

**Deloitte.**



**Tax technology & compliance**

Technologies and business processes for tax management in Brazil

Companies operating in Brazil need to have a clear understanding of the processes and operations relating to their tax obligations, including the ongoing electronic reporting of certain information. Deloitte Brazil offers integrated technology and process solutions to address the challenges that companies may face in this regard, and to support their tax management efforts.

# Introduction

There is a widespread perception that doing business in Brazil comes with a high tax burden, as well as high costs for the overall tax calculation process, which may result in a need to deploy significant number of personnel and technology applications (e.g. local enterprise resource planning (ERP) systems and tax compliance software) for tax compliance purposes. Approximately 37% of Brazil's GDP (the world's ninth largest economy) results from tax revenue. It is acknowledged that a high tax burden may interfere with achieving the ideal business model desired by companies operating in Brazil.

Brazil was ranked 123rd out of 190 economies surveyed by the World Bank for its "2016 Doing Business" publication, which ranks countries according to the ease of doing business. The survey addresses aspects such as the time and effort required to form companies and pay taxes—criteria in which Brazil is even farther behind than its overall position in the survey.

Since the implementation of the Public Digital Bookkeeping System (SPED) in 2008, companies operating in Brazil have been required to provide their information electronically to the tax authorities. That information is transmitted through the internet, with more opportunities for the authorities to engage in real-time cross-checking of data and processes, so companies now, more than ever, need to take steps in advance of a possible inspection, since the tax authorities are able to electronically monitor and validate tax information and payments throughout the production chain.

As Brazil's tax system continues to evolve, the day-to-day operations of companies are becoming even more complex and challenging. The payment of numerous taxes and compliance with electronic reporting obligations are administered by agencies at the federal, state and municipal levels, and may require information to be reported by transaction, monthly or annually, based on constantly tax legislation.

The technological evolution of the Brazilian tax environment has not been accompanied by modernization or by streamlining of the relevant processes. Computerization, which could permit greater transparency and speed, actually has made processes even more complex and susceptible to risks for companies that do not adopt the right technology. This is because, due to the real-time cross-checking of data, there is little time for manual reconciliations and the risk of errors grows exponentially, making electronic inspections by the tax authorities even more unforgiving than field inspections.

Additionally, the Brazilian tax authorities have been imposing administrative penalties for failure to file or for submitting incorrect information in the income tax returns, which in itself can lead to high penalties and in some cases are based on percentages with no cap.

This new environment has forced companies to invest in implementing and maintaining ERP systems and to train personnel to adapt to the rules in order to establish a robust compliance infrastructure.

Complying with Brazilian tax obligations requires an integrated view of the relevant commercial flows and a customized approach to the company's reality, as well as innovative technology and business processes management.

A recent survey conducted by Deloitte Brazil indicated that companies' tax management priorities include the following: performing accurate tax calculations; reducing the tax burden; handling ongoing examinations; and efficiently managing tax processes. These priorities highlight the need to have continuous electronic monitoring relating to tax compliance, as well as a skilled team of tax professionals who understand both the tax technical and the technology requirements. Deloitte Brazil has developed a variety of processes and integrated solutions intended to help companies fulfill these needs.

# Overview of SPED

The SPED was created to standardize the interactions between the Brazilian tax authorities and taxpayers. The system, an integrated initiative of the tax administration at the federal, state and municipal levels, began to be developed in 2000, as a way to begin to modernize tax and customs administration. The SPED comprises the following major subsystems, among others:

