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Welcome to our comprehensive guide to investing in Brazil. The main goal of this publication is to provide insight into Brazil’s economy, to present the different opportunities it offers and to highlight the essential items that need to be considered to successfully invest in the country.

Brazil has an open and diversified economy and a wide array of opportunities across multiple productive sectors. Although Brazil is home to a competitive industrial sector, leading a number of industries in Latin America, there are still numerous opportunities for business development in areas such as energy, oil and gas, health care, agribusiness, infrastructure and innovation, among many others.

Brazil is one of the largest FDI recipients and preferred investment destinations in Latin America. One of the main reasons Brazil continuously receives foreign direct investment and attracts leading and innovative international businesses is the country’s robust investment protection legislation, enforced by an independent judiciary and a stable regulatory environment, which provides security for investors.

For many investors, these things make growing a business in a market as vast and dynamic as Brazil an exciting prospect.

The Government of Brazil is making a coordinated effort to support international investors throughout the different stages of their business projects. Brazil is open for business, and we are here to help.

For simplification and standardization purposes, this guide has converted all amounts originally stated in the Brazilian currency, the real (BRL), into US dollars (USD). The exchange rate used was the official Brazilian Central Bank rate (BCB DEPEC) for April 28, 2018.

1 USD = 3.48 BRL
ABOUT THIS GUIDE

This guide brings together essential information from various government sources to make it easier for you to get to know Brazil, its economy, productive sectors, business climate and investment framework. This guide is designed to meet the needs of two types of investor. For potential investors unfamiliar with Brazil, the guide contains useful, fact-filled information, profiling Brazil’s economy and providing snapshots of major business opportunities in productive sectors. For investors ready to do business in Brazil and existing investors seeking to expand their Brazilian business operations, the guide also serves as a reference companion to Brazil’s investment framework, including how to establish and run a business in the country and government incentive programs to help expand businesses in priority industries.
WELCOME TO
10 Key Reasons for Investing in Brazil

1. Leading Regional Economy
   - Brazil is a global powerhouse, ranking among the top 10 economies in the world and the largest in Latin America, with a GDP of USD 2 trillion in 2017.

2. Global Destination for Investment
   - Brazil continues to be among the top 10 recipients of FDI in the world and the only Latin American country on that list. Inward FDI flows in Brazil totaled over USD 1.1 trillion from 2008 to 2017, averaging USD 110 billion per year, according to data from the Brazilian Central Bank.
   - Brazil is open to foreign direct investment and continues to attract leading and innovative international businesses thanks to profitable opportunities underpinned by robust domestic investor protection rules enforced by an independent, credible judiciary and a fair regulatory environment, providing security for investors.
3. Resilient Domestic Market

- Brazil has one of the largest consumer markets in the world, with more than 208 million people and a strong and steady domestic demand for services, goods and agricultural products.
- GDP per capita of USD 9,500 in 2017, above major emerging players such as China, India, South Africa and Mexico.
- Household spending grew by 2.6% in the last quarter of 2017.

4. Diversified Economy: We Have It All

- Brazil's economy doesn’t rely on a small number of key industries, but rather on a wide range of economic sectors. The country is home to a competitive industrial sector, including Latin America’s largest aerospace, automotive, oil and gas, mining, capital goods, medical equipment, chemical and technology industries, among others.

5. Energy Powerhouse

- Brazil has one of the largest petroleum reserves and is home to one of the biggest oil discoveries made in the Western Hemisphere in the past 30 years: the ultra-deepwater oil found off Brazil’s southeast coast known as ‘pre-salt’ oil.
- Brazil is one of the top producers and exporters of ethanol biofuel in the world.
- Renewable sources are now responsible for over 80% of Brazil’s energy matrix, one of the highest levels in the world. With Brazil’s large supply of water, hydroelectric power provides over 60% of Brazil’s electricity needs. Wind, biomass and solar energy continue to grow in importance.

6. Large Pool of Workers

- With an active working age population (15-64 years old) of around 64%, which is above the world average, Brazil’s domestic market offers good opportunities for companies seeking to hire.
- Young, dynamic workforce supported by government professional training programs that can be implemented in partnership with businesses.

7. Extensive Raw Materials

- Brazil’s natural resources are abundant, making the country a major supplier of raw materials. It is one of the biggest producers and exporters of agricultural and mining products (especially iron ore), to name but a few. Its biodiversity is also a vast source of wealth.
- The country is also water rich, estimated to hold the world’s biggest freshwater reserves.
8 CAPACITY TO ENDURE

› Brazil is resilient and steadfast, capable of withstanding an adverse international economic scenario.

› In 2010, Brazil became a net external creditor, paying off its debt to the International Monetary Fund, and has accumulated international reserves ever since, totaling over USD 383.2 billion.

9 GLOBAL PLAYER, THE B IN BRICS

› Brazil has been a constant global player, always active and engaged in international politics, coordinating trade, policies and human rights advocacy, earning the respect of its peers in the process. With a large economy, sound political and judicial systems and active engagement in foreign affairs, Brazil plays an important role in the international community.

10 GATEWAY TO LATIN AMERICA

› Brazil’s largest cities are consolidating their position as global investment destinations not only for Brazil but for the entire Latin American region.

› Brazil shares land borders with Argentina, Bolivia, Colombia, Guyana, Paraguay, Peru, Suriname, Uruguay, and Venezuela, as well as the French Overseas Region of French Guiana.

› Brazil has free trade agreements with the largest markets in Latin America and is a member of the South American Common Market (Mercosur).
FOREIGN DIRECT INVESTMENT IN BRAZIL
International investors are bullish about Brazil’s performance after 2017’s 1% growth in GDP, following a two-year economic recession. Recent inflows of foreign direct investment show that the country is still a go-to place for those seeking good opportunities.

Brazilian Central Bank (BCB) data shows that, in 2017, inward foreign direct investment in Brazil grew by 5.2% from 2016 levels (not accounting for inflation), totaling USD 131.6 billion. This is a solid figure, especially considering the economic crisis in the last two years.

Net FDI, on the other hand, fell by 10%, to USD 70.3 billion, with 31% growth in outbound investment.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>NET</th>
<th>INWARD</th>
<th>OUTWARD</th>
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<tr>
<td>2008</td>
<td>50,716</td>
<td>76,110</td>
<td>25,393</td>
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<td>2009</td>
<td>31,481</td>
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<td>2010</td>
<td>88,452</td>
<td>118,235</td>
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</tr>
<tr>
<td>2011</td>
<td>101,158</td>
<td>136,512</td>
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<td>2012</td>
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<td>107,299</td>
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<td>69,686</td>
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<td>2015</td>
<td>74,718</td>
<td>123,236</td>
<td>48,518</td>
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<tr>
<td>2016</td>
<td>78,248</td>
<td>125,135</td>
<td>46,886</td>
</tr>
<tr>
<td>2017</td>
<td>70,332</td>
<td>131,605</td>
<td>61,273</td>
</tr>
</tbody>
</table>

Source: BCB
On the international front, global external financial flows to developing economies were estimated at USD 1.4 trillion in 2016, according to UNCTAD, down from more than USD 2 trillion in 2010.

UNCTAD’s most recent report puts Brazil in 7th place for FDI inflows worldwide, ranking the country once more within the top investment destinations for global investors, ahead of India, Russia and Canada, even after an adverse economic scenario.

With new laws introduced in the past two years now allowing foreign investment in sectors such as health care and the airline industry, investors were able to further explore major markets in the country. IT has also been a growing field for investors, with investments of USD 38 billion in 2017, an increase of 4.5% from 2016.

The energy sector has also attracted significant investment. Energy auctions raised tens of billions of BRL¹ in investments last year, as was the case with the new power generation (BRL 14 billion / USD 4 billion) and transmission line (BRL 8.5 billion / USD 2.4 billion) tenders. In March 2018, auctions for oil exploration blocks raised over BRL 8 billion, boosted by new regulations, as partnering obligations with state-owned oil company Petrobras are no longer mandatory in the promising pre-salt fields.

In addition to the new rules regarding certain industries, the Brazilian Central Bank issued new guidelines in late 2016 to enhance procedural efficiency in the registration of foreign investments. One of the main changes made by the new rules establishes that the recipient company is solely responsible for registering the investment, making it simpler to update and verify information.

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Endnotes:
1. Throughout this guide, the official exchange rate adopted is 1 USD = 3.48 BRL
Estimated FDI inflows: top 10 host economies, 2017 report

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>2016 (BILLION USD)</th>
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<tr>
<td>UNITED STATES</td>
<td>391</td>
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<tr>
<td>UNITED KINGDOM</td>
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<tr>
<td>CHINA</td>
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<tr>
<td>HONG KONG (CHINA)</td>
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<td>NETHERLANDS</td>
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<tr>
<td>SINGAPORE</td>
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<td>BRAZIL</td>
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<td>AUSTRALIA</td>
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<tr>
<td>INDIA</td>
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</tr>
<tr>
<td>RUSSIA</td>
<td>38</td>
</tr>
</tbody>
</table>

Source: UNCTAD

Sources

- Central Bank database (FDI data) (Portuguese only) https://www.bcb.gov.br/htms/Infecon/SeriehistFluxoInvDir.asp
- MDIC investment announcement data http://investimentos.mdic.gov.br/noticia/conteudo/sq_noticia/806
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- News article: Transmission line auctions raise over BRL 8 billion http://www.mme.gov.br/web/guest/pagina-inicial/outras-noticas/-/asset_publisher/32hLrOzMKwWb/content/2-leilao-de-transmissao-de-2017-garante-investimento-de-r-8-75-bilhoes;jsessionid=AB1BA6F7CEA2775BE0EAC73023A38EB6.srv155
DISCOVER
Brazil is the main economy in Latin America and one of the top 10 countries in the world in population, landmass and gross domestic product (GDP).

A major player in international trade, Brazil has proven to be an open and vibrant country with a diversified economy and one of the largest consumer markets in the world. It also has a highly productive agriculture sector, a broad and sophisticated industrial base, one of the most solid and prudently regulated financial sectors in the G20, the largest stock market in Latin America and abundant natural resources.

This section provides a snapshot of Brazil, including a profile of the country, its economy, institutions, financial system, infrastructure, participation in international trade, and openness to foreign investment.
Brazil is the world’s fifth-largest country and has a wide range of climates, biomes, and cultures across its 8.5 million km² of land. The country is home to 208.8 million inhabitants and is one of the five most populous in the world.

This vast country has five climatic zones: equatorial, tropical, semi-arid, oceanic, and subtropical. For the most part, Brazil has cool to hot temperatures, although this varies from one region to another: southern parts tend to be mildly cold in the middle of the year, while northern areas tend to be warm even during winter time. Being almost completely in the southern hemisphere, Brazil’s summer begins in December and runs until March, while winter starts in June and lasts until September.

The Amazon Rainforest covers most of the Northern region and has a humid, hot climate almost the entire year. Because it is an equatorial region, it has two seasons: a dry season, from June to September, and a rainy season, from October through May.

The Northeast region has a mix of dry weather inland and humid weather in coastal areas. High temperatures and severe droughts are common in the countryside, where the main biome is a type of scrubland called the Caatinga. The coastal area of the region is sunny and warm throughout most of the year.

The Midwest is also somewhat dry but, unlike the Northeast, it has more fertile soil, suitable for growing large crops. Its main biome is called the Cerrado, which is similar to a savannah. The southern part of the region is home to a unique wetland called the Pantanal.

The Southeast is covered by the Atlantic Rainforest and some of its states have more defined seasons. The forest is also home to a range of biological diversity similar to that of the Amazon. The region’s mountainous areas can experience rather low temperatures during winter, while they stay warm in summer.

The South is the coldest region in the country and is also covered by the Atlantic Rainforest. The countryside in the southern part of the region south is home to natural pastures called the Pampas.
Brazil has a highly diverse population, a melting pot of nationalities and customs. Regional migration and extensive miscegenation have made it one of the most ethnically diverse nations on earth. Indigenous people and their varied descendants have had a profound effect on the nation’s culture. Influences of native Brazilians still can be seen in cooking, medicine, festivities, popular beliefs, handicraft activities and language.

The culture was also impacted by European colonization. The best-known legacy left by Europeans is the Portuguese language, which is not only the official language of Brazil, but also of several other countries that have gone through the same process of colonization. Catholicism, the religion of 64.6% of the population, introduced numerous religious traditions to Brazil, including processions, festivals, celebrations, and holidays.

The African people who came to Brazil during the colonial period also significantly contributed to the local culture. They brought many customs that were prevalent in their country of origin, especially religious traditions such as Umbanda, Candomblé, Catimbó and Quimbanda. Brazilian cuisine benefits from ingredients introduced by Africans, such as palm oil, chili peppers and black beans.

Immigrants from the Middle East are also part of this cultural diversity. Syrians and Lebanese came as traveling merchants and ended up becoming major retailers. They live in various regions of the country, especially in the Southeast region, and play an important role in the economy.

All these different influences result in a modern-day Brazilian culture that is unique, diverse and very complex. According to IBGE estimates, Brazil’s current population is 48.2% white, 44.2% of mixed ancestry, 6.9% black, 0.7% Asian and 0.7% indigenous.
TERRITORIAL ORGANIZATION OF BRAZIL

Since the 1970’s, Brazil has been divided into five regions: North, Northeast, Midwest, Southeast, and South. There are 26 states and one Federal District (where the capital, Brasília, is located), all with autonomous elected governors.
Territorial Organization of Brazil

The North

**Estimated share of Brazil’s GDP*: 5.3%**

The North is the largest region of the country, with some 3.8 million km² — or 45% of Brazil’s territory — and 7 states. Despite its vastness, it is the region with the lowest population density in the country, being mostly covered by the Amazon Rainforest. It is home to immensely important drainage basins, such as the Amazon River basin. It is estimated to contain one-fifth of the entire planet’s freshwater reserves.

Economically, the southern border of the region has well-developed agribusiness, mostly focused on soy and cattle. Manaus, the capital of the state of Amazonas, is the largest Free Trade Zone in the country, with 600 industrial plants that manufacture things like high-technology goods, motorcycles, thermoplastic products and naval products, among many others. The state of Pará is also an important center of commerce in the region, in part because of the major port in the state capital of Belém. It also has enormous mining potential — the Carajás Iron Ore Mine is the second largest of its kind in the world.

| States: Amazonas, Pará, Acre, Rondônia, Roraima, Amapá, Tocantins |

The South

**Estimated share of Brazil’s GDP*: 16.4%**

The South has the second-largest industrial base in the country and modern agriculture. Important activities include pig farming, cattle, tobacco and soy, as well as the food, textile, metallurgy and automobile industries. In recent years, a large part of rural properties in the South entered a new productive stage, which is linked directly to the advancement of technologies in animal husbandry and cultivation of different crops.

Curitiba, the capital of the state of Paraná, is the region’s largest city. Paraná is home to some important infrastructure activities, such as the Itaipu hydroelectric power plant and the port of Paranaguá, a major hub for grain exports. The city of Porto Alegre has one of the largest GDPS in the country, ranking sixth, with BRL 68.1 billion (USD 19.6 billion) (IBGE).

| States: Paraná, Rio Grande do Sul, Santa Catarina |

*Latest IBGE data, from 2016, covering the years 2002–2014*
Estimated share of Brazil’s GDP*: 13.9%
The Northeast region has an important place in Brazilian culture and history, dating back to colonial times. The region has a traditional role in the country’s music, dance, and cuisine, which spread across the country due to the internal migration of a significant portion of the Northeastern population in the 20th century.

The coastal areas are famous for their picturesque landscapes and beaches, making tourism one of the region’s main economic activities. Due to its climate, the countryside is frequently exposed to droughts, meaning the coastal regions are home to the bulk of the Northeastern population. The São Francisco River is the most important drainage basin in the region and its irrigation projects are crucial for the economy of its inland population.

Salvador and Recife are the main urban areas, with the former being an important local industrial center and the latter hosting the Suape Industrial Complex and the Recife Digital Port, an ICT innovation hub.

Estimated share of Brazil’s GDP*: 9.4%
Brazil’s Midwest is home to vast agricultural areas and is the largest soy producer in the country. It also has deep roots in cattle raising. It is composed of two of Brazil’s most important biomes: the Cerrado grasslands and the wetlands of the Pantanal.

Once one of the more isolated areas of the country, the Midwest has seen the rapid expansion of its rural production and has established new industries. Brazil’s capital, Brasília, is an important center of development, being home to major universities and government agencies. Its construction in the 1950s was a crucial moment for the region’s development. Goiânia, the capital of the state of Goiás, is another important commercial center in the Midwest.

Estimated share of Brazil’s GDP*: 54.9%
The Southeast is the wealthiest region in the country, and also the most populous, with some 86.9 million people (2017 estimate). It is home to Brazil’s two biggest cities, São Paulo and Rio de Janeiro, both with their own very diversified economies, with strong industries, services, and agriculture, as well as being the country’s most famous tourist destinations.

With more than 12 million inhabitants (2017 estimate), the city of São Paulo is the main gateway for foreign travelers entering the country: it receives 32.5% of all international tourists coming to Brazil, followed by Rio de Janeiro, with 20.5%. It is also the largest city in Latin America and the financial center of Brazil. It is the capital of the state of São Paulo, which is the most populous state in Brazil and generates the largest industrial output in the country, with a highly diversified economy. The state of São Paulo is also famous for being the largest producer of sugar cane and oranges in Brazil. Campinas, one of São Paulo’s largest cities, is a regional ICT hub and an important industrial center.

Rio de Janeiro is the second-wealthiest city in Brazil and home to the headquarters of two of the country’s biggest companies: Petrobras and Vale. The city also has a prosperous tourism sector, with world-renowned events such as Carnival and Copacabana’s New Year’s Eve parties. The city also hosted the 2016 Olympic and Paralympic Games.

Belo Horizonte is another important industrial center, famous for its textile, automobile and mining industries. In agricultural terms, Minas Gerais is an important producer of Arabica coffee, while Espírito Santo is known for growing Robusta coffee.

The Southeast is also an important producer of energy. Minas Gerais has plenty of potential for producing energy and already has large hydroelectric power stations, such as the Furnas hydroelectric power plant. São Paulo is a major producer of ethanol and shares large reserves of oil and gas with Rio de Janeiro, such as the “pre-salt” fields. The state of Espírito Santo also has oil and gas reserves and exploration, but on a smaller scale.
Brazil is the fifth-largest country in the world by total area and occupies almost half of the entire continent of South America.

At the heart of South America: Brazil shares land borders with Argentina, Bolivia, Colombia, Guyana, Paraguay, Peru, Suriname, Uruguay, and Venezuela, as well as the French Overseas Region of French Guiana.

Most of the Amazon Rainforest is within Brazil’s borders.

Administrative divisions: Brazil is divided into 26 states and a Federal District, which have their own directly elected governments.

**POPULATION DISTRIBUTION PER REGION:**

- **SOUTHEAST (42.13%)**
- **NORTHEAST (27.83%)**
- **SOUTH (14.36%)**
- **NORTH (8.32%)**
- **MIDWEST (7.37%)**
BRAZIL IN NUMBERS

* Size: 8,515,767.6 km²
* Land Border: 16,886 km
* Coastline: 7,367 km
* Arable Land: 388 Million Hectares
Brazil is the fifth most populous country in the world

Over 40 million Brazilians have entered the middle class since 2002

Almost 40 million Brazilians have been lifted out of extreme poverty since 2011

Around 85% of the population live in urban areas.

Largest cities: São Paulo (12m), Rio de Janeiro (6.5m), Salvador (3m), Brasília (3m), Fortaleza (2.6m), Belo Horizonte (2.5m), Manaus (2.1m), Curitiba (1.9m), Recife (1.6m), Porto Alegre (1.5m)

Ethnicity: white 48.2%, mixed ancestry 44.2%, black 6.9%, Asian 0.7%, indigenous peoples of Brazil 0.7%

Religion: no state religion exists in Brazil and the Constitution guarantees freedom of belief and expression. Most of the population self-defines as Christians (64.6% Roman Catholic and 22.2% Protestant). 8% declare themselves to have no religion, while 2% are Spiritist. (2010 Census)
Sources

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Since its return to democracy in the early 1980s, Brazil has sought to improve accountability and ensure a strict independence of powers. In 1988, Brazil adopted a new Constitution, which enshrines liberal democracy in the country.

Brazil is a constitutional democracy with a presidential system divided into three branches: Executive, Legislative, and Judiciary. The Brazilian Constitution of 1988 provides for the Executive power to be vested in a President elected every four years, who is both Head of State and Head of the Government.

The Legislative branch comprises the bicameral National Congress, which is split into the House of Representatives – whose members are elected every four years by proportional representation and apportioned according to the relative populations of the states they represent – and the Senate, whose members are elected every eight years using the first-past-the-post voting system (the candidate who receives the most votes wins). The electoral system ensures equal representation among all 26 states and the Federal District, with three seats in the Senate awarded per state.

Brazil’s Judicial branch is independent of the Legislative and Executive branches. The highest court in the country is the Federal Supreme Court. Court justices are appointed by the President as vacancies arise.

The current President of Brazil is Michel Temer (since August 31, 2016 - reelected as Dilma Rousseff’s vice president in 2014), a constitutional lawyer who made a career in politics beginning in the 1960s, becoming Attorney General of the State of São Paulo in 1983. In 1984, he was named Secretary of Public Security of the State of São Paulo. He was elected as a constituent deputy in 1987, a congressman in the late 1980s; Speaker of the Brazilian House of Representatives three times, and finally Brazil’s Vice President in 2010 and 2014. Temer became Acting President in May 2016, when former president Dilma Rousseff was suspended as part of her impeachment process. In August 2016, she was permanently removed from office by the Brazilian Senate and, in accordance with the Constitution, her Vice President took office.
Brazil is a federative presidential republic and a constitutional democracy. Brazil’s Constitution (ratified in 1988) ensures the independence and autonomy of each government branch: the executive, legislative and judiciary.

- Full name: Federative Republic of Brazil
- Capital: Brasília

There are three levels of government in Brazil: federal, state and municipal.

As of April 2018, there were 29 ministries or ministry-level bodies in the Brazilian federal government.

- Executive authority: the President of Brazil is both Head of State and Government, elected by universal adult suffrage in a two-round system, for a term of four years, and can be reelected once. The President is advised by his Cabinet, composed of Ministers entrusted with a specific portfolio of responsibility.

- Legislative authority: The Congress of Brazil is divided into the House of Representatives and the Federal Senate. Both houses are elected by universal adult suffrage. The current Speaker of the Senate is Senator Eunício Oliveira and the current Speaker of the House is Representative Rodrigo Maia. The Speaker of the Senate is also the Speaker of the Brazilian Congress, which is the union of both plenary sessions tasked with voting on constitutional matters.

- Judicial authority: Brazil’s judiciary is independent of both the executive and legislative branches. The country’s highest court is the Federal Supreme Court. Supreme Court Justices are appointed by the President as vacancies arise, following the retirement or death of an incumbent. As of March 2018, the Chief Justice of the Supreme Court is Cármen Lúcia, who is set to be replaced by Justice José Antonio Dias Toffoli in September 2018.

Sources:

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- Official information about the functioning and history of the House of Representatives http://www2.camara.leg.br/a-camara/conheca

In 2017, after roughly two years of recession, Brazil’s economy resumed its trajectory of growth. Nominal GDP during 2017 was BRL 6.6 trillion, some USD 2 trillion, or 1% higher than the previous year, guaranteeing the country’s position among the 10 largest economies in the world.

After an economic recession hit the country in 2015 and 2016, Brazil has made a comeback towards an upward trajectory, bolstered mainly by strong agricultural activity and a stable services sector.

The domestic market and economic diversification proved to be a solid foundation for Brazil, helping the country to endure harsh economic headwinds. The IMF’s forecast for the future put Brazil on a higher path of GDP growth in 2018 (at 1.9%), after new laws and reforms in the past year allowed the federal government to address public spending issues, control inflation, and promote a better environment for businesses and jobs.

In mid-2017, Congress approved a new labor reform law, which allows flexibility in new hiring. The law went into effect in November 2017.

A law approved by Congress in late 2016 to restrain public spending for 20 years – which also came into effect in 2017 – allowed the government to control its fiscal deficit. The deficit of the central government – which encompasses Brazil’s Treasury, Central Bank and Social Security – was BRL 124.4 billion (USD 35.7 billion) last year, 25% below the previous year and well within the fiscal limit of up to BRL 159 billion (USD 45.7 billion) established for the period.

The government also allowed money withdrawals from inactive accounts of a special severance fund for workers, called the FGTS, which could only be accessed if a worker was laid off or retired. This injected over BRL 40 billion (USD 11.5 billion) into the economy in 2017.

The reform of the social security system has been the subject of much debate in society and government and has not yet been fully drafted. Such a reform is considered a key move in order to create a more stable scenario for public spending. In 2017, the social security deficit increased 22% from the previous year, reaching BRL 182.4 billion (USD 52.4 billion).
Brazil in the 21st century is very different from the Brazil of the early 1980s, when the country was buffeted by a series of international debt crises. The country has since grown tenfold (in current USD), backed by strong macroeconomic and market fundamentals, as well as the development of its industrial, agricultural and service sectors. In 2010, Brazil became a net external creditor, paying off its debt to the International Monetary Fund, and accumulated international reserves totaling USD 377 billion in February 2018, which has helped the country to endure economic headwinds.

At the same time, conditional cash transfer welfare programs for families, such as the internationally renowned Bolsa Família, have lifted millions of Brazilians out of poverty and into an emerging middle class, substantially lowering poverty in the country from levels early in the century. Brazil has reduced the percentage of its population in extreme poverty from over 30% in the early 1980s to 4.3% in 2014, improving the domestic market and offering investors a significant potential customer base.
As one of the 10 largest economies in the world, Brazil has it all: a huge domestic market, natural resources, developed industries and vast amounts of land. It is the world’s fifth-largest country by population and landmass, and figures next to China and India as the biggest emerging markets in the world.

In advanced manufacturing, Brazil hosts multinational original equipment manufacturers, as well as homegrown companies, in aerospace, automotive, capital goods, chemicals, construction, electronics, engineering, information and communications technologies, life sciences, and oil and gas. Brazil is also home to world-class service industries, including construction, engineering, financial and professional business services.

