.
- **Imported services and intangibles**, including intercompany charges, become subject to CBS/IBS, recoverable as credits by taxable recipients.
- **Systems:** ERP, invoicing and procurement processes must handle both systems in parallel until 2033.

Payroll Taxes

Employers pay social security contributions on total payroll (see Labour section): 20% employer INSS, an occupational accident contribution (RAT, 1% to 3% adjusted by an accident prevention factor of 0.5 to 2.0), contributions to third parties (Sistema S, education allowance and others, typically around 5.8%) and 8% FGTS. A payroll-tax relief regime (*desoneração*) that allowed 17 sectors to pay a contribution on gross revenue instead of payroll is being phased out between 2025 and 2027 (Law 14,973/2024), with the full 20% employer contribution restored in 2028.

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IOF: Tax on Financial Transactions

Transaction	IOF rate
Inflow of foreign direct investment (equity)	0.38%
Return of foreign direct investment and remittance of dividends/JCP	0%
Inflow of foreign loans with average term ≤ 364 days	3.5%
Inflow of foreign loans with longer terms	0%
Outbound transfers by residents for investment abroad	1.1%
Other outbound transfers not covered by specific rates (general rule)	3.5%
Other inflows (general rule)	0.38%
Domestic credit operations (legal entities)	Daily rate plus additional flat rate, capped annually (current rules under Decree 12,499/2025)

Other Taxes

- **CIDE-Royalties:** 10% on royalties, technical services and technical and administrative assistance paid abroad (Law 10,168/2000). Software licences without transfer of technology are outside its scope.
- **CIDE-Fuels:** on imports and sale of fuels.
- **IPTU:** municipal property tax on urban real estate (typically 0.3% to 3% of assessed value).
- **ITBI:** municipal tax on onerous transfers of real estate (typically 2% to 3%).
- **ITCMD:** State tax on inheritance and gifts, capped at 8% by Senate resolution; progressive rates became mandatory under the reform.
- **IPVA:** State tax on motor vehicles.

Compliance and Reporting

Frequency	Obligation	Comment
Real time	Electronic invoices (NF-e, NFC-e, CT-e) and national standard service invoice (NFS-e)	Basis of SPED cross-checks; CBS/IBS fields mandatory
Monthly	eSocial (payroll), EFD-Reinf (withholdings), DCTFWeb (confession of federal debts)	Payroll contributions, FGTS (via FGTS Digital) and most withholding taxes due by the 20th of the following month
Monthly	EFD-Contribuições (PIS/COFINS) and EFD-ICMS/IPI	Until extinction of the respective taxes
Monthly / quarterly	IRPJ and CSLL payments (monthly estimates or quarterly assessment)	Annual adjustment under Lucro Real
Annual	ECD (digital bookkeeping)	Mid-year filing
Annual	ECF (income tax bookkeeping, including e-LALUR, transfer pricing and CFC data)	July
Annual	Transfer pricing documentation (Master File / Local File) and CbCR	Per RFB regulations

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Frequency	Obligation	Comment
Annual	BCB SCE-IED declarations (FDI) and CBE (assets abroad)	Per BCB calendar and thresholds

Tax administration and disputes. The statute of limitations for federal taxes is generally five years. Standard penalties for unpaid tax assessed by the authorities are 75%, increased in cases of fraud (qualified penalty, currently 100% for first-time cases under Law 14,689/2023). Disputes may be pursued administratively, before the Federal Administrative Tax Appeals Council (**CARF**) for federal taxes, and judicially. Settlement mechanisms (*transação tributária*, Law 13,988/2020) and cooperative compliance programmes are increasingly used.