Item	Description	Applicability	Taxes/data reported	Period
<b>Digital Tax Bookkeeping (EFD)</b>	A set of digital tax documents and other information required by the state and federal tax authorities. This replaces the bookkeeping and printing for various books and records	State VAT (ICMS) and federal excise tax (IPI) taxpayers	ICMS and IPI	Monthly
<b>Digital tax bookkeeping for PIS/COFINS (EFD for contributions)</b>	A set of digital tax documents and other information required by the federal tax authorities	Federal PIS/COFINS (federal social contributions on gross income) taxpayers	PIS/COFINS	Monthly
<b>Electronic invoicing (NF-e, NFS-e)</b>	A system that aims to implement a national model for electronic fiscal invoices for the supply of goods and services. The invoices are digital and are issued and stored electronically. This enables the tax authorities to manage information on each business transaction	Taxpayers that carry out sales of goods and services	Information regarding commercial transactions	Each time a sale/service transaction takes place
<b>Digital accounting bookkeeping (ECD)</b>	A system that aims to replace journal registers and supporting records, general ledgers and sub-ledgers and daily trial balances and balance sheets	Most taxpayers (exceptions apply)	Accounting records that are combined into a single file	Annually
<b>Tax and accounting return (ECF)</b>	A return that replaced the former corporate income tax return as from fiscal year 2014	Most taxpayers (exceptions apply)	Corporate income tax computation and transfer pricing schedules, among other information	Annually

### Understanding the tax complexity relating to business transactions

It is essential for companies to have an integrated vision of the relevant processes and a technical knowledge of the business operations in order to manage the tax flows:

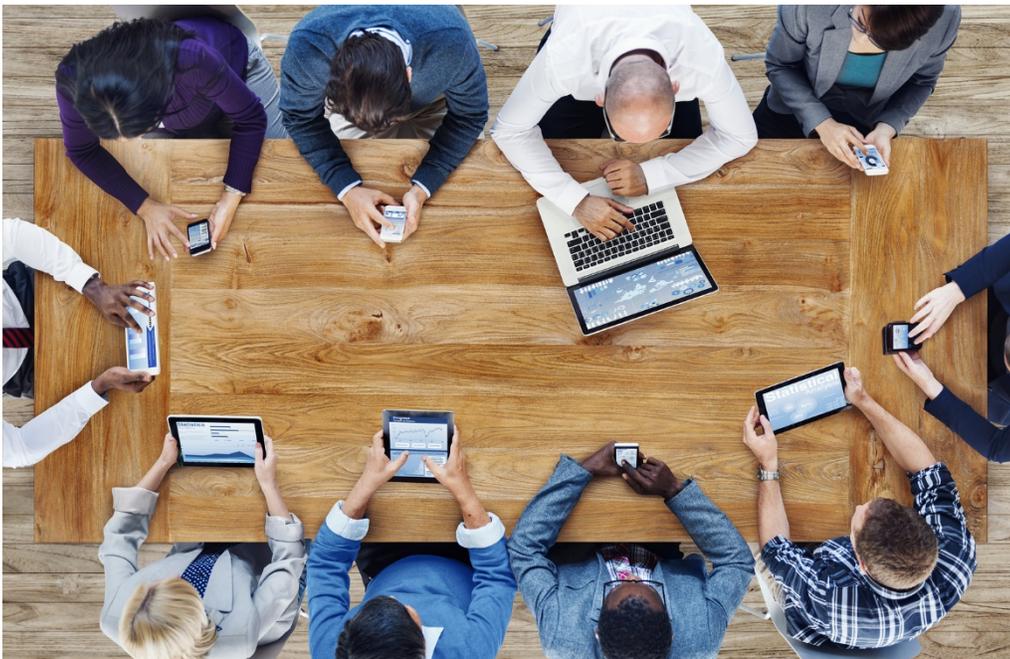
- The tax flows must be understood across the production, distribution and consumption chains;
- Federal, state and/or municipal taxes are levied on each transaction, which may be associated with one or more reporting obligations;
- Electronic monitoring and validation makes the inspection process by the tax authorities more effective and timely and, therefore, requires increased taxpayer attention to ensure that information is not omitted or incorrectly transmitted; and
- Aspects that influence taxation vary according to the specifics of each business transaction.

### Technology and integrated solutions from Deloitte Brazil

Deloitte Brazil's solutions are designed with integrated vision and synergy, which are supported by the "Tax Technology & Compliance" approach to our clients.

