

Navigating new territory *Internationally Mobile* *Employees*

International Assignment Services

Taxation of International Assignees Country – Brazil

*Human Resources
Services*

*International
Assignment
Taxation Folio*



Country: Brazil

| | | |
|---------------|---|----|
| Introduction: | International assignees working in Brazil | 4 |
| Step 1: | Understanding basic principles | 5 |
| Step 2: | What to do before arrival in Brazil | 9 |
| Step 3: | What to do when you arrive in Brazil | 10 |
| Step 4: | Understanding employment costs | 11 |
| Step 5: | What to do when leaving Brazil | 13 |
| Appendix A: | Types of Visas – Working in Brazil | 14 |
| Appendix B: | Tax Rates for 2013 | 15 |
| Appendix C: | Agreements and Treaties | 16 |
| Appendix D: | Frequently Asked Questions | 17 |
| Appendix E: | Brazil contacts and offices | 19 |

Additional Country Folios can be located at the following website: www.pwc.com/ias/folios

Introduction:

International assignees working in Brazil

The purpose of this folio is to offer a general background with respect to income, social security and other tax implications of cross-border transfers. This folio is a “must read” for any individual contemplating or embarking on an international assignment. In addition to the “must know” tax information, our folio explores other issues of great relevance to expatriate employees, including matters related to employment and immigration law, tax and other planning opportunities, as well as key legislative information. International assignees need this kind of information to make crucial decisions regarding their assignments. Our folio helps assignees in avoiding tax related problems both before they arrive in

their assigned country, and after they return home.

Brazilian Economic Overview:

Brazil has shown a steady improvement in its economic health over the course of the last ten years, prompted by a substantial increase in foreign exchange reserves, its almost self-sufficiency in crude oil, low inflation rates, a strong currency and increasing economic growth, hand in hand with relatively low real interest rates.

The prospects for growth in Brazil for the coming years are very promising. Forecasts have been very favorable for sectors such as infrastructure, trade, services, technology, agribusiness, as well as oil and gas (subsalt layer), and ethanol (clean fuel). This

environment and its influence as a business expansion platform in South America has greatly enhanced Brazil's risk evaluation and the attractiveness of its business prospects. Moreover, the mere size of the Brazilian consumer market and its projected growth rate make it increasingly attractive to foreign investors.

So, in the short term, Brazil, the world's fifth largest country in area and largest economy in South America, is becoming a target for new opportunities for foreign capital, for those who realize the profit possibilities and security.

If we can be of any further assistance, please contact our PwC Brazil Team (please refer to Appendix E).

Last Updated: July 2013

This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

Menu

Step 1:

Understanding basic principles

The scope of taxation in Brazil

1. The Brazilian taxation system is based on the Federal Constitution enacted in 1988. Personal income tax and social contributions are collected only by the Federal Government. There is no State or Municipal tax on an individual's income. Capital gains are taxable when assets or rights are sold, but there are certain exemptions and reductions, depending on the selling price, length of time the asset was held and if the asset was purchased abroad while under a non-resident status.
2. As a general rule, income tax is payable by all Brazilian tax residents on their worldwide income. Non- resident individuals are subject to Brazilian tax only with respect to their Brazilian sourced income. Please note that source is determined by the location of the payer. However, in certain instances, the Brazilian income tax burden may be reduced in relation to individuals who are assigned to countries with which Brazil has a ratified tax treaty.

Please note that income from an effectively connected Brazilian source will be taxed in accordance with local rules.

Determination of residence.

3. The following individuals are considered residents for Brazilian tax purposes:
 - Brazilian citizens living in Brazil;
 - Brazilian residents living abroad for the first twelve months subsequent to their departure, in cases where no communication is delivered to the tax authorities;
 - Naturalized foreign nationals living in Brazil;
 - Foreign nationals who are holders of permanent visas or holders of temporary work visas under an employment contract with a Brazilian entity, as of the date of entry into Brazil with such visa;
 - Nationals from Mercosul States (Argentina, Paraguay and Uruguay), as well as from Bolivia, Chile, Peru, Colombia and Ecuador, who claim temporary residence on the date the work relationship is established or on the date permanent residence is achieved; and
 - Holders of temporary visas without an employment contract with a Brazilian entity, after completing 183 days of actual physical presence in Brazil

(consecutive or not) within any given period of twelve months.

4. On the other hand, the following individuals are considered non-residents for tax purposes:
 - Brazilians living overseas, as of the date of departure (if the Exit Procedures are followed accordingly);
 - After 12 months of departure (in case the individual decides to do so by not following the Exit Procedures appropriately); and;
 - Foreign nationals holding temporary visas without an employment contract with a Brazilian entity during their first 183 days (consecutive or not) of actual physical presence in Brazil, within a period of 12 months

Methods of calculating tax

5. Different rules apply to taxing the income of an individual depending on his/her residence status.
6. Income tax is payable on the individual's worldwide income, on a cash basis, regardless of whether or not the income is remitted to Brazil. Earnings from employment, including fringe benefits, capital, pensions, and rentals are considered taxable income.

