

New Concept of Tax Heavens

The concept of tax heavens or privileged tax jurisdictions has been expanded by Federal Law 11.727 and consequently, the black list of jurisdictions that receive "special" tax treatment by Brazilian Tax Authorities is no longer applied strictly.

In fact, after Law 11.727, the Brazilian Federal Revenue Service may apply more stringed taxation rules even if the jurisdiction is not expressly black listed.

Article 22 has included in the concept of tax heaven all jurisdictions where the local legislation does not allow access to information about corporate structure, stake holders or beneficial holders identities.

Article 23 establishes a more penalized treatment to commercial or investment transactions made with countries considered tax heavens or with privileged taxation.

According to the new Law, the concept of privileged taxation jurisdiction is where:

- income is not taxed or taxed under 20%
- a more beneficial tax treatment is applied to non-resident:
 1. without demanding substantial economic activity in the said jurisdiction; or
 2. conditioned to non exercise of economic activity in said jurisdiction
- income produced outside of said jurisdiction is not taxed or taxed under 20%
- access is denied to information about the corporate structure or title of assets or rights or economic operations

As result of the above expansion of the concepts, we believe that many jurisdictions will be included in the Brazilian black list, but more important is that non listed jurisdictions may also suffer adverse consequences.

In conclusion, special attention must be given when planning investments in Brazil, because the remittance of dividends, royalties or others may be subject to special tax treatment by Brazilian Tax Authorities.

São Paulo - Brasil

Av. Angélica, 1968 - Conjuntos 62 e 63
Higienópolis - CEP 01228 200

+5511 3663-5045 / 3663-5694 contato@katzadvogados.com.br

This document was created with Win2PDF available at <http://www.win2pdf.com>.
The unregistered version of Win2PDF is for evaluation or non-commercial use only.
This page will not be added after purchasing Win2PDF.