A Guide to Payroll in Brazil



deel.

Introduction

Strict labor protections, complex tax regulations, and mandatory real-time reporting through eSocial make Brazil one of the most regulated payroll environments.

The country's legal framework is anchored in the Consolidation of Labor Laws (CLT), which establishes employment rights and obligations. As part of this, employers must manage multiple mandatory contributions, including INSS (social security), FGTS (severance fund), and IRRF (income tax).

Noncompliance can lead to steep fines, legal disputes, and reputational damage. This makes compliance not just a legal requirement but a critical factor in maintaining smooth operations in the country and ensuring employee trust.

This guide breaks down Brazil's payroll system, covering key legal requirements, payroll processing steps, and employer obligations. Plus, we'll introduce Deel's purpose-built payroll solution. It's designed to tackle Brazil's unique compliance challenges while reducing administrative workload.

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The basic business and payroll registration requirements in Brazil

Complying with payroll regulations in Brazil begins with properly registering your company, obtaining the necessary tax identifiers, and enrolling in eSocial.



Company registration in Brazil

To set up a legal entity in Brazil, register your company at the federal level through the National Register of Legal Persons (Cadastro Nacional da Pessoa Jurídica - CNPJ). You must also register at the state level through the Board of Trade (Junta Comercial) of the respective jurisdiction.

Brazil allows you to register your company as either:

- **Individual Entrepreneur (Empresário(a) Individual – EI):** A natural person who conducts business activities without creating a legal entity and without partners
- **Cooperative (Cooperativa):** An association of individuals with distinct legal forms and natures. It can be a:
  - Singular cooperative with at least 20 individuals
  - Central cooperative or federation made up of at least three singular cooperatives
  - Confederation of cooperatives made up of at least three central cooperatives or federations
- **Anonymous Society (Sociedade Anônima – SA):** A corporation that can be either publicly held (Companhia Aberta) or privately held (Companhia Fechada)
- **Limited Company (Sociedade Limitada - LTDA):** A business structure where partners hold quotas proportional to their investments

Key tax and labor IDs in Brazil

1 Cadastro Nacional da Pessoa Jurídica (CNPJ) number

Businesses operating in Brazil must have a CNPJ number issued by the Brazilian Federal Revenue Service. It's a 14-digit corporate taxpayer registry number used for tax and legal identification.

Starting July 2026, the CNPJ will change to an alphanumeric format.

2 Cadastro de Pessoas Físicas (CPF) number

A CPF number is an 11-digit individual taxpayer registry number required for all employees, whether Brazilian nationals or resident aliens. It's issued by the Brazilian Federal Revenue Service.

As an employer, you must ensure all employees have a CPF number to enroll them in the payroll system and insurance programs.

eSocial for payroll and labour compliance

Companies in Brazil must register with eSocial, a centralized digital bookkeeping system. It consolidates multiple agencies, including the Federal Revenue Service (RFB), Social Security (INSS), and the Ministry of Labor and Employment (MTE).

Employers must submit payroll, tax, and labor information in real time through the platform. This is to help the Brazilian government ensure compliance with mandatory regulations.

Essential employment laws and regulations in Brazil

The CLT governs Brazil's labor relations. It sets the fundamental rules for employment in the country.



Types of employment contracts

There are two main types of employment contracts in Brazil: CLT contracts and contractor agreements.

CLT contracts are generally company employees with full labor rights and protections. These contracts fall into the following categories:

- Indefinite-term contracts
- Fixed-term contracts, ranging from 90 days to a maximum of two years
- Contract for an indefinite period of time
- Casual employment contract
- Self-employment contract
- Probationary contract
- Telework contract
- Temporary contract
- Intermittent employment contract
- Apprenticeship or young apprentice contract
- Part-time work contract
- Internship contract

Employers can set a probation period of up to 90 days. It may be one continuous term or split into smaller terms.

Contractor agreements cover workers who operate independently, without CLT benefits or protections. These workers do not have a formal employment relationship and are responsible for their own taxes and social security contributions.

You can hire independent contractors and CLT employees compliantly through Deel. We handle all compliance and admin work on your behalf, from onboarding to creating compliant contracts and processing payments.