This approach leverages technologies and specialized knowledge, and facilitates the management of obligations in the tax environment, while ensuring an appropriate level of privacy regarding organizations' operations. Potential benefits include the following:

- Increased efficiency in identifying improvements and gaps in the processes in place to calculate and compute taxes;
- Identification of the tax risks that may be addressed by means of information management;
- Anticipation of possible inconsistencies between the files generated and information reported to tax authorities;
- Sharing of leading practices for compliance with new tax obligations; and
- Making efficient use of resources required to implement tax systems.



# Integrated solutions and approaches of Deloitte Brazil

Help with management of companies' tax and reporting obligations

Integrated view of challenges presented by Brazilian tax system

Cutting-edge technology and appropriate business processes

Dedicated team of specialists and partners for technology solutions

Our integrated tools and solutions allow us to address specific challenges of companies and support their tax management efforts.

## Full outsourcing

The full outsourcing format for the company's tax function. Deloitte has teams specifically trained to process all companies' fiscal and tax demands.

## Co-sourcing

A hybrid operation model based on collaboration between Deloitte's professionals and the companies' staff. This model allows great flexibility in business processes, so that each company's needs are properly met.

## Tax business support on demand

Deloitte has a team of professionals who are skilled and ready to meet companies' specific tax needs, respecting each company's requirements regarding timing and complexity.

## Software as a Service (SaaS)

Use of licenses (on a lease basis) for Deloitte's software programs designed to manage fiscal and tax processes. This model allows the company to use quality tools without the need to make implementation investments.

## Tax software

A model whereby Deloitte provides the market with its specialized knowledge in companies' system diagnosis and implementation.

This model facilitates an efficient implementation process, with potential benefits relating to time and financial investments.

## Tax advisory

Deloitte offers solutions that support leaders in their efforts to manage tax obligations and operations, anticipating a variety of risks associated with the noncompliance with obligations. They include integration of tax information; analysis of tax implications in changes in business strategies and special operations; consulting on tax management; and modern technology tools.

# Electronic tools developed by Deloitte Brazil

Solution	Functionalities	Purpose	User profile
<b>CAT 17</b>	Performs a cross-check between the EFD file and all electronic invoices issued for the sale of goods	Identify potential refunds of state VAT (ICMS ST) credits	Taxpayers subject to ICMS tax
<b>CAT 108</b>	Performs a cross-check between the ECF file and all electronic invoices issued for the sale of goods	Perform the necessary calculations to request a special state VAT regime (suspension of ICMS levied on the importation of goods)	Distributor of imported goods
<b>"Conector"</b>	Connects to different sources of data and extracts information to another source of data	Improve data management and analysis	All taxpayers
<b>New TPS</b>	Extracts raw data relating to transfer pricing directly from ERP systems	Effectively monitor and/or comply with transfer pricing obligations	Taxpayers entering into cross-border related party transactions
<b>TAX Scan</b>	Performs a cross-check of data among several filings submitted to Brazilian tax authorities at the federal, state and municipal levels	Potentially reduce risk of imposition of penalties arising from inspections due to potential differences among filings	All taxpayers
<b>Extrator Siscomex</b>	Extracts information on import and export transactions from the <i>Siscomex</i> system (online customs authority system)	Improve data management and analysis	Exporters and importers of goods
<b>eGOT</b>	Performs a cross-check between payroll and social security-related information regarding third-party hires	Improve labor contract management, identify potential tax exposures	Employers

For more information about technologies and business processes to assist with tax management in Brazil, please contact:

**Flavia Crosara**  
Lead Tax Technology Partner  
Deloitte Brazil  
flaviacrosara@deloitte.com

**Daniel Yamamoto**  
Partner, Business Tax/International Tax  
Deloitte Brazil  
danielyamamoto@deloitte.com



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more about our global network of member firms.

Deloitte provides audit, consulting, financial advisory, risk management, tax and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500<sup>®</sup> companies through a globally connected network of member firms in more than 150 countries bringing world-class capabilities, insights, and high-quality service to address clients’ most complex business challenges. To learn more about how Deloitte’s approximately 225,000 professionals make an impact that matters, please connect with us on [Facebook](#), [LinkedIn](#), or [Twitter](#).

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the “Deloitte Network”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.