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# TABLE OF CONTENTS

PRESENTATION AND Q&A	<b>3</b>
OVERVIEW	<b>9</b>
FOREIGN INVESTMENTS IN BRAZIL	<b>11</b>
INDIRECT FOREIGN INVESTMENTS	<b>14</b>
INVESTMENT FUNDS	<b>15</b>
DIRECT FOREIGN INVESTMENTS	<b>20</b>
MERGERS AND ACQUISITIONS	<b>23</b>
TAX	<b>25</b>
INTELLECTUAL PROPERTY	<b>39</b>
LABOR AND EMPLOYMENT	<b>43</b>
DATA PROTECTION , ARTIFICIAL INTELLIGENCE AND NEW TECHNOLOGIES	<b>50</b>
COMPLIANCE AND ANTI-CORRUPTION	<b>54</b>
PUBLIC BIDS	<b>58</b>
UTILITY SERVICES GRANT	<b>61</b>
SANITARY AND REGULATORY	<b>63</b>





## PRESENTATION AND Q&A

As Legal Partner of **South Summit Brazil 2026**, CMT's team was kindly invited to present to foreign investors a brief overview of the Brazilian legal system, answering the most common questions about making investments in Brazil.

The information contained in this guide is not intended as and does not constitute any legal advice and is for general informational purposes only. As such, this guide does not claim to suggest the ideal structure for investments in the country – especially because this will always be contingent on the specific objectives of each investor and the peculiarities of each investment – or to exhaust the current political and economic situation and trends in Brazil. Nonetheless, we hope it will be useful to provide an overview of the main issues to be considered when investing in Brazil.

In the chapters that follow, we will cover the main issues related to investments in Brazil, but for those interested in a quick read, we have prepared a Q&A based on the main questions we normally receive from foreign clients that should help:

### **1. What are the main ways for foreigners to invest in Brazil?**

Foreign investors (individuals or legal entities) can invest in Brazil mainly in 3 (three) ways: **(i)** investments through the financial or capital markets; **(ii)** direct investments through the acquisition of equity interests in Brazilian companies; and/or **(iii)** loans to Brazilian individuals or companies.

### **2. Can I operate in Brazil through a foreign branch?**

Yes. Foreign companies may operate in Brazil through subsidiaries, branches, agencies or establishments subordinated to foreign companies. To this end, they must obtain authorization from the Federal Executive Branch, making this a highly complex and seldom recommended alternative, and, therefore, of very low use. In practice, it is common to operate through subsidiaries, i.e., new companies created with their own legal identity, owned by foreign individuals or companies.

### **3. What is the structure of investment funds in Brazil and what are the advantages of investing through investment funds?**

The investment funds are regulated by CVM, which is the national authority equivalent to the US SEC, and have an administrator (administrador), who is legally responsible for the fund, and a manager (gestor), who is responsible for the management of the fund's portfolio in accordance with its investment objectives and policy, providing governance and transparency to the structure. There are several types of funds, especially equity investment funds (FIP), real estate investment funds (FII), credit rights investment funds (FIDC), exchange traded funds (ETF) etc.

### **4. How long does it take to incorporate a company in Brazil?**

It is common for the incorporation of a company in Brazil by foreign investors to take up to 180 (one hundred and eighty

days) days. However, it is possible to start with smaller and simpler structures (such as holdings acting as subsidiaries, usually in the form of a Limitada), which can take less than 30 days.

### **5. What are the main types of companies in Brazil? What are the advantages and disadvantages of each of them?**

There are 2 (two) most common types of legal entities in Brazil: corporations (“S.A.”) and limited liability companies (“Limitada”). The Limitada is the most common type in the country and may be incorporated by a single partner and officer, irrespective of the nationality of the partner. The S.A. is generally reserved for more robust corporate governance structures or when there is an interest in fundraising and even financing through the capital markets.

### **6. What are the main taxes in Brazil?**

The main taxes levied on business operations are taxes on profit (IRPJ and CSLL), on revenue (PIS and COFINS), on merchandising and services (ICMS, ISS, IPI) and on payroll (INSS). The Tax Reform introduced two taxes on consumption (CBS, IBS) and a tax levied on the consumption of products that are harmful to health and the environment (IS). In addition, there are taxes on financial transactions (IOF), on imports (II), on royalties (CIDE), on the ownership and transfer of urban properties (IPTU and ITBI), on the ownership of rural properties (ITR) and on transfers by death or donations (ITCMD).

### **7. What are the taxation regimes in Brazil?**

The calculation of corporate taxes in Brazil may occur: **(i)** by the actual profit, which taxes only the actual profits, but with several ancillary obligations; **(ii)** by the presumed profit, in which the tax-

ation is levied on a percentage of the revenue, defined according to the company’s sector of activity, regardless of the actual profit; and **(iii)** by the Simples Nacional, which concentrates several taxes, but which is prohibited to companies with foreign investors.

### **8. How does Brazil protect intellectual property?**

Brazil protects intellectual property through industrial property rights and copyrights. Industrial property is governed by Law No. 9,279/1996 (LPI) and encompasses trademarks, patents, utility models, and industrial designs, the registrations of which are granted by the BPTO (INPI). Software, although registrable with the BPTO for evidentiary purposes, is legally protected under the Copyright Law (Law No. 9,610/1998), which equates source code to a literary work. Copyright protection arises upon the creation of the work and ensures moral rights (authorship) and economic rights (exclusive economic exploitation). The Brazilian system provides robust civil and criminal enforcement mechanisms, including preliminary injunctions, search and seizure orders, and compensation for damages. The protection of intellectual property holds constitutional status and is reinforced by Brazil’s adherence to international treaties such as TRIPS, the Paris Convention, the Madrid Protocol, and the Berne Convention.

### **9. What are the costs of hiring employees?**

Employees have minimum guaranteed rights. The main rights are: basic salary, 13th salary (Christmas Bonus), paid vacation, transportation allowance and Unemployment Compensation Fund (Fundo de Garantia por Tempo de Serviço – FGTS). It is estimated that, considering minimum rights and payroll taxation, hiring an employee costs, on average, between 40% (forty percent) and 63% (sixty three percent) of their gross monthly salary.

## 10. Can foreign companies hire Brazilians?

Yes. However, Brazilian labor laws will apply to work carried out in Brazil, even when the employee works for a foreign company. It also applies to the work of foreign employees working in Brazil. In the case of Brazilian employees transferred abroad, the most beneficial rules between the Brazilian and the foreign jurisdiction will apply.

## 11. Can a company have a single partner?

The Limitada, the most common type in the country to receive foreign direct investment, may be incorporated by a single partner, irrespective of nationality, while the S.A. may only have as its sole partner a Brazilian company (wholly owned subsidiary (subsidiária integral)).

## 12. Is there a limitation of investor liability?

In the main types of companies, Limitada and S.A., the liability of its partners is limited to the subscribed corporate capital or at the share issue price. However, in extreme cases, disregarding the corporate entity is admitted, such as when the company is used to defraud creditors, perform illegal acts, or when the company's assets are intertwined with the member's assets. There are many cases in which the Labor Courts, for instance, pierce the corporate veil and reach the partners' assets.

## 13. Can administrators in Brazil be held responsible for acts of management?

On a civil sphere basis, the managers of companies will only be held liable for: **(i)** acts performed in violation of the law or the articles of organization/incorporation of the companies they represent; and **(ii)** acts that, although exercised within their

attributions, cause damage intentionally (willful misconduct) or by recklessness, malpractice or gross negligence of the administrator.

## 14. Do foreign investors need representatives in Brazil?

Foreign investors must appoint an attorney-in-fact resident in Brazil (by means of a notarized power of attorney, apostilled, with a sworn translation into Portuguese and registered with the Registry of Deeds and Documents), to represent him/her in matters related to his/her status as a partner or shareholder of Brazilian companies before the Brazilian authorities. For foreign investments (performed by individuals) in the financial and securities markets, there is an exemption from the indication of an attorney-in fact when they invest in: **(i)** securities directly from accounts of non-residents in Brazilian Reais held in the country, provided that they are owned by them, and they use their own resources; **(ii)** financial assets from the same accounts, also owned by them and with their own resources; or **(iii)** financial assets besides their non-resident accounts, provided that the monthly contributions do not exceed two million Brazilian Reais (R\$ 2,000,000.00) by means of each intermediary and are performed with their own resources.

## 15. Should Brazilian company administrators be Brazilian and reside in the country?

No. Administrators may be Brazilian or foreigner and reside or not in Brazil. However, the Brazilian legislation requires that the foreign administrator non-resident in Brazil must appoint an attorney-in-fact resident in Brazil for purposes of receiving summons and other notifications on behalf of him/her.

## 16. How is the structure of the administration in Brazilian companies?

Apart from publicly-held companies, both S.A. and Limitada (LTDA.) may be represented by a single manager, who may or may not be a member of the company, who will respond directly to the partners. However, in publicly-held companies, it is mandatory and, in other companies, optional (except in specific sectors) to set up a Board of Directors, in addition to an Audit Committee to supervise the management of administrators.

### **17. Is there a minimum capital contribution to incorporate a company in Brazil?**

Except for specific situations (airline, financial, insurance, among others), no. Generally, the corporate capital is directly related to the initial value of the investment for the exploitation of the entity's corporate purpose and will be chosen by the partner or partners. It is recommended that it is sufficient to support the working capital of the business. It is a fixed amount provided for in the company's articles of organization/incorporation.

### **18. Does Brazil require the disclosure of financial statements?**

Only companies incorporated as corporations (S.A.) are required to annually publish management reports on their business activities, financial statements, and opinions from independent auditors and/or the Fiscal Council, if applicable. Many foreign companies choose to operate in Brazil through limited liability companies (Ltda.) to maintain confidentiality over these documents, since, despite the requirement to prepare them, there is no obligation to disclose them publicly.

### **19. Does Brazil require disclosure of the ultimate beneficial/owner (UBO)?**

Foreign investors and Brazilian compa-

nies must inform to the Brazilian Federal Revenue their ultimate beneficial owner, who is, in short, the individual (and not the entity) who controls or influences, in a significant way, directly or indirectly, a particular entity, or the individual on whose behalf a transaction is concluded.

### **20. Should foreign investments in Brazil be registered?**

Foreign investments must be registered with the Central Bank of Brazil (via the SCE-IED module for equity participation, or the SCE-Crédito module for financial transactions) within 30 (thirty) days of the entry of capital into the country. It is worth noting that non-resident individual investors, who invest in the financial or securities markets, are also exempt from investor registration with the CVM.

### **21. Is it possible to repatriate investments?**

There are no restrictions on the repatriation of funds such as dividends, interest or divestment in equity interests, nor limits on the value or minimum/maximum investment time/repatriation of funds entering and leaving Brazil.

### **22. Are there partners/shareholders agreements in Brazil?**

Yes. In general, partner agreements generally provide for the purchase and sale of equity interests (between partners and/or third parties), preemptive rights for the acquisition of equity interests, exercise of voting rights, exercise of control power and non-compete obligation, among others.

### **23. How to acquire a company in Brazil (M&A)?**

The M&A process in Brazil is very similar to that practiced around the world, quite

influenced by the US market. In addition to the contracts negotiated between the parties, acquisitions of Limitadas are formalized through amendments to articles of organization, which must be registered with the Registry of Commerce; while acquisitions of S.A.s are formalized in their own registration books, kept by the companies themselves or by financial institutions contracted for bookkeeping.

#### **24. What are the competition rules applicable to M&A in Brazil?**

In certain cases, M&A transactions (or other forms of business combinations) depend on prior approval from the Brazilian antitrust authority, the Administrative Council for Economic Defense (Conselho Administrativo de Defesa Econômica - CADE). Prior approval from CADE is required for transactions: **(i)** that produce or may produce effects in Brazil; **(ii)** in which at least one of the involved economic groups has assessed a gross income equal or superior to R\$ 750 million in the fiscal year prior to the transaction and at least one of the other economic groups involved in the transaction has a gross income equal or superior to R\$ 75 million in the previous fiscal year; and/or **(iii)** that result in acts of concentration under antitrust legislation.

#### **25. Is it possible to develop partnership programs to retain and encourage employees?**

Yes. Partnership or stock options programs can be structured both in more robust structures, such as publicly traded companies, and in Limitadas. The programs may involve both the effective granting of equity interests and phantom shares, provided that legal requirements are observed and that there is onerousness (should not be free of charge) and market risk (should not result in benefits prefixed and/or not subject to variations).

#### **26. How are data protection rules in Brazil?**

The country has data and privacy protection standards. There is a General Data Protection Act in effectiveness since 2020, whose content was quite influenced by the European General Data Protection Regulation (GDPR).

#### **27. How does public procurement work in Brazil?**

Acquisitions (and certain sales) by the Brazilian Government are made through a bidding procedure, to select the most advantageous proposal for the government through objective and impersonal criteria. The Bidding Act establishes five bidding modalities: **(i)** reverse auction; **(ii)** competition; **(iii)** tender; **(iv)** auction; and **(v)** competitive dialogue.

#### **28. Are there compliance and anti-corruption rules in Brazil?**

In addition to manuals of good governance practices issued by influential organizations, especially the Brazilian Institute of Corporate Governance (Instituto Brasileiro de Governança Corporativa - IBGC), the country has the Prevention of Fraud and Money Laundering Act (Lei de Prevenção à Fraude e à Lavagem de Dinheiro) (criminal law) and the Clean Company Act (Lei da Empresa Limpa) (administrative law), to mention the main examples, whose main objective is the accountability for fraudulent practices and activities, corruption and money laundering.

#### **29. Are there ESG rules in Brazil?**

The country, like the rest of the world, in addition to signing pacts at the international level, has sought to include clear policies and rules related to the ESG movement. To mention a few examples: **(i)** CVM Resolution No. 227, which amends CVM Resolution No. 193 regarding the adoption of ISSB global standards (IFRS S1 and S2), mandates the disclosure of audited sustainability reports for publicly traded companies as of the 2026 fiscal year; **(ii)** CVM

Resolution 175, which sets forth the adoption of an attentive use of the term “green” in the classification of investment funds, resulting in more transparency to the market; **(iii)** the Social, Environmental and Climate Risks and Opportunities Report of the Central Bank of Brazil; and **(iv)** the ASG II Guide published by ANBIMA, which establishes self-regulatory standards for the identification of sustainable investment products; **(v)** the Brazilian Sustainable Taxonomy, enacted in 2025 to standardize the definition of ‘green’ investments within the country; and **(vi)** Central Bank of Brazil (BCB) prudential regulation, which mandates financial institutions to manage and disclose social, environmental, and climate-related risks (via the GRSAC Report) integrated with credit and operational risk frameworks.

### **30. Are there rules for the use of crypto assets in Brazil?**

Law No. 14,478/22, also known as the “Legal Framework for Cryptoassets”, regulates operations with cryptoassets in Brazil and became effective in July 2023. The Central Bank of Brazil is responsible for the regulation of the crypto asset market, and published BCB Resolutions No. 519, 520, and 521, which came into effect on February 2, 2026, defining the criteria for the authorization and operation of Virtual Asset Service Providers (SPSVAs). These resolutions establish parameters for minimum capital requirements, corporate governance, and asset segregation. Companies already operating prior to the regulation have a 270-day period (counted from Feb/2026) to file their authorization request with the BCB. Within the scope of the capital markets, the CVM is the one entitled to regulate the offering of securities in the form of crypto-assets, in accordance with the guidelines set forth in Guidance Opinion No. 40. Furthermore, CVM Resolution No. 175 permits local investment funds to invest directly in crypto-assets, provided that such assets are traded through entities authorized by the

BCB or in jurisdictions subject to recognized regulatory oversight. With respect to tax matters, the Federal Revenue of Brazil (Normative Ruling No 1,888/19) requires that exchanges and people who transact crypto assets only report such information to the RFB.

### **31. Are electronically signed contracts valid in Brazil?**

Yes. Both digital signatures, certified by ICP-Brasil, and electronic signatures, carried out through a private platform, valid as long as accepted between the contracting parties, are allowed. The Brazilian courts are discussing the effectiveness of different signature modes, and the safest route would be to use the platforms that are duly certified by the ICP-Brasil.

### **32. How does the judicial system work in Brazil?**

Brazil adopts the civil law system, whose main source is written law. In general, the Judiciary Branch is divided into five (5) federal courts and twenty-seven (27) state courts and, if the controversy is not resolved in this context, the case may be brought to the Superior Court of Justice and/or the Supreme Court, the latter if the issue involves the violation of the Federal Constitution.

### **33. What are the main methods of conflict resolution in Brazil?**

Disputes in Brazil can be resolved through the Judiciary or through private alternative methods, such as mediation and arbitration. In corporate and investment contracts, the parties are entitled to choose the method of conflict resolution, and the main choice is arbitration, due to benefits such as speed and confidentiality.

**For more information, please visit [cmtadv.com.br](https://cmtadv.com.br).**



## OVERVIEW

The Federative Republic of Brazil is the fifth largest country in territorial terms and the seventh most populous in the world, with approximately 213.400.000 (two hundred thirteen million, four hundred thousand) inhabitants, adopting Portuguese as the official language. It is considered an “upper-middle economy” by the World Bank, being a member of the BRICS, MERCOSUL’s main player, and is in the final stages for membership with the OCDE.

The country is composed of twenty-six (26) states and the Federal District, with Brasília as its capital and political center. However, the economic epicenter is located in the Southeast region, where the cities of São Paulo and Rio de Janeiro are located. The State of Rio Grande do Sul, seat of **South Summit Brazil 2026**, is close to Uruguay and Argentina, and is a region famous for the German and Italian colonization.

Brazil is an important agribusiness power, being a leader in chicken exports and having the second largest cattle herd in the world. It is the second largest exporter of iron ore and has a vast and prosperous industrial market, especially in the chemical, oil, food and aviation sectors. The country has a very advanced financial system in regulatory terms, with a Central Bank acting in the regulation and development of important financial solutions, such as the arrangement of instant payments (Pix) and the rapid implementation of Open Banking.

In the field of technology, Brazil has shown very positive results, and the development of some sectors such as the e-commerce and logtechs was accelerated by the COVID-19 pandemic.

