

LEGAL ASPECTS OF DOING BUSINESS IN BRAZIL



LEGAL ASPECTS OF DOING BUSINESS IN BRAZIL

1. - INTRODUCTION;
- 2.- HISTORICAL, POLITICAL AND
GEOGRAPHIC CONSIDERATIONS;
3. - THE BRAZILIAN CONSTITUTIONAL
FRAMEWORK:
 - 3.1. The Executive;
 - 3.2. The Legislative; and
 - 3.3. The Judiciary.



Legal Aspects of Doing Business in Brazil

4.- **COMPANY AND INVESTMENT LAW;**

- 4.1. The Corporation (S.A.)
- 4.2. The Limited Liability Company; and
- 4.3.- Forms of Investment, Exchange Controls and International Flow of Domestic Currency.



Legal Aspects of Doing Business in Brazil

5.- TAXATION

- 5.1. Income Tax;
- 5.2. Sales Tax (ICMS , IPI);
- 5.3. Service Tax;
- 5.4. Tariffs and the Common External Tariff (TEC);

and

- 5.5. Double Taxation Treaties.

6.- THE FINANCIAL SECTOR



Legal Aspects of Doing Business in Brazil

6.1 The Stock Exchanges and the Capital Markets;

6.2 Banking; and

6.3 Insurance.

7.- THE LEGAL STRUCTURE OF MERCOSUL

7.1 Considerations about the FTAA;

Negotiations under a Brazilian Perspectives .



BRAZIL

HISTORICAL, POLITICAL AND GEOGRAPHIC CONSIDERATIONS



THE BRAZILIAN CONSTITUTIONAL FRAMEWORK

- ✓ The Executive;
- ✓ The Legislative; and
- ✓ The Judiciary.



EXECUTIVE POWER



Palácio do Planalto

Mr. Fernando Henrique Cardoso President of Brazil



EXECUTIVE POWER

(Federal Level)

STRUCTURE

PRESIDENCY

Mandate of four years
President Mr. Fernando Henrique
Cardoso
1995 - 1998

MINISTRIES - 20



EXECUTIVE POWER



Esplanada dos Ministérios

EXECUTIVE POWER

(Federal Level)

STRUCTURE *(continuation)*

Some Ministries:

1. Ministry of External Relations

Itamaraty

***Minister Luiz Felipe
Lamprea***

phone (061) 211.6161

fax (061) 223.7362

2. Ministry of Finance

Minister Pedro Malan

phone (061) 314.2000

fax (061) 223.5239

**3. Ministry of Industry, Trade ,
and Tourism**

Minster Francisco Dornelles

phone (061) 325.2000

fax (061) 325.2209

4. Ministry of Justice

Minister Iris Rezende

phone (061) 218.3000

fax (061) 322.6817

5. Ministry of Mines & Energy

Minister Raimundo Brito

phone (061) 218.5041

fax (061) 226.1860



EXECUTIVE POWER

(State Level)

STRUCTURE

Governor (mandate of 4 years)

Governor of São Paulo

- **Mr. Mario Covas** -

1995 - 1998

SECRETARIES



National Congress Legislative Power



LEGISLATIVE POWER

(Federal Level)

National Congress

(Composition)

SENATE
(81 Senators)

3 Senators per state and Federal District with a mandate of 8 years.

CHAMBER OF DEPUTIES
(513 Deputies)

- ✓ Each legislature has the duration of four years.
- ✓ Every four years, the Senate is renewed by one and two thirds, alternatively.

LEGISLATIVE POWER

(Federal Level)

National Congress

1. ***Non-exclusive Competence***

- 1.1- Taxation
- 1.2- Budget;
- 1.3- Armed Forces;
- 1.4- Territory;
- 1.5- Political Subdivision;
- 1.6- Organization of the Judiciary;
- 1.7- Others.



LEGISLATIVE POWER

(Federal Level)

National Congress

2. Exclusive Competence

- 2.1- International Treaties;
- 2.2- Control of the Executive;
- 2.3- Approve the accounts of the Presidency; and
- 2.4- Others



LEGISLATIVE POWER

(State Level)

