

APRIL - MAY 2015

# NordicLight

A JOINT SWEDCHAM / NBCC PUBLICATION



## Swedish Prime Minister Stefan Löfven visits Brazil

During his trip, the Prime Minister made a point of meeting children at an orphanage in Brasília.



[WWW.SWEDCHAM.COM.BR](http://WWW.SWEDCHAM.COM.BR)  
[WWW.NBCC.COM.BR](http://WWW.NBCC.COM.BR)

# The Brazilian income tax regime

By André Hazan Fonseca\*



All residents in Brazil are subject to taxation on a worldwide basis, meaning that all their income is subject to Brazilian income tax regardless of where the paying source is located. Generally, non-resident individuals are taxed exclusively by withholding income tax at source, whenever the paying source is located in Brazil.

Nevertheless, there are some specific situations when non-residents can be considered resident for income tax purposes, even though they do not reside permanently in Brazil.

The first hypothesis is when a foreign national enters Brazil holding a permanent visa or under an employment agreement with a Brazilian entity. In these situations, the foreign national is subject to taxation as of the date of entry in national territory. Another possibility is when a foreign national holding a temporary visa and without an employment agreement with a Brazilian entity stays in the national territory for 184 days in any given 12-month period.

In both scenarios, the Brazilian taxation subsists until the foreign national leaves the country, filing the definitive departure tax return, which is a variation of the annual tax return, or automatically after 12 months away from the country.

Individuals considered resident for tax purposes are subject to file the same tax returns and to monthly income tax payments as resident individuals.

The Annual Adjustment Income Tax Return (“Declaração de Ajuste Anual”) is filed from the first business day of March until the last business day of April of each year. It comprises all the information regarding the previous fiscal year: Income (from local employments, from abroad, capital gains, rents, financial investments, interest, etc.), dependents, assets and rights, debts, and payments to service providers.

The income tax levied in the country of origin of the foreign national may be offset with the income tax paid in Brazil. This tax offsetting is valid for all the countries with which Brazil has signed a treaty to avoid double taxation.

The offset value cannot exceed the difference between the Brazilian income tax calculated including the income received abroad and the calculation excluding said income. In order to offset taxes paid in another country, the taxpayer must have a sworn translation to Portuguese of the proof of payment related to the same period (monthly or annual payment).

Brazil has established treaties to avoid double taxation with the following countries:

Argentina	Czech Republic	India	Mexico	Slovak Republic
Austria	Denmark	Israel	Netherlands	South Africa
Belgium	Ecuador	Italy	Norway	Spain
Canada	Finland	Japan	Peru	Sweden
Chile	France	Korea	Philippines	Ukraine
China	Hungary	Luxembourg	Portugal	

Besides the tax return, every individual considered fiscal resident in Brazil and with total equity over USD 100,000 is subject to an annual Census conducted by the Brazilian Central Bank.

This Census is denominated Brazilian Capital Abroad Return (Declaração de Capitais Brasileiros no Exterior – CBE), which can cause some confusion, since it is also applicable for foreigners who have acquired fiscal residency in Brazil. Even assets acquired prior to obtaining fiscal residency in Brazil and exclusively with foreign income are subject to this statement.

\*André Hazan Fonseca is a partner at Hazan Fonseca Advogados