IFRS APPLICATION AROUND THE WORLD

JURISDICTIONAL PROFILE: **Brazil**

Disclaimer: The information in this Profile is for general guidance only and may change from time to time. You should not act on the information in this Profile, and you should obtain specific professional advice to help you in making any decisions or in taking any action. If you believe that the information has changed or is incorrect, please contact us at ifrsapplication@ifrs.org.

This Profile provides information about the application of IFRS Standards in Brazil. IFRS Standards are developed and issued in the public interest by the International Accounting Standards Board (the Board). The Board is the standard-setting body of the IFRS® Foundation, an independent, private sector, not-for-profit organisation.

This Profile has been prepared by the IFRS Foundation based on information from various sources. The starting point was the answers provided by standard-setting and other relevant bodies in response to surveys that the Foundation conducted on the application of IFRS Standards around the world. The Foundation drafted the profile and invited the respondents to the survey and others (including regulators and international audit firms) to review the drafts, and their comments are reflected.

The purpose of the IFRS Foundation's Jurisdictional Profiles is to illustrate the extent of implementation of IFRS Standards across the globe only. The Profiles do not reflect the intellectual property licensing status of IFRS Standards within any given jurisdiction. The IFRS Standards are protected by copyright and are subject to different licensing arrangements according to jurisdiction. For further information, please contact Licences@ifrs.org.

Profile last updated: 28 March 2017

RELEVANT JURISDICTIONAL AUTHORITY

Organisations	Two organisations from Brazil responded to the survey: 1. Comitê de Pronunciamentos Contábeis (CPC) [The Brazilian Accounting Pronouncements Committee] 2. Comissão de Valores Mobiliários (CVM) [Securities and Exchange Commission of Brazil]
Role of the organisations	CPC is the Brazilian standard-setting body engaged in the study, development and issuance of accounting standards, interpretations and guidance for Brazilian companies. Its rules are enforced by the CVM for public entities and by the Conselho Federal de Contabilidade (CFC) for non-public entities. Some other agencies enforce these accounting pronouncements in specific industries, such as electrical energy and health insurance. CVM is the Brazilian government agency that regulates stock exchanges and over-the-counter markets. CFC is the national professional accountancy organisation in Brazil.

Websites	CPC: http://www.cpc.org.br CVM: http://www.cvm.gov.br
Email contacts	CPC: Idesio.s.coelho@br.ey.com CVM: josec@cvm.gov.br

COMMITMENT TO GLOBAL FINANCIAL REPORTING STANDARDS

Has the jurisdiction made a public commitment in support of moving towards a single set of high quality global accounting standards?	Yes.
Has the jurisdiction made a public commitment towards IFRS Standards as that single set of high quality global accounting standards?	Yes.
What is the jurisdiction's status of adoption?	Brazil has already adopted IFRS Standards for all companies whose securities are publicly traded and for most financial institutions whose securities are not publicly traded, for both consolidated and separate (individual) company financial statements.
Additional comments on the adoption status?	**Companies other than financial institutions:** ***Listed entities*** IFRS Standards have been mandatory for the consolidated financial statements of companies whose debt or equity securities trade in a public market for financial years ending 31 December 2010. Early adoption was permitted beginning with financial years ending 31 December 2007. Unconsolidated (separate company) financial statements follow Brazilian Generally Accepted Accounting Principles (BR GAAP), which were partially converged with IFRS Standards from 2008 to 2009 ('transition period') and since 2010 have been fully converged with IFRS Standards. This was laid out in Instruction CVM 457/07. ***Unlisted entities*** On 1 January 2008 changes were introduced in Corporate Law 11.638/07 setting the way to a process of accelerated convergence of BR GAAP to IFRS Standards. Full convergence with IFRS Standards was reached for financial reporting years ending at 31 December 2010 and onwards. Non-Publicly Accountable Enterprises (NPAEs) are obliged to prepare their financial statements in accordance with BR GAAP, but are permitted to adopt IFRS Standards for the consolidated financial statements. Small and medium sized NPAEs are required to apply the Brazilian equivalent of the *IFRS for SMEs* Standard and may opt to apply full BR GAAP/IFRS Standards. A large-sized entity is defined by Corporate Law 11.638/07 as a company or group of companies under common control whose total assets, in the previous year, amounted to over R$ 240 million (approximately US$ 70 million), or whose total gross annual revenues exceed R$ 300 million (approximately US$ 90 million). An entity that does not meet those thresholds is considered a small or medium sized entity. **Financial institutions:** Financial institutions regulated by the Brazilian Central Bank (BACEN) that are (a) listed or (b) unlisted but required to have an audit committee, have

been required to present consolidated financial statements prepared in accordance with IFRS as supplemental information since 2010. An audit committee is required for all financial institutions that have regulatory capital or manage resources of third parties in an amount equal or above R$1 billion (approximately US$ 300 million) or hold deposits and manage resources of third parties in an amount equal or above R$5 billion (approximately US$ 1.5 billion). Statutory accounts are required to follow accounting practices adopted by the Brazilian Central Bank. Other financial institutions (ie those that are not listed and are not required to have an audit committee) are not required to prepare IFRS financial statements. However, if an unlisted entity is the leader of a conglomerate or group that includes an entity that is a listed entity, then IFRS financial statements are required (see Resolution CMN 3786/09-sole paragraph of Article 1)

Insurance companies have also been required to prepare consolidated financial statements using IFRS Standards since 2010. As with financial institutions, listed insurance companies have to follow CVM regulations for their consolidated financial statements. Unlisted insurance companies were obliged to use the IFRS-converged CPC standards (BR GAAP) to prepare their 2010 consolidated financial statements. However, in line with the BACEN, the Brazilian Private Insurance Regulator (SUSEP) gave those companies the option not to present comparative financial statements and to use 1 January 2010 as transition date.

