



ATLAS  
BY BNP PARIBAS

CASH MANAGEMENT

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**BNP PARIBAS**

The bank  
for a changing  
world

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With a GDP of USD 4.7 trillion in 2023, Brazil is the 7th largest economy in the world. It accounts for one third of Latin America and the Caribbean's GDP (PPP) and with 216 million inhabitants, it represents one third of the region's total population. It is also the 5th largest country in the world and hosts 20% of the world's rainforest. The country has abundant natural resources, the economy is well-diversified and enjoys a well-supervised and robust financial system. Brazil is weakly integrated into the global economy and also suffers from a significant infrastructure gap, high income inequality, a complex tax system, a rigid labour market and weak governance. At a macro level, Brazil has a good capacity to honour payments in foreign currencies thanks to large foreign currency (FX) reserves, diversified FX generating activities, a strong ability to attract foreign investment and a moderate external debt burden.

Brazil's growth profile over the past decade has been relatively volatile. While the economy has averaged a 4.5% growth over period 2007-2011, economic activity since 2013 has mostly alternated between periods of relative stagnation (2014 2017, 2018, 2019) and contraction (2015, 2016, 2020). The subdued growth trajectory of recent years can be traced back to a combination of factors, including policy missteps, a less supportive external environment marked by the end of the commodity super-cycle in 2014, and a string of political and industrial corruption scandals that have impacted household and investor confidence. It is also the product of a structurally low investment rate, which has further weakened in recent years. Fiscal rigidities have impeded public investment growth, while record high lending rates (and a lack of access to long-term credit) as well as high administrative burdens and reduced access to subsidized credit have strained private investment.

Since 2023, Lula's administration has focused on restabilising the Brazilian economy. It has been shaped by a complex economic environment. Upon taking office, Lula inherited a challenging economic situation: high inflation, though a downward trend (about 5.79% in 2022), high interest rates (the SELIC rate was 13.75%), persistent fiscal deficits, and rising public debt (around 73% of GDP). The social inequalities had been exacerbated by the pandemic and the economic crises of the previous years posed significant hurdles.

The BRL has experienced significant volatility in current terms, driven by both global and domestic factors. Initially, concerns over fiscal discipline and political uncertainties led to depreciation pressures. External dynamics, including fluctuating commodity prices and global monetary tightening, have also influenced the currency. Since November '23, the BRL has devalued by 18% (1 BRL = 5.90 USD in November 2024). While the BRL has occasionally strengthened, ongoing fiscal risks and high domestic interest rates continue to weigh on investor confidence, keeping the exchange rate unstable.

## Summary

## BNP Paribas presence

BNP Paribas has been present in Brazil since 1950, with a business centre in Sao Paulo, providing corporate solutions for corporate clients. The bank offers comprehensive domestic and international cash management and trade finance solutions, including access to the local clearing house. These

services include local payment products (Boletos, TED, Pix - Instant Payments, tax & utility), collection (issuance of boleto), investment options (CDB, Repo, Investment Sweep), intraday, overdraft, e-banking (Connexis) and specialist capabilities in escrow accounts to manage funds related to acquisition and commercial agreements. The combination of solutions and dedicated customer services offer a highly competitive alternative to local banking services for multinational corporations doing business in Brazil, and Brazilian companies seeking expansion overseas.

## Currency

### Currency

Brazilian real (BRL)

### Exchange rates

	2019	2020	2021	2022	2023
Exchange rate: BRL per USD	3.94	5.16	5.40	5.16	4.99

Source: [https://www.b3.com.br/pt\\_br/market-data-e-indices/servicos-de-dados/mar...](https://www.b3.com.br/pt_br/market-data-e-indices/servicos-de-dados/mar...) , November 2024.

### Central Bank

- The Brazilian central bank is the Banco Central do Brasil (BCB - [www.bcb.gov.br](http://www.bcb.gov.br)).

