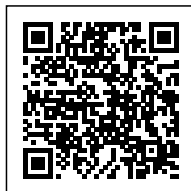


# BALANCING BURDENS WITH BENEFITS - BRIGANTI ADVOGADOS

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**Brazil may be seen as the prime international market, but Iberian investors looking at transatlantic trade must be aware of the tax challenges of doing business in the emerging economic powerhouse.**

"We haven't seen much movement to reduce the tax burden for foreign investors as Brazil continues to protect its boundaries," explains Leonardo Briganti, Founding Partner of Briganti Advogados in São Paulo. "Foreign investors need not worry about double taxation. The major issue is the huge cost of setting up a company in Brazil."

Briganti says that the general income tax rate in Brazil is 34 percent. In addition, further levies should be taken into account as to be taxed on company's invoices. He also highlights the huge bureaucracy involved in processing tax and the tax bill for workers' social security payments, which can equate to an additional 25.8 percent on top of a salary.

There has been some progress for international investors, he adds. Brazil recently removed its six percent foreign investment tax on loans with a minimum period of maintenance of one year within the Brazilian territory.

The local tax authorities are also proactive, says Briganti. For example, Brazilian companies investing

in places like Spain and Portugal have been hit by profits on foreign subsidiaries, while major local companies, like Petrobras and Vale, battle the authorities over disputes regarding money owned – sometimes being hit with double or even triple-digit interest penalties. Recently a controversial six percent tax was put on purchases, cash withdrawals or payments made abroad by those with a Brazilian debit card.

“What I say to any client looking at Brazil is that they must carefully consider the tax and other bureaucratic burdens,” Briganti summarizes, “and companies really must understand the culture and what to expect.”