



Brazil

Taxing Authority and Tax Law	Secretaria da Receita Federal (SRF) Ordinary Federal Law of December 27, 1996 (Law 9430/96), Articles 18 to 24 and 28.
Regulations and Rulings	Normative Instruction (NI) SRF No. 243 of November 11, 2002 (NI 243/02) and NI SRF No. 382 of December 30, 2003 (NI 382/03).
Priorities/Pricing Methods	The SRF prefers the method that yields lowest taxable income. It accepts CUP, Resale Price (20% or 60% of statutory margin on imports, 15% or 30% on exports), and Cost Plus (20% of statutory margins on imports, 15% on exports).
Transfer Pricing Penalties	Penalties exist for underpayment of taxes.
Reduction in Penalties	If settled within 30 days, the penalty may be reduced by fifty percent (not of underlying tax contingency).
Documentation Requirements	The SRF requires contemporaneous documentation as part of the annual tax return (DIPJ).
Categories of Documentation Required	The DIPJ 2005 (probably due by June 30, 2005) must include: <ul style="list-style-type: none"> ■ Form 38A—Breakdown of Transactions with Foreign Related Parties ■ Form 38B—Summary of Transactions with Foreign Related Parties ■ Form 39—Export Transactions ■ Form 40—Export Transactions—Foreign Related Persons ■ Form 41—Import Transactions ■ Form 42—Import Transactions—Foreign Related Parties
Deadline to Prepare Documentation	Documentation must be prepared by the same deadline as the DIPJ. This usually falls on June 30 of the subsequent fiscal year.
Deadline to Submit Documentation	Contemporaneous Documentation must be submitted by the same deadline as the DIPJ. Detailed support documentation only needs to be submitted upon specific request by the tax authorities as part of an audit.
Statute of Limitations on Transfer Pricing Assessments	The statute of limitations on transfer pricing adjustments is 5 years.
Return Disclosure-Related Party Disclosure	Parties and transactions involved must be disclosed. Additionally, information regarding the products, transfer prices, and related parties is required in specific schedules that are part of the DIPJ.
Audit Risk/Transfer Pricing Scrutiny	The risk of transfer pricing issues being reviewed under an audit is high, especially for industries considered strategic (e.g. pharmaceuticals, agro-chemicals), electronics, telecommunications equipment, auto parts).
APA	Bilateral APA is unavailable. Unilateral APA procedures available only under Federal Revenue Service's NI 243/02.