

SEMINAR 2019
Ekaterinburg, Russia
26 - 27 November 2019

DOING BUSINESS IN BRAZIL
BUSINESS ENTITY GUIDE AND OPPORTUNITIES FOR INVESTORS

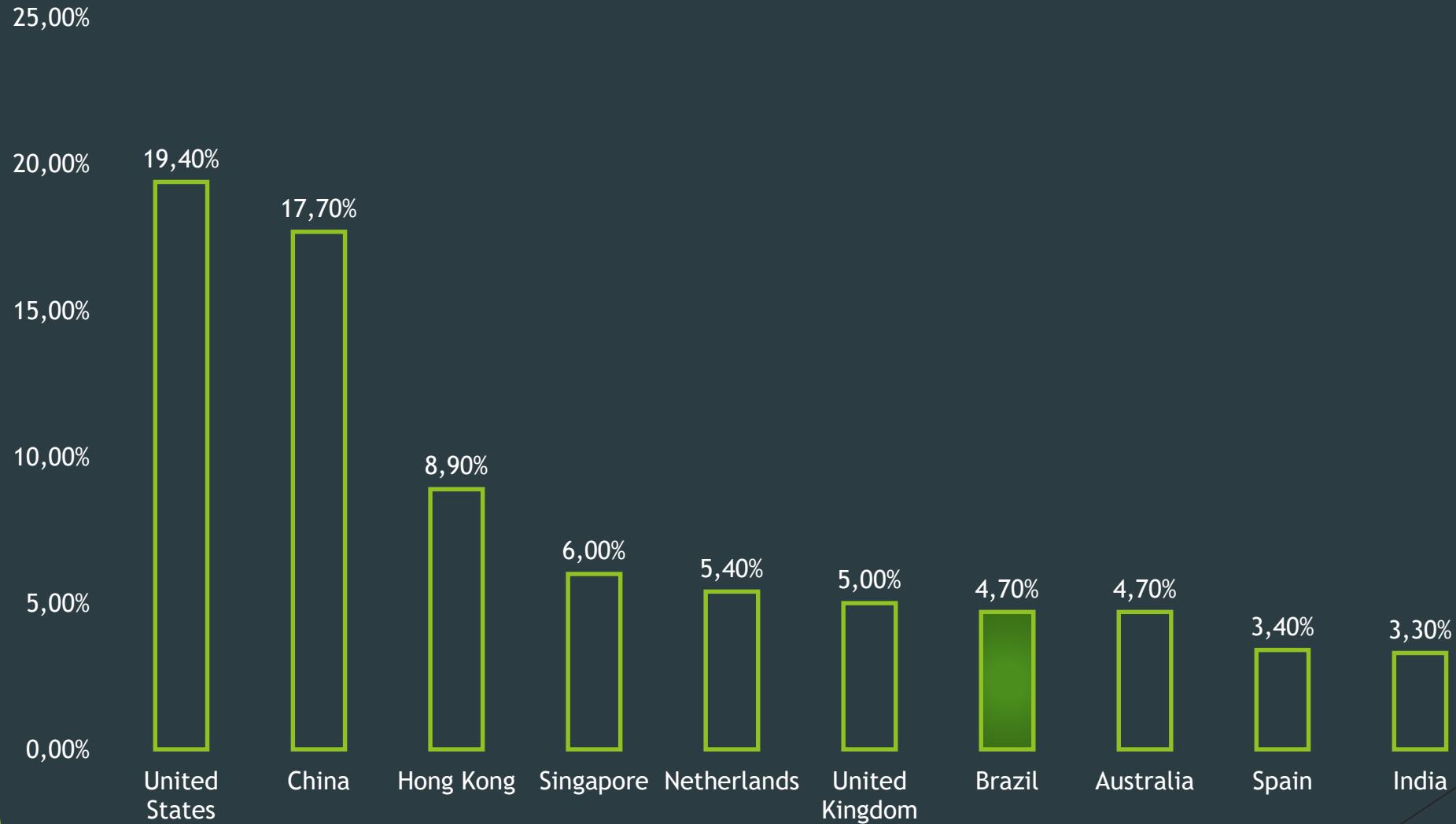
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REASONS FOR INVESTING IN BRAZIL



