



**VELLOZA, GIROTTO E LINDENBOJM**  
*Advogados Associados*

## VGL NEWS

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### "Changes in the IOF Regulation Provisions"

Decree no. 7,011, dated November 18th, 2009, and issued on November 19th, 2009, amended the Decree no. 6,306, of December 14th, 2007 (the "**IOF Regulation**") and modified IOF triggering events for certain credit transactions ("**IOF/Credit**") and transactions with securities and bonds ("**IOF/TVM**").

**IOF/Credit:** The provision of Article no. 8 of the IOF Regulation (which lists the triggering events subject to the zero rate of this tax) was changed in order to clarify that such zero rate have no relation with the IOF surtax rate of 0.38% ("**IOF/Credit Surtax**") levied on the credit transactions determined in the paragraph 5 of the new provision of Article 8.

**IOF/TVM:** In view of the recent changes of the foreign exchange transactions rules ("**IOF/FX**") that were reported in the VGL News Extra no. 18, mainly in regards to the increase of 2% of the IOF/FX rate for the FX transaction for inflowing funds into Brazil and designated for financial and capital markets investments; and for the trial of aiming any increase of Deposits Receipts ("**DR**") as the American Deposits Receipts ("**ADR**") and Global Receipts ("**GR**") investments abroad (to escape from the 2% IOF/FX), the Brazilian government increased the IOF/TVM rate from zero to 1.5% particularly for the transfer/assignment of listed Brazilian stocks for the avoidance of the levied of 2% of the IOF/FX and for the purpose of issuing Depositary Receipts to be traded abroad. The transfer/assignment of the listed Brazilian stocks by the holder to a "custodian institution" is required by regulatory rules for purpose of creating/issuing those depositary receipts abroad by the so-called "depositary institution".

The amount to be considered as taxable basis for such IOF/TVM levy, according to the new rule introduced in the IOF Regulation, is: the multiplication of the number of stocks transferred / assigned by their corresponding closing pricing provided by the Brazilian Stock market (BM&F Bovespa) on the date before of the refereed assignment of the stocks by the custodian institution for purpose of the DR issuance; or if there is no trade of the relevant stocks in such date, by their last closing pricing provided by BM&F Bovespa.

This Decree is in effect as of Nov. 19, 2009.

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São Paulo	Rio de Janeiro	Brasília
<p>&gt; Av. Paulista, 901 17º e 18º andares Bela Vista - São Paulo - SP CEP 01311-100 Tel.: (55-11) 3145.0055 Fax: (55-11) 3145.0050</p>	<p>&gt; Rua da Assembléia, 10 Sala 1601 Rio de Janeiro - RJ CEP 20011-901 Tel.: (55-21) 2509.0055 Fax: (55-21) 2509.1566</p>	<p>&gt; SRTV Sul, Quadra 710 Cj. D. nº 100 Sala 234 Brasília - DF CEP 70340-000 Tel.: (55-61) 323-8848 Fax: (55-61) 426-7308</p>

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