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flash Alert

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Brazil – Capital Gains Taxation Made More Progressive, Burdensome

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Brazil's government recently increased the capital gains tax bands and rates.

Why This Matters

The higher capital gains tax rates could increase the tax burden on individuals, depending on (i) the individual's residency status in Brazil, (ii) whether he is subject to Brazilian tax law, and (iii) sales of his assets located in Brazil.

Capital Gains Taxation

Background

Currently, individuals are subject to a 15-percent withholding tax on their capital gains.

The Executive Act (Provisional Measure 692/2015) changing the capital gains taxation rules was published in the official gazette (*Diário Oficial*) on 22 September 2015¹. It provides for new rates of tax for capital gains realized by individual taxpayers with respect to the disposition of assets and rights. The new rates come into force on January 1, 2016.

New Rates/Thresholds

From January 1, 2016, the new rates and thresholds are:

- I - 15 percent on the portion of gains that does not exceed BRL 1,000,000.00 (one million reais);
- II - 20 percent on the portion of gains that exceeds BRL 1,000,000.00 (one million reais) but does not exceed BRL 5,000,000.00 (five million reais);
- III - 25 percent on the portion of gains that exceeds BRL 5,000,000.00 (five million reais) but does not exceed BRL 20,000,000.00 (twenty million reais); and
- IV - 30 percent on the portion of gains that exceeds BRL 20,000,000.00 (twenty million reais).

KPMG Note

It is uncertain at this point whether these new rules apply to nonresidents upon the sale of their assets in Brazil. However, for residents, there may be planning opportunities prior to January 1.

In many companies' international assignment policies, capital gains taxation is not covered under their tax reimbursement program. Tax on capital gains is generally, therefore, the responsibility of the individual. Nonetheless, in the preparation of Brazilian tax returns, capital gains need to be reported.

Footnote:

1 Medida Provisória Nº 692, Carregando... de 22 de Setembro de 2015. Altera a Lei nº 8.981. Carregando... de 20 de janeiro de 1995, para dispor acerca da incidência de imposto sobre a renda na hipótese de ganho de capital em decorrência da alienação de bens e direitos de qualquer natureza, e a Medida Provisória nº 685. Carregando... de 21 de julho de 2015, que institui o Programa de Redução de Litígios Tributários. Medida Provisória Nº 692 was published in the official gazette (*Diário Oficial*) on 22 September 2015.

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BRL 1 = USD 0.256
BRL 1 = EUR 0.232
BRL 1 = GBP 0.167

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