-  Leading Regional Economy
-  Global destination for investment
-  Resilient domestic Market
-  Diversified economy
-  Energy powerhouse
-  Large pool of workers
-  Extensive raw materials
-  Capacity to endure
-  Global player
-  Gateway to Latin America

Estimated FDI inflows: top 10 host economies, june/2019 report



Source: UNCTAD

BRAZIL INTRODUCTION

- ▶ People: has a diverse population, regional migration and extensive miscegenation.
- ▶ Political System: Federative Presidential Republic and a Constitutional democracy.
- ▶ Territorial Organization:
 - ▶ North : well-developed agribusiness, mostly focused on soy and cattle.
 - ▶ South: has the second largest industrial park in the country and modern agriculture.
 - ▶ Northeast: has the São Francisco river, its irrigation projects are crucial for the economy.
 - ▶ Midwest: home to vast agricultural areas and is the largest soy producer in the country.
 - ▶ Southeast: has a diversified economy, with strong industries, services, and agriculture, as well as being the country's most famous tourist destinations.

BRAZIL INTRODUCTION

- ▶ Economy: The domestic market and economic diversification proved to be a solid foundation for Brazil, helping the country to endure harsh economic headwinds.
- ▶ New laws and reforms in the past year allowed the federal government to address public spending issues, control inflation and promote a better environment for business and job creation.
- ▶ Brazil hosts multiple foreign companies, but agriculture and mining play a major role in Brazil's economy.

More information can be found at: www.economia.gov.br

TOP 20 COMMODITIES PRODUCED IN BRAZIL IN 2017 (MILLION TONNES)

| | |
|-----------------------|-------|
| Sugar Cane | 758,5 |
| Soybeans | 114,6 |
| Maize | 97,7 |
| Milk, whole fresh cow | 33,5 |
| Cassava | 18,9 |
| Oranges | 17,5 |
| Meat, cattle | 9,6 |
| Bananas | 6,7 |
| Wheat | 4,3 |
| Tomatoes | 4,2 |
| Seed cotton | 3,8 |
| Potatoes | 3,7 |
| Vegetables | 3,1 |
| Beans, dry | 3,0 |
| Coffee, green | 2,7 |
| Eggs, hen, in shell | 2,5 |
| Coconuts | 2,3 |



BUSINESS IN BRAZIL

-OPPORTUNITIES AND PECULIARITIES

- ▶ **AGRIBUSINESS:** With a modern, efficient and competitive agriculture, Brazil has become one of the world's largest agricultural producers and exporters over the last decades.
- ▶ **AGRIBUSINESS INCENTIVES:**
 - ▶ PRONAMP, a government program intend to support medium-sized producers.
 - ▶ INOVAGRO, a program aimed at technological innovation.
 - ▶ Agro+ Plan, is a program that seeks to modernize the agrobusiness industry and generate productivity gains.



Source: National Water Agency (ANA)
Brazilian Agricultural Research Corporation (EMBRAPA)

BUSINESS IN BRAZIL

-OPPORTUNITIES AND PECULIARITIES

▶ AUTOMOTIVE SECTOR:

- ▶ The Government approved in November 2018 the Decree-Law Rota 2030.
- ▶ Vehicles that exceed the requirements will be granted a reduction in the IPI tax.
- ▶ As a benefit, companies can access a deduction in the amount of IRPJ(Corporate Income Tax) and CSLL (Social Contribution on Net Profits) taxes.
- ▶ There is also a special regime exempts the import tax for auto parts that do not have a domestically-produced similar or equivalent.



