

FACT SHEET

Brazilian Withholding Taxes

15/05/2017

OVERVIEW

There are plenty of cases of withholding taxes. In order to fight against tax evasion and to fasten the collection of taxes – in some cases – IRPJ, CSLL, PIS and COFINS must be retained by the client (and subsequently paid to the Tax Authorities) instead of being paid to the provider.

This applies only for Services and only for companies using the ACTUAL or ESTIMATED Corporate Tax methods. Companies using the SIMPLES method pay the whole amount to the provider; and receive the whole amount from clients.

Taxes and rate usually withheld are the following:

- 1% for IRPJ,
- 1,5% for CSLL,
- 0,65% for PIS,
- 3% for COFINS

CORPORATE TAX WITHHELD

IRPJ must be withheld on all invoices. There are only two exceptions:

- The amount of IRPJ 'withheld' is below 10R\$. In such cases the seller will receive the payment including the IRPJ, and will need to pay the IRPJ to the Tax Authorities himself at the end of the month;
- The seller has selected the SIMPLES method, and therefore pays all taxes in a single document at the end of the month.

PIS, COFINS, AND CSLL TAX WITHHELD

The article 30 Law n° 10.833/2003 (and SRF n° 459/2004) states that PIS, COFINS and CSLL must be withheld on a limited list of services (see Appendix 5 for the list of services subject to withholding taxes). This applies only for transactions between legal entities. Individuals are not within the scope of this law.

PIS, COFINS and CSLL taxes must be withheld. The rates applied are respectively 0.65% for PIS, 3% for COFINS and 1% for CSLL.

Example:

Below is an invoice related to services. The service provider (regime ESTIMATED) has issued an invoice for a total amount of 5,750 R\$. The invoice shows the following amounts of tax withheld:

COFINS (3%): 172.50 R\$

IRPJ (1.5%): 86.25 R\$

CSLL (1%): 57.50 R\$

PIS (0.65%): 37.38 R\$

Total: 353.63 R\$

Note that if the service provider had selected the ACTUAL/REAL method instead of the ESTIMATED, rates would be different.


The amount, net of taxes withheld, and that will be received by the service provider will be 5,396.37 R\$ (it does appear at the bottom of the document).

The client will need to pay to the Tax Authorities the amounts withheld. For this, he will use 4 DARFs (one for each tax) to pay these 353.63 R\$.

The service provider will pay 287.50 R\$ of ISS. He will use a DARM.

Invoice related to services:

(see next page)

 PREFEITURA DA CIDADE DO RIO DE JANEIRO SECRETARIA MUNICIPAL DE FAZENDA NOTA FISCAL DE SERVIÇOS ELETRÔNICA - NFS-e - NOTA CARIOCA - <small>201206251138250270001111113825027000111</small>	Número da Nota 00000148				
	Data e Hora de Emissão 25/06/2012 14:21:20				
	Código de Verificação JYGR-YRII				
PRESTADOR DE SERVIÇOS					
CPF/CNPJ: 13.625.027/0001-11 Inscrição Municipal: 0.615.230-5 Inscrição Estadual: --- Nome/Razão Social: EUROPARTNER BRASIL ASSESSORIA E CONSULTORIA EMPRESARIAL E CONTAB Nome Fantasia: EUROPARTNER Tel.: 2191240407 Endereço: AVN GRACA ARANHA 19, GRP 802 - CENTRO - CEP: 20030-002 Município: RIO DE JANEIRO UF: RJ E-mail: antoine.duchene@eurobiz.com.br					
TOMADOR DE SERVIÇOS					
CPF/CNPJ: 13.204.157/0001-30 Inscrição Municipal: 0.630.729-0 Inscrição Estadual: --- Nome/Razão Social: AXA MATRIX RISK CONSULTANTS BRAZIL LTDA Endereço: AVN GRACA ARANHA 19, SAL 802 - CENTRO - CEP: 20030-002 Tel.: 02125240171 Município: RIO DE JANEIRO UF: RJ E-mail: ---					
DISCRIMINAÇÃO DOS SERVIÇOS					
SERVIÇOS DE CONSULTORIA. FATURA 177					
Retenção de COFINS R\$ 172,50	Retenção de CSLL R\$ 57,50	Retenção de INSS R\$ 0,00	Retenção de IRPJ R\$ 88,25	Retenção de PIS R\$ 37,28	Outras Retenções R\$ 0,00
VALOR DA NOTA = R\$ 5.750,00					
Serviço Prestado: 17.01.01 - assessoria ou consultoria de qualquer natureza, não especificada					
Deduções (R\$)	Desconto Incond. (R\$)	Base de Cálculo (R\$)	Alíquota (%)	Valor da ISS (R\$)	Crédito p/ IPTU (R\$)
0,00	0,00	6.750,00	6,00%	287,50	0,00
OUTRAS INFORMAÇÕES					
- Esta NFS-e foi emitida com respeito na Lei nº 5.098 de 15/10/2008 e no Decreto nº 32.250 de 11/05/2010 - PROCON-RJ: Rua da Ajuda, 5 subsolo; www.procon.rj.gov.br - Data de vencimento do ISS desta NFS-e: 10/07/2012. - Esta NFS-e não gera crédito para abatimento no IPTU. - Valor Líquido a Pagar: R\$ 5.398,37					

Accounting treatment of withholding tax:

The company that buys services subject to withholding tax shall recognize the cost of service for the full value and account for the taxes to be paid.

Example with the DELTA company, that buys consulting services worth 20,000 R\$ from the TAX company. The invoice was registered on 31/08/2016, with settlement scheduled for 25/09/2016.

DELTA Cpy :

On 31st Aug 2016, recording the purchase

Services expense	20,000	
Service TAX payable		20,000
Service TAX payable	1,230	
PIS (0.65%) payable		130
COFINS (3%) payable		600
CSLL (1%) payable		200
IRRF (1.5%) payable		300

On 20th Sept 2016, paying the IRRF

PIS (0.65%) payable	130	
COFINS (3%) payable	600	
CSLL (1%) payable	200	
IRRF (1.5%) payable	300	
Bank		1,230

On 25th Sept 2016, paying the service provider

Service TAX payable	18,770	
Bank		18,770

The accounting entries above clearly show that the withholding taxes are paid by the client himself!

TAX Cpy:

On 31st Aug 2016

Clients	20,000	
Sales		20,000
PIS (assets)	130	
COFINS (assets)	600	
CSLL (assets)	200	
IRRF (assets)	300	
Clients		1,230

On 31st Aug 2016

PIS (deduction of Sales)	130	
COFINS (deduction of Sales)	600	
PIS (assets)		130
COFINS (assets)		600

On 25st Sept 2016

Bank	18,770	
Clients		18,770

After this input, it's possible to see that the TAX Cpy has a credit (asset) of Corporate Tax (CSLL and IRRF). At the end of year, even if the Company applies the REAL system and makes no profit, some Corporate Tax will have been paid (actually withheld by clients). This credit will increase throughout the years until the Company makes a taxable profit and use this credit.