Agriculture and mining play a major role in Brazil’s economy. It has the third-highest volume in credit to agriculture and is the second-highest exporter of food, according to the most recent study from the Food and Agriculture Organization (FAO). The country is among the top producers and exporters of a wide range of commodities, including biofuels (ethanol and biodiesel), iron ore, soybeans, coffee, oranges, poultry, beef, pork, aluminum and forest products.

Oil and gas discoveries in the past 10 years, as well as abundant renewable energy resources, including hydro, wind and solar power, all contribute to increasing Brazil’s status as a major international energy player, currently holding the 14th-largest crude oil reserve on the planet, with over 16 billion barrels.

### Top 20 Commodities Produced in Brazil (Million Tons)

<table>
<thead>
<tr>
<th>CROP</th>
<th>YEAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUGAR CANE</td>
<td>768.6</td>
</tr>
<tr>
<td>SOYBEANS</td>
<td>96.2</td>
</tr>
<tr>
<td>CORN</td>
<td>64.1</td>
</tr>
<tr>
<td>MILK, WHOLE FRESH COW</td>
<td>33.6</td>
</tr>
<tr>
<td>CASSAVA</td>
<td>21.0</td>
</tr>
<tr>
<td>ORANGES</td>
<td>17.2</td>
</tr>
<tr>
<td>MEAT, CHICKEN</td>
<td>13.8</td>
</tr>
<tr>
<td>RICE, PADDY</td>
<td>10.6</td>
</tr>
<tr>
<td>MEAT, BEEF</td>
<td>9.2</td>
</tr>
<tr>
<td>WHEAT</td>
<td>6.8</td>
</tr>
<tr>
<td>BANANAS</td>
<td>6.7</td>
</tr>
<tr>
<td>TOMATOES</td>
<td>4.1</td>
</tr>
<tr>
<td>POTATOES</td>
<td>3.8</td>
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<tr>
<td>MEAT, PORK</td>
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</tr>
<tr>
<td>SEED COTTON</td>
<td>3.4</td>
</tr>
<tr>
<td>COFFEE, GREEN</td>
<td>3.0</td>
</tr>
<tr>
<td>VEGETABLES, FRESH</td>
<td>3.0</td>
</tr>
<tr>
<td>PINEAPPLES</td>
<td>2.6</td>
</tr>
<tr>
<td>COCONUTS</td>
<td>2.6</td>
</tr>
<tr>
<td>BEANS, DRY</td>
<td>2.6</td>
</tr>
</tbody>
</table>

Source: FAO
**ECONOMY**

**BRAZIL IN NUMBERS**

▸ GDP

<table>
<thead>
<tr>
<th>GDP GROWTH (%)</th>
<th>YEAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.80</td>
<td>2004</td>
</tr>
<tr>
<td>3.20</td>
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</tr>
<tr>
<td>4.00</td>
<td>2006</td>
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<td>6.10</td>
<td>2007</td>
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<td>5.10</td>
<td>2008</td>
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<tr>
<td>-0.10</td>
<td>2009</td>
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<tr>
<td>7.50</td>
<td>2010</td>
</tr>
<tr>
<td>4.00</td>
<td>2011</td>
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<tr>
<td>1.90</td>
<td>2012</td>
</tr>
<tr>
<td>3.00</td>
<td>2013</td>
</tr>
<tr>
<td>0.50</td>
<td>2014</td>
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<td>-3.80</td>
<td>2015</td>
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<td>-3.60</td>
<td>2016</td>
</tr>
<tr>
<td>1</td>
<td>2017</td>
</tr>
<tr>
<td>1.9</td>
<td>2018*</td>
</tr>
</tbody>
</table>

*Source: IBGE and IMF (*for 2018 forecast)*

▸ Unemployment rate (average)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>RATE IN % OF LABOR FORCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>7.3</td>
</tr>
<tr>
<td>2013</td>
<td>7.2</td>
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<tr>
<td>2014</td>
<td>6.8</td>
</tr>
<tr>
<td>2015</td>
<td>8.3</td>
</tr>
<tr>
<td>2016</td>
<td>11.3</td>
</tr>
<tr>
<td>2017</td>
<td>12.7</td>
</tr>
</tbody>
</table>

*Source: IBGE*

*Note: New statistical series started in 2012*

**AT A GLANCE**

▸ Nominal GDP of USD

2.05 trillion in 2017

▸ GDP per capita: USD

9,894.90 in 2017

▸ GDP composition per sector in 2017:

  » 75.2% services
  » 21.4% industry
  » 3.4% agriculture/farming

▸ International reserves:

USD 382.9 billion (Apr. 2018)
### Gross public debt (% of GDP, National Treasury report):

<table>
<thead>
<tr>
<th>YEAR</th>
<th>PERCENT OF GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>55.8</td>
</tr>
<tr>
<td>2009</td>
<td>59.2</td>
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<tr>
<td>2010</td>
<td>51.8</td>
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<tr>
<td>2011</td>
<td>51.3</td>
</tr>
<tr>
<td>2012</td>
<td>53.7</td>
</tr>
<tr>
<td>2013</td>
<td>51.5</td>
</tr>
<tr>
<td>2014</td>
<td>56.3</td>
</tr>
<tr>
<td>2015</td>
<td>65.5</td>
</tr>
<tr>
<td>2016</td>
<td>70</td>
</tr>
<tr>
<td>2017</td>
<td>74.4</td>
</tr>
</tbody>
</table>

*Source: National Treasury*

### Exports data (in billions of USD FOB)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>BILLION USD FOB EXP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>217.7</td>
</tr>
<tr>
<td>2016</td>
<td>185.2</td>
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<tr>
<td>2015</td>
<td>191.1</td>
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<td>2014</td>
<td>225.1</td>
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<td>2013</td>
<td>242.0</td>
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<td>2012</td>
<td>242.5</td>
</tr>
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<td>2011</td>
<td>256.0</td>
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<tr>
<td>2010</td>
<td>201.9</td>
</tr>
<tr>
<td>2009</td>
<td>152.9</td>
</tr>
<tr>
<td>2008</td>
<td>197.9</td>
</tr>
</tbody>
</table>

*Source: MDIC*
LATEST ECONOMIC DATA

For the latest economic indicators, the Brazilian Central Bank (BCB) provides monthly charts in English.

- The most recent edition is available at the following link: http://www.bcb.gov.br/?INDICATORS
- BCB also publishes a weekly market research report called the FOCUS Report http://www.bcb.gov.br/en/#/l/n/FOCUSREPORT

SOURCES

- Brazil’s 2017 GDP data

- IMF’s GDP outlook for Brazil
  http://www.imf.org/en/Countries/BRA

- Brazil’s reserves in USD
  https://www.bcb.gov.br/?RESERVAS

- Brazil’s economic evolution

- Effect of FGTS withdrawals on the economy.

- FAO’s statistical report
  http://www.fao.org/3/a-i4691e.pdf

- Brazil’s Central Bank Statistical series generator

- Ministry of Industry, Foreign Trade, and Services historical export data
  http://www.mdic.gov.br/comercio-exterior/estatisticas-de-comercio-exterior/series-historicas

- SEBRAE’s economic statistical analysis
  http://datasebrae.com.br/plb/#3

- National Treasury’s yearly report on public debt
The Brazilian Financial System (SFN) is a stable and mature environment, with a strong and independent supervisory body on one side, backed by robust commercial institutions on the other. Its origins date back to the 19th century, but its current form is in part a result of the structural reforms undertaken in the 1990s, immediately after the “Real Plan”, which introduced a new currency and controlled hyperinflation. Tighter rules on solvency and liquidity were applied to banks; inflation and interest rate controls were systematized and new branches were created, such as the Central Bank’s Monetary Policy Committee (Copom), responsible for defining monetary policy and the short-term interest rate, and the Deposit Insurance Fund (FGC), a non-profit private fund supported and managed by financial institutions as a basic form of protection for account holders and investors.

The system comprises more than 1,700 public, private, national and international banks, brokerages, credit unions and other operators. They are all regulated by the Brazilian Central Bank (BCB), an autonomous regulatory institution and the monetary policy guardian. Commitment to price stability through an inflation-targeting regime and a floating exchange rate are core targets of the BCB’s work. Along with fiscal responsibility in government expenditures, these three pillars form the so-called “macroeconomic tripod,” which has been driving Brazilian economic policies for the past two decades and ensures public commitment to responsible and sustainable management.
After two years of recession, Brazil’s main indicators have shown significant improvement in recent months. The Broad Consumer Price Index (IPCA) finished 2017 with an increase of only 2.95% - the lowest since 1998. In the first two months of 2018, the IPCA increased by a mere 0.61%, while Brazil’s Central Bank currently expects it to be around 4.5% by the end of the year — within the target. Well-controlled inflation has allowed the Selic rate, Brazil’s annual benchmark interest rate, to be reduced to 6.5% in March 2018, its lowest ever level. This creates a very friendly scenario to stimulate consumption, investments and, therefore, economic growth.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>PERCENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>5.9</td>
</tr>
<tr>
<td>2009</td>
<td>4.31</td>
</tr>
<tr>
<td>2010</td>
<td>5.91</td>
</tr>
<tr>
<td>2011</td>
<td>6.5</td>
</tr>
<tr>
<td>2012</td>
<td>5.84</td>
</tr>
<tr>
<td>2013</td>
<td>5.91</td>
</tr>
<tr>
<td>2014</td>
<td>6.41</td>
</tr>
<tr>
<td>2015</td>
<td>10.67</td>
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<tr>
<td>2016</td>
<td>6.29</td>
</tr>
<tr>
<td>2017</td>
<td>2.95</td>
</tr>
</tbody>
</table>

Source: IBGE
The Brazilian financial system is composed of three types of institutions: governing bodies (such as the National Monetary Council - CMN), supervisors (such as the Brazilian Central Bank and the Brazilian Securities and Exchange Commission) and operators (such as commercial banks and the Brazilian Stock Exchange). Here are some of its most important institutions:

**Ministry of Finance**

*www.fazenda.gov.br*

The Ministry of Finance is the federal government department responsible for framing and implementing Brazilian economic policy. The Ministry has a broad mandate covering currency, credit, financial institutions, tax policy, management of public debt, international economic dialogue and coordinating Brazil's participation in international economic bodies.

**Central Bank of Brazil (BCB)**

*http://www.bcb.gov.br/*

The Central Bank is primarily responsible for maintaining price stability in the economy. It has a dual role, both as the executor of monetary policy and regulator of the financial system. Liquidity, credit, interest rates, international capital flows, and exchange rates are some of the elements it must monitor and balance. The monetary authority is also responsible for overseeing the proper functioning of banks and financial institutions and enforcing compliance with the system's rules. Traditionally, the Central Bank is autonomous, but this year the government announced it will include a bill in its congressional agenda to guarantee its independence by law. Among its main points, it includes the establishment of separate terms for BCB’s directors and president, to make sure they will not coincide with the country’s presidential term. There’s also a twin goal for monetary policy - inflation control and economic growth.
The Securities and Exchange Commission of Brazil's duty is to regulate and develop the securities market in Brazil. It is an independent agency linked to the Ministry of Finance, but not under hierarchical subordination. It has a mandate to ensure the proper functioning of the stock exchange and over-the-counter markets; protect securities holders against fraud; ensure public access to relevant information about Brazil's securities market and the companies that issue securities; ensure fair trading practices and promote the expansion and efficiency of the securities market in Brazil to benefit the capitalization of Brazil-based companies.

“Brasil, Bolsa, Balcão” (“Brazil, Stock Exchange, Over-The-Counter”), or simply B3, is the only securities, commodities and futures exchange operating in Brazil. It was established in March 2017 when the securities, commodities and futures exchange BM&FBOVESPA (www.bmfbovespa.com.br) merged with CETIP (www.cetip.com.br), a provider of financial services for the organized over-the-counter (OTC) market. This union made B3 the world's fifth-largest exchange in terms of market value - USD 13 billion by the time the merger was concluded. It is the country’s leading clearinghouse for private assets and the leading depository for fixed-income securities in Latin America.

The Brazilian Antitrust Authority (CADE) is an independent agency that reports to the Ministry of Justice and is responsible for protecting free competition in Brazil. Its mission is to investigate and ultimately decide on issues of competition by analyzing mergers, investigating anticompetitive conduct and imposing penalties, if applicable. CADE is a part of the Brazilian Competition Defense System (SBDC), which also includes the Economic Supervision Office (SEAE), a branch of the Ministry of Finance responsible for competition and regulation policies.
The “Caixa Econômica Federal,” also referred to as CEF or simply “Caixa,” is a public bank that operates both as a commercial bank, providing accounts and loans, and as an agent of public policy. It is through Caixa that several state benefits are managed and paid, such as the FGTS labor fund, unemployment allowances and cash transfer programs such as "Bolsa Família."

The main financing agent for development in Brazil, the bank offers several financial support mechanisms to Brazilian companies of all sizes, as well as government bodies and projects. In order to help balance the Brazilian public sector and make sure this credit does not only benefit huge corporations with subsidized credit, the government changed the bank’s interest rate this year. The newly-named TLP is an interest rate that will be indexed to the NTN-B, a Brazilian bond, in 2023. By then, it will guarantee that the Brazilian Treasury will be paid according to the cost of the money it raises on the market.
USEFUL LINKS

- Credit Guarantee Fund

- Structure of the SFN
  http://www.cvm.gov.br/subportal_ingles/menu/about/jurisdiction.html

- News article: Congressional approval for TLP
  https://g1.globo.com/economia/noticia/entenda-o-que-e-a-tlp-a-nova-taxa-do-bndes.ghtml

- Explainer: What changes with new economic policies, including BCB’s autonomy

- Government’s agenda in Congress

- How TLP works
  https://www.bndes.gov.br/wps/portal/site/home/financiamento/guia/custos-financeiros/tlp-taxa-de-longo-prazo

- IBGE’s historical series on inflation
  https://www2.ibge.gov.br/home/estatistica/indicadores/precos/inpc_ipca/defaultseriesHist.shtml

- 2017 inflation data

- January and February inflation data

- Inflation target data

- Selic rate

- Internacional reserves in USD
  http://www.bcb.gov.br/?rp20180327

- Public debt information
  http://www.tesouro.fazenda.gov.br/a-divida-em-grandes-numeros
In a continental territory such as Brazil, infrastructure is an especially relevant matter. Transportation, logistics, power generation, sanitation, and housing are core issues for Brazil’s development, as well as great business opportunities themselves.

A promising scenario for investments, a clean and diversified energy matrix and some of Latin America’s biggest ports and hubs are among the most relevant assets that make Brazil stand out. Furthermore, investments in infrastructure have been top priorities of the Brazilian government since the 2000s, supported by programs such as the Growth Acceleration Program (PAC). In the last three years, the program has generated BRL 547.5 billion (USD 157.3 billion) in investments, mainly in the areas of energy, homebuilding, and infrastructure. Of this total, BRL 111.2 billion (USD 32 billion) came from the private sector.

Currently, Brazil’s main state program for concessions and public-private partnerships (PPPs) is called the Investment Partnership Program (PPI) – known as “Advancing Partnerships.” It was announced by the government at the end of 2016 to foster the relationship between the state and private companies in order to stimulate a new cycle of investment in infrastructure.

By March 2018, 72 projects were successfully concluded, while another 103 are still ongoing. So far, it has reached BRL 143.4 billion (USD 41.2 billion) in investment. Port terminals, railroads, power plants, lotteries and mining areas are some of the assets listed to be auctioned soon, all of which are detailed on the program’s website.

In addition to those areas, the program also focuses on the oil and gas sector. In the next few years, Brazil will join the world’s largest oil-producing countries as it advances the exploration of the “pre-salt” oil. The huge maritime oil layer discovered off the Brazilian coast in 2007 produced an annual average of 1.29 billion bpd in 2017. New bidding processes for unexplored areas are expected to take place in 2018.

**AT A GLANCE**

- 65,530 km of paved federal highways (CNT/January 2018)
- 213,591 km of paved roads (CNT/January 2018)
- 29,774 km of railroads (CNT/January 2018)
- 2,499 airdromes, with 62 national and international airports (CNT/January 2018)
- 37 public ports and 180 private port terminals (SEP/2015)
  - Note: Official data from the Secretariat of Ports has not been updated since 2015
- 2.615 million bpd of oil output (ANP/January 2018)
- 112 million m³ of daily gas output (ANP/January 2018)
- Brazilian freight transportation matrix (CNT/January 2018):
  - 61.1% road
  - 20.7% rail
  - 13.6% water (maritime and inland waterways)
  - 4.2% pipelines
  - 0.4% air
- Electricity consumption: 463,948 GWh/annual 2017 (EPE/2018)
- Hydroelectric power plants: 1,320 (Aneel/March 2018)
HYDROELECTRIC POWER PLANTS: 1,320 (Aneel/March 2018)

THERMAL POWER PLANTS: 3,004

NUCLEAR POWER PLANTS: 2

WIND FARMS: 511

SOLAR PLANTS: 91

SOURCES

- PAC results from 2015/18
  http://www.pac.gov.br/pub/up/relatorio/1f-be9b2f7cbebc3e5c51f9f67b5f3be.pdf

- Investment Partnership Program (PPI)'s announcement
  http://www2.planalto.gov.br/accompanhe-planalto/noticias/2016/09/governo-anuncia-concessao-de-34-projetos-de-infraestrutura

- PPI projects concluded so far

- Advancing Partnership program’s projects
  http://www.avancarparcerias.gov.br/projects#/s/In%20progress/u/e/m/r/

- Petrobras’ pre-salt information

- CNT’s transportation statistics
  http://cms.cnt.org.br/imagens%20CNT/BOLETIM%20ESTAT%C3%8DSTICO/BOLETIM%20ESTAT%C3%8DSTICO%202018/Boletim%20ESTAT%C3%8DSTICO%20-2001%20-%202018.pdf

- Oil and gas production data

- Energy consumption data

- Energy sources in Brazil
  http://www2.aneel.gov.br/aplicacoes/capacidadebrasil/FontesEnergia.asp

- Brazilian ports information
  http://www.portosdobrasil.gov.br/assuntos-1/sistema-portuario-nacional
Brazil is a founding member of Mercosur, the South American Common Market, which is a free trade area progressively consolidating customs union between Argentina, Brazil, Paraguay, and Uruguay. Although admitted to the bloc in 2012, Venezuela had all its member-status rights suspended in August 2017 due to its failure to comply with the pact’s trade bylaws, such as the free circulation of goods, and major democratic principles.

Combined, Mercosur is considered the fifth-largest economy in the world by GDP when compared to the richest countries separately, with a gross domestic product of over USD 2.9 trillion and a population of some 300 million people.

In December 2012, Bolivia signed an accession treaty to join Mercosur. The group currently has free trade agreements with Bolivia, Chile, Colombia, Ecuador, and Peru, which are associate members of the block. Free trade agreements were signed with Israel in 2007, as well as with Egypt in 2011 (ratified in 2013).

Brazilian exports to other Mercosur members have grown over 17% in 2017 from the previous year, showing the comeback of strong trade activity after five years of slowdown.

Mercosur is currently negotiating a free-trade agreement with the European Union (EU), which, if successful, would create the world’s largest free trade area. Negotiations have been advancing and a potential deal is expected to happen in 2018.

Brazil is also a member of the Latin American Integration Association (ALADI), which aims to establish a pan-Latin American free trade area. At present, ALADI members extend tariff preferences to one another in specific sectors, with a view to progressively removing tariff barriers among ALADI members.

Brazil has also signed agreements in the area of government procurement with Peru and the other members of Mercosur, and is currently negotiating with Chile, Mexico and Colombia.
Brazilian exports to Mercosur Members (USD Billion FOB)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>BILLION USD FOB</th>
<th>CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>55.1</td>
<td>--</td>
</tr>
<tr>
<td>2001</td>
<td>58.2</td>
<td>5.75</td>
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<tr>
<td>2002</td>
<td>60.4</td>
<td>3.69</td>
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<tr>
<td>2003</td>
<td>73.2</td>
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<tr>
<td>2004</td>
<td>96.6</td>
<td>32.07</td>
</tr>
<tr>
<td>2005</td>
<td>118.5</td>
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<tr>
<td>2006</td>
<td>137.8</td>
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<td>2007</td>
<td>160.6</td>
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<td>2008</td>
<td>197.9</td>
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<td>2009</td>
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<td>2012</td>
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<tr>
<td>2013</td>
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<td>-0.22</td>
</tr>
<tr>
<td>2014</td>
<td>225.1</td>
<td>-7.00</td>
</tr>
<tr>
<td>2015</td>
<td>191.1</td>
<td>-15.09</td>
</tr>
<tr>
<td>2016</td>
<td>185.2</td>
<td>-3.09</td>
</tr>
<tr>
<td>2017</td>
<td>217.7</td>
<td>17.55</td>
</tr>
</tbody>
</table>

Source: Secex/MDIC

- General information on Mercosur
  http://www.mercosul.gov.br/saiba-mais-sobre-o-mercusul#DADOSGERAIS

- General information on Mercosur (part 2)
  http://www.mercosur.int/innovaportal/v/3862/2/innova.front/en_pocas_palabras

- Brazil’s trade with Mercosur members
Brazil is a populous country with a workforce of 104.2 million people in 2018.

As of February, some 91.1 million were active workers.

The unemployment rate stood at 12.6% in the quarter ending in March. As an effect of a two-year-long recession, unemployment numbers increased over the past couple of years, but this scenario has seen steady improvement since the first quarter of 2017, when it reached 13.7%.

The sectors with the largest number of Brazilian workers in February, according to IBGE’s statistical report PNAD, are commerce and mechanic workshops, industry, public administration, defense, education, health, social services, information and communications services, financial activities, realty, and administration.

In 2017, the Congress approved a reform of Brazilian work legislation, called the Consolidation of Labor Laws (CLT). The main goal was to make the laws more flexible, focused on negotiations between employers and employees.

Among its main changes are new rules allowing for outsourcing of a company’s main activity, home-office regulation, and more accountability for employees in lawsuits against employers. Now, collective bargaining agreements between employers and unions may overlap some points written in the law, adjusting the terms to the necessities of the workers. Some of these topics include working hours, profit sharing and sanitary standards (previously established only by the employer).

But this does not mean workers are left unprotected, as their fundamental rights still cannot be negotiated. Among them, maternity and paternity leave, holidays, minimum wage, 13th salary, retirement and the Guarantee Fund for Length of Service (FGTS), a form of savings account taken directly from workers’ salaries that aims to provide financial support for workers in case of dismissal, but that can also be used to buy residential properties.
The system of dismissal itself was also updated: now, if the employee and the employer decide to terminate the contract on mutual terms, the company only has to pay half of the fine established by the CLT, while the employee may obtain 80% of his/her FGTS. Previously, the only options were either a dismissal on behalf of the employer, who was forced to pay a fine of 40% over the FGTS funds, or the employee was forced to quit, which would not give him/her access to FGTS funds.

Some points of the reform are still being discussed in Congress, such as working hours, intermittent work and rules about pregnant employees doing dangerous tasks. They are currently governed by a government interim measure, which is expected to be voted on by Congress this year.

**SOURCE**

- Employment laws’ interim regulation

- Employment official data

- Changes in employment legislation with new labor law

- PwC’s guide to new labor law
The official language in Brazil is Portuguese. Though it might sound similar to Spanish, the languages have considerable differences, so keep that in mind in order to avoid misunderstandings. Brazilians particularly appreciate when their guests make an effort to speak some words in Portuguese, such as “obrigado” (“thank you”).

Do not assume that Brazilians will be able to speak English or even Spanish, especially if you are outside major cities. According to a report by the British Council, only 5% of Brazilians over 16 years-old claim to have some knowledge of the English language, but it is quite likely you will find capable people within companies that can help. If you do not speak Portuguese, make sure to tell your host.

It is also important to remember that Brazil can be very different from one region to another, which is reflected in culture as well as language, with many common words having different meanings. It is recommended to be accompanied by a local guide or to do previous research on the culture of the specific region you will be visiting.
GREETINGS
It is customary for friendly business ties to lead to some physical contact, and it is common to shake hands with both women and men. Hugs are also common if the interlocutors already have some level of familiarity, but this is not likely to happen during introductions. International business attire is the normal dress code throughout Brazil in business meetings. Exchanging business cards is also standard practice.

Brazilians usually adopt first names right from the beginning of contact. Addressing people by their first name is not a sign of familiarity. In fact, family names are not used as much as in other countries. Titles such as "Mr." ("Senhor" in Portuguese) and "Doctor" ("Doutor") can be used before first names. For women, "Mrs." ("Senhora") is used to precede the surname. Although, even with such titles, first names are used a lot more commonly than family names.

REQUEST FOR A MEETING
When you first make contact with a company, it is acceptable to send an e-mail, particularly if you are talking to a medium-sized or large company. However, it is better to make at least one phone call before the meeting to make sure everything is arranged and to get to know your contacts. It is better to let your business contacts choose the meeting place, but if the choice is up to you, bear in mind that it is quite common in Brazil to hold meetings in less formal environments, such as restaurants or cafes.

PUNCTUALITY
It is worth considering leaving ahead of time for a meeting or destination. Traffic jams in cities such as São Paulo and Rio de Janeiro can be quite heavy, especially during rush hour (between 7-10 am and 5-8 pm), so try to avoid commutes around those times if possible. Do not interpret lateness on the part of your Brazilian contacts as a sign of disinterest or bad manners. Remember that meetings can run long in Brazil, extending beyond their allotted time, so it might be worth considering not scheduling meetings one right after another.

TIME OF YEAR
Bear in mind that during special holidays, such as Christmas, New Year’s and Carnival, things can run slower in companies. Due to the fact that many take advantage of these holidays to go on vacation or spend time with their families, some services are interrupted and some businesses even remain closed for up to an entire week. It is advisable to schedule important business before those occasions or, if possible, to wait until they have passed.

SOURCE
▶ British Council report on English learning needs in Brazil
https://www.britishcouncil.org.br/sites/default/files/demandas_de_aprendizagempesquisacompleta.pdf
PUBLIC HOLIDAYS

NATIONAL PUBLIC HOLIDAYS

These are official celebrations scheduled by the federal government. Most businesses remain closed on these days.

- January 1st: New Year’s Day
- April 21: Tiradentes Day (Brazilian national hero)
- May 1st: Labor Day
- September 7: Independence Day (celebrates Brazil’s independence from Portugal in 1822)
- October 12: Our Lady of Aparecida (patron saint of Brazil)
- November 2: All Souls’ Day
- November 15: Republic Day (celebrates the proclamation of Brazil as a republic in 1889)
- December 25: Christmas Day

* General Elections are also national public holidays, but they take place on Sundays and only every two years, on the first and last weekends of October.

