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Working in Brazil
Important information for your assignment

2011

Introduction

With the opening of the Brazilian market to foreign investments in the last decade, the flow of expatriates in Brazil has increased significantly during the last years. Companies all around the world established subsidiaries and many foreigners were sent to Brazil with the objective of implementing technologies, strategies and procedures.

The expatriate is faced with a professional challenge and, usually, does not have enough time to understand the Brazilian tax and labor rules as a consequence of their transfer to Brazil.

The purpose of this booklet is to provide expatriates and local subsidiary's HR professionals a general overview of the tax and labor compliances that the assignees will be subject to during their stay in Brazil in order to avoid any kind of unpleasant surprises.

It is important to keep in mind that, before any action related to Brazilian tax and labor matters is taken, it is advisable to contact one of Deloitte's Global Employer Services – GES professionals to obtain a more detailed assistance.

Brazilian Taxation System

The Brazilian Taxation system had its guidelines established in the Federal Constitution. The Brazilian Tax year coincides with the calendar year, running from January 1st to December 31st. As a Federal Republic, Brazil has three spheres of tributary jurisdiction: the Union, States and municipalities that because of the political structure of the country an in accordance to the constitutional rules in force divide fiscal jurisdiction and responsibility.

Concerning to personal income tax and social contributions, they are collected only by the Federal Government. There is no State and Municipal tax on an individual's income.

Visa and Work Permits

The Brazilian Immigration authorities allow foreigners to work in a regular basis only if the individual holds one of the following main visas:

- *Temporary visa* (2-year visa) type V with employment contract with the local company;
- *Temporary visa* (2-year visa) type V without employment contract with the local company, under the "umbrella" of a Technical Assistance Agreement existing between a Brazilian company and a foreign company; or
- *Permanent visa*.

Holders of Business Visa are not allowed to work in Brazil, but only to have meetings, participate in seminars, meet customers and suppliers, prospect local markets, etc. – but not to perform any remunerated activities.

It is also important to note that the visa is requested by the local company, meaning that the expatriate works in Brazil to a specific local-based employer. In other words, the individual is not allowed to work in a different local company unless a new visa (or special authorization) is obtained.

Holders of a Permanent visa may work in a different local company if this company is part of the same economic group (i.e., joint ventures).

If the foreigner stays more than five years with the same local employer, the visa loses its link with the local company. Consequently, the individual may apply for a permanent visa, with no Immigration restrictions.

The foreigner's dependents (including non working spouse) that eventually come with the expatriate to the assignment usually hold a visa linked him/her. If the expatriate leaves the country permanently, his family must leave as well. If, for any unexpected reason, the dependents must remain in Brazil, the individual may require a new visa for them at the Immigration authorities. In case of a working spouse, notice that she is holding a linked visa with her husband. Her local employer must request a new temporary visa type V with employment contract.

Documents in Brazil

When you arrive in Brazil, some documents are necessary to maintain your daily activities. Below you will be able to find a brief description of each one:

- **Identity card (RNE)** – Once you arrive in Brazil, you must request the Alien Registration Card (RNE). The applicant may obtain this card at the Federal Police and should request within 30 days of arrival or receipt of your temporary or permanent residence visa. This card is your principal document, and the basis for obtaining other documents so you should always carry (or a copy of) it.

- **Taxpayer card (CPF)** – This is your taxpayer document in Brazil. It is obtainable from the Federal Revenue upon completion and presentation of a form. It is necessary to have the RNE to obtain this document. This document is also necessary to open bank accounts, rent houses, signing contracts and other daily activities. Dependents of 18 years of age and over are also required to apply for their own CPF card.

- **Work card (Carteira de Trabalho)** – All workers are required to have a "Carteira de Trabalho e Previdência Social" or "Working and Social Security Document". No company may legally hire a worker without such document. This document is obtained from the closest regional office of the Ministry of Labor.

- **Driving License** – An international driving license (valid for Brazil) stamped by DETRAN (Department of Transit) has no permanent value in Brazil but based on it, and with the valid license from the country of origin, the Brazilian authorities may issue a temporary license witch is valid until your Brazilian Visa expires. During this period it is recommended that a Brazilian driving license is obtained.

