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1. INTRODUCTION

a. Forms of Legal Entity

There are several types of legal entities in Brazil, the most common ones being the Limited Liability Company ("Limitada" or "Ltda.") and the Corporation ("Sociedade Anônima" or "S/A"). Limitadas used to require at least two shareholders. More recently, the Brazilian Civil Code was amended to allow the incorporation of Limitadas with one or more quotaholders.

Apart from the entities mentioned above, there are also the "Limited Liability Individual" entities, which are established by one individual or legal entity.

Lastly, there is also a "Silent Partnership" entity ("SCP"), which has no legal relevancy on its own and is formed by the ostensible partner, who is responsible for performing the activities of the SCP, and the silent partner, who is not visible to third parties.

Brazilian legal entities incorporated under any of these forms are normally subject to the same domestic tax treatment. However, there may be differences regarding the application of tax rates and/or tax calculation bases, depending on the tax regime adopted by each of these entities.

Limited liability entities are more commonly used, as they are usually straightforward to incorporate, requiring less formalities if compared to Corporations.

Non-resident entities investing in Brazil must register with the Brazilian Central Bank and obtain a Brazilian taxpayers code - Federal Taxpayers' Registry for Corporate Entities ("Cadastro Nacional de Pessoa Jurídica" – CNPJ/MF). In addition, foreign shareholders must have a Brazilian legal representative.

As indicated previously, Limitadas do not require a minimum capital, except in a few specific cases.

b. Taxes, Tax Rates

Brazilian taxes can be imposed at the Federal, State and Municipal levels. The Federal District encompasses State taxes. The most common taxes are the following:

i Federal Taxes/Contributions:

Corporate Income Taxes – CIT:

- Corporate Income Tax ("Imposto de Renda de Pessoa Jurídica, IRPJ": levied at a nominal 15% rate, plus a surcharge of 10% on annual taxable income exceeding BRL 240,000; and
- Social Contribution on Net Income ("Contribuição sobre o Lucro Líquido, CSLL"): levied at a nominal 9% rate.
- The combined nominal CIT rate in Brazil is 34%.
- Taxpayers may opt between two different regimes for CIT calculation (depending on certain requirements and specificities): i) the Actual Profits Method, "Lucro Real"; and ii) the Presumed Profits Method, "Lucro Presumido".

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- Under the Actual Profit Method, the IRPJ/CSLL computation can be performed on an annual or quarterly basis, at the election of the taxpayer. The calculation basis considers the book results before income taxes and certain adjustments (add-backs and deductions) according to the relevant legislation (e.g. unnecessary expenses, such as punitive fines, which may be considered as a non-deductible expenses for CIT purposes). This regime allows the use of tax losses (carried forward indefinitely) up to 30% of the taxable profit generated in a given year. Non-operational tax losses must only be offset with non-operational taxable gains (the 30% limitation also applies).
- The Presumed Profit Method is calculated on a quarterly basis and corresponds to different percentages applied over the company's gross revenues. These percentages are established according to the type of activity developed by the company (e.g. 8% for IRPJ and 12% for CSLL in the sale of goods, and 32% for both IRPJ and CSLL on the rendering of services. Companies under the Presumed Profits Method cannot have annual gross revenues, earned in the previous taxable year, above BRL78 million (approximately USD15 million).
- The Employees' Profit Participation Program ("PIS") and the Contribution for Social Security Financing ("Cofins") are levied on monthly gross revenues, as follows:
  - Under the non-cumulative method: combined tax rate of 9.25%, with the possibility to register PIS and Cofins credits on the acquisition of inputs (goods and services), subject to certain requirements stated in the legislation. These credits can be offset against PIS/Cofins due on subsequent transactions, or against other Federal taxes (in specific situations stated in the legislation).
  - Under the cumulative method: combined tax rate of 3.65%, without the possibility to register and use credits on the acquisition of inputs.
  - PIS and Cofins are also levied on financial revenue (only under the non-cumulative method) at the combined rate of 4.65%, with a few exceptions (hedge revenues are subject to a 0% PIS and Cofins rate).
  - Lastly, these taxes are also levied on the importation of goods and services, at the combined rate of 9.25% (imported services) and 11.75% (imported goods).
- Contribution for Intervention in the Economic Domain ("CIDE"): levied on payments, credits, use or remittances made by a Brazilian source for royalties, license and technical services provided by non-residents. The CIDE is applied at a 10% rate on the amount credited / paid. This tax is normally deductible for Brazilian CIT purposes.
- Tax on Financial Transactions ("IOF"): levied on foreign exchange transactions, on loans, credit operations and securities transactions. Tax rates vary according to the transaction considered. Foreign exchange transactions are subject to a standard 0.38% rate, but there are other specific rates stated in the Brazilian legislation.
- Withholding Income Tax ("IRRF"): levied on payment, credit, use and remittance of various funds, such as interest, services fees and royalties. The general tax rate is 15% (increased to 25% if recipient is located in a tax haven jurisdiction, for Brazilian tax purposes). The IRRF is due by the non-resident beneficiary and withheld by the Brazilian paying source. Double Tax Treaties ("DTTs") signed between Brazil and other countries may limit the IRRF rate on certain remittances. The application of DTTs would need to be analysed in view of specific facts and circumstances. The IRRF may be creditable for the non-resident beneficiary, subject to further analysis of the domestic legislation.
- Federal Excise Tax ("IPI"): levied on the manufacturer of goods at the time of sale, or on the importer of goods upon customs clearance. It is a non-cumulative tax based on "ad valorem" rates according to the classification of the product under the Harmonised Tariff Schedule. IPI rates are established according to the degree of necessity of the product (e.g. cigarettes and alcoholic beverages are subject to higher rates). IPI credits calculated on the acquisition of inputs can be used to offset IPI due on subsequent transactions.

- Importation Tax ("II"): levied on the importer of goods upon customs clearance. It is a cumulative tax based on "ad valorem" rates according to the classification of the product under the Harmonised Tariff Schedule. II rates can be reduced in certain operations performed between countries that are part of Mercosur.
- Social Security Contribution ("INSS"): levied on the employer at a standard 20% rate applied on the total of employees' remuneration indicated on the payroll.
- Severance Indemnity Fund ("FGTS"): paid by the employer on an individual employee's account, at the rate of 8% of employee's remuneration indicated on the payroll.

ii State Taxes:

- Value added tax on sales and services ("ICMS"): levied on the circulation of goods and on the rendering of interstate and inter-municipal transportation services, communication services and on the supply of energy.
  - Internal transactions: general rates range between 17% and 19% (the rate can be increased to 25% in certain cases (e.g. communication services), depending on the nature of goods being transacted, origin and destination of the transaction, amongst other aspects.
  - Interstate transactions: rates range between 4% and 12%.
  - This tax is also levied on imports of goods.
  - Still, it is important to note that several states grant ("ICMS") incentives for legal entities operating in their respective territories. In certain situations, the grant of the incentives is conditioned to the observation of certain commitments by the taxpayers, such as the ones consigned in the Complementary Law 160/2017 with stipulated period. The evaluation of the applicable tax consequences depends on a case by case analysis.
- Tax on Transmission of Property "Causa Mortis" and Donation ("ITCMD"): levied on donations and inheritances. Tax rates vary from State to State, ranging from 4% to 6%.
- Vehicle property tax; levied on vehicle property. Tax rates may differ from state do state and the type of vehicle (IPVA).

iii Municipal Taxes:

- Service Tax ("ISS"): levied on gross revenues deriving from services listed by the Federal Government and by the Municipalities. Tax rates vary from 2% to 5%, depending on the Municipality and type of service considered. The definition of the municipality entitled to charge the ISS depends on the adequate understanding of the transaction (nature of the services) and domicile of the parties. ISS is also levied on non-resident service providers, withheld by the Brazilian paying source at the same rates (from 2% to 5%). Exports of services are ISS exempt in case their results are verified abroad (some controversy lies in the concept of 'result of the service').
- Immovable Property / Real Estate Transfer Tax ("ITBI"): levied on the transfer of real estate properties. Tax rates may differ from city to city, however, they usually vary between 2% and 6%.
- Tax on Urban Property ("IPTU"): levied on real estate property. Tax rates may differ from city to city, however, they usually range between 0.7% up to 2%.

iv Tax ancillary obligations:

- Brazil has an extensive list of tax ancillary obligations, including numerous tax returns and electronic frameworks. The Public Digital Bookkeeping System ("SPED") unifies the Brazilian taxpayer's commercial and tax records.
- Given the complexity of the Brazilian tax ancillary obligations, further guidance and detailed analysis on a case by case is recommended, in order to meet the compliance procedures established in the tax legislation.
- The Brazilian tax authorities have, in general terms, a 5 year statute of limitation period to audit and assess taxpayers in the Country.

2. RECENT DEVELOPMENTS

a. Brazilian Tax Reform

One of the most recent and relevant tax developments in Brazil is the formal bill presented by the Federal Government proposing a Tax Reform which would result in the overall simplification of the Brazilian tax system, especially for taxes related to the business activity of companies located in Brazil. For example, one of the primary proposals of the reform is to replace various types of taxes levied on goods and services by a single tax commonly known as value added tax ("VAT"). It is also worth mentioning that this new Tax Reform may bring changes to the taxation of dividends for income taxes purposes, which are currently tax exempt.

In summary, the following proposals are being analysed by the Brazilian Congress, as well as some tax changes, as noted below:

- Proposal for Amendment of the Federal Constitution ("PEC") n. 45/2019: proposed by the Brazilian House of Representatives, simplifies the Brazilian tax system introducing a single non-cumulative tax, with uniform tax rate, applied on sales of goods and services called "IBS", along with a selective tax ("IS"), applicable on specific products such as cigarettes.
- PEC n. 110/2019: proposed by the Brazilian Senate, unifies a series of other law projects, introducing the Federal and State IBS tax, the IS and a specific reform related to the corporate income tax.
- PEC n. 128/2019: proposed by the Brazilian House of Representatives and similar to PEC n. 110, including a specific reform related to the Brazilian excise tax ("IPI") and introducing a new tax on financial transactions called "IMF".

Bill of Law n. 3,887/2020: Presented by the Minister of Finance to the Brazilian Congress with the aim of unifying social contributions ("PIS" and COFINS"), creating a new value added tax named "Contribution on Goods and Services", (or "Contribuição sobre Bens e Serviços", "CBS"), at a 12% rate (5.8% for financial institutions, health insurance plans and insurance companies), with a broad credit system related to business activities. The Government's proposal was an attempt to simplify, streamline and give more transparency to the taxation of goods and services for both companies and taxpayers.

Bill of Law n. 2,337/2021: Proposed by the Brazilian House of Representatives, focused on changes to the income tax regulation (e.g. reintroduction of dividend taxation, extinction of the deductibility of interest on net equity, reduction of the nominal corporate income tax rate not harmonised with the dividend taxation, etc.).

It is not possible to exclude the possibility that some of the tax reform proposals may advance in the Brazilian Congress even in 2022, in order to mitigate the economic consequences of the Pandemic and other external factors, as well as to respond to the claims for tax simplification and for Brazil, to have a more tax competitive and internationalised system. Still, it should be noted that in the case changes are approved, they can only take effect in line with the observance of the principle of tax anteriority (i.e. taking effect only in the fiscal year following the date of enactment).

b. Reduction of Tax on Financial Operations ("IOF") rates

As part of the requirements for Brazil to join the OECD, the Government has issued Decree n. 10,997/2022, which modifies Decree n. 6,306/2007 that regulates the IOF. This provision gradually reduces the IOF rate on foreign exchange transactions within the next few years. The objective is to attract foreign capital and facilitate the expansion of the Brazilian market for international trade.

3. SHARE ACQUISITIONS

a. General Comments

A share acquisition implies in the acquisition of participation in a company, with the corresponding assets and liabilities.

The purchase of shares can result in capital gains taxation in Brazil, which is realised by the seller if there is a positive difference between the sales price and the sellers acquisition cost (or basis). If the seller is a Brazilian legal entity, then the capital gains arising from a share sale are subject to the Brazilian corporate income tax at a combined nominal rate of 34%. However, if the gain is realised by a non-resident seller or by a resident individual seller, it is subject to income tax at progressive rates of 15% up to 22.5%. In the case of non-resident sellers, the tax must be withheld by the Brazilian acquiror or by a local representative of a non-resident acquiror, at the same progressive rates.

In addition, it is important to mention that Law n° 11,312/06 provides that a capital gain realised by a non-resident on the sale of quotas of a private equity fund is subject to WHT at the rate of 0%, if certain requirements are met.

With respect to Purchase Price Allocations ("PPA"), for tax purposes, the PPA is important even in the case of a share acquisition in Brazil, because it determines the breakdown of the purchase price on the financial books, which directly impacts the CIT basis.

It is generally accepted for tax purposes that the PPA is determined in accordance with the purchase agreement and accounting regulations that are in line with the IFRS rules. The PPA provides the purchase price allocation and the remaining portion not allocated is considered as "goodwill", subject to tax amortisation, which in most cases result in additional deductions for CIT purposes. As a condition for the tax deduction of the goodwill, a PPA report must be prepared by an independent expert and filed with the Brazilian Federal Revenue Service or the Registry of Deeds and Documents within 13 months. Realisation of the investment (via a merger, for example) is also a requirement to allow tax amortisation, as mentioned above. The deductibility of goodwill and the fair value appointed in the PPA is not allowed in acquisitions of shares performed between related parties.

