



# Tax Alert

Brazil

Deloitte Tohmatsu Tax Co.

May 22 2015

## 1. Social contribution on net profits increased for financial institutions

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: (1) banks; (2) private insurers; (3) securities distributors; (4) exchange and securities brokers; (5) credit, financing and investment companies; (6) real estate credit companies; (7) credit card administrators; (8) leasing companies; (9) credit cooperatives; and (10) 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.

## Deloitte 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](#).

## 2. PIS/COFINS exemption on certain financial income reinstated

The Brazilian government enacted a decree on 20 May 2015 (Decree 8,451/15) that reinstates the exemption from PIS/COFINS (social security contributions on revenue) on certain financial income arising from the fluctuation of foreign exchange rates. Decree 8,451/15 amends a decree issued on 1 April (Decree 8,426/2015) that reinstated the PIS/COFINS on financial income, including income derived from hedging transactions, for taxpayers under the "noncumulative regime,"<sup>1</sup> at rates of 0.65% and 4%, respectively; such income had been exempt since April 2005. The new rates were to apply as from 1 July 2015.

---

<sup>1</sup> Under the noncumulative regime, PIS/COFINS generally apply at a combined rate of 9.25%, but taxpayers can offset PIS/COFINS paid on certain transactions with tax credits. A lower rate of 3.65% is levied under the cumulative regime, but no tax credits are granted.

Decree 8,451/2015, which will apply as from 1 July 2015, now withdraws the changes introduced by Decree 8,426/2015 by bringing back the exemption for income arising from the following:

- Exports of goods and services;
- Any liabilities of the corporate taxpayer, including loans and financing; and
- Hedging transactions carried out on the stock exchange, futures and over-the-counter market to protect the rights and obligations of the investor, provided the contract is related to the trade and business of the legal entity.

Decree 8,451/15 also provides new rules with respect to how companies account for exchange-rate variations used in the calculation of various taxes (IRPJ, CSLL, PIS and COFINS). Taxpayers will be able to elect to be taxed on foreign exchange rate variations on a cash or an accrual basis to the extent that, in a particular calendar month, the variation (positive or negative) exceeds 10%. The 10% variation will be determined based on the US dollar rates on the first and last day of the calendar month, and the change in the cash or accrual basis taxation may be effected in the month following the month in which the 10% variation was exceeded. A change can be made any time the monthly 10% threshold is exceeded, and will be valid for the entire calendar year; however, if the 10% variation occurred from January through May 2015, the change of regime must be made in June 2015.

Notably, Decree 8,451/2015 does not change the 1.65% PIS and 7.6% COFINS rates (combined rate of 9.25%) that apply to interest on net equity (these rates were not affected by the April 2015 decree).

#### **Deloitte Comments**

Decree 8,451/2015 aims to provide some relief to taxpayers that experience large foreign

exchange rate variations. However, it is important to note that the other provisions in Decree 8,451/2015 remain valid, and that income derived from domestic transactions, foreign exchange gains on loan transactions where the Brazilian entity is the lender, etc. will continue to be subject to the 0.65% and 4% rates as from 1 July 2015.

## Newsletter Archives

To see past newsletters, please visit our website.

[www.deloitte.com/jp/tax/nl/sa](http://www.deloitte.com/jp/tax/nl/sa)

## Contacts

### Deloitte Touche Tohmatsu

Cristina Arantes Berry, Partner

[caberry@deloitte.com](mailto:caberry@deloitte.com)

Marcelo Natale, Partner

[mnatale@deloitte.com](mailto:mnatale@deloitte.com)

Mauricio Bianchi, Partner

[mbferreira@deloitte.com](mailto:mbferreira@deloitte.com)

Andre Illipronti (New York ICE), Senior Manager

[aillipronti@deloitte.com](mailto:aillipronti@deloitte.com)

Jeferson Silva (AP ICE), Senior Manager

[jefersonsilva@deloitte.com](mailto:jefersonsilva@deloitte.com)

## Issued by

### Deloitte Tohmatsu Tax Co.

#### Tokyo Office

Shin-Tokyo Building 5F, 3-3-1, Marunouchi, Chiyoda-ku, Tokyo 100-8305, Japan

T e l: +81 3 6213 3800

email: [tax.cs@tohmatu.co.jp](mailto:tax.cs@tohmatu.co.jp)

Corporate Info.: [www.deloitte.com/jp/en/tax](http://www.deloitte.com/jp/en/tax)

Tax Services: [www.deloitte.com/jp/tax/s/en](http://www.deloitte.com/jp/tax/s/en)

All of the contents of these materials are copyrighted by Deloitte Touche Tohmatsu Limited, its member firms, or their related entities including, but not limited to, Deloitte Tohmatsu Tax Co. (collectively, the "Deloitte Network") and may not be reprinted, duplicated, etc., without the prior written permission of the Deloitte Network under relevant copyright laws.

These materials describe only our general and current observations about a sample case in accordance with relevant tax laws and other effective authorities, and none of Deloitte Network is, by means of this publication, 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. The opinions expressed in the materials represent the personal views of individual writers and do not represent the official views of Deloitte Network. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

Deloitte Tohmatsu Group (Deloitte Japan) is the name of the Japan member firm group of Deloitte Touche Tohmatsu Limited (DTTL), a UK private company limited by guarantee, which includes Deloitte Touche Tohmatsu LLC, Deloitte Tohmatsu Consulting LLC, Deloitte Tohmatsu Financial Advisory LLC, Deloitte Tohmatsu Tax Co., DT Legal Japan, and all of their respective subsidiaries and affiliates. Deloitte Tohmatsu Group (Deloitte Japan) is among the nation's leading professional services firms and each entity in Deloitte Tohmatsu Group (Deloitte Japan) provides services in accordance with applicable laws and regulations. The services include audit, tax, legal, consulting, and financial advisory services which are delivered to many clients including multinational enterprises and major Japanese business entities through over 7,900 professionals in nearly 40 cities throughout Japan. For more information, please visit the Deloitte Tohmatsu Group (Deloitte Japan)'s website at [www.deloitte.com/jp/en](http://www.deloitte.com/jp/en).

Deloitte provides audit, consulting, financial advisory, risk management, tax and related services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries and territories, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte's more than 210,000 professionals are committed to becoming the standard of excellence.

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) for a more detailed description of DTTL and its member firms.