#### Bank supervision

- Brazilian banks are licensed and supervised by the BCB.
- The Securities and Exchange Commission (CCVM - [www.cvm.gov.br](http://www.cvm.gov.br) ) is responsible for regulating the securities market in Brazil.



## Bank accounts

### Resident / non-resident status

- A company is considered resident in Brazil if it is incorporated in Brazil.
- On certain occasions, non-residents may be treated as residents because their branches, local agents or representative offices operate in Brazil.

### Bank accounts for resident entities

	Within BRAZIL	Outside BRAZIL
Local Currency	Permitted without restriction, not freely convertible	
Foreign Currency		

### Bank accounts for non-resident entities

	Within BRAZIL	Outside BRAZIL
Local Currency	Permitted with restriction, convertible	
Foreign Currency	Permitted with restrictions	

### Lifting fees











- [Lifting fees](#) may be applied on payments between resident and non-resident accounts.

## BNP Paribas Cash Management Capabilities

### Collections

Cash collections	
Cheque collections	
Direct debit collections	
Domestic incoming transfers	
Virtual IBAN	
Virtual accounts	
International incoming transfers	
Card acquiring	

## Payments

Cash withdrawals	
Cheque payments	
Direct debit payments	
Domestic outgoing transfers	
Commercial cards	
Virtual cards	
International outgoing transfers	
SWIFT gpi	
Real-time international payments through BNP Paribas' network	
Card issuing	

# Channels

Local e-Banking	✓
Global e-Banking - Connexis	✓
SWIFT/ host to host	✓

## Payments & collections

### Market overview

In Brazil, Pix - Brazil Instant Payment transactions has become the most used payment method for low value retail transactions, followed by credit cards and debit cards. The use of digital wallets, such as PayPal, PicPay and Mercado Pago, gathered with the payments institutions is also rising.

In November 2020, the Banco Central do Brasil launched PIX, an instant payments scheme. The settlement infrastructure, called the Instant Payment System (SPI), is available 24 hours a day, seven days a week, via mobile devices, online banking or ATMs. PIX allows payments to be made via aliases.

Electronic banking services are available from all banks. There is no national electronic banking system in Brazil, so companies use banks' proprietary services.

Transaction and balance reporting, and transaction initiation services are available.

Many companies operating in Brazil exchange data electronically with banking and commercial counterparties via VANS (value-added networks) and EDI protocols.

The number of transactions performed by bank accounts with internet banking access in Brazil increased by 38% to 82.7 billions from Q2 2023 to Q2 2024. 93% of this number is from mobile banking. Mobile banking has become Brazil's preferred channel for banking operations.

### Payment Systems

STR	Type	<ul style="list-style-type: none"> <li>Real-time gross settlement.</li> </ul>
	Participants	<ul style="list-style-type: none"> <li>417.</li> </ul>
	Transaction types processed	<ul style="list-style-type: none"> <li>High-value and urgent BRL-denominated financial and commercial electronic credit transfers (<i>transferências eletrônica disponível</i> - TEDs).</li> </ul>
	Operating hours	<ul style="list-style-type: none"> <li>06:30-18:30 BRT, Monday to Friday.</li> </ul>
	Clearing cycle details (e.g. cut-off times)	<ul style="list-style-type: none"> <li>Payments are settled on a same-day basis.</li> <li>Customer payment cut-off time = 17:30 BRT.</li> <li>Interbank payment cut-off time = 18:30 BRT.</li> </ul>
	System holidays	<ul style="list-style-type: none"> <li>The STR is closed on Brazilian bank holidays.</li> <li>Brazil's bank holidays are:  2025: January 1, february 3 and 4, april 18 and 21, may 1, june 19, september 7, October 12, november 2, 15 and 20, december 25.</li> </ul>
CIP-SITRAF	Type	<ul style="list-style-type: none"> <li><a href="#">Net settlement system.</a></li> </ul>
	Participants	<ul style="list-style-type: none"> <li>102 direct.</li> </ul>
	Transaction types processed	<ul style="list-style-type: none"> <li>High-value BRL-denominated electronic credit transfers (TEDs).</li> </ul>
	Operating hours	<ul style="list-style-type: none"> <li>04:00-17:25 BRT, Monday to Friday.</li> </ul>
	Clearing cycle details (e.g. cut-off times)	<ul style="list-style-type: none"> <li>Payments are settled on a same-day basis.</li> <li>Cut-off time = 17:00 BRT.</li> </ul>
	System holidays	<ul style="list-style-type: none"> <li>CIP-SITRAF is closed on Brazilian bank holidays. (Dates as above).</li> </ul>
CIP-SILOC	Type	<ul style="list-style-type: none"> <li>Deferred net settlement.</li> </ul>
	Participants	<ul style="list-style-type: none"> <li>140 direct.</li> </ul>
	Transaction types processed	<ul style="list-style-type: none"> <li>Collection orders (boleto de pagamento) and operations with credit and debit card.</li> </ul>