With respect to the depreciation and amortisation applicable to share acquisitions, currently, the legislation related to goodwill tax amortisation requires that the goodwill amount is provided in a PPA report and determined in accordance with the accounting criteria (Law nº 12,973/2014), which is in line with IFRS rules.

The current tax legislation determines that the price paid in local transactions (involving non-related parties) must be allocated first to the fair value of assets and liabilities, including intangibles and the remaining portion may be allocated to deductible goodwill for tax purposes (based on future profitability).

Tax amortisation of the resulting goodwill is allowed, subject to the maximum limit of 1/60 per month. As a condition for the tax deduction of the goodwill, a PPA report must be prepared by an independent expert and filed with the Brazilian Federal Revenue Service or the Registry of Deeds and Documents within 13 months.

Further, if an intangible is identified in the acquisition process, and recorded on the buyer's financial books according to the PPA, it would be subject to tax amortisation observing its economic useful life and if the asset is considered intrinsically related to the production or commercialisation of goods and services.

The deductibility of goodwill and fair value appointed in the PPA are not allowed in acquisitions of shares entered into between related parties.

b. Tax Attributes

In general terms, tax losses and other tax attributes of a target company may be carried over.

Depending on how the transaction is structured, the buyer may be able to obtain a better tax result by acquiring the relevant shares, instead of acquiring the assets directly. This is because acquiring shares can result in the generation of goodwill (equal to acquisition price that is in excess of net worth and fair value of target's assets) which can lead to a tax deduction for corporate income tax purposes after a merger of the invested entity takes place, along with other requirements. The legislation establishes a set of rules to allow the tax amortisation of goodwill.

c. Tax Grouping

In Brazil, establishments or business units are generally treated as independent taxable entities for purposes of imposing indirect taxes. For corporate taxes and other financial purposes, each Brazilian legal entity (formed by its relevant establishments and business units) is considered on a stand-alone basis. Consolidated tax returns are not allowed in Brazil.

In addition, if the Brazilian entity has subsidiaries abroad, the Brazilian Controlled Foreign Corporation ("CFC") rules introduced by Law nº 12,973/2014 are applicable. This legislation provides for the consolidation (until 2022) of positive and negative adjustments derived from foreign subsidiaries, if certain conditions are met.

d. Tax Free Reorganisations

In general, tax free reorganisations are possible in Brazil when based on book values. However, the characterisation of reorganisations for Brazilian tax purposes is determined on a case by case basis, considering all the relevant facts and circumstances, including economic substance and business purpose.

e. Purchase Agreement

There is no specific format for a share purchase agreement, other than the ordinary commercial conditions typically included in a share/asset sales agreement, in connection with the applicable specific clauses (representations, warranties and indemnities, amongst others).

The purchase agreement cannot determine tax matters or result in any changes to the application of tax law. Any language that contradicts the applicable tax legislation will not be binding.

f. Transfer taxes on share transfers (including mechanisms for disclosure and collection)

Apart from the capital gains taxation mentioned above, there is no Brazilian transfer tax such as stamp duty, registration fee or similar levy on the transfer of shares. However, transfers of shares based on inheritances and donations are subject to the ITCMD, at rates that vary according to the State where the transfer occurs.

g. "Purchase accounting" applicable to share acquisitions

Brazil follows the international accounting standards ("IFRS") and, therefore, the "purchase accounting" methodology is applicable on the acquisition of shares, in order to review the fair value of assets and liabilities of the acquired business/entity.

h. Share Purchase Advantages

Certain tax exemptions are applicable with respect to the capital gains arising from a share sale in Brazil.

For individual taxpayers (residents in Brazil), net gains are exempt from income tax if the transactions performed on the Brazilian stock exchange do not exceed BRL 20,000 per month, or if over the counter transactions (outside the Brazilian stock exchange) do not exceed BRL35,000 per month.

A full exemption is also applied, for individual taxpayers, on the capital gains arising from sales of specific shares issued by small and medium companies on the Brazilian stock exchange, in accordance with Law nº 13,043/2014. It is important to bear in mind that this exemption is only applicable until 2023.

i. Share Purchase Disadvantages

In Brazil, if an employee is granted a "stock option / incentive plan" by the Company, Brazilian tax authorities may potentially consider these shares to be an element of the employee's overall compensation (salary). In that case, individual income tax and social tax would apply at progressive rates up to 27.5% and 14%, respectively.

If the intrinsic benefit of the share plan is considered to be salary and it is processed through the Brazilian company's payroll, a considerable burden of approximately 37% would apply for the local employer company.

This characterisation as salary is particularly likely if the employee receives the shares as a "bonus", such that they do not pay for such shares and do not bear the risk of fluctuations similar to those verified in the stock market. Additionally, the share "bonus" would be treated as a fringe benefit granted by the company, subject to social security contributions and the Employee Severance Indemnity Fund ("FGTS") paid by the employer.

It is important to note that stock plans are a complex subject in Brazil, which has been under the scrutiny of Brazilian tax authorities. Many decisions have been issued by the Brazilian tax authorities at an administrative level dealing with the taxation of stock plans. Therefore, a specific analysis, in view of actual facts and circumstances, is recommended in order to properly characterise the stock plans for Brazilian tax purposes.

4. ASSET ACQUISITION

a. General Comments

As mentioned previously, the sale of assets may generate a taxable capital gain for the seller in Brazil equal to the excess in Brazilian currency of the sales price in relation to the acquisition cost (or basis) of the assets held by the seller. The gain is subject to corporate income taxes with the corresponding combined nominal rate of 34%, for a seller that is a Brazilian legal entity.

If the capital gain is realised by a foreign investor (i.e. the seller is a non-resident), or by a Brazilian resident individual seller, it is subject to income tax at progressive rates of 15% up to 22.5% and would be collected as a withholding tax.

It is also important to note that where an investor acquires assets in Brazil which constitute a trade or business and continues to operate such business following the acquisition, then the acquiror could be liable for potential tax contingencies related to the business / assets being acquired.

b. Tax Attributes

If the acquired assets constitute a going concern or establishment, the buyer may benefit from the use of tax credits and certain other tax attributes, especially those associated with indirect taxes, such as the Excise Tax ("IPI") and the State Value Added Tax ("ICMS").

c. Tax Free Reorganisations

Similar to share acquisitions, tax free reorganisations are possible (resulting in the transaction being based on book values). However, such transactions must be analysed on a case by case basis considering all relevant facts and circumstances, in order to determine if they qualify for such beneficial tax treatment.

d. Purchase Agreement

There is no specific format for a share purchase agreement, other than the ordinary commercial conditions typically included in a share/asset sales agreement.

The purchase agreement cannot determine tax matters or result in any changes to the application of the tax law. Any language that contradicts the applicable tax legislation will not be binding.

e. Transfer Taxes, VAT

Asset deals can be taxed for VAT purposes in Brazil and the recovery of relevant VAT can occur, depending on the applicable legislation, as well as on the relevant facts and circumstances.

