

BRAZIL

Brazil is the largest country in South America, the fifth largest country in the world by both population and land area (occupying 47% of the continent), and it is the largest country of Portuguese speakers in the world. Its territory encompasses a wide range of tropical and subtropical landscapes, including wetlands, savannas, plateaus, and vibrant cities like Rio de Janeiro and São Paulo. The key sectors of Brazil's economy include agriculture, manufacturing, services, and the financial industry.

SOUTH AMERICA

NATIONAL HOLIDAYS

The following are the current public holidays in Brazil:

JAN 1	New Year's Day
FEB 11-12*	Carnival* (*Date varies)
MAR 29*	Good Friday* (*Date varies)
APR 21	Tiradentes
MAY 1	Labor Day
MAY 30**	Corpus Christi** (**Date varies, 60 days after Easter Sunday)
SEP 7	Independence Day
OCT 12	Our Lady of Aparecida
NOV 2	All Souls' Day
NOV 15	Proclamation of the Republic
NOV 20***	Black Consciousness Day (***only in states of São Paulo, Rio de Janeiro, Alagoas, Amazonas, Amapá, Mato Grosso)
DEC 25	Christmas

EMPLOYMENT CONTRACTS

INDEFINITE TERM CONTRACT: This is the most common employment contract in Brazil, it's a standard contract with no predetermined ending date. In addition to the wages, it is necessary to pay:

a) VACATIONS: Granted after 12 months of work, the employee is entitled to 30 days of paid vacation, which they must take within the subsequent 12 months. On top of their regular salary, they receive an additional 1/3 of their monthly salary during vacation;

b) 13TH SALARY: This is essentially an extra month's salary paid in two installments, the first in November, and the second by December 20th;

c) FGTS: It's a severance fund where the employer deposits an amount equivalent to 8% of the employee's monthly salary into a government-managed account.

FIXED TERM CONTRACT: Employment is for a specific duration, typically for seasonal or temporary work, it cannot be renewed more than 1 time and the total duration can't exceed 2 years. If it does, it automatically becomes an indefinite term contract. As the Indefinite Contract employee is entitled to:

a) Vacations, 2,5 days for every month worked plus 1/3 of vacations cost;

b) 13th Salary, paid proportionally based on the months worked in the year;

c) FGTS, 8% of the monthly salary deposited into the FGTS.

TEMPORARY WORK CONTRACT: Used for temporary substitution of regular employees e.g. maternity leave or to fulfill extraordinary or



seasonal demands. The employer needs to justify the reason the temporary employee is needed. The maximum duration is 180 days, but it can be extended for another 90 days. Regardless of the type of contract, these social security benefits (**Vacations, 13th Salary** and **FGTS**) are legally required in Brazil

INTERMITTENT WORK CONTRACT: Flexible employment contract that allows employers to hire workers for non-continuous periods of service. The worker is paid by the hour, day, or month, not continuously, but with alternating periods of service and inactivity. The employer is required to contact the worker at least 3 days in advance, and the worker must accept or decline the offer within 24 hours. After the end of the service period, the employee should receive immediate payment for wage and social security benefits (**Vacations, 13th Salary, DSR** (Rest during the week) and **FGTS**).

PART-TIME CONTRACT: Employees work for fewer hours than the regular working hours, which in Brazil is 44 hours per week. They can work up to 30 hours per week without overtime and up to 26 hours with the possibility of 6 hours of overtime.

INTERNSHIP: Used to hire college level students to gain practical experience in their field of study. The contract should be written by the education institute where the employee attends and the company must justify the hiring. It can last up to



2 years, working a maximum of 6 hours per day.

APPRENTICESHIP CONTRACT: Contract should be written by the education institute where the employee studies and if the employee is less than 18 years old, the contract must be signed by his/her legal guardian. This type of contract is aimed at training young workers, between 14 and 24 years old, in a profession. It's a combination of professional education and work. Apprenticeship working hours and contract duration are the same as the Internship Contract.

SERVICE PROVISION CONTRACT BY A LEGAL ENTITY: An agreement whereby a company, a legal entity provides specific services to another party without establishing an employment relationship. The legal entity issues an invoice for services and handles its own taxes. Although this contract offers flexibility and can circumvent traditional labor costs, it must be compliant with the Brazilian Civil Code's regulations. Caution is needed as misuse, like mimicking formal employment characteristics without providing labor rights, known as "pejotização," can be deemed illegal.