	Operating hours	<ul style="list-style-type: none"> <li>• 24 hours a day, Monday to Friday.</li> </ul>
	Clearing cycle details	<ul style="list-style-type: none"> <li>• There are two settlement sessions each business day.</li> <li>• The morning session settles obligations from the previous day and ends at 08:20 BRT. The afternoon session mostly settles return items and ends at 16:10 BRT.</li> </ul>
	System holidays	<ul style="list-style-type: none"> <li>• CIP-SILOC is closed on Brazilian bank holidays.</li> <li>• Brazil's bank holidays are:  2025: January 1, february 3 and 4, april 18 and 21, may 1, june 19, september 7, October 12, november 2, 15 and 20, december 25.</li> </ul>
<b>COMPE</b>	Type	<ul style="list-style-type: none"> <li>• Deferred net settlement.</li> </ul>
	Participants	<ul style="list-style-type: none"> <li>• 100 direct.</li> </ul>
	Transaction types processed	<ul style="list-style-type: none"> <li>• <a href="#">Cheque</a> payments.</li> </ul>
	Operating hours	<ul style="list-style-type: none"> <li>• 24 hours a day, Monday to Friday.</li> </ul>
	Clearing cycle details (e.g. cut-off times)	<ul style="list-style-type: none"> <li>• There is one clearing session per day; at the end of the session, a single net position is calculated for each participant.</li> </ul>
	System holidays	<ul style="list-style-type: none"> <li>• COMPE is closed on Brazilian bank holidays (Dates given above).</li> </ul>

## Credit transfers

- Credit transfers are used by companies to pay salaries and suppliers, and to make benefit payments.
- Credit transfer volume and value increased 48.08% and 9.72%% respectively in 2023, on 2022 figures, to 62.5 billion, with a value of BRL 73.4 trillion.
- Credit transfers (TEDs) can be settled on a same-day basis via the STR or CIP-SITRAF. There is no minimum value threshold for TEDS. There is no value limit for TEDs.
- Boletos are bar-coded bills issued by a seller to a buyer. Boletos with a value below BRL 250,000 can be settled through CIP-SILOC with funds available on a next-day basis. Boletos with a value of BRL 250,000 and above are settled via the STR on a same-day basis.
- In November 2020, Banco Central do Brasil launched PIX, an instant payments scheme. The settlement infrastructure, called the Instant Payment System (SPI), is available 24 hours a day, seven days a week, via mobile devices and online banking. PIX allows payments to be made via aliases.

Transactions are settled on a real-time gross settlement basis. Participation in PIX is mandatory for all financial institutions and payment providers with more than 500,000 active customer accounts. There are currently 837 participants. SPI is operated by the central bank and has a centralized architecture based on the ISO 20022 messages standard.

- Cross-border transfers can be made via SWIFT and settled through correspondent banks abroad.
- Bilateral trade transactions between Argentina and Brazil can be settled in both BRL and Argentine peso (ARS) through the Payment System in Local Currency (SML).