HOW PKF BRAZIL CAN HELP

- **Tax consulting (planning):** regime selection, profit-repatriation modelling (dividends, JCP, royalties, services), transfer pricing policies and documentation, Pillar Two QDMTT impact, CFC and international structures, CBS/IBS transition planning and contract review.
- **Tax consulting (compliance):** review of federal, State and municipal tax compliance and SPED/ECF filings, tax health checks and recovery of overpaid taxes.
- **Corporate Finance:** valuation for tax purposes, including goodwill and PPA reports, reorganisations, transfer of intangibles and capital gains of non-residents.
- **Business Solutions (BPO):** execution of recurring tax obligations (SPED, ECD/ECF, EFD and DCTFWeb), integrated with the accounting.
- **Legal services, through the independent associated law firm Vaz de Almeida Advogados (see "About PKF Brazil", p. 46):** administrative and judicial tax disputes, settlement (*transação tributária*) and assessments.

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CHAPTER 07

Labour and Employment

Protective rules and employment costs that can be modelled with precision.

IN THIS CHAPTER

- Key employment terms
- Total employer cost model
- Termination, outsourcing and equity plans



Employment relationships are governed by the Consolidated Labour Laws (**CLT**), the Constitution, collective bargaining agreements and a rich body of case law from the Labour Courts. The 2017 labour reform (Law 13,467/2017) increased flexibility, allowing collective agreements to prevail over statute on many topics and permitting the outsourcing of core activities. Brazil nevertheless remains an employee-protective jurisdiction with high employment costs.

Key Employment Terms

Topic	Rule
Working hours	8 hours/day and 44 hours/week; overtime limited to 2 hours/day, paid at a premium of at least 50% (100% on Sundays and holidays); hour bank permitted by agreement
Night work	Premium of at least 20% (urban workers, 22:00–05:00)
13th salary	One additional monthly salary per year, paid in two instalments (by 30 November and 20 December)
Vacation	30 calendar days after each 12 months of service, plus a constitutional bonus of one third of salary; may be split into up to three periods
FGTS	8% of monthly remuneration deposited by the employer into a linked account in the employee's name
Profit sharing (PLR)	Negotiated with employees/union under Law 10,101/2000; free of social charges when compliant; taxed for employees under an exclusive table
Remote work	Regulated by Law 14,442/2022; must be agreed in writing
Equal pay transparency	Companies with 100+ employees file semi-annual pay transparency reports (Law 14,611/2023)
Foreign employees	CLT still requires that two thirds of employees be Brazilian (proportionality rule), with exceptions

PENDING CONSTITUTIONAL CHANGE: END OF THE 6X1 WORKING SCHEDULE

Proposed Constitutional Amendment (PEC) 221/2019 was approved by the Chamber of Deputies in May 2026 and by the Senate Constitution and Justice Committee in September 2026 and is under debate in the Senate plenary at the date of this guide. As approved by the Chamber, it would reduce the maximum working week from 44 to 42 hours, with two weekly rest days, 60 days after promulgation, and to 40 hours twelve months later, without any reduction in salary.

If enacted, the change will increase effective hourly labour costs and require the review of shift schedules, collective agreements and outsourcing contracts. Business plans for labour-intensive operations should model both scenarios.

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Worked Example: Total Employer Cost

Employee with a monthly salary of R$ 20,000, company taxed under Lucro Real, not covered by payroll-tax relief, RAT × FAP assumed at 2%. Benefits (health plan, meal vouchers, private pension) excluded.

Component	Basis	Annual amount (R$)
Base salary	12 × 20,000	240,000
13th salary	1 × 20,000	20,000
Vacation bonus (1/3)	20,000 ÷ 3	6,667
Gross remuneration		**266,667**
Employer INSS	20%	53,333
RAT × FAP (assumed)	2%	5,333
Third-party contributions	≈ 5.8%	15,467
FGTS	8%	21,333
Total employer cost		**362,133**
Cost as a multiple of annual base salary		**≈ 1.51×**

Market benefits typically add a further 10% to 25% of base salary for professional roles. On termination without cause, an additional penalty of 40% of the FGTS balance is payable, plus prorated vacation, 13th salary and notice pay. These costs should be reflected in business cases.

