

Global Tax Alert

News from EY Americas Tax

Brazil allows limited liability companies to be incorporated with a single shareholder

EY Tax News Update: Global Edition

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On 20 September 2019, Brazil enacted Law 13,874 (the Law), which amended the Brazilian Civil Code to allow limited liability companies (LLCs, or *Limitadas*, in Portuguese) to be incorporated with a single member or shareholder (Sole Shareholder LLC). The Law applies to new and existing LLCs. The Law does not prohibit foreign legal entities from being a sole shareholder, subject to limitations provided under other laws.

As a consequence of the Law, existing LLCs that intend to continue their activities with a sole shareholder must update their articles of incorporation (e.g., to eliminate the necessity to hold a shareholder meeting, among others). The conversion to a Sole Shareholder LLC will not affect a company's registration number with the Brazilian Federal Revenue (the CNPJ) and should be achieved without adverse Brazilian tax implications.

The Sole Shareholder LLC should not be confused with the EIRELI (which is a kind of Individual LLC), as the EIRELI requires a minimum share capital of at least 100 (one hundred) times the value of the current minimum wage and limits the number of companies held by the individual shareholder.

Groups should evaluate their corporate structures and the impact that this new Law could have from an overall tax and entity rationalization perspective, specifically, how this may drive the way companies invest in Brazil. Moreover, the enactment of this new Law grants additional flexibility to the entity classification that could be given to Brazilian LLCs from an international tax standpoint (e.g., treating LLCs as disregarded entities, partnerships, or corporations under US tax law).

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