



商業信託
Commercial Trust



Country Profile: Brazil

The Facts

Location	Eastern South America
Languages	Official – Portuguese
Nationality	Brazilian
Religions	Roman Catholic – 73.6% Protestant – 15.4% Others – 11%
Government	Federal Republic
Head of Government	President
Legislature	Bicameral National Congress
Constitutional Document	The Constitution of the Federative Republic of Brazil
Economy	Brazil has the 6 th largest economy and the 5 th largest agricultural land mass in the world. Brazil is also the only BRIC country with a European based legal system. This fast growing economy offers moderate free market and consistent policies to stimulate the economic growth especially on industry, technology and foreign trade.
Currency	Brazilian Real (BRL)
GDP (2011)	Total – BRL 4,051 billion Per capita – BRL 22,396 Real GDP growth – +2.7%
Population	205,716,900 (approx.)
Percentage of population	White – 53.7% Mulatto – 38.5% Black – 6.2% Others – 1.6%
Area	8,514,877 km ²
Time zone	BRT (UTC -3) BRST (UTC -2)
Public Holidays	National holidays – 11
Climate	Tropical



Sources: *Business in Brazil*, *Central Intelligence Agency*, *International Monetary Fund*

Brazil

Brazil is the world's fifth-largest country and sixth largest economy. With an abundance of natural resources, skilled workforce, and a favorable business environment, it has always been a great place to do business in for foreign companies. Moreover, according to Brazil's Justice Ministry, the country had around 1.51 million legal foreign workers, as of 2011.

According to *Building Better Global Economic BRICs*, a paper written for Goldman Sachs by Jim O'Neill in 2001, BRIC countries are likely overtake G7 countries by 2027. Brazil is one of the members of the BRIC countries, along with Russia, India and China. That simply means that Brazil's economy has enough potential to grow faster in the coming years. According to another report published in Forbes.com on November 28, 2011, "Brazil has been adding 19 'millionaires' per day since 2007 — and that statistic will likely be repeated over the next three years...." And these are not the only reasons why more and more foreign investors have been planning to invest in Brazil. Let's take a look at some other important reasons.

The Brazil Business Climate

The three major reasons why most foreign entrepreneurs wish to start or expand their business in Brazil are:

- **Steady economic growth:** The Gross Domestic Product (GDP) of Brazil increased from \$15 billion in 1960 to \$2 trillion in 2011. This makes Brazil the seventh largest economy in the world. Moreover, Brazil accounts for around 60 percent of South America's GDP. As of 2010, the country has reported its GDP at \$10,800, and GDP Growth Rate at 7.5 percent. All these statistics clearly show why Brazil is considered an investor's safe haven.
- **Abundance of natural resources:** Brazil is the second largest producer of ethanol fuel and iron ore in the world. Moreover, with discovery of huge oil fields during the last decade, the country has come closer to its mission of achieving energy self-sufficiency. As of 2011, Brazil was the world's 15th largest producer of oil. A report published in CNBC.com on April 28, 2011, quoted Enrique Sira, Director of Research for Latin America for IHS Cera, as saying, "We think Brazil has the potential and the resources to go from the 2 million barrels it produces today to five million by 2030," Not to mention, easy availability of raw materials and natural resources is one of the major reasons why many foreign entrepreneurs prefer doing business in Brazil.
- **Increased buying capacity in the domestic market:** According to the report *Growing Middle Class Fuels Brazil's Economy*, published in CNBC.com on April 28, 2011, the purchasing power of Brazil's middle class population is growing steadily. The country produced around 35 million highly capable middle class buyers during 2003-2009, and is expected to add more 20 million by 2014. Moreover, the unemployment rate of the country is also decreasing faster than ever before. As of now, the unemployment rate of the country is lower than 7 percent. All these factors are also contributing to the country's favorable business environment.

Moreover, Brazil is going to host two major sports events of the world in the near future. The country will host the FIFA World Cup in 2014 and the Olympic Games in 2016. This is surely going to have a positive impact on Brazil's economy. This is therefore a good time to invest in Brazil. Entrepreneurs who are interested to start a business in Brazil should know about the different legal forms of business in Brazil.

Setting up a Business in Brazil

Foreign entrepreneurs can establish various types of companies in Brazil. The different business forms in Brazil include general partnership, capital partnership, unlimited partnership, limited liability, and others. However, Limited Liability Company and Limited Partnership Company are currently the two most popular forms of business in Brazil.