Income tax

7. Resident taxpayers are automatically subject to withholding tax on their income derived from Brazilian sources (entities located in Brazil, whether or not the service is performed in Brazil) at monthly progressive tax rates (see Appendix B) of 7.5%, 15%, 22.5% and 27.5% and applicable standard deductions.
8. For Income derived from non-Brazilian sources or from any local individual payer, that is to say, when that income would not have been subject to withholdings at source, the beneficiary must compute and pay income tax monthly (through “carnê-leão”), subject to the same progressive tax rates above mentioned. Late payment shall generate penalties and interest accordingly.
9. During the period of non-residence, Brazilian sourced income is subject to the withholding tax system at a flat tax rate of 25% (no deductions are allowed). Rental income received from a property located in Brazil is taxed at 15%. Offshore income is tax exempt, and there is no obligation to complete and file a Brazilian income tax return.

Investment income

10. Investments maintained in Brazil, for resident or non-resident taxpayers, are taxed separately from income derived from employment.

Dividends

11. Dividend income received from Brazilian companies relating to profits derived from 1996 onwards is tax exempt. However,



dividend income received from investments made abroad is subject to mandatory monthly income tax payments (“carnê-leão”) – except in some specific situations in which the tax treaty must be observed.

Interest

12. Interest received from saving accounts held in Brazil is tax exempt. However, interest received from any other investments held in Brazil, such as investment funds, is taxed exclusively at source. Also, interest received from investments abroad is subject to taxation in Brazil (capital gain tax).

Capital gains

13. The capital gain tax is applicable on the sale of real estate, vehicles and objects of art and collectibles sold in Brazil or abroad; on stocks sold in foreign markets; and on interest income received from investments located offshore. Non-residents are only subject to capital gains tax on the sale of assets located in Brazil. The gain is calculated on the excess of the sale price over the cost of the asset sold at a tax rate of 15%. However, for tax residents in Brazil, there are certain exemptions applicable that must be observed.

Equity income

14. Stocks sold in Brazilian markets or in the over the counter market (OTC) are subject to equity income taxation. Gains on the sale of stocks in the Brazilian stock exchange will be treated as equity income and will be taxed at a flat 15% rate, except for day-trade transactions which are taxed at 20%. There are also certain exemptions applicable that must be observed.

Stock options

15. The income tax on stock options is due by individual residents in Brazil only at the time of the sale of the shares, where the sale results in a capital gain, unless the bargain element is charged-back to the Brazilian entity. In case there is a recharge of the costs of the shares to the Brazilian entity, the corresponding amounts will be treated as employment income and, hence, subject to taxation at source.

Double taxation relief

16. As far as taxes on income derived from foreign sources are concerned, Brazil has double taxation agreements with several countries to avoid income being taxed in both countries (see Appendix C).
17. Brazil will also grant reciprocal tax treatment, within established limits, to certain countries that allow foreign tax credit. The tax authorities have officially recognized the United States of America, the United Kingdom and Germany as countries with which reciprocal tax treatment is allowed.

Tax return

18. A Brazilian resident must prepare an annual income tax return to adjust his/her liability for a given tax year, which coincides with the calendar year. The return must be filed up to the last business day of April of the following year, and no extensions of time to file are allowed.
19. The purpose of the income tax return is to adjust the amounts paid during the year and to assess the annual tax liability. In that return, information on all income received, all income taxes paid or withheld during the year must be reported, along with specific allowed deductions.

Married Persons

20. When both spouses have income, an election may be made to file separate tax returns and pay tax separately, or to have a joint assessment so that their income can be aggregated in the tax calculation.

Annual tax deductions

21. The following deductions are allowed in computing an individual's annual taxable income, supported by information such as the name and taxpayer number of the recipient of the payments:
 - Dependents (a specific amount per dependent is established each year by the tax authorities);
 - Medical expenses, in Brazil or abroad (there are certain expenses that are not deductible);
 - Tuition expenses, in Brazil or abroad, limited to a certain

specific amount established each year by the tax authorities (applicable to the taxpayer and dependents per year);

- Alimony payments, in Brazil or abroad, provided that the divorce decree is ratified by the Superior Court of Justice in Brazil;
- Individual's Brazilian official social security contributions;
- Payments to private pension plans (if the entity is located in Brazil) made by the beneficiary and for his/her dependents, limited to 12% of gross taxable income. Given the various types of such pensions in Brazil, each case needs to be individually analyzed.
- Some deductions such as dependents, alimony for dependents, and Brazilian official social security contribution are allowed on a monthly basis.

