



Brazil

General	Types of indirect taxes (VAT/GST and other indirect taxes).	<p>There are two types of VAT in Brazil:</p> <ul style="list-style-type: none"> <li>— ICMS: <i>imposto sobre operações relativas à circulação de mercadorias e serviços de transporte interestadual de intermunicipal e de comunicações</i> (tax on the circulation of goods and transportation and communication services), a state sales tax</li> <li>— IPI: <i>imposto sobre produtos industrializados</i> (tax on industrialized goods), a federal excise tax.</li> </ul>
	Are there other indirect taxes?	<p>There are other taxes on supplies of goods or services:</p> <ul style="list-style-type: none"> <li>— ISS: <i>imposto sobre serviços</i> (municipal services tax)</li> <li>— COFINS: <i>contribuição para o financiamento da seguridade social</i> (social contribution for social security financing)</li> <li>— PIS: <i>programa de integração social</i> (employees' profit participation program).</li> </ul>
	What are the standard or other rates (i.e. reduced rate) for VAT/GST and other indirect taxes?	<ul style="list-style-type: none"> <li>— The ICMS rate of 17% applies to the following states: Acre, Alagoas, Ceará, Espírito Santo, Goiás, Mato Grosso, Mato Grosso do Sul, Pará, Piauí, Rondônia, Roraima and Santa Catarina.</li> <li>— The ICMS rate of 18% applies to the following states: Amazonas, Amapá, Bahia, Distrito Federal, Maranhão, Minas Gerais, Paraíba, Paraná, Pernambuco, Rio Grande do Norte, Rio Grande do Sul, São Paulo, Sergipe and Tocantins.</li> <li>— The ICMS rate of 19% is in Rio de Janeiro.</li> <li>— The rate applied on interstate movements of goods may vary based on the state of destination.</li> <li>— The IPI is normally charged at an ad valorem rate according to the classification of the goods based on the international harmonized commodity description and coding systems. Rates range from 0% to a maximum of 330% and average at about 10%.</li> <li>— The ISS standard rate ranges from 2% to 5%.</li> <li>— The PIS and COFINS standard rates under the so-called non-cumulative regime are 1.65% and 7.6%, respectively. Please note that the rate of PIS and COFINS on importation of goods are 2.10% and 9.65%, respectively, but different rates may be applied for some specific listed products.</li> </ul>

<b>General (continued)</b>	<b>Who is required to register for VAT/GST and other indirect taxes?</b>	<p>If a business supplies goods and/or services that are subject to IPI, ICMS, ISS, PIS or COFINS in Brazil, registration is compulsory. There is no threshold below which a business is not required to account for these taxes.</p> <p>Businesses are required to separately register for ICMS in each state and ISS in each city where they have any kind of establishment.</p>
	<b>Is voluntary registration for VAT/GST and other indirect taxes possible for an overseas company (e.g. if the annual turnover is below the relevant VAT/GST and other indirect taxes registration threshold)?</b>	No, foreign businesses are able to register for IPI, ICMS, ISS, PIS and COFINS only if they have a permanent establishment in Brazil and they perform taxable transactions in the country. This will most likely give rise to corporate income and other local tax liabilities in Brazil.
<b>VAT/GST registration</b>	<b>Does an overseas company need to appoint a fiscal representative?</b>	Only when the company has a permanent establishment.
	<b>Which forms and supporting documentation does an overseas company need to submit for VAT/GST and other indirect tax registrations?</b>	Not applicable.
	<b>Is grouping* for VAT/GST and other indirect taxes possible?</b>	VAT grouping is possible for the purposes of calculating and withholding contributions for PIS and/or COFINS. Some states may offer some tax grouping (e.g. headquarter branches located within the state's territory).
	<b>How frequently are VAT/GST and other indirect tax returns submitted?</b>	Monthly.
<b>VAT/GST compliance</b>	<b>What are the exchange rate rules in your country?</b>	<p>If a business receives a purchase invoice in foreign currency, the value of the goods needs to be converted into Brazilian currency using the exchange rate published by the Brazilian Central Bank.</p> <p>Businesses cannot issue VAT invoices in a foreign currency. The invoices must be issued in the local currency.</p>
	<b>Can an overseas company recover VAT/GST and other indirect taxes if it is not registered for VAT/GST and other indirect taxes locally?</b>	No.
<b>VAT/GST recovery</b>	<b>Are there any exemptions with the right to recover or deduct input VAT?</b>	Not applicable.
	<b>Are there any restrictions to the deduction of input VAT?</b>	<p>In general, goods, services or products do not generate a right to a credit if the final product was tax exempt.</p> <p>However, the legislation establishes some exceptions as far as ICMS, IPI, PIS and COFINS are concerned.</p>

\* By 'grouping', we mean either: a consolidation mechanism between taxpayers belonging to the same group (payment and refund are compensated but taxpayers remain distinct) or a fiction for VAT/GST purposes (several taxpayers are regarded as a single taxpayer).

