

HIGH EXCHANGE RATE FLUCTUATION AND THE POSSIBLE CHANGE IN THE TAXATION OF EXCHANGE RATE VARIATION

GENERAL RULE

- Corporate Taxes (IRPJ and CSLL) and Social Contributions on Revenues (PIS and COFINS) are levied on the exchange rate variation on a cash basis (at the liquidation of transactions in foreign currency)
- Possible choice for the taxation on an accrual basis (taxation based on the exchange variation accounted)
- Choice made in the Federal Tax Debits and Credits Return (DCTF) referring to the month of January of each calendar year
- Option applies for the entire calendar year and cannot be changed in that period

EXCEPTION

- Change in the option for the exchange rate variation tax regime during the calendar year may be done in case of high exchange rate fluctuation
- High exchange rate fluctuation means the positive or negative variation higher than 10% between the values of the United States dollar on the first and last days of a certain month
- Change from the accrual basis to the cash basis is clearly mentioned in the regulations, while the feasibility of changing from the cash basis to the accrual basis may be discussed
- Change in the tax regime must be informed in the DCTF for the month following the one in which the high fluctuation occurred
- Change in the tax regime, if any, applies for the entire calendar year, including the months prior to the choice

CURRENT SCENARIO

In view of the Coronavirus pandemic scenario (Covid-19) and the economy outlook in Brazil and in the world, from the March 2 to March 26, the exchange rate of the United States dollar increased approximately 11%

If the variation is higher than 10% considering the March 31 exchange rate, the company may change the tax regime for exchange variations for 2020



CONVENIENCE OF THE CHANGE

The change can be a good opportunity for taxpayers who have significant exchange rate variation

The convenience of changing the regime must be analyzed considering the particularities of each case

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