## Direct debits

- Direct debits (*débitos automáticos*) are used for regular payments, such as utility bills.
- Direct debit volume increased 38% in 2023, on 2022 figures, to 11.03 billion. Value decreased 2.32% to BRL 2.7 trillion.

## Cheques

- The cheque is a payment instrument used by both consumers and companies. However, check use is in decline as alternative electronic payment methods become more popular.
- All cheques are truncated and processed as electronic items by COMPE, up to T+2.
- Cheque volume and value declined 20% and 21% respectively in Q1 2024 compared to Q1 2023, to 46.4 million, with a value of BRL 190 billion.

## Card payments

- Card payments are very popular, especially for retail transactions.
- There were 162.521 million debit cards and 206.184 million active credit cards in circulation at the end of 2023.
- Debit card volume increased 4.59% to 16 billion and the value decreased 0.84% to BRL 975 billion in 2023, on 2022 figures.
- Credit card volume and value increased 11% and 13% respectively in 2023, on 2022 figures, to 18 billion, with a value of BRL 2.3 trillion.
- Visa, MasterCard and American Express-branded payment cards are the most widely issued. Contactless payment cards are available.
- The vast majority of Visa and MasterCard payments are processed through acquirers like Cielo, Rede and Getnet.
- The majority of cards issued have EMV chips.
- Mobile-only credit card services are available.

- Contactless payment cards are issued. Transactions using NFC saw exponential growth in 2020. Most contactless transactions occur via credit card.

## ATM/POS

- There was 230,233 ATMs in Brazil at the end of 2022.
- There was 21.3 million POS terminals at the end of 2022.
- More than 100 banks participate in the Banco24Horas shared ATM network operated by TecBan.

## Electronic wallet

- The dominant electronic wallet schemes in Brazil are reloadable pre-paid stored value cards offered by banks.
- Contactless payments, using the NFC (near-field communication), have been an increasing tendency. Credit transactions increased 31.1%, on Q4 2023 figures. The debit function has increased 35.2%, on Q4 2022 figures.
- The use of digital wallets, such as, Apple Pay, Google Wallet, PicPay and Mercado Pago is rising.

### Short term investments

## Market overview

### Interest payable on credit balances

- Interest-bearing current accounts are not permitted.

### Demand deposits

- [Demand deposit](#) accounts do not receive interest payments. Funds can be withdrawn without notice. Cheques and electronic transfers can be used with [demand deposit](#) accounts.

### Time deposits

- Time deposits such as CDB (Certificado de Depósito Bancário) are available in BRL and are generally issued for investments over 30 days due to tax applied up to 30 days.

### **Treasury (government) bonds**

- The National Treasury auctions discounted Treasury bonds (letras do tesouro nacional - LTNs, letras financeiras do tesouro - LFTs and notas do tesouro nacional - NTN-C) on a daily basis.

### **Commercial paper**

- Domestic [commercial paper](#) is widely issued by companies denominated in BRL.

### **Repurchase agreements**

- Repurchased agreements (repo's) are available in Brazil.

### **Bank guarantee**

- Bank guarantees are not used in Brazil.

## BNP Paribas Trade Finance Capabilities

### Trade payments

Documentary credits	✓
Documentary collections	✓

### Guarantees

Bank guarantees	✓
Standby letters of credit	✓

## Supply chain management

Receivables	✓
Payables	✓
Inventory	●

## Trade channels

Connexis Trade	●
Connexis Supply Chain	●
SWIFTNet Trade for Corporates	●
Connexis Connect	●
Connexis Guarantee	●
SWIFTnet Supply Chain	●

BNP Paribas is among the most prominent trade finance and working capital solutions providers to corporates headquartered or doing business in Brazil. With a team of six trade finance managers supported by experienced back officers, the bank offers a comprehensive range of cross-border and domestic trade finance and working capital solutions, including cross-border inventory solutions, domestic payables programmes BRL/USD etc., and local solutions such as pre-export financing options (ACC/ACE and NCE), Agribusiness solutions (Crédito Rural, Funcafé and CPR/CDCA), Crédito Rural and BNDES financing.