The taxpayer may also deduct, from the tax due and not from the calculation base, the following:

- Donations made to official Government, State and/or Municipal child care entities;
- Certain qualified contributions to cultural and sports projects;
- Investments in audio-visual activities;
- Contributions made by the taxpayer to the official social security system on behalf of registered domestic employees (maids, housekeepers, drivers, etc.), within certain limits

Standard Deduction

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

Assets and Liabilities

23. The Individual Brazilian Income Tax Return includes schedules for reporting "Assets and Liabilities". Taxpayers are required to report the most important items of their net worth, such as houses, apartments, land, cars, boats, jewelry, paintings, checking accounts, savings accounts, investments, stocks, etc., regardless of where the assets are located (Brazil and/or abroad). Acquisition prices, as well as dates of acquisition, have to be indicated for each item. There is no tax on assets owned; the government uses the list to verify if the increase in the taxpayer's net worth is compatible with the reported income. This is the reason why the cost basis must be reported and maintained in the list of assets, and not the fair market values. Liabilities, bank loans, mortgages, private loans, among others must also be reported.

Payment of tax

24. An individual's tax liability is generally payable on a cash-basis. Individuals are required to pay taxes monthly, as prepayments of the annual tax liability. If the Brazilian annual income tax return shows a tax underpayment, the payment must be made at once or in up to eight installments, due on the last business day of April and the succeeding months.

Assessment

25. If the return shows a tax overpayment, the taxpayer will have to wait until the Federal Tax Authorities process the income tax return and pay the refund. In case the Federal Tax Authorities do not agree with the taxpayer's assessment, they may question the amounts declared in the return. Therefore, the taxpayer is recommended to retain the receipts for deductible expenses and income tax payment receipts (DARF). The statute of limitations is five years.

Income tax Withheld at Source.

26. Individuals who are considered the paying source of income which may be subject to taxes/contributions must make the pertinent withholdings on a monthly basis, according to the progressive table (please refer to Appendix B).

Accordingly, those individuals who pay any income subject to contributions and/or income tax

withheld at source, as well as salaried and non-salaried income, rental income and royalties, above R\$ 6,000.00 (per year) must file an Annual Declaration of Income Tax Withheld at Source, even if the payment/credit has been made in only one month of the year and/or if the pertinent income tax has not been withheld at source.

The filing due date, as a general rule, is by the end of February of each year. However, the Brazilian Tax authorities may determine a different deadline each year.

Brazilian Central Bank Reporting Requirement

27. The Central Bank authorities have introduced a further reporting/filing requirement for foreign held assets and receivables. Currently, such obligation is applicable to all residents of Brazil (individuals and corporate entities) who/which maintained such status as at December 31st and who have foreign-held assets and rights with value equal to or more than US\$ 100,000.00.

Considering the above, under an international assignment scenario, most inbound assignees will have an additional reporting requirement with the Brazilian Central Bank - BACEN

Step 2:

What to do before arrival in Brazil

Structuring the remuneration package

28. Employees provided with a complete expatriate remuneration package will often receive overseas allowances and benefits, such as compensation for the higher cost of living, etc., in addition to their regular salaries, commissions and bonuses. Alternatively, an employer may provide an employee with a grossed-up expatriate remuneration package.
29. In either case, it is essential that the relevant tax issues are considered prior to finalizing the remuneration package. Some tax planning can be developed to reduce the Brazilian expatriate tax liability. Some examples of components making up an expatriate remuneration package are housing provided by the employer; family expenses; holiday travel; education benefit; gratuities; and stock options

Tax equalization or reimbursement plans

30. A tax reimbursement program, modeled as a “tax equalization

plan”, is usually provided by employers to employees to relieve any tax increase that may be incurred while on an overseas assignment.

31. Under a tax equalization plan, an expatriate is not subject to the payment of neither more, nor less taxes as a result of the assignment, as compared to the tax burden he/she would have, had he/she remained in his/her home country. If the employee’s actual taxes are greater than that which would have been incurred in the home country, the employer reimburses the excess. Likewise, if the actual taxes to which an assignee is subject while on assignment are less than that he/she would have had in the home country, the employer retains the excess.
32. The plan requires the calculation of the employee’s hypothetical home country tax which is generally computed on the base salary and other base remuneration as if the employee had remained in his/her home country.

Timing of arrival

33. The timing of arrival is important in determining one’s

tax implication in the country, as the individual will be considered a resident taxpayer as of the date of entry to Brazil - if holding a permanent or temporary work visa under an employment contract with a Brazilian entity. In case the individual is a temporary visa holder without an employment contract with a Brazilian entity, he/she will only become a resident once 183 days (consecutive or not) of actual physical presence are completed within a period of twelve months (see Appendix A).

Visa and work permits

34. Brazil issues three types of visa which allow the foreign individual to legally work in Brazil. Foreign nationals without a permanent or a temporary “V” visa are not allowed to perform any remunerated activity in Brazil, unless the foreigner holds a residence permit granted by the Mercosul agreement. Therefore, it is advisable to apply in advance for the appropriate type of visa related to the activity in which the individual will be engaged.

