



GLOBAL
EMPLOYER
GUIDE

BRAZIL





Basic Country Facts

Full name

- Federative Republic of Brazil

Capital

- Brasilia

Main Languages

- Portuguese (98%)
- English
- Spanish

Population

- 209.5 million

Monetary unit

- Brazilian real

Internet domain

- .br

International dialing code

- +55

Currency

- Brazilian real



STATUTORY LABOR REQUIREMENTS

Probation Period

- The maximum probationary period allowed in Brazil is 90 days (two terms of 45 days).
- If the initial trial period is 45 days, it may be renewed but only for an additional term of 45 days.

Annual Leave

- Professionals in Brazil are entitled to 30 calendar days of vacation per year after each 12 months of service.
- The vacation period is typically taken in one block (or split 20 days and 10 days).

Public Holidays

- New Year's Day (1st January)
- Good Friday (10th April)
- Easter Monday (13th April)
- Tiradentes' Day (21st April)
- Labour Day / May Day (1st May)
- Independence Day (7th September)
- Our Lady Aparecida/Children's Day (12th October)
- All Souls Day (2nd November)
- Republic Proclamation Day (15th November)
- Christmas Day (25th December)

Maternity Leave

- Women are entitled to 4 months' maternity leave and may not be dismissed during pregnancy or during the 12 months after birth.
- Private companies have the option to extend an additional 60 days of maternity leave and can deduct the additional salary paid to the employee during this time from their income taxes, not as an operational expense.

Paternity Leave

- Men are entitled to 5 days of paid paternity leave, which they must request in advance.

Sick Leave

- If an employee is sick and provides a medical note, the first 15 days of absence must be paid.
- Any further days off are paid through the National Institute of Social Security (INSS), at fixed rates.
- Thereafter, benefits must continue to be paid until work is resumed or employment is ended.

Work Hours

- The Brazil workweek is 44 hours, ideally eight hours per day (plus one hour for lunch) during the week and four hours on Saturday.
- Companies can choose to have longer workdays during the week and remain closed on Saturday.



Overtime

- The hours that exceed the workday must be paid with a minimum additional of 50 percent (100 percent on Sundays or holidays).
- This rate can be increased under the collective labor agreements.
- The law prohibits shifts over 10 hours per day, so only 2 overtime hours are allowed for a regular working day.

Notice Period

- Either party may terminate the employment contract by giving written notice known as aviso prévio of 30 days or payment in lieu of working the notice period.
- After one year of service, the employee is entitled to 3 additional days' notice per completed year of service until 60 days are added, thereby making the total possible prior notice period equivalent to 90 days

Severance

- Employees are entitled to receive:
 - The balance of their wages.
 - A proportional payment for untaken holidays, plus one-third of the holiday remuneration.
 - A proportional 13th month salary (Christmas bonus).
 - Access to the funds deposited in a severance fund called the Brazilian Government Severance Indemnity Fund Law (FGTS).
 - The FGTS contains monthly deposits of 8% of an employee's gross compensation.
 - Deposits are made by the employer into an escrow account with a governmental bank, in the name of the employee.
 - The employer must also pay a 40% penalty on the balance in the account.
 - Any payments due under collective agreements.
 - Any other benefit provided under the employer's policies or the employment contract.

13th Month

- A 13th-month salary is required in Brazil and is an amount equal to one month's salary which is paid out to employees in two parts in November and December.
- The pro-rated 13th-month salary is also due upon termination.



Income Tax

- Residents are taxed on worldwide income.
- Nonresidents are taxed on Brazilian-source income only.
- Under Brazilian law, source is defined according to the place where the payer is located, regardless of where the services are provided.
- Therefore, income paid by a Brazilian entity is considered local source, while income paid abroad is considered foreign source.
- Taxable employment income generally includes wages, salaries, and any other type of remuneration and benefits received by an employee from an employer.
- Federal income tax is levied on taxable income.
- Under Normative Instruction #1558/2015, the following tax rates apply to monthly taxable income.

