

# Cadia Brazilian Tax Management for Business Central

## Scope of the Brazilian Localization for Microsoft Dynamics 365 Business Central (v18.2)

### Reduced format

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This document describes the strategy and scope for tax, finance and accounting laws and regulations in Brazil that have been implemented as part of Microsoft Dynamics 365 Business Central (v18.2) through the Cadia Brazilian Tax Management. It is intended for channel partners and end users of Microsoft Dynamics 365 Business Central (v18.2) only. Channel partners or end users who use the information in this white paper when implementing other versions of Microsoft Dynamics 365 Business Central do so at their own risk.

This translation was prepared by Cadia and its content is purely informational. For any divergence of interpretation, the original Portuguese version shall always prevail.

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## Overview

In general, Microsoft invests significant resources in extending the business process functionality of Microsoft Dynamics 365 Business Central applications by developing features and functionality to address certain tax, accounting or financial regulatory requirements in countries where Microsoft makes Microsoft Dynamics Business Central available.

Microsoft Dynamics 365 Business Central helps organizations in Brazil to run their business operations while managing country-specific obligations, whether legal, regulatory, or widely adopted business practices.

**Cadia Consulting do Brasil Ltda.**, Under a PLLP (Partner Localization and Translation Licensing Program) contract, has developed the ***Cadia Brazilian Tax Management to Business Central (v18.2)*** module that deals with the localization of Microsoft Dynamics 365 Business Central®, delivering a set of additional functionalities that are destined to the compliance with legal obligations and business practices in Brazil. However, the ***Cadia Brazilian Tax Management module to Business Central (v18.2)*** does not cover all the obligations, since they vary according to the State, Municipality, Sector of activity, etc. It is possible, through specific hiring, to develop functionalities that meet each specific case.

Microsoft partners are an integral part of the global strategy for delivering Microsoft Dynamics 365 Business Central to help customers meet their specific needs using the extensible nature of the Microsoft Dynamics 365 Business Central development architecture. It is important to mention that Cadia Consulting cannot be held responsible for the operation of solutions created by other partners, which is why it does not provide any guarantee, implicit or explicit, about them. Cadia Consulting is solely responsible for the solutions developed and implemented by it, including the services provided under said solutions.

This document in reduced format describes the strategy and scope of certain requirements that Cadia has implemented as part of the ***Cadia Brazilian Tax Management to Business Central (v18.2)***, under the PLLP mentioned above.

## Definitions

**Customization** refers to (a) any configuration, modifications or changes made by partners or customers to Microsoft Dynamics software or, when applicable, software documentation, to fit a customer's specific business needs (such as adding or renaming fields or tables, creating custom reports, integrating with third party solutions); or (b) any software developed for the Microsoft Dynamics software.

**Localization** refers to any modification to, addition to, and/or adaptation of Microsoft Dynamics software to enable or include certain features and/or functionality in the software to conform to applicable regulatory requirements (including, without limitation, versions and updates of the Microsoft Dynamics software, user assistance tools, and/or end-user documentation). Examples of laws or regulatory requirements that may require localization of software include local tax reporting

(such as sales, VAT, GST), invoice tracking by a government authority, government-required tax calculations, local accounting rules, and local regulatory and statutory reporting.

**National Standards** refers to feature requirements in software that are related primarily to banking practices (such as payment method, payment formats and bank statement) and less frequently commercial documents, such as electronic fiscal documents. National Standards are local requirements that are not required by law or regulation but are widely adopted within a geographic region and are critical to the sale of licenses for business management software in that geographic region.

## Brazilian Localization Strategy

In general, Cadia Consulting, in developing the localization for Microsoft Dynamics 365 Business Central®, follows Microsoft's strategy to address the legally required tax, financial, accounting or reporting requirements for Brazil. The ***Cadia Brazilian Tax Management for Business Central (v18.2)*** module is produced in such a way that:

- Meet to the tax requirements at the Federal level detailed in the **Brazilian localization scope** section;
- Meet to the tax requirements at the States level detailed in the Brazilian localization scope section;
- Deliver new regulatory features through configurations and/or development of new functionality that implements the federal and state/region requirements set forth in the Brazilian localization scope section in accordance with the business rules specified in this document and the Microsoft Dynamics 365 Business Central roadmap;
- Deliver certain new regulatory features in the most recent service pack available or in a new service pack for supported versions of Microsoft Dynamics 365 Business Central;
- Apply National Standards and competitive features in the localization that Microsoft, in its sole discretion, determines are necessary or appropriate based on business need in the region;
- Does not focus on requirements of specific businesses, segments, verticals, regions, or large enterprises, even when required by laws, statutes, or regulations at the federal, state or city levels; and
- Does not include municipal requirements, except for the ones detailed in the **Brazilian localization scope**.

There are also specific laws and requirements that are out of scope for Microsoft Dynamics 365 Business Central and are listed in a specific section of this document.

The ***Cadia Brazilian Tax Management for Business Central (v18.2)*** module developed by Cadia Consulting under the PLLP regime with Microsoft is limited to the features and functionalities described in this text.

Prospective customers are advised to obtain professional legal and tax advice to determine if the features provided in Microsoft Dynamics 365 Business Central (v18.2) are appropriate to their needs or if there is a need to develop custom solutions.

## Brazilian Localization Scope

The user interface and online Help for Microsoft Dynamics 365 Business Central (v18.2) are available in English by Microsoft itself. Additional documentation, such as white papers and training materials, may be available in English only and may not be available at the same time as the software is made available in Brazil.

