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The 2022 Global Philanthropy Environment Index Brazil

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QUICK FACTS

Legal forms of philanthropic organizations included in the law: Association, Cooperative, Endowment, Foundation

Five main social issues addressed by these organizations: Arts and Culture, Early Childhood Education through High School, Health and Medical Research, Religion, Social Assistance

Average time established by law to register a philanthropic organization: 31-60 days

Registering a foundation takes more time because it is necessary to get an authorization from the Public Attorney.

Average cost for registering a philanthropic organization: USD 100

Government levels primarily regulating the incorporation of philanthropic organizations: Central/Federal Government, Local Government

The philanthropic sector is governed by a series of laws at the national level. Additionally, the judiciary oversees the local Registries of Legal Persons (*Registros Civis de Pessoas Juridicas*).

Philanthropic Environment Scores:

Year	Ease of Operating a PO	Tax Incentives	Cross-Border Philanthropic Flows	Political Environment	Economic Environment	Socio-Cultural Environment	Overall Score
2022 GPEI	4.33	3.00	3.00	3.00	3.00	3.00	3.22
2018 GPEI	4.33	3.00	3.00	3.50	N.A.	3.00	3.37

Source: Indiana University Lilly Family School of Philanthropy, 2022 *Global Philanthropy Environment Index*

Key Findings

I. Formation/Registration, Operations, Dissolution of a Philanthropic Organization (PO)

The three indicator questions in this section pertain to the laws and regulations governing philanthropic organizations (POs). The scoring questions for this category cover three aspects of regulations: (A) formation and registration; (B) operations; and (C) dissolution.

Question One: To what extent can individuals form and incorporate the organizations defined?

Score: 4.0

The incorporation of associations is a relatively simple process. To register, an association must have two founders working toward at least one nonprofit goal. Registration is done via a notary at the legal entity public register office and requires the payment of a small fee. Incorporation of a foundation requires a minimum capital amount, an authorization of a public attorney, and is restricted to a list of public interest purposes (Council on Foundation, 2021).

To work on behalf of some vulnerable groups, such as children and the elderly, and in some areas, such as health, education, and social assistance, the law requires registry before specialized public councils. Those registries are very bureaucratic and time consuming, with some regulations existing on the minimum staff of the organization.

Question Two: To what extent are POs free to operate without excessive government interference?

Score: 4.0

Philanthropic organizations (POs) with the Social Assistance Beneficent Certification (CEBAS)—which includes organizations that work in the areas of social assistance, education, and health—have onerous reporting duties to comply with tax exemption and operational rules to keep their registration. Reporting requirements can involve submitting proof that funds are used appropriately, consenting to an audit of the organization, or giving information to interested authorities (Council on Foundations, 2021). Organizations are free to communicate and to enter into expendable cooperation agreements with foreign entities, but there are tax incentive restrictions related to the support of activities in foreign countries.

Question Three: To what extent is there government discretion in shutting down POs?

Score: 5.0

There is no burden or restriction to the dissolution of a PO. Involuntary termination is an exception subject to a court review, according to a due court process, which would respect the defending party's right.

II. Domestic Tax and Fiscal Issues

The two questions in this section pertain to laws and regulations governing the fiscal constraints of giving and receiving donations domestically.

Question Four: To what extent is the tax system favorable to making charitable donations?

Score: 3.0

There has been no change since 2018. For more information, please see the 2018 Brazil Country Report available here: <https://scholarworks.iupui.edu/handle/1805/16585>

Question Five: To what extent is the tax system favorable to POs in receiving charitable donations?

Score: 3.0

Education, health, and social assistance organizations are eligible for exemptions from property, income, and services taxes. Federal legislation is quite simple to comply with, but the tax authority's interpretation of the legislation is very restrictive. Some education, health, and social assistance organizations are also eligible for social contribution exemption, with a very onerous and burdensome process of recognition involving many court procedures regarding the unconstitutionality of the legislation. POs for other purposes are only eligible for federal income tax exemption, and donations received are taxed in 17 states. It is not clear that a donor entity is eligible for property, income, and service taxes exemption.

III. Cross-Border Philanthropic Flows

The two questions in this section concern laws and regulations governing the fiscal constraints of giving and receiving cross-border donations. The scoring for these questions pertains to the donor and receiving entities.

Question Six: To what extent is the legal regulatory environment favorable to sending cross-border donations?

Score: 3.0

Brazil has a regulated exchange market, applicable to all-natural persons or legal entities. Despite that, the limitation to send charitable contributions abroad applies to educational, health, and social assistance POs, which would lose their tax exemption status. Entities with other purposes have less tax exemptions and are freely able to send charitable contributions abroad. In all cases financial operations are taxed.

Question Seven: To what extent is the legal regulatory environment favorable to receiving cross-border donations?

Score: 3.0

The restrictions to receiving a cross-border donation mainly apply to goods and equipment, which are usually taxed by importation tax and value added tax (VAT). The exemption is limited to educational, health, and social assistance institutions and are dependent on government authorization. donation is also usually subject to tax. Tax exemption is only applicable for education, health, and social assistance organizations. Some states extend the exemption to other purposes and some of them require an exemption status recognition by tax authorities.

IV. Political Environment

The four indicator questions in the next three sections concern the political context, economic conditions, and socio-cultural characteristics that influence the environment for philanthropy.

Question Eight: To what extent is the political environment favorable for philanthropy?

