



Doing business in Brazil: learn more about the most common types of companies you can establish in Brazil

A -) Types of companies (legal entities)

1. Limited Liability Companies

The Limited Liability Companies (“Limitadas” or “Ltda.”) are the most common type of legal entities established by businesses. The main characteristics of the “Ltda.” is in respect to the limitation of the liability of each quota holder, which is restricted to the amount of his quota. However, all quota holders are held jointly and severally liable for the entirety of the limitada quota capital until it is fully paid

i. Quotaholders:

A Limitada is required by law to have at least two quota holders who, with a few exceptions, **need not be Brazilian nationals and can be either individuals or legal entities.**

Foreign individuals wishing to hold quotas in a company should have a valid residence document - RNE.

Quota holders not resident in Brazil must be formally represented by a person residing in Brazil who is authorized to receive court summons, subpoenas and/or notifications on behalf of the foreign quotaholder or shareholder.

ii. Corporate capital:

As a general rule, Brazilian Legislation does not impose a minimum or a maximum amount to the corporate capital, except in the case of financial institutions and certain other legal entities with specific business purposes.

iii. Articles of Association

Limitadas are formed by signing a document called articles of association - contrato social), which defines its basic governing provisions and, as the case may be, the relationship between the quotaholders. It shall contain clear provisions on voting rights, management powers and transfer of capital quotas.

iv. Management:



The limitada may be managed by one or more individual quotaholders, or by a third person appointed by the quotaholders either in the Articles of Association or by means of a separate resolution.

Foreigners may be appointed for management positions, provided that they have a valid permanent visa.

v. Publication of financial statements

In general, a “Limitada” has less legal formalities than a corporation (sociedade anônima), another type of company generally established by very large businesses wishing to have their shares traded in the stock market.

No financial statements must be published in official gazettes or major private newspapers. Also, “Limitadas” rarely reveal basic financial information, such as operating expenses or year-end profits.

vi. Registration requirements and timing of incorporation

The articles of association and any subsequent amendments to the provisions governing the entity, including transfers of capital quotas, must be filed with the Board of Trade, whereupon they become a matter of public record. There are no further disclosure requirements. A “Limitada” can generally be incorporated in about 45-60 days.

vii. Tax benefits for limitadas

In case the business has an annual turnover below R\$ 360,000, it can qualify as micro company and benefit from tax reductions. Companies having an annual turnover lesser than R\$ 4,8 million qualify as small-sized companies and can also be subject to tax benefits.

2. Single Holder Limited Liability Entity – EIRELI

Brazilian law also foresees the so called “Empresa Individual de Responsabilidade Limitada” – EIRELI which is mostly used by an individual entrepreneurs. The EIRELI can be incorporated by a single individual shareholder that holds 100% of the paid-in capital (with a minimum of 100 times the current minimum wage, which is nowadays R\$954.00). The EIRELI follows the same rules as the Limitada in terms of responsibility of the shareholder.

It is important to highlight that only individuals can be the quotaholder of such and that the individual can only incorporate one EIRELI. In other words, it is not possible for an individual to be the quotaholder of two or more EIRELI's.



This new type of company was created to allow some liberal professionals (such as dentists, architects, writers, etc.) to render professional services as a legal entity.

Like Limitadas, “EIRELIs” can generally be incorporated in about 45-60 days.

3. Micro-Entrepreneur (MEI)

Foreign individuals holding an RNE can benefit from a special regime called “Micro-entrepreneur”, according to which they can have a CNPJ, which may facilitate the opening of a bank account, request for loans and issuance of invoices for fiscal purposes (*notas fiscais*). In addition, the establishment of MEI is subject to a simplified procedure and to tax advantages.

Note, however, that the micro-entrepreneur has to comply with the following requirements:

- She/he cannot have an annual turnover above R\$81,000.00;
- She/he cannot participate as partner or manager in another company;
- She/he can hire only one employee

MEIs can be established electronically for free. The only expense they may have is the monthly payment of taxes equivalent to R\$ 47.70 plus R\$ 5.00 (for service renders) or R\$ 1.00 (for trade and industry).

4. Branches of a foreign company

Prior governmental authorization is required for setting up a branch of a foreign company in Brazil. Due to the extremely bureaucratic requirements associated with the creation and maintenance of a branch of a foreign company, which includes the disclosure of the main corporate documents of the parent company, only a very limited number of multinationals operate in Brazil under this structure. Nevertheless, once governmental authorization is granted, the Brazilian branch will be able to function as an extension of the parent company in the pursuit of its economic activities in Brazil.

B -) Enrolment with the CPF and CNPJ

All foreign companies or individuals that own shares or quotas in a Brazilian company are also required to be registered with the Brazilian Federal Revenue (Receita Federal do Brasil), and consequently to be enrolled with Federal Taxpayers’ Registry for Corporate Entities (CNPJ/MF) or for Individuals (CPF/MF)



Currently, a CNPJ number can be automatically assigned to a foreign investor upon registration of its investment before the Central Bank.

Individuals domiciled abroad are required to register with the Federal Taxpayers' Registry of Individuals (Cadastro de Pessoas Físicas or "CPF") if they own stocks or quotas of Brazilian legal entities or other goods and rights in Brazil, including investments. The registration with the CPF of non-resident individuals can be requested in Brazil by an attorney-in-fact. It is also possible to register at the nearest Brazilian Embassy or Consulate, but the procedure in Brazil is faster. The attorney-in-fact must present the following documents to obtain the enrollment of the non-resident individual before the CPF: (i) a certified copy of the individual's identity card or passport, (ii) identity card of the attorney-in-fact and (iii) power of attorney with specific instructions for CPF enrolment.

Besides these documents, the attorney-in-fact must inform the Federal Revenue of the foreign individual's parents' names. The power of attorney issued abroad must be duly legalized at a Brazilian Consulate. If not in Portuguese, the individual's identity card or passport, and the power of attorney, should be translated into Portuguese by a certified translator. All the documents set out above should be presented by the attorney-in-fact first at the Post Office (Agências dos Correios – Empresa Brasileira de Correios e Telégrafos), Federal Savings Bank (Caixa Econômica Federal) or Bank of Brazil (Banco do Brasil), and then filed at the Federal Revenue Service in Brazil.

C -) Professional advice

It is advisable to retain professional advice at an early stage to achieve a smooth establishment process of your business and to ensure regulatory compliance. A specialized legal advice can also assist you in preparing adequate contracts with your partners, suppliers and clients which may prevent future financial and legal risks.

Please feel free to contact us should you need further clarification.

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