Key workweek and overtime rules

The workweek in Brazil is a maximum of 44 hours, typically divided into 8 hours from Monday to Friday and 4 hours on Saturday.

Overtime rules can be defined by the category's collective bargaining agreement, modifying the form of payment and the percentage to be paid by the employer. There is also the Bank of Hours modality, which replaces overtime pay with accumulated hours that can be taken in periods agreed between employee and employer.

If they are not taken within a certain period agreed in a collective agreement, usually 6 months, these hours become overtime and are incorporated into the employee's pay.

Overtime should not exceed two hours per day and is compensated at 150% of the employee’s regular hourly rate. Work performed at night, between 10:00 PM and 5:00 AM, is paid at 170% of the regular hourly rate. This bonus is known as the Night Differential/Bonus (Adicional Noturno).

For work done on Sundays, days off, and public holidays, the overtime rate increases to 200% of the regular hourly rate.

Employees on call (sobreaviso) are entitled to 33.33% of their regular hourly wage for each hour on call.

Brazilian employees have the right to a weekly rest of 24 consecutive hours, preferably on Sunday. They are also entitled to:

- At least 15 minutes in between the regular workday and beginning of the overtime hours
- 11 consecutive hours between work shifts
- One-hour lunch break when working over six hours

Mandatory paid time off

Employees earn a 30-day paid vacation for every 12 months worked. They are also eligible for national, state, and municipal holidays and should receive double pay for hours worked on these holidays.

As an employer in Brazil, you must also provide employees with:

- Three days of paid leave upon marriage
- Two consecutive days of bereavement leave for the death of a close relative
- 15 days of paid sick leave
- Five days of paternity leave and up to 20 days for companies in the Citizen Company (Empresa Cidadã) program
- 120 days of maternity leave and up to 180 days for companies in the Citizen Company program

Termination rules

As an employer in Brazil, you must provide at least 30 days of notice for an employee. Also, an additional three days of notice for each year beyond the first, up to a maximum of 90 days.

If you fail to provide the required notice, you must compensate the employee with an amount equivalent to the salary for the notice period.

After termination, employees are entitled to prompt payments of:

- A pro-rata share of the 13th salary for the year, calculated based on the months worked during that year
- The severance fund (Fundo de Garantia do Tempo e Serviço - FGTS) balance
- In case of wrongful dismissal, a fine of 40% of the total FGTS deposits made by the employer during the employment period
- Salary equivalent to the accumulated vacation days, plus an additional 1/3 of that amount as a vacation bonus
- Unpaid bonuses owed to the employee
- Regular salary for the current month worked, including any outstanding pay for overtime or other compensation

Minimum wage

Brazil's projected minimum wage for 2026 is BRL 1,627, or USD $303.00. The government uses inflation and GDP growth to determine the minimum wage. Part-time employees are also entitled to a minimum wage, calculated based on hours worked.

A higher minimum wage can apply based on the employer's Collective Bargaining Agreement.

Key tax and payroll obligations for employers and employees in Brazil

Tax and payroll obligations in Brazil ensure social security funding, income tax compliance, and employee protections. They require contributions from both employers and employees.



Employee taxes

1

INSS (Instituto Nacional do Seguro Social)

INSS refers to the social security contributions remitted monthly to the Brazilian Social Security Institute.

Employers must deduct employees' INSS contributions from their payroll each month. The contribution rates are progressive and vary based on specific gross salary brackets, ranging from 7.5% to 14%.

The INSS contribution rates are progressive and vary based on specific gross salary brackets. The Ministry of Social Security and the Ministry of Finance publish an official ordinance (Portaria Interministerial) every January updating these salary brackets based on the National Consumer Price Index (INPC).

Employers must consult the official 2026 contribution table released by the government to determine the correct deductions.

Employers must also deduct the social security contribution from the 13th salary. They must remit it once a year in December to the Brazilian Social Security Institute.

The social security contributions qualify employees in Brazil for the Family Allowance (Salário-Família). It provides low-income employees with financial support for their dependents.