Step 3:

What to do when you arrive in Brazil

Necessary documents

35. Residents are issued various documents to enable them to go about their daily business while in the country. Such documents can only be applied for after the temporary or permanent visa or Mercosul residence permit has been granted.

Identity card (RNE)

36. All Brazilian citizens and foreign nationals residing in Brazil are obliged by law to possess and carry an identity card. Such document for foreign nationals is recorded in the National Register of Foreigners (RNE) and is issued by the Federal Police authorities.

Taxpayer number (CPF)

37. This document is the individual's document for tax purposes in Brazil. It is obtainable from the Federal Tax Authorities upon completion and presentation of a specific form.



Workbook (Carteira de Trabalho)

38. All workers are required to have an employee workbook ("Carteira de Trabalho e Previdência Social" or CTPS). No company may legally hire a

worker without such a document and all foreign nationals who come to work in Brazil, whether on a temporary or permanent basis, must obtain this document from the closest regional office of the Ministry of Labor.

Step 4:

Understanding employment costs

Labor rights

39. Individuals who are locally employed are also entitled to receive a Christmas gratuity at the end of the year, called the 13th month salary, equivalent to one month's remuneration.
40. After working 12 months for a company, an employee has the right to take a 30- day paid vacation and also receive a bonus of one third (1/3) of his/her monthly remuneration.
41. A company must make monthly deposits to the FGTS (Government Severance Indemnity Fund for Employees) for an amount equal to 8.0% of an employee's remuneration. The employee will be entitled to withdraw those funds in certain situations.

Corporate Social Contributions: Payroll costs

42. Generally, all remuneration (including assignment-related benefits) received through local sources i.e. a Brazilian payroll, will be subject to corporate social contributions as follows:
 - **For individuals considered employees (temporary type V visa holders):** an estimated total of 39.8%, considering Social Security Contributions, miscellaneous contributions, workmen accident insurance coverage, SENAI, SESI, etc., labor accident risk (RAT) and contributions to the employee severance indemnity fund (FGTS)

- **For individuals who are officers of the company (permanent visa holders):** Social Security contributions. In this case, contributions to the FGTS fund on behalf of company officers' are optional

Corporate Social Contributions: Specific Sectors

43. Companies that provide certain services (information technology; communication companies; hotel services; integrated circuits design or development; transport companies; aircraft, engines, components and related equipment maintenance and repair; navigation support maritime and port support) and specific industrial sectors (clothing, leather, fur, textiles, metal products, buttons and others) should pay social security contributions based on the gross revenue instead of payroll. The tax rates will depend on the respective sector and may be 2.5%, 2% and 1%.



Additional Information: Split Payroll

44. A split payroll approach may be adopted, as long as the remuneration to be paid offshore is included in the employment contract (in Portuguese) that is submitted to the Immigration and Labor authorities, as part of the entrance visa application process. Note that care should be taken not to maximize offshore payments as the local authorities have required that the remuneration to be paid locally be compatible with the Brazilian company categories and salary scales.
45. With respect to income tax, the law does not require the employer to withhold tax on remuneration paid overseas unless a charge back to the company in Brazil occurs. The employee is, nevertheless, required to pay the

corresponding income tax on a monthly basis (see item no. 8).