Termination of Employment

- **Without cause:** notice of 30 days plus 3 days per full year of service, up to 90 days (may be worked or indemnified); 40% FGTS penalty; prorated 13th salary and vacation.
- **For cause:** limited to statutory grounds (CLT art. 482) and subject to judicial scrutiny; reduced entitlements.
- **Mutual agreement** (since 2017): 20% FGTS penalty, half the indemnified notice and access to 80% of the FGTS balance.
- **Stability periods** protect, among others, pregnant employees, employees recovering from work-related accidents (12 months) and elected members of internal accident prevention committees.
- Release documents and payments must be completed within 10 days of termination.

Outsourcing, Contractors and Equity Compensation

Outsourcing of any activity, including core activities, is lawful under Law 13,429/2017, with subsidiary liability of the contracting company. Engaging individuals through their own companies (*pejotização*) remains a major source of litigation when subordination, personal service, regularity and remuneration are present, since the substance of the relationship prevails. The constitutional limits of this practice are under review by the STF in a binding-precedent proceeding (Tema 1389), pending judgment at the date of this guide. Regarding equity compensation, in 2024 the STJ held in a binding precedent (Tema 1226) that stock option plans have a commercial nature, with gains taxed as capital gains upon sale of the shares rather than as remuneration; plan design and documentation remain decisive.

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Unions and Collective Agreements

Employees are represented by unions organised by category and territory. Collective agreements (with a company) and collective conventions (with employer unions) set salary floors, annual adjustments, benefits and working conditions, and since 2017 may prevail over statute on matters such as hour banks, working-time arrangements and profit sharing. The union tax ceased to be compulsory in 2017; since 2023, the STF has allowed collective instruments to establish an assistance contribution payable by all employees in the category, subject to a right to object (Tema 935). A collective-bargaining map should be part of any site-selection exercise.

HOW PKF BRAZIL CAN HELP

- **Tax consulting:** payroll tax and social security reviews, PLR and benefit structuring, phase-out of payroll tax relief.
- **Corporate Finance:** valuation of stock option and long-term incentive plans.
- **Internal audit:** payroll and eSocial process audits.
- **Business Solutions (BPO):** payroll.
- **Legal services, through the independent associated law firm Vaz de Almeida Advogados (see "About PKF Brazil", p. 46):** employment contracts, termination, outsourcing and contractor arrangements, collective bargaining and labour litigation risk assessments.

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CHAPTER 08

Taxation of Individuals and Immigration

Relocating executives and managing their tax residence.

IN THIS CHAPTER

- Visas and residence permits
- Tax residence, IRPFM and offshore income
- Social security and reporting



Entry into Brazil, Visas and Residence Permits

Immigration is governed by the Migration Law (Law 13,445/2017) and resolutions of the National Immigration Council (CNIg). Nationals of many countries may enter visa-free as visitors for business meetings (but not to work). Since 10 April 2025, nationals of the **United States, Canada and Australia** again require a visitor visa, available as an e-visa.

Route	Main requirements	Typical use
Visitor visa / visa waiver	Business meetings, negotiations, site visits; no local remuneration	Short business trips
Temporary visa and residence for work	Brazilian employment contract or technical assistance/technology transfer; authorisation processed with the Ministry of Justice	Expatriate assignments
Investor (individual)	Investment of at least R$ 500,000 (R$ 150,000 for innovation and research activities) in a Brazilian company	Entrepreneurs relocating to Brazil
Administrator / director	Appointment as manager of a company receiving qualifying foreign investment (currently R$ 600,000, or R$ 150,000 with creation of 10 jobs within two years)	Foreign executives appointed as statutory managers
Digital nomad	Remote work for a foreign employer; minimum monthly income of US$ 1,500 or funds of US$ 18,000	Remote professionals
Mercosur residence	Nationals of Mercosur and associated States; simplified temporary and permanent residence	Regional mobility

Foreign nationals must register with the Federal Police (national migration registry, CRNM) within 90 days of arrival when holding a residence permit and obtain a CPF.

Tax Residence

An individual becomes a Brazilian tax resident: (i) on arrival, when holding a permanent visa/residence permit, or a temporary visa associated with a Brazilian employment contract; or (ii) upon completing more than 183 days in Brazil, consecutive or not, within any 12-month period. Residents are taxed on worldwide income. Individuals leaving Brazil must file an exit communication and a final exit return to cease residence; failure to do so may extend Brazilian tax residence for up to 12 months.