The scope of Microsoft Dynamics 365 Business Central (v18.2) localization available in Brazil is limited to calculating taxes, accounting transactions, issuing and receiving tax documents in the following areas:

- Accounting,
- Purchasing
- Payables
- Sales
- Receivables
- Inventory management
- Project accounting.

## Tax Management

Configuration, calculation and accounting of the following taxes: IPI, ICMS, ISS, PIS, COFINS, INSS withheld, IRRF, CSL withheld, COFINS withheld, PIS withheld, INSS, II, ISS withheld, ST, COFINS Increase and FCP;

## Electronic Communications

### NF-E Electronic Invoice

- Electronic Product Invoice for International Purchases and Sales (Sales, Transfers, Shipments, etc).

### NFS-e Electronic Services Invoice

- Electronic Services Invoice (*Consult with Cadia for available municipalities*)

## Fiscal Solution

For the Brazilian localization of Microsoft Dynamics 365 Business Central (v18.2), Cadia Consulting has developed a repository of tax information in the system itself that receives, through the process of extracting registration and transactional information, all the information necessary for the generation of various reports and tax files.

The solution consists of:

### Accounting Reports

- Ledger;
- Accounting journal;
- BR balance sheet;
- Kardex of Products;
- Inventory Log.

### Books and Fiscal Reports

- Entry Log Book mod. P1A;
- Output Log Mod. P2-A;
- Book of Registration of ICMS calculation mod. 9;
- Registration Book of IPI calculation mod. 8;
- Inventory Register Book mod. 7;
- GIA (Sao Paulo);
- SINTEGRA;
- DIRF for services taken from PF and PJ.
- Taxes withheld - Sales;
- Taxes withheld - Purchases;
- Report of Provided Services.

### SPED (Public System of Digital bookkeeping) \*\*

- ACCOUNTING SPED (Digital Accounting Bookkeeping)
- ECF (Fiscal Accounting Bookkeeping)
- Fiscal SPED (Digital Tax Bookkeeping)
- SPED PIS/COFINS
- EFD REINF (Digital Tax Bookkeeping of Withholdings and Other Tax Information)

*\*\* For details of the Records and Blocks generated by Cadia App, request the full version of our document "**Cadia - Brazilian Localization Scope**"*

### CIAP

- Report auxiliary to the control of ICMS credits to be appropriated.

### DTCF

- The following records are included in the scope: 01/02/03/10/90 relating to the following taxes: IRRF, PIS Withheld, COFINS Withheld and CSL Withheld.

## Absorption Costs in Manufacturing

Cadia Consulting offers a specific module, sold separately on demand, to apply the absorption cost method. This method consists of the settlement of all costs (direct and indirect, fixed and variable) incurred by the use of production resources.

Therefore, all expenditures related to the manufacturing effort will be distributed to all products produced, as adopted by Brazilian tax legislation.

## Market Availability

Cadia Consulting makes its best efforts to provide legally required functionality in a timely manner.

Cadia Consulting aims to release legal functionality updates for Microsoft Dynamics 365 Business Central prior to the effectiveness date of obligation or such other date as may be required by the federal or state Government authority (States listed in the Brazilian Localization Strategy section). This early release of updates should be sufficient to allow the partner to update its solutions on customer's databases. This date is called the "*market required date*" (MRD).

We will make our best efforts to meet established MRDs and dates required by Government authorities. However, several factors may adversely affect the planned delivery of legal feature updates, such as:

- Requirements and legal changes made by the government authority with announcement shortly before the new regulation takes effect. In some cases, it was effective on the same day as the publication of the legal change (or even retroactively);
- Limitations on the features, functionality, infrastructure, and / or architecture of commercially available software versions affected by legal change;
- Complexity of coding, redesign or improvement required in the software to implement new legislation or change in legal requirements;
- Schedule conflicts;

Although situations such as those described above occur and it is not possible to meet the requirements on time, Cadia Consulting will use its best efforts to develop and release legal and tax updates as quickly as possible.

Cadia Consulting plans to develop the localization of new versions of Microsoft Dynamics 365 Business Central as they become available from Microsoft. The development of these localizations will depend on a number of factors, internal and external to Cadia Consulting that, except when legally provided for, disclaims any liability in the time-to-market for locating new versions.

The dates Cadia publishes are for planning purposes only and are subject to change at any time without notice.



## Features that imply specific development or complementary systems

- Special Regimes \*;
- Specific segments;
- National Simple Scheme;
- Solution for specific sectors, such as: Tobacco, Beverages and cold food, armaments, pharmaceutical, chemical, automotive assemblers, Rural Producer, electricity and communication, among others;
- "Regulatory Agency" Regulations;
- Customer-specific regulations relating to specific activities, events or facts;
- Payroll;
- Enterprise portal;
- Quality management;
- Packing list;
- Industry solutions;
- State Legislation;
- Municipalities Legislation;
- Issuance of combined products and services;
- Issuance of CTE (electronic transportation knowledge);
- Issuance of Tax Receipt.

### **Note:**

*\* Special Regulation - any differential treatment adopted in peculiar cases, in relation to the general rules of the ICMS requirements and compliance with ancillary obligations by manifestation of tax authorities, aiming to facilitate the fulfillment of tax obligations by taxpayers, without resulting of tax load relief.*