- While you do not have a regular Brazilian driver's license you must carry the stamped international driver's license, foreign driver's license, official translation, and passport pages with you while driving vehicles in Brazil.

Labor Rights

If the expatriate has an employment contract with the local company, he will be subject to the Brazilian labor rules contained in the Consolidated Labor Laws. Below are the rights that the employee receives from the company:

- **Working Hours, Holidays and Vacation** – The normal working hours in industry are eight hours per day and forty-four hours per week. Employees are eligible for one day off per week (normally on Sunday).

  Employees may require a maximum of two overtime hours per day with premium pay of at least 50%, plus an additional 20% premium for hours worked on night shifts. Overtime of more than two hours is permissible in an emergency, provided that a special agreement is registered with the Ministry of Labor and Social Security.

Employees are eligible for seven paid national holidays and five religious or municipal holidays. They are also eligible for three days' paid leave upon marriage, two days' paid leave for a period of mourning, and fifteen days' paid leave (annually) for illness. Paternity leave is paid for five days, and maternity leave is paid for 120 days.

Every 12 months of services provided to the company, the employee receives a 30-day paid vacation.

- **Vacation bonus** – After full-time employment of one year, an employee is entitled to 30 days per year of vacation, plus one-third of his or her monthly salary as a vacation bonus; the employee may receive cash in lieu of vacation for up to ten days. Employers may grant collective vacation for convenience.

- **Christmas bonus (13th month salary)** – For each 12 months of a calendar year that the employee performs services to the company, he is eligible to receive an additional one-month salary, usually paid half in November and half in December of each year.

- **Employer's Contributions to the Severance Pay Fund (FGTS)** – The employer is required to make a contribution of 8.0% of the employee's remuneration each month to a "blocked" bank account; the accumulated deposits may generally be drawn upon retirement, purchase of real estate property or upon dismissal from the company without just cause; if the latter happens, the employer is also required to pay a "fine" to the dismissed employee equivalent to 40% of the accumulated funds (an additional 10% is contributed to the Government).

Residence and Non-Residence

Brazil imposes income tax on both resident and non-resident foreign individuals. The following individuals are considered to be residents for Brazilian tax purposes if he or she is:

- A naturalized foreigner;
- A foreigner holding a permanent visa (starting at the date of arrival in Brazil);
- A foreigner holding a temporary visa under an employment contract with a Brazilian entity (starting at the date of arrival in Brazil);
- A foreigner holding a temporary visa without an employment contract with a Brazilian entity after completing 183 days in Brazil (consecutives or not) during any 12-month period.

A foreign individual in considered a non-resident taxpayer if he or she:

- Has been living in Brazil holding a temporary visa (without an employment contract with a Brazilian entity) during the first 183 days in Brazil;
- Left definitively the country after file, at any moment of the year, the Final Income Tax Return and request a Tax Clearance Certificate.

Keeping these definitions in mind is very important to take advantage of the tax rules at the beginning and termination of the expatriate's assignment.

Tax Compliance

Resident taxpayers are subject to tax on worldwide income on a cash basis for each tax year (January 1st to December 31st), whether or not their income is remitted to Brazil. An individual income tax return should be filed by the last work day of April and no extensions of time are allowed.

It is also important to note that most kinds of fringe benefits are considered taxable according to the Brazilian tax rules.

- **Withholding Taxes –** Income derived from Brazilian sources (entities located in Brazil, whether or not the service is performed in Brazil) is subject to an automatic progressive withholding tax ranging form 0% to 27.5%, as per the following tables (effective 2009, tax authorities introduced two new brackets into the table):

Individual's tax rates for residents – BRL

(Monthly tax table – Applicable for tax year 2011)			
From	To	Rate (%)	Deducted amount
0,00	1.566,61	0,00%	0,00
1.566,62	2.347,85	7,50%	117,49
2.347,86	3.130,51	15,00%	293,58
3.130,52	3.911,63	22,50%	528,37
3.911,63		27,50%	723,95

(Annual tax table – Applicable for tax year 2011)			
From	To	Rate (%)	Deducted amount
0,00	18.799,32	0,00%	0,00
18.799,33	28.174,20	7,50%	1.409,95
28.174,21	37.566,12	15,00%	3.523,01
37.566,13	46.939,56	22,50%	6.340,47
46.939,56	0,00	27,50%	8.687,45

- **Monthly Income Tax (Carnê-Leão) –** Foreign source income, as well as income received from other individuals in Brazil (as rental income for example) are also subject to monthly mandatory tax payment (Carnê-Leão), based on the same progressive tax rates mentioned above. The payment has to be effected up to the last business day of the following month.

