BEFORE THE
INTERNATIONAL TRADE ADMINISTRATION OF THE
U.S. DEPARTMENT OF COMMERCE
AND THE
U.S. INTERNATIONAL TRADE COMMISSION

COUNTERVAILING DUTY PETITION
VOLUME XXI
BRAZIL

COMMON ALLOY ALUMINUM SHEET FROM
BAHRAIN, BRAZIL, CROATIA, EGYPT, GERMANY, GREECE, INDIA, INDONESIA, ITALY,
KOREA, OMAN, ROMANIA, SERBIA, SLOVENIA, SOUTH AFRICA, SPAIN, TAIWAN, AND
TURKEY

PETITIONERS:
THE ALUMINUM ASSOCIATION COMMON ALLOY ALUMINUM SHEET TRADE
ENFORCEMENT WORKING GROUP AND ITS INDIVIDUAL MEMBERS

W. BRAD HUDGENS
WILLIAM H. CROW II
EMILY R. MALOOF
NEREUS JOUBERT
VLADIMIR VARBANOV

JOHN M. HERRMANN
PAUL C. ROSENTHAL
KATHLEEN W. CANNON
R. ALAN LUBERDA
BROOKE M. RINGEL

DAVID C. SMITH
GRACE W. KIM
MELISSA M. BREWER
JOSHUA R. MOREY
MATTHEW G. PEREIRA

GEORGETOWN ECONOMIC
SERVICES, LLC
3050 K Street, N.W.
Washington, D.C. 20007
(202) 945-6660

KELLEY DRYE & WARREN LLP
3050 K Street, N.W., Suite 400
Washington, DC 20007
(202) 342-8400

March 9, 2020

Counsel to Petitioners
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I. COMMON ALLOY ALUMINUM SHEET FROM BRAZIL IS BEING UNLAWFULLY SUBSIDIZED BY THE GOVERNMENT OF BRAZIL

A. Introduction

This volume presents information reasonably available to Petitioners that the production of common alloy aluminum sheet ("CAAS")\(^1\) from Brazil is benefiting from countervailable subsidies within the meaning of section 771(5) of the Tariff Act of 1930, as amended ("the Act"). See 19 U.S.C. § 1677(5). The general information required by section 351.202 of the regulations of the U.S. Department of Commerce (the "Department") (19 C.F.R. § 351.202), and section 207.11 of the regulations of the U.S. International Trade Commission ("ITC" or the "Commission") (19 C.F.R. § 207.11), can be found in Volume I of this Petition.

Pursuant to 19 U.S.C. §§ 1671(a)(l) and (2), the Department shall impose a countervailing duty on merchandise imported from a "Subsidies Agreement" country,\(^2\) where the imported merchandise: (1) is produced or exported by manufacturers that benefit from countervailable subsidies; and (2) materially injures or threatens a domestic industry. As detailed below, CAAS producers in Brazil likely have benefitted from a variety of countervailable subsidies during the period of investigation. Further, as described in Volume I, imports of the subject merchandise from India have caused material injury to the U.S. industry. The Department, therefore, should initiate a countervailing duty ("CVD") investigation on imports of CAAS from Brazil.

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\(^1\) See Section I.E. of Volume I of this Petition for a description of the subject merchandise.

\(^2\) As a member of the World Trade Organization ("WTO"), Brazil is a "Subsidies Agreement" country within the meaning of section 701(b) of the Act (19 U.S.C. § 1671(b)).
B. Information Relating to Brazilian Producers of CAAS

Petitioners have identified a number of Brazilian producers of CAAS who are believed to have benefited from countervailable subsidies and whose products are believed to have been exported to the United States during the period of investigation. The names and addresses of these companies are provided in Exhibit GEN-6 of Volume I of this Petition. See Exhibit GEN-6. Petitioners believe that these producers and exporters have benefited from one or more of the countervailable subsidies discussed in detail below. Petitioners have been unable to obtain information regarding the proportion of total exports to the United States for individual producers/exporters for 2019. Petitioners, however, believe that the majority of Brazilian exports of CAAS to the United States in 2019, the proposed period of investigation, were manufactured by Arconic Industria e Comercio de Mais Ltda (“Arconic”), Companhia Brasileira de Alumínio (“CBA”), Novelis Brazil (“Novelis”).

C. History and Nature of Subsidization

In recent years, the Government of Brazil (“GOB”) has implemented a number of industrial policies that benefit Brazil’s aluminum manufacturing industry, including the CAAS industry. These policies include the Productive Development Policy (2008-2010), Plano Brasil Maior (2011-2014), and Brazil’s Microeconomic Competition Reforms Package (2014 to present). These policies provide the framework for many of the countervailable subsidies described herein. The framework described below has been relied upon by the Department in
numerous investigations, including Silicon Metal from Brazil, Hot-Rolled Steel from Brazil, and Cold-Rolled Steel from Brazil.³

1. **Productive Development Policy**

In May 2008, the GOB established the Productive Development Policy ("PDP") in order to enhance Brazil’s manufacturing sector.⁴ This policy instituted four macroeconomic targets to reach by 2010:

- To increase the participation of fixed investment in GDP from 17.4 percent (in 2007) to 21 percent;
- To increase Brazil’s share in world exports from 1.18 percent to 1.25 percent;
- To raise corporate spending on research and development ("R&D") from 0.51 percent to 0.65 percent of GDP; and
- To increase by 10 percent the number of small and medium enterprises engaged in exports.⁵

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³ See Silicon Metal from Brazil: Issues and Decision Memorandum for the Final Affirmative Determination of the Countervailing Duty Investigation (Feb. 27, 2018) ("Silicon Metal from Brazil I&D Memo"); ref’d in 83 Fed. Reg. 9,838 (Dep’t Commerce Mar. 8, 20180 ("Silicon Metal from Brazil"); Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Hot-Rolled Steel Flat Products from Brazil (Aug. 4, 2016) ("HRS from Brazil I&D Memo"); ref’d in 81 Fed. Reg. 53,416 (Dep’t Commerce Aug. 12, 2016) ("HRS from Brazil"); Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Cold-Rolled Steel Flat Products from Brazil (July 20, 2016) ("CRS from Brazil I&D Memo"); ref’d in 81 Fed. Reg. 49,940 (Dep’n Commerce July 29, 2016) ("CRS from Brazil").


⁵ Id.
To achieve these goals, the GOB instituted numerous subsidy programs, among which are program providing fiscal incentives to manufacturers and credit and technical assistance to exporters.6

2. **Plano Brasil Maior**

In addition to the PDP, the GOB implemented a national industrial plan in 2011 entitled Plano Brasil Maior. This comprehensive plan focused on strengthening Brazil’s manufacturing sector and addressing competition in domestic and international markets.7 Among the plan’s objectives, priorities included building and strengthening critical competencies in the national economy; enhancing productivity and density within value chains; expanding the domestic and external markets of Brazilian companies; and ensuring socially inclusive and environmentally sustainable growth.8

Plano Brasil Maior 2011/2014 prioritized 19 sectors, including the metallurgy sector,9 which is inclusive of the CAAS industry.10 The special incentives for the these industries

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6 Id.


8 Id.

9 Id.

10 CAAS is also used in the production of automobiles and auto parts and in aerospace applications, both of which are promoted sectors by the GOB. Id.; see also *Common Alloy Aluminum Sheet from China* Initiation Memo (Nov. 28, 2017), Exh. 17 at App. I. Exhibit CVD-BR-3. In addition, the primary upstream input used in the production of CAAS is bauxite, which is included in the mining sector and also promoted by the GOB. See Plano Brasil Maior 2011/2014. Exhibit CVD-BR-2; *Common Alloy Aluminum Sheet from China*, USITC Pub. 4861 (Jan. 2019), at 18. Exhibit CVD-BR-4. See also 2019 CBA Annual Report at 10 (noting that CBA is an integrated producer and operates its own mines to produce inputs utilized in the
included “financial resources to implemental priority projects of the technological agenda” of the prioritized industry. The guidelines for this and other sectoral programs were as follows:

- To diversify exports (markets and products) and promote both the internationalization and R&D of Brazilian companies;
- To strength production chains;
- To enhance and build new technological and business competencies;
- To develop energy supply chains; and
- To strengthen innovation.

To meet these goals, the GOB implemented a number of subsidy programs, including tax relief and financing for investment, innovation, and export promotion. All of these programs benefitted Brazilian CAAS producers during the POI and are discussed below.

A second Plano Brasil Maior was released by the GOB in 2016 (“2016 Plano Brasil Maior”), which continued many of the provisions outlined in the 2011 version of that plan.

(footnote cont’d from previous page) Exhibit CVD-BR-5. As a result of its inclusion in a broad number of promoted industries, CAAS likely benefitted from a wide variety of GOB programs, as discussed below.


12 See Plano Brasil Maior 2011/2014. Exhibit CVD-BR-2. With respect to the diversification and promotion of Brazilian exports, the plan seeks to increase Brazil’s share of international trade from 1.36 percent to 1.6 percent.

13 Id.

14 Id.

Notably, in the 2016 Plano Brasil Maior, the GOB: (1) maintained the highest tariff protection for transport equipment, a downstream industry of CAAS; (2) made permanent certain export incentives and duty/tax remissions and reimbursement of taxes for exporters (the “Reintegra” scheme discussed further below); and (3) continued its support for the automotive industry, a downstream industry of CAAS.\(^\text{16}\)

3. **Microeconomic Competition Reforms Package**

In June 2014, the GOB implemented national measures to develop and strengthen the manufacturing sector through the “Brazilian Microeconomic Competition Reforms Package.”\(^\text{17}\)

In order to achieve these goals, the Package focuses on the following programs:

- Technological innovation;
- Permanent payroll tax exemption for companies in specified sectors;
- Cost reduction of capital invested;
- New rules for government procurement;
- Reintegra; and
- Provision of investment credit, with reduced interest rates.\(^\text{18}\)

In order to track the progress of the Package, the GOB examines: productivity of the manufacturing industry; competitiveness of the exports of manufactured goods; innovation by enterprises; the market share in the global exports of manufactured goods; and wages and

\(^{16}\) See id.


\(^{18}\) Id.
employment in the manufacturing industry.\textsuperscript{19} As detailed below, one or more Brazilian CAAS producers likely benefitted from each of these subsidy programs during the average useful life of assets ("AUL") period.

D. **Petitioners’ Efforts to Obtain Information Regarding the CAAS Industry in Brazil and Brazilian Subsidy Programs**

1. **Petitioner Examined All Information “Reasonably Available”**

In accordance with statutory and regulatory provisions setting forth requirements for countervailing duty petitions, this petition presents all information “reasonably available” to Petitioners concerning possible countervailable subsidies available to and bestowed on producers of the subject merchandise in Brazil. See 19 U.S.C. § 1671a(b)(1) and 19 C.F.R. § 351.202 (setting forth "reasonably available" standard). The Department has explained that the "reasonably available" standard is satisfied when a petitioner has consulted:

all available sources including libraries, embassies, and Department of Commerce (DOC) Central Records Unit (Room B-099). In order to demonstrate that all available sources were sought, Petitioner should describe in detail its methodology in seeking the required information.\textsuperscript{20}

Notably, a petitioner does not have to prove at the outset that a subsidy allegation will be confirmed during the course of the investigation, nor does the petition have to establish that a potentially countervailable subsidy actually has been used for a subsidy allegation to be included in an investigation.

\textsuperscript{19} Id.

\textsuperscript{20} International Trade Administration, Department of Commerce, Form ITA-336P, *Format for Requesting Petition Relief Under U.S. Countervailing Duty Law*; see also Proposed Collection; Comment Request, 62 Fed. Reg. 8220 (Dep’t Commerce Feb. 24, 1997).
This petition has been prepared in accordance with these guidelines. In developing the subsidy allegations set forth below, Petitioners examined all information reasonably available from public sources concerning possible subsidies to the production of CAAS in Brazil. This information includes:

(1) past Department countervailing duty investigations, reviews, and other proceedings (i.e., Federal Register notices and information from case dockets contained on the Department’s ACCESS website) covering the country, subject merchandise, and or/producers included in this petition;

(2) articles and news reports on the producers, industries, and country in question available through the World Wide Web and on-line data services;

(3) where available, publicly-available annual reports and financial statements for the producers, industries, and country at issue in this petition;

(4) previous countervailing duty petitions concerning merchandise produced in Brazil; and

(5) where available, documents from government agencies, including subsidy reports to the World Trade Organization, concerning the alleged subsidy programs and other information regarding programs benefiting industries in Brazil and/or producers of the subject merchandise.

The names, addresses, and other contact information for the Brazilian producers of the subject merchandise appears in Exhibit GEN-6 of the Petition Volume I. See Petition Vol. I, Exh. GEN-6. Petitioners believe that Brazilian producers of CAAS have benefited from one or more of the countervailable subsidies alleged in detail below.

2. **Difficulty in Calculating Specific Rates of Countervailable Benefits**

Notwithstanding the extensive amount of material reviewed in preparing this petition, information sufficient to calculate an ad valorem subsidy is not reasonably available to Petitioners. Petitioners have undertaken an extensive search of all information reasonably
available that documents countervailable subsidies provided by the GOB. While the subsidy allegations presented in this petition satisfy the countervailing duty statute and Commerce’s regulations, obtaining evidence of the amount of assistance received by particular Brazilian producers was not possible because the relevant authorities in Brazil do not publish data regarding the value of the benefits received under the alleged subsidy programs on an industry- or company-specific basis, nor, as a general rule, do the individual producers publish such information in their annual reports or other financial publications. Further, information concerning the amount of a company’s sales over which to allocate a subsidy benefit is also not generally available. Given this limitation, Petitioners are unable to quantify countervailable benefits or program-specific CVD rates. Nevertheless, whenever possible, Petitioners have provided factual information that gives a reasonable indication of the value of the subsidy to the producer of the subject merchandise.

3. **Period of Investigation and Allocation Period for Non-Recurring Subsidies**

Based on agency practice, the period of investigation (“POI”) in this case should be January 1, 2019 through December 31, 2019. Petitioners’ allegations relate to benefits received during that year, as well as to non-recurring benefits received during a broader time period prior to January 1, 2019. Consistent with the Department’s practice of allocating non-recurring subsidies over time, these earlier subsidies also benefited the subject merchandise during the POI.

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21 See 19 C.F.R. § 351.204(b)(2).
For non-recurring subsidies, the allegations in this petition presume a 14-year allocation period in accordance with the guidelines of the Internal Revenue Service ("IRS") for depreciating business or income-producing property. Specifically, the IRS assigns an average useful life ("AUL") of 14 years to productive assets employed in the "manufacture of primary nonferrous metals," including "assets used in the smelting, refining, and electrolysis of nonferrous metals from ore, pig, or scrap, the rolling drawing, and alloying of nonferrous metals . . .", i.e., a classification that would include production process of CAAS. The Department, therefore, should include in its investigation any countervailable subsidies potentially provided to Indian CAAS producers during the period January 1, 2006 through December 31, 2019.

II. SUBSIDY ALLEGATIONS

Petitioners allege that the following subsidies provided by the GOB confer countervailable benefits to producers of CAAS in Brazil within the meaning of section 771(5) of the Act (19 U.S.C. § 1677(5)) and respectfully request that the Department initiate an investigation of these subsidies to determine whether the imposition of countervailing duties is warranted. Petitioners reserve the right to supplement these subsidy allegations or make new allegations, as information becomes available during the course of the investigation, consistent with the Department’s regulations.


23 See 19 C.F.R. §§ 351.301(c)(2)(iv)(A), (C) (allowing new subsidy allegations no later than 40 days before the preliminary determination and upstream subsidy allegations no later than 60 (footnote cont’d on next page).
A. Domestic Subsidy Programs

1. Reduction of IPI for Machines and Equipment

Brazil imposes a federal Value Added Tax ("VAT"), known as the Tax on Industrialized Products ("IPI"), on certain imported goods.24 Pursuant to Decree No. 7.660 (Dec. 23, 2011), as amended by Decree Nos. 8.279 and 8.280 (June 30, 2014), the IPI rate on certain purchases of machinery and equipment in Brazil by eligible companies that are specified as "industrial companies, users of capital goods" can be reduced to zero.25 Given that subject merchandise producers utilize capital goods in the production of CAAS, it is likely that one or more Brazilian CAAS producers benefitted from this program during the AUL.

Petitioners have reviewed all publicly-available information in alleging this program, but have had difficulty finding the most recent versions of all laws governing this program. This is due, in part, to the GOB’s failure to provide such laws and other necessary information regarding the operation of this program during previous Department investigations.26 In any event, the

(footnote cont’d from previous page)
days after the preliminary determination); id. § 351.311 (requiring Commerce to investigate subsidies discovered during investigation).


26 See HRS from Brazil I&D Memo at Comment 2 (countervailed on the basis of as adverse facts available ("AFA"); CRS from Brazil I&D Memo at Comment 2.
Department countervailed this program. Petitioners submit the latest information that is reasonably available and urge the Department to instruct the GOB to submit all operational information regarding IPI rate reductions during the AUL.

a. **Financial Contribution**

This tax program constitutes a financial contribution in the form of government revenue foregone under Section 771(5)(D)(ii) of the Act.

b. **Benefit**

This program confers a benefit under Section 771(5)(E) of the Act and 19 C.F.R. § 351.509(a)(l) in the amount of the difference between the taxes paid by the recipient and the taxes that would have been paid by the recipient absent the program.

c. **Specificity**

This program is de facto specific under Section 771(5A)(D)(iii) of the Act because the actual recipients of the subsidy are limited in number (i.e., “industrial companies, users of capital goods”).

2. **Ex-Tarifário**

Under Brazil’s Ex-Tarifário program, entities are able to defer import duties on domestically-produced capital goods. This GOB program aims to increase investment in capital goods; support innovation by companies from different sectors of the Brazilian economy;

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27. *Id.*

and increase employment. The metallurgical sector has been one of the primary recipients of benefits under this program. According to the GOB's most recent reporting, Brazilian metallurgical producers received import tax deferment under this program on over 1,900 items, making it the sixth largest industry to receive benefits under this program (by product quantity) between 2001 and 2013. The Department previously found this program to be countervailable.

a. **Financial Contribution**

This tax reduction program constitutes a financial contribution in the form of government revenue foregone under Section 771(5)(D)(ii) of the Act.

b. **Benefit**

This program confers a benefit under Section 771(5)(E) of the Act and 19 C.F.R. § 351.509(a)(1) in the amount of tax otherwise due to the GOB.

c. **Specificity**

The Department has previously determined that this program is de facto specific under Sections 771(5A)(D)(iii)(II) of the Act because the Brazilian metallurgical industry, including

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29 Id.
30 Id.
32 See HRS from Brazil I&D Memo at Comments 4 and 5; CRS from Brazil I&D Memo at Comments 4 and 5.
the CAAS industry, is a predominant user of the subsidy and receives a disproportionately large amount of this subsidy.\footnote{See HRS from Brazil I&D Memo at Comment 4; CRS from Brazil I&D Memo at Comment 4.}

3. **Exemption of Payroll Taxes**

The GOB typically requires employers to pay a contribution rate of 20 percent on gross salaries as Social Security ("INSS") payroll taxes.\footnote{See "Government Announces Exemption of 25 New Sectors," Valor Economico (Sept. 13, 2012) ("Sector Exemptions-Valor"). Exhibit CVD-BR-13; see also "Doing Business in Brazil," UHY Moreira (Mar. 2018) at 44. Exhibit CVD-BR-14.} Under Law No. 12,546/2011, Article 8, manufacturers of certain products can be permanently exempted from paying the majority of the INSS.\footnote{See Instruments for Investment-RENAI, at 2. Exhibit CVD-BR-10.} Instead, companies that qualify for benefits under this program are only required to pay one percent on gross sales as INSS.\footnote{Id.} The Department has previously countervailed this program in HRS from Brazil and CRS from Brazil.\footnote{See HRS from Brazil I&D Memo at 12, Comment 15; CRS from Brazil I&D Memo at 11, Comment 15.}

a. **Financial Contribution**

This tax program constitutes a financial contribution in the form of government revenue foregone under Section 771(5)(D)(ii) of the Act.

b. **Benefit**

This program confer a benefit under Section 771(5)(E) of the Act and 19 C.F.R. § 351.509(a)(1) in the amount of the tax exemption.
The Department has previously determined that this program is de jure specific under Section 771(5A)(D)(i) of the Act because eligibility is limited by law to specific industries, including the metallurgical industry.

4. **Research and Development Incentives INOVA Brasil Program**

The Programa de Incentivo a Inovacao nas Empresas Brasileiras ("INOVA Brasil Program") supports strategic and innovative investments made by Brazilian companies.\(^3\) Established by Financiadora de Estudos e Projetos ("FINEP"), a public enterprise linked to the Government’s Ministry of Science, Technology and Innovation ("MCTI"),\(^3\) INOVA Brasil has been one of FINEP’s most significant financing schemes. Regulations and guidelines for INOVA Brasil Program detailed in the Plano Brasil Maior state that FINEP grants repayable financing for all stages of the scientific and technological development cycle; supports national and international competitiveness; and supports the development of technology-based companies, the establishment of technological parks, and the implementation of research, development, and innovation processes in established companies.\(^4\) In 2012, FINEP began offering companies support for the establishment of its first industrial unit, incorporations, mergers, and joint ventures.\(^4\) The INOVA Brasil Program has also received international

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\(^4\) Id.
notoriety as “one of the FINEP’s most important reimbursable financing programmes . . . which aims to support strategic investments by Brazilian companies in innovation,” according to the World Trade Organization.42

To receive funding through INOVA Brasil, entities must be Brazilian companies under either domestic or foreign capital control whose activities are specified in Decree No. 2.233 (May 23, 1997), as amended.43 Specifically, Decree No. 2.233 lists the metallurgical industry as an industry of “high national interest,” and, as such, companies in the metallurgical industry, such as CAAS producers, are eligible for benefits under this program.44 Financing, typically in the form of loans, is given to companies through FINEP or from transfers from other sources.45 FINEP also provides funding for a limited number of projects, including development of new products, processes, and services, and basic industrial technology.46 Companies can receive up to 90 percent of an eligible project’s total costs.47

Given that the one of Plano Brasil Maior’s initiatives is to reduce costs incurred by the metallurgical industry,48 and because the INOVA Brasil Program is an important component of

42 Id.
44 Id.
45 Id.
46 See “FINEP: What We Support.” Exhibit CVD-BR-16.
Plano Brasil Maior, it is likely that one or more Brazilian CAAS producers benefitted from this program during the POI.

a. **Financial Contribution**

The provision of preferential funding for research and development expenditures constitutes a financial contribution in the form of a direct transfer of funds or liabilities, within the meaning of Section 771(5)(D)(i) of the Act.

b. **Benefit**

The GOB's provision of such funding provides a benefit within the meaning of Section 771(5)(E)(ii) of the Act to the extent that the recipient pays a lower interest rate on the FINEP loan than it would otherwise pay on a comparable commercial loan absent the program. Because the purpose of this program is to promote strategic investments, including those in the metallurgical industry, reasonably available evidence indicates that the loans provided under the program would constitute a benefit under the Act.

c. **Specificity**

The metallurgical sector is one of the primary industrial sectors targeted under Plano Brasil Maior. Because the INOVA Brasil Program is an important component of Plano Brasil Maior, Petitioners have reason to believe that the Brazilian metallurgical industry, including the CAAS industry, is a predominant user of the subsidy and receives a disproportionately large amount of this subsidy. As such, this program is de facto specific within the meaning of Sections 771(5A)(D)(iii)(II) and (III) of the Act.
B. Regional Incentives

1. Amazon Region Development Authority and Northeast Region Development Authority Tax Incentives

The Brazilian government has established two agencies to stimulate investment and economic development in the economically disadvantaged North and Northeast regions of the country: Superintendence for the Development of the Amazon ("SUDAM") and Superintendence for the Development of the Northeast ("SUDENE"). These agencies are responsible for disbursing economic development funds and granting tax incentives to companies investing in these regions. SUDAM is responsible for the seven states of the North region (Acre, Amapa, Amazonas, Para, Rondonia, Roraima, and Tocantins), as well as the neighboring state of Mato Grosso and certain municipalities in the neighboring state of Maranhao. SUDENE is responsible for the nine states of the Northeast region (Maranhao, Piaui, Ceara, Rio Grande do Norte, Paraiba, Pernambuco, Alagoas, Sergipe, and Bahia), as well as certain municipalities in the neighboring states of Minas Gerais and Espirito Santo.

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50 Id.


Regulated by Law No. 9,532 (1997), Provisional Measure No. 2,199 (2001), and Supplementary Law Nos. 124 and 125 (January 3, 2007),\(^5^3\) the SUDAM and SUDENE programs require that applicants operate in a covered region, operate in an industry considered a priority for regional development, and have invested in either a new project or is expanding, diversifying, or improving an existing project.\(^5^4\)

To stimulate investment and economic development, the program provides:

- a 75 percent reduction in the corporate income tax for industrial firms that are “of interest to regional development,” available for a period of up to ten years, for projects submitted until December 31, 2023;\(^5^5\)
- reinvestment of income tax due, in addition to 50 percent of the beneficiary’s own resources, on an annual basis, in the Banco do Nordeste do Brasil (“BNB”),\(^5^6\) to

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\(^5^4\) See Provisional Measure No. 2,199 and Supplementary Laws Nos. 124 and 125. Exhibits CVD-BR-23-25; see also Decree No. 4,212 (Apr. 26, 2002). Exhibit CVD-BR-26; Decree No. 4,213 (Apr. 26, 2002). Exhibit CVD-BR-27.


\(^5^6\) This amount, together with 50 percent of this amount from the applicant’s own resources, must be deposited with a designated bank. Upon approval of the application, the applicant may use the funds to pay for new equipment or other technical modernization projects. See “Sudam, Reinvestimento de 30% do IRPJ,” Sudam.gov, (“SUDAM – Reinvestimento”). Exhibit CVD-BR-29; “Sudene, Reinvestment of income tax,” Sudene.gov, (“SUDENE – Reinvestment”). Exhibit CVD-BR-30; “Doing Business and Investing in Brazil,” PwC (Mar. 2013) at 39. Exhibit CVD-BR-21.
be used for activities promoting capacity modernization or expansion in the northeast;\(^\text{57}\)

- and accelerated depreciation for income tax purposes.\(^\text{58}\)

The Department has previously found corporate income tax incentives received under the SUDAM and SUDENE programs to be countervailable subsidies.\(^\text{59}\) Subject merchandise producers CBA and Arconic maintained facilities located within regions eligible to receive benefits under this program during the POI. Specifically, Arconic maintained a facility in Pernambuco during the POI, which it sold to CBA also during the POI.\(^\text{60}\) CBA maintains additional facilities in Minas Gerais and Espirito Santo and, therefore, may have received benefits under this program.\(^\text{61}\)

\(^{57}\) Id.


\(^{59}\) See Decision Memorandum for the Preliminary Affirmative Determination: Countervailing Duty Investigation of Silicon Metal from Brazil (August 7, 2017) (“Prelim Silicon Metal from Brazil Memo”) at 7 (determined countervailable as AFA); ref’d in 82 Fed. Reg. 37,841 (Dep’t Commerce Aug. 14, 2017); Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Carbon and Certain Alloy Steel Wire Rod from Brazil (August 23, 2002) (“Wire Rod from Brazil I&D Memo”), at 11-12; ref’d in 67 Fed. Reg. 55,805 (Dep’t Commerce Aug. 30, 2002); see also Issues and Decision Memorandum for the Final Results of the Expedited Sunset Review of the Countervailing Duty Order of Carbon and Certain Alloy Steel Wire Rod from Brazil (Sept. 25, 2013), at 1-2 (listing “Tax Incentives Provided by the Amazon Region Development Authority (‘SUDAM’) the Northeast Region Development Authority (‘SUDENE’)” as programs found to confer countervailable subsidies in the original investigation), ref’d in 78 Fed. Reg. 60,850 (Dep’t Commerce Oct. 2, 2013).

\(^{60}\) See “CBA agrees to acquire Arconic’s operations in Itapissuma, Pernambuco State, Brazil,” CBA (Aug. 2019). Exhibit CVD-BR-33.

\(^{61}\) See “CBA: Where We Are.” Exhibit CVD-BR-34.
a. **Financial contribution**

These tax incentive programs constitute a financial contribution in the form of revenue foregone by the GOB within the meaning of 19 U.S.C. § 1677(D)(ii).

b. **Benefit**

These programs provide a benefit to the recipient in the amount of the savings from what income tax Brazilian CAAS producers would have otherwise paid. See 19 C.F.R. § 351.509(a)(1).

c. **Specificity**

These regional tax incentive programs are *de jure* specific within the meaning of 19 U.S.C. § 1677(5A)(D)(i) and (iv) because they are limited as a matter of law to enterprises in certain priority industries located within a designated geographic region.

2. **Pernambuco Development Program**

Regulated by Law No. 11.675 (1999) and Decree No. 21.959 (1999), the Pernambuco Development Program (“PRODEPE”) is a primary tax incentive program offered by the state of Pernambuco. This program grants tax credits to companies classified in priority industrial and special industrial clusters, as well as companies classified in activities of strategic importance. Specifically, “metalworking” and “equipment transportation,” which include the CAAS industry, are each listed as a “prime industrial cluster” eligible to receive funding under the PRODEPE

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Companies that fall within these “prime industrial clusters,” including the CAAS industry, are eligible for a 95 percent reduction of ICSM. As discussed above, because CBA and Arconic maintained facilities in Pernambuco during the POI, CAAS producers likely benefitted from this program. Further, this program has been investigated by the Department in previous cases.

a. **Financial Contribution**

This tax incentive program constitutes a financial contribution in the form of revenue foregone by the GOB within the meaning of 19 U.S.C. § 1677(D)(ii).

b. **Benefit**

This program provides a benefit to the recipient in the amount of the savings from what tax Brazilian CAAS producers would have otherwise paid. See 19 C.F.R. § 351.509(a)(1).

c. **Specificity**

This program is *de jure* specific within the meaning of 19 U.S.C. § 1677(5A)(D)(i) and (iv) because it is limited as a matter of law to enterprises in certain priority industries located within a designated geographic region.

\[63\] Id.

\[64\] Id.

\[65\] See HRS from Brazil I&D Memo at 13 (the Department determined that the program was either not used or did not provide a measurable benefit).
C. **BNDES Financing**

BNDES is a policy bank wholly owned by the GOB that operates as the primary financing agency for stimulating the expansion of industry and infrastructure in Brazil.\(^{66}\) Under Law No. 1.628, the BNDES was established in 1952 as a government agency to create and implement national economic development policies. BNDES was later converted to a state-owned company in accordance with Law No. 5.662 in 1971.\(^{67}\) BNDES currently operates under the supervision of Brazil’s Minister of State for Development, Industry and Foreign Trade\(^{68}\) and reports to the Ministry of Finance, the Ministry of Planning and Budgeting, the Central Bank, the National Congress, the Office of the Comptroller General, and the Federal Court of Accounts.\(^{69}\)

Pursuant to its guidelines established by the GOB, BNDES provides “support for exports, technological innovation, {and} sustainable socio-environmental development” through a host of financial support mechanisms.\(^{70}\) Specifically, support includes “financing exports of Brazilian goods and services” to support Brazilian growth.\(^{71}\)


\(^{67}\) See “History,” *The Brazilian Development Bank*. Exhibit CVD-BR-37.


\(^{69}\) See id. at Article 17.

\(^{70}\) See “The BNDES,” *The Brazilian Development Bank*. Exhibit CVD-BR-36.

\(^{71}\) Id.; see also “Mission, Vision and Values,” *The Brazilian Economic Development Bank* ((noting that BNDES’ mission is “{t}o foster sustainable and competitive development in the (footnote cont’d on next page)
In BNDES’s most recently issued annual report, BNDES confirms its focus on supporting industry groups that include CAAS. For example, BNDES reports that in 2017, it “reinforced” its “financing and support for two important development priorities of the mining and metals sector: new products and high performance materials; and more efficient technologies to mitigate environment impacts.”72 The mining and metal sectors both include the CAAS industry, given the integrated company structure of Brazilian subject merchandise producers. Further, BNDES focuses on supporting “transforming sectors” including the aerospace industry, i.e., a significant downstream user of CAAS.73 BNDES reports that its disbursements in 2018, including those to prioritized sectors, totaled R$69.3 billion, and expected an increase in 2019.74

BNDES’s operations continue to evolve to address specific challenges in Brazil, and it serves an important role assisting Brazilian companies – including CAAS producers – expand internationally.75 As detailed below, BNDES provides various forms of preferential financing to Brazilian CAAS producers: (1) BNDES Giro/Support Program to Strengthen Employment and Income Generation (“BNDES PROGEREN”); (2) Export Import (“ExIm”) loans; (3) Special Agency for Industrial Financing (“FINAME”) loans; (4) BNDESPAR loans; and (5) Automatic

(footnote cont’d from previous page)
Brazilian economy, generating employment while reducing social and regional inequalities.”). Exhibit CVD-BR-40.


BNDES. Notably, CBA reports outstanding loans from BNDES as of December 31, 2018, and, therefore, likely benefitted from at least one of the BNDES program identified above.\textsuperscript{76} Each program constitutes a countervailable subsidy and should be investigated by the Department.

1. **BNDES Giro/PROGEREN**

Formerly known as BNDES PROGERN,\textsuperscript{77} the BNDES Giro program was established by the GOB under Plano Brasil Maior to reduce interest rates and expand the scope of the BNDES' operations to finance working capital.\textsuperscript{78} In this regard, BNDES Giro aims to increase production, employment, and salaries by providing attractive interest rates.\textsuperscript{79} For medium-large and large companies, interest rates were reduced from ten to eight percent, and the program is restricted to those that operate in only a few industries, including the CAAS industry as discussed above.\textsuperscript{80} This program was previously investigated by the Department.\textsuperscript{81}

a. **Financial Contribution**

As previously indicated, BNDES is wholly-owned by the GOB. The provision of financing through BNDES Giro, therefore, constitutes a financial contribution in the form of a

\textsuperscript{76} 2018 CBA Annual Report at 15, 39. \textit{Exhibit CVD-BR-5}.

\textsuperscript{77} “Disbursements of BNDES Giro increase 315% in the year to August,” BNDES (Sept. 19, 2017). \textit{Exhibit-CVD-BR-43}.

\textsuperscript{78} See “BNDES’ new measures reinforce the Brasil Maior Plan,” \textit{BNDES} (Aug. 2011), at \textit{Exhibit CVD-BR-44}; see also “BNDES reduces interest on working capital to 6% per year,” \textit{The Brazilian Development Bank}, (June 5, 2012). \textit{Exhibit-CVD-BR-45}.

\textsuperscript{79} See id.

\textsuperscript{80} Id.

\textsuperscript{81} See \textit{HRS from Brazil I&D Memo} at 13 (the Department found this program either not used or did not confer a measureable benefit).
potential direct transfer of funds from a government authority within the meaning of Section 771(5)(D)(i) of the Act.

b. **Benefit**

BNDES financing provides a benefit within the meaning of Section 771(5)(E)(ii) of the Act to the extent that the recipient pays a lower interest rate on the loan than it would otherwise pay on a comparable commercial loan absent the program.

c. **Specificity**

Because the program is restricted to companies that operate in only a few industries, including the metals, mining, and the aerospace industries in general and the CAAS industry in particular, this program is specific pursuant to Section 771(5A)(D)(i) of the Act.

2. **BNDES ExIm Pre-and Post-Shipment Loans**

BNDES provides pre-shipment financing to facilitate exportation of products.82 These loans can be granted for a term of up to four years.83 In addition, BNDES provides post-shipment financing in the form of a buyer’s or supplier’s credit for a term of up to fifteen years.84 These loans are provided through an agent bank, but both the agent bank and BNDES are responsible for determining eligibility for financing under the program.85 Petitioners note that “aluminum and articles thereof,” which include the subject merchandise, are on the list of items

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85 Id.
eligible for BNDES ExIm financing. Accordingly, it is likely that one or more Brazilian CAAS producers received ExIm financing during the POI.

a. **Financial Contribution**

As previously indicated, BNDES is a GOB-owned policy bank. Therefore, the provision of BNDES financing constitutes a financial contribution in the form of a potential direct transfer of funds from a government authority within the meaning of Section 771(5)(D)(i) of the Act.

b. **Benefit**

BNDES’ ExIm financing programs provides a benefit within the meaning of Section 771(5)(E)(ii) of the Act to Brazilian CAAS producers, given that the interest rates on these loans are lower than the interest rates on comparable commercial loans.

c. **Specificity**

The BNDES’ ExIm financing programs are de jure specific in accordance with Section 771(5A)(B) of the Act because eligibility for the financing is contingent upon export performance.

3. **BNDES FINAME**

BNDES reports that the agency FINAME is “dedicated to the promotion of the production and marking of machinery and equipment.” Under the BNDES FINAME program, BNDES effectively provides loans for machinery and equipment purchases to eligible

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86 See BNDES Financing List, at Group II. Exhibit CVD-BR-49. While BNDES excludes aluminum and articles thereof classified under HS codes 7601 and 7603 from program eligibility, the subject merchandise is generally classified under HS code 7606 and is, therefore, eligible for these programs. See Petition Vol. I at Exhibit GEN-5.

companies. Under this program, BNDES pays the equipment manufacturer for machinery and equipment purchases and the company that receives the equipment subsequently repays the loan to BNDES or a separate financial agent. BNDES FINAME is one of BNDES' largest financing programs, providing R$19.7 billion to eligible recipients, according to the GOB's latest report.

In 2018, BNDES modified the application process for this program. The program modification, titled “FINAME Direct,” aimed to reduce loan terms and provide more “competitive spreads,” while also reducing transfer bank involvement. The purpose of these modifications was to increase benefits granted to large and medium-sized companies, which include CAAS producers in Brazil. The Department has previously determined that this program provides countervailable benefits.

a. Financial Contribution

As previously indicated, BNDES is a GOB-owned policy bank. The provision of BNDES financing, therefore, constitutes a financial contribution in the form of a potential direct

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89 Id.
90 “Our Performance,” The Brazilian Development Bank at 49. Exhibit CVD-BR-41.
92 See id. at 36.
93 See id. at 21.
94 HRS from Brazil I&D Memo at 36-37 (countervailed on the basis of AFA); CRS from Brazil I&D Memo at 36-37 (countervailed on the basis of AFA).
transfer of funds from a government authority within the meaning of Section 771(5)(D)(i) of the Act.\textsuperscript{95}

\textbf{b. Benefit}

As the Department has previously determined, this program provides a benefit within the meaning of Section 771(5)(E)(ii) of the Act as the interest rates on these loans are lower than the interest rates on comparable commercial loans.\textsuperscript{96}

\textbf{c. Specificity}

As the Department has previously determined, this program is \textit{de facto} specific under Section 771(5A)(D)(iii)(II) of the Act.\textsuperscript{97}

\textbf{4. BNDESPAR LOANS}

As part of Brazil’s National Privatization Program (“NPP”), BNDES established BNDESPAR to develop and promote the Brazilian capital markets and to encourage the sale of BNDES convertible debentures and shares (including privatization currencies) in public companies to outside investors.\textsuperscript{98} BNDES assets were sold to third-party investors in Brazil; to legal entities directly or indirectly controlled by individuals residing in Brazil; to closed, private security foundations constituted in Brazil; or to security investment funds managed in Brazil whose “quota-holders” also reside in Brazil.\textsuperscript{99} Under the NPP, BNDES authorized financial

\textsuperscript{95} See Prelim HRS from Brazil Memo at 14-15, 24-26 (unchanged in final determination).
\textsuperscript{96} Id. at 26.
\textsuperscript{97} Id. at 14-15, 24-26.
\textsuperscript{98} CRS from Brazil I&D Memo at 21-22.
\textsuperscript{99} Id. at 22.
agents to acquire and resell these privatization currencies to themselves and/or their clients via installment payments through individual or collective financing facilities provided by BNDES.\textsuperscript{100} BNDESPAR was responsible for administering and implementing procedures associated with all transactions occurring within this program, while transactions involving the transfer or assigning of assets to another party required the approval of BNDES.\textsuperscript{101} As BNDES is involved in subject merchandise producer CBA’s refinancing activities,\textsuperscript{102} it is likely that one or more Brazilian CAAS producers received funding from BNDESPAR during the POI. The Department has previously determined that financing provided by BNDES constitutes a countervailable subsidy.\textsuperscript{103}

a. \textbf{Financial Contribution}

As previously indicated, BNDES is a wholly government-owned policy bank that acts as the primary financing agent for stimulating the expansion of industry and infrastructure in Brazil. Thus, consistent with the Department’s prior determinations,\textsuperscript{104} the provision of BNDES financing constitutes a financial contribution in the form of a potential direct transfer of funds from a government authority within the meaning of Section 771(5)(D)(i) of the Act.

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{100} Id.
\item \textsuperscript{101} Id.
\item \textsuperscript{102} 2018 CBA Annual Report at 15. \textit{Exhibit CVD-BR-5}.
\item \textsuperscript{103} See, e.g., CRS from Brazil I&D Memo at 18-23.
\item \textsuperscript{104} Id.
\end{itemize}
\end{footnotesize}
b. **Benefit**

As the Department previously determined, BNDESPAR financing provides a benefit within the meaning of Section 771(5)(E)(ii) of the Act to Brazilian CAAS producers, given that the interest rates on these loans are lower than the interest rates on comparable commercial loans.

c. **Specificity**

As the Department has previously found, BNDESPAR loans are *de jure* specific under Section 771(5A)(D) of the Act because the program is limited to a group of enterprises or industries.

5. **Automatic BNDES**

BNDES offers Automatic BNDES financing of up to R$150 million for implementation, expansion, modernization, or company relocation projects, including the acquisition of new machinery and equipment of domestic manufacture, accredited by BNDES, and associated working capital. Products with a domestic content of at least 60 percent by value are automatically eligible for financing, while products with local content below the threshold are subject to a non-automatic analysis procedure. Disbursements under Automatic BNDES have continued to grow in recent years, totaling R$12,854.4 million in 2016. Given that Brazil’s CAAS industry has been actively engaged in expansion and modernization projects in recent

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105 Id.
106 Id.
109 Id.
years, it is likely that one or more Brazilian CAAS producers received Automatic BNDES financing during the POI.

a. **Financial Contribution**

As previously indicated, BNDES is a wholly government-owned policy bank that acts as the primary financing agent for stimulating the expansion of industry and infrastructure in Brazil. Thus, consistent with the Department’s prior determinations,\(^\text{10}\) the provision of BNDES financing constitutes a financial contribution in the form of a potential direct transfer of funds from a government authority within the meaning of Section 771(5)(D)(i) of the Act.

b. **Benefit**

As the Department previously determined,\(^\text{11}\) Automatic BNDES financing provides a benefit within the meaning of Section 771(5)(E)(ii) of the Act to Brazilian CAAS producers, given that the interest rates on these loans are lower than the interest rates on comparable commercial loans.

c. **Specificity**

As the Department has previously found,\(^\text{12}\) Automatic BNDES loans are *de jure* specific under Section 771(5A)(D) of the Act because the program is limited to a group of enterprises or industries.

\(^{10}\) Id.

\(^{11}\) Id.

\(^{12}\) Id.
D. **Export Subsidy Programs**

1. **Export Financing from Banco do Brasil – PROEX**

Brazil’s Export Financing Program (“PROEX”) is a federal government program administered by the largest financial institution in Brazil, Banco do Brasil S.A. (“Banco do Brasil”). PROEX is one of the most important support schemes available for Brazilian exporters, providing companies with more favorable export financing than would otherwise be available in the domestic market. The program’s administrator, the Export Financing and Guarantee Committee (“COFIG”), establishes the parameters and conditions for granting financial assistance in addition to approving all loans on an individual basis. COFIG is headed by a representative of Brazil’s Ministry of Development, Industry, and Foreign Trade (“MDIC”) and is further comprised of other representatives from government agencies, including the Ministries of Finance and External Relations.

PROEX has two main operations: direct financing and interest rate equalization. The first, PROEX Financing, provides direct financing to Brazilian exporters through Banco do Brasil using funds from the Brazilian Treasury at below-market interest rates. For

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115 Id. at 63.

116 Id. at 62.

117 Id.


119 Id.
transactions with a financing period of two to ten years, PROEX Financing finances up to 85 percent of the export transaction. For transactions with terms of two years or less, up to 100 percent of the value can be provided through PROEX Financing.

The second component of PROEX, PROEX Equalization, serves to “equalize” interest rates available to users of the program with those that are available in the international market. PROEX Equalization can be used by Brazilian exporters that have obtained funding from a financial institution. These firms’ exports may be financed for up to 100 percent of their value. The equalization period can vary from 60 days to 15 years, depending on the value of the exports at issue and the complexity of the services rendered by the financing institutions. While the financing conditions are negotiated between the banks and the exporter, the equalization is paid directly to the banks granting the credit through the use of National Treasury Notes. This process allows exporters to access financing conditions that are similar to those available to exporters on the international market and to increase the competitiveness of Brazilian exports globally.

120 Id.
121 Id.
122 Id.
125 Id.
In 2016, export transactions benefitting from the PROEX programs totaled US$6.2 billion.\footnote{Brazil – Trade Policy Review 2017 at 63. Exhibit CVD-BR-7.} Notably, the machinery and equipment industries, which include the CAAS industry, benefitted the most from the equalization and financing programs, accounting for 44 percent and 27 percent, respectively, of all financing granted.\footnote{Id.} The Department has previously determined that the provision of export financing under this program is countervailable and should continue to do so here.\footnote{See Wire Rod from Brazil I&D Memo at Comment 10.}

\textbf{a. Financial Contribution}

The Act defines “authority” as “a government of a country or any public entity within the territory of the country.”\footnote{19 U.S.C. § 1677(sXB).} While the statute does not define “public entity,” the agency’s “longstanding practice” is to “{treat} most government-owned corporations as the government itself.”\footnote{Countervailing Duties, 63 Fed. Reg. 65,348, 65,402 (Dep’t Commerce Nov. 25, 1998) (final rule) (“CVD Preamble”).} The Department may consider a variety of factors in determining whether an entity is a “public entity” under the countervailing duty laws, but “{i}n most instances, majority government ownership alone indicates that a firm is an authority.”\footnote{See Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Kitchen Appliance Shelving and Racks from the People’s Republic of China (July 20, 2009) (“Kitchen Shelving from China I&D Memo”), at 43; ref’d in 74 Fed. Reg. 37,012 (Dep’t Commerce July 27, 2009).} As a state-owned entity, Banco do Brasil is, therefore, an “authority” within the meaning of the Act. Through this
program, Banco do Brasil provides a direct transfer of funds to exporters and, consequently, constitutes a financial contribution under Section 771(5)(D)(i) of the Act.

b. Benefit

A benefit within the meaning of Section 771(5)(E)(ii) of the Act is conferred on the recipient to the extent that the recipient pays a lower rate of interest on the loans as compared to what it would pay on a comparable commercial loan.

c. Specificity

This program is de jure specific within the meaning of Section 771(5A)(B) of the Act because the provision of export financing is contingent in law on export performance.

2. REINTEGRA Program

Under Plano Brasil Maior and pursuant to Provisional Measure No. 540 (2011), which subsequently became Law No. 12,546 (Dec. 14, 2011), the Reintegra program allows exporters of manufactured goods to recover residual indirect tax costs levied throughout the production chain, such as the Tax on Services ("ISS"), the financial transaction tax ("IOF"), and the royalty tax ("CIDE").

Under this program, companies that export goods produced in Brazil are eligible for a refund of up to three percent of their gross receipts from exports, to be used either as a credit against federal tax liabilities or as a cash payment. Further, the credit is tax

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134 Id.; see also Reintegra – ITR. Exhibit CVD-BR-54.
exempted, and is not be included in the computation of the taxes on gross revenue, as well as, corporate income taxes.\textsuperscript{135} 

In order to qualify for Reintegra benefits, manufactured products must be included in the IPI Table and the cost of the imported content of the goods must not exceed 40 percent of their export price\textsuperscript{136} (for high-tech goods, this percentage increases to 65 percent).\textsuperscript{137} Eligible exports include direct sales of goods overseas, as well as sales to qualified domestic trading companies.\textsuperscript{138} The Department determined in prior cases that in order to benefit from this program, the exporting company must “add up to three percent to the total revenue received from the exports of its domestically produced goods when submitting its tax refund request.”\textsuperscript{139} Companies have up to five years from the later of the quarterly closing date or the registration of shipment date to submit the refund request to the GOB.\textsuperscript{140} Once approved, companies can use the refund as either a credit applied to federal taxes or as a tax reimbursement.\textsuperscript{141} 

The Department previously determined that the although the GOB grants the tax credits/reimbursement to exporters under the Reintegra program, the GOB has been unable to


\textsuperscript{137} Id. at 124.

\textsuperscript{138} Prelim HRS from Brazil Memo at 28 (unchanged in final determination).

\textsuperscript{139} See id. at 29.

\textsuperscript{140} Id.

\textsuperscript{141} Id.
provide a basis for the credit amount actually issued to the exporter\textsuperscript{142}, i.e., failing to demonstrate that it maintains a system in place to confirm which inputs are consumed in the production of exported products and in what amounts.\textsuperscript{143} Similar to a duty drawback program and pursuant to 19 C.F.R. §§ 351.518(a)(4)(i) and (ii), unless the GOB can substantiate the credit amount granted to exporters under this program by demonstrating that amount granted was determined based on the inputs consumed and the indirect taxes imposed, the program provides countervailable benefits.\textsuperscript{144}

After temporarily expiring in December 2012, the program was permanently reestablished in 2014, pursuant to Provisional Measure No. 651 (2014), as part of the Microeconomic Competition Reforms Package.\textsuperscript{145} As discussed above, the Department has previously determined that this program is a countervailable subsidy.\textsuperscript{146}

\textbf{a. Financial Contribution}

This program constitutes a financial contribution in the form of revenue foregone under Section 771(5)(D)(ii) of the Act.

\textsuperscript{142} Id.
\textsuperscript{143} Id.
\textsuperscript{144} HRS from Brazil I&D Memo at 44-47.
\textsuperscript{145} Brazil – Trade Policy Review 2017 at 124. \textbf{Exhibit CVD-BR-7}.
\textsuperscript{146} See HRS from Brazil I&D Memo at 43-47; CRS from Brazil I&D Memo at 43-47.
b. **Benefit**

This program provides a benefit under Section 771(5)(E) of the Act and 19 C.F.R. § 351.509(a)(1) in the amount of the difference between the taxes paid by the recipient and the taxes that would have been paid by the recipient in the absence of this program.

c. **Specificity**

This program is de jure specific within the meaning of Section 771(5A)(B) of the Act because the provision of export credits is contingent on export performance.

3. **Special Regime for the Acquisition of Capital Goods for Export Companies – “RECAP”**

Special Regime for the Acquisition of Capital Goods for Export Companies (“RECAP”) exempts companies from paying PIS and COFINS (certain Brazilian federal taxes) on new machines, instruments, and equipment imported by companies that commit, for at least two years, to export goods and services, and whose exports accounted for at least 50 percent of their gross income for the previous calendar year.\(^{147}\) As of March 2017, 359 companies benefitted from RECAP.\(^{148}\) Evidence that is reasonably available indicates that Brazilian CAAS producers benefited from this program during the POI as Brazilian CAAS producers are heavily export-oriented. See Petition Vol. I at Exhibit GEN-15.

a. **Financial Contribution**

This program constitutes a financial contribution in the form of revenue foregone under Section 771(5)(D)(ii) of the Act.


\(^{148}\) See id. at 60.
b. **Benefit**

This program provides a benefit under Section 771(5)(E) of the Act and 19 C.F.R. §351.509(a)(1) in the amount of the difference between the taxes paid by the recipient and the taxes that would have been paid by the recipient absent this program.

c. **Specificity**

This program is *de jure* specific within the meaning of Section 771(5A)(B) of the Act because the suspension of taxes is contingent on export performance.

4. **Integrated Drawback Program**

Established in March 2010, pursuant to Brazil’s Federal Revenue and Secretariat of Foreign Trade (“SECEX”) regulation RFP/SECEX No. 467, Brazil’s drawback scheme provides for the suspension of tariffs and indirect taxes, including IPI, PIS, COFINS, ICMS, and AFRMM, which are imposed on local or imported inputs and parts used to produce goods for export. This regulation also provides an “intermediate drawback” of taxes for enterprises that purchase local or imported goods to produce intermediate goods for use by another enterprise in the production of a final product for export.

This program has two primary benefits – suspension and exemption:

Both modalities are operated by SECEX through the SISCOMEX system. The suspension modality consists in deferring payment of import duties and federal indirect taxes on imported goods and/or local goods to be exported after transformation, assembly, improvement or renovation. The suspension is granted for one year, renewable for an equal period. Moreover, the suspension may

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150 Id.
be extended up to a maximum of five years, when the imported and/or local inputs are used to produce capital goods with a long production cycle.\textsuperscript{151}

In July of 2010, the scope of the program was expanded to include the "exemption" modality, which provides for the rebuilding of stocks, free of import duties and indirect taxes, of both imported and local inputs, in a quantity and quality equivalent to those used in the manufacture of a product already exported.\textsuperscript{152} According to the GOB, between 2013 and 2016, annual exports under the drawback program represented between 21 to 25 percent of total exports, totaling US$194 billion during those years.\textsuperscript{153}

Given that users of the integrated drawback regime include industrial enterprises engaged in foreign trade, it is likely that one or more Brazilian CAAS producers received benefits under this program during the POI. The Department has previously determined that this program provides countervailable benefits.\textsuperscript{154}

\subsection*{a. Financial Contribution}

This program constitutes a financial contribution in the form of revenue foregone under Section 771(5)(D)(ii) of the Act.
b. **Benefit**

This program provides a benefit under Section 771(5)(E) of the Act and 19 C.F.R. § 351.509(a)(l) in the amount of the difference between the taxes paid by the recipient and the taxes that would have been paid by the recipient in the absence of this program.

c. **Specificity**

This program is *de jure* specific within the meaning of Section 771(5A)(B) of the Act because the suspension of and/or exemption from taxes is contingent on export performance.

5. **Export Credit Insurance and Guarantees**

The GOB provides Brazilian exporters with export credit insurance through the Seguradora Brasileira Credito a Exportacao ("SCBE") and the Brazilian Guarantees Agency ("ABGF"). Two of SCBE’s three shareholders are Banco do Brasil and BNDES, both government-owned and -controlled entities, as discussed above. SBCE acts “either on its own or on behalf of the federal government in the latter case through a public bidding process.”

The SCBE protects export credit transactions against “commercial, political, and extraordinary risks” that may affect Brazilian exports and/or the production of goods or provision of services related to Brazilian exports. Export credit insurance provided by SCBE can be covered by the Export Guarantee Fund, a fund within the Ministry of Finance, which acts

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157 Id.

158 Id.
to enhance competitiveness of Brazilian exports. This insurance is also used as guarantees for export financing. The Department has previously determined that the provision of export credit insurance and guarantees under similar programs in other countries is countervailable and should make the same finding here. Given that Brazilian CAAS producers are heavily export-oriented, one or more producers likely received benefits under this program during the POI.

a. **Financial Contribution**

The provision of short-term export insurance and guarantees is a financial contribution in the form of a potential direct transfer of funds or liabilities within the meaning of Section 771(5)(D)(i) of the Act.

b. **Benefit**

A benefit within the meaning of Section 771(5)(E) of the Act is conferred on the recipient of export insurance to the extent that the insurance premiums charged fail to adequately cover the operating losses and long-term costs of the program. A benefit within the meaning of Section 771(5)(E)(ii) of the Act is conferred on the recipient of export guarantees to the extent that the recipient pays a lower interest rate on the loan than it would otherwise pay on a comparable commercial loan in the absence of the guarantee.

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159 Id.

160 Id.

c. **Specificity**

This program is specific within the meaning of Section 771(5A)(B) of the Act because the provision of export insurance and guarantees is contingent in law on export performance.

6. **Export Guarantee Fund**

The Export Guarantee Fund ("FGE"), which was created by Law No. 9.818 (Aug. 23, 1999), provides export insurance to Brazilian enterprises. The FGE is administered by BNDES. Brazil’s Chamber of Foreign Trade ("CAMEX") is tasked with determining the concessions for FGE-based insurance. Funding under the program is provided by the federal government and the FGE’s own financial operations and activities. Coverage guarantee under the FGE is up to 95 percent for commercial risks, and up to 100 percent for extraordinary risks and commercial risks in operations supported by a bank guarantee. Insurance policies are divided into supplier’s credit, which is issued on behalf of the exporter, and buyer’s credit, which is issued on behalf of the bank.

As part of Plano Brasil Maior, Law No. 12.712 (Aug. 13, 2012) authorized the creation of a new government agency, ABGF, to manage funds and guarantees and to centralize the administration of the FGE and, as previously indicated, other funds. Law No. 12.712 also

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163 Id.
164 Id.
165 Id.
166 Id.
167 Id.
allowed the federal government to participate in funds intended to guarantee foreign trade operations and large infrastructure projects.\textsuperscript{168} Because Brazilian CAAS producers are heavily export-oriented, one or more producers likely received benefits under this program during the POI.

\begin{enumerate}[a.]
\item \textbf{Financial Contribution}

The provision of export guarantees is a financial contribution in the form of a potential direct transfer of funds or liabilities within the meaning of Section 771(5)(D)(i) of the Act.

\item \textbf{Benefit}

Lower export insurance premium than comparable commercial insurance offers a benefit within the meaning of Section 771(5)(E)(ii) of the Act is conferred on the recipient to the extent that the recipient pays a lower premium on the export insurance than it would otherwise pay absent the program.

\item \textbf{Specificity}

This program is \textit{de jure} specific within the meaning of Section 771(5A)(B) of the Act because the provision of export guarantees is contingent on export performance.
\end{enumerate}

\section{Export Promotion and Marketing Assistance}

Brazilian government authorities provide a host of promotional and marketing benefits and services to encourage exports, including exports of CAAS. The Brazilian Trade and Investment Promotion Agency ("APEX-Brasil"), which was created in 2003 and is supervised by

\textsuperscript{168} Id.
the MDIC, primarily coordinates and implements these export promotion policies. In this regard, the “agency’s strategic objectives are to expand and diversify Brazilian exports, increasing their valued added, foster the competitiveness of Brazilian companies by promoting their insertion in the international economy, and to attract FDI.”

APEX-Brasil provides market intelligence, capacity building, trade promotion (e.g., trade missions and fairs, visits by foreign buyers, etc.), international strategy guidance, and other services. It works with associations that represent 81 manufacturing, commerce, and services sectors and supports projects in specific sectors, including machinery and equipment, technology, and housing and civil construction, among others. To promote exports, APEX-Brasil co-finances up to 85 percent of the total value of the sectoral support projects. Given that Brazilian CAAS producers are heavily export-oriented, one or more producers likely received benefits under this program during the POI.

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169 The Deliberative Council, which is APEX-Brasil’s management body, consists of representatives from MDIC, CAMEX, BNDES, and the private sector. Brazil – Trade Policy Review 2013, at 80. Exhibit CVD-BR-1.

170 Id.

171 Id.

172 Id.

173 Id. at para. 3.157.

174 Id. at para. 3.156.
a. **Financial Contribution**

The provision of export promotion and marketing financing is a financial contribution in the form of a potential direct transfer of funds or liabilities within the meaning of Section 771(5)(D)(i) of the Act.

b. **Benefit**

The GOB’s provision of export promotion and marketing financing provides a benefit within the meaning of Section 771(5)(E)(ii) of the Act to the extent that the recipient pays a lower interest rate on the APEX-Brazil loan than it would otherwise pay on a comparable commercial loan absent the program. Although there is very limited publicly-available information on APEX-Brasil, the purpose of APEX-Brasil is as follows:

The Brazilian Trade and Investment Promotion Agency (Apex-Brasil) works to promote Brazilian products and services abroad, and to attract foreign investment to strategic sectors of the Brazilian economy. Apex-Brasil organizes several initiatives aiming to promote Brazilian exports abroad. The Agency’s efforts comprise trade and prospective missions, business rounds, support for the participation of Brazilian companies in major international trade fairs, arrangement of technical visits of foreign buyers and opinion makers to learn about the Brazilian productive structure, and other select activities designed to strengthen the country’s branding abroad.\(^{175}\)

Because the purpose of this program is to provide Brazilian exporters with a competitive edge, Petitioners reasonably believe that any APEX-Brasil financing is provided at a discounted rate and on preferential terms in order to promote Brazilian exporters and their exports, and therefore constitutes a benefit within the meaning of the Act.

\(^{175}\) See “Who We Are: About Apex-Brasil.” Exhibit CVD-BR-56.
c. **Specificity**

This program is *de jure* specific within the meaning of Section 771(5A)(B) of the Act because the provision of financing for export promotion and marketing is contingent on export performance.

E. **Government Provision of Goods or Services for Less Than Adequate Remuneration ("LTAR"): Provision of Electricity for LTAR**

In Brazil, companies owned or controlled by the federal and state governments play a dominant role in the electricity market. A recent Department of Commerce report found that:

Privatization and competition have been limited in Brazil’s power supply and services markets, with the state-owned Centrais Eletricas Brasileiras (Eletrobras)\(^{176}\) controlling about one-third of total installed capacity and a handful of state-owned companies generating most of the rest. Transmission lines in Brazil are largely state-owned as well, and the Operador Nacional do Sistema Eletrico (ONS) is a nationwide operator.\(^{177}\)

Eletrobras has facilities throughout Brazil, including 48 hydroelectric plants, 112 natural gas, oil and thermoelectric plants, 70 wind farms, two thermonuclear power plants, and one solar plant, which combined account for 31 percent of Brazil’s electricity generation capacity.\(^{178}\)

Another GOB-owned Brazilian energy company, Companhia Energetica de Minas Gerais - Cemig (“Cemig”) — which is majority-owned by the state of Minas Gerais — also plays an

\(^{176}\) Electrobras is majority-owned by the GOB. See “About Us,” Electrobras.com. Exhibit CVD-BR-57.

\(^{177}\) See “2016 Smart Grid Top Markets Report, Country Case Study,” Dep’t of Commerce, Int’l Trade Admin., Industry and Analysis, at 1. Exhibit CVD-BR-58. The Department determined that privatization and competition have gone further in the distribution segment of the market.

important role in the Brazilian electricity market. Cemig is an integrated generation, transmission, and distribution company that is believed to be the largest integrated electricity company in Brazil.\(^{179}\) It services 774 municipalities in the state of Minas Gerais and has operations in 24 Brazilian states and the federal district. Cemig owns or has stakes in 174 companies and 15 consortia.\(^{180}\)

In a number of ways, the Brazilian government plays a key role in establishing prices in the retail segment of the electricity market, as affirmed by the Department in Silicon Metal from Brazil. Specifically, the Department determined that the GOB provides electricity for LTAR through the state-owned energy suppliers identified above, pursuant to the GOB’s policy of negotiating drastically low electricity prices with industrial users.\(^{181}\) In that case, the Department confirmed that in November 2015, the GOB signed into law a measure “that is designed to provide favorable long-term electricity rates through government-owned suppliers to certain industrial consumers in the Northeast, Southeast, and Center West regions.”\(^{182}\) Regarding the Southeast and Center West and Brazil, the Department confirmed that “the law directs a government-owned utility, Furnas Centrais Electricas S.A. (Furnas), to enter into bilateral

\(^{179}\) See “Who We Are: Cemig,” Cemig.com (“Who We Are: Cemig”). Exhibit CVD-BR-60.

\(^{180}\) See id.

\(^{181}\) See Prelim Silicon Metal from Brazil Memo at 8 (unchanged in final determination).

\(^{182}\) See id; see also Law No. 13,182 (November 2015). Exhibit CVD-BR-61; Excerpts from the GOB’s response in Silicon Metal from Brazil, dated June 15, 2017, at 10. Exhibit CVD-BR-62.
electricity supply contracts with certain {industrial} end users.\textsuperscript{183} The GOB reports that the GOB-owned electricity agencies “negotiate electricity at competitive prices with consumers in the ferroalloy, silicon, or magnesium sectors . . .”, which include CAAS producers as ferroalloy producers, through auctions.\textsuperscript{184} The law is in effect through February 2035.\textsuperscript{185}

1. **Financial Contribution**

The GOB’s provision of electricity for less than adequate remuneration under Law No. 13,182 confers a financial contribution in accordance with 19 U.S.C. § 1677(5)(D)(iii).\textsuperscript{186}

2. **Benefit**

The Brazilian CAAS producers that are provided electricity through Law No. 13,182 received a benefit in the amount of the difference between the price they pay for electricity under the law and the price they would pay if the government received adequate remuneration.\textsuperscript{187} See 19 U.S.C. § 1677(5)(E)(iv); see also 19 C.F.R. §351.511(a).

As described above, the information reasonably available to Petitioners indicate that the government plays a central role in the electricity market in Brazil. Under the Department’s practice, if prices in the electricity market are distorted by government involvement, then there

\textsuperscript{183} Excerpts from the GOB’s response in Silicon Metal from Brazil, dated June 15, 2017, at 10. Exhibit CVD-BR-62.

\textsuperscript{184} Id.

\textsuperscript{185} Id.

\textsuperscript{186} Prelim Silicon Metal from Brazil Memo at 8 (unchanged in final determination).

\textsuperscript{187} See id.
are no market prices to use as the benchmark for determining the adequacy of remuneration. 188 Further, where there is no world market price available to purchasers within the country, a Tier 3 benchmark, i.e., an assessment of whether the prices are set in accordance with market principles, is used to determine the adequacy of remuneration. 189 As stated above, in making this assessment, the Department analyzes the government’s price-setting philosophy, costs (including rates of return sufficient to ensure future operations), or possible price discrimination. 190

In this instance, the GOB admits that (1) the “value of energy purchased from generators by distributors has also been determined as a result of public auctions”; (2) “competition among sellers contributes to lower prices, and transportation of energy . . . is a natural monopoly”; and (3) prices paid by consumers are competitively negotiated. 191 Thus, it is evident that at no point in the electricity supply chain is the GOB’s provision of electricity for LTAR established pursuant to a price-setting philosophy designed to stimulate healthy rates of return. 192 Moreover, the GOB actively participates in price discrimination with regard to select users – namely, ferroalloy producers. Thus, using a Tier 3 benchmark, the Brazilian CAAS producers

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189 Id. at 30-32.
190 CVD Preamble, 63 Fed. Reg. at 65,378.
191 See Excerpts from the GOB’s response in Silicon Metal from Brazil, dated June 15, 2017 at 10, 22. Exhibit CVD-BR-62.
192 See id.
that participated in the auction received a large benefit in purchasing power through the process established by Law No. 13,182.

3. **Specificity**

The benefit of electricity provided for LTAR is de jure specific under Section 771(5A)(D)(i) of the Act, because eligibility to participate in the auction under the law is limited to a select group of companies meeting the criteria of the specified law.\(^{193}\)

**III. CONCLUSION AND REQUEST FOR INVESTIGATION**

As demonstrated above, Brazilian producers and exporters of CAAS benefit from substantial countervailable subsidies provided by all levels of the Government of Brazil. Accordingly, Petitioners request that the Department initiate a countervailing duty investigation of CAAS from Brazil.

\(^{193}\) Id.
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Trade Policy Review Body

TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

Brazil

Revision

This report, prepared for the sixth Trade Policy Review of Brazil, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Brazil on its trade policies and practices.

Any technical questions arising from this report may be addressed to Angelo Silvy (tel.: 022 739 5249), Martha Lara (tel.: 022 739 6033), Rosen Marinov (tel.: 022 739 6391).

Document WT/TPR/G/283 contains the policy statement submitted by Brazil.

Note: This report was drafted in English.
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3.46. The IPI is a federal tax levied on domestically produced and imported manufactured goods, following the value-added principle.\(^45\) For domestic transactions, the tax is imposed when the product leaves the facility where it was manufactured\(^46\); typically, based on the ex-factory value. The IPI on imports is levied upon customs clearance and is based on the c.i.f. value plus the import duty and other applicable fees and foreign exchange charges. Most IPI rates are in the 0% to 20% range, but may be higher for certain products, such as perfumes (42%), alcoholic beverages (60%), or cigarettes (300%); in some cases, IPI rates are specific. In principle, the same rates apply on domestically produced and imported goods. However, certain IPI reductions or suspensions, such as on automotive products (Chapter 4.3), have been granted only to products originating in some of Brazil's preferential trading partners (e.g., MERCOSUR and Mexico).\(^47\)

3.47. The ICMS is a value-added tax\(^48\) levied by Brazil's federative states on imports (including of electricity), as well as on intrastate and interstate transactions involving merchandise, intermunicipal and interstate transportation services, and communication services. Taxable merchandise transactions are those involving a change of ownership, as well as transfers between a company's affiliates/branches, and importation (even for own use or consumption). The taxable base and the applicable ICMS rate depend on several factors, including the ship-from and ship-to tax jurisdiction, the purchaser's tax status, and the product's type and intended use. Some companies, including those under federal and sub-federal (including municipal) ownership/control, are exempted from the ICMS. In addition, product-specific (permanent or temporary) exemptions may apply for all states or within a single State; reductions to the ICMS rate and/or tax base may be granted within a State (section 3.4.2).

3.48. In general, the ICMS is levied on the value of the transaction net of unconditional discounts. For merchandise this value includes the cost of insurance and freight and, in the case of imports, the import duties, the IOF and any other customs-related charges.\(^49\) Moreover, for imports and goods for own use/consumption the taxable base is augmented by the IPI and the ICMS itself.\(^50\) Typically, ICMS rates on interstate transactions are either 7% or 12%, the former rate being applied when the purchaser is located in a poor state (those in the north, north-east and center-west regions, and the state of Espírito Santo).\(^51\) Intrastate transactions and imports are subject to ICMS rates at 19% (Rio de Janeiro), 18% (São Paulo, Paraná, and Minas Gerais), or 17% (all remaining states); for imports, the applicable jurisdiction is determined by the location of the importing establishment/customs clearance. While states set ICMS rates independently, certain product groups are generally subject to rates of 7% (raw materials; parts and components for the data processing industry), 12% (processed edible goods from poultry and cattle; machinery, appliances and industrial equipment; agricultural tractors and implements; etc.), or 25% (automobiles; cosmetics, alcohol and tobacco; communications services; electricity; etc.).

3.49. The PIS and COFINS are charged on a non-cumulative (value-added) basis for companies subject to the actual profit method of computing corporate income taxes.\(^52\) In general, domestic and imported goods and services are subject to a combined rate of 9.25% (1.65% for PIS and 7.6% for COFINS). Higher cumulative rates apply to imports of machinery, motor vehicles and

\(^{45}\) For IPI tax purposes, "manufacture" is defined as any process that modifies the nature, functioning, finishing, presentation or purpose of a product, or improves it for consumption. The IPI tax paid on inputs used in manufacturing may be claimed as tax credit; this credit may be offset against IPI due on subsequent transactions or against other federal taxes.

\(^{46}\) Each individual facility of a company is considered a separate taxpayer.


\(^{48}\) If the purchaser is not an ICMS taxpayer and subsequent sales are not subject to this tax, the ICMS paid on inputs is not recoverable as a credit.

\(^{49}\) Depending on the State, these charges may or may not include: charges on air or maritime transportation, SISCOMEX usage fees, eventual anti-dumping duties, and fees for port handling services.

\(^{50}\) ICMS effective rate = (published ICMS rates) times (nominal value of the good + nominal value of the tax) divided by (nominal value of the good).

\(^{51}\) Subsequent compensation reflects ICMS rate differences between the ship-from and ship-to tax jurisdiction.

\(^{52}\) Financial institutions, companies under the presumed profit tax regime, and certain revenues deriving from telecommunications, transport, and software development services are not eligible for tax credits for the PIS and COFINS paid on inputs. Companies with revenues subject to the cumulative system and other revenues subject to the non-cumulative system must keep separate records of their contributions under each system.
inputs. Eligible exports include direct sales of goods abroad as well as sales to qualified domestic trading companies (ECEs), but ECEs themselves are not eligible. Imported goods do not benefit from the programme. Reintegra benefits were applied to exports made until 31 December 2012. The authorities estimate that revenue forgone for the duration of this programme was about R$6.96 billion. There are no plans to extend it.

3.3.4.3 Drawback

3.117. Brazil operates a drawback scheme designed to reduce the tax costs associated with inputs used in the production of goods for export. The scheme provides for the suspension or exemption of import tariffs and indirect taxes such as IPI, PIS, COFINS, ICMS, and AFRRM levied on local or imported inputs and parts used to produce exportable goods.

3.118. Since Brazil’s last Review, the drawback system has been modified and expanded. In March 2010, the Federal Revenue and the SECEX published RFB/SECEX No. 467 of 25 March 2010, regulating the new integrated drawback regime. The scheme allows for the suspension or exemption of taxes not only on imported inputs, but also on the local purchase of inputs to be used in the production of exports, including for repair, breeding, cultivation or extractive activities of the products to be exported. RFB/SECEX No. 467/2010 also extends the benefits of the scheme to enterprises that purchase local or imported goods to produce intermediate goods to be used by another enterprise in the production of final products for export (intermediate drawback). On 27 July 2010, Provisional Measure No. 497 further expanded the scope of the integrated drawback regime to include the "exemption" modality (see below). The procedures for granting the drawback scheme were consolidated in SECEX Ordinance No. 23 of 14 July 2011. Users of the integrated drawback regime include agri-business, industrial, and commercial enterprises engaging in foreign trade. Physical persons are not eligible under the scheme.

3.119. The integrated drawback regime has two main modalities: suspension and exemption. Both modalities are operated by SECEX through the SISCOMEX system. The suspension modality consists in deferring payment of import duties and federal indirect taxes on imported goods and/or local goods to be exported after transformation, assembly, improvement or renovation. The suspension is granted for one year, renewable for an equal period. Moreover, the suspension may be extended up to a maximum of five years, when the imported and/or local inputs are used to produce capital goods with a long production cycle. Between 2006 and 2010, exports under the suspension modality of the drawback scheme represented over a quarter of total exports. The authorities indicated that exports under this scheme totalled more than US$45 billion in 2010, US$59 billion in 2011, and US$48.6 billion in 2012.

3.120. The exemption modality of the integrated drawback scheme provides for the rebuilding of stocks, free of import duties and indirect taxes, of both imported and local inputs, in a quantity and quality equivalent to those used in the manufacture of a product already exported. The exemption also applies to purchases of local or imported goods equivalent to those used in repairing, breeding cultivation, or extractive activities connected with the exported product; as well as to the re-stocking of inputs used for intermediate products. The duty/tax exemption may be claimed after exportation of the final product, but no later than two years after the date of purchase or importation of the inputs for which duties and taxes were paid. Once the drawback authorization has been granted by SECEX, the beneficiary has a period of one year to purchase local or imported inputs in order to rebuild stock; this period may be renewed for another year.

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156 Article 3 Law No. 12,546 of 14 December 2011.
157 The drawback scheme was created in 1966 by Decree-Law No. 37 of 18 November 1966.
158 The legal basis for the integrated drawback regime in its suspension modality is Law No. 11.945 of 4 June 2009, and is regulated by RFB/SECEX No. 467 of 25 March 2010.
159 The exemption modality was instituted by Law No. 12.350 of 20 December 2010 (based on Article 9 of Provisional Measure No. 497 of 27 July 2010), and is regulated by RFB/SECEX No. 3 of 17 December 2010.
3.121. During 2008-11, the revenue forgone under the drawback suspension modality amounted to R$5.4 billion and to R$256.9 million under the exemption modality.\textsuperscript{160}

### 3.3.4.4 Special System of Industrial Depots subject to Standardized Control (RECOF)

3.122. Brazil continues to apply the RECOF, introduced by Decree No. 2,412 of 12 March 1997, and regulated by Normative Instruction No. 757 of 25 July 2007, as modified by subsequent normative instructions issued by the Federal Revenue Secretariat.\textsuperscript{161}

3.123. RECOF allows for the suspension of import duties and indirect taxes (IPI, PIS, COFINS) on the purchase of imported or local inputs for the industrial transformation of products destined for export or the domestic market. The suspension is for one year, with the possibility of an extension for an additional year.\textsuperscript{162} Products imported under RECOF also benefit from expedited customs clearance procedures. RECOF's scope is limited to assembly, transformation, and reconditioning activities in: (i) aeronautics; (ii) automotive; (iii) information and telecommunications; and (iv) semiconductors and high-technology components for the electronics industry.\textsuperscript{163} Only the products listed in Annex I to Normative Instruction No. 757/2007 are eligible under RECOF.

3.124. The Federal Revenue Secretariat administers the RECOF scheme and grants the suspension authorizations to importers. To qualify, companies must have capital equal to or above R$25 million. Beneficiaries must export products using the goods imported under RECOF for a value of at least 50% of the total value of imports acquired under the scheme\textsuperscript{164}, and not less than US$10 million for companies in the Informatics and semiconductor industries, and US$20 million for companies in the aeronautics and automotive industries. Companies must also commit to the industrial transformation of at least 80% of the goods imported under the regime (this is equivalent to a cap on sales of the imported goods to the domestic market). This percentage may be reduced to 75% if the enterprise exports, using the goods imported under RECOF, for a value of over US$50,000, and to 70% if it exports over US$100,000.

3.125. Domestic sales of the goods imported under the RECOF regime are subject to all taxes applicable on importation or domestic purchase, which must be paid with interest at SELIC rates and applicable penalties in accordance with legal provisions. The authorities indicated that during 2008-11, revenue forgone under the RECOF scheme amounted to almost R$6.5 billion.

### 3.3.4.5 Special Regime for the Purchase of Capital Goods for Exporting Enterprises (RECAP)

3.126. The RECAP allows for the suspension of the PIS and the COFINS on the purchase of new local or imported capital goods (machines, equipment, and instruments), which must be incorporated in the beneficiary company's fixed assets.\textsuperscript{165} In order to benefit from RECAP, an enterprise must have exported at least 50% of its gross income from sales of goods and services in the calendar year preceding its request to use the scheme, and commit to comply with such export requirement for the following two calendar years.\textsuperscript{166} Start-up enterprises that did not achieve the 50% export requirement in the previous year may benefit from the scheme if they commit to comply with such requirement over three years. Brazilian shipyards are also eligible for RECAP benefits, irrespective of their export turnover, and do not need to undertake export

\textsuperscript{160} Information provided by the Brazilian authorities.

\textsuperscript{161} Ministry of Finance online information. Viewed at: http://www.receita.fazenda.gov.br/recof.

[July 2012].

\textsuperscript{162} The period of suspension may be extended for a maximum of five years for imported goods used in the manufacture of goods with a long production cycle. Normative Instruction No. 886 of 6 November 2008.

\textsuperscript{163} The main products imported under the RECOF scheme are under H.S. codes: 8708; 8411; 8542; 8803; 8517; 8483; 8409; 8431; 9032; 8473; 880330; 841191; 851770; 841112; 854213; 870840; 854239; 870829; 843149; 903289.

\textsuperscript{164} Normative Instruction RFB No. 963 of 14 August 2009 allows companies to comply with this 50% obligation gradually over five years.

\textsuperscript{165} RECAP was instituted by Law No. 11.196 of 21 November 2005 (as amended), and is regulated by Decree No. 5.649 of 29 December 2005 and Normative Instruction SRF No. 605 of 4 January 2006.

\textsuperscript{166} The export requirement of 50% of gross income from sales of goods and services applies as of 1 January 2013, as established by Provisional Measure No. 563 of 3 April 2012. Originally, the export requirement was set at 80% (Law No. 11.196 of 21 November 2005 and Decree No. 5.649 of 29 December 2005). It was reduced to 70% by Decree No. 6,887 of 25 June 2009, and then to 50% in 2012.
commitments.\textsuperscript{167} The Federal Revenue Secretariat administers the RECAP scheme. As of February 2012, some 265 companies were benefiting from RECAP.

3.3.4.6 Definition of Predominantly Export-oriented Enterprises

3.127. Enterprises that produce predominantly for export may apply for suspension of the PIS, COFINS, and IPI taxes on the purchase of inputs, whether local or imported, or otherwise apply for a special regime such as the RECAP. A company is deemed to be a predominantly export-oriented enterprise, if it exports more than 50\% of its gross income from sales of goods and services.\textsuperscript{168} If this condition is not met, the suspended taxes must be paid, with penalty and interest on arrears.

3.3.4.7 Special Regime for the Information Technology Exportation Platform (REPES)

3.128. The REPES suspends the PIS and COFIN taxes on purchases of new local or imported goods, and local or imported information technology services, as well as the IPI tax on imports of new goods (when there are no equivalent domestic products) for their incorporation as fixed assets. Beneficiary companies must be dedicated exclusively to the development of software and the provision of IT services, and commit to export software and IT services for at least 80\% of their annual gross income.\textsuperscript{169}

3.3.4.8 Export-processing zones

3.129. The legal framework for export-processing zones (EPZs) in Brazil includes Law No. 11,508 of 20 July 2007, as amended by Law No. 11,732 of 30 June 2008, and Law No. 12,507 of 11 October 2011\textsuperscript{170}, as well as Decree No. 6,634 of 5 November 2008, Decree No. 6,814 of 6 April 2009, Normative Instruction RFB No. 952 of 2 July 2009, and CZPE Resolutions. The enterprises located in EPZs benefit from fiscal and administrative incentives, which are legally guaranteed for 20 years (legal guarantee clause).

3.130. Authorized EPZ companies may import or purchase in the local market goods and services with suspension of import duties and the IPI, COFINS, PIS, and AFRMM taxes. The suspension applies to both new and used capital goods to be incorporated as fixed assets of the enterprises operating in the EPZs. The beneficiaries are exempt from import licence requirements or any other federal agency authorization for imports and exports, except for those related to sanitary controls, national security, and environmental protection. Law No. 11,732 of 30 June 2008 allows for the application of additional fiscal benefits for enterprises located in the SUDENE and SUDAM areas, including a reduction of the corporate income tax and accelerated depreciation.\textsuperscript{168}

3.131. Companies in EPZs must export at least 80\% of their gross income from sales of goods and services.\textsuperscript{172} Products sold in the domestic market, as well as goods and services used as inputs in the production of those domestic sales, are subject to all taxes imposed on domestic acquisition or importation. All taxes must be paid with interest at the SELIC rate.

3.132. The National Council of Export Processing Zones (CZPE) oversees the implementation of Brazil's EPZ policy and is responsible for granting companies authorization to establish in EPZs. Authorizations are valid for 20 years, renewable for the same number of years in the case of investments requiring long amortization periods. Companies that wish to establish in an EPZ must submit an application to the CZPE in accordance with the procedures laid out in Decree No. 6,814 of 6 April 2009 and Resolution CZPE No. 5 of 28 September 2011. Proposals for the creation of an EPZ are to be submitted by state or municipal authorities to the CZPE. Permission from the Brazilian customs authority is also required for the operation of an EPZ. Final approval rests with the President of the Republic. Approved EPZs that fail to start operations within 24 months of their

\textsuperscript{167} Article 6 and Article 7 of Normative Instruction SRF No. 605 of 4 January 2006.
\textsuperscript{168} Article 29 of Law 10,637 of 30 December 2002; Article 40 of Law 10,865 of 30 April 2004; and Article 13 of Law 11,196 of 21 November 2005.
\textsuperscript{169} Law No. 11,196 of 21 November 2005 provides the legal basis for the REPES scheme, and it is regulated by Normative Instruction SRF No. 630 of 15 March 2006.
\textsuperscript{170} Law No. 12,507 of 11 October 2011 extended from 12 to 24 months the time-limit for beginning work for the establishment of an EPZ.
\textsuperscript{171} Article 2 of Law No. 11,732 of 30 June 2008, which modifies Article 18 of Law No. 11,508 of 2007.
\textsuperscript{172} Article 18 of Law 11,508 of 20 July 2007, as amended by Law No. 11,732 of 30 June 2008.
agreed installation timetable may lose their right to establish.\textsuperscript{173} As of December 2012, there were 24 approved projects for the creation of EPZs at different stages of development, of which nine were located in the north-east of Brazil. None had started operations.

### 3.3.5 Export finance, insurance, and guarantees

#### 3.3.5.1 Overview

3.133. A number of export finance, insurance, and guarantee schemes are available to help Brazilian exporters of goods and services gain access to credit at attractive conditions, i.e., on terms similar to those obtainable in the international market. Among the main instruments are the Export Financing Programme (PROEX) and several export credit schemes operated under the BNDES-EXIM programme.

3.134. BNDES-EXIM programmes are geared to promote exports with local value added. The stated conditions to participate in some of these programmes include domestic content/production thresholds.\textsuperscript{174} The Brazilian authorities have emphasized that these conditions apply only to qualify automatically for financing, and that products that do not meet these conditions may also benefit from the programmes subject to a non-automatic analysis procedure. All exporting companies, regardless of size, are eligible to apply for BNDES-EXIM financing, however MSMEs are granted special conditions under certain schemes, and some programmes are targeted at specific sectors (e.g. automobiles, aviation, pharmaceuticals). During the review period, BNDES introduced or re-launched two additional export financing facilities: the PSI-Export Pre-shipment programme to encourage exports of capital goods, and the Revitalize Exports scheme to support exporters adversely affected by the international economic crisis.

#### 3.3.5.2 Export Financing Programme (PROEX)

3.135. The PROEX is one of Brazil’s most important support schemes for exporters of goods and services. The programme is aimed at providing credit, at conditions similar to those prevailing in international markets, for companies that would otherwise find it difficult to obtain it, or would be able to do so only at higher interest rates in the domestic market. PROEX is a federal government programme administered by the Banco do Brasil S.A. It is predominantly, but not exclusively, targeted at small and medium-sized enterprises involved in international trade.

3.136. The Export Financing and Guarantee Committee (COFIG), created by Decree No. 4,993 of 18 February 2004, as part of CAMEX, is in charge of overseeing the operations of the PROEX and the Export Guarantee Fund (FGE, see below), and establishing the parameters and conditions for granting financial assistance. COFIG is chaired by a representative of the MDIC, and has representatives from other government bodies, such as the Ministries of Finance and External Relations.

3.137. PROEX has two main modalities: direct financing (PROEX Financing) and interest rate equalization (PROEX Equalization). In 2012, export operations under the programme totalled US$4.88 billion; US$495.4 million under PROEX Financing and US$4.39 billion under PROEX Equalization.\textsuperscript{175}

3.138. PROEX Financing provides direct credit to the exporter or importer of Brazilian goods and services with funds from the Treasury. It is mainly designed to support micro, small, and medium-sized enterprises (MSEMs) with an annual turnover of up to R$600 million (about US$300 million).\textsuperscript{176} Financing may also be provided to larger companies on a case-by-case basis. Credits are granted for between 60 days and 10 years, depending on the value of exports or the complexity of the service rendered. Financing is available for up to 100% of the value of exports for credits of two years or less, and up to 85% for the rest. The interest rates are those prevailing in the international market; credits are in U.S. dollars or other convertible currencies. There is no

\textsuperscript{173} Law No. 12,507 of 11 October 2011 and Law No. 12,767 of 27 December 2012.

\textsuperscript{174} For the conditions to qualify under the BNDES-Exim programmes, see BNDES online information. Viewed at: http://www.bndes.gov.br/SiteBNDES/bndes/bndes_pt/Institucional/Apoyo_Financeiro/Produtos/BNDES_Exim/normas_exim.html [March 2013].

\textsuperscript{175} Information provided by Banco do Brasil S.A.

\textsuperscript{176} Increased from R$300 million by CAMEX Resolution No. 10 of 17 February 2009.
minimum value for individual export operations to be financed. In 2012, PROEX Financing covered 875 transactions and served 205 exporters. The main sectors benefiting from this modality were agri-business (56%), textiles, leathers, and shoes (21%), and machines and equipment (8%). The main markets for exports under this modality were Cuba, Germany, and China.\textsuperscript{177}

3.139. PROEX Equalization pays part of the cost of the export credit provided by financial institutions in Brazil or abroad, so as to make interest rates equivalent to those in the international market. This modality applies to Brazilian exporting firms, irrespective of their size, that have obtained funding from a financial institution. Exports may be financed for up to 100\% of their value, and the percentage eligible for equalization has recently been raised to 100\% of the value of exports. The period of equalization varies between 60 days and 15 years (recently increased from 10 years), depending on the value of exports and the complexity of the services rendered (see below). The financing conditions (interest rates, terms, financing percentage, and guarantees) are negotiated between the banks and the exporter. Equalization is paid to the banks granting the export credit through the issue of National Treasury Notes (NTN-I). In 2012, some 2,119 operations involving 38 exporters were undertaken under PROEX Equalization. The sectors benefiting from this modality were machines and equipment (57\%), services (26\%), and transport equipment (17\%); the main destinations were the United States, Angola, Peru, and Chile.\textsuperscript{178}

3.140. During the period under review, PROEX was modified several times to increase its scope and make it more accessible to exporters. CAMEX Resolution No. 45 of 26 August 2009 opened the possibility for financing the production of goods and services for export (pre-shipment financing), specifically targeted at MSEMs with an annual turnover of up to R$60 million and exports of up to US$1 million. Under this facility, which is not yet operational, credits may be granted for up to 100\% of the export value, with a maximum term of 180 days.\textsuperscript{179} Prior to this modification only post-shipment financing was permitted. Under SECEX Ordinance No. 42 of 7 December 2011, PROEX was extended to cover export operations made through the simplified export declaration. PROEX Financing and Equalization are limited to capital goods when the product is exported to MERCOSUR member states.\textsuperscript{180}

3.141. In the framework of the Plano Brasil Maior, in April 2012 the Federal Government announced a number of measures to increase the competitiveness of Brazilian exports, partly affected by the appreciation of the Brazilian real.\textsuperscript{181} These measures include a substantial increase in the resources allocated to PROEX, from R$1.2 billion to R$3.1 billion, and changes designed to simplify its implementation. With respect to PROEX Equalization, the maximum period of equalization was increased from 10 to 15 years and the percentage eligible for equalization was raised from 85\% to 100\% of the value of exports. Also, the limit for credit operations that do not require approval from the COFIG was increased from US$10 million to US$20 million. As regards PROEX Financing, new flexibilities were introduced to allow companies with a turnover of up to R$3.6 million to provide their own credit guarantees for export operations of less than US$50,000.\textsuperscript{182} At the time of writing, such credit guarantees had not been implemented yet.

3.3.5.3 Export Financing Fund (FFEX)

3.142. Law No. 12,545 of 14 December 2011 authorized the Federal Government to participate in the Export Financing Fund (FFEX) to finance exports of goods and services of small-scale companies (with a turnover of up to R$60 million). The Federal Government is authorized to make an initial contribution of R$1 billion to the FFEX, and other enterprises may also participate in the fund. The FFEX will follow the same procedures as PROEX Financing and will be administered by the Banco do Brasil S.A. In the context of the Plano Brasil Maior, it was announced that R$500 million would be allocated to the FFEX. The Fund was not yet in operation at the time of writing this report.

\textsuperscript{177} Information provided by Banco do Brasil S.A.

\textsuperscript{178} Information provided by Banco do Brasil S.A.

\textsuperscript{179} MDIC Ordinance No. 191 of 28 October 2009 established the commercial conditions for pre-shipment financing, while the products and services eligible under this facility are listed in an Annex to MDIC Ordinance No. 208 of 20 October 2010.

\textsuperscript{180} MDIC Ordinance No. 208 of 20 October 2010.

\textsuperscript{181} Provisional Measures No. 563 and No. 564 of 3 April 2012.

\textsuperscript{182} For more details on the Plano Brasil Maior see MDIC online information at: http://www.desenvolvimento.gov.br/cbap/public/data/arquivos/documentos/e803932edc21ee94e8a42ce0b9a53b55.pdf.
3.3.5.4 BNDES export financing programmes

3.143. BNDES operates several export financing programmes. One of the main programmes is BNDES-EXIM, which grants pre-shipment and post-shipment credits for Brazilian exports of goods and services. BNDES-EXIM has several sub-programmes or financing modalities. Generally, eligible goods are those listed in BNDES Circular No. 74/2012 of 27 December 2012, although some programmes target specific products or industries (e.g. automobiles and the aviation industry). The list of eligible goods comprises three groups of products, which cover about 70% of Brazilian tariff lines. The conditions to benefit from some of BNDES-EXIM programmes include meeting a certain index of nationalization (usually 60% defined in value and/or weight terms); domestic production thresholds (PPB), or other criteria established by BNDES (Table A3.1).183 The Brazilian authorities have emphasized that these conditions apply only to qualify automatically for financing, and that products that do not meet these conditions may also benefit from the programmes subject to a non-automatic analysis procedure.

3.144. All exporting companies, regardless of size and the origin of the capital, are eligible to apply for BNDES-EXIM credits, however MSMEs are granted special conditions under some financing modalities. Operations are conducted through accredited financial institutions, which include most banks operating in Brazil. The total financial cost for the borrower is the relevant interest rate plus BNDES’ remuneration charges, and the financial institution’s remuneration.

3.145. Since Brazil’s previous Review, a few new financing modalities have been added under BNDES-EXIM (while others have been temporarily suspended184). For example, the EXIM/Pro-aviation exports subprogramme was introduced in September 2009 to finance the production of goods and services for export by MSMEs that form part of Brazil’s aviation industry production chain. Financing may be granted for up to 90% of the export value, with terms for up to 36 months. EXIM-Automático, was introduced in late 2010 to finance Brazilian exports of capital goods to Latin American and African countries. It consists of a credit line granted to banks located abroad and accredited by the BNDES. The amount of the credit line to be granted to each bank is defined on a case-by-case basis and up to a maximum of US$200 million. Financing is for up to five years at preferential interest rates. Funds are disbursed to the exporter in Brazilian currency after the shipment of goods. At end-May 2012, 30 banks had been granted credit lines, amounting to US$1.4 billion. The main products exported were agricultural machinery and equipment, buses and trucks, generators, transformers, and telecommunication equipment.185

3.146. Besides the EXIM schemes, the BNDES has implemented two additional export financing programmes since the last Review (Table A3.1). The PSI-Export Pre-shipment programme, launched in July 2009, finances the production of capital goods for export. Eligible products are those listed in Group 1 of BNDES Circular No. 74/2012 of 27 December 2012, with the exception of telephone appliances and parts thereof. Financed goods must be accredited in the BNDES FINAME programme or meet PPB criteria. Beneficiary companies must have their headquarters and administration in Brazil.186 The authorities indicated that the total amount disbursed since the creation of the PSI-Export programme was US$16.6 billion.187 The second programme, Revitalize Exports, was created in 2007 but re-launched in October 2011.188 It is targeted at export companies of all sizes that operate in sectors deemed to be negatively affected by the international economic environment, and that have their headquarters and administration in Brazil. Annex A of BNDES Circular No. 47/2012 of 10 July 2012 expanded the list of eligible sectors, which includes

183 For the conditions to qualify under the BNDES-Exim programmes, see BNDES online information. Viewed at: http://www.bndes.gov.br/SiteBNDES/bndes/bndes pt/Institucional/Apoyo_Financiero/Productos/BNDES_Exim/normas_exim.html [March 2013].
184 BNDES Agile Pre-shipment and BNDES Special pre-shipment are currently suspended.
186 BNDES Circulars No. 27 and No. 28 of 8 May 2012 revoked the eligibility requirement under the PSI-Export and Revitalize Export programmes, that companies under foreign capital control had to perform activities deemed of national interest.
187 Acceptance of new requests under the PSI-Export programme was suspended in June 2012 due to lack of budget resources.
188 Support measures under the Revitalize Exports programme were authorized by Law No. 11, 529 of 22 October 2007, which was modified by Law No. 11, 945 of 4 June 2009 to include new eligible products, and regulated by BNDES Circular No. 47/2012 of 10 July 2012.
textiles, leather, footwear, toys, fruits, automobile parts, and IT products. The Revitalize Exports programme has a total budget of R$3.2 billion.\(^{189}\)

3.147. BNDES total disbursements for foreign trade operations amounted to US$5.4 billion in 2012, US$4 billion for exports of goods, and US$1.4 billion for services (Table 3.7).

**Table 3.7 BNDES total disbursements for exports of goods and services, 2008-12**

(US$ million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total disbursements</th>
<th>For exports of goods</th>
<th>For exports of services</th>
<th>% of total exports of goods</th>
<th>% of total exports of services</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>6,597</td>
<td>5,653</td>
<td>1,044</td>
<td>2.8</td>
<td>3.4</td>
</tr>
<tr>
<td>2009</td>
<td>8,330</td>
<td>6,949</td>
<td>1,381</td>
<td>4.5</td>
<td>4.9</td>
</tr>
<tr>
<td>2010</td>
<td>11,274</td>
<td>10,439</td>
<td>835</td>
<td>5.1</td>
<td>2.6</td>
</tr>
<tr>
<td>2011</td>
<td>6,716</td>
<td>5,130</td>
<td>1,586</td>
<td>2.0</td>
<td>4.1</td>
</tr>
<tr>
<td>2012</td>
<td>5,463</td>
<td>4,023</td>
<td>1,445</td>
<td>1.6</td>
<td>3.6</td>
</tr>
</tbody>
</table>

Source: WTO Secretariat, based on information provided by BNDES.

### 3.3.5.5 Other export financing programmes

3.148. Exporters also benefit from programmes, provided by private banks, which allow for advances of export proceeds, in Brazilian currency, either at the pre-shipment or post-shipment phase. The ACC (Adiantamentos sobre Contratos de Câmbio) is an advance of funds for the production of goods for export on account of their shipment at a future date. Financing may be for up to 100% of the value of exports and for a maximum period of 360 days before shipment. The cost of financing is equivalent to the LIBOR plus spread calculated on the export value in foreign currency. The ACE (Adiantamentos sobre Cambiais Entregues) is an advance of funds to the exporter after goods have been shipped abroad, through a transfer of the rights deriving from the export sale to an authorized bank. Financing may be granted for up to 100% of the export value, and the period is limited to the last business day of the 12\(^{th}\) month after shipment. The cost of financing is determined by the bank based on the size of the enterprise and the risk involved, but is normally equivalent to the LIBOR plus spread calculated on the export value in foreign currency. All exporting companies, irrespective of size, and all types of goods may benefit from the ACC and ACE schemes.\(^{190}\) A similar financing facility (ACC Indireto) is available for trading companies and producers of raw materials, inputs, and packaging materials used in the production of goods for export, and for exports of agricultural products.

3.149. PROGER Export provides export financing in local currency with resources from a workers fund (Fundo de Amparo ao Trabalhador - FAT).\(^{191}\) Financing may be: (i) for domestic production of goods for export (pre-shipment);\(^{192}\) or (ii) for export promotion activities (post-shipment), including participation in trade fairs in Brazil and abroad, shipment of samples and material promotion, etc. Beneficiaries are exporting MSMEs with an annual gross turnover of up to R$5 million, constituted under Brazilian laws, and having their headquarters in Brazil. The scheme does not apply to trading companies (ECEs). Financing may be granted for up to 100% of the value of the project, but no more than R$250,000 per exporter, and for a maximum of 12 months. The cost of financing is equivalent to the TJLP plus interest. The resources are disbursed by the Banco do Brasil and the Caixa Econômica Federal.

