

CULTURAL INCENTIVE LAWS:

An Analysis of Taxation and Accounting Aspects in the use of Tax Benefits in the Brazilian State of Bahia.

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ABSTRACT

Cultural incentive laws in Brazil represent a partnership between the state and the private sector. These laws are designed to encourage cultural development by granting tax benefits to companies that encourage cultural activities through donation or sponsorship. This research included a tax and accounting analysis of the tax benefits that are currently granted by incentive laws at the federal level and in the State of Bahia, Brazil. The analyses were performed by means of exploratory research, information found in books, published articles and in the legislation itself. A historical survey and the evolution of the cultural incentive mechanism in Brazil were shown throughout the research. The result for the sponsoring companies is that, in addition to receiving tax rebates, they benefit in terms of being able to publicize their brand name and improve their institutional image that is perceived by society.

Keywords: cultural incentive; tax benefits; tax and accounting analysis.

1 INTRODUCTION

Cultural investment policies began relatively late in Brazil's history when compared to other countries. The mæcenate (patronage) - which is how stimulating cultural and artistic activities by sponsors is known -

originates from Ancient Rome (74 BC), where Gaius Maecenas, a Roman minister, adopted an unprecedented policy that created a relationship between government and society to protect various expressions of art.

In 1810, around the period when the Portuguese royal family arrived in Brazil, it was possible to see some kind of cultural investment in Brazil, an example being the construction of the National Library. However, during this period, the private sector did not yet play any role in the process of cultural incentive.

Only in the mid-twentieth century did the Brazilian elite classes acknowledge the need for investment in culture. Businessmen, such as Franco Zampari, Francisco Matarazzo, Assis Chateaubriand, were responsible for making significant donations to culture between 1940 and 1950.

From this period onwards, corporate managers saw supporting culture as a valuable communication tool, which allows the sponsoring organizations to receive recognition and prestige for their brand. So-called “cultural marketing” is a set of marketing resources that make it possible to project an entity’s image through cultural activities, taking the place of the ancient Renaissance maecenate, without the objective of any institutional return.

Following this trend, the government creates tax incentives for both individuals and legal entities who invest, through sponsorship or donation, in cultural projects. This public policy works by the government waiving tax receipts that would have been paid by the company, in the form of tax relief, the funds from which are then passed on by the sponsoring company to the cultural project.

The cultural incentive was born as a result of the sector’s perceived economic potential and the possibility for growth and job creation. Tax incentives are provided for in legislation, at federal, state and municipal levels, as well as in decrees and regulations, which has meant that they can be effectively applied.

Brazil’s first incentive law was known as the Sarney Law, which was passed in 1986 by the government of the then President, José Sarney. This law was established with the intention of providing more resources to fund cultural productions, making it possible for the market itself to choose which cultural activity would be sponsored. However, this law was only enforced until 1990 when the President of the time, Fernando Collor, abolished all cultural bodies.

In 1991, following an unfavorable period for the cultural sector, Law No. 8,313/91 was drawn up by Culture Minister Sérgio Paulo Rouanet. The law became known as the Rouanet Law, this law created three support mechanisms, one of them, the Cultural Projects Incentive, which grants tax benefits to income tax contributors who support cultural projects by means of donations or sponsorships. This rule is considered the most significant for the Third Sector and acts as a legal basis for other laws that make up the culture incentive system.

In the Brazilian state of Bahia, the Government Culture Incentive mechanism came about in 1996 when Law No. 7,015 was sanctioned, which established the *Programa Fazcultura* (Bahia Government Culture Incentive Program). This law authorizes a discount of up to 5% from the *ICMS (Imposto Sobre a Circulação de Mercadorias e Serviços - State Goods and Services Tax)* tax for companies that finance cultural activities in various areas.

Despite there being legislation that gives tax exemption for those providing culture incentives at federal, state and municipal levels, many are unaware of such benefits. Disclosing information regarding tax and accounting makes it possible for any interested parties to reach a better understanding of which types of cultural initiatives can be sponsored and which taxes can be deducted.