In addition to salaries and wages, taxable employment income includes: bonuses, gratuities, compensation, allowances and pensions.

Also are taxable the benefits in kind received by an employee resident in Brazil from an employer in Brazil as cost-of-living, housing, and educational allowances; free or subsidized accommodations; and payment or reimbursement by the employer of home leave airfares (Appendix A).

Other examples of (offshore) income that are taxable and subject to the "Carnê- Leão":

- Interest income;
- Dividend Income;
- Rental income received from another individual.

It is also important to mention that in case of dividend income, interest income, rental income abroad and capital gains, Brazil maintains Tax Treaties with several countries to avoid or reduce a double taxation. So, in general, individuals should only be subject to tax in one country (Appendix B).

- **Annual Income Tax Return** – The objective of the Income Tax Return is to adjust the annual tax liability comparing the amount paid during the year considering the Annual Tax Table. The difference between the tax paid and the tax due will generate a tax refund or a tax payment.

If the Brazilian Federal Revenue is not in accordance with terms expressed in the Income Tax Return, they may question the individual until up to five years after the Return filing date. For this reason, it is necessary to keep all documents related to the Tax Return in safe place until this period expires.

Just a few deductions are allowed to calculate the Brazilian Income Tax:

1. Official social security contribution;
2. Private Pension Plan contribution, limited to 12% of taxable income (however, the entity must be located in Brazil);
3. Dependants, limited to R$ 1.889,64 each/per year (tax year 2011). Children may be considered dependants until he/she is 21 and until 24 if he/she is attending university;
4. Tuition. The education expenses of the taxpayer and his/her dependants are deductible and limited to R$ 2.958,23 per student/per year (tax year 2011);
5. Medical Expenses in Brazil or abroad including dentists, psychologists and physiotherapists for the benefit of the taxpayer and his/her dependants that are not reimbursed by the employer, are deductible with no limit. Exception is made with drugs, medicines and vaccines;
6. Court-ordered alimony payments with no limit;
7. Contributions to approved Brazilian charities. The full amount of qualified charitable contributions is allowed as a credit against tax liability, limited to 6% of total tax liability.
8. Social Security contributions paid on behalf a one servant (a person employed to do domestic work).

Another requirement of the Brazilian Income Tax Return is an "Asset & Liabilities List". Individuals must report the most important items of their net worth, such as houses, apartments, land, cars, boats, jewelry, paintings, checking accounts, savings accounts, investments, shares, etc., wherever the assets are located (Brazil and/or abroad).

Acquisition prices, as well as date of acquisition have to be indicated for each item. There is no income tax on property, but this list is important to verify if the expenditures of the individual, including the net worth increase, is compatible with his/her total income.

A married couple may elect to file a joint or separate Income Tax Return. Separate taxation is usually more advantageous. If the property of the couple is jointly owned, a spouse may also elect to be taxed separately on his/her own income plus 50% of the income generated from jointly owned properties. Child's income is aggregated with the parents' income in general.

- **Brazilian Central Bank Report** – The Brazilian Central Bank requires that all resident taxpayers with assets held outside Brazil file a report informing their details. Currently, this obligation is only necessary if the resident's total assets value is equal or more than US$ 100.000,00 on December 31 and should be filed by the last work day of March of the subsequent year and no extensions of time are allowed.

  This amount has been updated yearly due to the exchange rate variation of the Brazilian currency. No tax payment is generated from this report. If the individual does not comply with this obligation, he/she may be subject to penalties up to R$ 250.000,00.

- **Non-Residents** – A non-resident individual is subject to Brazilian income tax only with respect to their Brazilian source income at a flat tax rate of 15% withholding tax rate (or 25% if income is from services).