3.150. The FAT Export fund finances pre-shipment production, including start-up capital and necessary inputs, of exportable goods. Financing may be granted for up to 100% of the value of the project, with a cap to be defined on a case-by-case basis by the BNDES, and maturity periods of up to 30 months. Beneficiaries are export-oriented companies, regardless of their size, provided...

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\(^{189}\) BNDES Circular No. 46/2012 of 9 July 2012.

\(^{190}\) Banco do Brasil online information. Viewed at: http://www.bb.com.br/portalbb/page44,107,2941,9,1,1,2,bb?codigoMenu=1358&codiGret=2446&bread=1.2.

\(^{191}\) The legal basis of the PROGER scheme is provided by CODEFAT Resolution No. 348 of 5 August 2003, CODEFAT Resolution No. 347 of 5 August 2003, and CODEFAT Resolution No. 330 of 10 July 2003.

\(^{192}\) Eligible products are listed in BNDES Circular No. 31/2007 of 30 July 2007.
they are constituted under Brazilian laws and have their headquarters in Brazil. The same conditions apply as under the BNDES pre-shipment programme. The current interest rate for credits under FAT is the TJP plus 5.5% a year. During 2008-11, funds disbursed through the FAT Export amounted to R$3.79 billion.

3.3.5.6 Export insurance and guarantees

3.151. The Export Credit Insurance (SCE) scheme provides coverage for Brazilian exporters of goods and services against non-payment for their sales abroad. Export credit insurance is governed by Law No. 6,704 of 26 October 1979 and Decree No. 3,937 of 25 September 2001, as modified by Decree No. 6,452 of 2008, and Decree No. 7,333 of 19 October 2010. The SCE covers any exporter or financial institution that finances or refinances exports. The Brazilian Export Credit Insurance Company S.A. (SBCE) and a few other private financial institutions are authorized to operate the SCE scheme against commercial risk in short-term transactions (up to two years). Created in 1997, the SBCE is a private company, although two of its shareholders are public companies. The SBCE offers short-term commercial risk insurance for export transactions with a maturity of up to 180 days, usually involving consumer goods. For certain products, such as light equipment, this period may be extended to two years. Coverage for commercial risk is up to 90% of the insured and unpaid value, and is guaranteed with the SBCE’s own resources.

3.152. Medium and long-term insurance is provided for export contracts with a maturity exceeding two years, and generally involving capital goods, services, and other specific contracts. For these operations, and for political and extraordinary risks of any kind, the SBCE acts as an advisor to the Federal Government and coverage is ensured through the Export Guarantee Fund. The authorities indicated that the value of exports covered by the Export Credit Insurance scheme during 2008-11 was US$25.75 billion, and the main sectors that benefited from its coverage were infrastructure, civil aircraft, and engineering.

3.153. The Export Guarantee fund (FGE) was created by Law No. 9,818 of 23 August 1999. It is administered by BNDES, while CAMEX is responsible for deciding the concession of FGE-based insurance. The FGE is financed with resources from the federal budget and with proceeds and financial gains from the fund’s own activities and financial operations. Coverage guaranteed by the Federal Government may be up to 95% for commercial risks, and up to 100% for political and extraordinary risks, as well as for commercial risks in operations supported by a bank guarantee. Insurance coverage may also be up to 100% for exports of the aeronautics industry, subject to CAMEX’s approval, and for export operations of small and medium-sized firms, under certain conditions. Insurance policies are divided into two categories: supplier’s credit, issued on behalf of the exporter, and buyer’s credit, issued on behalf of a bank.

3.154. Premiums are calculated on a case-by-case basis, taking into account the principal financed under the operation, the importer country, the nature of the risk (commercial, political and extraordinary), the maturity of the operation, and the debtor’s financial standing. The authorities indicated that premiums are established according to best practices of credit risk, based on the Basel Accords and other references (e.g. the OECD Export Credit Arrangement).

3.155. As part of the Plano Brasil Maior, Provisional Measure No. 564 of 3 April 2012, converted into Law No. 12,712 of 13 August 2012, authorized the creation of a new agency for the management of funds and guarantees (Agência Brasileira Gestora de Fundos Garantidores e Garantias/ABGF). Law No. 12,712 also allowed the Federal Government to participate in funds designed to guarantee foreign trade operations and large infrastructure projects. When established, the ABGF will centralize the administration of the FGE and other funds, with the aim of realizing economies of scale and increasing efficiency in the concession of guarantees. At the time of writing, no further measures had been taken to establish the ABGF.

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194 Information provided by the Brazilian authorities.
196 Decree No. 7,333 of 19 October 2010.
3.3.6 Export promotion and marketing assistance

3.156. The Brazilian Trade and Investment Promotion Agency (APEX-Brasil), created in 2003 as an autonomous social service supervised by the MDIC, is responsible for coordinating and implementing export promotion policies for Brazilian goods and services, for the internationalization of Brazilian companies, and for attracting foreign direct investment (FDI).\(^{197}\) The agency's top management body, the Deliberative Council, comprises of representatives from the public sector (MDIC, Ministry of External Relations, CAMEX, and BNDES) and the private sector. APEX-Brasil is mandated to focus particularly on activities that may enhance exports of small and medium-size enterprises and create jobs, although it serves companies of all sizes. The agency's strategic objectives are to expand and diversify Brazilian exports, increasing their value added, foster the competitiveness of Brazilian companies by promoting their insertion in the international economy, and to attract FDI. In order to achieve these goals, APEX-Brasil works to increase the participation of Brazilian companies in international value chains, adopts initiatives to foster innovation and design, and encourages business that use "sociobiodiverse" resources. It also works to improve the positioning of Brazilian products worldwide and to attract investment projects that transfer innovative technologies to Brazilian companies. It provides services such as market intelligence, business capacity building, trade and image promotion, development of internationalization strategies, and other specific actions. Trade promotion activities include participation in trade missions, and international trade fairs, and visits of foreign buyers to Brazil.

3.157. APEX-Brasil works in partnership with private-sector associations representing 81 manufacturing, commerce, and services sectors. Sectoral support projects are divided into six broad categories: food and beverages; fashion; machinery and equipment; technology and health care; housing and civil construction; and entertainment services. Support for export promotion is given through the cofinancing of projects for up to 85% of the total value. As of September 2012, APEX-Brasil supported some 12,400 Brazilian companies, which accounted for 15% of total exports, and were destined to 132 markets.\(^{198}\) During 2009-11, APEX-Brasil allocated R$909.64 million to trade and investment promotion activities and R$129.83 million to operational expenses.\(^{199}\)

3.158. Banco do Brasil operates the BrasilWebTrade site to promote Brazilian export companies in foreign markets and facilitate contacts with importers. BrasilWebTrade provides online support to exporters, ranging from the initial contact with potential buyers up to the shipment of goods abroad, including information dissemination, filling in trade documents, payment facilities for the importer, and foreign exchange contracts. Beneficiaries are Brazilian companies of all sizes, with export operations of up to US$50,000 per transaction, and exporting under the modality of simplified foreign exchange.\(^{200}\)

3.159. The Ministry of Foreign Relations operates a trade promotion website called BrazilTradeNet (BTN), which provides a network of trade information aimed at stimulating exports and attracting foreign direct investment. It is used by the Ministry's Department of Trade Promotion and by Brazilian embassies in more than 50 countries. BTN's support focuses on MSMEs, foreign importers and investors, and Brazilian entrepreneurs seeking foreign financial agents.\(^{201}\)

3.160. The Exporters Showcase (Vitrina do Exportador/VE) is a digital platform that utilizes SISCOMEX's data base to promote and disseminate information on Brazilian exports, which may be accessed by potential importers to search for Brazilian companies and products. The VE provides exporters with a virtual showcase service, allowing them to create their own web page, free of charge, to disseminate information on their firms and products.\(^{202}\)

\(^{197}\) APEX was created by Decree No. 4,584 of 5 February 2003 and Law No 10,668 of 14 May 2003.

\(^{198}\) APEX online information. Viewed at: http://www.apexbrasil.com.br/portal/publicacao/engine.wsp?

\(^{199}\) Information provided by APEX-Brasil.

\(^{200}\) For more details see https://trade.bb.com.br.

\(^{201}\) For more details see http://www.braziltradenet.gov.br.

\(^{202}\) For more information see www.vitrinedoexportador.gov.br.
and on instruments, parts, and tools associated with these goods. The amount of the subsidy was proportional to the value of the R&D expenses. The programme was officially terminated in 2006 and no new deductions have been granted since then, but firms with ongoing projects were authorized to continue benefitting from PDTI/PDTA until their completion. The last benefits were disbursed in 2009. Disbursements under the PDTI & PDTA programme in the period 2007-11 totalled R$3.9 million (US$2 million) (Table 3.11).

3.186. The PDP was established by Law No. 11,774/2008 to increase production capacity in the manufacturing sector. Incentives under the PDP consist of: (i) reduction of the indirect taxes PIS and COFINS for imports and acquisitions in the domestic market of goods and equipment, including parts and components, used in construction, conservation, modernization, conversion or repair of vessels registered in the Brazilian Special Register (REB); (ii) income tax postponement, as a result of accelerated depreciation of capital goods used in the manufacturing of vehicles and their parts; as well as of equipment, machinery and devices used in the manufacturing of capital goods. The Ministry of Finance is responsible for inspecting the programme's tax incentives and the Ministry of Defence is responsible for maintaining the REB. Reduction of indirect taxes PIS and COFINS is granted to shipyards that build, conserve, modernize, convert or repair of vessels registered in the REB. The programme has no pre-established termination date.

3.4.2.3 Regional programmes

3.187. At the federal level, Brazil administers a number of regional programmes, consisting mainly of tax benefits for investment in less developed regions, such as the north and north-east. Benefits apply equally to foreign and domestic investors. There are also programmes at the state level, of a general nature or targeting certain industries, which grant ICMS reductions or exemption.

3.4.2.3.1 SUDAM and SUDENE programmes

3.188. The SUDAM and SUDENE programmes grant tax incentives to firms and evaluate and approve projects of interest to the development of the legal Amazon and north-east regions. The programmes have been notified to the WTO as granting subsidies. Their aim is to reduce economic and social imbalances between the Brazilian regions by means of compensatory mechanisms for the development of these regions. Beneficiaries are industrial and agricultural enterprises with undertakings in the Amazon or north-east.

3.189. The programmes and their benefits are regulated by Law No. 9,532/97 and Provisional Measure No. 2,199/01, and Supplementary Law Nos. 124 and 125 of 3 January 2007. The tax reduction benefits granted under these programmes include: (i) a 75% reduction of income tax for industrial or agricultural firms classified as being of interest to regional development, for ten years starting from the year after the enterprise started to operate; (ii) after the ten-year period, income tax reduction for enterprises meeting the conditions of interest to regional development (12.5% from 2009 to 31 December 2013); and (iii) reinvestment of income tax for activities of interest for regional development, requiring firms to deposit 30% of the income tax due, plus 50% of their own resources, on an annual basis, ending on 31 December 2013, in the Banco da Amazônia or in the Banco do Nordeste do Brasil (BNB), to be used in the legal Amazon or north-east regions in activities linked to capacity modernization or expansion. Companies are allowed to submit projects until 31 December 2013. The income tax reduction benefit is terminated after ten years from the date the industry starts operations.

3.190. Accumulated tax exemptions/reductions for both SUDAM and SUDENE programmes for 2007-11 were R$22.97 billion (some US$11.5 billion), up from R$7.06 billion (US$4.25 billion),

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230 The legal Amazon region comprises the states of Amazonas, Roraima, Amapá, Pará, Tocantins, Rondania, Mato Grosso, and part of Maranhão. The north-east area includes Maranhão, Piauí, Ceará, Rio Grande do Norte, Paraíba, Pernambuco, Alagoas, Sergipe, and Bahia, and an area of Minas Gerais included in the so-called "drought polygon" ("polígono das secas").

231 WTO document G/SCM/N/220/BRA, 10 January 2012.

US$52.5 billion. As at late September 2012, the ZFM employed 110,982 persons; it had income totalling US$32.8 billion in 2011.  

Table 3.16 Manaus free-trade zone production, 2007-12

(US$ million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic market</th>
<th></th>
<th></th>
<th></th>
<th>Foreign market</th>
<th></th>
<th></th>
<th></th>
<th>Final balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Exports</td>
<td>Imports</td>
<td>Balance</td>
<td>Exports</td>
<td>Imports</td>
<td>Balance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>24,623.5</td>
<td>6,598.4</td>
<td>18,025.1</td>
<td>1,044.8</td>
<td>6,299.1</td>
<td>-5,254.5</td>
<td>12,770.8</td>
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<td></td>
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<tr>
<td>2008</td>
<td>28,907.2</td>
<td>7,918.1</td>
<td>20,989.1</td>
<td>1,192.0</td>
<td>8,555.3</td>
<td>-7,363.3</td>
<td>13,625.7</td>
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<tr>
<td>2009</td>
<td>29,899.6</td>
<td>5,481.1</td>
<td>19,418.5</td>
<td>857.4</td>
<td>6,344.6</td>
<td>-5,487.2</td>
<td>14,131.3</td>
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</tr>
<tr>
<td>2010</td>
<td>34,180.8</td>
<td>7,222.7</td>
<td>26,958.1</td>
<td>1,037.5</td>
<td>10,181.3</td>
<td>-9,143.8</td>
<td>17,814.3</td>
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<td></td>
</tr>
<tr>
<td>2011</td>
<td>40,411.4</td>
<td>9,048.6</td>
<td>31,362.8</td>
<td>838.7</td>
<td>11,246.4</td>
<td>-10,407.7</td>
<td>20,955.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>27,133.4</td>
<td>5,621.2</td>
<td>21,512.2</td>
<td>619.5</td>
<td>8,370.5</td>
<td>-7,751.0</td>
<td>13,761.1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


3.4.2.5 R&D and other programmes

3.209. The administration of R&D programmes is the responsibility of the Ministry of Science, Technology and Innovation (MCTI). Brazil's policy of fiscal incentives for promoting R&D programmes in Brazilian enterprises is contained mainly in Law No. 8,661 of 2 June 1993 and Decree No. 949 of 5 October 1993. The Financiadora de Estudos e Projetos (FINEP), public enterprise linked to the MCTI created in 1967, is the administrator of the resources of the Scientific and Technological Development Fund (Fundo Nacional de Desenvolvimento Científico e Tecnológico, FNDCT).

3.210. The FINEP grants refundable and non-refundable financing to all stages and dimensions of the scientific and technological development cycle: basic research, applied research, innovation and development of products, and services and processes. The FINEP also supports the development of technology-based companies, the establishment of technological parks, the implementation of research, development, and innovation processes in already established companies, and the development of markets. In addition, from 2012 the FINEP began offering support for the setting up of a first industrial unit, for incorporations, and for mergers and joint ventures.

3.211. Repayable loans are financed with the FINEP's own resources or from transfers from other sources. Non-reimbursable funding is made with funds from the FNDCT, currently formed mainly by sectorial funds for science, technology, and innovation (S, T&I), intended for non-profit institutions, programmes. Financing proposals must be submitted in response to public calls or invitations.

3.212. The sectoral S, T&I funds are an important R&D financing mechanism in Brazil since their establishment in 1999. The income of the funds stems from contributions levied on the exploitation of natural resources, portions of the IPI tax on certain sectors, and of the CIDE applied on remunerations for the use or acquisition of technological knowledge/technology transfer from abroad. There are 16 such funds, each corresponding to a specific area and with its own resources (Table 3.17). The resources allocated to each of the funds are deposited with the FNDCT (with the exception of the Telecommunications Fund) and managed by the FINEP. A regional policy is followed for the allocation of the funds: at least 30% must be invested in the north, north-east, and mid-west regions, and there is a special fund for the Amazon region, targeted at institutions operating in the states of Amazonas, Rondônia, Roraima, and Acre. Resources may not be transferred between funds.

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248 SUFRAMA (2012).
### Table 3.17 Sectoral science, technology, and innovation (S, T&I) funds, 2012

<table>
<thead>
<tr>
<th>Fund/Law</th>
<th>Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petroleum and Natural Gas Fund (CT-PETRO), Law No. 9,479 of 6 August 1997</td>
<td>25% of the share of the value of royalties exceeding 5% of the production of petroleum and natural gas</td>
</tr>
<tr>
<td>Energy Fund (CT-ENERG), Law No. 9,991 of 24 July 2000</td>
<td>0.4% of the net value of the bills issued by concessionaries for the generation and transmission of electricity; 0.3% for distribution</td>
</tr>
<tr>
<td>Hydric Resources Fund (CT-HIDRO), Law No. 9,993 of 24 July 2000</td>
<td>4% of the financial compensation of electricity generation companies</td>
</tr>
<tr>
<td>Land Transport Fund (CT-TRANSPORTES), Law No. 9,992 of 24 July 2000</td>
<td>10% of the receipts obtained by the National Transportation Infrastructure Department stemming from contracts for the use of roads by communications and telecommunications systems</td>
</tr>
<tr>
<td>Mining Fund (CT-MINERAI), Law No. 9,993 of 24 July 2000</td>
<td>2% of the financial compensation of the mining sector</td>
</tr>
<tr>
<td>Spatial Fund (CT-ESPACIAL), Law No. 9,994 of 24 July 2000</td>
<td>25% of revenues of spatial operations</td>
</tr>
<tr>
<td>Telecommunications Technology Development Fund (FUNTEL), Law No. 10,052 of 28 November 2000</td>
<td>0.5% on telecommunications providers bills, and 1% on bills for services provided through telephone links</td>
</tr>
<tr>
<td>Information Technology Fund (CT-INFO), Law No. 10,076 of 11 January 2001</td>
<td>0.5% on Informatics enterprises' bills</td>
</tr>
<tr>
<td>University and Enterprise Fund (CT-VERDE AMARELO), Law Nos. 10,168 and 10,332 of 29 December 2000 and 19 December 2001</td>
<td>50% of the CIDE on remittances abroad of royalties, plus 43% of the IPI on Informatics products</td>
</tr>
<tr>
<td>Infrastructure Fund (CT-INFRA), Law No. 10,197 of 14 February 2001</td>
<td>20% of other funds</td>
</tr>
<tr>
<td>Water Transport and Naval Construction Fund (CT-Aquaviário), Law No. 10,197 of 14 February 2001</td>
<td>3% of the AFRM tax accruing to the Merchant Marine Fund (FFM)</td>
</tr>
<tr>
<td>Amazon Fund (CT-AMAZÔNIA), Law No. 10,367 of 30 December 1991, Law No. 10,417 of 11 January 2001, and Decreto No. 4,401 of 1 October 2002</td>
<td>At least 0.5% of companies operating in the Manaus Free Trade Zone that produce Informatics-related goods and services</td>
</tr>
<tr>
<td>Biotechnology Fund (CT-Biociência), Agrifood Business Fund (CT-AGROECÓGIO), Aeronautical Fund (CT-AERONÁUTICO), Health Fund (CT-SAÚDE), Law No. 10,332 of 29 December 2001</td>
<td>17.5% of proceeds collected by the CIDE (section (2)(v)) to be devoted to the Agri-business fund; 17.5% to the Health Fund; 7.5% to the Biotechnology Fund; and 7.5% to the Aeronautical Fund</td>
</tr>
</tbody>
</table>


3.213. One of the FINEP’s most important reimbursable financing programmes is the INOVA Brasil Programme (Programa de Incentivo à Inovação nas Empresas Brasileiras), which aims to support strategic investments by Brazilian companies in innovation. Its guidelines are in the Plano Brasil Maior and are the following: (i) increased national and international competitiveness; (ii) increased R&D activities carried out in the country with investments consistent with the technological dynamics of the sectors in which they operate; and (iii) innovation with regional relevance or inserted in MCTI’s programme objectives. Beneficiaries are domestic companies under domestic capital control and those under foreign capital control whose activities are specified in Decree No. 2,233 of 23 May 1997 and its amendments.250

3.214. The INOVA Brasil programme is managed through three "action lines" in accordance with the FINEP’s new operational policy for 2012-14: (a) Pioneer Innovation (Inovação Pioneira), aimed at supporting the technology development cycle, from basic research to the development of markets for innovative products, processes, and services, being essential that the end result is, at least, an innovation for the domestic market; (b) Continuous Innovation (Inovação Contínua), which grants support to companies wishing to implement R&D activities or continuous R&D investment

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250 Decree No. 2,233 of 23 May 1997 defines industries and services that are considered of national interest. They include the following public infrastructure services: (a) exploitation of energy sources, generation, transmission, and distribution of energy of any kind; (b) any kind of telephony services; (c) ports and transport systems, including cargo and passengers; and (d) environmental sanitation. They also include industrial complexes in the following areas: (a) chemical-petrochemical (basic chemical industries, petrochemicals, fine chemicals, and fertilizers); (b) mineral and metallurgical; (c) automotive and auto spare parts; (d) agri-industrial and forestry (agricultural products, food, beverages and wood panels, pulp and paper); (e) capital goods (equipment and components industries); and (f) electronics (electronic components industry, consumer electronic industries, information technology, telecommunication and automation).
4.63. In May 2008, the Government adopted the Productive Development Policy (PDP) as a framework policy for the manufacturing sector. The PDP established four macroeconomic targets to be met by 2010: to increase the participation of fixed investment in GDP from 17.4% (in 2007) to 21%; to increase Brazil's share in world exports from 1.18% to 1.25%; to raise corporate spending in R&D from 0.51% to 0.65% of GDP; and to increase by 10% the number of small and medium enterprises engaged in exports. In order to achieve these goals, the Government implemented a wide range of measures, including fiscal incentives, the provision of credit, the simplification of customs procedures, and technical assistance to export companies.66

4.64. The Government notes that the PDP was launched during favourable economic conditions, both domestically and abroad. However, due to the negative effects of the economic crisis, only one of the PDP goals was met by 2010 (Brazil's participation in world exports). Nevertheless, in the Government's evaluation, the PDP was essential to increase the resilience of Brazilian industry in a period of crisis and intense market competition.67

4.65. In August 2011, as a response to the continued effects of the economic crisis and the growing trade deficit in the manufacturing sector, the Government launched the Plano Brasil Maior, with the goal of sustaining growth in the face of an adverse global context. The Plan is more comprehensive than its predecessor (the PDP), having set ten targets to be met by 2014.68 The following priorities have been established under the Brasil Maior: to build and strengthen competencies in the national economy; to enhance productivity and technology density within value chains; to expand domestic and external markets for Brazilian companies; and to ensure socially inclusive and environmentally sustainable growth.69

4.66. The Plano Brasil Maior comprises a wide range of measures, some of which may have an effect on trade. For instance, in procurement policy, the Government introduced preferential margins of up to 25% for certain domestic goods and services, including several manufactured products (Chapter 3.4.4). Other measures include border measures, provision of credit at attractive conditions, and fiscal incentives.

4.67. Many of the measures announced under Plano Brasil Maior were designed to support sectors suffering from a loss of competitiveness. The INOVAR-AUTO programme, effective from 2013, seeks to promote technological development in the Brazilian automotive industry, which faced intense competition during the review period, both in domestic and international markets. Between 2007 and 2012, imports of automotive products grew 131%, while Brazilian exports increased by around 5%. As a result, Brazil's trade balance in automotive products reached a deficit of US$10.4 billion in 2012, down from a surplus of US$4.8 billion in 2007.70

4.68. Under plan, the Government has adopted significant fiscal incentives to help the domestic auto industry recover from the effects of the global crisis. In December 2011, it increased the IPI tax on automotive products (48 tariff lines) to between 30% and 55%, and simultaneously granted a 30% IPI reduction to products originating in Brazil and in some of its preferential trade partners (MERCOSUR and Mexico). To benefit from these tax breaks, companies had to prove more than 65% of regional content. In addition, they had to invest in R&D and perform a minimum number of production steps in Brazil. These tax breaks were effective until 31 December 2012.71

4.69. From 1 January 2013, the automotive sector's fiscal regime was superseded by the INOVAR-AUTO programme, established by Law No. 12,715 of 7 September 2012; the previous tax breaks no longer apply. Companies eligible for the programme may benefit from an IPI tax

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68 The Plano Brasil Maior set targets on: fixed capital formation; Brazilian participation in world exports; spending on R&D; number of exporting companies; educational level of industrial workers; national value-added in manufacturing (value-added/turnover ratio); proportion of knowledge-intensive manufacturing in total industrial production (value added of high-tech manufacturing/total manufacturing value added); energy intensity; ratio of value-added in gross turnover of energy goods manufacturing; and household access to broadband Internet connection.
70 WTO Secretariat, based on UNSD Comtrade database.
71 Decree No. 7,567 of 15 September 2011, as amended by Decree No. 7,604 of 10 November 2011.
4.74. As of late November 2012, six companies had been accepted into the INOVAR-AUTO. The programme will be in force until 31 December 2017.

4.75. In addition to automotive products, the Government has announced tax incentives to Brazilian manufacturers of a wide range of manufactured goods under the Plano Brasil Maior. The fiscal measures include IPI tax reductions on several consumer and capital goods and the substitution of employers' social security contributions by a (lower) tax applied to corporate revenues, which will benefit 31 industrial segments. The total value of tax reductions to be granted under the plan is estimated at R$44.2 billion in 2012, R$46.1 billion in 2013, and R$46.2 billion in 2014, mainly to the manufacturing sector.

4.76. The Plano Brasil Maior has also amplified a number of programmes aimed at providing support to producers and exporters of manufactured products. The BNDES Programme for the Sustainability of Investment (PSI) was extended until 31 December 2012 and its budget was increased to R$227 billion. The PSI finances the production, acquisition, and export of capital goods through four different subprogrammes (Capital Goods, Innovation, Export Pre-shipment, and Knowledge-intensive Projects). The BNDES' PROGEREN, a programme to finance working capital for companies in a wide range of sectors, was expanded to include producers of automobile parts, furniture, and wood articles. The PROGEREN had resources of up to R$14 billion until 31 December 2012, when it was due to be terminated. The termination date was later rescheduled to 31 March 2013. The BNDES' REVITALIZA, providing credit to sectors negatively affected by the appreciation of the real, was widened to support some 19 industrial segments. The programme, with a total budget of R$6.7 billion, is scheduled to be in force until 31 December 2013.

4.77. Brazilian exporters of manufactured products are eligible for a number of export finance programmes run by Banco do Brasil (PROEX) and the BNDES (EXIM, REVITALIZE EXPORTS) (Chapter 3.3.5).

4.78. The average MFN applied tariff for manufacturing products (ISIC definition) was 12.0% in 2012, up from 11.8% in 2008. A considerable proportion of the 100 tariff lines whose applied rates were increased in 2012 are manufactured goods. Clothing, textiles, and transport equipment benefit from the highest tariff protection among WTO categories of products, with average MFN applied tariffs of 35.0%, 22.7%, and 18.8%, respectively. Besides tariff hikes, the Government has taken a number of border measures to boost the domestic manufacturing industry under the Plano Brasil Maior, such as increasing the number of manufactured products that require non-automatic import licensing, and strengthening trade defence mechanisms (Chapter 3.2).

4.79. In addition to the measures launched under the PDP and the Plano Brasil Maior, manufacturing benefits from a wide range of support initiatives granted at the federal and sub-federal levels. These include: fiscal incentives granted to manufacturers established in the Manaus Free Trade Zone (ZFM); the Programme of Support to the Technological Development of the Semiconductors Industry (PADIS), which provides tax incentives to IT companies that invest at least 5% of domestic revenues in R&D; and the BNDES PROFARMA, which finances the pharmaceutical sector. Some support programmes are linked to Basic Productive Process (PPB)

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79 Law No. 12,712 of 30 August 2012.
81 The BNDES REVITALIZA supports manufacturers of: textiles; clothing; leather articles; shoes; wood products; wood, cork and plating material; fertilizers and pesticides; ceramics; electronic equipment; IT equipment; medical materials; batteries for vehicles; automotive parts; furniture; and toys.
Exhibit CVD - BR - 2
Plano Brasil Maior
2011/2014

Innovate to compete. Compete to grow.
Summary

Focus and Priorities

- Context
- Dimensions of *Plano Brasil Maior*
- Governance
- Main Actions
- Strategic Objectives and Targets
Focus

Innovation and technological development

Priorities

To build and strengthen critical competencies in the national economy
To enhance productivity and technology density within value chains
To expand the domestic and external markets of Brazilian companies
To ensure socially inclusive and environmentally sustainable growth
Summary

Focus and Priorities

Context
Dimensions of Plano Brasil Maior
Governance
Main Actions
Strategic Objectives and Targets
A large and dynamic domestic market able to sustain growth even in the context of economic crisis in developed countries

Favorable conditions in commodity markets that enable to sustain trade surplus

Existence of a group of innovative companies capable of leading a manufacturing modernization process

Accumulation of scientific competencies with potential to develop products and services with high technological content

Abundance of natural resources, technological mastery, and entrepreneurial capacity in renewable energies and in the oil and gas chains

Use of public procurement and large sporting events to leverage new businesses and technologies
Context

Challenges

To strengthen the technological upgrading of the Brazilian manufacturing industry
To deal with the effects of both the currency appreciation and the uncertainties of the international environment
To face growing international competition in the domestic and international markets
To accelerate investment in physical infrastructure
To improve basic education and to promote professional qualification at technical and university levels, particularly in engineering-related areas
Focus and Priorities
Context
Dimensions of *Plano Brasil Maior*
Governance
Main Actions
Strategic Objectives and Targets
Dimensions of *Plano Brasil Maior*

**Structural Dimension:** sectoral guidelines

- Strengthening Production Chains
- New Technological and Business Competencies
- Energy Supply Chain
- Diversification of Exports and Internationalization
- Competence in the Natural Knowledge Economy

**Systemic Dimension:** cross-sectional topics

- Foreign Trade
- Investment
- Innovation
- Professional Education and Qualification
- Sustainable Production
- Competitiveness of Small Businesses
- Regional Industrial Development
- Consumer Welfare
- Labor relations and working conditions

**Sector Organization**

- Mechanics, Electro-electronics and Health Systems
- Scale Intensive Systems
- Labor Intensive Systems
- Agribusiness
- Trade, Logistics and Services
Dimensions of *Plano Brasil Maior*

**Structural Dimension**

**Guidelines for Sectoral Programs**

To strengthen production chains

To enhance and build new technological and business competencies

To develop energy supply chains

To diversify exports (markets and products) and promote both the internationalization of Brazilian companies and R&D of foreign companies

To consolidate competencies in the natural knowledge economy
Dimensions of *Plano Brasil Maior*

**Systemic Dimension**

Priority Topics for cross-sectional actions

- Foreign Trade
- Incentive for Investment
- Incentive for Innovation
- Professional Education and Qualification
- Sustainable Production
- Competitiveness of Small Businesses
- Regional Industrial Development
- Consumer Welfare
Focus and Priorities
Context
Dimensions of Plano Brasil Maior
Governance
Main Actions
Strategic Objectives and Targets
## Executive Committees and Sectoral Competitiveness Councils

### Group I
- Oil & Gas and Shipbuilding
  - Health Complex
  - Automotive
  - Defense Complex, Aeronautics and Space
  - Capital Goods
  - ICT and Electrical-electronics
- Chemicals
  - Renewable Energies
  - Mining
  - Metallurgy
  - Cellulose and Pulp
  - Personal Hygiene, Perfumery and Cosmetics

### Group IV
- Footwear, Textile, Apparel, Gems and Jewelry
- Furniture
- Civil Construction Complex
- Agribusiness

### Group V
- Retail and Wholesale Services
- Logistics Services
Focus and Priorities

Context

Dimensions of *Plano Brasil Maior*

Governance

**Main Actions**

Strategic Objectives and Targets
Incentive for Investment and Innovation
- Tax Relief
- Financing for Investment and Innovation
- Legal Framework of Innovation

Foreign Trade
- Tax Relief on Exports
- Trade Remedies
- Financing and Guarantee for Exports
- Trade Promotion
Main Actions

Industry and Domestic Market Defense

- Tax Exemption on Payroll
- Special Automotive Regime
- Government Procurement
- Harmonization of Funding Policies
Summary

Focus and Priorities
Context
Dimensions of *Plano Brasil Maior*
Governance
Main Actions
**Strategic Objectives and Targets**
### Strategic Objectives

<table>
<thead>
<tr>
<th>Sustainable Development</th>
<th>Innovate and invest to increase competitiveness, support growth and improve the quality of life</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market Expansion</strong></td>
<td>Diversify exports and promote the internationalization of Brazilian companies</td>
</tr>
<tr>
<td></td>
<td>Increase Brazilian share in energy technology, goods and services markets</td>
</tr>
<tr>
<td></td>
<td>Expand access to goods and services by the population</td>
</tr>
<tr>
<td><strong>Productive and Technological Enhancement of Value Chains</strong></td>
<td>Increase national value added</td>
</tr>
<tr>
<td></td>
<td>Increase participation of knowledge intensive sectors in GDP</td>
</tr>
<tr>
<td></td>
<td>Strengthen micro, small and medium-sized companies</td>
</tr>
<tr>
<td></td>
<td>Produce in a cleaner way</td>
</tr>
<tr>
<td><strong>Building and strengthening Critical Competencies</strong></td>
<td>Increase fixed investment</td>
</tr>
<tr>
<td></td>
<td>Increase corporate spending on R&amp;D</td>
</tr>
<tr>
<td></td>
<td>Increase HR qualification</td>
</tr>
</tbody>
</table>
Targets and Indicators

To increase fixed investment by % of GDP
   Base Position (2010): 18.4%
   Target: 22.4%
To increase corporate spending on R&D by % of GDP
   Base Position (2010): 0.59%
   Target: 0.90% (based on the National Strategy for Science and Technology)
To increase human resource qualification: % of industry workers with at least secondary education
   Base Position (2010): 53.7%
   Target: 65%
To increase value added in manufacturing: increase the value added/turnover ration (VIT/GVP)
   Base Position (2009): 44.3%
   Target: 45.3%
To increase % of knowledge intensive manufacturing: value added of high-tech manufacturing/total manufacturing value added

Base Position (2009): 30.1%
Target: 31.5%

To strengthen small and medium-sized enterprises: increase the number of innovative SMEs by 50%

Base Position (2008): 37,100
Target: 58,000

To promote clean production: reduce energy consumption per unit of industrial GDP (energy consumption in ton of oil equivalent – toe per unit of industrial GDP)

Base Position (2010): 150.7 ton/ R$ million
Target: 137.0 ton/ R$ million (estimate at 2010 prices)

To diversify Brazilian exports by increasing the country’s share in international trade

Base Position (2010): 1.36%
Target: 1.6%
To develop the national energy markets: increase the ratio of value added/gross turnover of energy-goods manufacturing

Base Position (2009): 64.0%
Target: 66.0%

To increase access to goods and services for improving quality of life: increase the number of urban households with broadband access (National Broad Band Plan)

Base Position (2010): 13.8 million
Target: 40 million households
BRASIL MAIOR

Innovate to compete. Compete to grow.

Ministry of Development, Industry and Foreign Trade
Exhibit CVD - BR - 3
DATE: November 28, 2017

MEMORANDUM TO: Gary Taverman
Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations, performing the non-exclusive functions and duties of the Assistant Secretary for Enforcement and Compliance

FROM: P. Lee Smith
Deputy Assistant Secretary for Policy and Negotiations

SUBJECT: Initiation of the Antidumping Duty Investigation of Common Alloy Aluminum Sheet from the People's Republic of China

SUMMARY

On the basis of information available to the Department of Commerce (the Department), we recommend initiating an antidumping duty (AD) investigation, under section 732(a) of the Tariff Act of 1930, as amended (the Act), to determine whether common alloy aluminum sheet (common alloy sheet) from the People's Republic of China (PRC) is being, or is likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act.

Information available indicates that imports of common alloy sheet from the PRC are being, or are likely to be, sold in the United States at less-than-fair value. The Department also has information that the U.S. industry producing common alloy sheet may be materially injured, or may be threatened with material injury, by reason of such imports from the PRC within the meaning of section 731(2) of the Act.

POTENTIAL RESPONSIDENTS:

A list of the known producers/exporters of common alloy sheet in the PRC can be found in Exhibit 1A, at Attachment 5.¹

SCOPE: See Exhibit 1A, at Attachment 1 – Scope of the Investigation, to this memorandum.

¹ See Exhibit 1A, at Attachment 5; additionally, a list of known U.S. importers of common alloy sheet can be found in Exhibit 1A, at Attachment 4.
IMPORT STATISTICS:

<table>
<thead>
<tr>
<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Quantity (pounds)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PRC</td>
<td>417,483,936</td>
<td>592,984,673</td>
<td>606,533,743</td>
<td>458,680,392</td>
<td>615,271,342</td>
</tr>
<tr>
<td>Value (USD)</td>
<td>$488,753,380</td>
<td>$683,988,553</td>
<td>$603,560,933</td>
<td>$451,527,819</td>
<td>$687,206,700</td>
</tr>
</tbody>
</table>

Source: Global Trade Atlas, available at http://www.gtis.com. We obtained the volume (converted from kilograms to pounds) and the customs value for imports of common alloy sheet using the Harmonized Tariff Schedule of the United States (HTSUS) subheadings 7606.11.3060, 7606.11.6000, 7606.12.3090, 7606.12.6000, 7606.91.3090, 7606.91.6080, 7606.92.3090, and 7606.92.6080.

ANTIDUMPING DUTY INFORMATION:

Pursuant to 19 CFR 351.204(b)(1), the proposed period of investigation (POI) is April 1, 2017 through September 30, 2017.

U.S. Price

The Department calculated two export prices (EP) based on (1) the average unit value (AUV) of combined imports of common alloy sheet under the relevant HTSUS subheadings for this product (7606.11.3060, 7606.11.6000, 7606.12.3090, 7606.12.6000, 7606.91.3090, 7606.91.6080, 7606.92.3090, and 7606.92.6080) from the PRC during the POI; and (2) the AUV of imports of common alloy sheet under HTSUS subheading 7606.12.3090 from the PRC during the POI.\(^2\) We obtained the data to calculate the AUVs from Global Trade Atlas (GTA). We determined a separate EP for imports under HTSUS subheading 7606.12.3090 because imports under this subheading accounted for over 90 percent of total imports of subject merchandise. These AUVs provide a reliable basis to determine U.S. price because, based on information obtained from the [ ], over 90 percent of imports under these HTSUS numbers are of subject merchandise as defined in the proposed scope of the investigations.\(^3\) Because the AUVs are based on customs value (i.e., this value represents the price of the imports without the costs of U.S. import duties, ocean freight, insurance, and other charges incurred in bringing the merchandise to the United States), to obtain ex-factory U.S. prices, the Department made adjustments for foreign inland freight to the port in

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\(^2\) See Exhibits 3 and 16; see also Carbon and Alloy Steel Wire Rod From Belarus, Italy, the Republic of Korea, the Russian Federation, South Africa, Spain, the Republic of Turkey, Ukraine, United Arab Emirates, and United Kingdom: Initiation of Less-Than-Fair-Value Investigations, 82 FR 19207 (April 26, 2017) (Wire Rod) (used a single HTSUS category to calculate an AUV); see also Certain Cold-Rolled Steel Flat Products From Brazil, the People's Republic of China, India, Japan, the Republic of Korea, the Netherlands, the Russian Federation, and the United Kingdom: Initiation of Less-Than-Fair-Value Investigations, 80 FR 51198 (August 24, 2015) (Cold Rolled Steel) (averaged multiple HTSUS categories to calculate an AUV).

\(^3\) See Exhibit 2, at Attachment 2.
### Supporting Exhibits:

<table>
<thead>
<tr>
<th>Exhibit No.</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exhibit 1A</strong></td>
<td>Information from the Domestic Industry: General Issues</td>
</tr>
<tr>
<td>Attachment 1 - Scope Definition</td>
<td></td>
</tr>
<tr>
<td>Attachment 2 - Domestic Like Product Narrative</td>
<td></td>
</tr>
<tr>
<td>Attachment 3 - List of U.S. Producers</td>
<td></td>
</tr>
<tr>
<td>Attachment 4 - List of U.S. Importers</td>
<td></td>
</tr>
<tr>
<td>Attachment 5 - List of Foreign Producers &amp; Exporters</td>
<td></td>
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<tr>
<td>Attachment 6 - Domestic Producers’ Trade and Financial Data</td>
<td></td>
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<tr>
<td>Attachment 7 - List of Proposed Pricing Products</td>
<td></td>
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<tr>
<td>Attachment 8 - Responses to Lost Sales/Lost Revenue Questionnaire</td>
<td></td>
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<tr>
<td>Attachment 9 - Injury Narrative</td>
<td></td>
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<tr>
<td><strong>Exhibit 1B</strong></td>
<td>Information from Domestic Industry: General Issues Update</td>
</tr>
<tr>
<td>Updated Domestic Producers’ Trade and Financial Data</td>
<td></td>
</tr>
<tr>
<td><strong>Exhibit 2</strong></td>
<td>Information from the Domestic Industry: Dumping</td>
</tr>
<tr>
<td>Attachment 1 - Domestic Producers’ Factors of Production and Usage Rates for Common Alloy Sheet</td>
<td></td>
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Aluminum: Competitive Conditions Affecting the U.S. Industry

June 2017
Publication Number: 4703
Investigation Number: 332-557

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This report was prepared principally by

Co-Project Leaders
Karl Tsuji, karl.tsuji@usitc.gov
Mihir Torsekar, mihir.torsekar@usitc.gov

Office of Industries
Renee Berry, Mark Brininstool, Logan Cobb, Brian Daigle, Andrew David, Diana Friedman, David Guberman, Vincent Honnold, Mahnaz Khan, Gregory LaRocca, Kathryn Lundquist, Daniel Matthews, Deborah McNay, Jessica Pugliese, Mitchell Semanik, and Marin Weaver

Office of Economics
Andre Barbe, Alan Fox, and Ravinder Ubee

Office of Analysis and Research
Robert Bauchspies, Maureen Letostak, David Lundy, Laura Thayn, and Wendy Willis

Office of Tariff Affairs and Trade Agreements
Janet Freas

Office of the General Counsel
William Gearhart

Content Reviewers
John Fry and Wen Jin Yuan

Statistical Reviewer
Jeremy Wise

Editorial Reviewer
Judy Edelhoff and Peg Hausman

Administrative Support
Jaime Bruckman, Cynthia Payne, Monica Sanders, and Blair Williams

Special Assistance
Robert Feinberg

Interns
Jared Angle, Renato Barredo, Robert Casanova, Sharifa Crawford, Pamela Davis, Celia Feldpausch, Maeryn Goldman, Fernando Gracia, Matthew Hoff, Christopher Mitchell, KaDeandra McNealy, Thomas Ponikowski, Mary Roop, and Amanda Ryan

Office of the Chief Information Officer
Phyllis Boone and Shala Ewing

Help Desk and Customer Service Division

Under the direction of
Robert Carr, Chief
Natural Resources and Energy Division
Office of Industries
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Appendix I
Aluminum Technical Background
Aluminum Technical Background

Included in this appendix are more technical details about the raw materials, electrolytic smelting process, unwrought aluminum products, aluminum alloy compositions, wrought processes, and pricing, as background information for the text in chapter 1, “Aluminum Overview.”

Primary Unwrought Aluminum

The primary unwrought aluminum smelting process originates with the mining of bauxite, the principal type of aluminum ore (figure I.1a). The United States, having limited bauxite resources, is entirely dependent on imports to meet its domestic consumption needs. Alumina, an aluminum oxide (figure I.1b), is refined from bauxite ore by the multistep Bayer process that filters out the clay minerals and iron oxides (as an alkaline slurry of “red mud”) and chemically converts the aluminum-bearing minerals into pure aluminum oxide. Roughly 4–5 metric tons (mt) of bauxite are refined into the 2 mt of alumina required for electrolytic smelting into 1 mt of aluminum metal. The alumina-refining process accounts for roughly one-third of the cost to produce primary unwrought aluminum.

Figure I.1: Bauxite ore and refined alumina, the raw materials for primary aluminum smelting

I.1a: Bauxite (close-up of the nodular texture)  I.1b: Alumina

Sources: Figure I.1a. Bauxite (photo from Queensland Resources Council, 2011, for Oresome Resources). Figure I.1b. Alumina powder (Al2O3) (photo from Reade International Corp.).

1143 Bauxite is a brittle, massive rock, with a nodular texture, containing hydrous aluminum oxides (böhmite and diasporic) and aluminum hydroxide (gibbsite) minerals mixed with clay minerals and iron oxides. Typically, bauxite occurs in near-surface deposits located in tropical and subtropical regions of the world. Aluminum Association, “Bauxite,” 2016; IAI, “Mining Process,” 2016.
1144 Australia is the world’s leading bauxite producer, followed by China, Brazil, India, Malaysia, Guinea, and Jamaica. Together these countries recorded nearly nine-tenths (89 percent) of bauxite mine output worldwide in 2015. Bray, “Bauxite and Alumina,” January 2016, 32–33.
Primary aluminum producers use the Hall-Héroult electrolytic process to smelt alumina into molten aluminum (figure 1.2), which then can be cast into various primary unwrought products. The smelting process starts by dissolving alumina in a bath of molten cryolite (sodium aluminum hexafluoride) in pots ("electrolytic cells") connected in a potline ("series"). Each cell is lined with baked carbon (consisting of petroleum coke with pitch as a binder) to form a negative electrode (cathode), while carbon blocks lowered into the cell bath serve as the positive electrode (anode). An electric current passing from the anode, through the cryolite solution, to the cathode disassociates the alumina into molten aluminum and oxygen. The molten aluminum formed at the cathode then sinks to the bottom of the pot. Oxygen forming at the anodes reacts with the carbon, releasing carbon dioxide as a byproduct. The anodes gradually burn away and periodically must be replaced.

**Figure 1.2: The Hall-Héroult primary aluminum smelting process**

![Flowchart diagram of the Hall-Héroult smelting process](source_image_url)

Source: Aluminum smelting (flowchart illustration from Australian Aluminium Council).

Molten aluminum is then removed from the pots through the process of tapping, and transported to a casthouse. At the casthouse, the molten aluminum is typically alloyed with other nonferrous metals, then poured into molds to solidify into unwrought forms (figure 1.2). Carbon-block anodes are formed by two different technologies: prebake and Söderberg cells. In the prebake technology, the petroleum coke and pitch mixture ("green paste") is shaped, either in a press or with a vibrocompactor. It is then baked in a furnace to form a solid carbon block. Next, a steel rod with multiple prongs is inserted into the carbon block, which serves as a conduit for the electric current to reach the carbon block during the electrolytic smelting process. Prebake pots contain multiple carbon blocks that require periodic replacement as they are consumed. By contrast, Söderberg cells consist of a single large anode housed in a large steel container. Unlike in the prebake technology, the green paste is baked as it moves from the top to the bottom of the Söderberg cell. Söderberg anodes are considered a less efficient technology than prebake cells, with higher emission rates and lower energy-efficiency levels. Some producers have improved the Söderberg technology to reduce emissions and increase production efficiency. Aluminum-production.com, “The Aluminum Smelting Process: Prebake and Soderberg,” 2009; UC Rusal, “Clean Soederberg,” 2017.

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1148 See figure 1.2.
1149 Carbon-block anodes are formed by two different technologies: prebake and Söderberg cells. In the prebake technology, the petroleum coke and pitch mixture ("green paste") is shaped, either in a press or with a vibrocompactor. It is then baked in a furnace to form a solid carbon block. Next, a steel rod with multiple prongs is inserted into the carbon block, which serves as a conduit for the electric current to reach the carbon block during the electrolytic smelting process. Prebake pots contain multiple carbon blocks that require periodic replacement as they are consumed. By contrast, Söderberg cells consist of a single large anode housed in a large steel container. Unlike in the prebake technology, the green paste is baked as it moves from the top to the bottom of the Söderberg cell. Söderberg anodes are considered a less efficient technology than prebake cells, with higher emission rates and lower energy-efficiency levels. Some producers have improved the Söderberg technology to reduce emissions and increase production efficiency. Aluminum-production.com, “The Aluminum Smelting Process: Prebake and Soderberg,” 2009; UC Rusal, “Clean Soederberg,” 2017.

I.3). Any product resulting from the casting process is considered primary unwrought aluminum so long as it does not receive any further heat treatment or cold working.\footnote{A cast product that receives heat treatment or cold working is classified as a wrought aluminum product because there is value added to the product.} Alternately, molten aluminum removed from the pots can be poured into refractory-lined steel crucibles for transport, typically by road, to customers. Transport crucibles have holding capacity ranging from less than 1 mt to several mt of molten aluminum.\footnote{The crucible is filled by pouring molten aluminum into the fill port of the crucible cover. Tapping ports at the bottom or a pour spout near the top facilitate removal of the molten aluminum from the crucible. To secure it during transport, the crucible’s base is fitted with lug plates that match and lock onto the lugs protruding from the bed or frame of the trailer. For more information about molten aluminum transport crucibles, see e.g.: Bartz Maschinenbau GmbH, “Transport Crucibles,” n.d. \textit{http://en.maschinenbau-bartz.de/transportbehaelter.html?&L=1}; Mansell and Associates LLC, “Molten Metal Transfer Crucibles,” n.d. \textit{http://mansellandassociates.net/HotMetalPotTransferCrucibles.html}; Techni-Term, “Crucibles for Road Transport of Liquid Aluminum,” n.d. \textit{http://www.techniterm.cinf/en-us/1-5-article_en-us_9.htm} (all accessed June 14, 2017).}

**Figure I.3:** Forms of unwrought aluminum products

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<tbody>
<tr>
<td>I.3a</td>
<td>Ingots</td>
</tr>
<tr>
<td>I.3b</td>
<td>Billets</td>
</tr>
<tr>
<td>I.3c</td>
<td>Slabs</td>
</tr>
<tr>
<td>I.3d</td>
<td>Wire rod</td>
</tr>
</tbody>
</table>

Sources: Figure I.3a. Aluminum ingots (photo from Maha Uthai Eneray Co. Ltd., "Active Sellers: Available Aluminum Ingots 99.7% & 99.9% Sell Offer"). Figure I.3b. Aluminum billets (photo from Star Exports). Figure I.3c. Aluminum slabs (photo from Hill Allied Overseas, "Primary Aluminum (LME Registered), Aluminum Slab"). Figure I.3d. Aluminum wire rod (photo from Donmetindustry).
Appendix I: Aluminum Technical Background

**Alloyed and Unalloyed Aluminum**

Depending on the final end-use requirements, aluminum is often alloyed with other nonferrous metals to elicit certain characteristics, such as improved strength, corrosion resistance, electrical and thermal conductivity, malleability, and other physical properties (table I.1). The alloying metals are mixed into the molten aluminum during both the primary and secondary unwrought production processes; the molten aluminum is then cast into various unwrought products. The main alloying metals in 2xxx, 7xxx, and 8xxx series alloys are respectively copper, zinc, and elements such as lithium and titanium, and these metals are used to produce certain aerospace components that require higher strength and low density. However, for products that require different qualities such as formability and corrosion resistance, producers may use a 1xxx series alloy, which is considered commercially pure aluminum, or a 3xxx series alloy, where the main alloying metal is manganese. Products that use 1xxx series alloys include food packaging trays and radiator tubing, while products that use 3xxx series alloys include beverage cans and certain home appliances.

Aluminum alloys are further distinguished by how they can be strengthened and hardened—either by heat-treating and precipitation-hardening (aging) or by cold-working. Heat-treatable alloys (series 2xxx, 6xxx, and 7xxx) are heated and then rapidly cooled to improve hardening. By contrast, non-heat-treatable alloys (series 1xxx, 3xxx, 4xxx, and 5xxx) are cold-worked by various mechanical processes, such as rolling or forging, to induce strain hardening of the metal.

<table>
<thead>
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<th>Properties</th>
<th>Major end uses</th>
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<tbody>
<tr>
<td>1xxx</td>
<td>Pure aluminum (Al)</td>
<td>Commericially pure (containing 99 percent or more Al by weight)</td>
<td>Aircraft frames, fuel filters, electrical-power grid lines, radiator tubing, lighting reflectors, decorative components, food packaging trays</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Non-heat-treatable</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Low strength, excellent formability, high thermal and electrical conductivity, high corrosion resistance, highly reflective</td>
<td></td>
</tr>
<tr>
<td>2xxx</td>
<td>Copper (Cu)</td>
<td>Heat-treatable</td>
<td>Aircraft skin, aircraft fittings and wheels, ballistic armor, forged machine components</td>
</tr>
<tr>
<td></td>
<td></td>
<td>High strength, low corrosion resistance, good elevated temperature strength</td>
<td></td>
</tr>
<tr>
<td>3xxx</td>
<td>Manganese (Mn)</td>
<td>Non-heat-treatable</td>
<td>Storage tanks, beverage cans, home appliances, heat exchangers, pressure</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Medium strength, good formability,</td>
<td></td>
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<th>Properties</th>
<th>Major end uses</th>
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<td>4xxx</td>
<td>Silicon (Si)</td>
<td>good corrosion resistance</td>
<td>vessels, siding, gutters</td>
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<td></td>
<td>Non-heat-treatable</td>
<td>High castability, high machinability, high fluidity, low ductility, lower melting temperature</td>
<td>Welding wire, brazing alloys, and filler metal especially for structural and automotive applications</td>
</tr>
<tr>
<td>5xxx</td>
<td>Magnesium (Mg)</td>
<td>Non-heat-treatable</td>
<td>Interior automotive, appliance trim, pressure vessels, armor plate, marine and cryogenic components</td>
</tr>
<tr>
<td></td>
<td>Medium to high strength, good formability, excellent marine corrosion resistance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6xxx</td>
<td>Magnesium (Mg) and silicon (Si)</td>
<td>Heat-treatable</td>
<td>Exterior automotive, automotive profiles, railcars, tubing, marine vessel frames, screw stock, doors and windows</td>
</tr>
<tr>
<td></td>
<td>Medium-high strength, good corrosion resistance, easily extruded</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7xxx</td>
<td>Zinc (Zn)</td>
<td>Heat-treatable</td>
<td>Aircraft, truck trailers, railcars, armor plate, ski poles, tennis rackets</td>
</tr>
<tr>
<td></td>
<td>Very high strength, poor corrosion resistance, prone to stress corrosion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8xxx</td>
<td>Other elements, including lithium (Li), nickel (Ni), tin (Sn), and titanium (Ti)</td>
<td>Heat-treatable (Al-Li alloys)</td>
<td>Aircraft and aerospace structures, foil, heat exchangers (air conditioning)</td>
</tr>
<tr>
<td></td>
<td>Very high strength, low density</td>
<td></td>
<td></td>
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* There are three-digit series for various cast aluminum alloys, but aluminum foundry and die-casting products are not included in this investigation.

**Wrought Aluminum**

The wrought aluminum products shown in figure 1.4 are formed by various mechanical working processes describe below.
Exhibit CVD - BR - 4
Common Alloy Aluminum Sheet from China

Investigation Nos. 701-TA-591 and 731-TA-1399 (Final)

Publication 4861    January 2019

U.S. International Trade Commission

Washington, DC 20436
U.S. International Trade Commission

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Julie Duffy, Investigator
Daniel Matthews, Industry Analyst
Emily Burke, Economist
David Boyland, Accountant
Lita David-Harris, Statistician
David Goldfine, Attorney
Douglas Corkran, Supervisory Investigator

Address all communications to
Secretary to the Commission
United States International Trade Commission
Washington, DC 20436
Common Alloy Aluminum Sheet from China

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Note.—Information that would reveal confidential operations of individual concerns may not be published. Such information is identified by brackets or by parallel lines in confidential reports and is deleted and replaced with asterisks in public reports.
UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation Nos. 701-TA-591 and 731-TA-1399 (Final)

Common Alloy Aluminum Sheet from China

DETERMINATIONS

On the basis of the record developed in the subject investigations, the United States International Trade Commission ("Commission") determines, pursuant to the Tariff Act of 1930 ("the Act"), that an industry in the United States is materially injured by reason of imports of common alloy aluminum sheet from China, provided for in subheadings 7606.11.30, 7606.11.60, 7606.12.30, 7606.12.60, 7606.91.30, 7606.91.60, 7606.92.30, and 7606.92.60 of the Harmonized Tariff Schedule of the United States, that have been found by the U.S. Department of Commerce ("Commerce") to be sold in the United States at less than fair value ("LTFV"), and to be subsidized by the government of China.

BACKGROUND

The Commission, pursuant to sections 705(b) and 735(b) of the Act (19 U.S.C. 1671d(b) and 19 U.S.C. 1673d(b)), instituted these investigations in response to a notification of investigations self-initiated by the U.S. Department of Commerce deemed by the Commission as having been filed on December 1, 2017. The final phase of the investigations was scheduled by the Commission following notification of preliminary determinations by Commerce that imports of common alloy aluminum sheet from China were subsidized within the meaning of section 703(b) of the Act (19 U.S.C. 1671b(b)) and sold at LTFV within the meaning of 733(b) of the Act (19 U.S.C. 1673b(b)). Notice of the scheduling of the final phase of the Commission’s investigations and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register on July 18, 2018 (83 FR 33946). The hearing was held in Washington, DC, on October 30, 2018, and all persons who requested the opportunity were permitted to appear in person or by counsel.

---

1 The record is defined in sec. 207.2(f) of the Commission’s Rules of Practice and Procedure (19 CFR 207.2(f)).

2 The Commission also finds that imports subject to Commerce’s affirmative critical circumstances determinations are not likely to undermine seriously the remedial effect of the countervailing and antidumping duty orders on common alloy aluminum sheet from China.

3 Due to the lapse in appropriations and ensuing cessation of Commission operations, all import injury investigations conducted under authority of Title VII of the Tariff Act of 1930 accordingly have been tolled pursuant to 19 U.S.C. §§ 1671d(b)(2), 1673d(b)(2).
1. Demand Conditions

CAAS is used in a broad variety of applications, the principal ones being construction, automotive, energy, marine, and aerospace. End uses for CAAS include roof coil, common alloy coil, auto heat shields, commercial transportation equipment, residential siding, gutters and downspouts, general fabrication, and HVAC equipment. Demand for CAAS depends on demand for U.S.-produced products in these downstream sectors.

Most U.S. producers, importers, and purchasers reported an increase in U.S. demand for CAAS since January 1, 2015. Apparent U.S. consumption of CAAS increased from 2.0 million short tons in 2015 to 2.1 million short tons in 2016 and 2.2 million short tons in 2017; it was higher in interim 2018, at 1.15 million short tons, than in in interim 2017, at 1.12 million short tons.

2. Supply Conditions

The domestic industry supplied the largest share of the U.S. market during the POI. The domestic industry’s market share declined from 59.9 percent of apparent U.S. consumption in 2015 to 59.6 percent in 2016 and 54.5 percent in 2017. The domestic industry’s market share was lower in interim 2018, at 55.6 percent, than in interim 2017, at 55.9 percent. In 2017, six domestic producers accounted for more than *** percent of U.S. production of CAAS. The domestic industry’s reported capacity was relatively stable and below apparent U.S. consumption throughout the POI.

There were several notable developments affecting the operations of the domestic industry during the POI. Three producers (*** ) reported acquisitions and/or consolidations, while four producers (*** ) reported reorganizations, prolonged shutdowns, or production curtailments. Aleris, the *** domestic producer of CAAS in 2017, reported that it had a
Companhia Brasileira de Alumínio

Parent company and consolidated financial statements at December 31, 2018 and independent auditor's report.
Independent auditor’s report  
of the parent and consolidated financial statement  

To the Board of Directors and Stockholders  
Companhia Brasileira de Alumínio  

Opinion  
We have audited the accompanying parent company financial statements of Companhia Brasileira de Alumínio (the "Company"), which comprise the balance sheet as at December 31, 2018 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of Companhia Brasileira de Alumínio and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2018 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.  

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Companhia Brasileira de Alumínio and of Companhia Brasileira de Alumínio and its subsidiaries as at December 31, 2018, and the financial performance and the cash flows for the year then ended, as well as the consolidated financial performance and the cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).  

Basis for opinion  
We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor’s Responsibilities for the Audit of the Parent Company and Consolidated Financial Statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.  

Key audit matters  
Key audit matters (KAM) are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the parent company and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Our audit for the year ended December 31, 2018 was planned and performed considering that the
Company's and consolidated operations did not change significantly in relation to the prior year. In this context, the key audit matters, as well as our audit approach remained mainly in line with those of the prior year.

### Why it is a key audit matter

**Recovery of deferred taxes (Note 20)**

At December 31, 2018, the Company and its subsidiaries have recorded deferred income tax and social contribution, mainly arising from temporary differences and tax losses. These credits were recorded to the extent management considers that the Company will generate future taxable profit that is sufficient for the utilization of these credits.

We considered this an area of focus in our audit, since the analysis of the realization of these assets involves important and subjective judgments to determine the future taxable bases, arising from the projections of the results of the Company and its subsidiaries, which take into consideration several assumptions.

### How the matter was addressed in the audit

As an audit response, we performed the following procedures, among others:

- We obtained an understanding of the process of review of the business plan that is used to analyze the realization of the deferred income tax and social contribution.
- We counted on the support of our experts in tax matters and in the valuation of companies to test the calculation bases of the credits, and in relation to the models and critical assumptions used by management to estimate the time of realization of the deferred taxes. When applicable, we compared these assumptions with macroeconomic information disclosed in the market and also compared information from these projections with budgets approved by the Company's Board of Directors.
- We analyzed the reasonableness of the use of the accumulated deficit during future years, and tested the logical and arithmetic coherence of the calculations presented in the projections made by management. We also performed sensitivity tests for the main assumptions of the projections in order to assess the results in different possible scenarios.
- In addition, we analyzed the realization periods considered in the Company's studies in order to test the adequacy and the consistency of these realization estimates in relation to those used in prior years, and read the disclosures in the explanatory notes.
- We consider that the criteria and assumptions that management adopted to determine the tax credits, and the disclosures made, are reasonable, in all material aspects, in the context of the financial statements.
Companhia Brasileira de Alumínio

**Other matters**

**Statements of Value Added**

The parent company and consolidated Statements of Value Added for the year ended December 31, 2018, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Value Added". In our opinion, these Statements of Value Added have been properly prepared in all material respects, in accordance with the criteria established in the Technical Pronouncement, and are consistent with the parent company and consolidated financial statements taken as a whole.

**Responsibilities of management and those charged with governance for the parent company and consolidated financial statements**

Management is responsible for the preparation and fair presentation of the parent company and consolidated financial statements in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

**Auditor's responsibilities for the audit of the parent company and consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the parent company and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our
opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the parent company and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Curitiba, 25 de February, 2019

Leandro Sidney Camilo da Costa
Contador CRC 1SP 236051

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160
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Companhia Brasileira de Alumínio

Notes to the parent company and consolidated financial statements
At December 31, 2018
In thousands of Reais, unless otherwise stated

1 General information

Companhia Brasileira de Alumínio (the "Company" or "CBA") is a subsidiary of Votorantim S.A. ("VSA"), with its head office located in the city of São Paulo, State of São Paulo. It mainly extracts and processes bauxite ore in Brazil and produces and sells primary and aluminum products in the Brazilian and foreign markets, through a wide range of goods, such as ingots, billets, sheets, plates, foils and extruded profiles. The Company also has control of nickel and electrolytic cobalt operations and, through Votorantim Energia, commercializes the surplus of electricity generation in the local market.

Bauxite processed by the Company originates in two own ore mining units, located in the city of Poços de Caldas and Mirai, respectively, in the State of Minas Gerais.

The Company owns its own hydroelectric power plants and participates in consortia, which allows it to reduce the cost of electrical power consumed during the primary aluminum production process.

1.1 Main events that took place in 2018

(a) Sale of preferred shares of CBA Energia Participações S.A.

On April 1st, 2018, the Company sold to Votorantim Geração de Energia S.A., 35% of the preferred shares of CBA Energia Participações S.A., which represented 23.34% of the total shares of this investee, for the amount of R$ 171,500. This operation generated net gain in the amount of R$ 111,070, recorded in "Other operating income (expenses), net" account.

(b) Capital reduction

On April 30th, 2018, pursuant to the Minutes of the Extraordinary General Meeting, capital reduction of the Company by R$ 687,204 was approved.

The amount of such capital reduction was paid to the shareholder VSA, as follows: (a) transfer of the related parties asset balance in the amount of R$ 1,392,652; (b) transfer of cash in local currency of R$ 205,983; (c) transfer of the related parties liability balance of R$ 75,090; (d) transfer of the Eurobonds maturing in 2021, in the amount of R$ 836,341 (USD 241 million).

<table>
<thead>
<tr>
<th>Assets</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables from Votorantim Cimentos S.A.</td>
<td>122,812</td>
</tr>
<tr>
<td>Receivables from Votorantim Geração de Energia S.A.</td>
<td>910,000</td>
</tr>
<tr>
<td>Receivables from Votorantim Energia Ltda.</td>
<td>1,499</td>
</tr>
<tr>
<td>Receivables from Votorantim S.A.</td>
<td>357,859</td>
</tr>
<tr>
<td>Receivables from Votorantim Empreendimentos Ltda.</td>
<td>482</td>
</tr>
<tr>
<td>Cash in local currency</td>
<td>205,983</td>
</tr>
<tr>
<td></td>
<td>1,598,635</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Payables to Votorantim S.A.</td>
<td>(75,090)</td>
</tr>
<tr>
<td>Eurobonds with maturity in 2021</td>
<td>(836,341)</td>
</tr>
<tr>
<td></td>
<td>(911,431)</td>
</tr>
</tbody>
</table>

Total capital reduction                       | 687,204 |
(iii) Hedge accounting

The Company and its subsidiaries analyzed the economic relationship of the current hedge accounting operations and concluded that they still qualify for hedge accounting after the adoption of IFRS 9/CPC 48. As the standard does not change the general principles for effective hedge accounting, there was no significant impact stemming from the application of IFRS 9/CPC 48.

(iv) Debt refinancing

On December 28, 2018, the Company renegotiated the contractual terms with the National Bank for Economic and Social Development ("BNDES") applicable to borrowings totaling R$ 39,000. Originally, these borrowings had maturities in the period from 2019 to 2020 and bore fixed interest rates in R$ and US$ or were indexed by the Long-Term Interest Rate ("TJLP") or SELIC rate plus spread. Renegotiated debts with the same counterparty had their maturity extended to December 15, 2028 and are subject to The Broad National Consumer Index ("IPCA") plus spread (from 1.68% p.a. to 1.88% p.a.), in addition to the release of Hejoassu guarantee. This transaction was accounted for as a debt write-off due to the material changes in the original debt and no related gain or loss on such renegotiation was recognized in the statement of income.

(b) CPC 47 / IFRS 15 — “Revenue from contracts with customers”

The Company and its subsidiaries adopted the new accounting standard as from January 1, 2018, thus resulting in changes in accounting policies referring to the performance obligation related to freight for the delivery of products to customers, as well as changes in comparative balances. Pursuant to the standard, the Company and its subsidiaries made the changes retrospectively in the balances originally presented. In the year ended December 31, 2018, the amount of freight reclassified to cost of services rendered was R$ 54,227 (December 31, 2017 - R $ 50,043), as shown in Note 2.1.1.

3.2 New standards not yet adopted

The following standards and related interpretations have already been published and are mandatory for annual reporting periods beginning on or after January 1, 2019. There was no early adoption of these standards by the Company.

There are no other new standards, amendments to standards and related interpretations in addition to those described below that are not yet effective and that would be expected to have a material impact from their application on its future financial statements.

3.2.1 IFRS 16/CPC 06 — “Leases”

(i) Main points introduced by the standard — effective on January 1, 2019

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of lease agreements. The standard introduces a single model for accounting of leases in the balance sheet for lessees where lessees are required to recognize a lease liability reflecting future lease payments and a "right of use" of the leased asset. The nature of the expense related to these leases was changed from an operating lease expense recognized on a straight-line basis to an expense from amortization of the right of use and interest expense on the lease liability.
Companhia Brasileira de Alumínio

Notes to the parent company and consolidated financial statements
At December 31, 2018
In thousands of Reais, unless otherwise stated

(c) Guarantees of the indebtedness of the Company and its subsidiaries granted by related parties

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Guarantor</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNDES</td>
<td>Hejoassu/VSA</td>
<td>318,476</td>
<td>408,923</td>
</tr>
<tr>
<td>Development promotion agency (BRL)</td>
<td>VSA (100%)</td>
<td>35,997</td>
<td>42,350</td>
</tr>
<tr>
<td>Eurobonds - USD (Vota 21) (ii)</td>
<td>VSA (100%), VCSA (50%) and CBA (50%)</td>
<td>1,552,579</td>
<td>1,325,470</td>
</tr>
<tr>
<td>Eurobonds - USD (Vota 24)</td>
<td>VSA (100%)</td>
<td>1,904,052</td>
<td>2,683,523</td>
</tr>
</tbody>
</table>

(i) In October 2018, BNDES approved (i) the refinancing of certain contracts with the bank, in the approximate amount of R$ 39,000, and (ii) Hejoassu remained as guarantor in the agreements with the bank until December 28 2018, being released as from said date.

(ii) Transfer of the Eurobonds in the amount of R$ 836,341, maturing in 2021, to the parent company VSA by means of capital reduction, as described in Note 1.1 (b).

(d) Debts of related parties guaranteed by the Company and its subsidiaries

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Debtor</th>
<th>Guarantor</th>
<th>Percentage guaranteed by the Company</th>
<th>Debt</th>
<th>Amount guaranteed</th>
<th>Debt</th>
<th>Amount guaranteed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eurobonds - USD (Vota 19)</td>
<td>VSA</td>
<td>VSA (100%), VCSA (50%) and CBA (50%)</td>
<td>50%</td>
<td>814,375</td>
<td>407,188</td>
<td>695,272</td>
<td>347,836</td>
</tr>
<tr>
<td>Eurobonds - USD (Vota 21) (ii)</td>
<td>VSA</td>
<td>VSA (100%), VCSA (50%)</td>
<td>50%</td>
<td>945,012</td>
<td>472,508</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(i) Transfer of the Eurobonds in the amount of R$ 836,341, maturing in 2021, to the parent company VSA through capital reduction, as described in Note 1.1 (b). The Company remains a guarantor, now in the proportion of 50% of this debt.

16 Investments

Accounting policy

The Company's investments in entities accounted for using the equity method comprise its interests in associates and joint ventures.

Associates are those entities in which the Company, directly or indirectly, has significant influence, but not control or joint control over financial and operating policies. In order to be classified as a jointly controlled entity, there must be a contractual agreement that allows the Company to share control of the entity and gives the Company the right to the net assets of the jointly controlled entity, not the right to its specific assets and liabilities.

Such investments are initially recognized at cost, which includes transaction costs. After initial recognition, the financial statements include the Company's interest in profit or loss for the year and other comprehensive income of the investee until the date when significant influence or joint control ceases to exist. In the parent company financial statements, investments in subsidiaries are also accounted for using this method.
Exhibit CVD - BR - 6
ABDI continues to monitor and evaluate the sectoral and systemic measures of the Brasil Maior Plan, reinforces its permanent support for the promotion of Brazilian industrial policy, and reaffirms its commitment to consolidating itself as a reference entity in industrial intelligence.

... 

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Metallurgy

OBJECTIVE: TO STIMULATE THE INCREASE IN BRAZILIAN DEMAND BY NATIONAL METALS.

INITIATIVE: Development of mechanisms that encourage national content in metal-intensive goods, especially when subject to government incentives.

MEASURES:
- To institute / expand the rule of minimum national content so that the metals manufactured in the country are included in the special regimes of the sectors (i) automotive, (ii) P&G and naval, and (iii) electric energy (GTD), and in infrastructure works receiving public incentives or funding.

Coordination Situation

Running, as planned. There is a working group responsible for conducting the actions:
- For the electricity sector, the demand has already been sent and a decision is pending.
- Regarding the automotive sector, the traceability system has already been defined. MDIC
- With regard to urban mobility, local content has already been adopted in the works of PAC.
- The text for the adoption of local content in the PIL railway works has already been sent to ANTT and MT.

OBJECTIVE: TO PROMOTE TECHNOLOGICAL DEVELOPMENT AND INNOVATION IN METALLURGY.
INITIATIVE: Obtaining financial resources to carry out priority projects on the steel sector technological agenda.

MEASURES:

- Enable financing of projects from the steel industry ATS: PJSD-01 (Energy Efficiency Indicators of the operational stages of the steel production chain); PJSD-02 (Applications of Steelmaking “Slags” as aggregates for civil construction, rail ballast and agriculture); PJSD-03 (Development of Technologies for the Treatment of Thin LD Sludge and Electric Steelmaking Powders: alkali extraction and recovery / recycling of iron and zinc).

... 

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Civil Construction

INITIATIVE: Development of sectorial competitiveness programs in the construction production chain.

MEASURES:

- Implement modular coordination programs in precast concrete segments, ceramic tiles, ceramic blocks, concrete blocks, ceramic tiles, fiber cement tiles, steel tiles, concrete tiles, steel, aluminum, wood and PVC.

Coordination Situation

Running, as planned.

- Negotiations started with INMETRO for inclusion of Modular Coordination in conformity assessment programs in different segments of the Chain Productive.

- The Technical Regulation for Ceramic Components for MDIC is already in effect Masonry (INMETRO Ordinance No. 558, of November 19, 2013).

- A meeting was held with interested parties to discuss the results of the public consultation on the Conformity Assessment Requirements for Hollow Concrete Blocks for Masonry (Ordinance No. 559, of November 21, 2013).
REPÚBLICA FEDERATIVA DO BRASIL

DILMA ROUSSEFF
PRESIDENTA DA REPÚBLICA

CONSELHO NACIONAL DE DESENVOLVIMENTO INDUSTRIAL

REPRESENTANTES DO GOVERNO
MAURO BORGES LEMOS
MINISTRO DO DESENVOLVIMENTO, INDÚSTRIA E COMÉRCIO EXTERIOR (INTERINO)

ALOIZIO MERCADANTE OLIVA
MINISTRO-CHEFE DA CASA CIVIL DA PRESIDÊNCIA DA REPÚBLICA

CLELIO CAMPOLINA DINIZ
MINISTRO DA CIÊNCIA, TECNOLOGIA E INovaÇÃO

GUIDO MANTEGA
MINISTRO DA FAZENDA

LUIZ ALBERTO FIGUEIREDO MACHADO
MINISTRO DAS RELAÇÕES EXTERIORES

MIRIAM APARECIDA BELCHIOR
MINISTRA DO PLANEJAMENTO, ORÇAMENTO E GESTÃO

FRANCISCO JOSÉ COELHO TEIXEIRA
MINISTRO DA INTEGRAÇÃO NACIONAL

IZABELLA MÔNICA VIEIRA TEIXEIRA
MINISTRA DO MEIO AMBIENTE

EDISON LOBÃO
MINISTRO DE MINAS E ENERGIA

NERI GELLER
MINISTRO DA AGRICULTURA, PECUÁRIA E ABASTECIMENTO

CÉSAR AUGUSTO RABELLO BORGES
MINISTRO DOS TRANSPORTES

GILBERTO CARVALHO
MINISTRO-CHEFE DA SECRETARIA GERAL DA PRESIDÊNCIA DA REPÚBLICA

MANOEL DIAS
MINISTRO DO TRABALHO E EMPREGO

CELSO AMORIM
MINISTRO DA DEFESA

ARTHUR CHIORO
MINISTRO DA SAÚDE

ANTÔNIO HENRIQUE PINHEIRO SILVEIRA
SECRETÁRIO DE PORTOS

WELLINGTON MOREIRA FRANCO
SECRETÁRIO DE AVIAÇÃO CIVIL

LUCIANO GALVÃO COUTINHO
PRESIDENTE DO BNDES

REPRESENTANTES DA SOCIEDADE
DANIEL FEFFER
DECIO DA SILVA
FREDERICO FLEURY CURADO
HÉLIO BRUCK ROTENBERG
Jorge Gerdau Johannpeter
José Calixto Ramos
Lúiz Roberto Ortiz Nascimento
Lúiza Helena Trajano Rodrigues
Marcelo Odebrecht
Murilo Pinto de Oliveira Ferreira
Nivaldo Santana Silva
Otávio Marques de Azevedo
Paulo Gilberto Fernandes Tigre
Paulo Pereira da Silva
Ricardo Patah
Robson Braga de Andrade
Sergio Aparecido Nobre
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APRESENTAÇÃO

O **Relatório de Acompanhamento das Agendas Estratégicas Setoriais** é uma produção da ABDI, de periodicidade bimestral, que tem o objetivo de apresentar a situação atual em que se encontram as três centenas de medidas que constam nas dezenove Agendas Estratégicas Setoriais (AES). Este Relatório refere-se aos avanços obtidos no mês de julho de 2014.

Ao completar um ano de monitoramento das Agendas Estratégicas Setoriais (AES) – anunciadas em 10 de abril de 2013, a ABDI considerou fundamental realizar um aprimoramento da metodologia utilizada. Por isso, a partir deste Relatório, serão realizadas análises qualitativas, mais adequadas à complexidade e heterogeneidade dessas medidas monitoradas nos dezenove sistemas produtivos, sempre em sintonia com as melhores práticas de gerenciamento de projetos do setor público e privado.

A ABDI dá continuidade ao monitoramento e avaliação das medidas setoriais e sistêmicas do Plano Brasil Maior, reforça o permanente apoio à promoção da política industrial brasileira, e reafirma o compromisso de consolidar-se como uma entidade referência em inteligência industrial.
RELATÓRIO DE ACOMPANHAMENTO DAS AGENDAS ESTRATÉGICAS SETORIAIS
**OBJETIVO: FORTALECER A ATIVIDADE DE MINERAÇÃO NO PAÍS.**

**INICIATIVA:** Ampliação da produção mineral brasileira para atender a demanda por matéria-prima mineral no país, com ênfase nos minerais em que o país é dependente.

**MEDIDAS:**

- **Normatizar o uso de rochas e minerais para fornecimento de macro e micro nutrientes para o solo (rochagem, rotas alternativas para adubação de solo).**

<table>
<thead>
<tr>
<th>Situação</th>
<th>Coordenação</th>
</tr>
</thead>
<tbody>
<tr>
<td>Em execução, conforme planejamento. Sancionada a Lei nº 12.890, de 10 de dezembro de 2013, que altera a Lei nº 6.894, de 16 de dezembro de 1980, por meio da inclusão dos remineralizadores como uma categoria de insumo destinado à agricultura, e dá outras providências (rochagem). O GT de Normatização (MME, MCTI, MAPA, Petrobrás, DNPM, CPRM, EMBRAPA) trabalha no estabelecimento de padronização e critérios para remineralizadores e na instituição de rede de laboratórios de ensaios e análise e material de referência.</td>
<td>MME</td>
</tr>
</tbody>
</table>

- **Regulamentar, implementar e acompanhar o Regime Especial de Incentivo a Infraestrutura da Indústria de Fertilizante - REIF (Lei Nº 12.794, de 2 de abril de 2013).**

<table>
<thead>
<tr>
<th>Situação</th>
<th>Coordenação</th>
</tr>
</thead>
<tbody>
<tr>
<td>Em execução, conforme planejamento. Está em elaboração minuta de Decreto para regulamentação da Lei 12.794/2013. A versão inicial dessa minuta está sob a coordenação do MME em parceria com MAPA, MDIC e MCTI.</td>
<td>MME</td>
</tr>
</tbody>
</table>

- **Intensificar estudos temáticos sobre agrominerais (levantamentos geológicos, geoquímicos e aero geofísicos).**

<table>
<thead>
<tr>
<th>Situação</th>
<th>Coordenação</th>
</tr>
</thead>
<tbody>
<tr>
<td>Em execução, conforme planejamento. De acordo com CPRM, diversas áreas têm sido objeto de pesquisa e estudos de fosfato. Há previsões de novas áreas a serem exploradas ao longo de 2014.</td>
<td>CPRM</td>
</tr>
</tbody>
</table>

- **Implantar programa de incentivo à Indústria de Terras Raras.**

<table>
<thead>
<tr>
<th>Situação</th>
<th>Coordenação</th>
</tr>
</thead>
<tbody>
<tr>
<td>Em execução, conforme planejamento. O Programa Elementos de Terras Raras (ETR) está em desenvolvimento conjuntamente pelos seguintes órgãos e instituições: ABDI, MME, MCTI, CNPq, CETEM, CT MINERAL e CPRM. São quatro ações em andamento: 1ª. Projeto ETR-BR; 2ª. Edital CNPq/CT MINERAL; 3ª. Encomenda CETEM/CT MINERAL; 4ª Avaliação de Ocorrências de Minerais Estratégicos ETR/CPRM.</td>
<td>ABDI</td>
</tr>
</tbody>
</table>
**MEDIDA:**

- Propor medida de incentivo ao financiamento e investimento em pesquisa mineral com base no resultado do estudo.

<table>
<thead>
<tr>
<th>Situação</th>
</tr>
</thead>
<tbody>
<tr>
<td>Em execução, conforme planejamento. O Comitê Executivo elaborou um estudo que identificou possibilidades de incentivos e casos que obtiveram resultados positivos em outros países. Esse estudo subsidiou a elaboração de uma proposta, que atualmente encontra-se em fase final. A proposta pronta será discutida no âmbito do Governo.</td>
</tr>
</tbody>
</table>

| Coordenação | ABDI |
Agenda Estratégica

Metalurgia
**OBJETIVO: ESTIMULAR O AUMENTO DA DEMANDA BRASILEIRA POR METAIS NACIONAIS.**

**INICIATIVA:** Desenvolvimento de mecanismos que incentivem o conteúdo nacional em bens intensivos em metais, principalmente quando objeto de incentivos governamentais.

**MEDIDAS:**

- Instituir/ampliar regra de conteúdo nacional mínimo para que os metais fabricados no País sejam contemplados nos regimes especiais dos setores (i) automotivo, (ii) P&G e naval, e (iii) energia elétrica (GTD), e nas obras de infraestrutura que recebiam incentivos ou financiamentos públicos.

<table>
<thead>
<tr>
<th>Situação</th>
<th>Coordenação</th>
</tr>
</thead>
<tbody>
<tr>
<td>Em execução, conforme planejamento. Há um Grupo de trabalho responsável por conduzir as ações:</td>
<td></td>
</tr>
<tr>
<td>- Para o setor de energia elétrica, a demanda já foi enviada e aguarda-se deliberação.</td>
<td></td>
</tr>
<tr>
<td>- Em relação ao setor automotivo, o sistema de rastreabilidade já foi definido.</td>
<td></td>
</tr>
<tr>
<td>- No que tange à mobilidade urbana, já foi adotado o conteúdo local nas obras do PAC.</td>
<td></td>
</tr>
<tr>
<td>- O texto para adoção do conteúdo local nas obras ferroviárias do PIL já foi enviado à ANTT e ao MT.</td>
<td></td>
</tr>
</tbody>
</table>

**OBJETIVO: PROMOVER O DESENVOLVIMENTO TECNOLÓGICO E A INOVAÇÃO NA METALURGIA.**

**INICIATIVA:** Obtenção de recursos financeiros para executar os projetos prioritários da agenda tecnológica setorial de siderurgia.

**MEDIDAS:**

- Viabilizar financiamento dos projetos provenientes da ATS siderurgia: PJSD-01 (Indicadores de Eficiência Energética das etapas operacionais da cadeia produtiva do aço); PJSD-02 (Aplicações das “Escórias” de Aciaria como agregados para construção civil, lastro ferroviário e na agricultura); PJSD-03 (Desenvolvimento de Tecnologias para Tratamento de Lamas Finas de LD e Pós de Aciaria Elétrica: extração de álcalis e recuperação/reciclagem do ferro e zinco).

<table>
<thead>
<tr>
<th>Situação</th>
<th>Coordenação</th>
</tr>
</thead>
<tbody>
<tr>
<td>Em execução, conforme planejamento.</td>
<td></td>
</tr>
</tbody>
</table>
Agenda Estratégica

Construção Civil
OBJETIVO: IMPLANTAR A INTEROPERABILIDADE TÉCNICA E PROMOVER A CONSTRUÇÃO INDUSTRIALIZADA.

INICIATIVA: Implantação da coordenação modular (NBR 15873) na fabricação de produtos da cadeia produtiva da construção civil.

MEDIDAS:

- Utilizar do poder de contratação do Estado para criar demanda de produtos intercambiáveis a partir de exigências de contrato.

<table>
<thead>
<tr>
<th>Situação</th>
<th>Coordenação</th>
</tr>
</thead>
<tbody>
<tr>
<td>Em execução, conforme planejamento. Minuta de Acordo entre MCidades, MDIC e INMETRO foi aprovada pelo MDIC e INMETRO e atualmente está em análise pelo MCidades.</td>
<td>MDIC</td>
</tr>
</tbody>
</table>

INICIATIVA: Desenvolvimento de programas setoriais de competitividade na cadeia produtiva da construção.

MEDIDAS:

- Implementar os programas de coordenação modular nos segmentos pré-moldados de concreto, revestimentos cerâmicos, blocos cerâmicos, blocos de concreto, telhas cerâmicas, telhas de fibrocimento, telhas de aço, telhas de concreto, esquadrias de aço, de alumínio, de madeira e de PVC.

<table>
<thead>
<tr>
<th>Situação</th>
<th>Coordenação</th>
</tr>
</thead>
<tbody>
<tr>
<td>Em execução, conforme planejamento. Iniciadas as negociações com o INMETRO para inclusão de Coordenação Modular em programas de avaliação de conformidade em diversos segmentos da Cadeia Produtiva.</td>
<td>MDIC</td>
</tr>
<tr>
<td>- Já está em vigor a Regulamentação Técnica para Componentes Cerâmicos para Alvenaria (Portaria INMETRO nº 558, de 19 de novembro de 2013).</td>
<td></td>
</tr>
<tr>
<td>- Realizada reunião com os interessados para discutir os resultados da consulta pública acerca dos Requisitos de Avaliação da Conformidade para Blocos Vazados de Concreto para Alvenaria (Portaria nº 559, de 21 de novembro de 2013).</td>
<td></td>
</tr>
</tbody>
</table>
OBJETIVO: APOIAR A INTENSIFICAÇÃO DO USO DE TI APLICADA À CONSTRUÇÃO E A IMPLANTAÇÃO DO SISTEMA DE CLASSIFICAÇÃO DA INFORMAÇÃO DA CONSTRUÇÃO - NORMAS BIM (NBR).

INICIATIVA: Desenvolvimento da biblioteca de componentes da construção utilizando o sistema de classificação da informação da construção (NBR 15965).

MEDIDAS:

- Modelar e implantar a biblioteca de componentes da construção civil, disponibilizando a biblioteca em portal da internet com acesso público e gratuito.

<table>
<thead>
<tr>
<th>Situação</th>
<th>Coordenação</th>
</tr>
</thead>
<tbody>
<tr>
<td>Em execução, conforme planejamento. Foi realizado primeiro destaque orçamentário para o IBICT no valor de R$ 560 mil. Ademais, foi ampliado o escopo do Convênio MDIC-ABDI visando a realização das etapas seguintes e a contratação do Estudo sobre os parâmetros de sustentabilidade e a confecção dos manuais, com aportes na ordem de R$2.400.000,00.</td>
<td>MDIC</td>
</tr>
</tbody>
</table>

- Implantar a tecnologia BIM no sistema de obras do Exército.

<table>
<thead>
<tr>
<th>Situação</th>
<th>Coordenação</th>
</tr>
</thead>
<tbody>
<tr>
<td>Em execução, conforme planejamento. As primeiras bibliotecas foram desenvolvidas e entregues em dezembro de 2013 Atualmente iniciaram-se as atividades nas instalações do Exército Brasileiro.</td>
<td>EXÉRCITO</td>
</tr>
</tbody>
</table>

- Difundir e complementar a normalização brasileira para o BIM.

<table>
<thead>
<tr>
<th>Situação</th>
<th>Coordenação</th>
</tr>
</thead>
<tbody>
<tr>
<td>Em execução, conforme planejamento. Foram contratados três consultores para a elaboração das tabelas do Sistema de Classificação da Informação da Construção – Norma ABNT NBR 15965. Dois relatórios já foram entregues e o terceiro encontra-se em execução no prazo.</td>
<td>ABDI/MDIC</td>
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Exhibit CVD - BR - 7
Trade Policy Review Body

TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

BRAZIL

This report, prepared for the seventh Trade Policy Review of Brazil, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Brazil on its trade policies and practices.

Any technical questions arising from this report may be addressed to Messrs. Sergios Stamnas (tel: 022/739 5382) and Rosen Marinov (tel: 022/739 6391).

Document WT/TPR/G/358 contains the policy statement submitted by Brazil.

Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on Brazil. This report was drafted in English.
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mid-2016. In September 2016, a constitutional amendment reduced the share of earmarked public spending in budgets at all levels of government with a view to facilitating fiscal adjustment. In addition, a New Fiscal Regime for the federal government, established in December 2016 for a period of 20 years, froze primary spending in real terms. Discussions on credit relief measures for the state governments and on a social security reform are also ongoing.

1.15. While these initiatives seek to address the recent aggravation of fiscal imbalances, they would not tackle long-standing flaws in Brazil's tax system, which continue to discourage entrepreneurship. It is reported that with its multiplicity of taxes, tax regimes, and sub-national jurisdictions, the Brazilian tax system remains overly complex, burdensome and unpredictable (notably with respect to the settlement of tax credits and the legality of tax concessions granted). Consequently, Brazil ranked 181st out of 190 economies on the ease of paying taxes in the 2017 World Bank Doing Business survey, with an estimated tax compliance time of 2,038 hours (85 days). According to the authorities, reforming the tax system is one of the Brazilian Government's priorities; the reform process is expected to begin in 2017.

1.2.4 Labour market policies

1.16. In 2016, the authorities revised their approach to minimum wage indexation, abandoning a formula based on recent rates of real GDP growth and inflation, which was not prescribed in the legislation. In addition, a legislative amendment allowing for broader use of outsourced temporary labour by enterprises (legal persons) entered into force on 31 March 2017. By specifically providing for the outsourcing of both "non-core" and "core" operations, the new law is expected to clear up a matter previously open to interpretation in labour courts, thereby helping to reduce workforce informality in Brazil. As an indication, pension contributors represent about 46% of the Brazilian working age population, compared with 86% in advanced economies.

1.17. According to a recent study, the Brazilian labour regime would merit a broader reform, which should also address: the extensive and complex body of legislation and case law; the propensity to resolve labour matters, both of legal and economic nature, through litigation rather than through collective negotiations, mediation, or arbitration; and disincentives to lasting work relations and investment in staff training. Reducing the costs and delays associated with the large number of labour lawsuits (4.4 million ongoing and 3.9 million new in 2014) would also be beneficial for the Brazilian economy's competitiveness. According to the authorities, a draft bill addressing some of the shortcomings of the Brazilian labour regime is under discussion in the Senate.

1.2.5 Balance of payments

1.18. Brazil's current account was in deficit throughout the period under review (Table 1.4). Having reached 4.2% of GDP in 2014, the deficit narrowed to some 1.3% of GDP in 2016 as the trade-in-goods balance returned to a surplus, driven by the real's depreciation and the declining demand for imports. The services and primary income deficits also narrowed from 2015 onward. The financial account balance continued to register capital inflows, reflecting strong interest by foreign investors in equity deals made attractive by the weaker real. Debt liability flows fell sharply, especially in 2015, reflecting the hardening of access to credit for PETROBRAS and other large corporations. Foreign direct investment fully financed the current account deficit in both 2015 and 2016.

---

11 Constitutional amendment No. 86 of 17 March 2015.
12 Constitutional amendment No. 93 of 8 September 2016.
13 Constitutional amendment No. 95 of 15 December 2016.
14 Ricardo de Menezes Barboza, Gilberto Borca Jr., Guilherme Tinoco de Lima Horta, João Marco Braga da Cunha, and Felipe Guatimosim Maciel, A indústria, o PSI, o BNDES e algumas propostas (2017), BNDES discussion paper 114.
15 WTO/TPR/S/358 • Brazil
16 World Bank Doing Business, Doing Business 2017
18 Ricardo de Menezes Barboza, Gilberto Borca Jr., Guilherme Tinoco de Lima Horta, João Marco Braga da Cunha, and Felipe Guatimosim Maciel, A indústria, o PSI, o BNDES e algumas propostas (2017), BNDES discussion paper 114.
of Brazil’s tariff, were subject to prior authorization. At end-2010, the corresponding figure was 1,055 lines, representing approximately 10% of all tariff lines. The main product categories requiring prior export authorization include chemicals, pharmaceuticals, wood products, and live animals.

3.72. The Inter-Ministerial Commission for Export Control of Sensitive Goods (CIBES) remains responsible for regulating and controlling the exportation of sensitive goods and services. Sensitive items, subject to export licensing and authorization by CIBES, include: chemical, biological and dual-use goods that could be utilized for war purposes; goods for use in nuclear activities and equipment; goods for use in missile-related activities and equipment; and services directly linked to the production or use of a sensitive good. The lists of controlled products and services are prepared, updated, and approved by CIBES. Export authorization by a second agency may be required if the product also falls under its competences.

3.73. DECEX remains in charge of licensing of Brazilian exports that are subject to tariff quotas in certain destination markets. Quotas for exports to the EU are administered on a first-come-first-served basis (sugar), on a past-performance basis (bovine meat), or on a combination of both methods (poultry products). Licences for bovine and poultry exports are conditional on the producer’s accreditation by the Ministry of Agriculture, Livestock and Food Supply (MAPA) and acceptance as a safe exporter by the competent EU authorities. DECEX also administers, on first-come-first-served basis, exports of milk to Colombia under a MERCOSUR tariff quota, which is set to expire in 2018.

3.2.4 Export support and promotion

3.2.4.1 Export support schemes

3.74. Brazil maintains a number of programmes intended to increase exports and to boost the competitiveness of export-oriented companies. In 2015, the Government launched a National Export Plan (2015-18) envisaging a series of actions along five pillars: market access; commercial promotion; trade facilitation; export finance and guarantees; and tax regimes and facilities for export support. According to the authorities, the Plan is being reviewed by the current administration.

3.75. Predominantly export-oriented enterprises (deriving more than 50% of their gross sales income from abroad) remain eligible for suspension of the PIS, COFINS, and IPI taxes on the purchase of inputs, whether local or imported. As at March 2017, there were 505 enterprises with predominantly export-oriented status.

3.76. A similar eligibility criterion is applied under the Special Regime for the Purchase of Capital Goods for Exporting Enterprises (RECAP), which suspends the PIS and COFINS on purchases of new (unused) capital goods (machines, equipment, and instruments) for incorporation in the beneficiary company’s fixed assets. Enterprises that, in the calendar year preceding application to RECAP, made at least 50% of their total gross sales abroad may benefit from the scheme, provided they commit to complying with the minimum export sales threshold for the following two calendar years. Start-up companies without the predominantly export-oriented status are eligible on condition that they reach and maintain that status over three years. Brazilian shipyards are also eligible for RECAP benefits, irrespective of their export turnover, and do not need to undertake export commitments.

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35 An indicative list of controlled products and the entities in charge of issuing export authorizations can be viewed at: [http://www.mdic.gov.br/comercio-exterior/exportacao/tratamento-administrativo-de-exportacao](http://www.mdic.gov.br/comercio-exterior/exportacao/tratamento-administrativo-de-exportacao), [03 January 2017].

36 Law No. 9,112 of 10 October 1995.


39 Law No. 10,637 (30 December 2002), No. 10,865 (30 April 2004), No. 11,196 (21 November 2005) and No. 12,715 (17 September 2012).

40 According to the authorities, tax suspension schemes do not entail any forgone fiscal revenue.

41 Law No. 11,196 of 21 November 2005, as amended by Law No. 12,715 of 17 September 2012.

42 SRF Normative Instruction No. 605 of 4 January 2006.
3.77. As at March 2017, 359 companies were qualified to participate in RECAP. RECAP was among Brazil’s duty and tax concessions programmes, which were the object of two dispute settlement proceedings during the period under review (Section 4.4.3).

3.78. In 2014, Brazil reinstated the Special Regime for the Reimbursement of Taxes for Exporters (Reintegra) and made it permanent. 103 The scheme enables exporters of certain Brazilian-manufactured goods to claim up to 3% of their gross export receipts as offset for non-value added (cascading) taxes along the production chain, such as the ISS, IOF, and CIDE. 104 In general, the Brazilian-manufactured exports eligible for Reintegra are drawn from the IPI incidence list (Tabela de Incidência do IPI, Section 3.1.4) and their imported content may not exceed 40% of their export price. 105 According to the authorities, reimbursements made under Reintegra totalled R$12,365 million between January 2013 and June 2016. The number of Reintegra beneficiaries increased from 286 in the first quarter of 2012 to 1,409 in the fourth quarter of 2015.

3.79. Brazil’s drawback regime remained unchanged during the period under review. 106 It provides for the suspension or exemption of import tariffs and federal indirect taxes (IPI, PIS, COFINS, ICMS, and AFRMM) on local or imported inputs and parts used to produce exportable goods. The drawback regime’s suspension modality allows ex ante deferral of duties and taxes on inputs, whereas the exemption modality provides for the rebuilding of stocks ex post, after the final good has been exported. During 2013-16, annual exports under drawback represented some 21% to 25% of total exports, whereas the corresponding figures for imports ranged between 3% and 5% (Table 3.9).

Table 3.9 Drawback regime implementation, 2013-16

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports under drawback (US$ million)</td>
<td>51,136.6</td>
<td>53,310.9</td>
<td>47,159.4</td>
<td>42,209.4</td>
</tr>
<tr>
<td>Share of total exports (%)</td>
<td>21.1</td>
<td>23.8</td>
<td>24.7</td>
<td>22.8</td>
</tr>
<tr>
<td>Imports under drawback (US$ million)</td>
<td>6,511.2</td>
<td>7,815.1</td>
<td>7,955.0</td>
<td>7,176.0</td>
</tr>
<tr>
<td>Share of total imports (%)</td>
<td>2.7</td>
<td>3.4</td>
<td>4.3</td>
<td>5.2</td>
</tr>
<tr>
<td>Fiscal footprint of imports under drawback (R$ million)</td>
<td>4,665.1</td>
<td>4,947.7</td>
<td>7,378.8</td>
<td>...</td>
</tr>
</tbody>
</table>

Note: Not available.

Comprises import duties and IPI, PIS, and COFINS taxes under both the suspension and the exemption modalities. Does not include AFRMM tax.


