

WORLD TRADE ORGANIZATION

RESTRICTED

S/WPPS/W/7/Add.22

5 November 1996

(96-4876)

Working Party on Professional Services

Original: English

COMMUNICATION FROM BRAZIL

Response to the questionnaire on the accountancy sector

The following communication is circulated at the request of Brazil.

I. GENERAL

1. *What are the professional titles of accountants in your country? Are these professional titles protected? Please specify how.*

In the accounting area there are two professional titles: Accountant requiring, University study - Bachelor in Accounting Sciences - and Accounting Technician, requiring secondary grades.

Such titles are protected by the requirement of compulsory registration of the respective diploma at the Regional Accounting Councils, subordinated to the Federal Council of Accounting.

Only professionals bearing the registration number of Regional Accounting Councils may perform the Accountant or Accounting Technician duties in the country.

2. *How is the accountancy sector regulated in your country: by law, professional self-regulation, a combination of both?*

The Accounting sector in Brazil is regulated by Decree No. 9.295, of 27 May 1946, which created the Federal Council of Accounting and the Regional Accounting Councils, establishing the legal requirements for registration and control of the Accounting professions, which includes Accountants and Accounting Technicians.

The Brazilian Institute of Accountants (IBRACON) founded on 13 December 1971 brings together as associates by voluntary enrolment, accountants of all areas of accounting activities, and also to establish accounting principles, technical book-keeping and balance assessment rules, as well as to elaborate rules and procedures to be used in providing special services, such as external and internal auditing, accounting surveys, etc.

It is also its duty to oversee the observance of the Accounting Professional Ethics Code established by the Federal Council of Accounting, as well as the observance of the Professional Ethics Principles.

The self-regulated action of the Brazilian Institute of Accountants complements the legal authority of the Federal Council of Accounting.

3. ***Are there any provisions to protect company names, whether national or foreign, in your country?***

One of the objectives of the compulsory registration in the Regional Councils, established by Resolution CFC No. 496, of 5 October 1979, is to assure, in principle, the protection of accounting services companies names, since it does not accept names of homonymous firms.

However, the most complete protection of national and foreign company names, can be by means of registering such names at the National Institute for Industrial Propriety (INPI), which is a public institution with legal attributions to provide such guaranty.

4. ***What are the professional bodies in your country? Are they recognised by law as a regulatory or disciplinary body for the accountancy profession in your country, or are these functions fulfilled by other institutions (please specify)?***

The professional bodies in Brazil are:

Ministry of Education: in the Accounting professional formation, as in all other regulated professions, graduation is required, as a basis for professional qualification.

The diploma obtained after finishing college studies in Accounting Sciences or Accounting Technician is registered at the Ministry of Education.

Regional Accounting Council: with this graduation, the Accountant or Technician Accountant will only be authorized to practise after being registered at the Regional Council of his jurisdiction, according to the provisions of Decree No. 9 292 of 27 May 1948.

Therefore, these two registers represent the essential legal conditions required by the Accountant and Accounting Technician profession.

5. ***How many members do these professional bodies have? What is the estimated proportion of those:***

- *in public practice*
- *in industry or commerce*
- *in the public sector*
- *in education*
- *unoccupied (retired, etc.)*
- *other*

Registered professionals at the Regional Accounting Councils until April 1996:

-	Accounting technician	206 154
-	Accountant	105 844
-	Overall Total	311 998
-	Public accountant	5 %
-	Industry and Commerce	75 %
-	Public sector	15 %
-	Education	2 %
-	Other	3 %

6. *What is the scope of activities regularly practised by accountants in your country?*

- *statutory audit*
- *audit of mergers*
- *audit of contributions in kind*
- *public sector audit*
- *other audits*
- *accounting*
- *insolvency practice*
- *tax advice*
- *tax representation*
- *investment advice*
- *consulting*
- *expert witness in accounting*
- *other*