In 2025, Brazil’s Gross Domestic Product (GDP) recorded a growth of approximately 2.4% to 2.5% year-over-year, according to consolidated projections. This reflects the continued expansion of the economy, albeit at a more moderate pace compared to 2024. These figures factor in partial data released throughout the year, alongside official projections from both governmental and international institutions. Based on accumulated economic indicators for 2025, they point to a growth rate exceeding 2.3%. The final annual GDP results for 2025 are expected to be released by the Brazilian Institute of Geography and Statistics (IBGE) in March 2026.

Finally, according to the Economic Bulletin of the Brazilian Securities and Exchange Commission (CVM) for the fourth quarter of 2025, the Brazilian regulated market closed the year with 92,818 participants (regulated entities), representing a 3.4% growth compared to the end of 2024. The bulletin particularly highlights the expansion of the securities investment advisors sector, with significant growth in the number of registered participants, as well as the strong performance of Real Estate Investment Funds (FIIs) and Receivables Certificates (CRIs) in the total volume of securities issued in 2025, reflecting greater diversification and dynamism within the Brazilian capital market.

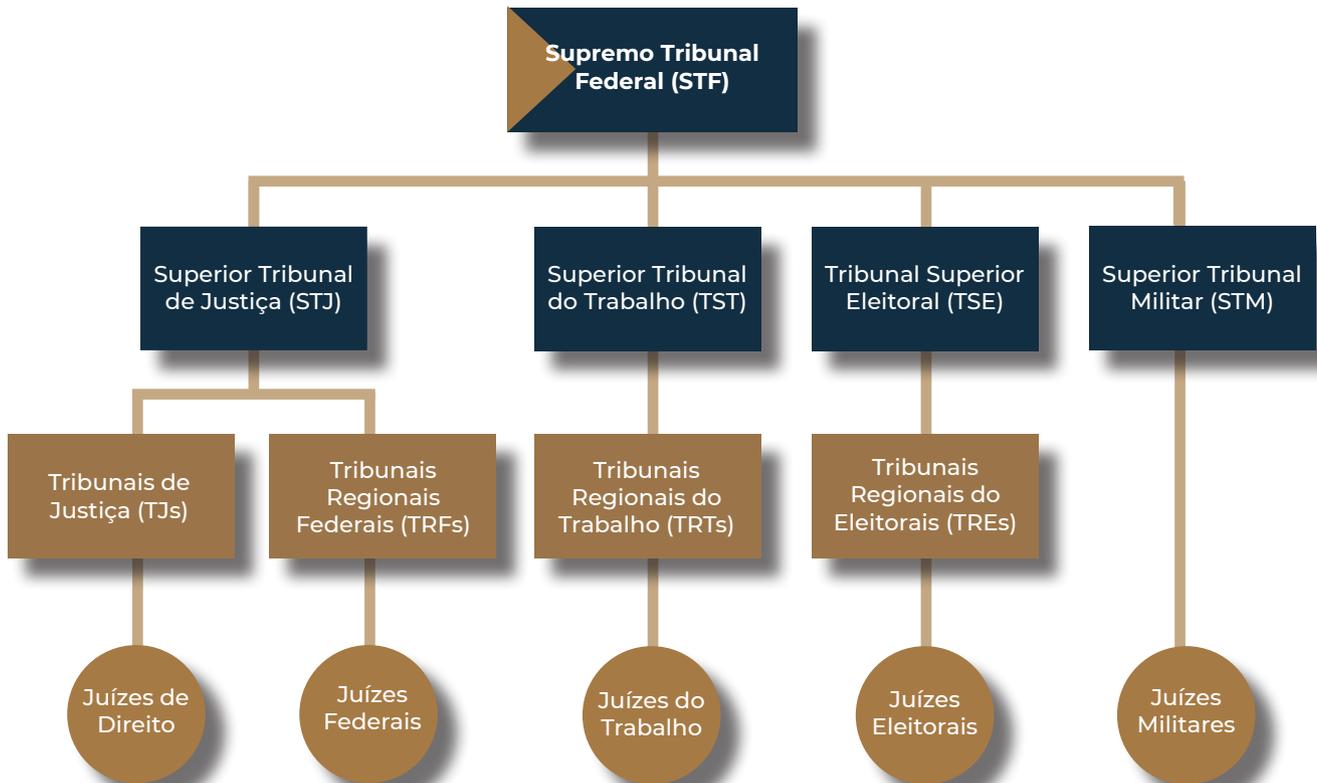
### THE BRAZILIAN LEGAL SYSTEM

Brazil adopts the system of presidential government, consisting of a federal government, twenty-six (26) states, a federal district, in which Brasília, the national capital, is located, and more than 5,500 municipalities. Each of these members of the federation has the

power to elect their representatives and enact their own laws within the limits established in the Federal Constitution, in force since 1988.

The President of the Republic is the head of the Federal Executive Branch. The Federal Legislative Branch, at the federal

level, is represented by the National Congress, composed of two legislative houses: the Federal Senate (Senado Federal) and the House of Representatives (Câmara dos Deputados), both composed of representatives directly elected by the people. The Judiciary has the following organizational structure:



In general, the jurisdiction of the federal courts is restricted to cases involving the federal administration (such as state companies, municipalities, etc.), and the state courts have subsidiary jurisdiction (that is, jurisdiction over any other cases that are not subject to federal or special courts).

As an institution essential to the jurisdictional functioning of the State, the Department of Justice, which role is to defend the legal order, the democratic regime and the social and individual inalienable rights. It is a permanent and independent institution with the goal to, among others, **(i)** move, privately, public criminal actions, **(ii)** care for the actual respect for the Pu-

blic Powers and relevant public services and the rights set forth in the Brazilian Federal Constitution by promoting the necessary measures to guarantee them, **(iii)** move claims for the protection of the public and social property, the environment and other natural and collective rights, and **(iv)** legally defend the rights and interests of the indigenous people.

Brazil adopts the Civil Law system, in which legislation is the main source of regulation. This means that, contrary to what happens in the Common Law system, only certain decisions rendered by higher courts in specific situations become binding as a law.

## FOREIGN INVESTMENTS IN BRAZIL

In Brazil, there are essentially three (3) bodies that dictate the rules with respect to foreign investments: **(i)** the National Monetary Council (“CMN”); **(ii)** the Central Bank (“BC”); and **(iii)** the Securities and Exchange Commission (“CVM”).

CMN is the maximum entity of the National Financial System, establishing general guidelines on foreign exchange and credit policies in Brazil, regulating the constitution, operation and monitoring of Brazilian financial institutions, coordinating public debt transactions and providing subsidies to certain economic sectors.

The BC is the main enforcer of the CMN rules, having as its main responsibilities the issuance of currency, control of the foreign exchange markets, carrying out of foreign exchange transactions on behalf of companies in the public sector and the National Treasury. It has an obligation to supervise, regulate and control the entire banking and financial system, in addition to implementing the approved national monetary policy.

CVM is responsible for overseeing the capital markets, protecting investors by enacting resolutions, promoting the disclosure of information to the market and punishing fraudulent transactions.

The BC and the CVM are subordinated to the CMN and, therefore, decisions regarding administrative proceedings of both entities may be subject to the National Financial System Appeals Board, a CMN body.

### FOREIGN CAPITAL

Foreign investors (individuals or legal entities) can invest in Brazil basically in 3 (three) ways: **(i)** investments through the financial or capital markets; **(ii)** direct investments, through the acquisition of equity interests in Brazilian companies; or **(iii)** loans to Brazilian individuals or companies.

Brazilian law considers foreign capital any capital or other assets brought to Brazil for use in economic activities.

Any foreign investment, whether in foreign currency or other assets, is subject to registration with the BC, which maintains strict control over the entry/exit of investments in the country. Any foreigners, individuals or legal entities, who hold assets located in Brazil subject to public records, such as real estate, vehicles, equity interests, bank accounts and investments in the capital markets, must be registered with the Individual Taxpayer’s Registry (CPF) or the Corporate Taxpayer Registry (CNPJ), as applicable. Such registrations must be made prior to the investments.

To do so, foreign investors must grant a power of attorney to a person residing in Brazil, to represent him/her before the Brazilian public authorities and facilitate any summons of the foreign investor (in the person of his attorney-in-fact, who is in Brazil) by public agencies.

With the enactment of the Joint Resolution No. 13, of December 3, 2024, investments by non-resident individuals in the financial market and in the securities market are exempt from the appointment of a representative, in three (3) situations:

- (i) investments in securities, including from a non-resident account in reais held in the country, owned by the company, using his/her own resources;
- (ii) in investments in financial assets from a non-resident account in reais held in the country, owned by the company, using his/her own resources; and
- (iii) in investments in financial assets not performed using a non-resident account in Brazilian Reais held in the country, owned by the company, using his/her own resources, for the total monthly contributions of up to R\$ 2,000,000.00 (two million Brazilian Reais) by means of each intermediary. Such waivers

have the goal of simplifying the procedures for non-resident investors.

In addition, there is a provision for exemption from investor registration with the Securities and Exchange Commission (CVM) for operations carried out in the financial market and in the securities market. However, this exemption is contingent on compliance with the registration requirements established by the CVM itself, thus ensuring the regularity and security of the operations.

Registration and representation exemptions are summarized by the Central Bank of Brazil as follows:

NON-RESIDENT INVESTOR (NRI)	APPLICATION OF OWN FUNDS MAINTAINED IN A CHECKING ACCOUNT OR PAYMENT ACCOUNT IN BRL IN THE COUNTRY HELD BY THE NRI	
	FINANCIAL ASSET	FINANCIAL ASSET
INDIVIDUAL	Exemption from Representative Exemption from CVM Registration	Exemption from Representative Exemption from CVM Registration
LEGAL ENTITY	Exemption from Representative Exemption from CVM Registration	Requires Representative Requires CVM Registration

NON-RESIDENT INVESTOR (NRI)	APPLICATION OF OWN FUNDS MAINTAINED IN A CHECKING ACCOUNT OR PAYMENT <sup>1/</sup> ACCOUNT IN BRL IN THE COUNTRY HELD BY THE NRI		APPLICATION VIA REMITTANCE FROM ABROAD PAYMENT ORDER (in BRL or foreign currency)	
	FINANCIAL ASSET	SECURITIES	FINANCIAL ASSET	SECURITIES
INDIVIDUAL	Any amount/ <sup>2/</sup>	Any amount/ <sup>2/</sup>	Up to BRL 2 million/ <sup>2/</sup> > BRL 2 million/ <sup>3/</sup>	Any amount/ <sup>2/</sup>
LEGAL ENTITY	Any amount/ <sup>2/</sup>	Any amount/ <sup>4/</sup>	Any amount/ <sup>4/</sup>	Any amount/ <sup>4/</sup>

Notes:

1/ Transactions in prepaid payment accounts are limited to BRL 100,000 (Res. BCB 277/2022).

2/ Exemption from representative and CVM registration. Contribution via intermediary.

3/ Requires a representative, but CVM registration is waived. Monthly contribution via intermediary.

4/ Requires a representative and CVM registration.

It is worth mentioning that there are no restrictions on the repatriation of funds such as dividends, interest or divestment in equity interests, with no limits on the minimum/maximum amount or time of investment/repatriation of funds.

Despite the favorable environment for foreign investments, Brazil has certain limitations when it comes to certain strategic markets, such as health care, navigation and cabotage, journalism and broadcasting, mining, hydraulic power, the national financial system, road freight transport. In addition, there are also certain restrictions on the exercise of activities by foreigners in border strips.

As of 2022, the new foreign exchange legal framework (Law No.14,286/21) entered into force, governing capital flows in Brazil in conjunction with its subordinate regulations (notably BCB Resolutions No. 277, 278, and 279). The greatest merit of the foreign exchange framework is to repeal the various foreign exchange rules that were scattered between laws and decrees and to consolidate such rules into a single normative instrument, carried out by the Central Bank and no longer by the legislature, which brings

greater speed in the regulatory process of the foreign exchange market, providing, for example: **(i)** the possibility for the Central Bank to increase the range of companies that can have accounts in foreign currency; **(ii)** permission for foreign currency purchase and sale operations below USD 500 (five hundred US dollars) to be carried out P2P, without the need for supervision by the Central Bank; **(iii)** equalization of the treatment of accounts in reais held by non-residents (the CC5s) with accounts held by residents in the country, reducing bureaucracy in the process of opening and movement; and **(iv)** consolidation of exceptions to the rule of compulsory use of national currency; and **(v)** the increase to **USD 10,000** (or equivalent) of the limit for carrying physical cash into or out of the country without the need for declaration.

Furthermore, pursuant to BCB Resolutions No. 519 and 521 (effective as of Feb/2026), virtual assets have been formally integrated into the foreign exchange market. International transfers may now be settled via virtual assets through authorized Virtual Asset Service Providers (PSAVs), provided that compliance and foreign exchange reporting regulations are observed.

## INDIRECT FOREIGN INVESTMENTS

In order to invest in the Brazilian financial and capital markets, foreign investors residing abroad need to be aware of the rules of the CMN, the BC and the CVM, bodies that, in addition to creating regulations regarding foreign investments in the country, also supervise their compliance.

According to these bodies, to be regularized as a non-resident foreign investor in Brazil, it is necessary to:

**(a)** for investments in the capital markets, file a request with the CVM, which will be automatically approved, but will continue to be monitored, and may be suspended in case of verified and proven irregularity;

**(b)** indicate a financial institution as its legal representative in Brazil, which will be responsible for providing the neces-

sary information to the authorities of the Brazilian market and receiving judicial or administrative notifications on behalf of the investor; except in the cases provided for the waiver of a representative (according to CVM/BCB Joint Resolution No. 13/2024);

**(c)** hire asset depositary/custodian services, who are allowed to carry out the initial operations without the immediate obligation to formalize the custody agreement, which must be later presented to the CVM ; and

**(d)** appoint a tax representative to declare and pay the taxes due in the country.

Subject to certain legal conditions, the foreign investor may be exempt from capital gains tax on transactions carried out on the Brazilian stock exchanges.



## INVESTMENT FUNDS

Investment funds in Brazil are regulated by the CVM, pursuant to Law No 6,385/76, with powers to issue rules on funds, supervise market agents and decide disputes at the administrative level.

In the Brazilian legal system, the funds have a condominium nature (special nature) and do not have legal personality. That is, they are legally represented by an administrator duly accredited before the CVM (financial institution). Even so, investment funds have the capacity to act in judicial/administrative proceedings, segregated equity and accounting. The members of the funds have powers to participate in the members' meetings and decide on the structuring of the funds, subject to the terms and conditions established in the documents that govern them (notably their regulations).

The fund administrator is the entity responsible for the fund as regards all legal purposes, while the manager is the one who has the obligation to manage the fund's portfolio in accordance with the purpose and investment policy set out in the fund's regulation. The fund's service providers have fiduciary duties similar to the administrators of a corporation, such as duty of care, duty to inform, abstention from conflict of interest, adequacy to the investor's profile and others, responding for non-compliance with laws, standards, regulations or in case of guilt or willful misconduct.

The CVM has edited and enacted, on December 23, 2022, the Resolution 175/2022 ("CVM Resolution 175"), which modifies the regulatory structure of investment funds. This regulation is structured in a general part, addressing central struc-

tural issues that apply to all investment funds, complemented by normative annexes that specifically address each type of fund, whose distinction relates mainly to the types of investments made. The annexes related to Financial Investment Funds (Fundos de Investimento Financeiro - FIFs), Credit Rights Investment Funds (Fundos de Investimento em Direitos Creditórios - FIDCs), Real Estate Investment Funds (Fundos de Investimento Imobiliário - FIIs), Equity Investment Funds (Fundos de Investimento em Participações - FIPs), Exchange Traded Funds (Fundos de Índice - ETFs), FGTS Equity Mutual Funds (Fundos Mútuos de Participação - FGTS), Financing of the National Cinematographic Industry Investment Funds (Fundos de Financiamento da Indústria Cinematográfica Nacional - FUNCINES), Incentivized Securities Mutual Funds (Fundo Mútuo de Ações Incentivadas), Culture and Arts Investment Funds (Fundos de Investimento Cultural e Artístico - FICARTs), Social Security Funds (Fundos Previdenciários) and Credit Rights Investment Funds (Fundos de Investimentos em Direitos Creditórios - FIDCs) incorporated for purposes of the Implementation of Programs envisaging Social Interest Projects (Fundos de Investimento em direitos creditórios constituídos no âmbito do Programa de Incentivo à Implementação de Projetos de Interesse Social - PIPs) have been made available.

**CVM Resolution 175/2022** officially became effective on October 2, 2023, granting the market a transition period to adapt to certain provisions of the regulation. Thus, the Credit Rights Investment Funds had a deadline to adapt their inventory until November 29, 2024, while the Financial Investment Funds will have

to complete the adaptation of their inventory by June 30, 2025 (which becomes the final date of market adaptation) for most Funds.

Inspired by the innovations introduced by the Economic Freedom Law (Law No. 13,874/2019), the objective of this new structure is to provide adaptability to the Brazilian regulatory environment, as it facilitates its understanding and contributes to the reduction of regulatory compliance costs (gatekeeping).

In its general section, CVM Resolution 175/2022 innovated by providing for the creation of different classes of quotas, with different rights and obligations (e.g., different amortization and redemption terms, administration and management fees, etc.), and an asset segregation that may be applicable for each class. Therefore, it is required to follow certain requirements, for example, belonging to the same category of the fund – that is, there cannot be classes of quotas for real estate and financial investments within the same fund.

An element that attracts a lot of attention and aims to provide greater guarantee to investors is the possibility of asset segregation, which enables greater predictability regarding risk appetite. This protection results from the limitation of liability to the respective affected assets, meaning that each asset will only be responsible for obligations related to that class of quotas to which it pertains. This rule brings the Brazilian reality closer to what has already been practiced in other markets. The possibility of creating segregated assets in the same fund enhances new opportunities for product structuring and cost reduction.

With respect to the specific rules applicable to each fund, for Financial Investment Funds (FIFs), CVM Resolution No. 175 introduced the possibility of investing in carbon credits and crypto-assets, provi-

ded that certain requirements are observed such as registration and authorized trading in Brazil. Furthermore, as long as certain requirements, such as transparency and target audience suitability, are met, FIFs aimed at the general public can be able to invest up to the entire amount of their assets in foreign assets.

In regards to the FIDCs, they became accessible to the common investor. Previously, it was a type of investment only available to qualified/professional investors. This became possible because there were modifications in the liability rules applicable to fund managers for the structuring of the fund, as well as the obligation to verify the backing of the credit rights and requirements for the registration of the credit rights.