Personal Income Tax

- **Progressive rates** from 0% to 27.5% apply to employment and other ordinary income, withheld monthly and adjusted in the annual return (filed by the end of May).
- **From 2026 (Law 15,270/2025),** monthly income up to R$ 5,000 is effectively exempt through a tax reducer, with partial reduction up to R$ 7,350.
- **Minimum tax on high incomes (IRPFM):** individuals with total annual income above R$ 600,000 (including dividends and most exempt income) are subject to a minimum effective rate increasing linearly to 10% at R$ 1.2 million. A reducer avoids exceeding the combined nominal corporate rate where profits were taxed at the company level.
- **Dividends:** 10% withholding on amounts above R$ 50,000 per month from the same company, creditable against the annual IRPFM.
- **Capital gains** on assets: 15% to 22.5% progressive; gains on equities traded on exchange: generally 15% (with a monthly exemption for small sales).

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- **Offshore investments (Law 14,754/2023):** income from financial investments abroad and profits of controlled offshore entities are taxed annually at 15%; trusts are treated as transparent.

Non-resident Individuals

Non-residents are taxed only on Brazilian-source income, generally by withholding: 25% on employment income and fees, 15% on most other income, 10% on dividends and progressive rates on capital gains (25% where resident in a tax haven).

Social Security and Totalisation Agreements

Employees contribute to the general social security system (INSS) at progressive rates of 7.5% to 14%, capped at a monthly contribution ceiling updated annually. Brazil has social security totalisation agreements with, among others, Belgium, Canada, Chile, France, Germany, Greece, Italy, Japan, Luxembourg, Portugal, Quebec, South Korea, Spain, Switzerland and the United States, as well as the Mercosur and Ibero-American multilateral agreements. Certificates of coverage may avoid double contributions for assignees.

Reporting Requirements for Resident and Non-resident Individuals

- Annual income tax return (DIRPF), including worldwide assets and offshore entities;
- Brazilian Capital Abroad declaration (CBE) to the BCB where foreign assets reach US$ 1 million;
- Exit communication and final exit return upon departure;
- Non-residents holding Brazilian assets must maintain a CPF and appoint a local representative.

Estate and Gift Tax

There is no federal estate tax. ITCMD is levied by the States on inheritances and gifts, at rates capped at 8%, now required to be progressive. LC 227/2026 established national general rules for ITCMD, including situations involving donors, deceased persons or assets abroad, which States must reflect in their own legislation. Succession planning involving Brazilian assets or heirs should be reviewed in light of these changes.

HOW PKF BRAZIL CAN HELP

- **Tax consulting:** expatriate tax planning, residence and exit planning, IRPFM and offshore income under Law 14,754/2023.
- **Business Solutions (BPO):** annual personal income tax returns (DIRPF) and local representative and attorney-in-fact services for non-resident shareholders and investors before the Federal Revenue Service and the Central Bank.
- **Legal services, through the independent associated law firm Vaz de Almeida Advogados (see "About PKF Brazil", p. 46):** succession planning involving Brazilian assets.

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CHAPTER 09

Market Entry Playbook

From decision to operation in 120 days.

IN THIS CHAPTER

- The first 120 days
- Ten common pitfalls

This section distils our experience with foreign groups entering or restructuring in Brazil into an operational sequence and a list of avoidable mistakes.