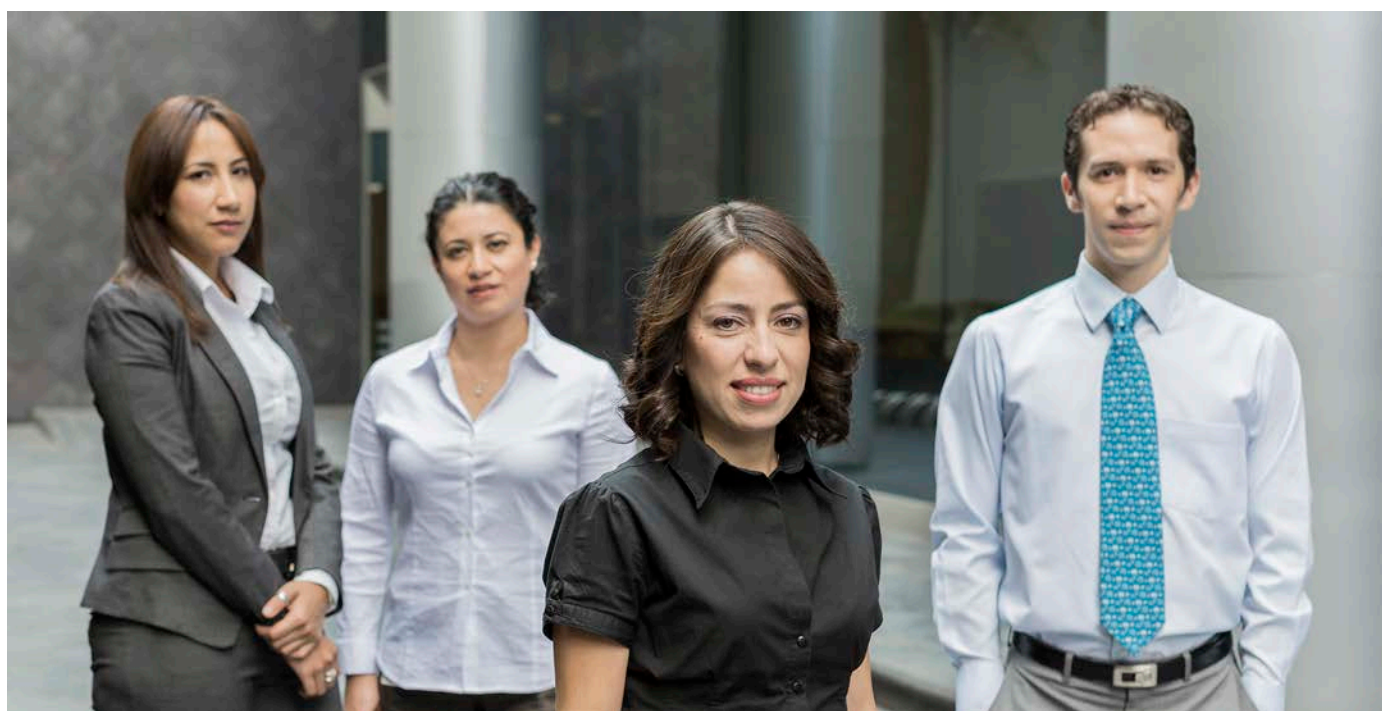
The Brazilian Labor authorities issued on July 13, 2010 Normative Instruction number 84, which provides specific instructions to labor auditors to check the contributions made by the companies with regards to Severance and Indemnity Fund for Employees (FGTS) and Social Contributions.

This Normative Instruction also provides that in order to determine the calculation basis of the above contributions (FGTS and Social Contributions); the company should consider the remuneration paid to the expatriate employee, working in Brazil, **regardless of where the pertinent amount is paid.**

Considering the complexity of such subject, a detailed analysis of this new regulation is recommended.

Individual Social Security Contributions

46. Employment income received in Brazil and income received by non-employees, such as statutory directors, are also subject to a social security (INSS) personal contribution. Current rates are 8% to 11%, up to a maximum monthly contribution of R\$ 457.49 (approximately US\$ 200.00), valid as of January, 2013. Note that the latter contribution is deductible for income tax purposes.
47. Currently, Brazil holds Social Security Treaties with 13 countries, and awaits proper ratification with others, listed in Appendix C. However, in order to have some of the benefits of the Treaties, certain procedures must be taken before the assignee arrives in Brazil.



Step 5:

What to do when leaving Brazil

Tax Clearance Process

48. Upon termination of the assignment and permanent departure from Brazil, the departing individual should follow the requirements below to cease the tax residence status in Brazil:
- a. Prepare a Communication of Departure to the tax authorities through a specific form;
 - b. File an exit income tax return; and
 - c. Request a Tax Clearance Certificate (TCC).
49. In these conditions, for tax purposes, the individual will immediately cease to be a tax resident in Brazil and any earned income received from Brazilian sources from that moment on will be taxed at source at a flat 25% rate, except

for the income received from Brazilian investments, which will be taxed in accordance with the tax rates applicable to residents, and income derived from rental activities in Brazil will be taxed at a flat rate of 15%.

Tax ID Number Maintenance (Regular CPF)

50. Individuals who are not required to file an Annual Brazilian Income Tax Return, or who have filed a Definitive Departure Income Tax Return, may still maintain their CPF. In those cases, an administrative process at the Brazilian Tax Authorities agency may be necessary to validate the CPF number.

Individuals who leave the country on a permanent or temporary basis and who continue to own assets in Brazil (such as real estate property, automobiles, boats, airplanes,

bank accounts and other financial investments, and shareholders of Brazilian companies), should maintain their taxpayer identification number valid

Transferring Funds Abroad

51. There are no restrictions on the movement of funds into Brazil for foreign individuals working in Brazil. However, remittances from Brazil to overseas are permitted only in certain situations determined by the Brazilian Central Bank. There are no restrictions on transferring funds overseas at the end of the assignment in Brazil provided the Exit procedures are followed and a tax clearance certificate is requested upon the permanent departure.