### International trade

## General trade rules

- As a member of the Mercosur (Mercado Común del Sur – Southern Cone Common Market) regional common market, Brazil applies Mercosur customs policies and regulations.

## Trade agreements

- Mercosur has trade agreements with Bolivia, Chile, Colombia, Cuba, Ecuador, Israel, Mexico and Peru.
- Mercosur has signed a free trade agreement with the European Union. The agreement has not yet been ratified by the EU or by Mercosur member states.
- Brazil and the USA have a protocol relating to trade rules and transparency: the Agreement on Trade and Economic Cooperation (ATEC).
- Brazil operates free trade zones in Manaus, Tabatinga, Macapá/Santana, Guajará-Mirim, Pacaraíma, Bonfim, Cruzeiro do Sul and Brasília/Epitaciolândia.

## Imports / exports

Imports	Crude petroleum	Electrical equipment	Pesticides	Refined petroleum	Automotive parts
Primary Import sources	China (24,12%)	USA (15,41.0%)	Germany (5,24%)	Argentina (5,09%)	Russia (4,24%)
Exports	Wood pulp	Iron ore	Soybeans	Corn	Crude petroleum
Export markets	China (28.63%)	USA (11,71%)	Argentina (4%)	Netherlands (3,47%)	Spain (3%)

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## Import / export volumes



			2018	2019	2020	2021	2022
Exports	- goods USD m		239,522	225,800	210,707	284,012	340,328
	- services USD m		35,378	34,275	28,471	31,482	40,291
Imports	- goods USD m		196,147	199,253	178,337	247,648	296,175
	- services USD m		71,374	69,765	49,104	58,439	79,909
Current account as % GDP			- 2.5	- 3.4	1.7	-2.8	-2.7

Sources: <https://www.bcb.gov.br/estatisticas/historicosetorexterno>, December 2024.

## Trade finance - Imports

## Documentation

- The following documentation is required in order to import goods into Brazil:
  - customs declaration
  - commercial invoice
  - bill of lading
  - packing list
  - pro-forma invoice (for imports requiring a licence)
  - import registration
  - cargo release order
  - technical standard/health certificate
  - certificate of origin.
- Importers must be registered on the Secretariat of Foreign Trade (SECEX) Importer and Exporter Register.

## Import licences

- Licences are not required for most imports.
- Licences are not required when importing from Mercosur member states, with the exception of imports of automobiles and sugar.
- Certain imports are subject to automatic or non-automatic licences.
- Goods requiring import licences are listed on the SECEX database (SISCOMEX).
- Licences are issued by SECEX and other government agencies. Licenses are typically valid for 90 days but may be extended if the delay is justified by the importer.
- Imports covered by the LAIA agreement and goods imported through the Manaus and Tabatinga free trade zones are subject to licenses with quotas.

## Import taxes and tariffs

- Tariffs on imports from outside of Mercosur are set according to a common external tariff (CET), usually between 0% and 20%.
- Temporary national tariff exceptions can be set on imports from Mercosur.
- Rates of 35% may be applied on automotive products, rates of 28% are applied on certain dairy products, rates of 26% are applied to certain fabrics, and a 20% tariff is levied on imports of toys.

## Financing requirements

- The BCB must be notified of external financing of imports for periods of over 360 days.

## Risk mitigation

- The IRB-Brasil Resseguros (IRB-Brasil Re) reinsurance company provides political and extraordinary risk insurance.
- Commercial risk insurance is also available from private insurance companies.

## Prohibited imports

- Specific imports are prohibited in order to public health, for moral and national security reasons and/or for industrial policy.