<b>Invoices</b>	Is a business required to issue tax invoices?	Yes.
	Is it possible/mandatory to issue invoices electronically?	Yes, most companies are required, by law, to issue invoices electronically.
	Is it possible for the vendor to issue an invoice, i.e. is self-billing possible?	As a rule, self-invoicing is not allowed except in specific situations established in the legislation.
<b>Audits</b>	Do tax audits take place on a regular basis?	Yes, some taxpayers are audited monthly. However, this applies to large taxpayers. Regular taxpayers are audited, on average, once every 5 years.
	Are audits done electronically in your country (e-audit)? If so, what system is in use?	Yes, the Brazilian legislation requires that the taxpayers provide all information electronically.
	What penalties can arise from non-compliance?	The penalties range from 1% up to 150%. The regular penalty is 75% of tax due.
<b>Special indirect tax rules</b>	Are there any special rules for the sale of a company by one taxpayer to another where VAT is not due on the sale?	If a company sells its business while it is in operation, then tax cannot be levied. However, it is a requirement for this benefit that the company is sold with all its assets and inventory, without any moving of such assets. Otherwise, taxes shall be levied.
	Are there unique specific indirect tax rules that you would not expect to find in 'standard' VAT jurisdictions?	<p>Yes, the indirect tax rules in Brazil are very specific.</p> <p>For example:</p> <ul style="list-style-type: none"> <li>— on sales, even if the supplier does not receive the payment from the customer, all indirect tax should be collected and paid to the tax authorities</li> <li>— for the supply of several goods, the ICMS tax payment is attributed to the importer or manufacturer as responsible for the tax due on operations that will occur subsequently. This transfer of responsibility for the tax payment is known as the taxpayer substitution regime</li> <li>— the taxation in Brazil is based on physical movement of products, not only on sales. For example, if one company has two different establishments and transfers goods between them, tax is collected by the sender and is offset as a credit by the recipient</li> <li>— there are some special regimes applied per sector or activity for ICMS, PIS and COFINS purposes (e.g. ICMS ST and PIS-COFINS single phase).</li> </ul>
	Does a reverse charge mechanism apply for goods or services?	No.

<b>Special indirect tax rules (continued)</b>	<p><b>Are there indirect tax incentives available (e.g. reduced rates, tax holidays)?</b></p>	<p>Yes, there are several tax incentives.</p> <p>Certain supplies are exempt from ICMS, such as supplies of books, newspapers and the paper consumed in the printing of such goods, sale of fixed assets, fruits, vegetables, farm and garden produce and preservatives.</p> <p>The reduced IPI rate of 0% applies to, for example, live animals and animal products, plant products, chemical products, textile products and shoes.</p> <p>Certain supplies are exempt from IPI, such as supplies of vessels (except sporting or pleasure boats), exports, books, newspapers, periodicals and paper consumed in the printing of such products, electric energy, petroleum products, fuel and minerals belonging to the country.</p> <p>The ISS rates may vary from one municipality to another, but always in the range of 2% to 5%. Certain supplies are exempt from ISS, such as exports of services, amounts intermediated in the bonds and securities market, the amount of bank deposits, the capital, interests and default interests regarding credit operations performed by financial institutions.</p> <p>Certain supplies are exempt from PIS and COFINS, such as the exportation of goods, the exportation of services with payment in convertible currency, sales of products to a commercial export company for export purpose specifically and sales of fixed assets.</p> <p>Finally, some Brazilian states grant ICMS benefits (reductions and exemptions) for new business, but this situation, called 'tax war', could trigger questioning among the states.</p>
<b>Rulings</b>	<p><b>Are rulings and decisions issued by the tax authorities publicly available?</b></p>	<p>Yes.</p>