Regarding the FIIs, they now benefit from greater flexibility of the administrator and the manager's liabilities as it allows for the investment funds' regulations to define the autonomy of the service renderer in the performance of the investment policy and the need to observe the qualified quorum for the dismissal of the administrator, which also became applicable to the manager's substitution. Furthermore, the FIIs may restrict the voting rights of qualified investors by limiting the number of votes per quotaholder to percentages lower than 10% of the total issued quotas, as well as set forth different voting rights limits among quotaholders.

Moreover, in October 2025, the CVM conducted a public consultation (SDM No. 06/2025) proposing updates to Annex III (rules governing Real Estate Investment Funds – FIIs), addressing matters such as fund share subclasses, general meeting quorums, and the enhancement of quotaholder representation. This initiative aims to improve the governance and transparency of FIIs by fostering greater quotaholder participation in general meeting resolutions, alongside the refinement of disclosure mechanisms and

investor protection safeguards. Although this proposal has not yet been enacted as a final rule, it reflects the ongoing regulatory evolution and warrants close monitoring by market participants.

In relation to the FIPs, CVM Resolution No. 175 introduces changes to the portfolio composition, allowing for structures such as convertible loans. The annex expands the ordinary limit for investments in assets abroad to 33%. There is also a flexibilization as to limits and deadlines with the permission for the investment fund's regulations to freely set forth deadlines, limits and amounts for certain investments. In relation to the Quotaholders' Meeting, there was a significant reduction of mandatory matters, which signifies a flexibilization of the FIPs' governance.

The content of the other added annexes referring to other types of investment funds reflects, for the most part, the provisions of the rules currently in force for each of these categories of funds.

In September 2024, the CVM published the CVM Resolution 214/2024 ("CVM Resolution 214"), which contains specific rules for FIAGROs. It is allowed that FIAGROs transit their investment policies between several asset categories, creating a kind of "multimarket" FIAGRO.

The assets of a FIAGRO portfolio can be varied, encompassing rural properties, agribusiness credit rights and other agribusiness-related securities, including the carbon market and decarbonization credits. CVM Resolution 214 entered into force on March 3, 2025, and gave an adaptation period of June 30, 2025.

Aiming to clarify the technical department's understanding regarding the interpretation of provisions within CVM Resolution No. 175 and its Normative Annexes II (FIDC), III (FII), and VI (FIAGRO), the CVM's Superintendence of Securitization and Agribusiness (SSE) published

Circular Letter No. 8/2025/CVM/SSE on November 17, 2025.

**The Circular Letter addresses, among others, the following relevant points:**

- (a) FIAGRO – Equivalence to FIDC:** clarifies that FIAGRO quotas may only be equated to FIDC quotas if the fund's regulation expressly establishes a minimum investment policy of 50% of its net equity in credit rights, complying with the framework requirements of Annex II.
- (b) FIDC – Manager's liability for underlying assets:** reinforces that the manager must verify the existence, integrity, and ownership of the underlying assets backing the credit rights, adapting due diligence procedures to the nature of the acquired assets.
- (c) FIDC aimed at professional investors:** clarifies the application of the exception that allows the receipt of funds in the assignor's account, delimiting its scope.
- (d) FIDC – Receipt of guarantees:** confirms that the receipt of guarantees may lead to a passive breach of the 50% minimum limit in receivables, requiring diligent re-compliance planning.
- (e) FII – Investment in FIDC quotas:** Admits the possibility of indirect investment in real estate receivables through the acquisition of FIDC quotas, provided that a policy compatible with the real estate nature required by Annex III is observed.
- (f) FIDC – Investment in FIDC quotas from the same manager:** clarifies that the prohibition regarding assets originated by related parties does not automatically apply to the invested FIDC quotas.
- (g) FIAGRO – Registration of credit rights:** highlights that when a FIAGRO adopts a regime equivalent to a FIDC (over 50% in credit rights), it must comply with the registration and custody requirements applicable to FIDCs.

- (h) FIAGRO – Corporate investment:** reinforces the need to observe the significant influence rules set forth in Annex IV.
- (i) FIAGRO – Resignation of the administrator:** clarifies that the administrator must remain in the exercise of their duties until the substitution is recorded in the competent registries whenever there is rural property under fiduciary ownership.

The Circular Letter does not amend the text of CVM Resolution No. 175, but rather consolidates the technical department's interpretive understanding, making it highly relevant for administrators, managers, and other market participants.

In 2025, the CVM also advanced on other regulatory fronts pertinent to the capital markets environment. In this context, the CVM instituted the FÁCIL Regime (Facilitation of Access to Capital and Listing Incentives) through CVM Resolutions No. 231 and 232/2025. This regime aims to broaden capital market access for smaller companies by providing simplified rules for registration, public offerings, and issuer information disclosure, scheduled to become effective as of March 16, 2026, following the adjustments introduced by CVM Resolution No. 236/2025.

Additionally, in December 2025, the CVM published CVM Resolutions No. 237 and 238/2025, which mandate the adoption of Technical Pronouncement CPC 51 and Technical Pronouncements Revision Document No. 28 for the financial statements of publicly traded companies for fiscal years beginning on or after January 1, 2027, further aligning accounting reporting with international convergence. These amendments, although not directly modifying the investment funds framework, impact the presentation and disclosure of information in the capital markets where such funds operate.

In December 2025, the CVM the CVM

released its 2026 Regulatory Agenda, outlining the authority's rulemaking priorities for the year, including topics that may result in new regulations relevant to the capital markets and investment funds. Highlights of the Agenda include proposals to modernize the rules applicable to Private Equity Funds (FIPs), Financial Investment Funds (FIFs), and Real Estate Investment Funds (FIIs), as well as the provision for a new rule replacing CVM Resolution No. 88 (investment crowdfunding) and enhancements to the rules on the disclosure of material facts and listing incentives. The Agenda also highlights projects for public consultations regarding suitability and other investor protection measures, signaling the CVM's regulatory focus on tracking the evolution of the capital markets in 2026.

### Equity Investment Funds (FIPs)

FIPs are investment instruments widely used by foreign investors. They are currently regulated by Annex IV of CVM Resolution No 175, which provides that FIPs are directed only to qualified investors, as defined by the CVM as one of the following persons: **(i)** individuals or legal entities considered as qualified investors, i.e., who have financial investments in an amount greater than BRL 1 million and attest to this condition in writing; **(ii)** individuals holding any of the certifications that the CVM accepts for purposes of consideration as a qualified investor; **(iii)** individuals or legal entities considered as professional investors, i.e., who have financial investments in an amount greater than BRL 10 million and attest to this condition in writing; or **(iv)** investment clubs, provided that their portfolio is managed by one or more shareholders who are qualified investors.

The CVM regulation usually requires FIPs or private equity (PE) funds to exert significant influence on their investees, which may occur through different legal structures. They must invest at least 90%

of their net equity in the following assets: **(i)** shares, subscription bonds, debentures, notes and other securities convertible or exchangeable into shares issued by companies, public or private, **(ii)** contracts or securities representing credits or interest in limited liability companies, **(iii)** quotas of other FIPs, and (iv) quotas of Securities' Funds (Fundo de Ações).

Infrastructure Equity Investment Funds (FIP-IE) may invest up to 100% in non-convertible debentures and other FIPs. In addition, PE funds may invest up to 20% in assets outside Brazil, provided that such assets have an economic nature equivalent to those in which the fund is authorized to invest. The current regulations do not establish maximum or minimum investment deadlines for PE funds. The regulations in force establish deadlines of three hundred and sixty (360) days to start activities after obtaining the operation permit with the CVM and twenty-four (24) months to meet the

minimum investment level provided for in the applicable laws and regulations.

In general terms, foreign investors who invest in Brazilian investments funds are subject to a withholding income tax with a standard rate of 15% (fifteen per cent) on the income at the moment of its distribution, amortization or redemption of quotas. In the specific case of FIAs, such tax rate is reduced to 10%. Differently from local investors, foreign investors are not subject to a periodic semi-annually taxation. Furthermore, investors located in jurisdictions with privileged tax regimes are not eligible to be subject to such reduced tax rates, and are excluded from such tax benefits.

Law No 14,754 of 2023 defines certain exceptions to the general tax rules for specific categories of investment funds and particular situations. Such exceptions include the FIIs, as well as investment in FIPs of persons non-residents in Brazil.

## DIRECT FOREIGN INVESTMENTS

Foreign investors can operate in Brazil directly in two ways: **(i)** through direct investment in a Brazilian company; **(ii)** by means of reinvestment of accrued profits; or **(iii)** through subsidiaries, branches, representative offices, agencies or establishments in the country, which, due to the need for prior authorization from the Federal Executive Branch, becomes a highly complex alternative, little recommended and, therefore, of very low use.

All direct investments in Brazil, whether in cash or other assets, must be registered by the Brazilian company with the SCE (Foreign Capital Information Reporting System) of the Central Bank of Brazil. Capital contributions and equity interests are registered under the SCE-IED module, whereas credit operations (loans and financing) are registered under the SCE-Credit module. The registration must be carried out on a self-declaratory basis within 30 (thirty) days from the date of the event (capital inflow or corporate transaction).

Joint Resolution No. 13/2024, in conjunction with the New Foreign Exchange Framework (Law No. 14,286/2021), has consolidated a more transparent regulatory environment aligned with international best practices. While the Foreign Capital Information Reporting System (SCE) remains the reporting instrument for foreign direct investment (FDI), Joint Resolution No. 13/2024 has modernized the workflows applicable to portfolio investors within the financial and capital

markets by streamlining procedures, eliminating obsolete structures and controls, and promoting greater operational efficiency.

The measures introduced reinforce the policy of reducing red tape, increase transparency, and improve the registration and monitoring processes for foreign investments, thereby contributing to greater legal certainty and predictability for the non-resident investor.

### MAIN CORPORATE TYPES

There are two most common types of companies in Brazil: corporations (“S.A.”), governed by Law No 6,404/76, and limited liability companies (“Limitada”), governed by Law No 10,406/02.

The Limitadas are similar to the English private limited companies, to other European limited liability companies, and to the US limited liability companies, being the most common type of company in Brazil, for its relative simplicity and low operating cost. It is relevant to highlight the fact that it allows for the existence of a single partner, Brazilian or foreign.

S.A.s are comparable to the English public limited companies and the US corporations and are generally reserved for more robust corporate governance structures with an interest in capital market financing.

The main differences between the Limitadas and the S.A.s are:

MATTER	LIMITADA	S.A.
Partners	It may be incorporated by a single partner.	As a rule, it must hold two or more shareholders.
Corporate capital	Corporate capital is divided into quotas, which may be of different classes with their own rights and/or restrictions. As a rule, there is no minimum corporate capital required to be invested for its incorporation.	Corporate capital is divided into shares, which may have different classes, with their own rights and/or restrictions. As a rule, there is no minimum corporate capital to be invested for its incorporation.
Control	As a rule, control occurs with 50% plus one quota of the corporate capital. In specific cases, decisions are required to be taken by 2/3 of the corporate capital.	As a rule, control occurs with 50% plus one share of the corporate capital with voting rights.
Management	The management is composed of one or more officers, partners or not, who are individuals, domiciled in Brazil or abroad. It is possible to have other management bodies, in structures similar to the S.A.	The management is composed of one or more officers, shareholders or not, who are individuals domiciled in Brazil or abroad, elected by a Board of Directors (of optional existence in closely-held S.A.s), or by the Shareholders' Meeting.
Securities	Offering of securities in the capital market is not permitted.	The trading of securities in the capital market is allowed, after due registration with the CVM.
Dividends	Disproportionate distribution of profits among members is permitted.	Disproportionate distribution of profits among shareholders is not permitted.
Registration and Publication of Corporate Acts	All corporate acts involving the interest of third parties must be registered with a Board of Trade. However, there is no need to publish corporate acts, generally.	All corporate acts involving third party interest must be registered with a Board of Trade and, in certain cases, published in newspapers and websites.
Electronic Signatures	Electronic signatures of corporate documents, such as minutes of a meeting of members/shareholders, minutes of a shareholders' meeting, minutes of a board meeting, minutes of a meeting of the board of directors, etc., are allowed with full legal effectiveness	

## PIERCING OF THE CORPORATE VEIL

Although both Limitadas and S.As have a regime of limiting the liability of the partners to the corporate capital, judicial decisions may allow the involvement of the personal assets of managers and/or partners when the company does not have sufficient assets to fulfill its obligations due to fraud or abuse by its partners and/or managers to frustrate the enforceability of the company's debts, or when the company's assets are intertwined with the personal assets of its partners or administrators.

## ALTERNATIVE FORMS OF INVESTMENT

Brazil offers other forms of direct investment to foreign investors, including:

**(i) Joint Ventures:** They can be formed in a contractual or corporate manner, so that independent companies can operate an investment jointly.

**(ii) Special Partnership:** Type of partnership registered in the accounting books of a partner (called ostensible partner), who will be responsible for representing the partnership before third parties, while the other partner contributes only with the resources necessary for the exploration of the business (participating partner), not being presented to third parties.

**(iii) Consortia:** Two or more companies, Brazilian or foreign, may associate for the specific purpose of conducting a

particular enterprise according to rules established in a contract. The consortium is not considered a legal entity. Therefore, the parties are only bound by the conditions of the contract but must maintain their own accounting for tax purposes.

**(iv) Loans:** Through loans, there is the financing of activities performed by Brazilian companies, and subsequently, the loan can be returned to the investor with interest and monetary restatement or, depending on the agreement between the parties, be converted into equity interest in the Brazilian company.

## ULTIMATE BENEFICIAL OWNER

With the registration in the Corporate Taxpayer Registry (CNPJ), there is an obligation that, within ninety days, the foreign investor or the Brazilian company indicate its Ultimate Beneficial Owner, which is the individual who controls or influences, in a significant way, directly or indirectly, a certain entity, or the individual on whose behalf a transaction is concluded. The obligation to inform the Ultimate Beneficial Owner of the foreign investor will be incumbent on its local representative with the Brazilian Federal Revenue Service.

## VALIDATION OF DOCUMENTS IN BRAZIL

Any foreign documents, to produce effects in Brazil, must be notarized in the country of origin, apostilled or notarized by a Brazilian consulate/embassy and, when in Brazil, translated by a sworn translator, and subsequently registered with the Registry of Deeds and Documents.



## MERGERS AND ACQUISITIONS

In Brazil, M&A transactions are structured very similarly to the rest of the world, and documents such as confidentiality agreements, letters of intent and memoranda of understanding (binding or non-binding), contracts for the purchase and sale of equity interests and partner agreements are commonly and widely used.

### DUE DILIGENCE

The due diligence, as an audit procedure, usually financial, accounting and legal, has as main objectives: **(i)** attainment of the best possible understanding about the business to be acquired, reducing the asymmetry of information between the parties; **(ii)** definition and enabling of price adjustments, before or after the closing of the transaction; **(iii)** evaluation of the risks of the business, identifying potential contingencies; **(iv)** reduction of the exposure of the seller to complaints from the buyer; and **(v)** validation of the information received from the seller.

From a legal perspective, the main topics to be analyzed, especially considering the impacts in Brazil, involve issues of corporate, labor, tax and environmental law. However, contractual, regulatory, real estate, antitrust, intellectual property and compliance issues in general are also as relevant in Brazil as in any other jurisdiction.

### ACQUISITION OF LIMITADAS

Acquisitions of Limitadas are formalized through amendments to articles of association, which must be registered with the relevant Registry of Commerce within thirty days as of the transaction. Although amendments to the articles of as-

sociation are public, the conditions of the transaction and other documents may be kept confidential.

In the same amendment to the articles of association that formalizes the purchase and sale, the buyer may make any changes it deems necessary, such as replacement of officers, change of corporate name, change of address, etc.

If the acquisition does not involve all the quotas, it should be noted that the Limitadas are controlled by quotaholders holding more than 50% of the corporate capital, which is the quorum necessary to approve the most relevant resolutions.

### ACQUISITION OF CORPORATIONS

Acquisitions of corporations are formalized in their own registration books, maintained by the companies themselves or by financial institutions contracted for bookkeeping, without the need for public records or communications to third parties, except in cases of specific legal requirements, especially for publicly traded companies.

If the acquisition does not involve all the shares, it should be noted that the corporations are controlled with 50% plus one share of the voting corporate capital, which is the quorum required to pass the most relevant resolutions.

### PARTNERS' AGREEMENT

The Brazilian legal system recognizes partners' agreements (called Quotaholders' Agreements in limited liability companies and Shareholders' Agreements in corporations). In general, partners' agree-

ments provide for the purchase and sale of equity interests (between partners and/or third parties), preemptive rights for the acquisition of equity interests, exercise of voting rights, exercise of control power and non-compete obligation

When filed at the headquarters of the companies, these agreements must be respected even by the management, which will not account for votes or register transfers in disagreement with the partners' agreements.

It is common that the partners' agreements also provide for dispute resolution mechanisms, both direct, such as deadlock resolution clauses and purchase or sale, and indirect, such as submission to the Judiciary or Arbitration Chambers.

## ANTITRUST APPROVAL

In certain cases, provided for in Law No 12,529/11, M&A transactions (or other forms of businesses combinations) depend on the prior approval of the Administrative Council for Economic Defense – CADE, which is the authority responsible for anti-trust regulation and supervision in Brazil.

Prior approval from CADE is required for transactions: **(i)** that produce or may produce effects in Brazil, even if they are closed abroad; **(ii)** whose parties involved and their relevant economic groups exceed certain revenue limits; and **(iii)** that result in concentration under antitrust legislation.

The assessment of the need to submit the transaction to CADE can be summarized as follows:

**(a) EFFECTS IN BRAZIL:** The transaction takes effect in Brazil if: **(i)** it occurs in Brazil; or **(ii)** it occurs abroad, but with respect to a company that has or will have a direct presence (through a local subsidiary, distributors or sales representatives in Brazil) or indirect pre-

sence (through exports to Brazil) in the country.

**(b) REVENUE LIMITS:** If the transaction will have effects in Brazil, it must be assessed whether: **(i)** at least one of the economic groups involved in the transaction recorded has a gross revenue equal to or greater than BRL 750 million in the fiscal year prior to the notification of the transaction to CADE; and **(ii)** at least one of the other economic groups involved in the transaction recorded a gross revenue equal to or greater than BRL 75 million in the fiscal year prior to the notification of the transaction to CADE.