<u>Activities</u>	<u>General Activities</u>				
	<u>Accountant</u>	<u>Acc.Tech.</u>	<u>Lawyer</u>	<u>Economist</u>	<u>Administrator</u>
<i>Statutory Auditing</i>	<i>x</i>				
<i>Fusions Auditing</i>	<i>x</i>				
<i>Donations Auditing</i>	<i>x</i>				
<i>Public Sector Auditing</i>	<i>x</i>				
<i>Other Auditings</i>	<i>x</i>				
<i>Accounting</i>	<i>x</i>	<i>x</i>			
<i>Insolvency Practice</i>	<i>x</i>		<i>x</i>	<i>x</i>	<i>x</i>
<i>Tributary Advising</i>	<i>x</i>		<i>x</i>	<i>x</i>	<i>x</i>
<i>Tributary Representation</i>			<i>x</i>		
<i>Investments Advising</i>	<i>x</i>			<i>x</i>	<i>x</i>
<i>Consulting</i>	<i>x</i>		<i>x</i>	<i>x</i>	<i>x</i>
<i>Accounting Attestation</i>	<i>x</i>				
<i>Others</i>					

7. Which of these activities are regulated in your country?

Regulations		
<u>Activities</u>	<u>Yes</u>	<u>No</u>
<i>Statutory Auditing</i>	x	
<i>Fusions Auditing</i>	x	
<i>Donations Auditing</i>	x	
<i>Public Sector Auditing</i>	x	
<i>Other Auditings</i>	x	
<i>Accounting</i>	x	
<i>Insolvency Practice</i>	x	
<i>Tributary Advising</i>	x	
<i>Tributary Representation</i>		x
<i>Investments Advising</i>	x	
<i>Consulting</i>	x	
<i>Accounting Attestation</i>	x	
<i>Others</i>	x	

8. Which of these activities are reserved by law to accountants, shared by accountants with other professions (please specify), or even forbidden to accountants in your country, e.g. by full prohibition or by not allowing cumulation of certain activities which are considered incompatible or mutually exclusive?

<u>Activities</u>	<u>Accountant</u>	<u>Acc.Tech.</u>	<u>Lawyer</u>	<u>Economist</u>	<u>Administrator</u>
<i>Statutory Auditing</i>	x				
<i>Fusions Auditing</i>	x				
<i>Donations Auditing</i>	x				
<i>Public Sector Auditing</i>	x				
<i>Other Auditings</i>	x				
<i>Accounting</i>	x	x			
<i>Insolvency Practice</i>	x		x	x	x
<i>Tributary Advising</i>	x	x	x	x	x
<i>Tributary Representation</i>			x		
<i>Investments Advising</i>				x	x
<i>Consulting</i>	x	x	x	x	x
<i>Accounting Attestation</i>	x				
<i>Others</i>					

II. QUALIFICATION REQUIREMENTS

9. *What are the qualification requirements for these activities in your country in terms of university/higher education degree, practice and professional exam? Specify the number of years required for each element, and the differences according to the activities (audit, insolvency, tax, etc.) covered by the qualification.*

Requirements are the following:

Accountant - Administrator - Economist - Lawyer - Engineer - Actuaries College Study or University Diploma: 5 years

Accounting Technician - Technical course at medium level diploma: 3 years

In order to act in the area of Exchange Markets, the auditor must also register at the Securities Exchange Commission (Law No. 6.385 of 7 December 1976), for which (five) years experience in auditing is required.

10. *Are there any pre-conditions to meet to start the professional education: minimum age, particular diploma or title, prior education, registration with a professional body, payment of a fee, other (please specify)?*

Accountant Sciences Course

By law the following previous conditions are required for starting university education:

- having concluded high school;
- having been qualified in pre-college course

Accounting Technician Course

Previous conditions:

- having concluded elementary school

11. *What are the subjects to be covered by the education: accounting, audit, tax, general law, economics, ethics, information technology, other (please specify)?*

Education for the profession includes accounting, audit, tax, general law, commercial law, tax law, economics, ethics, information technology, statistics, notions of administration, foreign trade and finance and mathematics, among others.

III. TECHNICAL STANDARDS AND ETHICS

12. *In relation to which activities do national standards exist (audit, accounting, insolvency, other)? Please specify their main policy objectives.*

There are mandatory technical rules and procedures established by the Federal Council of Accounting and by the Brazilian Institute of Accountants for services of Auditing and

Accounting. The objective of these technical dispositions is to obtain the necessary uniformity of technical procedures and to discipline the professionals' behaviour.