Other types of Taxation

- **Taxation solely at-source** – This taxation is not computed on the calculation basis for the annual adjustment and can not be recovered. Income received from investments funds situated in Brazil (from 15% to 22.5% depending on the maturity of the investment), Capital gain (15%) and Christmas bonus (Tax table up to 27,5%) are some examples of this taxation.

- **ITCMD (Taxation on donations and inheritance)** – It is a State tax over donation/inheritance. São Paulo's authorities apply a 4% flat rate with an exemption limit of 2,500 UFESP (equivalent to R$ 43.625,00 in January 2011 – UFESP is updated yearly). Each State has its own rules so it is important to check the local fiscal legislation.

- **Social security contributions (INSS)** – The employee must contribute with 8% to 11% of the salary as a social security contribution, limited to a maximum monthly contribution of R$ 405,86 (effective January 2011).

The employer must contribute with an equivalent to 26% to 28% of the employee's local compensation.

Specific Taxation Cases

- **Brazilian banks investments** – Interests received from Brazilian saving accounts are tax exempt. Interests paid by Brazilian investments funds are taxed solely at-source at regressive tax rates (from 15% up to 22.5%)

- **Capital Gains** – Both resident and non-resident taxpayer are subject to a 15% income tax upon the realization of capital gains and must be paid by the last business day of the month following receipt of the sales proceeds. Residents are subject to capital gain tax on the sale of worldwide assets and non-residents are subject to capital gain tax only from the sale of assets located in Brazil. The gain is calculated by deducting the acquisition cost from sales proceeds. Some exemptions are allowed, which are explained below:
  - The amount of gain from the sale price of the asset is R$ 35.000,00 (counted each month) or less;

- The amount of gain from the sale price of stocks traded over-the-counter-market is R$ 20.000,00 (counted each month) or less;
- Sale of assets situated outside Brazil acquired during a non-resident period;
- Sales of real estate for less than R$ 440.000,00, regarding that, upon sale, the individual holds no other real property and that he/she had not sold any property in the past five years.

For real estate sales, depending on the year of acquisition, reductions rates may be applicable in order to reduce the capital gain for tax purposes.

Exemption of Capital Gain tax on sales of residential properties is also available if the seller purchases another residential property in Brazil within 180 days after the first sale.

Capital losses are not allowed to offset capital gain or other income in Brazil.

- **Stock option plans** – There is no specific legislation for stock option plans in Brazil. We understand that there are two ways to tax this benefit:
  - If the bargain element is not charged back to the Brazilian entity, the stock option is not taxed, unless the shares are actually disposed of; in such cases, capital gain rules will apply:
  - If the bargain element is charged back to the Brazilian entity for somehow (there are restrictions imposed on this chargeback), the stock option benefit is considered a remuneration income (fringe benefit) and is taxable according to the progressive tax table (withholding taxes).

It is recommendable that you obtain specific orientation from your tax advisors before taking any action regarding the tax implications of Stock Options plans.

- **Brazilian Stock Market** – Capital gain received with the sale of Brazilian stocks in the local exchange market is subject to a 15% flat tax rate. Losses may be offset from gains incurred within the same or subsequent months. Sales up to R$ 20.000,00 per month is tax exempt.

  Dividend received from local companies is tax exempt and Interests over equity is taxed solely at source at a 15% flat rate.

- **Foreign Currency** – The capital gain derived from the sale of foreign currency is taxed at a 15% tax rate. There is a tax exemption if the total amount sold during a year does not exceed US$ 5.000,00.

Tax Exit Process

On final departure from Brazil, a resident should declare his/her intention to leave the country permanently and, at any moment of the year. Otherwise, for the first twelve months following departure, the foreigner will continue to be treated as a resident taxpayer and thus will be liable for Brazilian income tax on worldwide income.

The tax exit process consists in filing a Non Residence Statement, a Final Income Tax Return and request the Tax Clearance Certificate.