**(c) CONCENTRATION ACT:** Once it is defined that the transaction will produce effects in Brazil and that the parties reach the revenue thresholds, it should be evaluated whether there will be a concentration act according to the criteria of the Brazilian antitrust legislation. In general terms, the concentration act may occur: **(i)** through the combination of two or more previously independent companies; **(ii)** through the acquisition of control or equity interests, rights convertible into equity interests or assets of a company; or **(iii)** through associative agreements in general, such as consortia and joint ventures, with certain exceptions.

The previous analysis of CADE may occur through: **(i)** a summary procedure, applicable to transactions of less complexity that CADE deems to have a lower competitive impact, generally completed within 30 days as of the filing; or **(ii)** an ordinary procedure, applicable to complex transactions with a greater competitive impact, which can be completed within 330 days as of the filing.



## TAX

Brazil's tax system stands out for its uniqueness, especially for the way it is structured and based on the Federal Constitution (FC). This structure not only outlines but also assigns specific fiscal powers to the federative entities - Union, States, Federal District and Municipalities - allowing them to institute and collect taxes based on different taxable events, within their respective spheres of action. This taxation capacity is conditioned to respect the constitutional principles that guide the tax system.

The composition of this system is quite complex, covering a series of rules ranging from the National Tax Code (CTN) to complementary and ordinary laws, both at the federal, state and municipal levels. This structure is complemented by resolutions of the Federal Senate, as well as a wide range of regulations and administrative acts that detail the application of tax laws. This set of rules establishes the rules of the tax system, defining the obligations of taxpayers and the scope of the tax authority of the different federative entities.

The national tax structure, therefore, reflects a complex chain of competencies and regulations that regulate the way taxes are instituted, collected and managed, always under the aegis of the principles established by the Federal Constitution. This system seeks to balance the need for government collection at its various levels, within a legal framework, and the adequate distribution of tax revenues.

In this context, at the end of 2023, the enactment of Constitutional Amendment (EC) No. 132 marked the beginning of a widely awaited Tax Reform in Brazil.

The main objective of this Reform was to simplify the complex national tax system, especially with regards to taxation on consumption. With this intention, the EC proposed the unification of several taxes that are levied on the final consumer in a more unified system. To this end, a value-added tax (VAT) model was introduced, structured in two main strands: the Contribution on Goods and Services (CBS), which is a federal competence and intended to replace the federal taxes PIS and Cofins; and the Tax on Goods and Services (IBS), of a subnational nature and designed to absorb the state ICMS, the municipal ISS and the federal IPI.

The operationalization of the Tax Reform is marked by the enactment of its regulatory framework, notably Complementary Law No. 214/2024 (governing the IBS, CBS and Selective Tax), Complementary Law No. 227/2025 (introducing sparse amendments to other taxes, regulating the ICMS transition and establishing the IBS Management Committee), as well as state and municipal legislation defining applicable rates. In addition, the Reform will unfold over a lengthy transition period, with the expectation that the new tax system will be fully functional by 2033. During this time, taxpayers will have to live simultaneously between two tax systems - the current one and the newly introduced one.

Thus, we highlight the main elements of the current tax system and address the main specific aspects of the tax reform.

## CURRENT TAX SYSTEM

The calculation of companies' profits for tax purposes in Brazil takes place through two main methods: the Actual Profit and the Presumed Profit. These tax regimes are essential to determine the calculation basis of Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL), directly influencing the tax burden and fiscal management of companies.

**(a) Actual Profit:** This method calculates profit based on the difference between the revenues actually received and the expenses that are allowed as deductible by tax legislation.

**(b) Presumed Profit:** In this case, the legislation establishes a specific percentage of the company's gross revenue to be considered as its net revenue. For most services, for example, it is assumed that 32% (thirty-two percent) of the monthly gross revenue corresponds to the company's net revenue. As of 2026, pursuant to Complementary Law No. 224/2025, an additional percentage shall apply, increasing this presumed margin to 35.2% (thirty-five point two percent), exclusively on the portion of the annual gross revenue that exceeds the threshold of BRL 5,000,000.00 (five million reais).

It is also important to mention the option for the Simples Nacional, a differentiated tax regime, which simplifies tax collection and inspection for Micro and Small Companies, distributing the collection competence between the Union, the States and the municipalities. However, this regime is restricted and does not apply to companies that have the participation of partners residing outside of Brazil.

With the Tax Reform, the Simples Nacional (SN) has undergone changes, allowing taxpayers opting for the SN to

choose between paying the IBS and CBS under the simplified regime or calculating them under the regular non-cumulative regime, thereby enabling the full transfer of input tax credits to their purchasers.

## INCOME TAXES

### (a) (IRPJ/CSLL)

Companies operating in Brazil are required to pay two main taxes on their profits: the Corporate Income Tax (IRPJ) and the Social Contribution on Net Income (CSLL). The combined tax burden of these taxes reaches 34% (thirty-four percent). The calculation of these taxes can be carried out following two different tax regimes: the Actual Profit or the Presumed Profit.

In the Actual Profit regime, IRPJ and CSLL are levied directly on the company's net income, which is adjusted in accordance with current tax rules. This calculation can be carried out on an annual or quarterly basis. In this regime, the use of tax credits to reduce the tax due is allowed, without there being a deadline for this offset. However, there is a limit for the offsetting of these credits, which is 30% (thirty percent) of the adjusted net income calculated in future periods.

Under the Presumed Profit regime, an estimated calculation basis is established for the levying of Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) based on the companies' revenues. Depending on the company's segment, the calculation basis will be determined by 1.6% (one point six percent), 8% (eight percent), 16% (sixteen percent) or 32% (thirty-two percent) of revenues, on which the combined rates of 34% (thirty-four percent) are applied. However, pursuant to the amendments introduced by Complementary Law No. 224/2025, an additional 10% shall apply to these percentages (increasing them to 1.76%, 8.8%,

17.6% and 35.2%, respectively), exclusively on the annual gross revenue that exceeds the threshold of BRL 5,000,000.00 (five million reais). The combined rate of 34% (thirty-four percent) is then applied to these taxable bases.

## **TAXES ON CONSUMPTION (IMPACTED BY THE TAX REFORM)**

### **(a) (PIS/COFINS)**

The Social Integration Program (PIS) and the Contribution to the Financing of Social Security (COFINS) are federal contributions that are levied on the monthly revenue of Brazilian companies. They are calculated according to two regimes: cumulative and non-cumulative. In the cumulative regime, the total rate applied to gross revenue is 3.65% (three point sixty-five percent). On the other hand, in the non-cumulative regime, the rate is 9.25% (nine point twenty-five percent), and the appropriation of tax credits related to certain expenses and costs specified in the legislation is allowed.

Revenues from the export of goods and services are exempt from PIS/COFINS. For such operations to qualify for the non-levying of the tax, it is necessary to prove the remittance of foreign currency into the country, as established by legislation. In addition, the profits obtained from the sale of fixed assets, i.e., non-current assets, are exempt from PIS/COFINS in both cumulative and non-cumulative regimes.

Additionally, PIS/COFINS is applicable on the import of goods and services. This includes: **(i)** the nationalization of foreign goods, in the context of importing assets; and **(ii)** the payment or remittance of foreign currency to individuals or entities resident abroad, as remuneration for services rendered.

### **(b) Tax on Industrialized Products (IPI)**

The Tax on Industrialized Products (IPI) is levied on industrialized products, both domestic and imported, and is collected by the federal government. This tax is applied at the time of customs clearance for products of foreign origin, or at the time of production of the industrialized good by the industry. Industrialization is defined as any process that alters the nature, functioning, finishing, presentation or purpose of the product, or that improves it for consumption. In general, the IPI stands out for not being a cumulative tax, that is, it is levied only on the value added at each stage of the production chain.

### **(c) Tax on the Circulation of Goods and Provision of Services (ICMS)**

The Tax on the Circulation of Goods and Services (ICMS) is a tax obligation which competence pertains to the states, and is levied on three main activities: **(i)** the sale of products; **(ii)** the performance of transportation services between municipalities and states; and **(iii)** the provision of telecommunications services. This tax adopts non-cumulativeness, meaning that its calculation is based on the value of the transaction or the sale price of the products and services. For transactions carried out within the limits of the same state, the average ICMS rate is around 18% (eighteen percent), varying according to the nature of the goods or services and according to the specific guidelines of each state legislation. In operations that cross state borders, the average rates applicable are 12% (twelve percent) or 7% (seven percent), depending on the location of the states of origin and destination.

The ICMS is also levied on imported products, being levied at the time of entry of the good into the national territory. This taxation mechanism is similar to the

Value Added Tax (VAT), a system adopted by several European countries.

Currently, many states in Brazil use tax benefits related to the ICMS as a strategy to attract economic investments to their regions, aiming to improve socio-economic indexes. These incentives include exemptions, reductions in the calculation basis or rates, in addition to the granting of presumed ICMS credits. However, with the implementation of the Tax Reform, a significant decrease in these benefits is expected. This is because the taxation of the Tax on Goods and Services (IBS) and the Contribution on Goods and Services (CBS) will be based on the destination of the products and services, which turns the practice of using tax benefits to attract investments obsolete.

#### **(d) Service Tax (ISS)**

The Service Tax (ISS) is a municipality tax that applies to a wide range of services, except for those on which the Tax on the Circulation of Goods and Services (ICMS) is levied. The calculation of the ISS is carried out on the amount charged for the service provided. As established by the Federal Constitution and the Complementary Law No 116/2003, the rates of this tax can vary from 2% (two percent) to 5% (five percent), depending on the municipality where the service is provided and the place where the services are performed.

The definition of the location for the collection of ISS depends on the nature of the service offered, which may be in the municipality where the provider's headquarters is located or where the service is actually performed.

ISS is also taxed on services originating outside of Brazil or on those originating outside of Brazil and completed in the country. In this case, the recipient of the service in Brazil must withhold the tax for the benefit of the municipality where it is

located. It is relevant whether the result of the service is verifiable in Brazil or abroad.

## **PAYROLL TAXATION**

### **(a) National Institute of Social Security (INSS)**

The National Institute of Social Security (INSS) represents a contribution to social security levied on the payroll and is under the responsibility of both employers and employees, administrators and self-employed workers. For the latter, the calculation of the contribution is carried out on the basis of the gross salary, covering certain benefits, although the calculation basis is subject to a cap set by the government. In the case of employers, the contribution to the INSS is calculated on the total paid to employees, administrators and service providers, including indirect benefits. The contribution rate varies according to the company's sector of operation, ranging from 25% (twenty-five percent) to 30% (thirty percent).

There is an alternative modality called Payroll Exemption, which allows companies to contribute to the INSS based on a percentage of gross revenue, ranging from 1% (one percent) to 4.5% (four point five percent), depending on the sector of operation. This measure covers several segments, including the hotel, information technology, industry, construction, call center, wholesale, transportation and services related to these areas.

The above measure was in force until Dec/2024. With the enactment of Law 14,973/2024, the Payroll Tax Exemption became the norm in the sense that, between the years 2025 and 2027, there will be a transition from the old rates on revenue to that levied on the payroll and provided for other activities (20% - twenty percent - on remuneration paid to service providers, employees and individual contributors):

- (i) 2025:** 80% (eighty percent) of the tax rate on revenue **(0.8% to 3.6% - zero point eight percent to three point six percent)** and 25% (twenty-five percent) on payroll **(5% - five percent)**;
- (ii) 2026:** 60% (sixty percent) of the tax rate on revenue **(0.6% to 2.7% - zero point six percent to two point seven percent)** and 50% (fifty percent) on payroll **(10% - ten percent)**; and
- (iii) 2027:** 40% (forty percent) of the tax rate on revenue **(0.4% to 1.8% - zero point four percent to one point eight percent)** and 75% (seventy-five percent) on payroll **(14% - fourteen percent)**;
- (iv) 2028:** full reinstatement of standard payroll taxation.

## OTHER TAXES

### (a) Taxes on Financial Transactions (IOF)

Financial transactions involving the exchange of currencies, loans, investments in securities and insurance operations are subject to the levying of the Tax on Financial Transactions (IOF).

All foreign exchange operations carried out in the Brazilian territory are taxed by the IOF. The standard fee applied to these transactions is 0.38% (zero point thirty-eight percent). However, transfers of funds linked to investments made by non-resident investors in Brazil, in the country's financial and capital markets, are exempt from the IOF. There are also different rates or specific exemptions for certain operations.

With regards to loans between legal entities and individuals, the IOF is usually levied. For most of these operations, the daily rate is 0.0082% (zero point zero zero eight two percent), with a limit of 365 (three hundred and sixty-five) days, cul-

minating in a total of 3% (three percent) for loans granted to legal entities. In addition to this daily rate, in both scenarios, it is common to apply an additional rate of 0.38% (zero point thirty-eight percent).

### (b) Taxes on Cross-Border Operations (Import Tax – II)

The Import Tax is levied on imported goods, being levied at the time of customs clearance. The calculation of this tax is carried out based on the customs value of the products, applying a rate that varies according to the classification and origin of the imported good. This tax is irreversible, representing a direct cost related to the import process, and does not allow the generation of tax credits.

### (c) Contribution for Intervention in the Economic Domain (CIDE)

The Contribution for Intervention in the Economic Domain (CIDE) is a federal tax in Brazil, created to finance transport infrastructure projects and support the energy sector, including the promotion of alternative sources. CIDE-Fuels, for example, is applicable to the import and sale of oil and derivatives, allocating resources to infrastructure and energy policies. CIDE-Royalties, on the other hand, is levied on remittances abroad for royalties or technical services, aiming to finance technological development and innovation. In essence, the CIDE seeks to regulate specific markets, encourage development, and fund initiatives of public interest.

CIDE is levied at a rate of 10% (ten percent) on amounts paid, credited, delivered, used or remitted abroad as a result of royalties or for the provision of technical services, as well as in technical or administrative assistance contracts.

### **(d) Urban Territorial Property Tax (IPTU)**

The Urban Property and Land Tax (IPTU) is charged annually by municipalities from owners of properties located in urban areas. This tax is calculated individually for each property, which means that owners of multiple properties must pay the IPTU for each of them. The rate applied varies according to the municipality and the type of property.

With the Tax Reform, it became possible to update the IPTU calculation basis by means of an executive decree, which simplifies the review of the market values of registered properties. However, this facility requires careful implementation to avoid abuses by municipal administrations, which could use this tool to increase the tax burden unduly, contrary to the principle of legality.

### **(e) Tax on Causa Mortis Transmission and Donation (ITCMD)**

The Tax on Causa Mortis Transmission and Donation (ITCMD) is a state taxation that is levied on inheritances and donations. The maximum rate allowed is 8% (eight percent), defined by the Federal Senate.

The Tax Reform brought important changes in the rules of incidence, calculation and liability of the ITCMD. In cases involving the inheritance of movable assets and rights, the state competent to collect the tax is the one where the deceased had residence. In donation situations, the competence lies with the state in which the donor resides. With respect to real estate and rights related thereto, jurisdiction remains with the state where the property is located. As for international inheritance involving real estate or rights related to it, the competence lies with the state where the property is located.

For international donations with a donor residing outside the country, the tax collection is up to the Brazilian state where the beneficiary (donee) resides. If the beneficiary also lives outside of Brazil, the competence lies with the state where the donated asset is located. Assets left by deceased persons abroad will be taxed by the Brazilian state where the deceased resided, or, in its absence, by the state of residence of the heir or legatee.

The tax base corresponds to the fair market value of the transferred asset or right. However, newly introduced are the possibility for the state tax authorities to define presumed calculation bases in cases of donations of real estate and the adoption of progressive ITCMD rates, according to the value of the asset or right inherited or donated.

### **(f) Real Estate Transfer Tax (ITBI)**

The Real Estate Transfer Tax (ITBI) is a tax levied by municipalities that applies to real estate property transfer transactions, whether by purchase and sale, donation or any other form of assignment of real estate or rights related to them. The calculation of this tax is based on the market value of the property, as evaluated by the market, and uses a rate established by the municipal legislation where the property is located. Generally, the transfer of real estate for the constitution of a company's capital stock is not subject to ITBI, constituting tax immunity in this context.

## **OTHER RELEVANT MATTERS**

### **(a) Employment of non-residents in Brazil**

Profits obtained in Brazil by non-resident individuals are subject to specific taxation at the source, with the rate applied varying according to the nature of the income. For example, profits from the sale of goods and rights are definitively taxed as capital gains, with rates ran-

ging from 15% (fifteen percent) to 22.5% (twenty-two point five percent). Income from work, whether with an employment relationship or not, intended for non-residents, is subject to a withholding tax rate of 25% (twenty-five percent). In addition, amounts paid, credited, delivered, used or remitted abroad to non-residents, either as royalties of any kind or as payment for technical services, are taxed at source at the rate of 15% (fifteen percent). However, if the beneficiaries are residents of countries with favorable tax regimes, the rate applied is 25% (twenty-five percent). Dividends paid or remitted abroad will, as of 2026, be subject to Withholding Income Tax (IRRF) at a rate of 10%. In addition to these levies, Brazil is a signatory to several Double Taxation Treaties, which may reduce the applicable rates between Brazil and the investor's country of residence.

### **(b) Dividends**

As of 2026, dividends distributed by the same Brazilian company to the same shareholder resident in Brazil will be subject to Income Tax on the portion exceeding BRL 600,000.00 (six hundred thousand reais) per year. This means that a Brazilian resident receiving up to BRL 50,000.00 (fifty thousand reais) per month will be exempt. If the monthly amount exceeds BRL 50,000.00 (fifty thousand reais), Withholding Income Tax (IRRF) will apply to the total amount received at a rate of 10% (ten percent), as an advance payment. Should the total annual income be below BRL 600,000.00 (six hundred thousand reais), the amounts withheld will be refunded.

For non-residents, all dividends paid are subject to Withholding Income Tax (IRRF) at a rate of 10% (ten percent). In order to mitigate the overall tax burden, Law No. 15,270/2025 provides for a reduction mechanism where the combined corporate taxation (IRPJ/CSLL) and the 10% withholding on remittances exceed the applicable nominal Brazilian rates (generally 34%,

40%, or 45%, depending on the sector). In such cases, the foreign beneficiary may claim a compensatory tax credit within 360 days. No withholding will apply to remittances made to foreign governments on a reciprocal basis, sovereign wealth funds, or foreign pension entities.

In addition, in Brazil, companies have the option of compensating their shareholders through the payment of interest on equity (JCP), an alternative to the distribution of dividends. This payment is calculated based on the Long-Term Interest Rate (TJLP), defined by the Central Bank, following specific legal criteria for application to certain parts of the shareholders' equity.

