

INCOME TAX REFORM – BILL 2337/2021

The House of Representatives approved on Thursday, September 2, the text of Bill 2.337/2021 that introduces profound changes in the income tax legislation.

As a result of the proposal of the Executive Branch, the text has undergone significant changes by the House of Representatives. Now, text will continue to be discussed and voted on in the Senate and may also undergo further amendments if approved. We will continue to monitor the discussions in the National Congress and keep informed about relevant movements.

If the approved text remains as it is, the following changes will be implemented by reforming the income tax rules:

| CORPORATE INCOME TAX (IRPJ) | | |
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| TOPIC | ACTUAL SITUATION | WITH THE TAX REFORM - BILL 2337/2021 |
| TAXATION OF PROFITS AND DIVIDENDS | Exemption on the distribution of dividends in any case | <ul style="list-style-type: none"> • 15% income tax on Dividends; • Exemption for (i) dividends paid to Brazilian companies that are controlling companies of the company distributing the profits, (ii) merged company the real estate market subject to RET (special tax regime for real estate developments); • Exemption of profits and dividends paid by securities that are part of the fund portfolio, regardless of their classification. |
| SMALL COMPANIES | | <ul style="list-style-type: none"> • Exemption for companies taxed by Simples (Unified Tax Collection System) • Exemption for companies taxed on the presumed profit that invoice up to R\$4.8 million per year. |
| RATE OF IRPJ | <ul style="list-style-type: none"> • 25% of IRPJ • 9% of CSLL (Social Contribution on Net Profits) <p>TOTAL: 34%</p> | <ul style="list-style-type: none"> • 18% of IRPJ • Possibility of reducing the CSLL rate to 8%, subject to the revocation of certain tax benefits. <p>TOTAL: 26%</p> |
| INTEREST ON NET EQUITY (JCP) | JCP are deductible | Extinction of the JCP |

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| REAL ESTATE HOLDING AND SCP (UNINCORPORATED JOINT VENTURE) | <ul style="list-style-type: none"> • Real state holding can adopt the actual profit regime • SCP has no obligation to apply the same tax regime adopted by general partner. | <ul style="list-style-type: none"> • The provision of mandatory taxable income is excluded. You can choose the Presumed profit • SCP does not need to adopt the same tax regime adopted by the general partner. |
| RETURN OF CAPITAL THROUGH DELIVERY OF GOODS AND RIGHTS | Possibility of returning capital by the cost of acquisition of the good. | Mandatory return of capital at the market value of the goods, except for cases of return to the partner/shareholder who is a holding company in Brazil, according to the law. |

| INDIVIDUAL INCOME TAX (IRPF) | | |
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| TOPIC | ACTUAL SITUATION | WITH THE TAX REFORM - BILL 2337/2021 |
| OFFSHORE COMPANIES | No obligation to tax profits not distributed. | Excluded the provision requiring the recognition and taxation of profit still not distributed. |
| REVALUATION OF REAL ESTATE | Capital gain on the sale of properties subject to IRPF levy at rates from 15% to 22.5%, depending on the value of the good. | <ul style="list-style-type: none"> • In line with the text originally presented, the possibility of revaluation of properties held by individuals at value market, with an income tax rate of 4% on the gain of capital. |
| UPDATE OF THE PROGRESSIVE TABLE OF INDIVIDUAL INCOME TAX | Up to R\$1,903 = 0% From R\$1,903 to R\$2,826 = 7.5% From R\$2,826 to R\$3,751 = 15% From R\$3,751 to R\$4,664 = 22.5% Above R\$4,664 = 27,5% | Up to R\$ 2,500 = 0% From R\$2,500 to R\$3,200 = 7.5% From R\$3,200 to R\$4,250 = 15% From R\$4,250 to R\$5,300 = 22.5% Above R\$ 5,300 = 27.5% |

| FINANCIAL MARKET INVESTMENT | | |
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| TOPIC | ACTUAL SITUATION | WITH THE TAX REFORM - BILL 2337/2021 |
| INVESTMENT FUND | <ul style="list-style-type: none"> • Open investment fund: come-cotas (a twice-yearly taxation of income tax) in May and November, depending on the classification of the fund as long-term or short term. • Closed-end investment funds: no “come-cotas” regime. Possibility of tax deferral until there is amortization or liquidation of the fund. | <ul style="list-style-type: none"> • Open investment fund: maintained the wording of a single “come-cotas” in November, but reinstates the WHT (withholding income tax), with rates according to fund whether short or long term. • Closed-end investment funds: the wording establishing the “come-cotas” once a year was maintained, and the “inventory” will be taxed at the rate of 15%, with the possibility of payment in 24 installments or benefit from a reduced rate of 6% if the payment is made in advance (until 05/31/2022) in a single payment. • Non-application of “come-cotas”: FII (Real Estate Investment Funds) and FIAGRO (Investment Funds in Agro-industrial Productive Chains), FIA (Stock Investment Funds), FIP (Private Equity Funds), FIDC (Receivables Investment Funds), among others. |

| SUBJECTS EXCLUDED IN THE APPROVED TEXT OF BILL 2337/2021: |
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| Indirect Sale: Excluding the provision establishing the obligation to determine the Capital Gain and tax by the IR the indirect sale (in which a Brazilian Legal Entity, for example, is sold through the purchase and sale of the equity interest of its holding company abroad). |
| Deductibility of the Goodwill: The provision that established the end of the deductibility of the goodwill paid in merger, consolidation or spin-off operations was eliminated. |
| Simplified Declaration: The wording establishing a limit to the option of the Simplified Income Tax Return for taxpayers with taxable income of up to R\$ 40,000.00 in the year has been removed. |
| Real Estate Update: The wording is maintained, allowing taxpayers to update the declared value of their real estate in 2022, upon payment of Income Tax at a reduced rate of 4%. |