The objective of this study was to analyze, by means of accounting statements and through the current legislation itself, the advantages obtained by companies who use the tax benefits offered. Indexes that show the increasing participation of businesses that finance cultural projects, which were approved by the incentive laws, were also analyzed.

Many taxpayers, who know little or nothing about the law, lose the opportunity to invest in cultural projects, and moreover the chance to pass their payable tax to such.

According to Henilton Menezes, Brazilian Secretary of Cultural Promotion and Development, (2012), “almost all the issues faced are due to a lack of knowledge regarding the law and its regulation. Understanding the

legislation in detail by proponents and investors could reduce the problems which exist in the project regulation.”

In this context, the question is; how can tax and accounting knowledge referring to tax benefits for businesses, offered by cultural incentive laws, be increased?

This study aims to analyze and highlight the fiscal and social benefits, which can be enjoyed through laws that are designed to encourage investment in culture, for companies. Specifically, this study's objective was to conduct a historical survey of the cultural incentive laws in Brazil; demonstrate the benefits of the main tax incentives at the federal and state level; indicate the advantages of accounting for benefits when calculating tax while including the tax incentives.

Thus, this research is important in terms of analyzing and understanding the tax and accounting mechanisms that make up the cultural tax incentive system in Brazil, with a view to a possibly increase the viability of culture projects and participation of the private sector in this process.

2 TAX INCENTIVE

According to Cesnik (p. 8, 2012), “Tax incentives are stimuli provided by the government, in the fiscal area, to make strategic ventures feasible, whether they are economic, social or cultural”.

Through law, the Executive Branch may waive part of certain tax revenue to encourage certain activities or regions. On the other hand, “the waiving of such revenue by the Executive Branch constitutes a tax benefit for the taxpayer, provided that the legal requirements for the right to use it are strictly observed.” (FABRETTI, p. 275, 2012)

Yet, according to Fabretti (2012), the technical name for this waiver is **extrafiscality**, which refers to the use of taxes for other purposes. According to Grecco (1987 apud CESNIK, 2012)

Extrafiscality, which is the use of tax mechanisms that are not merely for tax collection purposes, but are directed towards human behavior, is a way that is in line with the precepts of the Federal Constitution and often has appeared as an efficient instrument.

Cesnik (2012) claims that the tax incentive is one of the ways in which the Brazilian state can act. This statement is present in art. 174 of the 1988 Brazilian Federal Constitution that says:

Art. 174. As a legislative agent and regulator of economic activity, the state shall, in accordance with the law, exert supervisory, **incentive** and planning functions, which is determinant for the public sector and indicative for the private sector.

The same author also highlights tax incentive as an institute of the Economic Right, where it is classified as a genre which encompasses various forms of tax waiving, the example being exemption. The latter is considered an institute of the Tax Right and, according to Febretti (2012), exemption refers to a legal tax that has no bearing on a given situation, in which the legislature can excuse some taxpayers from paying a particular tax.

Cultural incentive or tax incentive to culture, often takes the form of deductions on taxes payable by individuals (private individuals) or companies (legal entities) as compensation for expenses incurred during the process of supporting cultural activities.

There are two main categories that are covered by tax incentives: donation and sponsorship.

In the first category – donation – resources are transferred to cultural producers so that they are able to execute work or cultural products without, on the behalf of the sponsor, the promise of promotion, advertisement or financial return. Donation refers to traditional cultural maecenate (patronage).

Donation: the free transfer, on a permanent basis, of resources to culturally motivated individuals or legal entities, with no promise of financial profits, goods or services in return for funding cultural projects, with the use of paid advertising for the publicity of this act being prohibited. (BRAZIL, Rouanet Law)

When referring to sponsorship – concerning cultural marketing –, resources are transferred to cultural producers to allow them to execute cultural projects while receiving promotional or advertising benefits or institutional image returns. The sponsor is allowed to publicize its own brand. Decree No. 1,494/95, which regulates the Rouanet law, defines sponsorship in article 3 as:

The free transfer, on a permanent basis, of resources to culturally motivated individuals or legal entities, with no promise of financial profits, goods or services in return but with provision of promotional or institutional advertising rights.