The payment of JCP is deductible in the calculation of Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL), offering a tax benefit to companies. Currently, JCP is subject to IRRF rates ranging from 15% (fifteen percent) to 25% (twenty-five percent), with the highest rate applicable to beneficiaries residing in countries with favorable taxation. With Law No. 14,789/23, as of 2024, there were significant changes in the methodology for calculating JCP, adjusting the bases for its calculation and specifying exclusions.

Any increase in federal revenue resulting from changes in income tax on dividends can be used to reduce payroll and consumption taxes. This approach highlights the need to monitor the development of the Reform and the proposed changes, whether through Provisional Measure or specific legislation.

### **(c) Interest on Loans**

When a legal entity or individual in Brazil pays interest on loans to a beneficiary who is not resident in the country, this payment is taxed by the Withholding Income Tax (IRRF) at rates ranging from

15% (fifteen percent) to 25% (twenty-five percent). The higher rate, of 25% (twenty-five percent), is applicable if the beneficiary is located in a jurisdiction considered to be of favorable taxation. Pursuant to Law No. 14,596/2023, the deductibility of such interest for IRPJ and CSLL purposes must comply with the Arm's Length principle (transfer pricing rules).

#### **(d) Royalties**

Royalty payments to rights' holders residing or domiciled abroad are subject to withholding income tax (IRRF). Royalties refer to a financial compensation for the use, exploitation or use of copyrights, trademarks, patents, among other intellectual property rights. The WHT rate varies from 15% (fifteen percent) to 25% (twenty-five percent), with the highest rate being applied when the beneficiary is in a jurisdiction considered to be of favorable taxation. In addition to the IRRF, the payment of royalties is also subject to the Contribution for Intervention in the Economic Domain (CIDE), with a rate of 10% (ten percent).

#### **(e) Tax on the Import of Services**

Taxation on the importation of services occurs when the corresponding amounts are paid, used, agreed upon or passed on to individuals or entities resident or established abroad. The Withholding Income Tax (WHT) rate for these transactions ranges from 15% (fifteen percent) to 25% (twenty-five percent), with the highest rate being applied if the beneficiary is located in a jurisdiction with favorable taxation. In addition to the IRRF, the import of services is also subject to the incidence of other taxes, including the Tax on Services of Any Nature (ISSQN), contributions to PIS/PASEP and COFINS, the Contribution for Intervention in the Economic Domain (CIDE) and the Tax on Financial

Operations (IOF). Under the Tax Reform, the importation of services will become subject to the Contribution on Goods and Services (CBS) and the Tax on Goods and Services (IBS), which will gradually replace PIS/PASEP and COFINS-Importation, as well as the ISSQN. The Contribution for Intervention in the Economic Domain (CIDE) and the Tax on Financial Transactions (IOF) will continue to apply.

#### **(f) Capital Gain**

For non-residents, the taxation on capital gains by income tax varies from 15% (fifteen percent) to 22.5% (twenty-two point five percent), according to the amount of the gain obtained. For residents in Brazil, Law No. 15,270/2025 introduced a minimum taxation of 10% (ten percent) on the total annual income — including capital gains — if the aggregate amount exceeds BRL 600,000.00 (six hundred thousand reais). Those located in jurisdictions considered to be favored taxation face a rate of 25% (twenty-five percent), without prejudice to the specific provisions applicable to gains realized on stock exchanges.

#### **(g) Taxation Treaties**

Double tax treaties are instruments of Public International Law through which two States, on the basis of mutual concessions, waive their tax claims. Such treaties follow the model established by the OECD. Currently, Brazil has treaties to avoid double taxation and prevent tax fraud with: Argentina, Austria, Belgium, Canada, Chile, China, Denmark, Ecuador, Finland, France, Germany, Hungary, India, Israel, Italy, Japan, Luxembourg, Mexico, Netherlands, Norway, Peru, Portugal, Russia, Slovakia, South Korea, Spain, Sweden, Switzerland, Trinidad and Tobago, Turkey, Ukraine, Uruguay and Venezuela.

### **(h) Reduction of Tax Benefits (Complementary Law No. 224/2025)**

Complementary Law No. 224/2025 reduces tax incentives and benefits, affecting taxes such as IRPJ, CSLL, PIS/Cofins, IPI, Import Tax, and employers' social security contributions. Accordingly, exemptions and zero rates will now be subject to taxation corresponding to 10% (ten percent) of the standard rate of the respective tax. Likewise, reductions in the tax base, reduced rates, and presumed credits will be limited to 90% (ninety percent) of the originally established amount.

With respect to the impacted benefits, the statute expressly lists certain incentives and makes reference to the Statement of Tax Expenditures prepared for the 2026 Annual Budget Law (Law No. 15,346/2026), pursuant to Article 4, §2. Certain incentives are excluded from the scope of the reduction by virtue of §8 of the same provision. These include constitutional tax immunities, the rules applicable to companies located in the Manaus Free Trade Zone, the Simples Nacional regime, and incentives that require the performance of investments as a counterpart — provided that they are already under implementation and that the relevant project was approved by December 31, 2025.

We highlight certain significant tax benefits that have been affected: (a) the Presumed Profit regime (Lucro Presumido); (b) presumed PIS/COFINS credits related to the acquisition of agricultural inputs; (c) the zero rate applicable to the commercialization of agricultural products; (d) incentives granted under SUDENE and SUDAM; and (e) reductions in the tax base applicable to the sale of fixed assets.

Specifically with respect to the Presumed Profit regime (Lucro Presumido), as of April 2026, an additional 10% shall apply to the presumed profit margins of 1.6%

(one point six percent), 8% (eight percent), 16% (sixteen percent), or 32% (thirty-two percent) — increasing them to 1.76%, 8.8%, 17.6%, and 35.2%, respectively — exclusively on the portion of the annual gross revenue exceeding BRL 5,000,000.00 (five million reais). The Complementary Law establishes that this additional percentage shall be calculated proportionally in each assessment period throughout the year, with adjustments permitted in subsequent assessment periods. Lastly, the statute provides that the additional percentage shall apply proportionally to the revenues derived from each distinct activity carried out by the legal entity.

Decree No. 12,808/2025 and Normative Instruction No. 2,305/2025 were enacted to regulate the provisions set forth in the Complementary Law and to provide greater legal certainty to taxpayers regarding matters that required further legislative clarification. In addition, the Federal Revenue Service (Receita Federal) has published a Q&A document on the linear reduction of tax incentives, which may be consulted by taxpayers for clarification of specific questions.

## TAX REFORM

### (a) Tax Simplification

The Tax Reform proposes a significant restructuring of the Brazilian tax system, with the consolidation of five existing taxes - PIS, Cofins and IPI (federal), as well as ICMS (state) and ISS (municipal) - into a single Value Added Tax (VAT). This tax adopts a non-cumulative approach, applying exclusively to the added value at each stage of the production chain, eliminating the multiple or “cascading” incidence that marks the current system.

The introduction of this model aligns Brazil with international practices adopted by more than 170 (one hundred and seventy) countries, including nations of the European Union, Canada, Australia, India and several Latin American countries, such as Mexico, Colombia, Chile and Argentina. The structure of the Brazilian VAT will be dual, composed of the Contribution on Goods and Services (CBS), under federal jurisdiction, and the Tax on Goods and Services (IBS), administered by states and municipalities.

This Reform also aims to change the place of levying of the tax, moving it from the origin (where the products and services are produced/idealized) to the destination (where they are consumed/provided), a strategy to end the tax war between states and municipalities, which offer tax incentives to attract business

investments. According to the proposal, both imported and domestic products will be taxed equally under the new VAT, while exports and investments in fixed assets will receive benefits.

The legislation establishes standard rates and differentiated regimes for specific sectors of the economy. Complementary Law No. 214 establishes a 26.5% (twenty-six point five percent) lock for VAT, so that, every five years, the tax benefits granted to reduce taxation to this level are reviewed.

In addition, the Reform consolidates two central ideas: fiscal neutrality and broad non-cumulativeness. The first ensures the deduction of the VAT paid in the previous stages from the amount due in the following stages, burdening only the value added by each agent. The second, in turn, allows the tax credit on all acquisitions - except those of “personal use or consumption”, as defined in LC 214 - reducing disputes over the eligibility of expenses, a common problem in the current tax system.

### (b) Differentiated Rates and Sectors

Reduced rates and exemptions were defined to promote activities in various sectors, seeking to stimulate economic development, promote public health and education, and support social welfare. Among the measures adopted, the following stand out:

<b>Sectors/Activities</b>	<b>Articles and Attachments</b>
Education Services	Art. 129 and Annex II
Health Services	Art. 130 and Annex III
Medical Devices	Art. 131 and Annex IV
Food intended for human consumption	Art. 125, Annex I
Cleaning and Hygiene Products	Art. 136 and Annex VIII
Agricultural Inputs	Art. 137 and Annex VII
Services and Goods for Cultural and Artistic Services	Art. 139, Annex X
Medicines	Art. 133
Nutritional Compositions and Formulas	Article 133, §1 and Annex VI
National Security Goods and Services	Art. 142 and Annex XI

Respecting specific rules, the rates for self-employed and professional partnerships that offer specific services, such as doctors, lawyers, administrators and accountants, will be reduced by 30% (thirty percent).

In addition, the Tax Reform provides for reductions to 0 (zero) in the rates for the following critical sectors:

<b>Sectors/Activities</b>	<b>Articles and Attachments</b>
Medical Devices	Art. 144 and Annex XII
Accessibility Devices for people with disabilities	Art. 145 and Annexes XIII and V
Medicines	Art. 146 and Annex XIV
Basic Menstrual Health Care Products	Art. 147
Vegetables, Fruits and Eggs	Art. 148 and Annex XV
Passenger Cars	Art. 149
Services Provided by a Non-Profit Scientific, Technological and Innovation Institution (ICT)	Art. 156

### **(c) Specific Regimes**

Differentiated tax treatments were established for the assessment of IBS and CBS on a variety of goods and services, pursuant to the guidelines set forth in Complementary Law No 214/2025. Such special treatment includes adjustments both to the tax base and to the applicable rates, in order to address the operational particularities of sectors that do not conform to the standard input-output credit regime.

Among the sectors covered by these

regimes are fuels and lubricants, which become subject to single-phase taxation; financial services; real estate transactions; health plans; betting and lottery activities; cooperative societies; and a range of services within the hospitality and leisure sector, such as hotels, amusement and theme parks, bars, restaurants, travel agencies, and air transportation.

In addition, diplomatic missions and representations of international organizations are included, as well as collective passenger transport services, intercity and interstate road, rail, waterway and

sports activities promoted by Football Corporations (SAFs).

It is worth mentioning that the Simples Nacional regime has been fully preserved, allowing opting companies to continue collecting IBS and CBS through the unified payment system (DAS), or alternatively to choose the regular regime in order to ensure the transfer of tax credits to their purchasers.

#### **(d) Split Payment**

Split Payment is a technological mechanism introduced under the Tax Reform, based on the advance collection of the VAT levied on transactions involving goods, services, and rights directly at the time of financial settlement. In other words, as the name suggests, once implemented, upon payment by the purchaser or contracting party, a portion of the amount will be automatically allocated to the remittance of IBS and CBS, while the remaining portion will correspond to the price charged by the supplier.

Under Complementary Law No. 214, it is structured in three modalities, to be gradually implemented as from 2027, namely: “standard,” “simplified,” and “intelligent.”

Under the standard modality, VAT will be segregated according to the nominal rate applicable to the transaction. At the end of the month, the taxpayer will assess its output tax and input tax credits, remitting the effective tax balance due, after offsetting the advance amounts collected through the Split Payment mechanism.

Under the simplified modality, IBS and CBS will be segregated based on average net balance percentages (input tax credits and output tax liabilities) specific to the taxpayer’s economic sector or to the company itself. At the end of the month, the taxpayer will assess its output tax and input tax credits, remitting the effective

tax balance due, after offsetting the advance amounts collected through the Split Payment mechanism.

Under the intelligent modality, the system determines the optimal effective balance, withholding only the net VAT after input tax credits. At the end of the tax period, the taxpayer reviews the assessment, may challenge it, and remits any amounts not previously advanced.

This mechanism will impact companies’ cash flow, particularly those operating with specific payment or collection terms (D+30, D+60, and so forth). This is because, in addition to no longer being able to use the taxes embedded in the total amount paid by their customers for self-financing purposes (as was previously the case with ICMS, ISS, and PIS/COFINS), they will only be able to recognize input tax credits on contracted services or acquired goods when their suppliers are compliant with the federal, state, and municipal tax authorities.

#### **(e) Selective Tax**

The Selective Tax (IS) will be implemented as an additional levy imposed on the production, sale, or importation of goods and services deemed harmful to public health or the environment, such as cigarettes and alcoholic beverages. This federal tax will have its revenue shared with States and Municipalities and will apply to items such as cigarettes, alcoholic beverages, and other goods listed in Annex XVII of Complementary Law No 214/2026.

The IS is a single-phase tax, levied only once throughout the production chain. Rates may be established as a specific amount per unit of measurement or calculated on an ad valorem basis over the transaction value.

The Selective Tax (IS) will not be directly levied on exports; however, in supply chains such as the mining sector, where

taxation occurs at the extraction stage, the tax will effectively be collected even if the subsequent export of the good is exempt.

Furthermore, the tax will form part of the taxation applicable to imported goods and services in order to ensure parity of treatment with domestic products.

With regard to the influence of this tax on the tax bases of other taxes introduced or amended by the reform, the amount of the Selective Tax (IS) will be directly included in the tax base of ICMS, IBS, and CBS. Conversely, the opposite will not apply; that is, such taxes will not be included in the tax base of the IS.

The tax is still pending the issuance of its own implementing regulations and its use as a disincentive to the consumption of specific goods and services will be reassessed every five years, taking into account social, environmental, and public health policy considerations.

### **(f) Transitional Phase**

The Tax Reform establishes a period of seven years, from 2026 to 2032, for the transition toward the new system, with the extinction of current taxes expected to begin in 2033. This transition period aims to preserve the collection of states and municipalities.

Detailed steps of the transition include:

- (i) 2026:** Initial implementation of the CBS and IBS, with experimental rates of 0.9% (zero point nine percent) and 0.1% (zero point one percent), respectively. The payment is waived if all ancillary obligations related to the new taxes are fulfilled; otherwise, the amount paid will be offset against PIS/Cofins contributions, except for any applicable fines.
- (ii) 2027 and 2028:** Elimination of PIS/Cofins and adjustment of the CBS rate to

a reference value, to be determined by the Ministry of Finance. Simultaneously, IS is instituted and the IPI will be reduced to zero, except for products whose industrialization is incentivized in the Manaus Free Trade Zone. IBS remains at 0.1% - one percent (0.05 - zero point zero five - for States and 0.05 - zero point zero five - for Municipalities).

- (iii) From 2029 to 2032:** Progressive annual reduction of 10% (ten percent) of ICMS and ISS, following a decreasing scale until reaching 40% (forty percent) in 2032. In parallel, the IBS rates will be gradually increased to offset this reduction and reach the reference rate. CBS remains at the reference rate.

- (iv) 2033:** Full implementation of the new tax system and abolition of previous taxes and legislation.

This meticulously planned transition aims to simplify the complex Brazilian tax system, promoting efficiency and equity in tax collection.

### **(g) Strategic Planning for the Reform Impacts**

The Brazilian Tax Reform brings a series of changes that redefine the country's tax system, with significant impacts on the companies that operate in it. This transformation goes beyond a simple revision of tax rates, as it introduces a new approach to calculation based on taxation at destination, with a gradual adjustment scheduled to occur from 2029 to 2078. This adjustment aims to align taxation with the place of consumption of goods and services, promoting greater equity in the distribution of revenue and reducing tax disputes between states and municipalities. In addition, the Reform introduces changed tax rates and new categories of taxes, such as the Selective Tax. With these changes, it is imperative that companies adopt effective strategic and operational planning to adapt to this new tax landscape.

During the transition, a series of implementations will be necessary, seeking alignment with the country's new tax framework and the continuity of current taxes. This exercise should include a review of current operations, with special attention to the movement of goods, the tax classification of products and the determination of how they fit in relation to the benefits and exceptions stipulated by the Reform.

In addition, with the extinction of regional tax benefits, it will be necessary for companies to reassess and adjust their logistics and organizational structure. The optimization of operations must be rethought to maintain efficiency and com-

petitiveness in an environment without previous tax incentives. This operational reframing requires attention to the details of the specific sectors and products that may undergo changes in the rates, as is the case of agribusiness and essential services such as public transport and health.

For businesses, preparing for these changes is not just a matter of compliance, but a strategic planning opportunity that can define their trajectory for growth and success in the years to come. Adapting to the new tax rules and taking strategic advantage of the new tax structures will be definitive elements for companies to not only survive but thrive in Brazil's new tax landscape



## INTELLECTUAL PROPERTY

In Brazil, intellectual property rights can be divided into three groups:

**(a) Industrial property:** it is the protection of an intellectual creation focused on business activity, involving the creation, development and/or manufacture of products and services. It covers trademarks, patents, industrial designs, utility models, geographical indications and repression of unfair competition

**(b) Copyright and Related Rights:** it is the right that derives from an intellectual creation in the literary, artistic and scientific fields, protecting the author in relation to the work he/she created. It covers software, artistic works and their interpretations.

**(c) Sui generis rights:** it consists of the rights which, although belonging to the field of intellectual property, are not considered industrial property or copyright. It covers protection of new plant varieties, integrated circuit topography, traditional knowledge and folkloric manifestations.

### TRADEMARKS

Trademark protection in Brazil is established by the Industrial Property Law ('LPI' - Law No. 9,279/96), in compliance with international rules set forth in the TRIPS Agreement, the Paris Convention, and the Madrid Protocol. In Brazil, a trademark registration remains in force for **10 (ten) years** from the date of grant and may be renewed indefinitely for equal and successive periods, subject to the payment of the respective fees.

To protect a trademark, registration must be sought through: **(i)** the National Institute of Industrial Property (INPI), for protection within the national territory; **(ii)** the INPI via the Madrid Protocol, to seek protection in any of the Protocol's contracting parties; or **(iii)** directly with the Trademark Office of a foreign country, should that country not be a signatory to the Madrid Protocol.