BUSINESS IN BRAZIL

-OPPORTUNITIES AND PECULIARITIES

- ▶ **AEROSPACE SECTOR:** Brazil remains Latin America's top performer in the Aerospace industry, according to Fitch's report (2018), developing complex and advanced technologies and employing a highly qualified workforce.
- ▶ The Technology Park of São José dos Campos is focused on applied scientific and technological production. It hosts technology-based companies and offers space and basic infrastructure, management training services and opportunities to promote networking with other companies, research institutions, and funding agencies.



BUSINESS IN BRAZIL

-OPPORTUNITIES AND PECULIARITIES

- ▶ **RENEWABLE ENERGY AND ENVIRONMENTAL SOLUTIONS:** Hydropower alone comprises 65,2% of Brazil's entire electricity generation, but some alternative renewable sources have a growing share in Brazil's electric matrix, such Biomass and Wind.
- ▶ These sources are target of several government policies and incentives.
- ▶ BNDES (Brazilian Development Bank) offers special credit lines.
- ▶ RENOVABIO is an initiative of the Ministry of Mines and Energy which aims to expand biofuel production, based on predictability and environmental, economic and social sustainability.

Source: International Energy Agency (IEA)
Ministry of the Environment (MMA)

BUSINESS IN BRAZIL

-OPPORTUNITIES AND PECULIARITIES

- ▶ **INFRASTRUCTURE SECTOR:** Brazil relies heavily on logistics and transportation networks to guarantee its competitiveness and to keep growing. That's a promising business scenario.
- ▶ The investments have been showing a long-term trend of growth, supported by solid public programs, such as the PPI (Investment Partnership Program), a busy agenda of future concessions.
- ▶ PNL (National Logistics Plan), identify and propose solutions capable of encouraging cost reduction and the improvement of services.
- ▶ Special tax regime for infrastructure development (REIDI). Exemptions of social tax (PIS e Cofins) and valid for 5 years.

BUSINESS IN BRAZIL

-OPPORTUNITIES AND PECULIARITIES

- ▶ **HEALTH AND LIFE SCIENCES:** Brazil has a great potential for those looking to diversify investments in Life Sciences, with a market that offers both scale and robust growth rates over the medium and long-term.
- ▶ Brazil is focused on making its regulatory system simpler and more transparent for manufactures of products in the healthcare market.
- ▶ A series of reforms were recently carried be Brazilian Health Regulatory Agency (ANVISA) in order to reduce product approval time and reduce bureaucracy and costs.

BUSINESS IN BRAZIL

-OPPORTUNITIES AND PECULIARITIES

- ▶ **PRIVATE EQUITY AND VENTURE CAPITAL:** The dynamism of the segment relates to the growing amount of capital committed for investments in the country.
- ▶ From 2016 to 2019 Brazilian venture capital scene produced technology companies worth a billion dollars, such 99, Pag Seguro, Nubank, Ifood, Loggi, GymPass.
- ▶ Most recently, Agribusiness, Food and Beverage industries have proven to be one of the most promising sectors for the coming years, especially because of Brazil's global role as a major supplier of food and other farm products.



BUSINESS IN BRAZIL

- THE KEY LAWS AND REGULATORY AUTHORITIES GOVERNING FOREIGN INVESTMENT

Law 4.131/1962, disciplines the application of foreign capital and remittances abroad.

“Article 2. Foreign capital invested in the Country shall be accorded the same legal treatment as that accorded to national on equal terms, and any discrimination not provided for in this law shall be prohibited.”

- ▶ Brazilian law does not make a distinction between foreign and national investments.
- ▶ However, all foreign investors must appoint a representative in Brazil who, jointly with the representative of the company receiving the foreign investment, will be responsible for registering the operation with the Central Bank of Brazil's Foreign Direct Investment module (RDE-IED) in accordance with instructions laid out in www.bcb.gov.br.