ASSEMBLY OF DEPUTIES



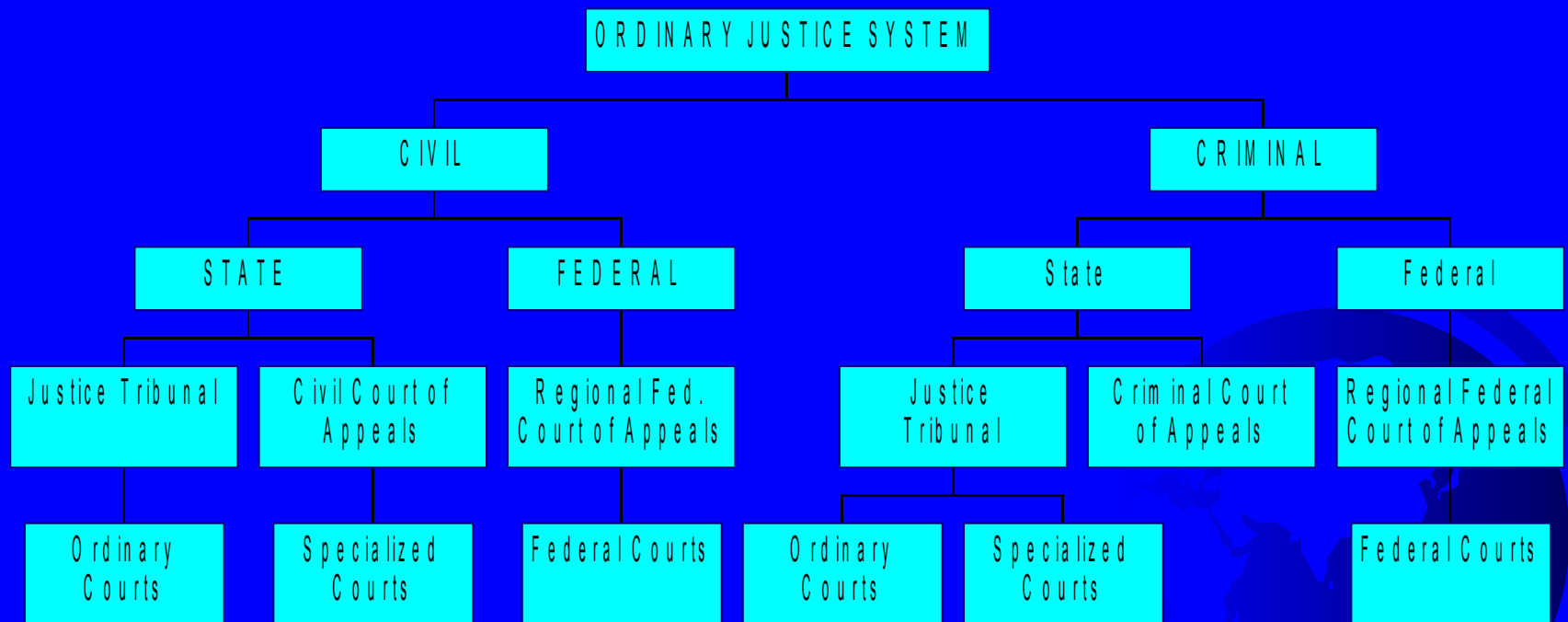
JUDICIARY POWER



Supremo Tribunal Federal

BRAZILIAN JUDICIARY

Higher Courts - Federal Supreme Court and Superior Court of Justice

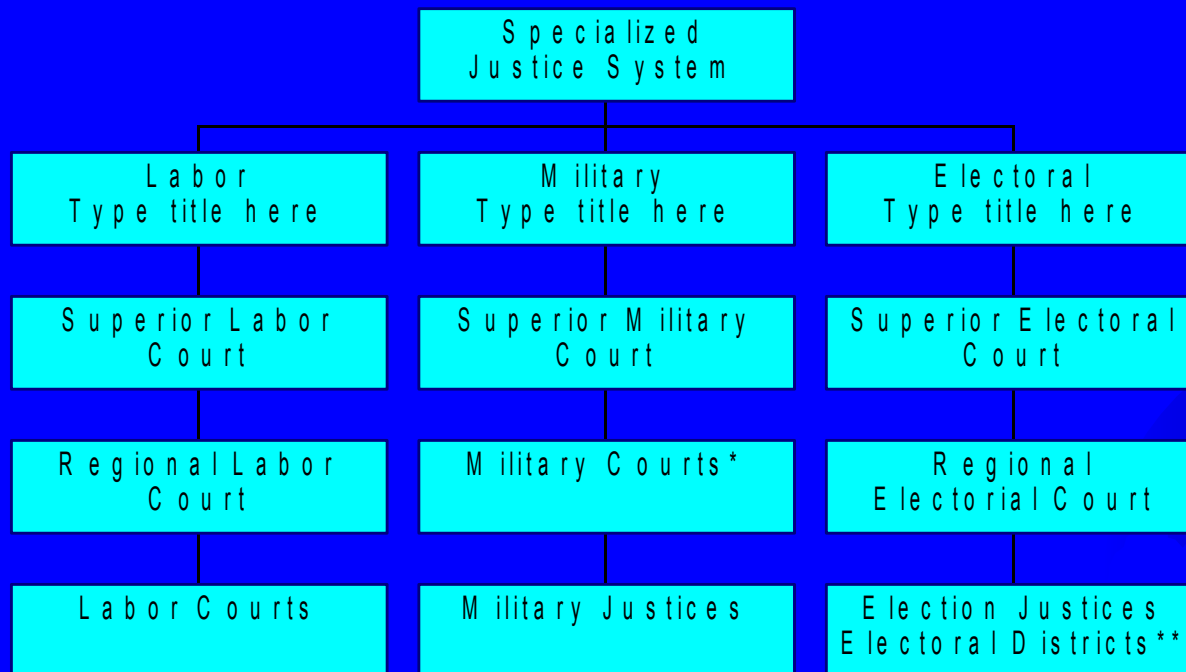


BRAZILIAN JUDICIARY

Others:

Small Claims Courts

Marriage Magistrate: Responsible only for the performance of the marriage ceremony itself



* In some states the Justice Tribunal acts as the Military Court.

** Where there is no specialized electoral court the State Judge has jurisdiction.

COMPANY AND INVESTMENT LAW



BASIC COMPANY TYPES:

◆ More complex:

- ✓ Sociedade Anônima (S.A)
“Corporation”

◆ Simpler:

- ✓ Sociedade por Quotas de Responsabilidade Limitada (LTDA.)
“Limited Liability Company”



FORMS OF INVESTMENTS AND FLOW OF FUNDS

- * Foreign Currency
- * International flow of Domestic Currency (*REAL*)



TAXATION



CORPORATE INCOME TAX IN BRAZIL FOR 1997

GROSS INCOME	R\$ 1.000.000,00
Social Contribution (tax 8%)	R\$ 80.000,00
Taxable Income	R\$ 1.000.000,00
Federal Income (tax 15%)	R\$ 150.000,00
Surcharge over R\$ 20.000,00 (10%)	R\$ 80.000,00
Total Taxes	R\$ 310.000,00
NET INCOME	R\$ 690.000,00



SALES TAX

✓ ICMS

✓ IPI



SERVICE TAX

✓ ISS



TARIFFS AND THE COMMON EXTERNAL TARIFF (TEC)



BRAZIL'S DOUBLE TAXATION TREATIES

In force: Argentina, Canada, Czechoslovakia, Denmark, Ecuador, Finland, France, Germany, Holland, Hungary, India, Italy, Japan, Korea, Luxembourg, Norway, Philippines, Portugal, Spain and Sweden.

In negotiations: South Africa, United Kingdom, United States of America.