Monthly taxable income		Deductible Amount (BRL)	Rate (%)
Exceeding (BRL)	Not Exceeding (BRL)		
0	1,903.98	0	0
1,903.98	2,826.65	142.80	7.5
2,826.65	3,751.05	354.80	15
3,751.05	4,664.68	636.13	22.5
4,664.68	-	869.36	27.5

Monthly taxable income		Deductible Amount (BRL)	Rate (%)
Exceeding (BRL)	Not Exceeding (BRL)		
0	22,847.76	0	0
22,847.76	33,919.80	1,713.58	7.5
33,919.80	45,012.60	4,257.57	15
45,012.60	55,976.16	7,633.51	22.5
55,976.16	-	10,432.32	27.5



Social Security

- All employees, self-employed individuals, and employers in Brazil are required to make contributions to the social security system.
- Social security contributions due by employees are payable monthly, at the rate of 8% to 11%, on Brazilian-source salary income, limited to a ceiling of BRL 642.34 per month, according to the rates table, as outlined below, applicable as of January 2019:

Contribution Salary		Social security rate (%)	Ceiling contribution (BRL)
From (BRL)	Up-to (BRL)		
0	1,751.81	8	-
1,751.82	2,919.72	9	-
2,919.73	5,839.45	11	642.34

- Social security contributions due by the employer are calculated considering a flat rate of 20% or 22.5%, depending on the industry's sector.
- In addition to the referred social security contribution, additional social charges are due by the employer, whose rate will depend on its economic activities.
- Social security payable by self-employed individuals may be 5%, 11%, or 20% of the ceiling contribution salary, depending on specific conditions of the individual and of the services rendered.

Contribution	Employer	Employee	Self-employed
Social Security Contribution	20% to 22.5%	8% to 11%	5% to 20%



Deductible Expenses

Personal Deductions

- For Brazilian tax legislation purposes, the following items can be deducted from an employee's annual taxable income:
 - Dependents (a specific amount per dependent is established each year by the tax authorities).
 - Alimony payments, in Brazil or abroad, provided some requirements are met.
 - Tuition expenses, in Brazil or abroad, limited to a certain specific amount established each year by the tax authorities (applicable to the taxpayer and dependents per year).
 - Medical expenses (e.g. hospital, psychologists, dentists), in Brazil or abroad, are deductible (when not reimbursed), with no limits. Payments for medical insurance located outside Brazil are not deductible.
 - Brazilian official social security contributions made by the individual.
 - Private pension contributions (if the entity is located in Brazil) made by the beneficiary and for one's dependents, limited to 12% of gross taxable income.
- The taxpayer may also deduct from the tax due, and not from the calculation base, the following:
 - Donation made to official government, state, and/or municipal child care entities and elderly fund, through a municipal fund.
 - Certain qualified contributions/investments to cultural, audio-visual, and sports projects. Note, however, that the above deductions are limited to 6% of the tax due.

- Contributions made by the taxpayer to the official social security system on behalf of registered domestic employees (e.g. maids, house cleaners, drivers), within certain limits.
- Contribution to health programs related to cancer and mentally handicapped support (Pronon and Pronas), limited to 1% of the income tax during the calendar year, considering each program.

Standard Deductions

- In lieu of the above itemized deductions, taxpayers may take the benefit of a standard annual deduction (20% of gross taxable income, limited to a certain specific amount established each year by the tax authorities).
- The option for a standard deduction is not allowed on exit returns or for those individuals who will offset losses from farming activities in the annual income tax return.

Business Deductions

- Individuals who receive income from work without an employment relationship may deduct the following from the income received:
 - Payments made to third parties, provided they have an employment relationship and the respective payroll charges.
 - Expenses necessary to produce the business' revenue.
 - Investments and expenses to maintain the business.



Deductible Expenses

<p>Personal Deductions</p>	<p>The following items can be deducted from an employee's annual taxable income:</p> <ul style="list-style-type: none"> • Dependents (a specific amount per dependent is established each year by the tax authorities). • Alimony payments, in Brazil or abroad, provided some requirements are met. • Tuition expenses, in Brazil or abroad, limited to a certain specific amount established each year by the tax authorities (applicable to the taxpayer and dependents per year). • Medical expenses (e.g. hospital, psychologists, dentists), in Brazil or abroad, are deductible (when not reimbursed), with no limits. • Brazilian official social security contributions made by the individual. • Private pension contributions (if the entity is located in Brazil) made by the beneficiary and for one's dependents, limited to 12% of gross taxable income. <p>The taxpayer may also deduct from the tax due, and not from the calculation base, the following:</p> <ul style="list-style-type: none"> • Donation made to official government, state, and/or municipal child care entities and elderly fund, through a municipal fund. • Certain qualified contributions/investments to cultural, audio-visual, and sports projects. Note, however, that the above deductions are limited to 6% of the tax due. • Contributions made by the taxpayer to the official social security system on behalf of registered domestic employees (e.g. maids, house cleaners, drivers), within certain limits. • Contribution to health programs related to cancer and mentally handicapped support (Pronon and Pronas), limited to 1% of the income tax during the calendar year, considering each program.
<p>Standard Deductions</p>	<ul style="list-style-type: none"> • In lieu of the above itemized deductions, taxpayers may take the benefit of a standard annual deduction (20% of gross taxable income, limited to a certain specific amount established each year by the tax authorities).
<p>Business Deductions</p>	<ul style="list-style-type: none"> • Payments made to third parties, provided they have an employment relationship and the respective payroll charges. • Expenses necessary to produce the business' revenue. • Investments and expenses to maintain the business.