BUSINESS IN BRAZIL

- THE KEY LAWS AND REGULATORY AUTHORITIES GOVERNING FOREIGN INVESTMENT

Law 11.371/2006 - Deal with foreign exchange operations

Resolution 3.844/2010 of the National Monetary Council that talk about foreign capital in the Country and its registration with the Central Bank of Brazil.

- ▶ Registering foreign capital that enters Brazil is done electronically, using the Electronic Declaration Register on the Central Bank Information System.
- ▶ Financial transfers abroad can be made in any currency,

Circular Letters 3.689/2013- Regulates, within the scope of the Central Bank of Brazil, the provisions on foreign capital in the Country and about Brazilian capital abroad.

3.691/2013 of the Central Bank - Deal with the foreign exchange market.

BUSINESS IN BRAZIL

-SUPPORT MECHANISMS

- ▶ **FINANCING:** The National Economic and Social Development Bank (BNDS) is the Brazilian Government's main instrument for long-term financing.
 - ▶ The bank allocates special resources, preferably in the form of long-term funding and shareholdings.
 - ▶ To be eligible for financing, companies must comply with fiscal, tax and social obligations, be able to pay the bank, not be under financial reorganization, and obey environment legislation.
 - ▶ BNDS has reduces its baking spread for priority sectors and increased the limit to stablish deadlines for grace period and amortization.
 - ▶ Since April 2018, BNDS offers fixed-rate financing for the BNDS Giro program.

BUSINESS IN BRAZIL

-SUPPORT MECHANISMS

▶ TAX SYSTEM

▶ Federal taxes:

- ▶ Income tax (IR).
- ▶ Social Contributions on the net income (CSLL).
- ▶ Excise tax (IPI).
- ▶ Import tax (II) and Export tax (IE)
- ▶ Tax on financial transactions (IOF)
- ▶ Social contribution on billing (COFINS)
- ▶ Contribution to the Social Integration Program (PIS/PASEP)
- ▶ Contribution for Intervention in the Economic Domain (CIDE)
- ▶ Rural property tax (ITR)

▶ State taxes:

- ▶ Value-added tax on sale and services (ICMS)
- ▶ Inheritance and gift transfer tax (ITCMD)
- ▶ Road tax (ISS)

▶ Municipal taxes:

- ▶ Service tax (ISS)
- ▶ Property tax (IPTU and ITBI)