3.80. The Special System of Industrial Depots subject to Standardized Control (RECOF) allows the suspension (for one year, extendable once) of import duties and indirect taxes (IPI, PIS, COFINS) on imported or local inputs allowed in the industrial transformation of products destined for export or the domestic market. Domestic sales of any (local or imported) inputs or the final good are subject to all applicable duties and taxes. During the period under review, Brazil relaxed several eligibility criteria (paid-in capital, prior accreditation to the “blue line” express clearance facility, and annual export volume) and removed the sector-specific and product-specific limitations on the scheme’s scope. 107 As from 2016, beneficiaries are no longer required to acquire purpose-built control systems because the RFB switched to compliance monitoring through the Public System of Digital Bookkeeping (SPED). Under the upgraded RECOF-SPED, beneficiaries must: (i) regularly submit their digital fiscal records (EFD); (ii) export final goods worth at least 80% of the annual value of imports and not less than US$5 million; and (iii) carry out the

---

103 Law No. 13,043 of 13 November 2014 and Decree No. 8,415 of 27 February 2015.
104 The offset may take the form of either a credit against federal tax liabilities or a cash payment.
105 A 65% imported content threshold applies to: pharmaceuticals; electric appliances and materials; aircraft and parts; optical, precision measuring, medical or surgical instruments and apparatus; and clocks and watches (Decree No. 8,415 of 27 February 2015).
107 RFB Normative Instructions No. 1,559 (14 April 2015) and No. 1,612 (26 January 2016), and COANA Ordinance No. 47 of 30 June 2016.
industrial transformation of at least 80% of the imported goods. As at January 2017, there were 25 companies qualified under RECOF.

3.81. Brazil continues to apply the Special Regime for the Information Technology Exportation Platform (REPES), targeting companies dedicated exclusively to the development of software and the provision of IT services. REPES suspends the IPI on imported goods without a domestic equivalent (except second-hand ones) for their incorporation as fixed assets, as well as the PIS and COFINS on purchases of IT services and new goods. Beneficiaries must export software and IT services worth at least 80% of their annual gross income.

3.2.4.2 Export-processing zones

3.82. The legal and institutional framework for export-processing zones (EPZs) remains unchanged since Brazil’s last Review. The National Council of Export Processing Zones (CZPE) remains in charge of implementing Brazil’s EPZ policy, including authorizing the creation of EPZs and the establishment of companies therein. The operationalization of an EPZ also requires the Brazilian customs authority’s permission and final approval from the President of the Republic. Approved EPZs that fail to start operations within 48 months of their agreed installation timetable may lose their right to establish. As of January 2017, Brazil had 25 approved EPZ projects, of which 1 was operational and 18 (located in 17 Brazilian states) were in the process of establishment.

3.83. The fiscal and administrative benefits available to authorized EPZ companies, as well as their 20-year legal guarantee clause, also remain unchanged. The value of the exports of companies based in EPZs must be at least 80% of their gross income from sales of goods and services. Products sold on the Brazilian market, as well as goods and services used as inputs in the production of those domestic sales, are subject to all duties and taxes levied on domestic acquisition or importation. The duty and tax amount due must be paid with interest at the SELIC rate (Section 1.2.2).

3.2.4.3 Export promotion

3.84. The Brazilian Trade and Investment Promotion Agency (Apex-Brasil) remains in charge of coordinating and implementing policies for the promotion of Brazilian goods and services overseas, for the internationalization of Brazilian companies, and for attracting FDI. Although it supports companies of all sizes, Apex-Brasil maintains a particular focus on activities that help enhance exports of small and medium-size enterprises, foster competitiveness and create jobs. Other strategic priorities include: increasing the participation of Brazilian companies in international value chains; fostering innovation, design and technology transfer; and encouraging the use of "sociobiodiverse" resources. Apex-Brasil provides services, such as market intelligence, business capacity-building, trade and image promotion, and development of internationalization strategies. Its trade promotion activities include the participation in trade missions and international trade fairs, as well as visits of foreign buyers to Brazil.

3.85. Apex-Brasil is responsible for the execution of export promotion policies, in close coordination with the Trade and Investment Promotion Department of the Ministry of Foreign Affairs (MRE), and in cooperation with public authorities and private-sector associations.

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108 The exports threshold is reduced to 50% for companies in their first year of admission to RECOF-SPED. The industrial transformation of imports threshold is reduced to 70% for companies supplying the domestic market with parts and pieces for the maintenance of their manufactured products.


111 Authorizations are valid for 20 years, renewable for the same number of years in the case of investments requiring long amortization periods.

112 Law No. 12,507 of 11 October 2011 and Law No. 12,767 of 27 December 2012.

113 Authorized EPZ companies may purchase local or imported goods and services with the suspension of import duties, the IPI, COFINS, PIS, and AFRMM. They are exempt from licensing and authorization requirements (at the federal level) for imports and exports, except for those related to sanitary controls, national security, and environmental protection. Additional fiscal benefits, including lower corporate income tax and accelerated depreciation, are available to enterprises located in the SUDENE and SUDAM areas.

114 Law No. 11,732 of 30 June 2008.

115 Decree No. 4,584 of 5 February 2003 and Law No. 10,668 of 14 May 2003.
representing 89 strategic economic sectors (including 20 services sectors). Export promotion support generally takes the form of technical and financial cooperation agreements between Apex-Brasil and private-sector associations, which include co-financing for up to 70% of a project’s total value. As of December 2016, Apex-Brasil supported 12,971 Brazilian companies, which accounted for 22.9% of total exports. According to the authorities, during 2013-16, Apex-Brasil allocated US$412.8 million to trade and investment promotion activities.

3.86. In addition to Apex-Brasil, trade information and support services to exporters are made available by several public and private institutions, including the MDIC, the MRE and Banco do Brasil S.A. These entities maintain several online platforms aimed at facilitating the internationalization of Brazilian companies.116 Banco do Brasil S.A. and Caixa Econômica Federal also offer Brazilian enterprises with gross annual sales of up to R$10 million a credit line (Proger Exportação Promoção Comercial) for export promotion activities, such as participation in trade fairs in Brazil and abroad, shipment of samples, and investments in digital marketing, including through the online marketplace B2Brazil.117

3.87. Outward payments for the promotion of Brazilian products and services abroad are eligible for a reduction of the applicable income tax (IR) to 0% (from the standard 25%).118 To benefit from the reduction, the legal person making the outward payment must register the promotion transaction in the Registration System for Promotion Information (SISPRM) prior to remitting the amount due. SISPRM registration is declined if the payment beneficiary is based in a jurisdiction that taxes income at less than 20%.119 During 2013-16, there were 1,102 registered beneficiaries and 10,506 promotion transactions. Forgone revenue from the IR reduction was estimated at some R$23.9 million in 2013 and projected at R$23.3 million in 2014, R$31.7 million in 2015, and R$38.6 million in 2016.

3.2.5 Export finance, insurance, and guarantees

3.88. The Export Financing and Guarantee Committee (COFIG) of CAMEX remains in charge of: establishing the parameters and conditions for granting federal financial assistance to Brazilian exports; overseeing the operations of the Export Financing Programme (PROEX) and the Export Guarantee Fund (FGE); and guiding the Federal Government’s participation in the Export Financing Fund (FLEX).120 The Brazilian Development Bank (BNDES) continues operating several federally funded export credit schemes under the BNDES-EXIM programme. Federal funding in support of Brazilian exports is generally provided regardless of the exporter’s ownership. No information was available on sub-federal export support.

3.89. Funded with outlays from the federal budget and administered by Banco do Brasil S.A., PROEX is aimed at providing credit to Brazilian exporters of eligible goods and services at conditions similar to those prevailing in international markets.121 In principle, it addresses financing gaps where the private sector may not be able to fully respond to the needs of Brazilian businesses. The programme has two main modalities: direct financing (PROEX-Financing) and interest rate equalization (PROEX-Equalization).

3.90. PROEX-Financing provides direct credit to the exporter or overseas buyer of eligible Brazilian goods and services. It is predominantly, but not exclusively, targeted at micro, small, and medium-sized enterprises (MSMEs) with an annual turnover of up to R$600 million. Financing is available for up to 100% of the value of exports for credit periods of between two months and 2 years, and up to 85% for longer periods (up to 10 years). There is no minimum value for

118 MDIC Decree No. 6,761 of 5 February 2009.
119 MDIC Ordinance No. 221 of 8 July 2013.
121 For exports destined to Brazil’s MERCOSUR partners, PROEX support is limited to capital goods only. PROEX eligibility conditions for exported goods and services are set out in CAMEX Resolution No. 126 of 26 December 2013.
individual export operations to be financed.\textsuperscript{122} Since 2014, up to 25% of the annual budget of PROEX-Financing may be used for concessional credits in support of Brazilian exports under Brazil’s technical cooperation projects, including the More Food Programme.\textsuperscript{123} Concessional loans are approved on an individual basis by COFIG, in line with general guidelines elaborated by CAMEX. The concessionality level is calculated according to the IMF/World Bank grant element methodology, and may be up to 35%.

3.91. PROEX-Equalization aims to level the international playing field by partially offsetting the cost of a credit obtained from any financial institution (in Brazil or abroad) to finance Brazilian exports. Eligible credits are those obtained by the exporter, as well as those obtained by the foreign customer for the payment of Brazilian exports. The credit terms (interest rates, financing percentage and collateral) are negotiated between the financing institution and the exporter.\textsuperscript{124} Equalization may be granted on credits financing up to 100% of the value of the exports for periods ranging from 60 days to 15 years.\textsuperscript{125}

3.92. During 2013-16, PROEX-Financing was granted mainly for exports to Cuba, China, the EU and Mozambique, whereas exports benefitting from PROEX-Equalization were mostly shipped to the UAE, Angola and Peru. Disbursements under both modalities peaked in 2014 and decreased somewhat thereafter (Table 3.10).

Table 3.10 PROEX implementation, 2013-16

<table>
<thead>
<tr>
<th>Year</th>
<th>PROEX-Financing</th>
<th>PROEX-Equalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>1,500,000,000</td>
<td>1,600,000,000</td>
</tr>
<tr>
<td>2014</td>
<td>2,900,000,000</td>
<td>1,167,299,600</td>
</tr>
<tr>
<td>2015</td>
<td>2,000,000,000</td>
<td>1,500,000,000</td>
</tr>
<tr>
<td>2016</td>
<td>2,200,000,000</td>
<td>2,000,000,000</td>
</tr>
</tbody>
</table>

Source: Information provided by the Brazilian authorities.

\textsuperscript{122} Credit operations for the aeronautics sector and those exceeding US$20 million are subject to COFIG approval.
\textsuperscript{123} National Monetary Council (Conselho Monetário Nacional – CMN) Resolution No. 4,335 of 26 May 2014.
\textsuperscript{124} Equalization is paid by way of National Treasury Notes (NTN-I) to the institution granting the export credit.
\textsuperscript{125} Equalization operations for the aeronautics sector and for infrastructure works require COFIG approval.
3.93. In principle, Banco do Brasil S.A. is also the administrator of the FFEX, created in 2011 with a view to supporting exports by companies with an annual turnover of up to R$90 million. According to the authorities, the Federal Government has not made its planned initial contribution (R$1 billion) to the FFEX and the fund has not become operational.

3.94. Through its BNDES-EXIM programme, BNDES provides credits in support of Brazilian exporters. Financing is made available for the production of exportable goods and services (pre-shipment) and for their commercialization overseas (post-shipment). Special financing conditions apply to MSMEs under some BNDES-EXIM sub-programmes (Table A3.1). Credit operations are conducted through accredited financial institutions, which include most banks operating in Brazil and several local banks in Latin America and Africa. Resources for BNDES operations, including BNDES-EXIM, come mostly from public funds (Section 3.3.1.3).

3.95. While access to export financing is framed by a general list of eligible goods and services, certain BNDES-EXIM sub-programmes may target specific products or industries. In addition, for most sub-programmes, automatic qualification for financing is conditional on meeting a certain index of nationalization (typically 50%-60% in value or weight terms), Basic Productive Process (PPB) thresholds (Section 3.3.1.1), or other criteria established by BNDES (Table A3.1). According to the Brazilian authorities, goods and services that do not meet these conditions may also benefit from the sub-programmes after receiving a favourable assessment (non-automatic qualification).

3.96. During the period under review, most BNDES-EXIM sub-programmes were frequently updated, generally with a view to improving the financing terms offered to MSMEs. One new EXIM sub-programme (EXIM Pre-shipment "Innovator") was added, and two (EXIM Pre-Aviation exports and EXIM Pre-shipment "automobiles") expired; support for exports by Brazil's aviation industry was reoriented to the post-shipment stage. Two non-EXIM financing modalities (PSI - Export Pre-shipment, and Revitalize Exports - Export Pre-shipment) also expired.

3.97. BNDES export financing decreased sharply during 2013-15 before recovering somewhat in 2016 (Table A3.11). The total number of BNDES-EXIM beneficiaries also dropped from 252 in 2013 to 83 in 2015, but increased to 133 in 2016. During 2013-16, the main beneficiary industries were transport equipment, machinery and equipment, and construction services. The main export markets for projects benefitting from post-shipment financing were the United States, the Bolivarian Republic of Venezuela, Angola and Cuba.

Table 3.11 BNDES total disbursements for exports of goods and services, 2013-16

<table>
<thead>
<tr>
<th>Year</th>
<th>Total disbursements (US$ million)</th>
<th>For exports of goods</th>
<th>% of total exports of goods</th>
<th>For exports of services</th>
<th>% of total exports of services</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>7,136.51</td>
<td>5,797.05</td>
<td>2.4</td>
<td>1,339.46</td>
<td>3.6</td>
</tr>
<tr>
<td>2014</td>
<td>4,376.92</td>
<td>3,394.39</td>
<td>1.3</td>
<td>982.53</td>
<td>2.5</td>
</tr>
<tr>
<td>2015</td>
<td>2,093.75</td>
<td>1,565.49</td>
<td>0.7</td>
<td>528.26</td>
<td>1.6</td>
</tr>
<tr>
<td>2016</td>
<td>4,393.93</td>
<td>4,356.62</td>
<td>2.3</td>
<td>37.31</td>
<td>0.1</td>
</tr>
</tbody>
</table>

Source: WTO Secretariat, based on information provided by BNDES,

3.98. Banco do Brasil S.A. and Caixa Econômica Federal administer PROGER Export, an export financing facility funded with resources from a workers fund (Fundo de Amparo ao Trabalhador,

126 Law No. 12,545 of 14 December 2011.
127 Post-shipment financing may take the form of, inter alia, exporter credit, buyer’s credit and credit lines to an accredited overseas financial institution.
128 The total financial cost for the borrower is the relevant interest rate plus the spreads of BNDES and the financial institution that administers the credit.
FAT).\textsuperscript{131} Eligible goods and services exports are those qualifying for BNDES support;\textsuperscript{132} export marketing activities are also supported (Section 3.2.4). Beneficiaries are exporting enterprises with a gross annual turnover of up to R$10 million, constituted under Brazilian laws and having their headquarters in Brazil. The scheme does not apply to trading companies (ECEs). Financing may be granted for up to 100% of the value of the project, but no more than R$600,000 per exporter, and for a maximum of 12 months.\textsuperscript{133} No information was available for the period under review on beneficiary participation, interest rates and disbursements made under the PROGER Export facility.

3.99. The FAT Export Fund financed pre-shipment production (working capital and necessary inputs) of exportable goods until September 2014, when it was discontinued. Financing could be granted for up to 100% of a project’s value, with a cap to be defined on a case-by-case basis by the BNDES, and maturity periods of up to 30 months. All export-oriented companies, regardless of their size, were eligible for financing, provided they were incorporated and headquartered in Brazil. Product-specific eligibility conditions were identical to those of the BNDES pre-shipment programme. According to the authorities, the FAT Export Fund’s total endowment (R$2.6 billion) had not been increased since 2005. No information was available for the period under review on beneficiary participation, interest rates and disbursements made.

3.100. As from 2014, the Brazilian Guarantees Agency (ABGF), a public enterprise reporting to the Ministry of Planning, Development and Management, provides support in the administration of the federal export credit insurance (SCE) scheme backed by the FGE.\textsuperscript{134} The ABGF is responsible for the structuring, management and monitoring of SCE operations.\textsuperscript{135} The granting of SCE coverage is underwritten by the Secretariat for International Affairs (SAIN) of the Ministry of Finance.\textsuperscript{136} The FGE is financed by resources from the federal budget and by proceeds and financial gains from the fund’s own activities and financial operations. According to the authorities, there are no other export insurance or guarantee schemes funded by federal resources in Brazil.

3.101. The SCE covers export credit operations against various risks that may affect the production or overseas commercialization of Brazilian goods and services. Federally backed SCE coverage may be up to 95% for commercial risks and up to 100% for political and extraordinary risks, as well as for commercial risks in operations supported by a bank guarantee and operations of the aeronautics industry. A coverage threshold of 100% also applies to commercial risks in export operations of MSMEs\textsuperscript{137}, and to contractual obligations risks for the defence sector and for agricultural products benefiting from preferential tariff quotas in foreign markets. Coverage against commercial risks is generally provided for export credit transactions with maturity periods exceeding two years, although MSMEs can obtain coverage for shorter maturity periods. The scheme may be used by exporters, financial institutions and export credit agencies that finance, refinance or guarantee Brazilian exports.

3.102. Premiums are calculated on a case-by-case basis, taking into account the principal financed under the operation, the destination country, the nature of the risk (commercial, political or extraordinary), the maturity of the operation, and the debtor’s financial standing. There are no minimum local content requirements and no eligibility restrictions as to the type of exported goods and services; destination country eligibility may be affected by internal risk exposure limits.

3.103. Having contracted in 2014-15, the total amount of premiums underwritten rebounded strongly in 2016 (Table 3.12). The FGE’s total risk exposure declined over the same period and was dominated by export transactions to the Bolivarian Republic of Venezuela, Argentina, the

\textsuperscript{131}The legal basis of the PROGER scheme is provided by Deliberative Council of the FAT (\textit{Conselho Deliberativo do Fundo de Amparo ao Trabalhador – CODEFAT}) Resolutions No. 348 of 5 August 2003, No. 347 of 5 August 2003, and No. 330 of 10 July 2003.

\textsuperscript{132}BNDES Circular No. 006/2016 of 14 April 2016.

\textsuperscript{133}In July 2013, the gross annual turnover and individual financing thresholds were R$5 million and R$250,000, respectively.

\textsuperscript{134}Law No. 12,712 of 13 August 2012 and Decree No. 7,976 of 1 April 2013.

\textsuperscript{135}Up until September 2014, the Brazilian Export Credit Insurance Company S.A. (SBCE) had been hired by the Ministry of Finance to perform these duties. After that date, the SBCE has been providing export credit insurance as a private company.

\textsuperscript{136}MF Ordinance No. 490 of 17 September 2013.

\textsuperscript{137}For the purposes of the SCE scheme, MSMEs are defined as companies with sales of up to R$90 million and exports of up to US$3 million in the previous calendar year.
Table 3.12 SCE/FGE activity, 2013-16

<table>
<thead>
<tr>
<th>Year</th>
<th>Policies issued</th>
<th>Exporters</th>
<th>Total premiums (R$)</th>
<th>FGE risk exposure, end of the year (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>33</td>
<td>34</td>
<td>391,394,055.01</td>
<td>29,754,101,433.20</td>
</tr>
<tr>
<td>2014</td>
<td>18</td>
<td>23</td>
<td>325,716,247.12</td>
<td>31,061,065,488.11</td>
</tr>
<tr>
<td>2015</td>
<td>20</td>
<td>33</td>
<td>244,384,766.64</td>
<td>28,441,795,855.82</td>
</tr>
<tr>
<td>2016</td>
<td>11</td>
<td>39</td>
<td>451,031,657.37</td>
<td>24,986,669,369.81</td>
</tr>
</tbody>
</table>

Source: Information provided by the Brazilian authorities.

3.3 Measures Affecting Production and Trade

3.3.1 Incentives

3.3.1.1 Overview

3.104. In Brazil, incentives and government assistance are available in various configurations, with programmes administered at both the federal and sub-federal levels. The scope of incentive programmes may be regional, sectoral or outcome-specific (e.g. fostering research). Most initiatives seek to promote entrepreneurship, technological and infrastructure upgrades, innovation, exports (Section 3.2.4), energy efficiency, and regional development. Specific federal programmes are in place for the automotive, information technology, aeronautics, and petroleum industries (Section 4). The range of support measures includes: targeted long-term loans\(^{138}\); tax incentives; non-repayable financial contributions; equity financing; accelerated depreciation; guarantees; grants; advisory services; and credit insurance.

3.105. The Brazilian Agency for Industrial Development maintains an online database with non-exhaustive information on federal and sub-federal support initiatives.\(^{139}\) A compilation of incentives to productive investment granted by the Federal Government is made available by the National Investment Information Network (RENAI).\(^{140}\) The RFB also publishes annual overviews of newly established tax concessions.\(^{141}\) An overview of federal incentive schemes is presented in Table A3.2.

3.106. Various federal programmes aim to encourage investment in Brazil’s less developed regions. Enterprises in the automotive industry located in the north, north-east and mid-west regions were eligible for federal fiscal incentives, consisting of a multiplier on presumed IPI credits, until December 2015. The IPI credit multiplier was 1.8 in 2013, 1.7 in 2014, and 1.5 in 2015.\(^{142}\) The benefit was conditional on investing at least 10% of the value of the tax in R&D and technological innovation, including in automotive engineering, in these regions.

3.107. Most state and municipal governments offer incentives to businesses independently of the federal programmes in place. At the time of Brazil’s previous Review, approximately 50 state-level incentive programmes were being challenged at the Federal Supreme Court, mostly on grounds involving ICMS tax treatment issues.\(^{143}\) More recent statistics on legal challenges involving such measures were not available.

3.108. According to the National Treasury, federal government expenditure on incentive and support programmes (excluding forgone revenue) amounted to R$163.2 million (0.003% of GDP)

\(^{138}\) According to the authorities, most credit initiatives address financing gaps where the private sector may not be able to fully respond to the needs of Brazilian businesses, as there are no private providers of long-term financing in Brazil.


\(^{140}\) RENAI online information. Viewed at: http://investimentos.mdic.gov.br/conteudo/index/item/31 [12 January 2017].


\(^{142}\) Law No. 9,440 of 14 March 1997, amended by Law No. 12,218 of 30 March 2010.

\(^{143}\) WTO document WT/TPR/S/283/Rev.1, 26 July 2013.
in 2016, against R$51.6 million (0.001% of GDP) in 2013.\textsuperscript{144} The authorities affirm that all initiatives are assessed regularly to ensure that they effectively address market failures, which may constitute serious obstacles to the attainment of Brazil’s development objectives. However, a recent study of the fiscal cost of Brazil’s industrial policy suggests that Brazilian industry has become increasingly dependent on incentives, rather than improving its international competitiveness. It also points out that some of the tax breaks have been put in place to compensate for deficiencies in Brazil’s complex tax system, such as the cascading effect of taxes levied on a cumulative (non-value added) basis.\textsuperscript{145}

3.109. Incentives granted in the context of certain federal programmes promoting the production of information technology, telecommunications and automation goods\textsuperscript{146} are linked to PPB criteria, which are product-specific and stipulate which stages of the respective manufacturing process must be carried out in Brazil in order to recognize the industrialization of a product.\textsuperscript{147} Companies seeking to benefit from these incentives must submit a project proposal demonstrating, \textit{inter alia}, that their production will comply with the PPB criteria established for the particular product(s).\textsuperscript{148} As from 2013, applicants may obtain provisional approval, which allows them to benefit from the incentives while the regular approval procedure is still ongoing.\textsuperscript{149} In addition, compliance with PPB criteria is an eligibility requirement for the incentives provided in the Manaus Free Trade Zone (ZFM) and for certain public procurement contracts in the technology and communication sector (Section 3.4.6).

3.110. PPB criteria are established (and modified) by inter-ministerial decrees signed by the ministers in charge of the MDIC and of Science, Technology and Innovation (MCTI). Proposals to that effect are elaborated, upon request from interested companies, by a technical group (GT-PPB) comprising representatives of the two Ministries and the Superintendence of the Manaus Free Trade Zone (SUFRAMA). The factors taken into consideration in the definition of PPB criteria include: investments to be made by the prospective manufacturers; technological development and local engineering skills employed; jobs created; investment in R&D; and the incentives’ possible negative externalities within Brazil (e.g. relocation of production or altered investment decisions of competitors).\textsuperscript{150} The time-frame for assessment of PPB requests is 120 days.

3.111. Some 135 inter-ministerial ordinances establishing new PPBs were adopted between January 2013 and January 2017.\textsuperscript{151} As at January 2017, incentives contingent on PPB criteria applied to some 459 companies established in the ZFM, and to 600 companies approved under the capacity-building and competitiveness-enhancement in IT programme.

3.112. During the period under review, Brazil was the respondent in two dispute settlement proceedings initiated separately by Japan and the EU against some of its tax incentive schemes (Section 2.5.1).

3.113. Brazil’s most recent notification to the WTO Committee on Subsidies and Countervailing Measures dates from 2014 and covers fiscal years 2011 and 2012. The notified 11 federal subsidy programmes are the same as at the time of Brazil’s last Review, although no disbursements took place under 2 of these programmes (Table 3.13).\textsuperscript{152} Following the notification, Brazil provided answers to requests for clarification by the United States, New Zealand, Canada and Australia.\textsuperscript{153}

\textsuperscript{144} National Treasury online information. Viewed at: https://www.tesouro.fazenda.gov.br/resultado-do-tesouro-nacional (17 January 2017).
\textsuperscript{146} During 2013-16, PPB-linked programmes included: capacity-building and competitiveness enhancement in IT (\textit{Lei da informática}), Law No. 8,248 of 23 October 1991; computers for educational use (REICOMP) and the national broadband programme (REPNBL-Redes), Law No. 12,715 of 17 September 2012); and digital inclusion, Law No. 11,196 of 21 November 2005. The REICOMP programme expired in 2015.
\textsuperscript{147} The PPBs are set with a view to maximizing the utilization of productive capacity installed in Brazil; they do not involve any thresholds for domestic value added, inputs or labour.
\textsuperscript{148} An electronic system for the submission and processing of project proposals was established in 2014 (MCTI/MDIC Ordinance No. 202 of 13 February 2014).
\textsuperscript{149} Decree No. 8,072 of 14 August 2013.
\textsuperscript{150} Inter-ministerial Ordinance No. 170 of 4 August 2010.
\textsuperscript{152} WTO document WT/TPR/S/283/Rev.1 of 26 July 2013.
\textsuperscript{153} WTO documents G/SCM/Q2/BRA/43 to 46 (24 October 2014) and G/SCM/Q2/BRA/48 (11 April 2016).
Table 3.13 Subsidy programmes notified to the WTO, 2011 and 2012

<table>
<thead>
<tr>
<th>Type</th>
<th>Programmes</th>
<th>Forms of support</th>
<th>Amount (R$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial</td>
<td>Support for the development of the pharmaceutical productive chain (PROFARMA – Innovation); Capacity-building and competitiveness-enhancement in IT (Lei da informática); Industrial technology and agricultural/cattle breeding technology development programmes (PDT/PDTA); Productive development policy (PDP)</td>
<td>Long-term financing; equity participation; tax credits; accelerated depreciation</td>
<td>4,006.7 4,688.2</td>
</tr>
<tr>
<td>Regional</td>
<td>Amazon Development Authority and North-East Region Development Authority (SUDAM/SUDESDE); Investment funds for the Amazon, the north-east region and the State of Espírito Santo (FME/FIO/FUN/SRS); Constitutional funds for financing the north-east; the north and the mid-west regions (FME/PRO/FCO); Development funds for the Amazon and the north-east regions (FAD/FONE); Regional development and promotion of R&amp;D and technological innovation programmes (Projeto APP)</td>
<td>Tax exemptions and reductions; risk capital investments; loans</td>
<td>27,739.6 31,482.5</td>
</tr>
<tr>
<td>Fisheries</td>
<td>Programme for economic subvention to the price of diesel oil used by fishing vessels; Programme for financing the enlargement and modernization of national fishing fleet (PROFROTA)</td>
<td>Fuel price support (equalization); loan performance bonus (interest payment discount)</td>
<td>17.2 2.8</td>
</tr>
</tbody>
</table>

a No disbursements took place in 2011 and 2012.

Source: WTO document G/SCM/N/253/BRA, 5 May 2014.

3.3.1.2 Free-trade zones

3.114. Brazil’s legislation provides for the establishment of free-trade zones (FTZs), for imports and exports, with a view to promoting the development and regional integration of border areas in the north region.¹⁵⁴ There have been no changes to the number of existing FTZs and their operational status since Brazil’s last Review.¹⁵⁵ Out of the eight FTZs that have been created, the ZFM remains the only one hosting production operations; residents in three other zones are engaged in commerce operations.¹⁵⁶ The SUFRAMA, an autonomous agency linked to the MDIC, remains in charge of all FTZs in Brazil. All imports to the FTZs require authorization by both SECEX and SUFRAMA.

3.115. As at March 2017, some 459 companies were residing in the ZFM, and the other FTZs had a total of 82 resident companies. Eligibility for establishment in the ZFM is conditional on observing PPB criteria (Section 3.3.3.1); a number of environmental and social requirements also apply. Companies established in the ZFM are granted tax concessions by the federal and state governments.¹⁵⁷ Incentives under the ZFM programme will be in force until 2073.¹⁵⁸

3.116. Federal tax incentives include: (i) import-duty exemption for goods to be used or consumed in the ZFM, including capital goods and raw materials, as well as for goods listed in Inter-Ministerial Ordinance No. 300 of 20 December 1996¹⁵⁹, destined for consumption in the western Amazon region; (ii) up to 88% reduction of import duties applied on raw materials, intermediate inputs, and secondary and packaging materials used in the production of industrial goods in the ZFM to be sold in the rest of Brazil; (iii) reduction of import duties on inputs used in the fabrication of informatics goods and motor vehicles, with the percentage of reduction depending on the share of domestic inputs and labour in the total production (the coefficient of reduction is increased by 5% for motor vehicles); (iv) IPI exemption for goods produced in the

¹⁵⁶ There are also eight regional points (coordenação regional, CORE), of which seven offer incentives only for the processing of fish, natural resources or forestry and agricultural raw materials. SUFRAMA online information. Viewed at: http://sine.suframa.gov.br/assuntos/modulo-zona-franca-de-manaus/area-de-beneficios (13 January 2017).
¹⁵⁸ Constitutional Amendment No. 83 of 5 August 2014.
ZFM, for imports used or consumed in the zone, and for goods listed in Inter-Ministerial Ordinance No. 300/96 destined for consumption in the western Amazon region; (v) IPI exemption for domestic goods entered into the ZFM or other areas of the western Amazon region, for goods produced with regional agricultural raw materials, in all areas of the western Amazon region; (vi) IPI credits, when applicable; (vii) export-tax exemption for goods produced in the ZFM, when applicable; (viii) exemption from PIS and COFINS contributions for operations in the ZFM; and (ix) 75% reduction of income tax until 2013.

3.117. In addition, the State of Amazonas grants the following fiscal incentives: (i) exemption from the ICMS on machinery and equipment purchases to be used for production in the ZFM; (ii) ICMS credit on industrial and agri-industry product purchases ranging from 60% to 100%, depending on the products; and (iii) a reduction of the tax base for the calculation of the ICMS of 55% (for goods to be used in the production of integrated circuits) or 64.5% (for goods to be used in the production of capital goods).160 There is also the possibility of deferring the ICMS for imports of raw materials, and of reducing the ICMS rate to 4%.161

3.118. ZFM beneficiaries may also take advantage of the Western Amazon Export Special Programme (PEXPAM), which allows the importation of raw materials, inputs and industrial components exclusively for export, and grants exemption from import duties, IPI, ICMS, and any other tax or financial retribution to any public body. Eligibility for the PEXPAM programme is not conditional on compliance with PPB.

3.119. There are no restrictions on shipments from the ZFM to the rest of Brazil: importers may supply foreign goods from their stock in the ZFM to other parts of the country, without any quantitative limits. Goods imported into Brazil from the ZFM are subject to all import duties and taxes normally assessed, with the exception of duties on inputs, which are reduced by up to 88%.160 The reduction does not apply to informatics products or to vehicles, to which the full duty is applied. Products manufactured in the ZFM solely with imported inputs, goods sold to other FTZs, and obsolete machinery and equipment are not subject to the payment of duties.

3.120. The ZFM is essentially an industrial hub, producing mainly electronics, vehicles, chemicals, thermoplastics, mechanical machinery, metallurgical products, consumer goods, and watches. Its trade balance with Brazil remained in surplus, and that with the rest of the world was in deficit, throughout 2012-16. ZFM residents purchased inputs mostly overseas, whereas their sales revenue was predominantly from the Brazilian market (Charts 3.5 and 3.6). During 2013-16, investments in the ZFM totalled US$37.2 billion. The ZFM employed on average 85,587 persons in 2016, down from 121,631 in 2013.163

![Chart 3.5 ZFM trade balance, 2012-16](chart)

Source: SUFRAMA, Indicadores de Desempenho do polo industrial de Manaus (March 2017).

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162 The duty assessment methodology is defined in Decree No. 4,543 of 26 December 2002.
3.3.1.3 Federal financing facilities

3.121. The BNDES is the main entity providing federal financing to entrepreneurs in Brazil.\footnote{The **Banco da Amazônia** (BASA) and the **Banco do Nordeste do Brasil** (BNB) manage, *inter alia*, federally funded regional programmes.} The range of its operations includes tailored financing (often linked to an administered long-term interest rate (TJLP)), equity participation, non-reimbursable financial contributions, and guarantees. According to the authorities, the BNDES is alone in the Brazilian market for long-term, local-currency financing solutions, and its portfolio comprises mostly greenfield projects in nascent industries that have no other source of financing. Support granted by the BNDES over 2013-16 totalled R$602.5 billion (Table 3.14), against R$601.5 billion over 2009-12 and R$255.2 billion over 2005-08.

<table>
<thead>
<tr>
<th>Table 3.14 Brazilian development bank support, 2013-16</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(R$ million)</strong></td>
</tr>
<tr>
<td><strong>2013</strong></td>
</tr>
<tr>
<td>Agriculture</td>
</tr>
<tr>
<td>Industry</td>
</tr>
<tr>
<td>Infrastructure</td>
</tr>
<tr>
<td>Trade/services</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Source: Information provided by the Brazilian authorities.

3.122. BNDES activities are funded by returns on its operations; resources raised in foreign markets; a portion of all contributions to the FAT; and public funds provided by the Federal Government, its sole shareholder, either in the form of paid-in capital or debt instruments. At end-June 2016, government sources accounted for 87.1% of BNDES's total capital, up from 84.9% in 2013. National Treasury resources in BNDES's total capital increased from 54.7% to 56.1% (R$524.9 billion) in that period.

3.123. The BNDES maintains a number of schemes that facilitate access to credit, either directly or through accredited financial institutions. Projects eligible for financing include: implementation, expansion, and modernization of fixed assets; new machinery and equipment produced in Brazil and accredited by the BNDES; production of various goods and services for export and their overseas commercialization (Section 3.2.5); and working capital associated with a fixed investment. Indirect schemes (through the banking sector) represented some 55.3% of total financing granted over 2013-16. The BNDES FINEM programme was the largest, accounting for 38.2% of total disbursements, followed by the FINAME with 24.5% (Table 3.15). In 2016, there were some 145,000 beneficiaries of BNDES financing, with projects in agribusiness, electricity and gas, trade and land transport accounting for the bulk of disbursements.\footnote{BNDES online information. Viewed at: \url{http://www.bndes.gov.br/wps/portal/site/home/transparencia/transparencia} [19 April 2017].}
Table 3.15 BNDES disbursements by credit scheme, 2013-16

<table>
<thead>
<tr>
<th>Credit scheme</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2013-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct schemes</td>
<td>74,370.6</td>
<td>84,312.0</td>
<td>70,561.6</td>
<td>40,035.5</td>
<td>269,279.6</td>
</tr>
<tr>
<td>BNDES FINEM</td>
<td>64,858.1</td>
<td>72,147.8</td>
<td>61,320.2</td>
<td>32,044.5</td>
<td>230,376.0</td>
</tr>
<tr>
<td>BNDES-EXIM</td>
<td>5,591.6</td>
<td>5,790.5</td>
<td>5,620.1</td>
<td>6,037.3</td>
<td>23,039.5</td>
</tr>
<tr>
<td>BNDES não reembolsável</td>
<td>394.7</td>
<td>729.9</td>
<td>369.6</td>
<td>444.1</td>
<td>1,934.9</td>
</tr>
<tr>
<td>BNDES Mercado de Capitais</td>
<td>3,526.2</td>
<td>5,617.8</td>
<td>2,947.3</td>
<td>1,261.4</td>
<td>13,452.8</td>
</tr>
<tr>
<td>BNDES Microcrédito I</td>
<td>210.8</td>
<td>256.5</td>
<td>304.3</td>
<td>150.9</td>
<td>481.0</td>
</tr>
<tr>
<td>Indirect schemes*</td>
<td>116,048.4</td>
<td>103,524.9</td>
<td>65,380.5</td>
<td>48,221.0</td>
<td>333,174.8</td>
</tr>
<tr>
<td>BNDES FINAME</td>
<td>58,133.7</td>
<td>53,855.5</td>
<td>24,882.8</td>
<td>10,592.4</td>
<td>147,651.4</td>
</tr>
<tr>
<td>BNDES Automático</td>
<td>11,298.3</td>
<td>11,381.0</td>
<td>8,485.8</td>
<td>3,238.9</td>
<td>34,404.1</td>
</tr>
<tr>
<td>BNDES FINAME Agrícola</td>
<td>12,171.4</td>
<td>10,814.8</td>
<td>7,824.4</td>
<td>7,085.8</td>
<td>37,896.3</td>
</tr>
<tr>
<td>BNDES-EXIM</td>
<td>9,666.2</td>
<td>4,482.4</td>
<td>1,169.6</td>
<td>8,693.3</td>
<td>24,121.5</td>
</tr>
<tr>
<td>BNDES FINAME Leasing</td>
<td>154.5</td>
<td>100.3</td>
<td>23.8</td>
<td>9.8</td>
<td>288.4</td>
</tr>
<tr>
<td>Cartão BNDES</td>
<td>10,022.6</td>
<td>11,547.5</td>
<td>11,251.9</td>
<td>5,636.5</td>
<td>38,458.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>190,419.0</strong></td>
<td><strong>187,836.9</strong></td>
<td><strong>135,942.0</strong></td>
<td><strong>88,256.5</strong></td>
<td><strong>602,454.5</strong></td>
</tr>
</tbody>
</table>

*a* Through the banking sector.

Source: Information provided by the Brazilian authorities.

3.124. BNDES financing is mainly provided to private companies with headquarters and administration in Brazil. Individual entrepreneurs and business associations in Brazil (e.g. cargo carriers, rural producers or micro entrepreneurs) are also entitled to financing, regardless of nationality. Eligibility for BNDES support is subject to few restrictions regarding operations: the list of restricted activities includes banking/financial activities, weapons trade, establishments for adult entertainment, and gambling. Certain support mechanisms may focus on companies of a specific size or foster the development of a local supply chain. For instance, products with a domestic content of at least 60% (in value terms) are automatically eligible for financing under the Automatic and FINAME schemes, while products with local content below the threshold are subject to a non-automatic analysis procedure. According to the authorities, the BNDES reviews the eligibility criteria (including any local content/local production requirements) for its schemes and adapts them to changing market conditions.

3.125. Several BNDES schemes are operated on an interest rate equalization principle, whereby resources from the National Treasury are used to cover the difference between the rate charged by the BNDES and that effectively paid by borrowers. During 2013-15, disbursements under interest rate equalization schemes totalled R$194.8 billion, representing 37.9% of total BNDES disbursements.166 The interest rates effectively paid by most borrowers under these schemes were particularly attractive: 63.3% of disbursements made were at rates not exceeding 5%, which was well below the annual rate of inflation (Table 1.2). According to the authorities, the bulk of disbursements benefitting from interest rate equalization (R$191.6 billion) were made under the Programme for the Sustainability of Investment (PSI), which expired in 2015.167

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167 As at 31 December 2016, the stock of contracts concluded under the PSI that remained in force was R$133 billion. BNDES online information. Viewed at: http://www.bndes.gov.br/wps/wcm/site/home/morena/noticias/conteudo/tipo-substituir-blp-em-contratos-do-bandes-firmados-a-partir-de-1-de-janeiro-de-2018/utyzg/21/zvRtds5wFPDte-DSsQkzI0mIX6cUKUOQ14Cu1UxcoAjo1Du-nzGdpnZto6mKNB4Myro-99zii/e4AZ3MC4yGrSwCac8cB8sb82xzN351NHQX1EkseyXhj12fjIGm1ZyMxXAm8816uRBD7sn5ODs8BTGzw-_XZj20u9eArGm8G013DNOcT/UVgXGWBQAOYGfopSyJ32kS5rrTFuNCNMMKwsAPaX6F9AEC-mmAnQOD-61Bpl6r9QPfHY-hC8C6a53jHicnkqGhTdb83QGV-ywBn0K_Nm7KN1-RkFwN51x34SP4Ac12RSa4hnaThwMfBFsFNVfwG7ze5Tmshstdl-DJ0KUHMT7m/4X5SGHY1Y1YvLcUNK76xKEpsMSGOYYY3Sm8Bc/XcogG837z1PnleEFVgnpYwyVfScHkk9wYQle216AZ7_5Rpn5s35xvyGyucogfcuCr-S3LzrvHH-6y5vNnp9Pz9e8GLqsd1-n4XGCL2vl2u4-a-cb7SnGpH-gkGPHcC12k1ZVjU757G8tU0cwS1DpBBe8KKNHEeS5NHOBQOuEIH0Hirn6sd-rywkmHt-u_bsta_jPefTsppaB8OdmnSBsh40kPhG7v2IXVnhor4t268mmNcI/SXyvsmJnk_xGwvldz/dz/ds/L2dBISEvZ0F8IS9nOSeHy/ [30 April 2017].
3.3.1.4 Research and development (R&D) programmes

3.126. Brazil's Scientific and Technological Development Fund (Fundo Nacional de Desenvolvimento Científico e Tecnológico, FNDCT), created in 1969, remains a major source of financing for science, technology and innovation (S, T&I) projects. The Financiadora de Estudos e Projetos (FINEP), a public enterprise linked to the MCTI, continues acting as the executive secretariat of FNDCT, with responsibility for accounting and administrative operations. FINEP also serves as financial agent for specific programmes funded by, inter alia, the National Treasury and the FAT.168

3.127. The FNDCT comprises 14 sectoral and 2 cross-cutting sub-funds, each with specific focus and with its own resources (Table 3.16). While there cannot be any transfer of resources between sub-funds, they may jointly finance strategic projects. In administering the sectoral sub-funds, FINEP follows a regional policy: at least 30% must be invested in the north, north-east, and mid-west regions.169 According to the authorities, appropriations from the National Treasury constituted an insignificant share of overall FNDCT resources during 2013-16. One notable exception was the provision of National Treasury resources for the Science without Borders (Ciência sem Fronteiras) programme in 2015.

Table 3.16 Sectoral science, technology and innovation (S, T&I) funds, 2017

<table>
<thead>
<tr>
<th>Fund/Fund</th>
<th>Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petroleum and Natural Gas Fund (CT-PETRO), Law No. 9,478 of 6 August 1997, amended by Law No. 12,734 of 30 November 2012</td>
<td>25% of the share of the value of royalties exceeding 5% of the production of petroleum and natural gas. As from December 2012, these resources are no longer channelled to CT-PETRO</td>
</tr>
<tr>
<td>Energy Fund (CT-ENERG), Law No. 9,993 of 24 July 2000</td>
<td>0.4% of the net value of the bills issued by concessionaries for the generation and transmission of electricity. 0.3% for distribution of 4% of the financial compensation of electricity generation companies</td>
</tr>
<tr>
<td>Hydric Resources Fund (CT-HIDRO), Law No. 9,993 of 24 July 2000</td>
<td>10% of the receipts obtained by the National Transportation Infrastructure Department stemming from contributions for the use of roads by communications and telecommunications systems</td>
</tr>
<tr>
<td>Land Transport Fund (CT-TRANSPORTE), Law No. 9,992 of 24 July 2000</td>
<td>2% of the financial compensation of the mining sector</td>
</tr>
<tr>
<td>Mining Fund (CT-MINERAL), Law No. 9,993 of 24 July 2000</td>
<td>25% of federal revenues from space operations</td>
</tr>
<tr>
<td>Space Fund (CT-ESPACIAL), Law No. 9,994 of 24 July 2000</td>
<td>0.5% of informatics enterprises' bills</td>
</tr>
<tr>
<td>Information Technology Fund (CT-INFOM), Law No. 10,176 of 11 January 2001</td>
<td>50% of the CIDE, plus 43% of the IPI on informatics products</td>
</tr>
<tr>
<td>University and Enterprise Fund (CT-VERDE AMARELO), Laws No. 10,168 of 29 December 2000 and No. 10,332 of 19 December 2001</td>
<td>20% of other funds</td>
</tr>
<tr>
<td>Infrastructure Fund (CT-INFRA), Law No. 10,197 of 14 February 2001</td>
<td>3% of the AFRRM tax revenue accruing to the Merchant Marine Fund (FMF)</td>
</tr>
<tr>
<td>Water-Transport and Naval Construction Fund (CT-AQUIVARIO), Law No. 10,893 of 13 July 2004</td>
<td>At least 0.5% of gross sales of 2FM residents that produce informatics-related goods and services</td>
</tr>
<tr>
<td>Amazon Fund (CT-AMAZONIA), Laws No. 8,387 of 30 December 1991 and No. 10,176 of 11 January 2001, and Decree No. 4,401 of 1 October 2002</td>
<td>7.5% of proceeds from CIDE</td>
</tr>
<tr>
<td>Biotechnology Fund (CT-BIO), Law No. 10,332 of 19 December 2001</td>
<td>17.5% of proceeds from CIDE</td>
</tr>
<tr>
<td>Agri-business Fund (CT-AGRO), Law No. 10,332 of 19 December 2001</td>
<td>7.5% of proceeds from CIDE</td>
</tr>
<tr>
<td>Aeronautical Fund, (CT-AERO), Law No. 10,332 of 19 December 2001</td>
<td>17.5% of proceeds from CIDE</td>
</tr>
<tr>
<td>Health Fund (CT-SAUDE), Law No. 10,332 of 19 December 2001</td>
<td>Accredited automakers' contributions (in place of direct investments in R&amp;D) or finds (for failure to meet established objectives). Valid until 31 December 2017</td>
</tr>
<tr>
<td>CT-INOVAR-AUTO, Laws No. 12,715 of 17 September 2012 and No. 12,996 of 18 June 2014</td>
<td></td>
</tr>
</tbody>
</table>

Source: Information provided by the Brazilian authorities.

168 In addition, FINEP acts as one of the financial agents for the Telecommunications Fund (Fundo para o Desenvolvimento Tecnológico das Telecomunicações, FUNTEL), financed by telecommunications operators' contributions and dedicated exclusively to the telecommunications sector's technological development.

169 The only exception is the sub-fund for the Amazon region dedicated to financing activities in the states of Amazonas, Rondônia, Roraima, and Acre.
3.128. FINEP finances Brazilian research institutions and companies active at every phase and dimension of the scientific and technological development cycle (e.g. basic research, applied research and technological innovation). It also provides financial support for the organization of conferences, seminars and fairs approved by the National Council for Scientific and Technological Development (CNPq).

3.129. FINEP support may take the form of repayable financing, non-repayable financing to non-profit institutions, grants (subvenção econômica) to enterprises, and investments in projects and companies. Repayable financing may be provided from both FNDCT and FINEP's own resources. FINEP accepts and analyses such applications continuously, whereas applications for non-repayable financing must be submitted in response to a public call for proposals. Non-repayable financing is funded from the FNDCT budget. It is made available to public universities, research centres, and non-profit institutions in programmes and areas determined by the FNDCT's steering committees.

3.130. FNDCT disbursements totalled R$7.9 billion over the 2013-16 period. Significant shares of this amount were attributable to the CT-INFRA, CT-SAUDE and CT-PETRO funds. Details on types of support provided and on the beneficiary projects/activities were not available.

3.3.2 Standards and other technical requirements

3.131. Brazil's legal and institutional framework related to the implementation and administration of the TBT Agreement remained broadly unchanged during 2013-2016; no notifications pursuant to Article 15.2 of the TBT Agreement were received at the WTO during this period.171

3.132. The National Council of Metrology, Standardization and Industrial Quality (CONMETRO) continues to oversee the National System of Metrology, Standardization and Industrial Quality (SMETRO), which regroups public and private entities active in metrology, standardization, quality management, and certification at the federal and sub-federal levels. The National Institute of Metrology, Quality and Technology (INMETRO) continues serving as: CONMETRO's Executive Secretariat; the coordinator of the Brazilian Network of Legal Metrology and Quality (RBMLQ-I); the regulatory and supervising authority for legal metrology and compulsory conformity assessment in the areas of security, environmental and health protection, and prevention of deceptive trade practices; and the national enquiry point and notification authority under the TBT Agreement.

3.133. The Brazilian Association for Technical Standardization (ABNT) remains in charge of developing (voluntary) standards. Besides CONMETRO and INMETRO, some 31 federal agencies are responsible for issuing technical regulations and determining conformity assessment systems in their respective areas of competence. Any of these competent agencies may request that INMETRO coordinate conformity assessment activities for a particular technical regulation.

3.134. Brazil's approach to granting equivalence remains based on the acceptance of test results, without explicit recognition of foreign technical regulations. During the review period, Brazil notified to the WTO four plurilateral agreements on TBT matters concluded with other Members, including three new mutual recognition agreements (MRAs) on accreditation. Through INMETRO, Brazil is a party to some 120 TBT-related technical cooperation instruments, of which 89 (including 19 in the field of accreditation) are currently in force. INMETRO also represents Brazil at the Inter-American Accreditation Cooperation, the International Accreditation Forum, the International Laboratory Accreditation Cooperation, the International Bureau of Weights and Measures, the International Organization of Legal Metrology, and in relevant initiatives within MERCOSUR, LAIA, and the Organization of American States.

3.135. As a member of MERCOSUR, Brazil participates in the elaboration, adoption and revision of common technical regulations; the relevant MERCOSUR procedures remained unchanged.

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170 Investments may be made either directly or by way of venture capital and seed money funds.
172 Provisional measure No. 541 of 2 August 2011, converted into Law No. 12,545 of 14 December 2011.
173 WTO documents G/TBT/10.7/N/129 and 130 (30 June 2016), and G/TBT/10.7/N/131 and 132 (1 July 2016).
4 TRADE POLICIES BY SECTOR

4.1. Since its previous TPR, Brazil maintained the broad scope of its sectoral trade policies have remained relatively unchanged. Notwithstanding regulatory and institutional changes undertaken in certain activities, *inter alia*, driven by public expenditure tightening due to the recent economic slowdown, government intervention through border and domestic support continues to distort competition and thus resource allocation in several areas. Certain activities remain characterized by market concentration, dominant state involvement or other competitiveness-constraining structural weaknesses, whereas support is marked by the multiplicity of relatively complex tax and non-tax measures, including administered interest rate and/or concessional loans, at federal and/or state level conditioned by production step-related local content requirements (e.g. manufacturing and hydrocarbons).\(^1\)

4.2. Brazil remains a major player in the global trade of certain agricultural commodities. During the review period, the agricultural sector’s share in gross value added (5.5%, 2016) remained relatively stable, and labour productivity seemingly low, compared to the rest of the economy. The average MFN tariff for agricultural products (10.2%) remains unchanged and the 55% peak rate affects only desiccated coconuts. Although it continues to provide a low and decreasing level of support to its agricultural producers compared with other countries, Brazil maintains several domestic support measures, including administered interest rate and concessional credit lines (e.g. under the equalization principle), price support mechanisms and crop insurance premium support to which emphasis has lately been shifted. Mandatory bank reserve requirements for the financing of agricultural activities remain in place. The high level of rural debt remains a major challenge which is being addressed. A state trading company remains involved in the operation of some agricultural policy measures (e.g. storage and minimum price guarantees).

4.3. The manufacturing sector remains large (11.7% of gross value added, 2016) albeit slightly declining, and diversified. Activities are either thriving or facing hard times, partly because of their weak integration into the world economy (e.g. the automotive industry) as several structural issues, including the so-called "Brazil cost", continue to affect the sector’s competitiveness. A 2016 More Productive Brazil initiative is aimed at implementing lean manufacturing principles to raise productivity levels. The average MFN applied tariff for manufacturing products (11.8%) remains virtually unchanged; clothing, textiles, and transport equipment continue to benefit from the activity’s highest tariff protection (35%), the main tool of an apparent tariff-jumping policy to attract FDI.\(^2\) In addition to several export incentives, remission of duties and taxes on exports under the Reintegrar scheme, originally due to expire at end-2013, were made permanent. Domestic support in the form of tax and other non-tax incentives, including administered interest

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\(^1\) Concessional loans are defined as those extended on terms substantially more generous than market loans. The concessionality is achieved either through interest rates below those available on the market or by grace periods, or a combination of these (OECD online glossary. Viewed at: [https://stats.oecd.org/glossary/detail.aspx?ID=5901](https://stats.oecd.org/glossary/detail.aspx?ID=5901)). Concerning the term concessional loans, which is commonly used in TPR reports, the authorities consider that no such loans are granted in Brazil. They indicated that the "all-in" interest rate charged on loans consists of the state-owned development bank’s (National Bank for Economic and Social Development – BNDES) cost of funds (i.e. a composition between the administered long-term interest rate (TJLP (Section 3.2.5)) and another market-based interest rate (e.g. the Central Bank’s SELIC interest rate or charges related to a basket of currencies) plus BNDES’ margin plus a risk spread and applicable fees. The TJLP, the interest rate at which BNDES pegs its loans, is determined by the National Monetary Council (CMN) (Section 4.5.3) and is released by the last working day of the quarter immediately before its effective date. The TJLP is calculated using the following parameters: (a) the expected rate of inflation calculated pro rata for twelve months following the first month of the rate, based on the annual forecast adopted by CMN; and (b) medium- to long-term risk assessment of the country. BNDES’ margin is deemed to compensate its operational costs while the risk spread charged varies according to the project and client’s risk. BNDES is by far the most significant provider of long-term local currency financing in Brazil, and is responsible for supporting corporate investments, as well as infrastructure projects. According to the authorities, Brazil has no equivalent private credit and capital market for long-term financing with respect to the terms and volumes to address demand for such loans. Consequently, the authorities consider that there is no comparable proxy to establish whether these loans are granted under more favourable conditions or qualify as a subsidy; they are of the view that terms such as “subsidized”, “concessional”, “preferential” or “favourable” are inappropriate to describe the long-term credit lines. More information and data on interest rate developments in Brazil are found in Table 1.2 and Section 4.53.1 of this report. Furthermore, the authorities indicated that production step requirements cannot be equated to local content requirements, as well as that reference to local content requirements is unwarranted.

\(^2\) The authorities consider that there is no such policy to attract FDI as, according to UNCTAD, Brazil is among the top FDI receiving countries.
rate or concessional loans, rental subsidies and temporarily expanded government procurement preferences to local suppliers (until 2016 and 2017), remains in place. Production step-related local content requirements tied to domestic support measures continue to shield domestic producers from foreign competition. Industry-specific incentives for some sectors, including automobiles (INOVAR-Auto, until 2017), information technology, aeronautics, fertilizers and pharmaceuticals, were continued. Action was taken to reduce tariffs of cell-powered and electric cars, while the duty-free treatment of motor vehicles from Argentina and Mexico was delayed until 2019.

4.4. Brazil, a net exporter of crude oil with one of the greenest energy matrixes in the world, remains nearly self-sufficient in primary energy production. Its Ten-Year Plan for Energy Expansion 2024, *inter alia*, aims at raising the share of renewable sources in the energy matrix. The state-controlled PETROBRAS has maintained its dominant position both in the upstream and downstream hydrocarbons activities. To address fuel sales-related financial losses, in 2016 PETROBRAS, a price setter in the domestic fuels market, implemented a new pricing policy for gasoline and diesel at the refinery gate. Tax incentives for oil and gas exploration and production remain in place while local content rules and the requirement for a minimum 30% stake of PETROBRAS in pre-salt fields seem to have caused development delays. This requirement and PETROBRAS’ right to be the sole operator in pre-salt oil reserves were removed in November 2016, whereas efforts to reform the local content regime in this area are under way. Biofuel production, an activity subject to cross-subsidization elements, continued to be assisted, *inter alia*, through: support to sugarcane production and fuel-flex cars; lending incentives to expand the industrial capacity for sugar and ethanol production; and, increased mandatory blending ratios for both gasoline and diesel. The state-owned ELETROBRAS continues to play a major role in the electricity sector. Since 2015, a tariff flag system allowing the monthly pass-through of the extra costs of generating thermal energy to consumers has been applied. Electricity tariffs, set by the regulator ANEEL, continue to ensure cross-subsidization among different consumer categories. In addition, the tax burden on end-user electricity tariffs remains significant and differs greatly across consumer groups.

4.5. Services, a key component of overall export competitiveness, remain the main contributor to Brazil’s gross value added (73.3%, 2016) and job creation, but continue to suffer from structural weaknesses hindering the growth potential of the entire economy. During the review period, Brazil’s GATS commitments were improved with the ratification of the Fifth Protocol undertakings in the area of financial services. Three of Brazil’s RTAs now contain WTO-plus services commitments and since 2015 preferential market access treatment has been granted to certain services and services suppliers of least developed countries. The government-owned banks’ share of total bank assets rose, and high interest spreads remain in place, *inter alia*, due to the lack of competitive pressure on major banks. Although non-independent the Central Bank continues to enjoy administrative autonomy; legislation allowing for more autonomy could possibly be considered in the future. A significant relaxation of reinsurance requirements on foreign insurance companies such as the obligation to make a cession to a local reinsurer and an intra-group cession cap was undertaken. Strong market competition continued to lead to further improvements in the quality and the tariffs of telecommunication services; during the review period local content requirements were used for auctioning radio spectrum frequencies. Certain audiovisual and broadcasting services remain subject to foreign investment limitations and local content requirements or preferences.

4.6. Initiatives to address transport and related infrastructure bottlenecks were undertaken. The domestic aviation market remains highly concentrated and domestic public air transport services (cabotage) reserved for Brazilian legal persons. The main commercial airports remain state owned and operated by a public enterprise. In maritime transport, the national flag fleet remains concentrated and dominated by vessels of the state company PETROBRAS; cabotage remains reserved for Brazilian flag vessels, except under certain conditions. The main ports continue to be either operated by state or municipal governments or are administered by a public-owned firm, although the majority of cargo movements is undertaken by private terminals; foreign vessels remain subject to a lighthouse fee. Foreign entry in wholesale trade is allowed except for solid, liquid and gaseous fuels and related products unless domestic requirements are met, whereas commercial presence in retail services and franchising remains unrestricted. A 2014 digital marketing law set the framework for the use of the Internet; virtually all international e-purchases are charged with a 60% flat equalization tax. In addition to existing tax incentives, tourism-specific concessional or administered interest rate finance programmes were introduced to
opportunity to develop value chains from its existing areas of strong comparative advantage – such as the agro-food chain, minerals, or "pre-salt" (Section 4.4.3.1) – to develop a more buoyant, more diversified, more sophisticated manufacturing base. Competitive services could enable and maximise the benefits from structural reform (Section 4.5.1).

4.3.3 Border measures

4.91. Since 2012, the average MFN applied tariff for manufacturing products remained virtually unchanged and stood at 11.8% in 2017 (HS definition, Table 3.3). Almost all of the 113 HS tariff lines whose applied rates were increased in 2016 were manufactured goods; similarly, 131 out of the 140 HS tariff lines whose rates decreased were manufactures. Clothing, textiles, and transport equipment benefit from the highest tariff protection among WTO categories of products, with average MFN applied tariffs of 35.0%, 22.6%, and 18.3%, respectively. The number of manufactured products subject to non-automatic import licensing is to decline when the single window reforms will be implemented. Recourse to trade defence mechanisms was strengthened (Sections 3.1.5 and 3.1.6).

4.92. Several export incentives are available (e.g. drawback programme, refund of Social Integration Program (PIS) and Contribution for the Financing of Social Security (COFINS) taxes, official export financing, the Special Regime for the Acquisition of Capital Goods by Exporting Enterprises (RECAP)), special zones (e.g. export-processing zones), and action under the June 2015 National Export Plan (Plano Nacional de Exportações). Additional tax refunds also continue to be available under the Reintegra scheme (Section 3.2.4.1). Under Law 13,043 of 2014, the Reintegra scheme, first introduced in 2011 as part of Plano Brasil Maior and due to expire at end-2013, was reinstated and made permanent. Although the Reintegra refund rate was to vary from 0.1% to 3% of export revenue, with a possible additional credit of 2% subject to certain criteria, during the review period, the rate of additional tax refunds was reduced as part of the Government's budget-cutting efforts. Its maximum refund rate was reduced temporarily from 3% of the export revenue to 1% in March 2015, and 0.1% in 2016; the National Export Plan set the rate at 2% in 2017 and 3% in 2018. In order to be eligible, exports must not contain more than 40% imported content. Exceptions apply to goods deemed high-tech (such as aircraft, electronics and pharmaceuticals), which are allowed a 65% imported-content limit. The scope of the programme, which covers 8,620-8,630 tariff items mostly manufactures, was expanded in September 2014 (Decree 8,304) to, inter alia, add sugar, ethanol, and cellulose to the list of eligible products. Under the Brazilian tax system, companies that tend to systematically accumulate tax credits and do not generate enough tax debits to offset them, are entitled to the suspension of some indirect tax on their purchases of imports and capital goods, in order to avoid such accumulation; the functioning of this regime is currently under consideration under the WTO Dispute Settlement Mechanism (Section 2.5.1).

4.3.4 Domestic support

4.93. Domestic support, amplified under the Plano Brasil Maior (Section 4.3.2) and aimed at producers and exporters of manufactured products, continued under several programmes. As of end-August 2016, the following general incentives remained in place: financing in the form of administered interest rate or concessional loans by the National Bank for Economic and Social Development (BNDES), the Brazilian Innovation Agency (FINEP) or federal states; government procurement preferences to local suppliers expanded in 2014 to cover all manufactured goods (until 2016 and 2017); federal, state and municipal tax and non-tax incentives (e.g. IPI tax reductions on several consumer and capital goods, rental subsidies, and donation of land sites); R&D and information technology tax incentives; and, subsidized equipment financing through

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137 The stated purpose of REINTEGRA is to exempt taxes that are charged throughout the production process of industrialized goods, such as ISS, IOF and CIDE (Section 3.2.4.1). EIU (2016), Country Commerce – Brazil, September; and USTR (2016), 2016 National Trade Estimate Report on Foreign Trade Barriers. Viewed at: https://ustr.gov/about-us/policy-offices/press-office/reports-and-publications/2015/2016-national-trade-estimate.

138 According to Decree 8,415, article 2 (27 February 2015), export revenue is understood as: for direct exports, the value of the goods on board (f.o.b.); and, for exports through exporting commercial enterprises (ECE), the value in the fiscal invoice of goods bought by the ECE. Presidência da República online information. Viewed at: http://www.planalto.gov.br/ccivil_03/_Ato2015-2018/2015/Decreto/D4415.htm#art10#Exceptions.
Exhibit CVD - BR - 8
1. ECONOMIC CONDITIONS AND MEDIUM TERM OUTLOOK

1.1. Economic Objective

Brazil’s real GDP grew by an annual average of 4.2% from 2003-2008 before the global financial crisis erupted. After solid 7.5% of growth rebound in 2010, real GDP growth moderated to 2.1% per year, in the last three years. This slowdown was induced by the weak global demand and internal factors, but Brazil is now ready to grow more and better in upcoming years.

The Brazilian economic fundamentals are solid: high international reserves (USD 376 billion or 16.6% of GDP); low external debt (5.0% of the total public debt); manageable current account deficit (-3.7% of GDP) and substantial FDI inflows of 4.4% of overall world FDI flows (USD 65 billion on average in the last three years). The public sector posted a primary balance of 1.9% of GDP in 2013, is estimated to reach 2.5% in 2015 and will be likely balanced in nominal terms by 2021.

The labour market has generated net 20.2 million new jobs from 2003-2013, reducing informality, increasing the number of people in the middle classes. Brazil is close to the full employment level (5.4% unemployment in 2013). This has brought sustained increases in wages and strengthened household’s income and thereby higher private consumption (which was 62.6% of GDP in 2013).

The Policy objective in Brazil is to induce GDP growth. Domestic demand will pick up with strengthened investment in infrastructure in the coming years and the maintenance of low unemployment and household’s income. In fact, the gross fixed capital formation rate grew by robust 5.2% in 2013. In 2014, however, the subdued recovery in the advanced economies and in international trade is bringing down GDP estimates worldwide, and Brazil is no exception. The Government responded to this challenging environment by adopting a set of measures aiming at boosting the economy which, together with the new PPP and concessions infrastructure investments, will bring about strong multipliers and a steady increase in the rate of investment over GDP.

Thus Brazil will lift GDP by around at least 0.4 pp. per year above the current trend trajectory by closing investment gaps and reinforcing its potential growth. By means of the strategy of removing bottlenecks in infrastructure and increasing the education and innovation skills of its population Brazil aims to grow by 4% from 2016 to 2019, thus doubling its average trajectory growth of the 2011-2013 time span and thereby lifting the real living standards of its population.

Key Commitments

The Brazilian government is preparing the country for a new investment cycle that will spur growth. Brazil’s proposed agenda is based on three basic ingredients: (i) the removal of regulatory obstacles to increase investment, especially in infrastructure; (ii) an articulated set of industrial policy measures for increasing competitiveness in order to cope with the effects of subdued recovery in the advanced economies on the international trade; and (iii) concentrated efforts to improve the education and skills of our labor force and the innovation capacity of our enterprises so as to boost the productivity of the economy and lift the growth potential in the long term.

This set of measures has been planned specifically to address Brazil’s policy gaps and challenges on the medium term and include:

1. Infrastructure Investment Package. Policy actions in this area aim at reducing the infrastructure gaps and to enhance competitiveness both at home and abroad. In the package, USD 44.47 billion are contracted in the form of concessions and PPPs, of which USD 32.37 billion are already under implementation.
ANNEX 2: NEW POLICY COMMITMENTS

1. Investment and infrastructure

The number of projects regarding concessions and permits with Federal Government participation awarded from November 2013 until October 2014 is 289, from which 283 are under implementation. However, the conclusion of each of those projects is variable, since they have different periods of maturation.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of Projects</th>
<th>Contracted Investments (BRL)</th>
<th>Contracted Investments (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Railways</td>
<td>2</td>
<td>7.03</td>
<td>3.19</td>
</tr>
<tr>
<td>Ports</td>
<td>2</td>
<td>3.45</td>
<td>1.57</td>
</tr>
<tr>
<td>Highways</td>
<td>5</td>
<td>26.55</td>
<td>13.43</td>
</tr>
<tr>
<td>Power Generation</td>
<td>180</td>
<td>19.90</td>
<td>9.06</td>
</tr>
<tr>
<td>Power Transmission</td>
<td>20</td>
<td>6.68</td>
<td>3.19</td>
</tr>
<tr>
<td>Oil and Natural Gas Exploration and Production</td>
<td>73</td>
<td>1.11</td>
<td>0.50</td>
</tr>
<tr>
<td>Urban Transportation</td>
<td>4</td>
<td>18.06</td>
<td>8.21</td>
</tr>
<tr>
<td>Airports (****)</td>
<td>2</td>
<td>9.06</td>
<td>4.12</td>
</tr>
<tr>
<td>Telecom</td>
<td>1</td>
<td>2.80</td>
<td>1.27</td>
</tr>
<tr>
<td>Total</td>
<td>289</td>
<td>97.93</td>
<td>44.47</td>
</tr>
</tbody>
</table>

Projects under implementation

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of Projects</th>
<th>Contracted Investments (BRL)</th>
<th>Contracted Investments (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Railways</td>
<td>1</td>
<td>0.74</td>
<td>0.33</td>
</tr>
<tr>
<td>Ports</td>
<td>0</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Highways</td>
<td>5</td>
<td>25.55</td>
<td>12.18</td>
</tr>
<tr>
<td>Power Generation</td>
<td>180</td>
<td>19.90</td>
<td>9.06</td>
</tr>
<tr>
<td>Power Transmission</td>
<td>20</td>
<td>6.68</td>
<td>3.19</td>
</tr>
<tr>
<td>Oil and Natural Gas Exploration and Production</td>
<td>73</td>
<td>1.00</td>
<td>0.45</td>
</tr>
<tr>
<td>Urban Transportation</td>
<td>1</td>
<td>1.30</td>
<td>0.58</td>
</tr>
<tr>
<td>Airports (****)</td>
<td>2</td>
<td>5.04</td>
<td>2.32</td>
</tr>
<tr>
<td>Telecom</td>
<td>1</td>
<td>2.00</td>
<td>1.20</td>
</tr>
<tr>
<td>Total</td>
<td>283</td>
<td>71.22</td>
<td>32.37</td>
</tr>
</tbody>
</table>

Source: Ministry of Finance of Brazil (MF/SEAE). Average exchange rate of BRL 2.70 per USD 1.00.

*Projects could be appropriately detailed as requested.

(****) 72 blocks were auctioned in November 2013 (concessions) and the block of Libra (sharing contracts) awarded in October 2013.

Explanation of additonality (where relevant)

Those 19 infrastructure projects under implementation, which started from November 2013 onwards, are additional capital expenditure (capex) and, as such, will impact significantly the investment rate in Brazil in the short and medium terms.
The main regulatory authorities (BCB - Central Bank; CVM - Brazil Securities Commission; SUSEP - Superintendency of Private Insurance, and Previc - Superintendency of Complementary Pensions) are committed to **analysing potential regulatory issues that can hinder long-term financing and address them through new regulations.**

Since some recommendations may require coordinated measures among the regulatory agencies, the Coremec (Committee of Regulation and Supervision of Financial, Securities, Insurance, and Complementary Pension) **created an infrastructure working group in order to study issues related to infrastructure financing and propose solutions through regulations.** Issues to be studied by the group may include: long term hedging, credit enhancement instruments, structured finance, standardization and liquidity of capital markets instruments, development of secondary market, attraction of pension funds and insurance companies, reserve requirement exemptions, and the role of development banks.

The group was launched on May 7, 2014, with a term of one year to present final recommendations (May, 2015).

The conclusions of this working group, subject to the approval of the Coremec, will be analysed by each regulatory agency in their respective field of responsibility and by other government institutions (Ministry of Finance and the National Development Bank-BNDES) in order to prepare specific measures to tackle the problems identified.

(i) The progress can be tracked during Coremec’s quarterly meetings and by the final report and its recommendations.

(ii) Conditional on the conclusions of the report, each regulator will assess how to prioritize the recommendations and define indicators to track their implementation, according to its own mandate.

(iii) Measures taken by the regulatory agencies to promote long term investments are also an important indicator.

Each regulatory agency is individually committed with the improvement of the conditions for long term/infrastructure financing and may propose regulatory measures, and the Coremec’s infrastructure working group is an additional effort in that direction.

The Coremec invited the BNDES (National Bank for Economic and Social Development) and the Ministry of Finance to be part of the working group.
The objectives of PNLI are:

a) identifying bottlenecks and investment opportunities in the short, medium and long term, in order to provide an efficient transportation logistics matrix; and

b) proposing key infrastructure and services projects (roads, railroads, ports, airports, waterways and logistic platforms) to remove the current and projected logistic bottlenecks so as to conciliate public needs and private/commercial objectives.

The PNLI will be prepared by the National Logistics Planning State-Owned Enterprise (EPL – Empresa de Planejamento e Logística) created on December 2012.

The preparation pathway encompasses the following activities: (1) consolidation of a database composed by traffic volume, origin and destination matrix and service standards of the current and future infrastructure; (2) implementation of a simulation system; (3) identification of existing and projected bottlenecks; and the final product (4) ranking of projects that shall generate efficiencies in the system.

Based on the first evaluation made for the PNLI, the portfolio includes 1,901 projects, adding up to R$ 660 billion (USD 300 billion) of investment budget. Of these 1,901 projects, 698 were already committed to the PAC and PIL plans. Therefore, 1,203 projects totaling R$ 370 billion (USD 168.18 billion), would be added to the projects pipeline already structured by the Government so as to eliminate current and future bottlenecks in the Brazilian transport infrastructure.

The ranking of infrastructure and service projects selected by EPL will be submitted and validated by Transportation Ministry and CONIT (National Council of Transportation Policy Integration).

The macro-simulation shall be implemented as a dynamic planning instrument to capture the constant changes of the relevant variables. Currently, the data is being collected across the entire country. Also, secondary data from existing governmental and non-governmental organizations is being collected to form an historical database. Inspired by tools used by developed economies, whose macro-simulation models evolved during long periods (ex.: GBMF – UK and SAMGODS - Sweden), EPL’s macro-simulation model shall be constantly perfected to incorporate state of the art simulation techniques.

The PNLI has been in preparation during the year of 2014 and is scheduled to be ready on the first quarter of 2015, working out with a horizon of the next 20 years and producing a detailed and comprehensive Action Plan and a projects database for the modernization of the infrastructure in the country.
<table>
<thead>
<tr>
<th>The New Policy Action</th>
<th>Implementation of the Infrastructure Guarantee Fund (FGIE) and of the Brazilian Agency for Management of Guarantee Funds (ABGF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABGF was created in August 2013 with the purpose, among other things, to manage an Infrastructure Guarantee Fund (FGIE). The Federal Government is authorized to buy quotas of FGIE up to the total value of R$ 11 billion (USD 5 billion).</td>
<td>The main objective is to complement private insurance companies in order to directly offer guarantees to risks that are partially or totally uncovered by the market, mostly nonmanageable risks such as acts of God, political and regulatory risks. At the macro level, it also intends to promote the development of the insurance market.</td>
</tr>
<tr>
<td>The focus of the FGIE will be large scale projects of the Growth Acceleration Program - PAC (a massive investment program that involve all three levels of the Federation), other strategic projects defined by the government and PPPs (including at the state level).</td>
<td>With the full implementation of its operations, FGIE will be able to offer guarantees to structural projects, minimizing non-manageable risks accountable to the grantor authority in the construction phase. It will help structure the financial package for new projects and, consequently, an improvement of the national infrastructure and of the potential GDP.</td>
</tr>
<tr>
<td>Furthermore, the FGIE is designed to foster Brazil’s output growth by supporting the implementation of projects that will improve the logistics infrastructure, reduce transportation costs and generate employment and income.</td>
<td>The establishment of the FGIE is scheduled to take place in the second half of 2014. Presently, the internal statutes and regulations are being written. ABGF is holding discussions on the operational procedures. Also, a wide negotiation on the structure and guarantees is being held with banks and government officials.</td>
</tr>
<tr>
<td>The main determinants of the success of FGIE’s operations are the level of exposure to the provided guarantees and the total value and number of projects.</td>
<td>The new Fund will cover risks that market and other existing funds do not cover or cover partially. The entry into operation of the FGIE is estimated for the first half of 2015, when the fund should be ready to issue guarantees for contracted loans by banks.</td>
</tr>
</tbody>
</table>

2. Employment

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1 The ABGF is designed to manage all guarantees previously in charge of the Export Guarantee Fund (EGF), Social Housing Guarantee Fund (Hab FG), Guarantee Fund (IGF), Operations Guarantee Fund (FGO), Guarantee Fund Public-Private Partnerships (FGP), Shipbuilding Guarantee Fund (FGCN) and Guarantee Fund for Education (FGEDUC), Rural Investment Guarantee Fund (FGIR) - not deployed) and Guarantee Fund for Electrical Energy Ventures (FGEE - not deployed).
<table>
<thead>
<tr>
<th>The New Policy Action</th>
<th>National Program for Access to Technical Education and Employment - Pronatec ²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation path and expected date of implementation</td>
<td>Pronatec is a national program designed to provide access to technical education and employment, through which access to vocational training has been made feasible in all regions of the country at no cost to the students. It also offers financial aid in order to reduce dropout rates and guarantee course completion by students with lower household income. The Pronatec Program involves a total budget of R$ 14 billion (USD 6.36 billion) and its target is enrolling 8 million students by the end of 2014.</td>
</tr>
<tr>
<td>What indicator(s) will be used to measure progress?</td>
<td>Progress will be measured by the percentage of the program’s financial budget that has been executed, as well as the number of enrolment in the professional education system. Both Ministries of Education and Labor and Employment will integrate their databases, in order to monitor the workers who completed the training courses and to make it easier for the trained workers to find a job through the Labour Intermediation System. The databases which will be integrated are the National Information System of Professional and Technical Education (SISTEC), of the Ministry of Education and the Labor Intermediation System of the Ministry of Labour and Employment (Sistema Mais Emprego).</td>
</tr>
<tr>
<td>Explanation of additionality (where relevant)</td>
<td>In 2014, the Pronatec Program was extended to the end of 2018, aiming at benefiting a total of 12 million students.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>The New Policy Action</th>
<th>Pronatec Apprentice³</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation path and expected date of implementation</td>
<td>The definite timeline of implementation currently depends on the conclusion of an agreement with the Ministry of Education regarding the number of qualification openings to be offered. Its implementation is expected to begin in the second half of 2014.</td>
</tr>
<tr>
<td>What indicator(s) will be used to measure progress?</td>
<td>Progress will be measured by the number of apprentices enrolled and by the number of apprentices that stay on as full time workers after the apprenticeship period is over. This shall be compared to firms’ potential for admitting apprentices, estimated using data from the General Registry of Employed and Unemployed Workers (CAGED).</td>
</tr>
</tbody>
</table>

² Pronatec Worker program provides professional training to unemployed workers and will be mandatory for all workers who have applied for the unemployment benefit more than twice in the past 10 years. The Ministry of Labour and Employment will shape the demand for the program so as to match the demands for professional training made by the local tripartite councils of labour and employment. The program will be carried out as a partnership between the Ministries of Labour and Education by the local tripartite councils of labour and employment. The policy will be carried out as a partnership between the Ministries of Labour and Employment and Education.

³ Pronatec Apprentice (“Pronatec Aprendiz”) is a supplement for the Pronatec program, aimed at improving the apprenticeship programs set out by the Apprenticeship Law of 2000. It provides federal funding to small and medium sized firms, as well as public administration can also take on apprentices, despite not contributing into the professional education system (S System). The main difference with regards to Pronatec Worker is that it qualifies young workers who are already in employment.
Pronatec funding allows for the expansion of previous apprenticeship programs to firms that would otherwise not be able to afford the cost of the qualification programs. Additionally, it focuses on vulnerable demographic groups such as young people, especially those in shelters, rescued from child labour.

The goal of the program is to promote job for the youth through the Apprenticeship Law by which all the companies of medium and large size are required to contract apprentices aged between 14 and 24 years old through a special work contract by a limited period of time (maximum length of two years). The minimum share of apprentices is 5% of all the employees and up to 15%; the percentage is determined by the employer.

<table>
<thead>
<tr>
<th>The New policy Action</th>
<th>The National Plan for Combating Informality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation path and expected date of implementation</td>
<td>The Plan supports current Active Labour Market policies by providing a new, integrated approach for labour inspections to tackle informality. The plan focuses on regions where the informality index is highest and will include the participation of the Ministries of Finance, Social Security and Human Rights. The plan will be launched on May 22nd 2014. The first activities shall begin to be implemented during the second semester of 2014 and major results are expected to be reached during 2015.</td>
</tr>
<tr>
<td>What indicator(s) will be used to measure progress?</td>
<td>Three main indicators will be used. The central indicator is the informality index as calculated by the Brazilian Institute for Geography and Statistics (IBGE). Secondly, the program shall take into account the number of workers formalized per labour inspection action, as registered by the Federal System of Labour Inspection (SFIT). Lastly, the Plan will measure the effect of formalization upon the area under inspection, by using econometric analysis based on the General Registry of Employed and Unemployed Workers (CAGED).</td>
</tr>
<tr>
<td>Explanation of additi onality (where relevant)</td>
<td>The commitment provides a new framework for labour inspection by integrating different inspection policies, improving procedures and using new, precise mapping of the areas with highest informality. Stronger inspection will contribute to increase compliance and improve the effectiveness of current ALM policies for reducing informality. The program also breaks new ground by working more closely with relevant government Ministries and organizations.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>The New Policy Action</th>
<th>E-Social System 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation path and expected date of implementation</td>
<td>The E-Social is a project of the federal government which will unify the conveyance of information by the employers in relation to their employees. When it is in full operation, E-Social will be extended to other employers, individuals and companies, bringing several advantages over the current</td>
</tr>
</tbody>
</table>

4 E-social is an integrated information collection system which aims to simplify the compliance of labour and social security obligations by firms. It will create a single channel for relaying information to the federal government and will help guarantee worker rights as well as improve the quality of the information conveyed.
system, such as:

- Assistance to various government agencies with a single source of information for the fulfillment of several currently existing labor, social security and tax obligations;
- Integration of computer systems of private companies with the TI environment of the government agencies, enabling automatic conveyance of information from the employers;
- Standardization and integration of records of individuals and companies within the agencies involved in the project.

The E-Social project is a joint effort of several agencies of the federal government. The Ministry of Planning advises other agencies and manages the operation of the program through its Office Project.

The timeline for implementation is currently being finalized in consultations with the Ministry of Labour’s social partners. Once concluded, there will be a six month period for testing the new system, and then another six months for the first group of firms to begin implementation. Implementation is expected to begin during 2015, starting with large sized firms.

<table>
<thead>
<tr>
<th>What indicator(s) will be used to measure progress?</th>
<th>Progress with rollout of the system will be measured by the number of firms and workers included in e-social. Since the first group for implementation is expected to be firms with over 80 workers, it is estimated that up to 70% of workers may be included by the end of 2015.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Explanation of additionality (where relevant)</td>
<td>E-social eliminates redundancy in information collection. It also improves the quality of information by altering the registry in two ways: first, information is collected in a shorter time span; second, it is collected only once, reducing errors and streamlining the process.</td>
</tr>
</tbody>
</table>

3. Competition and Small and Medium Enterprises

<table>
<thead>
<tr>
<th>The New policy action</th>
<th>New Regulatory Frameworks to Small and Medium Enterprises (SMEs)</th>
</tr>
</thead>
</table>
| Implementation path and expected date of implementation | **Bureaucratic costs:** the new regulatory framework will integrate tools in different levels of government (federal, state and municipal) and in different agencies in order to reduce bureaucratic costs for starting and operating a business, especially the cost of complying with tax regulations. The implementation will be in two steps, firstly, to pass a new legislation to unify nationally the process to start a business and to allow more enterprises to adopt the unified system of taxes (SIMPLES). Secondly, a new web based system will be created in order to facilitate the obtainment of permits and licenses to operate (Portal Empresa Simples).

**Capital markets:** the new regulatory framework aims to improve the SMEs access to capital markets by: (i) removing some mandatory newspaper disclosures related to public offerings; (ii) creating a special stock investment fund named *Fundo de Investimento em Ações – Mercado de Acesso* (FIA-MA) allowed to buy higher risk and less liquid equities; and (iii) raising from 20% to 35% the threshold for private equity funds to invest in companies in which they don’t have... |
managerial influence. The investees must be listed on a special segment that requires certain corporate governance criteria. The new regulation was released for public hearing to receive comments and suggestions. It is expected to be implemented by 2015.

**Export credit:** the Ministry of Finance will implement a new product to guarantee financing to exports by SMEs with revenues up to R$ 90 million (USD 41 millions) and exports limited to USD 1 million per year.

<table>
<thead>
<tr>
<th>The New Policy Action</th>
<th>Microeconomic Competition Reforms Package</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation path and expected date of implementation</td>
<td>The Brazilian Competition Reforms Package aims to strengthen manufacturing industrial sectors in the new cycle of development and foster Brazilian exports of manufactured goods. To attain these objectives, six pillars are going to be worked out:</td>
</tr>
<tr>
<td>What indicator(s) will be used to measure progress?</td>
<td>1. Innovation (National Platforms of Knowledge Program).</td>
</tr>
<tr>
<td></td>
<td>2. Permanent payroll tax exemption for the enterprises of 56 sectors;</td>
</tr>
<tr>
<td></td>
<td>3. Cost reduction of capital invested.</td>
</tr>
<tr>
<td></td>
<td>5. Reimbursement of the tax paid on exported manufactured goods (Reintegra).</td>
</tr>
<tr>
<td></td>
<td>6. Provision of credit for investment, with reduced interest rates.</td>
</tr>
<tr>
<td></td>
<td>Among the measures to be implemented it is worth mentioning: i) permanent tax exemptions in construction materials and capital goods sectors; ii) tax debts payment in instalments (New Refis); iii) extension of the Program of Investment Support (PSI) until December 31, 2015; iv) incentives for mid-sized enterprises’ IPOs until 2015; v) extension of tax incentives for issuance of infrastructure debentures until December 31, 2020; and the Brazil Without Bureaucracy Program.</td>
</tr>
<tr>
<td>Explanation of additionality (where relevant)</td>
<td>Progress will be measured by indicators of gains in: productivity of the manufacturing industry; competitiveness of the exports of manufactured goods; innovation by the enterprises; the market share in the global exports of manufactured goods; and wages and employment in the manufacturing industry.</td>
</tr>
<tr>
<td></td>
<td>The measures contained herein were announced by the Brazilian government on last June, 18th, 2014. (source: <a href="http://www.fazenda.gov.br/divulgacao/apresentacoes/apresentacao-do-ministro-guido-mantega-sobre-as-medidas-de-politica-industrial-18.06.14">http://www.fazenda.gov.br/divulgacao/apresentacoes/apresentacao-do-ministro-guido-mantega-sobre-as-medidas-de-politica-industrial-18.06.14</a>).</td>
</tr>
</tbody>
</table>

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4. **Trade**

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5 PSI is the program of the Brazilian Development Bank (BNDES), which aims to sustain the level of investment in the country.
<table>
<thead>
<tr>
<th>The New Policy Action</th>
<th>National Export Culture Plan for Small and Middle Enterprises (SMEs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation path and expected date of implementation</td>
<td>The objective is to spread knowledge about the challenges and opportunities of foreign trade, as well as to improve the ability of SMEs to engage in trade by means of training courses, workshops, business consultancy and technical assistance throughout the country. For 2014, the aim is to conclude 498 actions.</td>
</tr>
<tr>
<td>What indicator(s) will be used to measure progress?</td>
<td>Progress will be measured by the number of actions carried out as well by the change in export earnings of the enterprises involved in the process.</td>
</tr>
<tr>
<td>Explanation of additionality (where relevant)</td>
<td>The Plan is currently programmed to operate until 2015.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>The New Policy Action</th>
<th>Support to Trade Facilitation (I)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation path and expected date of implementation</td>
<td>The new Single Window Model (&quot;Portal Único&quot;) shall allow an integrated and comprehensive view of the importation, exportation and transit processes, from licensing, authorization and certifications to customs clearance. Documents will be available in digital form, leading to major reductions in the volume of paper documents and in physical documentation checks. The Single Window Model to be adopted is the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) Recommendation No. 33 on establishing a Single Window. Once the Single Window is fully operational, Brazil expects:</td>
</tr>
<tr>
<td>- Greater transparency;</td>
<td></td>
</tr>
<tr>
<td>- Reduction of time and costs for importers and exporters;</td>
<td></td>
</tr>
<tr>
<td>- Elimination of information redundancies;</td>
<td></td>
</tr>
<tr>
<td>- Process simplification through better risk management and coordination;</td>
<td></td>
</tr>
<tr>
<td>- Optimization of infrastructure and logistics;</td>
<td></td>
</tr>
<tr>
<td>- Greater participation of small and medium enterprises in foreign trade;</td>
<td></td>
</tr>
<tr>
<td>- Improvement in statistical information.</td>
<td></td>
</tr>
</tbody>
</table>

It is expected that, by 2017, the time required for export operations in Brazil will be reduced to 8 days for exports (in line with the best international practices) and to 10 days for imports. This amounts to an improvement of 40% over the current situation (today the average time for exports are 13 days, and for imports, 17 days). The New Single Window Model shall provide a contribution estimated in USD 25 billion/year from gains with time efficiency. In addition to the gains in the private sector, the Single Window would also enable more efficiency in the public sector by optimizing the use of human and physical resources in foreign trade operations. |
| What indicator(s) will be used to measure progress? | Based on information organized by the New Single Window Model, new indexes and performance indicators of foreign trade will be created to enable the system... |
users to evaluate the performance of each agent involved in the process. Eventual bottlenecks will be revealed, allowing timely corrective actions. The Doing Business Project (World Bank) may be also used to monitor results that allow for the comparison of business regulations among different countries.

<table>
<thead>
<tr>
<th>Explanation of additionality (where relevant)</th>
<th>The New Single Window Mode shall be fully operational during the next two years. With its implementation, it is expected that (by 2017) Brazil be ranked among the top 70 countries to undertake cross-border trade according to the Doing Business (today, Brazil is ranked in the 124th position).</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>The New Policy Action (II)</th>
<th>Support to Trade Facilitation (II) $^6$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation path and expected date of implementation</td>
<td>Implementation of the System for Consultation of Tariff Preferences Agreements tool (CAPTA), which includes information on rules of origin, services and margins of preference. The tool will be launched this year and should facilitate exports activity. The CAPTA aims to make available all the tariff preferences that Brazil receives or grants in the various trade agreements to all agents related to foreign trade. The system will enable the sharing of information, benefiting the performance of all the actors involved in trade since it will optimize the use of information and reduce time-associated costs in foreign trade operations. Brazilian authorities are also prepared to issue certificates of origin with digital signature (Digital Certification of Origin – DCO), according to Latin American Integration Association (LAIA) rules. In the coming months, the modus operandi to begin DCO exchange tests will be negotiated with Argentina, Chile and Colombia. The first stage of CAPTA was implemented in 2012 (<a href="http://capta.mdic.gov.br/">http://capta.mdic.gov.br/</a>) and displays information about margins of preference on tariffs in regional and extra-regional trade agreements.</td>
</tr>
<tr>
<td>What indicator(s) will be used to measure progress?</td>
<td>Progress will be measured by the change in export earnings of a sample of the enterprises involved in the process.</td>
</tr>
<tr>
<td>Explanation of additionality (where relevant)</td>
<td>The second stage of CAPTA will be implemented by the end of 2014 and will contain additional information concerning i) foreign trade topics such as rules of origin for regional and extra-regional agreements, as well as for the Generalized System of Preferences (GSP) and the Global System of Trade Preferences (GSTP); ii) applied tariffs of thirty-two trading partners and iii) services agreements related to the GATS, Montevideo Protocol (Mercosur) and Mercosur-Chile agreements.</td>
</tr>
</tbody>
</table>

$^6$ Brazil will develop public information systems related to foreign trade.
2.1.5. Other measures

Brazil has managed to increase the schooling rate from 5.8 years, in 1995, to 8.6 years in 2012. Public spending with education has increased from 4.7% of GDP, in 2000, to 6.1% of GDP in 2011 reaching the average levels of OECD countries.

In order to effectively face the challenge to improve the quality of education and to fully meet the country’s needs for a better educated and more innovative workforce, education expenditures shall increase step by step in the next ten years. Together with the higher investment rate in infrastructure, those measures will reinforce the potential output and competitiveness, both inside and abroad, of the Brazilian economy.

<table>
<thead>
<tr>
<th>The New Policy Action</th>
<th>Education (NEP) and Innovation (PNPC) Programs to Increase the Productivity of the Economy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation path and expected date of implementation</td>
<td>The Brazilian Chamber of Deputies concluded on June 3rd, 2014, the passing of the National Education Plan (NEP). The plenary agreed that private institutions will benefit from public sector education’s gradual increase in expenditure over the next ten years up to reach the equivalent of 10% of Gross Domestic Product (GDP) by 2024. The bill now goes to presidential sanction and publication. The funds will be assured by earmarking part of the future pre-salt layer oil and gas exploration royalties.</td>
</tr>
<tr>
<td>What indicator(s) will be used to measure progress?</td>
<td>The NEP sets 20 targets to be met over the next ten years. Among the targets are the eradication of illiteracy; increasing the number of places in childcare facilities, in high school, in vocational education and public universities; the availability of 100% of school care for children from 4 to 5 years; and the provision of full-time teaching for at least 25% of students in elementary education. Under the new NEP, the public sector expenditure in education will grow steadily until 2024, reaching the equivalent of 10% of GDP per year - nearly double the currently practiced (6.1%).</td>
</tr>
<tr>
<td></td>
<td>The National Platforms of Knowledge Program (PNPC) was announced on June 25, 2014, and aims to encourage research and innovation in 23 areas of knowledge for a period of 10 years. Sectors focused: Health (particularly in medications, vaccines, equipment and services), Energy, Aeronautics, Advanced Manufacturing, Information Technology and Communications, and development of the Amazon Rainforest. The PNPC is based on international experiences to develop key points of intersection between the production of knowledge and economic competitiveness, such as the European Technology Platforms and innovation hubs in the USA.</td>
</tr>
<tr>
<td></td>
<td>The PNPC funding will come from the National Council for Scientific and Technological Development (CNPq), the Coordination for the Improvement of Higher Education Personnel (CAPES), the National Bank for Economic and Social Development (BNDES) and the Financier of Studies and Projects (FINEP). The set of companies and centers of public research, along with other private institutions to be selected, will aim to increase investments in research and development (R &amp; D) up to 2% of GDP by 2020. The Program will include measures to attract skilled professionals from abroad and access to cutting-edge equipment, through special arrangements for procuring goods and hiring people.</td>
</tr>
<tr>
<td></td>
<td>To evaluate the progress standard educational indicators will be reviewed on a regular basis and the results will be made open to the public. Each knowledge platform will bring together lead scientists to organize</td>
</tr>
</tbody>
</table>
resources and develop products with the support of companies to launch them on the market. The framework of the platforms will be defined by public edicts, so that researchers and companies apply for project development.

| Explanation of additionality (where relevant) | These are new policy measures to be started in 2015 and completed in 2024. |
Exhibit CVD - BR - 9
How To Depreciate Property

- Section 179 Deduction
- Special Depreciation Allowance
- MACRS
- Listed Property

For use in preparing 2018 Returns

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- IRS.gov/Korean (한국어)
- IRS.gov/Russian (Русский)
- IRS.gov/Vietnamese (Tiếng Việt)
What's New for 2019

Section 179 deduction dollar limits. The maximum amount you can deduct for most section 179 property you placed in service in tax years beginning in 2019 is $1,020,000. This limit is reduced by the amount by which the cost of section 179 property placed in service during the tax year exceeds $2,550,000.

Also, the maximum section 179 expense deduction for sport utility vehicles placed in service in tax years beginning in 2019 is $25,500.

Reminders

Photographs of missing children. The Internal Revenue Service is a proud partner with the National Center for Missing & Exploited Children® (NCMEC). Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

Introduction

This publication explains how you can recover the cost of business or income-producing property through deductions for depreciation (for example, the special depreciation allowance and deductions under the Modified Accelerated Cost Recovery System (MACRS)). It also explains how you can elect to take a section 179 deduction, instead of depreciation deductions, for certain property, and the additional rules for listed property.

The depreciation methods discussed in this publication generally do not apply to property placed in service before 1987. For more information, see Pub. 534, Depreciating Property Placed in Service Before 1987.

Definitions. Many of the terms used in this publication are defined in the Glossary near the end of the publication. Glossary terms used in each discussion under the major headings are listed before the beginning of each discussion throughout the publication.

Do you need a different publication? The following table shows where you can get more detailed information when depreciating certain types of property.
Overview of Depreciation

Introduction

Depreciation is an annual income tax deduction that allows you to recover the cost of certain property over the time you use the property. It is an allowance for the wear and tear, deterioration, or obsolescence of the property.

This chapter discusses the general rules for depreciating property and answers the following questions.

- What property can be depreciated?
- What property cannot be depreciated?
- When does depreciation begin and end?
- What method can you use to depreciate your property?

Comments and suggestions. We welcome your comments about this publication and your suggestions for future editions.

You can send us comments from IRS.gov/FormsComments. Or you can write to:

Internal Revenue Service
Tax Forms and Publications
111 Constitution Ave. NW, IR-6526
Washington, DC 20224

Although we can't respond individually to each comment received, we do appreciate your feedback and will consider your comments as we revise our tax products.

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Tax questions. If you have a tax question not answered by this publication, check IRS.gov and How To Get Tax Help at the end of this publication.

What Property Can Be Depreciated?