It is important to note that rigorous criteria apply for a registration application, and its consequent protection, to be granted. The LPI provides a statutory list of non-registrable signs, prohibiting, for instance, the registration of terms that are generic, common, vulgar, or merely descriptive, unless they possess sufficient distinctive form.

In addition to the distinctiveness requirement, INPI's examinations consider the avoidance of conflicts with third-party marks already registered, based on the principle of specialty, in order to prevent the coexistence of marks likely to cause confusion or undue association by the consuming public.

### PATENTS AND UTILITY MODELS

In Brazil, the regulation of patents of invention and utility models is also overseen by the INPI, with protection rules stipulated by the LPI. An invention must meet the requirements of novelty, involve an inventive step, and be capable of industrial application. A utility model differs essentially in the required degree of inventiveness, as it requires an inventive act (rather than an 'inventive step') applied to a new shape or arrangement that results in a functional improvement in the use

or manufacture of an object. The term of protection for patents of invention is **20 (twenty) years**, while utility models are protected for **15 (fifteen) years**, both calculated from the filing date with the INPI. After this period, the technology enters the public domain and may be freely exploited by third parties.

To be considered novel, an invention (or utility model) must not have been made accessible to the public (prior art) before the filing date of the application, regardless of whether it was disclosed in writing, orally, through use, or by any other means, in Brazil or abroad. Furthermore, the law defines what is considered neither an invention nor a utility model, distinguishing industrial creations from mere discoveries: **(a)** discoveries, unrealized ideas, scientific theories and mathematical methods; **(b)** purely abstract conceptions; **(c)** schemes, plans, principles or commercial, accounting, financial, educational, advertising, drawing and inspection methods; **(d)** literary, architectural, artistic and scientific works or any aesthetic creation; **(e)** computer programs; **(f)** presentation of information; **(g)** game rules; **(h)** operative or surgical techniques and methods, as well as therapeutic or diagnostic methods, for application in the human or animal body; and **(i)** all or part of natural living beings and biological materials found in nature, or even isolated from it, including the genome or germplasm of any natural living being and natural biological processes.

To protect an invention or model, the application must be made: **(i)** directly to the INPI, for protection in the national territory; or **(ii)** with the registration offices of the countries where protection is sought (frequently utilizing international facilitating pathways, such as the Patent Cooperation Treaty - PCT). Legal protection grants the owner the right to prevent third parties from manufacturing, using, offering for sale, importing, or selling the invention without consent within the patent territory, as well as the right to sell,

permit the use of, or license the technology for use by third parties.

## INDUSTRIAL DESIGNS

Industrial designs are protected by the LPI and regulated by the INPI, based on the Industrial Design Manual established by Resolution No. 232/19. Under Brazilian law, an industrial design registration remains in force for **10 (ten) years** from the filing date and is renewable for 3 (three) successive periods of **5 (five) years** each (reaching a maximum limit of **25 years**).

The LPI defines an industrial design as the ornamental plastic form of an object or the ornamental set of lines and colors that may be applied to a product, providing a new and original visual result in its external configuration and capable of serving as a model for industrial manufacture. In short, an industrial design can be defined as the protection of the product's design (appearance), which differs from technical or functional aspects, as these are protected by patents.

According to the LPI, the following are not registrable as industrial designs: **(i)** works of a purely artistic nature; **(ii)** anything contrary to morals and standards of respectable behavior, or that offends the honor or image of individuals, or violates the freedom of conscience, belief, religious worship, or ideas and feelings worthy of respect and veneration; **(iii)** the necessary, common, or vulgar shape of an object; and **(iv)** a shape determined essentially by technical or functional characteristics.

To protect an industrial design, the registration application must be filed: **(i)** directly with the INPI, for protection within the national territory; **(ii)** with the registration office of the foreign country where protection is sought; or **(iii)** via the Hague Agreement, which allows for a unified international filing to seek simultaneous protection in the various coun-

tries and jurisdictions that are signatories to the treaty.

## TRANSFER OF TECHNOLOGY AGREEMENT

Following the filing of the application or the grant of the right by the INPI, in addition to the guaranteed protection, the owner (or applicant) may dispose of their intangible assets as they see fit. To ensure that transactions involving intellectual property assets are conducted securely and are enforceable against third parties, the respective agreements must be executed and submitted to the INPI.

The INPI records or registers, as applicable, agreements involving technology transfer, licensing of rights, and the acquisition of knowledge, encompassing: **(i)** licenses for the exploitation of patents and industrial designs; **(ii)** licenses for the use of trademarks; **(iii)** the supply of unpatented technology (know-how); **(iv)** the provision of technical and scientific assistance services; **(v)** franchising; and **(vi)** the assignment of industrial property rights (trademarks, patents, industrial designs, and topography of integrated circuits).

In Brazil, agreements involving the licensing of exclusive rights (such as trademarks and patents) are limited by the term and validity of such rights before the INPI. Conversely, agreements for the supply of unpatented technology are treated by the INPI as a definitive assignment of knowledge. Due to these structural, tax, and foreign exchange particularities, transactions must be analyzed on a case-by-case basis during the drafting of the contractual instrument.

## COPYRIGHT

In Brazil, the Copyright Law (Law No. 9,610/98) regulates the rights and obligations regarding authors' rights and related rights, including software and databases, in compliance with the Berne Convention.

As a general rule, the term of protection for economic rights (*direitos patrimoniais*) is **70 (seventy) years**, calculated from January 1st of the year following the author's death. For audiovisual and photographic works, the term is **70 (seventy) years** starting from January 1st of the year following their disclosure. After these periods, the works enter the public domain and may be used freely, provided that the creator's moral rights are respected (such as the mandatory attribution of authorship).

Under the Brazilian copyright system, protection arises upon the outward expression of the creation; there is no requirement for any formality or prior registration to guarantee the author's rights. However, for purposes of legal certainty, public notice, and ease of proving authorship, the author may register the work with the competent body, depending on the nature of the creation. Registrations are handled by institutions such as the National Library Foundation (literary and intellectual works), the School of Fine Arts (visual arts), and the School of Music (musical scores).

Regarding musical works, it should be clarified that the Central Office for Collection and Distribution (ECAD) is not a registration body, but rather a private entity exclusively responsible for the collection and distribution of royalties related to the public performance of music in the country.

## SOFTWARE

Software (or computer program) is the expression of an organized set of instructions written in a programming language (source code or object code) that enables a device to function in a specific manner and for specific purposes. In Brazil, the Software Law (Law No. 9,609/98) regulates the protection of such programs, in compliance with the Copyright Law, the Berne Convention, and the TRIPS Agreement. The term of protection for software is 50 (fifty) years, starting from January 1st

of the year following its publication or its creation.

As a rule, software is protected by copyright as a literary work; therefore, its protection does not require registration. Similarly, the author of the software may grant third parties the right to use, market, and create derivative works through specific licensing agreements. Under Article 4 of the Software Law, unless otherwise contractually stipulated, when software is developed by a programmer within the scope of their duties as an employee or contractor, all rights related to the software belong exclusively to the employer/contracting party. An exception to this provision only exists if the computer program is generated with no relation to the employ-

ment or service agreement and without the use of any resources, technological information, materials, facilities, equipment, or trade secrets of the company—in which case, the rights shall belong exclusively to the programmer.

To ensure greater legal certainty and to facilitate proof of authorship before third parties, the INPI allows for the electronic registration of computer programs directly on its website. Thus, the protection guaranteed by the Software Law is valid in all countries signatory to the Berne Convention, making it international in scope. The Software Law designated the INPI as the competent body for registration, allowing authors to safeguard their work through a federal agency.



## LABOR AND EMPLOYMENT

The basic regulation of labor in Brazil is carried out by the Federal Constitution and the Consolidation of Labor Laws (Consolidação das Leis Trabalhistas - CLT). The labor legislation is supplemented by other ancillary laws, containing occupational health and safety standards, recommendations of the Ministry of Labor and Employment and social security standards, in addition to collective bargaining agreements and conventions that are entered into with the Unions.

In the judicial sphere, labor issues are addressed by the Labor Court, as indicated in the chapter on the “Brazil Overview”.

At the administrative level, the Ministry of Labor and Employment (MTE) is responsible for supervising the working conditions and the Public Ministry of Labor (MPT) carries out the investigation of complaints made, and may propose conduct adjustment agreements, to correct conducts considered illegal.

### LABOR RELATIONS IN BRAZIL

The CLT defines who is an employee: it is the person who provides services in the benefit of someone or a company, under their direction and for a consideration.

The employment contract may be oral or written, and it is recommended that it be formalized in writing, containing all the conditions and limitations under which the work will be performed, such as salary, contracted hours, place of service provision, confidentiality and non-competition clauses, benefits, responsibilities, etc.

The employment contract usually provides for an indefinite term. There are exceptions to this rule, such as the employment contract by experience, which has an initial term of 90 (ninety) days, but which can be converted indefinitely upon permanent admission of the employee. There is also the fixed-term employment contract, which may have a maximum term of two years.

### ADMISSION PROCESS OF EMPLOYEES IN BRAZIL

Before an employee is hired, he/she must undergo a medical examination, which will assess his/her health conditions and whether he/she is able to carry out the activities for which he/she was hired.

The employer must make the appropriate entries in the employee’s Employment Booklet (CPTS), which will include the name of the employer, the date of hiring, the position and the salary. The same information should be entered in the records of Brazilian agencies, such as e-social.

### CHANGE IN COMPANY’S CORPORATE PROPERTY

Any changes in the corporate structure of the company will not affect the rights acquired by employees or modify the employment contracts entered into. Thus, the purchaser of any company will assume all existing working conditions and will be responsible for all labor obligations that are claimed by these employees, even if related to periods prior to the acquisition of the business.

## BRAZILIANS WORKING FOR FOREIGN COMPANIES

In general, Brazilian labor laws apply to work carried out in Brazil, even when the employee works for a foreign company or when the employee is foreign and works in Brazil. In the latter case, foreigners may need a specific work visa to carry out their activities.

## BRAZILIAN EMPLOYEES TRANSFERRED ABROAD

The work carried out by Brazilian employees transferred abroad is regulated by Law No 7,064/82. The applicable rights will be those of the place where the work is being carried out, safeguarding the application of Brazilian labor protection legislation, when more favorable to the worker, in addition to the rights provided for in this specific legislation.

## EMPLOYEE RIGHTS IN BRAZIL

In Brazil, the basic rights of Brazilian employees are provided in the Federal Constitution, in the CLT and in ancillary legislation, especially the rules related to health and safety at work. In summary, any Brazilian employee has the following rights:

**(a)** Basic salary, which may not be less than the minimum wage established by law or by collective bargaining agreements;

**(b)** Receipt of the Christmas Bonus, which is the same as a monthly remuneration, and can be paid in up to two installments (one in November and one in December);

**(c)** 30 (thirty) days of paid vacation after 12 (twelve) months of work;

**(d)** Receipt of vacation bonus, in the amount of 1/3 of the value of a monthly salary;

**(e)** A paid day off in the week, preferably on Sundays;

**(f)** Unemployment Compensation Fund (FGTS), which is a monthly contribution of 8% (eight percent) on the employee's monthly salary;

**(g)** Transportation voucher, if it manifests to the company the need to use public transportation to travel to the company's workplace;

**(h)** Maternity leave of 120 (one hundred and twenty) days, which may be extended to 180 days, if the company chooses to be part of the Citizen Company program, which consists of providing tax benefits to companies that offer their employees the extension of maternity and paternity leave; and

**(i)** Paternity leave of 5 (five) calendar days, which may be extended to 20 days, if the company is part of the Citizen Company program.

## WORKING HOURS LIMIT

The employees' working hours are 8 hours per day from Monday to Friday and 4 hours on Saturdays, totaling 44 hours per week of work. It may be set forth, through agreements with the employee, the performance of more working hours during the week, so that there is no work on Saturdays, provided that the limit of 10 daily working hours is respected. Companies with more than 20 employees must maintain reliable control of their working hours and pay as overtime all hours worked exceeding 8 hours per day and 44 hours per week. Overtime is paid with an additional remuneration of at least 50% over the normal hourly remuneration, if worked during the week, and at least 100%, if worked on a paid weekly rest.

Employees who work outside the premises of the companies (such as sellers and those working from home) and em-

employees who occupy positions of trust (such as managers and directors), if they are not subject to any working hours control, are not entitled to receive overtime.

Employees who work more than 6 (six) hours a day are entitled to at least 1 (one) hour of meal break and rest.

For employees who work at night (from 10 pm to 5 am), there will be a need to pay an allowance for the hours worked in such period. The percentage of the additional due is at least 20% over the value of the normal hour and there is also a reduction of the hour worked at night, with the night hour being 52:30 (e.g., an 8-hour shift at night is equivalent to 7 hours of real work).

## TERMINATION OF EMPLOYMENT CONTRACT

The termination of the employment contract may occur due to four situations:

**(a) Resignation:** The employee decides to terminate the contract, being entitled to the following severance pay: **(i)** salary balance; **(ii)** overdue and proportional vacation increased by 1/3; **(iii)** proportional Christmas Bonus. The employee will not be entitled to withdraw the FGTS amounts and receive unemployment benefit.

**(b) Mutual agreement:** Employee and employer decide to terminate the contract, guaranteeing the employee the following severance pay: **(i)** salary balance, **(ii)** prior notice period in half; **(iii)** overdue and proportional vacation increased by 1/3; **(iv)** proportional Christmas Bonus; (v) a 20% fine on the FGTS balance in the employee's linked account. In this type of termination, the employee may withdraw up to 80% of the amounts deposited as FGTS and will not be entitled to unemployment insurance.

**(c) Dismissal without cause:** The employer decides to terminate the contract, guaranteeing the employee the following severance pay: **(i)** salary balance; **(ii)** proportional prior notice period (one month of salary plus three days per year of work in the company); **(iii)** overdue and proportional vacation increased by 1/3; **(iv)** proportional Christmas Bonus; (v) a 40% fine on the FGTS deposited during the entire contract, and the employee will be entitled to withdraw all the amounts deposited as FGTS and will be entitled to unemployment insurance.

Dismissal with cause: The employer decides to terminate the contract due to a serious misconduct by the employee, guaranteeing to the employee the following severance pay: **(i)** salary balance; and **(ii)** vacation due increased by 1/3. There is a controversy in the jurisprudence regarding the right to receive proportional vacation with 1/3 and Christmas bonus.

## UNIONS

All employees, even those who are not members, are represented by a labor union, which is defined according to the predominant activity carried out by the company, and are entitled to the rights set forth in a Collective Bargaining Agreement (CCT).

These instruments will grant rights that will be incorporated into the employment contracts and will have to be respected by companies. They usually define issues such as salary increases, benefits such as meal vouchers, daycare or educational allowances, working hours, the possibility of adopting a worked hours register (banco de horas), and additional stability to those already provided for by law (e.g., pre-retirement), among others.

## LIMITATION PERIODS

The labor statute of limitation is 2 (two) years as from the end of the employment contract, reaching the installments related to the previous 5 years, or 5 (five) years during the term of the employment contract.

## DEFINITION OF ECONOMIC GROUPS

Whenever one or more companies are under the direction, control or administration of another, or even when, even keeping each their autonomy, they are part of an economic group, they will be jointly and severally liable for the obligations arising from the employment relationship.

## PROFIT AND/OR RESULT SHARING

Law 10,101/00 regulates and provides for the possibility of negotiation by companies with their employees, through their labor unions or a special committee of employees elected for this purpose (including a labor union representative), of a profit-sharing plan.

## IMPORTANT THEMES BROUGHT UP THROUGHOUT 2025

### STF Decisions – Pejotização

In recent years, the Brazilian Supreme Court (STF) has been consolidating a precedent favorable to the freedom of productive organization and the validity of civil-commercial contracts, provided that the defining elements of an employment relationship (subordination, personhood, remuneration, and regularity) are absent.

This movement was fundamentally shaped by the rulings on ADPF 324 and Theme 725, in which the STF recognized the lawfulness of outsourcing at any stage of economic activity, including core

business activities, reaffirming the constitutional principles of free enterprise and private autonomy.

Subsequently, considering the persistent Labor Court rulings that disregarded these precedents, Justice Gilmar Mendes ordered a nationwide stay of proceedings involving the discussion of pejotização and outsourcing under these themes. This measure was specifically intended to uphold the authority of the Supreme Court's rulings and to prevent legal uncertainty within the market.

Concomitantly, the Office of the Prosecutor General (PGR) formally manifested itself in a manner favorable to broad outsourcing and the validity of business contracts, highlighting that contracting through a legal entity, by itself, does not constitute fraud, provided that the requirements of the employment relationship are absent, thus reinforcing the constitutional interpretation already adopted by the Supreme Court.

There is still no binding decision on the subject, but in light of this scenario, it becomes essential that companies adopt good contractual practices, ensure coherence between the form and the reality of the service provision, and monitor jurisprudential evolution. Pejotização, when implemented in a regular, transparent manner and aligned with the parameters set by the STF, constitutes a legal and strategic alternative, potentially generating efficiency and flexibility gains for both the organizations and the professionals involved.

### Proximity of the entry into force of the new NR 01 rules

Regulatory Standard No. 01 (NR-01), which establishes the general provisions on Occupational Health and Safety and structures the Occupational Risk Management (GRO), has been undergoing a gradual process of regulatory strengthe-

ning since 2024, culminating in a significant expansion of corporate obligations that shall produce full practical effects starting in **May 2026**.

The changes, conducted by the Ministry of Labor and Employment (MTE), consolidate a broader preventive approach, requiring companies to act in a systematic, documented, and integrated manner in risk management, including those of an organizational and psychosocial nature.

This new regulatory framework can be summarized into three major axes of impact:

### **(a) Occupational Risk Management (GRO) and Risk Management Program (PGR)**

- (i)** Companies must implement and document a periodically updated PGR, considering the identification, evaluation, classification, and control of all occupational risks, with documentary records compatible with audits and inspections.
- (ii)** Under the new regulatory framework, the PGR now expressly covers the so-called psychosocial risks, including, among others, occupational stress, harassment, work overload, interpersonal conflicts, and discrimination. This requires the adoption of concrete preventive measures, such as reporting channels, internal conduct policies, training actions in diversity and inclusion, and mechanisms for monitoring the organizational climate.
- (iii)** The standard also reinforces the mandatory nature of emergency response procedures and periodic simulations, which may require investments in infrastructure, training, and contingency plans.