BUSINESS IN BRAZIL

-SUPPORT MECHANISMS

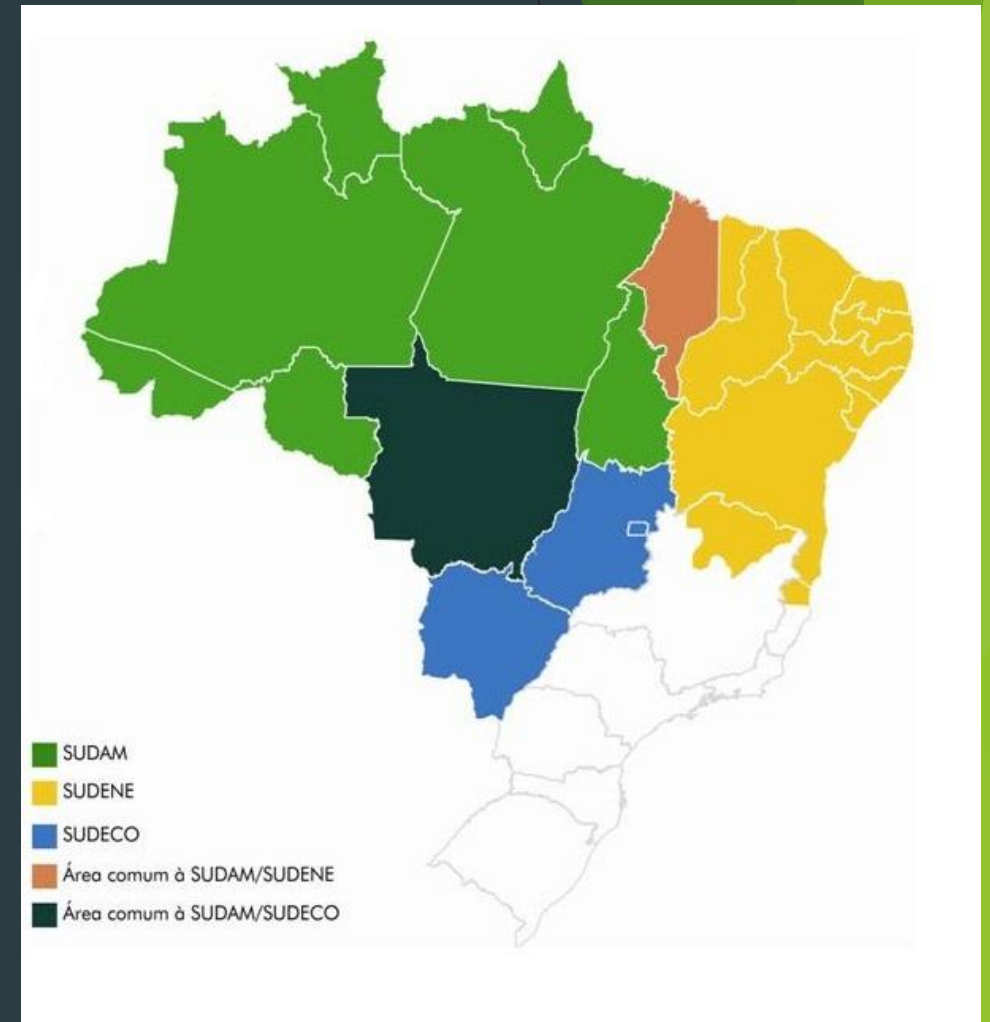
▶ FEDERAL TAX INCENTIVES:

- ▶ “Ex-Tarifário”: Exemptions to import tariffs on Capital and Telecommunication goods.
- ▶ “Reintegra” Program: Allow exporters to recover residual tax costs incurred in the export production chain.
- ▶ Small Companies' Regime: The “Simples Nacional” tax regime offers differentiated and simplified treatment for micro and small companies, with unified conditions for the verification and payment of federal taxes and contributions.

BUSINESS IN BRAZIL

-SUPPORT MECHANISMS

- ▶ **REGIONAL TAX INCENTIVES:** Investors willing to establish operations in the regions below may receive significant corporate tax reductions, among other benefits.
 - ▶ **SUDAM** (Amazon Region Development Agency): Federal Agency responsible for the states of Acre, Amapá, Amazonas, part of western Maranhão, Mato Grosso, Pará, Rondônia, Roraima, and Tocantins.
 - ▶ **SUDENE** (Northeastern Brazil Development Agency): Federal Agency responsible for all states in the Northeast, as well as some municipalities in Minas Gerais and Espírito Santo.
 - ▶ **SUDECO** (Midwest Brazil Development Agency): Federal Agency responsible for all states in the Midwest - Goiás, Mato Grosso, Mato Grosso do Sul and Federal District.



BUSINESS IN BRAZIL

-SUPPORT MECHANISMS

- ▶ STATE TAX INCENTIVES:
- ▶ ICMS (State Good and Services Tax) is the central state-level tax and a tool for local investment incentives. It is charged on operations relating to the movement of goods and the provision of interstate and intermunicipal transport and communication services.
- ▶ Some states also have their investment promotion agencies, such as Investe SP (www.en.investe.sp.gov.br), the investment agency of the São Paulo state, and AgeRio (www.agerio.com.br) in Rio de Janeiro.