Terms you may need to know (see Glossary):

Adjusted basis
Basis
Commuting
Disposition
Fair market value
Intangible property
Listed property
Placed in service
Tangible property
Term interest
Useful life

You can depreciate most types of tangible property (except land), such as buildings, machinery, vehicles, furniture, and equipment. You also can depreciate certain
<table>
<thead>
<tr>
<th>Asset class</th>
<th>Description of assets included</th>
<th>Class Life (in years)</th>
<th>Recovery Periods (in years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>33.2</td>
<td>Manufacture of Primary Nonferrous Metals: Includes assets used in the smelting, refining, and electrolysis of nonferrous metals from ore, pig, or scrap, the rolling, drawing, and alloying of nonferrous metals; the manufacture of castings, forgings, and other basic products of nonferrous metals; and the manufacture of nails, spikes, structural shapes, tubing, wire, and cable.</td>
<td>14</td>
<td>7 14</td>
</tr>
<tr>
<td>33.21</td>
<td>Manufacture of Primary Nonferrous Metals—Special Tools: Includes assets defined as special tools such as dies, jigs, molds, patterns, fixtures, gauges, and drawings concerning such special tools used in the activities as defined in class 33.2. Special tools are specifically designed for the production or processing of particular products or parts and have no significant utilitarian value and cannot be adapted to further or different use after changes or improvements are made in the model design of the particular part produced by the special tools. Does not include general purpose small tools such as wrenches and drills, both hand and power-driven, and other general purpose equipment such as conveyors, transfer equipment, and materials handling devices. Rolls, mandrels and refractories are not included in class 33.2 but are included in class 33.2.</td>
<td>6.5</td>
<td>5 6.5</td>
</tr>
<tr>
<td>33.3</td>
<td>Manufacture of Foundry Products: Includes assets used in the casting of iron and steel, including related operations such as melting and coremaking. Also includes assets used in the finishing of castings and patternmaking when performed at the foundry, all special tools and related land improvements.</td>
<td>14</td>
<td>7 14</td>
</tr>
<tr>
<td>33.4</td>
<td>Manufacture of Primary Steel Mill Products: Includes assets used in the smelting, refining, and rolling of iron and steel from ore, pig, or scrap; the rolling, drawing and alloying of steel; the manufacture of nails, spikes, structural shapes, tubing, wire, and cable. Includes assets used by steel service centers, ferrous metal forgings, and assets used in coke production, refining, and related improvements and all special tools used in the above activities.</td>
<td>15</td>
<td>7 15</td>
</tr>
<tr>
<td>34.0</td>
<td>Manufacture of Fabricated Metal Products: Includes assets used in the production of metal cans, thinware, fabricated structural metal products, metal stampings, and other ferrous and nonferrous metal and wire products not elsewhere classified. Does not include assets used to manufacture non-electric heating apparatus.</td>
<td>12</td>
<td>7 12</td>
</tr>
<tr>
<td>34.01</td>
<td>Manufacture of Fabricated Metal Products—Special Tools: Includes assets defined as special tools such as dies, jigs, molds, patterns, fixtures, gauges, and drawings concerning such special tools used in the activities as defined in class 34.0. Special tools are specifically designed for the production or processing of particular machine components, products, or parts, and have no significant utilitarian value and cannot be adapted to further or different use after changes or improvements are made in the model design of the particular part produced by the special tools. Does not include general small tools such as wrenches and drills, both hand and power-driven, and other general purpose equipment such as conveyors, transfer equipment, and materials handling devices.</td>
<td>3</td>
<td>3 3</td>
</tr>
<tr>
<td>35.0</td>
<td>Manufacture of Electrical and Non-Electrical Machinery and Other Mechanical Products: Includes assets used to manufacture or rebuild finished machinery and equipment and replacement parts thereof such as machine tools, general industrial and special industry machinery, electrical power generation, transmission, and distribution systems, space heating, cooling, and refrigeration systems, commercial and farm machinery, construction machinery, mining and oil-field machinery, internal combustion engines (except those elsewhere classified), turbines (except those that power airbone vehicles), batteries, lamps and lighting fixtures, carbon and graphite products, and electromechanical and mechanical products including business machines, instruments, watches and clocks, vending and amusement machines, photographic equipment, medical and dental equipment and appliances, and ophthalmic goods. Includes assets used by manufacturers or rebuilders of such finished machinery and equipment in activities elsewhere classified such as the manufacture of castings, forgings, rubber and plastic products, electronic subassemblies or other manufacturing activities if the interim products are used by the same manufacturer primarily in the manufacture, assembly, or rebuilding of such finished machinery and equipment. Does not include assets used in mining, assets used in the manufacture of primary ferrous and nonferrous metals, assets included in class 00.11 through 00.4 and assets elsewhere classified.</td>
<td>10</td>
<td>7 10</td>
</tr>
<tr>
<td>36.0</td>
<td>Manufacture of Electronic Components, Products, and Systems: Includes assets used in the manufacture of electronic communication, computation, instrumentation and control systems, including airborne applications; also includes assets used in the manufacture of electronic products such as frequency and amplitude modulated transmitters and receivers, electronic switching stations, television cameras, video recorders, record players and tape recorders, computers and computer peripheral machines, and electronic instruments; watches, and clocks; also includes assets used in the manufacture of components, provided their primary use is products and systems defined above such as electronic tubes, capacitors, coils, resistors, printed circuit substrates, switches, harness cables, lasers, fiber optic devices, and magnetic media devices. Specifically excludes assets used to manufacture electronic products and components, photocopiers, typewriters, postage meters and other exess machines and instruments that are elsewhere classified. Does not include semiconductor manufacturing equipment included in class 36.1.</td>
<td>6</td>
<td>5 6</td>
</tr>
<tr>
<td>36.1</td>
<td>Any Semiconductor Manufacturing Equipment</td>
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<td>5 5</td>
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Exhibit CVD - BR - 10
INSTRUMENTS ESTABLISHED BY THE FEDERAL GOVERNMENT TO STIMULATE PRODUCTIVE INVESTMENT

SUMMARY

I - TAX REDUCTION / FEDERAL TAX INCENTIVES
II - LEGAL FRAMEWORK FOR SOME SECTORS
III - FINANCING INSTRUMENTS
IV - REGIONAL INCENTIVES

Last update: August 2014

1 This compilation does not replace the legislation published in the Union Official Journal.
## I - TAX REDUCTION / FEDERAL TAX INCENTIVES

<table>
<thead>
<tr>
<th>INSTRUMENT</th>
<th>WHAT IT IS</th>
<th>WHO IT BENEFITS</th>
<th>LEGISLATION</th>
</tr>
</thead>
</table>
| Importation Authorization / Reduction of the Importation Tax (I) for used Lines | Authorization for importation of used lines/assets of production, that are not produced in the Country, or cannot be substituted by others currently manufactured in the domestic territory, among other criteria. | Companies interested in transferring used units/complete production lines to the Country. | Regulation
The cases mentioned in article 41 of Administrative Order SECEX 23/2011 are subject to the procedures described in Administrative Order SECEX 8 of May 13, 1991 with amendments established by Administrative Order SECEX 21 of December 12, 1996 and 17 of December 1st, 2003; and by Administrative Order MDIC 235 of December 17, 2006; 77 of March 19, 2009; 92 of April 30, 2009; 171 of September 1st, 2009; 207 of December 04, 2009; 84 of April 20, 2010, 175 of August 17, 2010; and 179 of April 09, 2011.
Procedure:
<p>| Exemption of Payroll | Eliminating employer contribution of the National Social Security Institute (INSS) with partial compensation of new rate on gross revenue, excluding gross revenue from exports. With a Provisional Measure no. 651 of July 9, 2014 its validity becomes permanent. | 56 sectors. | Law 12.546 of December 13, 2011 – Modify the incidence of social security contributions owed. |
| Reduction of Tax on Industrialized Products (IPI) for machines and equipment | The rates of IPI for a large share of industrial goods have been reduced to zero. | Industrial companies, users of capital goods. | Law 12.715 of September 07, 2012 – Modify the rate of social security contributions on payroll owed by companies that specifies. |</p>
<table>
<thead>
<tr>
<th>INSTRUMENT</th>
<th>WHAT IT IS</th>
<th>WHO IT BENEFITS</th>
<th>LEGISLATION</th>
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</thead>
<tbody>
<tr>
<td>Support Program for the Development of Technological Equipment Industry for Digital TV (PATVD)</td>
<td>Companies that join the program will benefit from the reduction in the tax for digital goods and services (BR and computers and telecommunications (CBI) goods). Basic conditions: Loss of national production and accordance with the development policies. Does not apply to &quot;used goods&quot; or &quot;integrated systems&quot;.</td>
<td>Companies that perform investment in R&amp;D activities and exercising the development and manufacture of telecommunications equipment for radio frequency signals to digital television, which will have the incentives of the Free Trade Zone of Manaus.</td>
<td>Law 11,185 of May 31, 2007 – Institutes the measure.</td>
</tr>
<tr>
<td>Reduction of the II for machines not produced nationally (&quot;Ex-Tarifurados&quot;) Regime</td>
<td>Special tax regime with temporary reduction of II rate for capital goods (BR) and computer and telecommunications (CBI) goods. Basic conditions: Loss of national production and accordance with the development policies. Does not apply to &quot;used goods&quot; or &quot;integrated systems&quot;.</td>
<td>Companies that export 70% or more of the value of its annual sales (Law 11,774/2008). Nevertheless, the Decree 6,837/2009 reduced the percentage required to export 60%, and shipped (without requirement of counterpart).</td>
<td>Resolution CAMEX 17 of April 06, 2017.</td>
</tr>
<tr>
<td>Special Regime of Acquisition of Capital Goods for Exporting Companies (RECAP)</td>
<td>This measure allows companies to purchase in the domestic market or to import capital goods (new machines, instruments and equipment) with the suspension of the payment of the PIS/PASEP and the COFINS.</td>
<td>Infrastructure works in the sectors of transports, ports, energy, basic sanitation and irrigation.</td>
<td>Law 11,196 of November 21, 2005 – Institutes RECAP.</td>
</tr>
<tr>
<td>Special Regime of Incentives for the Development of Infrastructure (REIDI)</td>
<td>Establishes the suspension of the PIS/PASEP and COFINS tax in the acquisition of machines and equipment for incorporation in infrastructure works aimed at its fixed assets. To apply for the benefit, as qualified or co-qualified, the companies should present to the Brazilian Federal Revenue Office (SRF) a copy of the Administrative Order that approved the infrastructure works, published by the Ministry of the respective sector.</td>
<td>Infrastructure works in the sectors of transports, ports, energy, basic sanitation and irrigation.</td>
<td>Decree 6,416 of July 24, 2007; Decree 4,216 of March 26, 2011 and Decree 3,967 of 2010. Alter and adds provisions to Decree 6,140 of July 3, 2007, that regulates the form of qualification and co-qualification to the Regime. Regulation</td>
</tr>
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<td>INSTRUMENT</td>
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<tr>
<td>Special Regime for the Reimbursement of Taxes for Exporters Companies (Reintegra)</td>
<td>The Special tax regime aims to correct partially or entirely the remaining residual tax in the production of exported goods chain.</td>
<td>The Reintegra does not apply for export trading company (ECLI).</td>
<td>Provisional Remit 521 of July 9, 2012 – Reconstitutes the Reintegra.</td>
</tr>
<tr>
<td>Special Tax Regime for Defense Industry (Rotul)</td>
<td>Suspension of the requirement of PIS/PASEP and COFINS on revenues from corporate seller, when the acquisition is made by company that benefits from the Special Tax Regime; of the requirement of PIS/PASEP-Import and COFINS-Import when the import is made by company that benefits from the Special Tax Regime; of IPI in the output of industrial or similar establishment when the purchase is made in internal market by companies that benefit from the Regime; and of IPI on imports when made by companies that benefit from the Regime.</td>
<td>Companies supplying inputs and providing services to credit-related companies in REITID. Companies opting for Simples Nacional and companies taxed based on the presumed profit may not enjoy the benefits of the Regime.</td>
<td>Law 12.598 of March 31, 2012 – Institutes the Reintegra. Decree 8.112 of October 16, 2013 – Regulates the Regime.</td>
</tr>
<tr>
<td>Special Tax Regime for Platforms of Exportation of Information Technology Services (REPES)</td>
<td>For the legal person beneficiary of the Special Regime who incorporate into their fixed assets (in the case of goods), the Special Regime establishes the suspension of PIS/PASEP and COFINS on gross revenue arising from the sale of new goods or earned by the service provider. Also establishes the suspension of PIS/PASEP-Import and COFINS-Import taxes on new goods and services.</td>
<td>Companies previously qualified for SRF and that exclusively performs software development activities or performs information technology services and, at its option at REPES, assume commitment to export equals to or more than 90% (fifty percent) of its annual gross revenues from the sale of goods and services.</td>
<td>Law 11.195 of November 21, 2005 – Institutes REPES. Law 11.774 of September 17, 2008 – Modifies Law 11.195/2005. Law 12.215 of September 17, 2012 – Modifies Law 11.195/2005. Decree 5.712 of March 2, 2006 – Regulates the Regime. Regulated by Normative Instruction SRF n. 1,541 of February 2014 – Determines the implementation of the Regime.</td>
</tr>
</tbody>
</table>
### II - LEGAL FRAMEWORK FOR SOME SECTORS

<table>
<thead>
<tr>
<th>INSTRUMENT</th>
<th>WHAT IT IS</th>
<th>WHO IT BENEFITS</th>
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</table>
| Innovation Law   | Organized around three axes: the creation of conducive to strategic partnerships between universities, technological institutes and companies; stimulating the participation of institutes of science and technology in the innovation process, and encouraging innovation in the company. | Companies investing in technological innovation, especially micro and small companies. | Law 10,973 of December 5, 2004 — Establishes incentives for innovation and scientific and technological research in the production environment and other measures.  
Decree 5,591 of March 24, 2002 — Establishes safety standards and enforcement mechanisms of genetically modified organisms (GMO) and its derivatives.  
Law 11,105 of March 24, 2002 — Institutes, among other provisions, the Digital Incubation Program (Chapter III - Articles 17 to 26).  
Law 11,105 of March 24, 2002 — Establishes safety standards and enforcement mechanisms of genetically modified organisms (GMO) and its derivatives.  
Law 11,105 of March 24, 2002 — Establishes safety standards and enforcement mechanisms of genetically modified organisms (GMO) and its derivatives.  
Law 11,487 of July 13, 2007 — Includes new incentives for technological innovation. |
| Biosafety Law    | Establishes safety standards and inspection mechanisms for activities involving genetically modified organisms - GMOs and its derivatives, creates the National Biosafety Council (CNBB), restructuring the National Technical Commission on Biosafety (CTNBio), establishes the National Biosafety Policy (PNB). | Computing industries, automation, telecommunications, microelectronics, software and technical services. | Law 10,973 of December 5, 2004 — Establishes incentives for innovation and scientific and technological research in the production environment and other measures.  
Decree 5,591 of March 24, 2002 — Establishes safety standards and enforcement mechanisms of genetically modified organisms (GMO) and its derivatives.  
Law 11,105 of March 24, 2002 — Institutes, among other provisions, the Digital Incubation Program (Chapter III - Articles 17 to 26).  
Law 11,105 of March 24, 2002 — Establishes safety standards and enforcement mechanisms of genetically modified organisms (GMO) and its derivatives.  
Law 11,487 of July 13, 2007 — Includes new incentives for technological innovation. |
| IT Law           | Enables the reduction of the IPI for computing goods, produced according to the Basic Productive Process (PPI) described in the legislation (minimum set of operations, in the manufacturing facility, which characterizes the effective industrialization of a particular | Computing industries, automation, telecommunications, microelectronics, software and technical services. | Law 8,248 of October 23, 1991 — Provides training and competitiveness in information technology and automation industry.  
Law 8,387 of December 30, 1991 |
<table>
<thead>
<tr>
<th>INSTRUMENT</th>
<th>WHAT IT IS</th>
<th>WHO IT BENEFITS</th>
<th>LEGISLATION</th>
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<tbody>
<tr>
<td>Site of National Simple</td>
<td></td>
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</tr>
<tr>
<td>Biotechnology Development Policy</td>
<td>Enhance the legislation and the regulatory framework with direct impacts on the development of biotechnology and national biomanufacturing, in order to facilitate competitive entry in domestic and international markets of biotechnology products and processes.</td>
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</tbody>
</table>
### III - FINANCING INSTRUMENTS

<table>
<thead>
<tr>
<th>INSTRUMENT</th>
<th>WHAT IT IS</th>
<th>WHO IT BENEFITS</th>
<th>LEGISLATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNDES Program for Investment - BNDES PSI</td>
<td>Program to stimulate the production, acquisition and export of capital goods and technological innovation. Date of expiry: December 31, 2014.</td>
<td>Manufacturers of buses, trucks, trailers and passengers, among others.</td>
<td>Law 13.050 of November 24, 2021 – Authorizing the granting of subvention to the National Bank for Economic and Social Development (BNDES) in financing transactions for the purchase and production of capital goods and technological innovation.</td>
</tr>
<tr>
<td>BNDES Card</td>
<td>The BNDES Card allows the use of automatic pre-approved finance line, besides establishing and valuing direct contacts between Micro, Small and Medium Enterprises (MPEMs) and the BNDES.</td>
<td>MPMEs (with annual gross revenue of up to R$ 50 million), headquartered in the Country, that exercise economic activity compatible with the Operational and Credit Policies of the BNDES and that are in compliance with INSS, FGTS, RAI bis and federal taxes.</td>
<td>BNDES PSI – Capital Goods</td>
</tr>
<tr>
<td>Investment Fund of the Government Severance Indemnity Fund - FIP-IE</td>
<td>For investments in enterprises of the energy, highway, railroad, waterway, port and sanitation sectors, in compliance with the guidelines, criteria and conditions established by the Custody Council of the FGTS.</td>
<td>Infrastructure Sectors</td>
<td>Law 11.491 of June 26, 2007.</td>
</tr>
<tr>
<td>Fund Equity Investment in Infrastructure (FIP-IE) and Investment Fund Participation in Economic Production Intensive Research, Development and Innovation (FIP-PD&amp;I)</td>
<td>Institutions authorized by CVM, in terms of the law, may constitute the Fund Equity Investment in Infrastructure, in the form of private condominium, which will aim to invest in new infrastructure projects in the country. Constitutes waiver of Tax of Industry and Trade (IR) for individuals investing in Infrastructure Investment Fund, five years after the acquisition date of shares.</td>
<td>New infrastructure projects (energy, transport, water and sanitation, and irrigation).</td>
<td>Law 11.478 of May 19, 2007 – Institutes FIP-IE and FIP-PD&amp;I.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Decree 7.604 of November 9, 2011 – Regulates the conditions and defines the sectors considered as priority in infrastructure or intensive economic production in R &amp; D &amp; I.</td>
</tr>
<tr>
<td>INSTRUMENT</td>
<td>WHAT IT IS</td>
<td>WHO IT BENEFITS</td>
<td>LEGISLATION</td>
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<tr>
<td>Sectoral Funds</td>
<td>With resources of National Scientific and Technological Development Fund (FNDCT), except the FUNTEL, they are instruments to finance research, development and innovation projects in the Country. There are 16 Sectoral Funds, 14 of which are related to specific sectors and two are cross-cutting: CT - Aeronautics, CT - Automotive, CT - Waterways, CT - Biotechnology, CT - Energy, CT - Space, CT - Water, CT - Info, CT - Internet, CT - Oil, CT - Health, CT - Transport, CT - Green Yellow.</td>
<td>Public or private companies can participate technically and financially in the execution of the projects supported by the Sectoral Funds, in partnership with universities or research centers.</td>
<td>FNDCT - Decrease 219 of July 31, 2000 CT-OL - Law 9,416 of August 6, 1997 CT-ENERGY - Law 9,991 of July 24, 2000 CT-WATER - Law 9,993 of July 24, 2000 CT-TRANSPORT - Law 9,995 of July 24, 2000 CT-MINERAL - Law 9,993 of July 24, 2000 CT-SPACE - Law 9,994 of July 4, 2000 FINTEL - Law 10,002 of November 29, 2000 CT-INFO - Law 10,156 of November 29, 2003 CT - Green Yellow - Law 10,168 of December 29, 2000 and Law 10,173 of December 19, 2001.</td>
</tr>
<tr>
<td>BNDES Finance Line (for information on all the available lines, go to BNDES website)</td>
<td>Program of Modernization of the National Industrial Park – BNDES Finance – 500mcas BR Finance for machines and equipment produced in the Country.</td>
<td>All sectors.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Program of Modernization of the National Industry and of Health Services – BNDES Proferma – Encourages training in technology of products and services in the Health and Industrial Complex (CTC) Date of expiry: June 30, 2012.</td>
<td>Companies of any size, with head quarters in the country; companies based in the country and abroad administration, and direct or indirect public administration, except the Union.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BNDES Program to Support Capacity Building Employment and Income Generation (BNDES Proemprijen) – Incentives to building productive capacity, training and innovation in Technology products and services in the Health and Industrial Complex (CTC) Date of expiry: December 31, 2014.</td>
<td>Check list of suitable companies to BNDES Program.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BNDES Program to Support the Development of Plastic Production Chain (BNDES Prodplast) – Supporting the development of plastic production chains. Date of expiry: June 30, 2017.</td>
<td>Companies that are producers, suppliers of equipment, recyclers and distributors.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Program for the Development of the Industry of Software and Information Technology Services (BNDES Proinfo) Aims at the development of the national industry of software and IT services. Date of expiry: June 30, 2017.</td>
<td>Companies that carry out software development and IT service provision activities also commercialization in the domestic market.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BNDES Program for the Development of the Economy of Culture</td>
<td>Companies with headquarters and administration in</td>
<td></td>
</tr>
</tbody>
</table>
Brazil encourages the development of its audiovisual industry, particularly in the production of games, to support cultural industries and activities. The incentives are managed by the Board of Administration of the Processing Zones of Manaus (SUFRAMA) and the National Council of Export Processing Zones (CZPE).

### IV - REGIONAL INCENTIVES

#### FREE TRADE ZONE OF MANAUS - ZFM

<table>
<thead>
<tr>
<th>INSTRUMENT</th>
<th>WHAT IT IS</th>
<th>WHO IT BENEFITS</th>
<th>LEGISLATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decree law 288 of February 1967</td>
<td>Industrial, commercial and service companies established in the Free Trade Zone of Manaus</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Law 8.387 of December 30, 1991 and other complementary legislation</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Reduction/Exemption of the Import Tax (II) for inputs, machines and equipment.**

**Exemption of Tax on Industrialized Products - PIS.**

**General exemption for products entering the ZFM and Production in the ZFM in the output of other regions of the country.**

**Industrial, commercial and service companies established in the ZFM.**

**Dividend Law 6.631 of February 3, 2006.**


**Law 11.508 of July 20, 2007.**

**Law 11.723 of January 30, 2008.**

**Law 8.387 of December 30, 1991 and other complementary legislation.**

### EXPORTATION PROCESSING ZONES - EPZ

<table>
<thead>
<tr>
<th>INSTRUMENT</th>
<th>WHAT IT IS</th>
<th>WHO IT BENEFITS</th>
<th>LEGISLATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>To be implemented in the less developed regions of the Country, they are intended for the establishment of companies that produce goods to be commercialized abroad.</td>
<td>To be implemented in the less developed regions of the Country, they are intended for the establishment of companies that produce goods to be commercialized abroad.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax, currency and administrative regime of the Exportation Processing Zones - EPZ</td>
<td>The EPZs are free trade areas intended for the establishment of companies that produce goods to be commercialized abroad, being considered primary zones for the purposes of customs control. The companies established in the EPZs will have the right to special administrative tax and customs treatment.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


**Law 11.723 of January 30, 2008.**

**Law 11.508 of July 20, 2007.**

**Law 9.996 of December 15, 2004.**
<table>
<thead>
<tr>
<th>INSTRUMENT</th>
<th>WHAT IT IS</th>
<th>WHO IT BENEFITS</th>
<th>LEGISLATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constitutional Financing Funds of the Center-West (FCO), Northeast (FNE) and North (FNO)</td>
<td>The 1988 Federal Constitution allocated 3% of the product of taxes on income and earnings of any nature and on industrialized products for investment in the productive sectors of the Regions mentioned.</td>
<td>The concession of financing with resources from the Constitutional Financing Funds is exclusive for entrepreneurs of the productive sectors of the North, Northeast and Center-West Regions. How to apply: The party interested in financing must go to a branch of the financial agent of the Fund of their Region, namely: Center-West Region (FCO) – Banco do Brasil S.A., Northeast Region (FNE) – Banco do Nordeste do Brasil S.A., North Region (FNO) – Banco da Amazônia S.A.</td>
<td>Articles 159 (numeral I, alinea &quot;c&quot;) and 161 of the 1988 Federal Constitution. Regulated by Law 7.827 of September 27, 1989. For complete legislation, please go to: FCO, FNE, FNO</td>
</tr>
</tbody>
</table>
Exhibit CVD - BR - 11
Introduction

Ex-tarifario regime is the temporary reduction in the import taxes for capital goods (BK) and computer and telecommunications goods (BIT), when there is no equivalent domestic production. It represents a reduction in the investment cost.

The importance of this system consists of three main points:

• Enables increased investment in capital goods (BK) and computer and telecommunications goods (BIT) that have no equivalent production in Brazil;

• Enables increased innovation by companies from different segments of the economy, with the incorporation of new technologies nonexistent in Brazil, reflecting in the productivity and competitiveness of the productive sector - as recommended in the guidelines of the Greater Brazil Plan - PBM;

• produces a multiplier effect of jobs and income for different segments of the national economy.

The authorization is given through CAMEX Resolution No. 66/2014 of the Foreign Trade Chamber (Camex), after analysis, the Ex-Tariff Review Committee (Caex), the opinions prepared by the SDP.
Exhibit CVD - BR - 12
### SECTOR DISTRIBUTION AND INVESTMENTS LINKED TO EX-TARIFARIO -
(Ex-tarifario granted from July/2001 to May/2013)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of Items</th>
<th>Value FOB</th>
<th>%</th>
<th>Global investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil, Gas and Naval</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health complex</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Automotive</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defense, Aeronautics, Space</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital goods</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information and Communication Technology/electronics</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shoes, Textiles, clothing, Jewelry, Furnishings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chemical</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Renewable Energy Mining</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metallurgy / Steel</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paper and cellulose</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agribusiness</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commerce, Services and Logistics Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Ministry of development, industry and foreign trade
BRASIL MAIOR
Inovar para competir. Competir para crescer.

Balanció Executivo - 2 anos
## DISTRIBUIÇÃO SETORIAL E INVESTIMENTOS VINCULADOS AOS EX-TARIFÁRIOS -
(Ex-tarifários concedidos no período de julho/2001 a maio/2013)

<table>
<thead>
<tr>
<th>Setor</th>
<th>Quantidade de itens</th>
<th>Valor FOB importações em &quot;Ex&quot; (US$)</th>
<th>%</th>
<th>Investimentos globais (US$)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petróleo, Gás e Naval</td>
<td>479</td>
<td>2.243.026.093</td>
<td>4.39%</td>
<td>23.016.179.864</td>
<td>7.96%</td>
</tr>
<tr>
<td>Complexo da Saúde</td>
<td>911</td>
<td>1.048.920.008</td>
<td>2.05%</td>
<td>1.394.707.692</td>
<td>0.46%</td>
</tr>
<tr>
<td>Automotivo</td>
<td>2.490</td>
<td>3.754.128.804</td>
<td>7.35%</td>
<td>30.301.530.415</td>
<td>10.48%</td>
</tr>
<tr>
<td>Defesa, Aeronáutico e Espacial</td>
<td>69</td>
<td>96.236.984</td>
<td>0.19%</td>
<td>213.313.671</td>
<td>0.07%</td>
</tr>
<tr>
<td>Bens de Capital</td>
<td>2.076</td>
<td>3.905.497.249</td>
<td>7.80%</td>
<td>9.943.704.517</td>
<td>3.44%</td>
</tr>
<tr>
<td>Tecnologia da Informação e Comunicação / Complexo Eletroeletrônico</td>
<td>974</td>
<td>12.764.101.505</td>
<td>24.96%</td>
<td>16.694.711.501</td>
<td>5.76%</td>
</tr>
<tr>
<td>Calçados, Têxtil e Confecções, Ganas e Jóias</td>
<td>554</td>
<td>732.033.310</td>
<td>1.43%</td>
<td>1.507.770.933</td>
<td>0.52%</td>
</tr>
<tr>
<td>Móveis</td>
<td>492</td>
<td>598.394.324</td>
<td>1.17%</td>
<td>3.091.340.675</td>
<td>1.07%</td>
</tr>
<tr>
<td>Construção Civil</td>
<td>350</td>
<td>950.475.444</td>
<td>186.00%</td>
<td>10.271.723.631</td>
<td>3.55%</td>
</tr>
<tr>
<td>Química</td>
<td>1.369</td>
<td>2.205.860.456</td>
<td>4.32%</td>
<td>28.891.525.624</td>
<td>10.00%</td>
</tr>
<tr>
<td>Energias Renováveis</td>
<td>362</td>
<td>2.567.078.111</td>
<td>5.02%</td>
<td>45.195.054.221</td>
<td>15.64%</td>
</tr>
<tr>
<td>Mineração</td>
<td>1.041</td>
<td>3.677.879.843</td>
<td>7.20%</td>
<td>41.029.896.436</td>
<td>14.20%</td>
</tr>
<tr>
<td>Metalurgia/Siderurgia</td>
<td>1.967</td>
<td>6.259.382.951</td>
<td>12.25%</td>
<td>27.446.341.996</td>
<td>9.50%</td>
</tr>
<tr>
<td>Papel e celulose</td>
<td>448</td>
<td>1.562.588.344</td>
<td>306.00%</td>
<td>17.218.155.716</td>
<td>5.96%</td>
</tr>
<tr>
<td>HPPC</td>
<td>211</td>
<td>283.176.659</td>
<td>55.00%</td>
<td>755.642.858</td>
<td>0.26%</td>
</tr>
<tr>
<td>Agroindústria</td>
<td>1.298</td>
<td>1.531.702.705</td>
<td>3.00%</td>
<td>5.456.802.213</td>
<td>1.89%</td>
</tr>
<tr>
<td>Comércio, Serviços e Serviços Logísticos</td>
<td>946</td>
<td>3.650.253.568</td>
<td>7.22%</td>
<td>6.801.853.425</td>
<td>2.35%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>18.022</td>
<td>51.088.919.843</td>
<td>100%</td>
<td>289.021.106.957</td>
<td>100%</td>
</tr>
</tbody>
</table>

Fonte: Ministério do Desenvolvimento, Indústria e Comércio Exterior

### 5.3 Antidumping

No Plano Brasil Maior, as duas orientações estabelecidas em matéria de defesa comercial focam na celeridade. Em síntese, consistem em: (i) reduzir o prazo médio para determinações preliminares de 180 para 120 dias; e (ii) reduzir o prazo médio das investigações antidumping de 15 para 10 meses.

Com a publicação do Decreto 8.058, de 26 de julho de 2013, o setor industrial brasileiro passa a dispor de processos de defesa comercial mais cêleres e transparentes. A elabo-
Exhibit CVD - BR - 13
GOVERNMENT ANNOUNCES EXEMPTION OF 25 NEW SECTORS

The finance minister, Guido Mantega, announced on Thursday the inclusion of 25 sectors in the list of exempts of payroll. There are 20 industry segments, two services and three transports.

The minister said the new round of exemptions is designed to reduce the cost and increase the competitiveness of Brazilian industry. "They add to the other measures we took, moving in the same direction to reduce the "Brazil Cost"," Mantega said.

These companies add up to 15 business segments that have already been benefited. For the new contemplated, the change is effective from 2013.

The contemplated companies would cease paying 20% of the employee payroll and, in turn, would deposit the amount corresponding to a percentage (1% or 2%) of gross sales, as a contribution to social security.

The fiscal impact of the measure will be R$ 12.83 billion in 2013. This amount will be deducted from R$ 15.2 billion forecast in the 2013 budget for this purpose.

[...]

Of the benefited 25 new sectors, only two segments will pay a 2% tax rate on gross sales. The rest will pay 1%.

In the industry have benefited: poultry, pork and products; fish; breads and pastas; drugs and pharmaceuticals; medical and dental equipment; bicycles; tires and tubes; paper and cellulose; glass; stoves, refrigerators and washing machines; ceramics; stones and ornamental stones; paints and varnishes; metal construction; railway equipment; manufacturing tools; manufacture of forged steel; screw, nuts and drawn; toys; optical instruments. All of these sectors will pay a rate of 1% of revenue.

[...]
BRASÍLIA - Nota atualizada às 15h13

O ministro da Fazenda, Guido Mantega, anunciou nesta quinta-feira a inclusão de 25 setores na lista de contemplados com desoneração na folha de pagamento. São 20 segmentos da indústria, dois de serviços e três de transportes.

Mão de obra mais barata
Estimativa do total de desonerações da folha de pagamento para 2013 - em R$ bilhões

<table>
<thead>
<tr>
<th>Desoneração para</th>
<th>Nova média</th>
<th>Contribuição de 20% sobre a folha de pagamento</th>
<th>Contribuição de 1% ou 2% sobre o faturamento</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>20</td>
<td>1% ou 2%</td>
</tr>
<tr>
<td>Indústria</td>
<td>15,07</td>
<td>20</td>
<td>21,57</td>
</tr>
<tr>
<td>Bancos</td>
<td>5,97</td>
<td>20</td>
<td>12,83</td>
</tr>
<tr>
<td>Transportes</td>
<td>3,12</td>
<td>20</td>
<td>8,74</td>
</tr>
<tr>
<td>Total</td>
<td>21,57</td>
<td>20</td>
<td>12,83</td>
</tr>
</tbody>
</table>

Fonte: Ministério da Fazenda

Segundo o ministro, a nova rotaada de desonerações tem o objetivo de reduzir o custo e aumentar a competitividade da indústria brasileira. "Vamos se somar as outras medidas que tomamos, que caminham na mesma direção de reduzir o custo brasileiro", disse Mantega.

Essas empresas se somam a 15 segmentos empresariais que já haviam sido beneficiados. No caso dos novos contemplados, a mudança tem validade a partir de 2013.

Com isso, as empresas desses ramos de atividade contempladas deixariam de pagar 20% sobre a folha de pagamento dos funcionários e, em troca, depositariam o valor referente a um percentual (1% ou 2%) sobre o faturamento bruto, como forma de contribuição previdenciária.

Renúncia

O impacto fiscal da medida será de R$ 12,8 bilhões no ano de 2013. Esse valor será descontado dos R$ 15,2 bilhões previstos no Orçamento de 2013 para tal finalidade.

"Uma redução grande resultando R$ 12,8 bilhões em desoneração. É uma bon desoneração empresas e as pessoas", contou o ministro. Mantega explicou que a redução irá para a folha para mais setores. A atualização.

As empresas desoneradas - novas e antigas - pagariam R$ 21,570 bilhões de contribuição para o INSS em 2013 e pagarão a título de imposto sobre o faturamento R$ 8,740 bilhões.

Dos 25 novos setores beneficiados pela desoneração da folha de pagamento, uma parcela já havia sido incluída pelo Congresso Nacional na medida provisória nº 563, que tem até segunda-feira para ser sancionada pela presidente Dilma Rousseff. A outra parte, que o ministro não soube quantificar, será colocada na lista com a edição de uma nova medida provisória.

**Setores beneficiados**

No ramo da indústria foram beneficiados: aves, suínos e derivados; pescado; peixes e massas; fármacos e medicamentos; equipamentos médicos e odontológicos; bicicletas; pneus e câmaras de ar; papel e celulose; vidros; fogões, refrigeradores e lavadoras; cerâmicas; pedras e rochas ornamentais; tintas e vernizes; construção metálica; equipamento ferroviário; fabricação de ferramentas; fabricação de forjados de aço; parafusos, porcas e trefilados; brinquedos; instrumentos óticos. Todos esses setores pagariam a alíquota de 1% sobre o faturamento.

No caso de serviços, a alíquota da atividade de suporte técnico informática será de 2%. Para manutenção e reparação de aeronaves, o percentual será de 1%.

Os três segmentos de transporte beneficiados pelo anúncio foram: transporte aéreo; marítimo, fluvial e navegação; além de transporte rodoviário coletivo. A alíquota dos dois primeiros setores será de 1%. Para o último, será de 2%.

O ministro da Fazenda, Guido Mantega, afirmou que, como os setores contemplados pela desoneração da folha de pagamento são de "mão de obra intensiva", a medida vai reduzir custos.

E isso "vai ajudar na inflação". Por exemplo, Mantega citou a redução nos custos do transporte coletivo - importante variável inflacionária - como forma de controlar a elevação dos preços.
Mantega disse também que, no caso do segmento de aves, suínos e derivados, a alta nos preços dos insumos será compensada pela medida anunciada nesta quinta-feira de redução do custo de mão de obra.

**Estímulos a bens de capital**

Mantega anunciou também que o prazo para depreciação acelerada de despesas com compra de aquisição de bens de capital (máquinas e equipamentos) foi reduzido de 10 para cinco anos. A medida será válida entre 16 de setembro até o final de dezembro.

Segundo Mantega, a renúncia fiscal com essa medida será de R$ 1,374 bilhão por ano entre 2013 e 2016, e em 2017 o impacto será de R$ 1,259 bilhão. Em cinco anos, a desoneração será de R$ 6,755 bilhões.

"Espera-se que haja uma aceleração das compras de bens de capital, incentivando antecipação das compras para que os investimentos aumentem", frisou o ministro.

**Juro baixo**

O ministro ressaltou ainda que os juros estão em um patamar baixo. Ele lembrou que o juro real está em 2% e a taxa para as empresas continua caindo.

"O custo financeiro no Brasil vem sendo reduzido", comentou. Ele ressaltou ainda que o país está com uma taxa de câmbio desvalorizada. "Todos os custos em reais estão menores em dólares, o que aumenta a competitividade das empresas", comentou Mantega.

Mantega destacou ainda o fato de que o câmbio está em R$ 2 já há algum tempo, o que aumenta a competitividade das empresas. Mantega lembrou dos planos lançados recentemente, como o de concessão de rodovias e ferrovias que devem estimular o investimento e ampliar a oferta de infraestrutura a um custo menor.

"Estamos implementando programas de compras governamentais que vão estimular a compra de produtos fabricados no Brasil. Temos o Plano Brasil Maior", ressaltou. Segundo ele, as desonerações, principalmente, do Brasil Maior, deverão somar R$ 45 bilhões somente neste ano.

*(Thiago Resende, Edna Simão e Eduardo Campos | Valor)*
DOING BUSINESS IN BRAZIL
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2 – Business environment 4
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4 – Setting up a Business 22
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1 – INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in around 90 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Brazil has been provided by the office of UHY representatives:

UHY MOREIRA – AUDITORES
Rua General João Manoel, 200,
Centro Porto Alegre, RS,
CEP 90010-000, Brazil

Phone +55 51 3210 8000
Website www.uhymoreira.com.br
Email i-desk@auditoria.srv.br

You are welcome to contact Diego Moreira (dirmoreira@auditoria.srv.br) for any inquiries you may have.

Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at March 2018.

We look forward to helping you do business in Brazil.
The federal constitution guarantees the free creation and organisation of trade and professional associations, which have the right to represent their members, carry out collective bargaining agreements, collaborate on technical matters with the state, elect their own representatives and levy membership fees. Trade and professional associations are recognised as private organisations.

Certain employment arrangements beneficial to employers can only be implemented through negotiations with employees’ associations, including the establishment of a ‘bank of hours’ and salary reductions.

**PAYROLL TAXES**

**RETIREMENT FUND (FGTS)**

Each month employers must contribute the equivalent of 8% of employees’ total salary for FGTS purposes. Such a contribution is not deducted from employees’ salary, as it is an obligation on employers. Employees may use this fund only under special conditions, such as dismissal without just cause or retirement. FGTS is not applicable for payments to independent professionals and is not mandatory for directors who are not employees.

**SOCIAL SECURITY (INSS)**

Employers’ contribution – an employer’s contribution rate applied on gross salaries is 20%, increased by minor charges which may raise the total rate to approximately 29%. Employers’ contribution rates are applied to gross salaries without limit. Principal rates are shown in Table 2 below.

Employees’ contributions must be collected and deducted by employers. All contributions must be paid to the appropriate government agencies during the following month. Payments in arrears are subject to interest and fines which can be as high as 50% of any amounts due. Companies in arrears with social security contributions are prohibited from making bonus payments or dividend distributions to shareholders, or distributing participation in profits to partners, shareholders or directors. Such companies are also barred from bidding for government contracts.

An employers’ total contribution is limited to 28.8%, as the maximum extra funds contribution is 6.3% (items 3–8 in Table 2 below). Such contributions vary according to the entity’s activities. Contributions for apprenticeship programs and for social work are not cumulative.

**TABLE 2**

*Social security contributions*

<table>
<thead>
<tr>
<th>ITEM</th>
<th>% OF SALARY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) General INSS contribution</td>
<td>20%</td>
</tr>
<tr>
<td>2) Worker’s compensation insurance*</td>
<td>3%</td>
</tr>
<tr>
<td>3) Education contribution</td>
<td>2.5%</td>
</tr>
<tr>
<td>4) Rural fund contribution (INCRA)</td>
<td>0.2%</td>
</tr>
<tr>
<td>5) Apprenticeship program contribution (SENAI/SEAC/SENAT)</td>
<td>1%</td>
</tr>
<tr>
<td>6) Social work contribution (SESI/SESC/SEST/SEST)</td>
<td>1.5%</td>
</tr>
<tr>
<td>7) Social contribution</td>
<td>0.5%</td>
</tr>
<tr>
<td>8) SEBRAE (Small Business Adm.)</td>
<td>0.6%</td>
</tr>
</tbody>
</table>
Exhibit CVD - BR - 15
DECREE No. 2233, OF 23 MAY 1997.

It provides for the sectors of economic activity excluded from the restrictions provided for in art. 39 of Law No. 4,131, of September 3, 1962.

THE PRESIDENT, using the attributions conferred by art. 84, sections IV and VI of the Constitution, and in view of the provisions of Law No. 4,131, of September 3, 1962,

DECREES:

Art. 1 Are considered of high national interest for the purposes of art. 39 of Law No. 4,131, of September 3, 1962, the economic activities developed in any part of Brazil, pertaining to the sectors listed below:

I - Services/utility/infrastructure of the following segments:

a) exploration of energy sources, generation, transmission and distribution of power of any kind;
b) telephone of any kind;
c) ports and transportation systems, including cargo and passengers;
d) environmental sanitation.

II - industrial complex of the following segments;

a) chemical and petrochemical, comprising the chemical base, petrochemicals, fine chemicals and fertilizers;
b) mining and metallurgical,
c) automotive, comprising the auto and auto parts industries;
d) agro-industrial and forestry, ranging from input suppliers to processors and distributors of agricultural products, food, beverage and wood panels, pulp and paper,
e) Capital assets, comprising the industries supplying equipment and components.
f) electronic component industries, from telecommunications and automation equipment as well as manufacture and distribution of consumer electronics and information technology.

III - tourism complex. (Included by Decree No. 5,688, 2006)

IV - leasing of capital goods. (Included by Decree No. 5,768, 2006)
Article 2. This Decree shall enter into force on the date of its publication.

Brasília, May 23, 1997; 176th year of Independence and 109th of the Republic.

Fernando Henrique Cardoso
Decree 2,233 (May 1997)

From: http://www.planalto.gov.br/civil_03/decreto/1997/02233.htm

Presidência da República
Casa Civil
Subchefia para Assuntos Jurídicos


Dispõe sobre os setores das atividades econômicas excluídos das restrições previstas no art. 39 da Lei nº 4.131, de 3 de setembro de 1962.

O PRESIDENTE DA REPÚBLICA, no uso das atribuições que lhe confere o art. 84, incisos IV e VI, da Constituição, e tendo em vista o disposto na Lei nº 4.131, de 3 de setembro de 1962,

DECRETA:

Art 1º São consideradas de alto interesse nacional para os fins do art. 39 da Lei nº 4.131, de 3 de setembro de 1962, as atividades econômicas, desenvolvidas em qualquer parte do território brasileiro, atinentes aos setores abaixo enumerados:

I - serviços públicos de infra-estrutura dos seguintes segmentos:

a) exploração de fontes energéticas, geração, transmissão e distribuição de energia de qualquer natureza;

b) telefonia de qualquer natureza;

c) portos e sistemas de transportes, inclusive de carga e passageiros;

d) saneamento ambiental.

II - complexos industriais dos seguintes segmentos;

a) químico-petroquímico, compreendendo as indústrias químicas de base, petroquímica, química fina e fertilizantes;

b) minero-metalúrgico,

c) automotivo, compreendendo as indústrias automobilística e de auto-peças;

d) agroindustrial e florestal, compreendendo desde os fornecedores de insumos até os
processadores e distribuidores de produtos agropecuários, de alimentos, de bebidas e de painéis de madeira, papel e celulose,

e) de bens de capital, compreendendo as induústrias fornecedoras de equipamentos e componentes.

f) eletrônico, compreendendo as induústrias de componentes eletrônicos, bem como as induústrias eletrônicas de consumo, de informática, de telecomunicações e de automação.

f) eletrônico, compreendendo as induústrias de componentes eletrônicos, de equipamentos de telecomunicações e de automação, bem como a fabricação e a distribuição de eletrônicos de consumo e de informática. (Redação dada pelo Decreto nº 5.688, de 2006)

III - complexo do turismo. (Incluído pelo Decreto nº 5.688, de 2006)

IV - arrendamento mercantil de bens de capital. (Incluído pelo Decreto nº 5.768, de 2006)

Art 2º Este Decreto entra em vigor na data de sua publicação.

Brasília, 23 de maio de 1997; 176º da Independência e 109º da República.

FERNANDO
Pedro

HENRIQUE

CARDOSO
Malan
Finep grants reimbursable and non-reimbursable resources to Brazilian research institutions and companies. Finep’s support covers all stages and dimensions of the scientific and technological development cycle: basic research, applied research, innovations and development of products, services and processes. Finep also supports the incubation of technology-based companies, the implementation of technology parks, the structuring and consolidation of research processes, the development and innovation of already established companies, and the development of markets. In addition, from 2012 Finep also started offering support for the implementation of a first industrial unit and also incorporations, mergers and joint ventures.

It should be noted that Finep’s activities are in line with the concepts established by the Oslo Manual, an international reference for the theme of innovation and prepared by the OECD.

See Finep’s matrix of programs and products and learn more about what we have to offer to support your projects. The matrix is navigable and just click on the program name to go to its specific page.

To learn more, see Finep’s Operating Conditions.
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Bids and Contracts
International
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Social Networks and Media
Innovation Map
Sponsorship
Reporting Channel
Transparency
Customer Area
Contact us

Headquarters:
Av. República do Chile, 330, Torre Oeste - Centro
10th, 11th, 12th, 15th, 16th and 17th floors
CEP: 20031-170 - Rio de Janeiro - RJ.

Flamengo Unit:
Praia do Flamengo 200, 3rd floor
CEP: 22210-065 - Rio de Janeiro - RJ.

Phone (21) 2555-0330

Other Finep addresses and telephone numbers.
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Preface

R&D incentives in 2018 and beyond

Tax competition, driven by governments wanting to attract economic activity to their jurisdiction, sits at the heart of much of the global tax change occurring today. This desire for tax competitiveness is perhaps more apparent within the R&D incentives category than in any of the other business tax categories tracked in EY’s global outlook for tax policy. According to that annual publication, 14 of 41 jurisdictions (34%) surveyed are forecasting new or more generous R&D incentives in 2018 (compared with 22% in 2017), with 9 of the 14 enhancing their R&D incentives for the second year in a row.

This strengthening trend could be explained by the fact that countries find themselves constrained by the Organisation for Economic Co-operation and Development’s base erosion and profit shifting (BEPS) recommendations but at the same time want to maintain or improve their competitive position.

We further attribute this strengthening trend to countries starting to marshal their tax policies in response to US tax reform, a key component of which focuses on the development of intellectual property (IP) assets. Countries outside the US are therefore actively studying and implementing ways to try and draw in higher levels of foreign direct investment (FDI) inflows, knowledge-economy jobs and IP-related income-flows.

The scope of global change is remarkable. Between 2015 and 2017, countries introduced relatively minor changes to their incentives, but 2018 sees more significant, sizable enhancements being adopted. Singapore, for example, increased its tax deduction for labor costs and consumables incurred on qualifying R&D projects performed in Singapore from 150% to 250%, likewise. Poland has increased its similar deduction, from 100% to 200%, effective 1 January 2018.

In fact, the number of entirely new R&D incentives further illustrates the very strength of this trend; Austria, Denmark, Hong Kong and New Zealand have or are considering introducing completely new R&D incentives in 2018. In that regard, we are very pleased to welcome New Zealand to this Guide, increasing our coverage to 45 jurisdictions.

Not all countries are changing their R&D incentives in favor of taxpayers; in common with recent years, a small subset of nations (Australia, Czech Republic, Russia and Vietnam) continue to target their R&D incentives more tightly, trying to ensure that government funds are put to the perceived best use.

Patent and innovation boxes

Patent and innovation boxes continue their global spread too, a trend validated by their adoption by non-European nations such as Singapore. Switzerland, meanwhile, proposes a patent box (which will be mandatory at cantonal level) under its Tax Proposal 7, while Greece and Italy implement changes to their boxes in 2018, bringing them in line with BEPS Action 5 requirements.
The facts at your fingertips

To identify and leverage opportunities to benefit from available incentives, taxpayers need a current guide such as the Worldwide R&D Incentives Reference Guide, especially if they are contemplating new or expanded investments in R&D.

The content of our guide remains structured in a straightforward manner, consistent with prior years, and chapter by chapter we summarize the key R&D incentives in 45 jurisdictions.

Each chapter begins with contact information for key EY R&D incentive professionals, before laying out a short overview of that country's approach to incentivizing R&D activity and providing a checklist showing which types of incentives are available. Where an incentive is most commonly referred to in local language, we have provided a translation. In many cases, our professionals indicate which incentive they believe provides the highest level of value to applicants.

For each incentive, we list the following information:
- A description of the benefits delivered
- Guidelines around incentive applications
- Eligibility requirements
- Intellectual property and jurisdictional requirements
- Role of governmental bodies in administering the incentive
- Administrative requirements
- Any statutory references


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<td>R&amp;D incentives summary matrix – Asia-Pacific (APAC)</td>
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<td>R&amp;D incentives summary matrix – Europe, Middle East, India and Africa (EMEIA)</td>
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<td>Contacts</td>
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</table>
According to Decree No. 9.283, public administration may now stimulate the development of cooperation projects between companies, ICTs and private non-profit entities with a focus on generating innovative products, processes and services, as well as the transfer and diffusion of technology. This legislation extensively regulates the modus operandi of such partnerships, including the grant of economic subventions and mechanisms to promote innovation environments.

Guidelines around incentive applications

The R&D deduction is applicable for current year investments. If a company incurs R&D expenses in 2016, it may apply for the incentive considering expenses incurred from January to December of 2016. The R&D deduction is claimed through the income tax return filed in July of the subsequent year.

Accelerated depreciation

(Depreciação Acelerada)

Description of benefits

R&D legislation allows companies to accelerate the depreciation on R&D assets for tax purposes only. Depreciation of 100% is available on eligible R&D assets upon the same year of acquisition.

Guidelines around incentive applications

Accelerated depreciation is applicable to current investments. The R&D deduction is claimed through the income tax return filed in July of the subsequent year.

Funding Authority for Studies and Projects

(Financiadora de Estudos e Projetos (FINEP))

Description of benefits

Financial support with reduced interest rates is available to new R&D investments of Brazilian companies. The fund provided by the Government can provide such funding for up to 90% of the total project costs. The incentive requires a preapproval process to be followed.

Guidelines around incentive applications

Financial support is applicable to current and future investments. To claim the incentive for future investments, taxpayers are required to follow procedures set out by the Government. In addition, taxpayers are also required to meet with specific requirements set by FINEP.

3. Eligibility requirements

Eligibility is not limited to a specific industry. Under Law No. 11,196/2005, technological innovation is defined as “the conception of a new product or production process, as well as the inclusion of new functionalities or characteristics in the product or process resulting in additional improvements, effective quality or productivity increase, as well as competitiveness increase in the market.”
Exhibit CVD - BR - 18
Analysis

Regional incentives
Doing Business in Brazil

Manaus free trade zone (zona franca de Manaus)

The Manaus Free Trade Zone, regulated by Decree-Law No. 288/1967, is a free import and export trade area where special fiscal incentives apply. It was set up with the objective of creating in the Amazon Region an industrial, commercial and agricultural center under economic conditions that allow its development, given local factors and the great distance separating it from its markets.

Today, around fifty years after it was founded, the Manaus Free Trade Zone represents a virtuous Brazilian government development model that has managed to make a socio-economic base in the Amazon region feasible, promote the better productive and social integration of the region with the rest of Brazil, and guarantee national sovereignty over its borders.

During its historical evolution, the Manaus Free Trade Zone has enabled three economic hubs to be developed: industrial, commercial and agricultural. The first of these, represented by the Manaus Industrial Sector (PIM), is considered the foundation stone that sustains the model.

The Manaus Free Trade Zone has a set of tax and other incentives available especially to attract and keep investments in its area of influence. These incentives have been made available by a joint action between the Federal and State Governments, offering:

Federal Taxes Incentives
- Import Duty Reduction (II): 88% reduction for consumables used in industrialization;
- Excise Tax Exemption (IP);
- Corporate Income Tax Reduction (IRPJ): 75% reduction of Income Tax and Non-Refundable surcharges, exclusively for reinvestments. Common to all the Legal Amazon.
- Social Integration Program Tax (PIS) and Social Security Contribution (COFINS) Exemption/Reduction: Exempt for imported goods and internal sales between...
Industries within Manaus Free Trade Zone, and reduction for 3.65% aliquot – rather than 9.25% – on finished goods sales to the rest of the country.

State Taxes Incentives

- State Value Added Tax Reduction (ICMS): Reduction from 55% up to 100% of the ICMS, depending on the investment project. In all cases, to use the incentives, companies must contribute with funds for financing high education, tourism, R&D, and small and micro-companies.

Other Incentives

- As well as the tax incentives, the Superintendence of the Manaus Free Trade Zone provides land for investors for a subsidized price, with urbanized road system, water supply network, telecommunications network, sanitary sewer and rainwater drainage.

To be eligible for MFTZ’s incentives the produced goods must meet the Brazilian PPB (Basic Productive Process), which determines the level of nationalization required for each type of product, since the initiative aims to encourage the national industry. The PPB is defined by joint decree of the Ministry of Science, Technology and Information and the Ministry of Development, Industry and Trade.

North and Northeast

Before the 1930s – Brazilian development policy was based primarily on exports, but in the late 1930s, Brazil implemented a development policy based on import substitution. As a result of this action, South and Southeast Regions increased their share of the industrial provision at the expense of the other Regions (North, Northeast and Midwest), leaving those regions far behind.

In the 1960s – Brazilian government implemented policies to counterbalance the Regional development by stimulating investments, consequently, economic growth on the lagging regions. As a result of these policies, Development Agencies were established in the North (Superintendence for the Development of the Amazon – SUDAM) and Northeast (Superintendence for the Development of the Northeast) regions with the purpose of coordinating the development funds and granting tax incentives.

This tax incentive mechanism intends to benefit investments in the North and Northeast regions, in the State of Mato Grosso and in some municipalities in the northern region of Minas Gerais and Espírito Santo, in activities considered vital for Brazilian development.

Historically, the vast majority of foreign investment has been concentrated in the country’s Southern and Southeastern states. However, recent data suggests that this dynamic is changing. In order to achieve a competitive edge and access markets with incredible growth potential, multinationals are beginning to look to investment opportunities outside the traditional investment centers.

The North and Northeast regions are being seen as potential destinations. These two regions have tremendous room for future growth and investors are starting to realize these opportunities.

Main taxes incentives offered by Sudam and Sudene

Corporate Income Tax Reduction
- 75% reduction on the CIT and non-refundable surcharges due on operating profit (Lucro da Exploração), granted for 10 (ten) years term.
- General preconditions for the incentive eligibility:
  - Submit the project until December 31, 2018;
  - Operate in SUDAM or SUDENE's covered region;
  - Be in an economic segment that is considered priority for regional development, as defined in Decree 4.212/2002 and 4.213/2002;
  - Invest to implement, expand, diversify or improve projects;
  - In case of modernization or expansion of an existing project, the minimum increase of production capacity eligible is 20% for investments in infrastructure and 50% for other investments.

Corporate Income Tax Reinvestment
Corporate entities may use 30% of the CIT due for reinvestment purposes. The 30% portion must be deposited in Northeast Bank (Banco do Nordeste do Brasil S/A – BNB) or Amazon Bank (Banco do Amazonas S.A.), plus 50% of its amount from own funds. In order to have the resources reimbursed, the company must submit a technical project to the competent Development Agency attesting that the company invested in modernization projects or equipment complementation projects. As soon as the project is approved, the amount invested is returned to the company.

Incentivized Accelerated Depreciation of fixed assets depreciation and discount of PIS/PASEP and Cofins contributions
Companies enjoying the 75% reduction of income tax incentive and located in less developed micro regions areas under the supervision of SUDENE and SUDAM are entitled to incentivized accelerated depreciation of assets acquired for the purposes of income tax calculations and to a discount on credits of PIS/PASEP and Cofins contribution. The incentive consists on the full depreciation within one year in the very year of the asset acquisition or up to the fourth year. The Regional Agencies may grant this benefit after analyzing beneficiaries' requests regarding compliance with the Law 11.196/05.

Special tax regimes
Special tax regimes are provided by Brazilian legislation to benefit some specific economic activity sectors. In most cases, taxpayers must comply with the application requirements due for each special tax regime, as well as other special requirements and ancillary obligations.

<table>
<thead>
<tr>
<th>Special Tax Regime</th>
<th>Sectors</th>
<th>Activity</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>REIDI Law 11.488/2007</td>
<td>Transport, port, energy, basic sanitation, irrigation.</td>
<td>Implements infrastructure projects approved by the Ministry of the respective sector.</td>
<td>PIS and Cofins suspension on the acquisition (imports or domestic) equipment, as well as services.</td>
</tr>
<tr>
<td>REPES Law 11.196/2005</td>
<td>Software development or IT services.</td>
<td>Exports at least 50% of their annual gross revenue.</td>
<td>PIS, Cofins and IPI suspension on imports as well as domestic acquisition.</td>
</tr>
<tr>
<td>PADIS &amp; PATVD Law 11.484/2007</td>
<td>Production of semiconductors and digital television equipment.</td>
<td>Manufacturing and R&amp;D projects.</td>
<td>Zero percent rate of PIS, Cofins and IPI on the acquisition (imports) machinery, devices and equipment, and on the sale of products on operating profit (Lucro da Exploração); For PADIS only, zero CIDE on remittances abroad in relation to royalties is applicable.</td>
</tr>
<tr>
<td>REPETRO Decreto</td>
<td>Oil and gas exploration.</td>
<td>Imports of equipment destined to the exploration of oil and natural gas as well as its production.</td>
<td>Total suspension of federal taxes due on importation. * There is also the application of other custom special regimes.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>RECAP</th>
<th>Export companies.</th>
<th>Exports at least 70% of their annual gross revenue.</th>
<th>Suspension of PIS and Cofins on imports of equipment, instruments and equipment for the incorporation of exhibition complexes, as well as materials for their construction.</th>
</tr>
</thead>
<tbody>
<tr>
<td>RECINE</td>
<td>Movie theater industry.</td>
<td>Modernization and expansion of local movie theater industry.</td>
<td>Suspension of II, IPI and PIS/Cofins in case of domestic sales of devices, instruments and equipment.</td>
</tr>
<tr>
<td>RET</td>
<td>Real estate.</td>
<td>Real estate development.</td>
<td>IPI offset, through deemed credit, based on the cost related to material, tooling, research, technological development, suppliers development, engineering, basic industrial technology. FNDEXT (National Fund for Scientific and Technological Development) available until December 2017.</td>
</tr>
</tbody>
</table>
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On 4 January 2019, Brazil enacted Law No. 13.799/2019, which extends the deadline from 31 December 2018 to 31 December 2023, for companies to apply for a 75% reduction in corporate income tax (IRPJ) and additional non-refundable amounts calculated on the basis of the “exploration profit” (operating profit). Had the original deadline (31 December 2018) not been extended, companies with new projects would not have been able to apply for the incentives, and companies with incentives for existing projects that were about to expire (incentives normally last for up to 10 years) would not have been able to renew them.

The tax incentives apply to companies that are part of specific economic sectors, considered by the Executive Power as priorities for regional development, and located in the regions covered by SUDAM (Superintendence for Development of the Amazon - North Region) and SUDENE (Superintendence for Development of the Northeastern Region), with projects that fall under one or more of the following categories: implementation, expansion, modernization and diversification.

Bill No. 10.160/2018, approved by the Senate on 11 December 2018, was partially vetoed and partially enacted as Law No. 13.799/2019. The original bill, approved by Congress, extended the current benefits applied to the regions under SUDAM and SUDENE administration to the States of Goias
and Mato Grosso do Sul under SUDECO (Superintendence of Development of the Center Western Region) administration. The President signed the bill but vetoed the extension of these benefits. Despite the veto, Law No. 13,799/2019 made investments in the north and northeastern regions of Brazil more attractive by allowing companies to use up to 50% of the amount deposited as reinvestment in working capital. Until 31 December 2018, the total amount deposited as reinvestment could only be used to purchase new machinery or equipment used in the production process.

The Law also incorporated paragraph 4 of Article 19 of Law No. 8,167 of 6 January 1991, which was effective until 31 December 2018. Paragraph 4 states:

> § 4° For companies that have deposits of more than [five] years and have not submitted projects to SUDAM or SUDENE until 31 December 2018, the resources originated from the reinvestment of corporate income tax, excluding the portion of [the companies'] resources, must be reimbursed in favor of the Federal Government.

The President also approved Decree 9,682, dated 4 January 2019, dealing with the approval process for companies to benefit from the tax incentives. Under the decree, the approval of the tax incentive is conditioned on the revenue waiver limit established in the Statement of Tax Expenses (DGT) by the Federal Revenue Services and included in 2019's Budget Directive Law (LDO). Currently, the revenue waiver is 4.12% of GDP and, according to the commitment in the recently approved LDO, the waiver will be reduced to 2% in 10 years.

Considering that the tax incentives granted by SUDAM and SUDENE are to be considered when evaluating the percentage of waiver amounts, the granting or renewing of SUDAM and SUDENE incentives may become more difficult due to the Government's need to reduce revenue waivers. Accordingly, companies with projects in these regions should evaluate the need to apply for or renew their incentives and properly prepare their case files, in order to secure a speedier and steady approval process.
For additional information with respect to this Alert, please contact the following:

**Ernst & Young Serviços Tributários SP Ltda, São Paulo**
- Sergio Fontenelle 
  sergio.fontenelle@br.ey.com

**Ernst & Young Serviços Tributários SP Ltda, Recife**
- Maria do Carmo Leocadio 
  maria.c.leocadio@br.ey.com
- Francisca Lacerda 
  francisca.lacerda@br.ey.com
- Andre Lima 
  andre.lima@br.ey.com
- Henrique Galvão 
  henrique.galvao@br.ey.com

**Ernst & Young LLP, Latin American Business Center, New York**
- Gustavo Carmona Sanches 
  gustavo.carmona1@ey.com
- Aline Nunes 
  aline.nunes1@ey.com
- Marcus Segnini 
  marcus.segnini1@ey.com
- Ana Mingramm 
  ana.mingramm@ey.com
- Pablo Wejcman 
  pablo.wejcman@ey.com
- Enrique Perez Grovas 
  enrique.perezgrovas@ey.com

**Ernst & Young LLP (United Kingdom), Brazilian Tax Desk Leader, London**
- Felipe Fortes 
  ffortes@uk.ey.com

**Ernst & Young LLP (United Kingdom), Latin American Business Center, London**
- Jose Padilla 
  jpadilla@uk.ey.com

**Ernst & Young Tax Co., Latin American Business Center, Japan & Asia Pacific**
- Raul Moreno, Tokyo 
  raul.moreno@jp.ey.com
- Luis Coronado, Singapore 
  luis.coronado@sg.ey.com
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Exhibit CVD - BR - 20
Brazil is a country of many opportunities. The government of the country supports various investment programs to help the development of various regions such as Northeast, North and Midwest. Here you will find more information about the programs to help new investors who wish to gain Investment Incentives in Brazil.

Superintendence for the Development of the Northeast (SUDENE)

The fiscal incentive may be applied for by the small, medium and large national or foreign enterprises, that will be installed, or those which are already installed and operating in the area of operation comprising the Brazilian Northeast States, the north of Minas Gerais and the municipalities of the Vale do Jequitinhonha (MG) and those in the north of Espírito Santo.

For more information, access:

- SUDENE – Superintendence for the Development of the Northeast
- Northeast Constitutional Financing Fund – FNE
- Incentives – Highlights (Portuguese only)
Integration, acting in the whole Legal Amazon, comprising the States of Acre, Amapá, Amazonas, Mato Grosso, Pará, Rondônia, Roraima, Tocantins and the part of the State of Maranhão.

For more information, access:

- SUDAM
- North Constitutional Financing Fund – FNO
- Amazon Investment Fund – FINAM

Superintendence of the Manaus Free Trade Zone (SUFRAMA)

Autarchy linked to the Ministry of Development, Industry and Foreign Trade (MDIC). Its main purpose is to promote social and economic development, in a sustained way in its sphere of influence, by means of the generation, attraction and consolidation of investments, supported by technological empowerment, aiming at the region’s competitive international insertion. Accordingly, among other actions, it is responsible for managing the granting of tax incentives.

For more information, access:

- SUFRAMA
- Suframa Invest Website
- Tax Incentive Guide

Superintendence for the Development of the MIDWEST (SUDECO)

The Superintendence is responsible for programs and actions in the Midwest macro Region. Furthermore, SUDECO holds the Midwest Constitutional Financing Fund, or Fundo Constitucional de Financiamento do Centro-Oeste (FCO).

For more information, access:

- SUDECO – Superintendence for the Development of the Midwest
Export Processing Zones (EPZ)

- Presentation
- Guide (Portuguese)
- Analysis of tax regimes (Portuguese)
- EPZ Pecém (Ceará): Website
- EPZ Pecém (Ceará): Presentation
- EPZ Senador Guiomar (Acre): Presentation
- EPZ Parnaíba (Piauí): Website
- EPZ Parnaíba (Piauí): Presentation
- EPZ Suape (Pernambuco): Presentation

Incentive Measures

- Federal incentive measures
- Ex-Tarifario
- Ex-Tarifario

Incentives for Innovation

- Incentives for Innovation

Want to know more about Incentives for Investments in Brazil?

We are a team of developers (Development Team) lead by executives from the market with more than 30 years of experience in refinery operation, crude oil and products trade, Brazil retail market and port and terminal infrastructure. We have a great network in the supply chain, logistic players and terminal operators.

For more information about Investments, answers about our services, or a consult about capital investment in Brazil, call us in: +55 (21) 4108-2516 / +55 (21) 98167-5367, or visit our About Us page.
We are specialized in offering the best orientation on investments and business in Brazil, with the aim of getting you the highest possible return.
Exhibit CVD - BR - 21
Our introduction to Brazil's business and legal environment helps you to understand the Brazilian market and economy

Doing Business and Investing in Brazil

www.pwc.com.br
This Guide on Brazil supersedes the Guide dated May 2010.

Any reader who would like a more detailed discussion of the subjects dealt with herein is cordially invited to contact a partner in any of our offices.

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March, 2013
Doing Business and Investing in Brazil

1. Investment climate
2. Doing business
3. Audit and accounting
4. Taxation

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**Foreword**

In the last few years, Brazil has emerged as a stronger and more attractive global player. A high degree of economic diversification, combined with a strong domestic consumer market and a broad selection of trading partners, bolstered by a well regulated financial system, have been keys to successfully mitigating the effects of the international economic crisis.

Unemployment in Brazil is low, wages are rising and the level of foreign direct investment is high. There are plenty of opportunities, particularly in agribusiness, oil and gas, mining, retail, capital projects and infrastructure, and in catering to a growing demand for education and healthcare.

For all these reasons, Brazil is surely a target for many business leaders around the world. However, as with any other emerging economy, Brazil presents issues and challenges that businesses must consider prior to establishing operations here. With our 2012 edition of *Doing Business in Brazil*, PwC aims to provide an introduction to the business and legal environment, helping you understand the Brazilian market and economy.

This publication does not intend to offer an exhaustive analysis, but rather provides general observations and guidance about the many questions PwC has encountered from clients doing business in Brazil. Certain businesses or industries may be subject to specific legal requirements not referred to in this guide. In addition, certain projects may require specialist advice and appropriate accounting and legal advice from one or more of our dedicated teams.

Fernando Alves  
CEO  
PwC – Brazil
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**Tax concessions**

Few federal tax concessions are available to local and foreign investors. Those that exist are designed to accelerate the development of certain less developed regions and of industries considered to be of importance to the economy. However, in general, there are no tax concessions specifically designed to attract foreign investors.

State and local tax concessions vary depending on the importance of the prospective investor to the area.

**Regional incentives**

**Regions affected**
The following regional agencies are responsible for development in the listed states:

*SUDENE (Northeast region)*

- Alagoas
- Bahia
- Ceará
- Espírito Santo
- Maranhão (part)
- Minas Gerais (part)
- Paraíba
- Pernambuco
- Piauí
- Rio Grande do Norte
- Sergipe

*SUDAM (Legal Amazon)*

- Acre
- Amapá
- Amazonas
- Maranhão (part)
- Mato Grosso
- Pará
- Rondônia
- Roraima
- Tocantins

**Eligibility**

In general, incentives are available to both local and foreign-controlled companies. However, the granting of incentives depends on approval by the federal government agencies SUDENE and SUDAM in respect of the implementation of new industrial projects or the planned expansion, diversification or improvement of an existing industry. SUDENE and SUDAM evaluate not only a project's technical and economic feasibility, but also its suitability as part of the region's overall economic development.

**Tax incentives**

For the Northeast and Amazon regions, the investment incentive plans administered by SUDENE and SUDAM, respectively, offer certain fiscal benefits to companies operating approved projects. These are as follows:

- 75% reduction of the income tax and non-refundable surcharges due on operating profit (lucro de exploração), for a maximum period of ten years, for implementation, expansion, diversification and improvement projects submitted and approved from August 24, 2000, to December 31, 2018, relating to economic segments considered to be a priority for the development of these regions.

- 12.5% reduction of income tax and non-refundable surcharges, from January 1, 2009, until December 31, 2013, for legal entities which maintain economic enterprises that participate in the development of these regions. Legal entities which own such projects may apply for the abovementioned reduction of 75%, within a period of ten years, provided that their activities fall into economic segments considered by the government to constitute a priority for the development of these regions.
The corporate income tax reduction cannot be distributed to the company's quotasholders/shareholders and must be booked and kept as a subsidy reserve (capital reserve), to be used only for capital increases or offsetting existing losses.

Certain state VAT (ICMS) incentives are also made available to certain businesses, depending on the nature and peculiarities of the project.

**Non-tax incentives**

For companies in the Northeast and Amazon regions, low-cost loans or loan guarantees are granted by government development banks, such as the Bank of Northeast Brazil (BNB), the Amazon Bank (BASA) or the National Bank for Social and Economic Development (BNDES).

**Special tax regimes**

Special tax regimes are provided by Brazilian legislation to benefit some specific economic activity sectors; the main special tax regimes are described below. (Please note that, in most cases, taxpayers must comply with the application requirements due for each special tax regime, as well as other special requirements and ancillary obligations.)

- Digital Inclusion Program – Grants 0% tax rate for PIS and COFINS; applicable for sales that take place until December 2014. Corporate Income Tax (CIT) exemption, calculated on the operating profit (lucro de exploração), may also be granted.

- Incentive for the Auto and Auto Parts Industries located in the North, Northeast and Midwest regions – Grants IPI presumed credit as compensation for PIS and COFINS. Expires in December 2020.


- Incentives for the Technological Industry – Allows costs and expenses for staff training in software development to be excluded from net income.

- PADIS (Support Program for the Technological Development of the Semiconductor Industry) – Grants a 0% tax rate for Import Tax, PIS/COFINS, PIS/COFINS-Import, IPI and CIDE. CIT exemption, calculated on the operating profit (lucro de exploração), may also be granted. Expiration date varies, being between December 2020 and January 2022.

- PATVD (Support Program for the Technological Development of the Digital Television Equipment Industry) – Grants a 0% tax rate for Import Tax, PIS/COFINS, PIS/COFINS-Import, IPI and CIDE.

- RECAP (Special Regime for the Acquisition of Capital Goods for Export Companies) – Grants suspension of PIS/COFINS and PIS/COFINS-Import.

- RECINE (Special Tax Regime for the Development of the Cinematographic Exhibition Activity) – Grants suspension of PIS/COFINS, PIS/COFINS-Import, IPI and Import Tax.

- REIDI (Special Incentive Scheme for Development of Infrastructure) – Grants suspension of PIS/COFINS and PIS/COFINS-Import.

- RENUCLEAR (Special Regime of Incentives for the Development of Nuclear Power Plants) – Grants suspension of IPI and Import Tax. Applicable for acquisitions and imports that take place before December 2015.

- REPENEC (Special Incentive Regime for the Development of Oil Infrastructure in the North, Northeast and Midwest) – Grants suspension of PIS/COFINS, PIS/COFINS-Import, IPI and Import Tax.
Exhibit CVD - BR - 22
Law No. 9532, OF 10 DECEMBER 1997.

Conversion MPV No. 1602, 1997
Production effect (See Decree No. 6306 of 2007)

Changes to federal tax legislation and other measures.

Art. 1 The profits earned abroad, through branches, subsidiaries or affiliates will be added to net income for determination of the real profit corresponding to the balance sheet on December 31 of the calendar year in which they are available for legal entities domiciled in Brazil. (See Provisional Measure No. 2158-35, 2001)

§ 1 For the purposes of this article, profits shall be deemed available to the company in Brazil:

a) in the case of branch or subsidiary, the balance sheet date on which they were calculated;

c) in the event of contratação of mutual operations, the lender, associate or controlled, have profits or profit reserves; *(Included by Law No. 9,959, 2000)*

d) in advance hypothesis resources, made by the associate or subsidiary, on account of future sale, whose settlement, the consignment of the good or service sold, occurs at maturity to the production cycle of the good or service. *(Included by Law No. 9,959, 2000)*

§ 2 shall not be deductible in the determination of taxable income and the Social Contribution tax basis to net income the interest on loans paid or credited the subsidiary or related company, regardless of place of domicile, levied on the value of their profits not made available by subsidiaries domiciled abroad. *(Redação given by Provisional Measure No. 2158-35, 2001)*

§ 5 With regard to profits earned in 1996 and 1997, will be considered expiring date referred to in the previous paragraph on December 31, 1999.

§ 6 In the event of items "c" and "d" of § 1 considered the available amount will be lent or early, limited to the amount of profits and profit reserves subject to distribution in proportion to the equity participation of company in the country at the time of disponibilização. *(Included by Law No. 9,959, 2000)*

§ 7 Consider it shall be made available Profit: *(Included by Law No. 9,959, 2000)*

a) in the case of Item "c" of § 1: *(Included by Law No. 9,959, 2000)*

1. the date of contratação of the operation, in respect of profits already determined by subsidiary or affiliate; *(Included by Law No. 9,959, 2000)*

2. on the date of apuração profit in associate or subsidiary, for operations previously contracted mutual; *(Included by Law No. 9,959, 2000)*
b) If the letter "d" of § 1 on December 31 of the calendar year in which it was closed the production cycle without the settlement occurred. (included by Law No. 9, 959, of 2000)

Art. 2 The percentage of the tax benefits referred to in item I and § 3 of art. 11 of Decree-Law No. 1, 376, of December 12, 1974, with subsequent amendments, the arts. 1, Item II, 12 and 23 of Law No. 8, 167, of January 16, 1991, and in art. 4, section V, of Law No. 8, 661, of June 2, 1993, are reduced to:

I - 30% (thirty percent) for the periods ended apuração from 1 January 1998 to 31 December 2003; (See Provisional Measure No. 2199-14, 2001)

II - 20% (twenty percent) for the periods ended apuração from January 1, 2004 to December 31, 2008;

III - 10% (ten percent) for the periods ended apuração from January 1, 2009 to December 31, 2013.

Art. 3 The tax exemption benefits that treat the art. 13 of Law No. 4, 239, of June 27, 1963, the art. 23 of Decree-Law No. 756 of August 11, 1969, with redação the art. 1 of Decree Law No. 1, 564, of July 29, 1977, and the item VIII of art. 1 of Law No. 9, 440, of March 14, 1997, for installation projects, modernization, diversification ampliação or approved by the competent body, as from 1 January 1998, subject to the other standards applicable to the matter, become the reduction of income tax and non-refundable, subject to the following percentages: (See Provisional Measure No. 2199-14, 2001)

I - 75% (seventy five percent) from January 1, 1998 to December 31, 2003;

II - 50% (fifty percent) from January 1, 2004 to December 31, 2008;

III - 25% (twenty five percent) from January 1, 2009 to December 31, 2013.

§ 1. The provisions of the caput does not apply to projects approved or filed until November 14, 1997, the competent body, for which prevails the benefit of exemption until the end of the concession period of the benefit.

§ 2. The tax benefits of reduction of income tax and non-refundable, that treat the art. 14 of Law No. 4, 239, 1963, and the art. 22 of Decree-Law No. 756 of August 11, 1969, subject to the other rules, apply to the matters, are now calculated according to the following percentages:

I - 37.5% (thirty-seven point five percent) from January 1, 1998 to December 31, 2003;

II - 25% (twenty five percent) from January 1, 2004 to December 31, 2008;

III - 12.5% (twelve point five percent) from January 1, 2009 to December 31, 2013.

§ 3. They are extinct, for the periods apuração closed from 1 January 2014, the tax benefits of this article.
Art. 5 The deduction of income tax on tax incentives provided for in art. 1 of Law No. 6,321, of April 14, 1976, in art. 26 of Law No. 8,313, of December 23, 1991, and Part I of Art. 4 of Law No. 8661, 1993, shall not exceed, when considered in isolation, to four percent of the income tax due, subject to the provisons of § 4 of art. 3 of Law No. 9,249, 1995.
Presidência da República  
Casa Civil  
Subchefia para Assuntos Jurídicos  


Conversão da MPv nº 1.602, de 1997  
Produção do efeito  
(Vide Decreto nº 8.306, de 2007)  

Altera a legislação tributária federal e dá outras providências.

O PRESIDENTE DA REPÚBLICA Faço saber que o Congresso Nacional decreta e eu sanciono a seguinte Lei:

Art. 1º Os lucros auferidos no exterior, por intermédio de filiais, sucursais, controladas ou coligadas serão adicionados ao lucro líquido, para determinação do lucro real correspondente ao balanço levantado no dia 31 de dezembro do ano-calendário em que tiverem sido disponibilizados para a pessoa jurídica domiciliada no Brasil.  
(Vide Medida Provisória nº 2158-35, de 2001)

§ 1º Para efeito do disposto neste artigo, os lucros serão considerados disponibilizados para a empresa no Brasil:

a) no caso de filial ou sucursal, na data do balanço no qual tiverem sido apurados;

b) no caso de controlada ou coligada, na data do pagamento ou do crédito em conta representativa da obrigação da empresa no exterior;  
(Revolgoada pela Lei nº 12.973, de 2014)  
(Vigência)

c) na hipótese de contratação de operações de mútuo, se a mutuante, coligada ou controlada, possuir lucros ou reservas de lucros;  
(Incluída pela Lei nº 9.959, de 2000)

d) na hipótese de adiantamento de recursos, efetuado pela coligada ou controlada, por conta de venda futura, cuja liquidação, pela remessa do bem ou serviço vendido, ocorra em prazo superior ao ciclo de produção do bem ou serviço;  
(Incluída pela Lei nº 9.959, de 2000)

§ 2º Para efeito do disposto na alínea "b" do parágrafo anterior, considera-se:  
(Revolgoada pela Lei nº 12.973, de 2014)  
(Vigência)

a) creditado o lucro, quando ocorrer a transferência do registro de seu valor para qualquer conta representativa de passivo exigível da controlada ou coligada domiciliada no exterior;

b) pago o lucro, quando ocorrer:  
(Revolgoada pela Lei nº 12.973, de 2014)  
(Vigência)

1. o crédito de valor em conta bancária, em favor do controladora ou coligada no Brasil;

2. a entrega, a qualquer título, a representante da beneficiária;  
(Revolgoada pela Lei nº 12.973, de 2014)  
(Vigência)

3. a remessa, em favor da beneficiária, para o Brasil ou para qualquer outra praça;  
(Revolgoada pela Lei nº 12.973, de 2014)  
(Vigência)

4. o emprego do valor, em favor da beneficiária, em qualquer praça, inclusive no aumento de capital da controlada ou coligada, domiciliada no exterior;  
(Revolgoada pela Lei nº 12.973, de 2014)  
(Vigência)

§ 3º Não serão dedutíveis na determinação do lucro real, os juros, pagos ou creditados a empresas controladas ou coligadas, domiciliadas no exterior, relativos a empregados contratados, quando, no balanço da coligada ou controlada, constar a existência de lucros não disponibilizados para a controladora ou coligada no Brasil;  
(Revolgoada pela Lei nº 12.973, de 2014)  
(Vigência)

§ 3º Não serão dedutíveis na determinação do lucro real e da base de cálculo da Contribuição Social sobre o Lucro Líquido, os juros, pagos ou creditados, incidentes sobre o valor equivalente aos lucros não disponibilizados por empresas:  
(Redação dada pela Lei nº 9.958, de 2000)  
(Revolgoada pela Lei nº 12.973, de 2014)  
(Vigência)

I - coligadas ou controladas, domiciliadas no exterior, quando estas forem as beneficiárias do pagamento ou crédito;  
(Incluída pela Lei nº 9.958, de 2000)  
(Revolgoada pela Lei nº 12.973, de 2014)  
(Vigência)

II - controladas, domiciliadas no exterior, independente do beneficiário;  
(Incluída pela Lei nº 9.958, de 2000)  
(Revolgoada pela Lei nº 12.973, de 2014)  
(Vigência)

§ 3º Não serão dedutíveis na determinação do lucro real e da base de cálculo da Contribuição Social sobre o Lucro...
Líquido os juros, relativos a empréstimos, pagos ou creditados a empresa controlada ou coligada, independente do local de seu domicílio, incidentes sobre valor equivalente aos lucros não disponibilizados por empresas controladas, domiciliadas no exterior. (Redação dada pela Medida Provisória nº 2158-35, de 2001)

§ 4º Os créditos de imposto de renda de que trata o art. 26 da Lei nº 9.249, de 1995, relativos a lucros, rendimentos e ganhos de capital auferidos no exterior, somente serão compensados com o imposto de renda devido no Brasil se referidos lucros, rendimentos e ganhos de capital forem computados na base de cálculo do imposto, no Brasil, até o final do segundo ano-calendário subsequente ao de sua apuração. (Vide art 96 §3 e art 99 da Lei nº 12.973, de 2014) (Revogado pela Lei nº 12.973, de 2014) (Vigência)

§ 5º Relativamente aos lucros apurados nos anos de 1996 e 1997, considerar-se-á vencido o prazo a que se refere o parágrafo anterior no dia 31 de dezembro de 1999.

§ 6º Nas hipóteses das alíneas "c" e "d" do § 1º o valor considerado disponibilizado será o mutuado ou adiantado, limitado ao montante dos lucros e reservas de lucros passíveis de distribuição, proporcional à participação societária da empresa no País na data da disponibilização. (Incluído pela Lei nº 9.959, de 2000)

§ 7º Considerar-se-á disponibilizado o lucro: (Incluído pela Lei nº 9.959, de 2000)

a) na hipótese da alínea "c" do § 1º; (Incluído pela Lei nº 9.959, de 2000)

1. na data da contratação da operação, relativamente a lucros já apurados pela controlada ou coligada; (Incluído pela Lei nº 9.959, de 2000)

2. na data da apuração do lucro, na coligada ou controlada, relativamente a operações de mútuo anteriormente contratadas; (Incluído pela Lei nº 9.959, de 2000)

b) na hipótese da alínea "d" do § 1º, em 31 de dezembro do ano-calendário em que tenha sido encerrado o ciclo de produção sem que haja ocorrido a liquidação. (Incluído pela Lei nº 9.959, de 2000)

Art. 2º Os percentuais dos benefícios fiscais referidos no inciso I e no § 3º do art. 11 do Decreto-Lei nº 1.379, de 12 de dezembro de 1974, com as posteriores alterações, nos arts. 1º, inciso II, 19 e 23, da Lei nº 8.167, de 16 de janeiro de 1991, e no art. 4º, inciso V, da Lei nº 8.661, de 02 de junho de 1993, ficam reduzidos para:

I - 30% (trinta por cento), relativamente aos períodos de apuração encerrados a partir de 1º de janeiro de 1998 até 31 de dezembro de 2003; (Vide Medida Provisória nº 2.199-14, de 2001)

II - 20% (vinte por cento), relativamente aos períodos de apuração encerrados a partir de 1º de janeiro de 2004 até 31 de dezembro de 2008;

III - 10% (dez por cento), relativamente aos períodos de apuração encerrados a partir de 1º de janeiro de 2009 até 31 de dezembro de 2013.

§ 1º Os percentuais do benefício fiscal de que tratam o art. 4º do Decreto-Lei nº 880, de 18 de setembro de 1969, o inciso V do art. 11 do Decreto-Lei nº 1.379, de 12 de dezembro de 1974, o inciso I do art. 1º e o art. 23 da Lei nº 8.167, de 1991, ficam reduzidos para: (Revogado pela Medida provisória nº 2.156-5, de 24.8.2001)

a) 25% (vinte e cinco por cento), relativamente aos períodos de apuração encerrados a partir de 1º de janeiro de 1998 até 31 de dezembro de 2003; (Revogado pela Medida provisória nº 2.156-5, de 24.8.2001)

b) 17% (dezessete por cento), relativamente aos períodos de apuração encerrados a partir de 1º de janeiro de 2004 até 31 de dezembro de 2008; (Revogado pela Medida provisória nº 2.156-5, de 24.8.2001)

c) 9% (nove por cento), relativamente aos períodos de apuração encerrados a partir de 1º de janeiro de 2009 até 31 de dezembro de 2013: (Revogado pela Medida provisória nº 2.156-5, de 24.8.2001)

§ 2º Ficam extintos, relativamente aos períodos de apuração encerrados a partir de 1º de janeiro de 2014, os
benefícios fiscais de que trata este artigo.  

(Revogado pela Medida provisória nº 2.156-5, de 24.8.2001)

Art. 3º Os benefícios fiscais de isenção, de que tratam o art. 13 da Lei nº 4.239, de 27 de junho de 1963, o art. 23 do Decreto-Lei nº 756, de 11 de agosto de 1969, com a redação do art. 1º do Decreto-Lei nº 1.554, de 29 de julho de 1977, e o inciso VIII do art. 1º da Lei nº 9.440, de 14 de março de 1997, para os projetos de instalação, modernização, ampliação ou diversificação, aprovados pelo órgão competente, a partir de 1º de janeiro de 1998, observadas as demais normas em vigor, aplicáveis à matéria, passam a ser de redução do imposto de renda e adicionais não restituíveis, observados os seguintes percentuais:  

(Vide Medida Provisória nº 2.159-14, de 2001)

I - 75% (setenta e cinco por cento), a partir de 1º de janeiro de 1998 até 31 de dezembro de 2003;

II - 50% (cinquenta por cento), a partir de 1º de janeiro de 2004 até 31 de dezembro de 2008;

III - 25% (vinte e cinco por cento), a partir de 1º de janeiro de 2009 até 31 de dezembro de 2013.

§ 1º O disposto no caput não se aplica a projetos aprovados ou protocolizados até 14 de novembro de 1997, no órgão competente, para os quais prevalece o benefício de isenção até o término do prazo de concessão do benefício.

§ 2º Os benefícios fiscais de redução do imposto de renda e adicionais não restituíveis, de que tratam o art. 14 da Lei nº 4.239, de 1963, e o art. 22 do Decreto-Lei nº 756, de 11 de agosto de 1969, observadas as demais normas em vigor, aplicáveis à matéria, passam a ser calculados segundo os seguintes percentuais:

I - 37,5% (trinta e sete inteiros e cinco décimos por cento), a partir de 1º de janeiro de 1998 até 31 de dezembro de 2003;

II - 25% (vinte e cinco por cento), a partir de 1º de janeiro de 2004 até 31 de dezembro de 2008;

III - 12,5% (doze inteiros e cinco décimos por cento), a partir de 1º de janeiro de 2009 até 31 de dezembro de 2013.

§ 3º Ficam extintos, relativamente aos períodos de apuração encerrados a partir de 1º de janeiro de 2014, os benefícios fiscais de que trata este artigo.

Art. 4º As pessoas jurídicas tributadas com base no lucro real poderão manifestar a opção pela aplicação do imposto em investimentos regionais na declaração de rendimentos ou no curso do ano calendário, nas datas de pagamento do imposto com base no lucro estimado, apurado mensalmente, ou no lucro real, apurado trimestralmente.  

(Revogado pela Medida Provisória nº 2.199-14, de 2001)

§ 1º A opção, no curso do ano calendário, será manifestada mediante o reconhecimento, por meio de documento de arrecadação (DARF) específico, de parte do imposto sobre o renda de valor equivalente a até:  

(Revogado pela Medida Provisória nº 2.199-14, de 2001)

I—18% para o FINOR e FINAM e 25% para o FUNRES, a partir de janeiro de 1998 até dezembro de 2003;  

(Revogado pela Medida Provisória nº 2.199-14, de 2001)

II—12% para o FINOR e FINAM e 17% para o FUNRES, a partir de janeiro de 2004 até dezembro de 2008;  

(Revogado pela Medida Provisória nº 2.199-14, de 2001)

III—6% para o FINOR e FINAM e 9% para o FUNRES, a partir de janeiro de 2009 até dezembro de 2013.  

(Revogado pela Medida Provisória nº 2.199-14, de 2001)

§ 2º No DARF a que se refere o parágrafo anterior, a pessoa jurídica deverá indicar o código de receita relativo ao fundo pelo qual houver optado.  

(Revogado pela Medida Provisória nº 2.199-14, de 2001)

§ 3º Os recursos de que trata este artigo serão considerados disponíveis para aplicação nas pessoas jurídicas destinatárias.  

(Revogado pela Medida Provisória nº 2.199-14, de 2001)

§ 4º A liberação, no caso das pessoas jurídicas a que se refere o art. 9º da Lei nº 8.167, de 16 de janeiro de 1991, será feita à vista do DARF específico, observadas as normas expedidas pela Secretaria da Receita Federal.  

(Revogado pela Medida Provisória nº 2.199-14, de 2001)

§ 5º A opção manifestada na forma deste artigo é irretratável, não podendo ser alterada.  

(Revogado pela Medida Provisória nº 2.199-14, de 2001)

§ 6º Se os valores destinados para os fundos, na forma deste artigo, excederem o total a que a pessoa jurídica tiver direito, apurado na declaração de rendimentos, a parcela excedente será considerada:  

(Revogado pela Medida Provisória nº 2.199-14, de 2001)

a) em relação às empresas de que trata o art. 9º da Lei nº 8.167, de 1991, como recursos próprios aplicados no
Art. 5º A dedução do imposto de renda relativa aos incentivos fiscais previstos no art. 1º da Lei nº 6.321, de 14 de abril de 1976, no art. 26 da Lei nº 8.313, de 23 de dezembro de 1991, e no inciso I do art. 4º da Lei nº 8.661, de 1993, não poderá exceder, quando considerados isoladamente, a quatro por cento do imposto de renda devido, observado o disposto no § 4º do art. 3º da Lei nº 9.249, de 1995.

Art. 6º Observados os limites específicos de cada incentivo e o disposto no § 4º do art. 3º da Lei nº 9.249, de 1995, o total das deduções de que tratam:

I - o art. 1º da Lei nº 6.321, de 1976 e o inciso I do art. 4º da Lei nº 8.661, de 1993, não poderá exceder a quatro por cento do imposto de renda devido;

II - o art. 26 da Lei nº 8.068, de 13 de julho de 1990, com a redação do art. 10 da Lei nº 8.242, de 12 de outubro de 1994, o art. 26 da Lei nº 8.313, de 1991, e o art. 1º da Lei nº 8.685, de 20 de julho de 1993, não poderá exceder a quatro por cento do imposto de renda devido.

III - o art. 26 da Lei nº 8.313, de 1991, e o art. 1º da Lei nº 8.685, de 20 de julho de 1993, não poderá exceder quatro por cento do imposto de renda devido. (Redação dada pela Medida Provisória nº 2.189-43, de 2001)

Art. 7º A pessoa jurídica que absorver patrimônio de outra, em virtude de incorporação, fusão ou cisão, na qual detenha participação societária adquirida com ágio ou deságio, apurado segundo o disposto no art. 20 do Decreto-Lei nº 1.598, de 26 de dezembro de 1977. (Vide Medida Provisória nº 135, de 30.10.2003)

I - deverá registrar o valor do ágio ou deságio cujo fundamento seja o de que trata a alínea "a" do § 2º do art. 20 do Decreto-Lei nº 1.598, de 1977, em contrapartida à conta que registre o bem ou direito que lhe deu causa;

II - deverá registrar o valor do ágio cujo fundamento seja o de que trata a alínea "c" do § 2º do art. 20 do Decreto-Lei nº 1.598, de 1977, em contrapartida a conta de ativo permanente, não sujeita a amortização;

III - poderá amortizar o valor do ágio cujo fundamento seja o de que trata a alínea "b" do § 2º do art. 20 de Decreto-Lei nº 1.598, de 1977, nos balanços correspondentes à apuração de lucro real, levantados em até dez anos calendários subsequentes à incorporação, fusão ou cisão, à razão de 1/60 (um sessenta avos), no máximo, para cada seis meses do período de apuração.

IV - deverá amortizar o valor do deságio cujo fundamento seja o de que trata a alínea "b" do § 2º do art. 20 do Decreto-Lei nº 1.598, de 1977, nos balanços correspondentes à apuração de lucro real, levantados durante os cinco anos calendários subsequentes à incorporação, fusão ou cisão, à razão de 1/60 (um sessenta avos), no mínimo, para cada seis meses do período de apuração.

§ 1º O valor registrado na forma do inciso I integrará o custo do bem ou direito para efeito de apuração de ganho ou perda de capital e de depreciação, amortização ou exaustão.

§ 2º Se o bem que deu causa ao ágio ou deságio não houver sido transferido, na hipótese de cisão, para o patrimônio da sucessora, esta deverá registrar:
a) o ágio, em conta de ativo diferido, para amortização na forma prevista no inciso III;

b) o deságio, em conta de receita diferida, para amortização na forma prevista no inciso IV.

§ 3º O valor registrado na forma do inciso II do *caput*:

a) será considerado custo de aquisição, para efeito de apuração de ganho ou perda de capital na alienação do direito que lhe deu causa ou na sua transferência para sócio ou acionista, na hipótese de devolução de capital;

b) poderá ser deduzido como perda, no encerramento das atividades da empresa, se comprovada, nessa data, a inexistência do fundo de comércio ou do intangível que lhe deu causa.

§ 4º Na hipótese da alínea "b" do parágrafo anterior, a posterior utilização econômica do fundo de comércio ou intangível sujeitará a pessoa física ou jurídica usuária ao pagamento dos tributos e contribuições que deixaram de ser pagos, acrescidos de juros de mora e multa, calculados de conformidade com a legislação vigente.

§ 5º O valor que servir de base de cálculo dos tributos e contribuições a que se refere o parágrafo anterior poderá ser registrado em conta do ativo, como custo do direito.

Art. 8º O disposto no artigo anterior aplica-se, inclusive, quando:

a) o investimento não for, obrigatoriamente, avaliado pelo valor de patrimônio líquido;

b) a empresa incorporada, fusionada ou cindida for aquela que detinha a propriedade da participação societária.

Art. 9º À opção da pessoa jurídica, o saldo do lucro inflacionário acumulado, existente no último dia útil dos meses de novembro e dezembro de 1997, poderá ser considerado realizado integralmente e tributado à alíquota de dez por cento. (Vide Medida Provisória nº 2.158-35, de 2001) (Vide Medida Provisória nº 38, de 13.5.2002)

§ 1º Se a opção se referir a saldo de lucro inflacionário tributado na forma do art. 28 da Lei nº 7.730, de 31 de janeiro de 1989, a alíquota a ser aplicada será de três por cento.

§ 2º A opção a que se refere este artigo será irretratável e manifestada mediante o pagamento do imposto, em quota única, na data da opção.

Art. 10. Do imposto apurado com base no lucro arbitrado ou no lucro presumido não será permitida qualquer dedução a título de incentivo fiscal.

Art. 11. As deduções relativas às contribuições para entidades de previdência privada, a que se refere a alínea "e" do inciso II do art. 8º da Lei nº 9.250, de 26 de dezembro de 1995, somada às contribuições para o Fundo de Aposentadoria Programada Individual - FAPI, a que se refere a Lei nº 9.477, de 24 de julho de 1997, cujo ônus seja da pessoa física, fica limitada a doze por cento do total dos rendimentos computados na determinação da base de cálculo do imposto devido na declaração de rendimentos. (Vide Medida Provisória nº 2158-35, de 2001)

§ 1º Aos reajustes efetuados pelos quotistas do Fundo de Aposentadoria Programada Individual - FAPI, aplicam-se, também, as normas de incidência do imposto de renda de que trata o art. 33 da Lei nº 9.250, de 1995.

§ 2º Na determinação do lucro real e da base de cálculo da contribuição social sobre o lucro líquido, o valor das despesas com contribuições para a previdência privada, a que se refere o inciso V do art. 13 da Lei nº 9.249, de 1995, e para os Fundos de Aposentadoria Programada Individual - FAPI, a que se refere a Lei nº 9.477, de 1997, cujo ônus seja da pessoa jurídica, não poderá exceder, em cada período de apuração, a vinte por cento do total dos salários dos empregados e da remuneração dos dirigentes da empresa, vinculados ao referido plano.

§ 3º O somatório das contribuições que exceder o valor a que se refere o parágrafo anterior deverá ser adicionado ao lucro líquido para efeito de determinação do lucro real e da base de cálculo da contribuição social sobre o lucro líquido.

§ 4º O disposto neste artigo não elide a observância das normas do art. 7º da Lei nº 9.477, de 1997.

Art. 11. As deduções relativas às contribuições para entidades de previdência privada, a que se refere a alínea "e" do inciso II do art. 8º da Lei nº 9.250, de 26 de dezembro de 1995, e às contribuições para o Fundo de Aposentadoria Programada Individual - Fapi, a que se refere a Lei nº 9.477, de 24 de julho de 1997, cujo ônus seja da própria pessoa física, ficam condicionadas ao recolhimento, também, de contribuições para o regime geral de previdência social ou,
quando for o caso, para regime próprio de previdência social dos servidores titulares de cargo efetivo da União, dos Estados, do Distrito Federal ou dos Municípios, observada a contribuição mínima, e limitadas a 12% (doze por cento) do total dos rendimentos computados na determinação da base de cálculo do imposto devido na declaração de rendimentos.  

(Redação dada pela Lei nº 10.887, de 2004)

§ 1º Aos resgates efetuados pelos quotistas de Fundo de Aposentadoria Programada Individual - Fapi aplicam-se, também, as normas de incidência do imposto de renda de que trata o art. 33 da Lei nº 9.250, de 26 de dezembro de 1995.  

(Redação dada pela Lei nº 10.887, de 2004)

§ 2º Na determinação do lucro real e da base de cálculo da contribuição social sobre o lucro líquido, o valor das despesas com contribuições para a previdência privada, a que se refere o inciso V do art. 13 da Lei nº 9.249, de 26 de dezembro de 1995, e para os Fundos de Aposentadoria Programada Individual - Fapi, a que se refere a Lei nº 9.477, de 24 de julho de 1997, cujo ônus seja da pessoa jurídica, não poderá exceder, em cada período de apuração, a 20% (vinte por cento) do total dos salários dos empregados e da remuneração dos dirigentes da empresa, vinculados ao referido plano.  

(Redação dada pela Lei nº 10.887, de 2004)

§ 3º O somatório das contribuições que exceder o valor a que se refere o § 2º deste artigo deverá ser adicionado ao lucro líquido para efeito de determinação do lucro real e da base de cálculo da contribuição social sobre o lucro líquido.  