13. Which body or institution develops these standards and monitors their implementation? What are the consequences of a breach of the standards (for the professional, for clients, etc.)?

The development of these standards is developed by the Federal Council of Accounting jointly with the Brazilian Institute of Accountants.

A breach of the standards makes the professional subject to penalties by the Regional Councils of Accounting of the jurisdiction of his professional address by a process regularly established.

In the areas of Exchange Markets, Finance, Insurance and Social Security, the processes will also have the interference of the Securities Exchange Commission, which can apply penalties (suspension, discredit and fines), and, according to federal legislation the auditor or the independent auditing firm will answer for the damages caused to third parties due to fault or fraud in the exercise of its technical functions.

14. Are the international standards developed by IFAC (International Education Standards and Guidelines, International Standards on Auditing) and IASC (International Accounting Standards) recognised or used in your country? If yes, please explain how. If no, please explain why.

In general, standards established by IFAC and IASC are recognized by the Brazilian Accountants, as national standards issued by the Federal Council of Accounting and by the Brazilian Institute of Accountants are harmonised with them.

15. In relation to which activities does a particular ethical code exist (audit, accounting, insolvency, other)? Please specify its main policy objectives.

There is a Professional Ethics Code for the Accountants, including the exercise of the Accountant and the Accounting Technician professions approved by the Federal Council of Accounting, which is the entity in charge of inspecting the profession. Principles of Professional Ethics were also established by the Brazilian Institute of Accountants.

The major objective of the Accountants Professional Ethics Code is to regulate the Accountants' conduct when practising.

It establishes duties and prohibitions, procedures for determination of fees, as well disciplines for the Accountants' conduct towards their colleagues. For disciplinary infractions the following penalties are foreseen: warning, private reprehension and public reprehension.

16. Which body or institution develops this code and monitors its implementation? What are the consequences in case of breach of the ethical code by a professional or a firm?

Development and monitoring of the Ethics Code is a duty of the Federal Council of Accounting.

Judgement of the issues related to the transgression of the provisions of the Ethics Code is originally undertaken by the Regional Councils of Accounting, which will act as Regional Ethics Fora. The right to suspend the action is granted to the Federal Council of Accounting, due to its status as the Superior Tribunal of Professional Ethics.

17. *Are there restrictions on marketing, solicitation, advertising?*

The Ethics Code of Accounting prohibits the immoderate advertisement - admitting only the mention of titles, specializations and services offered - as well as soliciting, instigating or suggesting publicity of personal merits or professional activities and direct or indirectly recruiting services of any kind which may cause moral damage or discredit for the Accounting Class.

18. *Are there restrictions on fee-setting (minimum/maximum levels imposed, indicative scale, etc.)?*

The Professional Ethics Code establishes general rules for determining fees, without establishing minimum or maximum values. However, the market practices have not backed up such guidelines resulting in a free competition regime with a perceptible trend towards reducing honorariums. Some syndicated entities in a few states of Brazil have tried to establish some minimum fees scales. However, this action has not produced concrete results.

IV. LICENSING REQUIREMENTS AND PROCEDURES

19. *Apart from the qualification requirements, what are the licensing requirements for individuals in your country?*

- **membership of a professional body (in the jurisdiction, elsewhere)**
- **registration with the ministry or any other institution**
- **subscription to a professional indemnity insurance**
- **taking of an oath**
- **absence of any criminal record**
- **police enquiry**
- **minimum age**
- **other (please specify)**

- Oath upon graduation.

- Diploma registration at the Ministry of Education and at the Regional Council of Accounting in which the activity is going to be developed.

- Declaration of inexistence of previous punitive convictions related to crimes against the patrimony, public faith and public finance administration.

- Proof of military service discharge, when appropriate.

- Proof of electoral status, when appropriate.

20. *Are there any conditions imposed to be eligible for membership of the relevant professional body(ies)? Please specify.*

There are no other conditions except the payment of annual fees for registration maintenance.

21. Are there specific licensing requirements for professional firms?

- *minimum capital*
- *number of partners*
- *membership of a professional body*
- *registration with the ministry or any other institution*
- *professional indemnity insurance*
- *with reference to natural persons carrying out accountancy activities on behalf of the firm*
- *with reference to voting rights*
- *with reference to management/administration of the firm*
- *other (please specify)*

Minimum capital: there is no requirement for minimum capital.