VAT taxes can be applied at Federal or State level. At Federal level, PIS and Cofins would be charged, depending on the nature of asset that is being sold (for example, these contributions are not levied on the sale of fixed assets and intangibles).

The IPI is applicable on the transfer/sale of products manufactured or imported by the seller. The IPI paid is creditable by the purchaser.

At State level, the ICMS is also applicable on the transfer/sale of products and the tax paid would become a credit to the purchaser.

If the transaction includes the sale of real estate, at the municipal level, ITBI ("Imposto sobre Transmissão de Bens Imóveis") would be triggered and the buyer would be responsible for paying the tax to the Municipality.

f. Asset Purchase Advantages

Advantages of an asset acquisition include:

- The acquiror usually obtains a step up in the book value of the assets.
- If the acquired assets constitute a going concern or establishment, the acquiror may benefit from the use of tax credits and certain other tax attributes, especially those associated with indirect taxes, such as IPI and ICMS.

g. Asset Purchase Disadvantages

Disadvantages of an asset acquisition include:

- Asset acquisitions tend to result in more burdensome taxation when compared to a share deal (especially regarding Brazilian indirect taxes, IPI, ICMS, PIS, Cofins and ITBI).
- Asset acquisitions may prevent the buyer from acquiring the target's tax losses and other tax attributes.
- Depending on the assets or businesses being acquired, new registrations for tax, labour and other regulatory purposes may be required.
- If the assets being transferred constitute a going concern or establishment, potential tax, legal and labour contingencies related to such asset are normally transmitted to the acquiror.

5. ACQUISITION VEHICLES

a. General Comments

An investment can be held in Brazil by a non-resident directly or through a vehicle company. The use of acquisition vehicles is a common practice in Brazil, but the Brazilian Federal Revenue Service has been increasing scrutiny of operations involving acquisition vehicles deemed to be used with the sole purpose of generating tax benefits, requiring the evidence of "business purpose" and "substantial economic activity".

b. Domestic Acquisition Vehicle

The use of a Brazilian entity to acquire a local target company in principle allows goodwill acquired in the transaction to be amortised and deducted for tax purposes, after the merger of the investment target takes place. However, the amortisation of goodwill is frequently questioned by the Brazilian tax authorities, which look for the motivation of the transaction and whether it has been performed using a domestic vehicle with the sole purpose of generating tax benefits.

c. Foreign Acquisition Vehicle

A foreign vehicle could in theory be used to defer taxation of the ultimate investor in case capital gain is potentially assessed. However, the Brazilian tax authorities can question this type of transaction, in order to investigate the actual purchaser and seller of the investment. If they understand that the transaction lacks economic substance, capital gains taxation may apply in Brazil.

d. Strategic vs Private Equity Buyers

The use of partnerships and joint ventures as acquisition vehicles is generally allowed in Brazil.

Acquisition vehicles are a complex subject in Brazil that demands a detailed analysis and evaluation of actual facts and circumstances, from different angles and with adequate support.

6. ACQUISITION FINANCING

a. General Comments

Financing for acquisitions in Brazil can be carried out via a capital contribution and/or through debt. The foreign capital invested in the country must be registered with the Brazilian Central Bank, ("BACEN"), according to Law nº 4,131/1962.

The remittance of funds to Brazil is commonly performed via bank wire transfers.

b. Equity

Brazilian tax rules do not provide for a specific tax treatment in relation to private equity financed transactions. However, Brazilian legal entities in general can opt for a deductible instrument, so called, Interest on Net Equity ("INE") to remunerate shareholders for the capital invested in companies. INE is calculated by reference to the net equity accounts, considering the official Brazilian long-term interest rate. The Bill of Law n° 2,337/2021 intends to revoke the INE deduction for CIT purposes (still under analysis of the Brazilian Congress).

The upper limit on interest on net equity is determined as the higher of: (i) 50% of the net income for the year, before deduction of the interest on net equity and deduction of the provision for corporate income tax, but after the deduction of the social contribution on net income, and (ii) 50% of retained earnings plus profit reserves.

Although INE payments are considered as a deductible expense for CIT calculation purposes, the Brazilian tax law imposes the withholding income tax ("WHT") at a standard 15% rate (increased to 25% in case of so called "tax haven" jurisdictions for Brazilian tax purposes), for both residents and non-residents.

c. Debt

In general terms, the Brazilian legislation does not impose limitations on the use of debt and the deduction of interest expenses arising from debt facilities with non-related parties is allowed, as long as the transaction is carried out at normal market conditions and such expenses are considered ordinary and necessary for the business activities of the borrower. However, the Brazilian legislation establishes requirements for the deductibility of interest expenses arising from debt operations with related parties, or lenders located in low tax jurisdictions or under privileged tax regimes.

Further, there are thin capitalisation rules in Brazil which must be considered. For interest deductibility purposes, the debt cannot be higher than: (i) two times the amount of the participation held by the foreign lender in the net equity of the Brazilian entity; (ii) two times the net equity of the Brazilian entity (when the non-resident lender does not have participation in the latter); and (iii) 30% of the net equity of the borrower if the lender is located in a low tax jurisdiction or under a privileged tax regime (whether it is a related party or not). These rules also apply to any kind of debt operation where a foreign related party acts as guarantor, co-signatory or intervening party of the debt contract.

Finally, Brazilian Transfer Pricing rules apply on loan transactions, setting forth certain limits regarding the deductibility of interest expenses arising from debt operations with related parties, consortiums and exclusive distributors. There are specific and stricter TP rules for operations carried out with tax havens and privileged tax regimes.

i Debt Pushdowns

Where the acquiror intends to push down the debt used to finance an acquisition, a Brazilian vehicle or holding company is generally used to act as borrower. Following the purchase, this legal entity is typically merged into the acquired operational legal entity. Economic substance and business purpose must be met in such operations.

Other structures may involve (i) back to back loans on the same terms and conditions, or (ii) obtaining a new loan at the level of the acquired company, so that it can pay off the original loan. These structures may be feasible if the entire capital stock of the legal entity is acquired. Other structures may also be feasible, but should be subject to a case by case analysis.

Lastly, it is important to note that Brazil has not implemented BEPS Action 4, which deals with interest and debt.

d. Hybrid Instruments

Hybrid instruments are instruments that can be classified as either debt or equity, as well as instruments that have different natures in different jurisdictions.

In Brazil, the INE is an example of "hybrid instrument" which, as stated above, consists of a deduction available to legal entities for remunerating shareholders for the capital invested, according to the Brazilian long-term interest rate ("TJLP") and considering the limits imposed by the Brazilian legislation in force.

e. Other Instruments

Shareholders can also be remunerated by means of dividend distributions, which are currently exempt from WHT. However, as mentioned above, the proposed bill of Tax Reform under the analysis of the Brazilian Congress resumes the taxation of dividends (CIT and WHT).

f. Earn-outs

Earn-outs are quite common in M&A transactions in Brazil. However, because they are treated as instalments conditional upon a future event, the amount of the earn-out can impact the capital gains calculation and the potential goodwill generated on the transaction, which ultimately impacts the amount of corporate income tax to be assessed.