(Redação dada pela Lei nº 10.887, de 2004)

§ 4º O disposto neste artigo não elide a observância das normas do art. 7º da Lei nº 9.477, de 24 de julho de 1997.  

(Redação dada pela Lei nº 10.887, de 2004)

§ 5º Excetuam-se da condição de que trata o caput deste artigo os beneficiários de aposentadoria ou pensão concedidas por regime próprio de previdência ou pelo regime geral de previdência social.  

(Redação dada pela Lei nº 10.887, de 2004)

§ 6º As deduções relativas às contribuições para entidades de previdência complementar a que se referem o inciso VII do art. 4º e a alínea i do inciso II do art. 8º da Lei nº 9.250, de 26 de dezembro de 1995, desde que limitadas à alíquota de contribuição do ente público patrocinador, não se sujeitam ao limite previsto no caput.  

(Incluído pela Lei nº 13.043, de 2014)  

(Vigência)

§ 7º Os valores de contribuição excedentes ao disposto no § 6º poderão ser deduzidos desde que seja observado o limite conjunto de dedução previsto no caput.  

(Incluído pela Lei nº 13.043, de 2014)  

(Vigência)

Art. 12. Para efeito do disposto no art. 150, inciso VI, alínea "c", da Constituição, considera-se imune a instituição de educação ou de assistência social que preste os serviços para os quais houver sido instituída e os coloque à disposição da população em geral, em caráter complementar às atividades do Estado, sem fins lucrativos.  

(Vide artigos 1º e 2º da Medida Provisória nº 2158-35, de 2001)  

(Vide ADI 1862)

§ 1º Não estão abrangidos pela imunidade os rendimentos e ganhos de capital auferidos em aplicações financeiras de renda fixa ou de renda variável.

§ 2º Para o gozo da imunidade, as instituições a que se refere este artigo, estão obrigadas a atender aos seguintes requisitos:

a) não remunerar, por qualquer forma, seus dirigentes pelos serviços prestados;  

(Vide Lei nº 10.637, de 2002)

b) não remunerar, por qualquer forma, seus dirigentes pelos serviços prestados, exceto no caso de associações assistenciais ou fundações, sem fins lucrativos, cujos dirigentes poderão ser remunerados, desde que atuem efetivamente na gestão executiva, respeitados como limites máximos os valores praticados pelo mercado na região correspondente à sua área de atuação, devendo seu valor ser fixado pelo órgão de deliberação superior da entidade, registrado em ata, com comunicação ao Ministério Público, no caso das fundações.  

(Redação dada pela Lei nº 13.161, de 2016)

a) não remunerar, por qualquer forma, seus dirigentes pelos serviços prestados, exceto no caso de associações, fundações ou organizações da sociedade civil, sem fins lucrativos, cujos dirigentes poderão ser remunerados, desde que
atuem efetivamente na gestão executiva e desde que cumpridos os requisitos previstos nos arts. 3º e 16 da Lei nº 9.790, de 23 de março de 1999, respeitados como limites máximos os valores praticados pelo mercado na região correspondente à sua área de atuação, devendo seu valor ser fixado pelo órgão de deliberação superior da entidade, registrado em ata, com comunicação ao Ministério Público, no caso das fundações: (Redação dada pela Lei nº 13.204, de 2015)

b) aplicar integralmente seus recursos na manutenção e desenvolvimento dos seus objetivos sociais;

c) manter escrituração completa de suas receitas e despesas em livros revestidos das formalidades que assegurem a respectiva exatidão;

d) conservar em boa ordem, pelo prazo de cinco anos, contado da data da emissão, os documentos que comprovetem a origem de suas receitas e a efetivação de suas despesas, bem assim a realização de quaisquer outros atos ou operações que venham a modificar sua situação patrimonial;

e) apresentar, anualmente, Declaração de Rendimentos, em conformidade com o disposto em ato da Secretaria da Receita Federal;

f) recolher os tributos retidos sobre os rendimentos por elas pagos ou creditados e a contribuição para a seguridade social relativa aos empregados, bem assim cumprir as obrigações acessórias daí decorrentes;

g) assegurar a destinação de seu patrimônio a outra instituição que atenda às condições para gozo da imunidade, no caso de incorporação, fusão, cisão ou de encerramento de suas atividades, ou a órgão público;

h) outros requisitos, estabelecidos em lei específica, relacionados com o funcionamento das entidades a que se refere este artigo.

§ 3º Considera-se entidade sem fins lucrativos a que não apresente superávit em suas contas ou, caso o apresente em determinando exercício, destine referido resultado integralmente ao incremento de seu ativo imobilizado.

§ 3º Considera-se entidade sem fins lucrativos a que não apresente superávit em suas contas ou, caso o apresente em determinado exercício, destine referido resultado, integralmente, à manutenção e ao desenvolvimento dos seus objetivos sociais. (Redação dada pela Lei nº 9.718, de 1998)

§ 4º A exigência a que se refere a alínea "a" do § 2º não impede: (Incluído pela Lei nº 12.868, de 2013)

I - a remuneração aos diretores não estatutários que tenham vínculo empregatício; e (Incluído pela Lei nº 12.868, de 2013)

II - a remuneração aos dirigentes estatutários, desde que recebem remuneração inferior, em seu valor bruto, a 70% (setenta por cento) do limite estabelecido para a remuneração de servidores do Poder Executivo federal. (Incluído pela Lei nº 12.868, de 2013)

§ 5º A remuneração dos dirigentes estatutários referidos no inciso II do § 4º deverá obedecer às seguintes condições: (Incluído pela Lei nº 12.868, de 2013)

I - nenhum dirigente remunerado poderá ser cônjuge ou parente até 3º (terceiro) grau, inclusive afim, de instituidores, sócios, diretores, conselheiros, benfeitores ou equivalentes da instituição de que trata o caput deste artigo; e (Incluído pela Lei nº 12.868, de 2013)

II - o total pago a título de remuneração para dirigentes, pelo exercício das atribuições estatutárias, deve ser inferior a 5 (cinco) vezes o valor correspondente ao limite individual estabelecido neste parágrafo. (Incluído pela Lei nº 12.868, de 2013)

§ 6º O disposto nos §§ 4º e 5º não impede a remuneração da pessoa do dirigente estatutário ou diretor que, cumulativamente, tenha vínculo estatutário e empregatício, exceto se houver incompatibilidade de jornadas de trabalho. (Incluído pela Lei nº 12.868, de 2013)

Art. 13. Sem prejuízo das demais penalidades previstas na lei, a Secretaria da Receita Federal suspenderá o gozo
da imunidade a que se refere o artigo anterior, relativamente aos anos-calendários em que a pessoa jurídica houver praticado ou, por qualquer forma, houver contribuído para a prática de ato que constitua infração a dispositivo da legislação tributária, especialmente no caso de informar ou declarar falsamente, omitir ou simular o recebimento de doações em bens ou em dinheiro, ou de qualquer forma cooperar para que terceiro sonegue tributos ou pratique ilícitos fiscais. 

(Vide ADI 1802)

Parágrafo único. Considera-se, também, infração a dispositivo da legislação tributária o pagamento, pela Instituição imune, em favor de seus associados ou dirigentes, ou, ainda, em favor de sócios, acionistas ou dirigentes de pessoa jurídica a ela associada por qualquer forma, de despesas consideradas indeducíveis na determinação da base de cálculo do imposto sobre a renda ou da contribuição social sobre o lucro líquido.

Art. 14. À suspensão do gozo da imunidade aplica-se o disposto no art. 32 da Lei nº 9.430, de 1996. 

(Vide ADI 1802)

Art. 15. Consideram-se isentas as instituições de caráter filantrópico, recreativo, cultural e científico e as associações civis que prestem os serviços para o quais houverem sido instituídas e os coloquem à disposição do grupo de pessoas a que se destinam, sem fins lucrativos. 

(Vide Medida Provisória nº 2158-35, de 2001)

§ 1º A isenção a que se refere este artigo aplica-se, exclusivamente, em relação ao imposto de renda da pessoa jurídica e à contribuição social sobre o lucro líquido, observado o disposto no parágrafo subseqüente.

§ 2º Não estão abrangidos pela isenção do imposto de renda os rendimentos e ganhos de capital auferidos em aplicações financeiras de renda fixa ou de renda variável.

§ 3º As instituições isentas aplicam-se as disposições do art. 12, § 2º, alíneas "a" a "e" e § 3º e dos arts. 13 e 14.

§ 4º O disposto na alínea "g" do § 2º do art. 12 se aplica, também, às instituições a que se refere este artigo. 

(Revogado pela Lei nº 9.718, de 1998)

§ 5º O disposto no § 2º não se aplica aos rendimentos e ganhos de capital auferidos pela Academia Brasileira de Letras, pela Associação Brasileira de Imprensa e pelo Instituto Histórico e Geográfico Brasileiro. 

(Incluído pela Lei nº 13.353, de 2016) (Produção de efeito)

Art. 16. Aplicam-se à entrega de bens e direitos para a formação do patrimônio das instituições isentas as disposições do art. 23 da Lei nº 9.249, de 1995.

Parágrafo único. A transferência de bens e direitos do patrimônio das entidades isentas para o patrimônio de outra pessoa jurídica, em virtude de incorporação, fusão ou cisão, deverá ser efetuada pelo valor de sua aquisição ou pelo valor atribuído, no caso de doação.

Art. 17. Sujeita-se à incidência do imposto de renda à alíquota de quinze por cento a diferença entre o valor em dinheiro ou o valor dos bens e direitos recebidos de instituição isenta, por pessoa física, a título de devolução de patrimônio, e o valor em dinheiro ou o valor dos bens e direitos que houver entregue para a formação do referido patrimônio.

§ 1º Aos valores entregues até o final do ano de 1995 aplicam-se as normas do inciso I do art. 17 da Lei nº 9.249, de 1995.

§ 2º O imposto de que trata este artigo será:

a) considerado tributação exclusiva;

b) pago pelo beneficiário até o último dia útil do mês subseqüente ao recebimento dos valores.

§ 3º Quando a destinatária dos valores em dinheiro ou dos bens e direitos devolvidos for pessoa jurídica, a diferença a que se refere o caput será computada na determinação do lucro real ou adicionada ao lucro presumido ou arbitrado, conforme seja a forma de tributação a que estiver sujeita.
§ 4º Na hipótese do parágrafo anterior, para a determinação da base de cálculo da contribuição social sobre o lucro líquido a pessoa jurídica deverá computar:

a) a diferença a que se refere o caput, se sujeita ao pagamento do imposto de renda com base no lucro real;

b) o valor em dinheiro ou o valor dos bens e direitos recebidos, se tributada com base no lucro presumido ou arbitrado.

Art. 18. Fica revogada a isenção concedida em virtude do art. 30 da Lei nº 4.506, de 1964, e alterações posteriores, às entidades que se dediquem às seguintes atividades:

I - educacionais;

II - de assistência à saúde;

III - de administração de planos de saúde;

IV - de prática desportiva, de caráter profissional;

V - de administração do desporto.

Parágrafo único. O disposto neste artigo não elide a fruição, conforme o caso, de imunidade ou isenção por entidade que se enquadra nas condições do art. 12 ou do art. 15.

Art. 19. A isenção do imposto de renda a que se refere o art. 16 da Lei nº 8.668, de 25 de junho de 1993, somente se aplica ao fundo de investimento imobiliário que, além das provisões da referida Lei, atendam, cumulativamente, às seguintes condições:

I - seja composto por, no mínimo, vinte e cinco quotas;

II - nenhum de seus quotas tenha participação que represente mais de cinco por cento do valor do patrimônio do fundo;

III - não aplique seus recursos em empreendimento imobiliário de que participa, como proprietário, incorporador, construtor ou sócio, qualquer de seus quotas, a instituição que o administre ou pessoa ligada à administradora;

§ 1º Para efeito do disposto no inciso III, considera-se pessoa ligada:

a) a quota, pessoa física, e empresa sob seu controle ou qualquer de seus parentes até o segundo grau;

b) a quota, pessoa jurídica, e a administradora do fundo;

4. a pessoa física que seja sua controladora, conforme definido no § 2º do art. 243 da Lei nº 6.404, de 15 de dezembro de 1976, e os parentes desta até o segundo grau;

2. a pessoa jurídica que seja sua controladora, controlada ou coligada, conforme definido nos §§ 1º e 2º do art. 243 da Lei nº 6.404, de 1976;

§ 2º O fundo de investimento imobiliário que não se enquadrar nas condições a que se refere este artigo fica equiparado a pessoa jurídica, para efeito de incidência dos tributos e contribuições de competência da União.

§ 3º Na hipótese do parágrafo anterior, o responsável pelo cumprimento das obrigações tributárias do fundo a entidade que o administre;

§ 4º Os fundos de investimento imobiliário existentes na data da publicação desta Lei deverão se enquadrar, até 31
Art. 21. Relativamente aos fatos geradores ocorridos durante os anos-calendários de 1998 e 1999, a alíquota de 25% (vinte e cinco por cento), constantes das tabelas de que tratam os arts. 3º e 11 da Lei nº 9.250, de 26 de dezembro de 1995, e as correspondentes parcelas a deduzir, passam a ser, respectivamente, de 27,5% (vinte e sete inteiros e cinco décimos por cento), R$ 360,00 (trezentos e sessenta reais) e R$ 4.320,00 (quatro mil, trezentos e vinte reais).

Art. 21. Relativamente aos fatos geradores ocorridos durante os anos-calendários de 1998 a 2002, a alíquota de vinte e cinco por cento, constante das tabelas de que tratam os arts. 3º e 11 da Lei nº 9.250, de 26 de dezembro de 1995, e as correspondentes parcelas a deduzir, passam a ser, respectivamente, de vinte e sete inteiros e cinco décimos por cento, trezentos e sessenta reais e quatro mil, trezentos e vinte reais. — (Redação dada pela Lei nº 9.887, de 1999)

Parágrafo único. Sã restabelecidas, relativamente aos fatos geradores ocorridos a partir de 1º de janeiro de 2000, a alíquota de 25% (vinte e cinco por cento) e as respectivas parcelas a deduzir de R$ 315,00 (trezentos e quinhentos reais) e R$ 3.780,00 (três mil, setecentos e oitenta reais) de que tratam os arts. 3º e 11 da Lei nº 9.250, de 26 de dezembro de 1995. — (Redação dada pela Lei nº 10.828, de 2003)

Parágrafo único. São restabelecidas, relativamente aos fatos geradores ocorridos a partir de 1º de janeiro de 2003, a alíquota de vinte e cinco por cento e as respectivas parcelas a deduzir de trezentos e quinze reais e três mil, setecentos e oitenta reais de que tratam os arts. 3º e 11 da Lei nº 9.250, de 26 de dezembro de 1995. — (Redação dada pela Lei nº 9.887, de 1999) (Revogado pela Lei nº 10.828, de 2003)

Art. 22. A soma das deduções a que se referem os incisos I a III do art. 12 da Lei nº 9.250, de 1995, fica limitada a seis por cento do valor do imposto devido, não sendo aplicáveis limites específicos a quaisquer dessas deduções.

Art. 23. Na transferência de direito de propriedade por sucessão, nos casos de herança, legado ou por doação em adiantamento da legitima, os bens e direitos poderão ser avaliados a valor do mercado ou pelo valor constante da declaração de bens do de cujus ou do doador.

§ 1º Se a transferência for efetuada a valor de mercado, a diferença a maior entre esse e o valor pelo qual constavam da declaração de bens do de cujus ou do doador sujeitar-se-á à incidência de imposto de renda à alíquota de quinze por cento.

§ 2º O imposto a que se refere o parágrafo anterior deverá ser pago pelo inventariante, no caso de espólio, ou pelo
doador, no caso de doação, na data da homologação da partilha ou do recebimento da doação.

§ 2º O imposto a que se referem os §§ 1º e 5º deverá ser pago:  
(Redação dada pela Lei nº 9.779, de 1999)

I - pelo inventariante, até a data prevista para entrega da declaração final de espólio, nas transmissões mortis causa, observado o disposto no art. 7º, § 4º da Lei nº 9.250, de 26 de dezembro de 1995:  
(Incluído pela Lei nº 9.779, de 1999)

II - pelo doador, até o último dia útil do mês-calendário subsequente ao da doação, no caso de doação em adiantamento da legítima;  
(Incluído pela Lei nº 9.779, de 1999)

III - pelo ex-cônjuge a quem for atribuído o bem ou direito, até o último dia útil do mês subsequente à data da sentença homologatória do formal de partilha, no caso de dissolução da sociedade conjugal ou da unidade familiar.  
(Incluído pela Lei nº 9.779, de 1999)

§ 3º O herdeiro, o legatário ou o donatário deverá incluir os bens ou direitos, na sua declaração de bens correspondente à declaração de rendimentos do ano-calendário da homologação da partilha ou do recebimento da doação, pelo valor pelo qual houver sido efetuada a transferência.

§ 4º Para efeito de apuração de ganho de capital relativo aos bens e direitos de que trata este artigo, será considerado como custo de aquisição o valor pelo qual houverem sido transferidos.

§ 5º As disposições deste artigo aplicam-se, também, aos bens ou direitos atribuídos a cada cônjuge, na hipótese de dissolução da sociedade conjugal ou da unidade familiar.


Parágrafo único. A Secretaria da Receita Federal expedirá as normas necessárias à aplicação do disposto neste artigo.

Art. 25. O § 2º do art. 7º da Lei nº 9.250, de 1995, passa a vigorar com a seguinte redação:

"§ 2º O Ministro da Fazenda poderá estabelecer limites e condições para dispensar pessoas físicas da obrigação de apresentar declaração de rendimentos."

Art 26. Os §§ 3º e 4º do art. 56 da Lei nº 8.981, de 1995, com as alterações da Lei nº 9.065, de 1995, passam a vigorar com a seguinte redação:

"§ 3º A declaração de rendimentos das pessoas jurídicas deverá ser apresentada em meio magnético, ressalvado o disposto no parágrafo subseqüente.

§ 4º O Ministro da Fazenda poderá permitir que as empresas que trata a Lei nº 9.317, de 5 de dezembro de 1996, optantes pelo SIMPLES, apresentem suas declarações por meio de formulários."

Art. 27. A multa a que se refere o inciso I do art. 88 da Lei nº 8.981, de 1995, é limitada a vinte por cento do imposto de renda devido, respeitado o valor mínimo de que trata o § 1º do referido art. 88, convertido em reais de acordo com o disposto no art. 30 da Lei nº 9.249, de 26 de dezembro de 1995.

Parágrafo único. A multa a que se refere o art. 88 da Lei nº 8.981, de 1995, será:

a) deduzida do imposto a ser restituído ao contribuinte, se este tiver direito à restituição;

b) exigida per meio de lançamento efetuado pela Secretaria da Receita Federal, notificado ao contribuinte.

Parágrafo único. A multa a que se refere o art. 88 da Lei nº 8.981, de 1995:  
(Redação dada pela Medida Provisória nº 232, 2004)

a) poderá ser deduzida do imposto a ser restituído ao contribuinte;  
(Redação dada pela Medida Provisória nº 232, 2004)
b) será exigida por meio de lançamento efetuado pela Secretaria da Receita Federal, notificado ao contribuinte.

(Revisão dada pela Medida Provisória nº 232, 2004)

Parágrafo único. A multa a que se refere o art. 88 da Lei nº 8.981, de 1995, será:

a) deduzida do imposto a ser restituído ao contribuinte, se este tiver direito à restituição;

b) exigida por meio de lançamento efetuado pela Secretaria da Receita Federal, notificado ao contribuinte.

Art. 28. A partir de 1º de janeiro de 1998, a incidência do imposto de renda sobre os rendimentos auferidos por qualquer beneficiário, inclusiva pessoa jurídica imune ou isenta, nas aplicações em fundos de investimento, constituídos sob qualquer forma, ocorrerá: (Vide ADI 1.758-4, DE 1998)

I - diariamente, sobre os rendimentos produzidos pelos títulos, aplicações financeiras e valores mobiliários de renda fixa integrantes das carteiras dos fundos; (Vide Medida Provisória nº 2.189-49, de 2001)

II - por ocasião do resgate das quotas, em relação à parcela dos valores mobiliários de renda variável integrante das carteiras dos fundos. (Vide Medida Provisória nº 2.189-49, de 2001)

§ 1º Na hipótese de que trata o inciso II, a base de cálculo do imposto será constituída pelo ganho apurado pela soma algébrica dos resultados apropriados diariamente ao quotista.

§ 2º Para efeitos do disposto neste artigo o administrador do fundo de investimento deverá apropriar, diariamente, para cada quotista:

a) os rendimentos de que trata o inciso I, deduzido o imposto de renda;

b) os resultados positivos ou negativos decorrentes da avaliação dos ativos previstos no inciso II.

§ 3º As aplicações, os resgates e a apropriação dos valores de que trata o parágrafo anterior serão feitos conforme a proporção dos ativos de renda fixa e de renda variável no total da carteira do fundo de investimento.

§ 4º As perdas apuradas no resgate de quotas poderão ser compensadas com ganhos auferidos em resgates posteriores, no mesmo fundo de investimento, de acordo com sistemática a ser definida pela Secretaria da Receita Federal.

§ 5º Os fundos de investimento cujas carteiras sejam constituídas, no mínimo, por 95% de ativos de renda fixa, ao calcular o imposto pela apropriação diária de que trata o inciso I, poderão computar, na base de cálculo, os rendimentos e ganhos totais do patrimônio do fundo. (Vide Medida Provisória nº 2.189-49, de 2001)

§ 6º Os fundos de investimento cujas carteiras sejam constituídas, no mínimo, por 80% de ações negociadas no mercado à vista de bolsa de valores ou entidade assemelhada, poderão calcular o imposto no resgate de quotas, abrangendo os rendimentos e ganhos totais do patrimônio do fundo. (Vide artigos 1º e 2º da Medida Provisória nº 2.189-49, de 2001)

§ 7º A base de cálculo do imposto de que trata o parágrafo anterior será constituída pela diferença positiva entre o valor de resgate e o valor de aquisição da quota.

§ 8º A Secretaria da Receita Federal definirá os requisitos e condições para que os fundos de que trata o § 6º atendam ao limite ali estabelecido.

§ 9º O imposto de que trata este artigo incidirá à alíquota de vinte por cento, vedada a dedução de quaisquer custos ou despesas incorridos na administração do fundo.

§ 10. Ficam isentos do imposto de renda:

a) os rendimentos e ganhos líquidos auferidos na alienação, liquidação, resgate, cessão ou repactuação dos títulos, aplicações financeiras e valores mobiliários integrantes das carteiras dos fundos de investimento;
b) os juros de que trata o art. 9 da Lei nº 9.249, de 1995, recebidos pelos fundos de investimento.

§ 11. Fica dispensada a retenção do imposto de renda sobre os rendimentos auferidos pelos quotistas dos fundos de investimento:

a) cujos recursos sejam aplicados na aquisição de quotas de outros fundos de investimento.

b) constituídos, exclusivamente, pelas pessoas jurídicas de que trata o art. 77, inciso I, da Lei nº 8.981, de 20 de janeiro de 1995.

§ 12. Os fundos de investimento de que trata a alínea "a" do parágrafo anterior serão tributados:

a) como qualquer quotista, quanto a aplicações em quotas de outros fundos de investimento;

b) como os demais fundos, quanto a aplicações em outros ativos.

§ 13. O disposto neste artigo aplica-se, também, à parcela dos ativos de renda fixa dos fundos de investimento imobiliário tributados nos termos da Lei nº 8.668, de 1993, e dos demais fundos de investimentos que não tenham resgate de quotas.

Art. 29. Para fins de incidência do imposto de renda na fonte, consideram-se pagos ou creditados aos quotistas dos fundos de investimento, na data em que se completar o primeiro período de carência em 1998, os rendimentos correspondentes à diferença positiva entre o valor da quota em 31 de dezembro de 1997 e o respectivo custo de aquisição.

§ 1º Na hipótese de resgate anterior ao vencimento do período de carência, a apuração dos rendimentos terá por base o valor da quota na data do último vencimento da carência, ocorrido em 1997.

§ 2º No caso de fundos sem prazo de carência para resgate de quotas, com rendimento integral, consideram-se pagos ou creditados os rendimentos no dia 2 de janeiro de 1998.

§ 3º Os rendimentos de que trata este artigo serão tributados pelo imposto de renda na fonte, à alíquota de quinze por cento, na data da ocorrência do fato gerador.

Art. 30. O imposto de que trata o § 3º do artigo anterior, retido pela instituição administradora do fundo, na data da ocorrência do fato gerador, será recolhido em quota única, até o terceiro dia útil da semana subsequente.

Art. 31. Excluem-se do disposto no art. 29, os rendimentos auferidos até 31 de dezembro de 1997 pelos quotistas dos fundos de investimento de renda variável, que serão tributados no resgate de quotas. (Vide artigos 1º e 2º da Medida Provisória nº 2.189-49, de 2001)

§ 1º Para efeito do disposto neste artigo, consideram-se de renda variável os fundos de investimento que, nos meses de novembro e dezembro de 1997, tenham mantido, no mínimo, 51% (cinquenta e um por cento) de patrimônio aplicado em ações negociadas no mercado à vista de bolsa de valores ou entidade assemelhada.

§ 2º O disposto neste artigo aplica-se, também, aos rendimentos auferidos pelos quotistas de fundo de investimento que, nos meses de novembro e dezembro de 1997, tenham mantido, no mínimo, 95% (noventa e cinco por cento) de seus recursos aplicados em quotas dos fundos de que trata o parágrafo anterior.

Art. 32. O imposto de que tratam os arts. 28 a 31 será retido pelo administrador do fundo de investimento na data da ocorrência do fato gerador e recolhido até o terceiro dia útil da semana subsequente.

Art. 33. Os clubes de investimento, as carteiras administradas e qualquer outra forma de investimento associativo ou coletivo, sujeitam-se às mesmas normas do imposto de renda aplicáveis aos fundos de investimento.

Art. 34. O disposto nos arts. 28 a 31 não se aplica aos fundos de investimento de que trata o art. 81 da Lei nº 8.981, de 1995, que continuam sujeitos às normas de tributação previstas na legislação vigente.

Art. 34. O disposto nos arts. 28 a 31 não se aplica às hipóteses de que trata o art. 81 da Lei nº 8.981, de 1995, que
continuam sujeitas às normas de tributação previstas na legislação vigente. (Redação dada pela Medida Provisória nº 2.189-49, de 2001)

Art. 35. Relativamente aos rendimentos produzidos, a partir de 1º de janeiro de 1998, por aplicação financeira de renda fixa, auferidos por qualquer beneficiário, inclusive pessoa jurídica imune ou isenta, a alíquota do imposto de renda será de vinte por cento.

Art. 36. Os rendimentos decorrentes das operações de swap, de que trata o art. 74 da Lei nº 8.981, de 1995, passam a ser tributados à mesma alíquota incidente sobre os rendimentos de aplicações financeiras de renda fixa.

Parágrafo único. Quando a operação de swap tiver por objeto taxa baseada na remuneração dos depósitos de poupança, esta remuneração será adicionada à base de cálculo do imposto de que trata este artigo.

Art. 37. Os dispositivos abaixo enumerados, da Lei nº 4.502, de 30 de novembro de 1964, passam a vigorar com a seguinte redação:

I - o inciso II do art. 4º:

"II - as filiais e demais estabelecimentos que exercerem o comércio de produtos importados, industrializados ou mandados industrializar por outro estabelecimento do mesmo contribuinte;";

II - o § 1º do art. 9º:

"§ 1º Se a imunidade, a isenção ou a suspensão for condicionada à destinação do produto, e este for dado destino diverso, ficará o responsável pelo fato sujeito ao pagamento do imposto e da penalidade cabível, como se a imunidade, a isenção ou a suspensão não existissem.";

III - o inciso II do art. 15:

"II - o 90% (noventa por cento) do preço de venda aos consumidores, não inferior ao previsto no inciso anterior, quando o produto for remetido a outro estabelecimento da mesma empresa, desde que o destinatário opere exclusivamente na venda a varejo.";

IV - o § 2º do art. 46:

"§ 2º A falta de rotulagem ou marcação do produto ou de aplicação do selo especial, ou o uso de selo impróprio ou aplicado em desacordo com as normas regulamentares, importará em considerar o produto respectivo como não identificado com o descrito nos documentos fiscais.";

V - o § 2º do art. 62:

"§ 2º No caso de falta do documento fiscal que comprove a procedência do produto e identifique o remetente pelo nome e endereço, ou de produto que não se encontre selado, rotulado ou marcado quando exigido o selo de controle, a rotulagem ou a marcação, não poderá o destinatário recebê-lo, sob pena de ficar responsável pelo pagamento do imposto, se exigível, e sujeito às sanções cabíveis.".

Art. 38. Fica acrescentada ao inciso I do art. 5º da Lei nº 4.502, de 1964, com a redação dada pelo art. 1º do Decreto-Lei nº 1.133, de 16 de novembro de 1970, a alínea "e", com a seguinte redação:

"e) objeto de operação de venda, que for consumido ou utilizado dentro do estabelecimento industrial."

Art. 39. Poderão sair do estabelecimento industrial, com suspensão do IPI, os produtos destinados à exportação, quando:

I - adquiridos por empresa comercial exportadora, com o fim específico de exportação;
II - remetidos a recintos alfandegados ou a outros locais onde se processe o despacho aduaneiro de exportação.

§ 1º Fica assegurada a manutenção e utilização do crédito do IPI relativo às matérias-primas, produtos intermediários e material de embalagem utilizados na industrialização dos produtos a que se refere este artigo.

§ 2º Consideram-se adquiridos com o fim específico de exportação os produtos remetidos diretamente do estabelecimento industrial para embarque de exportação ou para recintos alfandegados, por conta e ordem da empresa comercial exportadora.

§ 3º A empresa comercial exportadora fica obrigada ao pagamento do IPI que deixou de ser pago na saída dos produtos do estabelecimento industrial, nas seguintes hipóteses:

a) transcorridos 180 dias da data da emissão da nota fiscal de venda pelo estabelecimento industrial, não houver sido efetivada a exportação;

b) os produtos forem revendidos no mercado interno;

c) ocorrer a destruição, o furto ou roubo dos produtos.

§ 4º Para efeito do parágrafo anterior, considera-se ocorrido o fato gerador e devido o IPI na data da emissão da nota fiscal pelo estabelecimento industrial.

§ 5º O valor a ser pago nas hipóteses do § 3º ficará sujeito à incidência:

a) de juros equivalentes à taxa referencial do Sistema Especial de Liquidação e Custódia - SELIC, para títulos federais, acumulados mensalmente, calculados a partir do primeiro dia do mês subsequente ao da emissão da nota fiscal, referida no § 4º, até o mês anterior ao do pagamento e de um por cento no mês do pagamento;

b) da multa a que se refere o art. 61 da Lei nº 9.430, de 1996, calculada a partir do dia subseqüente ao da emissão da referida nota fiscal.

§ 6º O imposto de que trata este artigo, não recolhido espontaneamente, será exigido em procedimento de ofício, pela Secretaria da Receita Federal, com os acréscimos aplicáveis na espécie.

Art. 40. Considera-se ocorrido o fato gerador e devido o IPI, no início do consumo ou da utilização do papel destinado a impressão de livros, jornais e periódicos a que se refere a alínea "d" do inciso VI do art. 150 da Constituição, em finalidade diferente destas ou na sua saída do fabricante, do importador ou de seus estabelecimentos distribuidores, para pessoas que não sejam empresas jornalísticas ou editoras.

Parágrafo único. Responde solidariamente pelo imposto e acréscimos legais a pessoa física ou jurídica que não seja empresa jornalística ou editora, em cuja posse for encontrado o papel a que se refere este artigo.

Art. 41. Aplica-se aos produtos do Capítulo 22 da TIPI o disposto no art. 18 do Decreto-Lei nº 1.593, de 21 de dezembro de 1977.

Art. 42. Os estabelecimentos produtores de açúcar de cana, localizados nos estados do Rio de Janeiro e Espírito Santo e em estados das regiões Norte e Nordeste, terão direito a crédito presumido, calculado com base em percentual, fixado pelo Poder Executivo em virtude do diferencial de custo da cana-de-açúcar entre as regiões produtoras do País, a ser aplicado sobre o valor do produto saído do estabelecimento e compensado com o IPI devido nas saídas de açúcar. (Revogado pela Lei nº 9.779, de 1999)

Parágrafo único. A utilização de crédito presumido, calculado de acordo com a legislação, configura redução indevida do IPI, sujeitando o infrator às penalidades previstas na legislação aplicável. (Revogado pela Lei nº 9.779, de 1999)

Art. 43. O inciso II do art. 4º da Lei nº 8.661, de 1993, passa a vigorar com a seguinte redação:

"II - redução de cinqüenta por cento da alíquota do Imposto sobre Produtos Industrializados,"
prevista na Tabela de Incidência do IPI - TIPI, incidente sobre equipamentos, máquinas, aparelhos e instrumentos, bem assim sobre os acessórios sobressalentes e ferramentas que acompanham esses bens, destinados à pesquisa e ao desenvolvimento tecnológico."

Art. 44. A comercialização de cigarros no País observará o disposto em regulamento, especialmente quanto a embalagem, apresentação e outras formas de controle.

Art. 45. A importação de cigarros do código 2402.20.00 da TIPI será efetuada com observância do disposto nos arts. 46 a 54 desta Lei, sem prejuízo de outras exigências, inclusive quanto à comercialização do produto, previstas em legislação específica.

Art. 46. É vedada a importação de cigarros de marca que não seja comercializada no país de origem.

Art. 47. O importador de cigarros deve constituir-se sob a forma de sociedade, sujeitando-se, também, à inscrição no Registro Especial instituído pelo art. 1º do Decreto-Lei nº 1.593, de 1977.

Art. 48. O importador deverá requerer à Secretaria da Receita Federal o fornecimento dos selos de controle de que trata o art. 46 da Lei nº 4.502, de 1964, devendo, no requerimento, prestar as seguintes informações:

Art. 48. O importador deverá requerer à Secretaria da Receita Federal do Brasil o fornecimento dos selos de controle de que trata o art. 46 da Lei nº 4.502, de 30 de novembro de 1964, devendo, no requerimento, prestar as seguintes informações: *(Redação dada pela Lei nº 12.402, de 2011)*

I - nome e endereço do fabricante no exterior;

II - quantidade de vintenas, marca comercial e características físicas do produto a ser importado;

III - preço do fabricante no país de origem, excluídos os tributos incidentes sobre o produto, preço FOB da importação e preço de venda a varejo pelo qual será feita a comercialização do produto no Brasil;

IV - preço de venda a varejo pelo qual será feita a comercialização do produto no Brasil. *(Redação dada pela Lei nº 12.402, de 2011)*

§ 1º O preço FOB de importação não poderá ser inferior ao preço do fabricante no país de origem, excluídos os tributos incidentes sobre o produto, exceto na hipótese do parágrafo seguinte. *(Vide Medida Provisória nº 66, de 29.8.2002) (Revogado pela Lei nº 12.402, de 2011)*

§ 2º Será admitido preço FOB de importação proporcionalmente inferior quando o importador apresentar prova de que assumiu custos ou encargos, no Brasil, originalmente atribuíveis ao fabricante. *(Vide Medida Provisória nº 66, de 29.8.2002) (Revogado pela Lei nº 12.402, de 2011)*

Art. 49. A Secretaria da Receita Federal, com base nos dados do Registro Especial, nas informações prestadas pelo importador e nas normas de enquadramento em classes de valor aplicáveis aos produtos de fabricação nacional, deverá:

I - se aceito o requerimento, divulgar, por meio do Diário Oficial da União, a identificação do importador, a marca comercial e características do produto, o preço de venda a varejo, a quantidade autorizada de vintenas e o valor unitário e cor dos respectivos selos de controle;

II - se não aceito o requerimento, comunicar o fato ao requerente, fundamentando as razões da não aceitação.

§ 1º O preço de venda no varejo de cigarro importado de marca que também seja produzida no País não poderá ser inferior àquele praticado pelo fabricante nacional.

§ 2º Divulgada a aceitação do requerimento, o importador terá o prazo de quinze dias para efetuar o pagamento dos selos e retirá-los na Receita Federal.

§ 3º O importador deverá providenciar a impressão, nos selos de controle, de seu número de inscrição no Cadastro Geral de Contribuintes do Ministério da Fazenda – CGC – MF e do preço de venda a varejo dos cigarros. *(Revogado pela Lei nº 12.402, de 2011)*
§ 4º Os selos de controle serão remetidos pelo importador ao fabricante no exterior, devendo ser aplicado em cada maço, carteira, ou outro recipiente, que contenha vinte unidades do produto, na mesma forma estabelecida pela Secretaria da Receita Federal para os produtos de fabricação nacional.

§ 5º Ocorrendo o descumprimento do prazo a que se refere o § 2º, fica sem efeito a autorização para a importação.

§ 6º O importador terá o prazo de noventa dias a partir da data de fornecimento do selo de controle para efetuar o registro da declaração da importação.

Art. 50. No desembaraço aduaneiro de cigarros importados do exterior deverão ser observados:

I - se as vintenas importadas correspondem à marca comercial divulgada e se estão devidamente seladas, com a marcação no selo de controle de número de inscrição do importador no CGG e de preço de venda a varejo;

II - se as vintenas importadas correspondem à marca comercial divulgada e se estão devidamente seladas; (Redação dada pela Lei nº 12.402, de 2011)

III - se a quantidade de vintenas importada corresponde à quantidade autorizada;

Parágrafo único. A inobservância de qualquer das condições previstas no inciso I sujeitará o infrator à pena de perdimento.

Art. 51. Sujeita-se às penalidades previstas na legislação, aplicáveis às hipóteses de uso indevido de selos de controle, o importador que descumprir o prazo estabelecido no § 6º do art. 49.

Parágrafo único. As penalidades de que trata este artigo serão calculadas sobre a quantidade de selos adquiridos que não houver sido utilizada na importação, se ocorrer importação parcial.

Art. 52. O valor tributável para o cálculo do IPI devido no desembaraço aduaneiro dos cigarros do código 2402.20.00 da TIPI será apurado da mesma forma que para o produto nacional, tomando-se por base o preço de venda no varejo divulgado pela SRF na forma do início I do art. 49.

Art. 52. O valor do IPI devido no desembaraço aduaneiro dos cigarros do código 2402.20.00 da TIPI será apurado da mesma forma que para o produto nacional, tomando-se por base a classe de enquadramento divulgada pela Secretaria da Receita Federal. (Redação dada pela Lei nº 10.637, de 2003)

Parágrafo único. Os produtos de que trata este artigo estão sujeitos ao imposto apenas por ocasião do desembaraço aduaneiro.

Art. 53. O importador de cigarros sujeita-se, na condição de contribuinte e de contribuinte substituto dos comerciantes varejistas, ao pagamento das contribuições para o PIS/PASEP e para o financiamento da Seguridade Social - COFINS, calculadas segundo as mesmas normas aplicáveis aos fabricantes de cigarros nacionais.

Art. 54. O pagamento das contribuições a que se refere o artigo anterior deverá ser efetuado na data do registro da Declaração de Importação no Sistema Integrado de Comércio Exterior - SISCOMEX.


Art. 56. O inciso IV do art. 1º da Lei nº 9.440, de 1997, passa a vigorar com a seguinte redação:

"IV - redução de cinqüenta por cento do imposto sobre produtos industrializados incidente na aquisição de máquinas, equipamentos, inclusive de testes, ferramental, moldes e modelos para moldes, instrumentos e aparelhos industriais e de controle de qualidade, novos, importados ou de fabricação nacional, bem como os respectivos acessórios, sobressalentes e peças de..."
reposição;.

Art. 57. A apresentação de declaração de bagagem falsa ou inexata sujeita o viajante a multa correspondente a cinqüenta por cento do valor excedente ao limite de isenção, sem prejuízo do imposto devido.

Art. 58. A pessoa física ou jurídica que alienar, à empresa que exercer as atividades relacionadas na alínea "d" do inciso III do § 1º do art. 15 da Lei nº 9.249, de 1995 (factoring), direitos creditórios resultantes de vendas a prazo, sujeita-se à incidência do imposto sobre operações de crédito, câmbio e seguro ou relativas a títulos e valores mobiliários - IOF às mesmas alíquotas aplicáveis às operações de financiamento e empréstimo praticadas pelas instituições financeiras.

§ 1º O responsável pela cobrança e recolhimento do IOF de que trata este artigo é a empresa de factoring adquirente do direito creditório.

§ 2º O imposto cobrado na hipótese deste artigo deverá ser recolhido até o terceiro dia útil da semana subsequente à da ocorrência do fato gerador.

Art. 59. A redução do IOF de que trata o inciso V do art. 4º da Lei nº 8.661, de 1993, passará a ser de 25% (vinte e cinco por cento).

Art. 60. O valor dos lucros distribuídos disfarçadamente, de que tratam os arts. 60 a 62 do Decreto-Lei nº 1.599, de 1977, com as alterações do art. 20 do Decreto-Lei nº 2.065, de 26 de outubro de 1983, serão, também, adicionados ao lucro líquido para efeito de determinação da base de cálculo da contribuição social sobre o lucro líquido.

Art. 61. As empresas que exercem a atividade de venda ou revenda de bens a varejo e as empresas prestadoras de serviços estão obrigadas ao uso de equipamento Emissor de Cupom Fiscal - ECF.

§ 1º Para efeito de comprovação de custos e despesas operacionais, no âmbito da legislação do imposto de renda e da contribuição social sobre o lucro líquido, os documentos emitidos pelo ECF devem conter, em relação à pessoa física ou jurídica compradora, no mínimo:

a) a sua identificação, mediante a indicação do número de inscrição no Cadastro de Pessoas Físicas - CPF, se pessoa física, ou no Cadastro Geral de Contribuintes - CGC, se pessoa jurídica, ambos do Ministério da Fazenda;

b) a descrição dos bens ou serviços objeto da operação, ainda que resumida ou por códigos;

c) a data e o valor da operação.

§ 2º Qualquer outro meio de emissão de nota fiscal, inclusive o manual, somente poderá ser utilizado com autorização específica da unidade da Secretaria de Estado da Fazenda, com jurisdição sobre o domicílio fiscal da empresa interessada.

Art. 62. A utilização, no recinto de atendimento ao público, de equipamento que possibilite o registro ou o processamento de dados relativos a operações com mercadorias ou com a prestação de serviços somente será admitida quando estiver autorizada, pela unidade da Secretaria de Estado da Fazenda, com jurisdição sobre o domicílio fiscal da empresa, a integrar o ECF.

Parágrafo único. O equipamento em uso, sem a autorização a que se refere o caput ou que não satisfaça os requisitos desta, poderá ser apreendido pela Secretaria da Receita Federal ou pela Secretaria da Fazenda da Unidade Federal e utilizado como prova de qualquer infração à legislação tributária, decorrente de seu uso.

§ 1º O equipamento em uso, sem a autorização a que se refere o caput ou que não satisfaça os requisitos deste artigo, poderá ser apreendido pela Secretaria da Receita Federal do Brasil ou pela Secretaria da Fazenda da Unidade Federal e utilizado como prova de qualquer infração à legislação tributária, decorrente de seu uso. (Incluído pela Medida Provisória nº 449, de 2008)

§ 2º Constituída a ausência de ECF ou equivalente por oitavo emissário obrigado ao seu uso, ou a inobservância das normas sobre o seu funcionamento, a empresa será intimada a regularizar a situação no prazo de vinte dias, sem prejuízo da aplicação de multa de R$ 5.000,00 (cinco mil reais). (Incluído pela Medida Provisória nº 449, de 2008)

§ 3º O não-atendimento ao disposto no § 2º sujeitará o estabelecimento à suspensão das atividades até ulterior...
Parágrafo único. O equipamento em uso, sem a autorização a que se refere o caput deste artigo ou que não satisfaça os requisitos deste artigo, poderá ser apreendido pela Secretaria da Receita Federal do Brasil ou pela Secretaria de Fazenda da Unidade Federada e utilizado como prova de qualquer infração à legislação tributária, decorrente de seu uso. (Redação dada pela Lei nº 11.941, de 2009)

Art. 63. O disposto nos arts. 61 e 62 observará convênio a ser celebrado entre a União, representada pela Secretaria da Receita Federal, e as Unidades Federadas, representadas no Conselho de Política Fazendária - CONFAZ pelas respectivas Secretarias de Fazenda.

Art. 64. A autoridade fiscal competente procederá ao arrolamento de bens e direitos do sujeito passivo sempre que o valor dos créditos tributários de sua responsabilidade for superior a trinta por cento do seu patrimônio conhecido.

§ 1º Se o crédito tributário for formalizado contra pessoa física, no arrolamento devem ser identificados, inclusive, os bens e direitos em nome de cônjuge, não gravados com a cláusula de incommunicabilidade.

§ 4º A alienação, oneração ou transferência, a qualquer título, dos bens e direitos arrolados, sem o cumprimento da formalidade prevista no parágrafo anterior, autoriza o requerimento de medida cautelar fiscal contra o sujeito passivo.

§ 5º O termo de arrolamento de que trata este artigo será registrado independentemente de pagamento de custas ou emolumentos:

I - no competente registro imobiliário, relativamente aos bens imóveis;

II - nos órgãos ou entidades, onde, por força de lei, os bens móveis ou direitos sejam registrados ou controlados;

III - no Cartório de Títulos e Documentos e Registros Especiais do domicílio tributário do sujeito passivo, relativamente aos demais bens e direitos.

§ 6º As certidões de regularidade fiscal expedidas deverão conter informações quanto à existência de arrolamento.

§ 7º O disposto neste artigo só se aplica a soma de créditos de valor superior a R$ 500.000,00 (quinhentos mil reais). (Vide Decreto nº 7.573, de 2011)

§ 8º Liquidado, antes do seu encaminhamento para inscrição em Dívida Ativa, o crédito tributário que tenha motivado o arrolamento, a autoridade competente da Secretaria da Receita Federal comunicará o fato ao registro imobiliário, cartório, órgão ou entidade competente de registro e controle, em que o termo de arrolamento tenha sido registrado, nos termos do § 5º, para que sejam anulados os efeitos do arrolamento.

§ 9º Liquidado ou garantido, nos termos da Lei nº 6.830, de 22 de setembro de 1980, o crédito tributário que tenha motivado o arrolamento, após seu encaminhamento para inscrição em Dívida Ativa, a comunicação de que trata o...
parágrafo anterior será feita pela autoridade competente da Procuradoria da Fazenda Nacional.

§ 10. Fica o Poder Executivo autorizado a aumentar ou restabelecer o limite de que trata o § 7º deste artigo. (Incluído pela Medida Provisória nº 448, de 2009)

§ 10. Fica o Poder Executivo autorizado a aumentar ou restabelecer o limite de que trata o § 7º deste artigo. (Incluído pela Lei nº 11.941, de 2009)

§ 11. Os órgãos de registro público onde os bens e direitos foram arrolados possuem o prazo de 30 (trinta) dias para liberá-los, contados a partir do protocolo de cópia do documento comprobatório da comunicação aos órgãos fazendários, referido no § 3º deste artigo. (Incluído pela Lei nº 12.973, de 2014)

§ 12. A autoridade fiscal competente poderá, a requerimento do sujeito passivo, substituir bem ou direito arrolado por outro que seja de valor igual ou superior, desde que respeitada a ordem de prioridade de bens a serem arrolados definida pela Secretaria da Receita Federal do Brasil, e seja realizada a avaliação do bem arrolado e do bem a ser substituído nos termos do § 2º do art. 64-A. (Incluído pela Lei nº 13.043, de 2014)

Art. 64-A. O arrolamento de que trata o art. 64 recará sobre bens e direitos suscetíveis de registro público, com prioridade aos imóveis, e em valor suficiente para cobrir o montante do crédito tributário de responsabilidade do sujeito passivo. (Incluído pela Medida Provisória nº 2158-35, de 2001)

Parágrafo único. O arrolamento somente poderá alcançar outros bens e direitos para fins de complementar o valor referido no caput. (Incluído pela Medida Provisória nº 2158-35, de 2001)

§ 1º O arrolamento somente poderá alcançar outros bens e direitos para fins de complementar o valor referido no caput. (Incluído pela Lei nº 12.973, de 2014)

§ 2º Fica a critério do sujeito passivo, a expensas dele, requerer, anualmente, aos órgãos de registro público onde os bens e direitos estiverem arrolados, por petição fundamentada, avaliação dos referidos ativos, por perito indicado pelo próprio órgão de registro, a identificar o valor justo dos bens e direitos arrolados e evitar, deste modo, excesso de garantia. (Incluído pela Lei nº 12.973, de 2014)

Art. 65. Os arts. 1º e 2º da Lei nº 8.397, de 6 de janeiro de 1992, passam a vigorar com as seguintes alterações:


Parágrafo único. O requerimento da medida cautelar, na hipótese dos incisos V, alínea "b", e VII, do art. 2º, independe da prévia constituição do crédito tributário."
VI - possui débitos, inscritos ou não em Dívida Ativa, que somados ultrapassem trinta por cento do seu patrimônio conhecido;

VII - aliena bens ou direitos sem proceder à devida comunicação ao órgão da Fazenda Pública competente, quando exigível em virtude de lei;

VIII - tem sua inscrição no cadastro de contribuintes declarada inapta, pelo órgão fazendário;

IX - pratica outros atos que dificultem ou impeçam a satisfação do crédito."

Art. 66. O órgão competente do Ministério da Fazenda poderá intervir em instrumento ou negócio jurídico que depender de prova de inexistência de débito, para autorizar sua lavratura ou realização, desde que o débito seja pago por ocasião da lavratura do instrumento ou realização do negócio, ou seja oferecida garantia real suficiente, na forma estabelecida em ato do Ministro de Estado da Fazenda.

Art. 67. O Decreto nº 70.235, de 6 de março de 1972, que, por delegação do Decreto-Lei nº 822, de 5 de setembro de 1969, regula o processo administrativo de determinação e exigência de créditos tributários da União, passa a vigorar com as seguintes alterações:

"Art. 16.......................................................... ..............................................................

.......................................................... ..............................................................

§ 4º A prova documental será apresentada na impugnação, precluindo o direito de o impugnante fazê-lo em outro momento processual, a menos que:

a) fique demonstrada a impossibilidade de sua apresentação oportuna, por motivo de força maior;

b) refira-se a fato ou a direito superveniente;

c) destine-se a contrapor fatos ou razões posteriormente trazidas aos autos.

§ 5º A juntada de documentos após a impugnação deverá ser requerida à autoridade julgadora, mediante petição em que se demonstre, com fundamentos, a ocorrência de uma das condições previstas nas alíneas do parágrafo anterior.

§ 6º Caso já tenha sido proferida a decisão, os documentos apresentados permanecerão nos autos para, se for interposto recurso, serem apreciados pela autoridade julgadora de segunda instância."

"Art. 17. Considerar-se-á não impugnada a matéria que não tenha sido expressamente contestada pelo impugnante."

"Art. 23. .......................................................... ..............................................................

I - pessoal, pelo autor do procedimento ou por agente do órgão preparador, na repartição ou fora dela, provada com a assinatura do sujeito passivo, seu mandatário ou preposto, ou, no caso de recusa, com declaração escrita de quem o intimar;

II - por via postal, telegráfica ou por qualquer outro meio ou via, com prova de recebimento no domicílio tributário eleito pelo sujeito passivo.

.......................................................... ..............................................................

§ 2º.......................................................... ..............................................................

II - no caso do inciso II do caput deste artigo, na data do recebimento ou, se omitida, quinze
dias após a data da expedição da intimação;

III - quinze dias após a publicação ou afirmação do edital, se este for o meio utilizado.

§ 3º Os meios de intimação previstos nos incisos I e II deste artigo não estão sujeitos a ordem de preferência.

§ 4º Considera-se domicílio tributário eleito pelo sujeito passivo o do endereço postal, eletrônico ou de fax, por ele fornecido, para fins cadastrais, à Secretaria da Receita Federal."

"Art. 27. Os processos remetidos para apreciação da autoridade julgadora de primeira instância deverão ser qualificados e identificados, tendo prioridade no julgamento aqueles em que estiverem presentes as circunstâncias de crime contra a ordem tributária ou de elevado valor, este definido em ato do Ministro de Estado da Fazenda.

Parágrafo único. Os processos serão julgados na ordem e nos prazos estabelecidos em ato do Secretário da Receita Federal, observada a prioridade de que trata o caput deste artigo."

"Art. 30. Atribuir-se-á eficácia aos laudos e pareceres técnicos sobre produtos, exarados em outros processos administrativos fiscais e transladados mediante certidão de inteiro teor ou cópia fiel, nos seguintes casos:

a) quando tratarem de produtos originários do mesmo fabricante, com igual denominação, marca e especificação;

b) quando tratarem de máquinas, aparelhos, equipamentos, veículos e outros produtos complexos de fabricação em série, do mesmo fabricante, com iguais especificações, marca e modelo."

"Art. 34.

I - exonerar o sujeito passivo do pagamento de tributo e encargos de multa de valor total (lançamento principal e decorrentes) a ser fixado em ato do Ministro de Estado da Fazenda."

Art. 68. Os processos em que estiverem presentes as circunstâncias de que trata o art. 27 do Decreto nº 70.235, de 1972, terão prioridade de tratamento, na forma estabelecida em ato do Ministro de Estado da Fazenda, na cobrança administrativa, no encaminhamento para inscrição em Dívida Ativa, na efetivação da inscrição e no ajuizamento das respectivas execuções fiscais.

Art. 69. As sociedades cooperativas de consumo, que tenham por objeto a compra e fornecimento de bens aos consumidores, sujeitam-se às mesmas normas de incidência dos impostos e contribuições de competência da União, aplicáveis às demais pessoas jurídicas.

Art. 70. Os dispositivos abaixo enumerados, da Lei nº 9.430, de 1996, passam a vigorar com a seguinte redação:

I - o § 2º do art. 44:

"§ 2º As multas a que se referem os incisos I e II do caput passarão a ser de cento e doze inteiros e cinco décimos por cento e duzentos e vinte e cinco por cento, respectivamente, nos casos de não atendimento pelo sujeito passivo, no prazo marcado, de intimação para:

a) prestar esclarecimentos;

b) apresentar os arquivos ou sistemas de que tratam os arts. 11 a 13 da Lei nº 8.218, de 29 de
agosto de 1991, com as alterações introduzidas pelo art. 62 da Lei n° 8.383, de 30 de dezembro de 1991;

c) apresentar a documentação técnica de que trata o art. 38.

II - o art. 47:

"Art. 47. A pessoa física ou jurídica submetida a ação fiscal por parte da Secretaria da Receita Federal poderá pagar, até o vigésimo dia subseqüente à data de recebimento do termo de início de fiscalização, os tributos e contribuições já declarados, de que for sujeito passivo como contribuinte ou responsável, com os acréscimos legais aplicáveis nos casos de procedimento espontâneo."

Art. 71. O disposto no art. 15 do Decreto-Lei nº 1.510, de 27 de dezembro de 1976, aplica-se, também, nas hipóteses de aquisições de imóveis por pessoas jurídicas.

Art. 72. O §1º do art. 15 do Decreto-Lei nº 1.510, de 1976, passa a vigorar com a seguinte redação:

"§1º A comunicação deve ser efetuada em meio magnético aprovado pela Secretaria da Receita Federal."

Art. 73. O termo inicial para cálculo dos juros de que trata o §4º do art. 39 da Lei n° 9.250, de 1995, é o mês subseqüente ao do pagamento indevido ou a maior que o devido.

Art. 74. O art. 6º do Decreto-Lei nº 1.437, de 17 de dezembro de 1975, passa a vigorar com a seguinte alteração:

"Art. 6º............................................................................................................

Parágrafo único. O FUNDAF destinar-se-á, também, a fornecer recursos para custear:

a) o funcionamento dos Conselhos de Contribuintes e da Câmara Superior de Recursos Fiscais do Ministério da Fazenda, inclusive o pagamento de despesas com diárias e passagens referentes aos deslocamentos de Conselheiros e da gratificação de presença de que trata o parágrafo único do art. 1º da Lei nº 5.708, de 4 de outubro de 1971;

b) projetos e atividades de interesse ou a cargo da Secretaria da Receita Federal, inclusive quando desenvolvidos por pessoa jurídica de direito público interno, organismo internacional ou administração fiscal estrangeira."

Art. 75. Compete à Secretaria da Receita Federal a administração, cobrança e fiscalização da contribuição para o Plano de Seguridade Social do servidor público civil ativo e inativo. (Revogado pela Medida Provisória nº 71, de 2009)

Art. 75. Compete à Secretaria da Receita Federal a administração, cobrança e fiscalização da contribuição para o Plano de Seguridade Social do servidor público civil ativo e inativo. (Revogado pela Lei nº 10.833, de 2003)

Art. 76. O disposto nos arts. 43, 55 e 56 não se aplica a projetos aprovados ou protocolizados no órgão competente para a sua apreciação, até 14 de novembro de 1997.

§ 1º O disposto no art. 55 não se aplica a projetos de empresas a que se refere o art. 1º, § 1º, alínea "h", da Lei nº 9.449, de 14 de março de 1997, cuja produção seja destinada totalmente à exportação até 31 de dezembro de 2002. (Incluído pela Lei nº 10.184, de 2001)

§ 2º A empresa que usar do benefício previsto no parágrafo anterior e deixar de exportar a totalidade de sua produção no prazo ali estabelecido estará sujeita à multa de setenta por cento aplicada sobre o valor FOB do total das importações realizadas nos termos dos incisos I e II do art. 1º da Lei nº 9.449, de 1997. (Incluído pela Lei nº 10.184, de 2001)
Art. 77. A aprovação de novos projetos, inclusive de expansão, beneficiados com qualquer dos incentivos fiscais a que se referem o Decreto-Lei nº 288, de 28 de fevereiro de 1967, com as posteriores alterações, o Decreto-Lei nº 356, de 15 de agosto de 1968, o Decreto-Lei nº 1.435, de 16 de dezembro de 1975 e a Lei nº 8.387, de 30 de dezembro de 1991, fica condicionada à vigência de:

I - lei complementar que institua contribuição social de intervenção no domínio econômico, incidente sobre produtos importados do exterior pelos respectivos estabelecimentos beneficiados; e

II - lei específica, que disponha sobre critérios de aprovação de novos projetos, visando aos seguintes objetivos:

a) estímulo à produção de bens que utilizem, predominantemente, matérias-primas produzidas na Amazônia Ocidental;

b) prioridade à produção de partes, peças, componentes e matérias-primas, necessários para aumentar a integração da cadeia produtiva dos bens finais fabricados na Zona Franca de Manaus;

c) maior integração com o parque produtivo instalado em outros pontos do território nacional;

d) capacidade de inserção internacional do parque produtivo;

e) maior geração de emprego por unidade de renúncia fiscal estimada;

f) elevação dos níveis mínimos de agregação dos produtos oriundos de estabelecimentos localizados na Zona Franca de Manaus ou da Amazônia Ocidental.

§ 1º O disposto no caput deste artigo deixará de produzir efeitos se o Poder Executivo não encaminhar ao Congresso Nacional, até 15 de março de 1998, os projetos de lei de que trata este artigo.

§ 2º Ficam extintos, a partir de 1º de janeiro de 2014, os benefícios fiscais a que se referem os dispositivos legais mencionados no caput deste artigo. (Vide Decreto nº 7.212, de 2010)

§ 2º Ficam extintos, a partir de 1º de janeiro de 2024, os benefícios fiscais a que se referem os dispositivos legais mencionados no caput deste artigo. (Redação dada pela Lei nº 12.859, de 2013)

Art. 78. As obras fonográficas sujeitar-se-ão a selos e sinais de controle, sem ônus para o consumidor, com o fim de identificar a legítima origem e reprimir a produção e importação ilegais e a comercialização de contrafações, sob qualquer pretexto, observado para esse efeito o disposto em regulamento.

Art. 79. Os ganhos de capital na alienação de participações acionárias de propriedade de sociedades criadas pelos Estados, Municípios ou Distrito Federal, com o propósito específico de contribuir para o saneamento das finanças dos respectivos controladores, no âmbito de Programas de Privatização, ficam isentos do imposto sobre renda e proventos de qualquer natureza.

Parágrafo único. A isenção de que trata este artigo fica condicionada à aplicação exclusiva do produto da alienação das participações acionárias no pagamento de dívidas dos Estados, Municípios ou Distrito Federal.

Art. 80. Aos atos praticados com base na Medida Provisória nº 1.602, de 14 de novembro de 1997, e aos fatos jurídicos dela decorrentes, aplicam-se as disposições nela contidas.

Art. 81. Esta Lei entra em vigor na data de sua publicação, produzindo efeitos:

I - nessa data, em relação aos arts. 9º, 37 a 42, 44 a 54, 64 a 68, 74 e 75;

II - a partir de 1º de janeiro de 1998, em relação aos demais dispositivos dela constantes.

Art. 82. Ficam revogados:

I - a partir da data de publicação desta Lei:
a) os seguintes dispositivos da Lei nº 4.502, de 1964:

1. o inciso IV acrescentado ao art. 4º pelo Decreto-Lei nº 1.199, de 27 de dezembro de 1971, art. 5º, alteração 1ª;
   (Vide Decreto-Lei nº 1.199, de 1971)
2. os incisos X, XIV e XX do art. 7º;
3. os incisos XI, XIII, XXI, XXV, XXVI, XXIX, XXX, XXXI, XXXII, XXXIII, XXXIV e XXXV do art. 7º, com as alterações do Decreto-Lei nº 34, de 1966, art. 2º, alteração 3ª;
4. o parágrafo único do art. 15, acrescentado pelo art. 2º, alteração sexta, do Decreto-Lei nº 34, de 1966;
5. o § 3º do art. 83, acrescentado pelo art. 1º, alteração terceira, do Decreto-Lei nº 400, de 1968;
6. o § 2º do art. 84, renumerado pelo art. 2º, alteração vigésima-quarta, do Decreto-Lei nº 34, de 1966;

b) o art. 58 da Lei nº 5.227, de 18 de janeiro de 1967;

c) o art. 1º do Decreto-Lei nº 1.276, de 1º de junho de 1973;

d) o § 1º do art. 18 da Lei nº 6.099, de 12 de setembro de 1974;

e) o art. 7º do Decreto-Lei nº 1.455, de 7 de abril de 1976;

f) o Decreto-Lei nº 1.568, de 2 de agosto de 1977;

g) os incisos IV e V do art. 4º, o art. 5º, o art. 10 e os incisos II, III, VI e VIII do art. 19, todos do Decreto-Lei nº 1.593, de 21 de dezembro de 1977;

h) o Decreto-Lei nº 1.622, de 18 de abril de 1978;

i) o art. 2º da Lei nº 8.393, de 30 de dezembro de 1991;

j) o inciso VII do art. 1º da Lei nº 8.402, de 1992;

l) o art. 4º da Lei nº 8.541, de 23 de dezembro de 1992;

m) os arts. 3º e 4º da Lei nº 8.846, de 21 de janeiro de 1994;

n) o art. 39 da Lei nº 9.430, de 1996;

II - a partir de 1º de janeiro de 1998:

a) o art. 28 do Decreto-Lei nº 5.844, de 23 de setembro de 1943;

b) o art. 30 da Lei nº 4.506, de 30 de novembro de 1964;

c) o § 1º do art. 260, da Lei nº 8.069, de 13 de julho de 1990;

d) os §§ 1º a 4º do art. 40 da Lei nº 8.672, de 6 de julho de 1993;

e) o art. 10 da Lei nº 9.477, de 1997;

f) o art. 3º da Lei nº 7.418, de 16 de dezembro de 1986 (Vale-Transporte);

f) o art. 3º da Lei nº 7.418, de 16 de dezembro de 1986, renumerado pelo art. 1º da Lei nº 7.619, de 30 de setembro de 1987. (Redação dada pela Medida Provisória nº 2.169-49, de 2001)
Brasília, 10 de dezembro de 1997; 176º da Independência e 109º da República.

FERNANDO HENRIQUE CARDOSO
Pedro Malan

Este texto não substitui o publicado no DOU de 11.12.1997

*
Exhibit CVD - BR - 23

Changes the legislation of income tax with regard to the tax incentive exemption and reduction, sets guidelines for the tax incentive portion of the application of the income tax in the Regional Investment Funds and other measures.

Art. 1 Without prejudice to the other rules on the matter, from the 2000 calendar year, the legal entities that have filed and approved project until 31 December 2018 for installation, ampliação, modernizes will or diversification framed in economic sectors considered in the Executive Branch, priority for regional development in the areas of atuação the Northeast Development Superintendence - SUDENE and the Amazon Development Superintendence - SUDAM, entitled the reduction of 75% (seventy five percent) of the income tax and additional calculated based on profit from exploitation.

§1 The fruition of the tax benefit referred to in this article shall take place as from the subsequent calendar year following that in which the installation project, ampliação, modernization or diversification enter operation, according to report issued by the Ministry of National integration until the last business day of March of the subsequent calendar year to the beginning of the operation.

§1A. The corporate machine manufacturers, equipment, instruments and devices based on digital technology, aimed at digital inclusion program with project approved under the caption entitled to exemption from income tax and the additional calculated based on profit from exploitation. (Included by Law No. 12,546, 2011)

§2 In the event of constitutive report of dispatching after the date referred to in §1, the fruição benefit will occur as from the calendar year of dispatching the report.

§3 The fruition period of the tax benefit will be ten (10) years, counted from the beginning of the calendar year of his fruição.

§3A If that comes to the project §1-The already being used for tax benefit under the caption, the term fruição becomes ten (10) years from the date of publication will the Provisional Measure No. 540, of August 2, 2011. (Included by Law No. 12,546, 2011)

§4. For purposes of this article, the diversification and the overall modernization of existing enterprise will be considered implantation of new production unit, according to criteria established by regulation.

§5. In the event of ampliação and partial modernization of the enterprise, the benefit provided in this article is conditional on increased real capacity in line expanded or modernized production at a minimum:

1 - twenty percent in the case of infrastructure projects (Law No. 9808 of July 20, 1999) or structuring, in
the terms and conditions established by the Executive Branch; and

II - fifty per cent in the case of other priority projects.

§ 6 The provisions of the capit does not apply to claims approved or filed with the competent body and the way the previous legislation until 24 August 2000, for which continue to prevail the rules introduced by the capit of Law No. 9,532, of December 10, 1997.

§ 7 Legal entities holders of implantation projects, modernization, diversification or ampliação filed with the competent body and the way the previous legislation to August 24, 2000, as may be approved with Based on the discipline introduced by capit the art. 3 of the Law No. 9532, 1997, and whose businesses fall into an economic sector given priority in the Executive Branch, may request the expected reduction in this article for a period that remains to complete the period of ten years.

§ 8 The report referred to the §1 and 2 to be issued in accordance with standards established by the Ministry of National integration.

§ 9 The report referred to in §1 may, exclusively in 2001, be issued by the last working day of October.
O PRESIDENTE DA REPÚBLICA, no uso do da atribuição que lhe confere o art. 62 da Constituição, adota a seguinte Medida Provisória, com força de lei:

Art. 1º. Sem prejuízo das demais normas em vigor aplicáveis à matéria, a partir do ano-calendário de 2000, as pessoas jurídicas que tenham projeto aprovado para instalação, ampliação, modernização ou diversificação enquadrado em setores da economia considerados, em ato do Poder Executivo, prioritários para o desenvolvimento regional, nas áreas de atuação das extintas Superintendências de Desenvolvimento do Nordeste—SUDENE e Superintendência do Desenvolvimento da Amazônia—SUDAM, terão direito à redução de setenta e cinco por cento do imposto sobre a renda e adicionais não restringíveis, calculados com base no lucro da exploração. (Vide Decreto n.º 4.213, de 2002)

Art. 2º. Sem prejuízo das demais normas em vigor aplicáveis à matéria, a partir do ano-calendário de 2000, as pessoas jurídicas que tenham projeto protocolizado e aprovado até 31 de dezembro de 2013 para instalação, ampliação, modernização ou diversificação enquadrado em setores da economia considerados, em ato do Poder Executivo, prioritários para o desenvolvimento regional, nas áreas de atuação das extintas Superintendências de Desenvolvimento do Nordeste—Sudene e Superintendência de Desenvolvimento da Amazônia—Sudam, terão direito à redução de 75% (setenta e cinco por cento) do imposto sobre a renda e adicionais, calculados com base no lucro da exploração. (Redação dada pela Lei n.º 11.196, de 2006)

Art. 3º. Sem prejuízo das demais normas em vigor aplicáveis à matéria, a partir do ano-calendário de 2000, as pessoas jurídicas que tenham projeto protocolizado e aprovado até 31 de dezembro de 2013 para instalação, ampliação, modernização ou diversificação enquadrado em setores da economia considerados, em ato do Poder Executivo, prioritários para o desenvolvimento regional, nas áreas de atuação da Superintendência de Desenvolvimento do Nordeste—Sudene e da Superintendência de Desenvolvimento da Amazônia—Sudam, terão direito à redução de 75% (setenta e cinco por cento) do imposto sobre a renda e adicionais, calculados com base no lucro da exploração. (Redação dada pela Lei n.º 12.546, de 2011) — (Vide Lei n.º 12.712, de 2012)

§ 1º. A fruição do benefício fiscal referido no caput dar-se-á a partir do ano-calendário subsequente àquele em que o projeto de instalação, ampliação, modernização ou diversificação entrar em operação, segundo laudo expedido pelo Ministério da Integração Nacional, até o último dia útil do mês de março do ano-calendário subsequente ao do início da fruição.

§ 2º. A fruição do benefício fiscal referido no caput deste artigo dar-se-á a partir do ano-calendário subsequente àquele em que o projeto de instalação, ampliação, modernização ou diversificação entrar em operação, segundo laudo expedido pelo Ministério da Integração Nacional até o último dia útil do mês de março do ano-calendário subsequente ao do início da operação. (Redação dada pela Lei n.º 11.196, de 2005)
§ 1º A. As pessoas jurídicas fabricantes de máquinas, equipamentos, instrumentos e dispositivos, baseados em tecnologia digital, voltados para o programa de inclusão digital com projeto aprovado nos termos do caput terão direito à isenção do imposto sobre a renda e do adicional, calculados com base no lucro da exploração.

§ 1º A. As pessoas jurídicas fabricantes de máquinas, equipamentos, instrumentos e dispositivos, baseados em tecnologia digital, voltados para o programa de inclusão digital com projeto aprovado nos termos do caput terão direito à isenção do imposto sobre a renda e do adicional, calculados com base no lucro da exploração.

§ 2º Na hipótese de expedição de laudo constitutivo após a data referida no § 1º, a fruição do benefício dar-se-á a partir do ano-calendário da expedição do laudo.

§ 3º O prazo de fruição do benefício fiscal é igual ao período compreendido entre o ano de início de fruição e 31 de dezembro de 2013, não podendo exceder a dez anos.

§ 3º O prazo de fruição do benefício fiscal será de 10 (dez) anos, contado a partir do ano-calendário de início de sua fruição.

§ 3º O prazo de fruição do benefício fiscal será de 10 (dez) anos, contado a partir do ano-calendário de início de sua fruição.

§ 3º A. No caso de projeto de que trata o § 1º-A que já esteja sendo utilizado para o benefício fiscal nos termos do caput, o prazo de fruição passa a ser de dez anos, contado a partir da data de publicação da Medida Provisória nº 540, de 2 de agosto de 2011.

§ 3º A. No caso de projeto de que trata o § 1º-A que já esteja sendo utilizado para o benefício fiscal nos termos do caput, o prazo de fruição passa a ser de dez anos, contado a partir da data de publicação da Medida Provisória nº 540, de 2 de agosto de 2011.

§ 4º Para os fins deste artigo, a diversificação e a modernização total de empreendimento existente serão consideradas implantação de nova unidade produtora, segundo critérios estabelecidos em regulamento.

§ 5º Nas hipóteses de ampliação e de modernização parcial do empreendimento, o benefício previsto neste artigo fica condicionado ao aumento da capacidade real instalada na linha de produção ampliada ou modernizada em, no mínimo:

I - vinte por cento, nos casos de empreendimentos de infra-estrutura (Lei nº 9.808, de 20 de julho de 1999) ou estruturadores, nos termos e nas condições estabelecidos pelo Poder Executivo; e

II - cinqüenta por cento, nos casos dos demais empreendimentos prioritários.

§ 6º O disposto no caput não se aplica aos pleitos aprovados ou protocolizados no órgão competente e na forma da legislação anterior, até 24 de agosto de 2000, para os quais continuará a prevalecer a disciplina introduzida pelo caput do art. 3º da Lei nº 9.532, de 10 de dezembro de 1997.

§ 7º As pessoas jurídicas titulares de projetos de implantação, modernização, ampliação ou diversificação protocolizados no órgão competente e na forma da legislação anterior a 24 de agosto de 2000, que venham a ser aprovados com base na disciplina introduzida pelo caput do art. 3º da Lei nº 9.532, de 1997, e cuja atividade se enquadre em setor econômico considerado prioritário, em ato do Poder Executivo, poderão pleitear a redução prevista neste artigo pelo prazo que remanesce para completar o período de dez anos.

§ 8º O laudo a que se referem os §§ 1º e 2º será expedido em conformidade com normas estabelecidas pelo Ministério da Integração Nacional.

§ 9º O laudo de que trata o § 1º poderá, exclusivamente no ano de 2001, ser expedido até o último dia útil do mês de
outubro.

Art. 2º Fica extinto, relativamente ao período de apuração iniciado a partir de 1º de janeiro de 2001, o benefício fiscal de redução do imposto sobre a renda e adicionais não restituíveis, de que trata o art. 14 da Lei nº 4.239, de 27 de junho de 1963, e o art. 22 do Decreto-Lei nº 758, de 11 de agosto de 1969, exceto para aqueles empreendimentos dos setores da economia que venham a ser considerados, pelo Poder Executivo, prioritários para o desenvolvimento regional, e para os que têm sede na área de jurisdição da Zona Franca de Manaus. (Vide Decreto nº 4.213, de 2002)

Art. 3º Sem prejuízo das demais normas em vigor sobre a matéria, fica mantido, até 31 de dezembro de 2013, o percentual de trinta por cento previsto no inciso I do art. 2º da Lei nº 9.532, de 1997, para aqueles empreendimentos dos setores da economia que venham a ser considerados, em ato do Poder Executivo, prioritários para o desenvolvimento regional. (Vide Decreto nº 4.213, de 2002) (Vide Lei nº 12.712, de 2012)

Art. 3º Sem prejuízo das demais normas em vigor sobre a matéria, fica mantido, até 31 de dezembro de 2018, o percentual de 30% (trinta por cento) previsto no inciso I do art. 2º da Lei nº 9.532, de 10 de dezembro de 1997, para aqueles empreendimentos dos setores da economia que venham a ser considerados, em ato do Poder Executivo, prioritários para o desenvolvimento regional. (Redação dada pela Lei nº 12.715, de 2012)

Art. 4º Os arts. 5º, 9º e 21 da Lei no 8.167, de 16 de janeiro de 1991, passam a vigorar com as seguintes alterações:

"Art. 5º Os Fundos de Investimentos aplicarão os seus recursos, a partir de 24 de agosto de 2000, sob a forma de subscrição de debêntures conversíveis em ações, de emissão das empresas beneficiárias, observando-se que a conversão somente ocorrerá:

§ 1º A partir de 1º de setembro de 2000, só haverá aprovação de projeto que tenha comprovada viabilidade econômico-financeira, atestada por estudos atualizados, e que esteja devidamente enquadrado nas diretrizes e prioridades aprovadas pelo Conselho Deliberativo respectivo, ficando a emissão das debêntures condicionada a adequada constituição das garantias previstas no § 4º deste artigo.

§ 2º Os Bancos Operadores ficam responsáveis pela conversão de que trata o caput, a qual deverá efetivar-se, integralmente, no prazo de um ano a contar da data de emissão do Certificado de Empreendimento Implantado (CEI), nos termos do § 12 deste artigo, não admitida a colocaçã0 secundária das debêntures.

§ 3º Vencido o prazo estabelecido para conversão, nos termos do § 2º, permanecerá a obrigação de resgate das debêntures, no respectivo vencimento, a ser realizada pela empresa emissora.

§ 4º As debêntures a serem subscritas com os recursos dos Fundos deverão ter garantia real ou flutuante, cumulativamente ou não, admitida, em relação à primeira, sua constituição em concorrência com outros créditos, a critério do Banco Operador, além de fiança prestada pelos acionistas controladores.

§ 5º Na hipótese de debêntures com garantia flutuante, a empresa emissora deverá assumir, na escritura de emissão, a obrigação de não alienar ou onerar bem imóvel ou outro bem sujeito a registro de propriedade que faça parte do projeto, sem a prévia e expressa autorização do Ministério da Integração Nacional, o que deverá ser averbado no competente registro.

§ 6º A escritura de emissão de debêntures far-se-á por instrumento público ou particular.

§ 7º Não se aplica às debêntures de que trata esta Lei, o disposto no § 1º do art. 57, art. 66 e art. 70 da Lei nº 6.404, de 15 de dezembro de 1976 (Lei das Sociedades por Ações).
§ 8º Os limites máximos e mínimos para os prazos de carência, amortização e vencimento e demais condições das debêntures emitidas com base no disposto neste artigo serão estabelecidos pelo Ministério da Integração Nacional, levando em consideração as peculiaridades setoriais e locais dos empreendimentos a serem incentivados.

§ 9º A remuneração das debêntures emitidas com base no disposto nesta Lei será estabelecida, conforme a legislação em vigor, pelo Conselho Monetário Nacional, por si ou seus mandatários, utilizando-se como referência os encargos financeiros dos financiamentos concedidos com recursos dos Fundos Constitucionais de Financiamento do Norte, Nordeste e Centro-Oeste.

§ 10º Os contratos referentes aos projetos a serem beneficiados com recursos dos incentivos dos Fundos de Investimentos do Nordeste e da Amazônia conterão cláusula prevendo que os encargos financeiros estabelecidos como remuneração das debêntures a que se refere esta Lei serão revisados anualmente e sempre que a Taxa de Juros de Longo Prazo - TJLP apresentar variação acumulada, para mais ou para menos, superior a trinta por cento.

§ 11º A revisão de que trata o § 10 será efetuada no mês de janeiro de cada ano, podendo ocorrer a qualquer tempo, sempre que a variação acumulada da TJLP, para mais ou para menos, a contar do mês de janeiro do ano 2001 ou da data da última revisão, atinja percentual superior a trinta por cento.

§ 12º O certificado de implantação a que se refere o caput do art. 19 do Decreto-Lei nº 1.376, de 12 de dezembro de 1974, passa a se denominar Certificado de Empreendimento Implantado (CEI), preservando-se todos os direitos e deveres derivados de ações e eventos administrados sob a denominação agora alterada." (NR)

"Art. 9º As Agências de Desenvolvimento Regional e os Bancos Operadores assegurarão às pessoas jurídicas ou grupos de empresas coligadas que, isolada ou conjuntamente, detenham pelo menos cinqüenta e um por cento do capital votante de sociedade titular de empreendimento de setor da economia considerado, pelo Poder Executivo, prioritário para o desenvolvimento regional, a aplicação, nesse empreendimento, de recursos equivalentes a setenta por cento do valor das opções de que trata o art. 1º, inciso I.

§ 1º Na hipótese de que trata este artigo, serão obedecidos os limites de incentivos fiscais constantes do esquema financeiro aprovado para o projeto, o qual, além de ajustado ao orçamento anual dos Fundos, não incluirá qualquer parcela de recursos para aplicação na conformidade do art. 5º desta Lei.

§ 2º Nos casos de participação conjunta, será obedecido o limite mínimo de vinte por cento do capital votante para cada pessoa jurídica ou grupo de empresas coligadas, a ser integralizado com recursos próprios.

§ 3º Relativamente aos projetos de infra-estrutura, conforme definição constante do caput do art. 1º da Lei nº 9.808, de 20 de julho de 1999, bem como aos considerados estruturadores para o desenvolvimento regional, assim definidos pelo Poder Executivo, tomando como base os planos estaduais e regionais de desenvolvimento, o limite de que trata o § 2º deste artigo será de cinco por cento.

§ 4º O disposto no § 1º do art. 1º da Lei nº 9.808, de 1999, será realizado somente na forma deste artigo ou, excepcionalmente, em composição com recursos do art. 5º desta Lei, mediante subscrição de debêntures conversíveis em ações, a critério do Ministério da Integração Nacional.
§ 6º Excepcionalmente, apenas para os casos de empresas titulares dos projetos constituídos na forma de companhias abertas, serão mantidas as regras vigentes no inciso II do § 2º do art. 1º da Lei nº 8.808, de 1999.

§ 7º Consideram-se empresas coligadas, para fins do disposto neste artigo, aquelas cuja maioria do capital votante seja controlada, direta ou indiretamente, pela mesma pessoa física ou jurídica, compreendida também, esta última, como integrante do grupo.

§ 8º Os investidores que se enquadrarem na hipótese deste artigo deverão comprovar capacidade de aportar os recursos necessários à implantação do projeto, descontadas as participações em outros projetos na área de atuação das extintas SUDENE e SUDAM, cujos pleitos de transferência do controle acionário serão submetidos ao Ministério da Integração Nacional, salvo nos casos de participação conjunta minoritária, quando observada qualquer das condições previstas no § 9º.

§ 9º A aplicação dos recursos das pessoas jurídicas ou grupos de empresas coligadas que se enquadrarem na hipótese deste artigo será realizada:

I - quando o controle acionário ocorrer de forma isolada, sob a modalidade de ações ordinárias ou preferenciais, observadas as normas das sociedades por ações; e

II - nos casos de participação conjunta minoritária, sob a modalidade de ações ou debêntures conversíveis em ações.

§ 10º O Ministério da Integração Nacional poderá, excepcionalmente, autorizar o ingresso de novo acionista com a participação mínima exigida nos §§ 2º, 4º e 6º, deduzidos os compromissos assumidos em outros projetos já aprovados pelas extintas SUDENE e SUDAM, com o objetivo de aplicação do incentivo na forma estabelecida neste artigo, desde que a nova participação acionária minoritária venha a garantir os recursos de incentivo anteriamente previstos, em substituição às deduções de pessoa jurídica ou grupo de empresas coligadas que:

I - esteja em processo de concordata, falência ou liquidação; ou

II - não tenha apresentado, nas declarações de imposto sobre a renda dos dois últimos exercícios, capacidade de geração de incentivo compatível com os compromissos assumidos por ocasião da aprovação do projeto, com base em parecer técnico da Secretaria-Executiva da respectiva Superintendência de Desenvolvimento Regional extinta.

§ 11º Nas hipóteses de fusão, incorporação ou cisão de pessoa jurídica titular de participação acionária, o direito à utilização do incentivo, na forma estabelecida neste artigo, será automaticamente transferido à pessoa jurídica sucessora, que deverá manter o percentual de que tratam os §§ 2º, 4º e 6º deste artigo.

§ 12º Os recursos deduzidos do imposto sobre a renda para aplicação em projeto próprio, conforme estabelecido neste artigo, deverão ser aplicados até 31 de dezembro do segundo ano subsequente ao ano-calendário a que corresponder a opção, sob pena de reversão ao Fundo respectivo com a correspondente emissão de quotas em favor do optante.

§ 13º O prazo de que trata o § 12 poderá ser prorrogado, a critério do Ministério da Integração Nacional, quando a aplicação dos recursos estiver pendente de decisão judicial ou administrativa.

§ 14º A aplicação dos recursos na modalidade prevista neste artigo não poderá ultrapassar sessenta por cento do valor do investimento total previsto no projeto ou, excepcionalmente, setenta por cento para o caso de projetos de infra-estrutura, a critério do Ministério da
Integração Nacional, obedecidos aos limites de incentivos fiscais constantes do Calendário de Inversões e Mobilização de Recursos Aprovado." (NR)

"Art. 21. ..............................................................

§ 1º As empresas beneficiárias de incentivos fiscais, que tenham patrimônio líquido igual ou inferior a R$ 10.000.000,00 (dez milhões de reais), ficam dispensadas:

I - de registro na Comissão de Valores Mobiliários - CVM;

II - da realização de auditoria independente de suas demonstrações financeiras; e

III - do envio de cópia das demonstrações financeiras à CVM.

§ 2º Os valores mobiliários de emissão de empresas beneficiárias de incentivos fiscais que utilizem alguma das faculdades previstas no § 1º e integrem as carteiras do FINOR, FINAM e FUNRES somente serão negociados:

I - em leilões especiais em bolsa de valores, mediante processo de conversão de Certificados de Investimento, vedada, neste caso, a faculdade estabelecida no § 2º do art. 8º desta Lei, de estipulação do pagamento em moeda corrente de parcela do preço dos títulos ofertados; ou

II - privatamente, após a sua aquisição nos leilões especiais.

§ 3º No caso descrito no inciso I do § 2º, dos editais de leilão especial deverá constar:

I - a condição de empresa beneficiária de incentivos fiscais com patrimônio líquido igual ou inferior a R$ 10.000.000,00 (dez milhões de reais) não registrada e não fiscalizada pela CVM; e

II - a advertência de que os valores mobiliários nas condições descritas no inciso I não são negociados em bolsa de valores ou mercado de balcão e que os seus adquirentes somente poderão negociá-los em transações privadas.

§ 4º As faculdades previstas no § 1º e incisos deste artigo não se aplicam às empresas beneficiárias de incentivos fiscais que tenham valores mobiliários disseminados no mercado, até que procedam ao cancelamento do seu registro na CVM, mediante oferta pública de aquisição da totalidade daqueles títulos, nos termos das normas por ela fixadas." (NR)

Art. 5º As empresas titulares de projeto aprovado pelas extintas SUDENE e SUDAM, que tenham obtido o Certificado de Empreendimento Implantado (CEI), a seu critério e com aprovação do Ministério da Integração Nacional, relativamente à parte ou à totalidade das debêntures vincendas, conversíveis e não-conversíveis, subscritas em favor do FINOR e do FINAM, poderão:

I - efetuar o resgate das debêntures não-conversíveis mediante operação de conversão desses papéis em debêntures conversíveis, atendidas as mesmas condições e limites estabelecidos nos §§ 1º e 2º do art. 5º da Lei nº 8.167, de 1991, no que couber;

II - autorizar o Ministério da Integração Nacional e o Banco Operador respectivo a promoverem distribuição secundária desses títulos ou incluí-los nos leilões especiais realizados em bolsas de valores, referidos no art. 8º da Lei nº 8.167, de 1991, atendidas as normas específicas a respeito da matéria;

III - quitar esses títulos mediante renegociação do débito, com base no seu valor atual, nas condições similares às do processo de securitização de crédito rural regulado pelo Conselho Monetário Nacional; ou

IV - renegociar esses títulos mediante prazos de carência e de vencimento mais adequados à capacidade de pagamento atualizada do projeto, com encargos financeiros equivalentes aos dos Fundos Constitucionais de Financiamento, exigidos nos casos de empreendimentos de médio porte.
§ 1º Para efeito desta Medida Provisória, consideram-se dívidas vencidas somente aquelas debêntures vencidas e não liquidadas na data fixada para o seu pagamento.

§ 2º Com relação às dívidas em debêntures conversíveis e não-conversíveis em ações vencidas, de emissão das empresas referidas no caput, estas poderão quitar ou renegociar o saldo devedor, por seu valor atual, segundo os critérios estabelecidos nos incisos III e IV deste artigo.

§ 3º As empresas titulares dos projetos referidos neste artigo terão o prazo de noventa dias, contado a partir de 24 de agosto de 2000, para manifestarem suas preferências em relação às alternativas previstas neste artigo, findo o qual deverão cumprir as obrigações assumidas, na conformidade da legislação anterior.

Art. 6º As empresas com projetos em fase de implantação e que tenham registro de ocorrência de atraso nas liberações de recursos dos incentivos, relativamente ao cronograma original aprovado, sem que lhes possa ser imputada a responsabilidade por essa ocorrência, poderão solicitar a reavaliação e, eventualmente, a reestruturação do seu projeto pelo Ministério da Integração Nacional.

§ 1º As empresas que se enquadrarem na hipótese prevista neste artigo, de conformidade com parecer do Ministério da Integração Nacional, que fixará, inclusive, o prazo para conclusão do projeto, poderão ter o saldo de suas dívidas em debêntures conversíveis e não-conversíveis, vencidas e vincendas, dispensado da incidência dos encargos financeiros previstos, inclusive os de mora, desde 24 de agosto de 2000 até que o projeto obtenha o respectivo CEI, quando, então, essas empresas passarão a ser enquadradas nas situações previstas no art. 5º.

§ 2º As debêntures vincendas objeto do § 1º terão seus prazos de amortização e vencimento automaticamente prorrogados a partir de 24 de agosto de 2000, mediante a concessão de novo prazo de carência, nos termos previstos no § 1º do art. 2º da Lei nº 9.126, de 10 de novembro de 1995.

Art. 7º Nos demais casos de projetos em fase de implantação, em que se verifique o recebimento tempestivo dos incentivos previstos no cronograma original, as respectivas empresas titulares, quando do recebimento do CEI, poderão, relativamente às suas dívidas em debêntures, vencidas e vincendas, optar pelas alternativas previstas no art. 5º, nas condições que vierem a ser fixadas em parecer do Ministério da Integração Nacional.

Art. 8º As empresas a que se referem os arts. 6º e 7º deverão requerer o que facultam os citados dispositivos ao Ministério da Integração Nacional, no prazo máximo de cento e oitenta dias, contado, no caso do art. 6º, a partir de 24 de agosto de 2000, e, no caso do art. 7º, a partir da data de recebimento do CEI, sob pena de perda do direito àquelas faculdades.

Art. 9º Caso o Ministério da Integração Nacional constate irregularidades nos projetos das empresas referidas nos arts. 6º e 7º, serão estes submetidos a procedimento de auditoria especial com vista à cobrança dos recursos até então liberados e à exclusão do sistema, em conformidade com as disposições regulamentares em vigor.

Art. 10. As remunerações previstas no art. 20 da Lei nº 8.167, de 1991, em favor dos órgãos gestores dos Fundos de Investimentos, vigorarão até 31 de dezembro de 2000.

§ 1º A partir de 1º de janeiro de 2001, e até 5 de maio de 2001, data da extinção da SUDENE e da SUDAM, a remuneração das Superintendências pela administração dos Fundos será de três por cento calculada com base no valor de cada liberação efetuada pelo respectivo Fundo, e destinada ao custeio das atividades de pesquisa e desenvolvimento, qualificação e aperfeiçoamento de recursos humanos, consideradas prioritárias em relação aos setores e empreendimentos beneficiários dos incentivos, bem como à promoção institucional dos Fundos.

§ 2º O valor da remuneração prevista no § 1º constituirá encargo direto a ser coberto com recursos dos Fundos, pelo que não haverá emissão de Certificados de Investimento relativamente ao valor da remuneração mencionada.

§ 3º A remuneração que cabe aos Bancos Operadores pela administração desses Fundos, a partir de janeiro de 2001, será estabelecida por iniciativa conjunta dos Ministérios da Integração Nacional e da Fazenda.

Art. 11. A administração da movimentação dos recursos financeiros destinados à execução de empreendimentos
apoiados pelos Fundos de Investimentos Regionais obedecerá a regras específicas, a serem estabelecidas pelo Poder Executivo, por iniciativa conjunta dos Ministérios da Fazenda e da Integração Nacional.

Art. 12. Aplicam-se ao FUNRES e ao Grupo Executivo para Recuperação Econômica do Estado do Espírito Santo - GERES, no que couber, as disposições desta Medida Provisória.

Art. 13. Os bancos administradores dos Fundos Constitucionais de Financiamento farão juros, a partir de 1º de janeiro de 2001, à taxa de administração de três por cento ao ano sobre o patrimônio líquido dos respectivos Fundos, apropriada mensalmente.

Parágrafo único. A taxa de administração de que trata o caput fica limitada, em cada exercício, a vinte por cento do valor das transferências de que trata a alínea "c", inciso I, do art. 159 da Constituição Federal, realizadas pelo Tesouro Nacional a cada um dos bancos administradores.

Art. 14. Fica estendido até:

I - 30 de setembro de 2001, o prazo de que trata o § 2º do art. 3º da Lei nº 10.177, de 12 de janeiro de 2001, para manifestação dos mutuários;

II - 28 de dezembro de 2001, o prazo de que trata o § 3º do art. 3º da Lei nº 10.177, de 2001, para encerramento das negociações, prorrogações e composições de dívidas ali referenciadas.

Art. 15. As despesas operacionais, de planejamento, prospecção, acompanhamento, avaliação e divulgação de resultados, relativas à implementação de pesquisa científica e desenvolvimento tecnológico nos setores a serem beneficiados com recursos originários de categorias de programação específica criadas por lei no âmbito do Fundo Nacional de Desenvolvimento Científico e Tecnológico - FNDCT, não poderão ultrapassar o montante correspondente a cinco por cento dos recursos arrecadados anualmente para cada categoria de programação específica.


Art. 17. Esta Medida Provisória entra em vigor na data de sua publicação.


Brasília, 24 de agosto de 2001; 180º da Independência e 113º da República.

FERNANDO HENRIQUE CARDOSO
Pedro Malan
Martus Tavares
Ronaldo Mota Sardenberg
Ramez Tebet

Este texto não substitui o publicado no DOU de 27.8.2001
Exhibit CVD - BR - 24
Presidency of the Republic
Civil House
Legal Sub-Office

COMPLEMENTARY LAW No. 124, OF JANUARY 3, 2007

Veto message

(See Decree No. 6.218, of 2007)

THE PRESIDENT OF THE REPUBLIC I hereby announce that the National Congress decrees and I sanction the following Complementary Law:

CHAPTER I

From SUDAM

Article 1. The Superintendency for the Development of the Amazon (SUDAM), of a special autarchic nature, administrative and financially autonomous, which is part of the Federal Planning and Budget System, established in the city of Belém, State of Pará, and linked to the Ministry of National Integration.

Article 2. Sudam’s area of activity covers the States of Acre, Amapá, Amazonas, Mato Grosso, Rondônia, Roraima, Tocantins, Pará and Maranhão in their portion west of the 44th Meridian.

Single paragraph. The States and Municipalities created by the dismemberment of the States and of the municipal entities located in the area referred to in the caput of this article will automatically be considered as part of the area of activity of Sudam.

Article 3. Sudam aims to promote the inclusive and sustainable development of its area of activity and the competitive integration of the regional productive base in the national and international economy.

Article 4. Sudam shall:

I- define economic and social objectives and goals that lead to the sustainable development of its area of activity;
II- formulate plans and propose guidelines for the development of its area of action, in accordance with the national policy of regional development, articulating them with the national, state and local plans;

III- propose guidelines for defining the regionalization of industrial policy, considering the potentialities and specificities of its area of activity;

IV- articulate and propose programs and actions before the sectoral ministries for regional development, with emphasis on the priority and strategic character, of supra-state or subregional nature;

V- articulate the actions of public agencies and foster the cooperation of representative social forces in their area of action, in order to guarantee the fulfillment of the objectives and goals referred to in item I of the caput of this article;

VI- act as agent of the Federal Planning and Budget System to promote the regional differentiation of national public policies and compliance with §§ 1 and 7 of art. 165 of the Federal Constitution;

VII- in accordance with clause VI of the caput of this article, in conjunction with the Ministry of National Integration, to advise the Ministry of Planning, Budget and Management on the preparation of the multi-annual plan, the budget guidelines law and the General Budget of the Union, in relation to The projects and activities planned in its area of operation;

VIII- support, in a complementary way, public and private investments in the areas of economic and social infrastructure, human resources training, technological innovation and diffusion, social and cultural policies and subregional development initiatives;

IX - stimulate, through the administration of incentives and tax benefits, priority private investments, productive activities and sub-regional development initiatives in its area of activity, as defined by the Deliberative Council, in accordance with § 2 of art. 43 of the Federal Constitution and in accordance with current legislation;

X - coordinate rural extension and management programs, international technical and financial assistance in its area of operation;

XI - stimulate the obtaining of patents and prevent biodiversity assets from being researched, appropriated and patented to the detriment of the interests of the region and the country;

XII- propose, in coordination with the competent ministries, the priorities and criteria for the application of resources from development funds and sectoral funds in their area of activity, especially those related to scientific and technological development;
XIII- promote the economic, social and cultural development and environmental protection of the Amazon, through the adoption of differentiated policies for the subregions.

Article 5. Sudan’s instruments of action are:

I- multiannual and annual regional development plans, articulated with federal, state and local plans;

II- the Constitutional Financing Fund of the North - FNO;

III- the Amazon Development Fund - FDA;

IV- incentive programs and fiscal and financial benefits, according to the law and the Federal Constitution;

V- other instruments defined by law.

Single paragraph. (VETOED)

Article 6. Sudan’s revenues are:

I- budget appropriations entered in the General Budget of the Union;

II- transfers from the Amazon Development Fund, equivalent to 2% (two percent) of the value of each release of resources;

III- results of financial investments of its resources;

IV- other revenues provided by law.

Article 7. Sudam is made up of:

I- Deliberative Council;

II- (VETOED)

III- Collegiate Board of Directors;

IV- Attorney General’s Office, linked to the Federal Attorney General’s Office;

V- Audit-General;

VI- Ombudsman’s Office.
CHAPTER II

OF THE DELIBERATIVE COUNCIL

Article 8. The Sudam Deliberative Council is composed of:

I- the governors of the States in their area of activity;

II- the Ministers of State appointed by the President of the Republic, limited to the number of nine (9);

III- 3 (three) representatives of the Municipalities of its area of activity, chosen in the form to be defined in an act of the Executive Power;

IV- three (3) representatives of the business class and three (3) representatives of the class of the workers of its area of activity, indicated in the form to be defined in an act of the Executive Power;

V- the Superintendent of Sudam;

VI- The President of Banco da Amazônia S.A - BASA.

Paragraph 1. The Deliberative Council shall be chaired by the Minister of State for National Integration, except when the President of the Republic is present.

Paragraph 2. Governors of State, when absent, may only be replaced by their respective vice governors, and the ministers, by the executive secretaries of the respective Ministries.

Paragraph 3 - At the meeting of the installation of the Deliberative Council will begin the consideration of proposal of Internal Regulation of the Collegiate.

Paragraph 4 - Directors of organs, entities and enterprises of the public administration may also be invited to attend meetings of the Council, without the right to vote.

Article 9. The Deliberative Council shall meet quarterly, or whenever convened by its Presidency, upon proposal of the Collegiate Board of Directors, according to internal regulations to be approved by the Collegiate.

Paragraph 1 - In the first quarter of each fiscal year, a special meeting will be held to evaluate the execution of the regional development plan in the previous year and approve the schedule of activities of the plan in the current year.