MOVEABLE RELIGIOUS HOLIDAYS

Celebrated like national holidays, these are regularly observed by the majority of the population and are National Public Holidays. Most businesses remain closed on these days.

- February or early March: Carnival and Ash Wednesday (Carnival falls on the Monday and Tuesday before Ash Wednesday, which in turn falls 46 days before Easter. Celebrated nationwide.)
- Late March or April: Good Friday and Easter Sunday
- May or June: Corpus Christi (falls on Thursday and Friday)
States and cities may have their own locally-observed holidays. For example, Rio de Janeiro’s patron Saint Sebastião day, which is celebrated on January 20, is a municipal holiday. In São Paulo, the city’s birthday is celebrated on January 25.

Traditional Holidays

Although not official, these are considered holidays by much of the population. Therefore, some businesses may close on these days. In doubt, it is advisable to reach out to your contact beforehand to check availability during those dates.

- **December 24**: Christmas Eve
- **December 31**: New Year’s Eve
BUSINESS OPPORTUNITIES IN
AGRIBUSINESS

With modern, efficient and competitive agriculture, Brazil has become one of the world’s largest agricultural producers and exporters over the last two decades. Productivity gains, management efficiency, research, innovation, and technological development have revolutionized the country’s agribusiness sector.

LAND USE

Brazil has a suitable environment and conditions to increase its food production, combining 12% of the world’s water supply with one of the world’s largest arable land areas. Agricultural production is based on conservation practices and the rational use of resources. Native vegetation covers 66.3% of the country, while only 30.2% of land is used for farming (257 million hectares), of which 9% (76.6 million ha) is used for crops and planted forests and 21.2% for pastures (112.4 million ha planted and 68.1 million ha native).

Brazilian agricultural production is increasing mostly through the intensive use of technology in machinery, equipment and genetics. These factors have pushed up the productivity of farms, especially for commodities. Despite all the achievements of Brazilian agriculture today, there is still considerable room for growth. Over the last 40 years, the yield of the main crops increased 266%, while the expansion of planted areas in the same period was only 33%, according to the Ministry of Agriculture, Livestock and Food Supply (MAPA).

As a result of these technological advances, the total production of soybean - Brazil’s largest agricultural crop - is expected to reach 288.17 million tons by the 2026/2027 season, up from the current 114 million for the 2017/2018 season.

The country is expected to take on a larger role in global agricultural trade. The FAO and OECD rank Brazil as the second-largest global supplier of food and agricultural products, on its way to becoming the foremost supplier in meeting additional global demand, mostly originating from Asia.

Its influence is even larger for specific products: Brazil will be responsible for more than 60% of global sugar exports, while becoming the world leader for beef and poultry, with export shares of 20% and 31%, respectively.
PRESERVED VEGETATION 66.3%

- 20.5% Preserved vegetation in rural properties
  - 13.1% Conservation areas
  - 13.8% Indigenous lands
  - 18.9% Unclaimed lands, water...
  - 8% Native pastures
  - 13.2% Planted pastures
  - 9% Crops and planted forests
  - 3.5% Cities, infrastructure or others

PRODUCTIVE AREAS IN RURAL PROPERTIES 30.2%
Brazil has a very dynamic agricultural sector, including both huge agribusiness properties and family farming, which has a key role within the Brazilian farming model. According to the Special Secretariat for Family Agriculture and Agrarian Development, there were 4.4 million family farming properties in Brazil in 2017 - around 84.4% of all farming properties in the country.

However, large international groups such as ADM, Agrium, Bunge, Cargill, Louis Dreyfus, and Syngenta, among others, have a solid foothold in Brazil.

According to a ranking published by Brazilian business magazine Exame, of the 20 biggest companies by net revenue that operate in Brazil, four are in agribusiness. Furthermore, the magazine showed that the 400 largest agricultural companies in Brazil earned USD 3.8 billion in profits in 2016.

Additionally, all subsectors have become integrate, creating enough space for large, medium and small companies not only in agricultural products but also in processed foods, agricultural equipment, agrochemicals, and biotech solutions.
ENVIRONMENT

Over 66% of Brazil is covered by native vegetation, and the Ministry of the Environment’s rigorous implementation of the Rural Environmental Registry (CAR) seeks to prevent farms and other rural private properties from increasing deforestation. Preserved areas inside farms correspond to 20.5% of the country. Under the environmental law, in some regions this rises to at least 80% of rural property.

In other words, Brazilian producers preserve inside their properties an area 1/5 the size of Europe (excluding Russia).

In 2010, the so-called ‘ABC Plan’ was adopted by the federal government to implement the consolidation of low carbon emissions in Brazilian agriculture, while sustaining economic growth in the sector. From 2011 to 2020, the plan projects an injection of BRL 197 billion (USD 56.6 billion) in financing to this end, particularly in the form of credit for producers. From 2010 to October 2017, more than 30,500 ABC Plan contracts obtained BRL 14.6 billion (USD 4.2 billion) in funding, according to the Ministry of Agriculture, Livestock, and Supply.

The plan consists of seven programs, six of which are related to the development of sustainable production and mitigation technologies, and one for climate change adaptation:

- **Program 1:** Rehabilitation of Degraded Pastures – recovery of 15 million hectares of degraded pasture
- **Program 2:** Crop-Livestock-Forest Integration and Agroforestry Systems – increase in the use of integrated crop-livestock-forestry systems, covering an area of 4 million hectares
- **Program 3:** Tillage System – expansion of the no-tillage system, covering an area of 8 million hectares
- **Program 4:** Biological Nitrogen Fixation – increase of biological nitrogen fixation in an area covering 5.5 million hectares of farmland, as a substitute for nitrogen fertilizers
- **Program 5:** Planted Forests – expansion of new forest plantations, covering an area of 3 million hectares
- **Program 6:** Treatment of Animal Waste – increase technologies used to treat 4.4 million cubic meters of animal waste
- **Program 7:** Adaptation to Climate Change

In total, the Brazilian government aims to reduce CO2 equivalent emissions by 1.17 billion to 1.26 billion metric tons over the next few years, based on the total emissions forecast for the year 2020, which are expected to reach a total of 3.236 billion metric tons of CO2 equivalent. Under the ABC Plan, agricultural greenhouse gases emissions are expected to account for 22.5% of the targeted reduction.
INCENTIVES

The Brazilian government, through the Ministry of Agriculture, Livestock and Supply, has several incentive programs for agriculture and livestock, from credit lines to the enhancement of best practices and procedures.

Government financing for the 2017/2018 crop cycle (Plano Safra) reached BRL 200.25 billion (USD 57.5 billion), a 2.4% increase from the previous season — and 79% of these had controlled interest rates to facilitate loan conditions. Before defining funding figures for 2018/2019, the government has already released BRL 12.5 billion (USD 3.6 billion) in advance to finance the crop cycle.

Pronamp, a government program intended to support medium-sized producers, received a total of BRL 21.7 billion (USD 6.2 billion) for the 2017/2018 cycle, a 12% increase over 2016/2017, for investments, costs and commercialization, while Inovagro, a program aimed at technological innovation, received over BRL 1.26 billion (USD 0.4 billion) of investment.

Brazil is also working on efforts to reduce bureaucracy in the sector. The Agro+ Plan is a program that aims to modernize the sector and generate productivity gains in the next few years. It includes a range of measures intended primarily to increase Brazil’s share of the international market. Some of the biggest improvements include the standardization of procedures, improved access to information and the updating of registries, as well as the simplification of export/import processes.

The Ministry of Agriculture, Livestock, and Supply, in partnership with the Brazilian Trade and Investment Promotion Agency (Apex-Brasil), is implementing the Agro+ Investments Program, which aims to encourage local authorities and market agents to work together in identifying investment opportunities in Brazilian agribusiness. Agro+ Investments will consolidate all the investment opportunities in a portfolio to present to potential foreign investors in fairs, missions, investment rounds, conferences and other events, both in Brazil and abroad.

Gross value of Brazilian agriculture and livestock (VPB), in billions.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>BRL</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>467.26</td>
<td>134.3</td>
</tr>
<tr>
<td>2013</td>
<td>512.78</td>
<td>147.4</td>
</tr>
<tr>
<td>2014</td>
<td>530.33</td>
<td>152.4</td>
</tr>
<tr>
<td>2015</td>
<td>535.07</td>
<td>153.8</td>
</tr>
<tr>
<td>2016</td>
<td>533.14</td>
<td>153.2</td>
</tr>
<tr>
<td>2017</td>
<td>540.27</td>
<td>155.3</td>
</tr>
<tr>
<td>2018**</td>
<td>521.70</td>
<td>149.9</td>
</tr>
</tbody>
</table>

Source: Ministry of Agriculture, Livestock, and Supply
*Inflation-adjusted
**Estimated
SOURCES

- **ANA - Agência Nacional de Águas**

- **MAPA 2026/2027 forecasts**

- **FAO, largest exporter**
  http://www.fao.org/3/a-i4738e.pdf

- **Embrapa, available land**

- **Embrapa/Mapa, arable land**

- **Embrapa, Land occupation (table)**

- **Brazil’s territory in conservation areas**

- **Rural Environmental Registry**
  http://www.car.gov.br/#/

- **ABC Plan goals**

- **ABC Plan financing**
  http://www.agricultura.gov.br/assuntos/sustentabilidade/plano-abc/financiamento

- **Agro+**

- **Agro+ Investments**
  http://www.agricultura.gov.br/assuntos/relacoes-internacionais/atracao-de-investimentos-estrangeiros/portugues/programa-agro-investimentos

- **VPB Table**

- **Plano Safra 2017/2018**

- **Plano Safra 2018/2019**

- **Pronamp**
Brazil is one of the top 10 automotive consumer markets in the world, as well as a vehicle producer. Automotive production accounts for 4% of Brazil's GDP and 22% of its industrial production.

In another indication that the economic recovery is gaining momentum, the automotive industry produced 2.7 million vehicles in 2017, 24% more than in 2016. Sales also increased by 9%, with 2.24 million vehicles sold during the year, according to the Brazilian Association of Automotive Vehicle Manufacturers (Anfavea). Perspectives for 2018 are optimistic, as the industry hopes to benefit from the newfound economic growth. Production is expected to reach 3.06 million vehicles and sales may reach 2.5 million vehicles in Brazil.

As the Brazilian Real (BRL) has weakened against the United States dollar in recent years, local manufacturers chose to increase production for the international market. Due to this strategy, exports reached an all-time high of more than 762,000 vehicles in 2017. This figure is expected to remain strong in 2018, especially after the country signed an automotive deal with Colombia, which will allow Brazil to export 25,000 vehicles tax-free.

The improvement in export results is due to the efforts made by this industry to negotiate free trade agreements with new markets and increase sales to countries with which Brazil has good business ties, such as Argentina, Colombia, Mexico, Peru, and Uruguay.

Brazil has a highly developed auto market, including the participation of the world’s leading motor vehicle manufacturers across a wide range of segments, such as light commercial vehicles, buses, trucks, and agricultural machinery.

The manufacturers represented by Anfavea, the Brazilian Association of Motor Vehicle Manufacturers, are: AGCO (Massey Ferguson), Agrale, Audi, BMW, Caoa, Caterpillar, CNH (Case and New Holland), DAF, Fiat Chrysler Automotive, Ford, General Motors, Honda, HPE, Hyundai, International, Jaguar Land Rover, John Deere, Komatsu, Mahindra, MAN (Volkswagen Caminhões e Ônibus), Mercedes-Benz, Nissan, PSA, Renault, Scania, Toyota, Volkswagen, and Volvo.

The automotive industry also has a strong retail network in Brazil. The National Federation of Automotive Vehicle Distribution (Fenabrave) represented some 7,400 distributors last year.
BRAZILIAN
AUTOMOTIVE
INDUSTRY

▷ COMPANIES
- VEHICLES AND AGRICULTURAL AND HIGHWAY CONSTRUCTION MACHINERY
  - MANUFACTURERS: 27
  - AUTO PARTS: 446
  - DEALERS: 5,535

▷ PLANTS
- INDUSTRIAL UNITS: 65
- PRODUCING STATES: 10
- PRODUCING CITIES: 42

▷ PRODUCTION CAPACITY
- VEHICLES: 5.05 MILLION
- AGRICULTURAL AND HIGHWAY CONSTRUCTION MACHINERY: 109,000

▷ REVENUE 2016*
- INCLUDING AUTO PARTS
- USD 46.9 BILLION
  *MOST RECENT FIGURE AVAILABLE

▷ ASSEMBLED VEHICLES IN 2017
- 2.7 MILLION UNITS

▷ AGRICULTURAL AND HIGHWAY CONSTRUCTION MACHINERY IN 2017
- 55,055 UNITS

▷ FOREIGN MARKET 2016*
- EXPORTS: USD 17.9 BILLION
- IMPORTS: USD 17.8 BILLION
  *MOST RECENT FIGURE AVAILABLE. INCLUDES AUTO PARTS.

▷ EMPLOYMENT (DIRECT AND INDIRECT)
- 1.3 MILLION PEOPLE

▷ GDP SHARE 2015*, AUTOMOTIVE PRODUCTION
- INDUSTRIAL: 22.0%
- TOTAL: 4.0%
  *MOST RECENT FIGURE AVAILABLE

▷ WORLD RANKING 2016
- 10th-LARGEST PRODUCER
- 6th-LARGEST DOMESTIC MARKET

SOURCE
- Brazilian Automotive Industry Year Book 2018/Anfavea
INVESTMENTS AND PRODUCTION IN THE BRAZILIAN AUTO SECTOR

<table>
<thead>
<tr>
<th>YEAR</th>
<th>REVENUE (MILLION DOLLARS)*</th>
<th>PRODUCTION (UNITS)**</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>58,201</td>
<td>2,980,111</td>
</tr>
<tr>
<td>2008</td>
<td>73,519</td>
<td>3,216,379</td>
</tr>
<tr>
<td>2009</td>
<td>68,319</td>
<td>3,183,482</td>
</tr>
<tr>
<td>2010</td>
<td>92,502</td>
<td>3,646,540</td>
</tr>
<tr>
<td>2011</td>
<td>105,401</td>
<td>3,446,329</td>
</tr>
<tr>
<td>2012</td>
<td>93,929</td>
<td>3,432,249</td>
</tr>
<tr>
<td>2013</td>
<td>98,881</td>
<td>3,738,448</td>
</tr>
<tr>
<td>2014</td>
<td>84,901</td>
<td>3,172,222</td>
</tr>
<tr>
<td>2015</td>
<td>50,795</td>
<td>2,443,222</td>
</tr>
<tr>
<td>2016</td>
<td>46,934</td>
<td>2,196,207</td>
</tr>
<tr>
<td>2017</td>
<td>-</td>
<td>2,716,757</td>
</tr>
</tbody>
</table>

Source: Anfavea

*Real prices converted into dollars using the average exchange rate of the year
**Includes assembled and CKD vehicles
Brazil is a global platform for compact and compact premium vehicle development and production. As part of a global design network, GM has a dedicated engineering and design team at its complex located in the city of São Caetano do Sul, in the state of São Paulo - this industrial center is the oldest in the country, founded in 1930. The company also plans to invest BRL 13 billion (USD 3.7 billion) in Brazil between 2014 and 2020.

FCA (Fiat Chrysler Automotive) has Fiat’s only design center in Latin America located in Betim, a city in the state of Minas Gerais. In 2015, the Italian group also opened a Jeep manufacturing plant and an R&D center in Goiana, in the Northeastern state of Pernambuco, where it employs 9,000 workers. In 2017, FCA established the Vehicle Dynamics Simulation Center, named SIMCenter, built on the campus of PUC Minas University, the first simulator of its kind in the Southern Hemisphere and also the first for FCA in the world. The Center is focused in the simulation of automobile systems and the development and testing of innovative urban solutions.

Ford and Volkswagen are other international brands that have their local design and engineering teams engaged in developing vehicles for emerging markets.

Japanese companies have also begun carrying out research and development in Brazil over the last few years. In 2014, Nissan established “Nissan Design America Rio” in Rio de Janeiro, with the task of researching car materials and styles with an eye on the domestic market. Toyota chose São Bernardo do Campo, São Paulo, for its first applied research center in Latin America. In 2016, Toyota opened its first Advanced Research Center in Latin America, conceived to integrate new products’ and suppliers research and development related activities.
Brazil has a strong automotive supply chain with significant operations, including global companies such as Magnetti Marelli, Bosch, Visteon, and Delphi, among others. More than 50% of total auto parts sales came from foreign capital companies, which reflects the country’s openness to foreign investment.

The auto parts industry encompasses an extensive list of products, such as car bodies and cables, electrical and electronic components, suspension and steering systems, brakes, engines, transmission systems, and so on. Brazil has several industrial units specialized in producing such parts. Auto parts industry revenue comes from OEMs (62%), aftermarket (16%), exports (19%) and intra-sector (3%).

In 2016, the 590 auto parts companies operating in 11 Brazilian states employed over 162,000 workers. The state of São Paulo, where the history of the country’s auto industry began back in the 1950s, is still home to the main cluster for both auto parts and vehicles facilities, with a total of 391. In recent years, however, investments have spread to other regions beyond the Southeast, such as the Northeast and South.
Because the automotive industry represents 22% of the industrial GDP in Brazil, the Brazilian government is dedicated to establishing a long-term approach to ensure investors’ safety and strengthen the competitiveness of domestic industry on a global level. From 2012 to 2017, Innovar-Auto was the main program guiding the automotive industry in Brazil, providing incentives through tax policies. Currently, the government is negotiating a new program that aims to stimulate energy efficiency, vehicle safety and R&D investments in Brazil.
Brazil is the 8th-largest producer of electricity in the world, ranking among the top 10 producers, such as China and the United States, and ahead of countries such as France and South Korea.

Total energy consumption in Brazil - which includes residential, commercial and industrial usage - was 465 TWh in 2017, 0.8% more than the previous year.

- **Brazil’s energy consumption (GWh)**

<table>
<thead>
<tr>
<th>ENERGY CONSUMPTION (GWh)</th>
<th>BRAZIL</th>
<th>RESIDENTIAL</th>
<th>INDUSTRIAL</th>
<th>COMMERCIAL</th>
<th>OTHERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>463,142</td>
<td>124,908</td>
<td>184,685</td>
<td>83,704</td>
<td>69,846</td>
</tr>
<tr>
<td>2014</td>
<td>474,823</td>
<td>132,302</td>
<td>179,106</td>
<td>89,840</td>
<td>73,575</td>
</tr>
<tr>
<td>2015</td>
<td>465,290</td>
<td>131,190</td>
<td>169,170</td>
<td>90,768</td>
<td>74,163</td>
</tr>
<tr>
<td>2016</td>
<td>461,484</td>
<td>132,872</td>
<td>165,213</td>
<td>87,873</td>
<td>75,526</td>
</tr>
<tr>
<td>2017</td>
<td>465,130</td>
<td>133,904</td>
<td>167,065</td>
<td>88,129</td>
<td>76,031</td>
</tr>
</tbody>
</table>

*Source: EPE*
Brazil has an advantage in energy production: its resources are among the cleanest in the world. Favored with a vast, water-rich and diverse territory, 81.7% of the country’s power generation capacity comes from renewable sources, compared to a global average of only 23%. Hydropower alone produces 68.1% of Brazil’s electricity.

Some alternative renewable sources still have a relatively small but growing share in Brazil’s energy matrix, such as biomass and wind. These sources are encouraged by several government policies, including infrastructure programs, BNDES’ special credit lines, and the National Energy Plan (PNE) — the guideline for energy expansion drafted by EPE, the state-owned energy research company that provides support to the Brazilian Ministry of Mines and Energy (MME).

EPE’s plan forecasts that, by 2026, renewable sources will account for close to 82% of the Brazilian energy matrix, with other renewable energy sources hitting around 30%, rising from 21% in 2017. Many of those targets are based on several public tenders that the government plans to carry out (calendar and requests for proposals can be found at www.aneel.gov.br/leiloes. Information in Portuguese only).

### Brazil’s energy matrix, in percentage (%) of total

<table>
<thead>
<tr>
<th>SOURCE</th>
<th>2016</th>
<th>2026 FORECAST</th>
</tr>
</thead>
<tbody>
<tr>
<td>HYDRO</td>
<td>68.1</td>
<td>52</td>
</tr>
<tr>
<td>BIOMASS</td>
<td>8.2</td>
<td>8</td>
</tr>
<tr>
<td>WIND</td>
<td>5.4</td>
<td>13.4</td>
</tr>
<tr>
<td>NATURAL GAS</td>
<td>9.1</td>
<td>-</td>
</tr>
<tr>
<td>OIL PRODUCTS</td>
<td>2.4</td>
<td>-</td>
</tr>
<tr>
<td>NUCLEAR</td>
<td>2.6</td>
<td>-</td>
</tr>
<tr>
<td>SOLAR</td>
<td>0.01</td>
<td>4.5</td>
</tr>
<tr>
<td>COAL AND COAL PRODUCTS</td>
<td>4.2</td>
<td>-</td>
</tr>
</tbody>
</table>

*Source: EPE*
MAIN PROGRAMS AND OPPORTUNITIES

**BNDES (BRAZILIAN DEVELOPMENT BANK)**
**(INCENTIVE PROGRAM FOR ALTERNATIVE ENERGY)**

The BNDES offers special conditions for alternative energy projects. In 2017, these sources were included among the highest priorities defined by the BNDES Finem, the bank's new framework for subsidized loans. It offers eligibility for up to 80% of total investment to be financed by the bank. BNDES Inovação (for innovation) and BNDES Indústria (for industry) are other available credit lines for which energy projects are eligible. In order to reduce a growing demand for project financing for renewable energy generation, the BNDES raised USD 141.7 million from the German development bank Kreditanstalt für Wiederaufbau (KfW) at the end of last year.

**PUBLICLY-TRADED ENERGY**

Part of Brazil’s energy output is offered for sale on the free market by way of public auctions. These auctions are managed by the CCEE (the Chamber of Electric Energy Commercialization). For instance, an auction that happened in April 2018 grossed BRL 6.47 billion (USD 1.9 billion) for solar, wind, hydropower, and biomass sources.

**RENOVABIO**

RenovaBio is an initiative of the Ministry of Mines and Energy (MME), launched in December 2016, which aims to expand biofuel production, based on predictability and environmental, economic and social sustainability. This program aims at improving the policies and regulatory aspects of biofuels. Its guidelines are based on four strategic axes: the role of biofuels in the energy matrix, the economic and financial equilibrium of the market, the definition of marketing rules and the new biofuels.


**CONSTITUTIONAL FUNDS**

Financing for the acquisition and installation of photovoltaic panels in residences or residential condominiums is facilitated in the country's North, Northeast and Midwest regions. The Constitutional Funds are managed by the Ministry of National Integration and will support the deployment of micro and small renewable-source electric energy systems for individuals. Lines of credit have almost BRL 3.2 billion (USD 0.9 billion) available for investments, while interest rates are below market rates and offer longer payment terms.

Brazil continues to be the most promising onshore market for wind energy in the Latin America region.

In recent years, wind power has become an increasingly essential component of the national power grid. During the 2015 energy shortage, for example, 10% of the energy came from wind farms, helping defray the cost of switching on thermal plants. Its efficient local manufacturing chain is capable of producing most of the equipment and machinery used by wind farms in Brazil.

2017 was a strong year for the global wind industry, with annual installations in excess of 52 GW. Brazil once again took the lead in Latin American markets, installing more than 2 GW last year, compared to 116 MW in Chile and 295 MW in Uruguay (the only Latin American countries with more than 1 GW installed capacity).

By the end of 2017, only nine countries had more than 10 GW of cumulative installed capacity and Brazil is among them. In 2018, the installed capacity achieved 13 GW, which corresponds to 8% of the Brazilian electric matrix. The sector employs more than 190,000 people, supplies electricity to about 22 million homes monthly and reduces CO2 emissions by about 21 million tons per year.

With almost 8,000 kilometers of coastline, Brazil has a huge potential for generating wind energy, especially on the Northeastern coast, where there is wind all year round and many wind farms have already been built.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>TOTAL MW</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>27.1</td>
</tr>
<tr>
<td>2006</td>
<td>235.4</td>
</tr>
<tr>
<td>2007</td>
<td>245.6</td>
</tr>
<tr>
<td>2008</td>
<td>341.4</td>
</tr>
<tr>
<td>2009</td>
<td>600.8</td>
</tr>
<tr>
<td>2010</td>
<td>932.4</td>
</tr>
<tr>
<td>2011</td>
<td>1,528.8</td>
</tr>
<tr>
<td>2012</td>
<td>2,522.7</td>
</tr>
<tr>
<td>2013</td>
<td>3,477.8</td>
</tr>
<tr>
<td>2014</td>
<td>5,973.3</td>
</tr>
<tr>
<td>2015</td>
<td>8,727.1</td>
</tr>
<tr>
<td>2016</td>
<td>10,741.0</td>
</tr>
<tr>
<td>2017</td>
<td>12,763.1</td>
</tr>
<tr>
<td>2018</td>
<td>14,563.5</td>
</tr>
<tr>
<td>2019</td>
<td>15,854.6</td>
</tr>
<tr>
<td>2020</td>
<td>16,377.2</td>
</tr>
<tr>
<td>2021</td>
<td>16,441.2</td>
</tr>
</tbody>
</table>

Source: Abeeolica
SOLAR ENERGY

With rich natural resources and a strong agricultural industry, Brazil is an ideal market for biofuels and a world leader in the sector: it is the second-largest producer of this kind of clean fuel in the world, behind the United States. According to the Brazilian National Agency of Petroleum, Natural Gas and Biofuels (ANP), responsible for fuel regulation, 18% of all fuel consumed in Brazil today comes from renewable sources, mainly ethanol and biodiesel. As the demand for green gas emissions control toughens worldwide, Brazil has also consolidated its potential as a major exporter.

Sugarcane (for ethanol) and vegetable oil (for biodiesel) are the main sources of Brazilian biofuels. Ethanol output grew 27.5% from 2012 levels, reaching 28.5 million cubic meters in 2017.

Solar power is a very young industry in Brazil, starting only after the source was included in the electricity auctions (the first one been held in 2013). The volume contracted since then is almost 4 GW.

The installed capacity in photovoltaic plants was only 90 MW in the beginning of 2017, but it already reached 1 GW. This mark positioned Brazil among the top 30 globally.