### Documentation

- The following documentation is required in order to export goods from Brazil:
  - customs declaration
  - commercial invoice
  - bill of lading
  - packing list
  - export registration
  - international shipment notification
  - certificate of origin.
- Exporters must be registered in the (SECEX) Importer and Exporter Register.

### Export licences

- Licences are not required for most exports.
- Some exports are subject to export quotas, including cars (Mexico), beef (Hilton quota), poultry, milk (Colombia) and sugar (Europe).
- A number of exports are require prior authorisation from SECEX, including animals, plants, tobacco, minerals, fuel and weapons.

### Export taxes and tariffs

- Tariffs are generally not set on exports.
- Tariffs of 9% are levied on raw hides.
- Duties of 150% are levied on exports of cigarettes to Latin America and weapons and ammunition exports to Central and South America (excluding Argentina, Ecuador and Chile) and the Caribbean.

### Financing requirements

- None

## Risk mitigation

- IRB-Brasil Re provides political and extraordinary risk insurance.
- Commercial risk insurance is also available from private insurance companies.

## Prohibited exports

- Prohibited exports are published on a negative list.

## Regulatory requirements

## Reporting regulations

- Transactions between resident accounts and accounts held by non-residents, both within and outside Brazil, must be reported to the BCB.
- Residents making/receiving payments on accounts held abroad must report these transactions to the BCB.
- Resident/non-resident transactions involving foreign currency can only be carried out through the intermediary of an authorised financial institution. Banks are required to record these transactions into the BCB's dedicated electronic system.
- The BCB has a voluntary survey scheme for resident BRL transactions with non-residents.

### Reporting method

- Residents with assets abroad of USD 100,000 and above must report annually to the BCB.
- Banks authorised to conduct foreign exchange business must record every resident/non-resident transaction involving foreign currency.

## Exchange controls

- Brazil applies exchange controls. Exchange controls on foreign capital and international reserves are administered by the BCB. The National Monetary Council (CMN) directs foreign exchange policy and trade policy is implemented by the Ministry of Development, Industry and Foreign Trade through

SECEX, the Secretariat of Foreign Trade.

- Foreign exchange can be traded by banks on a forward basis. This must be settled within 1,500 days for export and interbank transactions and transactions with the National Treasury, and 360 days for all other transactions.
- Certain foreign exchange transactions are subject to a financial transaction tax (IOF), usually at a rate of 0.38%.
- Certain economic activities are subject to limitations on non-resident capital transactions.
- Individuals must notify the customs authorities if they plan to import or export cash and/or cheques in excess of BRL 10,000 or its equivalent in foreign currency.
- Proceeds from exports, invisible transactions and current transfers are exempt from surrender requirements. However, non-resident capital transactions must be reported to the BCB.
- Individuals and corporations can make transfers for the purchase of shares or for direct investment abroad without restrictions. Institutions authorised by the BCB to operate in Brazil must observe specific regulations when investing abroad.
- Restrictions are applied to foreign direct investment into certain economic activities. All foreign direct investment is required to be registered with the BCB.

## Taxation

### Resident / non-resident

- A business is considered resident in Brazil if it is incorporated in Brazil. There are specific situations in which non-residents may be treated as residents because their branches, local agents or representative offices operate in Brazil.

#### Tax authority

- Brazilian Revenue Service (RFB).

#### Tax year/filing

- The tax year corresponds to the calendar year.
- Every business entity in Brazil (including corporations, partnerships, branches and agencies of companies domiciled abroad) must file an annual income tax return for the previous calendar year by the last working day of June.
- Corporate taxes (IRPJ and CSLL) are usually due on annual adjusted profit, with monthly advance payments; excess tax paid is available to offset future taxes.
- Consolidated returns are not permitted; each company must file a separate return.