The main differences between the two categories are their purposes. According to Charlton (2012) “sponsorship entitles the sponsor to make use of publicity. Whereas there is no publicity involved in donation”.

It is important to understand that tax incentives, specifically those towards culture, are only made final when a receipt for the value that has been effectively transferred to the proponent’s bank account is delivered. (CESNIK, 2012)

Tax incentives are created as a political policy designed to support to certain areas which cannot financially support themselves. The cultural sector is an example of this, where many artistic activities are not intended to be profitable and, in order to continue to their work, without losing their originality, need the government’s help as their main supporter.

3 CULTURAL INCENTIVE LAWS

According to Brant (2004), the incentive laws were created in order to build a bridge between the private and cultural sectors, which are seen as areas of high strategic interest for social development. However, according to this author, this device seemed to establish a conflict of interest between public policy and capitalism, for the benefit of society.

These laws were created in order to enable a partnership between artistic or cultural producers, the sponsor and the state in developing cultural projects. The first contributes to a creative work; the second provides the means for its implementation in the form of a cultural product; and the third gives stimulus – in the form of tax incentives – so that society can participate in the process. (FABRETTI, p. 282, 2005)

Thus, the government assumes its constitutional role as a planner, regulator and controller for society, listing projects and activities of public interest. (OLIVIERI, 2004)

The current federal incentive tax laws are the Rouanet Law and the Audiovisual Law. There are also state laws in most of the Federal units and municipal laws in some capitals and cities in the countryside.

The culture incentive system is represented by two laws in the State of Bahia: Law No. 7,015 from 1996, which established the aforementioned *programa Fazcultura*; and Law No. 9,431 from 2005, which implemented the *Fundo de Cultura da Bahia* (Bahia Culture Fund). The latter corresponds to a Funding Law, which is unlike the incentive laws as it does not provide tax benefits to cultural activity sponsors.

3.1 The Rouanet Law

The Rouanet Law is considered most important for the Third Sector and is also the Law that has the greatest national representativeness. This is due to the fact that it was the first incentive Law created in Brazil, based on the Sarney Law and because it can waive up to 100% of taxes, in donations and sponsorships destined for the cultural sector.

Law No. 8,313, from December 1991, established the Brazilian National Program for Cultural Support – *PRONAC*, which is aimed at raising funds for investment in cultural projects. Its main objective is to promote, support and encourage Brazilian cultural and artistic production.

The law adds a requirement with regard to incentives, as stated in art. 2, first paragraph, that these can only be granted to cultural projects whose exhibition, use and circulation of cultural goods is open to all, without being withheld from any person, when free and with a paying public, when admission is charged.

In order fulfill the purposes as expressed in the Law, all cultural projects to be effected, regardless of the mechanism used, must meet at least one of the objectives set out in art. 3, § 1 of Law No. 8,313/91.

As a criterion for receiving a tax waiver, companies or individuals must be Income Tax payers and supporters of cultural projects, approved by the Culture Ministry or ANCINE (National Film Agency), or make donations to the National Culture Fund. Any company or individual can also acquire *FICART* (Cultural and Artistic Investment Funds) shares that, although not guaranteeing tax incentives, pay the investor with interest and dividends.

However, it is worth noting that any donation or sponsorship may not be made to the person or institution linked to the agent. Art. 27 of the law states that those considered linked are: a legal entity in which the donor or sponsor is the proprietor, administrator, manager, shareholder or partner, at the same time as the operation, or in the preceding 12 months; the spouse, kin up to the third degree, including relations, and the dependents of the donor or sponsor or the proprietors, directors, shareholders or partners of legal entity linked to the donor or sponsor; another legal entity of which the donor or sponsor is a partner.