Appendix A:

Types of Visas – Working in Brazil

| Type of Visa | Permanent | Temporary V – with labor contract | |
|------------------------------|---|-----------------------------------|---|
| Context for obtaining a Visa | Investors, Partners, statutory-directors – Members of Board Directors | Employee | Service Agreement, Technical Assistance, among others |
| Tax residence | Arrival Date | Arrival Date | From the 184 th day of physical presence in Brazil |



Appendix B:

Tax Rates for 2013

An individual's taxable income, whether received through Brazilian or foreign sources, is subject to withholding tax at source or to the mandatory monthly income tax calculation according to progressive rates. Deductions allowed in this calculation are: Brazilian social security contributions (employee's portion), alimony payments and dependent allowances. Progressive monthly tax rates and income brackets valid as of 2013, are as follows:

Monthly Tax Table – From January to December 2013

| Taxable Income (BRL) | Up to (BRL) | Rate (%) | Deduction (BRL) |
|----------------------|-------------|----------|-----------------|
| 0 | 1,710.78 | Exempt | - |
| 1,710.79 | 2,563.91 | 7.5% | 128.31 |
| 2,563.92 | 3,418.59 | 15% | 320.60 |
| 3,418.60 | 4,271.59 | 22.5% | 577.00 |
| 4,271.59 | And above | 27.5% | 790.58 |

2013 Annual Tax Table

| Taxable Income (BRL) | Up to (BRL) | Rate (%) | Deduction (BRL) |
|----------------------|-------------|----------|-----------------|
| 0 | 20,529.36 | Exempt | |
| 20,529.37 | 30,766.92 | 7.5% | 1,539.70 |
| 30,766.93 | 41,023.08 | 15% | 3,847.22 |
| 41,023.09 | 51,259.08 | 22.5% | 6,923.95 |
| 51,259.09 | And above | 27.5% | 9,486.91 |

Appendix C:

Agreements and Treaties

Countries with which Brazil currently has double-taxation relief agreements:

| | | |
|----------------|-------------|---------------------|
| Austria | India | Philippines |
| Argentina | Israel | Portugal |
| Belgium | Italy | Russia |
| Canada | Japan | Slovakia |
| Chile | Korea | South Africa |
| China | Luxembourg | Spain |
| Czech Republic | Mexico | Sweden |
| Denmark | Netherlands | Trinidad and Tobago |
| Ecuador | Norway | Turkey |
| Finland | Paraguay | Ukraine |
| France | Peru | Venezuela |
| Hungary | | |

Countries with which Brazil has a Social Security Treaty:

| | |
|-----------------------------|-----------------------------------|
| Argentina (Mercosul) | Greece |
| Belgium (*) | Italy |
| Bolivia (Iberoamerican) | Japan |
| Canada (*) | Korea (*) |
| Cape Verde | Luxembourg |
| Chile (Iberoamerican) | Paraguay (Mercosul/Iberoamerican) |
| Ecuador (Iberoamerican) | Portugal (Iberoamerican) |
| El Salvador (Iberoamerican) | Quebec (*) |
| France (*) | Spain (Iberoamerican) |
| Germany | Uruguay (Mercosul/Iberoamerican) |

(*) Treaties in progress.

Appendix D:

Frequently Asked Questions

Should I file any document with the Brazilian tax authorities to formalize my entrance into Brazil, at the time I become a tax resident in the country?

No, you will only have to file a tax return in Brazil for the period determined by the tax authorities. The pertinent deadline is the last business day of April of the following year, even if your entrance into Brazil occurred during the tax year. Nevertheless, you should comply with your monthly tax obligations from the date you became a tax resident in Brazil

Do my dependents need to file a separate tax return in Brazil?

If your legal dependent does not receive any income in Brazil or abroad, you should file a joint tax return to benefit from the personal exemption deduction in the tax calculation basis. However, if any of your dependents receives taxable income in Brazil or abroad, the filing of a separate tax return may be more beneficial.

I receive income abroad and I pay taxes on them. Will I be double taxed, considering that I must also pay taxes in Brazil on my worldwide income?

Note that the Brazilian income tax law allows the taxpayer to offset foreign taxes paid against the taxes due in Brazil on the same income if there is a treaty to avoid double taxation or if the country has internal tax legislation that allows tax credits regarding income received from Brazilian sources (reciprocal tax treatment).

Do I have to report all my assets in my Brazilian Income Tax Return and will I be taxed on them?

Taxpayers are required to report in the Brazilian Tax Return the items of their net worth, such as houses, apartments, land, cars, boats, jewelry, paintings, checking accounts, savings accounts, investments, shares, etc., regardless of the location of the assets (Brazil and/or abroad). Acquisition prices, as well as dates of acquisition, have to be indicated for each item. It is

important to note that, currently, there is no wealth tax on property; the authorities use the list to verify if the increase in the taxpayer's net worth is compatible with the reported income, which is why all assets should be reported at cost.

Are there any additional asset reporting requirements?

The Brazilian Central Bank provides that all residents in Brazil who own foreign assets and rights totaling of US\$ 100,000 or more at the end of the tax year must file, an informative return at a date specified by the Central Bank. This report also requires the fair market value of the assets to be declared.

After filing an exit process and permanent departure, can I still maintain investments in the country?

As a non-resident, you can still maintain investments or own properties in Brazil. For such purposes, you should ensure that you have a valid taxpayer registration number – CPF.

What should I do upon termination of my assignment and permanent departure from Brazil?