### Financial instruments

- Gains and losses on financial instruments are taxed as ordinary income (subject to restrictions on the offsetting of capital losses against ordinary profits in certain cases). Capital gains derived by a non-resident on an investment registered with the central bank are subject to progressive rates ranging from 15% to 22.5%. A 25% rate applies if the gains are derived by a resident of a tax haven. Foreign investors in the financial market may be subject to different rates.

## Interest and financing costs

- General anti-avoidance rules apply. Under the rules, any amount paid, credited, delivered, used or remitted directly or indirectly to an entity or individual incorporated or resident in a tax haven jurisdiction or benefiting from a preferential tax regime may be deducted only if the taxpayer can identify the beneficial 'recipient' of the proceeds; provide proof that the entity or individual has the operational capacity to carry out the transaction for which the payment is made and submit documentation showing the purchase price paid and the receipt of goods, rights or the use of services. In addition, ultimate beneficial owner disclosure rules apply to certain taxpayers.

## Foreign exchange

- In general, companies do not need prior authorisation for foreign exchange transactions, although a record of the transaction must be filed (online) with the BCB. The BCB requires registration of all foreign investments (equity or debt) in Brazil.
- For foreign exchange gains or losses companies can choose to be taxed either on an accrual or realised basis.

## Advance tax ruling availability

- While there is no advance tax ruling system, Brazil allows formal consultations on the application of tax laws to the taxpayer's specific facts. The resulting decisions are binding only on the taxpayer, with the possibility of an appeal depending on the existence of inconsistent separate decisions, in which case an affected taxpayer may request a final statement that binds all taxpayers that have received decisions on the same facts/law.

## Capital gains tax

- Capital gains are treated as ordinary income for tax purposes (subject to restrictions on the offsetting of capital losses against ordinary profits in certain cases).
- Capital gains realized by non-resident entities may be subject to withholding tax between 15% to 22.5% (15% on gains that do not exceed BRL 5 million; 17.5% on gains over BRL 5 million up to and including BRL 10 million; 20% on gains over BRL 10 million up to and including BRL 30 million; and 22.5% on gains over BRL 30 million). A 25% rate applies to gains derived by a resident of a tax



haven.

- Foreign investors in the financial market may be subject to different rates.
- Capital losses realised in the current year may be relieved against ordinary income as well as capital gains.
- Capital losses may also be carried forward indefinitely, but they may only be offset against capital gains.

## Withholding tax (subject to tax treaties)

Payments to:	Interest	Dividends	Royalties	Other income
Resident entities	015%–22.5%	None	0%–1.5%	N/A
Non-resident entities	15%/25%	None	15%/25%	N/A

- Interest paid to non-residents is generally subject to a 15% withholding tax, unless reduced by an applicable tax treaty. The rate is 25% if the recipient is resident in a jurisdiction that is deemed to be low-tax.
- Interest derived from domestic loans have rates that apply to fixed income investments, which are subject to regressive withholding tax rates as follows: 22.5% on interest due for a term of up to 180 days; 20% on interest due for a term between 181 days and 360 days; 17.5% on interest due for a term between 361 days and 720 days; and 15% on interest due for a term greater than 720 days.
- Royalty payments to non-residents are generally subject to withholding tax at a rate of 15%, or 25% if the recipient is resident in a jurisdiction deemed to be low-tax, as well as 10% CIDE (Royalty and technological services tax).
- The general withholding tax rate on technical service and technical assistance fees, administrative assistance and similar payments to non-residents is 15%, unless the rate is reduced or eliminated under a tax treaty. The rate is 25% if the recipient is resident in a jurisdiction that is deemed to be low-tax. Certain domestic professional service payments are subject to a 1.5% withholding tax (as well as 1% CSLL, 3% COFINS and 0.65% PIS). The CIDE is imposed at a rate of 10%.

## Tax treaties / tax information exchange agreements (TIEAs)

- Brazil has exchange of information relationships with 45 jurisdictions through 38 double tax treaties and eight TIEAs
- Brazil is a signatory of the Multilateral Competent Authority Agreement (MCAA) on the automatic exchange of country-by-country financial account information. Under this multilateral agreement, information will be exchanged between tax administrations, giving them a single, global picture on some key indicators of economic activity within multinational enterprises. There are currently 106 signatory countries.