Number of members: there is no provision in this regard.

Professional organization: requires registration at the CRC of the Jurisdiction.

Others:

- The contract that constitutes the firm must be inscribed in the Civil Register of Legal Persons, under the form of a civil society, established to render Accounting professional services.
- Registration card of the General Cadastre of the Contributors (CGC) of the Finance Ministry.
- Location permit issued by the City Hall at the place where the firm or professional is established.
- In the case of auditing services for the Exchange Markets, Financial Institutions, Insurance companies and Complementary Social Security, the Securities Exchange Commission requires that the firm be established only by Accountant partners (University level) and have the objective of performing only Auditing services and others pertaining to the Accountant's profession.
- In order to perform auditing services in public entities, specific registration at the Finance Ministry is required.

Insurance of professional indemnity: does not exist.

Individuals rendering services in name of a firm: Registration at the CRCs as Responsible Technician is required.

Voting rights: there are no limitations.

Administration/Management

- Administration/Management of a Firm: legislation allows the constitution of mixed societies, understood as those that have as partners, besides Accountants, members of other professions approved by the Federal Council of Accountants (administrators,

data processing analysts, architects, actuaries, economists, engineers linked to Accounting, statisticians, data processing programmers and executive technologists) duly registered at the respective inspection offices for regulated professions, provided that only the accounting activity as major objective or firm adoption, name or denomination proving this condition, that the Accountant partner(s) is(are) majority partner(s).

The Society established by Accountants and by other professionals considered of similar kind by the Federal Council of Accounting, intended to render integrated professional services, and the so called mixed Society, may participate in other Society of Accounting Services under the following conditions:

- (a) The other professionals must be registered at the respective inspection units;
- (b) The contract establishing the mixed Society must discriminate the technical attributions of each partner;
- (c) The mixed Society cannot have the accounting activity as its main object, and it cannot adopt a social name or denomination that makes such practice evident, the Accounting partner(s) must detain the majority of the social capital;
- (d) There is no possibility for the mixed Society to participate in auditing companies acting in the exchange markets, financial market, insurance and private Social Security; the Securities Exchange Commission establishes in its instruction No. 216 that auditing companies acting in these accounting services segments must be constituted exclusively by accountants to render auditing services and are correlative to the Accountant category.

22. *Can an application for licensing be filed at any time of the year or are there specific dates to respect? How long does it take to complete the whole licensing procedure? Please specify in case of differences between individuals and firms.*

It may be done at any time of the year. Documentation being complete, the estimated time is of 30 days maximum and there is no distinction between procedures for individuals or firms.

23. *Are there differences in terms of licensing requirements and/or procedures, according to the activities covered by the licence (audit, insolvency, etc.)? Please specify. What kind of documentation is necessary/accepted? Are documents issued in other countries acceptable? Please specify.*

No. However, in the case of Auditing Exchange Markets, the Finance Market, Insurance and Social Security, it is necessary that a specific registration be obtained at the Securities Exchange Commission, together with the documents required by Instruction No. 216, of 29 June 1994, as follows:

“Article 5

“For purposes of registration in the category of “Independent Auditor - legal Person” the interested party should prove, at the same time:

- I. to be registered at the Civil Register of Legal Persons, under the form of a civil society established exclusively for rendering

professional auditing services and other services related to the accountant profession;

- II. all the partners must be accountants;
- III. to be mentioned in the social contract or equivalent document a clause that disposes that the society will be responsible for the reparation of damages caused to third parties, because of fault or fraud in the exercise of the professional activity and that the partners will be responsible, jointly and unlimitedly for the social obligations, after the society's assets are exhausted;
- IV. to be registered - as well as its partners and the registered responsible technicians - at the Regional Council of Accounting;
- V. the responsible technicians with powers to issue and sign auditing opinion in the name of the society must have performed auditing activity of accounting statements within the national territory for a period no less than 5 (five) years, consecutively or not, starting from the date of registration at the Regional Council of Accounting, in the Accountant category, exception made to disposition in article 6;
- VI. to have registered at least half of the partners as responsible technicians in this commission;
- VII. to maintain a legal professional office in name of the society with installations compatible to the exercise of independent auditing activity in conditions that assure the keeping, the safety and the secrecy of documents and information decurring from this activity, as well as the total privacy in the relationship with the client;
- VIII. to be mentioned in the social contract, a clause attributing to one of the partners the duty of responsibility before the Securities Exchange Commission to provide information related to the obedience of this instruction".