The First 120 Days

Phase	Key decisions and deliverables	PKF Brazil support
Days 0–30: Design	Business model and location; regulatory licence map; choice of vehicle and taxation regime; funding plan (equity vs. intercompany debt) under thin-cap, IOF and transfer pricing; tax transition modelling (current system + CBS/IBS); preliminary transfer pricing policy	Tax planning; Corporate Finance (business plan, valuation, due diligence for acquisitions); Legal (Vaz de Almeida Advogados)
Days 15–60: Incorporation	Legalisation of foreign documents; CNPJ/CPF for foreign shareholders and managers; incorporation; State and municipal registrations; digital certificate; bank account; capital contribution and SCE-IED registration	Tax compliance; Legal (Vaz de Almeida Advogados)
Days 45–90: Operations	Payroll and eSocial set-up; benefits and collective agreement mapping; ERP configuration for Brazilian e-invoicing, SPED and CBS/IBS fields; intercompany agreements (services, royalties, cost sharing) registered where required	Tax compliance; IT audit (system and access controls); Business Solutions (BPO) for payroll and accounting; Legal (Vaz de Almeida Advogados)
Days 75–120: Control	Monthly close and reporting package to group (IFRS); tax calendar and compliance owner; internal controls over tax and payroll; LGPD programme; audit or review plan	External audit; Internal audit; SOC 1 / SOC 2 where processes are outsourced; Business Solutions (BPO) for monthly close and reporting package

Ten Common Pitfalls

01 **Choosing the taxation regime on headline rates** without modelling losses, credits, the dividend withholding and the CBS/IBS transition.

02 **Under-capitalising the subsidiary** and funding it with intercompany loans beyond thin-cap limits, or with short-term loans subject to 3.5% IOF.

03 **Failing to register foreign capital** correctly in the SCE-IED, complicating future dividend remittances, capital reductions and exits.

04 **Charging intercompany services without contracts and evidence of benefit**, triggering non-deductibility, withholding taxes, CIDE and import contributions on the gross amount.

05 **Treating contractors as employees in substance**, creating labour and social security liabilities.

06 **Ignoring the municipal layer**: ISS on imported services, place-of-supply disputes and municipal licences.

07 **Signing long-term contracts without tax-change clauses** that address the 2027–2033 transition.

08 **Relying on State ICMS incentives** in business cases extending beyond 2029.

09 **Weak sub-ledger and documentary control**, leading to automated SPED inconsistencies and penalties.

10 **Neglecting the board-level calendar**: approval and distribution of profits now has direct tax consequences under the new dividend rules.

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CHAPTER 10

Appendix

Reference material for the investor's desk.

IN THIS CHAPTER

- Reference websites
- Glossary of Brazilian terms and acronyms

Reference Websites

Institution	Website
Federal Revenue Service (RFB)	www.gov.br/receitafederal
Central Bank of Brazil (BCB)	www.bcb.gov.br
Securities Commission (CVM)	www.gov.br/cvm
B3 (Brazilian Stock Exchange)	www.b3.com.br
CADE (Competition Authority)	www.gov.br/cade
Brazilian Institute of Geography and Statistics (IBGE)	www.ibge.gov.br
ApexBrasil (investment promotion)	apexbrasil.com.br
National Institute of Industrial Property (INPI)	www.gov.br/inpi
Ministry of Justice (migration portal)	www.gov.br/mj
National Data Protection Authority (ANPD)	www.gov.br/anpd
Federal legislation	www.planalto.gov.br
Accounting Pronouncements Committee (CPC)	www.cpc.org.br
Federal Accounting Council (CFC)	cfc.org.br

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Glossary of Brazilian Terms and Acronyms

Term	Meaning
CBS / IBS / IS	Federal contribution on goods and services / sub-national goods and services tax / Selective (excise) Tax
CIDE	Contribution for Intervention in the Economic Domain
CLT	Consolidated Labour Laws
CNPJ / CPF	Federal taxpayer registration of legal entities / individuals
CPC	Accounting Pronouncements Committee (IFRS-converged standards)
CSLL	Social Contribution on Net Profit
ECD / ECF	Digital bookkeeping / income tax bookkeeping filed through SPED
eSocial	Unified digital system for payroll, labour and social security obligations
FGTS	Severance Indemnity Fund for Employees
ICMS / ISS	State VAT on goods and certain services / municipal tax on services
IOF	Tax on credit, foreign exchange, insurance and securities transactions
IRPJ / IRPF / IRRF	Corporate income tax / individual income tax / withholding income tax
IRPFM	Minimum income tax on high-income individuals
JCP	Interest on net equity
LC	Complementary Law (*Lei Complementar*)
Ltda. / S.A. / SLU	Limited liability company / corporation / single-member limited liability company
Lucro Real / Presumido	Actual profit / presumed profit taxation regimes
PIS / COFINS	Federal contributions on revenue (extinguished from 2027)
SCE-IED	Central Bank system for registration of foreign direct investment
SPED	Public Digital Bookkeeping System