7. DIVESTITURES

As discussed above, the sale of assets or shares may potentially generate a capital gain taxable to the seller, equal to the excess in Brazilian currency of the sales price in relation to the acquisition cost (or basis) of the disposed shares or assets in the hands of the seller.

When the capital gain is realised by a Brazilian legal entity, it is subject to CIT at a combined nominal rate of 34%. When the capital gain is realised by a Brazilian tax resident individual or non-resident investor, the capital gain is subject to progressive rates ranging from 15% to 22.5%, or 25% if they are resident or domiciled in a so called "tax haven" jurisdiction.

It is important to emphasise that the method for determination of the acquisition cost basis of a non-resident investor or tax resident individual is not completely clear, being subject to different interpretations.

8. FOREIGN OPERATIONS OF A DOMESTIC TARGET

a. Worldwide or territorial tax system

Brazil follows a worldwide tax system and therefore, income earned abroad is taxed for CIT purposes. Income, profits and gains earned by foreign subsidiaries are taxed in Brazil on an accruals basis and are included on the income tax return.

b. CFC Regime

The Brazilian CFC rules are set forth in Law nº 12,973/2014 and are considered quite complex. Such rules provide that Brazilian entities that earn income abroad (except income deriving from the exportation of goods and services), are subject to CIT under the "Actual Profits" regime (i.e. profits of directly or indirectly controlled foreign companies and branches of a Brazilian entity are taxed in Brazil). Such taxation is applied at the combined income tax rate of 34% on profits earned abroad every 31 December of the calendar year in which they were recorded.

There is a different tax treatment applied to controlled entities (foreign profits taxed on an accrual basis) as opposed to affiliated entities (foreign profits taxed on a cash basis).

Foreign profits earned by controlled entities can be consolidated until FY 2022, if certain requirements stated in the legislation are met.

Losses may be offset only against the profits earned by the same subsidiary or branch located abroad.

c. Foreign branches and partnerships

Foreign branches and partnerships receive the same tax treatment as other Brazilian subsidiaries entities abroad (affiliates and controlled).

d. Cash Repatriation

There are various ways of cash repatriation, summarised as follows:

- Dividends: currently the remittance of dividends is exempt from WHT (the Bill of Law n° 2,337/2021 foresees the reintroduction of dividend taxation, even on remittances to non-resident beneficiaries).
- Capital reduction: a capital reduction may not generate a capital gain if it is smaller than the acquisition cost registered with BACEN (The Brazilian Central Bank) considering the historical amounts invested in Brazilian currency. However, if there is a positive difference between the capital reduction and the acquisition cost, a capital gain would be triggered and it would be subject to CIT at progressive rates from 15% to 22.5%.
- Interest on Net Equity ("INE"): the remittance of INE abroad is subject to WHT at the rate of 15% (increased to 25% in case of so called, "tax haven" jurisdictions) and the expense is considered as a deductible cost in the Brazilian entity (please note that INE may be terminated as per the Bill of Law n° 2,337/2021).
- Interest: the remittance of interest abroad is subject to WHT at the rate of 15%, or 25% if the recipient is resident in a so called "tax haven" jurisdiction.
- Services and royalties: as a general rule, remittances abroad for services and royalties are subject to WHT at the rate of 15% (25% if the receiver is resident in a so called "tax haven" jurisdiction). However, depending on the nature of services and other circumstances, the tax rate may be reduced under a double tax treaty.
- As stated in Article 26 of Law n° 12,249/2010, the amounts paid, credited, delivered, used or remitted under any title, direct or indirectly, to beneficiaries located in a jurisdiction with favoured taxation or under privileged tax regime will not be considered deductible for Brazilian CIT purposes, except if the following features are cumulatively observed: a) the effective beneficiary of the income is identified; b) the foreign beneficiary has proven operational capacity to perform the transaction; and c) the operation is adequately documented.

9. OTHER GENERAL INTERNATIONAL TAX CONSIDERATIONS

a. Special Rules for Real Property, including Shares of "Real Property-Rich" Corporations

The Brazilian legislation created the so called "segregate estate" to separate the assets of a real estate developer from the property that has been used for a specific purpose, in order to protect investors in real property. Once the segregate estate is formed, the assets, rights and obligations which constitute the estate, even though they formally belong to the patrimony of an individual or legal entity, remain legally separate from the latter, receiving a different legal treatment.

The domestic tax legislation also provides for a special tax regime applicable to real estate developers, in which the corporate member (developer) is subject to a payment equivalent to 4% of the monthly revenues received (Law nº 12,844/2013), which corresponds to an unified monthly payment of the following federal taxes and contributions: IRPJ, CSLL, PIS and COFINS.

The unified payment of taxes is final and does not give the right of refund or compensation. Each entity subject to the special regime has its own unified collection.

Additionally, it is important to mention that companies whose main activities involve the purchase and sale of real estate properties are subject to the ITBI. As mentioned before, this is a municipal tax levied on the acquisition of real estate. The rate varies between 2% and 6%, and is calculated based on the market value of the property or its appraised value, whichever is higher.

b. CbC and Other Reporting Regimes

Brazil has adopted the country by Country ("CbC") report from BEPS Action 13, through Normative Instruction nº 1,681/2016.

In summary, the Brazilian legislation sets forth that the CbC report which should be filed with the corporate income tax report, on an annual basis, being mandatory for the parent entity of a multinational group.

10. TRANSFER PRICING

Brazilian Transfer Pricing rules generally follow the arm's length principle in the sense that they are aimed at determining prices for associated enterprises to which independent parties would have agreed had they engaged in similar transactions.

However, whereas the OECD Transfer Pricing Guidelines provide for a functional and comparative analysis, in order to achieve independent prices, Brazilian Transfer Pricing rules rely mostly on fixed markup rates which are explicitly prescribed in the legislation.

The Brazilian Transfer Pricing rules were enacted on 27 December 1996, through Laws 9,430 and 9,959/2000 (generally applicable to all calendar years before 2013), as well as Laws 12,715/2012 and 12,766/2012 (generally applicable to all calendar years starting on or after 1 January 2013) and also Normative Rulings issued by the RFB. The Brazilian Transfer Pricing legislation stipulates the maximum deductible amounts on the import of goods, services or rights and the minimum export prices for goods, services or rights to related parties, consortiums and exclusive distributors. There are specific and stricter TP rules for operations carried out with so called "tax havens" and privileged tax regimes.

On imports, the Transfer Pricing rules provide the maximum amount that is tax deductible for corporate income taxation purposes. The difference between the effective price of the transaction and the transfer price will be considered non-deductible for Brazilian corporate income tax purposes, regardless of the criteria adopted by the Brazilian company.

