



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 675/2015), which increases the rate of the social contribution on net profits (CSLL) for financial institutions from 15% to 20%, was published in Brazil's official gazette on 22 May 2015. The PM will apply as from 1 September 2015.

The CSLL was established in 1988 by Law 7.689/1988, at an initial rate of 9%, calculated on pretax profit of legal entities. In 2008, in the midst of the global economic crisis, Law 11.727/2008 increased the CSLL rate applicable to financial institutions to 15%, while the 9% rate remained in effect for legal entities in general.

The new increased rate of 20% will apply to the following legal entities: (i) banks; (ii) private insurers; (iii) securities distributors; (iv) exchange and securities brokers; (v) credit, financing and investment companies; (vi) real estate credit companies; (vii) credit card administrators; (viii) leasing companies; (ix) credit cooperatives; and (x) savings and loan associations.

A PM remains in effect for two months and expires automatically if it is not extended for an additional two-month period, or if the Brazilian House and Senate do not vote on the PM within four months.

#### Comments

The increase in the CSLL rate is part of the government's efforts to increase tax collection, along with several other measures that have been introduced since the beginning of 2015. For more details on these measures, see the alert [dated 4 February 2015](#).

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