Paragraph 2. The President of the Republic shall preside at the special meeting of the Council referred to in paragraph 1 of this article.

Paragraph 3. The Executive Secretariat of the Council, whose organization and functioning shall be included in the Internal Rules of the Collegiate, shall be headed by the
Superintendent of Sudam and shall have as its duties the referral of decisions submitted to the Collegiate and the follow-up of the resolutions of the Council.

Article 10. It is incumbent upon the Deliberative Council:

I- to establish the guidelines for action and propose, in articulation with the Ministry of National Integration, a bill that will establish the regional development plan and programs for the Amazon Region, to be submitted to the National Congress for consideration and deliberation;

II- to monitor and evaluate, in the form of art. 14 of this Complementary Law, the execution of the regional plans and programs of the Amazon and to determine the measures of adjustments necessary to their fulfillment;

III- to approve FNO funding programs and guidelines and priorities for resource applications within the FDA and the modalities of operations to be supported by funds managed by Sudam;

IV- to approve its internal regulations.

Paragraph 1. The action of the Deliberative Council shall be guided by the objective of strengthening the federative pact by reducing the economic and social inequalities between the federative entities.

Paragraph 2. In order to promote participatory management of the multiple dimensions of the regional issue, the Deliberative Council shall establish permanent or provisional committees and shall establish, at the time of creation, its composition and attributions.

Paragraph 3. The Deliberative Council shall establish the composition and powers of the Management Committees, which shall be composed of representatives of the Government and of society and shall function as an instrument for the formulation, supervision and control by citizens and their representative institutions of the plans and Policies for the region.

CHAPTER III

OF THE BOARD OF DIRECTORS

Article 11. It is incumbent upon the Collegiate Board:

I- to assist the Deliberative Council, supplying it with the information, studies and projects that are necessary for the exercise of its attributions;

II- to exercise the administration of Sudam;

III- to edit norms on matters of competence of Sudam;
IV- to approve the internal rules of Sudam;

V- to comply with and enforce the guidelines and proposals approved by the Deliberative Council;

VI- to study and propose guidelines for the development of the region, consolidating the proposals in the regional development plan, with goals and objective indicators for evaluation and follow-up;

VII- to forward Sudam’s budget proposal to the Ministry of National Integration;

VIII- to prepare an annual report evaluating the federal action in its area of activity, sending it to the Joint Committee referred to in paragraph 1 of art. 166 of the Federal Constitution and to the thematic committees of both Houses of the National Congress, after appreciation of the Deliberative Council, obeying the same deadline for forwarding the federal budget bill;

IX- to forward the management reports and financial statements of Sudam to the competent bodies;

X- to authorize the dissemination of reports on the activities of Sudam;

XI- decide on the sale, assignment or lease of assets belonging to Sudam’s assets;

XII- to notify and apply the sanctions provided for in the legislation;

XIII- to hear and judge requests for reconsideration of decisions of members of the Board of Executive Officers.

Paragraph 1. The Collegiate Board shall be presided over by the Superintendent of Sudam and composed of four (4) directors, all appointed by the President of the Republic.

Paragraph 2 (VETOED)

Paragraph 3. Decisions related to the institutional competencies of Sudam shall be taken by the Collegiate Board.

Paragraph 4. The basic structure of Sudam and the competencies of the units shall be established in an act of the Executive Branch.

Article 12. (VETOED)
CHAPTER IV

REGIONAL DEVELOPMENT PLAN FOR THE AMAZON

Article 13. The Regional Development Plan for the Amazon, which will cover the area referred to in the caput of art. 2 of this Complementary Law, will have as its objective the reduction of regional inequalities and will be elaborated in accordance with the National Policy of Regional Development.

Paragraph 1. Sudam, together with the Ministry of National Integration, the sectoral ministries, organs and federal entities present in its area of activity and in articulation with the state governments, will draft the draft bill that will establish the Regional Plan Of Development of the Amazon, which will be submitted to the National Congress, under the terms of item IV of the caput of art. 48, of § 4 of art. 165 and item II of paragraph 1 of art. 166 of the Federal Constitution.

Paragraph 2. The Amazon Regional Development Plan shall comprise programs, projects and actions necessary to achieve the objectives and goals of the economic and social development of the Amazon, with identification of the respective sources of financing.

Paragraph 3. The Amazon Regional Development Plan shall be valid for 4 (four) years, shall be reviewed annually and be processed together with the Multi-Year Plan (PPA).

Article 14. Sudam shall evaluate the fulfillment of the Regional Development Plan of the Amazon by means of annual reports submitted and approved by its Deliberative Council and forwarded to the Joint Committee referred to in § 1 of art. 166 of the Federal Constitution and to the other pertinent thematic committees of the National Congress, obeying the same period of forwarding of the federal budget bill.

Article 15. (VETOED)

CHAPTER V

OF THE AMAZON DEVELOPMENT FUND

Article 16. Section11. The Amazon Development Fund, of Chapter I of Provisional Measure no. 2,157-5, of August 24, 2001, shall be in force with the following wording:

"Section II

From the Amazon Development Fund

'Art. 3 The Amazon Development Fund - FDA, of an accounting nature, is being created to be managed by the Superintendency of the Development of the Amazon - SUDAM, with the purpose of securing funds for carrying out, in its area of activity, investments
in infrastructure and public services and in productive ventures with great germinative capacity of businesses and productive activities.

Paragraph 1. The Deliberative Council of Sudam shall provide for the priorities of application of the resources of the FDA, as well as the criteria for the establishment of counterpart of States and Municipalities in investments.

Paragraph 2. For each portion of resources released, 1.5% (one and five tenths percent) will be allocated for the cost of activities in research, development and technology of regional development interest, in the manner to be defined by the Deliberative Council. (NR)

'Art. 4o They are resources of the Amazon Development Fund - FDA:

I - National Treasury resources corresponding to the appropriations allocated to it in the annual budget;

II - results of financial investments to your account;

III - proceeds from the sale of securities, stock dividends and others linked to it;

IV - financial transfers of other funds intended to support regional development programs and projects covering Sudan's area of jurisdiction;

V - other resources provided by law.

Paragraph 1. (VETOED)

Paragraph 2. (VETOED)

Paragraph 3. (VETOED)

Single paragraph. (VETOED)

'Art. 6. The Amazon Development Fund shall have as operating agents the Banco da Amazônia S.A. and other federal official financial institutions, to be defined in an act of the Executive Power, which shall have the following competencies:
I - supervise the projects under its conduction and attest its regularity;

II - propose the release of financial resources for the projects being implemented under its responsibility.

Single paragraph. (VETADO)

‘Art. 7. The participation of the Amazon Development Fund in the investment projects will be carried out according to the regulation to be approved by the Deliberative Council.

Single paragraph. (Revoked). ‘(NR) “

CHAPTER VI

FINAL AND TRANSITIONAL PROVISIONS

Article 17. (VETOED)

Article 18. The Amazon Development Agency (ADA) will be extinguished on the date of publication of the decree that establishes the regimental structure and the demonstration table of the positions in commission of the Superintendency of the Development of the Amazon (SUDAM).

Single paragraph. The assets of ADA will become the assets of Sudam.

Article 19. Sudam will succeed the ADA in its rights and obligations.

Article 20. The effective positions occupied by servers of the board transferred to the Ministry of Planning, Budget and Management as a result of the provisions of § 4 of art. 21 of Provisional Measure no. 2,157-5, dated August 24, 2001, as well as those that are filled in the ADA, may be included in the Sudam framework, through redistribution, under the terms established by art. 37 of Law No. 8,122 of December 11, 1990.

Article 21. This Complementary Law shall enter into force on the date of its publication.

Article 22. Complementary Law No 67, of June 13, 1991, are repealed, arts. 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29 and 30 and The sole paragraph of art. 5 of Provisional Measure No. 2,157-5, of August 24, 2001.

Brasília, January 3, 2007; 186th of Independence and 119th of the Republic.

LUÍZ INÁCIO LULA DA SILVA
Guido Mantega
Paulo Bernardo Silva  
Pedro Brito Nascimento  
Alvaro Augusto Ribeiro Cost  

This text does not replace the one published in the DOU of 4.1.2007.
Presidência da República
Casa Civil
Subchefia para Assuntos Jurídicos

LEI COMPLEMENTAR Nº 124, DE 3 DE JANEIRO DE 2007

Mensagem de veto
(Vide Decreto nº 6.218, de 2007)

O PRESIDENTE DA REPÚBLICA Faço saber que o Congresso Nacional decreta e eu sanciono a seguinte Lei Complementar:

CAPÍTULO I
DA SUDAM


Art. 2º A área de atuação da Sudam abrange os Estados do Acre, Amapá, Amazonas, Mato Grosso, Rondônia, Roraima, Tocantins, Pará e do Maranhão na sua porção a oeste do Meridiano 44º.

Parágrafo único. Os Estados e os Municípios criados por desmembramento dos Estados e dos entes municipais situados na área a que se refere o caput deste artigo serão automaticamente considerados como integrantes da área de atuação da Sudam.

Art. 3º A Sudam tem por finalidade promover o desenvolvimento inclusivo e sustentável de sua área de atuação e a integração competitiva da base produtiva regional na economia nacional e internacional.

Art. 4º Compete à Sudam:

I - definir objetivos e metas econômicas e sociais que levem ao desenvolvimento sustentável de sua área de atuação;

II - formular planos e propor diretrizes para o desenvolvimento de sua área de atuação, em consonância com a política nacional de desenvolvimento regional, articulando-os com os planos nacionais, estaduais e locais;

III - propor diretrizes para definir a regionalização da política industrial, que considerem as potencialidades e as especificidades de sua área de atuação;

IV - articular e propor programas e ações perante os ministérios setoriais para o desenvolvimento regional, com ênfase no caráter prioritário e estratégico, de natureza supra-estadual ou sub-regional;

V - articular as ações dos órgãos públicos e fomentar a cooperação das forças sociais representativas na sua área de atuação, de forma a garantir o cumprimento dos objetivos e metas de que trata o inciso I do caput deste artigo;

VI - atuar, como agente do Sistema de Planejamento e de Orçamento Federal, para promover a diferenciação regional das políticas públicas nacionais e a observância dos §§ 1º e 7º do art. 165 da Constituição Federal;

VII - nos termos do inciso VI do caput deste artigo, em articulação com o Ministério da Integração Nacional, assessorar o Ministério do Planejamento, Orçamento e Gestão na elaboração do plano plurianual, da lei de diretrizes orçamentárias e do Orçamento Geral da União, em relação aos projetos e atividades previstas na sua área de atuação;

VIII - apoiar, em caráter complementar, investimentos públicos e privados nas áreas de infra-estrutura econômica e social, capacitação de recursos humanos, inovação e difusão tecnológica, políticas sociais e culturais e iniciativas de desenvolvimento sub-regional;

IX - estimular, por meio da administração de incentivos e benefícios fiscais, os investimentos privados prioritários, as atividades produtivas e as iniciativas de desenvolvimento sub-regional em sua área de atuação, conforme definição do Conselho Deliberativo, em consonância com o § 2º do art. 43 da Constituição Federal e na forma da legislação vigente;

X - coordenar programas de extensão e gestão rural, assistência técnica e financeira internacional em sua área de atuação;

XI - estimular a obtenção de patentes e coibir que o patrimônio da biodiversidade seja pesquisado, apropriado e patenteado em detrimento dos interesses da região e do País;

XII - propor, em articulação com os ministérios competentes, as prioridades e os critérios de aplicação dos recursos dos fundos de desenvolvimento e dos fundos setoriais na sua área de atuação, em especial aqueles vinculados ao desenvolvimento científico e tecnológico;

XIII - promover o desenvolvimento econômico, social e cultural e a proteção ambiental da Amazônia, por meio da adoção de políticas diferenciadas para as sub-regiões.

Art. 5º São instrumentos de ação da Sudam:

I - planos regionais de desenvolvimento plurianuais e anuais, articulados com os planos federais, estaduais e locais;

II - o Fundo Constitucional de Financiamento do Norte – FNO;

III - o Fundo de Desenvolvimento da Amazônia – FDA;

IV - programas de incentivos e benefícios fiscais e financeiros, na forma da lei e da Constituição Federal;

V - outros instrumentos definidos em lei.

Parágrafo único. (VETADO)

Art. 6º Constituem receitas da Sudam:

I - dotações orçamentárias consignadas no Orçamento Geral da União;

II - transferências do Fundo de Desenvolvimento da Amazônia, equivalentes a 2% (dois por cento) do valor de cada liberação de recursos;
III - resultados de aplicações financeiras de seus recursos;

IV - outras receitas previstas em lei.

Art. 7º A Sudam compõe-se de:

I - Conselho Deliberativo;

II - (VETADO)

III - Diretoria Colegiada;

IV - Procuradoria-Geral, vinculada à Advocacia-Geral da União;

V - Auditoria-Geral;

VI - Ouvidoria-Geral.

CAPÍTULO II
DO CONSELHO DELIBERATIVO

Art. 8º Integrar o Conselho Deliberativo da Sudam:

I - os governadores dos Estados de sua área de atuação;

II - os Ministros de Estado designados pelo Presidente da República, limitados ao número de 9 (nove);

III - 3 (três) representantes dos Municípios de sua área de atuação, escolhidos na forma a ser definida em ato do Poder Executivo;

IV - 3 (três) representantes da classe empresarial e 3 (três) representantes da classe dos trabalhadores de sua área de atuação, indicados na forma a ser definida em ato do Poder Executivo;

V - o Superintendente da Sudam;

VI - O Presidente do Banco da Amazônia S.A - BASA.

§ 1º O Conselho Deliberativo será presidido pelo Ministro de Estado da Integração Nacional, exceto quando estiver presente o Presidente da República.

§ 2º Os governadores de Estado, quando ausentes, somente poderão ser substituídos pelos respectivos vice-governadores, e os ministros, pelos secretários-executivos dos respectivos Ministérios.

§ 3º Na reunião de instalação do Conselho Deliberativo será iniciada a apreciação de proposta de Regimento Interno do Colegiado.

§ 4º Poderão ainda ser convidados a participar de reuniões do Conselho, sem direito a voto, dirigentes de órgãos, entidades e empresas da administração pública.

Art. 9º O Conselho Deliberativo reunir-se-á trimestralmente, ou sempre que convocado por sua Presidência, mediante proposta da Diretoria Colegiada, pautando-se por regimento interno a ser aprovado pelo Colegiado.
§ 1º No primeiro trimestre de cada exercício, será realizada reunião especial para avaliar a execução do plano regional de desenvolvimento no exercício anterior e aprovar a programação de atividades do plano no exercício corrente.

§ 2º O Presidente da República presidirá a reunião especial do Conselho de que trata o § 1º deste artigo.

§ 3º A Secretaria-Executiva do Conselho, cuja organização e funcionamento constarão do Regimento Interno do Colegiado, será dirigida pelo Superintendente da Sudam e terá como atribuições o encaminhamento das decisões submetidas ao Colegiado e o acompanhamento das resoluções do Conselho.

Art. 10. Compete ao Conselho Deliberativo:

I - estabelecer as diretrizes de ação e propor, em articulação com o Ministério da Integração Nacional, projeto de lei que instituirá o plano e os programas regionais de desenvolvimento da Amazônia, a ser encaminhado ao Congresso Nacional, para apreciação e deliberação;

II - acompanhar e avaliar, na forma do art. 14 desta Lei Complementar, a execução dos planos e dos programas regionais da Amazônia e determinar medidas de ajustes necessárias ao seu cumprimento;

III - aprovar os programas de financiamento do FNO e as diretrizes e prioridades para as aplicações de recursos no âmbito do FDA e as modalidades de operações que serão apoiadas pelos fundos geridos pela Sudam;

IV - aprovar seu regimento interno.

§ 1º A atuação do Conselho Deliberativo será pautada pelo objetivo de fortalecimento do pacto federativo mediante a diminuição das desigualdades econômicas e sociais entre os entes federativos.

§ 2º Para promover a gestão participativa das múltiplas dimensões da questão regional, o Conselho Deliberativo criará comitês, permanentes ou provisórios, e fixará, no ato de criação, sua composição e suas atribuições.

§ 3º O Conselho Deliberativo estabelecerá a composição e as competências dos Comitês de Gestão, que serão constituídos de representantes do Governo e da sociedade e funcionarão como instrumento de formulação, supervisão e controle, por parte dos cidadãos e de suas instituições representativas, dos planos e políticas públicas para a região.

CAPÍTULO III

DA DIRETORIA COLEGIADA

Art. 11. Compete à Diretoria Colegiada:

I - assistir o Conselho Deliberativo, suprindo-o das informações, estudos e projetos que se fizerem necessários ao exercício de suas atribuições;

II - exercer a administração da Sudam;

III - editar normas sobre matérias de competência da Sudam;

IV - aprovar o regimento interno da Sudam;

V - cumprir e fazer cumprir as diretrizes e propostas aprovadas pelo Conselho Deliberativo;

http://www.planalto.gov.br/ccivil_03/leis/LCP/lcp124.htm
VI - estudar e propor diretrizes para o desenvolvimento da região, consolidando as propostas no plano regional de desenvolvimento, com metas e indicadores objetivos para avaliação e acompanhamento;

VII - encaminhar a proposta de orçamento da Sudam ao Ministério da Integração Nacional;

VIII - elaborar relatório anual de avaliação da ação federal na sua área de atuação, enviando-o à Comissão Mista de que trata o § 1º do art. 166 da Constituição Federal e às comissões temáticas de ambas as Casas do Congresso Nacional, após apreciação do Conselho Deliberativo, obedecido o mesmo prazo de encaminhamento do projeto de lei orçamentária da União;

IX - encaminhar os relatórios de gestão e os demonstrativos contábeis da Sudam aos órgãos competentes;

X - autorizar a divulgação de relatórios sobre as atividades da Sudam;

XI - decidir pela venda, cessão ou aluguel de bens integrantes do patrimônio da Sudam;

XII - notificar e aplicar as sanções previstas na legislação;

XIII - conhecer e julgar pedidos de reconsideração de decisões de membros da Diretoria.

§ 1º A Diretoria Colegiada será presidida pelo Superintendente da Sudam e composta por mais 4 (quatro) diretores, todos nomeados pelo Presidente da República.

§ 2º (VETADO)

§ 3º As decisões relacionadas com as competências institucionais da Sudam serão tomadas pela Diretoria Colegiada.

§ 4º A estrutura básica da Sudam e as competências das unidades serão estabelecidas em ato do Poder Executivo.

Art. 12. (VETADO)

CAPÍTULO IV

DO PLANO REGIONAL DE DESENVOLVIMENTO DA AMAZÔNIA

Art. 13. O Plano Regional de Desenvolvimento da Amazônia, que abrangerá a área referida no caput do art. 2º desta Lei Complementar, terá como objetivo a redução das desigualdades regionais e será elaborado em consonância com a Política Nacional de Desenvolvimento Regional.

§ 1º A Sudam, em conjunto com o Ministério da Integração Nacional, os ministérios setoriais, os órgãos e as entidades federais presentes na sua área de atuação e em articulação com os governos estaduais, elaborará a minuta do projeto de lei que instituirá o Plano Regional de Desenvolvimento da Amazônia, o qual será submetido ao Congresso Nacional, nos termos do inciso IV do caput do art. 48, do § 4º do art. 165 e do inciso II do § 1º do art. 166 da Constituição Federal.

§ 2º O Plano Regional de Desenvolvimento da Amazônia compreenderá programas, projetos e ações necessárias para atingir os objetivos e as metas de desenvolvimento econômico e social da Amazônia, com identificação das respectivas fontes de financiamento.

§ 3º O Plano Regional de Desenvolvimento da Amazônia terá vigência de 4 (quatro) anos, será revisado anualmente e tramitará juntamente com o Plano Plurianual - PPA.
Art. 14. A Sudam avaliará o cumprimento do Plano Regional de Desenvolvimento da Amazônia por meio de relatórios anuais, submetidos e aprovados pelo seu Conselho Deliberativo e encaminhados à Comissão Mista referida no § 1º do art. 166 da Constituição Federal e às demais comissões temáticas pertinentes do Congresso Nacional, obedecido o mesmo prazo de encaminhamento do projeto de lei orçamentária da União.

Art. 15. (VETADO)

CAPÍTULO V

DO FUNDO DE DESENVOLVIMENTO DA AMAZÔNIA

Art. 16. A Seção II - Do Fundo de Desenvolvimento da Amazônia, do Capítulo I da Medida Provisória nº 2.157-5, de 24 de agosto de 2001, passa a vigorar com a seguinte redação:

"Seção II

Do Fundo de Desenvolvimento da Amazônia

'Art. 3º Fica criado o Fundo de Desenvolvimento da Amazônia - FDA, de natureza contábil, a ser gerido pela Superintendência do Desenvolvimento da Amazônia - SUDAM, com a finalidade de assegurar recursos para a realização, em sua área de atuação, de investimentos em infra-estrutura e serviços públicos e em empreendimentos produtivos com grande capacidade germinativa de negócios e de atividades produtivas.

§ 1º O Conselho Deliberativo da Sudam disporá sobre as prioridades de aplicação dos recursos do FDA, bem como sobre os critérios para o estabelecimento da contrapartida dos Estados e dos Municípios nos investimentos.

§ 2º A cada parcela de recursos liberados, será destinado 1,5% (um inteiro e cinco décimos por cento) para custeio de atividades em pesquisa, desenvolvimento e tecnologia de interesse do desenvolvimento regional, na forma a ser definida pelo Conselho Deliberativo.' (NR)

'Art. 4º Constituem recursos do Fundo de Desenvolvimento da Amazônia - FDA:

I - os recursos do Tesouro Nacional correspondentes às dotações que lhe foram consignadas no orçamento anual;

II - resultados de aplicações financeiras à sua conta;

III - produto da alienação de valores mobiliários, dividendos de ações e outros a ele vinculados;

IV - transferências financeiras de outros fundos destinados ao apoio de programas e projetos de desenvolvimento regional que contemplem a área de jurisdição da Sudam;

V - outros recursos previstos em lei.

§ 1º (VETADO)

§ 2º (VETADO)"
§ 3° (VETADO)

Parágrafo único. (VETADO)

'Art. 6° O Fundo de Desenvolvimento da Amazônia terá como agentes operadores o Banco da Amazônia S.A. e outras instituições financeiras oficiais federais, a serem definidas em ato do Poder Executivo, que terão as seguintes competências:

I - fiscalizar os projetos sob sua condução e atestar sua regularidade;

II - propor a liberação de recursos financeiros para os projetos em implantação sob sua responsabilidade.

Parágrafo único. (VETADO)

'Art. 7° A participação do Fundo de Desenvolvimento da Amazônia nos projetos de investimento será realizada conforme dispuser o regulamento a ser aprovado pelo Conselho Deliberativo.

Parágrafo único. (Revogado).' (NR)

CAPÍTULO VI

DISPOSIÇÕES FINAIS E TRANSITÓRIAS

Art. 17. (VETADO)

Art. 18. A Agência de Desenvolvimento da Amazônia - ADA será extinta na data da publicação do decreto que estabelecer a estrutura regimental e o quadro demonstrativo dos cargos em comissão da Superintendência do Desenvolvimento da Amazônia - SUDAM.

Parágrafo único. Os bens da ADA passarão a constituir o patrimônio social da Sudam.

Art. 19. A Sudam sucederá a ADA em seus direitos e obrigações.

Art. 20. Os cargos efetivos ocupados por servidores do quadro transferido para o Ministério do Planejamento, Orçamento e Gestão em decorrência do disposto no § 4° do art. 21 da Medida Provisória nº 2.157-5, de 24 de agosto de 2001, bem como os que estão lotados na ADA, poderão integrar o quadro da Sudam, mediante redistribuição, nos termos estabelecidos pelo art. 37 da Lei nº 8.112, de 11 de dezembro de 1990.

Art. 21. Esta Lei Complementar entra em vigor na data de sua publicação.

Art. 22. Ficam revogados a Lei Complementar nº 67, de 13 de junho de 1991, os arts. 1°, 2°, 8°, 9°, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29 e 30 e o parágrafo único do art. 5° da Medida Provisória nº 2.157-5, de 24 de agosto de 2001.

Brasília, 3 de janeiro de 2007; 186° da Independência e 119° da República.

LUIZ INÁCIO LULA DA SILVA
Guido Mantega
Paulo Bernardo Silva
Pedro Brito Nascimento
Alvaro Augusto Ribeiro Costa

Este texto não substitui o publicado no DOU de 4.1.2007.
Exhibit CVD - BR - 25
Presidency of the Republic
Civil House
Legal Sub-Office

COMPLEMENTARY LAW No. 125, OF JANUARY 3, 2007

Institutes, in the form of art. 43 of the Federal Constitution, the Northeast Development Superintendency - SUDENE; Establishes its composition, legal nature, objectives, areas of action, instruments of action; Amends Law 7,827 of September 27, 1989, and Provisional Measure No. 2,156 of August 24, 2001; repeals Complementary Law No. 66 of June 12, 1991; and makes other arrangements.

THE PRESIDENT OF THE REPUBLIC I hereby announce that the National Congress decrees and I sanction the following Complementary Law:

CHAPTER I
OF SUDENE

Article 1. The Superintendency for the Development of the Northeast - SUDENE, of a special autarchic nature, administrative and financially autonomous, which is part of the Federal Planning and Budget System, established in the city of Recife, State of Pernambuco, and linked to the Ministry of National Integration.

Article 2. Sudene’s area of activity covers the states of Maranhão, Piauí, Ceará, Rio Grande do Norte, Paraíba, Pernambuco, Alagoas, Sergipe, Bahia and the regions and municipalities of the State of Minas Gerais, which deal with Laws Nos. 1,348, dated February 10, 1951, 6,218, July 7, 1975, and 9,690, July 15, 1998, as well as the Municipalities of Águas Formosas, Angelândia, Aricanduva, Arinos, Ataléia, Bertópolis, Campanário, Carlos Chagas, Catuji, Chrysolite, Formosa, Francisopolis, Frei Gaspar, Border of the Valleys, Itaipé, Itambacuri, Jenipapo de Minas, José Gonçalves de Minas, Ladainha, Leme do Prado, Maxacalis, Monte Formoso, Nanuque, Novo Oriente de Minas, Ouro Verde de Santa Helena de Minas, São Romão, Serra dos Aimorés, Setubinha, Teófilo Otoni, Umburatiba and Veredinha, all in Minas Gerais, as well as the Municipalities of the State of Espírito Santo related in Law No. 9,690, dated July 15, 1998, as well as the Municipality of Governador Lindemberg.

Single paragraph. Any municipalities created, or that may be, by dismemberment of the municipal entities that are part of the area of activity of Sudene referred to in the caput of this article, will also be considered as members of its area of activity.
Article 3. Sudene aims to promote the inclusive and sustainable development of its area of activity and the competitive integration of the regional productive base in the national and international economy.

Article 4. Sudene shall:

I - define economic and social objectives and goals that lead to the sustainable development of its area of activity;

II - formulate plans and propose guidelines for the development of its area of action, in accordance with the national policy of regional development, articulating them with the national, state and local plans;

III - propose guidelines to define the regionalization of industrial policy that consider the potentialities and specificities of its area of operation;

IV - articulate and propose programs and actions in the sectorial Ministries for regional development, with emphasis on the priority and strategic character, of supra-state or subregional nature;

V - articulate the actions of the public agencies and to foster the cooperation of the social forces representative of their area of action in order to guarantee the fulfillment of the objectives and goals that is dealt with in section I of the caput of this article;

VI - act as agent of the Federal Planning and Budget System, aiming to promote regional differentiation of national public policies and compliance with §§ 1 and 7 of art. 165 of the Federal Constitution;

VII - in accordance with clause VI of the caput of this article, in conjunction with the Ministry of National Integration, advise the Ministry of Planning, Budget and Management when drawing up the multiannual plan, the law on budget guidelines and the general budget of the Union, in relation to the projects and activities planned for its area of operation;

VIII - support, in a complementary way, public and private investments in the areas of economic and social infrastructure, human resources training, technological innovation and diffusion, social and cultural policies and subregional development initiatives;

IX - stimulate, through the administration of incentives and tax benefits, priority private investments, productive activities and subregional development initiatives in its area of activity, as defined by the Deliberative Council, in accordance with § 2 of art. 43 of the Federal Constitution and in accordance with current legislation;

X - promote programs of international technical and financial assistance in its area of operation;
XI - propose, through resolution of the Deliberative Council, the priorities and criteria for the application of resources of development funds and sectoral funds in its area of action, especially those related to scientific and technological development;

XII - promote the economic, social and cultural development and environmental protection of the semi-arid, through the adoption of differentiated policies for the subregion.

Article 5. Sudene’s instruments of action are:

I - the Northeast Regional Development Plan;

II - the Constitutional Financing Fund of the Northeast - FNE;

III - the Northeast Development Fund - FDNE;

IV - (VETOED)

V - other instruments defined by law.

Paragraph 1. The resources destined to the regional development of constitutional, legal or budgetary character will integrate the regional plan of development of the Northeast, in a way compatible with the plurianual plan of the Federal Government.

Paragraph 2. (VETOED)

Paragraph 3. (VETOED)

Article 6. Sudene’s revenues are:

I - budget appropriations entered in the General Budget of the Union;

II - transfers from the Northeast Development Fund, equivalent to 2% (two percent) of the amount of each release of resources;

III - other revenues provided by law.

Article 7. Sudene is composed of:

I - Deliberative Council;

II - Collegiate Board of Directors;

III - Attorney General’s Office, linked to the Federal Attorney General’s Office;

IV - Audit-General;

V - Ombudsman’s Office.
CHAPTER II
OF THE DELIBERATIVE COUNCIL

Article 8. The Sudene Deliberative Council is composed of:

I - the Governors of the States of Maranhão, Piauí, Ceará, Rio Grande do Norte, Paraíba, Pernambuco, Alagoas, Sergipe, Bahia, Minas Gerais and Espírito Santo;

II - the Ministers of State for Finance, National Integration and Planning, Budget and Management;

III - the Ministers of State of the other areas of activity of the Executive Branch;

IV - 3 (three) representatives of the Municipalities of its area of activity, chosen in the form to be defined in an act of the Executive Power;

V - 3 (three) representatives of the business class and 3 (three) representatives of the class of workers in their area of activity, indicated in the form to be defined in an act of the Executive Power;

VI - the President of Banco do Nordeste do Brasil S / A - BNB;

VII - the Superintendent of Sudene.

Paragraph 1. The Deliberative Council shall be chaired by the Minister of State for National Integration.

Paragraph 2. The President of the Republic shall preside over the meetings in which he participates.

Paragraph 3. At the meeting of the installation of the Deliberative Council will begin the assessment of proposal of internal rules of the Collegiate.

Paragraph 4. Governors of State, when absent, may only be replaced by the deputy governor of the respective State.

Paragraph 5. Ministers of State, when absent, may only be replaced by the executive secretary of the respective Ministry.

Paragraph 6. The Ministers of State referred to in item III of the caput of this article shall be members of the Council, with voting rights, whenever the agenda so requires.

Paragraph 7. (VETOED)
Paragraph 8. Officers of organs, entities and public companies of the federal public administration who are invited to attend meetings of the Council shall not have the right to vote.

Paragraph 9. The director of the federal entity mentioned in item VI of the caput of this article may only be substituted by another member of the board.

Article 9. The Deliberative Council shall meet quarterly or whenever convened by its Presidency, upon proposal of the Collegiate Board of Directors, according to internal regulations to be approved by the Collegiate.

Paragraph 1. The President of the Republic shall preside over the annual meeting devoted to evaluating the execution of the Regional Development Plan of the Northeast in the previous fiscal year and to approve the schedule of activities of this plan in the current year.

Paragraph 2. The Executive Secretariat of the Deliberative Council, whose organization and functioning shall be included in the bylaws of the Collegiate, shall be headed by the Superintendent of Sudene and shall have as its duties the referral of the decisions submitted to the Collegiate and the follow-up of the resolutions of the Council.

Article 10. The following duties shall be incumbent upon the Deliberative Council, with administrative, technical and institutional support of its Executive Secretariat:

I - establish guidelines for action and formulate public policies for the development of its area of activity;

II - propose a bill that will establish the regional development plan and programs of the Northeast to be submitted to the National Congress for consideration and deliberation;

III - monitor and evaluate the implementation of the regional plan and programs of the Northeast and determine the necessary adjustments to meet the objectives, guidelines and goals of the Northeast Regional Development Plan;

IV - create permanent or provisional committees, establishing in the act of its creation its compositions and attributions;

V - establish the technical and scientific criteria for delimitation of the semi-arid included in the area of operation of Sudene.

Paragraph 1. In order to promote the integration of financial support actions for infrastructure projects and public services and productive enterprises, the Deliberative Council shall establish the rules for the creation, organization and operation of the Regional Committee on Financial Institutions Which will be of an advisory nature.

Paragraph 2. The Regional Committee of Federal Financial Institutions shall be chaired by the Superintendent of Sudene and composed of representatives of the senior management
Paragraph 3. In order to promote the integration of the actions of federal agencies and entities in its area of activity, the Deliberative Council shall establish the rules for the creation, organization and operation of the Regional Committee of Articulation of Federal Organs and Entities, which shall Consultative status.

Paragraph 4. The Regional Committee of Articulation of Federal Bodies and Entities shall be chaired by the Superintendent of Sudene and composed of representatives of the federal entities of regionalised performance and the delegations and representations of federal agencies and entities in their area of activity.

Paragraph 5. In relation to the Constitutional Financing Fund of the Northeast - FNE, it is incumbent upon the Deliberative Council:

I - establish annually the priorities for the application of resources in the following year;

II - define the economic infrastructure projects considered as priorities for the regional economy;

III - (VETOED)

IV - to evaluate the results obtained and to determine the necessary adjustment measures for the fulfillment of the approved financing programs and the adequacy of the financing to the regional priorities;

V - to approve annually until December 15, the priorities and the financing programs, observing the guidelines and general guidelines established by the Ministry of National Integration.

Paragraph 6. As the managing body of the Northeast Development Fund - FDNE, based on a proposal of its Executive Secretariat and in accordance with the regional development plan, it is incumbent upon the Deliberative Council:

I - to establish annually the priorities for the application of resources, in the following year, observing the guidelines and general guidelines established by the Ministry of National Integration, in the financing to the enterprises of great relevance for the regional economy;

II - (VETOED)

CHAPTER III
OF THE BOARD OF DIRECTORS

Article 11. It is incumbent upon the Collegiate Board:
I - assist the Deliberative Council, supplying it with information, studies and projects that are necessary for the exercise of their respective attributions;

II - to exercise the administration of Sudene;

III - edit norms on subjects of competence of Sudene;

IV - approve the internal regulations of Sudene;

V - comply with and enforce the guidelines and proposals approved by the Deliberative Council;

VI - study and propose guidelines for the development of its area of action, consolidating the proposals in the regional development plan of the Northeast, with goals and with objective indicators for evaluation and monitoring;

VII - ensure the preparation of annual evaluation of federal action in its area of operation;

VIII - forward the budget proposal of Sudene to the Ministry of National Integration;

IX - forward the management reports and financial statements of Sudene to the competent bodies;

X - authorize the dissemination of reports on Sudene's activities;

XI - decide on the sale, assignment or lease of assets belonging to Sudene’s assets;

XII - to notify and apply the sanctions provided for in the legislation;

XIII - to hear and judge requests for reconsideration of decisions of members of the Board of Executive Officers.

Paragraph 1. The Collegiate Board shall be presided over by the Superintendent of Sudene and composed of four (4) directors, all appointed by the President of the Republic.

Paragraph 2. (VETOED)

Paragraph 3. Decisions related to the institutional competencies of Sudene shall be taken by the Collegiate Board.

Paragraph 4. The basic structure of Sudene and the competencies of the units shall be established in an act of the Executive Branch.

Article 12. (VETOED)
CHAPTER IV

NORTHEAST REGIONAL DEVELOPMENT PLAN

Article 13. The Northeast Regional Development Plan, which will cover the area referred to in the caput of art. 2 of this Complementary Law, prepared in accordance with the National Policy for Regional Development, will be an instrument to reduce regional inequalities.

Paragraph 1. Sudene, together with the Ministry of National Integration and the sectoral ministries, the federal agencies and entities present in the area of action and in articulation with the state governments, will prepare the draft bill that will establish the Regional Development Plan Of the Northeast, which will be submitted to the National Congress under the terms of item IV of art. 48, of § 4 of art. 165 and item II of paragraph 1 of art. 166 of the Federal Constitution.

Paragraph 2. The Northeast Regional Development Plan shall comprise programs, projects and actions necessary to achieve the objectives and economic and social goals of the Northeast, with identification of the respective sources of financing.

Paragraph 3. The Northeast Regional Development Plan shall be valid for four (4) years, shall be reviewed annually and be processed together with the Multi-Year Plan (PPA).

Paragraph 4. The Northeast Regional Development Plan shall comprise annual and four-year goals for the federal public policies relevant to the development of the Sudene area of activity.

Article 14. Sudene will evaluate the fulfillment of the Regional Development Plan of the Northeast, through annual reports submitted and approved by its Deliberative Council and forwarded to the Joint Committee referred to in § 1 of art. 166 of the Federal Constitution and to the other pertinent thematic committees of the National Congress, obeying the same period of forwarding of the federal budget bill.

Paragraph 1. The objectives of the Northeast Regional Development Plan shall be, among others:

I - decrease of spatial and interpersonal income inequalities;

II - employment and income generation;

III - reduction of maternal and child mortality rates;

IV - reduction of the illiteracy rate;

V - improvement of housing conditions;

VI - universalization of basic sanitation;
VII - universalization of the levels of elementary and secondary education;

VIII - strengthening the internalization process of higher education;

IX - guarantee of implementation of projects for technological development;

X - guarantee of environmental sustainability.

Paragraph 2. In order to monitor and follow up on the objectives defined in § 1 of this article, the data produced by the nationally recognized federal, state and municipal public statistical institutes, as well as reports produced by the sectoral Ministries, shall be used.

Article 15. (VETOED)

Article 16. The Deliberative Council shall annually approve a report evaluating the programs and actions of the Federal Government in the area of action of Sudene.

Paragraph 1. The report shall be sent to the Joint Committee referred to in paragraph 1 of art. 166 of the Federal Constitution and to the other pertinent thematic committees of the National Congress, obeying the same period of forwarding of the federal budget bill.

Paragraph 2. The report shall evaluate compliance with federal plans, guidelines for action and federal public policy proposals for the area of action of Sudene and, based on this evaluation, subsidize the appreciation of the federal budget bill by the National Congress.

CHAPTER V

DO BNB-Par

Article 17. (VETOED)

CHAPTER VI

OF THE CONSTITUTIONAL FINANCING FUND

Article 18. Law No. 7,827, of September 27, 1989, is now in force with the following changes:

"Article 4. ...........................................

Paragraph 1. The Constitutional Financing Funds shall finance economic infrastructure projects, including those undertaken by public enterprises not dependent on financial transfers from the Public Authorities, considered as priorities for the economy in the decision of the respective deliberative council.

....................................................... ..... "(NR)
"Article 5. ...................................................

........................................................... ...

IV - semi-arid, the natural region inserted in the area of operation of the
Superintendency of Development of the Northeast - Sudene, defined in
the ordinance of that Autarchy. "(NR)

"Article 5 ...................................................

Single paragraph. The Ministry of Finance shall report monthly to the
Ministry of National Integration, the respective regional development
agencies, and the managing banks of the Funding Constitutional Funds,
the sum of the collection of income tax and all kinds of taxes and taxes on
industrialized products, The value of the releases made for each Fund, as
well as the forecast of dates and values of the immediately following
three (3) releases. "(NR)

"Article 14. It is incumbent upon the Deliberative Council of the
respective superintendence of development of the North, Northeast and
Central West regions:

I - establish, annually, the guidelines, priorities and funding programs of
the Constitutional Financing Funds, in accordance with the respective
regional development plan;

II - to approve, each year, by December 15, the financing programs of
each Fund for the following financial year, establishing, among other
parameters, financing ceilings per borrower;

III - evaluate the results obtained and determine the necessary
adjustments to the compliance with established guidelines and the
adequacy of financing activities to regional priorities;

IV - forward the financing program for the following year, referred to in
item II of the caput of this article, together with the result of the
assessment and the opinion approved by the Collegiate, to the
Permanent Joint Committee referred to in paragraph 1 of art. 166 of the
Federal Constitution, for knowledge and monitoring by the National
Congress.

........................................................... "(NR)

"Article 14-A. It is the responsibility of the Ministry of National
Integration to establish general guidelines and guidelines for the
application of the resources of the Constitutional Funding Funds of the
North, Northeast and Central West, in order to reconcile the financing programs with the guidelines of macroeconomic policy, sector policies and of the National Policy of Regional Development.

"Article 15

III - analyze the proposals in their multiple aspects, including the economic and financial feasibility of the project, by examining the cost / benefit correlation, and the future capacity of repayment of the targeted financing, to, based on the result of that analysis, Proposals in the charge ranges and grant credits;

V - report on the results achieved, performance and state of resources and applications to the Ministry of National Integration and its respective deliberative councils;

Single paragraph. By September 30 of each year, the financial institutions referred to in the caput shall submit to the Ministry of National Integration and the respective regional development agencies for analysis the proposal of the financing programs for the following year.

"Article 20. The managing banks of the Constitutional Financing Funds shall submit to the Ministry of National Integration and its regional development supervisory agencies every six months a detailed report on the activities carried out and the results obtained.

Paragraph 5. The report referred to in the main section of this article, accompanied by audited financial statements, shall be forwarded by the relevant regional development council together with its assessment, which shall take into consideration the provisions of paragraph 4 of this article, the Commission Permanent Joint Committee referred to in § 1 of art. 166 of the Federal Constitution, for inspection and control purposes, and must be assessed in the form and term of its internal regulations.

"(NR)
CHAPTER VII

OF THE NORTHEAST DEVELOPMENT FUND

Article 19. The arts. 3, 4, 5, 6, and 7 of Section II - The Northeast Development Fund of Chapter I of Provisional Measure No. 2,156-5, of August 24, 2001, shall read as follows:

"Article 3. The Northeast Development Fund - FDNE, to be managed by the Superintendency of Development of the Northeast - SUDENE, was created with the purpose of securing resources for the realization of investments in its area of operation, in infrastructure and public services and in Productive ventures with great germinative capacity of new businesses and new productive activities.

Single paragraph. (Repealed):

I - (repealed);

II - (repealed).

Paragraph 1. The Deliberative Council shall provide for the priorities for the application of the resources of the FDNE, as well as for the criteria adopted in the establishment of counterparts of States and Municipalities in investments.

Paragraph 2. Each portion of released resources will be allocated 1.5% (one and five tenths percent) for the cost of activities in research, development and technology of regional development interest, in the manner to be defined by the Deliberative Council. “ NR)

"Article 4. The resources of the Northeast Development Fund - FDNE:

I - National Treasury resources corresponding to the appropriations allocated to it in the annual budget;

II - results of financial investments to your account;

III - proceeds from the sale of securities, stock dividends and others linked to it;

IV - financial transfers from other funds intended to support regional development programs and projects covering Sudene’s area of jurisdiction;

V - other resources provided by law.
Paragraph 1. (VETOED)

Paragraph 2. (VETOED)

Paragraph 3. (VETOED)

Paragraph 4. The financial resources of the Northeast Development Fund shall be deposited in the Single Account of the National Treasury. "(NR)

"Article 6. The Northeast Development Fund shall have Banco do Nordeste do Brasil S.A. as an operator with the following competencies:

I - identification and orientation of the preparation of investment projects to be submitted to Sudene for approval;

II - if approved, the investment projects will be supported by the FDNE, through the action of the operator;

III - supervision and proof of the regularity of the projects under its conduction;

IV - proposing the release of financial resources for projects under its responsibility.

Single paragraph. The Deliberative Board shall provide for the remuneration of the operator, including the conditions for assuming the risks of each investment project. "(NR)

"Article 7. The participation of the Northeast Development Fund in the investment projects will be carried out according to the regulation to be approved by the Deliberative Council.

.............................................. ......... "(NR)

CHAPTER VIII

FINAL AND TRANSITIONAL PROVISIONS

Article 20. (VETOED)

Article 21. The Northeast Development Agency - ADENE will be extinguished on the date of publication of the decree that will establish the regimental structure and the demonstration table of the positions in commission of the Superintendency of Development of the Northeast - SUDENE.

Single paragraph. The assets of Adene will become the assets of Sudene.
Article 22. Sudene will succeed to Adene in its rights and obligations, being validated the acts practiced based on Provisional Measure No. 2.156-5, of August 24, 2001.

Single paragraph. The effective positions occupied by servers belonging to the board transferred to the Ministry of Planning, Budget and Management as a result of the provisions of § 4 of art. 21 of Provisional Measure No. 2.156-5, of August 24, 2001, as well as those that are filled in the Adene, may integrate the framework of Sudene, through redistribution, under the terms established by art. 37 of Law No. 8,122 of December 11, 1990.

Article 23. This Complementary Law shall enter into force on the date of its publication.

Article 24. Complementary Law No. 66, of June 12, 1991, is hereby revoked; The arts. 1, 2, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29 and 30 and The sole paragraph of art. 5 of Provisional Measure No. 2.156-5, of August 24, 2001; And art. 15-A of Law No. 7,827 of September 27, 1989.

Brasília, January 3, 2007; 186th of Independence and 119th of the Republic.

LUIZ INÁCIO LULA DA SILVA
Guido Mantega
Paulo Bernardo Silva
Pedro Brito Nascimento
Álvaro Augusto Ribeiro Costa

This text does not replace the one published in the DOU of 4.1.2007.
Instituí, na forma do art. 43 da Constituição Federal, a Superintendência do Desenvolvimento do Nordeste - SUDENE; estabelece sua composição, natureza jurídica, objetivos, áreas de atuação, instrumentos de ação; altera a Lei nº 7.827, de 27 de setembro de 1989, e a Medida Provisória nº 2.156, de 24 de agosto de 2001; revoga a Lei Complementar nº 66, de 12 de junho de 1991; e dá outras providências.

O PRESIDENTE DA REPÚBLICA Faço saber que o Congresso Nacional decreta e eu sanciono a seguinte Lei Complementar:

CAPÍTULO I
DA SUDENE

Art. 1º Fica instituída a Superintendência do Desenvolvimento do Nordeste - SUDENE, de natureza autárquica especial, administrativa e financeiramente autônoma, integrante do Sistema de Planejamento e de Orçamento Federal, com sede na cidade de Recife, Estado de Pernambuco, e vinculada ao Ministério da Integração Nacional.


Parágrafo único. Quaisquer municípios criados, ou que venham a sê-lo, por desmembramento dos entes municipais integrantes da área de atuação da Sudene de que trata o caput deste artigo, serão igualmente considerados como integrantes de sua área de atuação.

Art. 3º A Sudene tem por finalidade promover o desenvolvimento inclusivo e sustentável de sua área de atuação e a integração competitiva da base produtiva regional na economia nacional e internacional.

Art. 4º Compete à Sudene:

I - definir objetivos e metas econômicas e sociais que levem ao desenvolvimento sustentável de sua área de atuação;
II - formular planos e propor diretrizes para o desenvolvimento de sua área de atuação, em consonância com a política nacional de desenvolvimento regional, articulando-os com os planos nacionais, estaduais e locais;

III - propor diretrizes para definir a regionalização da política industrial que considerem as potencialidades e especificidades de sua área de atuação;

IV - articular e propor programas e ações nos Ministérios setoriais para o desenvolvimento regional, com ênfase no caráter prioritário e estratégico, de natureza supra-estadual ou sub-regional;

V - articular as ações dos órgãos públicos e fomentar a cooperação das forças sociais representativas de sua área de atuação de forma a garantir o cumprimento dos objetivos e metas de que trata o inciso I do caput deste artigo;

VI - atuar, como agente do Sistema de Planejamento e de Orçamento Federal, visando a promover a diferenciação regional das políticas públicas nacionais e a observância dos §§ 1º e 7º do art. 165 da Constituição Federal;

VII - nos termos do inciso VI do caput deste artigo, em articulação com o Ministério da Integração Nacional, assessorar o Ministério do Planejamento, Orçamento e Gestão por ocasião da elaboração do plano plurianual, da lei de diretrizes orçamentárias e do orçamento geral da União, em relação aos projetos e atividades previstas para sua área de atuação;

VIII - apoiar, em caráter complementar, investimentos públicos e privados nas áreas de infraestrutura econômica e social, capacitação de recursos humanos, inovação e difusão tecnológica, políticas sociais e culturais e iniciativas de desenvolvimento sub-regional;

IX - estimular, por meio da administração de incentivos e benefícios fiscais, os investimentos privados prioritários, as atividades produtivas e as iniciativas de desenvolvimento sub-regional em sua área de atuação, conforme definição do Conselho Deliberativo, em consonância com o § 2º do art. 43 da Constituição Federal e na forma da legislação vigente;

X - promover programas de assistência técnica e financeira internacional em sua área de atuação;

XI - propor, mediante resolução do Conselho Deliberativo, as prioridades e os critérios de aplicação dos recursos dos fundos de desenvolvimento e dos fundos setoriais na sua área de atuação, em especial aqueles vinculados ao desenvolvimento científico e tecnológico;

XII - promover o desenvolvimento econômico, social e cultural e a proteção ambiental do semi-árido, por meio da adoção de políticas diferenciadas para a sub-região.

Art. 5º São instrumentos de ação da Sudene:

I - o Plano Regional de Desenvolvimento do Nordeste;

II - o Fundo Constitucional de Financiamento do Nordeste - FNE;

III - o Fundo de Desenvolvimento do Nordeste - FDNE;

IV - (VETADO)

V - outros instrumentos definidos em lei.

§ 1º Os recursos destinados ao desenvolvimento regional de caráter constitucional, legal ou orçamentário integrarão o plano regional de desenvolvimento do Nordeste, de forma compatibilizada com o plano plurianual do Governo Federal.
Art. 6º Constituem receitas da Sudene:

I - dotações orçamentárias consignadas no Orçamento-Geral da União;

II - transferências do Fundo de Desenvolvimento do Nordeste, equivalentes a 2% (dois por cento) do valor de cada liberação de recursos;

III - outras receitas previstas em lei.

Art. 7º A Sudene compõe-se de:

I - Conselho Deliberativo;

II - Diretoria Colegiada;

III - Procuradoria-Geral, vinculada à Advocacia-Geral da União;

IV - Auditoria-Geral;

V - Ouvidoria.

CAPÍTULO II
DO CONSELHO DELIBERATIVO

Art. 8º Integram o Conselho Deliberativo da Sudene:

I - os Governadores dos Estados do Maranhão, Piauí, Ceará, Rio Grande do Norte, Paraíba, Pernambuco, Alagoas, Sergipe, Bahia, Minas Gerais e Espírito Santo;

II - os Ministros de Estado da Fazenda, da Integração Nacional e do Planejamento, Orçamento e Gestão;

III - os Ministros de Estado das demais áreas de atuação do Poder Executivo;

IV - 3 (três) representantes dos Municípios de sua área de atuação, escolhidos na forma a ser definida em ato do Poder Executivo;

V - 3 (três) representantes da classe empresarial e 3 (três) representantes da classe dos trabalhadores de sua área de atuação, indicados na forma a ser definida em ato do Poder Executivo;

VI - o Presidente do Banco do Nordeste do Brasil S/A – BNB;

VII - o Superintendente da Sudene.

§ 1º O Conselho Deliberativo será presidido pelo Ministro de Estado da Integração Nacional.

§ 2º O Presidente da República presidirá as reuniões de que participar.

§ 3º Na reunião de instalação do Conselho Deliberativo será iniciada a apreciação de proposta de regimento interno do Colegiado.
§ 4º Os governadores de Estado, quando ausentes, somente poderão ser substituídos pelo vice-governador do respectivo Estado.

§ 5º Os Ministros de Estado, quando ausentes, somente poderão ser substituídos pelo secretário-executivo do respectivo Ministério.

§ 6º Os Ministros de Estado de que trata o inciso III do caput deste artigo integrarão o Conselho, com direito a voto, sempre que a pauta assim o requerer.

§ 7º (VETADO)

§ 8º Dirigentes de órgãos, entidades e empresas públicas da administração pública federal que venham a ser convidados a participar de reuniões do Conselho não terão direito a voto.

§ 9º O dirigente da entidade federal mencionada no inciso VI do caput deste artigo somente poderá ser substituído por outro membro da diretoria.

Art. 9º O Conselho Deliberativo reunir-se-á trimestralmente ou sempre que convocado por sua Presidência, mediante proposta da Diretoria Colegiada, pautando-se por regimento interno a ser aprovado pelo Colegiado.

§ 1º O Presidente da República presidirá a reunião anual dedicada a avaliar a execução do Plano Regional de Desenvolvimento do Nordeste, no exercício anterior, e a aprovar a programação de atividades deste plano no exercício corrente.

§ 2º A Secretaria-Executiva do Conselho Deliberativo, cuja organização e funcionamento constarão do regimento interno do Colegiado, será dirigida pelo Superintendente da Sudene e terá como atribuições o encaminhamento das decisões submetidas ao Colegiado e o acompanhamento das resoluções do Conselho.

Art. 10. Competem ao Conselho Deliberativo, com apoio administrativo, técnico e institucional de sua Secretaria-Executiva, as seguintes atribuições:

I - estabelecer as diretrizes de ação e formular as políticas públicas para o desenvolvimento de sua área de atuação;

II - propor projeto de lei que instituirá o plano e os programas regionais de desenvolvimento do Nordeste a ser encaminhado ao Congresso Nacional para apreciação e deliberação;

III - acompanhar e avaliar a execução do plano e dos programas regionais do Nordeste e determinar as medidas de ajustes necessárias ao cumprimento dos objetivos, diretrizes e metas do Plano Regional de Desenvolvimento do Nordeste;

IV - criar comitês permanentes ou provisórios, fixando no ato da sua criação suas composições e atribuições;

V - estabelecer os critérios técnicos e científicos para delimitação do semi-árido incluído na área de atuação da Sudene.

§ 1º Com o objetivo de promover a integração das ações de apoio financeiro aos projetos de infra-estrutura e de serviços públicos e aos empreendimentos produtivos, o Conselho Deliberativo estabelecerá as normas para a criação, a organização e o funcionamento do Comitê Regional das Instituições Financeiras Federais, que terá caráter consultivo.
§ 2º O Comitê Regional das Instituições Financeiras Federais será presidido pelo Superintendente da Sudene e integrado por representantes da administração superior do Banco do Brasil S.A., do Banco do Nordeste do Brasil S.A., do Banco Nacional de Desenvolvimento Econômico e Social e da Caixa Econômica Federal.

§ 3º Com o objetivo de promover a integração das ações dos órgãos e entidades federais na sua área de atuação, o Conselho Deliberativo estabelecerá as normas para a criação, a organização e o funcionamento do Comitê Regional de Articulação dos Órgãos e Entidades Federais, que terá caráter consultivo.

§ 4º O Comitê Regional de Articulação dos Órgãos e Entidades Federais será presidido pelo Superintendente da Sudene e integrado por representantes das entidades federais de atuação regionalizada e as delegacias e representações de órgãos e entidades federais em sua área de atuação.

§ 5º Em relação ao Fundo Constitucional de Financiamento do Nordeste - FNE, compete ao Conselho Deliberativo:

I - estabelecer, anualmente, as prioridades para aplicação dos recursos no exercício seguinte;

II - definir os empreendimentos de infra-estrutura econômica considerados prioritários para a economia regional;

III - (VETADO)

IV - avaliar os resultados obtidos e determinar as medidas de ajustes necessárias ao cumprimento dos programas de financiamento aprovados e à adequação dos financiamentos às prioridades regionais;

V - aprovar anualmente, até o dia 15 de dezembro, as prioridades e os programas de financiamento, observadas as diretrizes e orientações gerais estabelecidas pelo Ministério da Integração Nacional.

§ 6º Como órgão gestor do Fundo de Desenvolvimento do Nordeste - FDNE, com base em proposta de sua Secretaria-Executiva e em consonância com o plano regional de desenvolvimento, compete ao Conselho Deliberativo:

I - estabelecer, anualmente, as prioridades para as aplicações dos recursos, no exercício seguinte, observadas as diretrizes e orientações gerais estabelecidas pelo Ministério da Integração Nacional, no financiamento aos empreendimentos de grande relevância para a economia regional;

II - (VETADO)

CAPÍTULO III
DA DIRETORIA COLEGIADA

Art. 11. Compete à Diretoria Colegiada:

I - assistir o Conselho Deliberativo, suprindo-o das informações, estudos e projetos que se fizerem necessários ao exercício de suas respectivas atribuições;

II - exercer a administração da Sudene;

III - editar normas sobre matérias de competência da Sudene;

IV - aprovar o regimento interno da Sudene;

V - cumprir e fazer cumprir as diretrizes e propostas aprovadas pelo Conselho Deliberativo;
VI - estudar e propor diretrizes para o desenvolvimento de sua área de atuação, consolidando as propostas no plano regional de desenvolvimento do Nordeste, com metas e com indicadores objetivos para avaliação e acompanhamento;

VII - assegurar a elaboração de avaliação anual da ação federal na sua área de atuação;

VIII - encaminhar a proposta de orçamento da Sudene ao Ministério da Integração Nacional;

IX - encaminhar os relatórios de gestão e os demonstrativos contábeis da Sudene aos órgãos competentes;

X - autorizar a divulgação de relatórios sobre as atividades da Sudene;

XI - decidir pela venda, cessão ou aluguel de bens integrantes do patrimônio da Sudene;

XII - notificar e aplicar as sanções previstas na legislação;

XIII - conhecer e julgar pedidos de reconsideração de decisões de membros da Diretoria.

§ 1º A Diretoria Colegiada será presidida pelo Superintendente da Sudene e composta por mais 4 (quatro) diretores, todos nomeados pelo Presidente da República.

§ 2º (VETADO)

§ 3º As decisões relacionadas com as competências institucionais da Sudene serão tomadas pela Diretoria Colegiada.

§ 4º A estrutura básica da Sudene e as competências das unidades serão estabelecidas em ato do Poder Executivo.

Art. 12. (VETADO)

CAPÍTULO IV

DO PLANO REGIONAL DE DESENVOLVIMENTO DO NORDESTE

Art. 13. O Plano Regional de Desenvolvimento do Nordeste, que abrangerá a área referida no caput do art. 2º desta Lei Complementar, elaborado em consonância com a Políticas Nacional de Desenvolvimento Regional, será um instrumento de redução das desigualdades regionais.

§ 1º A Sudene, em conjunto com o Ministério da Integração Nacional e os Ministérios setoriais, os órgãos e entidades federais presentes na área de atuação e em articulação com os governos estaduais, elaborará a minuta do projeto de lei que instituirá o Plano Regional de Desenvolvimento do Nordeste, o qual será submetido ao Congresso Nacional nos termos do inciso IV do art. 48, do § 4º do art. 165 e do inciso II do § 1º do art. 166 da Constituição Federal.

§ 2º O Plano Regional de Desenvolvimento do Nordeste compreenderá programas, projetos e ações necessários para atingir os objetivos e as metas econômicas e sociais do Nordeste, com identificação das respectivas fontes de financiamento.

§ 3º O Plano Regional de Desenvolvimento do Nordeste terá vigência de 4 (quatro) anos, será revisado anualmente e tramitará juntamente com Plano Plurianual (PPA).
§ 4º O Plano Regional de Desenvolvimento do Nordeste compreenderá metas anuais e quadrienais para as políticas públicas federais relevantes para o desenvolvimento da área de atuação da Sudene.


§ 1º O Plano Regional de Desenvolvimento do Nordeste terá como objetivos, entre outros:

I - diminuição das desigualdades espaciais e interpessoais de renda;
II - geração de emprego e renda;
III - redução das taxas de mortalidade materno-infantil;
IV - redução da taxa de analfabetismo;
V - melhoria das condições de habitação;
VI - universalização do saneamento básico;
VII - universalização dos níveis de ensino infantil, fundamental e médio;
VIII - fortalecimento do processo de interiorização do ensino superior;
IX - garantia de implantação de projetos para o desenvolvimento tecnológico;
X - garantia da sustentabilidade ambiental.

§ 2º Para monitoramento e acompanhamento dos objetivos definidos no § 1º deste artigo, serão utilizados os dados produzidos pelos institutos de estatística dos poderes públicos federal, estaduais e municipais reconhecidos nacionalmente, além de relatórios produzidos pelos Ministérios setoriais.

Art. 15. (VETADO)


§ 1º O relatório será encaminhado à Comissão Mista referida no § 1º do art. 166 da Constituição Federal e às demais comissões temáticas pertinentes do Congresso Nacional, obedecido o mesmo prazo de encaminhamento do projeto de lei orçamentária da União.

§ 2º O relatório deverá avaliar o cumprimento dos planos, diretrizes de ação e propostas de políticas públicas federais destinadas à área de atuação da Sudene e, a partir dessa avaliação, subsidiar a apreciação do projeto de lei orçamentária da União pelo Congresso Nacional.
DO FUNDO CONSTITUCIONAL DE FINANCIAMENTO

Art. 18. A Lei nº 7.827, de 27 de setembro de 1989, passa a viger com as seguintes alterações:

"Art. 4º ..............................................
§ 1º Os Fundos Constitucionais de Financiamento financiarão empreendimentos de infra-estrutura econômica, inclusive os de iniciativa de empresas públicas não-dependentes de transferências financeiras do Poder Público, considerados prioritários para a economia em decisão do respectivo conselho deliberativo.

....................................................." (NR)

"Art. 5º ..............................................

..................................................................

IV - semi-árido, a região natural inserida na área de atuação da Superintendência de Desenvolvimento do Nordeste - Sudene, definida em portaria daquela Autarquia." (NR)

"Art. 7º ..............................................
Parágrafo único. O Ministério da Fazenda informará, mensalmente, ao Ministério da Integração Nacional, às respectivas superintendências regionais de desenvolvimento e aos bancos administradores dos Fundos Constitucionais de Financiamento a soma da arrecadação do imposto sobre a renda e proventos de qualquer natureza e do imposto sobre produtos industrializados, o valor das liberações efetuadas para cada Fundo, bem como a previsão de datas e valores das 3 (três) liberações imediatamente subseqüentes." (NR)

"Art. 14. Cabe ao Conselho Deliberativo da respectiva superintendência de desenvolvimento das regiões Norte, Nordeste e Centro-Oeste:

I - estabelecer, anualmente, as diretrizes, prioridades e programas de financiamento dos Fundos Constitucionais de Financiamento, em consonância com o respectivo plano regional de desenvolvimento;

II - aprovar, anualmente, até o dia 15 de dezembro, os programas de financiamento de cada Fundo para o exercício seguinte, estabelecendo, entre outros parâmetros, os tetos de financiamento por mutuário;

III - avaliar os resultados obtidos e determinar as medidas de ajustes necessárias ao cumprimento das diretrizes estabelecidas e à adequação das atividades de financiamento às prioridades regionais;

IV - encaminhar o programa de financiamento para o exercício seguinte, a que se refere o inciso II do caput deste artigo, juntamente com o resultado da apreciação e o parecer aprovado pelo Colegiado, à Comissão Mista permanente de que trata o § 1º do art. 166 da Constituição Federal, para conhecimento e acompanhamento pelo Congresso Nacional.

....................................................." (NR)
"Art. 14-A. Cabe ao Ministério da Integração Nacional estabelecer as diretrizes e orientações gerais para as aplicações dos recursos dos Fundos Constitucionais de Financiamento do Norte, Nordeste e Centro-Oeste, de forma a compatibilizar os programas de financiamento com as orientações da política macroeconômica, das políticas setoriais e da Política Nacional de Desenvolvimento Regional."

"Art. 15.

III - analisar as propostas em seus múltiplos aspectos, inclusive quanto à viabilidade econômica e financeira do empreendimento, mediante exame da correlação custo/benefício, e quanto à capacidade futura de reembolso do financiamento almejado, para, com base no resultado dessa análise, enquadrar as propostas nas faixas de encargos e deferir créditos;

V - prestar contas sobre os resultados alcançados, desempenho e estado dos recursos e aplicações ao Ministério da Integração Nacional e aos respectivos conselhos deliberativos;

Parágrafo único. Até o dia 30 de setembro de cada ano, as instituições financeiras de que trata o caput encaminharão ao Ministério da Integração Nacional e às respectivas superintendências regionais de desenvolvimento para análise a proposta dos programas de financiamento para o exercício seguinte." (NR)

"Art. 20. Os bancos administradores dos Fundos Constitucionais de Financiamento apresentarão, semestralmente, ao Ministério da Integração Nacional e às respectivas superintendências regionais de desenvolvimento relatório circunstanciado sobre as atividades desenvolvidas e os resultados obtidos.

§ 5º O relatório de que trata o caput deste artigo, acompanhado das demonstrações contábeis, devidamente auditadas, será encaminhado pelo respectivo conselho deliberativo de desenvolvimento regional, juntamente com sua apreciação, a qual levará em consideração o disposto no § 4º deste artigo, à Comissão Mista permanente de que trata o § 1º do art. 166 da Constituição Federal, para efeito de fiscalização e controle, devendo ser apreciado na forma e no prazo do seu regimento interno." (NR)

CAPÍTULO VII

DO FUNDO DE DESENVOLVIMENTO DO NORDESTE

Art. 19. Os arts. 3º, 4º, 5º, 6º e 7º da Seção II - Do Fundo de Desenvolvimento do Nordeste do Capítulo I da Medida Provisória nº 2.156-5, de 24 de agosto de 2001, passam a vigorar com a seguinte redação:

"Art. 3º Fica criado o Fundo de Desenvolvimento do Nordeste - FDNE, a ser gerido pela Superintendência de Desenvolvimento do Nordeste - SUDENE com a finalidade de assegurar recursos para a realização de investimentos, em sua área de atuação, em infra-estrutura e serviços públicos e em empreendimentos
produtivos com grande capacidade germinativa de novos negócios e de novas atividades produtivas.

Parágrafo único. (Revogado):

I - (revogado);

II - (revogado).

§ 1º O Conselho Deliberativo disporá sobre as prioridades de aplicação dos recursos do FDNE, bem como sobre os critérios adotados no estabelecimento de contrapartida dos Estados e dos Municípios nos investimentos.

§ 2º A cada parcela de recursos liberados será destinado 1,5% (um inteiro e cinco décimos por cento) para custeio de atividades em pesquisa, desenvolvimento e tecnologia de interesse do desenvolvimento regional, na forma a ser definida pelo Conselho Deliberativo.¹ (NR)

¹Art. 4º Constituem recursos do Fundo de Desenvolvimento do Nordeste - FDNE:

I - os recursos do Tesouro Nacional correspondentes às dotações que lhe foram consignadas no orçamento anual;

II - resultados de aplicações financeiras à sua conta;

III - produto da alienação de valores mobiliários, dividendos de ações e outros a ele vinculados;

IV - transferências financeiras de outros fundos destinados ao apoio de programas e projetos de desenvolvimento regional que contemplem a área de jurisdição da Sudene;

V - outros recursos previstos em lei.

§ 1º (VETADO)

§ 2º (VETADO)

§ 3º (VETADO)

§ 4º As disponibilidades financeiras do Fundo de Desenvolvimento do Nordeste ficarão depositadas na Conta Única do Tesouro Nacional.² (NR)

²Art. 6º O Fundo de Desenvolvimento do Nordeste terá o Banco do Nordeste do Brasil S.A. como agente operador com as seguintes competências:

I - identificação e orientação à preparação de projetos de investimentos a serem submetidos à aprovação da Sudene;

II - caso sejam aprovados, os projetos de investimentos serão apoiados pelo FDNE, mediante a ação do agente operador;

III - fiscalização e comprovação da regularidade dos projetos sob sua condução;
IV - propostão da liberação de recursos financeiros para os projetos em implantação sob sua responsabilidade.

Parágrafo único. O Conselho Deliberativo disporá sobre a remuneração do agente operador, inclusive sobre as condições de assunção dos riscos de cada projeto de investimento. *(NR)*

"Art. 7º A participação do Fundo de Desenvolvimento do Nordeste nos projetos de investimento será realizada conforme dispuser o regulamento a ser aprovado pelo Conselho Deliberativo.

\[\text{NR}\]

CAPÍTULO VIII

DISPOSIÇÕES FINAIS E TRANSITÓRIAS

Art. 20. *(VETADO)*

Art. 21. A Agência de Desenvolvimento do Nordeste - ADENE será extinta na data de publicação do decreto que estabelecerá a estrutura regimental e o quadro demonstrativo dos cargos em comissão da Superintendência do Desenvolvimento do Nordeste - SUDENE.

Parágrafo único. Os bens da Adene passarão a constituir o patrimônio social da Sudene.


Parágrafo único. Os cargos efetivos ocupados por servidores integrantes do quadro transferido para o Ministério do Planejamento, Orçamento e Gestão em decorrência do disposto no § 4º do art. 21 da Medida Provisória nº 2.156-5, de 24 de agosto de 2001, bem como os que estão lotados na Adene, poderão integrar o quadro da Sudene, mediante redistribuição, nos termos estabelecidos pelo art. 37 da Lei nº 8.112, de 11 de dezembro de 1990.

Art. 23. Esta Lei Complementar entra em vigor na data de sua publicação.

Art. 24. Ficam revogados a Lei Complementar nº 66, de 12 de junho de 1991; os arts. 1º, 2º, 8º, 9º, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29 e 30 e o parágrafo único do art. 5º da Medida Provisória nº 2.156-5, de 24 de agosto de 2001; e o art. 15-A da Lei nº 7.827, de 27 de setembro de 1989.

Brasília, 3 de janeiro de 2007; 186º da Independência e 119º da República.

LUÍZ INÁCIO LULA DA SILVA
Guido Mantega
Paulo Bernardo Silva
Pedro Brito Nascimento
Alvaro Augusto Ribeiro Costa

Este texto não substitui o publicado no DOU de 4.1.2007.
Exhibit CVD - BR - 26
Presidency of the Republic  
Civil House  
Legal Sub-Office  

DECREE NO 4,212, OF APRIL 26, 2002.

It defines the priority sectors of the economy for the regional development, in the areas of action of the extinct SUDAM, and gives other measures.

THE PRESIDENT OF THE REPUBLIC, using the assignment conferred by art. 84, item IV, of the Constitution, and in view of the provisions of Provisional Measure No. 2,199-14 of August 24, 2001,

DECREES:

Art. 1 This Decree defines priority projects for regional development, in the areas of action of the extinct Amazon Development Authority (SUDAM), for the purposes of income tax reduction benefits, including reinvestment benefits, which are dealt with in arts. 1, 2 and 3 of Provisional Measure No. 2.199-14 of August 24, 2001.

Art. 2 The enterprises in the following sectors are considered priorities for the purposes of the benefits referred to in art. 1

I - infrastructure, represented by energy projects, telecommunications, transport, gas pipeline installation, gas production, water supply and sewage;

II - tourism, considering hotel developments, convention centers and other projects, integrated or not to tourist complexes, located in priority areas for ecotourism and regional tourism;

III - agroindustry linked to the production of natural textile fibers; vegetable oils; Juices, preserves and soft drinks; the production and industrialization of meat and meat products; aquaculture and fish farming;

IV - from irrigated agriculture, to projects located in agricultural and agroindustrial centers for the production of agroindustrial foods and raw materials;

V - the mining industry of metallic minerals, represented by productive complexes for the use of mineral resources of the region;

EAST:138148317.1
VI - the processing industry, comprising the following groups:

a) textile, articles of clothing, hides and skins, leather and plastic footwear and their components;

b) bioindustrial, linked to the manufacture of products derived from the use of regional biodiversity, in the segments of pharmaceuticals, phytotherapics, cosmetics and other biotechnological products;

c) manufacture of machines and equipment (excluding weapons, ammunition and war equipment), considered to be of general use, for the manufacture of machine tools and manufacture of other machines and equipment of specific use;

d) non-metallic minerals, metallurgy, steel and mechanical industries;

e) chemical (excluding explosives) and petrochemical, plastic materials, including oil production and its derivatives;

f) pulp and paper, provided that they are integrated into reforestation projects, except when using recycled material; paper and cardboard pulps, paper products, paperboard, paperboard and corrugated cardboard; (Redaction made by Decree No. 6,810, of 2009).

g) wood, furniture and wooden articles; (Redaction made by Decree No. 6,810, of 2009).

h) food and drink; and (Redaction made by Decree No. 6,810, of 2009).

i) disposable material, including razors, ballpoint and hydrographic pens, markers, pencils, resin pencils, spare leads, pencil sharpeners, brushes, lighters, key rings and other disposable articles; (Included by Decree No. 6,810, of 2009).

VII - of electro-electronics, mechatronics, informatics, biotechnology, vehicles, exclusive of four wheels, components and auto parts;

VIII - components industry (microelectronics);

IX - manufacture of packaging and wrapping; and

X - manufacture of pharmaceutical products, considered to be the pharmacokinetics and medicinal products for human use.

XI - toys manufacturing; (Included by Decree No. 6,810, of 2009).
XII - manufacture of optical products, including spectacles, frames and lenses; and (Included by Decree No. 6,810, of 2009).

XIII - manufacture of watches. (Included by Decree No. 6,810, of 2009).

Art. 3 The right to reduce corporate income tax and additional non-refundable income on the operating profit of the extinct SUDAM will be recognized by the unit of the Federal Revenue Secretariat of the Ministry of Finance, which is the legal entity instructed with the award issued by the Ministry of National Integration.

§ 1 The head of the unit of the Federal Revenue Secretariat shall decide on the application within one hundred and twenty days from the respective submission of the application to the competent tax office.

§ 2 Once the period indicated in paragraph 1 has expired, without the applicant having been notified of the decision contrary to the request and as long as there is no irreversible decision, the interested party will automatically be considered in full possession of the reduction sought.

§ 3 The order that denies, partially or totally, the request of the applicant, shall be appealed to the Federal Revenue Office of Judgment, within a period of thirty days, counting from the knowledge of the denial order.

§ 4 - The decision of the Federal Revenue Office of Judgment that refuses the request becomes unappealable at the administrative level.

§ 5 In the event of Paragraph 4, the competent office will proceed with the posting of amounts that, until then, have been reduced from the tax due, and the debt is collected.

§ 6 The collection provided for in paragraph 5 shall not reach the amounts corresponding to the reductions made during the period in which the interested legal entity is in full enjoyment of the reduction referred to in § 2.

Art. 4 This Decree enters into force on the date of its publication.

Brasilia, April 26, 2002; 181st of Independence and 114th of the Republic.

FERNANDO HENRIQUE CARDOSO
Pedro Malan
Guilherme Gomes Dias
Mary Dayse Kinzo

This text does not replace the one published in the DOU of 26.4.2002
Presidência da República  
Casa Civil  
Subchefia para Assuntos Jurídicos  


Define os setores da economia prioritários para o desenvolvimento regional, nas áreas de atuação da extinta SUDAM, e dá outras providências.  

O PRESIDENTE DA REPÚBLICA, no uso da atribuição que lhe confere o art. 84, inciso IV, da Constituição, e tendo em vista o disposto na Medida Provisória nº 2.199-14, de 24 de agosto de 2001,  

DECRETA:  

Art. 1º Este Decreto define os empreendimentos prioritários para o desenvolvimento regional, nas áreas de atuação da extinta Superintendência do Desenvolvimento da Amazônia - SUDAM, para fins dos benefícios de redução do imposto de renda, inclusive de reinvestimento, de que tratam os arts. 1º, 2º e 3º da Medida Provisória nº 2.199-14, de 24 de agosto de 2001.  

Art. 2º São considerados prioritários para fins dos benefícios de que trata o art. 1º, os empreendimentos nos seguintes setores:  

I - de infra-estrutura, representados pelos projetos de energia, telecomunicações, transportes, instalação de gasodutos, produção de gás, abastecimento de água e esgotamento sanitário;  

II - de turismo, considerando os empreendimentos hoteleiros, centros de convenções e outros projetos, integrados ou não a complexos turísticos, localizados em áreas prioritárias para o ecoturismo e turismo regional;  

III - da agroindústria vinculados à produção de fibras têxteis naturais; óleos vegetais; sucos, conservas e refrigerantes; à produção e industrialização de carne e seus derivados; aquicultura e piscicultura;  

IV - da agricultura irrigada, para projetos localizados em pólos agrícolas e agroindustriais objetivando a produção de alimentos e matérias primas agroindustriais;  

V - da indústria extrativa de minerais metálicos, representados por complexos produtivos para o aproveitamento de recursos minerais da região;  

VI - da indústria de transformação, compreendendo os seguintes grupos:  

a) têxtil, artigos do vestuário, couros e peles, calçados de couro e de plástico e seus componentes;  

b) bioindustriais, vinculados à fabricação de produtos decorrentes do aproveitamento da biodiversidade regional, nos segmentos de fármacos, fitoterápicos, cosméticos e outros produtos biotecnológicos;  

c) fabricação de máquinas e equipamentos (exclusive armas, munições e equipamentos bélicos), considerados os de uso geral, para a fabricação de máquinas-ferramenta e fabricação de outras máquinas e equipamentos de uso específico;  

d) minerais não-metálicos, metalurgia, siderurgia e mecânico;  

e) químicos (exclusive de explosivos) e petroquímico, materiais plásticos, inclusive produção de petróleo e seus derivados;  

f) de celulose e papel, desde que integrados a projetos de reflorestamento; pastas de papel e papelão;
g) madeira, móveis e artefatos de madeira; e
h) alimentos e bebidas;

f) de celulose e papel, desde que integrados a projetos de reflorestamento, salvo quando utilizarem material reciclado; pastas de papel e papelão, artefatos de papel, cartolina, papel-cartão e papelão ondulado; (Redação dada pelo Decreto nº 6.810, de 2009).

g) madeira, móveis e artefatos de madeira; (Redação dada pelo Decreto nº 6.810, de 2009).

h) alimentos e bebidas; e (Redação dada pelo Decreto nº 6.810, de 2009).

i) material descartável, inclusive barbeador, canetas esferográficas e hidrográficas, demarcadores, lapiseiras, lápis de resina, minas de reposição, apontadores para lápis, escovas, isqueiros, chaveiros e outros artefatos descartáveis; (Incluído pelo Decreto nº 6.810, de 2009).

VII - da eletrônia, mecatrônica, informática, biotecnologia, veículos, exclusive de quatro rodas, componentes e autopeças;

VIII - indústria de componentes (microeletrônica);

IX - fabricação de embalagem e acondicionamentos; e

X - fabricação de produtos farmacêuticos, considerados os farmoqulmicos e medicamentos para uso humano.

XI - fabricação de brinquedos; (Incluído pelo Decreto nº 6.810, de 2009).

XII - fabricação de produtos óticos, incluindo óculos, armações e lentes; e (Incluído pelo Decreto nº 6.810, de 2009).


Art. 3º O direito à redução do imposto sobre a renda das pessoas jurídicas e adicionais não-restituíveis incidentes sobre o lucro da exploração, na área de atuação da extinta SUDAM, será reconhecido pela unidade da Secretaria da Receita Federal do Ministério da Fazenda a que estiver jurisdicionada a pessoa jurídica, instruído com o laudo expedido pelo Ministério da Integração Nacional.

§ 1º O chefe da unidade da Secretaria da Receita Federal decidirá sobre o pedido em cento e vinte dias contados da respectiva apresentação do requerimento à repartição fiscal competente.

§ 2º Expirado o prazo indicado no § 1º, sem que a requerente tenha sido notificada da decisão contrária ao pedido e enquanto não sobrevier decisão irrecorrível, considerar-se-á a interessada automaticamente no pleno gozo da redução pretendida.

§ 3º Do despacho que denegar, parcial ou totalmente, o pedido da requerente, caberá impugnação para a Delegacia da Receita Federal de Julgamento, dentro do prazo de trinta dias, a contar da ciência do despacho denegatório.

§ 4º Torna-se irrecorrível, na esfera administrativa, a decisão da Delegacia da Receita Federal de Julgamento que denegar o pedido.

§ 5º Na hipótese do § 4º, a repartição competente procederá ao lançamento das importâncias que, até então, tenham sido reduzidas do imposto devido, efetuando-se a cobrança do débito.

§ 6º A cobrança prevista no § 5º não alcançará as parcelas correspondentes às reduções feitas durante o período em que a pessoa jurídica interessada esteja em pleno gozo da redução de que trata o § 2º.

Art. 4º Este Decreto entra em vigor na data de sua publicação.

Brasília, 26 de abril de 2002; 181º da Independência e 114º da República.
Este texto não substitui o publicado no DOU de 26.4.2002
Exhibit CVD - BR - 27
Presidency of the Republic
Civil House
Legal Sub-Office

DECREE No. 4.213, OF APRIL 26, 2002.

It defines the priority sectors of the economy for regional development, in the areas of action of the extinct SUDENE, and gives other measures.

THE PRESIDENT OF THE REPUBLIC, using the assignment conferred by art. 84, item IV, of the Constitution, and in view of the provisions of Provisional Measure No. 2.199-14 of August 24, 2001,

DECREES:

Art. 1. This Decree defines priority projects for regional development, in the areas of operation of the extinct Superintendency of Development of the Northeast - SUDENE, for the purposes of the income tax reduction benefits, including reinvestment benefits, which are dealt with in arts. 1, 2 and 3 of Provisional Measure No. 2,199-14 of August 24, 2001.

Art. 2. The following are considered priorities for the purposes of the benefits referred to in art. The enterprises in the following sectors:

I - infrastructure, represented by energy projects, telecommunications, transport, gas pipeline installation, gas production, water supply and sewage;

II - tourism, considering hotel developments, convention centers and other projects, integrated or not to tourist complexes, located in priority areas for regional development;

III - agribusiness linked to irrigated agriculture, fish farming and aquaculture;

IV - from irrigated agriculture, from fruit growing, to projects located in agricultural and agroindustrial centers for the production of agroindustrial foods and raw materials, geared to internal and external markets;

V - of the mining industry of metallic minerals, represented by productive complexes for the use of mineral resources of the region;

VI - of the processing industry, comprising the following groups:

a) textile, articles of clothing, hides and skins, leather and plastic footwear and their components;

b) pharmaceutical products, considered to be the pharmacokinetics and medicinal products for human use;

c) manufacture of machines and equipment (excluding weapons, ammunition and war equipment), considered to be of general use, for the manufacture of machine tools and manufacture of other machines and equipment of specific use;

d) non-metallic minerals, metallurgy, steel and mechanical industries;

e) chemicals (excluding explosives) and petrochemicals, plastic materials, including the production of petroleum and its derivatives;
f) pulp and paper, provided that they are integrated into reforestation projects; paper and cardboard pulp;
g) transport material;
h) wood, furniture and wooden articles; and
i) food and drink;

VII - of electro-economics, mechatronics, informatics, biotechnology, vehicles, components and auto parts; and

VIII - of the components industry (microelectronics).

Art. 3. The right to reduce corporate income tax and additional non-refundable taxes on operating profits in the area of operation of the extinct SUDENE shall be recognized by the unit of the Internal Revenue Service of the Ministry of Finance, which is the legal entity instructed with the award issued by the Ministry of National Integration.

§ 1 The head of the unit of the Federal Revenue Secretariat shall decide on the application within one hundred and twenty days from the respective submission of the application to the competent tax office.

§ 2 Once the period indicated in paragraph 1 has expired, without the applicant having been notified of the decision contrary to the request and as long as there is no irreversible decision, the interested party will automatically be considered in full possession of the reduction sought.

§ 3 The order that denies, partially or totally, the request of the applicant, shall be appealed to the Federal Revenue Office of Judgment, within a period of thirty days, counting from the knowledge of the denial order.

§ 4 The decision of the Federal Revenue Office of Judgment that refuses the request becomes unappealable at the administrative level.

§ 5 In the event of Paragraph 4, the competent office will proceed with the posting of amounts that, until then, have been reduced from the tax due, and the debt is collected.

§ 6 The collection provided for in paragraph 5 shall not reach the amounts corresponding to the reductions made during the period in which the interested legal entity is in full enjoyment of the reduction referred to in § 2.

Art. 4 This Decree enters into force on the date of its publication.

Brasília, April 26, 2002; 181st of Independence and 114th of the Republic.

FERNANDO HENRIQUE CARDOSO
Pedro Malan
Guilherme Gomes Dias
Mary Dayse Kinzo

This text does not replace the one published in D.O.U. of 26.4.2002
Presidência da República
Casa Civil
Subchefia para Assuntos Jurídicos


Define os setores da economia prioritários para o desenvolvimento regional, nas áreas de atuação da extinta SUDENE, e dá outras providências.

O PRESIDENTE DA REPÚBLICA, no uso da atribuição que lhe confere o art. 84, inciso IV, da Constituição, e tendo em vista o disposto na Medida Provisória nº 2.199-14, de 24 de agosto de 2001,

DECRETA:

Art. 1º Este Decreto define os empreendimentos prioritários para o desenvolvimento regional, nas áreas de atuação da extinta Superintendência do Desenvolvimento do Nordeste - SUDENE, para fins dos benefícios de redução do imposto de renda, inclusive de reinvestimento, de que tratam os arts. 1º, 2º e 3º da Medida Provisória nº 2.199-14, de 24 de agosto de 2001.

Art. 2º São considerados prioritários para fins dos benefícios de que trata o art. 1º, os empreendimentos nos seguintes setores:

I - de infra-estrutura, representados pelos projetos de energia, telecomunicações, transportes, instalação de gasodutos, produção de gás, abastecimento de água e esgotamento sanitário;

II - de turismo, considerando os empreendimentos hoteleiros, centros de convenções e outros projetos, integrados ou não a complexos turísticos, localizados em áreas prioritárias para o desenvolvimento regional;

III - da agroindústria vinculados à agricultura irrigada, piscicultura e aquicultura;

IV - da agricultura irrigada, da fruticultura, em projetos localizados em pólos agrícolas e agroindustriais objetivando a produção de alimentos e matérias primas agroindustriais, voltados para os mercados internos e externos;

V - da indústria extrativa de minerais metálicos, representados por complexos produtivos para o aproveitamento de recursos minerais da região;

VI - da indústria de transformação, compreendendo os seguintes grupos:

a) têxtil, artigos do vestuário, couros e peles, calçados de couro e de plástico e seus componentes;

b) produtos farmacêuticos, considerados os farmoquímicos e medicamentos para uso humano;

c) fabricação de máquinas e equipamentos (exclusive armas, munições e equipamentos bélicos), considerados os de uso geral, para a fabricação de máquinas-ferramenta e fabricação de outras máquinas e equipamentos de uso específico;

d) minerais não-metálicos, metalurgia, siderurgia e mecânico;

e) químicos (exclusive de explosivos) e petroquímicos, materiais plásticos, inclusive produção de petróleo e seus derivados;

f) de celulose e papel, desde que integrados a projetos de reflorestamento; de pastas de papel e papelão;

g) material de transporte;
h) madeira, móveis e artefatos de madeira; e
  i) alimentos e bebidas;

VII - da eletrónica, mecatrónica, informática, biotecnologia, veículos, componentes e autopeças; e

VIII - da indústria de componentes (microeletrônica).

Art. 3º O direito à redução do imposto sobre a renda das pessoas jurídicas e adicionais não-restituíveis incidentes sobre o lucro da exploração, na área de atuação da extinta SUDENE será reconhecido pela unidade da Secretaria da Receita Federal do Ministério da Fazenda a que estiver jurisdicionada a pessoa jurídica, instruído com o laudo expedido pelo Ministério da Integração Nacional.

§ 1º O chefe da unidade da Secretaria da Receita Federal decidirá sobre o pedido em cento e vinte dias contados da respectiva apresentação do requerimento à repartição fiscal competente.

§ 2º Expirado o prazo indicado no § 1º, sem que a requerente tenha sido notificada da decisão contrária ao pedido e enquanto não sobrevier decisão irrecorrível, considerar-se-á a interessada automaticamente no pleno gozo da redução pretendida.

§ 3º Do despacho que denegar, parcial ou totalmente, o pedido da requerente, caberá impugnação para a Delegacia da Receita Federal de Julgamento, dentro do prazo de trinta dias, a contar da ciência do despacho denegatório.

§ 4º Torna-se irrecorrível, na esfera administrativa, a decisão da Delegacia da Receita Federal de Julgamento que denegar o pedido.

§ 5º Na hipótese do § 4º, a repartição competente procederá ao lançamento das importâncias que, até então, tenham sido reduzidas do imposto devido, efetuando-se a cobrança do débito.

§ 6º A cobrança prevista no § 5º não alcançará as parcelas correspondentes às reduções feitas durante o período em que a pessoa jurídica interessada esteja em pleno gozo da redução de que trata o § 2º.

Art. 4º Este Decreto entra em vigor na data de sua publicação.

Brasília, 26 de abril de 2002; 181º da Independência e 114º da República.

FERNANDO HENRIQUE CARDOSO
Pedro Malan
Guilherme Gomes Dias
Mary Dayse Kinzo

Este texto não substitui o publicado no D.O.U. de 26.4.2002
IRPJ Fixed and Staggered Reduction

- MANUAL OF FIXED REDUCTION OF 75% OF IRPJ

Tax incentive for legal entities holding projects for the implementation, modernization, expansion or diversification of enterprises, registered in Sudam, until 12/31/2018, with a reduction of 75% (seventy-five percent) of IRPJ, including additional non-refundable, for a period of ten years.

Requirements for incentive:

- The producing unit must be located and functioning in the Legal Amazon;
- The activity of the enterprise must be related to the sectors of the economy considered to be priorities for regional development, according to Decree 4.212 / 2002.
- The enterprise must be producing or operating with more than 20% of the real installed capacity of the enterprise.

Modalities for presentation of projects (Portaria MI 283/2013):

- implantation - the introduction of a new production unit on the market;
- expansion - the increase in the actual installed capacity of one or more production lines of the production unit;
- diversification - the introduction of one or more production lines with or without the exclusion of existing production lines resulting in a product different from those produced by the company; and
- modernization - occurrence of the introduction of new technologies or new methods or more rational means of production or of changes in the product, aiming at improvements in the production process or in the final product:

1.a) total modernization - when, after the occurrences mentioned in the caput of this section, introduced in the original production line, it is characterized that there were modifications in the productive process and/or the good or final service capable of presenting more rational results in relation to the previous production; and

2.b) partial modernization - when there are changes in stage(s) of the production process, by the scrapping of equipment directly connected to that stage, with an increase in the actual capacity installed in the modernized production line by at least twenty percent, in the cases of infrastructure projects or fifty percent in other cases of priority projects.
Redução Fixa e Escalonada do IRPJ

- MANUAL DE REDUÇÃO FIXA DE 75% DO IRPJ
  (/conteudo/menus/retratil/incentivosfiscais/arquivos/manual-de-instrucoes-junho2016.pdf)

Incentivo fiscal às pessoas jurídicas titulares de projetos de implantação, modernização, ampliação ou diversificação de empreendimentos, protocolizados na Sudam, até 31/12/2018, com a redução de 75% (setenta e cinco por cento) do IRPJ, inclusive adicionais não-restituíveis, com fruição de dez anos.

Habilitação ao incentivo:

- A unidade produtora deve estar situada e funcionando na Amazônia Legal;
- O empreendimento deverá estar produzindo ou operando com utilização superior a 20% da capacidade real instalada do empreendimento.

Modalidades para apresentação dos projetos (Portaria MI 283/2013):

- implantação - a introdução de uma nova unidade produtora no mercado;
- ampliação - o aumento da capacidade real instalada de uma ou mais linhas de produção da unidade produtora;
- diversificação - a introdução de uma ou mais linhas de produção com ou sem exclusão das linhas de produção existentes que resultem num produto diferente dos até então produzidos pela empresa; e
- modernização - ocorrência da introdução de novas tecnologias ou novos métodos ou meios mais racionais de produção ou ainda de alterações no produto, visando melhorias no processo produtivo ou no produto final:

1. a) modernização total - quando, após as ocorrências mencionadas no caput deste inciso, introduzidas na linha de produção original, ficar caracterizado que houve modificações no processo produtivo e/ou no bem ou serviço final capazes de apresentar resultados mais racionais em relação à produção anterior; e

2. b) modernização parcial - quando houver alterações em etapa(s) do processo produtivo, pelo sucateamento de equipamentos diretamente ligados àquela etapa, com aumento da capacidade real instalada na linha de produção modernizada em, no mínimo, vinte por cento, nos casos de empreendimentos de infraestrutura ou cinqüenta por cento nos demais casos de empreendimentos prioritários.

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Endereço
Superintendência do Desenvolvimento da Amazônia - Sudam
Travessa Antônio Baena - 1113
CEP 66093-082 - Belém/PA
Fone: (91) 4008-5440
E-mail: gabinete@sudam.gov.br

Sobre o site
Acessibilidade (/index.php/acessibilidade)
Mapa do site (/index.php/mapa-do-site)

(http://www.acessoainformacao.gov.br/)
(http://www.brasil.gov.br/)

Desenvolvido com o CMS de código aberto Joomla (http://www.joomla.org)

▲ Voltar para o topo
Exhibit CVD - BR - 29
Reinvest 30% of income tax

- VINCULAÇÃO DAS invoices REINVESTMENT
- MANUAL reinvestment of income tax 30%

Tax incentive for persons with legal operating enterprises in the Brazilian Amazon, with reinvestment of 30% (thirty percent) of the tax due in modernization projects or supplementary equipment, such as award 2018.

Invoices Reinvestment Project

Qualification of encouragement:

- A producing unit should be located and operating in the Brazilian Amazon;
- An activity of the enterprise must be related among the sectors of the economy as priorities for regional development, according to Decree 4,212/2002.
- Benefício the Reinvestment Tax, as provided by paragraph 3 of article 27 of Decree 283/2013 M.I.
Reinvestimento de 30% do IRPJ

- VINCULAÇÃO DAS NOTAS FISCAIS DE REINVESTIMENTO (/index.php/incentivos-fiscais?id=380)
- MANUAL DE REINVESTIMENTO DE 30% DO IRPJ (/conteudo/menus/retratil/incentivosfiscais/arquivos/manual_reinvestimento_30_irpf.doc)

Incentivo Fiscal a pessoas jurídicas com empreendimentos em operação na Amazônia Legal, com o reinvestimento de 30% (trinta por cento) do Imposto devido, em projetos de modernização ou complementação de equipamento, com concessão até 2018.

Notas Fiscais de Projetos de Reinvestimentos

Habilitação ao incentivo:

- A unidade produtora deve estar situada e funcionando na Amazônia Legal;
- Beneficio Fiscal do Reinvestimento, conforme estabelece o §3º art.27 da Portaria 283/2013 M.I.
Referências

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Endereço

Superintendência do Desenvolvimento da Amazônia - Sudam
Travessa Antônio Baena - 1113

12/2/2016
Exhibit CVD - BR - 30
Reinvestment of income tax

For whom it is intended
Benefits the legal persons with ventures in operation in the area of SUDENE, with reinvestment of 30% (thirty percent) of the tax due, in modernization projects or supplementary equipment until the year 2018.

General preconditions to Benefit Law
1 - The production unit object of the incentive should be located and operating in the area SUDENE;
2 - The activities of the enterprise, object of incentive, should belong to the sectors of the economy considered as priorities for regional development, as defined in Decree No. 4213, of April 26, 2002;
3 - The legal person holder of the enterprise must be opting taxes based on taxable income, for purposes of enjoyment of this tax benefit.

Steps to Obtaining the Tax Incentive
1 - Option in the Income Statement: The legal person concerned must make the choice by the Fiscal Incentives in its Statement of Income, in the specific field with the destination - "Reduction by Reinvestment";
2 - Bank deposit for reinvestment of income tax: The value for the "Reduction Reinvestment", indicated in the statement of income will be 30% (thirty percent) of the tax due. At this value, the legal entity must add 50% (fifty percent) of own resources (contrast) and deposit the total sum of this the Bank of Northeast Brazil (BNB), using the form "Gathering Guide" available at any branch BNB, in the same period for payment of the tax that originated the option for the incentive;
3 - Filing of the lawsuit: A legal person interested should forward the claim to the protocol SUDENE sector, according to the Manual for drafting claims for incentives and tax benefits administered by this Autarchy;
4 - Check of the documentation submitted: After the filing of the lawsuit SUDENE has a period of ten (10) days to review the basic documentation submitted, and if the election presents nonconformity in filling out the forms or documentation, the SUDENE shall return within a maximum period of 15 (fifteen) days from the date of its protocol. In this case, the applicant company will be notified of the fact and reason that led to the return of election formally. Subject to compliance of the petition, shall SUDENE its formalization by opening process;
5 - Analysis of the election: After the formalization of the election, the process is referred to the analysis sector. The election will be examined and if meets the legal requirements and regulations, will be approved. SUDENE communicate formally the applicant company, the approval of the project;
6 - Release of deposits for reinvestment: To release the resources, the applicant company must state that agrees to the terms of approval of the project and formally request the release of funds. SUDENE issue a release order authorizing the Bank of the Northeast to provide for the immediate transfer of funds deposited in an escrow account, duly corrected, for the account of free movement of Legal person receiving of the incentive. The amount to be released, the amount corresponding to 2% (two percent), as an administration cost of the project, will be deducted.

Information on deposits made in BNB

1 - Deposits must be made in a specific account, tied to Benefit Reinvestment of income tax;
2 - The deadlines for making deposits will be the same time for payment of tax. Thus, if the tax payment is made in installments, deposits in BNB also be made in tranches and the same term and conditions for payment of certain installments of tax. Failure of the term implied in the gathering legal charges (interest and late payment penalty) through DARF as Union income;
3 - The recollection of the plots under the tax incentive will be subject to the payment of the share of Income Tax;
4 - The deposits will be corrected by the Extra-Rate Market of the Central Bank of Brazil (Article 10 of Law No. 10,177, of January 12, 2001.);
5 - The plots do not deposited until the last business day of the following calendar year corresponding to the calculation of taxable income should be collected as a tax and, therefore, should not be deposited in the BNB, as will no longer be accepted for purposes of Benefit reinvestment of income tax.

