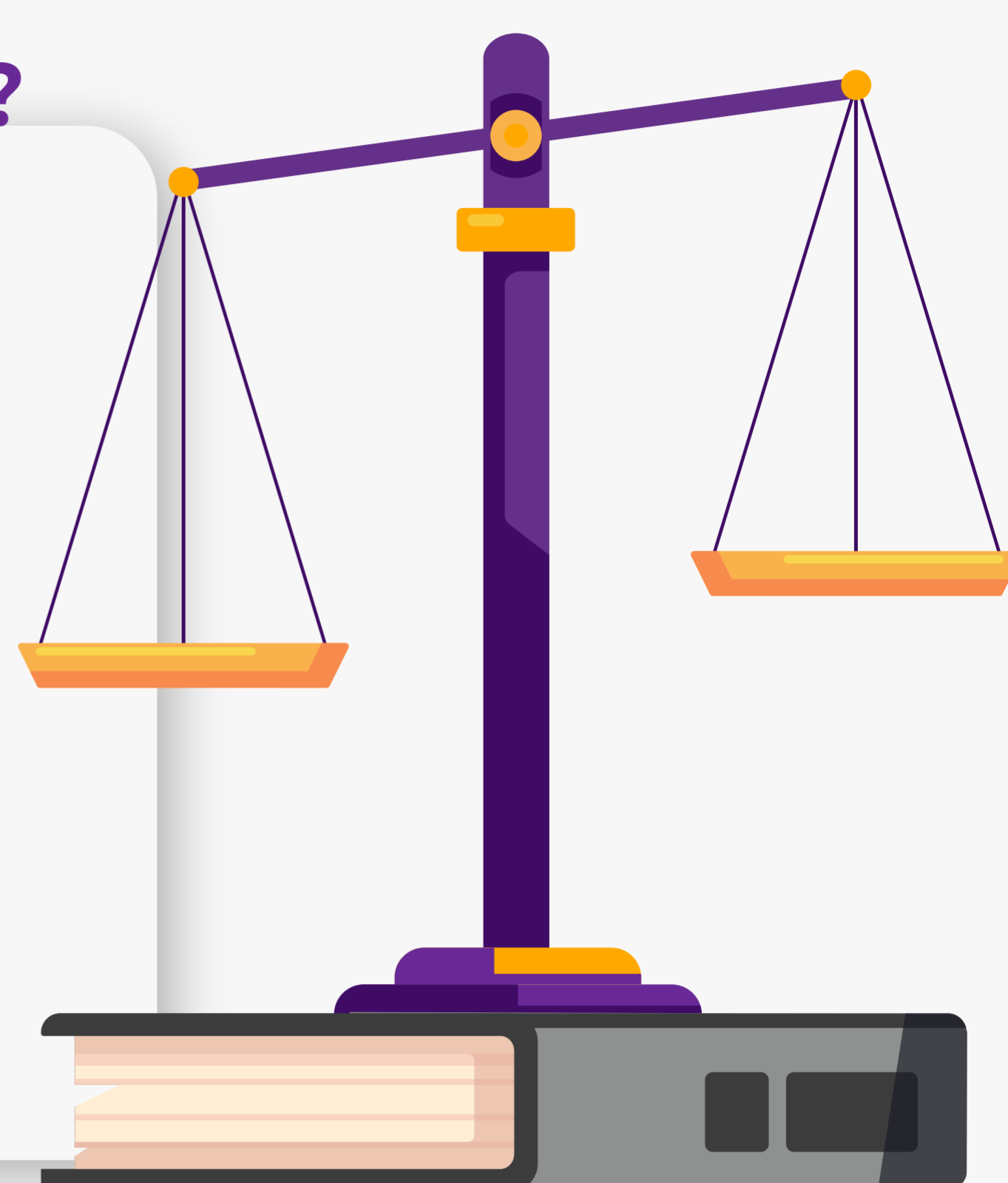


Prize promotions are a **well-known marketing strategy** companies use to **promote their products and services**, as well as to increase awareness of their brands, images, and other assets. In Brazil, Law No. 5,768/1971, regulated by Decree No. 70,951/1972, establishes the rules for commercial promotions. **Prior authorization** from the Ministry of Economy is required to run campaigns where prizes are freely distributed. The ministry's Office of Commercial Promotion Regulation (COGPC-SECAP-ME) currently analyzes each case.

Who can run prize promotion campaigns?

Only legal entities (*peçoas jurídicas*) can run these campaigns. Despite being relatively common in the digital sphere, individuals (*peçoas físicas*) cannot run marketing campaigns where prizes are freely handed out. The applicable legislation states that legal entities must be involved in commercial or industrial activities or the purchase and sale of real estate to receive authorization for prize promotion campaigns. Moreover, they must demonstrate that they have no outstanding federal, state, municipal, or district-level tax debts (including social security contributions).



What types of prizes can be distributed?

Domestic goods, international goods that have been properly imported, travel vouchers, academic scholarships, urban residential properties located in Brazil, and credit securities admitted by the Ministry of Finance and Planning, such as government bonds. Medication, alcoholic beverages, and tobacco products **cannot be distributed as prizes, nor can prizes be exchanged for money.** The total value of the prizes distributed in a given campaign must not exceed 5% of the legal entity's average monthly operating income in the months prior to requesting authorization for the campaign.

How can prizes be distributed?

Prizes can be distributed via lotteries, contests, gift vouchers, or combinations of these.

In Brazil, **lotteries** consider the results of prize draws conducted by Brazil's Federal Lottery – or a specific combination of numbers from these lottery results. **Contests** may consist of predictions, calculations, intelligence tests, meeting set criteria, or other forms of competition. **Gift vouchers** are distributed together with other prizes that are handed out during the promotional campaign. These forms of promotional prize distribution can also be **combined**, as long as the original concepts for qualifying participants and determining the winners are applied.