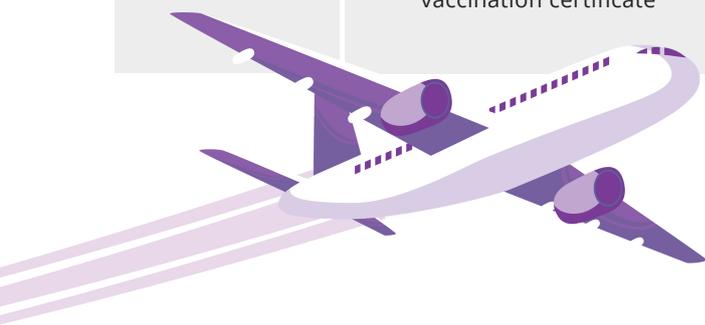


Immigration

- A temporary work permit is designed for immigrants who have an interest in establishing residence in Brazil.
- Some temporary work permits may be renewable for an additional equivalent period.
- To obtain temporary work permits for their expatriate employees, employers must apply for authorization from the Ministry of Justice and National Security.
- The process and documents required depend on whether the work permit is based on a service contract between a Brazilian company and a foreign company (temporary technical work permit based on Normative Resolution 03) or whether the work permit is for an expatriate employee of a Brazilian company under a local work contract (temporary work permit based on Normative Resolution 02), such as a service contract.
- For a temporary technical work permit, the contractor in Brazil initiates the procedure by applying to the Immigration Division of the Ministry of Justice and National Security.
- If the application is approved, the authorization is forwarded through the Ministry of Foreign Affairs to a designated Brazilian consulate abroad, where the individual designated in the service contract requests the issuance of the visa in the passport.
- To obtain a temporary technical work permit under a service contract, the immigrant individual and the company must provide certain documents and information, including the technical service agreement between the companies.
- To obtain a temporary work permit based on a labor contract with a Brazilian company, the individual must file proof of education and professional experience in addition to the passport.
- The employer in Brazil must also file certain documents with the Ministry of Justice and National Security, together with an employment contract.
- Immigrants may obtain a residence permit in Brazil as an investor to be able to be self-employed in the country.
- To obtain this type of residence permit, both of the following conditions must be satisfied:
 - The immigrant must make a minimum investment, which is currently BRL500,000 if certain requirements are met, and register the investment at the Central Bank of Brazil. This limit may be reduced to BRL150,000 if certain requirements are met.
 - The investor must present a plan of investment and a commitment to create work positions for Brazilian nationals.



Type of Visa	Documentation	Validity	Eligibility
VITEM V visa (Temporary work visa)	<ul style="list-style-type: none"> Valid Passport Photo 2x2 inches Completed Application Form Proof of residence in consular jurisdiction Employment contract 	<ul style="list-style-type: none"> 2 years 	<ul style="list-style-type: none"> Foreign citizens travelling to Brazil under an employment contract or to perform technical assistance/emergency work must hold a temporary work visa (VITEM V).
Permanent work visa ("Visto Permanente")	<ul style="list-style-type: none"> Applicant's Passport Visa Application Form Photograph Proof of jurisdiction Proof of Legal Residency 	Permanent	<ul style="list-style-type: none"> Foreigner workers entitled to permanent residence in Brazil usually seek this visa. It applies to professional researchers, scientists, investors with more than \$50,000 invested per person or \$200,000 invested per company, managers, and directors. After two years, some holders of a VITEM V visa in this category can apply for a permanent work visa.
Investor Visa	<ul style="list-style-type: none"> The company's articles of association The company's business plan The applicant's passport A proof of foreign direct investment from SISBACEN Proof of payment of relevant fees A valid International Yellow Fever vaccination certificate 	3 years	<ul style="list-style-type: none"> The immigrant must make a minimum investment, which is currently BRL500,000 if certain requirements are met, and register the investment at the Central Bank of Brazil. This limit may be reduced to BRL150,000 if certain requirements are met.