COOPERATED CONTRACT: An arrangement involving a cooperative and its members in which the cooperative provides services to third parties, as a legal entity, and the cooperative is responsible for managing the administrative and financial aspects of these services.

WORKING HOURS

The maximum workweek in Brazil is 44 hours, distributed as 8 hours during weekdays and 4 hours on Saturday. It is a common practice to work 9 hours from Monday to Thursday and 8 hours on Fridays to complete the 44 hours during weekdays.

LUNCH BREAK: For workdays that exceed 6 hours, there's a mandatory break of 1 to 2 hours for meals and rest. For workdays up to 6 hours, a 15-minute break is mandatory.

BONUS REQUIRED BY LAW

PLR (PARTICIPATION IN PROFITS OR RESULTS): The PLR is an incentive payment awarded to employees based on a company's profitability or the attainment of predefined objectives. Its purpose is to motivate and recognize employees for their contributions to the company's success. Governed by labor unions, the specifics of the PLR are outlined in the Collective Bargaining Agreement. Payments are made semi-annually: once in August for the first half of the year, and then in March of the following year for the corresponding second half of the year.

VACATIONS

After every 12 months of employment, known as the acquisition period, a CLT employee is entitled to 30 days of paid vacation. Vacation payment consist of the regular salary during the vacation, plus an additional 1/3 of the monthly salary,

known as vacation bonus.

Vacations should be granted within the next 12 months after the acquisition period. If the employer does not allow the employee to take the vacation during this period, the company must pay double of the usual vacation payment. Also, the employees have the option, with agreement from their employer, to “sell” up to 1/3 of their vacation days back to the employer, this is known as “abono pecuniário”. This means instead of taking 30 days off, the employee might take 20 consecutive days off and get paid for the additional 10 days as if they had worked them.

Vacation period can be split into up to **three segments**, as long as one of the segments is a minimum of 14 consecutive days and the other portions are no less than 5 days each.

If an employee’s contract is terminated, he/she are entitled to a prorated amount for the period they worked and the outstanding vacation days due to the employee.

SICK LEAVE

When an employee is sick and unable to work, they are required to provide his/her employer with a medical certificate. This certificate, issued by a physician, must specify the reason for the absence and its expected duration.

For the first 15 days of illness, the employer covers the employee’s wages. It’s mandatory that the employee promptly informs their employer of their condition and provides the

medical certificate to validate their sick leave. Starting on the **16th day**, the **Brazilian Social Security Institute - INSS**, assumes responsibility for compensation. To be eligible for this sickness benefit, the employee must undergo a medical evaluation by an INSS-appointed doctor.

If the employee receives sickness benefits from the INSS for over 30 days, they are granted a period of job security. In other words, the employee cannot be terminated without a valid reason for a minimum of 12 months.

PARENTAL LEAVE

Parental leave in Brazil is primarily divided into maternity leave and paternity leave:

MATERNITY LEAVE: The standard maternity leave is **120 days** (4 months). Some companies, however, participate in a government program called **“Empresa Cidadã”** (Citizen Company), which extends this period to **180 days** (6 months). Maternity leave can start up to **28 days** before the expected date of childbirth and the remainder after the childbirth. In cases of premature birth, miscarriage, or stillbirth, the mother is still entitled to the full leave period.

PATERNITY LEAVE: The standard paternity leave is **5 consecutive days** starting from the day of the child’s birth. For companies in the **“Empresa Cidadã”** program, it is extended to **20 days**.

During paternal leave, the mother and father receive their full salary. This salary is paid by the employer, but the company can deduct the



amount from certain federal taxes. In the case of employees who contribute to the Brazilian Social Security (INSS), the INSS will cover the payment.

MATERNITY LEAVE FOR ADOPTIVE MOTHERS: Adoptive mothers are also entitled to maternity leave. The duration depends on the age of the adopted child:

- a) 120 days** for children **up to 1 year** old;
- b) 60 days** for children between **1 and 4 years** old;
- c) 30 days** for children between **4 and 8 years** old.