3.2 The Fazcultura Law: No. 7,015, 1996

Law No. 96/7,015 implemented the *FAZCULTURA*, which is a program to promote culture in the State of Bahia, resulting from a partnership between the State Department of Culture – *SECULT* and the Department of Taxation and Finance – *SEFAZ*. The main purpose of this law is to promote cultural sponsorship activities through tax waivers, thereby stimulating cultural development in Bahia, and at the same time, allowing sponsoring companies to directly associate their image to the cultural actions that they deem most appropriate.

The benefits derived from this Law aim to achieve the following objectives in the cultural projects:

I - to promote incentives for research, study, publication of works and production of artistic and cultural activities in the following areas:

- a) performing, visual and graphic arts;
- b) cinema and video;
- c) photography;
- d) literature;
- e) music;
- f) craftwork, folklore and popular traditions;
- g) museums;
- h) libraries and archives.

II - to promote the acquisition, maintenance, conservation, restoration, production and construction of movable and immovable property of relevant artistic, historic and cultural interest;

III - to promote campaigns of awareness, dissemination, preservation and use of cultural assets;

IV - to institute awards in various categories.

Compared to other States, Bahia leads the way in terms of its financial handling of culture tax incentives. In 2004, according to research conducted by State Departments of Finance and Culture, this state was awarded with tax incentives equivalent to R\$26,000,000.00 during this year, assuming 5th position in the ranking of incentive-giving states.

4 MAIN ADVANTAGES OF USING TAX INCENTIVES

The advantages for businesses that sponsor cultural initiatives are more than only the tax benefits granted via the tax waiver, which reduce their tax burden. These companies acquire a number of other advantages through the cultural sponsorship that make it a real corporate marketing tool.

This kind of sponsorship is considered, in certain circumstances, more profitable than advertising.

While advertising is invasive and an obvious paid message whose objective is to persuade or modify attitudes, sponsorship can become part of people's lives. Advertising is good for communicating attributes and functional benefits, although most popular brands go beyond this to provide emotional benefits and self-expression to give personality and to differentiate them as tangible attributes. Sponsorship can be very effective to expand the brands beyond their tangible attributes because they develop associations which add depth, richness and a contemporary feeling to the brand and to its relationship with their customers. (AAKER, p. 215, 2000)

According to research performed by the João Pinheiro Foundation (1998 p. 71) the main factors that motivate cultural investment are: institutional image improvements (65.04%); company brand value growth (27.64%); company social role strengthening (23.58%) tax benefits (21.14%); and media returns (5.69%).

Thus, companies that use sponsoring cultural activities to improve the company image towards their external users (shareholders, investors, customers, etc.), are better viewed and attract more investors and customers, thereby representing a real market differential.

Society values companies that respect and protect the environment and the community in which they exist, with this valorization being translated into preference and loyalty towards purchasing products and services from these companies. (COSTA, p. 29.2004)

In fact, the companies conduct business through such sponsorship. Company administrators swap their investment in cultural projects for publicizing their corporate image and for publicity, i.e. the company, in fact, intends to receive something in return for their support, either in the form of tax reductions or image improvements.

According to Brant (2004) cultural sponsorship in Brazil has become attractive to companies due to its ability to:

- Generate events that could attract the diverse individuals that are of interest to the sponsor (customers, shareholders, suppliers, journalists, opinion makers, employees and the general public);
- Produce products (books, catalogs, CDs, DVDs) for distribution as tokens of their relationship or loyalty;
- Provide media exposure.

In order to promote cultural practices as a communication tool, the expression “cultural marketing” is used, which is, according to Costa (2004), cultural sponsorship that is made available by the companies that sponsor cultural projects. In cultural marketing, “investing in culture acts to ‘qualify’ a set of a company’s communication actions with the market and with society.” (DURAND et al., p.* 1997).

Investment in cultural projects, via tax incentives, is increasing more and more in Brazil. According to data provided by the Brazilian Culture Ministry, in 2011, R\$1,346,984,014.63 was invested.

As regards the main sponsors, Petrobras represents the group that provided the most funds during the 2011 financial year, with a total of R\$112,790,319.63 being invested in cultural projects, followed by the mining company Vale S.A. (R\$110,966,992.20) and Banco do Brasil S.A. (R\$48,039,763.46).