An individual leaving the country on a permanent basis must follow the requirements below:

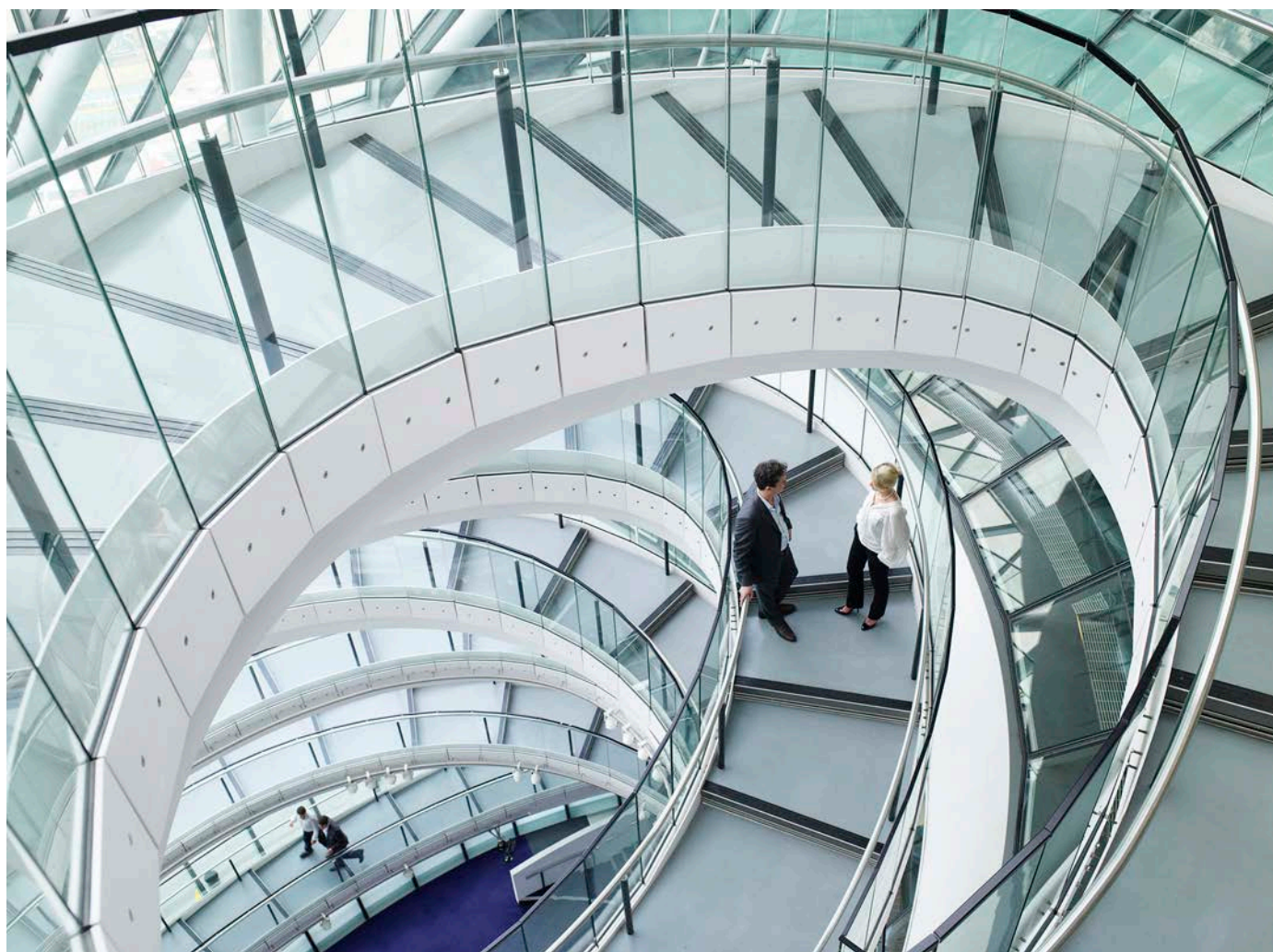
- File a Communication of departure to the tax authorities through a specific form, until the last day of February of
- the year subsequent to that of the departure;

- File an Exit Tax Return (covering the period from January 1st up to the date of departure), until the last business day of April of the year subsequent to the departure;
- File and request a Tax Clearance Certificate.

After concluding the process and issuance of this Certificate, the individual will no longer be considered a resident in Brazil for tax purposes. There will be no further individual income tax filing obligations as of the time tax residence is discontinued, unless the individual receives any income from Brazilian sources afterwards.

Will I be liable for Brazilian taxes on assignment bonus and stock option grants paid and exercised outside of Brazil after the termination of my assignment and permanent departure?