Non Residence Statement

The Non Residence Statement must be filed to the Brazilian tax authorities as from your departure date up to February 28th of the following year. However, we strongly recommend you to file this statement as soon as possible. Such statement includes your personal information, dependent data, details of your proxy in Brazil, and your complete asset statement from December 31st of the previous year up to your departure date. In order to effectively become a non resident taxpayer in Brazil, besides this statement, you must file the final income tax return.

Final Tax Return

The Final Income Tax Return partially covers the fiscal year, starting on January 1st going up to the date of your departure. As a partial tax return, the applicable tax rate and deductions will be applied partially as well.

You are allowed to claim all regular itemized deductions (e.g.: dependents, health expenses, tuition, alimony, Social Security contributions, private pension plans contributions, etc.) but you are not allowed to claim the standard deduction.

Also, on the Final Tax Return, you are required to nominate an authorized person (proxy) to be in charge to act on your behalf in front of the Federal Revenue during your permanence abroad. It is very important that you grant an official document (power of attorney) to someone of your high confidence. Once your Final Departure Tax Return is filed and the Tax Clearance Certificate is requested and issued by the Federal Revenue, you lose the status of tax resident and the process is finished.

The Final Tax Return, in general, must be filed up to April 30th of the following year. Failure to comply with this deadline may result in penalty and interests. For this reason, we will work with you in a timely manner, in order to reach this deadline.

Remittances from Brazil to abroad are permitted only according to possibilities determined by the Central Bank. There is no restriction on transferring funds abroad at the end of the assignment in Brazil as long as you initiate the exit process.

Tax Treaties

Brazil maintains Tax Treaties with several countries (table below). The main objective is to reduce the tax burden of the individual and promote the growth of trading between the countries. Pursuant to this, individuals should only be subject to tax in one of the two countries. To establish in which country the taxation will occur, it is always recommendable to analyze case by case nuances, but in general terms, the definitions are as explained below.

Usually, the country in which the expatriate will be subject to taxes is the one where he/she is performing the remunerated activity. However, the possibility of paying tax in the other country instead of Brazil can occur, but just if the individual comply simultaneously with all the three of the following conditions, described below:

- The period of stay in Brazil shall be less than 183 days, during the fiscal year; and
- The remuneration shall be paid by a non-Brazilian entity; and
- A permanent establishment of Brazil shall not afford the remuneration costs.

Also, according to the Tax Treaties, the income deriving from personal financial investments sources (interest, capital gains and dividends) may be subject to taxes in the country where the investments are located, but it could also be in Brazil. In this case, the income tax paid in the other country can be used to offset the Brazilian liability on the same income up to limits defined by the Tax treaty.

Appendix A

Fringe Benefits Taxation

Item	Employee	
	Taxable	Not taxable
Salary, bonus and commission	X	
Int. service premium	X	
Housing	X	
Electricity Bills	X	
Cable TV	X	
Condo fees	X	
Home internet	X	
Baking fees	X	
Gyn fees	X	
Moving expense		X
Transfer allowance	X	
Shipment of household goods		X
Storage of household goods	X	
Travel business expenses		X
Transportation while on assingment	X	
Club fee	X	
Company car & all related expenses	X	
Education allowance for dependent	X	
Language training for employee		X
Home leave/holiday passage	X	
Health care benefit		X
Salaries tax borne by the employer	X	
Furniture provided by the employer	X	
Currency risk	X	
Tax equalization	X	
Tax reimbursement	X	

Note: These are just some examples of benefits and the correspondant tax impact on them.

Appendix B

Agreements to Avoid Double Taxation

Countries	
Austria	Argentina
Belgium	Canadá
Chile	China
Czech republic	Denmark
Ecuador	Finland
France	Israel
Hungary	India
Italy	Japan
Korea	Luxembourg
Mexico	Netherlands
Norway	Philippines
Portugal	Peru
Slovak republic	Spain
South africa	Sweden
Ukraine	

Notes:

1. Paraguay and Russia tax treaties have not yet been enacted by the Presidents.
2. USA, UK and Germany, among others, have reciprocity treatment in their domestic legislation, which means that tax paid in one country may be offset in other under certain limits.

Most frequent question and answer

Is my CPF number cancelled upon my departure from Brazil?
After filing the Departure Tax Return, the CPF number becomes dormant.