Until 2020, selected emerging markets will surge, but the bulk of growth will be carried out by a few markets. According to Solar Power Europe report, Brazil ranks 9th in solar addition in the period from 2016 to 2020. The best scenario points to 9.5 GW of additional volume.

The proportion of photovoltaic power stations in Brazil’s energy capacity is expected to grow significantly over the coming years, as incentives stimulate investments and technology prices go down. Today, solar parks generate only 0.01% of the national matrix. By 2026, the government plans to increase the solar energy output to 9,660 MW, resulting in 4.5% of the total matrix (considering utility-scale only). The federal program “Luz para Todos” (“Electricity for All”) was created to grant universal access to electricity in Brazil, having benefited more than 16 million people over a decade. The program has provided the installation of photovoltaic panels in isolated communities, and is a major buyer of this technology.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>TOTAL OUTPUT IN MILLION M³</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>23.8</td>
</tr>
<tr>
<td>2013</td>
<td>27.5</td>
</tr>
<tr>
<td>2014</td>
<td>28.1</td>
</tr>
<tr>
<td>2015</td>
<td>30.0</td>
</tr>
<tr>
<td>2016</td>
<td>28.7</td>
</tr>
<tr>
<td>2017</td>
<td>28.5</td>
</tr>
</tbody>
</table>

Source: ANP and Unica

BIOFUELS

▸ Biofuel production over time (in thousands of cubic meters)
Biodiesel, incipient in Brazilian refineries at the turn of the 21st century, increased production threefold in 10 years, ending 2017 with 4.3 million cubic meters produced.

Some specific characteristics of the domestic market have allowed for this biofuel expansion, starting with the country’s automotive industry: Brazil is a world leader in flexible-fuel vehicles, with some 90% of cars produced in the country being able to run on both gasoline, ethanol, or any mixed proportion (directly at the pump).

Public policies also have a major role, providing incentives and special programs beyond production, as well as stipulating a minimum market consumption. The minimum required ethanol dilution in gasoline was raised to 27% in 2015 by ANP. Biodiesel mixture in standard diesel became a requirement in 2008, with a share of 2%, with a policy of gradual increases over time. At the beginning of 2017, the minimum biodiesel mixture required throughout Brazil was 8%, with a gradual one percent increase through 2019, as determined by ANP, with possible further increases in the near future.

Brazil’s biofuel production is concentrated in the Southeast and Northeast regions, with the majority of sugarcane farms and mills located in São Paulo.

**Sources**

- IEA Energy Atlas [http://energyatlas.iea.org/#!/tell-map/-1118783123](http://energyatlas.iea.org/#!/tell-map/-1118783123)
- BNDES: Finem [https://www.bndes.gov.br/wps/portal/site/home/financiamento/bndes-finem/ut/p/z1/o4_iUIDq4tKPAFjAbpSaoPReYlImemjZn5eYK5-hH-6KV9m8T6Wq4eLqGyFkYGji4hiW6m-f0FGbimHm-l76UfgVFQGHKgIAgX76bw!!/](https://www.bndes.gov.br/wps/portal/site/home/financiamento/bndes-finem/ut/p/z1/o4_iUIDq4tKPAFjAbpSaoPReYlImemjZn5eYK5-hH-6KV9m8T6Wq4eLqGyFkYGji4hiW6m-f0FGbimHm-l76UfgVFQGHKgIAgX76bw!!/)
- Electric energy free market auction [https://www.ccee.org.br/portal/faces/oque-fazemos_menu_lateral/leiloes?_adf.ctrl-state=jcw5lfilm_1&_afrLoop=448134952284514](https://www.ccee.org.br/portal/faces/oque-fazemos_menu_lateral/leiloes?_adf.ctrl-state=jcw5lfilm_1&_afrLoop=448134952284514)
- Unica Data (Sugarcane Industry Association) [http://www.unicadata.com.br/](http://www.unicadata.com.br/)
Oil & Gas is one of the most important sectors in the Brazilian economy, accounting for 13% of the country’s GDP, according to the National Agency of Oil, Gas, and Biofuels (ANP), the regulatory body for the industry. Its economic role has increased even more after important oil discoveries, such as that of the offshore pre-salt layer, in 2007.

Brazil now has the 15th-largest proven oil reserves in the world, with a total of 13 billion barrels, most of which is offshore, especially in deep waters. Brazil stands out in the deep-water subsector. Not only are 95% of Brazilian reserves offshore, but 99% of this is concentrated in only two basins, Campos and Santos. Meanwhile, onshore oil reserves are scattered over more than six basins.

Offshore and onshore oil reserves in Brazil in millions of barrels

Source: 2016 ANP reserves and resources bulletin
In terms of production, Brazil has been exploring increasingly deeper waters, especially in the pre-salt layer. By investing in this segment, Brazil is renowned for the development of deep-water innovation, earning international recognition, such as the OTC Distinguished Achievement award for Companies, Organizations, and Institutions, awarded to Petrobras on several occasions.
As global demand is expected to grow to 102.3 million barrels/day by 2022, according to the Organization of Petroleum Exporting Countries (OPEC), exploring these reserves is crucial for the country, which is working to increase its production, modernize its laws and attract foreign investment to the sector.

This outlook is filled with announcements of large investments, important macroeconomic reforms and the fast-growing exploration of the pre-salt layer. Petrobras’ business plan for 2018-2022 projects USD 74.5 billion in investments in areas such as exploration and production, refining, and natural gas. Around 58% of the USD 60 billion destined to E&P are going to the pre-salt areas, which are considered more lucrative than post-salt.

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Oil production - onshore, offshore, pre-salt, post-salt

<table>
<thead>
<tr>
<th>YEAR</th>
<th>x 1000 BARRELS OF OIL EQUIVALENT</th>
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<tbody>
<tr>
<td>2000</td>
<td>465,974</td>
</tr>
<tr>
<td>2001</td>
<td>487,063</td>
</tr>
<tr>
<td>2002</td>
<td>548,684</td>
</tr>
<tr>
<td>2003</td>
<td>565,283</td>
</tr>
<tr>
<td>2004</td>
<td>559,730</td>
</tr>
<tr>
<td>2005</td>
<td>617,221</td>
</tr>
<tr>
<td>2006</td>
<td>650,908</td>
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<td>2007</td>
<td>660,453</td>
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<td>2008</td>
<td>686,598</td>
</tr>
<tr>
<td>2009</td>
<td>736,915</td>
</tr>
<tr>
<td>2010</td>
<td>776,325</td>
</tr>
<tr>
<td>2011</td>
<td>795,493</td>
</tr>
<tr>
<td>2012</td>
<td>780,936</td>
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<td>2013</td>
<td>764,690</td>
</tr>
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<td>2014</td>
<td>851,867</td>
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<tr>
<td>2015</td>
<td>920,951</td>
</tr>
<tr>
<td>2016</td>
<td>951,039</td>
</tr>
<tr>
<td>2017</td>
<td>990,578</td>
</tr>
</tbody>
</table>

Source: ANP
Between 2016 and 2017, the government changed important regulations for oil and gas activities in order to increase the private sector’s presence in domestic oil fields, and to attract new investments from players beyond the state-owned oil company Petrobras.

In 2010, when the new “Oil Law” came into effect\(^1\), Petrobras was entitled to at least a 30% stake in consortia for any new pre-salt field concessions. The law also established a minimum of local content on operating company acquisitions.

Now, other companies have the possibility of owning the entirety of the fields. Petrobras continues to be given preference in bidding processes and can claim its 30% share in the first 30 days. However, if it refuses, the block will be offered in its entirety to other companies in a competitive auction. As for the policy of local content, requirements were reduced by half, on average, to a margin between 18% and 50% of input.

Endnotes:
\(^{1}\) Law 12,351/2010
\(^{2}\) Change implemented by Law 13,364/2016
Bidding Rounds are auctions through which the federal government grants the right to explore and produce oil and natural gas in Brazil. Since 1999, multiple bidding rounds have been carried out: 13 exploratory blocks, four mature fields under the concession regime, and one in the pre-salt area, under the production sharing agreement. More than 100 companies, Brazilian and foreign, of different sizes, have participated in the auctions. Currently, most of the Brazilian production comes from blocks offered in the bidding rounds.

Nine bidding rounds are planned to take place in 2018 and 2019, offering areas that contain billions of barrels of oil and creating opportunities for all types of exploration and production companies. By 2026, over US$ 80 billion in new investments are expected in the industry, involving the entire supply chain and an increase of more than two billion barrels in daily production.

Oil & Gas bidding processes in Brazil are intermediated by ANP, according to the guidelines of the National Energy Policy Council (CNPE).

For 2018 and 2019, ANP is preparing the 4th, 5th and 6th pre-salt production sharing rounds and the 16th bidding round for blocks. The 15th bidding round for blocks, carried out in 2018, guaranteed a minimum investment of BRL 1.2 billion (USD 0.3 billion) and the 16th is planned for the second half of 2019.

ANP makes bidding information available through its website:

http://rodadas.anp.gov.br/en
World Oil outlook 2016/OPEC
http://www.opec.org/opec_web/static_files_project/media/downloads/publications/WOO%202016.pdf

ANP Full numbers 2017

ANP 2017 annual statistic paper

Petrobras business plan 2018-2022

MME News: New local content policy
http://www.mme.gov.br/web/guest/pagina-inicial/outras-noticias/-/asset_publisher/3zhLrOzMKwWb/content/nova-politica-de-conteudo-local-reduz-percentuais-e-facilita-investimentos

Oil&Gas exploration laws
http://www.anp.gov.br/exploracao-e-producao-de-oleo-e-gas

ANP bidding processes schedule for 2018-19

15th bidding round for blocks
INFRASTRUCTURE & LOGISTICS
In a country of continental dimensions such as Brazil, infrastructure is a matter of great importance. Transportation, logistics, power generation, sanitation, and housing are all key issues for Brazil’s development, as well as excellent investment opportunities. A promising business scenario, with a diversified energy matrix and some of the most important ports and connections in Latin America, are some of the highlights in the country’s infrastructure.

Brazil is one of the world’s largest consumer markets and a major exporter of agricultural products and commodities, including oil, iron ore, beef, chicken, soybeans, oranges, alumi-
num, and coffee. Manufactured goods such as automobiles, airplanes, and capital goods are also an important part of the country’s exports. This means that Brazil, with its area of 8.5 million square kilometers, relies heavily on logistics and transportation networks to guarantee its competitiveness and to keep growing. This is especially true when commodity prices are lower, making cost reductions vital.

Until a few decades ago, Brazil’s infrastructure was developed almost exclusively with public investments. Although, since the 1990s, with privatization and partnerships between the public and private sectors, major national and international companies have invested in infrastructure through concession contracts. Despite a reduction in recent years (due to the country’s economic slowdown), infrastructure investments still showed a long-term trend of growth, supported by public programs such as PAC and PPI, a busy agenda of future concessions, and the huge demands still to be met.

The federal government has launched some important programs that were essential to the boost in infrastructure investment, and continues to provide the main guidelines and incentives for further development in Brazil.

Those guidelines establish several mechanisms for investment in logistics, energy, telecommunications, housing, and urban development, counting on public investments, concessions, public-private partnerships (PPPs), and privatizations.
**Special Tax Regime for Infrastructure Development (REIDI)**

Created in 2007 by Law No. 11,488/2007, this tax regime allows companies with infrastructure projects approved by the authorities to apply for social tax exemptions (PIS and Cofins) on the acquisition of intermediate goods and services. Transportation, energy, irrigation, and sanitation projects are eligible. Exemptions are valid for 5 years.

**Investment Partnership Program (PPI)**

Announced in the second half of 2016, the PPI (also known as “Projeto Avançar Parcerias”) was created by the federal government to promote private participation and foster a new cycle of infrastructure investment. New financing conditions were created especially by the BNDES, the Brazilian Development Bank, in order to suit the project. Since the beginning of the program, 175 projects and services were listed to be auctioned before 2018, including the construction, management or commercial operation of airports, port terminals, electric power plants, oil & gas fields, mining areas, railways and others.

**Brazilian Enterprise for Planning and Logistics (EPL)**

EPL is a state company whose purpose is to structure and qualify, through studies and research, the process of integrated logistics planning in the country, interconnecting highways, railways, ports, airports and waterways.

**National Logistic Plan (PNL)**

Brazil has an extensive transportation network comprising highways, airports, ports, railways, and waterways, but most journeys across the country are made by road. As a result, the government developed the National Logistic Plan, currently under public consultation, bringing together public and private projects to promote alternative modes of transport and balance Brazil’s transportation network.

**Sources**

- Ministry of Planning - government programs
  http://www.planejamento.gov.br/assuntos/desenvolvimento

- PAC - Balance 2015-2018
  http://pac.gov.br/pub/up/relatorio/11f96f3f7c7f1967b5f3be.pdf

- Projeto Avançar - Balance
  https://avancar.gov.br/avancar-web/

- Federal Revenue: REIDI legislation

- PPI projects portfolio summary (April 2018)
  http://www.avancarparcerias.gov.br/projects#/s/ln%20progress/u/e//m//r/

- Planning and Logistics Company:
  http://www.epl.gov.br/
Brazil has vast networks of all modes of transportation. However, its transportation is still unbalanced, as roadways account for 61.1% of national cargo traffic, leaving other areas, especially rails and ports, in need of improvement. The government has developed programs to address this imbalance: there will be several investment opportunities for the next few years in Brazil, ranging from supply chain and services, to biddings for construction and operation of new enterprises.

The government has been revamping its efforts to boost the sector in 2018. Of the 175 qualified projects planned to be part of government auctions, around 50 involved airports, ports, roads, and railways, according to the Investment Partnership Program (PPI) website. Over 40% of the PPI’s estimated schedule has been completed as of April 2018, totaling BRL 143.4 billion (USD 41.2 billion) in investments.

### Current freight transportation in Brazil

<table>
<thead>
<tr>
<th>TYPE</th>
<th>SHARE OF TOTAL (IN %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROAD</td>
<td>61.1</td>
</tr>
<tr>
<td>RAIL</td>
<td>20.7</td>
</tr>
<tr>
<td>WATER</td>
<td>13.6</td>
</tr>
<tr>
<td>PIPELINES</td>
<td>4.2</td>
</tr>
<tr>
<td>AIR</td>
<td>0.4</td>
</tr>
</tbody>
</table>

*Source: CNT/January 2018*
Brazilian ports are fundamental to the development of the country, mainly for supporting foreign trade activities and for its potential to generate thousands of jobs. In 2017, Brazilian ports handled more than one billion tons, including the most diverse products. During this period there was an 8% increase in cargo handling from the previous year.

Long-term port infrastructure projects planned by the government are estimated to generate BRL 51 billion (USD 14.7 billion) in investment through 2042, following the framework established by the National Plan for Ports Logistics (PNLP).

The most important news for the port sector in 2017 came in May, with the publication of Decree No. 9,048/2017, with a number of relevant changes to the sector, especially on issues related to investments in infrastructure.

**Opportunities to invest in Brazilian ports:**
PPI held new auctions in 2017 and 2018, ending a four-year break. The auctioned terminals were intended for the storage of fuels and GLP, in line with Brazil’s policy for the oil and gas industry. Once more, a new approach focused on efficient project development has improved the rhythm of auctions in the port sector in 2018.

[http://www.avancarparcerias.gov.br/projects#/s/in%20progress/u/e/Ports/m/ir](http://www.avancarparcerias.gov.br/projects#/s/in%20progress/u/e/Ports/m/ir)
ROADS

As the fifth-largest country in the world by land mass, it is no surprise that Brazil has one of the world’s largest road networks, with a total of 1,735,621 kilometers. Currently, however, Brazil has only 24.8 km of paved roads per 1,000 km², remaining far below other countries such as the United States (438.1 km), China (359.9 km), and Colombia (179.9 km). In the first half of 2017 alone, the government invested BRL 3 billion (USD 0.9 billion) in road maintenance, improvement, and expansion.

Several investments and highway concessions have been held in the past and will continue for several years to come. The next public sales will resume federal concessions programs for highways and toll operations. At least 6,944.9 kilometers will be privatized by 2019, according to the multi-annual plan.

Opportunities to invest in Brazilian roads:

PPI, EPL and IFC (World Bank) have been working together on a new approach for the highway sector regarding project development. The goal is to improve the quality of the studies and to disseminate this new culture throughout the Federal Government. Moreover, additional contributions to structure new concessions are in progress, such as new investments over the concession period, risk sharing and concession contracts extension.

http://www.avancarparcerias.gov.br/projects#/s/In%20progress/u/e/Airport/m//f

AIRPORTS

Brazil has the biggest aviation market in Latin America and one of largest in the world. About 108.6 million passengers used Brazilian airports in 2017, a 3.6% increase on the previous year. National and international airlines operating in Brazil offer flights to more than 120 destinations around the world, and each year there are more than 150,000 international and 940,000 domestic flights. Domestic passenger traffic has continued to grow modestly, in line with the ongoing recovery in domestic economic conditions.

Cargo transportation in Brazilian airports grew by 19.5% in 2017, to 124.8 thousand tons.

In 2017, four airports were turned over to the private sector: the airports of Porto Alegre, Salvador, Florianópolis, and Fortaleza. The auctions were a success because they were able to attract new foreign investors to Brazil. In addition to these four projects, the Government announced over 13 airports to be auctioned by the end of 2018.

Opportunities to invest in Brazilian airports:

Regarding the airports sector, the current premises are the same as in the previous rounds (4th round) qualified for PPI: improving infrastructure and quality of service, fostering competition and attracting experienced operators. The regulatory framework focuses on: (i) adapting the regulation to the airport size; (ii) CAPEX based on demand triggers and (iii) economic regulation (price x revenue cap).

http://www.avancarparcerias.gov.br/projects#/s/In%20progress/u/e/Airport/m//f
RAILWAYS

Railways were once one of the most important means of transportation in Brazil. Throughout the 20th century, however, many tracks were left abandoned, while roads and the automotive industry became core engines for the economy, following international trends. This is something Brazil wants to address, with several investments made towards its expansion.

Though it has the most extensive rail network in Latin America, for a country of Brazil’s size, it is not enough: there are only 3.3 kilometers of railway for every 1,000 square kilometers, way behind many countries such as the United States (32 km), India (23 km), China (20.5 km), and Argentina (13.5 km).

There are currently 29,774 kilometers of railroads, which handle 20% of all freight transportation in Brazil, according to CNT. As of April 2018, there were 3,457 kilometers of new railways under construction.

In order to support the expansion of the agricultural frontier, enhance the transport capacity of grains production, reduce freight cost, support the significant increases in Brazil’s exports and increase world food security, the Brazilian government prioritizes the increase of railway operations in the country, with strategic opportunities in the sector.

**Opportunities to invest in Brazilian railways:**

The railway sector is one of the fastest growing in Brazil, with a great increase in its productivity, as shown in the National Logistics Plan (PNL). The guidelines were established based on these goals: filling the investment gap in the railway system, supporting the expansion of the agricultural frontier, and reducing freight cost. The early concession renewals will enable new investments to be made early, working to solve rail network bottlenecks, in addition to the construction of new rail stretches and the promotion of new integrated logistics solutions.

**Sources**

- CNT report 2018
  http://cms.cnt.org.br/Imagens%20CNT/BOLETIM%20ESTAT%C3%8DSTICO/BOLETIM%20ESTAT%C3%8DSTICO%202018/Boletim%20Estat%C3%ADstico%20-%202018.pdf
- Infraero - Relatório Anual
- CNT: Pesquisa sobre rodovias 2017
- PPI projects map (in English)
  http://www.projetocrescer.gov.br/projects
- PPI: Four airports sold (in English)
  http://www.projetocrescer.gov.br/brazil_four_airports_sold_for_r_372_billion
- MT: Transport infrastructure balance sheet/2016
Brazil is a supportive country when it comes to research, and has been very successful in attracting new Research, Development & Innovation centers to the country. According to fDi Markets, Brazil was the 9th-largest destination of foreign research and development projects between 2013-2017, with over USD 2.5 billion invested and over 14,400 jobs created.

In order to accelerate this trend, in December 2017 the Brazilian Government created the Innovation Room (“Sala de Inovação”), a tool that will function as a fast-track mechanism for foreign companies interested in establishing new RD&I centers in Brazil, or expanding existing ones. Among its goals are the coordination of policies and incentives, expediting licenses and coordinating efforts and policies towards attracting, maintaining and expanding the RD&I centers of multinational companies. Bringing together the most important institutions for innovation in Brazil – such as the Ministry of Industry, Trade and Services (MDIC), the Ministry of Science, Technology and Communications (MCTIC) and the National Development Bank (BNDES), among others – the Innovation Room establishes Apex-Brasil as the focal point for supporting companies interested in investing in the sector.

Additionally, in an effort to attract private investment to the sector, in the beginning of 2018 the government issued the Legal Landmark for Science, Technology, and Innovation (Law No. 13,243/2016), seeking to facilitate the internationalization of technological institutions and to increase interaction between universities and companies by reducing bureaucracy.
The regulation of the Legal Landmark of the sector is an important step in the progress of public-private partnerships. The new rules create mechanisms to integrate scientific and technological institutions and encourage investment in research. Law No. 13.243/16, complemented by Decree 9.283/18 allows the use of university laboratories, equipment, tools, and materials by companies related to research activities. The new regulation also simplifies procedures for importing goods and inputs for research, as well as including new incentives to carry out orders and technological flexibility between budget resources.

**Sources**

- News article: Rising investments in R&D

- New Brazilian legislation for R&D

- FINEP’s basic data

- FINEP Inova program
Brazil has great potential for those looking to diversify investments in life sciences, with a market that offers both scale and robust growth rates over the medium and long term. The fundamentals that drive the market in the life sciences industry include the size of Brazil’s population and consumer market, growing healthcare expenditures in both public and private services, and a gradual shift to an older population.

Being one of the world’s largest economies, with the 5th-largest population on the planet (over 208 million people), Brazil still has about one-third of its population under the age of 20, while the average life expectancy is 75.5 years. Estimates from the Brazilian Institute of Geography and Statistics (IBGE) indicate that by 2030 people over 65 years old will account for 13.4% of the population – a lot more than the 7.9% in 2015 (considering the average for men and women) - with life expectancy projected to be 80 to 85 years old.
HEALTHCARE SYSTEM

Brazil has both public and private healthcare systems. The universal public system, known as SUS (Sistema Único de Saúde), accounts for almost half of total healthcare spending and treats just over 70% of the population.

Brazil is the only country with a population of more than 100 million people that provides universal and free healthcare, and the challenges of operating a universal healthcare system in the world’s fifth-largest country by population are immense.

A further market driver was the expansion of the middle class, which grew by more than 30 million people over the past decade. This movement promoted an impressive increase in the private healthcare market, a system that helps to meet demands that cannot be covered by the SUS alone.

Even with a slight decrease over the past couple of years, the number of private health insurance beneficiaries is still 20% higher today than it was ten years ago. Almost 50 million Brazilians have private health insurance, a quarter of the total population, making it one of the biggest private healthcare markets in the world. Private expenditure on health services hit BRL 132 billion (USD 37.9 billion) in 2017.

> Private health care beneficiaries, with or without dental care plans

<table>
<thead>
<tr>
<th>YEAR</th>
<th>NUMBER OF BENEFICIARIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>39,316,313</td>
</tr>
<tr>
<td>2008</td>
<td>41,468,019</td>
</tr>
<tr>
<td>2009</td>
<td>42,561,398</td>
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<tr>
<td>2010</td>
<td>44,937,350</td>
</tr>
<tr>
<td>2011</td>
<td>46,025,814</td>
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<td>2012</td>
<td>47,834,152</td>
</tr>
<tr>
<td>2013</td>
<td>49,443,377</td>
</tr>
<tr>
<td>2014</td>
<td>50,385,086</td>
</tr>
<tr>
<td>2015</td>
<td>49,214,437</td>
</tr>
<tr>
<td>2016</td>
<td>47,683,530</td>
</tr>
<tr>
<td>2017*</td>
<td>47,303,952</td>
</tr>
</tbody>
</table>

> Services revenue by private health plans

<table>
<thead>
<tr>
<th>YEAR</th>
<th>REVENUE IN BRL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>51,846,911,653</td>
</tr>
<tr>
<td>2008</td>
<td>60,433,169,987</td>
</tr>
<tr>
<td>2009</td>
<td>65,729,181,803</td>
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<tr>
<td>2010</td>
<td>74,255,866,012</td>
</tr>
<tr>
<td>2011</td>
<td>84,367,198,778</td>
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<tr>
<td>2012</td>
<td>95,216,079,102</td>
</tr>
<tr>
<td>2013</td>
<td>109,033,713,525</td>
</tr>
<tr>
<td>2014</td>
<td>126,562,323,016</td>
</tr>
<tr>
<td>2015</td>
<td>143,316,979,247</td>
</tr>
<tr>
<td>2016</td>
<td>161,566,876,053</td>
</tr>
<tr>
<td>2017</td>
<td>132,002,352,414</td>
</tr>
</tbody>
</table>

Source: ANS

*Until September
Future growth in the life sciences sector will stem from businesses that bring new innovative products to the market, including transferred technology not currently present in Brazil. Industry leaders already operate in Brazil, such as 3M, Baxter, Beckton Dickinson, Dentsply, Fresenius, GE Healthcare, Geratherm, Johnson & Johnson, Philips, Roche, Medtronic and Siemens Healthcare, GSK, Bayer, MSD, Sanofi, Pfizer, Novartis and Novo Nordisk.

Furthermore, since 2015 foreign capital has been allowed to invest in enterprises related to healthcare services in Brazil, including controlling and holding direct and indirect equity interests in hospitals and clinics.

Brazil ranks as the 8th-largest pharmaceutical market in the world, and is poised to become the 5th-largest by 2021, according to the Interfarma pharmaceutical association. Market revenue for pharmaceutical companies grew 13% in 2017, to a total of BRL 85.3 billion (USD 24.5 billion), with some 60% of this coming from retail. Brazil is also a leading market for the production and consumption of generic drugs, where these medications have price discounts of up to 65% compared to brand name drugs.
Productive Development Partnerships (PDP) reflect a policy created in 2008 that aims to increase the population’s access to strategic products and reduce SUS vulnerabilities and costs in the acquisition of these products. It seeks to substantially reduce Brazil’s dependence on imported products, with savings between 15% and 25%, depending on the product. Each PDP is a partnership that involves cooperation between public and private institutions for the development, transfer and absorption of technology and productive capacity for strategic products. The list of strategic products is issued annually by the Ministry of Health, according to the needs of SUS. Between 2011, when purchases within PDPs began, and 2016, PDPs purchases have saved BRL 4.6 billion (USD 1.3 billion) for the Ministry of Health.

