

# HR & Tax Alert


**ERNST & YOUNG**
*Quality In Everything We Do*

## Brazil: Adjustment to Social Security Tax Table

April 2006

### Executive Summary

The Brazilian Social Security Ministry has enacted Ordinance #119 of April 18, 2006 announcing a 5% adjustment of the employee social security tax table. The table is applicable to all the beneficiaries of the Social Security System, who are individuals who perform professional activities for the same local company on a regular basis, under subordination, and receive remuneration for such services.

### The New Employee's Social Security Tax Table

Both employees and employers jointly fund the National Institute of Social Security -INSS. Contributions are levied on the employee's side at rates ranging from 7.65% to 11%, depending on the level of remuneration, with a maximum required monthly contribution of BRL 308.17 beginning April 1, 2006. In comparative terms:

### FORMER TABLE

<i>Monthly Contribution Salary</i>	<i>Rate</i>
Up to BRL 800.45	7.65%
From BRL 800.46 to BRL 900.00	8.65%
From BRL 900.01 to BRL 1,334.07	9%
Above BRL 1,334.08	11% (*)

(\*) *The monthly contribution ceiling was BRL 293.50.*

### NEW TABLE (As of April 1, 2006)

<i>Monthly Contribution Salary</i>	<i>Rate</i>
Up to BRL 840.47	7.65%
From BRL 840.48 to BRL 1,050.00	8.65%
From BRL 1,050.01 to BRL 1,400.77	9%
Above BRL 1,400.78	11% (*)

(\*) *There is a monthly ceiling which is now BRL 308.17.*

## **No Changes on the Employer Social Security Contribution**

The employer social security contribution is due from the local entity at rates varying from 26.8% to 28.8% of the amount paid to the employee, with no cap.

## **Next Steps**

---

Companies are advised to consider the impact of the new ruling on their situation in Brazil and also having to adjust their payroll systems from May, regarding salaries of April.

For further information, please contact your local Ernst & Young Human Capital professional, or in Brazil:

### **Partner in charge:**

Tatiana Ponte                      Tel: +55 11 2112-5288                      E-mail: [tatiana.ponte@br.ey.com](mailto:tatiana.ponte@br.ey.com)

### **Compliance:**

SP - Alessandra Paraíso                      Tel: +55 11 2112-5449                      E-mail: [alessandra.p.paraíso@br.ey.com](mailto:alessandra.p.paraíso@br.ey.com)

RJ - Tânia Baraldi                      Tel: +55 21 2112-1426                      E-mail: [tania.baraldi@br.ey.com](mailto:tania.baraldi@br.ey.com)

### **Advisory:**

Frederico Good God                      Tel: +55 11 2112-5232                      E-mail: [frederico.h.god@br.ey.com](mailto:frederico.h.god@br.ey.com))

### **Immigration and Destination:**

Gustavo Perez                      Tel: +55 11 2112-5241                      E-mail: [gustavo.perez@br.ey.com](mailto:gustavo.perez@br.ey.com))

### **Labor:**

Lauro Martins Azevedo                      Tel: +55 11 2112-5481                      E-mail: [lauro.m.azevedo@br.ey.com](mailto:lauro.m.azevedo@br.ey.com))

The *Ernst & Young Human Capital HR & Tax Alert* is a periodic newsletter designed to communicate current developments in the human capital area. It is not intended to serve as legal, immigration or tax advice. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. No member firm of Ernst & Young Global Limited ("EYGL") or Ernst & Young International Limited ("EYI") or EYGL or EYI accept responsibility for any loss arising from any action taken or not taken by any person in reliance on this publication.

© 2006 Ernst & Young LLP.