Expenses related to Portuguese classes for my family, which are borne by the Company, are deemed part of my earnings? Are they subject to tax?
Yes. Amounts paid by the Company for said classes are construed to be fringe benefits granted to you, which shall be treated as part of your earnings and, as such, subjected to taxes.

I came from a country where the tax rate is higher than 27.5%. Will I get a refund, in Brazil, for the tax paid abroad?
The amount of tax paid abroad sometimes may represent a tax credit that might be used to offset Brazilian taxes, limited to the amount of Brazilian taxes imposed on the income that gave rise to the foreign tax. Any excess amount paid to the foreign jurisdiction will not be refunded by Brazilian government.

After my departure from the country, I intend to lease the real property I own in Brazil. Is there a procedure to be followed in such situation?
Yes. Should you receive rental payments for a property located in Brazil after the filing of your final Brazilian return (fiscal closure upon departure), you will be subject to a flat 15% income tax rate. This tax shall be paid on the date the income is received, through a tax-collection voucher (DARF) disclosing '9478' as the revenue code.

I will close all my Brazilian bank accounts at the time of my departure from the country. How will I receive a tax refund from the Brazilian tax authorities, in the event I am entitled to one?
Should your final Brazilian return (fiscal closure return) disclose a tax refund due you and no bank account is appointed as the one to be used by the tax authorities for the corresponding credit, the refund will be deposited, and will be at your disposal, in an account at Banco do Brasil.

I will receive from the foreign parent company, on an annual basis, amounts relating to profits and dividends. Which is the tax treatment that will be given by Brazilian tax authorities to such income?
As a general rule, profits and dividends received from a legal entity domiciled abroad are subject to the monthly mandatory income tax prepayment (referred to as '*carnê-leão*') and shall be reported as taxable income in the Annual Adjustment return filed by the beneficiary. However, depending on provisions set forth in International Agreements, Conventions, or Tax Treaties executed by and between the country of origin of such income and Brazil, or in light of reciprocal tax treatment being provided for in the said countries' domestic tax legislation, different tax treatment might be applicable.

I will receive from the Brazilian legal entity, after my departure from Brazil, a residual value related to preceding year bonus. Which is the treatment that will be given by Brazilian tax authorities to such income?
Any income received after your departure from Brazil or, in other words, when you are no longer deemed to be a resident taxpayer, shall be subjected to Brazilian income tax at a flat rate or, else, will be exempt from Brazilian income tax, depending on the country that may be construed your tax domicile at the time the payment is received.

I incur schooling expenses with my dependents living abroad. May I treat such expenses as fully deductible in the Brazilian individual Annual Adjustment return?
Those expenses are not fully deductible. Although such expenses shall be reported in your Brazilian income tax return, their deductibility is subject to a limit, established by the pertinent legislation.

May I take a deduction, in my Brazilian individual Annual Adjustment return, for medical expenses incurred abroad?
Yes, medical expenses are fully deductible (irrespective of the tax domicile of the individual/entity that renders the service), provided that they have not been reimbursed to you by any Health Plan, and that taxpayer can substantiate the expenses through reliable documentation, if and when requested to do so by Brazilian tax authorities.

If my Brazilian individual Annual Adjustment return shows an amount owed by me, the corresponding payment shall be made exclusively at a bank branch?
Any Brazilian federal tax that is payable through the tax-collection voucher referred to as *'Documento de Arrecadação de Receitas Federais – DARF'.* It may also be settled on-line over the Internet, through the 'Payments' menu of your Brazilian bank site.

I entered Brazil under the Type 'V' Visa (Temporary Resident), without being covered by an employment contract. Which is the date on which I am deemed a resident taxpayer for purposes of Brazilian taxes?
A foreigner that enters Brazil under such visa is deemed a resident taxpayer after completing 183 days of presence in the country, within any given 12-month period.

I entered Brazil under the Type 'V' Visa (Temporary Resident), with an employment contract. Which is the date on which I am deemed a resident taxpayer for purposes of Brazilian taxes?
A foreigner that enters Brazil under such visa is deemed a resident taxpayer as from the moment in which he/she entered the country.