**Sources**

- IBGE: Population
  https://www.ibge.gov.br/estatisticas-novoportal/sociais/populacao/9103-estimativas-de-populacao.html

- IBGE: Health
  https://www.ibge.gov.br/estatisticas-novoportal/sociais/saude/9160-pesquisa-nacional-de-saude.html?&t=o-que-e

- IBGE - National health research

- Câmara dos Deputados - Technological health innovation
  http://www2.camara.leg.br/atividade-legislativa/comissoes/comissoes-temporarias/especiais/

- Official news: Life expectancy in 2015
Opportunities for Private Equity and Venture Capital in Brazil have picked up since 2011. The dynamism of the segment can be noticed in the growing amount of capital committed for investments in the country, which have increased significantly over a 6-year period, as well as an increasing gross payout to investors, according to ABVCAP, the Brazilian Association of Private Equity and Venture Capital.

In 2016 (latest data available), investments in the private equity and venture capital industry in Brazil reached BRL 11.3 billion (USD 3.2 billion), from 18.5 billion (USD 5.3 billion) in 2015, which was the record in industry performance after steady growth in recent years. However, the number of transactions remained stable. The capital distributed to investors showed significant growth in 2017, increasing 11.3% in relation to the amount distributed in the previous year.

In local private equity activity, the sectors that received the most investments include real estate and construction (18%), food and beverage, financial services and retail (11%). The health and pharmacy sector received 38% of the volume of investments in 2015, and 7% in 2016. Moving to the analysis of venture capital activity, the number of VC transactions in Latin America, according to the Latin America Venture Capital Association (LAVCA), reached a record high in 2016, since the beginning of data collection in 1993. There were 197 transactions recorded, 15 more than in the previous year. Brazil continues to be the largest VC market in the region, in terms of volume invested: USD 279 million, representing 56% of the total invested in the region, through 64 transactions.

From 2017 to the first quarter of 2018, the Brazilian venture capital scene finally produced its first 3 unicorns, technology companies worth a billion dollars. They are 99, Pag Seguro and Nubank. Market experts also have good prospects for others, such as Guia Bolso, Movile, Quinto Andar, TruckPad, PSafe and Loggi. Corporate venturing is also increasing its interaction with the innovation and investment ecosystems, with large Brazilian corporations like EMBRAER, Bradesco, Algar Group, BMG, Softplan and others investing more in startups and funds, not to mention global corporations, such as Microsoft, Monsanto, Syngenta, Qualcomm, doing the same.

Most recently, agribusiness, food and beverage industries have proven to be one of the most promising sectors for the coming years, especially because of Brazil’s global role as a major supplier of food and other farm products. In addition to the advances in productivity, Brazil is also one of the few countries in the world with the capacity to increase its planted area. Market size, technological advances, and investments in food security have placed the country as one of the market leaders. Specifically, the field of technology in agribusiness has been a notable area of potential for investments, according to the ABVCAP.

In 2009, the Private Equity & Venture Capital in Brazil program was created as a joint initiative between the ABVCAP and the Brazilian Trade and Investment Promotion Agency (Apex-Brasil), in order to connect international investors and Brazilian fund managers and companies. So far, the project’s networking tools have helped Brazilian funds raise more than USD 12 billion abroad. The program offers multiple opportunities for both global investors and local fund managers, having connected over 60 fund managers in Brazil with more than 250 global institutional investors looking at investments in the region.

For more information about the program:
### Total committed per year to PE and VC (in billions of BRL)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>COMMITTED</th>
<th>INVESTED</th>
<th>SHARED WITH INVESTORS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>63.5</td>
<td>39.7</td>
<td>16.6</td>
</tr>
<tr>
<td>2012</td>
<td>83.1</td>
<td>52.7</td>
<td>20.9</td>
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<tr>
<td>2013</td>
<td>100.2</td>
<td>70.7</td>
<td>22.5</td>
</tr>
<tr>
<td>2014</td>
<td>126.9</td>
<td>84.6</td>
<td>26.7</td>
</tr>
<tr>
<td>2015</td>
<td>153.2</td>
<td>102.4</td>
<td>33.6</td>
</tr>
<tr>
<td>2016</td>
<td>142.8</td>
<td>102.2</td>
<td>37.4</td>
</tr>
</tbody>
</table>

*Source: ABVCAP
*as of the end of each year

### Total invested per year in PE and VC in Brazil

<table>
<thead>
<tr>
<th>YEAR</th>
<th>BRL BILLION</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>11.8</td>
</tr>
<tr>
<td>2012</td>
<td>14.9</td>
</tr>
<tr>
<td>2013</td>
<td>17.6</td>
</tr>
<tr>
<td>2014</td>
<td>13.3</td>
</tr>
<tr>
<td>2015</td>
<td>18.5</td>
</tr>
<tr>
<td>2016</td>
<td>11.3</td>
</tr>
</tbody>
</table>

*Source: ABVCAP
<table>
<thead>
<tr>
<th>SECTOR</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGRIBUSINESS</td>
<td>3%</td>
<td>0%</td>
<td>5%</td>
</tr>
<tr>
<td>EDUCATION</td>
<td>1%</td>
<td>12%</td>
<td>4%</td>
</tr>
<tr>
<td>ENERGY</td>
<td>4%</td>
<td>11%</td>
<td>9%</td>
</tr>
<tr>
<td>FINANCIAL SERVICES</td>
<td>3%</td>
<td>2%</td>
<td>11%</td>
</tr>
<tr>
<td>FOOD AND BEVERAGE</td>
<td>1%</td>
<td>2%</td>
<td>11%</td>
</tr>
<tr>
<td>HEALTH AND PHARMACY</td>
<td>16%</td>
<td>38%</td>
<td>7%</td>
</tr>
<tr>
<td>INDUSTRIAL PRODUCTS AND SERVICES</td>
<td>2%</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>INFORMATION TECHNOLOGY</td>
<td>12%</td>
<td>3%</td>
<td>6%</td>
</tr>
<tr>
<td>INFRASTRUCTURE</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>OIL AND GAS</td>
<td>29%</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td>REAL ESTATE AND CIVIL CONSTRUCTION</td>
<td>0%</td>
<td>2%</td>
<td>18%</td>
</tr>
<tr>
<td>RETAIL</td>
<td>3%</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>TRANSPORT AND LOGISTICS</td>
<td>21%</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>OTHERS</td>
<td>5%</td>
<td>3%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Source: ABVCAP
**REGULATION**

Regulations have also kept up with the increase in opportunities for private equity and venture capital in Brazil. In 2016, the Brazilian Securities Commission (CVM) issued two new rules (CVM 578 and CVM 579) that were drafted during public hearings with industry players, to replace previous, outdated regulations, facilitate new investment, and reflect regulations and practices applied around the world.

Among the main changes, subscribed capital has become the reference limit for equity investment funds (FIPs) instead of net worth. The new rule also includes simple corporate debt bonds (debentures) among the assets available for investment by FIPs — limited to 33% of subscribed capital. This greatly increases the range of financial investments available to investors.

The recent regulations also created new categories of funds, which are now divided into seed capital, emerging companies and multi-strategy — the latter being eligible to invest abroad.

Accounting has also been made more transparent, as a new CVM rule seeks to coordinate Brazilian systems with international guidelines followed by the International Accounting Standards Board (IASB). CVM rule 579 changes the criteria for recognizing, classifying and measuring assets and liabilities, as well as revenue, appropriation of expenses and the disclosure of information regarding the funds’ balance sheets.

**ANGEL INVESTORS**

Another big step for the sector came in the form of a 2016 law which introduced the definition of “angel investors” into Brazilian legislation, granting enhanced legal security for over 6,000 investors in a segment that bears significant risk, and aligning local regulations with best international practices.

Among several improvements, the new law determines that angel investors may not be considered partners of, or answer for liabilities of, the companies they invested in. The maximum investment span is 7 years, and investors’ payout cannot exceed 50% of the startup’s profits.

More information about the PE/VC sector in Brazil can be found at:
http://www.abvcap.com.br/

**SOURCES**

- Report on the sector by ABVCAP
- CVM regulation
- Regulation
  http://www.planalto.gov.br/ccivil_03/leis/LCP/Lcp155.htm
- Private Equity & Venture Capital in Brazil program
- Report and mapping by Apex-Brasil of certain opportunities in the Brazilian venture capital ecosystem:
Although Brazil is primarily associated with agribusiness, commodities and raw materials, it also has a strong ICT (Information and Communication Technology) market. The sector employs 1.5 million people and is expected to account for almost 11% of the country’s GDP by 2020.

Total ICT investment in Brazil (hardware, software and services) reached USD 105 billion in 2017, up from USD 90 billion in 2016, according to software association ABES. The research firm IDC estimates the ICT market in Brazil will grow by an overall 2.2% in 2018. When looking at IT spending alone (without communication technology), growth is expected to reach 5.8% in 2018.

In IT alone, investments reached USD 38 billion in 2017, a 4.5% increase from the previous year, putting Brazil among the top 10 countries in the world for IT investment and making it number one in Latin America. These growth figures are solid, particularly considering the country’s recent economic recession.

For the long term, prospects are encouraging. The federal government is keen to consider ICT as a strategic area, and the Ministry of Science, Technology, Innovation, and Communication (MCTIC), alongside development bank BNDES, has created directives for a National Plan for the Internet of Things (IoT), which suggests the implementation of 76 actions in areas such as innovation support, international outreach, infrastructure for connectivity, and data privacy regulations.
A study carried out by the MCTIC and BNDES predicts that IoT will become a major area of support for the Brazilian economy, with an annual economic impact of up to USD 200 billion by 2025, or 10% of the country’s current GDP. In 2016, for instance, this figure was around USD 4 billion.

One of the main fields for IT in Brazil is the banking sector, which invested over BRL 18 billion (USD 5.2 billion) in this area in 2016, according to data from banking federation Febraban. Agriculture, energy, education, and healthcare are among the other notable sectors in which ICT has been developing over the past decade.

Companies such as fintech Nubank, computer manufacturer Positivo Informática and business software developer Totvs are becoming increasingly important in the Brazilian tech scene.

**Sources**

- Brasil IT Plus highlights.

- IoT paper on economic impact.
  https://www.bnedes.gov.br/wps/wcm/connect/site/269bc780-8cdb-4b9b-a297-53955103d4c5/relatorio-final-plano-de-acao-produto-8-alterado.pdf?MOD=AJPERES&CVID=m0jDUok

- ICT and IT investments.
OVERALL INDUSTRY INCENTIVES

**EX-TARIFF**
("EX-TARIFÁRIO")

- Special tax method involving the temporary reduction of the Import Tax (II) rate for capital assets (BK) and computer and telecommunication (BIT) goods. As a condition, these goods must not be similar to any already produced in Brazil. Another law (Administrative Order DECEX/1991) also provides for a reduction of import duties on the purchase of used goods not produced domestically, for companies interested in transferring used units to the country.

**IPI EXEMPTION**

- Tax rates exemptions for all industrial goods produced in Brazil are determined by the Schedule of Tax on Manufactured Products (TIPI).

**PAYROLL EXEMPTION**

- Companies may choose not to pay the employer contribution to the Brazilian Social Security Institute (INSS) and instead pay a partial compensation between 1% and 4.5% of gross revenue, excluding gross revenue from exports. This could be applied to 56 sectors, but Congress is reviewing the possibility of allowing the benefit to only 20.

ADVANCE ON TAX RETURN OVER SOCIAL CONTRIBUTIONS

- Gradual reduction of the deadline for the return on social contribution taxes (PIS/PASEP and Cofins) on capital assets, for companies that have made domestic purchases of machinery and equipment, or imported machinery and equipment for the production of goods and services.

RECAP

SPECIAL METHOD FOR ACQUISITION OF CAPITAL ASSETS FOR EXPORTING COMPANIES

- Allows companies to domestically purchase or import capital goods (new machines, instruments and equipment) with the suspension of the payment of PIS/PASEP and COFINS. Shipyards and companies that export 50% or more of their annual sales are eligible for this benefit.

REINTEGRA

SPECIAL METHOD FOR THE RECOVERY OF TAXES FOR EXPORT COMPANIES

- This is Brazil’s main tax incentive for foreign commerce. It partially or entirely restores the remaining residual tax on the production of exported goods and it is only valid after the sale is confirmed. Does not apply to export trading companies (ECEs).

SMALL COMPANY METHOD
(SIMPLES NACIONAL)

- The “Simples Nacional” tax method offers differentiated and simplified treatment for micro and small companies, with unified conditions for the verification and payment of federal taxes and contributions (CSLL, PIS, COFINS, IPI, payroll tax), state tax (ICMS) and municipal tax (ISS).
General reductions or exemptions of PIS/PASEP and Cofins, as well as IPI and II in some cases, for pre-approved projects in certain industries.

- **REIDI** - Special System of Incentives for the Development of Infrastructure
- **PADIS** – Support Program for the Technological Development of the Semiconductor Industry
- **RETID** - Special Tax Method for the Defense Industry
- **REPES** - Special Tax Method for Platforms of Exportation of Information Technology Services
- **REPORTO** - Special Tax Method for the Modernization and Expansion of the Port Structure
- **RETAERO** - Special Tax Method for the Brazilian Aerospace Industry
- **REPETRO** - Special Tax Method for Export and Import Goods Related to Exploitation and Production of Oil & Natural Gas.

Further details about incentives and general information on current investment opportunities in Brazil can be found at RENAI (Brazilian Investment Information Network), a project supported by the Ministry of Industry, Foreign Trade and Services (MDIC), with up-to-date information about investment balances, conditions and opportunities in Brazil: investimentos.mdic.gov.br (available in English)

### SECTOR-SPECIFIC TAX METHODS

### SPECIAL LEGAL FRAMEWORKS

#### INNOVATION LAW

- Designed around three main axes, this law benefits companies investing in technological innovation, especially micro and small companies. The axes are: the creation of strategic partnerships between universities, technological institutes and companies; stimulating the participation of institutes of science and technology in the innovation process; encouraging innovation within companies.

#### R&D INCENTIVES ("LEI DO BEM")

- Enacted in 2005, Law 11,196, also known as "Lei do Bem", was created to encourage companies in Brazil to invest in research and development. It provides income tax (IRPJ) deductions of up to 60% for investments in R&D, reduces IPI tax by 50% on machinery and equipment purchased for technological research, and includes other benefits.

#### IT LAW (LEI DA INFORMÁTICA)

- This law allows for a reduction of IPI tax on computing goods manufactured according to a set of minimum requirements defined by law, comprising the effective manufacture of a particular product. Benefits apply to computing industries, automation, telecommunications, microelectronics, software and technical services.

### SOURCES

SUPPORT MECHANISMS FOR BUSINESS IN
The National Economic and Social Development Bank (BNDES) is the Brazilian government’s main instrument for long-term financing. The state bank was founded in 1952 in order to create and execute national policies regarding economic development. At first, the state bank was focused on infrastructure, but in the years that followed it created several other goals in different fields.

BNDES is one of the main financial support instruments in Brazil for investments in all economic sectors. The bank allocates special resources, preferably in the form of long-term funding and shareholdings, in addition to supporting undertakings that contribute to economic and social development. To be eligible for financing, companies must comply with fiscal, tax and social obligations, be able to pay the bank, not be in reorganization, and obey environmental legislation.

Disbursements totaled BRL 70.8 billion (USD 20.4 billion) in 2017, with a renewed focus towards micro, small and medium-sized enterprises: the segment grew 9% and reached BRL 29.7 billion (USD 8.5 billion) — an unprecedented 42% of the total, an all-time record share for these enterprises in BNDES disbursements.

The bank has also announced new conditions and rates to the market, the main ones being:

- Extension of the maximum deadline for funding;
- Calculation of the participation limits associated with the total investment;
- Reduction of the basic spread.

According to the bank, the decrease in spreads (or the fee through which BNDES compensates itself) will be focused on the sectors it considers a priority.
In early 2018, BNDES presented a set of new operating guidelines, the most important being the gradual change from the TJLP interest rate (determined quarterly by the Central Bank) to TLP, a rate defined by the Broad Consumer Price Index (IPCA) and the real interest rate of the NTN-B government bond. In the long run, this measure may diminish the gap between the interest rates of BNDES and the National Treasury, which are themselves expected to be significantly lower by that time.

There was also a change in the bank’s participation in financing for large companies: now BNDES may only finance 80% on TLP for projects related to its priority areas, and 60% for standard areas. For small and medium companies, participation is around 100%.

BNDES has also reduced its banking spread for priority sectors and increased the limit to establish deadlines for grace periods and amortization. The idea is to prioritize subsidized credit and benefit small businesses and strategic social areas, namely innovation, the environment, sanitation, renewable energy, urban mobility, infrastructure, education, health, and others.

The bank announced in April 2018 that it will offer fixed-rate financing for the BNDES Giro program. The fixed rate comes as an additional alternative to the TLP, and will be worthwhile for micro, small and medium-sized enterprises with a revenue up to BRL 300 million (USD 86.2 million) per year.

BNDES is also keen to continue its support for infrastructure. Financing for this may reach BRL 54 billion between 2018 and 2019, according to the bank. The majority of financing – about 60% of the total – will come from investments in energy (generation, transmission and distribution).

<table>
<thead>
<tr>
<th>YEAR</th>
<th>COMMITTED</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>90.8</td>
</tr>
<tr>
<td>2009</td>
<td>136.3</td>
</tr>
<tr>
<td>2010</td>
<td>168.4</td>
</tr>
<tr>
<td>2011</td>
<td>138.8</td>
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<tr>
<td>2012</td>
<td>155.9</td>
</tr>
<tr>
<td>2013</td>
<td>190.4</td>
</tr>
<tr>
<td>2014</td>
<td>187.8</td>
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<tr>
<td>2015</td>
<td>135.9</td>
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<tr>
<td>2016</td>
<td>88.3</td>
</tr>
<tr>
<td>2017</td>
<td>70.8</td>
</tr>
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</table>

Source: BNDES

▸ Total committed per year to PE and VC (in billions of BRL)

YEAR COMMITTED
2008 90.8
2009 136.3
2010 168.4
2011 138.8
2012 155.9
2013 190.4
2014 187.8
2015 135.9
2016 88.3
2017 70.8

Source: BNDES
**FINANCING**

Earmarked for investment projects, one-off purchases of new machinery and equipment, exports of Brazilian machinery, equipment and services, and the acquisition of goods and production inputs. According to rules presented last year, financing modalities are defined by the features and potential benefits of applicant projects (called “horizontal action”), rather than by industries, as was done in the past. BNDES also manages funds used to support specific activity sectors.

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**MAIN BNDES FINANCIAL SUPPORT MECHANISMS**

- **BNDES SUPPORT METHODS**
  - **DIRECT**
    - Client contacts BNDES directly.
    - Transactions must be more than BRL 20 million (USD 5.8 million) - with few exceptions.
    - To find out how to ask for credit, see the Financial Solicitation Script.
  - **INDIRECT - AUTOMATIC (UP TO BRL 20 MILLION)**
    - The transaction is completed through an accredited financial institution, which negotiates conditions and takes the credit risk.
    - The institution may accept or deny credit without BNDES’ approval.
    - Only for operations up to BRL 20 million (USD 5.8 million).
  - **INDIRECT - NON-AUTOMATIC**
    - Clients must deliver a prior query to the accredited institution, which submits it to BNDES.
    - BNDES analyzes it and accepts or denies credit.
    - Only for operations over BRL 20 million (USD 5.8 million).
  - **MIXED**
    - BNDES and the accredited financial institution share the transaction’s risks.
    - Clients cannot ask for this modality - it is an exclusive request from one bank to another.

*Source: BNDES*
NON-REPAYABLE FUNDS
Investments of a social, cultural (educational and research), environmental, scientific or technological nature, which need not be repaid to BNDES.

SUBSCRIPTION OF SECURITIES
BNDES, through BNDESPar (its private equity division), may participate as a holder of securities, i.e. shares, simple bonds (called debentures), convertible bonds, subscription warrants, options and other derivative products, in addition to participation in asset-backed (receivables) investment funds (FIDC) - in publicly-listed companies, in public or private issuances, or in companies that may join the capital market in the short or medium term, through a private issuance.

SUPPORT TO MOST INDUSTRIES
Only the industries identified below cannot receive support from BNDES:

▸ Banking/financial activities;
▸ Weapon trade;
▸ Love hotels, saunas and establishments for adult entertainment; and
▸ Gambling and the like.

In addition to BNDES, several international, national and regional commercial banks operate in Brazil, providing lines of credit to companies and investors. Most of these banks are organized by the Brazilian Federation of Banks (FEBRABAN). [www.febraban.org.br](http://www.febraban.org.br)

SOURCES

▸ BNDES Finem program page.

▸ BNDES Mission, Vision and Values:
http://bit.ly/2paTRmS

▸ TLP rate.
https://www.bndes.gov.br/wps/portal/site/home/financiamento/guia/custos-financeiros/tp-taxa-de-longo-prazo

▸ BNDES news.
https://bit.ly/2qvEc2m

▸ BNDES Disbursements.
https://bit.ly/2I5nP1
There are several tax-related incentives and special tax methods to support and promote investment offered in Brazil. These may be granted by federal, state or municipal governments for various reasons and by different means. At the federal level, the taxes most commonly eased by the government’s incentive programs are Corporate Income Tax (IRPJ), social contributions levied on gross revenue (PIS/Pasep, Cofins, CSLL) and the tax on manufactured products (IPI). Export and import tariffs may also be reviewed to spur shipments and reduce the costs of raw material imports for industry, for example.

These mechanisms are generally used to promote strategic sectors that the government is interested in developing. Capital goods, infrastructure, clean energy, innovation, ICTs and high value-added industries (such as automotive and aerospace) are some of the sectors continually regarded as priorities. Micro and small businesses also have their own special tax method, under the “Simples Nacional” and MEI (“Individual Micro-Entrepreneur”) programs.
"EX-TARIFÁRIO" (EXEMPTIONS TO REGULAR IMPORT TARIFFS)

- This incentive allows for temporary reductions of import tariffs, often to very low levels (between 0% and 2%), to facilitate investment in capital goods (BK) and IT and telecommunications goods (BIT) for industrial development and key investment projects (acronyms follow the Mercosur Harmonized Tariff Schedule - TEC).

- The so-called “ex-tariff” system is available only for machinery and equipment not produced in Brazil. Companies can request inclusion in the ex-tarifário system by applying to the Production Development Office (SDP) at the Ministry of Industry, Foreign Trade and Services (MDIC).

"REINTEGRA" PROGRAM

- The Reintegra Program allows companies that export goods manufactured in Brazil to request a credit that ranges from 0.1% to 2% of their total export revenue, which may be refunded or used to offset other federal taxes. Law 13,043/2014 reintroduced the Reintegra Program and made it permanent. It was originally introduced in 2011 to allow exporters to recover residual tax costs incurred in the export production chain.

To foster growth in the country’s less developed regions, Brazil also has incentive packages and local development agencies to attract and stimulate investments in these areas. Packages include federal, state and municipal benefits. Investors willing to establish operations in the regions below may receive significant corporate tax reductions, among other benefits. These specific regional packages are coordinated by regional development bodies, such as:

- **SUDAM** (Amazon Region Development Agency) – Federal agency responsible for the states of Acre, Amapá, Amazonas, part of western Maranhão, Mato Grosso, Pará, Rondônia, Roraima, and Tocantins.

- **SUDENE** (Northeastern Brazil Development Agency) – Federal Agency responsible for all states in the Northeast, as well as some municipalities in Minas Gerais and Espírito Santo.

- **SUDECO** (Midwest Brazil Development Agency) – Federal Agency responsible for all states in the Midwest, such as Goiás, Mato Grosso, Mato Grosso do Sul and Federal District.
ICMS (State Goods and Services Tax) is the main state-level tax, and a tool for local investment incentives. It is levied on the intra and interstate movement of goods and services and is established by each state individually. ICMS reductions are usually used by states to attract greenfield projects to their region.

Creating a unified national ICMS rate is one of the goals of the federal government’s tax reform plan, proposed at the beginning of 2017. Usually, however, state governments continue to grant investment incentives on the basis of their ICMS tax.

Some states also have their own investment promotion agencies, as in the case with Investe SP (www.en.investe.sp.gov.br, in English), the investment agency of the state of São Paulo, and AgeRio (www.age rio.com.br, available in English and Spanish) in Rio de Janeiro.

State governments are available to provide investors with information on their state’s incentive program upon request, which can be sent directly to the appropriate department in the state government.

There are two main taxes under municipal jurisdiction in Brazil: Municipal Services Tax (ISS) and Urban Real Estate Tax (IPTU). Municipal authorities may concede tax reductions on these, according to the amount invested and jobs created by an investment project. Local authorities may also give land grants, depending on the importance of the project in terms of the impact on local economic and social growth.