To qualify, employees must:

Have children under 14 or disabled dependents of any age

Earn a gross salary below the official current threshold (adjusted annually by the federal government based on inflation)

Eligible employees receive a fixed monthly amount per dependent child, as determined by the Portaria Interministerial.

Contributions to INSS also qualify employees for Brazil's pension benefits and unemployment insurance (Seguro-Desemprego). Brazil's unemployment insurance provides temporary financial assistance to formally employed individuals who lose their jobs through no fault of their own.

The benefit calculation for the year is based on the average salary of the three months prior to their dismissal. Benefits cannot be less than the minimum wage.

2

IRRF (Imposto de Renda Retido na Fonte)

IRRF is the income tax withheld from employees' monthly taxable salary. It's remitted to the Federal Revenue Service of Brazil.

Starting January 1, 2026, income up to BRL 5,000.00 per month is exempt from income tax. Income above this threshold is subject to progressive rates with a new deduction structure established by Law No. 15.270/2025.

Employer contributions

3

FGTS (Fundo de Garantia do Tempo de Serviço)

FGTS is a mandatory severance indemnity fund in Brazil managed by Caixa Econômica Federal, a state-owned financial institution. Employers contribute 8% of each employee's monthly gross salary.

Employers contribute to this fund to provide protection against financial crises. Employees can access the FGTS balance under conditions such as:

- Unjust dismissal
- Retirement
- Health and medical needs for serious illness
- First Home Housing Assistance
- Emergency financial needs

4

INSS

Employers have to make a monthly contribution to INSS as well. The rate varies by industry, ranging from 27% to 30% of the total payroll. For EOR clients, the rate is 28.8%.

The Brazilian government allocates this amount to various programs and entities as follows:

- 20% - Broader social security system, including unemployment insurance and Brazil's public healthcare system (Sistema Único de Saúde - SUS)
- 5.8% - Parafiscal entities such as Serviço Social da Indústria (SESI)
- 1.25% to 4.2% - Workers' compensation, with rates varying by industry

Note on Payroll Re-oneration (2026): For companies in the 17 sectors previously benefiting from full payroll tax relief (Desoneração da Folha), 2026 marks a transition year. These companies must contribute 10% on the payroll (instead of the standard 20%) plus a reduced rate on their gross revenue (CPRB).

Overview of payroll-related deductions and payments

Deduction	Institution responsible	Employer rate	Employee rate	Requirements
IRRF	Federal Revenue Service of Brazil	None	Progressive rates from 7.5% to 27.5%	Employees earning above the minimum taxable salary (subject to annual adjustments)
Social insurance (INSS)	The Brazilian Social Security Institute	27% to 30% depending on industry	7.5% to 14%, based on the employee's salary	All employees under formal employment contracts
Severance Indemnity Fund (FGTS)	Caixa Econômica Federal	8%	None	All employers

Key tax deadlines

Employers must ensure timely remittance of all payroll taxes and contributions to remain compliant with Brazilian labor laws.

These are the current deadlines:

Payroll tax	Due date
Social security (INSS)	20th of the following month
Income tax (IRRF)	20th of the following month
Severance indemnity fund (FGTS)	20th of the following month

Step-by-step payroll processing in Brazil



1 Collect employee data

- Gather essential employee details, including CPF number, personal information, and bank account details
- Track work hours, overtime, bonuses, commissions, and deductions
- Ensure employment contracts comply with labor laws and collective labor agreements (CLAs)

2 Calculate gross wages, deductions, and net pay

Gross wages

Gross wages = Base salary + bonuses + taxable allowances + vacation payments + expense reimbursements.

For employees in their first or last month, the base salary is calculated based on the number of days worked.

Social security base

This is the amount subject to INSS.

Social security base = Base salary + taxable allowances + bonuses + vacation payments.

Net pay

This is the final amount an employee receives in their bank account after taxes, deductions, and net adjustments like garnishments.

Net pay = Gross wages – INSS – IRRF – other deductions.

3 Create and issue payslips

Ensure payslips are detailed, accurate, and fully compliant, reflecting all earnings, deductions, and contributions.

