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Indirect Tax Alert

News from EY Americas Tax

Brazilian Congressman proposes digital services tax

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EY Americas Tax

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On 4 May 2020, Brazilian Congressman João Maia proposed Bill 2,358/2020, which would establish an annual federal digital services tax called the Contribution for Intervention in the Economic Domain - Digital (CIDE-Digital).

Similar to the digital services tax (DST) introduced in many European and OECD¹ countries, the CIDE-Digital is targeted at large digital groups whose annual worldwide gross revenue and local gross revenue exceed R\$3 billion and R\$100 million, respectively.

The CIDE-digital would be levied on gross revenues derived from:

- ▶ Placing advertisements on a digital platform targeted at Brazilian users of that interface (i.e., digital-targeted advertising)
- ▶ Making online platforms and multi-sided digital interfaces available to allow users to interact for purposes of facilitating the marketing of goods or services to those users (at least one user must be located in Brazil)
- ▶ Transmitting data collected about users and generated by users' activity on digital interfaces

Should the bill be approved as presented, local and foreign legal entities that provide digital services and are part of groups whose income exceeds the thresholds would have to collect the CIDE-Digital. The CIDE-Digital would apply progressively as follows:

- ▶ 1% on the portion of the annual gross revenue up to R\$150 million
- ▶ 3% on the portion of the annual gross revenue over R\$150 million and up to R\$300 million
- ▶ 5% on the portion of the annual gross revenue that exceeds R\$300 million

Both chambers of the National Congress (i.e., Chamber of Deputies and Senate) still need to discuss and approve the bill, in different voting rounds. The legislative process usually takes time in Brazil and there may be changes to the current wording of the bill during this process. Further developments should be monitored.

Endnote

1. Organisation for Economic Co-operation and Development.

For additional information with respect to this Alert, please contact the following:

EY Assessoria Empresarial Ltda, São Paulo

- ▶ Artur Braga artur.braga@br.ey.com
- ▶ Audrei Okada audrei.okada@br.ey.com
- ▶ Rita Martins rita.martins@br.ey.com
- ▶ Erica Perin erica.perin@br.ey.com
- ▶ Hugo Azevedo hugo.azevedo@br.ey.com

EY Assessoria Empresarial Ltda, Rio de Janeiro

- ▶ Mariano Manente mariano.manente@br.ey.com

Ernst & Young LLP (United States), Latin American Business Center, New York

- ▶ Gustavo Carmona Sanches gustavo.carmona1@ey.com
- ▶ Tiago Aguiar tiago.aguiar@ey.com
- ▶ Fernanda C Salzedas fernanda.c.salzedas1@ey.com
- ▶ Marcus Segnini marcus.segnini1@ey.com
- ▶ Ana Mingramm ana.mingramm@ey.com

Ernst & Young LLP (United Kingdom), Latin American Business Center, London

- ▶ Luciana Rodarte luciana.rodarte@uk.ey.com
- ▶ Lourdes Libreros lourdes.libreros@uk.ey.com

Ernst & Young Abogados, Latin America Business Center, Madrid

- ▶ Jaime Vargas jaime.vargas.c@es.ey.com

Ernst & Young Tax Co., Latin American Business Center, Japan & Asia Pacific

- ▶ Raul Moreno, *Tokyo* raul.moreno@jp.ey.com
- ▶ Luis Coronado, *Singapore* luis.coronado@sg.ey.com

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