Documents issued in other countries are not accepted, unless a revalidation of the diplomas of professionals desiring to practise in Brazil has been done, through procedures foreseen in the Brazilian legislation and carried out in Universities in the country, or if a cultural agreement exists between Brazil and the country of origin of the diploma.

24. *What happens when the licensing conditions are no longer respected by the individual or the firm?*

In such cases the cancellation of the licence will occur after a process is initiated and the non-compliance with the licensing conditions is determined.

V. RECOGNITION OF QUALIFICATIONS

25. *Are there any possibilities for taking account of qualifications acquired by foreign professionals in another country? Are there bilateral agreements with other countries in this respect?*

Yes, according to information supplied on question No. 23, that means, if the foreign diploma is duly revalidated.

26. *Are there any automatic recognition or mutual recognition agreements between your professional bodies and their counterparts in other countries? If so, please specify the main characteristics of such agreements; if not, please explain why.*

In the accounting segment there isn't any agreement of automatic Mutual Recognition.

27. *Where possibilities of taking account of foreign qualifications exist, is a full local examination or a local training exceeding 12 months required? Please specify. Is a local licence always necessary to practice a regulated accountancy activity? Please specify when this is not the case.*

The revalidation of diplomas obtained abroad will be processed at the Universities and will take into account, according to rules established by the National Council of Education:

“Article 6 - The commission that handles the previous article must examine among others, the following aspects :

- I. qualification to be checked through the title and conformity of accompanying documents;
- II. conformity of the course attended abroad with the one offered in Brazil.

Sole Paragraph - The Commission may request additional documents or information which, according to its judgement, may be considered necessary.

Article 7 - When there are any doubts about the real equivalence of studies abroad, the Commission may determine that the candidate be submitted to tests and examination in Portuguese language in order to verify that equivalence.

Paragraph 1 - In the cases of graduation courses tests will deal with subjects included in the minimum curricula of corresponding courses in Brazil, or, in its absence, in the courses plans approved by the Federal Council of Education.

Paragraph 2 - When the comparison between titles, as well as the tests and examination results, show the non fulfilment of the conditions required for revalidation, the candidate must take complementary studies in the same institution or in other which provides similar courses.

Paragraph 3 - In any case, it is required that the candidate has accomplished or will accomplish the minimum requirements of the corresponding Brazilian courses.

Article 8 - The Commission shall prepare a detailed report about the procedures adopted and, based on the fulfilment of the requirements established for the equivalency recognition, will issue opinion with conclusion about the viability of the intended revalidation, to be confirmed by the appropriate entity in the structure of the institution”.

28. ***What are the accreditation/licensing requirements imposed on foreign professionals authorised to practice in their home country? May certain (regulated) activities be carried out on the basis of a foreign licence?***

The diploma registration at the Ministry of Education and at the Regional Council of Accounting of the Jurisdiction where the professional will practise are the initial required documentation for a professional legal qualification in Brazil, with no possibility of practising in Brazil for foreign professionals based on their qualifications in the country of origin.

VI. REGULATIONS GOVERNING THE ESTABLISHMENT OF A COMMERCIAL PRESENCE

29. ***Are there any restrictions on the form under which one can establish (partnership, incorporation, other)? Please specify.***

There are no hindrances as long as the procedures observe the required conditions for the legal qualification of the professionals who will practise, as well as the rules established by the Federal Council of Accounting for establishing firms.

30. ***Are there restrictions on foreign direct investment and ownership, including restrictions applying to not locally qualified individuals or firms? Please specify.***

There are no restrictions concerning foreign investment but if it is directed to the professional activities of accountants, it must be in conformity to the rules of legal qualification established by the Federal Council of Accounting.