For Brazilian tax purposes, an expense is considered deductible if it is related to the ordinary business of the company and if it is deemed necessary to maintain the source of income of the entity.

As of 2010, the scope of expenses not related to the ordinary business of the company was extended to include interest on debts whose amounts do not comply with a debt/equity ratio of 2:1, or 1:0.3, when paid to related parties abroad or parties located in so called "tax haven" jurisdictions or privileged tax regimes. Brazilian Thin Cap rules are applied cumulatively with TP rules.

There are four calculation methods for imports and five methods for exports concerning commercial and service transactions. The import methods are: (i) PIC (comparable uncontrolled price method); (ii) PRL (resale price less markup); (iii) CPL (production cost plus markup); and (iv) PCI (quoted price for imports). PCI is used only for commodity transactions.

The export methods are: (i) PVEx (sale price for exports method); (ii) PVA (wholesale sales price in the destination country, less profits method); (iii) PVV (retail sales price in the destination country, less profits method); (iv) CAP (cost of acquisition or production, plus taxes and profits method); and (v) PECEX (quoted price for exports).

Lastly, compliance with these rules is very important, since the tax authorities are very active and tend to question the transfer pricing calculations performed by Brazilian taxpayers if they are not in line with applicable rules, or if the supporting documentation is unreliable.

11. POST-ACQUISITION INTEGRATION CONSIDERATIONS

a. Use of Hybrid Entities and Instruments

There is no Brazilian legislation dealing with hybrid entities or consideration of hybrid instruments in post-acquisition integration.

b. Principal/Limited Risk Distribution or Similar Structures

There is no specific legislation for principal or limited risk distribution. See above the discussion regarding the Brazilian Transfer Pricing rules.

c. Intellectual Property

The Brazilian legislation does not provide for specific rules on the licensing of intellectual property. However, there are specific local rules regarding the rights and obligations related to intellectual and industrial property, as well as the requirement of proper documentation formalising the registry of intangible property with the Brazilian National Institute of Industry Property ("INPI").

The remittance of royalties to a beneficiary abroad is generally subject to WHT at the standard rate of 15% (25% for entities established in so called "tax haven" jurisdictions) and to the CIDE, at the rate of 10%. IOF is also applied on the remittance of the royalty funds abroad.

Since the Brazilian Transfer Pricing rules do not follow the international standards adopted by OECD Guidelines, the remittance of royalties abroad is not subject to such rules, having a specific deductibility methodology for CIT purposes.

In this regard, if the royalties are considered as a necessary and ordinary expense for the Brazilian entity, they may be deducted for CIT purposes, subject to a limit varying from 1% up to 5% on net revenue (directly linked with the patent, technology or technical assistance), according to the royalties' nature and the applicable legislation. Royalties exceeding these thresholds are not considered a deductible expense in the CIT calculation basis.

The Brazilian legislation states that royalties paid by a Brazilian subsidiary to its direct shareholder are not considered deductible for CIT purposes.

d. Special Tax Regimes

Many incentives and special tax regimes are provided for under Brazilian Federal and State tax legislation. It is worth mentioning the following tax incentives:

- The "R&D tax incentive" consists of a volume based R&D tax allowance, in which 60% to 80% of expenses related to research and development of technology are considered deductible for CIT purposes, depending on certain circumstances.
- This deduction affects the CIT calculation basis, at the combined nominal rate of 34%. It is important to bear in mind that in case of insufficient tax liabilities, unused claims cannot be refunded or carried forward.
- The "Manaus Free Trade Zone (ZFM)" provides a set of tax benefits on imports and local sourcing of inputs used in industrial facilities located in this region. The applicable legislation states different tax reductions and exemptions on many taxes (II, IPI, IRPJ, CSLL, ICMS, PIS and COFINS).
- The "REIDI" is a special tax regime for infrastructure projects. Under REIDI regime the acquisition, import and leasing of goods and services applied to such projects are suspended for PIS and COFINS (taxes on gross income) purposes. Also, interest paid in relation to debentures issued to finance infrastructure projects may benefit from a WHT reduction.
- There are specific tax incentives (mainly focused on CIT reductions) granted to companies that develop activities in the North and Northeast regions of Brazil (known as SUDAM and SUDENE).

12. OECD CONSIDERATIONS

Brazil is engaged in the OECD discussions and among the various rules already existing in the Brazilian tax legislation framework, some directives from the BEPS initiative are still to be formally adopted, for example, a formal indication of compliance with BEPS Action 5 in the reasoning for the issuance of Normative Instruction 1,634/2016 (and subsequent amendments), regarding the disclosure of beneficial ownership.

Further, in accordance with BEPS Action 13, in October 2016 Brazil has signed the Multilateral Competent Authority Agreement on the Exchange of country by country reports ("CbC MCAA") and in December 2016, the Brazilian Revenue Service has published Normative Instruction 1,681/2016 to implement the annual country by country ("CbC") reporting in Brazil, as of calendar year 2016.

Brazil has taken some measures to implement BEPS Action 6, such as the adjustments to the Protocol of the Double Tax Treaty signed with Argentina, to include the limitation on benefits ("LOB") and anti-avoidance clauses. Besides that, the tax treaties recently signed with Switzerland and Singapore (not yet in force in Brazil), already contain LOB and anti-avoidance clauses.

The domestic legislation, especially Law n. 12.249/2010 and Normative Instruction n. 1.154/2011 issued by the Brazilian Revenue Service, which sets forth thin capitalisation rules in Brazil, are already in accordance with BEPS Action 4. The comments made with respect to BEPS Action 4 are applicable to BEPS Action 3, due to the fact that the Brazilian Law n. 12.973/2014 addressed the relevant issues regarding controlled foreign corporation rules ("CFC").

As mentioned previously, Brazil does not follow OECD Transfer Pricing Guidelines and apply a specific set of rules stated in Law n. 9.430/1996.

In relation to BEPS Action 14, Brazil has regulated the Mutual Agreement Procedure ("MAP") through Normative Instruction n. 1.846/2018. In addition, Brazil has already used similar clauses in some of its double tax treaties. Regarding BEPS Action 15, Brazil participated in the ad hoc Group for the development of the multilateral instrument, but the expected timing for its implementation is yet unknown.

Finally, it is important to note that Brazil has applied back in May, 2017 to become a member of the Organisation for Economic Co-operation and Development ("OECD"). The process is still ongoing with no specific timeline for conclusion. On 25 January 2022, the OECD approved the beginning of negotiations to the full ascension of Brazil into the organization.

13. ACCOUNTING CONSIDERATIONS

a. Combinations

As discussed above, Law nº 11,638/2007 modified relevant aspects of Law nº 6,404/1976 in order to align the Brazilian GAAP with the international standards set forth by IFRS.