Score: 3.5

The relationship between POs and governments varies greatly depending on the spheres of government. At state and governmental levels, the relationship is good and there are many partnerships, mainly operational. At the federal level, the government systematically criticizes the activities of the POs, especially the ones that are environmental and human rights-oriented, accusing them of defending foreign interests and questioning their integrity.

Question Nine: To what extent are public policies and practices favorable for philanthropy?

Score: 2.5

The government has no initiatives to facilitate or promote philanthropy, although there are no restrictions on opening or operating POs. Donors can support any cause except during election campaigns, when there is a strong pressure on donor policy. Since 2019, the new federal government has taken a very critical stance in relation to POs, increasing inspection of environmental organizations, especially from the Amazonia area.

V. Economic Environment

Question Ten: To what extent is the economic context favorable for philanthropy?

Score: 3.0

Brazil lives in constant political and economic crises that discourage and hinder the work of POs. The economic climate is liberal and foreign investments are coming in. There is also freedom of expression and organization. At the federal level, the political climate is tense, and the government constantly criticizes POs. The level of corruption in the public sector is high, and it undermines the credibility of the processes in the country.

VI. Socio-Cultural Environment

Question Eleven: To what extent are socio-cultural values and practices favorable for philanthropy?

Score: 3.0

About two thirds of the population usually donates, but it is more of an emotional donation than strategic and transformative donation (IDIS, 2020). Although Brazilians do donate, they do not support the culture of giving. For example, 86 percent of Brazilians think that donors should not say that they donate. The population does not understand very well the role of POs, except for grassroots organizations. There are a few good organizations that work to strengthen the field of philanthropy, such as the Institute for the Development of Social Investment (IDIS) and the Group of Foundations, Institutes, and Companies (GIFE).

VII. Future of Philanthropy

These questions are used to provide a general picture of the future of philanthropy in this country as well as recommendations to improve the philanthropic environment.

Current state of the philanthropic sector

The engagement of the wealthiest classes in philanthropy is still low and many POs rely on government partnerships or resources to survive. The infrastructure for philanthropy is still precarious. Endowments have only been regulated since the passing of Law No. 13.800 in 2019. Donors must pay taxes on their donations and tax incentives for individuals are very complex and only benefit projects selected by the government.

Three major recent events affecting the philanthropic landscape between January 2018 and December 2020

1. April 2020—Biggest donation ever, made by a company: Itaú Bank donated USD 200 million to fight the COVID-19 pandemic;
2. March 2020—National mobilization of POs to help health workers and vulnerable families during pandemic; and
3. January 2019—Regulation on endowments (Law No. 13.800) was passed in 2019.

Future development trends in the philanthropic landscape

Despite economic uncertainties, there is a growing trend towards establishing and supporting POs in Brazil. Their work during the pandemic gave a lot of visibility and increased the number and value of donations. Companies realized the importance of working in partnership with social organizations. Also, it can mean more support and greater engagement from the private sector. New technologies facilitate communication with donors and open new channels for donation. There is a significant growth in the impact investing sector, with an increasing interest in philanthropy from wealthy individuals.

Three key recommendations to improve the environment for philanthropy

- More comprehensive tax incentives for individuals and simpler policies to implement;
- More information and data to support the development of fundraising campaigns, more favorable public policies, and strategies to attract philanthropists; and
- Strengthening the culture of endowment to ensure long-term sustainability for social organizations, with management transparency.

VIII. Philanthropic Response to COVID-19

These questions are used to provide a general picture of the philanthropic response to the COVID-19 pandemic in this country and recommendations for improving cross-sectoral collaboration.

Areas where the nonprofit sector and philanthropy are playing a role in responding to COVID-19

Brazilian POs were the first ones to create strategies to support the health system and the most vulnerable communities in the country, through cash transfer programs and delivery of basic supplies. Currently, POs are developing income generation and entrepreneurship programs focusing on the most vulnerable members of society.

Innovation and new trends in the nonprofit sector and philanthropy related to COVID-19 responses

The pandemic has created opportunities to form many partnerships and to act in a network. Partnerships involve the third sector, private initiatives, and the government. These innovative actions must continue. Many companies have also become aware of their social obligations and have made donations and are now organizing private social investment. The pandemic also brought the practice of raising funds on social media, which can become an efficient way to engage artists and influencers. The pandemic also revealed the government's administrative neglect of some Brazilian regions, such as the state of Amazonas, for example. These revelations can bring political consequences and strengthen the third sector in those regions.

Impact of COVID-19 on the philanthropic environment

The most affected aspects by the pandemic were the political environment, economic context, and socio-cultural values. Although the pandemic has failed to change the point of view of the federal government on the performance of POs, the work done by third sector organizations and the success of partnerships with government naturally created a more favorable political environment. The economic context suffered greatly from the pandemic and future prospects are not positive. Based on economic projections, there would be a great possibility of a reduction of resources for donations from both families and companies. During 2020, the media covered the promotion of donations and the positive impact generated by it. The media exposure helped the population to see the value of philanthropy even more. In addition, Brazil has seen unprecedented engagement of corporations in philanthropic activities.

Anticipated impact of COVID-19 on the philanthropic environment in 2021

The COVID-19 pandemic resulted in many new donors, but many may stop donating. However, some have become continuous donors and the number of donors may have increased in Brazil as compared to 2019. Business interest in philanthropy has also increased due to the pandemic.

References

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