General Aspects
1 - The presentation of the project of modernization or supplementary equipment, does not depend on consultation letter to SUDENE;
2 - The funds deposited in BNB, for purposes of the Tax Benefit of Reinvestment, can be used for the reimbursement of expenses with modernization project or complementation of equipment, carried out from the calendar year corresponding to the option by tax incentive;
3 - When the reinvestment portion corresponding to exercise is not enough to cover the investments planned, the company will submit a project with the projected utilization of reinvestment in installments up to 03 (three) future finance years;
4 - In the application of resources, for purposes of this incentive, will not be allowed, under any circumstances, acquisition of machinery and equipment used or reconditioned. In the case of acquisition from the sale, shall not be allowed the value resulting from the initial cash payment (Decree No. 64,214 of March 18, 1969, art 47, § 1.);
5 - The deadline for application of resources is six (6) months from the date of release by Banco do Nordeste - BNB. The ratio of investments (Form 5B) as well as the ratio of the respective invoices (Form 5A), resulting from the acquisition of machinery and equipment process should be directed to SUDENE, by the deadline for application of resources;
6 - The released resources should be incorporated into the company's stock within 180 (one hundred eighty) days from the close of the fiscal year in which there was the issue of the letter of release by the Northeast Development Superintendence - SUDENE and should the company proceed, when it is the case, the distribution of shares or quotas to the shareholders or members, in the form set out in the relevant legislation;
7 - Inspections will be conducted by SUDENE with the objective of proving the regular application of the funds released. All machines and equipment are purchased bound, by SUDENE, the benefit of reinvestment, being said out in their purchase invoices linking. The unit of the The Federal Revenue Secretariat, which is jurisdiction over the company, shall be communicated by SUDENE for appropriate action, if proven lack or misapplication of resources;
8 - A new project can not be approved until proven regular application and incorporation of the funds released for the previous project;
9 - The option for reinvestment are not subject to discount in favor of PIN and PROTERRA;
10 - This incentive can be used cumulatively Reduction Development Income Tax;
11 - The hypothesis of the project will not be approved and the discontinuance of the company to present a new project, it will be the responsibility of the BNB, upon communication of SUDENE, return to the company the proportion of own resources and collect the Federal Union the amount deposited as incentive duly corrected (§ 3 of Art. 19 of Law No. 8,167, of January 16, 1991).
Obligations of Beneficiary Enterprises
(a) To apply the resources of reinvestment of income tax, mandatory in projects in area of SUDENE and exclusively in machines and equipment whose inversions may have already been performed in the base year of the financial year to which they match the deposit BNB;
(b) Carry out the incorporation of funds released (deposited in BNB), within 180 (one hundred eighty) days from the close of the fiscal year in which the letter was issued by SUDENE release and should proceed when is the case, the distribution of shares or units to shareholders or members, as prescribed in the relevant legislation;
(c) While they are not incorporated into the company's capital, the funds should be kept in account named "Capital Reserve", as provided in art. 19 of Law No. 8,167, of January 16, 1991;
(d) Upon completion of the capital increase, the company must send to SUDENE certified copy of the documents relating to the operation, duly registered with the competent organ or copy (copy) of the Official Gazette where those documents have been published, where legislation requires that formality.

Questions and Additional Information please visit the Electronic System Information Service Citizens

Exhibit CVD - BR - 31
Depreciação Acelerada Incentivada

- MANUAL DE DEPRECIAÇÃO ACELERADA INCENTIVADA
  (/conteudo/menus/retratil/incentivosfiscais/arquivos/manual_depreciacao_acelerada.doc)

Incentivo a pessoas jurídicas que usufruem do Incentivo Fiscal de Redução de 75% do IRPJ, com a depreciação acelerada incentivada de bens adquiridos, para efeito de cálculo do imposto sobre a renda, e com o desconto dos créditos da Contribuição para o PIS/Pasep e da Cofins.

Habilitação ao incentivo:

- O empreendimento estar com o Incentivo Fiscal de Redução de 75% do IRPJ no prazo de fruição;
- A unidade produtora do empreendimento deve estar localizada em microrregiões menos desenvolvidas na Amazônia Legal.

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Placas de Projeto (/index.php/placas-de-projeto)
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Biblioteca (/index.php/biblioteca)
Mapoteca (/index.php/mapoteca)
Concurso SUDAM (/index.php/concurso-sudam)

Serviços
Perguntas Frequentes (/index.php/perguntas-frequentes)
Contato (/index.php/contato)
Imprensa (/index.php/area-de-impressa)
Ouvidoria (/index.php/ouvidoria)
Webmail (http://webmail.sudam.gov.br)

Redes Sociais
Facebook (https://www.facebook.com/Sudam.br?ref=ts&fref=ts)
Twitter (https://twitter.com/Sudam_MI)
YouTube (https://www.youtube.com/user/SUDAM2012/videos)
Flickr (https://www.flickr.com/photos/sudam_mi/)

Endereço
Superintendência do Desenvolvimento da Amazônia - Sudam
Travessa Antônio Baena - 1113
CEP 66093-082 - Belém/PA
Fone: (91) 4008-5440
E-mail: gabinete@sudam.gov.br
Accelerated Depreciation Encouraged

- MANUAL OF ACCELERATED DEPRECIATION INCENTIVATED

Incentive to legal entities that enjoy the Tax Incentive of 75% Reduction of IRPJ, with the accelerated depreciation of assets purchased, for the purpose of calculation of income tax, and with the discount of the credits of the Contribution to PIS / Pasep and Of Cofins.

Enabling incentive:

- The enterprise is with the Tax Incentive of Reduction of 75% of IRPJ in the term of fruition;
- The enterprise's production unit must be located in less developed microregions in the Legal Amazon.
Exhibit CVD - BR - 32
Accelerated depreciation

For whom it is intended
Benefits the legal persons, who benefit from the tax incentive of 75% reduction of income tax, with the accelerated depreciation of acquired assets, for purposes of calculating the income tax, and discounting the credits of PIS/Pasep and COFINS.

General preconditions to Benefit Law
1 - The project is a beneficiary of Tax Benefits Reduction of 75% of income tax;
2 - The production unit of the enterprise is located in least developed micro-regions in the area of SUDENE.

Steps to Obtaining Tax Benefit
1 - The interested entity will forward the application SUDENE, requesting the right to accelerated depreciation and the discount of PIS/Pasep and Cofins, in accordance with art. 31 of Law No. 11.196, of November 21, 2005 and Decree No. 5,988, of December 19, 2006, attaching the documentation established according to the Manual for drafting claims for incentives and tax benefits administered by this Autarchy;
2 - The election will be examined and, if meets the conditions laid down in legislation and regulations, SUDENE concessive issue the Ordinance of law.

Start to enjoy the Tax Benefit
The enjoyment is conditional upon the enjoyment of the benefit of reduction of 75 % of the Income Tax, of which Art. 1 of Provisional Measure No. 2,199, of August 24, 2001.

General Aspects
1 - The right to the discount will occur within twelve (12) months as from the purchase of credits of PIS / COFINS and Pasep, dealt with in Part III of § 1 of Art. 3 of Law No. 10,637, of December 30, 2002, section III of § 1 of Art. 3 of Law No. 10,833, of December 29, 2003, and § 4 of art. 15 of Law No. 10,865, of April 30, 2004;
2 - The right to discount the credits of PIS/PASEP and COFINS applies to machines, equipment, instruments and equipment, new, related Decree No. 5789, of May 25, 2006 and intended for incorporation into the active fixed assets of the company;
3 - The accelerated depreciation is the full depreciation in the very year of acquisition or up to the fourth (4th) year of acquisition;
4 - The share of accelerated depreciation corresponding to the benefit, will be excluded from the net income for purposes of determining the taxable income and tax will be carrying the book of taxable income;
5 - The total accumulated depreciation, including normal and accelerated, may not exceed the cost of acquisition of the asset;
6 - From the computation period in which the limit mentioned in the previous item (5) is reached, the value of depreciation, recorded in Commercial bookkeeping, is added to net income for purposes of determining the taxable income.
Questions and Additional Information please visit the Electronic System Information Service Citizens

Exhibit CVD - BR - 33
CBA agrees to acquire Arconic’s operations in Itapissuma, Pernambuco State, Brazil

São Paulo, August 26th 2019 - Companhia Brasileira de Alumínio (CBA) entered into an agreement to acquire the Brazilian rolling mill operations from Arconic Inc. located at Itapissuma, Pernambuco, in a US$80 million transaction.

The Itapissuma operations have an annual production capacity of 50 thousand tonnes of aluminum sheet and foil. This transaction will complement CBA's flat rolled product line, improving the Brazilian aluminum industry's competitiveness against imported products.

The closing of the transaction, and subsequent transfer of control to CBA, is subject to customary regulatory approvals. Until the transaction closing, both companies will continue to operate independently.

About Arconic

Arconic Inc. (NYSE: ARNC) is a global metals manufacturing company that creates breakthrough products that shape industries. Working in close partnership with customers, Arconic solves complex engineering challenges to transform the way we fly, drive, build and pioneer. Through the ingenuity of its people and cutting-edge manufacturing techniques, Arconic delivers these products at a quality and efficiency that ensure customer success and shareholder value.
Exhibit CVD - BR - 34
# Production Units

**Alumínio Unit (SP)**
- **Plant**
  - Rua Morais de Rego, 347
  - Bairro – SP
  - CEP: 18125-000
  - Phone No.: SS (11) 4715-1800

**Miraí Unit (MG)**
- **Mining**
  - Fazenda Chorona, s/n°
  - Dores da Vitória – Miraí – MG
  - CEP: 36790-000
  - Phone No.: SS (32) 3426-5300

**Itamaratí de Minas Unit (MG)**
- **Mining**
  - Estrada de Itamaratí de Mnas – Km 12 – descoberto
  - Zona Rural – Itamaratí de Minas – MG
  - CEP: 36788-000
  - Phone No.: SS (32) 3452-1900

**Poços de Caldas Unit (MG)**
- **Mining**
  - Estação Bauru, s/n°
  - Bauru – Poços de Caldas – MG
  - CEP: 17701-070
  - Phone No.: SS (35) 3714-2503

**Sorocaba Brench Unit (SP)**
- **Machining and Boilerwork**
  - Av. Victor Andrew, 2105
  - Zona Industrial – Sorocaba – SP
  - CEP: 18026-390
  - Phone No.: SS (15) 3333-3460

**Itapissuma Unit (PE)**
- **Plant**
  - PE-03S S/N Km 3 Distrito Industrial
  - Itapissuma – PE
  - CEP: 53700-000
  - Phone No.: SS (81) 3643-6600

**Metalex**
- **Foundry and Recycling**
  - Avenida Nicolau Ferreira de Souza, 1395
  - Aracruz – SP
  - CEP: 18147-000
  - Phone No.: SS (11) 4136-4400
Where we are

From the City of Alumínio to the aluminium in every city.
Exhibit CVD - BR - 35
The Fiscal Policy to Attract Investments to the State of Pernambuco – Socioeconomic Impacts

José da Cruz Lima Júnior
Advisor: Professor Reid Click

Washington DC
April, 2014
Acknowledgements

I am grateful to the Institute of Brazilian Issues – IBI and to the George Washington University - GWU, especially Professor Dr. James Ferrer and to Mr. Kevin Kellbach, and their assistants for the opportunity to study and improve my knowledge on Economics, International Trade and Public Finance.

I am thankful to the Finance Secretariat of Pernambuco State, especially the Secretary Paulo Câmara and the Executive Secretary Oscar Victor, for the opportunity they have granted to participate in the Minerva Program and for the financial support, and also the Law Adviser Nilo Otaviano for his decisive encouragement.

I would like to acknowledge the help and support to my friends and colleagues, Cosme, Elisângela Araújo, Elízia Romão, Eneida e Diana Ende, Fausto Pereira, Fernando Coelho, Francisco Sebastião, Zé Luiz, Joseli, Luís Henrique Loureiro, Manoel Vasconcelos, Marcelo Barros, Márcio Lins, Marília Lins, Miguel Marcon, Mona Ligia, Paulo Guaragna, Roberto Arraes and Valdeblan for their incentive and unconditional support.

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2 - Pernambuco Tax Incentive Programs – Legal Framework

2.1 Development Program of the State of Pernambuco – PRODEPE

The main structuring program of tax incentives offered by the state of Pernambuco is PRODEPE - Development Program of Pernambuco State, regulated by Law no. 11.675/99 and Decree n 21.959/99, which consists of the granting of presumed credit both to companies classified in priority industrial clusters and special groups as well as the ones classified in activities of strategic importance, import companies and distribution centres.

2.1.1 Priority Industrial Clusters

The projects that can fit the prime industrial clusters are exclusively those related in a specific decree, according to their characterization in the production chain, as follows: (Decree n° 22.217, of 25.04.2000).

- Agribusiness;
- Metalworking and equipment transportation;
- Electrical goods and Electronics;
- Pharmacology and personal hygiene;
- Beverages;
- Non-metallic minerals (except red tiles);
- Textiles;
- Plastics;
- Furniture.

Companies classified in the prime industrial groupings listed above, can be stimulated, in the terms contained in the Decree, by the granting of presumed ICMS credit, which shall comply with the following characteristics:
Municipality included in the Metropolitan Region: the amount to be granted is equivalent to the percentage of up to 75% of the tax value, calculated monthly during the period of benefit that can reach 12 years. (Art.5, II, Decree nº 21.959/99 value). Ten percentage points (10%) can be added, provided that the recipient firms are located in the municipalities of Abreu e Lima, Araçoiaba, Itamaracá, Itapissuma, Olinda, and Paulista, with investment project in the amount of at least R$ 100,000,000 00 (one hundred million reais), and reaching an annual gross income equal to or greater than R$ 500,000,000.00 (five hundred million reais) [Art.5, §18 of the Decree. 21.959/99];
Municipality outside the Metropolitan region: the amount to be granted is equivalent to up to 85% of the tax, for which the taxpayer is directly responsible, accounted for in each tax period (Article 5, §17, I, of Decree No 21.959/99);
Municipality located in RD “Zona da Mata”:

Art.5, §17, I, of Decree nº 21.959/99: up to 90% of the tax, under the conditions set below:

be primarily engaged in the manufacturing of food products;
have investment project values of at least R$ 100,000,000.00 (one hundred million reais);
generate up to 300 (three hundred) direct jobs
Municipality located in the “Agreste Pernambucano”: 90% (ninety percent) of the tax;
Municipality located the “Sertão Pernambucano”: 95% of the tax (ninety five percent) [Art.5, §17, I, of the Decree nº 21.959/99].

With regards to the chain production of plastic, the percentage of the presumed credit will be reduced by 05 (five) percentage points when the processed product fit into one of the following cases: (§3, and sections I and II, inserted by Decree nº 23,188, of 10:04:01)

is not biodegradable;
Does not use as raw materials, at least 30% of recycled material.
2.1.2 Special Industries Clusters

The business developments that may fit into the special industrial clusters are solely those listed in state laws, as follows:

- Special industrial groupings, as follows (Art.5, §1, II, of Law No. 11.675/99): 95% (amount to be granted).
- Car manufacturing;
- pharma-cochemical;
- steel and aluminium production
- manufacturing of flat glass, tempered or not;

The period of concession is up to 12 years, starting from the day following the publication of the granting Decree, extendable or renewable for a period equal to the period granted, at the discretion of the Executive Branch (Article 5, III, Decree n° 21.959/99).

2.1.3 Relevant Activities

Industrial activities not included in the priority production, may be encouraged by the award of ICMS presumed credit to an extent equal to:

- 47.5% (forty-seven point five per cent) of the ICMS, for which the taxpayer is directly responsible, accounted for in each tax period in municipalities located in the Metropolitan Region (Art.7, I, "a", the Decree n° 21.959/99);
- 75% (seventy five percent), provided that the beneficiary is located in a municipality outside the Metropolitan Region of Recife (Art.7, §1, II, Decree no 21.959/99).
The period of concession up to 8 years from the day following the publication of the granting (concessional) decree and may be extended or renewed for a maximum equivalent to the same period, at the discretion of the Executive Branch (Art.7, III of the Decree no 21.959/99).

2.1.4 Industrial Activities Which Are Not Entitled PRODEPE

No PRODEPE benefits will not be granted to the following industrial activities (Art.6, §1, of Decree no 21.959/99).

- construction;
- extractive industries;
- sugarcane agribusiness;
- industry related to petroleum liquefied gas.

2.2 Stimulus to Wholesale Trade and Importers of Goods

Ports and airports activities can be stimulated by granting ICMS tax benefits covering the import of goods from abroad, by offering a deferral of ICMS on these operations.

In the subsequent transaction by the importer presumed credit will be limited presumed credit:

- in the case of internal operations, to the following maximum percentage of the value of the operation (Art.9, II, Decree no 21.959/99).
  - 3.5% (three and a half percent) when the tax burden imposed is less than or equal to 7% (seven percent);
  - 6% (six percent), when the tax rate applicable is more than 7% (seven percent) and less than or equal to 12% (twelve percent);
Exhibit CVD - BR - 36
The BNDES

The Brazilian Development Bank (BNDES) is the main financing agent for development in Brazil. Since its foundation, in 1952, the BNDES has played a fundamental role in stimulating the expansion of industry and infrastructure in the country. Over the course of the Bank’s history, its operations have evolved in accordance with the Brazilian socio-economic challenges, and now they include support for exports, technological innovation, sustainable socio-environmental development and the modernization of public administration.

The Bank offers several financial support mechanisms to Brazilian companies of all sizes as well as public administration entities, enabling investments in all economic sectors. In any supported undertaking, from the analysis phase up to the monitoring, the BNDES emphasizes three factors it considers strategic: innovation, local development and socio-environmental development.

In the 21st century, the BNDES aligns its operations with the reality of a globalized world, with economies deeply connected, and intensifies its efforts to take on roles and duties that surpass the borders of Brazil, in compliance with the increase of the international insertion of the country. Today, the Bank has an office in London, one of the most important financial centers on the planet. The BNDES also finances the expansion of national companies far beyond the borders of the country and seeks to diversify the sources of its resources on the international market. In addition, the BNDES has strengthened its efforts that are already traditionally conducted, such as financing exports of Brazilian goods and services in projects carried out overseas and institutional fundraising through multilateral organizations, sharing experiences and promotion opportunities.

Therefore, with its extensive knowledge, stemming from its vast experience allied with the technical capacity of its workforce, the BNDES is an important partner for investors to be able to understand and access opportunities offered by the Brazilian economy. And, after intensively supporting Brazilian growth since it was created, financing important investments for the country, the BNDES reaches a new operational level, also on a world scale, where it consolidates its role as financing agent to the economic and social development of our country.
Exhibit CVD - BR - 37
History

The Brazilian Economic Development Bank (BNDE) was established on June 20, 1952, under Law 1628, as a government agency, with the aim of developing and carrying out national economic development policies. Subsequently, according to Law 5662, of June 21, 1971, BNDE was converted into a state-owned company under private law, which resulted in more flexibility to raise and invest funds, besides less political interference.

Protagonist in Industrialization

Initially, the BNDE invested heavily in infrastructure; however, in the 1960s, the cattle-raising and agricultural sector, as well as small and medium-sized Brazilian companies already had access to financing lines. At that time, the BNDE started operations into agreement with a network of accredited financial agents distributed all over Brazil.

The Bank played a fundamental role in Brazilian politics in replacing imports during the 1970s, culminating in the most complete industrial sector in Latin America. Investments in industrial segments that were still insignificant in Brazil began, including information technology and microelectronics.

In 1974, three subsidiaries were established to operate in the capital market, aimed at expanding the types of capitalization for Brazilian companies. They merged in 1982 and became a new subsidiary named BNDESPAR.

Integrating social concerns with the development policy in the beginning of the 1980s was made evident when the Bank changed its name to The Brazilian Economic and Social Development Bank (BNDES), in 1982.

During the 1980s, the Bank encouraged Brazilian companies to compete with imported products on the domestic market, as well as stimulating exports. In the 1990s, it was responsible for the administrative, financial and technical support of the Brazilian Privatization Program, assisting in the sale of large State-owned Brazilian companies, which began in 1991.

In the 1990s, the BNDES emphasized its role in regional decentralization through heavier investment in less developed regions in Brazil, as well as support for exports of micro, small and medium-sized companies. The environmental issue gained importance with the classification of the environmental risk of projects.

The Bank began to support the cultural sector in 1995 through investments in movie production and the preservation of Brazilian historical and artistic heritage. Investment in the cultural economy was systematized as of 2006, and financing was granted to...
all phases of the production chain.

**Contemporary Challenges**

In the 21st Century, the BNDES has confirmed its social nature, aiming at promoting local and regional development, social and environmental commitment and the innovation capacity in projects that request its support. These are the most pressing challenges in an ever changing and dynamic world.

The BNDES today is an active and modern institution, which continues to pioneer new boundaries. The Bank inaugurated its one branch in South America (Montevideo) and a new office in Europe (London) in 2009, as well as a representative office in Africa (Johannesburg) in 2013, in the pursuit of new alternatives to development in a globalized and interconnected world.

See further information about the BNDES initiatives abroad.
Exhibit CVD - BR - 38
ANNUAL INTEGRATED REPORT
2018

THE BRAZILIAN DEVELOPMENT BANK
Understand how BNDES works and our main processes, products and services.

STRATEGY
Learn more about our strategic guidelines and goals achieved in the year.

HOW WE CREATE VALUE
Get to know our business model and the results delivered to society.

PERFORMANCE
R$ 69.3 billion disbursed in 308,280 operations with 152,887 clients.
Note: The organization chart does not include 43 resigned and on-leave employees.
The year 2018 was characterized by the perpetuation of changes in the business environment in which BNDES started operating after 2014. Among the main changes, we highlight the implementation of the new interest reference parameter for financing, the Long-Term Rate (TLP), replacing the Long-Term Interest Rate (TJLP) for new operations. This is a profound reform, approved by Law 13,483/2017, which reconfigures the situation of earmarked credit and BNDES performance. Associated with this law, there was also the renegotiation of the debt with the National Treasury, which, for some years, was the main source of additional funds for the Bank’s loans. This renegotiation led to a shortening of this debt and changes in its remuneration, without prejudice to any return performed as a result of the analysis of the demand for funds by BNDES’s clients.

In response to the new competitive environment, the Bank has been reshaping its business model. This reformulation aims to ensure clarity in the way we execute our development mission, guarantee the financial sustainability of the institution and strengthen the organization, increasingly invigorating our workforce and formalizing corporate projects whose implementation has already begun and will continue for the next semesters.

The Bank’s mission translates into several lines of action, including the support for infrastructure (from project preparation to structuring of financial solutions in partnership with the private sector), industrial (with an emphasis on innovation), and services activities (from health to tourism, also with a strong innovation component). We believe that our social mission is fulfilled when we are present financing and transforming the sanitation sector and other services essential to the population, including education, the basis for both the country’s competitiveness and for the improvement of living conditions of the current and future generations.

We also integrate sustainability and attention to the environment into all our activities, assuring the country’s vitality in the long term.

In financial terms, the new environment represented the construction of new products, services and distribution channels, as well as the analysis of new ways of fundraising, both in the market and with still existing sources of low-cost institutional resources, such as those belonging to the FGTS. BNDES’s technical staff has been responding to the new challenges and opportunities by using its excellence and being increasingly open to dialogue and change, in a more transversal and flexible organization in which different talents can be used to attend to the clients in the best way possible. The Bank also continues to strengthen its governance, in cooperation with its Advisory Board and external control bodies.

All the changes the Bank has been conducting have come accompanied by the ability to maintain the institution’s profitability, including, in some notable cases, capital gains. Although revenue from financial intermediation dropped in 2018, a net income of R$ 6.7 billion was recorded in the year. This is an 8.5% increase compared to 2017, mainly explained by the increase in the sale of corporate stakes, notably those held by BNDESPAR. The reduction of the loan portfolio continued, from R$ 560 billion to R$ 520 billion, due to clients’ prepayments and a more contained disbursement volume. As a result, it was possible to reduce the participation of National Treasury resources in the Bank’s financing sources, which fell from 48% to 38%.

The reduction in the loan portfolio and the valuation of the variable income portfolio resulted in our Basel index increasing from 27.5% at the end of 2017 to 29.0% in December 2018.

The transformations in BNDES continue in 2019. We will continue to be a strategic asset to support the development of the Brazilian economy, seeking to bring it to the technological and global efficiency frontier. For this purpose, innovation in companies with new processes and products will be increasingly important, and we want to capitalize the enormous human potential that exists in Brazil.

With no more subsidized lines, BNDES is focusing on longer-term credit, investing in retaking its historic leadership in the preparation of infrastructure projects and privatization programs. We continue to support the improvement of corporate governance management to strengthen our capital markets.
Looking ahead, we will increasingly explore ways of supporting startups, the so-called industry 4.0, the increase in agricultural productivity and climate adaptation, and transforming sectors such as aerospace, natural gas, renewable energy, as well as those of the several life sciences. In all of them, the role of small and medium-sized enterprises will be valued, and attention to social and environmental impacts will be a priority. BNDES exists to be a catalyst for the private sector, supporting investment and competition.

This is another year in which we present an integrated report on our performance, a model that we started adopting in 2012 and which became mandatory under Law 13,303/2016 (the new Law of State-owned Companies). We consider that, since the integrated report involves all of the Bank’s areas in a collective effort to think about our performance, it allows us to reflect on how and where we add value, learning from the institution’s successes and challenges, and creating opportunities for improvement.

We are grateful for the commitment and participation of all BNDES’s employees in our mission. We will strive to exceed our goals and meet the expectations of our diverse audiences with transparency and rigor.

We invite everyone to read this report. We are always open to suggestions and criticism, searching for a continuous improvement in our performance.

Good reading!

Sincerely,

Joaquim Levy
THE BRAZILIAN DEVELOPMENT BANK

WHAT IS A DEVELOPMENT BANK (DB)?

The first DBs appeared in Europe in the mid-19th century. Since then, they have been playing a relevant role for the socioeconomic development of the countries and regions where they act, according to the different phases in which they are, in scenarios of both stability and crisis.

The DBs may differ as to: capital structure; funding; variety of sectors supported; client size; financing models; credit conditions; regulation and supervision, and corporate governance. There are also several credit support instruments: financing offer, guarantees, insurance, equity participation, nonrefundable funds, and support for the elaboration of projects, among others.

In addition to Brazil, several countries (developed and developing) maintain strong DBs, such as Germany, China, Korea, Spain, Japan, Mexico, France and Russia. Each institution has its way of operating, but all help implement public policies, complement the offering of financial system financial support and help private and public sectors take risks and face challenges regarding strategic long-term investments. In general, they receive some form of government support: tax exemptions, Union guarantees, access to constitutional and parafiscal funds or subsidies for the implementation of public policies.

Among the recent DBs challenges, we can mention the promotion of the sustainable infrastructure agenda; promotion of innovation, project development and consulting services, and the agenda related to employment challenges and issues related to the growth of cities.

WHO ARE WE?

We are the Brazilian Development Bank (BNDES), a federal public company linked to the Ministry of Economy, and the main instrument of the Federal Government for long-term financing and investment in the various segments of the Brazilian economy. We have operated since 1952, and currently the institution is one of the largest DBs in the world.

The BNDES System is made up of three companies: BNDES and its subsidiaries - BNDES Participações S.A. (BNDESPAR), which operates in the capital market, and the Special Agency for Industrial Financing (FINAME), dedicated to the promotion of the production and marketing of machinery and equipment.

We operate through financing and credit for investments; participation in companies; development of projects; guarantee provisions; granting of nonreimbursable resources to social, cultural and technological projects, in addition to knowledge production. We provide products, programs and funds, according to the modality and the characteristics of the operations.

We evaluate the granting of each support with a focus on its potential for generating externalities, that is, the socioenvironmental and economic impact generated directly or indirectly for the country. Innovation, regional development and sustainability are priorities for us.

Our governance is composed of strict management rules and standards, and involves the relationship between internal instances, such as the Advisory Board, Board of Directors, Fiscal Council, and other committees; and external instances, as the National Congress, Ministry of Transparency, Supervision and Comptroller General of the Union (CGU), the Brazilian Central Bank (BCB), the Federal Court of Accounts (TCU), and the Brazilian Securities Commission (CVM).

COMPARISON BETWEEN BNDES AND INTERNATIONAL DBS (DATA FROM 6.30.2018)

<table>
<thead>
<tr>
<th>BNDES</th>
<th>International DBs average¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE % (p.a.)²</td>
<td>14.0</td>
</tr>
<tr>
<td>ROA % (p.a.)³</td>
<td>1.1</td>
</tr>
<tr>
<td>Defaulted loans/gross loan portfolio (%)</td>
<td>0.16</td>
</tr>
<tr>
<td>Basel index (%)</td>
<td>29.0</td>
</tr>
<tr>
<td>Total of employees</td>
<td>2,711</td>
</tr>
<tr>
<td>Administrative and personnel expenses/average total assets (%)</td>
<td>0.3</td>
</tr>
<tr>
<td>Administrative and personnel expenses/operational result² (%)</td>
<td>15.3</td>
</tr>
</tbody>
</table>

¹ Inter-American Development Bank (IDB), World Bank, KfW, China Development Bank (CDB), and European Investment Bank (EIB). Data from CDB, KfW and EIB refer to the latest available balance sheet values converted into Brazilian real by the exchange rate of the end of the period, and the result values by the average exchange rate. Subsidies not included.
² ROE (return on equity).
³ ROA (return on total assets).
⁴ Operational result, excluding administrative and personnel expenses and provision for credit risk.
Content of the product, modern vectors of a productive consolidation policy. This is expected to stimulate investment in productive capacity and research, promoting productivity growth, competitiveness and the insertion of national industry into global production chains and international markets for capital goods, as well as the generation of skilled jobs and income.

**Exports**

BNDES's support for Brazilian exports follows all the steps of a regular financing process. Our goal is the same as in any other of our operations: to generate jobs and income in the country. And we do this in two ways: by supporting the production of goods for exports (pre-shipment) and the sale of goods and services to foreign companies or countries (post-shipment). In both cases, all the resources are disbursed in Brazil, in reais, for the national exporters. In Brazil, support for exports is a State policy, and BNDES is part of an official system that also includes other agencies, such as ministries and public companies.

Our role in supporting exports is to provide conditions compatible with the international market so that Brazilian companies can export high value-added goods and services without disadvantage in relation to their competitors, and thus generate qualified jobs, both directly and within their supplier network in Brazil. Such activity is similar to that of the more than ninety existing export credit agencies, strategic government institutions found in countries that are relevant to world trade.

Due to the fact that our support is directed at higher value-added goods, the lines are focused on segments that are more in need of medium- and long-term financing, such as the commercialization of aircrafts, agricultural machinery, buses, trucks and industrial equipment, goods with greater technological content. In practice, we are the largest long-term financier of Brazilian exports — with terms over four years — holding a credit portfolio of more than US$ 9 billion.

**Fixed Income**

We have operated as an investor in public offerings in the fixed-income corporate bond market since 2006, with the mission of developing products and investing in the development of the fixed-income capital market. Our objective is to complement financing options for Brazilian companies and direct private resources to increase investment in the country, particularly in the infrastructure sector.

Our financing conditions and credit policies are also designed to promote origination of debentures. Some highlights are: sharing of guarantees between our financing and market debentures and expectation of cross-maturity between the debenture and our financing.

**Shareholdings**

Our operation in variable income presupposes the complementary nature of our direct investments and those made through funds, based on the understanding that the two forms of action are not exclusive and contribute to the achievement of shared and particular goals.

We support startups and early stage companies exclusively through investment funds, seeking to take advantage of the capillarity and the performance of specialized managers in this business niche.

Companies in the growth or maturity stage are supported in both ways, with the objective of helping their professionalization process and preparation for access to the stock market.

In this regard, in particular, we prioritize, in direct investment, the stimulus to the
the Chemical Industry Development and Innovation Plan (Padiq). In 2018, we contracted, for example, a project to develop the process of obtaining rare-earth permanent magnets (didymium-iron-boron), used in wind power generation and in motors for electric vehicles, and a project to develop a new route to obtain carbon fibers based on renewable sources.

Primary industry under discussion

In 2018, two articles published in the journal BNDES Setorial brought discussions about the basic industry sector, addressing topics such as the Brazilian bioeconomy and the potential for diversification of the national chemical industry. In addition, at the end of October, we held the seminar “Mining Rights in Financing Guarantees,” with the objective of approaching strategic partners and presenting experiences and challenges from different perspectives.

CONSUMER GOODS

Based on the experience with anchor companies, we have consolidated a standardization that will allow us to carry out new operations aimed at the densification of productive chains drawn by retailers and franchisers.

LUNELLI

With our financing, the Lunelli Group, which operates in the textile sector, was able to invest in fashion research, development and prototyping of products and actions to strengthen its brands. The investments were strategic for the group to increase its participation in the market in a moment of low performance of the textile sector in general.

In addition, the resources allowed expansion of the production facility located in the city of Maracanaú (CE), guaranteeing the opening of 178 new jobs in the factory and allowing the reengineering of the unit's processes and the expansion of the built area in 5,000 m², destined to logistic activities.

CAPITAL GOODS (BK)

Support for the companies' working capital in the segment was important to ensure the continuity of capital goods production, especially made-to-order products, and totaled R$ 73.8 million in 2018, even in an adverse environment.

Finame Direct

Approved in mid-2018, the product is in pilot phase. It is a line for the acquisition, commercialization or production of BKs, with reduced terms and more competitive spreads, without transfer bank intermediation.

ELECTRIC VEHICLES

In 2018, we contracted two operations to support electric vehicle recharge network projects, in a total amount of R$ 6.7 million. The initiatives, selected through a public call launched in 2016, will receive nonreimbursable funds from BNDES Funtec. They will also have financial support from Embrapii, under a cooperation agreement signed with BNDES in 2017.

The two projects are aimed at developing models of slow (eight to 16 hours), semi-fast (two to four hours) and fast (up to one hour) recharge station models that can be installed in residences, shopping malls, parking lots, petrol stations and highways.
BNDES Giro
In 2018, we approved working capital operations in all Brazilian states, through more than 30 accredited financial agents. Approximately 13,000 credit operations were contracted in this modality in the year.

Microcredit
In 2018, we adjusted BNDES Microcredit line to the rules of the National Program of Oriented Productive Microcredit (PNMPO), which allows us to be even more integrated with a public policy that, in addition to providing resources to lower-income microentrepreneurs, offers technical support for carrying out the activities of the projects.

Our disbursements for financial agents in 2018 totaled more than R$114 million, and the active operations in our microcredit portfolio benefited more than 122,000 microentrepreneurs, with more than R$958 million in resources.

Fintechs
In January 2018, we launched a public consultation to test fintech solutions that could be integrated into the MSME Channel and help in the challenge of credit democratization. A total of 20 fintechs carried out concept tests in the areas of financial education, credit analysis, matching of financial solutions and reverse auctions of credit for financing, which generated inputs for the elaboration of the regulation for the accreditation of fintechs of education and financial management, published in November on our website.

In July, we launched another initiative with the intention of stimulating this market: the BNDES Fintech Challenge, which sought solutions to improve small business access to the credit market. A total of 34 companies participated in the challenge and the top three received cash prizes.

Increase in the limit of BNDES Automatic
In order to increase the credit available through transfer banks, in response to a larger number of clients, we approved a change in the financing of investment projects – BNDES Automatic – to change its limit from R$20 million to R$150 million per beneficiary for each period of 12 months.

EDUCATION, HEALTH AND SAFETY
The social agenda is extremely relevant for the country's development. Therefore, education, health and safety are strategic guidelines in our planning. We aim to increase the level of qualification and standards of work productivity, as well as improving health conditions and public safety for the Brazilian population.

Connected education
In 2018, we launched the public call "BNDES Connected Education – Implementation and Use of Digital Technologies in Education" as the first structuring action after incorporating the theme of education into our strategic priorities.

This public call is part of a technical cooperation agreement signed in 2018 with the Ministry of Education to enable, implement, monitor and evaluate basic and vocational education programs and projects, seeking better results in learning, governance, planning and management of public education networks and innovations for education in the third millennium.

The purpose of the public call is to select projects for the incorporation of technology into public education, in order to support – with nonreimbursable resources from the Social Fund – its adoption in primary and secondary schools of state and municipal networks, testing more effective models for its implementation.

After technical analysis and draw, ten projects were selected out of the 26 presented, totaling a support of R$40.4 million. Six projects have already been approved (RS, TO, SE, PB, MG and GO), of which the first four are already contracted and predict impact in 269 schools, 105,000 students and 8,100 teachers. Another four (AP, BA, RR and PR) are waiting for budget availability from the Social Fund in 2019.
Exhibit CVD - BR - 39
Legislation


Approves the new By-laws of the wholly-owned, federal government company the Brazilian Development Bank (Banco Nacional de Desenvolvimento Econômico e Social – BNDES).

THE PRESIDENT OF THE REPUBLIC, using the powers conferred to him by Article 84, IV, of the Constitution and according to the sole paragraph of article 9 of Law No 5,662, of June 21, 1971,

DECLARES:

Article 1. It is hereby approved, in the form of the Schedule to this Decree, the By-laws of the wholly-owned, federal government company the Brazilian Development Bank (Banco Nacional de Desenvolvimento Econômico e Social – BNDES);

Article 2. This Decree comes into effect on the day it is officially published.


Brasília, October 11, 2002; the 181st year of Independence and the 114th of the Republic.

FERNANDO HENRIQUE CARDOSO
Sérgio Silva do Amaral

This text shall not replace that published in the Federal Official Gazette (Diário Oficial da União) on October 14, 2002.

BY-LAWS OF BANCO NACIONAL DE DESENVOLVIMENTO ECONÔMICO E SOCIAL – BNDES

CHAPTER I

NATURE, PURPOSE, LEGAL DOMICILE AND DURATION

Article 1. The Brazilian Development Bank (Banco Nacional de Desenvolvimento Econômico e Social – BNDES), a wholly-owned, federal government company governed by private law, owner of its assets, shall be governed by these By-laws and by the legal provisions applicable hereto.

Sole Paragraph. The BNDES is placed under the supervision of the Minister of State for Development, Industry and Foreign Trade.

Article 2. The BNDES is legally domiciled in Brasília, Federal District, and acts throughout the national territory, and can set up and maintain offices, representatives or agencies in the country and abroad.

Sole Paragraph. The BNDES, in order to perform the activities that constitute its business purpose outside the national territory, may establish subsidiaries abroad, pursuant to the authorization provided in the sole paragraph of article 5 of Law N.º 5,662 of June 21, 1971. (Included by Decree N.º 6,526 of July 31, 2008)

Article 3. The BNDES is the main instrument to implement and carry out the federal government’s investment policy, and its foremost purpose is to support programs, projects, construction and services related to the country’s economic and social development.

Article 4. The BNDES shall perform its activities aimed at encouraging private enterprise, with no harmful effect on support offered to ventures of national interest under the responsibility of the public sector.

Article 5. BNDES’ term of duration is undefined.

CHAPTER II
CAPITAL AND FUNDS

**Article 6.** The BNDES\textquoteright s capital is thirty-six billion, three hundred and forty million, five hundred and six thousand, four hundred and fifty eight Brazilian reais and ninety-five cents (R$ 36,340,506,458.95), divided into six billion, two hundred and seventy-three million, seven hundred and eleven thousand, four hundred and fifty-two (6,273,711,452) registered shares with no face value. (Worded as per Decree No 7,817, of December 28th, 2012).

§ 1 – The BNDES\textquoteright s capital may be increased by a decree from the Executive Branch, through capitalization of funds which the federal government earmarks for this purpose, as well as of the capital reserves formed pursuant to articles 187 and 182, § 2, of Law No 6,404 of December 15, 1976, by decision of the Advisory Board.

§ 2 – The shares forming the BNDES\textquoteright s capital belong entirely to the federal government.

§ 3 – The funds transferred by the federal government to increase the Bank\textquoteright s capital shall be subject to financial charges equivalent to the SELIC rate – Sistema Especial de Liquidação e Custódia (Special Liquidation and Custody System), from the date the credits are received to their capitalization date.

**Article 7.** The BNDES\textquoteright s resources consist of:

I – capital funds resulting from conversion of goods and rights into currency;

II – operating and assets revenues;

III – funds from credit transactions, understood as such those resulting from loans and financing obtained by the institution;

IV – donations of any kind;

V – funds allocated to the Bank in the federal government\textquoteright s budget;

VI – yield due to the Bank from investments of resources from special funds created by the government and earmarked to finance economic and social development programs and projects;

VII – funds resulting from the services rendered.

**CHAPTER III**

**OPERATIONS**

**Article 8.** The BNDES shall, either directly or through its subsidiary companies, financial agents or other institutions, perform banking activities and financial operations of any kind related to its purposes, and is particularly competent to:

I – finance, pursuant to article 239, § 1, of the Constitution, economic development programs with funds from the Social Integration Program (Programa de Integração Social - PIS), created by Complementary Law No 7 of September 7, 1970, and from the Public Employees\textquoteright Asset Formation Program (Programa de Formação do Patrimônio do Servidor Público - PASEP), created by Complementary Law No 8, of December 3, 1970;

II – promote the investment of resources from the PIS-PASEP Participation Fund, the Merchant Marine Fund (Fundo da Marinha Mercante - FMM) and other special funds instituted by the government, according to the rules applicable to each of them; and

III – implement, as Executive Secretariat of the National Development Fund (Fundo Nacional de Desenvolvimento - FND), the operational activities and the administrative services pertinent to said governmental agency.

§ 1 – The BNDES may operate, in the operations mentioned in the present article and also in the contracting thereof, as an agent of the federal government, the states and municipalities, as well as that of governmental agencies, wholly-owned government companies, mixed-capital companies, public foundations and private organizations.

§ 2 – The BNDES\textquoteright s operations shall observe the limits stated in the Bank\textquoteright s global budget for resources and uses.

**Article 9.** The BNDES may also:

I – contract operations in the country and abroad with foreign or international entities, and it is lawful for the Bank to accept the form and clauses usually adopted in foreign agreements, including the commitment to settle doubts and controversies by means of arbitration;

II – finance investments made abroad by national companies, provided that they contribute towards the economic and social development of the country. (Worded as per Decree No 6,322 of December 21, 2007)
III – finance and encourage the exports of products and services, including installation services, which comprise expenses incurred abroad, related to exports;

IV – make non-reimbursable investments in educational and research projects or programs, of a scientific or technological nature, also by donating technical or scientific equipment and technical publications to institutions dedicated to implementing such projects or programs, or which have received financial collaboration from the BNDES for that specific purpose;

V – make non-reimbursable investments specifically earmarked to finance projects, social investments in the areas to generate employment and income, urban services, health, education and sports, justice, feeding, housing, environment, water resources, rural development and other areas in connection with regional and social development, as well as projects of a cultural nature in compliance with the regulatory rules issued by the Board of Directors; (Worded as per Decree No. 6,322 of December 21, 2007)

VI – contract technical studies and provide technical and financial support, including non-reimbursable, in order to structure projects that may foster the economic and social development of the country or its integration into Latin America; (Included by Decree No. 6,322 of December 21, 2007)

VII - as an entity which integrates the national financial system, carry out any other financial or capital market operations, in keeping with the rules and guidelines of the National Monetary Council. (Worded as per Decree No. 6,322 of December 21, 2007)

VIII - use funds raised on the foreign market, provided that they contribute the social and economic development of the country, so as to finance the acquisition of assets and carry out projects as well as allowing Brazilian companies to invest abroad, along with their subsidiaries and foreign companies whose majority shareholders with direct or indirect voting rights are individuals or companies domiciled in Brazil, besides acquiring primary securities in the market that have been issued by or are the responsibility of said companies. (Included by Decree No. 7,635, of December 5, 2011)

Sole Paragraph. In cases of guaranties granted by the National Treasury to credits obtained abroad, pursuant to article 3 of Decree-Law No 1,312, of February 15, 1974, the BNDES shall, provided that the provisions of said decree are adhered to, provide guarantees, as a financial agent of the federal government, and supervise the execution of the agreement.

Article 10. To grant financial collaboration, the BNDES shall carry out:

I – the technical and economic-financial examination of the undertaking, project or business plan, including the assessment of its social and environmental implications; (Worded as per Decree No. 6,322 of December 21, 2007)

II – verification of security of the reimbursement, except in cases of financial collaboration which, due to their nature, involve the acceptance of natural risks, or which are not subject to reimbursement, pursuant to items IV, V and VI of Article 9; (Worded as per Decree No. 6,322 of December 21, 2007) and

III – at its own discretion, verification of any restriction to the suitability of the applicant company and of its holders and managers, as the BNDES may deem convenient.

Sole Paragraph. The BNDES’ financial cooperation shall be limited to the percentages approved by the Board of Directors for specific programs or projects.

CHAPTER IV

ADVISORY BOARD

Article 11. The BNDES’ senior guiding body is the Advisory Board, which comprises:

I – ten members, among them the President of the Board, four of which are appointed, respectively, by the Minister of State for Planning, Budget and Management, the Minister of Labor and Employment, the Minister of Finance, and the Minister of Foreign Affairs and the remainder are appointed by the Minister of State for Development, Industry and Foreign Trade, and (Worded as per Decree No 7,817, of September 28, 2012)

II – a representative of the BNDES’ employees, together with a deputy member, who will substitute said representative in his/her absence, impairment or if the position is vacant, chosen among the active employees by means of a direct vote held with colleagues, under the applicable legislation; and (Included by Decree No 7,817, of September 28, 2012)

III – The President of the BNDES, who shall act as the Board’s Vice-President. (Included by Decree No 7,817, of September 28, 2012)

§ 1 – The members mentioned in item I of the preamble herein shall be appointed by the President of the Republic among Brazilian citizens of renowned knowledge and experience and undisputed moral and reputation, for a three-year term as of the date the appointment is published, and may be reappointed for an equal period. (Worded as per Decree No 7,817, of September 28, 2012)
§ 2 - The member mentioned in item II of the preamble herein shall be appointed by the President of the Republic with a three year term, starting as of the date the appointment is published, and can be renewed for an equal period after re-election, and the Electoral Committee, whose attributions shall be defined by the BNDES' Board of Directors, will be responsible for verifying the pre-requisites in § 1. *(Worded as per Decree Nº 7,817, of September 28, 2012)*

§ 3 - The member of the Board of Directors appointed pursuant to § 1 when reappointed may be a member of said Board only after one year has elapsed from the end of his/her last term in office. *(Worded as per Decree Nº 7,817, of September 28, 2012)*

§ 4 - The members of the Advisory Board shall only be effectively in office upon the signing of the required documentation. *(Worded as per Decree Nº 7,817, of September 28, 2012)*

§ 5 - In the event of reappointment, the new term of office shall start as of the date the previous term of office ends. *(Worded as per Decree Nº 7,817, of September 28, 2012)*

§ 6 - Once his/her term of office is ended, the member of the Advisory Board shall continue to act as such until his/her substitute is appointed. *(Worded as per Decree Nº 7,817, of September 28, 2012)*

§ 7 - In the event the position of the members mentioned in item I of the preamble herein becomes vacant during the term, a new Board Member shall be appointed to complete the term of office of the replaced Member. *(Worded as per Decree Nº 7,817, of September 28, 2012)*

§ 8 - In the event the position of the employee representative and his/her deputy becomes vacant during the term, the following rules shall be followed: *(Included by Decree Nº 7,817, of September 28, 2012)*

I - should less than half the term have passed, the runner up in the election shall assume the position and complete the term; or *(Included by Decree Nº 7,817, of September 28, 2012)*

II - should more than half the term have passed, new election shall be convened to complete the remainder of the term established in § 2. *(Included by Decree Nº 7,817, of September 28, 2012)*

§ 9 - Except in the event of a legal impairment, the members of the Advisory Board shall be entitled to monthly fees corresponding to ten percent (10%) of the average monthly remuneration of the Directors, and the payment of such fees shall be made on a quarterly basis, in the month following that in which the ordinary meeting of the period is held. *(Included by Decree Nº 7,817, of September 28, 2012)*

**Article 12.** The Advisory Board is responsible for:

I - issuing opinions, when requested to do so by the Minister of State for Development, Industry and Foreign Trade, on matters relevant to the country's economic and social development and those most directly related to the BNDES' operations;

II - advising the President of the BNDES on the Bank's general guidelines and promoting the Bank's objectives, programs and results to the leading institutions in the economic and social sector;

III - examining and approving, as proposed of the President of the BNDES, the general policies and the long-term programs, in keeping with the federal government's economic and financial policy;

IV - defining the decision-making levels of the Board of Directors and the President with respect to the approval of operations;

V - approving the Global Expenses Program and to monitor its performance;

VI - appraising annual audit reports and the information on the results of the BNDES' efforts, as well as on the main projects supported by the Bank;

VII - issuing opinions on the balance sheets and other financial statements, proposing the creation of reserves and expressing views on the destination of the Bank's income;

VIII - deciding on the increase of the BNDES' capital through the incorporation of capital reserves constituted pursuant to articles 167 and 182, § 2, of Law Nº 6,404, of 1976;

IX - issuing opinions on proposals for the creation, dissolution, association, consolidation or merger of subsidiary companies, for the performance of auxiliary services or the implementation of ventures whose objectives are within the BNDES' field of action; *(Worded as per Decree Nº 6,526 of July 31, 2008)*

X - deciding for or against the vetoes of the President of the BNDES over the Board of Directors' decisions;

XI - appointing the head of the Auditing Division, as proposed of the President of the BNDES; and

XII - settling issues for which there are no by-law provisions, subsidiarily applying Law Nº 6,404 of 1976.
CHAPTER V
BOARD OF DIRECTORS

Article 14. The BNDES shall be managed by a Board of Directors consisting of the President, the Vice-President and seven Managing Directors all appointed by the President of the Republic and subject to dismissal at his sole discretion. (Worded as per Decree No. 7,989, of April 22, 2013)

§ 1 – The President and the Vice-President shall be appointed for an undefined term, while the Managing Directors shall be appointed for a three-year term in office; reinstatement is permitted for an equal period.

§ 2 – The members of the Board of Directors shall be entitled to all rights and advantages granted to the BNDES' staff, as applicable and pursuant to the specific regulations, upon approval of the Minister of State for Development, Industry and Foreign Trade.

§ 3 – The members of the Board of Directors shall be effectively in office upon the signing of the required documentation.

§ 4 - The President of the BNDES shall designate one Managing Director, from those mentioned in the preamble of the Clause herein, to be responsible for affairs related to Latin America, the Caribbean and Africa. (Included by Decree No. 7,989, of April 22, 2013)

§ 5 The designation outlined in §4 does not exclude the decision established in §1 of Article 16 for affairs mentioned in §4. (Included by Decree No. 7,989, of April 22, 2013)

Article 15. The Board of Directors are responsible for:

I – approving, in keeping with the federal government’s economic and financial policy and with the instructions of the Advisory Board:

a) the guidelines for the BNDES’s actions; and

b) the rules for the BNDES’ operations and administration, by issuing specific regulations;

II – examining and submitting to the Advisory Board the Global Expenses Program, and approving the BNDES’ management budget reflecting the cash flow of the period;

III – approving the general rules for personnel management, including those related to determining the Bank’s staff;

IV – approving the internal organization and distributing competency within the BNDES, as well as establishing offices, representation units, agencies or subsidiaries of the Bank; (Worded as per Decree No. 6,526 of July 31, 2008)

V – deciding upon operations under the charge of one sole client or upon credit limits for a particular economic group, under the due decision-making level established by the Advisory Board of; (Worded as per Decree No. 6,322 of December 21, 2007)

VI – authorizing non-reimbursable investments for the purposes set forth in items IV, V and VI of Article 9; (Worded as per Decree No. 6,322 of December 21, 2007)

VII – authorizing the contracting of works and services as well as the acquisition, rental, transfer and encumbrance of personal property, real property and securities, as well as the waiver of rights, transactions and arbitration agreements, within the limits of the due decision-making level established by the Advisory Board, and is entitled to establish rules and delegate powers; (Worded as per Decree No. 6,322 of December 21, 2007)

VIII – issuing opinions on the quarterly financial statements, submitting them to the Fiscal Council;

IX – authorizing the execution of agreements, contracts and covenants which constitute burden, obligations or commitments for the BNDES, and is entitled to establish rules and delegate powers when these instruments have an exclusive administrative nature; (Worded as per Decree No. 6,322 of December 21, 2007)

X – issuing opinions on all matters which shall be submitted to the Advisory Board;
XI – granting holidays and leaves of absence to the members of the Board of Directors;

XII – after approval is given by the Minister of State for Development, Industry and Foreign Trade and in compliance with the specific legislation applicable in each case, publishing in the Federal Official Gazette (Diário Oficial da União).

a) bidding regulations;

b) personnel regulations, indicating the rights and duties of employees, the disciplinary system and the rules for verification of responsibilities;

c) list of personnel, listing in three columns the total number of employees and the number of filled and unfilled jobs, specified by career or category, on June 30 and December 31 of each year; and

d) the plan for salaries, benefits, advantages or any other forms of remuneration of its employees.

Sole Paragraph. The BNDES’ Board of Directors may delegate a Managing Director the duty to approve the operations under the charge of one sole client, the value of which is contained within the credit limit previously approved for the respective economic group, pursuant to item V in the preamble of the article herein. (Included by Decree No. 6,322 of December 21, 2007)

Article 16. The Board of Directors shall ordinarily meet once a week, and, extraordinarily, whenever convened by the President of the BNDES, and shall only deliberate when at least five of its members are present. (Worded as per Decree No. 6,575 of September 25, 2008)

§ 1 – The Board of Directors’ decisions shall be taken by the majority of votes made by its members and shall be recorded in the minutes of the meetings, and the President is empowered to cast the discerning vote in addition to an ordinary vote.

§ 2 – The President may veto the Board of Directors’ decisions and submit them to the Advisory Board.

Article 17. The President is responsible for:

I – representing the BNDES in or out of court, and is allowed to delegate this attribution in specific cases, and also to constitute agents or attorneys on behalf of the institution;

II – convening and presiding over the Board of Directors’ meetings;

III – administering and managing the assets, services and business of the BNDES and deciding, as proposed by those responsible for each coordination area, on operations under the charge of one sole client, under the due decision-making level established by the Advisory Board;

IV – appointing, among the members of the Board of Directors, the Executive Secretary of the National Development Fund (FND), who shall represent this Agency;

V – supervising and coordinating the work of all the BNDES’ units, and is entitled to delegate the executive and decision-making competency as well as distributing, among the Vice-President and the Directors, the coordination of the Bank’s services;

VI – issuing rules necessary for the operation of the BNDES’ organs and services, in compliance with the internal organization and the pertinent distribution of competency established by the Board of Directors;

VII – admitting, promoting, penalizing, dismissing and practicing other acts of personnel management, according to the rules and criteria set forth by law and approved by the Board of Directors, as well as being entitled to delegate this power as a whole or in part;

VIII – authorizing the contracting of works and services, as well as the acquisition, rental, transfer and encumbrance of personal property, real property, except securities, within the limits of the due decision-making level established by the Advisory Board, and is entitled to establish rules and delegate powers. (Worded as per Decree No. 6,322 of December 21, 2007)

IX – submitting, within the legal term, to the Minister of State for Development, Industry and Foreign Trade, for his/her examination and later submission to the Federal Court of Accounts, the annual rendering of accounts of the BNDES’ administrators and the financial statements related to the previous business period, together with the opinion of the Fiscal Council and of the Advisory Board;

X – providing, within the regular term, the pertinent authorities with data on budgetary matters and other information on the progress of the BNDES’ efforts and operations;

XI – submitting, within the regular term, the BNDES’ Global Expenses Program to the pertinent organ of the Ministry of Development, Industry and Foreign Trade;

XII – submitting semi-annually to the Presidency of the Republic, through the Minister of State for Development, Industry and Foreign Trade, the trial balances of PIS-PASEP, as well as the general listing of investments from this fund;
XIII – appointing deputies for the members of the Board of Directors in case of temporary impairment and when their absence may not be amended by the redistribution of tasks and, in the event the position becomes vacant, until it is filled by the President of the Republic; and

XIV – submitting, on a quarterly basis, the report of the BNDES’ activities to the Advisory Board.

Article 18. The Vice-President is responsible for:

I – performing the responsibilities of the President of the Bank whenever the latter is absent or unable to do so;

II – taking part in the Advisory Board’s meetings; and

III – exercising the other attributions assigned to Managing Directors.

Sole paragraph. The attributions set forth in item I of this article are also applicable in the event the position of President at the BNDES becomes vacant.

Article 19. Each Managing Director is responsible for:

I – assisting the President in managing and coordinating the BNDES’ activities;

II – participating in the meetings of the Board of Directors, contributing to ensure the Bank’s definition of policies and reporting on matters pertinent to the respective area of coordination;

III – performing coordination tasks assigned to him/her by the President; and

IV – performing the executive and decision-making duties delegated to him/her by the President.

Article 20. The agreements entered into by the BNDES or those to which it is the intervening party and the acts involving obligations or liabilities on the part of the Bank, including those of an administrative nature shall be signed by: (Worded as per Decree Nº 6,322 of December 21, 2007)

I – both the President and a Managing Director whenever they imply the commitment of an amount equivalent to that within the decision level attributed to the Board of Directors or whenever they correspond to the non-reimbursable investments set forth in items IV, V and VI of Article 9. (Worded as per Decree Nº 6,322 of December 21, 2007)

II – only by the President or jointly by two Managing Directors whenever they involve the commitment of an amount which is lower than that attributed to the Board of Directors’ decision-making level.

§ 1 – The documents within this article may be signed by one or more power-of-attorneys, named specifically for that purpose by the President alone or jointly with a Managing Director, or by two Managing Directors in the form and for the purposes set forth in items I and II of the article herein.

§ 2 – Signing administrative agreements that are at the decision level of the President may be delegated, according to item VIII of Article 17. (Worded as per Decree Nº 6,322 of December 21, 2007)

§ 3 – Bonds/securities or documents issued as a result of contractual obligations, as well as checks and other documents expressing payment obligations, shall be signed by the President, who may delegate this authority. (Worded as per Decrease Nº 6,322 of December 21, 2007)

§ 4 – In the event the competence referred to in § 3 is delegated, the bonds/securities, documents, checks and other obligations shall bear at least two signatures. (Included by Decree Nº 6,322 of December 21, 2007) (New Wording)

CHAPTER VI

THE FISCAL COUNCIL

Article 21. The Fiscal Council of the BNDES shall comprise three members and three deputies, all appointed for a two-year term in office, and reappointment for an equal period is allowed. Two of the members and their deputies shall be appointed by the Minister of State for Development, Industry and Foreign Trade, while the third member and his/her deputy shall be appointed by the Minister of State of Finance, as representatives of the National Treasury and appointed by the President of the Republic in all cases.

§ 1 – The Fiscal Council’s member who is reappointed may only rejoin the Council after at least one year has elapsed from the end of this last term in office.

§ 2 – The members of the Fiscal Council shall be effectively in office once the minutes of the first meeting in which they took part have been registered.
§ 3 – The term of office begins on the date on which the appointment is published.

§ 4 – Once his/her term of office ends, the member of the Fiscal Council shall remain in office until his/her substitute is appointed.

§ 5 – In the event a member is reappointed, the new term of office shall begin on the date on which the previous term of office ended.

§ 6 – Except in the event of a legal impairment, the members of the Fiscal Council shall be entitled to monthly fees corresponding to ten percent (10%) of the average monthly remuneration due to Managing Directors, besides the compulsory reimbursement for travel and accommodation expenses necessary to carry out their duty.

Article 22. The Fiscal Council is in charge of examining and issuing opinions on balance sheets and other financial statements, as well as on the semi-annual rendering of accounts made by the BNDES' Board of Directors, as well as exercising other attributions set forth in Corporation Law (Law No. 6,404, of 1976).

Sole Paragraph. The administration organs must make available to the acting members of the Fiscal Council, within ten days and by formal notice, copies of their meetings' minutes, and, within fifteen days of their elaboration, copies of the trial balances and other financial statements which are periodically elaborated, as well as reports on budget compliance.

CHAPTER VI-A

THE AUDITING COMMITTEE

(Chapter inserted as per Decree No. 5,212 of September 22, 2004)

Article 22-A. The Auditing Committee shall comprise up to six members appointed by the Advisory Board. ([Worded as per Decree No. 5,322 of December 21, 2007])

§ 1 – The appointment of the members of the Auditing Committee shall comply with the rules adopted by the National Monetary Council concerning the conditions for the exercise of the respective term of office. ([Worded as per Decree No. 5,322 of December 21, 2007])

§ 2 – The members of the Auditing Committee shall hold office for an undefined term, which may end at any time at the discretion of the Advisory Board. ([Worded as per Decree No. 5,322 of December 21, 2007])

§ 3 – The members of the Auditing Committee shall be entitled to a monthly fee corresponding to ten percent (10%) of the average monthly remuneration of the BNDES' Managing Directors. ([Worded as per Decree No. 5,322 of December 21, 2007])

§ 4 – In the event a member of the Auditing Committee is also a member of the BNDES' Advisory Board or its related entities, he/she may elect either one or the other remuneration related to either of his/her positions. ([Worded as per Decree No. 5,322 of December 21, 2007])

Article 22-B. The Auditing Committee shall report to the Advisory Board, and shall be one and the same for the BNDES, Agência Especial de Financiamento Industrial – FINAME and BNDES Participações S.A. – BNDESPAR, which constitute the BNDES System. ([Included by Decree No. 5,212 of September 22, 2004])

Sole Paragraph. The Auditing Committee shall work under internal rules approved by BNDES's Board of Directors. ([Included by Decree No. 5,212 of September 22, 2004])

Article 22-C. The Auditing Committee is responsible for: ([Included by Decree No. 5,212 of September 22, 2004])

I – advising the BNDES on the entity to be hired to render independent audit services, as well as its replacement when necessary; ([Included by Decree No. 5,212 of September 22, 2004])

II – revising, prior to publishing, the semi-annual accounting statements, including explanatory notes, administration reports and the opinion of an independent auditor; ([Included by Decree No. 5,212 of September 22, 2004])

III – assessing the effectiveness of the independent and internal audits, including the verification of compliance with the legal and administrative provisions applicable to companies that constitute the BNDES System, as well as its internal rules; ([Included by Decree No. 5,212 of September 22, 2004])

IV – assessing the compliance of the BNDES' administration with advice given by the independent or internal auditor; ([Included by Decree No. 5,212 of September 22, 2004])

V – establishing and making public the procedures for collecting and processing information regarding the violation of legal and administrative provisions applicable to companies that constitute the BNDES System, as well as its internal rulings, setting
specific procedures for the protection of the provider and the confidential nature of the information; (Included by Decree Nº 5.212 of September 22, 2004)

VI – recommending to the BNDES’ Board of Directors the correction or improvement of policies, practices and procedures identified within its attributions; (Included by Decree Nº 5.212 of September 22, 2004)

VII – meeting at least on a quarterly basis with the BNDES’ Board of Directors, the independent and the internal auditors in order to verify compliance with its advice or queries, including that concerning the planning of auditing work, setting forth the contents of said meetings in reports; (Included by Decree Nº 5.212 of September 22, 2004)

VIII – meeting with the BNDES’ Fiscal Council and Advisory Board, at their request, to discuss policies, practices and procedures identified within their respective duties; (Included by Decree Nº 5.212 of September 22, 2004)

IX – elaborating, at the end of financial halves, which end on July 30 and December 31, a document called “Report of the Auditing Committee”, with the following information: (Included by Decree Nº 5.212 of September 22, 2004)

a) the activities under its responsibility that were carried out during the respective period; (Included by Decree Nº 5.212 of September 22, 2004)

b) an appraisal of the effectiveness of the internal control systems of the companies that constitute the BNDES System, observing the legislation in effect and highlighting the identified deficiencies; (Included by Decree Nº 5.212 of September 22, 2004)

c) a description of the recommendations submitted to the BNDES’ Board of Directors, stressing those which have not been followed and the reasons for such non-compliance; (Included by Decree Nº 5.212 of September 22, 2004)

d) an assessment of the effectiveness of independent and internal audits, also verifying the compliance with legal, administrative and internal rules applicable to the companies that constitute the BNDES System, highlighting the identified deficiencies; (Included by Decree Nº 5.212 of September 22, 2004)

e) an assessment of the quality of the accounting statements for each period, with an emphasis on the application of accounting laws adopted in Brazil and the compliance with the rules issued by the Central Bank of Brazil, highlighting the identified deficiencies; (Included by Decree Nº 5.212 of September 22, 2004)

X – making the Report of the Auditing Committee available to the Central Bank of Brazil and the BNDES’ Advisory Board for a minimum period of five (5) years as of the date it is put together; (Included by Decree Nº 5.212 of September 22, 2004)

XI – publishing, jointly with the semi-annual accounting statements, a summary of the Report of the Auditing Committee, highlighting that document’s main information; (Included by Decree Nº 5.212 of September 22, 2004)

XII – others eventually stated by the National Monetary Council, the Central Bank of Brazil or the BNDES’ Advisory Board (Included by Decree Nº 5.212 of September 22, 2004) (New Wording)

CHAPTER VI-B

OMBUDSPERSON’S OFFICE

(Chapter inserted as per Decree Nº 6.322 of December 21, 2007)

Article 22-D. The BNDES’ Ombudsperson’s Office shall be the channel of communication between the companies forming the BNDES’ System and its clients, including mediation of conflicts. (Included by Decree Nº 6.322 of December 21, 2007)

Sole Paragraph. The Ombudsperson shall be appointed by BNDES’s President and shall hold an indeterminate term of office that may end at any time by the President’s decision. (Included by Decree Nº 6.322 of December 21, 2007)

Article 22-E. The structure of the BNDES’ Ombudsperson’s Office shall be put forth in Article 26, and it will be responsible for, among other duties: (Included by Decree Nº 6.322 of December 21, 2007)

I – providing formal and appropriate treatment to the clients’ and users’ claims involving the BNDES System’s products and services that have not been settled by regular customer assistance carried out in each sector and any other means of assistance; (Included by Decree Nº 6.322 of December 21, 2007)

II – proposing to the BNDES System’s senior management corrective or measures to improve procedures and routines resulting from analysis of claims received; and (Included by Decree Nº 6.322 of December 21, 2007)

III – preparing and sending to the Internal Audit, Auditing Committee, Board of Directors and the Advisory Board, by the end of each calendar half, a quantitative and qualitative report on the performance of the Ombudsperson’s Office, containing propositions listed in item II. (Included by Decree Nº 6.322 of December 21, 2007)
Article 22-F. The BNDES shall create the appropriate conditions for the Ombudsperson's Office to operate and assure its access to the information necessary to exercise its activities. (Included by Decree Nº 6,322 of December 21, 2007)

CHAPTER VII

FINANCIAL YEAR, FINANCIAL STATEMENTS AND PROFITS

Article 23. The BNDES’s financial year shall coincide with the calendar year.

Article 24. The BNDES shall prepare its financial statements and its results shall be verified on June 30 and December 31 of each year.

Article 25. The Advisory Board shall submit the plan for the destination of the income of the year, after deductions to cover accrued losses, provisions for income tax and social contribution on net income, to the Minister of State of Finance, respecting the following conditions: (Worded as per Decree Nº 6,716 of December 29, 2008)

I – Legal Reserve: five percent (5%) up to twenty percent (20%) of the capital; (Worded as per Decree Nº 6,716 of December 29, 2008)

II – constitution of the Reserves provided for in articles 195, 195 – A and 197 of Law Nº 6,404, of 1976, as the case may be; (Included by Decree Nº 6,716 of December 29, 2008).

III – payment of dividends: a minimum of twenty-five percent (25%) of the adjusted net income, pursuant to sub-items "a" and ‘b’ of item I of Article 202 of Law Nº 6,404 of 1976; (Re-numbered as per Decree Nº 6,716 of December 29, 2008)

IV – constitution of Surplus Reserve for Future Capital Increase – in order to ensure shareholders’ equity that is compatible to the expectation for growth of the Bank's assets – fifteen percent (15%) of the adjusted net income, limited to thirty percent (30%) of the capital; (Included by Decree Nº 6,716 of December 29, 2008).

V – constitution of Surplus Reserve for Operating Margin – founded on justification presented by the Bank’s management on the funds required to assure an operating margin that is compatible with the development of the Bank's transactions – one hundred percent (100%) of the balance remaining from the net income, up to the limit of fifty percent (50%) of the capital. (Included by Decree Nº 6,716 of December 29, 2008).

§ 1 – The value of the remuneration paid or credited as interest on equity capital – under article 9, § 7, of Law Nº 9,249 of December 29, 1995 and pertinent legislation – may be destined for the payment of dividends, calculated pursuant to this article, being incorporated to the latter amount for all legal effects.

§ 2 – The amount of interest paid or credited pursuant § 1 may not exceed the amount set apart for the payment of dividends, from which they shall be deducted.

§ 3 – The fiscal year loss shall obligatorily be absorbed by the accumulated revenues, revenues reserves and by the capital reserves, in this order, if possible the reduction of the equity capital up to the amount of the remaining balance under art. 173 of Law Nº 6,404 of 1976. (Worded as per Decree Nº 6,322 of December 21, 2007)

§ 4 – When the limit provided in item V is reached, the Board of Directors shall submit a proposal stating the destination of the balance of the Surplus Reserve for the Operating Margin to the capital increase or payment of dividends for resolution of the Minister of State of Finance. (Worded as per Decree Nº 6,716 of December 29, 2008)

§ 5 – The Board of Directors shall ratify, in the last annual ordinary meeting, the percentage of the adjusted net income to be paid as dividends, based on the estimated income for the financial year and previous opinion issued by the representative of the Ministry of Finance in the board, to be presented until the end of May of each year, compatible with the dividends expected by the Brazilian Treasury in the following financial year. (Worded as per Decree Nº 6,716 of December 29, 2008)

§ 6 – With authorization from the Ministry of Finance, complementary dividend payments may be made prior to the reserves mentioned in items IV and V of the preamble having reached the forecast limits. (Worded as per Decree Nº 8,034, of June 28, 2013)

§ 7 – Accounting statements shall be approved by the Board of Directors and examined by the Audit Committee in the first ordinary meeting following the end of the financial year, and submitted within thirty days to the proper authorities. The decision must be published and filed. (Worded as per Decree Nº 6,716 of December 29, 2008)

§ 8 – The amounts of dividends and interests shall bear financial charges equivalent to the SELIC rate from the date of the end of the financial year to the actual date of their collection or payment, as remuneration on equity capital owed to the National Treasury, without prejudice to bearing default interest charges when such collection or payment is not made on the date set forth by law or by decision of the Board of Directors. The same SELIC rate published on the fifth business day preceding the date of the actual settlement of the obligation shall be considered the daily rate for updating that amount during the five working days which precede the date of payment or collection. (Included by Decree Nº 6,716 of December 29, 2008)
§ 9 – The proposal on the destination of the financial year’s profits, after approval by the Minister of State of Finance, shall be published in the Federal Official Gazette (Diário Oficial da União) within thirty days of the date of its approval. (Included by Decree No 6,716 of December 29, 2008)

§10 – The reserves mentioned in items IV and V of the preamble are not required to be transformed into nor distributed as dividends, provided that they are offset by instruments that can be used as capital for the purpose of bank verification, as established in regulation from the National Monetary Council or Brazil’s Central Bank. (Included by Decree No 8,094, of June 28, 2013)

§ 11 – The Advisory Board may decide to authorize the declaration of interim dividends based on the profit posted on the half-yearly balance sheet, as per the terms in Article 24. (included by Decree No. 8,085, of August 29, 2013)

CHAPTER VIII

INTERNAL AND PERSONNEL ORGANIZATION

Article 26. BNDES’s organizational structure and its respective competence distribution shall be determined by the Board of Executive Officers, through proposal of the President of the Bank.

Sole paragraph. BNDES’s internal audit organ is directly linked to the Board of Directors. [Worded as per Decree No 4,833 of September 5, 2003]

Article 27. BNDES’s staff is subject to the juridical regime set forth in the legislation in force regarding labor relations in private employment.

§ 1 – Admission of employees shall be effected by public contest of examinations or of examinations and qualification titles, pursuant to specific rules issued by the Board of Executive Officers.

§ 2 – The requisition for servants of the direct or indirect Public Administration shall be made according to the peculiarities of each case, in compliance with the provisions of pertinent legislation.

Article 27-A. BNDES’ positions of trust, up to the maximum level of superintendent or equivalent, shall be filled by employees who compose its or its subsidiary companies’ permanent staff. (included by Decree No 6,322 of December 21, 2007)

Sole Paragraph. The appointments of the Head of President’s cabinet, heads of department, limited to BNDES’s legal domicile, its representations or its subsidiary companies and representations situated abroad, and of the assistants and secretaries of the President and Board of Executive Officers may fall upon people who are not part of the permanent staff of BNDES or its subsidiary companies, this contingent being limited up to 2% of the total quantitative of the personnel of BNDES and its subsidiary companies. (included by Decree No 6,322 of December 21, 2007)

CHAPTER IX

GENERAL AND TRANSITORY PROVISIONS

Article 28. BNDES shall comply with the general budgetary and accounting rules issued by the National Monetary Council, without prejudice to its compliance with the legal provisions applicable to wholly-owned government companies on budgetary and accounting matters.

Article 29. BNDES may allot resources for the constitution of specific funds that, in conformity with the regulation approved by the Board of Executive Officers, have the specific purpose of supporting the development of initiatives concerning the studies, programs and projects mentioned in items IV, V and VI of Article 9. (Worded as per Decree No 7,817, of September 28, 2012)

Sole paragraph. The funds referred to in the heading of this article shall be constituted of (Worded as per Decree No 7,817, of September 28, 2012):

I – consigned amounts in the BNDES’ investment budget, that equal up to ten percent (10%) of its net profit from the previous year and which are limited to one and a half percent (1.5%) of its net worth after deducting the balance of the adjusted equity evaluation, that have resulted from unrecorded gains and losses, evaluated by the securities market and classified as “securities available-for-sale”; and (Worded as per Decree No 7,817, of September 28, 2012)

II – donations and transfers made to BNDES for the purposes set forth in the heading of this article. (Worded as per Decree No 7,817, of September 28, 2012)

Article 29-A. BNDES shall assure to former and current employees, administrators, members of the Board of Executive Officers, of the Boards of Directors, Fiscal Council and Audit Committee, provided that there is no incompatibility with the company’s interests, the defense in judicial and administrative proceedings filed against them due to the practice of their acts in the exercise of the duties inherent to their positions or functions. (included by Decree No 6,322 of December 21, 2007)
§ 1 — BNDES may provide, to the extent to, and upon certain terms, as defined by the Board of Executive Officers, in compliance with the provisions contained in the heading of this article, a permanent insurance agreement favoring the aforementioned persons, in order to safeguard them against the liability for any acts or facts as to which they may, from time to time, be judicially or administratively sued. *(Included by Decree N° 6.322 of December 21, 2007)*

§ 2 — If any of the persons mentioned in the heading is condemned by a final and unappealable judicial decision, with grounds on breach of law or these by-laws, he/she shall refund BNDES for all costs and expenses with counsel, pursuant to the law. *(Included by Decree N° 6.322 of December 21, 2007)*

§ 3 - The Executive Board shall regulate the form, terms and limits for the provision of legal assistance. *(Included by Decree N° 6.322 of December 21, 2007)*

**Article 30.** BNDES shall submit to prior consent of the Ministry of Finance the performance of any of the following corporate actions:

I — the total or partial transfer of shares from the Bank’s or its controlled companies’ equity capital; the increase of its equity capital through the subscription of new shares; the waiver of rights to the subscription of shares or debentures convertible into controlled-company shares; the sale of debentures convertible into shares held by the Bank and issued by controlled companies; or the issuing of any bonds or securities, whether in the Country or abroad;

II — spin-off, consolidation or merger operations of its subsidiary and controlled companies;

III — the swapping of shares or other securities issued by the companies mentioned in item II of this article; and

IV — the execution of shareholders’ agreements or the waiver of rights therein stated, or, additionally, the assumption of any corporate commitments regarding the provisions of article 118 of Law N° 6,404 of 1976.
Exhibit CVD - BR - 40
Mission, Vision and Values

In 2008, the BNDES completed its Corporate Planning, which defines the operation guidelines from 2009 to 2014. In addition to elaborating its strategy for the period, the BNDES has established its Mission and Vision. Through them, the BNDES is committed to the development of Brazilian society in an integrated fashion, which patently includes the social, regional and environmental scope.

The Mission defines the rationale for the existence of the BNDES and determines the fundamental focus of its activity. The Vision, on the other hand, outlines the future position that the Blank aims to achieve by establishing its long-term objectives,

Mission

To foster sustainable and competitive development in the Brazilian economy, generating employment while reducing social and regional inequalities.

Vision

To perform its duties as the development bank of Brazil, an institution of excellence that is innovative and proactive in light of the challenges in our society.

In keeping with the Bank’s Mission and Vision, three integrated issues were selected as the new challenges to be tackled: innovation, socio-environmental development, as well as local and regional development, prioritizing the less developed regions in Brazil.

Values

Ethics

Ethics is the foundation on which the BNDES has been built since its creation. With this, the BNDES requires that its professionals maintain impeccable ethical conduct when carrying out their assignments. Such conduct is translated into, above all, responsibility and honesty. We preserve the respect and trust in our relations, and our efforts are characteristically transparent. Our main principle is that development is only possible when accompanied by ethics.

- In all circumstances, we operate with responsibility, correctness, integrity, honesty and a sense of justice.
- We respect individuality, dignity and the privacy of all; we value diversity and reject any form of prejudice.
- We have a vital commitment to the human rights of all participants in our relations.
- We build a work environment underscored by respect, plurality of ideas, dialog and the capacity to put ourselves in someone else’s shoes.
- We establish and maintain our relationships through respect, reliability and transparency.
- We encourage discretion and confidentiality when dealing with information used in the BNDES’ activities.

Commitment to development

The challenge to be the Brazilian Development Bank requires all of us to maintain a professional and personal commitment to fomenting and supporting the growth of a diversified, integrated, dynamic, inclusive, sustainable and competitive production structure.

We aim for cooperation between the public and private sectors, as well as to strengthen undertakings, regardless of their size. Innovation is the driving force behind this competitive and sustainable development. Promoting socio-environmental sustainability and reducing inequalities in the nation and in Brazilian society are the guidelines of our project for the future.

- We support our operations through accurate knowledge of reality and with a long-term foresight.
- We develop a strategic outlook that guides the desired results, while aligning and integrating all our efforts.
- We promote economic and socio-environmental sustainability in all our activities.
- We work for the reduction of social and regional inequalities, generating employment and income, and improving the standard of living.
- We encourage the innovative and entrepreneurial spirit.

Public principles

Our operations are guided by public principles, evident through the irreversible commitment to the interests of Brazilian society, a focus on the collective and the care taken when using public resources.

- Our operations are guided by the interests of Brazilian society, maintaining a focus on the collective and in compliance with the priorities democratically established by government policies.
- We establish our decisions and efforts on impersonality, equality and transparency when conducting public management.
- We advocate the proper use of the BNDES’ resources, with attention to costs, efficiency, effectiveness of the processes and no waste.

Excellence

We aim at achieving excellence in all we do, in the effort to carry out the Bank’s mission. Excellence is due to a combination of technical competence, applied knowledge, focus on relevance and innovating capacity, all propelled by persistent efforts to reach our goal.

- We constantly seek technical advancement and innovation.
- We value capacity in the form of pro-activeness, pragmatism and methodological precision.
- We encourage the production of knowledge guided by the challenges in Brazilian society.
- We encourage the will to learn and the dissemination of knowledge.
- We value team work, sharing knowledge and experiences, as well as cooperation.
- We pursue quality, consistency and efficiency in efforts through collective discussions and shared decisions.
- We encourage a sense of professional and personal accomplishment in teams by acknowledging their contributions.
Exhibit CVD - BR - 41
OUR PERFORMANCE

BNDES IN NUMBERS

OPERATIONAL PERFORMANCE

In 2017, we disbursed R$ 70.8 billion, in comparison with the previous year, there was a 20% decrease in disbursements. This performance followed the slowdown in demand for new investments. Even in the face of this scenario of retrenchment, we continue to act to meet the financing needs of the Brazilian economy, especially in segments where there is greater restriction of access to credit. Special mention should be made of BNDES Giro's disbursements, to finance working capital of companies, in the amount of R$ 7.1 billion, and the increase in the participation of micro, small and medium-sized companies in our total disbursements, which reached 41% in 2017. In addition, we underscore the increase in disbursements for infrastructure, agricultural sector, and acquisition of machinery and equipment through BNDES Finame.
for Philanthropic and Nonprofit Institutions (PRO-Santa Casa), we sent a written statement to the Federal Senate and gave a presentation in the House of Representatives. We thus contributed to the levy’s approval in September, establishing public financing mechanisms that guarantee the operation of philanthropic and nonprofit institutions that provide supplementary health services to the Brazilian Unified Health System (US).

**SUGANCO TECHNOLOGY**

Our support for a program of social innovation project developed by the Sugasunco Technology Center (CETEC) resulted in the approval by the National Research and Innovation Committee (CNPq) of the first technological capacity in the field of digital (TCR). The model has shown a reduction of at least 50% in the amount of food byAccompanying a substantial reduction in cost with real management of urban agriculture productivity.

**SURVEYS**

In 2017, our survey of the biocattle segment focused on the identification of opportunities to develop the production chain of agroindustrial waste bygones, whose potential still remains little explored, especially in large-scale production. In order to contribute to the construction of public policies that stimulate production and market formation for the product, we organized a workshop with over one hundred specialists in the development of projects and technologies related to the production and use of biogas. In addition, we are developing a sectoral study on the potential of agroindustrial biogas in Brazil, to be published in 2018.

We have also contributed to important technological advances in the market of superphosphate.

**ECONOMY OF CULTURE**

Our support for the economy of culture has enabled Brazilian companies to invest in the production of their own content and in the development of their distribution and marketing strategies, conquering new spaces in the Brazilian and world markets. The strengthening of the productive chains of different cultural segments, such as editorial and audiovisual, also creates opportunities for job creation and for the structuring of the sector.

The application, in 2017, of a financing of R$6.3 million for Editora Atheneu will allow, for example, that it invest in the production of 170 unpublished books on health issues by national authors, as well as in a platform of distance education for continuing education, with online content creation and distribution of exclusive content. The digital platform developed by the company will offer 14 refresh courses for students in health professionals, containing simulations of patient care and participants’ knowledge tests.

Due to its great potential for growth, we also surveyed the independent companies of the Brazilian digital games industry in June and July 2017, in partnership with the Ministry of Culture, the Brazilian Association of Digital Games Developers (Abjogames) and Brazil’s Independent Games Festival (BIG Festival). This survey covered more than 150 companies and showed that more than 75% of them already obtain revenues with their own intellectual properties, mainly from entertainment and educational games. Games involving virtual or augmented reality are also a current trend, contributing to the turnover of more than 20% of the respondents companies.

**AGRICULTURAL SECTOR**

The year of 2017 was marked by another record grain crop in Brazil, benefiting the agricultural sector even with the persistence of the country’s storage chain of agroindustrial biogas. The model of organization whose potential still remains explored, in cooperatives for the marketing of products and in cooperatives for the production of biogas, has also surveyed organization in cooperatives of small and medium farmers.

In order to contribute to the construction of public policies that stimulate production and market formation for the product, we organized a workshop with over one hundred specialists in the development of projects and technologies related to the production and use of biogas. In addition, we are developing a sectoral study on the potential of agroindustrial biogas in Brazil, to be published in 2018.

We have also contributed to important technological advances in the market of superphosphate.
Exhibit CVD - BR - 42
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Dear shareholders and other stakeholders:

In compliance with the legal and statutory provisions and in line with the best corporate governance practices, we introduce the Management Report of the BNDES System relative to the year ended on December 31, 2018.

Macroeconomic environment

Throughout 2018, the international scenario, which had been showing a quite favorable environment for emerging markets, presented signs of reversion. Since the end of April, there has been a movement of increased risk and depreciation of emerging currencies, with some more extreme cases, notably those of Argentina and Turkey. The evolution of US monetary policy, which is becoming increasingly restrictive, would be one of the main determinants of this movement. Nevertheless, in recent months, the slowdown in the world economy, jointly with the increase of risk factors on the horizon, as the trade war, reduced the prospect of increased interest in the United States of America (USA), which may maintain liquidity higher than previously expected for emerging markets.

In Brazil, the macroeconomic environment was characterized, throughout 2018, by the progress of economic recovery, albeit slow and gradual. The Brazilian economy presented growth close to that of 2017 and below the expectations of the beginning of the year.

Several events resulted in the frustration of these expectations in 2018. Regarding external factors, as mentioned above, pressure on the emerging economies' currencies, although has impacted Brazil in a softer way, contributed to delaying the process of activity resumption. On the domestic side, the highlight was the trucker's driver strike at the end of May, which had negative consequences for economic activity and inflation. Flaring tensions in the political scenario in the months before election also stimulated, along with the strike, continuing uncertainty at high levels during most part of the year.

The industry ended 2018 on a weaker footing comparing to 2017, with growth below 2.0%. Led by the vehicle sector, with a double-digit growth, industrial production was impacted in the second half of the year by the reduction of vehicle exports to Argentina. By use category, the year presented growth in the production of capital goods and durable consumer goods,
whereas intermediate goods and semi-durable and nondurable consumer goods had much more modest performance.

The unemployment rate continued to decline compared to the same period in the previous year, but still shows a considerable negative scenario. According to data of November 2018, the unemployment rate was 11.6%, compared to 12.0% in November 2017. Most of the jobs generated in this interval came from the informal sector. The increase in real revenue, which raised the salary mass in 2017, has lost pace over the period. The recovery of the labor market may be more intense in 2019, in line with the expectation of activity growth in general.

This scenario of great idleness in the economy contributed to maintaining inflation under control once again. The Broad Consumer Price Index (IPCA) ended the year at 3.75%, below the inflation target for the second consecutive year, despite the three intense shocks faced throughout 2018 – trucker's driver strike, exchange rate depreciation, and increase of administered prices.

Thus, it can be seen that the economy, while maintaining its recovery process, continues with a lot of idleness, in relation to both the industry capacity utilization level and the labor market. The slow activity resumption, along with inflation and inflation expectations below the target, suggests that interest rates may stay at reduced levels for a longer period, which tends to stimulate the economy throughout 2019.

Regarding the fiscal scenario, the pension reform is still under discussion, fundamental for meeting the public expenditure ceiling and for the balance of public accounts. In 2018, there was another Federal Government primary deficit for the fifth consecutive year. The general government gross debt broke successive historical records throughout 2018, reaching above 77% of gross domestic product (GDP). In addition, the fiscal imbalance of the states has become increasingly exposed, and it is one of the main challenges to be faced in 2019. Guiding these issues properly will be essential to sustain growth in the coming years.

Finally, external accounts remain with good performance, especially in relation to the trade balance. The surplus stayed at high levels, reaching US$ 58.3 billion in 2018. The direct investments in the country are more than enough to finance the current account deficit, and Brazil does not need external financing.
This macroeconomic context of slow and gradual recovery keeps on influencing BNDES's performance indicators. The Bank's disbursements totaled R$ 69.3 billion in 2018, a 2% contraction in relation to 2017. The positive highlight in the year is related to the disbursements for infrastructure, which totaled R$ 30.4 billion, a 13% nominal high in relation to 2017.

Acceleration of the economy growth rate is expected for 2019, with increase, mainly, in the investment amount. In such a scenery, the demand for financing is expected to recover from the levels observed in recent years.
Exhibit CVD - BR - 43
Disbursements of BNDES Giro increase 315% in the year to August
09/19/2017

Working capital line of credit disburses R$ 4.6 billion between January and August

Finame approvals for the acquisition of machines and equipment total R$ 14.6 billion in eight months; 28% increase

Inquiries reflect increased demand for credit in agriculture (14%) and industrial segments such as chemical and petrochemical (55%) and mechanics (35%).

Infrastructure approvals increase 27%, with strong influence of electricity (154%)

Disbursements of BNDES Giro, the working capital line of credit of the Brazilian Development Bank (BNDES), reached almost R$ 4.6 billion in loans in the year to August, a 315% increase compared with the same period of 2016. In the twelve-month period, BNDES Giro totaled almost R$ 6.2 billion in more than 14 thousand loan operations, up 230% compared with the immediately preceding twelve months.

In August alone BNDES Giro disbursed R$ 570 million in loans, a 147% increase over the same month last year. Created originally as BNDES Progeren with the aim of helping companies get through the recessive economic environment of recent years, preserving activities and jobs, the line was renamed as BNDES Giro in August, with the announcement of changes to facilitate access to short-term credit by micro, small and medium-sized enterprises (MSMEs).

Through BNDES Giro, BNDES contributes to economic recovery by meeting financing needs, especially of segments with most restricted access to credit. Almost 85% of all BNDES Progeren – now BNDES Giro – loans granted this year up to August went to MSMEs. This contributed to the increasing share of MSMEs in the Bank’s total disbursements. Between January and August, 41% of all BNDES loans went to this segment.

Last month, BNDES president Paulo Rabello de Castro announced a cut in the Bank’s spread, from 2.1% to 1.5%, in BNDES Giro operations with maturities of up to 60 months with a 24-month grace period. In its renewed version, the working capital credit line was included in the Bank’s new automatic operation approval system, BNDES On-line, exclusively for financial agents. The platform for machine-to-machine automated processes between on-lending banks and BNDES allows approval in a matter of seconds. In BNDES Giro, funds are transferred by financial agents, who assume the risk for the operation.

Recovery – Access to working capital is essential for businesses in times of economic recovery. Currently, several signs point to an improvement in the level of activity, such as the 0.2% growth of GDP in the second quarter of the year, calculated by IBGE. The result, above market projections, highlighted the increase in consumption. Even so, inflation continues at low levels, confirming projections of falling interest rates. This scenario points to a gradual recovery of demand for BNDES funds for investment in the coming months.

The operating performance of BNDES in the first eight months of the year reflects the resumption of investment in modernization. Approvals of Finame, a credit line for machines and equipment, exceeded R$ 14.6 billion in the year to August, an increase of 28% compared with the same period of the previous year. In the same comparison, disbursements increased 13%, totaling R$ 12.8 billion from January to August this year. In August alone, Finame loans for the acquisition of capital goods, such as trucks and agricultural machinery, totaled R$ 1.7 billion, 33% higher than the same month last year.

Aggregate data – BNDES operational statistics continue to reflect the country’s economic situation of low demand for investment loans, but in line with recovery indicators. Loan inquiries, which are the main thermometer of investment intention, being the first stage in the process of applying for BNDES loans, recorded a smaller decrease in the year to August than approvals and disbursements.

Between January and August, inquiries totaled R$ 68.7 billion, down 10% compared with the same period in 2016. Despite the maintenance of the negative result in the year to August, the sectors of trade and services and agriculture recorded significant increases in inquiries: 23% and 14%, respectively.

Several industrial sectors also recorded a rise in inquiries such as chemical and petrochemical (+55%), mechanics (+35%), food and beverages (+29%), pulp and paper (+16%) and textiles and clothing (+13%). In the infrastructure segment, there was a 36% increase in inquiries for public utilities, 25% for construction and 13% for electricity.

Increased infrastructure approval – In the next stage of loan applications, eligible operations totaled R$ 58.6 billion in the year to August, down 9% over the same period in 2016. In the same comparison, approvals decreased 15%, totaling R$ 45 billion between January and August. However, the infrastructure sector stood out with a 27% increase in approvals, which surpassed R$ 17.6 billion this year. In the electricity segment alone, approvals grew 154%. A total of R$ 10.6 billion was
approved for energy generation, transmission and distribution projects, which accounted for almost a quarter of BNDES loan approvals this year.

Approvals are an indicator of funds ready to enter the economy in investment projects. Disbursements, in turn, reflect demand for credit for past investments, since the funds are only released to borrowers once the phases of eligibility, approval and agreement have been concluded.

Disbursements – Still reflecting a more critical economic scenario, BNDES disbursements totaled almost R$ 45 billion in the first eight months of 2017, down 19% compared with funds released between January and August 2016. However, there was an increase in disbursements in the year to August for the agriculture sector (+9%) and infrastructure segments such as telecommunications (+86%), electricity (+53%) and rail transport (+3%). In August alone, BNDES disbursed R$ 4.7 billion, down 32% over the same month last year.

The breakdown of BNDES disbursements by region shows that the retraction is more concentrated in the Southeast, where the volume of funds released fell 36% between January and August, compared with the same period last year. In the Center-West and Northeast regions there was a significant increase in BNDES disbursements for projects: 21% and 15%, respectively.

Regarding approvals, there was an 107% increase for projects in the Northeast.

The BNDES Performance Bulletin is available here.
Exhibit CVD - BR - 44
BNDES’ new measures reinforce the Brasil Maior Plan

08/02/2011

- Programs include support for sectors impacted by the exchange rate, a boost in financing for innovation, working capital and professional qualification

- BNDES’ PSI program is extended to the end of 2012

The BNDES approved a series of support measures for the Brazilian production sector, enabling swifter concession of financing and reduced investment costs. These steps are part of the Brasil Maior Plan, disclosed in Brasilia on Tuesday, August 2, by the President of the Republic, Dilma Rousseff.

In order to consolidate the Brazilian production sector and expand the competitiveness in industry, a new stage of the BNDES Revitaliza Program has been launched, aimed to support the sectors most affected by the exchange rate appreciation. With a budget allocation of R$ 6.7 billion and a fixed interest rate of 9%, the program will be effective until December 31, 2012.

In addition to the car parts sector, included in this new version, the BNDES Revitaliza supports investments in the following segments: capital goods, textile and apparel, footwear, leather artifacts and treatment, software, information technology services, decorative stones, wood treatment and furniture, processed fruits and in natura, as well as ceramics.

New measures also include more funding and better credit conditions for working capital in micro, small and medium-sized companies. In this vein, the budget of the BNDES Progeren program will increase from the current R$ 3.4 billion to R$ 10.4 billion, with interest rates between 10% and 15% per annum. The overall term of loan was extended as well, from 24 months to up to 36 months (with 12 months grace period). These conditions will expire on December 31, 2012.

Besides supporting micro and small companies in all sectors, the BNDES Progeren program will start supporting medium-sized companies in the car parts, furniture and wood artifacts sectors. Besides these new sectors, the program already included medium-sized companies in the sectors of capital goods, textile products, apparel, clothing and accessories, instruments and materials for medical and odontological use and optical goods, information technology equipment and accessories, electronic and communication material, toys and recreational games. In the North and Northeast regions, any medium-sized company may be supported by Progeren.

These measures also benefit from the extension of the term for using funding from the Investment Maintenance Program (PSI) to the end of 2012.

In addition to remaining focused on financing for the acquisition of capital goods, innovation, exports and the Financing Program for Truck Drivers (Procaminhoneiro), the PSI included new sectors and new programs: parts and components, information technology and communication equipment made in the country with national technology; hybrid buses; Proengenharia; and Production Innovation. In this way, the PSI, with a R$ 75 billion budget, extended its support to adding value through innovation and the acquisition of capital goods and components.

Professional qualification – The new industrial policy is also focused on the qualification the labor force. Thus, the BNDES Qualification Program was created, with a budget of R$ 3.5 billion and effective until April 30, 2013. The interest rate will be the long-term interest rate (currently at 6% per annum), plus 0.9%, added of the borrower’ risk rate.

The program intends to increase the number of positions in professional, technical and technological instruction. Operations will be carried out via indirect (when funding is transferred by accredited financial institutions) and direct modalities. The minimum amount of each operation will be R$ 3 million. In case of imported machinery and equipment, the BNDES may hold an interest of up to 60% in the eligible items. Funding for working capital may be of up to 30% of the total amount financed. For the remaining items, the BNDES’ participation may reach 90%.

Items eligible for financing include civil construction, furniture and appliances, assembly and facilities, software developed in the country and related services, national machinery and equipment, imported machinery and equipment without a similar national version, managerial, technical and operational support capacity-building, training and improvement costs, as well as working capital associated to the other eligible items.

The BNDES Qualification Program is open to entities included in the “S System”, public institutions working with professional, technical and technological instruction and private technical schools.

The program supports projects earmarked to implement, expand and modernize professional, technical and technological
BNDES’ new measures reinforce the Brasil Maior Plan: BNDES

Innovation – In keeping with the priority given by the industrial policy for innovation, the BNDES approved incentives for investments in this field. The efforts include the BNDES Credit Limit for companies’ innovation plans, new funding for Finep and the expansion of sectorial programs.

The BNDES Credit Limit is a revolving credit line with amounts previously set by the Bank. The program was created in April 2005 to simplify the procedures adopted by the Bank to grant financial support to companies with low credit risk. As of now, the line will include support for pluriannual plans for companies’ innovation, enabling higher speed to release funding for innovation.

The BNDES will grant credit in the amount of R$ 2 billion to Finep with the purpose of expanding its innovation portfolio, increasing the funding availability for the sector’s investments. This is another initiative alongside the Technical Cooperation Agreement to carry out the Joint Plan of Support for Industry Technological Innovation in the Sugarcane-based Energy and Sugarcane-based Chemicals Sectors, entered into between the BNDES and Studies and Projects Financer (Finep) in March 2011.

At that time, the program had R$ 1 billion for the 2011-2014 period, aimed at fostering projects seeking to develop, produce and trade new industry technologies earmarked to process the biomass produced from sugarcane.

Sectorial programs – Creation, expansion of budget and improvement of access conditions to sectorial programs, in the period for renewal of each of the following products:
• BNDES Pro-P&G – Support Program for the Development of Oil & Natural Gas Goods and Services Supply Chain, created in 2011 within the scope of the Brasil Maior Plan;
• BNDES Profarma – Support Program for the Development of the Health Care Sector;
• BNDES Prosoft – Program for the Development of the National Industry for Software and Information Technology Services;
• BNDES Pró-Aeronáutica – Financing Program for Companies in the Brazilian Aeronautics Production Sector;
• BNDES Proplástico – Support Program for the Development of Plastic Production Chain.

Exhibit CVD - BR - 45
BNDES reduces interest on working capital to 6% per year

06/05/2012

- The BNDES Progeren rates for micro and small companies fall 31%

In keeping with the federal government’s initiative to stimulate investment in the Brazilian economy, the BNDES has reduced interest rates and expanded the scope of its program to finance working capital. Changes were made in the BNDES’ Support Program to Strengthen Employment and Income Generation (BNDES Progeren) aimed at increasing production, employment and salaries.

Changes include a drop in financing costs for companies of all sizes, expansion of benefited sectors and revision of the budget cap. Fees charged by the BNDES for micro and small companies will be only 6% per year, down from 9.5%. For medium-sized companies, fees were reduced to 6.5% per year, compared to the 9.5% charged so far. Finally, for the group comprising large and medium-large companies, the rate will be 8%, against the previous 10%.

The program will operate only in the indirect modality, and added to these fees is the remuneration of the financial agent, which is to be negotiated between the final borrower and the on-lending bank. Also, from now on, medium-sized companies in the manufacturing industry may obtain financing from the BNDES Progeren. Previously, credit was only available to specific industrial categories. For micro and small companies, there is still no limitation, while access for large companies to the program remains restricted to those that operate in only a few industries.

The program will be effective until December 31, 2012, and has an available budget of R$ 14 billion. Of this total, R$ 3 billion will be earmarked for medium-large and large companies, while R$ 11 billion is for micro, small and medium-sized companies (MSMEs), including R$ 1.1 billion set aside specifically for MSMEs in municipalities covered by the Constitutional Fund of the North (FNO) and Northeast (FNE). The total term of operations remains at 36 months, including the 12-month grace period.

