



International Tax

Brazil Tax Alert

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Social contribution on net profits increased for financial institutions

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Provisional Measure 675/2015 (PM 675), which increases the rate of the social contribution on net profits (CSLL) for financial institutions, was converted into Law 13,169/15 and published in Brazil's official gazette on 7 October 2015 (for prior coverage, see the [tax alert dated 22 May 2015](#)).

The CSLL is levied on entities subject to corporate income tax in Brazil to finance the federal social security system. The contribution was first introduced in 1988 at a rate of 9%, calculated on the pretax profits of legal entities. The rate on financial institutions was increased in 2008 to 15%, during the global economic crisis, with the 9% rate continuing to apply to all other legal entities.

The original version of PM 675 was modified slightly to provide for a regressive CSLL rate for the period 2015-2019:

- The 20% rate applies from 1 September 2015 through 31 December 2018, reverting to 15% as from 1 January 2019. These rates will apply to private insurers, banks, securities distributors, exchange, securities brokers, credit, financing and investments companies, real estate credit companies, credit card administrators, leasing companies and savings and loan associations. The rate hike became effective on 1 September 2015.
- The rate for credit cooperatives is 17% for the period 1 October 2015 through 31 December 2018, dropping to 15% from 1 January 2019. This rate change became effective on 6 October 2015.
- The 9% rate applicable to all other legal entities remains unchanged.

Comments

The conversion of PM 675 into law demonstrates the Brazilian government's commitment to boost revenue, cut the deficit and increase tax collection, and is one part of a package of measures that have been introduced since the beginning of 2015 (for prior coverage, see the [World Tax Advisor article dated 25 September 2015](#) and the [tax alert dated 4 February 2015](#)).

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