4.1 Accounting Tax Incentives

As previously described, companies that invest in approved cultural projects in Bahia can benefit in terms of tax waivers that are provided for in incentive laws at the federal and state level. Each law has its own incentive mechanism, with different rates and deductions.

It is important to note that Financial Institutions (a term used to define some companies), are defined as public or private legal entities, whose main or secondary function is collecting, intermediating or investing financial resources (both their own resources and those from third parties), which are in national or foreign currency and also the custody of third parties’ property value. e.g.: Banks. Source: http://sistema-financeiro-nacional.info/mos/view/Sistema_Financeiro_Nacional-_Conceito/, pay 15% in terms of Social Contributions on Net Profit (*Contribuição Social do Lucro Líquido - CSLL*), which is different for other types of companies for whom the rate is 9%.

Accounting for tax benefits allows sponsoring companies to decrease the amount of taxes that they would otherwise pay, evidenced through the financial statements, which makes it possible to analyze the extent to which their tax burden has been reduced and consequently the financial benefit obtained.

The annual income statement is the only accounting report that allows the applicability of granted incentives to be seen. The following presents these statements for each type of benefit provided for in the aforementioned laws, in the two existing tax incentive models: sponsorship and donation.

The applicability of art.18 can be verified based on the conclusion that a company investing R\$50,000.00, had a tax reduction of equal value (R\$3,376,000.00 - R\$3,326,000.00). In this way, the company exclusively invested their tax in a project, while recovering 100% of the amount transferred (Table 1).

Table 1: Comparative Annual Income Statement – with and without sponsorship – art. 18

ANNUAL INCOME STATEMENT			
	With sponsorship	Without sponsorship	Difference
1) Net Profit	10,000,000.00	10,000,000.00	
2) Sponsorship amount	50,000.00	0	
3) New Net Profit	10,000,000.00	10,000,000.00	
4) CSLL – 9% (3)	900,000.00	900,000.00	
5) Income Tax due -15% (3)	1,500,000.00	1,500,000.00	
6) Additional Income Tax – 10% of (3-240 k)	976,000.00	976,000.00	
7) Rouanet Law deduction – 40% (2)	50,000.00	0	50,000.00
8) Income Tax payable (5+6-7)	2,426,000.00	2,476,000.00	
9) Total Tax payable (8+4)	3,326,000.00	3,376,000.00	50,000.00

Source: adapted from CESNIK (2012, p. 57)

As explained in Chapter 3, the Rouanet Law contains two forms of tax deduction: the first as established in art. 18, where it enables the full rebate of the value transferred in tax payable, however, it prohibits any donation or sponsorship to be shown as operational expenditure; and the second in arts. 25/26, which allow part of the value invested from tax owed to be deducted, in addition to enabling operating expenditure to be included, which reduces the basis for calculating Income Tax and Social Contributions.

Tables 2 and 3 show how articles 25/26 are applied. These articles require that any sponsorship or donation must be recorded as operational expenditure, with 30% of this value being subsequently returned in the case of sponsorship, represented in table 2; and 40% when the funds are donated, from owed Income Tax (without additional Income Tax), as can be seen in Table 3.

The first annual income statement (Table 2) shows that a company who sponsored R\$50,000.00 had a tax reduction of R\$32,000.00 (R\$3,376,000.00 - R\$3,344,000.00). This means that the company used R\$32,000.00 of tax resources for cultural marketing, i.e. 64% of the sponsorship value. The real outlay value was R\$18,000.00 (36% of the sponsorship).

