

STARTUP ACT IN 7 STEPS

MAIN ASPECTS OF RECENTLY SANCTIONED COMPLEMENTARY LAW 182/2021

Startup focus

The Startup Act defines in its article 4 what is to be understood as a startup, such as companies with up to:

- (i) annual revenue of R\$ 16.000.000,00;
- (ii) 10 year-old tax ID registration with the IRS. In mergers, the oldest tax ID registration will be considered;

and either declaration in its by-laws of its innovative business model or registration in Inova Simples (simplified system for registrations).

Investor safety

The Startup Act foresees (in its article 5) the several instruments through which investments can be made in startups without attracting partner responsibility to the investor (article 8).

From a tax perspective, there is no preferential treatment for startup investors.

Interaction with Government

The Startup act disciplines the contracting of innovative solutions from startups by the government allowing for different bidding procedures.

R&D investments

The Startup Act clarified that companies that have R&D investment commitments may do so through startup investments in patrimonial innovation funds, FIPs or public investment programs. The Startup Act did not clearly refer to R&D investments under the Lei do Bem program (which allows for tax benefits),

Regulatory sandbox

Despite there already existing regulatory sandbox programs, the Startup Act legislated on the possibility of all governmental entities introducing such programs to foster innovation through waiving certain regulatory limitations.

Simplified corporate procedures

The Startup Act simplifies the Corporations Law (Lei das SA) in order to allow for (i) a single director; (ii) electronic books for companies with revenues of up to 78 million reais; (iii) shareholders records may become digital; (iv) dividend distribution may be freely decided by the board, as long as the priority right of preferred shareholders in receiving fixed or minimum dividend is maintained.

Securities Commission facilitation

Securities Exchange Commission (CVM) shall regulate the facilitated conditions for companies of a smaller size to the capital markets.

Hopefully, there is more to come ...

Tax benefits, stock option regulations and other simplifications to corporate procedures were left out of the sanctioned version of the Startup Act, but its discussions were raised throughout the legislative process.