Accordingly, the Brazilian rules are consistent with international accounting standards. The business combination accounting rules set forth in IFRS 3 are in line with the corresponding CPC 15 in Brazil.

b. Divestitures

The same considerations mentioned above apply to divestitures.

14. OTHER TAX CONSIDERATIONS

a. Distributable Reserves

As discussed above, Brazilian entities can distribute dividends based on the existence of profits accrued on net equity and interest on net equity ("INE") can be distributed considering the existence of accumulated profits or profits accrued during the calendar year, observing the related requirements set forth in the Brazilian tax legislation.

b. Substance Requirements for Recipients

There is no formal Brazilian legislation defining a "substance requirement" for recipients. However, as mentioned previously, tax authorities usually analyse certain aspects, such as: (i) whether payments are made to a non-resident company located in a so called "tax haven" jurisdiction ("black listed") or in countries with privileged fiscal regimes; and (ii) the existence of economic substance.

This "economic substance" concept can be understood as the analysis on whether the holding company is deemed to have "substantial economic activity", presenting in its country of residency an operational capacity suitable to its purpose. This can be evidenced, among other factors, by the existence of skilled employees in sufficient number and adequate facilities for management and effective decision making relating to: (i) the development of activities aimed at obtaining income derived from the company's assets, and (ii) the management of the equity stake aimed at obtaining income from the distribution of dividends and capital gains.

c. Application of Regional Rules

According to the above mentioned topic relating to OECD Aspects (item XII), Brazil has already implemented a few rules in relation to BEPS Actions (CFC rules, thin capitalisation rules, and avoidance of base erosion and profit shifting, among others).

It is worth mentioning the Brazilian efforts to implement treaty anti-abuse measures, through modifications in an existing tax treaty network and adoption of current practices regarding the negotiation of new treaties (inclusion of limitation on benefits, ("LOB") and anti-avoidance clauses).

d. Tax Rulings and Clearances

Tax rulings are important in Brazil, since they are binding and broadly followed by taxpayers and tax authorities. However, rulings cannot innovate in tax matters, creating new rules, but are limited to clarify and specify the rules already contained in the Brazilian legislation. As the applicable legislation does not predict an specific timeline for the response by the tax authorities with regards to tax rulings, a case by case analysis is necessary to evaluate the corresponding timing expectations.

15. MAJOR NON-TAX CONSIDERATIONS

Law 4.131/1962 is the basic legislation concerning the regulation of foreign capital exchange. It applies to any capital that entered the country in the form of foreign currency, goods and services.

According to the Brazilian legislation, foreign capital in Brazil must be registered with the Brazilian Central Bank ("BACEN"), at the electronic declaratory register / foreign investment module, (RDE-IED"). Brazilian capital and other assets held abroad must also be declared to the BACEN on an annual basis. Other transactions that must be declared in the BACEN system are: financial operations such as loans, long term import financing, technical assistance and royalty contracts, and portfolio investments.

Law n° 14,286/2021 introduced a new foreign exchange legal landmark in Brazil, with new rules aiming to simplify the foreign exchange market, along with foreign and Brazilian capital flows, exemption from registration with the Central Bank of certain contracts, amongst other measures. This new law will enter into force one year after its publication, which took place on 30 December 2021.

16. APPENDIX I - TAX TREATY RATES

Profits and dividends distributed to resident or non-resident beneficiaries (individuals and/or legal entities) are generally not subject to WHT (please refer to our comment above regarding the Tax Reform bill under analysis of the Brazilian Congress, which includes a proposal to resume taxation of dividends).

As mentioned previously, the WHT rate applicable on remittances abroad for services, royalties and interest rendered by non-resident companies or individuals is generally 15%, levied on the amount paid, credited, used or remitted abroad. If payments are made to a non-resident company located in a so called "tax haven" jurisdiction (black listed) or in countries with privileged fiscal regimes (grey listed), then the amount is subject to WHT at the rate of 25%.

The WHT rate can be reduced with the application of certain double tax treaties signed between Brazil and other countries (to be analysed on a case by case basis). The Brazil Double Tax Treaty network in force includes the following countries:

Argentina	Czech Republic	India	Mexico	Russia	Trinidad and Tobago
Austria	Denmark	Israel	Netherlands	Slovak Republic	Turkey
Belgium	Ecuador	Italy	Norway	South Africa	Ukraine
Canada	Finland	Japan	Peru	Spain	United Arab Emirates
Chile	France	Korea, Republic of	Philippines	Sweden	Venezuela
China, People's Republic	Hungary	Luxembourg	Portugal	Switzerland	

There are other DTTs signed between Brazil and Uruguay, Singapore and Paraguay, which are not yet in force in Brazil.

Jurisdiction	Dividends % [1]	Interest % [2]	Royalties % [3]	Footnote Reference
Argentina	0	15	10 / 15	
Austria	15	15	10 / 15 / 25	[4]
Belgium	10 / 15	10 / 15	10 / 15 / 20	
Canada	15	10 / 15	15 / 25	
Chile	10 / 15	15	15	
People's Republic of China	15	15	15 / 25	
Czech Republic	15	10 / 15	15 / 25	
Denmark	25	15	15 / 25	
Ecuador	15	15	15 / 25	
Finland	10	15	10 / 15 / 25	[4]
France	15	10 / 15	10 / 15 / 25	[4]
Hungary	15	10 / 15	15 / 25	
India	15	15	15 / 25	

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Jurisdiction	Dividends % [1]	Interest % [2]	Royalties % [3]	Footnote Reference
Israel	10 / 15	15	10 / 15	
Italy	15	15	15 / 25	
Japan	12.5	12.5	12.5 / 15 / 25	[4]
Republic of Korea	10 / 15	10 / 15	10 / 15 / 25	
Luxembourg	15 / 25	10 / 15	15 / 25	
Mexico	10 / 15	15	10 / 15	
Netherlands	15	10 / 15	15 / 25	
Norway	15	15	15 / 25	
Peru	10 / 15	15	15	
Philippines	15 / 25	10 / 15	15 / 25	
Portugal	10 / 15	15	15	
Russia	10 / 15	15	15	
Slovak Republic	15	10 / 15	15 / 25	
South Africa	10 / 15	15	10 / 15	
Spain	10 / 15	10 / 15	10 / 15	
Sweden	25	25	25	[4]
Switzerland	10 / 15	10 / 15	10 / 15	
Trinidad and Tobago	10 / 15	15	15	
Turkey	10 / 15	15	10 / 15	
Ukraine	10 / 15	15	15	
United Arab Emirates	5 / 15	10 / 15	15	
Venezuela	10 / 15	15	15	