Table 2 – Comparative Annual Income Statement – with and without sponsorship – art. 25/26

ANNUAL INCOME STATEMENT			
	With sponsorship	Without sponsorship	Difference
1) Net Profit	10,000,000.00	10,000,000.00	
2) Sponsorship amount	-50,000.00	0	
3) New Net Profit	9,950,000.00	10,000,000.00	
4) CSLL – 9%	895,500.00	900,000.00	4,500.00
5) Income Tax payable -15%	1,492,500.00	1,500,000.00	7,500.00
6) Additional Income Tax – 10%	971,000.00	976,000.00	5,000.00
7) Rouanet Law deduction – 30%	15,000.00	0	15,000.00
8) Income Tax payable	2,448,500.00	2,476,000.00	
9) Total Tax payable	3,344,000.00	3,376,000.00	32,000.00

Source: adapted from CESNIK (2012, p. 57)

In the following Income Statement (Table 3), the company, by donating R\$50,000.00, had a tax reduction of R\$37,000.00 (R\$3,376,000.00 - R\$3,339,000.00). Thus, the company invested R\$37,000.00 of tax resources in cultural activities, i.e. 73% of the donation value. The real amount transferred by the company was R\$13,000.00 (27% of the donation).

Lastly, Law No. 7,015/96, which instituted the *Programa Fazcultura*, granted *ICMS* tax relief for companies, based in the State of Bahia, who wished to financially support cultural projects that had been approved by the Culture and Tourism Ministry (*Secult/BA*).

Investment in cultural projects is limited to 5% of the payable *ICMS* value in the period, and may not exceed 80% of the total cost of the project being supported, according to article 1, § 1, of the law.

Payable *ICMS*, at any given period, should be accounted for in the Annual Income Statement as a deduction from the Internal Revenue and the rebate provided by law must be represented in a grants revenue account as per the requirement by the CPC 07 (Brazilian Accounting Pronouncements Committee). In this way, the granted tax incentive can be seen in the Annual Income Statement as a reduction in *ICMS* collected.

Table 3 – Comparative Annual Income Statement – with and without donation – art. 26

ANNUAL INCOME STATEMENT			
	With donation	Without donation	Difference
1) Net Profit	10,000,000.00	10,000,000.00	
2) Donation amount	-50,000.00	0	
3) New Net Profit	9,950,000.00	10,000,000.00	
4) <i>CSLL</i> – 9% (3)	895,500.00	900,000.00	4,500.00
5) Income Tax due -15% (3)	1,492,500.00	1,500,000.00	7,500.00
6) Additional Income Tax – 10% of (3-240 k)	971,000.00	976,000.00	5,000.00
7) Rouanet Law deduction – 40% (2)	20,000.00	0	20,000.00
8) Income Tax payable (5+6-7)	2,443,500.00	2,476,000.00	
9) Total Tax (8+4)	3,339,000.00	3,376,000.00	37,000.00

Source: adapted from CESNIK (2012, p. 57)

Table 4 shows that the analyzed company is taxed according to *Lucro Presumido* (Presumed Profit) whose commercial activity is selling goods. When referring to this type of business activity, the basis for calculating *CSLL*, according to art. 22 from Law No. 10684/2003, shall be 12% from Gross Revenue; and the basis for calculating Income Tax shall be 8% of the referred Revenue.

TABLE 4 – Comparative Annual Income Statement – with and without sponsorship – *Programa Fazcultura*

ANNUAL INCOME STATEMENT			
	With incentive	Without incentive	Difference
1) Gross Sales Revenue	1,000,000.00	1,000,000.00	
2) (-) <i>ICMS</i> s/sales	170,000.00	170,000.00	
3) (+) Deduction – up to 5% of <i>ICMS</i> payable	8,500.00	0	
4) Net Revenue	838,500.00	830,000.00	
5) Cost of Goods Sold	500,000.00	500,000.00	
6) Gross Profit	338,500.00	330,000.00	8,500.00
7) Administrative Expenses	20,000.00	11,500.00	
8) Pre-Tax Profit	318,500.00	318,500.00	
9) Income Tax (15)	18,000.00	18,000.00	
10) <i>CSLL</i> (9%)	7,200.00	7,200.00	
11) Net Profit	293,300.00	293,300.00	

Source: The author

It can be seen in Table 4 that the company, by investing the maximum amount allowed by law, 5% of the payable *ICMS* for the period (R\$170,000.00 x 5% = R\$8,500.00), receives a full reimbursement of the invested amount, i.e. 100% of the funds that were used from the payable *ICMS*.

