

7 May 2018

SINGAPORE SIGNS DTA WITH BRAZIL

Singapore signed a comprehensive Agreement for the Avoidance of Double Taxation (DTA) with the Federative Republic of Brazil on 7 May 2018.

Please find below the key features of the DTA:

- The DTA provides for an underlying tax credit (to offset in Singapore the corporate income taxes paid by the Brazilian invested company (34%) over the profits that originated the dividends) that could be used as credit against dividends received by the Singapore investor company. This benefit will only benefit Singapore holding companies if Singapore participation exemption rules are not applicable.
- Limitation on WHT rate on dividends distributions does not bring any advantage as, pursuant to Brazilian domestic law, dividends distributions are not taxed at source;
- Limitation on WHT rate on payments of interest on net equity (another way to remunerate shareholders of a Brazilian company) does not bring any advantage as, pursuant to Brazilian domestic law, such payments are already taxed at a 15% rate (the same maximum rate provided for by the DTA under Article 11).
- There are other benefits established in the DTA that would not arise from any shareholding relationship between Brazil and Singapore companies, such as the reduction from 15% to 10% of the WHT levied on remittances for the payment of trademark licenses and technical services.
- Such rate reduction depends on the compliance with the LOB requirements established in the DTA.