PROBATIONARY PERIOD

The trial contract serves as a probationary period during which both parties assess the suitability of the partnership. According to Article 445 of the CLT, the trial contract can last **up to 90 days**. It can be extended once, for a period equal to or shorter than the first. Thus, it’s common to have 45-day contracts that can be extended for another 45 days. If neither party raises any issues by the end of this period, the contract automatically becomes indefinite.

If the employer terminates the contract at the end of the probationary period no severance payments will be required. In the event of early

termination, in addition to the social security benefits, there is a compensation of 50% for the remaining unworked period and a 40% penalty on the FGTS.

The probationary contract operates similarly to a fixed-term contract.

TERMINATION

INDEFINITE TERM CONTRACT: The termination can happen at the will of either party, with some conditions for prior notice and severance payments. If **employer-initiated termination:** Payment of a 40% fine over the total amount deposited in the employee's FGTS (Guarantee Fund for Time of Service) account during the employment period. Also, the employer needs to provide a notice period or pay the equivalent salary for the notice period. Alternatively, if employee-initiated termination, there won't be any fine, but the employee may need to provide a notice period or waive the salary for that period.

FIXED TERM CONTRACT: If the contract is terminated at the end, severance payments will not be due. If either the employer or the employee-initiated an early termination, a fine will be applied, equivalent to half the remuneration of the remaining period until the contract termination date. This fine is applicable to either party.

TEMPORARY WORK CONTRACT: This type of contract do not pay penalties for early termination.

remains inactive for more than 12 months by the same employer, the employment relationship is considered terminated, and the employer must pay the same termination benefits, as in the indefinite term contract.

PART-TIME CONTRACT: Termination rules and penalties are equivalent to the indefinite term contract.

INTERNSHIP/ APPRENTICESHIP CONTRACT: As the It's not an employment relationship, so there is no penalty in the event of an early termination.

SERVICE PROVISION CONTRACT BY A LEGAL ENTITY/ COOPERATED CONTRACT: The contract's termination terms should be clearly and defined in the contract.

TAXES

Taxes Paid by the Employee:

WITHHELD INCOME TAX (IRRF): Employees with a formal employment contract and registered employment have a portion of their income withheld for income tax every month on their payroll. Although this is a tax charged to the taxpayer, the employer is responsible for withholding it.

Below is the tax rate table based on income brackets:

SALARIES UP TO BRL 2,112.00	Employee is exempt of tax
BRL 2,112.01 TO BRL 2,826.65	7.5%
BRL 2,826.66 TO BRL 3,751.05	15%
BRL 3,751.06 TO BRL 4,664.68	22.5%
SALARIES ABOVE BRL 4,664.68	27.5%

INSS DEDUCTION: The INSS deduction is a percentage taken from the employee's salary. It serves as a contribution to the social security system, ensuring benefits for the employee in the future. This amount is deducted directly from the employee's payroll, even before they receive the net amount of their salary. The maximum INSS contribution is **BRL 908.85** for salaries **above BRL 7,786.02**. For salaries below this amount, contributions are determined by the following rate brackets:

SALARIES UP TO BRL 1,412.00	7.5%
BRL 1,412.01 TO BRL 2,666.68	9%
BRL 2,666.69 TO BRL 4,000.03	12%
BRL R\$ 4,000.04 TO BRL 7,786.02	14%

Taxes paid by the company:

PAYROLL TAXES: Companies operating under the "Lucro Real" or "Lucro Presumido" regimes pay the Employer's INSS at a rate of **20%**. However, this rate includes additional contributions for

RAT (Work related Accident) and **FAP** (Accident Prevention Factor), which currently total **24.5%**.

The "**Sistema S**" contributions encompass a set of organizations aimed at professional training, social assistance, consultancy, research, and technical assistance. In the case of SGF Global, the breakdown is:

SENAI	1.5%
SESI	1%
SEBRAE	0.6%

Additionally, in the category known as

"**terceiros**", both urban and rural companies must also contribute **0.2%** of the payroll to the National Institute for Colonization and Agrarian Reform (**INCRA**).

The "**salário educação**" (education salary) is a social contribution paid by employers tied to the **General Social Security Regime**. Contributions to the National Fund for Education Development (**FNDE**) amount to **2.5%** of the total remunerations paid to their employees, comprising a total of **5.8%**.