5 RESULTS AND DISCUSSION

The existing Brazilian cultural policy stimulates the private sector to act as the main source of funding to make cultural projects viable. The state acts as enabler by offering these private companies tax benefits in return. “Profitable companies can therefore allocate part of their payable taxes, under the terms and limits of the incentive laws, to cultural projects.” (GODOY et al., p. 63, 2008)

However, Cesnik (2012) states that, obtaining sponsorship is still a difficult task that requires professionalism. The partnership between the private sector and the government in their dealings with cultural and artistic producers has created a professionalization in the market. In this way, both the artists and the funding companies, who wishing to support cultural projects via incentive laws, should be aware of the tax benefits that are provided for in the specific regulations, as well as their accounting.

The culture and the arts support system, based on tax deduction, has provided the main means by which cultural producers and artists have been able to continue their work (PEREIRA, 2008), which justifies the discussion regarding increasing the number of private companies that are involved in this circuit.

Understanding the mechanisms that make up access to the cultural incentives as well as the funding and accounting processes, which are inherent to a mechanism such as this, is a possible way to increase the viability of projects that are based on artistic interests and not purely marketing ones, as well as to generate a critical consciousness that can intervene in future tax incentive mechanisms.

In addition to promoting human growth, culture should be considered as a source that generates jobs and profitable products, which move resources in the same way that other economic activities do. The state, which is the primary actor responsible for promoting cultural production in all its areas, transfers this capacity to private enterprise, and ensures tax benefits to these tax contributors.

Even though there are not a significant number of companies that use the tax incentive, certain cultural activities still continue due to the investment of benefits that are provided for in the Cultural Incentive Laws.

It seems clear that modern businesses are interested in transforming the environment in which they operate, whether it be in relation to environmental issues, their relationship with customers, investors and employees, among others. Globalization and competition to win greater market share are the main factors involved in this corporate behavior. Companies that invest in culture and in social causes are different compared with other organizations.

Currently, most large corporations finance and prepare socio-cultural projects, while some develop mechanisms for selecting cultural proposals through notices that are periodically published; these contain requirements and goals that marry the sponsoring company objectives to the presented cultural proposals.

Supporting culture is more than a marketing tool for customers; it is part of a modern company’s profile, namely a business that is concerned with returning to society some of what it has been given. Culture is arguably the path through which society develops. Investment in culture is not only good business, but it is also an efficient strategy for enhancing the image of enterprises along with their community.

6 FINAL CONSIDERATIONS

The aim of cultural incentive laws, which was the focus of this study, along with analyzing the tax and accounting aspects of their tax benefits, is intended to increase private sector participation by way of investment in cultural initiatives from several areas. According to Durand et al (1995), the objective of these laws is to stimulate companies to mobilize a portion of their own resources to support cultural projects, and in doing so may abate a percentage of any payable tax.

Based on a historical survey of culture incentives in Brazil, it is possible to understand when and how the government actions came about which gave rise to the tax incentive system. In addition, it makes it possible to identify the successes and failures of this cultural policy, and which alternatives exist that can improve it. According to Olivieri (2004), granting benefits to an individual is less bureaucratic in the United States, this is because it is possible to deduct the amount donated directly from tax paid when receiving a salary.

Detailed analysis of the contents of the three laws presented here allows, both for the investor and the project leader, to have information regarding how the tax incentive works, as well as what must be done to receive it.

The advantages of using them can be highlighted through accounting statements, where calculating the real donation or sponsorship amount is possible, and in some cases a reduction based on a calculation of taxes owed.

Thus, it should be noted that despite the amount of benefits that are offered to sponsoring businesses, many are unaware of them and fail to use what is an important marketing and tax waiving tool. There is a lack of trained professionals who are able to instruct and inform companies about how to use tax and accounting incentives in Brazil, which is one of the main reasons why some organizations still do not enjoy the benefits that are provided for by such laws.

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