## Thin capitalisation

- Under Brazil's thin capitalisation rules, interest paid to related parties that are not located in a low-tax jurisdiction or that do not benefit from a privileged tax regime may be deducted on an accrual basis for corporate income tax purposes if:
  - The expenses are necessary for the company's activities, and
  - both of the following thresholds are met:
    - i) The related-party debt-to-equity ratio does not exceed 2:1 calculated based on the proportion of related-party debt to direct equity investment made by related parties; and
    - ii) The overall debt-to-equity ratio does not exceed 2:1 based on the proportion of total debt to total direct equity investment made by the related parties.
- Interest paid to an entity or individual that is located in a low-tax jurisdiction or that benefits from a privileged tax regime (regardless of whether the parties are related) is deductible if:
  - it is necessary for the company's activities; and
  - both of the following thresholds are met:
    - i) The amount of the Brazilian entity's indebtedness to the low-tax jurisdiction resident does not exceed 30% of the net equity of the Brazilian entity; and
    - ii) The Brazilian entity's total indebtedness to all entities located in a low-tax jurisdiction or benefiting from a preferential tax regime does not exceed 30% of the net equity of the Brazilian entity.
- Any excess interest is treated as a non-deductible expense for IRPJ and CSLL purposes.

## Transfer pricing

- Brazilian transfer pricing rules apply only to cross-border transactions between related parties, or to transactions carried out with entities resident in countries considered by the Brazilian tax authorities to be low tax jurisdictions. Since 2023, Brazil established new transfer pricing rules aligned to the OECD Transfer Pricing Guidelines.
- These new rules aim to integrate Brazil into the global value chains and mitigate both double taxation and double non-taxation scenarios. Moreover, this new TP system will likely remove one of the main obstacles associated with tax-credit recognition arising from income tax paid and/or withheld in cross-border transactions involving Brazil.
- In this sense, the transactions covered by the new transfer pricing rules should observe the arm's-length principle.

### Controlled foreign companies (CFCs)

- Profits earned by CFCs and certain foreign affiliates (non-controlled subsidiaries) of Brazilian entities are included in the base for calculating the IRPJ (Corporate Income Tax) and CSLL (Social Contribution on Net Profits) liability of the Brazilian controlling or parent company.
- Provided certain requirements are met, Brazilian taxpayers have the option to make an irrevocable election (on a calendar year-basis) to consolidate the profits and losses of CFCs until 2017 and to carry forward losses incurred by CFCs for five years. Until calendar year 2022, a Brazilian controlling entity in certain business sectors may utilise a 9% presumed credit to offset the income tax related to CFC profits included in its taxable income.

## Stamp duty

- There is no [stamp duty](#) in Brazil.

## Cash pooling

- There are no specific tax rules relating to [cash pooling](#) arrangements in Brazil.

## Financial transactions / Banking services tax

- IOF (financial transactions tax) is levied on financial transactions such as loans, foreign exchange (FX), insurance, securities and gold transactions. As IOF is considered an instrument of economic policy, its rates can be changed by Brazilian authorities at very short notice.
- The standard IOF financial rates vary depending on the type of transaction.
- The standard IOF financial rates depending on the type of transaction. The general rate for most foreign exchange transactions is 0.38%. Cross border loans are no longer subjected to IOF. A maximum rate of 1.88% (calculated under specific methods and conditions) applies on the principal amount of domestic loans (where the lender is a legal entity). For security transactions, the rates depend on the type of transaction (ranging from 0% to a maximum daily rate of 1.5%).

*All tax information supplied by Deloitte Touche Tohmatsu and Deloitte Highlight 2021 ([www.deloitte.com](http://www.deloitte.com)).*



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