Brazil Overview
2019 Individual Income and Social Taxes

Gaining an understanding of the tax system in a new country is a critical step in addressing risks and reducing costs for companies with mobile employees. This overview summarizes key individual income and social tax compliance and tax planning considerations for companies sending employees to work in Brazil.

Individual income tax overview

A resident of Brazil is generally subject to Brazilian income tax (IRPF) on worldwide income at graduated tax rates that range up to 27.5%. A non-resident of Brazil is subject to income tax on Brazilian source income only at a flat rate of 25%. Income paid to non-resident taxpayers from outside of Brazil is tax-exempt and an annual tax return is not required.

An annual filing with the Central Bank is required for resident taxpayers with foreign assets exceeding US$100,000. Failure to meet this requirement can result in fines up to R$250,000.

Residency

A foreign individual is considered a resident of Brazil if any of the following conditions are met:

- The individual comes to Brazil bearing a permanent visa; or
- The individual comes to Brazil bearing a temporary visa:
  - To work under an employment contract (resident from the date of arrival); or
  - For any other reason, and stays for over 183 days, consecutive or not, within a moving twelve-month period (resident from the 184th day); or
  - Obtains a permanent visa or a job under an employment contract, in up to 184 days of stay in Brazil, consecutive or not, within a moving 12-month period (resident on the visa-granting date or work start date, respectively); or
  - After being a non-resident in Brazil, comes back to Brazil definitively (resident from the date of arrival).

As available, income tax treaties should also be considered.

Tax filings

Tax Year: Calendar year.
Due Date: April 30 following the tax year. Returns must be filed electronically (no extensions allowed).
Joint/Separate Returns: It is possible to file joint returns. However, it is generally advisable to file on a separate basis if each spouse has taxable income.
Tax Payments: Monthly withholding applies for resident taxpayers employed by a Brazilian company. Resident taxpayers with foreign sourced income (i.e., paid by non-Brazilian company), must pay IRPF on a monthly basis through a self-assessment (i.e., carnê-leão).

Planning ideas and common tax issues

1. Timing of transfer may help reduce Brazilian taxation (tax treaties must be consulted).
2. The immigration position will impact the employee's tax position.
3. To break residency upon departure, employees should file a "Communication of Definitive Exit" between the date of departure and February of the following year. A Brazilian exit tax return should also be filed by April 30 of the following year.
4. The termination of a temporary Brazilian employment contract is a circumstance that will allow an employee to receive a distribution of their Government Severance Indemnity Fund (commonly referred to as FGTS). This payout is non-taxable in Brazil. Timing of payout may impact the tax position in an employee's new country of residence.

Income tax treaties

Brazil has income tax treaties with 33 countries, but only has a reciprocal tax treatment with the US. Because of this reciprocity of tax treatment, a foreign tax credit is allowed in Brazil for income tax paid in the US on non-Brazilian sourced income.

Social taxes

Employees with remuneration from sources in Brazil are subject to the Brazilian social security contributions (INSS).

Employees generally contribute to INSS at a rate of 8% to 11% of their monthly salary, up to a specified monthly income cap (limited to a monthly contribution ceiling of approximately R$642). Employer social costs in Brazil are approximately 40% without ceiling.

Brazil has entered into a limited number of agreements to address cross-border social security. These agreements may provide relief from Brazilian social tax for detached workers in Brazil. An agreement with the US is in force from October 1, 2018.

* * * * *

GTN specializes in mobility tax services. To learn how we can help you better understand these rules, or if you have additional questions, please contact us at info@gtn.com or +1.888.486.2695.

This overview is based upon tax law in effect as of January 1, 2019. The information provided is for general guidance only and is subject to change. This information should not be utilized in lieu of obtaining professional tax and/or legal advice.