For their individual (separate company) financial statements, insurance companies have adopted BR GAAP from 2011 onwards with a transition date of 1 January 2011.

However, from 2011 onwards, SUSEP has removed the deemed cost option at first time adoption and has included an option for companies to provide for credit losses based on expected losses (as opposed to incurred losses) for both the consolidated and separate company financial statements.

This can be seen in the Circular SUSEP 430/12.

Law 6.404/76 (Brazilian Corporate Act) was amended in December 2007 by Law 11.638/07 in order to require Brazilian Accounting Standards to comply with IFRS Standards.

In adopting IFRS Standards, Brazil has made several modifications to IFRS Standards that are described in the section on IFRS Endorsement later in this Profile.

Memorandum of Understanding

On 28 January 2010 the Brazilian Federal Council of Accounting and the Brazilian Accounting Pronouncements Committee signed a Memorandum of Understanding with the IASB that set the end-of 2010 as the target date for full convergence with IFRS Standards and established a framework for future co-operation between the organisations.

If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or towards IFRS Standards as that set of standards, explain the jurisdiction's general position towards the adoption of IFRS Standards in the jurisdiction.	Not applicable.

EXTENT OF IFRS APPLICATION

For DOMESTIC companies whose debt or equity securities trade in a public market in the jurisdiction:	
Are all or some domestic companies whose securities trade in a public market either required or permitted to use IFRS Standards in their consolidated financial statements?	Yes.
If YES, are IFRS Standards REQUIRED or PERMITTED?	Required.
Does that apply to ALL domestic companies whose securities trade in a public market, or only SOME? If some, which ones?	All.
Are IFRS Standards also required or permitted for more than the consolidated financial statements of companies whose securities trade in a public market?	Yes.
For instance, are IFRS Standards required or permitted in separate company financial statements of companies whose securities trade in a public market?	Required. As described in the section on IFRS Endorsement later in this Profile, Brazil has made several modifications to IFRS Standards.
For instance, are IFRS Standards required or permitted for companies whose securities do not trade in a public market?	IFRS Standards are required for some financial institutions whose securities do not trade in a public market. IFRS Standards are permitted for other companies whose securities do not trade in a public market.
If the jurisdiction currently does NOT require or permit the use of IFRS Standards for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRS Standards for such companies in the future?	Not applicable.
For FOREIGN companies whose debt or equity securities trade in a public market in the jurisdiction:	
Are all or some foreign companies whose securities trade in a public market either REQUIRED or PERMITTED to use IFRS Standards in their consolidated financial statements?	Yes.
If YES, are IFRS Standards REQUIRED or PERMITTED in such cases?	Required.

Does that apply to ALL foreign companies whose securities trade in a public market, or only SOME? If some, which ones?	Starting in 2012, all foreign companies whose securities are publicly traded in Brazil must submit to CVM interim and annual financial statements in Portuguese that are prepared under IFRS Standards. (Mercosul Decision 31/10 and Deliberação CVM n. 659/2011). Prior to 2012, foreign companies were permitted to choose to comply with CPC standards (Brazilian Corporate Law), with IFRS Standards, or with a GAAP from a MERCOSUL country, if the company was located in a MERCOSUL country (CVM Instruction n. 480 Subseção III – Demonstrações Financeiras X § 6º Art. 27). Moreover, if a MERCOSUL company chose to file with CVM its financial statements complying with its domestic GAAP, a reconciliation of the differences between IFRS Standards and domestic GAAP was required to be presented in an explanatory footnote. (CVM Instruction n. 480, Subseção III – Demonstrações Financeiras, X § 6º Art. 27 I b). That choice was prohibited for annual periods after 31 December 2011.