Overtime payments must be included. Since Paid Weekly Rest (Descanso Semanal Remunerado – DSR) is part of the base salary, any overtime worked requires an additional DSR amount, calculated using applicable overtime rates and shown separately.

A payslip is not required for off cycle payments. The details of these payments should be included in the earnings and deductions of the next payslip.

4 Make salary payments and submit taxes

Process salary payments to employees' bank accounts and submit payroll taxes to relevant authorities, such as INSS, FGTS, and Receita Federal.

Be sure to file required reports, including eSocial submissions, ensuring compliance with government regulations.

Here is a guide with additional insights on how to streamline payroll for smoother processing and compliance.

Mandatory and optional workplace benefits and employee entitlements

In Brazil, the law mandates that employers provide certain benefits while allowing the option to offer additional perks. These benefits ensure employees' well-being and financial security.



Mandatory benefits

13th salary

This is an annual bonus. It takes the form of a month’s salary paid at the end of the year, split into two equal installments paid by November 30 and December 20.

Paid vacation

Employees are entitled to 30 days of paid vacation per year after 12 months of work. They can split their vacation into three periods, but one must be 14 consecutive days, and the other two must be at least 5 calendar days each.

They are also entitled to a third of their monthly salary as a vacation bonus.

Transport vouchers (Vale Transporte)

The Brazilian government requires employers to prepay public transportation costs for employees who request Vale Transporte.

Employers can deduct up to 6% of the employee’s gross monthly salary, but if the total transport cost exceeds this amount, the employer must cover the difference.

Meal voucher (Vale Refeição)

A meal voucher is not a mandatory benefit under Brazilian labor law. However, many collective bargaining agreements (CBAs) require employers to provide it as part of employee benefits packages.

Employers may fund most or all of the Vale Refeição balance, depending on company policy and CBA terms.

Optional benefits

Private health insurance (Plano de Saúde)

Brazil’s public healthcare covers a wide range of essential services, such as primary care and emergency services. However, it does not cover some specialized care and dental services.

Many employers offer private health insurance to provide employees with faster access to doctors and coverage for additional treatments.

Profit-sharing (participação nos lucros ou resultados – PLR)

PLR is a performance-based incentive where employees receive a share of the company’s profits. While not mandatory, it is a popular benefit that aligns employee interests with business success.

Employers define eligibility criteria and distribution rules through agreements with employees or unions.

See also: Guide to a Competitive Global Employee Benefits Plan

How employee benefits affect payroll

The table below outlines the tax treatment of common benefits in payroll.

Benefit	Affects IRRF?	Affects INSS?	Special requirements
13th salary	Yes	Yes	Deducted annually in December
Vacation pay	No	Yes	Exempt from IRRF but subject to INSS contributions
Transport vouchers	No	No	Amount cannot exceed the employee's actual monthly commuting expense
Meal vouchers	No	No	Must be part of a corporate meal program (Programa de Alimentação do Trabalhador - PAT) to retain tax exemption
Private health insurance	No	No	Employer-paid health plans are not taxable, but reimbursements or coverage beyond immediate family may be taxable
Profit sharing	Yes	No	Taxed under a separate progressive IRRF table

Key factors to consider in Brazil's payroll

When managing payroll in Brazil, employers must account for specific tax rates for expatriates and remote workers, as well as variations in payroll requirements across different states.



Payroll for expatriates and remote workers

Expatriates and remote workers classified as non-residents for tax purposes are subject to a flat withholding tax rate of 25% on labor income (salaries) received from Brazilian sources. They are not eligible for the progressive table or the BRL 5,000 exemption.

State and regional variations in payroll obligations

Brazil has 26 states, each with its own labor regulations and local payroll contributions. Employers must comply with these regulations to remain compliant.

Minimum wage

While there is a federal minimum wage in Brazil, some states set higher minimum wages. For instance, São Paulo's minimum wage is often higher than the national rate.

Collective Labor Agreements (CLAs):

States with strong labor unions, such as Minas Gerais, have active CLAs that stipulate labor conditions in certain industries, including benefits and overtime compensation. These conditions can impact payroll.

