

Editorial Board: Step Directory and Yearbook 2009. Brazil
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BRAZIL

1 - INTRODUCTION

a. History and background

The Federative Republic of Brazil is composed of 26 states, which gained independence from Portugal in 1822. It represents 47 per cent of South American territory and is now the ninth largest economy in the world. The capital city is Brasilia. The country's population is 183,987,291. Brazil is also a founding member of Mercosuk (the Southern Common Market).

As the largest Latin American economy, Brazil has a strong international influence and is now one of the 20 biggest exporters in the world, with USD142 billion sold in products and services to other countries in 2007.

In 2006, the Brazilian GNP reached USD1,067 trillion.

The currency is the Real (BRL). (USD1,62 = BRL1)

b. Legal system

The legal system adopted in Brazil is codified, and laws are issued by the federal government, the states and municipalities, with due regard to their individual spheres of authority. The main legal texts in Brazil are the codes. Some of the more important of these codes are the Civil Code, the Tax Code, the Penal Code and the Commercial Code. None of these codes supersedes the Federal Constitution, which is the supreme law of Brazil.

2 - TRUSTS

Brazil does not have a trust law or regulation. Nonetheless, its legal system follows the guidelines of other modern legal systems, especially Italian law with respect to the transmission of assets, regulating the subject only in specific terms for limited and specific situations, individuals are permitted to dispose of their assets and properties within the rules set out in the Brazilian Civil Code, law nº 10.406/2002 regarding succession. Where there are forced (obligatory) heirs, the testator/individual is only allowed to dispose of 50 per cent of his assets (the disposable portion). The forced heirs are descendants, ascendants and surviving spouses. Considering that, and once preserved the necessary legacy reserved by law to the necessary heirs, the foreign trusts structures, characteristics and conditions can coexist with the Brazilian Civil Law.

3 - OTHER FORMS/ENTITIES

a. Sociedade Anônima – SA (corporation)

An SA or corporation, governed by Law nº 6,404 of 15 December 1976, amended by Law nº 9.457 of 5 June 1997, is essentially a commercial corporation by legal definition, with its capital represented by shares. It is defined as a business corporation having as its objective the earning of profits to be distributed to the shareholders.

There are two kinds of SA: a publicly held company, which obtains funds through public offers and subscriptions and is supervised by the Securities Commission; and a closed company, which obtains capital from its own shareholders or subscribers, having a simple accounting and administration system.



b. Sociedade por Quotas de Responsabilidade Limitada – LTDA (Limited Liability Company by Quotas)

The LTDA is a hybrid between a partnership and a company limited by shares, with aspects of each type of entity. The LTDA can be organized as a civil or commercial company, depending on the definition of its objectives set forth in its Articles of Incorporation.

c. Other types of companies

- i) Sociedade em Nome Coletivo (General Partnership)
- ii) Sociedade em Conta de Participação – SCP (partnership with one Ostensible and one Silent/"Hidden" Partner)
- iii) Consórcio (Consortium)

d. Registration process

Brazil has two kinds of public register for companies: the commercial registry service operated by 27 Brazilian States Commercial Registries and the Civil Registries service which is operated by the Civil Registries of Deeds and Documents, usually found in Brazilian Cities.

4 - TAXATION

Fiscal levies in Brazil are divided into taxes, betterment fees, social contributions, other contributions and compulsory loans. Each level of government is allotted specific taxes, which are listed in the Constitution.

Income tax is a federal tax that is assessed on income and capital gains earned by resident individuals from domestic or foreign sources at the rates of 15 per cent and 27.5 per cent, depending on the level of income; corporate income tax is assessed on profits and capital gains generated by operations carried out within Brazil or abroad.

5 - OTHER RELEVANT MATTERS

With respect to taxation in the context of international trade relations, Brazil has ratified and enacted into its internal law several bilateral international agreements in order to avoid the double taxation of income (international double taxation agreements). The agreements with the following countries are of particular note: Germany (1976), Argentina (1982), Austria (1976), Belgium (1973), Canada (1986), South Korea (1992), Denmark (1974), the Netherlands (1990), France (1993 and 1994), United States of America (1994) and Finland (1996).

6 - RESOURCES

Central Bank of Brazil www.bacen.gov.br

Brazilian Federal Senate www.senado.gov.br

Centro de Estudos da Sociedade de Advogados www.cesa.org.br