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Footnotes:	
1	Dividends - The remittance of dividends from Brazil to abroad is currently not subject to taxation in Brazil, so the tax rate limitation indicated above is not considered. Please note that a proposal of tax reform under analysis of the Brazilian Congress may re-introduce the taxation of dividends in Brazil. In this case, the tax rate limitation provided by the DTTs shall become relevant for discussion. The Double Tax Treaties (DTTs) signed between Brazil and other countries generally apply a 10% or 15% rate if the beneficial owner of the funds is a company that directly holds a given minimum participation in the company that pays the dividends. For all other cases a 15% or 25% rate would apply.
2	Interest - Most treaties consider the general rate of 15% for interest payments, while a 10% rate is considered for specific loans (e.g. acquisition of capital goods with minimum paying term).
3	Royalties - Most DTTs signed between Brazil and other countries limit to 10% the payment of royalties related to the use / right to use cinematographic films, films or tapes for television or radio broadcasting and any copyright of literary, artistic, or scientific work produced by a resident of a contracting state. Royalties related to the use / right to use trademarks are generally subject to a 25% (or 15%) rate. The general 15% (sometimes 10%) is applied for other types of royalties.
4	Currently, the only DTTs signed with Brazil that do not characterize technical services/assistance under the royalties article are: Brazil/Finland DTT, Brazil/Austria DTT, Brazil/France DTT, Brazil/Japan DTT, and Brazil/Sweden DTT. This last one was reviewed and the new Protocol, when it enters into force, will treat technical services/ assistance under the royalty article. The referred treaties support the understanding that withholding income tax ("WHT") would not apply on service payments made from a Brazilian source, where no permanent establishment of the foreign beneficiary is identified in Brazil (subject to a specific analysis on a case by case basis).

Brazil has recently signed DTTs with Uruguay, Singapore and Paraguay, however these treaties are not yet valid in Brazil. There is no specific timeline for the treaties to come into force. Remittances to other non-treaty jurisdictions generally have a WHT rate limited to 15%.

Remittances made to so called "tax haven" jurisdictions (as per the list provided by the Brazilian tax authorities) have a WHT rate increased to 25%.

17. APPENDIX II - GENERAL CORPORATE ENTITY TAX DUE DILIGENCE REQUESTS

In order to incorporate and acquire a corporation or any other type of legal entity in Brazil, foreign shareholders must appoint an attorney-in-fact resident in Brazil, through the issuance of a power of attorney, duly apostilled in the foreign country and translated by a sworn translator registered by the Brazilian Board of Trade. This is the main relevant documentation that a foreign shareholder should provide in order to acquire or incorporate a Brazilian Limitada or S/A.

The Brazilian tax authorities have a five year statute of limitations period to audit and assess taxpayers in the Country.

Nº.	Category	Sub-Category	Description of Request
1	Tax Due Diligence	General	Tax contact person available to discuss income and non-income tax matters.
2	Tax Due Diligence	General	A current organization chart, including all entities by full legal name, jurisdiction, date and place of formation, entity type, class of shares, and ownership percentages. Include a full history of each entity in the structure.
3	Tax Due Diligence	General	A summary of all audits (including status) for any tax, including federal, state, and local. Provide all significant audit correspondence.
4	Tax Due Diligence	Financial Statement	Balance sheet and P&L, for the past 5 years and on a monthly basis, when applicable.
5	Tax Due Diligence	Corporate Income Tax (IRPJ and CSLL)	Tax calculation–Corporate Income Taxes calculation spreadsheet, for the past 5 years and on a monthly basis, when applicable.
6	Tax Due Diligence	Corporate Income Tax (IRPJ and CSLL)	DIPJ / ECF–Income tax return (DIPJ) or Digital Accounting and Fiscal Register (ECF) (.txt file), for the past five years and on a monthly basis, when applicable.
7	Tax Due Diligence	Corporate Income Tax (IRPJ and CSLL)	Transfer pricing–Transfer pricing control, for the past 5 years and on a monthly basis, when applicable.
8	Tax Due Diligence	Corporate Income Tax (IRPJ and CSLL)	Royalties contracts, for the past 5 years and on a monthly basis, when applicable.
9	Tax Due Diligence	Corporate Income Tax (IRPJ and CSLL)	IRPJ and CSLL payments receipts for the past 5 years and on a monthly basis.
10	Tax Due Diligence	Federal VAT (PIS and Cofins)	EFD-Contribuições–EFD- Contribuições, for the past 5 years and on a monthly basis, when applicable.
11	Tax Due Diligence	Federal VAT (PIS and Cofins)	Withholding taxes–Withholding statement of IR, CSL, PIS e COFINS, for the past five years and on a monthly basis, when applicable.
12	Tax Due Diligence	Federal VAT (PIS and Cofins)	Declaration of Federal Tax Credits and Debits (DCTF), for the past five years and on a monthly basis, when applicable.
13	Tax Due Diligence	Federal VAT (PIS and Cofins)	PIS and Cofins payments receipts for the past five years and on a monthly basis.
14	Tax Due Diligence	State VAT (ICMS)	ICMS and IPI–SPED/Sintegra–Electronic files from SINTEGRA or SPED Fiscal (.txt file), for the past five years and on a monthly basis, when applicable.

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Nº.	Category	Sub-Category	Description of Request
15	Tax Due Diligence	State VAT (ICMS)	CFOP summary–Input and output transactions summary of the company, for the past five years and on a monthly basis, when applicable.
16	Tax Due Diligence	State VAT (ICMS)	ICMS payments receipts for the past 5 years and on a monthly basis
17	Tax Due Diligence	Municipal VAT (ISS)	Tax book of services' invoice : Tax book to register all services provided, for the past five years and on a monthly basis, when applicable,.
18	Tax Due Diligence	Municipal VAT (ISS)	Payment receipt–ISS payment receipt for each month, for the past five years and on a monthly basis, when applicable.
19	Tax Due Diligence	Tax Litigation	Updated certificates issued by the relevant offices of the Federal, State and Labour courts in the locations where the Company has facilities and offices, in the name of the Company and of its shareholders.
20	Tax Due Diligence	Tax Litigation	Clearance certificates in connection with federal, state and municipal taxes and contributions, in the name of the Company and covering all its establishments.
21	Tax Due Diligence	Tax Litigation	Complete information (date, parties, purpose, count, status, chances of success etc.) concerning pending tax administrative proceedings in which the Company is either plaintiff or defendant, including copies of relevant documents and petitions.
22	Tax Due Diligence	Tax Litigation	Complete information regarding notices, notifications, inspections or investigations made by governmental departments or third parties.
23	Tax Due Diligence	Tax Litigation	Detailed report (date, parties, purpose, count, status, chances of success etc.) on the judicial tax cases in which the Company is either plaintiff or defendant, including copies of relevant documents and petitions.
24	Tax Due Diligence	Tax Litigation	Copy(ies) of the tax settlement(s) requested by the Company, either regarding federal, estate or municipal taxes (e.g. REFIS), if any.
25	Tax Due Diligence	Labor	List of employees and the corresponding remuneration for the past five years.
26	Tax Due Diligence	Labor	Payment receipt–INSS and FGTS payment receipt for each month.

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