### **(b) Inclusion of Third Parties and Suppliers in Risk Management**

- (i)** Companies now have the duty to consider, within their own PGR, the occupational risks related to the activities of service providers, requiring from contractors a risk inventory and minimum evidence of compliance in occupational health and safety.
- (ii)** This guideline substantially expands the liability of the hiring company, reinforcing the necessity of structured processes for vendor compliance, contractual due diligence, and continuous monitoring of business partners.

### **(c) Training, Traceability and Documentation**

- (i)** NR-01 requires companies to train their employees in occupational safety and health, prioritizing those exposed to specific risks, including psychosocial ones.
- (ii)** All preventive measures, evaluations, and corrective actions must be properly recorded and made available for the purposes of inspection, audit, and potential administrative or judicial liability.

These set of changes significantly expands the duty of diligence of companies, shifting the focus from a merely reactive approach to a continuous model of prevention, governance, and documentary evidence.

With the full entry into force of these obligations in **May 2026**, early adaptation becomes strategic: in addition to mitigating the risks of fines and labor liabilities, compliance with the new NR-01 becomes a central element of reputational management, ESG, and legal certainty in labor relations and the supply chain.

## 6x1 Work Schedule

The 6x1 work schedule remains legally valid in Brazil, provided that constitutional working hour limits, paid weekly rest (DSR), and applicable collective bargaining agreements are respected. To date, no legislative amendment has been enacted to eliminate this model across the board.

However, the issue has become a priority on the National Congress agenda for 2025–2026. Several pending legislative initiatives seek to revise or abolish this model, reflecting political, labor union, and social pressure for increased rest periods and improved working conditions.

### Key Proposals Under Debate:

- PEC 148/2015 (Senate): A Proposed Amendment to the Constitution aiming to phase out the 6x1 schedule by reducing the workweek from 44 to 36 hours, granting two rest days per week. This PEC has been approved by the Senate's Constitution, Justice, and Citizenship Committee (CCJ) and is currently awaiting a floor vote. As a constitutional amendment, it requires a supermajority (qualified quorum) and two rounds of voting in both the Senate and the Chamber of Deputies.

- PEC 8/2025 (Chamber of Deputies): A proposal to amend Article 7 of the Constitution to limit the workweek to 36 hours over a four-day workweek (4x3), allowing for hour compensation via collective agreements. This PEC has undergone public hearings and is currently under review by the CCJ.

- Bill (PL) 67/2025 (Chamber of Deputies): An initiative providing for a gradual reduction of the workweek to 40 hours starting in 2027, increasing paid weekly rest to two consecutive days without a reduction in wages.

- PEC 40/2025 (Chamber of Deputies): An alternative proposal that maintains the 44-hour constitutional limit but introduces hourly-based pay and greater flexibility for individual or collective negotiations.

### Political and Institutional Outlook:

The Federal Government has reaffirmed that the elimination of the 6x1 schedule without wage reduction is a legislative priority, also advocating for a 40-hour workweek with two fixed rest days. This stance aligns with social demands and public opinion polls showing strong support for the change. Congress continues to debate transition frameworks (gradual vs. immediate), economic implications, and sectoral impacts through public hearings involving stakeholders and experts.

### Social and Corporate Mobilization:

Social movements, such as 'Life Beyond Work' (VAT - Vida Além do Trabalho), have influenced the debate by advocating for a 4x3 schedule (four working days, three rest days). Conversely, business associations and industrial sectors have raised concerns regarding increased labor costs and impacts on competitiveness, calling for in-depth technical assessments before any widespread changes are implemented.

### Increase of binding precedents in the Superior Labor Court

Additionally to the movements of the Supreme Federal Court, a significant institutional effort by the Superior Labor Court (TST) is observed in 2025–2026 to uniformize its jurisprudence through the establishment of binding legal precedents, especially in repetitive appeals and incidents of resolution of repetitive claims (IRDR).

Until 2024, there were approximately 20 themes registered in the Superior Labor Court. Throughout 2025, this number jumped to over 300, evidencing the expressive acceleration of the jurisprudential uniformization process and the institutional priority given to the formation of national precedents.

This shift seeks to mitigate decisional fragmentation across the Regional Labor Courts while enhancing the predictability of labor litigation.

Looking ahead to 2026, the trend points toward an intensification of this process, characterized by the expedited establishment of binding precedents that mandatorily govern lower court rulings. This evolution directly impacts procedural strategies, internal policies, and the provisioning of labor contingencies.

From a practical perspective, this entails a significant structural transformation: labor risk is no longer primarily contingent upon the local interpretation of individual Regional Courts (TRTs) but is increasingly dictated by consolidated national jurisprudence. Consequently, corporations must proactively monitor these precedents, re-evaluating operational practices considering the established *stare decisis*, and preemptively adjusting contracts, work schedules, and internal policies to avoid heightened exposure to aggregate litigation.

This emerging landscape underscores the necessity of continuous and strategic legal management, predicated not merely on statutory law, but on the systematic monitoring of the TST's settled case law.

## DATA PROTECTION , ARTIFICIAL INTELLIGENCE AND NEW TECHNOLOGIES

The economic regulation of technology has become one of the fastest-growing legal fields in Brazil and worldwide. In Brazil, the enactment of Law No. 13,709/2018, the Brazilian General Data Protection Law (“LGPD”), represented a structural milestone for organizations across all sectors, requiring not merely punctual adjustments but the implementation of structured privacy governance programs. Since its entry into force, the LGPD has driven contractual revisions, internal restructurings, reviews of operational data flows, and the strengthening of control and documentation mechanisms, thereby transforming data protection into a strategic axis of risk management.

The institutional maturation of the Brazilian Data Protection Authority (“ANPD”) has further intensified this movement. The Authority has increasingly adopted a more robust technical and regulatory role through the issuance of guidance documents, resolutions, specific regulations, and the initiation of administrative sanctioning proceedings. This dynamic regulatory environment requires continuous monitoring, recurring documentary updates, and the periodic review of governance programs, particularly with respect to sensitive matters such as biometric data, the processing of sensitive personal data, automated decision-making, and the use of artificial intelligence.

### **NATIONAL DATA PROTECTION AUTHORITY**

The evolution of the Brazilian Data Protection Authority (“ANPD”) has consolidated the need for a preventive and structured approach by organizations. In this context, the firm acts strategically in the

development and continuous updating of privacy governance programs, with a strong focus on formal documentation and evidence of accountability.

Among the firm’s principal areas of practice are the drafting and review of internal data protection policies, information security policies, data retention and disposal policies, incident response plans, Data Protection Impact Assessments (DPIAs), Records of Processing Activities (RoPA), specific contractual clauses with processors and business partners, as well as legal memoranda designed to support decision-making involving regulatory risks.

We also assist clients in the conduct of administrative proceedings before the ANPD, the preparation of formal responses to official requests and notifications, the development of defense strategies, and the organization of documentary dossiers demonstrating diligence, governance, and regulatory good faith. In parallel, we conduct maturity assessments, internal audits, and independent compliance reviews, delivering executive reports and structured action plans that enable organizations to evolve from a merely formal compliance stage to an effective privacy risk management model.

### **WHAT ARE ORGANIZATIONS DOING ABOUT THE LGPD?**

Organizations are currently at different stages of maturity on the subject. Some already maintain consolidated programs and are seeking technical refinement, particularly in relation to risk management, evidentiary documentation, and continuous monitoring. Others are still

structuring their initial compliance cycles, focusing on data mapping, review of legal bases, contractual adjustments, and the implementation of internal policies. There are also companies that have begun to adopt a more strategic approach, incorporating metrics, indicators, and formal accountability mechanisms directed to the board of directors or senior management.

The firm provides tailored assistance in each scenario, structuring projects that include detailed mapping of data flows, interviews with key departments, preparation of risk matrices, consolidation of data inventories, formal legal opinions regarding the applicable legal bases, development of standard clauses for suppliers, support in merger and acquisition due diligence processes, and the organization of data rooms containing documentary evidence of compliance. In corporate transactions, data protection has become a central element of risk assessment, making it essential to demonstrate not only the existence of policies but also the effective implementation and monitoring of internal controls.

In the field of artificial intelligence, although a specific regulatory framework is still under consolidation through Bill No. 2338 (PL 2338), organizations have already begun adopting relevant preventive measures. The firm has supported clients in incorporating formal AI risk-assessment stages within existing privacy programs, including the development of preliminary evaluation checklists, documentary records of technical decisions, internal classification of systems according to risk levels, and the preparation of internal reports inspired by the criteria of the European AI Act and the legislative text currently under discussion in the Brazilian Congress.

In addition, we advise on the structuring of internal policies for the responsible use of artificial intelligence, the definition

of roles and responsibilities, documentation of human oversight, review of contracts with technology providers, and the legal assessment of systems that may generate significant impacts on fundamental rights. This integrated approach allows organizations not only to anticipate future regulatory obligations but also to strengthen their position in audits, investigations, and due diligence processes, demonstrating governance, diligence, and institutional maturity.

## **LEGAL PRACTICE IN RESPONSE TO EMERGING ARTIFICIAL INTELLIGENCE REGULATIONS**

The regulatory landscape surrounding artificial intelligence in Brazil is undergoing rapid transformation, particularly due to the legislative process involving Bill No. 2338/2023 (PL 2338), which proposes a comprehensive legal framework based on risk classification, governance duties, and the protection of fundamental rights. At the same time, the advancement of the European AI Act and other international initiatives directly influences the Brazilian market, whether through cross-border operations or through the voluntary adoption of global compliance standards. In this context, legal practice ceases to be merely reactive and assumes a strategic and preventive role.

The firm continuously monitors legislative, regulatory, and institutional developments related to AI, analyzing updated versions of bills, substitute texts, legislative reports, and statements issued by public authorities. Based on this monitoring, we prepare technical analyses and legal opinions translating the practical impact of regulatory developments for different economic sectors, allowing clients to adjust their innovation strategies with legal certainty.

Our work focuses on the structuring of internal AI governance models, with a strong emphasis on documentation and

decision-making traceability. We assist in the development of internal policies for the development and use of AI systems, the definition of roles and responsibilities, the establishment of multidisciplinary committees, the implementation of legal and technical validation workflows, and the formalization of records demonstrating diligence and adequate human oversight.

We also assist clients in the internal classification of AI systems according to risk levels, the preparation of impact assessments inspired by international standards, and the integration of these procedures into existing data protection and information security programs. This work includes the assessment of potential risks related to algorithmic discrimination, automated decision-making with significant effects, the use of sensitive data, transparency toward users, and mechanisms for contesting automated outcomes.

In technology development projects, we review agreements with suppliers and technology partners, incorporating specific contractual clauses regarding liability, governance, audit rights, intellectual property, confidentiality, and data protection. Contractual structuring is treated as an essential instrument for risk mitigation, particularly within complex development and supply chains involving AI-based solutions.

Beyond preventive advisory work, the firm is prepared to act in scenarios involving regulatory investigations, supervisory inquiries, and potential litigation related to the use of artificial intelligence systems. The combination of forward-looking legislative analysis, robust documentation structures, and integration with privacy and compliance programs enables the firm to offer a comprehensive approach aligned with international best practices and the emerging requirements of the Brazilian regulatory landscape.

## **PRACTICE AND COMPLIANCE UNDER THE “DIGITAL ECA” FRAMEWORK**

The enactment of Law No. 15,211/2025, known as the “Digital ECA,” marked a new stage in the regulation of the Brazilian digital environment by establishing specific obligations aimed at protecting children and adolescents online. The statute complements the Brazilian Child and Adolescent Statute and imposes relevant duties on application providers, digital platforms, marketplaces, social networks, game developers, edtech companies, and other services likely to be accessed by minors.

The Digital ECA introduces a regulatory framework centered on risk prevention, the best interests of the child and adolescent, and the proportional accountability of economic agents operating in the digital environment. This entails the need to review not only privacy policies and terms of use but also business models, design practices, algorithmic recommendation mechanisms, advertising strategies, and age-verification processes.

In this context, the firm acts in a structured manner in assessing regulatory applicability, identifying whether a given digital product or service is subject to the statute’s specific obligations, particularly in light of the concept of “likely access” by children and adolescents. Based on this assessment, we prepare detailed legal opinions identifying regulatory risks, points of attention, and proportionate compliance measures consistent with the size and nature of the business activity involved.

Our work includes the review and updating of privacy policies with language appropriate for child and adolescent audiences, the structuring of specific contractual clauses for suppliers and partners, the development of internal policies for the protection of minors in the digital environment, and the implementation of

formal workflows for handling complaints and removing potentially harmful content. We also advise on the establishment of age-verification criteria and access control mechanisms, always taking into account the principles of proportionality and data minimization.

From a documentation perspective, we assist in the development of internal records demonstrating diligence and the adoption of preventive measures, including risk-assessment reports, documentation of product design decisions (privacy by design and safety by design), risk matrices concerning targeted advertising, and records of internal training initiatives. This approach strengthens the organization's position in potential administrative inspections, investigations, or judicial disputes.

Furthermore, we support the integration between the Digital ECA, the LGPD, and artificial intelligence governance frameworks, particularly where automated systems influence content recommendations, moderation processes, or behavioral profiling of underage users. Coordination among these regulatory fronts is essential to mitigate reputational, financial, and legal risks, ensuring that technological innovation remains aligned with the principle of comprehensive protection established under Brazilian law.

In light of this new regulatory environment, compliance with the Digital ECA should not be treated as a one-time adjustment but rather as part of an ongoing strategy of responsible digital governance, capable of demonstrating a genuine commitment to the protection of fundamental rights in the online environment.

 COMPLIANCE AND ANTI-CORRUPTION

Since 1998, Brazil has had Law No 9,613 – Fraud Prevention and Money Laundering Act (“PLD”) (Lei de Prevenção à Fraude e à Lavagem de Dinheiro), whose main objective is the criminal liability of those responsible for fraudulent and money laundering practices and activities. After the legislation was enacted, other regulations were adopted in Brazil, addressing the monitoring and reporting of obligations related to fraud prevention and money laundering. The BC became responsible for the regulation and supervision of banking activities and the CVM for activities involving the capital market.

In 2013, Brazil enacted the Clean Company Act (Law No 12,846/13 - Lei da Empresa Limpa), being the first law in the country to hold companies liable for acts of corruption committed by its employees and/or representatives during corporate activities. This is an administrative law, not a criminal one. Such law imposes objective liability on companies operating in Brazil for national or international corruption. All forms of facilitation and/or illicit negotiations are considered illegal, with no exceptions whatsoever. For purposes of the Clean Company Act, a company’s compliance program will be reviewed at the time of application of penalties/sanctions. In this sense, one of the benefits of having a compliance program implemented is the possibility of decreasing and/or mitigating applicable penalties.

In addition to the Clean Company Act, in 2021, with the enactment of the New Public Procurement Law, it was established that companies’ compliance programs would constitute a differentiating factor in contracting with the public administration. The law set forth three circum-

stances in which a company’s compliance program would be assessed: **(i)** as a mandatory requirement for the procurement of large-scale works, services and supplies; **(ii)** as a tie-breaking criterion between winning proposals; and **(iii)** as a condition for the reinstatement of bidders who, in certain cases, had been barred from participating in public tenders. Subsequently, in 2024, Decree No. 12,304/2024 was enacted, establishing the parameters to be assessed in the compliance programs of bidders, including: **(i)** commitment of senior management; **(ii)** code of conduct; **(iii)** extension of internal policies to third parties; **(iv)** periodic training and communication; **(v)** risk management and reassessment; **(vi)** complete and accurate accounting records; **(vii)** internal controls to ensure the reliability of financial reports; **(viii)** mechanisms for the prevention of fraud and illicit practices in procurement procedures; **(ix)** respect for human, labor and environmental rights; **(x)** independence and authority of those responsible for the compliance program; **(xi)** whistleblowing channels; **(xii)** disciplinary measures policy for violations; **(xiii)** procedures for the investigation and interruption of irregularities; **(xiv)** due diligence procedures in the hiring of third parties and in relationships with politically exposed persons; **(xv)** due diligence in mergers and acquisitions transactions; **(xvi)** transparency and socio-environmental responsibility; and **(xvii)** continuous monitoring of the compliance program.

Although the decree established the items to be assessed, it did not specify how such evaluation would be carried out, leaving this responsibility to the Office of the Comptroller General (CGU). Accordingly, in 2025, the CGU issued Ordinance No.

226, establishing the criteria under which compliance programs will be assessed and the minimum requirements for them to be effectively considered implemented.

### **MAIN BRAZILIAN ANTI-CORRUPTION AND ANTI-FRAUD AND ANTI-MONEY LAUNDERING LAWS**

#### **DECREE-LAW No. 2.848/40 – BRAZILIAN CRIMINAL CODE**

**Objective:** criminal liability for all individuals who offer, or promise, an illicit advantage for a public agent to omit or not to perform an official act.

**Penalties:** 2 to 12 years of imprisonment and fine.

#### **LAW No 8,137/90 – LAW TO COUNTER CRIMES AGAINST THE TAX ORDER, ECONOMIC ORDER AND CONSUMER RELATIONS**

**Purpose:** accountability of corruption activities practiced in the face of tax and fiscal inspection authorities, including municipal, state and federal authorities.

**Penalties:** from three to eight years of imprisonment and fine.

#### **LAW No 9,613/98 – ANTI MONEY LAUNDERING AND FRAUD PREVENTION ACT**

**Purpose:** definition of money laundering as an act of hiding and/or concealing the nature, origin, location, disposition and/or ownership of assets, rights and/or financial values directly or indirectly linked to criminal practices. Whoever engages in activities and/or operations that have the purpose of hiding the identity of the owner, the origin of the values and/or assets or, still, the destination of the goods and financial values may be held responsible for the crime of money laundering.

In addition, one of the main objectives of this legislation is to ensure the encouragement for individuals and companies to contribute to the fulfillment of the mechanisms of prevention and repression of fraud and money laundering, imposing obligations to register and report suspicious activities to the competent authorities.

**Penalties:** from three to ten years of imprisonment and fine.

#### **LAW No 12,846/13 – CLEAN COMPANY ACT**

**Purpose:** accountability of companies for acts of corruption committed by employees, service providers and/or representatives. This Act imposes objective liability for companies that practice acts of corruption against a government entity in Brazil or abroad, if they are carried out during their corporate activities.

