

AN ALERT FROM THE BDO INTERNATIONAL TAX PRACTICE

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INTERNATIONAL TAXATION



SUBJECT

BRAZILIAN DISCLOSURE SYSTEM

SUMMARY

On May 9, 2016, the Brazilian Federal Tax Authorities (RFB) issued Normative Instruction 1,634/2016 (NI 1,634), which updates the requirements of the Corporate Taxpayer Identification (“CNPJ”). The CNPJ is the mandatory taxpayer ID for every legal entity that has operations or has assets in Brazil.

DISCUSSION

NI 1,634/2016 requires businesses to disclose the chain of ownership up to the ultimate beneficial owners. The new disclosure requirements are in line with international guidelines to improve transparency and facilitate a more effective battle against corruption and money laundering. Corporate entities that are beneficiaries are subject to these requirements. The ultimate beneficiary includes individuals with significant influence or control, directly or indirectly, over the entity.

Significant influence refers to an individual that owns more than 25 percent (directly or indirectly), or holds or exercises the preponderance in corporate resolutions and the power to elect a majority of the entity's management, even without controlling it.

In the event taxpayers do not comply with the new requirements, the CNPJ will be suspended and transactions with financial institutions could be restricted. Furthermore, without a valid CNPJ, the company will not be able to issue an invoice or make a purchase.

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Businesses are obligated to comply with the CNPJ from January 1, 2017, for the taxpayer that requests its registration from the same date on. Taxpayers that register before January 1, 2017, should inform the beneficial owners electronically in case of a change in the register no later than December 31, 2018.

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