31. ***Is there a requirement of a minimum number or percentage of local directors, managers or staff (please specify)?***

There are no rules about the minimum number of local directors. However, the legal rules established by the Federal Council of Accounting require that at least one Accountant must be a partner, in the position of responsible technician when it flows from the society statute that its objective is the rendering of services of the attribution and prerogatives of the Accountant.

32. ***Are there restrictions on the ability of locally established firms to develop international relations (membership of an international network, association with foreign firms, etc.)? Please specify.***

There are no restrictions concerning the possibility of national firms participate in international auditing nets or to associate with foreign firms, but this link to have no registration or inscription in the CRCs, representing only a relationship between companies.

33. *Is the use of international or foreign names restricted for firms?*

There are no restrictions for the use of the names of international firms. The “Big Six” are all operating in Brazil and their subsidiaries are established and registered according to Brazilian law.

VII. REGULATIONS GOVERNING THE ENTRY AND TEMPORARY STAY OF NATURAL PERSONS FOR THE PURPOSE OF SUPPLYING ACCOUNTANCY SERVICES

34. *Is the entry and stay of professionals subject to labour market tests or any other restrictions? Please specify.*

The requirements for entry and stay of professionals are regulated as follows:

For	Necessary documents	Pre-requirements
Temporary resident's visa	<i>Visa request jointly with passport photocopy and proof of scholar and professional experience</i>	<i>Company must request authorization for foreign labour call to the Labour Ministry</i>
Permanent resident's visa	<i>The same required for temporary plus proof of minimum investment of US\$ 200 thousand in Brazil and for statutory director proof of link with the company</i>	<i>Company must present proof of minimum investment required and proof of labour linkage for the statutory director</i>
Moving Authorization	<i>Resident visa, passport copy, list of possessions, labour and/or company contract, power of attorney to the moving company, etc.</i>	<i>If temporary, term of responsibility of employer to assure that at the end of the contract the possessions will leave the country.</i>
Identity card (National Register for Foreigners -(RNE)	<i>Resident visa, photo and passport copy</i>	
Bank Checking account and credit card	<i>Record from RNE, passport and number of CPF (registration in the Finance Ministry)</i>	<i>Resident visa</i>
Working card	<i>Original RNE and two copies</i>	
Property rental	<i>CPF and warrantor</i>	
Starting a company	<i>Contract which includes partner of any nationality and Brazilian or resident manager or person responsible for the company</i>	
Car driving	<i>Valid driver's license for the state where living (each state has its own rules)</i>	<i>Rental agencies request drivers license and passport. To buy a car it is necessary to provide CPF</i>
School registration of children	<i>School records legalized at the Brazilian consulate in the country of origin and translated by official translator in Brazil</i>	

35. *Is there any procedure facilitating the temporary entry and stay of professionals to supply accountancy services? Please explain.*

No, once the exercise of the accounting services activity will always require the previous registration of the foreign diploma at the Ministry of Education, after the revalidation of its process at the Regional Council of Accounting in the jurisdiction where it is going to practise.

36. *Are there any restrictions on hiring of local professionals by foreign firms and professionals? Please explain.*

In general there are no restrictions. However, according to the Accounting Professional Ethics Code, the accounting professional cannot sign documents and accounting papers prepared by third parties not under his supervision.

VIII. NATIONALITY/RESIDENCY REQUIREMENTS

37. *Is a condition of nationality/citizenship imposed to practice certain activities, to start an education, to obtain a licence, to become member of a professional body, etc.? Please specify.*

The condition of nationality/citizenship is not required for the practice of the Accountant profession activities and/or to initiate an education, to obtain the license to become a member of a professional organisation. However, his registration at the Ministry of Justice is required, according to dispositions in articles 30 to 33 of Law No. 6815 of 19 August 1980 which defines the situation of the foreigner in Brazil and creates the National Council of Immigration. It is prohibited to the foreigner to participate in the administration or representation of a syndicate or professional association as well as in inspecting entity of the regulated performance of the profession.

38. *Is a condition of establishment, prior residency or residency imposed to practice certain activities, to obtain a licence, to become member of a professional body, etc.? Please specify the conditions and the definition of establishment, residency, etc. when relevant. Is it possible to have a professional establishment in more than one country?*

Yes, considering that the registration for the exploitation of Accounting services must be done in the CRCs with the previous indication of residence or headquarters of the Accountants Society.