Finally,

FGTS: Employers must deposit **8%** of the gross salary. This is not deducted from the worker's remuneration. The monthly FGTS collection is processed via the FGTS Collection Guide.

ISS	<i>Rates vary.</i>
PIS/PASEP	0.65%
COFINS	<i>Rates vary.</i>
CSLL	1%
IRPJ	15% (+ 10% on the monthly profit that exceeds BRL 20,000)

Taxes for Issuing Invoices:

SERVICE TAX (ISS - IMPOSTO SOBRE SERVIÇOS DE QUALQUER NATUREZA): This municipal tax applies to provided services. Rates vary; in São Paulo, SGF Global pay **2%**.

SOCIAL INTEGRATION PROGRAM (PIS/PASEP): Companies owe this contribution, which is paid monthly. Its purpose is to fund unemployment insurance and the annual bonus. PIS/PASEP is a company contribution and is not deducted from the employee's salary, with a rate of **0.65%**.

SOCIAL CONTRIBUTION FOR SOCIAL SECURITY FINANCING (COFINS): This is another federal tax aimed at financing social programs. The rates vary, and we currently pay **3%**.

SOCIAL CONTRIBUTION ON NET PROFIT (CSLL): This federal tax finances social security and applies to the net profit of the company, whether under the "real" or "presumed" taxation regime. The current rate is **1%**.

CORPORATE INCOME TAX (IRPJ - IMPOSTO DE RENDA DA PESSOA JURÍDICA): This federal tax applies to the actual profit or gross revenue for

entities under the "Lucro Presumido" regime. The rate is **15%** of the total amount, with an **additional 10%** on the monthly profit that exceeds BRL 20,000.

HEALTH INSURANCE

While health insurance is not mandated by law, it can be established through collective agreements. Even though it isn't always mandatory, many companies include private health insurance in their benefits package to attract top talent. Additionally, companies that provide health insurance often receive tax deductions, making it a win-win for both employer and employee. It's worth noting that companies aren't required to bear the entire cost; they can opt for a co-payment system with the employee. If health insurance is consistently offered as part of a company's standard benefits or specified in an employment contract or a collective union agreement, it becomes an "acquired right." Once established as such, the benefit cannot be arbitrarily withdrawn.

Should a contract be terminated, it's important to understand the terms of the health insurance benefit. In certain cases, former employees who have previously co-contributed to the health insurance may retain their coverage for a specified period, covering the entire cost themselves.



EMPLOYEE BENEFITS

Mandatory benefits are dictated by both the CLT legislation and collective bargaining agreements, specifically under the SINDEEPRES agreement for our company. The benefits that SGF Global is required to offer include:

TRANSPORTATION VOUCHERS: Employers are required to assist with commuting expenses for employees. An employee should not bear more than 6% of their salary towards transportation. The employer covers any excess costs.

MEAL VOUCHERS: While not mandated by law, the meal voucher is frequently made mandatory through collective bargaining agreements. According to these agreements, the minimum allowance for a meal voucher is BRL 477.48. Additionally, for those earning below BRL 6,189.94, a food allowance of BRL 141.85 is also mandatory.

LABOR LAW - NUMBER AND VALID PAGE

The Consolidação das Leis do Trabalho (CLT) is a pivotal Brazilian labor law, decreed by Decree-Law No. 5,452 on May 1, 1943. Serving as the backbone of employment rights for a vast majority of Brazil's workforce, the CLT is divided into **eight** distinct sections:

SECTION I	On the Right to Vacations and Their Duration
SECTION II	On Granting and Timing of Vacations
SECTION III	On Collective Vacations
SECTION IV	On Remuneration and Vacation Bonus
SECTION V	On the Effects of Termination of the Employment Contract
SECTION VI	On the Beginning of Prescription
SECTION VII	Special Provisions
SECTION VIII	On Penalties

Over the decades, the CLT has undergone numerous modifications and augmentations. One paramount update was the introduction of the Labor Reform (Reforma Trabalhista) through **Law No. 13,467** in 2017. This reform aimed to modernize the pre-existing labor guidelines, tailoring them more aptly to evolving work paradigms. Furthermore, the CLT integrated the tenets of the Declaration of Economic Freedom Rights as per Law No. 13,874 in 2019. A confirmation of the CLT's up-to-date status, inclusive of all legislations up to January 30, 2023, can be referenced from the official Planalto's website (**check the following link**). This encompasses notable revisions like the Labor Reform and the Declaration of Economic Freedom



Rights.