Updated information about these and other programs can be consulted at the "Legislation By Type" page of the Federal Revenue Service’s official website, under the tag "Special tax regimes" (in Portuguese): http://idg.receita.fazenda.gov.br/acesso-rápido/legislacao/legislacao-por-assunto.
SOURCES

- Corporate Income Tax
  http://idg.receita.fazenda.gov.br/acesso-rapido/legislacao/legislacao-por-assunto/IRPJ-Incentivos-Fiscais

- PIS
  http://www.caixa.gov.br/beneficios-trabalhador/pis/Paginas/default.aspx

- PIS/PASEP
  http://idg.receita.fazenda.gov.br/acesso-rapido/tributos/pis-pasep-cofins

- CSLL
  http://idg.receita.fazenda.gov.br/acesso-rapido/tributos/CSLL

- IPI - tax on manufactured products
  http://idg.receita.fazenda.gov.br/acesso-rapido/tributos/ipi

- Fecomercio: Use of tax incentives

- Sebrae: Individual Micro-Entrepreneur
  http://www.sebrae.com.br/sites/PortalSebrae/Busca?q=MEI

- "Ex-tariff" system

- Current incentives of "Ex-tariff" system

- "Ex-tariff" system

- Decree 9,148: Reintegrata Program

- Government: tax incentives
  http://www.integracao.gov.br/c/document_library/get_file?uuid=90cfa829-9a27-4f9d-ba78-ef63cd7e1ef5&groupidl=10157

- SUDENE
  http://www.sudene.gov.br/incentivos-fiscais

- SUDECO
  http://www.sudeco.gov.br/

- Investe SP
  www.en.investe.sp.gov.br

- Agerio
  www.agerio.com.br

- Brazilian Digital TV Industry Development Support Program
  http://idg.receita.fazenda.gov.br/acesso-rapido/legislacao/legislacao-por-assunto/patvd

- Special Tax Method for Capital Goods Acquisition by Export Companies and Shipyards

- Special Tax Method for Infrastructure Development
  http://idg.receita.fazenda.gov.br/acesso-rapido/legislacao/legislacao-por-assunto/repenec

- Special Incentive Method for the Development of the Oil Industry Infrastructure in the North, Northeast and Midwest Regions
  http://idg.receita.fazenda.gov.br/acesso-rapido/legislacao/legislacao-por-assunto/repes

- Special Tax Method for IT Services Export

- Special Tax Method for Port Infrastructure Modernization
  http://idg.receita.fazenda.gov.br/orientacao/duaneira/manuais/repetro/estatisticas

- Special Tax Method for the Brazilian Aeronautics Industry
  http://idg.receita.fazenda.gov.br/acesso-rapido/legislacao/legislacao-por-assunto/retaero

- Special tax methods
  http://idg.receita.fazenda.gov.br/acesso-rapido/legislacao/legislacao-por-assunto
Export Processing Zones (EPZs) are free trade industrial districts aimed at attracting companies engaged in the production of goods to be traded worldwide, bringing new investments, employment and technological innovation to Brazil.

Companies installed within an EPZ enjoy considerable incentives, including several federal tax suspensions. Investors can also benefit from free currency exchange, which means they are not obliged to convert foreign currency obtained from exports into Brazilian reals. This is an advantage as these companies send most of their products abroad.

Some states in Brazil have offered incentives based on the ICMS Tax (State Goods and Services Tax). Additionally, these companies may also access other regional tax incentives, such as the 75% reduction in income tax for new ventures in North and Northeast regions.

In return, these companies commit to export a minimum of 80% of their gross sales revenue.

Contracts are granted for a long term: 20 years, extendable for another 20.

The Ministry of Industry, Foreign Trade, and Services (MDIC) heads the National Council of Export Processing Zones (CZPE), a six-minister panel responsible for policy-making and analyzing the creation of new zones. Installation of new EPZs requires final approval from the Brazilian President, and their implementation also requires the permission of the Brazilian Customs Authority.

Main Benefits

For purchases of goods and services on the domestic market, the government grants the suspension of:

- IPI (Tax on Manufactured Products)
- COFINS (Social Contribution – Tax Presumptive Profit)
- PIS/PASEP (Social Contribution on Gross Revenue)

For purchases of goods and services on the foreign market, the government grants the suspension of:

- II (Import Tax)
- AFRMM (Additional Freight Charge for the Renovation of the Merchant Marine)
- IPI
- COFINS - Import
- PIS/PASEP – Import

It is worth noting that the tax suspensions under the EPZ method apply only to purchases of capital goods, raw materials, intermediate products and packaging materials.

EPZs are considered primary zones for purposes of Customs control.
OTHER BENEFITS

▸ Regional tax incentives in the North and Northeast regions
▸ Free import tariffs on used capital goods
▸ Possible exemption from state goods and services tax (ICMS)
▸ Certain IT and R&D incentives
▸ Exemption from licenses and permissions for certain import and export operations – with the exception of sanitary, national security, and environmental measures

IMPORTANT: Companies authorized to operate in EPZs are subject to the same legal and regulatory provisions applicable in the rest of Brazil.

LOCATIONS

Brazil currently has 19 EPZs in 17 Brazilian states:

▸ North Region: Senador Guiomard (Acre), Barcarena (Pará), Porto Velho (Rondônia), Boa Vista (Roraima), Araguaína (Tocantins);
▸ Northeast Region: Ilhéus (Bahia), Pecém (Ceará), Suape (Pernambuco), Parnaíba (Piauí), Sertão/Assu (Rio Grande do Norte), Macaíba (Rio Grande do Norte);
▸ Midwest Region: Cáceres (Mato Grosso), Bataguassu (Mato Grosso do Sul), Corumbá (Mato Grosso do Sul);
▸ Southeast Region: Aracruz (Espírito Santo), Teófilo Otoni (Minas Gerais), Uberaba (Minas Gerais), Itaguaí (Rio de Janeiro), Fernandópolis (São Paulo);
▸ South Region: Imbituba (Santa Catarina), Rio Grande (Rio Grande do Sul).

SOURCES

▸ EPZs in Brazil - basic information

▸ EPZ presentation

▸ Legislation on EPZs in Brazil
   http://www.mdic.gov.br/czpe/legislacao-zpe

▸ Specific legislation
Micro and small enterprises are an important source of wealth and employment in Brazil. These companies represent 98.5% of entrepreneurs in the country, accounting for 27% of GDP and generating over half of the jobs in the country.

Non-Brazilian citizens can also run micro or small companies, as long as they have a permanent visa; temporary visa holders are not allowed to do so.

The figure of the “MEI” (Individual Micro-Entrepreneur) was introduced in 2008, with Law 128, which sought to formalize Brazilian workers who until then were engaging in business without any legal support. With the legislation in force since 2009, over 7 million people have formalized themselves as individual micro-entrepreneurs. The “MEI” receives some benefits, such as retirement, sickness assistance, maternity assistance, incentive for credit facility and loans, as well as tax exemptions.

MEIs, however, have a revenue cap and can only report turnover of up to BRL 81,000 (USD 23,276) as of 2018.

In order to simplify Brazilian tax contributions for small companies, a special method was created in 2006. The so-called “Simples Nacional” allows businesses to pay several taxes by means of one monthly payment, called DAS, besides receiving tax incentives.

The system was recently reviewed by the Brazilian government, and new rules will be fully implemented in 2018.

Simples Nacional is available for companies that earn up to BRL 4.8 million (USD 1.4 million) in gross revenue. The tax is charged progressively, with different tax rates. Before this change, companies that exceeded BRL 3.6 million in gross revenue were forced to switch to more complex tax methods.
BNDES CREDIT LINES

In 2017, Brazilian Development Bank (BNDES) disbursed BRL 70.8 billion (USD 20.4 billion) to support businesses in the country. With a new approach by the bank towards smaller enterprises, micro, small and medium-sized enterprises accounted for 42% (BRL 29.7 billion) of this total.

BRAZILIAN SUPPORT SERVICE FOR MICRO AND SMALL ENTERPRISES (SEBRAE)

Sebrae is a private institution of public interest whose mission is to support micro and small businesses through partnerships with the private sector, education, and mentorship. It is part of Brazil’s network of professional training agencies (the ‘S’-System) and is present in every state. Its regional units operate under the national coordinator but adapt themselves to local conditions.

Sebrae has 700 onsite service centers throughout the country. They have more than 5,000 small business experts and a large pool of external consultants working to transfer knowledge and expertise to those who own or intend to start a company.

One of Sebrae’s main activities is providing advice and information to entrepreneurs, so it often organizes courses, lectures, training sessions and fairs to foster access to the formal economy. It is also a reliable source of data and information about the micro and small enterprise market in the country, with more than 45 years of service.

Find more information about Sebrae:
http://www.sebrae.com.br/sites/PortalSebrae/canais_adicionais/sebrae_english

Sources

- Sebrae: 45 years of work
  http://www.sebrae.com.br/sites/PortalSebrae/canais_adicionais/sebrae_english

- Sebrae: Internationalization Program
  http://www.sebrae.com.br/sites/PortalSebrae/bis/internacionalizacao-de-pequenos-negocios-parcerias-para-exportar,1a8cf62f42c17410VgnVCM2000003c74010aRCRD

- Sebrae: Simples Nacional 2018
  http://m.sebrae.com.br/Sebrae/Portal%20Sebrae/UFs/AM/Banner/arquivo_1512481714.pdf

- Planalto: Law 128
  http://www.planalto.gov.br/ccivil_03/leis/lcp/lcp128.htm

- MEI official website
  http://www.portaldoempreendedor.gov.br/
LEGAL FRAMEWORK FOR INVESTMENT IN
FOREIGN CAPITAL

The following section relates to the entry of capital into Brazil for productive investment only. For investors seeking information on how to invest in Brazil’s financial market, please visit

www.portaldoinvestidor.gov.br

(available in English), as well as the following guidance material produced by the Brazilian stock exchange, B3:

www.bmfbovespa.com.br/en_us/non-resident-investor/characteristics-brazilian-market/
LEGAL DEFINITION

Foreign capital is defined by Brazilian law as being any asset, machinery or equipment which enters Brazil, as well as financial or monetary resources, intended for the production of goods and services or to be used in economic activities in the country. In all cases, it must belong to individuals or legal entities residing, domiciled or with headquarters outside of Brazil. The law also guarantees that foreign capital in Brazil will be treated on an equal footing with domestic capital unless the investment falls within one of the few exceptions detailed below.

Law 4,131/1962 is the primary law that regulates foreign capital in Brazil.

Importantly, since 1995, Brazilian law considers companies incorporated in Brazil to be domestic companies, regardless of domestic or foreign control.

FOREIGN DIRECT INVESTMENT (FDI)

The United Nations defines FDI as a permanent ownership interest in companies in a country, held by a non-resident investor (an individual or legal entity) residing, domiciled or with headquarters abroad. In Brazil, two types of transactions are recognized as FDI: equity capital and intercompany loans.

- **Equity capital** is foreign capital that enters Brazil for the purchase, subscription or capital increase of all or a part of the shares of companies established in Brazil. Privatizations, acquisitions (in the form of joint venture, venture capital or private equity) and greenfield projects led by foreign investors are examples of operations classified as equity capital investments. Reinvested earnings (profits not remitted to the direct investor or parent company overseas and reinvested in the business or any other economic sector within the country) are also regarded as equity capital.

- **Intercompany loans** consist of credit granted by parent companies with headquarters abroad and their affiliated enterprises. It comprises the entry of resources related to the acquisition, subscription, and full or partial capital increase of companies based in Brazil. Examples of this type of FDI inflow are loans received by enterprises in Brazil, as well as amortization paid back to a Brazilian company by a related company abroad.
Brazilian law allows for mergers and acquisitions (M&A) by foreign investors. No special rules apply, although FDI remains restricted in certain sensitive and strategic sectors listed below.

The official competition and antitrust regulator is the Brazilian Antitrust Authority (Cade), a federal body related to the Ministry of Justice and responsible for preventing, judging and punishing acts of abuse of market power. In 2018, the Economic Supervision Office (SEAE), which, under the Ministry of Finance, was responsible for developing policies regarding market regulation and competition, was closed for restructuring. As substitutes, the government created the Productivity Promotion and Competition Advocacy Office (Seprac) and the Fiscal, Energy and Lottery Supervision Office. M&A transactions involving financial institutions must be approved by both Cade and the Brazilian Central Bank, under the agreement between them signed in 2018.

Since 2012, the Brazilian system for protection of competition has been governed by a new antitrust framework (Law 12,529/2011), which was designed to reformulate Cade’s workflow and accelerate decision-making on issues regarding competition. According to the watchdog, the average length of a merger analysis was lowered from 154 days to 31 days after the law came into effect.

To further improve M&A regulations in Brazil, the Brazilian Mergers and Acquisitions Committee (CAF) was created in June 2012. CAF brings together participants from the financial market and the São Paulo Stock Exchange (B3), aiming to ensure equal conditions between shareholders in public stock acquisition offers, incorporations, mergers, and spin-offs involving corporations. The Brazilian M&A Committee oversees a monitoring framework based almost entirely on self-regulation by publicly traded companies and has become a corporate governance quality seal for M&A transactions involving companies that have voluntarily adhered to its rules.
NO RESTRICTION ON MOST FDI

Foreign capital can enter freely into Brazil and is not subject to prior approval by the government. There are no conditions regarding the total amount of investment that can be made in Brazil. A small number of exceptions exist, prohibiting or limiting FDI in certain sectors:

PROHIBITIONS

- Activities involving nuclear energy;
- Mail and telegraph services, except parcel delivery;
- Aerospace (launch and deployment of satellites, vehicles, aircraft – but the prohibition does not apply to manufacturing or trading of these goods).

Restrictions/Limitations

Foreign capital may be subject to limitations, or prior authorization from public authorities may be required

- Acquisition or rental of rural property (permissions may be requested from INCRA or the National Congress);
- Financial institutions (requirement of reciprocity - Law 4,132)
- Acquisition or rental of rural property (permissions may be requested from INCRA or the National Congress);
- Financial institutions (requirement of reciprocity - Law 4,132)
- Air transportation companies (foreign capital is capped at 20% of voting shares of domestic companies);
- Media, including television networks, magazines, newspapers and radio broadcasting stations (the government prevents foreign investment in the ownership and administration of media – the Brazilian Constitution of 1988 stipulates that at least 70% of the total capital of media companies must be owned directly or indirectly by Brazilians born in Brazil or Brazilians naturalized for a period of at least ten years);
- Mining sector.
Investors are required to register all inflows of foreign capital into Brazil with the Brazilian Central Bank (BCB), which can only be done online through the e-registration tool RDE-IED (Electronic Declaration Registry) — part of the Brazilian Central Bank’s Computerized Information System (SISBACEN). The FDI recipient company or legal agent is responsible for the registration.

Distribution of profits, dividends and interest on stockholders’ equity paid either through International Transfers in Reals (TIR) or the exchange market do not need to be registered in the system – any exchange contract or transfer to a foreign bank account will be automatically linked to the profile registered by the system. However, payments made directly abroad, without currency exchange, or within Brazil, without any international bank transfer, must be registered on the RDE-IED profile.

More information on registering foreign capital can be found on the Brazilian Central Bank’s website (in English): [http://www.bcb.gov.br/?RMCCINORMS](http://www.bcb.gov.br/?RMCCINORMS).

A user guide to the Electronic Declaration Registry (in Portuguese) is available from the Brazilian Central Bank’s website: [www.bcb.gov.br/?RDEIED](http://www.bcb.gov.br/?RDEIED).
SOURCES

- Foreign Capital Law (Law 4,131/1962)
  http://www.planalto.gov.br/ccivil_03/leis/L4131.htm

- BCB: Current legislation about foreign capital in Brazil
  http://www.bcb.gov.br/rex/legce/port/capitaisinternacionais.asp

- Regulations of CMN and Central Bank for foreign capital in Brazil (in English)

- BCB’s resolutions about foreign capital in Brazil: Resolution 3,844/2010 (in English).

- Circular 3,689/2014 (in English).

- CADE: Institutional Information
  http://www.cade.gov.br/acesso-a-informacao/institucional

- Competition Law (Law 12,529/2011)

- Ministry of Tourism: Federal government announces new package to stimulate tourism in Brazil
  http://www.turismo.gov.br/%C3%BAltimas-not%C3%ADcias/7691-governo-federal-anuncia-o-brasil-turismo,-pacote-de-medidas-para-desenvolver-o-setor-no-pa%C3%ADs.html

- BCB: User guide to the FDI registry system (RDE-IED)/2018
The Brazilian Judiciary is an independent power, governed by law, with administrative and financial autonomy granted by the Federal Constitution. Its primary function is to resolve conflicts and enforce individual, collective, and social rights. It is formed by several ruling bodies distributed among the federal and state levels, with the Supreme Federal Court (STF, in Portuguese), comprised of 11 justices, being the country’s highest court.

The STF, the Supreme Federal Court, is the ultimate entity responsible for the interpretation and enforcement of the Constitution. It is followed by the Superior Court of Justice (STJ), which is responsible for the uniform interpretation of federal legislation, as well as the regional federal, state, and specialized courts.

Brazil’s judiciary has three specialized courts dealing with matters outside general jurisdiction: Labor, Electoral, and Military, each of them with their own regional and superior courts. They are headed, respectively, by the Superior Labor Court (TST), the Superior Electoral Court (TSE), and the Superior Military Court (STM).
The Brazilian Constitution is the backbone of all the country’s legislation. It safeguards the rights and duties of all of Brazil’s citizens, governments, and entities. Issued in 1988, shortly after the end of the dictatorship (1964-1984), it gave Brazilians a scope of civil rights strongly built on principles of democracy, freedom, and welfare.

In addition to the Constitution, legal relations in Brazil are largely based on consolidated legislation, called ‘codes’. Each area of law is governed by its own individual code, such as taxation (National Tax Code), civil law (Civil Code), commercial law (Commercial Code), labor law (Consolidated Labor Laws), procedural law (Civil Procedure Code), and consumer defense (Consumer Defense Code).

Unlike the common law system used in places such as the United States and some Commonwealth countries, Brazil’s courts are less able to establish a legally binding precedent, as most decisions are applicable only to the parties concerned. There are, however, some examples of ‘precedents’ (‘súmulas’) issued by superior courts that may guide the rulings of lower courts. Binding rulings issued by the Federal Supreme Court must be followed by all lower courts and the government.

Alternative methods of dispute resolution, such as arbitration, conciliation, and mediation, are options that have been especially promoted in Brazil since the issuance of the new Civil Procedure Code (CPC) in 2015, which implemented new rules in an attempt to promote extrajudicial agreements and relieve the courts’ workload.

Free initiative, private property, and respect for contracts are rights guaranteed by Brazilian legislation, governed primarily by the Federal Constitution and the Brazilian Civil Code of 2002. Domestic and foreign capital are treated equally and have the same duties and rights under Brazilian law, with the exception of the few areas in which foreign investment is restricted.

Parties are free to enter into contracts establishing mutual obligations. As long as the object of the contract is not illicit, in conflict with the law, for an undetermined or undeterminable purpose, or impossible to fulfill, it is deemed valid. Exceptions to the general rule are:

- **The Principle of the Contract’s Social Function** - “the liberty to contract shall be exercised by virtue of and limited by the contract’s social function.” (Article 421 of the Civil Code)
- **The Principle of Objective Good Faith** - “the parties are obliged to observe the principles of honesty and good faith in the contract’s negotiation and execution.” (Article 422 of the Civil Code)
- Significantly, in May of 2015, the modernization of the Brazilian Arbitration Law amplified the scope of arbitration. Whenever agreed between the parties, disputes with the government involving economic rights can now be settled through arbitration, such as in the infrastructure field.
Brazil’s efforts to fight corruption have become known around the world in recent years, due to large investigations into important figures, ranging from political leaders to big companies. This is an achievement of the institutions that have been built since the political opening of the 1980s. The Federal Prosecution Office (MPF), established by the Constitution of 1988, and the Ministry of Transparency and the Brazilian Office of the Comptroller General (CGU), created in 2003, are two examples of bodies implemented since then.

Additionally, in the past few years, some important laws regarding corruption and transparency have been approved, notably:

- **2010. The Clean Slate Act (known as “Lei da Ficha Limpa”)**
  Aims to prevent corruption in the legislature by setting an ineligibility clause preventing any person with a criminal conviction from holding public office for eight consecutive years;

- **2011. The Access to Information Act (known as “Lei de Acesso à Informação”)**
  Ensures Brazilian citizens access to federal, state, and municipal public documents;

- **2013. The Anti-Corruption Act (known as “Lei Anticorrupção”)**
  Came into force in 2014, establishing direct civil liability for companies found guilty of bribery of both Brazilian and foreign public officials.

Now, legal entities can be charged themselves for corrupt acts perpetrated against the public administration by their directors, employees, and other agents acting on their behalf. The penalties range from fines to the compulsory dissolution of the company. Forfeiture of benefits obtained, prevention from the company’s participation in government contracts, and suspension of activities are other possible penalties. Fines can be up to 20% of gross revenue.

Furthermore, the Anti-Corruption Act includes a leniency provision by which sanctions may be reduced for companies with effective compliance programs, and those that self-report violations of the law to the authorities.

Foreign companies operating in Brazil are also subject to penalties for acts of corruption committed in Brazil.
- Organs of the Judicial Branch (in English)
  [Link]
- History of the Federal Prosecution Office
  [Link]
- History of the Federal Comptroller General (CGU)
  [Link]
- Brazilian Civil Code, Title V ("Of Contracts in General")
  [Link]
- TSE: Four years of the Clean Slate Act ("Lei da Ficha Limpa")
  [Link]
- CGU’s Anti-Corruption Act landing page
  [Link]
- CGU: Anti-Corruption Act FAQ
  [Link]
- CGU: Companies liability regarding corruption
  [Link]
- Anti-Corruption Act
  [Link]
- Clean Slate Act
  [Link]
Brazil has solid rules regarding the protection of intellectual property (IP) in the country. It has a prominent international position in IP protection, being a member of the two main organizations in this field: the World Intellectual Property Organization (WIPO) and the World Trade Organization (WTO). Brazil is also a signatory of treaties such as the Paris Convention, the Bern Convention, the Patent Cooperation Treaty and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

Under Brazilian law, inventions, utility models, industrial designs, computer software, trademarks, and geographical indicators are considered industrial properties. Citizens and individuals born in countries that ensure IP rights to Brazilians can apply for a patent in Brazil, as can companies.

The owner’s protections are valid for 20 years, except for utility models, which last for 15 years. Due to Brazilian efforts, more than 220,000 requests were filed in all categories of industrial property in 2017 alone. Here are some of the actions adopted by the government to continue to support and upgrade its intellectual property system:

- IP international standards have been duly incorporated into Brazil’s legislation and, in some aspects, the country’s domestic legislation provides protection beyond TRIPS requirements;
- The country has also established national laws protecting industrial design and integrated circuit (IC) layout design;
- Brazil has adopted international trademark classification systems and examination standards;
- Brazil is currently evaluating membership in the Madrid System, a set of guidelines for registering and managing marks worldwide.
One of the main IP laws in Brazil is the Industrial Property Act of 1996 (Law 9,279/96), which is a general piece of legislation. The INPI (National Institute of Industrial Property) is the national agency responsible for maintaining and enforcing the Act - therefore, it controls IP request submissions and acceptances.

Medicines and health technologies, on the other hand, are evaluated by ANVISA, the federal Health Surveillance Agency.

Under the terms of the Paris Convention, rights already submitted abroad may be recognized and enforced in Brazil if filed within a defined time limit.

Brazil is a party to the Bern Convention on copyright. Although protection is not necessarily dependent upon registration, copyright owners are advised to register their work. There are several registration bodies for copyright registration in Brazil, such as the National Library and the Federal Council of Engineering, Architecture, and Agronomy (CONFEA).
The INPI is the agency responsible for registering agreements for the supply of technology, provision of specialized technical services (including technology transfer), patent licenses, trademark licenses, and franchise agreements. The Brazilian Central Bank must also register franchise agreements, due to foreign currency payments.
ENFORCEMENT

IP infringements are crimes included in the Brazilian Criminal Code. The Industrial Property Act foresees penalties for those who break industrial property laws, including fines and imprisonment.

Property owners have many ways to proceed in order to pursue their rights, such as civil actions, criminal prosecutions or, when both parties are willing to further dialogue, arbitration.

These procedures may be submitted to the judicial system anywhere in the country. If necessary, the city of Rio de Janeiro has specialized IP courts.

Brazilian Customs also participate in IP enforcement, as they can seize imported or exported goods that infringe Brazilian trademarks, copyrights, and patents (such as false, modified or imitated trademarks).

SOURCEs

▸ Inpi
http://febrace.org.br/arquivos/site/_conteudo/pdf/inpi_maria.pdf

▸ Law 9,279
http://www.planalto.gov.br/ccivil_03/leis/L9279.htm

▸ World Intellectual Property Organization

▸ Paris Convention

▸ Bern Convention
http://www.wipo.int/treaties/en/ShowResults.jsp?treaty_id=15

▸ Patent Cooperation Treaty
http://www.wipo.int/pct/en/

▸ Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)
https://www.wto.org/english/docs_e/legal_e/27-trips_o3_e.htm
**TAXATION**

The main guidelines for taxation in Brazil come from the Federal Constitution of 1988, which establishes the general principles, limitations on the power to tax, jurisdiction to tax among levels of government and tax revenue-sharing provisions.

Taxation in Brazil occurs at three levels of government: federal, state, and municipal. In broad terms, the main federal taxes cover excise duties, import and export duties, financial transactions, taxes on revenue, profits and income, as well as contribution charges that fund social security and employment benefits, managed by the Federal Revenue Service (“Receita Federal”).

The main state-level tax is a VAT-type tax on the interstate and intrastate circulation of goods and services (ICMS). The main municipal taxes are real estate taxes (IPTU), stamp duty on real estate transfers (ITBI) and services tax (ISS).

There are also regulatory taxes, such as IOF (Tax on Financial Transactions), IPI (Tax on Manufactured Products), and CIDE (Contribution of Intervention in the Economic Domain), which are levied on specified products and services and are used by the Federal Government as auxiliary instruments in conducting monetary and industrial policies, respectively.

Aware of its complexity, the government began 2017 committed to simplifying the Brazilian tax system. Part of the federal government reform package also includes structural changes to the pension system and labor legislation, among other things. One proposal would see the standardization of some taxes, namely ICMS - which is currently defined individually by the states and often differs from one to another - and PIS and Coﬁns, which are currently divided into two categories and four different rates.

**SMALL AND MICRO COMPANY TAXATION**

It is important to point out that micro and small businesses already have special tax methods with simplified and reduced rates, framed by programs such as “Simples Nacional” and the Individual Micro-Entrepreneur (MEI) program. “Simples” targets companies with a gross revenue of up to BRL 4.8 million / USD 1.4 million (this limit went into effect in 2018) and condenses most of their corporate taxes into one single payment. MEI was created with a view to formalizing individual autonomous professionals who earn up to BRL 81,000 (USD 23,275) a year, exempting them from federal contributions in exchange for a fixed, small monthly fee (5% of the minimum wage).
CORPORATE TAXES

The current maximum consolidated effective tax rate on taxable income is 34%. It is a result of the two main direct corporate taxes: the corporate income tax (IRPJ) and the social contribution tax (CSLL). The latter is 9% of worldwide income and goes to the federal government (up to 20% for insurance companies and financial institutions), while IRPJ deducts 15%, plus a 10% additional rate on any monthly income that exceeds BRL 20,000 (USD 5,747). On the other hand, dividends are tax-free in Brazil.

All foreign corporations must create a registered subsidiary, branch or permanent establishment in order to operate in Brazil. These legal entities, including those that are foreign controlled, must calculate and pay tax on a monthly basis and file an annual tax return consolidating the monthly results from the previous calendar year.