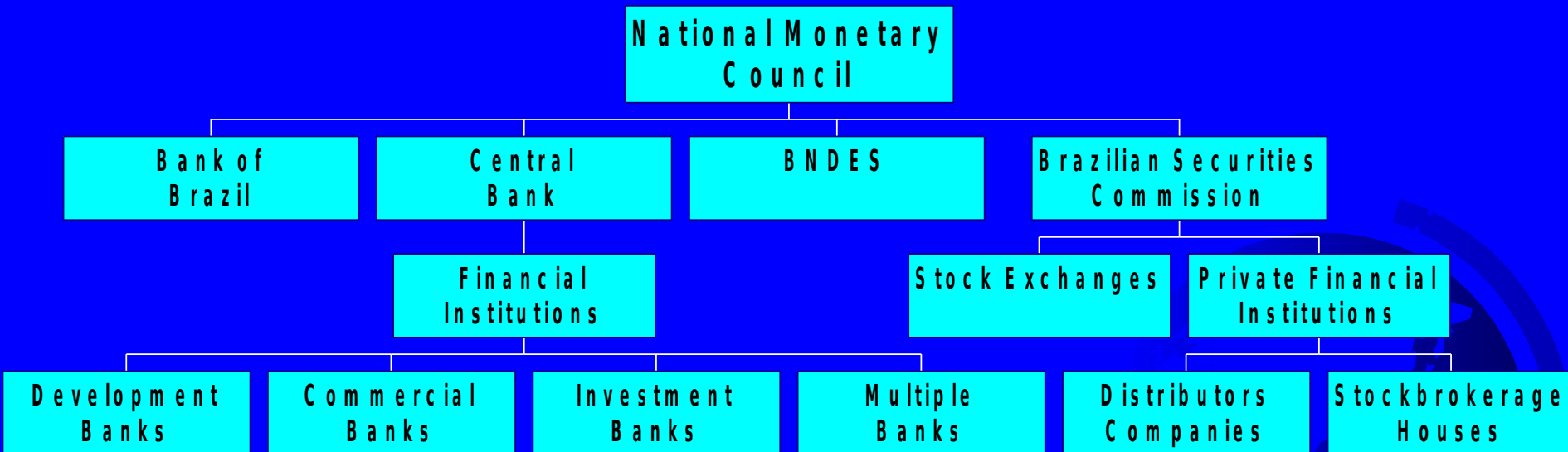


THE FINANCIAL SECTOR



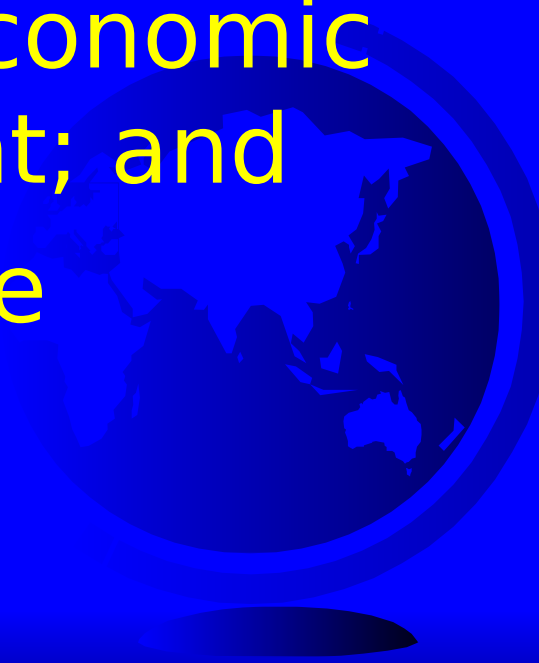
Central Bank

NATIONAL FINANCIAL SYSTEM

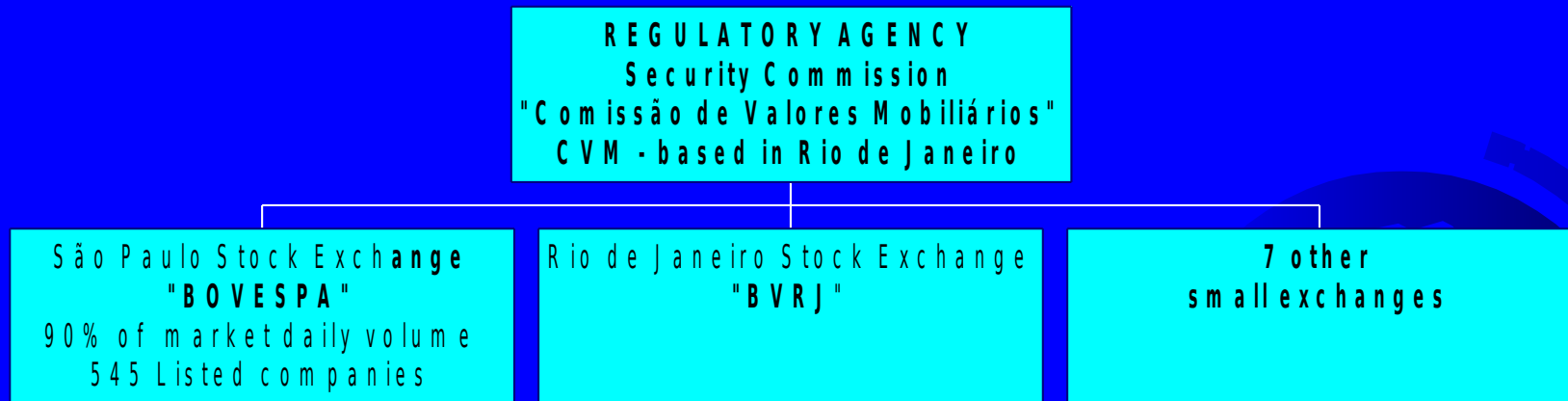


THE BRAZILIAN FINANCIAL SYSTEM

- ✓ The National Monetary Council;
- ✓ The Central Bank of Brazil;
- ✓ The National Bank of Economic and Social Development; and
- ✓ Other public and private financial institutions.



THE STOCK EXCHANGES AND THE CAPITAL MARKETS



COMMODITIES AND FUTURES EXCHANGE

"BOLSA MERCANTIL E
DE FUTUROS"
(B M F)

no share options

Financial Contracts
Interest rate
Exchange rate

Commodities Contracts
gold, coffee, live cattle
soya, sugar, others



TYPES OF PRIVATE FINANCIAL INSTITUTIONS

- ✓ Commercial Banks
- ✓ Investment Banks
- ✓ Credit and Financing Companies
- ✓ Real Estate Credit Cooperatives
- ✓ Leasing Companies
- ✓ Stock Brokerage Companies
- ✓ Exchange Brokerage Companies
- ✓ Securities Distribution Companies
- ✓ Mortgage Companies
- ✓ Factoring Companies
- ✓ Foreign Banks
- ✓ Multiple Banks



The Legal Structure of Mercosul

Considerations about the
FTAA

Negotiations under a Brazilian
Perspective