BUSINESS IN BRAZIL

-SUPPORT MECHANISMS

- ▶ **SMALL BUSINESS SUPPORT:** Micro and small enterprises are an important source of wealth and employment in Brazil. Those companies represent 98,5% of entrepreneurs in the country, accounting for 27% of GDP and generating over half of the jobs in the country.
- ▶ Non-Brazilian citizens can also run micro or small companies if they have a permanent visa.
- ▶ **SEBRAE (Brazilian Support Service for Micro and Small Enterprises):** is a private institution of public interest whose mission is to support this business through partnership with the private sector, education, and mentorship.

BUSINESS IN BRAZIL

-SUPPORT MECHANISMS

- ▶ **SMALL BUSINESS INCENTIVES:**
- ▶ To simplify Brazilian tax contributions for small companies, a special regime was created in 2006, “ Simples Nacional” allows businesses to pay several taxes by means of one monthly payment, called DAS, besides receiving tax incentives.
- ▶ In 2018, the Brazilian Development Bank (BNDS) started to offer fixed-rate financing for the BNDS Giro Program. The Policy will be worthwhile for micro, small and medium-sized enterprises, with a revenue of up to BRL 300 million (USD 82,1 million) per year.

BUSINESS IN BRAZIL

-SUPPORT MECHANISMS

- ▶ **BRAZIL'S LEGAL SYSTEM:** The free initiative, private property, and respect for contracts are rights guaranteed by Brazilian legislation, ruled primarily by the Federal Constitution and the Brazilian Civil Code of 2002.
- ▶ Domestic and foreign capital are treated equally and have the same duties and rights under Brazilian law, except for the few areas in which foreign investment is restricted.
- ▶ Alternative methods of dispute resolution, such as arbitration, conciliation, and mediation, are options that have been specially promoted in Brazil since 2015.

BUSINESS IN BRAZIL

-SUPPORT MECHANISMS

- ▶ Brazil's efforts to fight corruption have become known around the world in recent years. Some important laws have been approved:
 - ▶ The Clean Slate Act nº 135/2010 (known as “Lei da Ficha Limpa”). Determines ineligibility for eight years for politician convicted of second instance criminal proceedings.
 - ▶ The access to Information Act nº12.527/2011 (known as “Lei de Acesso à Informação”). The procedures provided for this Law are intended to ensure the fundamental right of access to information and should be performed in accordance with the basis principles of public administration.
 - ▶ The Anti-Corruption Act nº12.846/2013 (known as “Lei anticorrupção”). Provides for the administrative and civil liability of legal entities for the commission of acts against the national or foreign public administration.

BUSINESS IN BRAZIL

-SUPPORT MECHANISMS

- ▶ **PROPERTY AND LAND:** Brazilian and foreigners have similar rights and obligations when it comes to buying or leasing property.
- ▶ It is necessary to have a CNPJ or CPF (Corporate or Individual Taxpayer Identification Number) provided by the Federal Revenue Service.
- ▶ Foreign companies may acquire properties up to 100 MELs and must present a land-use plan to INCRA to obtain permission. Companies must have a Registration at the Commerce Registry in the Brazilian state where it has its headquarters, must have an official authorization to operate in Brazil

BUSINESS IN BRAZIL

-MAIN TYPES OF COMPANIES

▶ Limited-Liability Sole Proprietorship (EIRELI):

Individual Company. Given that the company relies on a sole proprietor, capital is not required to be divided into ownership. Limited to paid-in capital. Control: May be managed by one or more people, being the owner or a non-owner. A foreign individual may be appointed as manager, provided that he/she has a permanent visa.

▶ Limited-Liability Company (LTDA.):

Company formed by individuals or capital. Can have two or more partners. Individuals or legal entities, of Brazilian or foreign origin. Capital is divided into membership units. No minimum capital requirement. Limited to paid-in capital. A foreign individual may be appointed as manager, provided that he/she has a permanent visa.

▶ Corporation (S.A. OR CIA.):

Business corporation formed by either public or private capital. Owners need to be at least two shareholders for closely held companies and three for publicly held ones. Individuals or legal entities, of Brazilian or foreign origin. Capital is divided into shares. No liability, shares subscribed and paid in. Control defined by shareholders with voting rights.