Value Added Tax (VAT)

- Each of the 26 states and the Federal District set their own indirect tax rates, which range between 17% and 19%. Some examples of the ICMS standard rate are as follows:
 - São Paulo, Paraná e Minas Gerais: 18%
 - Rio de Janeiro: 19%
 - Remaining States: 17%
 - Rates of IPI range from 0 to 330%, and average around 15%. ISS standard rate ranges from 2% to 5%.
- The following rates are those applied generally across most states apart from Rio de Janeiro, São Paulo, and Paraná e Minas Gerais

VAT	
Standard	17%
Reduced	12%
Reduced	7%

Withholding Tax

- In general, payments made to non-residents are subject to WHT in Brazil.
- As a general rule, payments to non-residents for services rendered to Brazilian residents and payments to non-resident individuals as work compensation are subject to the general WHT at a 25% rate.
- However, interest, royalties and other fees that are not paid in connection to the provision of services are taxed at a 15% rate.
- Brazilian dividends paid to nonresidents are exempt from withholding tax.
- The WHT shall also be levied at a 15% rate over the provision of technical services, administrative assistance and other similar services, which do not involve transfer of technology.
- Note that payments made to entities located at low tax jurisdictions are subject to the WHT at a 25% rate.
- Tax treaties may reduce or eliminate WHT.
- Other taxes may be imposed on the local source of payment depending on the nature of the transaction.

Withholding Tax	
Payment made to non-residents	25%
Interest	15%
Royalties	15%
Technical Service Fee	15%
Dividends	Exempt



Termination

- Employees can be dismissed without cause at any time, subject to notice periods and severance pay. The employer is not required to formally justify the dismissal, except in the case of termination with cause.
- Employees are entitled to resign on the basis of constructive dismissal if:
 - They are assigned to tasks outside the scope of the services for which they were hired or that are immoral or illegal.
 - They are treated immorally or without respect by the employer.
 - The employer does not respect their main employment rights.
 - They suffer physical abuse or damage to their (or their family members') honor or reputation, among other circumstances.
- Employees can resign at any time and for any reason, by giving a 30-day notice period in advance.
- An employer can dismiss an employee with cause in certain circumstances such as gross misconduct, dereliction of duties, improper act or lack of self-restraint
- In case of resignation or dismissal without cause, employees and employers respectively should provide the other with 30 days' notice.
- Employees are entitled to an additional three days' notice for every year worked for the company (the employer can pay in lieu of notice).

Statutory Benefits

- These are mandatory benefits as postulated by law
- These include probationary period, annual leave, public holidays, sick leave, maternity leave, paternity leave, overtime pay, notice period, severance pay and 13th month pay
- Statutory benefits also include social security benefits.

Statutory Benefits

Probationary period

Annual Leave

Public Holidays

Sick Leave

Maternity Leave

Paternity Leave

Overtime Pay

13th month pay

Notice period

Severance Pay

Social Security Benefits





Payments and Invoicing

- The Brazilian tax year is the calendar year.
- Brazil imposes a pay-as-you-earn (PAYE) system.
- Under the PAYE system, income tax on income received by an individual through a foreign payroll should be paid on a monthly basis through a tax voucher known as carnê-leão.
- In addition, for the portion of the compensation paid through a Brazilian payroll, taxpayers are subject to withholding income tax.
- The tax is due on the last working day of the month following the month when the income is received. Late payments are subject to penalties (at a daily rate of 0.33%, limited to 20%) and to interest (at a monthly rate of approximately 1%).
- To make monthly income tax payments, residents must register as individual income tax contributors and obtain a Taxpayer Identification Number (CPF).
- Disclosure of the CPF number is mandatory in most financial transactions.
- Married persons may be taxed jointly on all types of income if one spouse has no income and is listed as a dependent in the other spouse's return.
- In all other cases, married persons are taxed separately on all types of income



Ease of Doing Business

- The ease of doing business index is an index created by Simeon Djankov, an economist at the Central and Eastern Europe sector of the World Bank Group.
- Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
- According to the World Bank Brazil ranked 124th in the World in 2019 in terms of ease of doing business.



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