For tax purposes, business profits are calculated on the basis of net income, as reported on the income statement (profit and loss account) and adjusted for non-taxable income and non-deductible expenses. Intercompany transactions are subject to transfer pricing rules.

Capital gains are taxed as ordinary income. The cash basis may be used to calculate profits on certain long-term sales of permanent assets. Capital losses may only be offset by capital gains. Unused capital losses are treated similarly to income tax losses with regard to limits on use and the carryforward period.

Gains from the sale of depreciable property are treated as ordinary non-operating income and not as capital gains. Corporate taxpayers may choose to include exchange gains and losses in their taxable income, on an accrual basis or on a cash basis. Companies participating in specific industries, such as banking, insurance and leasing, are subject to special tax rules.

Tax holidays are offered to certain industries operating in specific areas. No tax consequences arise from converting a non-incorporated business into an incorporated entity or from changing corporate form, such as from a private limited liability company (“limitada”) to a corporation (“sociedade anônima”).

DIVIDENDS

Dividends are not subject to withholding income tax and neither is the recipient. When received from other local companies, including subsidiaries and affiliates, they are not subject to corporate income tax. The payment of dividends in kind is not prohibited by corporate law, provided that specific rules and terms are clearly defined in the articles of incorporation or the payment is approved at the annual shareholders’ meeting.
FOREIGN PERSONNEL

There is no legislation that favors foreign shareholders or holding companies. In Brazil, foreign workers are taxed as residents on their worldwide income, regardless of their visa type.

MAIN TAXES AND CONTRIBUTIONS IN BRAZIL

SERVICES

- ISS Services Tax - varies between 2% to 5% (depending on the type of service) of the service price.

- INSS° Social Security Contribution – 11%

°INSS is paid both by the employee, discounted from the gross salary (service), and by employers, on total payroll (payroll)
PRODUCTS

- **ICMS (State Goods and Services Tax)**
  Intrastate rates are defined and levied by states on the circulation of goods within their borders. Standard intrastate rates vary between 17% and 25%. Interstate levels are generally levied at 7% and 12%, and 4% on imported goods (the final product must include more than 40% imported content).

- **IPI (Tax on manufactured goods)**
  Ranging from 0% to 300% (in the case of cigarettes) and generally ranging from 0% to 35%, depending on the product. Rates are defined by product code (HS code) and listed in the IPI Tax Rates Table – TIPI.

- **II (Import Duty)**
  Foreign merchandise entering Brazil incurs import duties ranging from 0% to 35%. Rates are contained in the Mercosur Harmonized Tariff Schedule (TEC).

- **IE (Export Tax)**
  Generally 30%, but it may be raised or lowered to meet the objectives of Brazil’s exchange rate and foreign trade policies. The maximum rate may be raised up to 150%.

- **IOF (Tax on Financial Transactions)**
  Levied on credit, exchange, insurance and financial operations in general, ranging from 0% to 25%, depending on the transaction. The current IOF rate for exchange operations (buying and selling dollars) is 1.1%. Making payments abroad with Brazilian credit cards, prepaid cards and travelers cheques has a 6.38% IOF rate.

SERVICES AND PRODUCTS

- **IRPJ (Corporate Income Tax)**
  At a rate of 15% on profit, plus an additional 10% on monthly income that exceeds BRL 20,000 (USD 5,747).

- **PIS/Pasep (Social Contribution on Gross Revenue)**
  Used to fund unemployment insurance and the Workers’ Assistance Fund. There are two different schemes, which vary on the tax calculation method chosen by the company. Cumulative Method (applied to corporate entities paying IRPJ by Presumptive Profit): 0.65% of gross revenue. Non-Cumulative Method (IRPJ by Taxable Profit): 1.65% of gross revenue.

- **Cofins (Social Contribution Tax)**
  Used to fund social security. It is usually paid alongside PIS and follows the same methods. Cumulative Method (IRPJ by Presumptive Profit): 3% of gross revenue. Non-Cumulative Method (IRPJ by Taxable Profit): 7.6% of taxable revenue.

- **CSLL (Social Contribution Tax on Profit)**
  9%. (20% for financial institutions and 17% for credit unions).
PAYROLL

- **FGTS (Guarantee Fund for Length of Service)**
  8% of employee’s gross salary

- **INSS (Social Security Contribution)**
  20% on total payroll

- **SAT/RAT (Occupational Hazards Insurance)**
  1% to 3% of payroll, according to the risk level of the activity

- **Third Party Contribution Taxes (“Contribuição a terceiros”)**
  Contributions paid for social entities and funds, according to business activities (determined by the FPAS code table). SESI/SESC Social Programs, SENAI/SENAC Training Programs, SEBRAE Program for Small Companies, and INCRA Supplementary rural pension are some of these entities. The amount per entity varies from 0.2% to 2.7% on total payroll.

  *INSS is paid both by the employee, discounted from the gross salary (service), and by employers, on total payroll (payroll)*

PROPERTY

- **IPTU (Urban Real Estate Tax)**
  There is no minimum or maximum rate established by federal law (it is therefore established by each municipality). Escalation criteria: location, value, use, and social function.

- **ITR (Rural Real Estate Tax)**
  Ranging from 0.03% to 20% (depending on land area and degree of land use).

- **ITBI (Stamp Duty on Real Estate Transfers)**
  There is no minimum or maximum rate established by federal law (it is therefore established by each municipality). Single rate, non-progressive method.

Further information

- **Federal taxes managed by Secretaria da Receita Federal do Brasil**
  [https://idg.receita.fazenda.gov.br/acesso-rapido/tributos](https://idg.receita.fazenda.gov.br/acesso-rapido/tributos)

- **Receita Federal: Legislation by topic**
Endnotes:

i TIPI in force on April, 2017, defined by Decree 8,950/2016 (Portuguese)

ii Law 13,169/2015 raised the CSLL for financial institutions from 15% to 20% for banks and to 17% for credit cooperatives until December 2018.

iii FPAS table/2012 is determined by Normative Instruction RFB 1,238, of January 11, 2012. Appendix I and II.

iv For further information about Rural Property Taxation see FAQ by the Ministry of Finance (“Perguntas e Respostas ITR 2016”), at:

SOURCES

- Federal Constitution of 1988
  http://www.planalto.gov.br/ccivil_03/constituicao/constituicao.htm

- Federal Tax
  https://www.senado.gov.br/noticias/jornal/cidadania/impostos/not03.htm

- Federal Revenue Service
  http://idg.receita.fazenda.gov.br/acesso-rapido/tributos

- Tax on Financial Transactions
  http://idg.receita.fazenda.gov.br/acesso-rapido/tributos/IOF

- Tax on Financial Transactions
  http://idg.receita.fazenda.gov.br/acesso-rapido/tributos/ipi

- Contribution of Intervention in the Economic Domain
  http://idg.receita.fazenda.gov.br/acesso-rapido/tributos/cide

- ICMS (Convênio 52/2017)
  https://www.confaz.fazenda.gov.br/legislacao/convenios/2017/CV052_17

- Central Bank (Dollar price)
  http://www4.bcb.gov.br/pec/taxas/port/ptaxnpesq.asp?id=txcotacao

- Simples Nacional
  http://www8.receita.fazenda.gov.br/simplesnacional/Perguntas/Perguntas.aspx

- Individual Micro-Entrepreneur (MEI) program
  http://www.portaldoempreendedor.gov.br/
Foreigners are able to acquire real estate in Brazil, even without the involvement of local partners. However, there are rules that must be observed when it comes to specific areas, such as maritime territory, islands, rural land, and areas near Brazil’s international borders, regarded by the government as being crucial for security.

Brazilians and foreigners have similar rights and obligations when it comes to buying or leasing property. Properties can be registered only once, and that must happen at a register of deeds (Cartório de Registros Imobiliários) located in the same jurisdiction as the property. The resulting document must contain all information about the property, such as its transaction history and physical identification. It is important to note that these records are always public. Registry costs vary from one state to another.
Here are some requirements to purchase property in Brazil:

- It is necessary to have a CNPJ or CPF (Corporate or Individual Taxpayer Identification Number, respectively) provided by the Federal Revenue Service, a birth certificate translated into Portuguese by a sworn translator and authenticated by the Brazilian Consulate in the country of origin, and a valid passport or National Registry of Migration Card (RNM). If the foreigner is married, the spouse’s CPF must also be submitted.

- Although it is not mandatory, it is advisable to obtain legal support from an attorney, as well as a real estate agent registered at CRECI, the professional organization regulating professional property managers and real estate brokers.

**Sources**

- BCB’s investment FAQ
  http://www.bcb.gov.br/pre/bc_atende/port/investimento.asp

- Law regulating land purchase by foreigners
  http://www.planalto.gov.br/ccivil_03/leis/L5709.htm
RURAL LAND
ACQUISITION/LEASING

Regarded as prized assets by many, rural properties in Brazil can be purchased or leased by foreigners, with certain legal limitations, especially concerning size. For purposes of rural land acquisition or leasing, foreigners in Brazil are foreign individuals who are not naturalized, even if they are married to a Brazilian citizen with community property and have Brazilian children.

Corporations whose capital originates from another country, even with permission to operate in Brazil, also face limitations imposed by law. This is also the case for Brazilian corporations in which foreigners control the majority of capital, whether they are individuals or corporations, residing or having headquarters in Brazil or abroad.

The agency that regulates the size of the reference unit for land, called Undefined Land Holding Units, or MEI, is the National Institute of Colonization and Agrarian Reform (INCRA).
There are some conditions related to the leasing or acquisition of land by foreign individuals, especially when it comes to the size of the property.

The area that foreigners are allowed to purchase is limited to 50 MEIs. If the property is smaller than 3 MEIs, authorization from INCRA is not required, respecting only the restrictions determined by law regarding important areas for national security. In these cases, approval from the National Defense Council is necessary.

In the case of estates from 3 to 50 MEIs, INCRA authorization becomes mandatory, but not for the land-use plan (see more information below). For properties bigger than 50 MEIs, the National Congress must authorize the acquisition.

Foreign companies may acquire properties up to 100 MEIs and must present a land-use plan to INCRA to obtain permission, regardless of the size of the land. If the property is larger than 100 MEIs, the purchase must be authorized by the National Congress.

It is also important to note that the totality of estates purchased or leased by foreigners, individuals or companies in any one municipality cannot exceed 25% of the total area of the municipality. Furthermore, the combined area of properties owned by foreigners of the same nationality cannot be larger than 10% of the municipality’s area.

The main requirements for the acquisition and leasing of land by foreigners in Brazil are:

<table>
<thead>
<tr>
<th>INDIVIDUALS</th>
<th>COMPANIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Being a permanent resident in Brazil and enrolled in the National Registry of Migration – (RNM, formerly RNE) under permanent status;</td>
<td>Registration at the Commerce Registry (“Junta Comercial”) in the Brazilian state where it has its headquarters - in the case of Brazilian corporations controlled by foreigners, whether they are individuals or legal entities, residing or with headquarters abroad;</td>
</tr>
<tr>
<td>Providing a land-use plan (only for areas above 20 MEIs).</td>
<td>Official authorization to operate in Brazil, in the case of a foreign legal entity, that is, one in which foreigners control all capital;</td>
</tr>
<tr>
<td>LIMIT: 50 MEIs</td>
<td>Clear provision in its Articles of Incorporation regarding agriculture, livestock, forestry, tourism, industry or settlement activities;</td>
</tr>
<tr>
<td>–</td>
<td>Providing a land-use plan, regardless of the size of the area to be acquired or leased</td>
</tr>
<tr>
<td>–</td>
<td>LIMIT: 100 MEIs</td>
</tr>
</tbody>
</table>
When required, the land-use plan must be submitted to INCRA and, depending on the nature of the endeavor, it may be forwarded to other government departments, such as the Ministry of Tourism and the Ministry of Industry, Foreign Trade, and Services.

The plan must contain the following information:

- Justification of the proportionality between the amount of land to be acquired and the size of the project;
- Physical and financial schedule for investment and implementation;
- Possible use of official credit to finance all or part of the venture;
Logistical feasibility of project implementation and, in the case of an industrial project, demonstration of compatibility of the land location with the type of plant to be built;

Proof of compliance with the criteria for Ecological and Economic Zoning of Brazil (ZEE), which is a policy tool used to guide land use. The ZEE establishes, for example, which crops are best suited economically for growing in a given part of the country, taking into account measures and standards of environmental protection and biodiversity.

Projects must also be assessed by the Ministry of Agriculture, Livestock, and Food Supply (MAPA). Final authorization depends on INCRA’s decision.

Sources

Law regulating purchase by foreigners
http://www.planalto.gov.br/ccivil_03/leis/L5709.htm

Land use plan

Requirements
https://www.legisweb.com.br/legislacao/?id=353644
The Ministry of the Environment (MMA) is the main department concerning environmental policy in Brazil. It is responsible for formulating policies on climate change and environmental quality, biodiversity and forests, water resources, and sustainable urban and rural development.

Besides the ministry, Brazil’s government includes other agencies assigned to implement environmental laws and ordinances in different areas. Examples are the National Council of the Environment (CONAMA), the National Council of the Amazon, the National Council of Water Resources, the Chico Mendes Institute for Biodiversity Conservation (ICMBio), the Brazilian Environmental Protection Agency (IBAMA), and the Public Forest Management Council.

Among those agencies, IBAMA is the most important, being responsible for implementing new policies and standards for environmental quality, evaluating environmental impact, examining environmental degradation, and issuing environmental licenses. It also has administrative and financial autonomy, with authority to give authorizations or apply fines. In the case of serious environmental crimes, it is responsible for informing federal authorities for further prosecution. More information can be found at www.ibama.gov.br.

It is important to keep in mind that Brazil is a global leader for environmental issues, with a long history of environmental protection. Its first Forest Code was implemented in 1934. In 2012, the Code was updated to better suit current Brazilian reality.

The mainstay of Brazil’s environmental policy is strict liability for factories, which are made accountable for the pollution they cause. Subsequent legislation has authorized public prosecutors and NGOs to act in defense of the environment, and a number of regulations have been issued regarding conservation and environmental licensing, as well as oil and gas exploration and production.
ENVIRONMENTAL LICENSING

Before starting an industrial, infrastructure or agricultural project in Brazil, it is necessary to obtain environmental licensing, which is part of general licensing. Some commercial developments may also require these licenses, depending on the zoning laws in a given municipality. The main goal is to analyze the potential impact that new undertakings may have on the ecosystem and avoid harm to the environment.

The National Congress is currently working on a new general law regarding licensing, which would speed up the process by reducing bureaucracy. Among the topics being discussed is the possible waiving of licenses for undertakings unlikely to present any danger to the environment.

Currently, the licensing process starts at IBAMA and there are three main categories of licenses:

- **Provisional License (LP)**
- **Building License**
- **Operating License (LO)**

These can be issued individually or in succession, according to the nature, characteristics, and phase of the enterprise or activity.
PHASE 1

The Provisional License is valid for up to 5 years and does not guarantee the building of the project. Its main goal is to study the viability of the enterprise based on activity, location, and environmental impact. This document will set out the basic requirements and standards that need to be met in the subsequent phases of the licensing process, taking into account different project alternatives and proposals submitted by applicants.

During the provisional licensing phase, the applicant is required to submit a proposal as a ‘Terms of Reference’ (TR) document to IBAMA in order to prepare environmental impact studies. Once the TR is approved, the applicant should then prepare an Environmental Impact Assessment (EIA) and Environmental Impact Report (RIMA).

Following submission of the EIA and RIMA, as well as a public hearing on the project, the applicant gets a provisional environmental license, which allows work on the project to begin.

For enterprises and activities that do not entail a significant impact upon the environment, IBAMA may waive the provisional licensing phase and require instead a Simplified Environmental Assessment (EAS) and an Environmental Control Plan (RAP).

PHASE 2

Once the LP is granted, the second phase begins. The Building License is valid during the period of construction work but has a limit of 6 years. The work must comply with the specifications contained in previously approved construction projects and plans.

PHASE 3

Before the beginning of operations, it is necessary to obtain an Operating License (LO).

This will happen after an inspection by local authorities, to certify that all necessary measures were taken to protect the environment. This also includes numerous reports that detail environmental mitigation measures, as well as those that were not included or were not sufficiently explained during the Building Permit application process.

During the entire process, IBAMA may consult other agencies, such as institutes that protect historic heritage, environmental institutions and populations affected by the project, in order to make its decision.
WORKFLOW

TERMS OF REFERENCE (TR)

ENVIRONMENTAL IMPACT ASSESSMENT (EIA) + ENVIRONMENTAL IMPACT REPORT (RIMA)

PROVISIONAL LICENSE

BUILDING LICENSE
(CONSTRUCTION WORKS)

OPERATION LICENSE
(REPORTS AND INSPECTIONS)

SOURCES

- Forest Code

- Public Forest Management Council
  https://br.fsc.org/preview.folder-institucional.a-1146.pdf

- Brazilian Environmental Protection Agency
  http://www.ibama.gov.br/

- Ministry of the Environment
  http://www.mma.gov.br/
Before making any travel arrangements, investors should check whether they will require a visa. Currently, Brazil has agreements with nearly 90 countries for visa exemptions, supported by the principle of reciprocity adopted by the Brazilian government. This reciprocity means that if a certain country does not require visas for Brazilians, citizens of that country will not require visas to enter Brazil. Visa requirements by country can be found at this link: http://boston.itamaraty.gov.br/en-us/visa_requirements_by_country.xml

For citizens in countries that are not exempt from visas, it is advised to apply for a business visa at the Brazilian consulate in their country of origin. These visas allow for a maximum stay of 90 days, which can be extended for an additional 90 days through a request to the Federal Police. They are valid for up to 5 years under current immigration legislation.

In 2017, a new Immigration Law was approved, altering some requirements for requesting permanent visas. Adopting a more humanitarian perspective, Brazil will now issue residence visas to stateless individuals whose life may be at risk, foreigners whose countries are affected by war, conflicts or natural disasters, people submitted to slave labor conditions, and victims of human trafficking.

Some traditional residence visas are still being granted, such as the family reunion visas. Anyone who marries or has a civil union with a Brazilian or an immigrant who has a temporary or permanent residence visa is entitled to obtain a permanent residence visa. These are valid for both heterosexual and same-sex couples. Foreigners who have Brazilian siblings or are legally responsible for Brazilian children may also obtain permanent residence.
Non-Brazilians who intend to invest in activities with economic, social, scientific, technological or cultural value, generating jobs and wealth in the country, may also apply for a residence visa, as well as those who have received job offers in Brazil, according to new legislation.

Currently, investors who invest the equivalent of BRL 500,000 (USD 144,000) in foreign currency in Brazil and present plans to create new jobs may receive a permanent visa. For those who intend to invest in technology and R&D activities, the starting value is BRL 150,000 (USD 43,000).

The new system for granting electronic visas is available for citizens of Australia, Canada, United States and Japan. People from these countries may apply for a Visit Visa and obtain it remotely, with no need to visit a consulate. The eVisa must be applied for at the VFS Global website [http://www.vfsglobal.com/Brazil-eVisa/](http://www.vfsglobal.com/Brazil-eVisa/)

**Sources**

- Itamaraty: Visas

- Itamaraty: Visa requirements by country

- Serpro: Visa Form

- Immigration Law (13,445)

- Immigration Law

- Consulate: Other Visas
  [http://www.portalconsular.itamaraty.gov.br/vistos#outros](http://www.portalconsular.itamaraty.gov.br/vistos#outros)

- Brasil.gov: Investors visa
1. LIMITED-LIABILITY SOLE PROPRIETORSHIP - EIRELI
("Empresa Individual de Responsabilidade Limitada")

Rules regarding the creation of this type of corporate structure are available in the Official Registry Manual 2017 (DREI Normative Ruling 38/2017, Appendix V, in Portuguese)

More information at:

1. APPLICABLE LEGISLATION
- Law 12,441/2011, which amends provisions of the Brazilian Civil Code;
- Normative Ruling 10, of December 5, 2013 (IN DREI 10/2013), issued by the Department of Corporate Registration and Integration (DREI), establishing the Registry Manual for each different type of company. Amended by Normative Ruling 38, of March 6, 2017 (IN DREI 38/2017).

2. CLASSIFICATION
- Individual company;
- For profit.

3. LEGAL NAME
- Firm Name ("Firma"): Proprietor’s full name, followed by “Eireli”;
- Corporate Name ("Denominação"): Corporate purpose, followed by “Eireli”.

Main Types of Companies
4. OWNERS
- Only one proprietor; a one-person undertaking (meaning that once the individual opts for an Eireli, he/she can run only one company of that type);
- Individual (of Brazilian or foreign origin).2

5. ARTICLES OF ORGANIZATION/INCORPORATION3
- Articles of Organization;
- Registration and filing at the Commerce Registry (“Junta Comercial”) of competent jurisdiction.

6. CAPITAL
- Given that the company relies on a sole proprietor, capital is not required to be divided into units of ownership;
- The minimum capital required cannot be less than one hundred times the sum of the highest minimum monthly wage in Brazil on the date of filing for registration;
- Once it is paid in, capital can be increased at any time;
- Capital can be reduced, as long as the minimum value required by law is maintained.

7. PAYMENT
- A statement, in the articles of organization, that capital has been fully paid in;
- Any assets can be used for payment, provided they are susceptible to cash valuation.

8. OWNERSHIP/PARTNERSHIP LIABILITY
- Limited to paid-in capital;
- Unlimited: in case capital is as of yet unpaid, not observing the minimum capital requirement.

9. CONTROL AND MANAGEMENT
- Controlled by the sole proprietor;
- An Eireli can be managed by one or more persons, whether an owner or non-owner, as indicated in the articles of organization. A legal entity cannot be a manager;
- A foreign individual can be appointed as manager, provided that he/she has a permanent visa and is not otherwise prevented from occupying management positions. Citizens from Mercosur countries (Argentina, Paraguay and Uruguay) and associated nations (Bolivia and Chile) who hold a 2-year Temporary Residence visa can be both owner and manager of an Eireli, in accordance with IN DREI n.34/2017.4

10. TERMINATION/DISSOLUTION
- Compliance with Limited Liability Company’s rules, wherever applicable.
2. LIMITED-LIABILITY COMPANY (LTDA.)
(“Sociedade Limitada”)

Rules regarding the establishment of this type of corporate structure are available in the Official Registry Manual 2017 (DREI Normative Ruling 38/2017, Appendix II, in Portuguese).

More information at:

1. APPLICABLE LEGISLATION
   ▸ Brazilian Civil Code (Law 10,406/2002; from Article 1,052 to Article 1,087);
   ▸ Normative Ruling 10, of December 5, 2013 (IN DREI 10/2013), issued by the Department of Corporate Registration and Integration (DREI), establishing the Registry Manual for each different type of company. Amended by Normative Ruling 38, of March 6, 2017 (IN DREI 38/2017).

2. CLASSIFICATION
   ▸ Business company formed by individuals or capital;
   ▸ For profit.

3. LEGAL NAME
   ▸ Firm Name (“Firma”): Name of one or more of the company’s partners, with “e companhia” (& Cia.) and “limitada” (Ltda.), in full or abbreviated;
   ▸ Corporate Name (“Denominação”): Corporate purpose followed by “limitada” (Ltda.), in full or abbreviated.

4. OWNERS
   ▸ Two or more partners;
   ▸ Individuals or legal entities, of Brazilian or foreign origin.

5. ARTICLES OF ORGANIZATION/INCORPORATIONS
   ▸ Articles of Organization/Bylaws;
   ▸ Registration and filing at the Commerce Registry (“Junta Comercial”) with jurisdiction.

6. CAPITAL
   ▸ Divided into membership units;
   ▸ No minimum capital requirement;
   ▸ An increase in capital is allowed, providing all subscribed membership units are paid in;
   ▸ The capital can be subject to reduction in the following cases:
     » (i) the occurrence of losses; or
     » (ii) capital is excessive pursuant to the company’s corporate purpose.

7. PAYMENT
   ▸ The articles of incorporation must establish the means and deadline for payment;
   ▸ Any assets can be used for payment, provided they are susceptible to cash valuation.

8. OWNERSHIP/PARTNERSHIP LIABILITY
   ▸ Limited to paid-in capital;
   ▸ In cases in which capital has not been fully paid, the partners shall be deemed unlimitedly and jointly liable.
9. **CONTROL AND MANAGEMENT**

- Control defined by number of membership units;
- Resolutions are made during meetings (up to 10 partners) or general meetings (more than 10 partners);
- The company can be managed by one or more people, partners or non-partners, as indicated on the articles of organization;
- The company can be managed by a non-partner, if unanimously approved by partners when capital has not been paid, and if approved by 2/3 (two-thirds) when capital is fully paid;
- A foreigner can be appointed as manager, provided that he/she has a permanent visa and is not otherwise prevented from occupying management positions. Citizens of Mercosur countries (Argentina, Paraguay and Uruguay) and associated nations (Bolivia and Chile) who hold a 2-year Temporary Residence visa can be both owner and manager of an LLC, respecting IN DREI 34/2017.

10. **TERMINATION/DISSOLUTION**

- Dissolution occurs in the following cases (as in Article 1,033; Article 1,034; and Article 1,087 of the Brazilian Civil Code):
  - (i) at the end of its term;
  - (ii) unanimous resolution of all members;
  - (iii) resolution of members representing an absolute majority, in companies with an open-ended duration;
  - (iv) insufficient plurality of members;
  - (v) expiration of company’s license to operate;
  - (vi) court decision;
  - (vii) bankruptcy;

- Judicial or extrajudicial liquidation will take place after the company is terminated. The remaining assets will be distributed to the members proportionally to their respective membership units.
1. APPLICABLE LEGISLATION
   • Normative Ruling 10, of December 5, 2013 (IN DREI 10/2013), issued by the Department of Corporate Registration and Integration (DREI), establishing the Registry Manual for each different type of company. Amended by Normative Ruling 38, of March 6, 2017 (IN DREI n.38/2017)

2. CLASSIFICATION
   ▸ Business corporation formed by either public or private capital (either publicly or closely held companies);
   ▸ For profit.

3. LEGAL NAME
   ▸ Corporate Name (“Denominação”): Fictitious business name and/or founder’s, shareholders’ and involved people’s names, with “Sociedade Anônima” (S.A.) or “Companhia” (Cia.), in full or abbreviated. The latter cannot be placed at the end of the legal name.

