

## Doing Business in

**Brazil** *Let's talk about...*

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### Let's talk about...

#### Foreign Investment in Brazil

Brazil welcomes foreign investments in all areas, yet Brazilian legislation does not permit a foreign company to directly function in the country. Therefore, it is necessary for foreign companies to open a branch or incorporate a subsidiary in Brazil. In order to open a branch, a foreign company is required to obtain authorization from the Federal Government, which requests proof of the company's existence in its home country. After obtaining authorization, the foreign company should then file its corporate documents with the competent Commercial Registry.

The Brazilian Central Bank ("BACEN") is charged with registering, following up, and monitoring foreign investments. The Ministry of Economy, through the Brazilian Federal Revenue Service ("RFB"), focuses on taxation of these foreign investments.



*With a GDP of \$1.61 trillion USD in 2021, Brazil is the largest economy in Latin America and the 12th largest in the world. The state of Sao Paulo is the country's economic center with 45 million inhabitants and makes up 33% of the nation's GDP.*

*In terms of foreign direct investment in Brazil, the largest country in South America has consistently been an attractive destination – due to its richness in raw materials and large domestic consumer market. It's no surprise then, that many entrepreneurs are starting a business in Brazil.*

**Karin Monchak**

Partner, MGI Assurance

Doing Business in Brazil

The registration of foreign capital with BACEN is mandatory and guarantees equal treatment for foreign and national capital. Trademarks, patents, machinery, and other equipment, as well as financial assets, qualify as foreign capital for Brazilian law purposes, provided that such foreign capital belongs to individuals or corporate entities domiciled abroad.

BACEN has a modern system of registration of foreign investments, the Declaratory Electronic Registration of Direct Investments, which provides that direct foreign investment shall be registered electronically on the online information system of BACEN ("SISBACEN"). Capital investment, repatriation and profit remittance related to foreign investments duly registered with BACEN may be effected without prior authorization of BACEN. Also, foreign loan transactions and some specific transactions such as the issuance of securities abroad and loans relating to export transactions, can generally be registered through the Electronic Declaration Register of Financial Operations Registration Module ("RDE-ROF"), also with no need of prior authorization from BACEN.

Foreign investors have the same rights as national investors. The remittance of profits and the repatriation of reinvestments are based on the amount of the foreign investment previously registered at BACEN. Remittances of the funds abroad are prohibited when the original funds were not previously registered at BACEN as of their entrance in Brazil.

## Let's talk



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