I am deemed a resident taxpayer and receive salary income both in Brazil and abroad. How does my total compensation will be taxed by Brazil?
Resident taxpayers are liable for Brazilian income tax on their worldwide income. Brazilian income tax (*'carnê-leão'*) is imposed, on a monthly basis, on compensation received from foreign sources, based on a progressive tax table. Compensation received from a Brazilian employer is subject to Brazilian withholding income tax (IRF) also on a monthly basis, computed by reference to the same progressive tax table. Any possible adjustment relating to overpaid or underpaid monthly income tax (*'carnê-leão'* and/or IRF tax) will be made through the Brazilian individual Annual Adjustment return, which shall be filed with the tax authorities up to the last workday of April of each year.

Being a foreigner deemed a resident taxpayer, am I eligible for the rights set forth by the Brazilian labor legislation, as any other Brazilian employee?
Yes. A foreigner that entered the country under a Type 'V' Visa (Temporary Resident) with an employment contract and, as such, is deemed a resident taxpayer as from his/her arrival date, is subject to Brazilian labor legislation (*'Consolidação das Leis Trabalhistas – CLT'*).

I will sell my real property abroad to acquire a real property in Brazil. Since I expect to realize a capital gain upon the sale of the foreign property, will I be subject to Brazilian taxes on such gain?
No. As such property was acquired during the period in which you were not deemed a resident taxpayer, the gain will be exempt from Brazilian tax.

I sold shares in the Brazilian stock exchange ('*Bolsa de Valores*') during a given month and realized a capital gain. In the following month I realized capital loss upon selling shares in the Brazilian stock exchange. May I utilize the said loss to offset the capital gain realized in the preceding month?
A loss realized upon the sale of shares can only be used to offset similar gains realized in the same month. However, unused losses can carried forward to offset gains realized in subsequent months.

The value of capital gain that might be treated as exempt is the same for real estate transactions and disposal of shares? Which is the applicable rate, and when shall the corresponding capital gain tax be settled?
A real estate transactions can be treated as an exempt operation if the sale price of property is not more than R$ 35.000,00 (considering all sales carried out in a given month). There are other instances for exempting a Capital Gain from tax. Please refer to the Chapter "Capital Gain", in this booklet. As respects disposal of shares, the aggregate sale price shall not exceed R$ 20.000,00 (again, considering all sales carried out in a given month). The capital gain tax is calculated at a flat 15% rate,

and shall be paid up to the last workday of the month following the one in which the operation(s) took place.

In spite of the fact that she does not have income (neither in Brazil nor abroad), my wife has a CPF number. Must a return be filed in her name to ensure that her CPF number remains active?
No. In this case, your wife is deemed to be your dependent and will be listed as such on your Brazilian individual Annual Adjustment return (her name, birth date and CPF number will be disclosed in the 'Dependents' box of your return). CPF numbers of dependents included in a return filed by a taxpayer are automatically validated. Dependents of 18 years of age or over are required to apply for a CPF number.

Who is subject to file an annual statement to Banco Central authorities? Which is the due date of such statement?
Any resident taxpayer possessing capital invested abroad in the amount of US$ 100,000.00 or higher as of December 31st, 2010, shall file a statement disclosing his/her investment(s) abroad with Banco Central do Brasil (Bacen) authorities. This statement shall be filed up to the last workday of March of 2011.

Which is the due date for the Brazilian individual Annual Adjustment return?
The Annual Adjustment return shall be filed with the federal tax authorities up to the last workday of April of the following tax year.

I am living in Brazil under a Business Visa, while waiting for my Permanent Resident Visa to get ready. May I receive salary in Brazil as from this first entry date?
No. Bearers of Business Visas are not allowed to work in Brazil or, in other words, they cannot exercise remunerated activity, being allowed only to participate in meetings, seminars, etc..

I am undergoing an internship ('*estágio*') program in Brazil for 1-year term, and all of my compensation is paid abroad. When shall I start paying taxes in Brazil?
The foreigner that enters Brazil under a Temporary Resident Visa, as an intern, shall start paying Brazilian income tax on his/her foreign compensation after completing 183 days of presence in the country, within a 12-month period.

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