4. OWNERS
   ▸ At least two shareholders for closely held companies and three for publicly held ones;
   ▸ Individuals or legal entities (of Brazilian or foreign origin)

5. ARTICLES OF ORGANIZATION/INCORPORATION
   ▸ Articles of Incorporation/Bylaws;
   ▸ Registration and filing at the Commercial Registry (“Junta Comercial”) with jurisdiction
6. CAPITAL
- Divided into shares;
- No minimum capital requirement, but shareholders must pay in at least 10% of the issuance price of the shares subscribed in cash;
- The articles of incorporation establish the number of shares, and whether the shares will have a par value or not;
- Capital can be increased in the following cases:
  » Issuance of shares provided for in the articles of incorporation;
  » Conversion of bonds (debentures) and participation certificates into shares;
  » Resolution of the Annual General Meeting regarding capitalization or reserves or issuance of new shares;
- The capital can be reduced in the case of a loss or capital that is excessive for the company’s corporate purpose.

7. PAYMENT
- The articles of incorporation must establish the deadline for payment;
- Any assets can be used for payment, provided they are susceptible to cash valuation.

8. OWNERSHIP/PARTNERSHIP LIABILITY
- No liability: shares subscribed and paid in;
- Limited to the shares that shareholders have subscribed for and have not yet paid in.

9. CONTROL AND MANAGEMENT
- Control defined by shareholders with voting rights. The controlling shareholder owns a majority portion of the voting capital;
- In compliance with company’s articles of incorporation, corporate management will be performed by the Board of Directors ("Conselho de Administração") and the Executive Committee ("Diretores"), or solely by the Executive Committee;
- The chair of the Executive Committee, whether a shareholder or not, must reside in Brazil;
- The members of the Board of Directors can reside abroad, provided they appoint a representative resident in Brazil.

10. TERMINATION/DISSOLUTION
- Dissolution comes into effect either by court order or by the ruling of administrative authorities with jurisdiction. Acquisition, merger and spin off are forms of dissolution;
- Judicial or extrajudicial liquidation will take place after the company is terminated. The remaining assets will be distributed to the shareholders proportionally to their respective shares.

FURTHER INFORMATION
- Department of Corporate Registry and Integration (DREI) of the Special Secretary for Micro & Small Enterprises (SEMPE)
  http://www.sempe.mdic.gov.br/
For further information about legal companies’ names see Normative Ruling DREI 15/2013 (IN DREI 15/2013).

For further information about foreigner participation see Normative Ruling DREI 34/2017 (I.N. DREI 34/2017). In Portuguese.

For further information about companies’ incorporation see Normative Ruling DREI 35/2017 (I.N. DREI 35/2017). In Portuguese.

For further information about foreigner participation see Normative Ruling DREI 34/2017 (I.N. DREI 34/2017). In Portuguese.

For further information about foreigner participation see Normative Ruling DREI 34/2017 (I.N. DREI 34/2017). In Portuguese.

For further information about companies’ incorporation see Normative Ruling DREI 35/2017 (I.N. DREI 35/2017). In Portuguese.

For further information about foreigner participation see Normative Ruling DREI 34/2017 (I.N. DREI 34/2017). In Portuguese.

For further information about foreigner participation see Normative Ruling DREI 34/2017 (I.N. DREI 34/2017). In Portuguese.

For further information about companies’ incorporation see Normative Ruling DREI 35/2017 (I.N. DREI 35/2017). In Portuguese.
The Consolidation of Labor Laws ("CLT") was issued in 1943 and remains the main piece of legislation governing employment contracts in Brazil. In 2017, the law was updated by the National Congress to better reflect modern-day working relations. These updates went into effect in November 2017.

One of the biggest goals of this reform is to increase the number of people employed under the CLT regime, which is to say "formal" or "registered employees." All these workers, including foreigners, must hold a work permit ("Carteira de Trabalho"), in which the terms of employment must be recorded by the hiring company.

Other types of professionals are public servants, autonomous professionals and legal entities (generally a single-member company holder who provides services under his or her legal entity). Rural and domestic workers also have their own set of regulations.

Outsourcing ("terceirização") companies’ activities is legal in Brazil and it has undergone important changes in 2017. In March, the government issued a new law, the "Outsourcing Law" (13,429/2017), allowing unlimited outsourcing for businesses, including of their core activity ("atividade fim"). Before that, only non-core activities ("atividades meio") could be outsourced, such as maintenance, cleaning or security.
THE CLT

CLT rules make no distinction between skilled and unskilled workers or between those engaged in manual, office or professional work. Registered workers are also entitled to benefits such as minimum wage, maximum working hours, overtime pay, paid leave and holidays.

Employers must keep official records or cards containing detailed information about each employee. Each year they must file returns listing all of their employees to the local office of the Ministry of Labor (www.mte.gov.br), including reporting the number of foreigners and underage workers. Companies are allowed to employ foreign workers up to a limit of 1/3 of their total staff.

After last year’s revamp, the CLT has become more comprehensive. Besides regular working contracts, it also regulates intermittent work. For this type of work, there must be a written contract and the contractor cannot earn less per hour than the other hired employees. He or she is also free to work for other companies as well. The new rules also foresee regulation for home office arrangements.

One of the most important changes is that collective agreements between unions, employees and companies are placed above the terms of the law, meaning that issues such as vacation conditions, length of daily work hours or lunch breaks can be decided on a case-by-case basis, as long as those terms respect certain limits established by the CLT.

Another advance is the possibility to end a labor contract by agreement - which means the employer does not have to pay a heavy fine and allows the employee to have access to the Guarantee Fund for Length of Service (FGTS) - a kind of worker savings account that can only be withdrawn in case of dismissal, to buy residential properties, or retirement.

It also aims to diminish the number of judicial disputes related to employment relationships. In Brazil, those are decided by specialized labor courts (“Justiça do Trabalho”) which are present in all states of the country and headed by the Superior Labor Court (TST).
The Federal Constitution and CLT provide for a series of minimum benefits that remain untouched by reforms and must be granted by the employer to its employees throughout the employment relationship. Some of these minimum benefits are:

1. **MINIMUM WAGE**
   - The Federal Government is responsible for establishing the minimum wage that must be paid to employees. No employee in Brazil shall receive less than the minimum wage. The minimum wage is reviewed and adjusted every year.
   - Additionally, each category of workers (e.g., salesmen, drivers, doctors, etc.) has a professional minimum wage, which cannot be lower than the minimum wage established by the Federal Government. Wage rates set by local labor unions are typically higher than the general minimum wage.
   - Each state can also establish a minimum wage by law.

2. **MAXIMUM HOURS/OVERTIME PAY**
   - Regular working hours are limited to 8 hours per day and 44 hours per week. Under the CLT regime, as long as the weekly limit of 44 hours is respected, the employees’ regular work schedule can be increased by overtime hours, which cannot exceed the legal limit of two hours per day.
   - Overtime work during business days requires an additional overtime payment of at least 50% more than the regular rate.
   - Work on Sundays and holidays requires a permit from the Ministry of Labor and a minimum overtime payment of at least 100% more than the regular rate.
   - Collective bargaining agreements can provide for higher overtime payments.

3. **PAID LEAVE**
   - In Brazil, every employee is entitled to an annual paid leave of 30 calendar days, in addition to holidays occurring during the year. The employee’s vacation right is acquired after one year of continuous employment. The leave must be taken in the course of the 12 months following the anniversary date of employment. They can also be split into up to three different periods - one over 14 consecutive days and two others of more than 5 consecutive days each.
   - The Federal Constitution also states that employers must pay an additional 1/3 of the monthly salary as a vacation bonus during the month the employee is on vacation.
4. **PAID HOLIDAYS**

   - The following are the national legal paid holidays that must be observed. As mentioned above, an employee required to work on any of these holidays must be paid at the rate of at least 100% over his or her normal wage.
   - **New Year’s Day | January 1**;
   - **Carnival | varies, February**;
   - **Good Friday/Easter | varies, April**;
   - **Tiradentes Day (Brazilian Martyr for National Independence) | April 21**;
   - **Labor Day | May 1**;
   - **Corpus Christi | varies, June**;
   - **Independence Day | September 7**;
   - **Our Lady of Aparecida | October 12**;
   - **All Souls’ Day | November 2**;
   - **Republic Day | November 15**;
   - **Christmas Day | December 25**.

   > There are also paid state and municipal holidays.

5. **CHRISTMAS BONUS (“13TH SALARY”)**

   - The Constitution also provides that all employers must pay a Christmas Bonus, which is commonly known as the “13th salary.” This is an additional monthly salary payment at the end of each year. This payment is made in two installments: the first is paid between February and November of each year and the second installment is paid on or before December 20. The Christmas Bonus is paid based not on the base salary, but on the employee’s entire compensation, including the usual overtime and bonuses.

6. **HEALTH AND SAFETY**

   - Although the CLT contains a chapter that deals exclusively with health and safety matters, the Ministry of Labor also publishes Administrative Rules which establish specific provisions in connection with, among other matters, the prevention of and protection from accidents, personal safety equipment, building safety requirements, transportation and handling of materials, hazardous work conditions, and environmental contamination.
   - Also, some employers must establish an internal accident prevention committee in every establishment. This committee comprises employer and employee representatives and must hold periodic meetings to prevent on-the-job accidents.

7. **PAID MATERNITY LEAVE**

   - Female employees in Brazil are entitled to 120 days of paid maternity leave. There are plans in Congress to increase this period to 180 days.
   - Salary payments during maternity leave are made by the employer, who can offset the corresponding amount against Social Security charges.
   - Under the CLT, an employer cannot dismiss pregnant employees from the confirmation date of the pregnancy until at least five months after the birth.

8. **OTHER BENEFITS**

   - In addition to the rights established above, employers can voluntarily provide further benefits at their discretion. In Brazil, employers usually provide health care plans and life insurance policies to their employees. Most usual fringe benefits granted to employees (i.e., health insurance, pension fund, life insurance, education, etc.) are not considered salary for any purpose.
Endnotes:

i As defined by CLT (DEL 5,452/1943), Article 443

ii As defined by CLT (DEL 5,452/1943), Article 468

**SOURCES**

- Consolidation of Labor Laws (Decree 5,424/1943)
  http://www.planalto.gov.br/ccivil_03/decreto-lei/Del5424.htm

- CLT’s 2017 Renovation

- “Portal Brasil”: CLT governs individual and collective employment relationships
  http://www.brasil.gov.br/cidadania-e-justica/2012/03/clt-rege-relacoes-de-trabalho-individuais-ou-coletivas

- Executive’s News: President Temer partially sanctions “Outsourcing Law” (March 2017)
  http://www2.planalto.gov.br/acompanhe-planalto/noticias/2017/03/presidente-temer-sanciona-parcialmente-lei-da-terceirizacao

- Outsourcing Law (Law 13,429/2017)

- Executive’s News: Government improves labor legislation without harming rights (December 2016)

- 180-days maternity leave bill
STEP-BY-STEP

- It is highly advisable to confirm whether you need to obtain prior authorization from public agencies in order to operate your business activities in Brazil. You must also check if there is not already a company registered with the same name.

- Afterwards, you must choose which type of company best suits your business. In Brazil, there are the following categories: individual micro-entrepreneur, individual entrepreneur, individual company with limited liability, business company or simple partnership.

- It is also important to know if the activity of the venture, whether registered or not, can be engaged in by the chosen type of company.

- It is important to hire a local accountant to guide you through the processes of opening a company. The accountant is responsible for taking all documents to the local Commercial Registry in the Brazilian state where you intend to open the company and having them filed.

Here is a list of the documents you might be required to present:

- Articles of incorporation/organization. At this time, you also need to select the method for calculating taxes (Simplified System for Small Businesses – called Simples Nacional; the taxable income system; or the estimated profit system). You will also need to provide the company’s name and designate the Brazil-based administrator of the company. Retaining local legal assistance is highly recommended to prepare the articles of incorporation/organization;

- Power of attorney for the company’s Brazilian representative;

- Copies of the personal documents of the associates, including visas (when appropriate) and the address where the company will be established;

- Corporate taxpayer ID number (CNPJ), which is issued by the Federal Revenue Service (Receita Federal);
- State and municipal taxpayer registries - depending on the activity the company engages in;

- Municipal license and/or operation permit (alvará and/or licença de funcionamento);

- Registration documents from the Brazilian Social-Security Institute (INSS) and Guarantee Fund for Length of Service (FGTS);

- Federal Revenue Payment Form (DARF) - a document that proves the payment of certain federal taxes.

All the documents must be in Portuguese, including those issued abroad. Non-Brazilian documents must also be submitted and notarized by the Brazilian consulate located in the associate’s country of origin. Then, they must be translated by a sworn translator registered with a Registry of Deeds and Documents (cartório).

**SOURCES**

- Sebrae guide

- Apex-Brasil guide
  http://www.apexbrasil.com.br/como-estabelecer-uma-empresa-no-brasil
Government and Support Partners in
This guide is an introduction to what Brazil has to offer investors. You can find further, detailed information about the country through other business support institutions. This section highlights some of the main institutions that deal with trade, investments, companies, documents and legal permissions. You can find out more about them here:

▸ BRAZILIAN TRADE AND INVESTMENT PROMOTION AGENCY (APEX-BRASIL)

Apex-Brasil is a private, public interest entity that works to promote Brazilian products and services abroad and to attract foreign investment to Brazil in economic areas of strategic interest. The agency focuses on foreign companies and greenfield projects that have the potential to bring technological innovation and new business models to Brazil, strengthen domestic industrial supply chains, have a direct impact on local job creation and improve export volumes and diversification.

In the investment attraction segment, Apex-Brasil’s main goal is to help and facilitate investors’ decisions as they set up their business in Brazil. The agency’s service portfolio includes identifying and reaching qualified contacts; preparing market intelligence, covering leading industry sectors, markets, economic trends and guidance on legal and tax matters; and mapping projects for investors, including the identification of suitable locations, potential costs and other business options. Apex-Brasil can also act as a liaison between the investor, strategic partners, suppliers and local authorities.

Below is a list of industries that Apex-Brasil is proactively promoting:

▸ Automotive
▸ Aerospace and Defense
▸ Environmental Solutions (clean technology and renewable energy)
▸ Life Sciences
▸ Oil and Gas
▸ Real Estate
▸ Research and Development
▸ Private Equity & Venture Capital

Apex-Brasil also works as a channel to connect foreign investors with local companies, universities and research centers to establish partnerships, joint ventures or other types of cooperation. Apex-Brasil can also help capital investors in the process of identifying opportunities, projects and companies for venture capital and private equity investments in Brazil.

Apex-Brasil is linked to the Ministry of Foreign Affairs (MRE) and works in cooperation with the Ministry of Foreign Industry, Foreign Trade and Services (MDIC) and with the Brazilian Investment Information Network (RENAI). More information can be found at www.apexbrasil.com.br
MINISTRY OF FOREIGN AFFAIRS (MRE)

The Ministry of Foreign Affairs (MRE) is responsible for framing and implementing Brazil’s commercial diplomacy, which includes the promotion of investment.

Through its Investment Division (DINV), the Ministry of Foreign Affairs aims to foster foreign investment in crucial sectors of the Brazilian economy, such as energy, infrastructure and logistics, and information technology, as well as projects that involve a strong research and development component.

The Investment Division also works to help foreign investors inside and outside Brazil, providing support for delegations that visit the country by identifying key value partners and preparing visit schedules, as well as organizing and participating in investment promotion events outside Brazil.

More information can be found at:

BRAZILIAN COMMERCIAL SERVICE (SECOM)

The Ministry of Foreign Affairs is also responsible for coordinating the Brazilian Commercial Services (SECOMs), a network of trade and investment professionals located in 104 embassies and consulates around the world. SECOMs provide assistance to companies wishing to invest in Brazil or import Brazilian products and services.

SECOMs are responsible for attracting and promoting foreign investment in Brazil and work as gateways for investors who seek guidance regarding opportunities in the country, including the regulatory framework, economic indicators and market intelligence. They also provide help to those interested in buying or investing in Brazilian products and services.

More information can be found at:
http://www.investexportbrasil.gov.br
BRAZILIAN INVESTMENT INFORMATION NETWORK (RENAI)

The Brazilian Investment Information Network (RENAI) is part of the Ministry of Industry, Foreign Trade and Services (MDIC) and works closely with state governments. Its main focus is promoting foreign and domestic investment by giving investors the best information available about government programs, legislation and projects open to local and foreign investors. RENAI has three primary objectives:

- Introduce and clarify government programs, regulations and projects to potential investors and established companies in Brazil;
- Articulate private sector demands within the federal government to improve the business climate through policy improvements and adjustments; and
- Stimulate and assist state governments to foster investment in Brazil as a pathway to economic and social development.

RENAI has an online database that works as a fundamental tool for achieving these goals. The database contains information about government investment projects across Brazil, including federal, state and municipal initiatives such as concessions and public-private partnerships (PPPs). Data is organized by company name, state and economic sector.

RENAI is also responsible for organizing seminars and workshops to disseminate a culture of investment attraction in Brazil. It also participates in international investment agreement negotiations and is responsible for organizing investment missions abroad for MDIC, as well as hosting investors seeking to negotiate directly with the Brazilian government.

RENAI, in conjunction with other departments within the MDIC, aims at identifying supply-chain gaps to leverage foreign investment attraction campaigns carried out by Apex-Brasil and other federal entities.

More information can be found at: www.mdic.gov.br/renai

MINISTRY OF AGRICULTURE, LIVESTOCK AND FOOD SUPPLY (MAPA)

The main economic mission of the Ministry of Agriculture, Livestock and Food Supply (MAPA) is to foster the competitiveness and sustainability of Brazilian agribusiness. Its various agencies implement policies in the areas of food security, animal and plant health, credit, food supply, and agricultural research.

The Secretariat of Agribusiness for International Relations is the Ministry’s department for trade and investment promotion.

The Secretariat structures its work in global statistics to offer the best commercial intelligence on agriculture to domestic and international players. It also hosts foreign business delegations in Brazil and promotes enrollment in investment events abroad in order to connect foreign capital with domestic opportunities.

More information can be found at: www.agricultura.gov.br

http://www.planejamento.gov.br/aces-so-a-informacao/institucional/unidades/sec-retaria-de-assuntos-internacionais
» **INVEST&EXPORT BRASIL WEBSITE**

Invest&Export Brasil is a Brazilian government website that brings together information from more than ten official portals dedicated to trade and investment promotion.

**Invest&Export Brasil helps companies:**

» *Make strong decisions regarding foreign trade and investment;*

» *Increase their visibility in Brazil;*

» *Develop new business opportunities.*

Invest&Export Brasil offers a host of resources, including:

» _A directory of Brazilian exporters;_

» _The Brazilian Calendar of Exhibitions and Fairs;_

» _Economic reports and commercial indicators related to Brazil;_

» _Guides for investors;_

» _Answers to online questions – Ask Invest&Export Brasil – from specialists at 23 agencies and organizations._

More information can be found at:  
[www.investexportbrasil.gov.br](http://www.investexportbrasil.gov.br)

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**SOURCES AND OTHER USEFUL LINKS**

- **Official Website of the Federal Government**  
  [www.brasil.gov.br](http://www.brasil.gov.br)

- **Office of the President of Brazil**  
  [www.planalto.gov.br](http://www.planalto.gov.br)

- **Brazilian Senate**  
  [http://www12.senado.leg.br/hpsenado](http://www12.senado.leg.br/hpsenado)

- **Brazilian House of Representatives**  
  [http://www2.camara.leg.br/](http://www2.camara.leg.br/)

- **Federal Supreme Court**  
  [www.stf.jus.br](http://www.stf.jus.br)

- **Brazilian Central Bank**  
  [www.bcb.gov.br](http://www.bcb.gov.br)

- **Ministry of Finance**  
  [www.fazenda.gov.br](http://www.fazenda.gov.br)

- **Federal Revenue Service**  
  [www.receita.fazenda.gov.br](http://www.receita.fazenda.gov.br)

- **Consular Portal - Entry Visas for Brazil**  
  [http://www.portalconsular.mre.gov.br](http://www.portalconsular.mre.gov.br)

- **Integration and Company Registration Department (DREI)**  

- **BM&F BOVESPA**  
  [www.bmfbovespa.com.br](http://www.bmfbovespa.com.br)

- **Brazilian Securities and Exchange Commission (CVM)**  
  [www.cvm.gov.br](http://www.cvm.gov.br)

- **Brazilian Antitrust Authority (CADE)**  
  [www.cade.gov.br](http://www.cade.gov.br)

- **EMBRAPA**  
  [https://www.embrapa.br/en/international](https://www.embrapa.br/en/international)

- **Brazilian Economic and Social Development Bank (BNDES)**  

- **Brazilian Federation of Banks (FEBRABAN)**  

- **SEBRAE (Brazilian Service of Support for Micro and Small Enterprises))**  
  [www.sebrae.com.br](http://www.sebrae.com.br)

- **National Institute of Industrial Property (INPI)**  
  [www.inpi.gov.br](http://www.inpi.gov.br)
ABOUT THE ORGANIZERS OF THIS
ABOUT THE ORGANIZERS OF THIS GUIDE
The Brazilian Trade and Investment Promotion Agency (Apex-Brasil) works to promote Brazilian products and services abroad and to attract foreign direct investments to strategic sectors of the Brazilian economy.

In the investment attraction segment, Apex-Brasil focuses on foreign companies with projects that have the potential to bring technological innovation and new business models to Brazil, strengthen domestic industrial supply chains, have a direct impact on local job creation and improve export volumes and diversification.

Apex’s main goal is to help and facilitate investors’ decisions as they set up their business in Brazil. The agency’s service portfolio includes identifying and reaching qualified contacts; preparing market intelligence on leading industry sectors, markets, economic trends; and mapping local partners and opportunities for investors, including the identification of suitable locations, potential costs and other business options. The Agency also acts as a liaison between the investor, strategic partners, suppliers and local authorities.

Currently, Apex-Brasil proactively promotes the following sectors:

- **Agribusiness**
- **Automotive**
- **Infrastructure**
- **Life Sciences**
- **Oil and Gas**
- **Renewable Energy**
- **Research and Development**
- **Private Equity & Venture Capital**

Apex-Brasil also works as a channel to connect foreign investors with local companies, universities and research centers to establish partnerships, joint ventures and other types of collaboration. Apex-Brasil can also help capital investors in the process of identifying opportunities, projects and companies for venture capital and private equity investments in the country.

Apex-Brasil is linked to the Brazilian Ministry of Foreign Affairs (MRE), working in close collaboration with the Ministry and with Brazilian Embassies abroad.

The Ministry of Foreign Affairs (MRE) is responsible for framing and implementing Brazil’s commercial diplomacy, including investment promotion.

Through its Investment Division (DINV), the Ministry of Foreign Affairs aims to foster foreign investment in crucial sectors of the Brazilian economy, such as energy, infrastructure and logistics, and information technology, as well as projects that involve a strong research and development component.

The Investment Division also works to help foreign investors inside and outside of Brazil, providing support for delegations that visit the country by identifying key value partners and preparing visit programs, as well as organizing and participating in investment promotion events outside the country.


The Ministry of Foreign Affairs is also responsible for coordinating the Trade Promotion Sections (SECOMs), a network of trade and investment professionals located in 104 embassies and consulates around the world. The SECOMs assist companies seeking to invest in Brazil or to acquire Brazilian products and services.

SECOMs are also responsible for attracting and promoting foreign investment in Brazil and can work as local gateways for investors who seek guidance regarding opportunities in the country, including the regulatory framework, economic indicators and market intelligence.

http://www.investexportbrasil.gov.br/?l=en
The Ministry of Planning is the Federal Administration unit responsible for national strategic planning and the preparation of inputs for the formulation of long-term public policies aimed at national development. It is responsible for designing, monitoring and evaluating the investment plan and annual budgets.

The Secretariat for International Affairs (SEAIN) is the Ministry’s department responsible for formulating guidelines, planning, coordinating policies and actions for the negotiation of public sector programs and projects linked to external sources, and for monitoring and evaluating the overall policies and guidelines of multilateral development agencies and the Brazilian position in those organizations. It also deals with international investors in order to attract foreign investment, especially for infrastructure projects.

SEAIN is also responsible for coordinating the Ministry’s negotiations on international agreements for the development of investment and productive capacity, as well as acting as the Executive Secretariat for those agreements and memoranda of understanding signed between Brazil and other countries.

[http://www.planejamento.gov.br/assuntos/internacionais](http://www.planejamento.gov.br/assuntos/internacionais) (Portuguese only)
APPEX-BRASIL
(English)

Invest & Export Brasil is a Brazilian government website that consolidates information from more than ten official portals dedicated to trade and investment promotion.
http://www.investexportbrasil.gov.br/?l=en
(English)

Brazilian Investment Information Network (RENAI)
Ministry of Industry, Foreign Trade and Services
http://investimentos.mdic.gov.br/index
(English)

SEBRAE (Small Business Support Agency)
https://www.sebrae.com.br/sites/PortalSebrae/canais_adicionais/sebrae_english
(English)

EXECUTIVE GOVERNMENT AND MINISTRIES

Presidency of Brazil, News
http://www.brazilgovnews.gov.br/
(English)

Ministry of Foreign Affairs (MRE)
(English)

Ministry of Finance
www.fazenda.gov.br
(Portuguese only)
**LEGISLATIVE**

**Brazilian Senate**
https://www12.senado.leg.br/internacional/en
(English)

**Brazilian House of Representatives**
http://www2.camara.leg.br/english
(English)

**BANKING AND FINANCIAL SECTOR**

**Brazilian Central Bank**
http://www.bcb.gov.br/en/#!home
(English)

**Brazilian Economic and Social Development Bank (BNDES)**
http://www.bndes.gov.br/SiteBNDES/bndes/bndes_en/
(English)

**Brazilian Federation of Banks (FEBRABAN)**
https://portal.febraban.org.br/?idioma=en-us
(English)

**Brazilian Securities and Exchange Commission (CVM)**
http://www.cvm.gov.br/subportal_ingles/
(English)

**BM&F BOVESPA**
(English)

**OTHER**

**Federal Supreme Court**
http://www2.stf.jus.br/portalStfInternacional/cms/verPrincipal.php?idioma=en_us
(English)

**Integration and Company Registration Department (DREI)**
http://drei.smpe.gov.br/
(Portuguese only)

**EMBRAPA**
https://www.embrapa.br/en/international
(English)

**Federal Revenue Service**
www.receita.fazenda.gov.br
(Portuguese only)