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1. NEW TRANSFER PRICING LAW



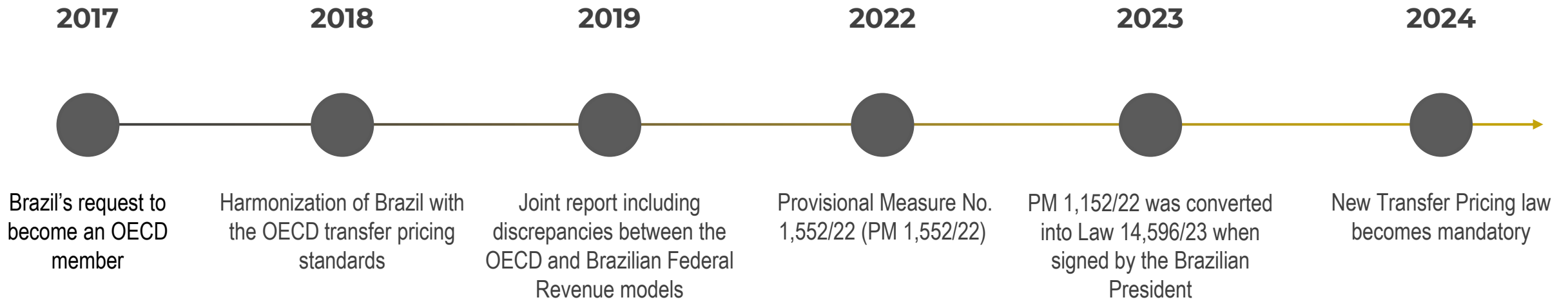
Brazil has enacted a new transfer pricing law that may be adopted in 2024 and will become mandatory in 2024, that is aligned with the guidelines provided by the Organisation for Economic Co-operation and Development (OECD).

With the publication of Law 14,596/23, it is expected that TP framework will draw new foreign direct investments and help integrate Brazil into global value chains.

On September 29, 2023, Brazilian Federal Revenue Service (RFB) published RFB Normative Instruction No. 2,161/2023, which regulates the new Transfer Pricing rules in Brazil.

In this sense, it is essential that multinational groups adequately prepare for this change, considering the potential impacts on their business in Brazil.

2. CONVERGENCE TO OECD STANDARDS



3. LAW NO. 14,596/2023 | KEY ASPECTS



- Introduces the arm's-length principle and broadens the related-party concept;
- Implements News Transfer Pricing methods according to the OECD standards;
- Applies the new TP system to all cross-border intercompany transactions like intangibles, cost-contribution agreements, and business restructuring;
- Eliminates the royalty deductibility limitation currently in force in the Brazilian tax framework and includes royalty transactions under the scope of the new TP system;
- Introduces spontaneous, compensatory and primary adjustment.

3. NORMATIVE INSTRUCTION NO. 2,161/2023 | KEY ASPECTS



- Defines what constitutes a “controlled transaction”, “series of transactions” and “arrangement”;
- The Normative Instruction defines when two parties are considered related;
- Addresses the selection and application of methods for determining transfer prices in controlled transactions. Each method has its specificities and application scenarios;
- Details the documentary obligations and necessary requirements that taxpayers must follow in relation to their transactions subject to transfer pricing control;
- Details possible adjustments to the calculation base and effect on other taxes and the values of fines.

CONCLUSION

The publication of the NI RBF 2,161/23 addressing the implementation of the new Brazilian TP system represents a significant transformation.

Therefore, it is crucial that companies anticipate and proactively evaluate how these changes may affect their business.

At this point, we strongly recommend taxpayers to begin preparing for the imposition of the new rules.

Manucci Tax Department is at the disposal of its clients, partners, and other interested parties for further clarification.

