
Latin American Tax Newsalert

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Brazil creates new requirement for local taxpayers importing and exporting services and intangibles

On June 29, 2012 (with amendments made on July 10, 2012), the Brazilian tax authorities ("Receita Federal do Brasil" or "RFB") published Normative Instruction 1277, which creates a new reporting requirement for local resident individuals and legal entities that import or export certain services and intangibles whenever these transactions cause a variation in the net equity of the Brazilian taxpayers.

This new reporting requirement will come in the form of an electronic system that taxpayers should timely populate with information related to services and intangibles imported or exported. Even though the start dates for this mandatory information have already been defined, the electronic system, its lay-out and instructions have not yet been publicly released.

The import and export of products are not subject to this new information requirement as those transactions are already subject to specific reporting requirements via the Brazilian Central Bank's SISCOMEX system.

Normative Instruction 1277 lists the following items as subject to the new requirement:

- Construction services
- Postal and parcel services
- Maintenance services
- Lodging and hospitality services
- Accounting and legal services



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- Other professional services
 - Printing and publishing services
 - Personal services
 - Customs and logistics services
 - Real estate services
 - Corporate support services
 - Financial services
 - Information technology services
 - Transportation services
 - Operational leasing
 - Intellectual property
 - Franchise fees
 - Exploitation of any form of rights
 - Research and development services
 - Cultural and recreational services
 - Assignment of intellectual property
 - Gas, water and electricity transmission and distribution services
 - Telecommunication services
 - Mining, agricultural and utilities-related support services
 - Educational services
 - Healthcare and social services
 - Solid residues, environmental and waste management services

Note that for certain items the new reporting rules apply as soon as August 1, 2012.

Also note that this is a new information reporting compliance requirement, which should basically provide to the RFB a compiled list of all services and intangibles that were acquired or sold by Brazilian taxpayers. However, since the RFB has not released the layout of the new electronic system, it may request more detailed information (such as taxes calculated on these imports/exports, proof of payment, qualification of the beneficial owner/service provider, etc.).

Many provisions in this Normative Instruction need additional clarification. These include the concept of "variation to the net equity" and the requirement for Brazilian parents to report the transaction of its foreign branches and subsidiaries, among others.

Conclusion

Since these new reporting requirements may apply soon, US multinationals and US subsidiaries of Brazilian multinationals taxpayers should understand whether and how they must comply. We will issue other Newsalerts as further developments unfold.

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