Promotions exempt from authorization

There are two situations where the Ministry of Economy's authorization is not required for prize promotions. The first regards **lotteries conducted by public law legal entities** in order to assist in collecting taxes under their jurisdiction. The second concerns **cultural, artistic, sports, or recreational competitions** where gambling is not involved, participation fees are not charged, and the winners are not required to buy or use any goods or services from the legal entity running the campaign.

Ordinance No. 422/2013 establishes the types of prize promotions that are not exempt from authorization. These include contests that involve **guesswork**, contests held on **social media**, contests advertised on product packaging, and contests linked to **events such as sporting championships**. No exception is made for these types of prize promotions – they must receive prior authorization.

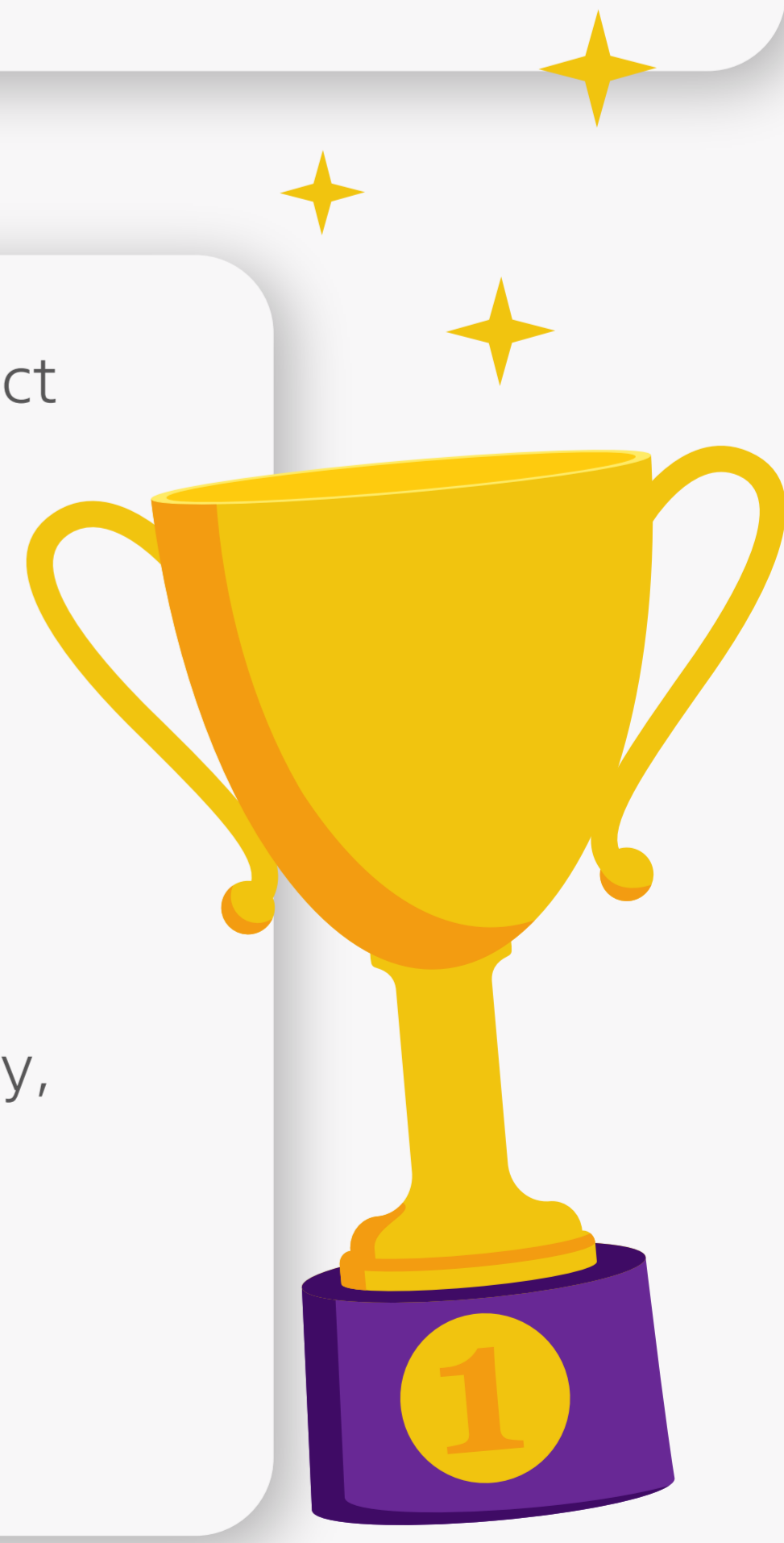
How is authorization granted?

Legal entities must file a request with the Commercial Promotion Control System between **40 and 120 days** prior to the beginning of the campaign. In addition to obtaining authorization, legal entities must comply with other applicable laws, such as the Brazilian Consumer Defense Code, the Brazilian Advertising Self-Regulation Council's (Conar) Code, and Brazil's Child and Adolescent Statute.

Are there penalties for non-compliance?

Legal entities that fail to comply with these requirements are subject to a fine of **up to 100% of the value of the prizes intended for distribution. Moreover, they may be banned from prize promotion campaigns for up to two years.**

Even after receiving authorization, legal entities must remain vigilant. They must ensure they comply with the authorized prize distribution plan, campaign period, and purpose for running the campaign. Otherwise, the penalties mentioned above may still apply, and authorization to run the campaign may also be revoked. Finally, accountability for the use of public funding in prize promotions is just as crucial as the authorization process, and is subject to the same penalties.



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