Delving into the intricacies of the CLT, its 922 articles shed light on key areas such as professional identification, work duration, minimum wage stipulations, annual leave entitlements, workplace safety protocols, protection for female and underage workers, social security provisions, and the guiding principles for workers' unions.

For a more extensive legislative scope in Brazil, there are 10,204 ordinary laws, 105 complementary laws, 5,834 provisional measures, 13 delegated laws, 11,680 decrees, 322 decrees from the provisional government, and 5,840 decrees from the Legislative Power. These span across 1,584 pages in the 33rd edition.

HOME OFFICE / HYBRID WORK - LAW - GUIDANCE

With the rise in remote work professionals and the widespread adoption of home office and hybrid work models, Provisional Measure MP nº 1.108/22 was introduced. This measure was subsequently enacted as **Law nº 14.442**, which modifies key provisions of the Consolidation of Labor Laws (CLT).

TIMEKEEPING REQUIREMENTS FOR REMOTE

WORKERS: Under **Article 74** workers are mandated to keep and report their working hours.

Exceptions for remote workers Timekeeping

Hours and Overtime Payments in **Article 62** are the followings:

- a)** Businesses employing fewer than 20 workers;
- b)** Workers compensated based on production or task completion are exempt from timekeeping requirements;
- c)** Employees engaged in external activities that aren't suited to fixed working hours;
- d)** Management roles such as managers, directors, and heads of departments or branches, except when the total salary is less than 40% of the salary of their immediate non-trust subordinate.

FOREIGN EMPLOYEES: WHICH PAPERS DO THEY NEED TO HAVE TO BE CONTRACTED BY THE LOCAL LAW? MAXIMUM QUOTA ALLOWED.

Companies in Brazil looking to hire foreign employees are required to maintain a ratio: for every foreign hire, there must be two Brazilian employees on staff. This stipulation implies that a maximum of **one-third** of a company's workforce can consist of foreign employees. Furthermore, the professional experience of foreign applicants should match the specific position they are applying for in Brazil and be consistent with the Brazilian company's activities.

In terms of experience, employees with:

ONLY A HIGH SCHOOL EDUCATION: should have a minimum of 4 years of professional experience.



WITH A COLLEGE OR HIGHER EDUCATION DEGREE: Those with a college or higher education degree are expected to have **2 years of experience**, while individuals holding a Master's degree need at least **1 year of relevant experience**. Also, their educational qualifications should encompass a minimum of 12 years of schooling.

Pertaining to documentation:

EMPLOYER: the hiring company must provide a **Letter of Recommendation** or provide evidence of the prospective employee's Professional Experience. They should also present the **company's Social Contract/Bylaws**, a copy of its **CNPJ** (National Registry of Legal Entities), and provide details about **all locations** where the foreign employee will be working.

Also, the hiring company should secure a work permit on their behalf from the Brazilian Ministry of Justice's National Immigration Department. An employment contract, detailing terms, salary, and other pertinent details, must also be in place.

EMPLOYEE: In the nearest Brazilian Consulate, the employee must present a **criminal record certificate** from countries they've resided in over the past **5 years**, verifying they have a clean record. This document, along with their **birth certificate**, needs to be apostilled, then legalized by the Brazilian Consulate, and finally translated into Portuguese.

Depending on the type of work visa application,

they may also need to provide **passport-sized photos** and a **proof of residency**.

Prior to their arrival in Brazil, the employee should ensure they have a passport that remains valid for **at least six more months**. Additionally, the employee should provide proof of professional qualifications, such as relevant diplomas or certificates.

Once in Brazil, the employee has to obtain a **CPF** (Taxpayer's ID) and register with the Federal Police to receive a **CIE (Cédula de Identidade de Estrangeiro)**, serving as their foreigner's ID card. It's essential that their passport remains valid for **at least six months beyond their intended stay** in Brazil.