



**MINISTRY OF ECONOMY
NATIONAL INSTITUTE OF INDUSTRIAL PROPERTY**

Rio de Janeiro, February 15, 2019.

The configuration of the Brazilian procedures of Technology International Transfer was constituted by the Law n° 3470 (November 28, 1958), by the Ordinance 436 (December 30, 1958), and by the Law n° 4506 (November 30, 1964) about royalties income tax.

Additionally, Law No. 4,131 (1962) was issued. It regulates the application of foreign capital and royalties remittance. It includes the following items:

a) The royalties' remittance is subject to an evaluation by the Central Bank and the Federal Revenue Secretariat, according to art. 9 of Law No. 4,131 (1962);

b) The Central Bank will supervise the effectiveness of technical and scientific assistance services, according to art. 10 of Law 4,131 (1962);

c) the tax deduction for the sum of royalties due to the exploitation of patents, or use of market brands and technical, scientific, administrative or similar assistance has maximum limit of 5% of net sales of manufactured products, according to art. 12 of Law No. 4,131 (1962) and Decree-Law No. 1,730 (1979);

d) Tax deductions include expenses for technical, scientific, administrative or similar assistance, provided that such services are effectively rendered, as well as the assignment or license agreement for the use of trademarks and patents of invention are regularly registered in Brazil, in accordance with with Law 9.279 (1996), according to Article 12 § 2 of Law 4,131 (1962);

e) Remittances may occur without registration of the contract at the INPI, but will be subject to taxation for profit remittance, according to Article 13 of Law 4,131 (1962). The context of the 1950s to the late 1980s was marked by “industrialization through import substitution”, in order to internalize and develop Brazilian technology and industrial park.

The parameter of the tax deduction is limited from 1% (one percent) to 5% (five percent) of net sales of contractual products, according to the productive sector defined in Ordinance 436 (1958) and the Decree-Law No. Law No. 8,383 (1991). This context is related to the need to increase the flow of technology to the subsidiaries installed in Brazil and to promote the technological qualification of the subsidiaries that have settled in Brazil during the 1990s and were already installed in Brazil previously.

The acquisition of technology or patent exploitation license between related companies and within the same economic group reduces the degree of technology asymmetry, the



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R & D expenditure and the risk of the technological development process by the Brazilian subsidiary. There is no limitation of royalties remittance between companies not linked to the acquisition of technology or license of industrial property right, but the transaction will only have the deduction set forth in Ordinance 436 (1958).

There is no limitation royalties remittance between not-related companies to what concerns the acquisition of technology or license of industrial property right, but the transaction will only have the deduction set forth in Portaria 436 (1958).

The royalties remittance between a Brazilian subsidiary and its foreign parent company for patent license and license to use a trademark is not subject to the transfer pricing, pursuant to Article 22 of Law No. 4506 (1964), Art. 18 § 9 of Law No. 9,430 (1996), Art. 242 § 10 of Decree No. 9,580 (2018), Art. 55 of the Normative Instruction of the Federal Revenue Secretariat 1312 (2012). For that purpose, the contracts need to be registered and recorded at the National Institute of Industrial Property, according to Article 50 of Law No. 8,383 (1991).

The transfer price, regulated by Law No. 9,430 (1996), covers goods, services and rights acquired abroad. Individuals or legal entities that reside or domiciled in Brazil and carry out operations with any natural or legal person, although not bound, resident or domiciled abroad, is required by Brazilian law to comply with the transfer pricing rules. The transfer price is used to identify the controls that are subject to commercial or financial transactions between related parties based in different tax jurisdictions.

With INPI Normative Instruction No. 70 (April 11, 2017), the Institute does not analyzes, as from 07/01/2017, contracts that were registered at INPI, therefore, does observe royalties remittance and other tax normative criteria. The INPI establishes the scope of the object of the contract related to the transfer of technology, industrial property rights license and franchise, according to Normative Instruction No. 70 (2017) and to INPI Resolution No. 199 (2017).

The registration of the patent license agreements at INPI is subject to the following aspects, according to INPI / PR Resolution 199 (2017):

- a) The patent application and the granted patent must be applied or granted in Brazil;
- b) The licensor of the patent must be the owner of the patent. If the licensor is not the holder, an authorization from the patent holder must be submitted for sublicensing;
- c) If the nature of the license agreement is exclusive, the licensor may not submit another contract for the same patents in the INPI.
- d) Patent applications cannot be remunerated. As soon as the patents are granted, the petitioner submits a petition for amendment of the Certificate of Averbation and the remuneration will revert to the date of commencement of the first Certificate of Averbation.



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e) The maximum term of the patent exploitation license is the term of validity of the patent in Brazil.

f) The time for issuing a decision regarding the application for the registration of a patent license agreement and petitions to the process is 30 (thirty) days from the notification in the “Revista de Propriedade Industrial” (<http://revistas.inpi.gov.br/rpi/>). Pursuant to Article 8 of Normative Instruction No. 70 (2017), the decision may be:

I - Deferral and issuance of the Averbation Certificate;

II - Formulation of requirement;

III - Reasoned rejection; or,

IV - Archiving.

The deadline for complying with the requirement is up to 60 (sixty) days, from the date of its publication in the “Revista de Propriedade Industrial” (<http://revistas.inpi.gov.br/rpi/>), in compliance with the provisions of art. 224 of Law No. 9,279 (1996), under the penalty of archiving the application.