Regulations regarding termination and offboarding

In Brazil, termination and offboarding processes are governed by strict regulations designed to protect employees' rights. They ensure fair dismissal and proper compensation.



Termination types and severance pay

The type of employment termination in Brazil determines the severance owed to the employee.

1

Termination without cause (dispensa sem justa causa)

This is an employer-initiated termination without valid cause. In this case, the employee receives:

- Payment of accrued wages and unused vacation and vacation bonus
- A proportional amount of the 13th salary for the year worked
- 40% fine on FGTS balance
- Salary in lieu of notice (if the employer does not provide prior notice)

2

Termination with cause (dispensa justa causa)

This is also an employer-initiated termination due to serious misconduct. The employee is only entitled to accrued wages, unused vacation, and vacation bonus. They do not receive prior notice, FGTS benefits, or prorated 13th salary.

However, the employer must prove the misconduct to justify termination with cause.

3

Resignation (pedido de demissão)

An employee-initiated termination entitles the employee to accrued wages, unused vacation, and a prorated 13th salary. Employees who resign do not receive FGTS benefits.

They should give a 30-day notice or pay it in lieu to the employer.

4

Mutual agreement (Distrito Por Acordo)

An employer and employee can mutually agree to end an employment contract. It results in reduced severance costs for the employer while still granting some benefits to the employee, including:

- 20% of the FGTS fine (instead of the usual 40%)
- 80% of their FGTS balance
- Full payment of prorated 13th salary and unused vacation
- 50% of the notice pay (if the employer waives the notice)

5

Indirect termination: (Rescisão Indireta)

- The employee can request indirect termination if the delay is frequent or lasts for several months
- The employee has the same rights as someone dismissed without just cause
- The worker can receive all severance pay, such as prior notice, a 40% FGTS fine, and unemployment insurance

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5 key steps in managing employee departure compliantly



1 Determine the termination type

Analyze whether the termination is with cause, without cause, by mutual agreement, resignation, or contract expiration.

The Brazilian government protects certain categories of individuals from termination without cause:

- Pregnant employees: From pregnancy confirmation until five months after childbirth
- Employees with work-related injuries or illnesses: For 12 months after returning from INSS sick leave, as long as they received accident-related benefits
- Union leaders: From the moment they register as candidates until one year after their term ends
- Employees elected as In-House Accident Prevention Commission (CIPA) members: From the duration of their term to one year after leaving the position

2 Issue a formal notice

Ensure compliance with notice period requirements. Give 30 days' notice for one year of employment, plus an additional 3 days for each subsequent year of service, up to a maximum of 90 days.

3 Calculate the final payment

This includes outstanding salary, applicable vacation benefits, FGTS fine, and 13th salary.

4 Process FGTS

For terminations without cause or mutual agreement, ensure the FGTS deposit is available and issue a termination certificate (TRCT) for the employee to withdraw funds.

5 File and report the termination

Report the termination through eSocial, which automatically updates relevant government databases, including FGTS and INSS.

Payroll provider vs. in-house payroll management

While in-house payroll offers more control over processes, the right payroll provider can enhance efficiency, ensure continuous compliance, and minimize the risk of costly errors.



The value of outsourcing payroll

A major benefit of payroll outsourcing is reducing the risk of non-compliance. With labor laws and tax regulations in Brazil constantly evolving at both federal and state levels, staying compliant requires dedicated resources and deep local expertise.

A reputable payroll provider like Deel Local Payroll (Powered by Space) carries specialized knowledge of Brazil's labor landscape to ensure your payroll processes align with the latest regulations. This reduces compliance risks and the burden on your internal team, allowing HR to focus on more strategic initiatives.

Additional benefits of a payroll provider include:

- **Increased accuracy:** Automated payroll calculations minimize mistakes in wages, deductions, and tax filings, reducing the risk of late or incorrect payments
- **Scalability:** Payroll providers easily adapt to workforce growth without disrupting processing
- **Strong data security:** Most payroll providers implement advanced security measures, ensuring sensitive employee data is safe from breaches and unauthorized access
- **Enhanced reporting and analytics:** Payroll providers offer robust reporting tools that help businesses track payroll trends, taxes, and other key metrics, supporting data-driven decision-making
- **Improved record keeping:** Payroll systems maintain accurate, organized records of payroll data. It makes it easier to retrieve historical data for audits, financial planning, or compliance checks

Potential downsides of outsourcing payroll

While outsourcing payroll offers many benefits, it also comes with challenges. One key concern is **provider dependency**—your business relies on the provider's performance. This means system outages, service changes, or errors on their end can disrupt payroll processing and impact employee satisfaction.