BUSINESS IN BRAZIL

-MAIN TYPES OF COMPANIES

▶ E-COMMERCE:

- ▶ The e-commerce market is alive and thriving in Brazil.
- ▶ Businesses seeking to market in Brazil also may wish to consider registering their trademark(s) as domain name(s) ending in “.br,” the country-code top-level domain (TLD) for Brazil.
- ▶ Security continues to be a concern particularly regarding online fraud. Most Brazilians do not carry international credit cards, so international transactions can be challenging for both residents and visitors.
- ▶ [Brazilian eCommerce Association](#) and [Brazilian eCommerce Chamber](#)

BUSINESS IN BRAZIL

CASE STUDY ASSUMPTIONS.

Example of a Limited Liability Company in São Paulo City.

- ▶ Limited Liability Company is the most common form.
- ▶ Operates in the economy's largest business city, São Paulo.
- ▶ Performs general industrial or commercial activities such as the production or sale to the public of goods or services.
- ▶ This business does not perform foreign trade activities and does not handle products subject to special tax regime.
- ▶ Does not qualify for investment incentives or any special benefits.
- ▶ Has five foreign business owners and is managed by one local director.
- ▶ Has between 10 and 50 employees, all of them domestic nationals.
- ▶ Has start-up capital of 10 times income per capita.
- ▶ Leases the commercial plant or offices and is not a proprietor or real estate
- ▶ Is in an office space of approximately 929 square meters (10.000 square feet)

BUSINESS IN BRAZIL

CASE STUDY ASSUMPTIONS.

Example of a Limited Liability Company in São Paulo City.

PROCEDURES TO LEGALLY START AND FORMALLY OPERATE A COMPANY:

1- Check the availability of the company name and the feasibility of the location

- Agency: Prefeitura de São Paulo.
- Submit the online application This can be done online Through the nationally integrated system for company registration.
- The applicant must provide information on the company's activities and on the exact proposed location. If the location is approved, a document (protocol REDESIM) will be issued online after a few minutes.

TIME TO COMPLETE: Less than one day

ASSOCIATED COSTS: No charge

BUSINESS IN BRAZIL

CASE STUDY ASSUMPTIONS.

Example of a Limited Liability Company in São Paulo City .

2-Apply for registration with the Federal Tax Authority

- Agency: Federal Tax Authority (Receita Federal)
- This can be done filling the Company's Registration File and the Members and Managers File at the Tax Authority's online platform.
- A document will be generated by the system and it must be presented to the State Commercial Registry (JUCESP) for company registration.

TIME TO COMPLETE: 3 days

ASSOCIATED COSTS: No charge

BUSINESS IN BRAZIL

CASE STUDY ASSUMPTIONS.

Example of a Limited Liability Company in São Paulo City.

3- Pay registration fees

- Agency: Commercial Bank
- Entrepreneurs choose whether to pay at any commercial bank.

TIME TO COMPLETE: Less than one day

ASSOCIATED COSTS: Fees included in next procedure

BUSINESS IN BRAZIL

CASE STUDY ASSUMPTIONS.

Example of a Limited Liability Company in São Paulo City.

4- Register with the State Commercial Registry (JUCESP) to complete registration with the Federal and State Tax Authority (CNPJ and ICMS), Social Security (INSS) and the Companies Registry (NIRE).

- Agency: Commercial Registry of São Paulo - JUCESP
- Will obtain an identification number from the Companies Registry.
- National Taxpayer Registry from the Federal Tax Authority (CNPJ)
- Sales Tax from the State Tax Authority (ICMS)
- National Institute of Social Security (INSS)

TIME TO COMPLETE: 3 days

ASSOCIATED COSTS: R\$145,91 + R\$21,00 for registration

R\$132,65 Service fee

BUSINESS IN BRAZIL

CASE STUDY ASSUMPTIONS.