**Fines and penalties:** up to 20% of the company's revenue, including extraordinary publication of the imposition of penalties and damages caused by the act of corruption. In the legislation, there are also other consequences of a conviction for the practice of acts of corruption, such as **(i)** seizure of assets, rights and values obtained because of illicit activities; **(ii)** partial suspension or shutdown of the company's business activities; **(iii)** prohibition to receive incentives, subsidies, guarantees, public credits and/or public financing. The competent authority, during the calculation of penalties, should consider the company's compliance program, including corporate practices and procedures, such as code of ethics, internal policies and operational procedures.

## LAW No 13,964/19 – WHISTLEBLOWER REGULATION

**Purpose:** ensure the right to report crimes against the Government, administrative offenses and/or any actions or omissions to the detriment of the public interest by one of the persons involved, called whistleblower. The complaint must be made to the Federal, State, District or Municipal Administration and to the entities responsible for the investigations and accountability. The legislation promotes broad protection for the whistleblower to protect himself from retaliation in the criminal and civil fields of liability, except in cases where he/she is declaring false information. The whistleblower should be compensated for the information provided in cases where his/her whistleblowing results in the recovery of assets or resources by the authorities.

## LAW No. 12,529/11 - ANTITRUST LAW

**Purpose:** to hold companies and individuals accountable for antitrust conduct. This Law imposes strict liability on those who engage in acts with the aim or that may generate the following effects: **(i)** restrict, distort or in any way harm free competition or free enterprise; **(ii)** dominate a relevant market of goods or services; **(iii)** arbitrarily increase profits; and **(iv)** abuse of a dominant position.

**Fines and penalties:** fine of up to 20% of the company's revenue; publication, at the expense of the breacher, of an extract of the condemning decision in a newspaper indicated in the decision, for 2 consecutive days, for 1 to 3 consecutive weeks; prohibition to enter into contracts with official financial institutions and to participate in public bidding processes for the acquisitions, sales, execution of works and services, concession of public services, in the federal, state, municipal and Federal District entities, as well as in entities of the indirect administration, for a period not

less than 5 years; registration of the breacher in the National Registry of Consumer Protection (Cadastro Nacional de Defesa do Consumidor); division of the company, transfer of corporate control, sale of assets, or partial cessation of activity; prohibition from conducting business in its own name or as a representative of a legal entity, for a period of up to 5 (five) years; and any other act or measure necessary to eliminate the harmful effects to the economic order.

## CGU ORDINANCE No. 226/25

**Purpose:** Establishes the parameters for assessing the level of implementation of a company's compliance program and the minimum criteria for such program to be considered effectively implemented.

In general, the assessment of the integrity program in large-scale public procurement contracts involving works, services and supplies, with respect to its implementation and development, will consider a set of issues grouped into 11 thematic areas, as set forth in Annex I of the Ordinance, which are as follows:

- Area I** – Commitment of the Legal Entity's Senior Management;
- Area II** – Internal Body Responsible for the Implementation of the Integrity Program;
- Area III** – Integrity Risk Management;
- Area IV** – Code of Ethics and Conduct;
- Area V** – Integrity Policies and Procedures and Prevention of Illicit Practices in Public Procurement and Administrative Contracts;
- Area VI** – Training and Communication Actions regarding the Integrity Program;
- Area VII** – Accounting and Financial Controls and Internal Audit;
- Area VIII** – Due Diligence Procedures for the Hiring and Supervision of Third Parties and for Corporate Mergers and Acquisitions;
- Area IX** – Whistleblowing Channels, Remediation and Disciplinary Measures;

**Area X** – Monitoring of the Integrity Program; and

**Area XI** – Socio-environmental Responsibility and Transparency.

These areas will be assessed through an integrity questionnaire composed of thematic sections and questions structured across five levels (N1, N2, N3, N4 and N5), with scores assigned on a progressive scale as follows:

LEVEL	DESCRIPTION	VALUE
QN1	Existence of minimum and fundamental elements for the implementation of an integrity program	
QN2	Formal existence of specific/complementary policies or procedures	15
QN3	Characteristic aspects of the minimum or specific/complementary elements	5
QN4	Implementation of fundamental policies and procedures	25
QN5	Implementation or outputs of specific/complementary policies and procedures	18

In the context of large-scale public procurement contracts involving works, services and supplies, an integrity program will be deemed implemented if it cumulatively meets the following requirements:

- i. Full score in the QN1 questions;
- ii. At least 45% of the score in each assessment area; and
- iii. Achievement of at least 70% of the total score.

In the context of the assessment of integrity programs for the reinstatement of a contracted bidder, an integrity program will be deemed implemented if it cumulatively meets the following requirements:

- i. Full score in the QN1 questions;
- ii. Full score in the QN4 questions;
- iii. Achievement of the minimum score per assessment area, according to the company's revenue bracket;

- iv. Achievement of at least 70% of the score in the area concerning remedial measures adopted in response to the acts that led to the sanction;
- v. Achievement of the minimum total score, according to the company's revenue bracket.

In the context of assessing integrity programs as a tiebreaker criterion, an integrity program will be deemed implemented if it cumulatively meets the following requirements:

- i. Full score in the QN1 questions;
- ii. Achievement of the minimum score per assessment area, according to the value bracket of the signed contract; and
- iii. Achievement of the minimum total score, according to the value bracket of the signed contract.



## PUBLIC BIDS

The Brazilian public procurement system is grounded in Article 37, item XXI, of the 1988 Federal Constitution, which mandates, as a general rule, a public bidding process for the contracting of works, services, purchases, and the disposal of assets by the Public Administration.

Government entities at the federal, state and municipal levels in Brazil contract products and services from Brazilian and foreign companies through an isonomic procedure and with broad participation of economic agents. Whilst contracting, the public sector must respect the content of Law No 14,133/21 (“Bidding Act”).

The bidding process is regulated, at the federal level by the Bidding Act – Law No 14,133/21, whereas state-owned companies enter into contracts based on their own regulations and Federal Law No. 13,303/2016.

Studies by IPEA indicate that the Brazilian Government spends about 12.5% (twelve point five percent) of GDP on government purchases, which represents about R\$ 258,000,000,000.00 (two hundred and fifty-eight billion reais). Public procurement in Brazil accounts for a significant portion of the national GDP, with substantial annual contracting volumes across the infrastructure, energy, sanitation, healthcare, information technology, defense, logistics, urban mobility, and specialized services sectors. Therefore, it constitutes a robust and regulated institutional environment that is highly relevant from a strategic investment perspective.

### PARTICIPATION OF FOREIGNERS

In 2021, the new Bidding Act (Law No 14,133/2021) became effective and brought

Brazil closer to the “Agreement on Government Procurement (GPA)”, i.e., the World Trade Organization (WTO) Public Procurement Agreement. The bases of the so-called GPA translate into equal access and fair competition in the participation of foreigners in local bids and contracts, within the environment of the signatory countries. Thus, aspects related to the equivalence of documents submitted by foreign companies will have a more equitable treatment from the application of the new legislation.

### BIDDING PROCEDURE

The bidding process can be understood as an administrative procedure used to select the most advantageous proposal for the public administration, through objective and impersonal criteria. The Bidding Act sets forth five bidding modalities:

- 1. Reverse Auction:** modality reserved for the acquisition of common goods and services, whose performance and quality standards can be objectively defined by the notice, through usual specifications in the market.
- 2. Competition:** modality reserved for the contracting of special goods and services and of common and special engineering works and services.
- 3. Tender offer:** modality reserved for the choice of technical, scientific or artistic works.
- 4. Auction:** modality reserved for the sale of real estate property or useless movable property or legally seized to those who offer the highest bid.

**5. Competitive dialogue:** modality reserved for the contracting of works, services and purchases in which the Public Administration conducts dialogues with previously selected bidders according to objective criteria.

Exceptionally, the Public Administration may directly contract products and services without the need of a bid, whenever the competition is unfeasible or not essential, in the hypothesis set forth in the law. Article 74 of the new Bidding Act provides a list of hypotheses that are examples of cases in which the competition is unfeasible. Article 75, on its turn, provides an exhaustive list of cases in which the Public Administration is exempted from pursuing a bid.

## BIDDING STAGES

The common procedure to be observed in public tenders is divided into seven phases.

The **preparatory phase of the bidding process**, still internal in the Government, is characterized by the planning and must be compatible with the contracting plan, whenever prepared, the budgetary laws, and all technical, marketing and management considerations that may interfere with the contracting.

The **disclosure phase of the bidding notice** comprises the publication of all elements of the notice, including draft contract, terms of reference, preliminary draft, projects and other annexes, on an official website on the same date of disclosure of the notice.

**The bid submission** stage is the one in which bidders must submit their bids or proposals, which can take place in two ways: open mode, in which case bidders will submit their bids through public and successive bids, increasing or decreasing, or closed mode, in which case the bids will remain confidential until the date and time designated for their disclosure.

The **judgment phase** is the one in which the Government carries out the objective judgment of the proposals, according to the criteria previously set forth in the notice (lowest price, highest discount, best technique or artistic content, technique and price, highest bid, in the case of an auction, or highest economic return).

The **qualification phase** is one in which the set of information and documents necessary and sufficient to demonstrate the ability of the bidder to carry out the object of the bidding is verified. It is divided into legal, technical, fiscal, social and labor qualification, as well as economic and financial qualification.

In **the appeal stage**, the interested parties are entitled to appeal against decisions made during the bidding procedure.

Finally, **the approval phase** is the one in which, once the judgment and qualification phases are closed, and the administrative appeals are exhausted, the bidding process will be forwarded to the higher authority, which, subject to all legal requirements, will award the object and approve the bidding.

## BUDGET OVERSIGHT BOARD

The Budget Oversight Boards (Tribunais de Contas) have a primordial role of performing the accounting, financial, budgetary, operational and asset supervision of the public bodies and entities. It is the institution in charge of supervising the good application of public resources by the administrators. Besides caring for the legal, accounting and budgetary issues involving the public administration (through compliance due diligences), it must also take into account the quality of the public spending through operation due diligences.

In the federal sphere, the control of the public accounts is performed by the Federal Budget Oversight Board (Tribunal de Contas da União - TCU), and in the State and municipal spheres the supervision is

performed, as a rule, by the relevant State Budget Oversight Boards (Tribunais de Contas Estaduais - TCE).

## **NATIONAL PUBLIC PROCUREMENT PORTAL (PNPC)**

The National Public Procurement Portal (PNPC) is the official website designated for the centralized and mandatory disclosure of acts required by the Bidding and Administrative Contracts Law. By centralizing bidding documents and their respective annexes, notices and direct contracting acts, price registration minutes, as well as contracts and their amendments, the PNPC allows investors and companies—whether domestic or foreign—to track government procurement dynamics in real time at the federal, state, and municipal levels. It serves as a useful instrument for planning and strategic decision-making regarding market entry and business expansion with the Public Administration.

Furthermore, the Annual Contracting Plan (PCA), which consolidates the estimated purchasing demands of each agency or entity for the upcoming fiscal year, is published on the PNPC. The PCA provides the private sector with visibility into future bidding processes, enabling investment planning, product and service portfolio adaptation, and economic-financial feasibility analysis. The systematic monitoring of these contracting plans constitutes a relevant tool for competitive strategy and the identification of opportunities.

Preparing to participate in public bidding processes in Brazil requires a structured approach that combines active monitoring of the PNPC, prior organization of qualification documents, implementation of integrity programs compliant with anti-corruption legislation, sector-specific regulatory assessment, and, when applicable, the strategic formation of consortiums or Special Purpose Vehicles (SPVs). Adopting proactive legal planning can competitively position a company in a market that

moves a significant volume of public funds and offers relevant medium- and long-term contract opportunities.

## **UNIFIED SUPPLIER REGISTRATION SYSTEM (SICAF)**

The Unified Supplier Registration System (SICAF) is the official digital platform of the Brazilian Federal Government for the registration and qualification of companies and professionals seeking to supply goods or provide services to the federal Public Administration. The registration is performed through the [Compras.gov.br](http://Compras.gov.br) portal, is free of charge, and has national validity. Through SICAF, companies centralize in a single environment the information and documents required to prove their legal, tax, labor, and economic-financial standing, which are used in bidding processes and public contracts.

In practice, SICAF functions as a pre-qualification system. Instead of repeatedly submitting the same documentation for every new bid, the company maintains its updated data on the platform, allowing public agencies to directly consult its registration status. The system also enables participation in electronic reverse auctions (*pregões eletrônicos*) and other modalities of public procurement at the federal level, besides serving as an instrument to verify the regularity and integrity of suppliers.

For companies interested in contracting with the Public Administration, the registration and strategic management of SICAF are fundamental preparatory steps for participating in bidding processes. Regularly maintaining certificates, timely updating registration information, and the prior organization of qualification documents reduce the risk of disqualification and increase the capacity to respond to opportunities identified in the National Public Procurement Portal. Thus, SICAF not only simplifies procedures but also constitutes an essential tool for structured, competitive, and continuous performance in public procurement.

## UTILITY SERVICES GRANT

The provision of public services in Brazil is carried out by the Government, directly by the State itself or by individuals under the regime of authorization, concession or permission. The concession of public services must comply with the provisions of law, with the general regime of public concessions established by Law No 8,987/95.

### PUBLIC SERVICE CONCESSION

Public service concession deals with the delegation of the performance of a service under the responsibility of the Public Power to the individual, formalized through an administrative contract, in which the investments made by the concessionaire and the provision of services are remunerated through a fee charged to users.

The concessions are made in the service sectors where there is a need for investment in infrastructure, as in the case of airports, railways, highways, ports, electricity, basic sanitation, telecom, etc.

Given the complexity of the issues involving public service concessions, these can only be delegated to legal entities, by proving the technical and economic-financial capacity of the service provider, to be verified during the bidding process.

In addition, although provided by a private entity, it is subject to the regulation and supervision of the public entity that delegated the service, also called the Granting Authority. The fees charged to users are regulated and the supervision of the contract is also carried out by the regulatory authorities.

There are also public-private manage-

ment models for health and education services, public transport companies, culture, tourism, sports, leisure, science and technology, among others.

### PUBLIC-PRIVATE PARTNERSHIPS - PPPs

In addition to the possibility of public services being provided entirely by private individuals, by concession, permission or authorization, it is authorized by Brazilian law to establish partnerships between the public and private sectors, through the so-called Public-Private Partnerships – PPPs.

Law 11,079/04 brings the general rules for contracting public-private partnerships within the scope of public administration and divides them into two modalities: **(i)** sponsored concession; and **(ii)** administrative concession.

**(a)** A sponsored concession is the concession of services or public works in which the individual is remunerated, in addition to the fee charged to users, through pecuniary consideration of the public partner. In these cases, the tariffs charged to users are not sufficient to compensate for the investments made by the private partner, so that the Government, in addition to the fees charged to users, complements the remuneration of the private partner through regular contributions of budgetary resources.

**(b)** The administrative concession, in turn, is the service contract of which the Government is a direct or indirect user of the services. In this modality, the service is remunerated by the Government, even if it is used by third-party

users, and the private partner is not remunerated by tariff.

In both modalities, it is necessary to carry out a bidding process in the competition modality. This is a procedure with the objective of selecting the most advantageous proposal for the public administration, through objective and impersonal criteria, as well as verifying the technical, legal and economic-financial capacity of the companies participating in the bidding process.

### REGULATORY AGENCIES

Regulatory agencies are entities belonging to the Public Administration. They are created by law, and have a financial, operational and administrative autonomy. They regulate and control the activities which compose the object of the concession, permission or authorization of public service. Among the main roles of the regulatory agencies, which vary according to their creation law, there are: the drafting of rules that discipline the regulated sector, supervision, defense of consumer rights, management of delegated public service concession contracts and encouragement to competition, to minimize the effects of natural monopolies and development of mechanisms that support the competition.

### INVESTMENT PARTNERSHIPS PROGRAM – PPI

The Investment Partnership Program (“PPI”) was created by Law No 13,334/16 with the purpose of expanding and strengthening the interaction between the State and the private sector through the structuring and development of projects that culminate in the conclusion of public-private partnership contracts, concessions and other privatization measures.

The objectives of the PPI are: **(i)** to expand investment and employment opportunities and stimulate technological and industrial development, in harmony with the social and economic development goals of Brazil; **(ii)** to ensure the expansion of public infrastructure, with appropriate tariffs for users; **(iii)** to promote broad and fair competition in the execution of partnerships and in the provision of services; and **(iv)** to ensure the stability and legal certainty of contracts, with the guarantee of minimum intervention in business and investments.

Projects qualified in the Investment Partnerships Program are treated as a national priority and all bodies and entities involved start to act so that the processes and acts necessary for the structuring, release and execution of the project occur efficiently and economically.



## SANITARY AND REGULATORY

### GENERAL INFORMATION ON PRODUCTS' REGISTRATION

It is mandatory that products that could present possible health risks such as pharmaceutical drugs, cosmetics, food, medical devices, pesticides, sanitizing and tobacco products are required to seek pre-market approval from the Brazilian Health Regulatory Agency (Agência Nacional de Vigilância Sanitária - ANVISA) in order to be legally imported to Brazil or distributed or commercialized in Brazil.

The pre-market approval is a legal act and control measure prior to the commercialization of the product, which recognizes the suitability of a product to the Brazilian sanitary regulation, and it is granted by the ANVISA. Naturally, there are requirements to be fulfilled and a procedure to be followed.

It is important to stress that it is not possible for foreign companies to make administrative arrangements for the issuance of pre-market approvals directly with ANVISA. Foreign companies shall have partner companies legally incorporated in Brazil that will be legally liable for the products imported and distributed in the Brazilian territory.

There are also certain categories of products subject to health regulations that are exempt pre-market approvals, because they represent a lower health risk (Article 41 of the Law No. 9.882/1999).

Products authorized to be distributed throughout the Brazilian territory must necessarily correspond to the ones evaluated and approved by ANVISA, and no changes are allowed without prior authorization from the Agency (Article 13 of the Law No. 6.360/1976).

All establishments that manufacture products subject to the ANVISA must comply with the requirements of **Good Manufacturing Practices (GMP)**, in accordance with ANVISA's a regulatory requirement, including pharmaceutical drugs, medical devices, cosmetics and fragrances, sanitizers, food and Active Pharmaceutical Ingredients (APIs), located either on national territory or abroad.

There are also certain legal requirements on the labelling, advertisement and even transportation of products, which are imposed either by ANVISA or by the Federal, State or Municipality legislative power or other local authorities or agencies.



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