IFRS ENDORSEMENT

Which IFRS Standards are required or permitted for domestic companies?	IFRS Standards as issued by the Board, but some options have been eliminated, for example, the revaluation of property, plant and equipment under IAS 16 *Property, Plant and Equipment* and revaluation of intangible assets under IAS 38 *Intangible Assets*. Nonetheless, the resulting consolidated financial statements can still be in full compliance with IFRS Standards as issued by the Board. In adopting IFRS Standards as BR GAAP, IFRS Standards have been modified (see below).
The auditor's report and/or the basis of presentation footnotes states that financial statements have been prepared in conformity with:	IFRS Standards as issued by the IASB Board.
Does the auditor's report and/or the basis of preparation footnote allow for 'dual reporting' (conformity with both IFRS Standards and the jurisdiction's GAAP)?	Yes, in the case of separate company financial statements. For separate company financial statements the auditor´s opinion refers to the accounting practices adopted in Brazil. Some publicly-traded companies are required by law to present both separate company financial statements (adopting the equity method for its subsidiaries) and consolidated financial statements (using IFRS Standards as issued by the IASB Board). The auditor's report usually includes an explanatory paragraph describing the differences between Brazilian GAAP applied to the separate company financial statements (usually limited to use of the equity method for investments in subsidiaries, associates, and joint ventures). For some consolidated financial statements, the auditor´s opinions refer to compliance with both IFRS Standards and accounting practices adopted in Brazil.
Are IFRS Standards incorporated into law or regulations?	Yes.
If yes, how does that process work?	CPC approves standards that are identical to IFRS Standards as issued by the IASB (Bound Volume Blue Book). CVM supports the CPC by endorsing CPC standard s for public entities. CFC endorses the CPC standards for non-public entities. In addition, the Brazilian Institute of Independent Auditors (IBRACON) is the official entity authorised to annually translate and publish the IFRS Bound Volume Red Book.

If no, how do IFRS Standards become a requirement in the jurisdiction?	Not applicable.
Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or amended IFRS Standards (including Interpretations) in place?	Yes.
If yes, what is the process?	CPC is the Brazilian standard-setting body that approves all IFRS Standards for application in Brazil as they are issued by the IASB Board following the terms of a Memorandum of Understanding among CPC, IFRS Foundation, and CFC (the Brazilian Accountants Body). Regulators, such as the Brazilian Securities Commission (CVM), the Brazilian Central Bank, and the insurance regulator, enforce the application of the CPC standards. As a result, all entities are required to apply a new or amended IFRS Standards at the same time.
If no, how do new or amended IFRS Standards become a requirement in the jurisdiction?	Not applicable.
Has the jurisdiction eliminated any accounting policy options permitted by IFRS Standards and/or made any modifications to any IFRS Standards?	Yes.
If yes, what are the changes?	Some accounting policy options have been eliminated, for example, the revaluation of property, plant and equipment under IAS 16 and revaluation of intangible assets under IAS 38. Also, Brazil modified IFRS Standards to prohibit early adoption. Also, the CPC in Brazil has published guidance (known as OCPC 04) to IFRIC 15 *Agreements for the Construction of Real Estate* to allow real estate entities to apply the percentage-of-completion-method to recognise sale of units under construction. Companies that apply this guidance say that their financial statements are prepared 'in accordance with the IFRS Standards applicable to real estate development entities in Brazil as approved by Accounting Pronouncements Committee (CPC), by the Brazilian Securities Commission (CVM) and by the Brazilian Accounting Council (CFC)'. When Brazil initially adopted IFRS Standards, Brazil required that the equity method must be used in separate company financial statements to account for investments in subsidiaries, associates, and joint ventures. At the time, this created a difference with IFRS Standards. However, in August 2014 the IASB issued Equity Method in Separate Financial Statements (Amendments to IAS 27). That amendment now permits the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. Therefore, Brazil's modification now has no effect on compliance with IFRS Standards.
Other comments regarding the use of IFRS Standards in the jurisdiction?	None.

TRANSLATION OF IFRS STANDARDS

Are IFRS Standards translated into the local language?	Yes, they are translated into Brazilian Portuguese by IBRACON with the permission of the IFRS Foundation.

If they are translated, what is the translation process? In particular, does this process ensure an ongoing translation of the latest updates to IFRS Standards?	The translation process ensures an ongoing translation of the continuous updates of the standards.
APPLICATION OF THE IFRS FOR SMEs STANDARD	
Has the jurisdiction adopted the *IFRS for SMEs* Standardfor at least some SMEs?	Yes, Brazil has adopted the *IFRS for SMEs* Standard.
If no, is the adoption of the *IFRS for SMEs* under consideration?	Not applicable.
Did the jurisdiction make any modifications to the *IFRS for SMEs* Standard?	Yes.
If the jurisdiction has made any modifications, what are those modifications?	*IFRS for SMEs* Standard has been modified with respect to the transition date and to require that, in separate company financial statements, the equity method must be used to account for investments in subsidiaries, associates, and joint ventures.
Which SMEs use the *IFRS for SMEs* Standard in the jurisdiction, and are they required or permitted to do so?	All small and medium sized entities are required to use the *IFRS for SMEs* Standard unless they choose to use full IFRS Standards– with one exception: Some micro and small entities (gross revenue less than R$ 3,6 million, which is approximately US$ 1.1 million) are authorised to use a simplified set of accounting standards established under Resolution CFC 1418/2012. Entities were required to apply the *IFRS for SMEs* Standard for years beginning on or after 1 January 2010. See above for discussion on which entities qualify as small and medium sized.
For those SMEs that are not required to use the *IFRS for SMEs* Standard, what other accounting framework do they use?	All SMEs may choose full IFRS Standards instead of the *IFRS for SMEs* Standard. Also micro entities may use simplified standards established under Resolution CFA 1418/2012.
Other comments regarding use of the *IFRS for SMEs* Standard?	None.