Example of a Limited Liability Company in São Paulo City.

5- Register with the Municipal Taxpayer's Registry

- Agency: Municipal Taxpayer's Registry

- Is made through an electronic form that is filled online on the website of the City Hall.

TIME TO COMPLETE: Less than one day

ASSOCIATED COSTS: No Charge

BUSINESS IN BRAZIL

CASE STUDY ASSUMPTIONS.

Example of a Limited Liability Company in São Paulo City.

6- Obtain a digital certification (token) for the use of e-invoices

- Agency: Serasa Experian

- The costs involved in the obtainment of the digital certification may vary according to the accredited certifying chosen by the applicant.

TIME TO COMPLETE: 2 days

ASSOCIATED COSTS: R\$335,00

BUSINESS IN BRAZIL

CASE STUDY ASSUMPTIONS.

Example of a Limited Liability Company in São Paulo City.

7- Obtain an operation License from the Municipality

- Agency: Municipality (Prefeitura de São Paulo)
- This document authorizes the operation of commercial, industrial, service, and similar activities.
- For companies in some sectors of activity and under certain size and location restrictions (Decree nº 57.298/2016), a simplified operations license can be applied for and obtained online, through the integrated business registration system.
- In these cases, the process requires further analysis and it may take several months to be completed.

TIME TO COMPLETE: 2 days

ASSOCIATED COSTS: no charge

BUSINESS IN BRAZIL

CASE STUDY ASSUMPTIONS.

Example of a Limited Liability Company in São Paulo City.

8- Pay the Municipal Establishments Inspection Fee (TFE)

-Agency: Municipal Taxpayer's Registry

-According to the Municipality of São Paulo's rules, the annual cost of the TFE fee is based both on the company's activities as well as on the company's number of employees.

TIME TO COMPLETE: Less than one day (Simultaneous with previous procedure)

ASSOCIATED COSTS: R\$ 470,87 (for retailing business, may vary in accordance with the company's activities")

BUSINESS IN BRAZIL

CASE STUDY ASSUMPTIONS.

Example of a Limited Liability Company in São Paulo City.

9- Register the employees in the social integration program (PIS)

- Agency: Federal Saving Bank (Caixa Economica Federal)
- Employees must be registered at the company's employee registry book and their information must be up to date with the Social Integration Program (PIS/PASEP)
- The PIS/PASEP program is intended to identify workers with the social security system, so that they may request unemployment insurance and, if needed, benefit from the unemployment guarantee fund (FGTS)

TIME TO COMPLETE: One day (Simultaneous with previous procedure)

ASSOCIATED COSTS: No charge

BUSINESS IN BRAZIL

CASE STUDY ASSUMPTIONS.

Example of a Limited Liability Company in São Paulo City.

10- Notify the Ministry of Labor

-Agency: Ministry of Labor - CAGED

- Pursuant to Law nº 4.923/1965, the employer must inform the Ministry of Labor's General Cadaster of Employed and Unemployed Workers (CAGED) of any new hires or employees dismissals.

-This must be done until the seventh day of the month after hiring.

TIME TO COMPLETE: Less than one day (Simultaneous with previous procedure)

ASSOCIATED COSTS: No charge

BUSINESS IN BRAZIL

CASE STUDY ASSUMPTIONS.

Example of a Limited Liability Company in São Paulo City.

11- Registration with the Employers's Union and with the Employees's Union

- Agency: Employers's Union and with the Employees's Union
- This requirements for the company registration vary according to the representative Unions.
- Generally, in order to be registration with the unions, the company must present the following documents: Company Registration form and Federal Registry of Corporate Taxpayers.
- Since the Labor Law amended in 2017, the payment of the Contributions to the Unions was made optional. Most entrepreneurs opt to register with the Union after a new company had been incorporated.

TIME TO COMPLETE: Less than one day (Simultaneous with previous procedure)

ASSOCIATED COSTS: No charge

Thank you!

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