Additionally, **communication challenges** may arise, especially when urgent payroll issues need quick resolutions. Delays in support responses can prolong problem-solving and escalate minor issues.

These risks highlight why choosing the right payroll provider is crucial. A well-established provider with strong compliance expertise, responsive support, and modern, secure technology can mitigate these concerns.

Key factors to consider when choosing a payroll provider

To ensure smooth payroll operations, compliance, and a positive employee experience, consider these factors when choosing a payroll provider:



Integration capabilities

Ensure the provider can integrate with your current accounting, time-tracking, and other internal systems for smooth data flow. Look for APIs and pre-built integrations that reduce manual data entry



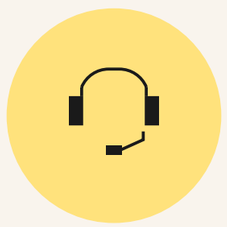
Proactive compliance management

Choose a provider that automatically updates local tax rates, labor laws, and reporting requirements



User-friendly interface

A complex payroll system can slow down HR operations. The platform should be intuitive, offering a smooth onboarding experience, clear navigation, and self-service options



Reliable support with local expertise

Prioritize providers that offer 24/7 support from payroll experts who understand the local legal requirements. Bonus points if they provide dedicated account managers instead of generic support lines

Advanced reporting and analytics

Look for a provider that goes beyond basic reports. The reports should offer real-time insights into employer costs to support strategic workforce planning and financial forecasting

Employee-centric features

Payroll directly impacts employee satisfaction. Ensure the provider supports flexible payment options and a mobile-friendly self-service portal where employees can easily view and manage their payroll information

Enterprise-grade security and compliance

Choose a provider that implements strong security protocols, including data encryption, multi-factor authentication, role-based access controls, and compliance with relevant data protection standards

Customization options

Choose a provider who can tailor solutions to fit your operational needs, including specific payroll cycles, contractor payroll, and industry-specific tax requirements

Deel features a native payroll engine built specifically for Brazil. It automates wage and tax calculations, social security contributions, and other routine tasks.

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Before we started using Deel, our payroll process was time-consuming and open to errors due to manual handling. Deel has streamlined our operations, saving us valuable time and reducing the risk of mistakes.

Hollie Casey
Director of Global People Operations at Design Pickle

Powerful compliance features ensure your business is always on the right side of the law. Deel's payroll platform automatically updates tax rates and other statutory requirements. In addition, an in-house team of local payroll experts is available to address your payroll concerns.

Deel's native payroll engine for Brazil has direct integration with eSocial. This creates real-time data validation and submission, minimizing manual errors and delays.

Brazilian employees don't have to contact the HR team for payslips, tax certificates, or vacation requests. They can self-serve directly from WhatsApp through a virtual assistant, creating a superior employee experience and less admin work for HR staff.

Run your Brazilian payroll confidently with Deel

Running payroll in Brazil doesn't have to be a complex, time-consuming process, and you don't have to risk non-compliance either.

With Deel's fully automated Brazil payroll engine, you can simplify compliance, reduce administrative burden, and ensure accurate, on-time payments—all while enhancing the employee experience.

Book a demo to learn more about using Deel to run payroll in Brazil.

More Resources

- How to Pay Independent Contractors in South America: A Complete Guide
- A Guide to Employee Background Checks in Brazil
- How to Reduce Payroll Costs in Brazil
- Consultar Cadastro de Pessoa Física (CPF)
- Consultar Cadastro Nacional de Pessoas Jurídicas (CNPJ)
- Receita Federal
- Instituto Nacional do Seguro Social (INSS)
- Caixa Econômica Federal

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