Visit this link for the presentation made by President Luciano Coutinho during the press conference: http://migre.me/9mTT0
Exhibit CVD - BR - 46
BNDES Exim Pre-shipment

Financing the production of goods for export

How it works

The exporter requests financing from a financial agent accredited by the BNDES. After approval, the financing proceeds for approval by the BNDES, after which the operation can be contracted and the resource released. The exporter then produces the goods and exports them, fulfilling the commitment, and pays the installments to the BNDES, via a financial agent.

Understand:

1. After approving the credit, the Financial Agent forwards the financing request to BNDES, with information on the export operation and the Exporter. The BNDES evaluates, according to previously established parameters, and approves the operation.

2. After contracting the operation between the Financial Agent and the Exporter, BNDES releases the funds to the Financial Agent.

3. The Exporter produces the goods and exports them, fulfilling the export commitment to be later verified by the BNDES.

4. After the end of the grace period for the principal of the contracted financing, the Exporter starts amortizing the installments, until the total financial settlement of the contract.

5. The Financial Agent transfers the payments to the BNDES, until the total financial settlement of the contract.

- Interest rate
- BNDES participation
- Deadlines
- Guarantees
- Circulars and standards

Exhibit CVD - BR - 47
1 - After approving the credit, the Financial Agent forwards the financing request to BNDES, with information on the export operation and the Exporter. The BNDES evaluates, according to previously established parameters, and approves the operation.

2 - After contracting the operation between the Financial Agent and the Exporter, BNDES releases the funds to the Financial Agent.

3 - The Financial Agent then transfers the funds to the Exporter.

4 - The Exporter produces the goods and exports them, fulfilling the export commitment to be later verified by the BNDES.

5 - After the end of the grace period for the principal of the contracted financing, the Exporter starts amortizing the installments, until the total financial settlement of the contract.

6 - The Financial Agent transfers the payments to the BNDES, until the total financial settlement of the contract.

**Interest rate**

**BNDES participation**

**Deadlines**

<table>
<thead>
<tr>
<th>LARGE COMPANIES - CAPITAL GOODS</th>
<th>MAXIMUM FINANCING TERM</th>
<th>MAXIMUM REPAYMENT TERM</th>
<th>MAXIMUM REFUND TERM</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Four years</td>
<td>Four years</td>
<td>3 years</td>
</tr>
<tr>
<td>MINIES AND OTHER CASES</td>
<td>3 years</td>
<td>3 years</td>
<td>2 years</td>
</tr>
</tbody>
</table>

**Note:** the amortization may be paid in a single installment or divided into monthly installments.

**Guarantees**

**Circulars and standards**
Exhibit CVD - BR - 48
BNDES Exim Post-shipment Goods

Financing for the import of national goods and associated services.

Who participates in the operation
- Exporter: company that exports Brazilian goods and/or services.
- Importer: legal entity incorporated abroad that purchases the goods and/or contracts the services.
- Debtor: the importer himself or another legal entity that assumes the payment obligation resulting from the export.
- BNDES: Institution responsible for analyzing the operation, approving it and releasing funds for its financing.
- Mandated Bank: commercial bank accredited to BNDES and domiciled in Brazil, which intermediates the operation between all participants.

See more about fighting corruption of foreign civil servants.

- **Supplier Credit mode**
- **Buyer Credit Mode**
- **Interest or discount rate**
- **Other charges and expenses**
- **BNDES participation**
- **Term**
  Up to 15 years.
- **Guarantees**
- **Circulars and standards**

BNDES Exim Post-shipment Goods

Who participates in the operation
- Exporter: company that exports Brazilian goods and / or services
- Importer: legal entity incorporated abroad that purchases the goods and / or contracts the services.
- Debtor: the importer himself or another legal entity that assumes the payment obligation resulting from the export.
- BNDES: institution responsible for analyzing the operation, approving it and releasing funds for its financing.
- Mandatory Bank: commercial bank accredited to BNDES and domiciled in Brazil, which intermediates the operation between all participants.

See more about fighting corruption of foreign civil servants.

Supplier Credit mode
In this modality, the exporter grants financing to the importer through a letter of credit or bond. After the export of the goods and the performance of the associated services, the securities received by the exporter are assigned / endorsed to the BNDES, which performs the discount of these securities, releasing the exporter the cash value in reais and receiving it from the importer in installments.

Understand:

1. After the Supplier Credit operation is approved by the BNDES, the exporter can ship the products / perform the services for the importer.
2. The importer presents securities or letters of credit issued in favor of the Exporter.
3. The Exporter carries out the endorsement of the securities or the assignment of letters of credit in favor of BNDES.
4. The Mandatory Bank sends to the BNDES the supporting documentation for the export and the request for release of funds.
5. BNDES analyzes the documentation and, if it is in good order, disburses funds to the Mandatory Bank.
6. Next, the Mandatory Bank transfers the funds to the Exporter.
7. After the end of the grace period for the principal of the financing, the importer begins the amortization of the installments, via the Mandatory Bank, until the total financial settlement of the contract.
8. Then, the Mandatory Bank transfers the payments to the BNDES, until the financing is fully settled.

Buyer Credit Mode
In this modality, the exporter, after signing a contract with the importer for future delivery of goods and / or services, requests financing from BNDES, which must sign a contract with the importer. Only after approval of the operation, the goods and / or services are delivered and the funds are released.

Understand:
**Supplier Credit mode**

In this modality, the exporter grants financing to the importer through a letter of credit or bills. After the export of the goods and the performance of the associated services, the securities received by the exporter are assigned / endorsed to the BNDES, which performs the discount of these securities, releasing the exporter the cash value in reais and receiving it from the importer in installments.

1. After the Supplier Credit operation is approved by the BNDES, the Exporter can ship the products / perform the services for the Importer.
2. The Exporter presents securities or letters of credit issued in favor of the Exporter.
3. The Exporter carries out the endorsement of the securities or the assignment of letters of credit in favor of BNDES.
4. The Mandatory Bank sends to the BNDES the supporting documentation for the export and the request for release of funds.
5. BNDES analyzes the documentation and, if it is in good order, disburses funds to the Mandatory Bank.
6. Next, the Mandatory Bank transfers the funds to the Exporter.
7. After the end of the grace period for the principal of the financing, the Importer begins the amortization of the installments, via the Mandatory Bank, until the total financial settlement of the contract.
8. Then, the Mandatory Bank transfers the payments to the BNDES, until the financing is fully settled.

**Buyer Credit Mode**

In this modality, the exporter, after signing a contract with the importer for future delivery of goods and / or services, requests financing from BNDES, which must sign a contract with the Importer. Only after approval of the operation, the good and / or service is delivered and the funds are released.

1. The Exporter signs a commercial contract with the Importer, for future delivery of goods / services.
2. The Exporter sends the prior consultation to BNDES, with information on the export operation. The BNDES evaluates, according to previously established parameters, and approves the operation, which is formalized through a financing contract with the Importer / exporter, with the intervention of the Exporter.
3. The Exporter ships the products / performs the services to the Importer.
4. The Exporter sends supporting documents regarding the export and any others listed in the financing contract to the Mandatory Bank.
5. The Mandatory Bank sends the BNDES the documentation and the request for release of funds.
6. BNDES analyzes the documentation and, if it is in good order, disburses funds to the Mandatory Bank.
7. Next, the Mandatory Bank transfers the funds to the Exporter.
8. After the end of the grace period for the principal of the financing, the Importer starts amortizing the installments, until the total financial settlement of the contract.
9. Then, the Mandatory Bank transfers the payments to the BNDES, until the total financial settlement of the contract.

Interest or discount rate

Other charges and expenses
Exhibit CVD - BR - 49
NATIONAL BANK OF ECONOMIC AND SOCIAL DEVELOPMENT - BNDES

AEX CIRCULAR No. 09/2017

Rio de Janeiro, August 25, 2017

Ref.: Financing Lines for BNDES Exim Pre-shipment and BNDES Products
       Exim Post-shipment

Asx.: Reclassification of Financing Assets

The Superintendent of the Foreign Trade Area, in the use of his duties,

NOTIFIES FINANCIAL AGENTS and BENEFICIARY companies to

update of the List of Products Financeable by BNDES, applicable to the Lines of

Funding in reference.

It should be noted that this update aims to adjust the List of Financeable Products

BNDES to the recent adjustments made to the Mercosur Common Nomenclature

(NCM), which, in turn, derives from the Harmonized System of Designation and

Commodity Classification (HS).

This Circular enters into force on this date, applying to new operations

fitted with the BNDES as of this date, revoking Circular No. 06/2016, of


LEONARDO PEREIRA RODRIGUES DOS SANTOS
Superintendent of Foreign Trade and Guarantee Funds
BNDES

Annex: List of Financeable Products

LIST OF FINANCEABLE PRODUCTS
Applicable to BNDES-exim Export Financing Lines

GROUP I

<table>
<thead>
<tr>
<th>NCM</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>3813.12.10</td>
<td>Supported catalyst, in ceramic or metallic honeycomb for catalytic conversion of vehicle exhaust gases</td>
</tr>
<tr>
<td>4010.3</td>
<td>Transmission belts</td>
</tr>
<tr>
<td>4011.20</td>
<td>New tires for buses and trucks</td>
</tr>
<tr>
<td>4011.30</td>
<td>New aircraft tires</td>
</tr>
<tr>
<td>4011.70</td>
<td>New rubber tires, of a type used in agricultural or agricultural vehicles and machinery, which must be designated to be used on vehicles with a diameter equal to or greater than 940 mm (37&quot;) or with a diameter equal to or greater than 1,448 mm (57&quot;)</td>
</tr>
</tbody>
</table>

Classificação: Oitavo Documento

Management Units: AEX

NCM DESCRIÇÃO
71 * Natural or cultured pearls, precious or semi-precious stones and the like, metals precious metals, clad with precious metal, and articles thereof, except for 7101 to 7112.
72 * Cased iron, iron and steel, except 7201 to 7207 and 7224
73 * Articles of case iron, iron or steel, except 7304.1, 7304.2, 7305.1, 7305.20.00, 7366.1, 7366.2, 7367, 7368.10.00, 7368.20.00, 7369.00.00, 7310.10.10, 7310.29.28, 7311.00.00, 7312.90.10, 7328.90.10, 7328.90.90, 7328.90.99, 7329.00.00, 7326.90.00, 7326.90.10 and 7326.90.99 (see GROUP I)
74 * Copper and articles thereof, except 7401 to 7409
75 * Nickel and articles thereof, except 7501 to 7504
76 * Aluminium and articles thereof, except 7601 to 7603
78 * Lead and articles thereof, except 7801, 7802 and 7804.20.00
79 * Zinc and articles thereof, except 7901 to 7903
80 * Tin and articles thereof, except 8001, 8002 and 8007.00.20
8101.96 Tungsten (tungsten) in wires
8102.96 Molybdenum in wires
8105.90.10 Cobalt in plates, sheets, strips, threads, rods, lances and pamphlets
8111.00.20 Manganese in plates, sheets, strips, threads, rods, lances and pamphlets
8113.90.10 Arsenic ("arsenic") in plates, sheets, strips, threads, rods, lances and pamphlets
82 * Tools, cutlery and cutlery, and parts thereof, of base metal, except 8207.30.00 (see GROUP I)
83 * Miscellaneous articles of base metal, except 8301.20.00, 8302.30.00 and 8307.1 (see GROUP I)
8403.10.10 Central heating boilers with a capacity less than or equal to 200,000 kcal/hour
8414.30.00 Air, band or foot pumps
8414.30.11 Hermetic motor compressors, with a capacity of less than 4,700 refrigerators/ hour
8414.30.12 Table, standing, wall, ceiling or window fans with electric motor power of not more than 125W
8414.60.00 Hoods (hoods *) with a maximum horizontal dimension not exceeding 120 cm

2/24/2020 NATIONAL BANK OF ECONOMIC AND SOCIAL DEVELOPMENT - BNDES CIRCULAR AEX Nº 09/2017 Rio de Janeiro, August 25, 20...
Exhibit CVD - BR - 50
How to obtain BNDES Finame financing?

**Goal**
Financing the production and acquisition of national machinery and equipment accredited by BNDES.

**Process**
In general, the simplified flow of financing follows the following steps, with some variations, depending on the line:

- **Step 1:** The interested party chooses the machine or equipment that he/she wants to purchase and verifies that the item is in the list of equipment that can be financed by BNDES Finame. This verification is possible on the BNDES website.

- **Step 2:** The interested party seeks an accredited financial agent and asks for the financing of the equipment/machine. Financial agents are financial institutions authorized to transfer BNDES resources; they may be commercial banks, development banks, development agencies or credit unions, etc.

- **Step 3:** The financial agent analyzes the request and the financial situation of the interested party and, if it approves the operation, forwards the request for financing to the BNDES.

- **Step 4:** BNDES evaluates the request, observes whether it is in accordance with the rules, and, if so, authorizes the financing.

- **Step 5:** The agent authorizes the manufacturer or authorized distributor to deliver the machine or equipment to the buyer/financier.

- **Step 6:** The manufacturer or authorized distributor delivers the machine or equipment to the buyer.

- **Step 7:** BNDES passes the amount to be financed to the financial agent (upon request and presentation of the invoice).

- **Step 8:** The financial agent transmits the amount to the equipment manufacturer or authorized distributor.

**BNDES Finame products**
- BNDES Finame: finances the production and acquisition of machinery and equipment.

**Doubts**
Contact us on the BNDES website.

cell center
0800 982 437
Contact us

Ombudsman
0800 426 692
Contact the Ombudsman

Other phones and addresses
Exhibit CVD - BR - 51
Automatic BNDES

The **BNDES Automatic** is the BNDES product geared to financing investment projects; the financed amounts do not exceed R$ 150 million. The financing operations of BNDES Automatics are carried out indirectly, that is, through accredited financial institutions.

Investments for the implementation, expansion, recovery and modernization of fixed assets can be financed, as well as research, development and innovation projects, in the sectors of industry, infrastructure, trade, services, agriculture, forestry, fishing and aquaculture.

The BNDES Automatic product is divided into **financing lines**, with specific financial conditions to better serve the customer, according to size or economic activity:

**BNDES Automatic** : investment projects: financing of up to R$ 150 million for investment projects by companies in all sectors. Financing can be requested: companies based in the country; individual entrepreneurs (legal entities); rural producers (individuals); foundations and associations; consortia and condominums engaged in productive activity.

**BNDES - Emergency** : financing of up to R$ 1.5 million for investments that allow the resumption of economic activity in municipalities affected by natural disasters. The following may apply for financing: companies based in the country; individual limited liability companies; individual entrepreneurs; rural producers (individuals or companies); and cooperatives.

**BNDES Small Business Credit** : loan of up to R$ 10 million per year, aimed at maintaining and generating jobs. Financing can be requested: Micro and small companies and individual entrepreneurs; medium-sized companies with revenues of up to R$ 90 million.

**BNDES Crédito Médio Empresas** : loans and financing of up to R$ 20 million per year to medium-sized companies for the acquisition of assets associated with investments. Financing can be requested: Medium-sized companies and individual entrepreneurs.

**Circulars and notices**

**Quick access**

- Financing
- BNDES Coord
- BNDES Home
- Accredited financial institutions
- Partnerships
- Publications
- Ethical and corporate economy
- Knowledge

- Facebook
- Twitter
- YouTube
- LinkedIn
- Instagram
- Slideshare

- Help

https://www.bndes.gov.br/wps/portal/site/home/financiamento/bndes-automatico/bndes-automatico
Exhibit CVD - BR - 52
One of the main agents for national development, Banco do Brasil has a presence in 5,400 municipalities, with products and services available to more than 56 million customers.

**Banco do Brasil**

Banco do Brasil S.A. (BB) is Latin America's largest financial institution, with more than R$980 billion in assets, being the controlling shareholder of 23 companies, as well as sharing control with seven other entities. In Brazil, it is one of the main agents for social and economic development, and is present in 5,378 municipalities, with 5,263 branches and 43,602 automated teller machines.

At the end of the period, the Bank had over 56 million clients in its portfolio, consisting of companies and private individuals, to whom it provides products, services and solutions in the banking and investment segments, as well as asset management, insurance, pensions, capitalization and payment means, among other services. In order to ensure that they are provided with a flexible and rapid service, the Organization invests in modern technology and in the constant improvement of its processes, as well as having a workforce of over 113,000 professional staff, to whom the Bank offers a solid career plan and opportunities for training.

This structure gained further strength in 2011, as a result of BB winning the bid for a partnership arrangement with the Empresa Brasileira de Correios e Telégrafos (Brazilian postal service) for the operation of Banco Postal. The contract, which is scheduled to run for five years...
Mission
To be a competitive and profitable bank, promoting the sustainable development of Brazil and fulfilling its public function in an efficient manner.

Vision
To be the number one bank for Brazilians, companies and the public sector, a benchmark reference abroad, the best bank to work for, recognized for its performance, long-lasting relationships and socio-environmental responsibility.

Values
- Ethics and transparency
- Commitment to sustainable development in communities and Brazil as a whole
- Socio-environmental responsibility
- Respect for the consumer
- Excellence and specialization in client relationships
- Participative management, collegiate decision-making and teamwork
- Professional advancement based on merit
- Brand name with a competitive differential
- Proactivity in risk management
- Commitment to solidity, profitability, efficiency and innovation
- Respect for diversity
- Commitment to shareholders and society
Strengths

Banco do Brasil stands out on innumerable fronts, of particular note being the following:

Market leadership:

- The Institution is the market leader in terms of total assets, with R$981.2 billion in assets, as at December 31, 2011;
- It has 36.1 million current accounts; its own service network of 18,765 service outlets and a further 43,602 of its own automated teller machines, in addition to the prospect of adding a further 6,000 service outlets in 2012 through Banco Postal;
- The loan portfolio in the broad concept (including guarantees provided and private securities), with a balance of R$465.1 billion and a 19.2% share of the Brazilian Banking Industry; individual loans portfolio, with the balance of R$130.6 billion, business loan portfolio with a balance of R$171.3 billion and agribusiness, whose loan portfolio has reached R$88.7 billion, leaving the Bank with a 63.1% market share in this segment.
- Asset management (BB DTVM), which in 2011 amounted R$415.8 billion, corresponding to 21.6% share of this market;
- Foreign trade, a segment in which products such as Adiantamento sobre Contrato de Câmbio (Advance on Foreign Exchange Contracts) – ACC and Adiantamento sobre Cambiais Entregues (Advance on Foreign-Exchange Delivery) – ACE, came to a total contracted volume of US$17.4 billion by the end of 2011.

In addition to this, the fact of having the largest banking franchise in the Country provides BB with an extensive deposit base, with a low cost of funding. In 2011, this advantage resulted in a leadership position in terms of total deposits received with a balance of R$442.4 billion in 2011. Of the volume of deposits at the end of the period, more than R$234 billion were low cost funding in the form of demand deposits, savings, judicial deposits, as well as funds and government programs.

Information by Segment

Banking
Includes deposits and lending operations, among others, directed at the retail, wholesale and government segments. This area is responsible for the largest tranche of BB’s earnings.

Investments
Includes intermediation and distribution of debt in the primary and secondary markets, as well as shareholdings and the rendering of financial services.
Growth potential of the loan portfolio: the extensive franchise, experience in the granting of financing and the strength and tradition of its brand name, all lead Banco do Brasil to believe that it will continue to expand the size of its loan portfolio, and consequently maintain its leadership position in the sector. The table below indicates this expansion potential.

### Growth potential of the loan portfolio (R$ million)

<table>
<thead>
<tr>
<th>Sources</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Deposits</td>
<td>337,564</td>
<td>376,851</td>
<td>442,386</td>
</tr>
<tr>
<td>Domestic Onlending</td>
<td>31,520</td>
<td>50,764</td>
<td>50,991</td>
</tr>
<tr>
<td>Financial and Development Funds</td>
<td>5,135</td>
<td>3,568</td>
<td>4,002</td>
</tr>
<tr>
<td>FCO (Subordinated Debt)</td>
<td>18,553</td>
<td>23,412</td>
<td>30,885</td>
</tr>
<tr>
<td>Commercial Papers¹</td>
<td>2,766</td>
<td>4,316</td>
<td>16,138</td>
</tr>
<tr>
<td>Foreign Borrowing²</td>
<td>14,382</td>
<td>21,228</td>
<td>31,390</td>
</tr>
<tr>
<td>Allowance for Loan Losses</td>
<td>19,598</td>
<td>18,197</td>
<td>20,100</td>
</tr>
<tr>
<td>Uses</td>
<td>428,587</td>
<td>498,334</td>
<td>595,892</td>
</tr>
<tr>
<td>Available Funds</td>
<td>193,478</td>
<td>52,933</td>
<td>79,243</td>
</tr>
<tr>
<td>Loan Portfolio</td>
<td>300,829</td>
<td>318,366</td>
<td>422,688</td>
</tr>
<tr>
<td>Compulsory Deposits</td>
<td>24,280</td>
<td>87,035</td>
<td>93,560</td>
</tr>
<tr>
<td>Indicators - %</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan Portfolio/Total Deposits</td>
<td>89.1</td>
<td>95.1</td>
<td>95.6</td>
</tr>
<tr>
<td>Potential Loan Portfolio Growth¹</td>
<td>99.595</td>
<td>133.002</td>
<td>155.961</td>
</tr>
</tbody>
</table>

¹ Includes Agribusiness and Mortgage Letters of Credit; ² Includes Foreign Borrowings, Foreign Securities, Foreign Onlending and Perpetual Securities; ³ Consider a 10% rule of minimum of R$1 and growth in credit assets with real weighting.
Market leadership, sustainability, loan portfolio growth, solid brand name, relationship with governments, leading-edge technology, high governance and administration standards, are all strengths of BB.

**Solid brand name:** this characteristic is expressed in the form of various achievements, among them being the Top of Mind awards in 2011, promoted by the Datafolha Institute, which positioned BB as the institution most remembered by Brazilians for the 20th year running. The brand name also featured as the third most valuable in Brazil, in the sixth edition of the research poll "The 100 most valuable brand names in Brazil" carried out by the consultancy Brand Finance.

**Strategic relationship with Federal, State and Municipal Governments:** as financial agent of the Tesouro Nacional (National Treasury), Banco do Brasil implements and manages government finance, receiving funds from the Single Union Account and passing them on to other entities of the Federation. With the other federal bodies, the business principally involves the receiving money from funds and programs for application in specific areas, the collection of taxes, payment of student grants, benefits and tax rebates, as well as passing on of funds.

BB is also the official financial agent in 16 states and 16 state capitals. In addition, it has business with every Brazilian municipality, to whom it offers specific solutions to the tax administrations, the receipt, management and optimization of financial resources, payment execution, management of human resources, social welfare, and the generation of jobs and incomes.

**Modern platform with leading-edge technology:** the investments made in the last decade have put BB in an outstanding position in terms of banking technology, both domestically and internationally. The institution was the first in the retail segment in the Americas and the Southern Hemisphere, and the 10th in the world, to obtain the ISO 20000 certification in technology, according to IT Service Management Forum. At the end of 2011, the Bank's automated channels accounted for 93.8% of total transactions carried out. Of these, approximately 33.6% were carried out through automated teller machines, which number 43,602, placing BB as the bank with

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"Top of Mind 2011" publicity campaign.
the largest automated teller machine park in Latin America. This position is the result of constant investment in technology, which amounted to R$630 million in 2011.

High Corporate Governance standards: since 2002, in its bylaws Banco do Brasil has incorporated the main Corporate Governance practices stipulated in the regulations of the BM&FBOVESPA Novo Mercado, a listing segment which covers those companies with the highest levels of Corporate Governance in Brazil. These Corporate Governance standards have the objective of maximizing efficiency in the management and protection of shareholders interests. In 2006, BB joined the Novo Mercado, when it signed a contract with BM&FBOVESPA, to increase the size of its free float (number of shares that a company has available for trading in organized markets), which took place in 2010. BB ended 2011 with a free float of 30.4%.

Highly professionalized management: a belief that its success depends on the high qualification of its professional staff and their ability to commit themselves to results, has motivated BB to maintain competent professional staff that identifies with its corporate objectives. Its management body is selected based on technical criteria, while its Executive Board is professionalized, with its members having experience in various areas of the Organization, with a broad knowledge of financial and banking segments.

World leader in sustainability: BB has been cited, for the third year running, as one of the most sustainable financial institutions in the world, in The Sustainability Yearbook 2012, published by SAM – Sustainable Asset Management – the organization responsible for the selection process of the Dow Jones Sustainability Index on the New York Stock Exchange. This book publishes the best sustainability practices of the world’s leading companies. Of the 2,500 major companies that participated in the selection process for the Dow Jones Sustainability Index – DJSI 2011, only the top 15% highest performers are entered in the book. BB is also recognized by its sustainable performance as being listed on the BM&FBOVESPA Corporate Sustainability Index (ISE), since the publication of the first ISE theoretical portfolio in December 2005.

The Sustainability Yearbook 2012: BB rates among the world’s most sustainable businesses
BB CONGLOMERATE – SHAREHOLDING CONFIGURATION

Multiple Bank

- National Treasury: 51.78%
- Export Guarantee Fund: 4.87%
- Investments and Stabilization Fund: 2.18%
- Investment Guarantee Fund: 0.26%
- BNDES: 0.13%
- Previ: 10.36%
- Free Float: 30.42%

Managed: BB Previdência
Foundation: Fundação Banco do Brasil
Sponsored: Cassi, Previ, Fusesc, Sim, Prevbep, Economus

Controlled

- BB DTVM: BB 100% ON 100% Total
- BB CARTÕES: BB 100% ON 100% Total
- BB CORRETORA: BB 100% ON 100% Total
- BB SEGUROS PARTICIPAÇÕES: BB 100% ON 100% Total
- BB ELO CARTÕES PARTICIPAÇÕES: BB 100% ON 100% Total
- BB CONSÓRCIOS: BB 100% ON 100% Total
- NOSSA CAIXA CAPITALIZAÇÃO: BB Seguros Part. 100% ON 100% Total
- BESCVAL: BB 99.62% ON 99.62% Total
- BB LEASING: BB 100% ON 100% Total

AFFILIATES/ SHAREHOLDINGS

Insurance and Cards

- ELO PART. S.A.
  - BB Elo Cartões Part. 49.99% ON 49.95% Total
- MAPFRE PARTICIPAÇÕES
  - BB Seguros Part. 49.99% ON 66.66% Total
- MAPFRE NOSSA CAIXA
  - BB Seguros Part. 49.99% ON 49.00% Total
- BRASILCAP
  - BB Seguros Part. 49.99% ON 74.99% Total
- BB MAPFRE SH1
  - BB Seguros Part. 49.99% ON 74.99% Total
- MAPFRE VERA CRUZ VIDA
  - BB MAPFRE SH1 100% ON 100% Total
- MAPFRE VERA CRUZ SEG.
  - BB MAPFRE SH2 100% ON 100% Total
- BRASILVÉLEUCULOS
  - BB Seguros Part. 100% ON 100% Total
- ALIANÇA DO BRASIL SEGUROS
  - BB Seguros Part. 100% ON 100% Total
- MARES RISCOS ESPECIAIS
  - MAPFRE VERA CRUZ SEG. 100% ON 100% Total
- VIDA SEGURADORA
  - BB Mapfre SH1 40.88% ON Mapfre Part. 30.15% ON BB Aliança Part. 28.97% ON
- ALIANÇA DO BRASIL
  - BB Aliança Part. 100% ON 100% Total
- ALIANÇA DO BRASIL SEGUROS
  - BB Rv Part. 100% ON 100% Total
Exhibit CVD - BR - 53
Brazil

Prepared by Lex Mundi member firm, Demarest Advogados

This guide is part of the Lex Mundi Guides to Doing Business series which provides general information about legal and business infrastructures in jurisdictions around the world. View the complete series at: www.lexmundi.com/GuidestoDoingBusiness.

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Legal Aspects of Doing Business in Brazil

A Summary

January, 2016
Demarest Advogados

In April of 1948, João Batista Pereira de Almeida, a Brazilian, and Kenneth E. Demarest, an American, both attorneys dedicated to the legal profession, combined their expertise to establish what would become one of the leading law firms in Brazil and one of the largest in Latin America. Over time, other attorneys joined the firm, bringing diverse legal backgrounds and specialties, and contributing to the development and growth of the full service firm that it has become today.

After 68 years providing first-class professional services, Demarest Advogados continues to grow. Today, this highly respected law firm has much to offer to the community, to its satisfied clients, and to its dedicated professionals.

With offices in São Paulo, Campinas, Brasília, Rio de Janeiro, and New York, Demarest Advogados is progressing into the future with talented professionals and state-of-the-art technology.

The firm handles highly complex and progressive areas of law, as well as traditional corporate, commercial, banking, civil, tax and labor law. It takes pride in its commitment to professional excellence and efficiency in providing services to clients.

Demarest Advogados has developed many long-term relationships with valuable clients, from multinational corporations to small and medium-sized businesses.

The philosophy of this success is simple. Demarest Advogados invests primarily in people, sponsoring graduate education programs in Brazil and worldwide, and internships at leading international law firms. Demarest Advogados' lawyers are accomplished professionals; they are individuals of integrity, committed to upholding the highest standards of excellence and ethics.

The firm shares institutional values based on democracy and participation, which stimulate teamwork and cultivate the spirit and the principles that inspired its founders. The firm is responsive and creative in developing viable approaches, which enable its clients to achieve their objectives and to meet their challenges. For more information about Demarest Advogados, please visit www.demarest.com.br.

Welcome to Demarest Advogados
Our Offices

São Paulo
Av. Pedroso de Moraes, 1201
São Paulo, SP - 05419-001
Centro Cultural Ohtake
Tel.: (55-11) 3356-1800
Fax: (55-11) 3356-1700

Campinas
Av. Dr. José Bonifácio Coutinho Nogueira
150, 4th floor
Campinas, SP - 13091-611
Tel.: (55-19) 3123-4300
Fax: (55-19) 3123-4302

Brasília
Edifício General Alencar Castro SEPS EQ
702/902, 4th floor - Bloco B Asa Sul
Brasília, DF - 70390-025
Tel.: (55-61) 3243-1150
Fax: (55-61) 3243-1153

Rio de Janeiro
Av. Rio Branco, 1, 6th floor
Rio de Janeiro, RJ - 20090-003
Tel.: (55-21) 3723-9800
Fax: (55-21) 3723-9822

New York
120 E 56th Street, Suite 420
New York, USA - 10022-5501
Tel.: (212) 371-9191
Fax: (212) 371-5551

Contact

Paulo Coelho da Rocha
Tel: (55-11) 3356-1822
procha@demarest.com.br

www.demarest.com.br
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NOTICE

This material is for informational purposes only and should not be construed as a legal opinion.
6. Export Financing

6.1. Export Prepayment Financing

Export prepayment financing basically consists of the importer or a financial institution prepaying for exports with certain tax benefits. The exporter assumes the commercial debt, which shall be repaid upon export of the products sold, without the need for further financial flows in the future.

In practice, usually the payment is advanced by a financial institution located outside of the country; i.e., the bank makes the payment in foreign currency to the exporter prior to the latter shipping the purchased products.

The importer is notified to pay the agreed-upon purchase price directly to the bank into a collection account located outside of Brazil.

The agreed-upon interest may be paid from Brazil by the exporter (either in cash, by shipping goods or by rendering of services).

Transactions with terms longer than 360 days require prior registry with the BACEN.

In the event that goods are not shipped, the credit from the original transaction may be converted into a direct investment or currency loan. In this case, tax benefits are cancelled and the exporter shall be subject to the payment of all non-paid taxes plus the relevant ancillary charges provided in applicable laws.

Export prepayment financing may be structured as a club deal, allowing for credit risk to be shared among various participants.

6.2. Advance on Exchange Contracts (Adiantamento sobre Contratos de Câmbio - ACC)

An ACC consists of partial or total advance of payment in Brazilian currency equivalent to the foreign currency to which an exporter shall have right upon making exportation. In other words, an ACC is an advance of national currency to exporters financed in foreign currency.

The purpose of this form of financing is to provide advanced funds to the exporter to produce and to sell goods to be exported in the future.

According to current regulations, ACCs can be provided for up to 360 days prior to the shipping of the goods.
6.3. Advance on Delivered Shipping Documents (Adiantamento sobre Cambiais Entregues - ACE)

The ACE mechanism is similar to an ACC, except for the timing when the funds are provided to the exporter: an ACE can be provided once the goods are manufactured and shipped.

According to current regulations, ACEs can be liquidated until the last business day of the 12th month subsequent to the shipment of goods.

6.4. Brazilian Government Export Financing Program (Programa de Financiamento às Exportações - PROEX)

PROEX is a program created by the federal government to provide conditions equivalent to those available on international financial markets for Brazilian export transactions.

Banco do Brasil is the financial agent in charge of managing PROEX.

The two types of financing under PROEX are:

(i) PROEX Financiamento ("financing"); and
(ii) PROEX Equalização ("equalization").

PROEX Financiamento is allocated to exporters (supplier credit) and to importers (buyer credit) exclusively through Banco do Brasil, with funds supplied by the National Treasury.

PROEX Financiamento finances 85% of exports in any incoterm modality in transactions with a financing period from two to ten years. The other 15% has to be paid by the importer, on demand, or financed by an offshore bank. In transactions with a financing period limited to two years, the financed percentage can reach 100%.

PROEX Equalização allows financial institutions, located in Brazil or abroad, to equalize financing rates for export or import transactions of certain qualified Brazilian goods, services, and software. Through equalization, ultimate interest rates paid in export or import of Brazilian goods and services financing transactions can reach levels similar to those charged on international markets.
Under PROEX Equalização, an entity financing exports or imports of Brazilian goods or services may receive from the Brazilian Treasury the difference between the interest rate charged in the export or import financing transaction and part of the interest rate it would normally charge in the event that the export or import transaction was not being financed under PROEX.

This benefit is paid by the National Treasury (Tesouro Nacional), allowing exporters and importers of certain Brazilian goods and services to have access to financing conditions similar to those available to exporters or importers of non-Brazilian goods or services on international markets. This makes Brazilian exports more competitive internationally.

6.5. BNDES - Exim Credit Facilities for Foreign Trade

BNDES also offers a few credit facilities designed to create competitive conditions for the internationalization of Brazilian companies.

Financing to export goods and services falls into two categories:

(i) **Pre-shipment**: finances the production of internationally competitive companies established under Brazilian law; and

(ii) **Post-shipment**: finances goods and services abroad either by refinancing the exporter or through the buyer’s credit category, in accordance with international standards.

Available guarantees are the same as those offered by export credit agencies (ECAs) to facilitate access to export credit. For instance, a transaction may include export credit insurance as a guarantee, covering commercial, political and extraordinary risks. In Brazil, these guarantees are offered by private insurance companies in the short term and by the federal government in the long term.

Requests may also be made to foreign banks that provide international guarantees for financing operations.

The information provided in this section, and further information about BNDES-Exim, can be found on BNDES’s website at [www.bndes.gov.br](http://www.bndes.gov.br).
6.6. Export Credit Insurance and Guaranties

Brazilian exporters and financial institutions can benefit from export credit insurance provided by the federal government through the Seguradora Brasileira Crédito à Exportação (SBCE) for export credit transactions against commercial, political and extraordinary risks that may affect Brazilian exports and/or the production of goods and the rendering of services related to Brazilian exports.

Export credit insurance policies provided by the SBCE may be covered by the Export Guaranty Fund, an accounting-type fund within the Ministry of Finance.

As such, the federal government and the SBCE provide greater competitiveness to Brazilian exports.

The SBCE has the following shareholders:

→ Banco do Brasil;
→ BNDES; and
→ Coface (Compagnie Française d'Assurance pour le Commerce Extérieur).

The export credit insurance policies issued by the SBCE are also used as guarantees for export financing.

SBCE acts either on its own or on behalf of the federal government in the latter case through a public bidding process.

Operationally, exports are divided into two groups, short term and medium/long term, depending on the payment term given to the importer.

7. Security

The main types of security interests available to lenders in Brazil are mortgages (in Portuguese, hipoteca), pledges (in Portuguese, penhor) and fiduciary transfers/assignments (in Portuguese, alienação/cessão fiduciária, respectively).

It is important to note that in theory any contractual provisions that authorize a lender to keep assets that are given to secure a loan are null and void. Only if the borrower and the lender so agree, upon default the borrower may transfer said assets to the lender as payment in kind of the outstanding debt.

Also, upon judicial and (in certain cases) extra-judicial enforcement of security, the lender is allowed to become the definitive owner of the asset given as security (in Portuguese, adjudicação).
Exhibit CVD - BR - 54
REINTEGRA: Re-establishment of the Brazilian special regime for the reinstatement of taxes for exporters

Provisional Measure 651/2014, enacted in July 2014 (MP 651/2014), re-established the Brazilian Special Regime for the Reinstatement of Taxes for Exporters (REINTEGRA).

The REINTEGRA was created by Provisional Measure 540/2011, later turned into Law 12546/2011, as part of Plano Brasil Maior (Bigger Brazil Plan).

In accordance with article 3, 1, of Law 12546/2011 (amended by Law 12844/2013), this special regime was applicable to export transactions performed up to December 31, 2015. However, the MP 651/2014 has re-established the REINTEGRA on a permanent basis.

The idea behind the creation of the REINTEGRA was to reduce the tax burden on the goods exported by Brazilian manufacturers to increase their competitiveness on the international market.

High tax burden for exporters

One of the main difficulties found by Brazilian companies on the international market is the high tax burden in Brazil, which elevates the production costs and the prices of Brazilian products. Therefore, reducing tax costs in production seems to be one of the main mechanisms to ensure competitiveness for the Brazilian industries.

Even the exports being immune from taxation, the prices of the exported goods produced in Brazil are still heavily burdened, due to residual costs of taxes paid along the production chain and that have not been offset by the companies.

Therefore, the REINTEGRA was created with the purpose of recovering the amounts referring to the residual tax costs existing in the industries’ productions chains, reducing the tax burden on such production.

In accordance with article 22, paragraph 1, of the MP 651/2014, the amount to be ascertained for the purposes of refund shall be calculated upon applying a percentage that may vary from 0.1% to 3% on the revenue arising from the export, depending on the exported good. This percentage will be established by an ordinance the Brazilian Ministry of Finance will issue.

Given that said percentage will be established by product, and not considering the concrete situation of each company, the main criticism about the REINTEGRA is that, except for coincidences, the tax refund will not match the tax costs actually borne by the Brazilian company. However,
the establishment of fixed percentages by product makes the REINTEGRA much simpler, in comparison with a special regime in which the companies should prove the taxes effectively borne.

It is important to mention that the amount ascertained at REINTEGRA will be considered as credits of Social Contributions on Gross Revenues (PIS and COFINS) and, therefore, the exporting legal entity will be able to use this amount to, at its discretion:

- request its reimbursement in cash, under the terms and conditions established by the Brazilian Federal Revenue Service;
- carry out the offsetting against its own debits – due or coming due – referring to taxes administered by the Brazilian Federal Revenue Service, under the specific legislation applied to the matter.

Please note that, in compliance with article 22, paragraph 5, of MP 651/2014, credits ascertained at REINTEGRA are subject neither to the PIS/COFINS, nor to any corporate taxes (Corporate Income Tax – IRPJ – and Social Contribution on Net Profit – CSLL).

We should stress that MP 651/2014 ruled that the re-establishment of REINTEGRA would produce effects only after the Brazilian Ministry of Finance issues the ordinance defining the percentage of refund for each exported product. However, so far, it has not done so.

Ricardo Marletti Debatis da Silveira (rdsilveira@machadoassociados.com.br) and
Sérgio Villanueva Vasconcelos (svillanueva@machadoassociados.com.br), members of Machado Associados, the principal Brazilian correspondents of the Indirect Tax channel of www.internationaltaxreview.com

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Exhibit CVD - BR - 55
New challenges for Brazilian exporters

How can businesses optimise the use of the reintegra tax benefit in a transfer pricing context?
Carlos Ayub of Deloitte Brazil takes a closer look.

On January 1 2013, Law 12.715/12 entered into effect. Since then, Brazilian entities engaged in exports subject to transfer pricing controls have been facing a new challenge.

Since the inception of the Brazilian transfer pricing rules in 1996, certain flexibilities have been granted to Brazilian taxpayers engaged in exports to related parties, including so-called safe harbours, which are categories of waivers of proof of the prices practiced in export transactions.

Prior to Law 12.715/12, a large proportion of the exporting entities were exempt from performing detailed calculations for each of the products, services or rights exported to related parties via the application of a mechanism more specifically known as the "safe harbour of profitability". To comply with the requirements of this mechanism, entities were only required to demonstrate, based on their accounting reports, a net profit margin attributed to export operations of at least 5%. Hence, several companies that exported to their related parties were relieved of the obligation of applying transfer pricing methods to justify their practiced prices and, therefore, were outside of potential transfer pricing adjustments on their taxable base.

After Law 12.715/12, however, this premise has been modified so that the waiver of proof under the "safe harbour of profitability" would only be allowed to taxpayers who demonstrate a net margin of 10% of their revenue export, in lieu of the prior 5% threshold. In addition, the taxpayers should show that their intercompany export revenue does not exceed 20% of their total export revenues.

This new rule caused taxpayers to face the burden of applying as many methods to determine the parameter price as possible, in order to select the method that resulted in the most favourable tax outcome to them, as permitted under Brazilian standards.

However, although domestic law grants the taxpayer the theoretic prerogative of choosing the method that results in the lowest possible taxable adjustment, in practice the calculation of price parameters under certain methods can be very constrained. This is mainly because of the difficulty in obtaining access to information from external sources, including from unrelated parties or from the related counter party.

Precisely because it depends on data that can be obtained exclusively based on the taxpayer's own accounting records, the cost of acquisition or production method plus taxes and profit (CAP) is the method most often adopted for calculation of parameter prices of export transactions.
Setting aside the details required by the domestic regulations for the application of the CAP method, it is defined as “the arithmetic mean of the acquisition or production costs of goods, services or rights exported, plus taxes and contributions charged in Brazil and profit margin of 15% over the sum of costs plus taxes and contributions” (Law 9,430/96, Art. 19, § 3, Section IV).

As observed, the method imposes a simple mathematical equation pursuant to which companies with gross profitability lower than 15% on the costs of their exported products will incur a taxable adjustment. Under this rationale, the lower the cost of exported products, the lower the taxable impact of transfer pricing on this type of transaction.

In this context, the Special Tax Reintegration Regime for Export Companies, known as reintegra, has a very positive effect in addition to generating the tax benefit for which it was originally established.

But before demonstrating how the reintegra tax benefit can be optimised from the transfer pricing standpoint, it is necessary to comprehend its concept.

Reintegra is a tax benefit which has been in force since December 2011. It is applicable to legal entities producing goods in the Brazilian territory for export that meet the requirements set forth in the legislation, aiming to reinstate in whole or in part federal tax residues in their production chain with amounts corresponding to up to 3% of exports. Under the legal provisions, the beneficiary legal entity may offset the balance with its own debts related to the taxes administered by the Brazilian Federal Revenue or may request the benefit in kind.

Regardless of the treatment to be provided to the reintegra balance amount, whether offset with other taxes or obtained in kind, the entity’s accounting should be recorded into an account reducing the costs of exports, which is the basis for applying the CAP method. This is the point that this article aims to elucidate.

The positive effects of using the reintegra benefit balance when excluded from the CAP method base can be better understood following the logic shown in the table below.

For illustration purposes, let us assume a scenario based on the following premises: a Brazilian entity exports to related companies, with an export net revenue of BRL 1,600.00 ($319), a cost of exported products of BRL 940.00 and an income tax rate (IRPJ + CSLL) of 34%. The percentage benefit is 3% and imported content below 40% (enough considering our example). It complies with the other requirements of the benefit (Law 13,043/2014 and Decree 8,415/2015).

See next page for table.

From our numerical example, one can see that the net effect (result after income tax) of the benefit of reintegra single-handedly is BRL 30.00 (row D). This amount can be used, as mentioned to compensate the taxpayer debits of federal taxes.

Moreover, it is also evident how this effect can be maximised when associated with the CAP method calculation. The benefit to the taxpayer, by the example above, is increased by another BRL 27.54 (difference from corporate tax “Effect of benefit” and “Optimised effect” scenarios in row I), mainly from the absence of the transfer pricing result, which was only possible by using the reintegra benefit as a variable to determine the CAP cost basis.

Interestingly, the information concerning the imported content employed in finished products (and the precision with which it must be identified) is essential for obtaining the reintegra tax benefit, with the same importance being in general observed in connection with the calculation of applicable transfer pricing on import operations, as well as for other tax obligations compliance.
Evidently, because the Brazilian Federal Revenue has unlimited access to such digital information and other content from different electronic files provided by the taxpayers, it is easy for the tax authority to cross-reference such strategic data in order to test their consistency.

In face of such a complex entanglement of digital information that Brazilian companies are required to provide to the Treasury, both to comply with periodic tax obligations and to obtain tax benefits, it is imperative that the companies resort to reliable databases and electronic extraction tools, as well as the indispensable expertise of trustworthy tax professionals, well-coordinated with IT professionals.

Table 1

<table>
<thead>
<tr>
<th>Rationale</th>
<th>Effect of benefit (in BRL)</th>
<th>Optimized effect (in BRL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Net revenue</td>
<td>1,000.00</td>
<td>1,000.00</td>
</tr>
<tr>
<td>B Cost of exported products</td>
<td>940</td>
<td>940</td>
</tr>
<tr>
<td>C = A - B Taxable result before adjustments</td>
<td>60</td>
<td>60</td>
</tr>
<tr>
<td>D = A x 3% Reintegra benefit</td>
<td>30</td>
<td>30</td>
</tr>
</tbody>
</table>

Transfer pricing calculation

| E Cost of exported products | 940                      | 910                       |
| F = E + 15% CAP method (minimum revenue) | 1,081.00                  | 1,046.50                 |
| G = F - A Transfer pricing adjustment | 81                       | 0                         |

Corporate tax calculation

| H = C + G Corporate tax calculation basis | 141                      | 60                       |
| I = H x 34% Corporate tax | 47.94                    | 20.4                     |

1 According to Decree 8.415/15 Article 2 §5, the reintegra amount is not subjected to corporate tax
2 Scenario with optimised result considers the reintegra benefit as a diminishment of the cost for the purpose of transfer pricing analysis only.
3 If the difference between A and F is less than 5%, no transfer pricing adjustment will be required (See Art. 5t of Normative Instruction 1.312/19).

Carlos Eduardo Ayub
Tax partner – transfer pricing
Deloitte Touche Tohmatsu

https://www.internationaltaxreview.com/article/b1fln98l0ngjk1/new-challenges-for-brazilian-exporters
New challenges for Brazilian exporters | International Tax Review

Carlos Ayub is a tax partner based in São Paulo, Brazil, focused on transfer pricing services.

He provides services to local, European, Asian, Latin and North-American clients operating in various industries such as automobile, chemical, pharmaceutical, electronic, etc.

Carlos has more than 27 years of professional experience, also including accounting, audit, and corporate tax besides transfer pricing services.

In 2001, Carlos Ayub was transferred to the Mexico City office to work with transfer pricing projects under the OECD approach, matching Brazilian and international roles.

Carlos is a member of the Brazilian transfer pricing group, which has been recognised by different institutions for several years as the best transfer pricing team in Brazil.

Associations

- Registered at the CRC – Accounting Regional Council;
- Coordinator of the Tax Commission for the French-Brazilian Chamber of Commerce;
- Member of Transfer Pricing Technical Group of the Federação das Indústrias do Estado de São Paulo (FIESP).

Education

- Bachelor’s degree in accounting – Faculdade de Ciências Econômicas de São Paulo – Fundação Alvaraes Penteado (1993);
- MBA controller – Fundação Getúlio Vargas (2004);

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Exhibit CVD - BR - 56
WHO WE ARE

ABOUT APEX-BRASIL

The Brazilian Trade and Investment Promotion Agency (Apex-Brasil) works to promote Brazilian products and services abroad, and to attract foreign investment to strategic sectors of the Brazilian economy. Apex-Brasil organizes several initiatives aiming to promote Brazilian exports abroad. The Agency's efforts comprise trade and prospective missions, business rounds, support for the participation of Brazilian companies in major international trade fairs, arrangement of technical visits of foreign buyers and opinion-makers to learn about the Brazilian productive structure, and other select activities designed to strengthen the country's branding abroad. Apex-Brasil also plays a leading role in attracting Foreign Direct Investment (FDI) to Brazil, by working to identify business opportunities, promoting strategic events and sending support to foreign investors willing to allocate resources in Brazil.

MISSION AND VISION

MISSION

To develop the competitiveness of Brazilian companies, promoting the internationalization of their businesses and the attraction of Foreign Direct Investment (FDI).

VISION

Brazil in the World: Innovative, Competitive and Sustainable.

SCOPE OF ACTIVITIES

Apex-Brasil uses different strategies to promote the competitiveness of Brazilian companies during their internationalization process. Learn more about the services offered by the Agency to Brazilian companies aiming to enter international markets:

- Market Intelligence

Market studies and analyses are frequently performed, in order to assist companies and partners find the best opportunities abroad.

- Entrepreneurial Training

The Agency offers capacity-building and consulting services that increase competitiveness and promote the exporting culture within the Brazilian business community, enabling companies to face the challenges of the international market.

- Internationalization Strategies

Set of services designed to assist companies and partners in defining strategies for International markets, and advancing in their internationalization process.

- Business and Image Promotion

Initiatives developed to facilitate the access of Brazilian companies to foreign markets, diversifying the destinations of Brazilian exports and improving the perception about Brazilian companies, products and services. The services in this category allow entrepreneurs to keep direct contact with international business partners, who play a relevant role in the active and competitive insertion of Brazilian companies in foreign markets.

- Investment Attraction
Actions developed to promote and facilitate the attraction of foreign direct investment (FDI), with the purpose of improving the image of Brazil as an attractive destination for foreign capital, promoting the country’s development and competitiveness. Additionally, investment attraction initiatives are designed to encourage the transfer of innovative technology to Brazilian companies. Apex-Brasil’s efforts consist of promoting the expansion of implemented investments, and with regard to potential investors, aiming Brazil in the short-list of target countries and influencing investment decisions by providing strategic information. Full support to site location works (assisting and monitoring the visits of interested companies to Brazilian states that qualify to receive their investments) and aftercare.

GOVERNING COUNCIL

ARE - Ministry of External Relations

MAPA - Ministry of Agriculture, Livestock and Food Supply

MDIC - Ministry of Development, Industry and Foreign Trade

MAPA - Ministry of Agriculture, Livestock and Food Supply

PPR - Office of the Executive Secretary of the Investment Partnerships Program

BNDES - Brazilian Development Bank

CHI - National Confederation of Industry

CNAA - Brazilian Confederation of Agriculture and Livestock

SEBRAE - Brazilian Service of Support for Micro and Small Enterprises

ABE - Brazilian Foreign Trade Association

CAMEX - Chamber of Foreign Trade (without vote rights)

EXECUTIVE BOARD

PRESIDENT - SERGIO SEGOVIA

Sergio Ricardo Segovia Barbosa, SS, is a retired Rear Admiral in Brazilian Navy. With recognized professional experience in military, managerial and governmental areas, he has worked in Intelligence Analysis, Military Operations, and Logistics. He also worked in Emergency and Risk Management, Maritime Safety, Strategic Planning, Navigation and Maritime Operations. In addition, in the foreign trade area, he was responsible for logistics and international acquisition processes, when in charge of the group for ship receiving abroad.

Segovia has a postgraduate degree in Politics and Strategy from the War College. He is fluent in English and Spanish.

BUSINESS BOARD

DIRECTOR - AUGUSTO PESTANA

Born in 1971 in São Paulo, Augusto Pestana holds a degree in Law from the University of São Paulo (USP). A career diplomat since 1995, he concluded the Courses of Formation, Improvement and High Studies (professional doctorate) at the Rio Branco Institute, with a thesis on international cooperation in energy, science and technology.

He has served at the Brazilian Embassies in New Zealand (Minister-Counselor), Japan (Weltener) and Germany (Head of the Economic Sector). He was an Assistant Professor of Diplomatic Language at the Rio Branco Institute, and a member of the board of examiners at the Diplomatic Career Admission Competition. Mr. Pestana is the author, among other works, of ‘ITER: Brazil and the directions in fusion energy’ (FUNAG, 2015). He is fluent in English, French and Spanish.

CORPORATE MANAGEMENT BOARD

DIRECTOR - EDERVALDO TECEREA DE ABREU FILHO

Born in Rio de Janeiro in 1957, Ederaldo Teteria de Abreu Filho is a retired Vice-Admiral in Brazilian Navy. He has extensive professional experience in management, having served as Deputy Chief of the General Directorate of Brazilian Navy, and as Commander of the 6th Naval District (Mato Grosso and Mato Grosso do Sul) and the 4th Naval District (Pará, Amapá, Maranhão and Piauí).

He oversaw several leadership positions in the Navy, having commanded the Northern Guarda-Marinha Brésil, the Navy Radio Station in Brasilia, as well as the Codex docking ship. He was director of the Navy Intelligence Center, having served abroad at the Brazilian Naval Commission in Europe, where he worked with contracts and bids, and in the United States, where he participated in the receiving group for a ship acquired from the American Navy. He worked in the areas of Strategy, Communication and IT, among others.

Mr. Abreu Filho holds a degree in Naval Sciences with a degree in Communications, a master's and a doctorate in Naval Sciences from the Naval War College and a master's degree in Politics and Strategy from the War College. He is fluent in English and Spanish.
Exhibit CVD - BR - 57
About Eletrobras

We are leaders in electric power generation and transmission in the country and we contribute to making the Brazilian electric matrix one of the cleanest and most renewable in the world. We also operate in the commercialization, distribution and energy efficiency segments, in addition to programs such as Procel, Luz para Todos and Proinfa.

Largest electric company in Latin America, we are a publicly traded company, with the federal government as the majority shareholder. We have adopted and aimed STRATEGIES for governance and compliance, operational efficiency and financial discipline, and are through our companies and our research center, we are present in all regions of Brazil.

We are a family owned and operated business.

Eletrobras in numbers

- Maior empresa de geração de energia elétrica brasileira, com capacidade geradora equivalente a cerca de 1/3 do total da capacidade instalada do país.
- Mais de 90% de nossa capacidade instalada vem de fontes com baixa emissão de gases de efeito estufa. Temos como meta estar entre as três maiores empresas globais de energia limpa até 2030.
- Empresa líder em transmissão de energia elétrica no Brasil, com quase metade do total de linhas de transmissão do país em sua rede básica, em alta e extra-alta tensão.
- Lucro de R$ 3,4 bilhões em 2016, após quatro anos de prejuízos.
- Investimentos previstos de R$ 35,8 bilhões entre 2017 e 2021.

Fonte: Relatório Anual e de Sustentabilidade 2015, Informe aos Investidores 2016 e PÔNG 2017-2021

Saiba mais sobre a Eletrobras
Exhibit CVD - BR - 58
Brazil

Brazil’s top markets ranking is affected by the nation’s economic and electricity demand growth, as well as by a policy and regulatory environment that may constrain investment and exporter opportunities in the energy sector. Brazil is currently the largest electricity market in Latin America and is an important global emerging market, but smart grid deployments have been slowed by regulatory and technical hurdles. The business environment for U.S. smart grid exporters, where strong local partnerships and longer timelines for investment are usually required of foreign entrants, has been challenging as well.

U.S. exports of transmission & distribution (T&D) equipment have grown in recent years and investments in Brazil’s power infrastructure will need to continue in order to meet growing electricity demand, particularly in urban centers that are distanced from traditional hydropower sources. Brazil’s leadership has intensified its efforts to meet electricity supply challenges, often at the expense of utilities. The utility finance environment has suffered as a result and smart grid ICT investments have been delayed. The unfolding scandal connected to energy giant Petrobras poses another challenge to government and business, increasing uncertainty and creating a drag on growth.

Sustained opportunities for U.S. suppliers of T&D infrastructure are expected in Brazil, along with limited opportunities for technology and solution providers in the Advanced Metering Infrastructure sub-sector. However, given the economic recession, this market will be more difficult for U.S. suppliers in the near term. Continued engagement with key stakeholders on regulatory and commercial issues affecting Brazil’s smart grid market will be required.

Market Overview

Brazil’s electricity market is heavily dependent on hydroelectric power plants with approximately 80 percent of its electricity generated through hydropower in an average year. Droughts, however, can severely restrict the country’s electricity generation. Increased volatility of supply and rising wholesale electricity costs have been the headline-making trends of recent years for Brazil’s power sector. Public officials have focused on short-term funding solutions to these problems, financed mostly through public and utility industry debt, keeping consumer electricity prices relatively low.

Privatization and competition have been limited in Brazil’s power supply and services markets, with the state-owned Centrais Elétricas Brasileiras (Eletrobrás) controlling about one-third of total installed capacity and a handful of state-owned companies generating most of the rest. Transmission lines in Brazil are largely state-owned as well, and the Operador Nacional do Sistema Elétrico (ONS) is a nationwide operator. Privatization and competition have gone much further in the distribution segment, where there are more
Overview of ITA's Analysis: BRAZIL

**Strengths**
- Investments in new power sources and transmission build-outs to ensure adequate supply are a national priority.
- Renewable resource growth is beginning to pick up and will drive further T&D investments and opportunities for more advanced smart grid applications.

**Key Trends**
- Continued investment in transmission despite economic headwinds.
- Regulatory, technical, and business environment issues holding back growth potential in distribution and smart grid segments.
- Droughts which increase the political will and need to explore non-hydropower resources, such as wind and solar energy.

**Risks**
- Utility finance environment requires reforms to support necessary investments in next stages of grid modernization.

There are more than 60 providers across the country. While state governments are allowed monopolies over their electricity markets, many have been privatized. Approximately 70 percent of distribution companies rely to some degree on private capital. A number of distribution company concession contracts have been renewed.

Growth in Brazil's electricity consumption decreased in 2015 and is expected to be slow to resume its growth. It is predicted to increase at an average of 1.3 percent annually between 2015 and 2020, driving a need for further investment in infrastructure. Beginning in 2012, Brazil's government set out on an ambitious plan to increase and diversify its energy mix, with goals to invest approximately $235 billion and install 36 Gigawatts (GW) of hydropower, 12 GW of biomass and 11 GW of wind over the course of 10 years.

Although Brazil has supported renewable energy projects, particularly wind, transmission infrastructure has been inadequate, delaying a number of projects. Brazil now requires that projects involved in energy auctions prove that they have transmission lines secured prior to participating in the auctions. This will reduce the problems of delays associated with insufficient transmission infrastructure while helping drive the market for T&D equipment.

Poor energy efficiency and average electricity losses in excess of 15 percent are also pressing issues impacting Brazil's market. Aging transmission lines delivering power over long distances combined with rampant electricity theft in segments of the distribution network are largely to blame.

The need to upgrade infrastructure is a common refrain in Brazil, but meeting the need has proved difficult. In 2012, Eletronorados announced plans to invest heavily across generation, transmission and distribution over the following two years, but it failed to reach its targets. The company subsequently cut its workforce and cited an imbalance between high generation costs and electricity tariffs that have been largely suppressed by national and state governments.

**Policy and Regulatory Environment**

Brazil's electricity market is regulated by the National Electricity Agency (ANEEL), and the Ministry of Mines and Energy (MME) leads energy policy developments.

ANEEL regulates public tenders for electricity sold to distribution utilities, sets tariffs for residential consumers in the regulated market, and is responsible for maintaining an economic balance that enables distributors to cover operating costs and recover an adequate return on investment. Meanwhile, a liberalized and unregulated system governs electricity trading between independent energy suppliers, and industrial consumers have the option of purchasing from the unregulated market.

In 2011, Brazil released its "Ten Year Energy Plan" and set a goal of adding 18 GW of renewable resource capacity by 2020. The expanded renewable supply is intended to diversify the energy supply mix and help Brazil meet its goals to reduce greenhouse gases, with a reduction of emissions of 37 percent by 2025 and 43 percent by 2030, compared to 2005 levels as part of its 2015 UNFCCC INDC. Renewable energy projects in Brazil – particularly locally sourced projects – receive favorable financing in Brazil, and electricity produced from renewable sources with capacity less than or equal to 30 megawatts (MW) receives a 50 percent reduction in T&D tariffs.
In December 2015, Minister of Mines and Energy, Eduardo Braga, launched a multi-agency distributed generation initiative (Pro-GD) that hopes to attract $25 billion in investment by 2030. This included the announcement to install 2.7 million solar units to increase Brazil’s non-hydropower renewable resources share from 13 percent to 23 percent, where less than 1 percent is currently derived from solar energy. The initiative is also expected to lower CO2 emissions by 29 million tons to contribute to Brazil’s goals of cutting greenhouse gas emissions.

In late 2013, Brazil’s first “solar only” energy auction attracted bids among the lowest in the world, bringing Brazil closer to achieving the world’s cheapest solar contract prices – without subsidies. Renewable resources auctions have continued to do well throughout 2015 with almost all projects awarded.

ANEEL further predicts that revisions to its net-metering policies instituted of the last year will increase opportunities for aggregation of sources and increase the number of small customer units installed to 1.2 million by 2024, amounting to 4.5 GW of installed capacity. For example, this new rule also enables “shared generation,” where interested parties are allowed to create a consortium, or cooperative, to install a micro or mini-distributed generation unit, up to 75 kilowatts or up to 5 megawatts, respectively, to reduce the electric bill of the parties.

Despite the long-standing goal of nationwide deployment, Brazil’s smart meter market has experienced a number of false starts and the regulatory environment has not developed favorably to drive deployment. In 2012, ANEEL approved a long-awaited resolution establishing requirements for smart meters, but the regulator limited the classes of consumers for the roll-out. The smart grid market is still eagerly awaiting additional technical regulations from both ANEEL and Brazil’s lead standards body, INMETRO, that will finally kick-off deployment.

Brazil’s Energy Efficiency Program (EEP) mandates distribution utility spending in energy efficiency, requiring about $250 million to be invested annually. Restrictive program requirements, however, have limited the effectiveness of spending, and the wider energy efficiency market in Brazil has been stifled by a high cost of capital for financing deals.

**Market Analysis**

Brazil’s electricity needs and investment in large infrastructure projects through the 2013 period of economic growth have been important growth drivers for U.S. suppliers of grid modernization equipment and services. In 2013, U.S. T&D equipment exports to Brazil more than doubled to over $94 million in revenue. Imports, however, dropped to resume modest growth in 2014 and decreased to $40.9 million in 2015. Coupled with the increased economic downturn Brazil dropped in the Smart Grid Top Market rankings to #32.

Beginning with the Lula administration, Brazil set ambitious goals for its national smart grid deployment, but the market has been slow to develop. The smart grid regulatory and business environment has fallen short of expectations. Once the technical hurdles are overcome, the market expects significant investment in smart distribution solutions that can solve the problem of electricity theft. While the smart meter market is likely to be limited to an estimated $500 million in the near-term, some of the larger, urban utilities with higher-income consumer footprints will require advanced smart grid solutions to a range of power management challenges.

**Opportunities and Challenges for U.S. Companies**

U.S. suppliers continue to find export success in Brazil’s T&D sector, where projects are continuing apace though economic and political issues that pose a threat to future growth. Opportunities for transmission to connect areas of energy supply growth, in particular, wind, to growing demand should be a focus. As the integration of new power sources moves forward, many Brazilian utilities will require more advanced power management solutions. Brazil continues to be a challenging market for U.S. firms to do business, and a great deal of upfront work to overcome both cultural and technical issues is required of technology firms in particular.

**Opportunities**

- Transmission build-outs and solutions to ensure supply/demand balance
- Distributed generation management as sector grows
- Electricity delivery and demand side management solutions as smart grid deployments advance in 2015
Challenges

- Utilities have been forced to shoulder the financial burden of meeting recent electricity demand growth, and an improved regulatory and financial environment will be required to drive future investments.

Know Your Buyer

Brazilian purchasers of U.S. smart grid goods and services include generation, transmission and distribution companies. For example, according to the Brazilian Electric Power Utility Association (ABRADEE), there are 64 electric power utilities in Brazil, with 74.1 million consumer and 2 million new connections every year.

Summary of Resources

- U.S. Department of Commerce, Country Commercial Guide:
  http://www.export.gov/ccg/brazil090732.asp
- Brazilian Ministry of Mines and Energy (MME): www.mme.gov.br
- Brazilian National Electrical Energy Agency (ANEEL): www.aneel.gov.br
- Brazilian Electrical and Electronics Industry Association: www.abinee.org.br
- Eletrobrás: www.eletrobras.com.br
- Empresa de Pesquisas Energéticas (EPE): www.epe.gov.br

Exhibit CVD - BR - 59
Energy Generation

We are the largest Brazilian electrical energy generation company. We produced 182.1 million MWh in 2017, enough to supply more than 1/3 of the annual electricity consumption in the country.

Our installed capacity reached 48,134 MW in 2017, which represents 31% of the total installed capacity in Brazil. Of our total installed capacity, about 95% comes from clean sources, with low greenhouse gas emissions.

Among our 48 hydroelectric plants, 112 natural gas, oil and coal thermoelectric plants, two thermonuclear plants, 70 wind power plants and one solar plant, owned or maintained in partnerships, distributed throughout Brazil, we have some of the largest enterprises in Brazil and in the entire world, besides structuring and pioneering projects in the country.

### Net Generation by Source (GWh) - 2017

<table>
<thead>
<tr>
<th>Source</th>
<th>Corporate</th>
<th>Partnerships (SPEs)</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solar</td>
<td>1.28</td>
<td>-</td>
<td>1.28</td>
</tr>
<tr>
<td>Natural gas</td>
<td>3,673.73</td>
<td>-</td>
<td>3,673.73</td>
</tr>
<tr>
<td>Wind</td>
<td>511.76</td>
<td>-</td>
<td>511.76</td>
</tr>
<tr>
<td>Uranium</td>
<td>15,741.21</td>
<td>-</td>
<td>15,741.21</td>
</tr>
<tr>
<td>Hydro</td>
<td>118,106.20</td>
<td>37,022.70</td>
<td>155,128.90</td>
</tr>
<tr>
<td>Coal</td>
<td>1,589.47</td>
<td>-</td>
<td>1,589.47</td>
</tr>
<tr>
<td>Oil</td>
<td>2,418.79</td>
<td>-</td>
<td>2,418.79</td>
</tr>
<tr>
<td>TOTAL</td>
<td>142,042.43</td>
<td>40,105.24</td>
<td>182,147.67</td>
</tr>
</tbody>
</table>

The data presented considers corporate ventures, shared ownership and Itaipu Binacional.

The Brazilian part of Itaipu, Tucuruí, Paulo Afonso Complex, Xingó, Angra 1 and Angra 2, Serra da Mesa, Furnas, Teles Pires, Belo Monte (http://eletrobras.com/pt/Paginas/Belo-Monte.aspx), Jirau, Santo Antônio, Campos Neutrais Wind Complex and Megawatt Solar plant are only some of our ventures.
We seek to operate in new power generation businesses, such as engineering and environmental studies for the hydroelectric use of the international stretch of the Uruguay River, developed in a partnership with the Argentine state-owned company Emprendimientos Energéticos Binacionales SA (Ebisa), and the São Luiz do Tapajós and Jatobá hydroelectric plants on the Tapajós river.

Inventory studies of the hydroelectric potential in the stretch of the Madeira River basin and its main tributaries located in Bolivian and Brazilian territory will also be held in a partnership with Bolivia’s National Electricity Company (Ende) and the Latin American Development Bank (CAF).

More Information:
- Dam Safety (/en/Paginas/Dam-Safety.aspx)
Exhibit CVD - BR - 60
WHO WE ARE

CEMIG is one of the most solid and important groups in the electric power segment in Brazil, participating in more than 170 companies, in addition to concert and participation funds. Publicly held company, it has 140 thousand shareholders in 28 countries. Its shares are traded on the São Paulo, New York and Madrid Stock Exchanges.

The company is a reference in the global scenario for its available performance, and has been part of the Dow Jones Sustainability World Index (DJSI World) for 19 consecutive years.

CEMIG is also recognized for its dimension and technical competence, being considered the largest integrated company in the electric energy sector in Brazil. In Minas Gerais, it has 8.4 million consumers in 724 municipalities. It is also the largest supplier of energy to the Federal District, 80% of the market, and one of the largest generator groups, responsible for the operation of 89 plants (of which 80 are hydroelectric, one thermal, two photovoltaic, and 6 wind), with an installed capacity of 5.1 gigawatts.

The company’s operations extend to 24 Brazilian states and the Federal District. In addition, it is the parent company of Light, a distributor that serves Rio de Janeiro and other cities in Rio de Janeiro. It also has investments in the natural gas (Gesmig), renewable energies (Renova) and energy efficiency (Efficiência) sectors.

Ethical Conduct
Board and Consulate
Stakeholders and Regulations
Societal Involvement
Management
Corporate Governance
Mission, vision and values

We are a family owned and operated business.
CEMIG: OUR ENERGY, YOUR STRENGTH

Companhia Energética de Minas Gerais - CEMIG, founded on May 22, 1952, is a holding company comprised of more than 174 companies and with interests in generation, transmission, and other fields, in addition to owning firms and minority in 24 Brazilian states and the Federal District.

It operates in the areas of generation, transmission, distribution, and commercialization of electric energy, and also in the distribution of natural gas, through Gásio and in the efficient use of energy, through Efficiência.

ACKNOWLEDGMENTS

Our company is proud of its history as a family-owned and operated business.

OTHER HIGHLIGHTS

CEMIG invests in the development of energy alternatives. Discover the programs that CEMIG promotes for sustainability.

ATTENDANCE

INNOVATION

SAFETY

TOPE
Exhibit CVD - BR - 61
Law No. 13,182, Of November 3, 2015

Original Language Translation of "Law No. 13,182, Of November 3, 2015"

Law No. 13,182, Of 3 NOVEMBER 2015

T he PRE S I DENT OF THE REPUBLIC

In known that the National Congress decrees and i sanction the following Law:

Art. 1 It is the Hydroelectric Company of Sáo Francisco - CEPEL authorized to participate in the Northeast Energy Fund - FEN, with the aim of providing resources for the implantation of electricity projects, on regulation.

Art. 2 The FEN is created and administered by a financial institution controlled by the Union, directly or indirectly.

Art. 3 FEN resources those provided for in § 16 art. 22 of Law No. 11,943 of 28 May 2009, and:

§ 1 The FEN resources should be invested in power projects in the following proportion:
1. at least 50% (fifty percent) in Northeast;
2. up to 50% (fifty percent) in the other regions of the country, since in sources with prices lower than those in the Northeast.

§ 2 The FEN resources will be applied in accordance with the decisions deliberated by its Management Board.

§ 3 The FEN resources will be owned by the generating concessionaires of public service, including those under federal control that meet the provision of articles 22 of Law No. 11,943 of 28 May 2009 for the implementation of electricity projects through special purpose entities in which the concessionaires have shareholding of up to 49% (forty nine percent) of own company capital to be constituted.

For the execution of the projects mentioned in § 1, the respected return on funds invested by shareholders in the established special purpose companies must meet at least the cost of equity established by the controlling shareholders of the generating concessionaires public service referred to in § 3, referenced in the associated business plans.

Art. 4. The Management Board of the FEN - CGFEN will be a collegiate deliberative, whose composition and functioning are defined in Regulation.

§ 1 It will be up to the Minister of Mines and Energy designate the members of CGFEN indicated by the holders of the organizations that represent:

- The State of Mines and Energy Minister designate the President of CGFEN,
- The State of CGFEN exercise the casting vote.

§ 2 The CGFEN will feature technical and administrative support body or federal government entity.

§ 3 The expenses related to the participation of representatives in CGFEN run on account of budgetary allocations of the respective entities represented in it.

§ 4 Participation in CGFEN activities will be considered provision of the respective service, unpaid.

Art. 5 Law No. 11,943, of May 28, 2009, becomes effective with the following changes:

1. Article 22. The electricity supply contracts between generation concessionaires of public service, including those under federal control, with final consumers, effective the date of publication of this Act and which have met the requirements of art. 3 of Law No. 10,604, of December 17, 2002, will be added from 1 July 2015, provided the conditions set in this article, keeping the other contractual conditions.

- The contract of the caput will have its expiration on February 8, 2037.

2. Power reserves to be hired from July 1, 2015 February 8, 2032 correspond to the amount of energy equal to the sum of the following parts:

- a) the physical guarantee limited by the amount of energy and power to the concessionaires and licensees of electric power projects, as regulation.

- b) share linked to 90% (ninety percent) of the physical guarantee of the Electric Plant of Sobradinho, in the center of gravity of the plant submarket, less electrical losses and domestic consumption.

3. From February 9, 2002, the contracted power reserves will be reduced uniformly at the rate of one-sixth each year, subject to the provisions of § 1.

4. During the periods set out below will be subject to the allocation of physical security dimensions of energy and power to the concessionaires and licensees of electric power distribution service public of the National Interconnected System - SIN, pursuant to art. 1 of Law No. 12,783, of January 11, 2013, amounts of energy corresponding to:

- uniform annual reduction of established contracts in § 3, from 9 February 2032 to February 8, 2037;

- any termination or permanent reduction in the amounts contracted throughout its duration, from February 9, 2022 on February 8 of 2037 subject to the provisions of § 4.

5. Subject to this article, the granting of that plant in item II of § 2 shall be extended for a period of up to thirty years away the period of advance provided for in art. 12 of Law No. 12,783 of 11 January 2013.

6. The physical security of the plant mentioned in item I of § 2 is not subject to the allocation of physical security dimensions of energy and power established in item II of § 1 of art. 1 of Law No. 12,783, of January 11, 2013, from February 9, 2002 on February 8 of 2037 subject to the provisions of § 4.

7. The value of the contract price of the caput will be updated, considering the variation of the update rate provided for by contract, from the date of its latest update to 30 June 2015, On 1.

8. July 2015, the value of the update rate in accordance with § 7 will be increased by 22.5% (twenty two point five percent).

9. From 1 July 2016, the value of the rate will be adjusted annually on July 1, as follows willingness update rate:

- 70% (seventy percent) of the variation of the index national Consumer Price Index - IPCA, published by the Brazilian Institute of Geography and Statistics - IBGE, referring to the twelve months preceding the rate adjustment date and

- 30% (thirty percent) of the expectation of the IPCA for the twelve months following the rate adjustment date, estimated based on the inflation rate in the relationship between interest rate (M M L) and long-term interest rate (TF) on the Brazilian National Treasury Notes Series B - NTN-B or between equivalent securities that may replace them as provided in the regulations.

10. The amount of energy provided for in § 2 shall be apportioned among consumers that treats the caput in proportion to the average consumption calculated from January 1, 2011 and January 30, 2015.

11. The distribution of each consumer, the amount of energy available in their supply may be divided among their consumer units served by generation concessionaires of public service referred to in the caput.

12. In the event that consumers do not express interest in adding whole or in part their contracts under this article, or decide the termination or reduction of their contracts throughout its duration, the contract amounts of energy should be provided to other consumers for apportionment.

13. Without prejudice to the application of the adjustments on July 1 of each year, as defined in § 5, energy and demand rates calculated in accordance with §§ 7 and 9 will be the subject of the following conditions:

- demand rates in the segment off-peak will have an additional tariff of full weeks and seven-teeth times its value, which will be effective, exceptionally, from 1 July 2015 to 31 December 2015;

- the energy and demand rates, the end segments and off-peak, will be reduced by 8.8% (eight point eight percent), which will apply exclusively in the period from January 1, 2016 to January 31, 2022, to offset the additional tariff referred to in item I;

- in the annual adjustments, from 1 July 2016 until 1 July 2021, inclusive, will be considered as reserve base rates set with the provisions of section II; and

- from February 1, 2021, energy and demand rates are calculated from the values established in accordance with §§ 7 and 8, plus annual adjustments.

https://www.global-regulation.com/translation/brazil/2900540-law-no.-13%252c182%252c182%252c-of-november-3%252c182%252c-2015.html
calendar year, as follows: (i) the consumer must present its annual power reserve revision contract for the following year in each rezone-seasonal segment; (ii) - the annual power reserve should respect the upper limit for the amount of energy contracted; (iii) - the annual power reserve in the trip segment must respect the lower limit of 90% (ninety percent) of power reserves contracted in this segment exclusively for consumers who have contracted the same amount of power reserves contracted the end segments and off-peak; (iv) - will not be allowed reduction of annual power reserve in the segment off-peak; and (v) - does not apply the provision related to power reserve
§ 16 The generation concessioners of public service that treat the caput oportum in Northeast Energy Fund - FEN the difference between revenue from contracts and the amount that the consumer paid in the accomplishment of the tariff calculated by Anel, under item I of § 1 of art. 1 of Law No. 12.733, of January 11, 2013, loss in proportion to this difference, the losses due to gross revenues and sector charges for the Global Revocation Reserve, established by Law No. 5,655, of May 20, 1671 and for research and development, defined in Law No. 9,001, of July 24, 2000, and any other sectoral taxes and charges that may be created or have their tax bases or rates changed on the following amounts of energy, subject to the provisions of § 3, pursuant to § 17.
(i) - the total amount of physical security referred to in item I of § 2 as follows:
(a) 98% (eighty eight percent) of the expected difference in the heading, the first period of January 2016 on February 8, 2022; (b) 98% (eighty eight percent) of the difference in the heading, between February 9, 2022 and February 8, 2030; and (c) 100% (one hundred percent) of the expected difference in the heading, between February 9, 2030 and February 8, 2037;
(ii) - the consumer units have provided that:
(a) 98% (eighty eight percent) of the expected difference in the heading, between February 9, 2022 and February 8, 2030; and (b) 100% (one hundred percent) of the expected difference in the heading, between February 9, 2030 to February 8, 2037.
§ 17 shall be deducted from the amount to be contributed in the FEN the amount corresponding to the taxes due on the result of the generation utility on the difference between the revenue of contracts and the amount that exceeds the application of the tariff calculated by Anel, calculated in accordance with § 16
§ 18 the contracts, § 17 of Law No. 8.404 of December 15, 1976, the company by the holder shares of generation concession of the caput shall submit to the independent auditors at the end of each year, the financial transactions of the contributions made to FEN during demonstrations financial year, including as to the deductions made pursuant to § 17 shall be evidenced any adjustments to the amounts contributed to FEN, which should be recognized in contributions (FEN) of the following year.
(i) - Unusual sales from July 2015 to December 2015, will not be for the allocation of physical security dimensions of energy and power mentioned in item II of § 1 of art. 1 of No. 12.783 Law of 11 January 2013, the amount of physical security dimensions of energy and power corresponding to three times the amount of energy provided for in item II of § 2, being allocated to generating public service concessionaires of the caput.
§ 20 From the maturity of the electricity supply contracts between generation concessionaires of public service, including those under federal control, and the final consumers of this law, will be free choice of consumers with the supplier who will be the purchase of electricity "NYMEX" Article 6
(i) Furnas SA - FURNAS authorized to participate in the energy of the Northeast and Midwest Fund - FESC, in order to provide funds for the implementation of generation projects and electricity transmission, according to regulation.
Art. 7 shall be created and administered by a financial institution controlled by the Union, directly or indirectly
Art. 8 shall be FESC resources those provided for in art. 10 of this Law.
§ 2 The resources should be invested in generation projects and electricity transmission, subject to a minimum of 50% (fifty percent) in the Southeast and Midwest.
§ 2 The FESC resources will be applied in accordance with the decisions deliberated by its Management Board, preferably in projects submitted by the concessionaire pursuant to art. 7.
§ 3 The FESC resources will be owned by generating public utility that deals with art. 6, for the implementation of generation projects and transmission of electricity through special purpose companies in which it holds an equity interest of up to 49% (forty nine percent) of the equity of the companies to be established.
§ 4 If projects developed with the § 1, projects dead the resource generated by the special purpose companies must meet at least the cost of equity established by the controlling shareholders of the concessionaires public service pursuant to art. 6, referred to, if the associated business plans
Art. 9. The Management Board of the FESC - COFESC will be a collegial deliberative, whose composition and functioning are defined in Regulation.
§ 1 will be up the Minister of Mines and Energy designate the members of COFESC indicated by the holders of the organizations which represent:
§ 2 The State of Mines and Energy Minister designate the President of COFESC.
§ 3 The President of COFESC exercise the casting vote.
§ 4 The COFESC will feature technical and administrative support agency or entity of the federal government, according to regulation.
§ 5 COFESC is authorized to participate in the representation of the shareholders of the Management FESC Council, in case of budgetary allocations of the respective entities represented in it.
§ 6 Participation in COFESC activities will be considered provision of the related services, unpaid.
Art. 10 will be entered into electricity supply contracts between the concessionaires of electrical power generation pursuant to art 6 end consumers with consumer units located in the Northeast, the Industrial sector, provided the conditions set out in the bilateral agreements should be concluded and registered in the Free Contracting Environment - ACL until 27 February 2020.
§ 1 the resources referred to in the caput will begin on January 1, 2016 and ending on February 28, 2025, and, subject to the provisions of § 5, supply starting:
(i) - January 1, 2016; (ii) - January 1, 2017; and (iii) - January 1, 2018
§ 2 The amounts of energy to be contracted is subject to the provisions of the physical security dimensions of energy, the market value of the generation contract, the loss of the energy of the Southeast and Midwest Fund - FESC, subject to the provisions of § 4.
§ 3 The amounts of energy to be contracted is subject to the provisions of the physical security dimensions of energy, the market value of the generation contract, the loss of the energy of the Southeast and Midwest Fund - FESC, subject to the provisions of § 4.
§ 4 As from February 27, 2030, the contracted amounts of energy will be reduced uniformly at the rate of one-sixth each year, subject to the termination provisions of § 2 supply.
§ 5 The ordinary revisions of physical guarantee of that plant in 3 resulting in reduced physical guarantees ensurance proportional reduction of the contracted amounts.
§ 5 For hiring the capacity, the public utility that deals with art. 6 should perform auction within sixty days from the publication of this law, in accordance with item I of § 5 of art. 10 of No. 8.404, of April 26, 2002, the following guidelines apply:
(i) - the reference price of the auction will be the average contracts of contracts on July 1, 2015, pursuant to art. 22 of Law 11,943, of May 28, 2005, plus 5.4% (five point four percent), updated by the National Index of Consumer Price Index - IPCA, or other repeating, the month of August 2015 until the month of the auction;
(ii) - the selection criteria will be the highest price offered;
(iii) - the amount of energy to be contracted is the power derived from the demands for allocation of the auction, the auction winners, limited in total to be supplied, the average consumption recorded between January 1, 2010 and December 31, 2012;
(iv) - may contract energy at auctions exclusively consumers of the caput whose consumer units are treated at a voltage not exceeding 13.8 kV with higher load or equal to 500 kW, provided that:
(a) are producers of ferroalloys, silicon metal, or magnesium;
(b) the consumer units have a minimum load factor 0.95, calculated for the period referred to in section III; and
(c) - the concessionaire must perform one or more auctions with at least every six months, to serve from the start of the next month, provided that mentioned in § 3 is fully contracted, or until December 31, 2019, what happens first.
§ 7 The price of the contract will be adjusted annually in January, according to the following provisions refresh rate:
(i) - 70% (seventy percent) of the variation Price Index Broad Consumer Price Index - IPCA, published by the Foundation Brazilian Institute of Geography and Statistics - IBGE, referring to the twelve months preceding the rate adjustment date; and
(ii) - 30% (thirty percent) of the expectation of the IPCA for the twelve months following the rate adjustment data, estimated based on the inflation rate in the relationship between the Monthly Inflation Level indicator - LTN and the National Treasury Notes that may replace them as provided in this article.
§ 8 The contracted energy will have seasonal adjustments and uniform modulation, and the payment will give the energy contracted to the resulting value of the auctions mentioned in § 4, updated in accordance with § 7.
§ 9 the difference between the contracted average energy consumed and average power will be calculated monthly, calculated for each winner consumer auction the difference between:
(i) - monthly twelve-month average of the contracted power; and
(ii) - the average energy consumption of the twelve months preceding the month of calculation, recorded at the Electric Energy Trading Chamber - CCEE. Considering the loss of apportionment in the core network.
§ 10 the difference between the contracted average power is lower than the contracted average energy, will be due to the consumer generation dealer the amount to be calculated as provided below:
(i) - the difference between the contracted energy and average the average energy consumed is valued, considering the period of twelve months preceding the month of calculation, the positive difference between:
(a) the Settlement of differences Price - PLD middle, southeast / Midwest; and
(b) the average price of contracts in the energy market.
(ii) - there will be no value when because the average spot price is higher than the average price of contracts;
(iii) - will be due each month on amount equal to one-twelfth of the amount calculated in accordance with Part B;
(iv) - the payment of the first refusal referred to in section III will be given after elapsed twenty-four months of the start of the supply contract;
(v) - the price mentioned in section III will be due to the complete discharge of this difference between the contracted average energy consumed and average power.
§ 11 At the conclusion of each consumer, the amount of energy available in its supply contracts may be apportioned among its consumer units contracted with the same generation.
II - any termination or permanent reduction in the amounts contracted throughout its duration, the period of February 27, 2020 to February 28 of 2035, observing the provisions of § 12; and

III - any share of power under Clause II of § 3 that have not been contracted in accordance with § 6, from 27 February 2020 to 26 February 2035.

§ 14. Subject to the provisions of this article, the granting of which deals with plant § 3 shall be extended for a period of up to thirty years away the period of advance provided for in art. 12 of Law No. 12.783 of 11 January 2013.

§ 15. The physical security of the plant maintained in § 3 shall not be subject to the allocation of physical security dimensions of energy and power established in item II of § 1 of art. 1 of Law No. 12.783, of January 11, 2013, from February 27 2020 to February 28 of 2035, observing the provisions of § 13.

§ 16. The generating public utility that deals the capux will invest in Energy Fint South America and Central America - FESC the difference between revenue from contracts and the amount that exceeds the application of the tariff calculated by Aneel, under item I of § 1 of art. 1 of Law No. 12.783, of January 11, 2013, less in proportion to this difference, the taxes due on gross revenues and sector charges for the Global Reversion Reserve, established by Law No. 5,655, of May 20, 1971 and for research and development, defined in Law No. 9,881, of July 24, 2000, and any other sectoral taxes and charges that may be created or have their tax bases or rates changed on the amount of energy contracted in terms of §§ 3 and 5, subject to the provisions of §§ 4 and 13, in accordance with §§ 17 and 18.

§ 17 shall be deducted from the amount to be contributed in FESC the amount corresponding to taxes due on the result of the generation utility on the difference between the revenue of contracts and the amount that exceeds the application of the tariff calculated by Aneel, under § 16.

§ 18, the contribution to the difference between the revenue FESC contracts and the amount that exceeds the application of the tariff calculated by ANEEL, pursuant to §§ 15 and 16, on the amount of energy contracted under §§ 3 and 5, subject to the provisions of §§ 4 and 13. To give will be appreciated considering the following provisions:

I - 80% (eighty percent) of under the heading difference in the period from 27 February 2020 to 26 February 2030;

II - 100% (one hundred percent) of under the heading difference in the period from February 27, 2030 the February 26, 2035;

III - 100% (one hundred percent) of the additional revenue provided for in §§ 9 and 10, carried out the deductions provided for in §§ 16 and 17, the period of February 27, 2030 the February 28, 2035;

§ 19. under art. 177 of Law No. 6,494 of December 15, 1976, the company by the holder shares of generation concession of the capux shall submit to the independent auditors at the end of each year, the financial transactions of the contributions made to the FESC during demonstrations financial year, including as to the deductions made pursuant to § 17 shall be evidenced any adjustments to the amounts contributed to the FESC, which should be recognized in contributions to the FESC the following year.

§ 20. From the maturity of the electricity supply contracts between generation concessionaires of public service, including those under federal control, and the final consumers of this law, will be free choice of consumers with the supplier who will hire its purchase of electricity.

Art. 11. Law No. 9,491, of September 9, 1997, takes effect with the following changes:

*Article 6.*

Art. 12. (vetoed)

Art. 13. (vetoed)

Art 14. Article 4 of Law No. 12,111, of December 9, 2009, shall henceforth include the following §§ 3 and 4:

"Art. 4. **(NR)**

..."
Exhibit CVD - BR - 62
June 14, 2017

The Honorable Wilbur Ross
Secretary of Commerce
Import Administration
APO/Dockets Unit, Room 18022
U.S. Department of Commerce
14th Street & Constitutional Avenue, N.W.
Washington, D.C. 20230

Re: Silicon Metal from Brazil; Response to the DoC’s Countervailing Duty Questionnaire for the GOB – Section II.

Dear Secretary Ross,

On behalf of the Government of Brazil, herein represented by the Embassy of Brazil in Washington, D.C., pursuant to 19 CFR 351 and 354 of the Tariff Act of 1930, we hereby submit GOB’ response to Section II of the Department’s Countervailing Duty Questionnaire issued on May 1st, 2017, in the above-referenced investigation. This response is timely submitted pursuant to the Department letter to GOB dated June 6, 2017.

It has to be emphasized that most of the English versions of the documents (including laws, regulations and others) provided by the GOB consists of unofficial translations.

Please contact the undersigned if there are any questions regarding this submission.

Respectfully submitted:

[Signature]
CERTIFICATE OF SERVICE

Silicon Metal from Brazil Investigation

CERTIFICATE OF SERVICE

I, Aluisio de Lima Campos, hereby certify that on June 14, 2017, a copy of the foregoing submission was served via FIRST CLASS MAIL upon the following parties:

Public Service List: C-351-851

<table>
<thead>
<tr>
<th>Representative of Global Specialty Metals, Inc. (&quot;GSM&quot;)</th>
<th>Representative of Dow Corning Corporation and Dow Corning Silicio do Brasil Industria e Comercio Ltda.</th>
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</tr>
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</tr>
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</tr>
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PUBLIC VERSION

Filed By: aluisio.campos@itamaraty.gov.br, Filed Date: 6/15/17 2:48 PM, Submission Status: Approved
Aluisio de Lima Campos
Embassy of Brazil to the United States
GOVERNMENT CERTIFICATION

I, Marco César Saraiva da Fonseca, Director of the Department of Trade Remedies (DECOM) of the Foreign Trade Secretariat (SECEX) of the Ministry of Industry, Foreign Trade and Services (MDIC), currently employed by the government of Brazil, certify that I prepared or otherwise supervised the preparation of the attached submission of the attached Factual Information Submission due on June 14, 2017, pursuant to the countervailing duty investigation of silicon metal from Brazil (case number C-351-851).

I certify that the public information and any business proprietary information of the government of Brazil contained in this submission is accurate and complete to the best of my knowledge. I am aware that the information contained in this submission may be subject to verification or corroboration (as appropriate) by the U.S. Department of Commerce. In addition, I am aware that, even if this submission may be withdrawn from the record of the AD/CVD proceeding, the U.S. Department of Commerce may preserve this submission, including a business proprietary submission, for purposes of determining the accuracy of this certification. I certify that a copy of this signed certification will be filed with this submission to the U.S. Department of Commerce.

Signature: [Signature]

Date: 06/14/2017
A. PROVISION OF GOODS OR SERVICES FOR LESS THAN ADEQUATE REMUNERATION (LTAR)

Provident of Electricity for LTAR

For the purposes of the questions in this section, "Government" refers to all levels of government, including central, provincial, regional, city, special economic zone, municipal, township, village, local, legislative, administrative or judicial, singular, collective, elected or appointed. It also includes any person, agency or institution acting for, on behalf of, or under the authority of any law passed by, or acting on behalf of the central or sub-central government of that country.

Please provide the information requested in the Standard Questions Appendix and respond to the following questions:

Standard Questions Appendix

A. Provide a description of the program, including the purpose of the program, and the date it was established.

GoB Answer to question AA:

In accordance with art. 10 of Law 13,182, dated November 3, 2015, Furnas Centrais Elétricas SA - FURNAS was authorized to participate in the Southeast and Central-West Energy Fund - FESC, with the purpose of providing funds for the implementation of generation projects and transmission of electric energy, according to regulation. It deals with energy negotiation by auction mechanism for consumers of the Southeast/Midwest electro-intensive and of the sectors of ferroalloy, metallic silicon, or magnesium.

The purpose of the program is to increase investments in electric energy, according to the vote of Senator Eunício de Oliveira, rapporteur of the Joint Committee of Provisional Measure no. 677, June 22, 2015:

"[...] I propose the creation of the Southeast and Midwest Energy Fund (FESC) and the permission for Furnas to negotiate electricity at competitive prices with consumers in the ferroalloy, silicon, or magnesium sectors Or having a load factor of at least 0,95. The FESC, along the lines of the FEN, will aim to increase investments in electricity, especially in the Southeast and Central-West regions."

The program created through Law no. 13,182, dated November 3, 2015, entered into force as of the date of publication of said Law, on November 4, 2015, providing for the negotiation of energy from January 1, 2016, January 1, 2017 and January 1, 2018. The duration of the program covers the supply of electricity contracted through auction until February 26, 2035 with gradual reduction as of February 27, 2030.

B. Provide the name and address of each of the government agencies or authorities responsible for administering the program. Please be specific in identifying the level of government that has the authority to approve the assistance, and the level of government responsible for administering the distribution of assistance.

PUBLIC VERSION
scheme your government normally relies upon to define industries and to classify companies within an industry. Please provide the relevant classification guidelines, and please ensure the list provided reflects consistent levels of industrial classification. Please clearly identify the industry in which the companies under investigation are classified.

GoB Answer to question A.L.2.b:

Not Applicable, please refer to GoB answer to question A.F.

(e) The total number of companies that applied for, but were denied, assistance under this program. Be sure that your response to question provides a complete discussion of the circumstances in which applications for assistance are denied.

GoB Answer to question A.L.2.b:

Not Applicable, please refer to GoB answer to question A.F.

M. Describe any anticipated changes in the program. Provide documentation substantiating your answer. If the program is being terminated, state the last date that a company could apply for or claim benefits under the program. When is the last date that a company could receive benefits under the program? If the program has been terminated and replaced by a similar type of program, please provide a discussion of the replacement program to include the purpose of the program and the date it was established.

GoB Answer to question A.L.2.b:

The program was established by Law No. 13,182, dated November 3, 2015, which was amended only by Law 13,299, dated June 11, 2016.
There is no change anticipated in the Program

Program Specific Questions

1. Provide all laws and regulations that govern the establishment and operation of Centrais Elétricas Brasileiras (Eletrobras).

GoB Answer to question A.1

Centrais Elétricas Brasileiras – Eletrobras is governed by the following acts:
- Law n. 3.890-A, dated April 25 1961, available at:
  http://www.planalto.gov.br/ccivil_03/leis/L3890Acons.htm
- Decree n. 4.559, dated November 30, 2002
English versions of Law 3.890-A is provided as EXHIBITA1. Decree n 4.559/2002 approves the review constitutive acts of Eletrobras, whose translation into English can be found at EXHIBITA3_1.

2. Provide all laws and regulations that govern the establishment and operation of Companhia Energetica de Minas Gerais – Cemig (Cemig).

GoB Answer to question A.2

Minas Gerais State Law n 828, of December 14, 1951

Minas Gerais State Decree n 3.710, of February 20, 1952

Minas Gerais State Law n 15.290, of August, 2004

Authorizing Resolution nº 407, of December 23, 2004
http://www2.aneel.gov.br/cedoc/rea2004407.pdf

Non official English versions of the acts above are provided as EXHIBITA2_1, EXHIBITA2_2, EXHIBITA2_3 and EXHIBITA2_4.

3. Provide Eletrobras’s and Cemig’s complete audited financial statements for the last three fiscal years.

GoB Answer to question A.3

Both Eletrobrás and Cemig are companies with equity shares listed on exchanges in the United States of America. Therefore, they are under the obligation to submit their financial statements within six months of the end of the company’s fiscal year or if the fiscal year-end date changes, to U.S. Securities and Exchange Commission (SEC). The reporting and eligibility requirements for Form 20-F are stated in the Securities Exchange Act of 1934.

Eletrobras’s complete audited financial statements for the last three fiscal years submitted on Form 20 to SEC are provided at EXHIBITA3_1 and EXHIBITA3_2. Please notice that 2014 and 2015 FS where submitted simultaneously.

Cemig’s complete audited financial statements for the 2016 submitted on Form 20 to SEC is provided at EXHIBITA3_3.

Cemig’s 2015 complete audited financial statement is available online at the company’s website at http://2015report.cemig.com.br/impressao_en.pdf. It is also being provided at EXHIBITA3_4.

Cemig’s 2014 complete audited financial statement is available online at the company’s website at http://2014report.cemig.com.br/. It is also being provided at EXHIBITA3_5.
4. Please provide a detailed description of how electricity tariffs are established in Brazil.

**GoB Answer to question A.4**

Regarding how electricity rates are determined by the National Electricity Regulatory Agency – ANEEL, the tariff aims to assure that electricity service providers earn sufficient revenue to cover efficient operating costs and remunerate the investments required to expand capacity and ensure quality services. Costs and investments passed on to tariffs are calculated by the regulatory agency, and may be higher or lower than the costs charged by the companies. In order to fulfill the commitment to supply electricity with quality, the distributor has costs that must be evaluated in the definition of tariffs. The tariff considers three distinct costs:

- Generated energy + Transportation of energy to consumer units (transmission and distribution) + Sector charges

In addition to the rate itself, the Federal, State and Municipal Governments charge the following taxes, respectively, in the energy bill: PIS / COFINS, ICMS and Public Lighting Contribution. Since 2004, the value of energy purchased from generators by distributors has also been determined as a result of public auctions. Competition among sellers contributes to lower prices. The transportation of energy (from the generator to the consumer unit) is a natural monopoly, since competition in this segment would not generate economic gains. For this reason, ANEEL acts to ensure that tariffs are composed of efficient costs, which effectively relate to the services provided. This sector is divided into two segments, transmission and distribution. The transmission delivers the energy to the distributor, the distributor in turn takes the energy to the end user.

The sector charges and taxes are not created by ANEEL but, rather, instituted by laws. Some focus only on the cost of distribution, while others are embedded in generation and transmission costs. The consumer pays in its bill for the purchase of energy (generator costs), transmission (transmission costs) and distribution (services provided by the distributor), as well as sector charges and taxes.

For tariff calculation purposes, the distributor's costs are classified into two types:

- Part A: Purchase of energy, transmission and sector charges; and
- Part B: Energy distribution.

Some non-manageable costs borne by the distribution concessionaires, established by Law, are passed on as Sector Charges. Such charges are transferred to consumers due to the guarantee of the contractual economic-financial balance.

The Sector Charges included in Part A in the tariff processes are as follows:

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