- **Sociedade Limitada (LTDA) or Limited Partnership Company:** Two or more people can come together to form this type of company in Brazil. This is a kind limited partnership company where liabilities on personal properties of partners are very limited in the event of business failure. Governed by a Contrato Social (Articles of Association), the capital of this kind of company is divided into quotas (shares). Due to the flexible nature of this business type, they are very popular in Brazil. This is also very inexpensive to establish this type of company because there is no minimum capital requirement for them. If one of the shareholders owns 75 percent or more of the company's shares, he/she will have full control over the administration of the company.
- **Sociedade Anônima (SA) or Limited Liability Company:** It is usually more expensive to set up a limited liability company in Brazil. This business structure is also less flexible in nature. As a rule, a limited company should publish its annual financial statements in Brazil's popular newspapers. This makes this business type more transparent than the other existing forms. This business structure is actually a combination of partnership and corporate forms. In Brazil, an SA company is supervised by a Fiscal Council and a Management Board. Each of these boards should consist of at least two Brazilian residents. The company should also form a board of directors, which should comprise of its shareholders. The shares of the company can be traded freely among common people.

How to Get Started

It is not necessary for a foreign investor to be physically present in Brazil for establishing a company. If a foreign entrepreneur does not want to visit Brazil when establishing a company, he/she should hire a Brazilian law firm to complete initial legal formalities. The foreign entrepreneur can also provide a Power of Attorney to the Brazilian law firm to sign all incorporation documents.

Procedure to Start a Company in Brazil

A foreign investor should complete the following nine steps to establish a company in Brazil.

- **Register company name:** The foreign entrepreneur should decide a company name and register it with the State Commercial Registry Office. If the investor already has a business in foreign country, and wants to use the same name, he/she may be asked to add "do Brasil" (of Brazil) at the end of the existing company name.
- Pay the registration fee
- Obtain an identification number (NIRE) - The new company should also be registered with the commercial board of the state where the main office is located.
- Obtain a Brazilian Federal Tax Number, also referred to as Cadastro Nacional de Pessoa Juridica (CNPJ) number
- Register for State and Municipal tax after getting the CNPJ number
- Register with the Brazilian Central Bank for the remittance of profit to foreign country.
- Notify the Ministry of Labor (CAGED)
- Print invoices and authorize the right to use of e-invoice
- Register the company's employees with the social integration program

The complete process of establishing a business in Brazil takes around one month. By law, a foreign investor or a foreign company should use the services of a Brazilian lawyer to start a business in Brazil.



About Intellectual Property Protection

Brazil has been a signatory of Trade-Related Aspects of Intellectual Property Rights (TRIPS) since 1994. Governed by the World Trade Organization, TRIPS is an international agreement that sets minimum intellectual property protection standards for international trading. Due to stringent intellectual property protection laws in Brazil, foreign investors can establish new business in the country without the fear of being a victim of copyright infringement. Brazil also provides a cover for Software property rights for 50 years.

Taxation

According to a survey by the World Bank, a Brazilian limited liability company with 10 to 50 employees usually takes around 2,600 hours per year to complete tax requirements. This is much longer than the time taken by other advanced countries like the US or China. This happens due to complications in Brazil's tax compliance and reporting system. The World Bank also estimated that while an average American company needs to pay 46.8 percent of the net profit to the government, a Brazilian company requires paying around 69 percent of its profit. This simply means that the Brazilian tax system still has enough scopes for improvement.

However, the Brazilian government has recently granted some tax incentives on long term foreign investments in order to encourage foreign investors to invest in the country. There are tax incentives at federal, state, and municipality levels. Let's take a look at some major grants.

- There are tax incentives for importing goods that are not available nearby
- There are tax incentives for technological innovation
- If import of new machines or equipments can ensure export of a certain level of products of service for at least three years, the Brazilian government offers incentives on import tariffs. This is referred to as Special Regime for the Acquisition of Capital Goods by Exporting Enterprises (RECAP).

Finally, whether a business venture will be successful in Brazil depends a lot on how well the business can understand the country's business culture. It may take some more time than usual; thus it is important to keep patience for getting success. There is also a major role of relationship building. A foreign company that is well acquainted with local culture can get advantage when establishing and developing a business in Brazil.



Immigration and Visa Requirements

Depending upon individual requirements, a foreign investor can either apply for a short stay business visa or a permanent visa. Short stay business visas are meant for those who want to visit Brazil for a short period of time. The purpose of visit can be establishing contacts, visiting locations, attending trade fairs, and others. The validity of this type of business visa can be for up to three months. However, those who want to relocate to Brazil for business purpose should get a permanent visa. This requires a minimum investment of R\$150,000 in Brazil. Following are the key requirements for business visa application.

- A sponsorship letter from the parent company stating the purpose of visit, duration of stay, and contact persons in Brazil in application letter
- A letter of invitation from the sponsoring company in Brazil on the company's letterhead
- An international certificate of vaccination against Yellow fever
- A valid passport
- Two passport color photographs

The applicant should also complete and sign “the Schengen Office Terms and Conditions” and “the Schengen Office Case Sheet”, and pay Schengen Office Handling Fee and Embassy Fee for getting a business visa.

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