

PALLADIUM'S GUIDE TO BRAZILIAN COMPANIES

Brazil is of the booming heart of Latin America and a wonderful place to do business. Palladium Trust Services Limited has the experience and local knowledge to help you reach the right decisions and find the appropriate partners when doing so - and with incorporating a company in Brazil.

This brochure will inform you about:

- Types of Brazilian Companies
 - Requirements and Advantages
 - Features of a Brazilian company
 - Incorporation process
 - Fees
-

TYPES OF COMPANIES

There are several types of Brazilian companies, the two most common of which are a Limited Liability Company (Sociedade Limitada) and a Joint Stock Corporation (Sociedade Anonima), both of which are liable to the same tax treatment.

Limited Liability Company (Sociedade Limitada)

- Limited liability for the shareholders - company must be founded with at least two shareholders but neither of them needs to be Brazilian. A shareholder may be an individual person or any other legal person eg company.
- Simple to form and operate
- Normally no minimum capital requirement
- No obligation to constitute a capital reserve
- No obligation to publish annual financial statements
- Can be converted to a Corporation / S.A.

Joint Stock Corporation (Sociedade Anonima)

- Limited liability for the shareholders
- Detailed regulatory framework for corporate activities
- Obligation to publish annual financial statements
- A reserve of 10% of the total capital must be kept in a bank account
- Requirement of a Board of Directors (minimum two Brazilians)
- Requirement of an Audit Committee

REQUIREMENTS AND ADVANTAGES

Main requirements applicable to both types of companies:

- (i) minimum of 2 shareholders (in principle, both of them can be non residents, provided that a Brazilian resident representative is appointed to be the Company's administrator and the director has a 'CPF', Brazilian tax identification number);
- (ii) A Brazilian postal address is required
- (iii) there is no minimum capital (except for bank, insurance and others)
- (iv) officers must be Brazilian residents
- (v) directors may be non Brazilian residents;
- (vi) mandatory annual shareholders meeting;
- (vii) mandatory publication of some of its corporate acts;
- (viii) mandatory bookkeeping.

Advantages

Brazil has a relatively low corporate tax rate of 15%, however an additional 10% tax is levied on annual profits above US\$142,000. There is also a 9% social contribution tax on net profits. There are no capital requirements to set up a private limited company. It is also possible to open corporate bank accounts for a Brazilian company. Brazil has also signed double taxation treaties with several key trading partners around the world.

FEATURES OF A BRAZILIAN COMPANY

- The company must have at least 2 shareholders
- If partners are not Brazilian residents, the company needs a local resident who has power of attorney. We can provide a nominee service for you which satisfies this need
- Foreign partners of the business must be enrolled with the Federal Revenue Office
- Brazilian law taxes companies on their size, not type, so your revenue will be the determining factor with regards to the tax your company needs to pay.

INCORPORATION PROCESS

The incorporation process of a Brazilian company necessarily involves at least five phases:

- 1) Registration of the foreign shareholder before the Federal Tax Payer
- 2) Registration of the company's Articles of Association or By-laws before the State Board of Trade or Public Notary
- 3) Enrolment and registration of the company before the Federal Tax Payer Register
- 4) Enrolment and registration of the company before the local municipality
- 5) Enrolment and registration of the company before the State Tax Payer Register (only for commercial companies).

The articles of incorporation of a Sociedade Limitada follow the form of a partnership contract and are governed by the New Civil Code and by the Brazilian Corporation Law.

For further information, please contact Palladium.

Palladium Trust Services Limited provides a range of services in jurisdictions across the globe including: corporate services, trust and fiduciary, fund and legal services in the BVI and Anguilla.

Palladium Trust Services Limited | 07442667

23 Berkeley Square, London, W1J 6HE | www.palladiumtrustservices.net

Contact: Stephen Abletshauser

T: +44 20 3170 7169

F: +44 20 3178 2848

E: stephen@palladiumtrustservices.net

Note from Palladium:

This article is not intended to be a substitute for legal advice. Further, it deals in broad terms only and it is intended to merely provide a brief overview and give general information.