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About PKF Brazil

PKF Brazil (PKF Affiance Brazil) is the Brazilian member firm of **PKF Global**, a network of legally independent firms providing audit, tax and advisory services worldwide. We serve Brazilian groups, mid-market companies and subsidiaries of multinational groups that need technical depth, direct access to partners and the ability to coordinate across borders.

Our proposition is integration. Investing in Brazil rarely involves a single discipline: the choice of taxation regime changes the valuation, the funding structure changes the transfer pricing, the controls environment changes the audit, and every one of these decisions has legal consequences. We organise our service lines to work as one team around each client decision, so that the client receives one integrated recommendation.

Our Service Lines

Service line	Scope	Where it connects in this guide
External audit	Statutory audits (NBC TA / ISA), group-reporting audits under ISA 600, IFRS conversion support, first-time and IPO-readiness audits	Accounting and Audit; Securities
Internal audit	Outsourced and co-sourced internal audit, COSO-based control frameworks, compliance and anti-corruption programme testing, process audits	Compliance; Labour; Market Entry Playbook
Assurance	Reviews, agreed-upon procedures, limited and reasonable assurance, assurance of CBPS/ISSB sustainability reports	Alternatives to an Audit; Financial Reporting
SOC 1 and SOC 2	Controls reports for service organisations: SOC 1 (ISAE 3402 / NBC TO 3402) for financial-reporting controls; SOC 2 for security, availability, processing integrity, confidentiality and privacy	Compliance; Accounting and Audit
IT audit	IT general controls, cybersecurity and access reviews, ERP and SPED system controls, LGPD technical controls	Data Protection; Tax Compliance and Reporting
Corporate Finance	Valuation (transactions, PPA, goodwill, impairment, intangibles, incentive plans), financial, tax and labour due diligence, M&A advisory, business plans and fairness opinions	Acquisitions and Mergers; Taxation; Labour
Tax consulting (compliance)	Review of federal, State and municipal tax compliance and SPED/ECF filings, transfer pricing documentation, tax health checks and tax recovery	Taxation of Business; Individuals
Tax consulting (planning)	Entry and repatriation structuring, regime selection, transfer pricing, Pillar Two, international tax, CBS/IBS transition planning, expatriate tax	Taxation of Business; Forms of Business Organisation
Business Solutions (BPO)	Outsourced accounting, payroll, recurring tax compliance, personal income tax returns, local representation of non-resident shareholders, reporting packages and financial BPO (controllership and outsourced finance function)	Forms of Business Organisation; Accounting and Audit; Taxation of Business; Labour; Individuals; Market Entry Playbook

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Contact Details of PKF in Brazil

Cleverson Lacerda
CEO and Managing Partner, PKF Brazil
Cleverson.lacerda@pkfbrazil.com.br | +55 (11) 3070-1000 | www.pkfbrazil.com.br

Office	Address
São Paulo (head office)	Av. Angélica, 745, 12th floor, Higienópolis CEP 01227-000, São Paulo, SP +55 (11) 3070-1000 | contato@pkfbrazil.com.br
Alphaville	Alameda Rio Negro, 503, Room 2020 CEP 06454-000, Alphaville, Barueri, SP
Campinas	Av. Barão de Itapura, 2323, 8th Floor CEP 13073-300, Campinas, SP
Rio de Janeiro	Rua São Bento, 08, 3rd Floor CEP 20090-003, Rio de Janeiro, RJ
Teresina	Rua Thomas Edson, 2203 CEP 64052-770, Teresina, PI

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Cleverson Lacerda

CEO and Managing Partner

Av. Angélica, 745, 12th Floor, Higienópolis, São Paulo, SP, CEP 01227-000

+55 (11) 3070-1000 · contato@pkfbrazil.com.br · www.pkfbrazil.com.br

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