

## Demystifying Transfer Pricing in Brazil

- Conference organized by Andersen Tax & Legal and the Brazil-Catalonia Chamber of Commerce

Barcelona, 12 June 2017.- Demetrio Barbosa and Leonardo Mesquita, Partners of Andersen Tax Brazil, gave a presentation on the current economic situation and investment possibilities in Brazil, based on the regulatory framework for transfer pricing established by Brazilian law.

The presentations by the Brazilian partners of Andersen Tax took place in a conference organised by Andersen Tax & Legal and the Brazil-Catalonia Chamber of Commerce at the Círculo Ecuéstre in Barcelona, in which Miquel Terrasa, Partner of Andersen Tax & Legal, and Javier Mirallas, President of the Chamber, also participated.

As Barbosa and Mesquita indicated, Brazil is not at this time a member of the Organisation for Economic Cooperation and Development, and therefore its transfer pricing legislation follows its own guidelines rather than the harmonised guidelines set by the OECD. One practical effect of this is that, while the OECD guidelines act as a support in valuing related-party transactions, Brazilian transfer pricing regulations directly calculate the valuation adjustments to be made.

Brazil has participated in the Action Plan on Base Erosion and Profit Shifting (BEPS) as a further measure to prevent tax evasion and ensure that the profits resulting from economic activities are taxed where said activities are carried out and where value is created. As the Andersen Tax & Legal partners indicated, one measure resulting from the BEPS is the Country-by-Country report, which Brazil has been required to submit since tax year 2016.

In addition, they added, the Brazilian tax administration has the Public Digital Bookkeeping System, a permanent electronic system for sharing tax, accounting and employment information between taxpayers and the tax administration, allowing the latter to obtain practically real-time information on the transactions performed by taxpayers.

The statute of limitations in Brazil stands at 5 years, with the usual practice of the tax administration being to carry out tax audits corresponding to the periods that are about to expire. With regard to tax audits, the firm's Partners pointed out that, in the area of transfer pricing, approximately 60% of the audits lead to tax regularisations, with the total amount regularised amounting to 1 billion euros.

In the opinion of Barbosa and Mesquita, Brazil has positioned itself as a platform for investment towards Latin America, for example, they explained, through the Drawback Regime import system, which allows the import of goods, without any charge, to Brazil to be assembled in that country and subsequently transferred to Latin American customers.

In conclusion, they stressed, "the present and the future offer an optimal opportunity to invest in Brazil". Economic growth can clearly be seen for which the sole handicap is the current political situation in the country.