No. Provided you abide by the exit filing requirements upon departure. Also, due to differences in the sourcing rules, any amounts received abroad will only be taxable in Brazil if your tax residence is maintained



Appendix E:

Brazil contacts and offices

Contacts

| | |
|--|---------------------------|
| Edmar Perfetto <i>PwC Brazil Partner</i> | |
| Tel: | [54] (11) 3674-3912 |
| Fax: | [54] (11) 3674-2080 |
| Email: | edmar.perfetto@br.pwc.com |

| | |
|---|---------------------------|
| Simone Marques <i>PwC São Paulo</i> | |
| Tel: | [54] (11) 3674-2111 |
| Fax: | [54] (11) 3674-2080 |
| Email: | simone.marques@br.pwc.com |

| | |
|---|-------------------------|
| Debora Bigio <i>PwC São Paulo</i> | |
| Tel: | [54] (11) 3674-3588 |
| Fax: | [54] (11) 3674-2080 |
| Email: | debora.bigio@br.pwc.com |

| | |
|---|--------------------------|
| Priscilla Rama <i>PwC São Paulo</i> | |
| Tel: | [54] (11) 3674-3411 |
| Fax: | [54] (11) 3674-2080 |
| Email: | lilian.falcon@ar.pwc.com |

| | |
|--|--------------------------|
| Vanessa Moreti <i>PwC São Paulo & PwC Rio de Janeiro</i> | |
| Tel: | [55] (21) 3232-6205 |
| Fax: | [55] (21) 3232 6060 |
| Email: | lilian.falcon@ar.pwc.com |

| | |
|--|-----------------------------|
| Martha Fernandes <i>PwC Rio de Janeiro</i> | |
| Tel: | [55] (21) 3232-6004 |
| Fax: | [55] (21) 3232-6060 |
| Email: | martha.fernandes@br.pwc.com |

| | |
|---|--------------------------|
| Lineu Pastana <i>PwC Campinas</i> | |
| Tel: | [55] (19) 3794-5459 |
| Fax: | [55] (19) 3794-5455 |
| Email: | Lineu.pastana@br.pwc.com |

| | |
|--|---------------------------|
| Marisa Paleari <i>PwC Campinas</i> | |
| Tel: | [55] (19) 3794-5418 |
| Fax: | [55] (19) 3794-5455 |
| Email: | marisa.paleari@br.pwc.com |

| | |
|---|---------------------------|
| Daniel Bettega <i>PwC Campinas & PwC Curitiba</i> | |
| Tel: | [55] (19) 3794-5423 |
| Fax: | [54] (11) 3794-5455 |
| Email: | daniel.bettega@br.pwc.com |

| | |
|--|-----------------------------|
| Flavia Fernandes <i>PwC Campinas & PwC São José dos Campos</i> | |
| Tel: | [55] (19) 3794-5443 |
| Fax: | [55] (19) 3794-5455 |
| Email: | flavia.fernandes@br.pwc.com |

Offices

| | |
|---|--|
| PwC Rio de Janeiro | |
| Avenida José Silva de Azevedo Neto, 200 - Térreo, 1º e 2º andares Condomínio O2 - Bloco 3 - Torre Evolution 4 Barra da Tijuca Rio de Janeiro - RJ Brazil, 22775-056 | |

| | |
|------|----------------------|
| Tel: | [55] (21) 3232-6020 |
| Fax: | [55] (21) 3232-60600 |

| | |
|--|--|
| PwC São Paulo | |
| Avenida Francisco Matarazzo, 1.400 Torre Torino Água Branca São Paulo – SP Brazil, 05001-903 | |

| | |
|------|---------------------|
| Tel: | [55] (11) 3674-3912 |
| Fax: | [55] (11) 3674-2080 |

| | |
|--|--|
| PwC Curitiba | |
| Alameda Dr. Carlos de Carvalho, 417 - 10º andar Curitiba Trade Center Curitiba – P R Brazil, 80410-180 | |

| | |
|------|---------------------|
| Tel: | [55] (41) 3883-1600 |
| Fax: | [55] (41) 3883-6514 |

| | |
|---|--|
| PwC São José dos Campos | |
| Rua Euclides Miragaia, 433 - Cjs. 301 e 304 São José dos Campos - SP Brazil, 12245-550 | |

| | |
|------|---------------------|
| Tel: | [55] (12) 3913-4505 |
| Fax: | [55] (12) 3942-3329 |

| | |
|--|--|
| PwC Campinas | |
| Rua José Pires Neto, 314 - 10º andar Campinas - SP Brazil, 13025-170 | |

| | |
|------|---------------------|
| Tel: | [55] (19) 3794-5437 |
| Fax: | [55] (19) 3232-5455 |

© 2014 PricewaterhouseCoopers LLP. All rights reserved. PwC refers to the United States member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.

"PricewaterhouseCoopers" and "PwC" may also refer to one or more member firms of the network of member firms of PricewaterhouseCoopers International Limited (PwCIL), each of which is a separate legal entity.

PricewaterhouseCoopers does not act as agent of PwCIL or any other member firm nor can it control the exercise of another member firm's professional judgment or bind another firm or PwCIL in any way.