

Brazil: New rates for capital gains tax

October 9, 2015

In brief

Provisional Measure 692 was recently issued in relation to the Brazilian capital gains tax (CGT). In summary, this new rule changes the income tax rates on capital gains, effective January 1, 2016.

In detail

Currently, capital gains earned by individuals when disposing of assets and rights of any nature is subject to income taxes at a flat rate of 15%. The above-mentioned measure increases the income tax under the following schedule, as from January 1, 2016:

- a) 15% on the earnings that do not exceed BRL 1 million (USD 250 thousand)
- b) 20% on the earnings between BRL 1 million (USD 250 thousand) and BRL 5 million (USD 1,250 thousand)
- c) 25% on the earnings between BRL 5 million (USD 1,250 thousand) and BRL 20 million (USD 5,000 thousand), and

- d) 30% on the earnings that exceed BRL 20 million (USD 5,000k).

Additionally, as a general rule, the entities located abroad are subject to the same rules as individuals in Brazil according to the legislation in force. Thus, foreign entities subject to income taxes on nonresident capital gains shall be subject to the aforementioned rates.

However, the new measure does not clarify the treatment that shall be adopted by nonresidents situated in tax havens that derive Brazilian source gains (currently subject to WHT at 25%).

Finally, although the referred rule will be in force as of January 2016, it is important to mention that the measure is yet

to be approved by the Brazilian Congress. It is expected that such approval will occur.

The takeaway

Currently, the income tax on capital gain is calculated at a flat rate of 15%. The above changes in the capital gain rules might affect gains from all transactions made by Brazilian tax residents on or after January 1, 2016.

Depending on the situation, the rules may also impact gains from those transactions performed within Brazil, even if the employee is not currently working in the country.

Determining how the Brazilian capital gains tax applies to a mobile individual should be analyzed on a case-by-case basis.

Let's talk

For a deeper discussion about this issue, please contact your regular Global Mobility Services engagement team or one of the following professionals from PwC Brazil:

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