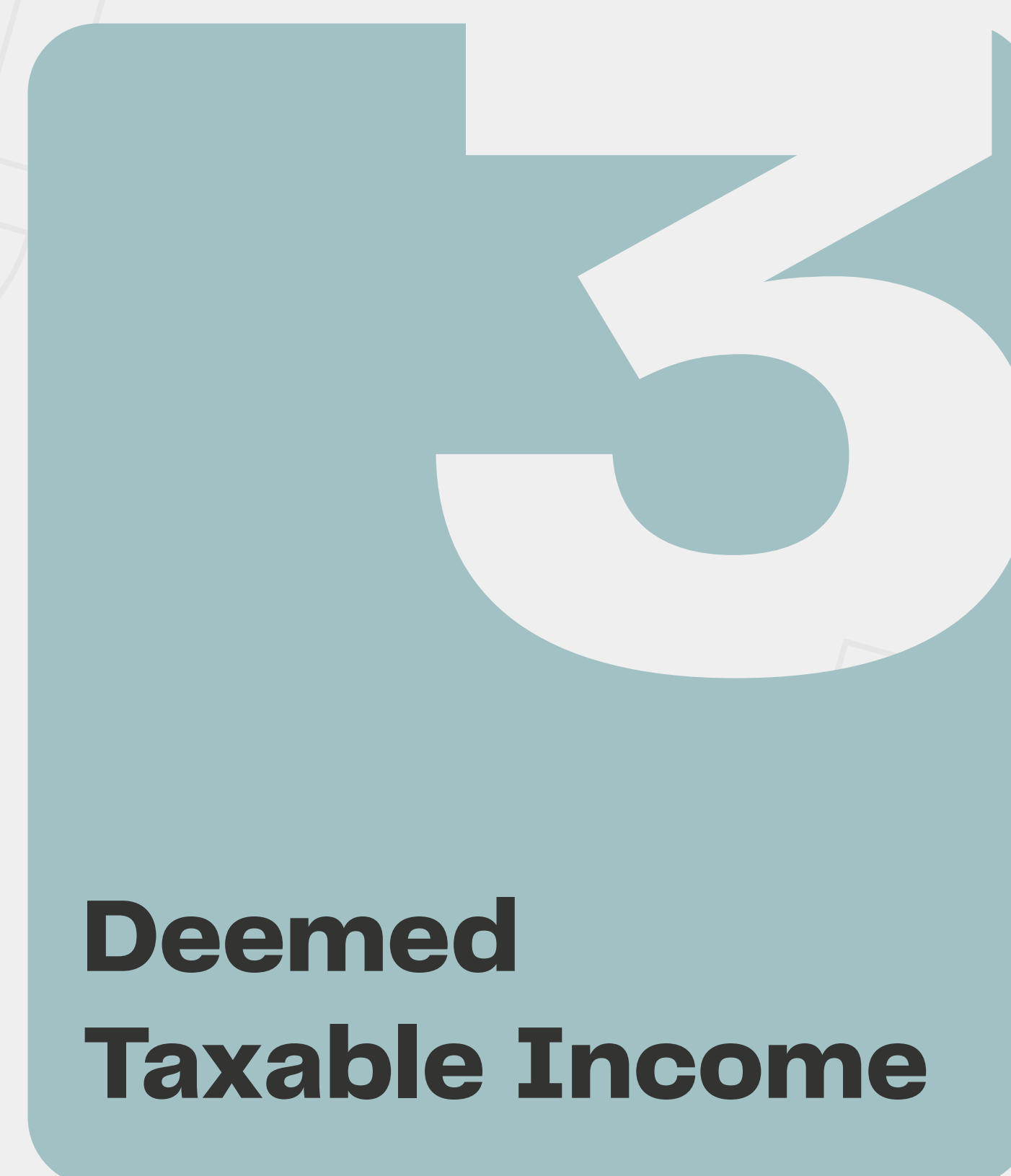


BRAZILIAN TAX REGIMES

Tax Regimes are the systems that define the metric for calculating the taxes that will fall on the company, based on factors such as the size (size) of the business, the amount invoiced, the origin of its income, and the company's activity.

The tax regimes of the Brazilian system are:



But how to choose your tax regime?

Depending on some factors, adopting a certain regime will be mandatory. Otherwise, the entrepreneur is free to choose the regime that offers the best tax efficiency for the company.

Mandatory. Actual Profit Method is the only regime whose adoption is mandatory. Suppose your company does not fit into the items that require the adoption of its regime. In that case, your company can adopt any other regime.



Actual Profit Method

It is the system in which the tax calculation is determined by the actual profit calculated by the company (hence the “real” in the original Brazilian name), subtracting the revenues raised during the fiscal year by the costs and expenses that are permissible for legal deduction. This system has two methods of calculation, that is, the tax calculation period:

A – Actual profit calculated quarterly. The tax calculation takes place 4 times a year (until the end of March 31, June 30, September 30, and December 31).

B – Actual profit calculated annually. Despite the term “annual”, the calculation of this system occurs, against all expectations, monthly.

Arbitrated Profit

It is an exceptional system imposed, especially when the company, improperly or fraudulently, adopts an incorrect tax regime, fails to record its accounting files, does not prepare the financial statements required by law, calculates its earnings improperly, and fails to comply with certain requirements issued by the tax authority.

Deemed Taxable Income

In this system, the profit earned by the company is not effectively calculated (as in the Actual Profit Method, in which gains are added and expenses are reduced). Here, the Public Power itself defines (or rather, assumes) what its rate of profit will depend on its activity.

For example, the Law determines that the profit of companies that provide services, in general, is 32% of the total collected by the company, regardless of whether the company makes less or more profit.

The period for calculating the Presumed Profit is quarterly. However, the option for this regime is annual. That is, after adopting the Presumed Profit, the company will not be able to fluctuate from one regime to another which appears to be more advantageous each quarter.

Simple Nacional

Simple Nacional is the regime created especially for Small Businesses¹ (EPP) and Microenterprises (ME). The great advantage of this regime is that a large part of a company's taxes (IRPJ, CSLL, ISS, ICMS, IPI, PIS/Pasep–Cofins and CPP) are unified in a single payment, issued through the Simple Nacional Collection Document (the already famous and beloved “DAS”).

But despite the payment being unified, each company opting for the Simple Nacional will have a different incidence of taxes, as this regime adopts different tables of rates and deductions, staggered according to the activity developed and the revenue achieved.

¹ A small business, in Brazilian jurisdiction, is a legal entity with annual gross revenue between 360 thousand and 4.8 million reais in accordance with Complementary Law nº 123 of 2006.

