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“Recent relevant changes in IOF Regulation”

Decree no. 7,454, of 03.25.11 (“Decree no. 7,454/11”) and Decree no. 7,456, of 03.28.11 (“Decree no. 7,456/11”)

From 03.25.11 to 03.29.11, some relevant amendments were made within the Tax on Credit, Foreign Exchange (“FX”), Insurance or Bonds’ and Securities’ Transactions (“IOF”) Regulation – “IOF Regulation” approved by Decree no. 6,306, of 12.14.07, with other further amendments – particularly concerning the IOF type of levying on FX transactions (“IOF/FX”), through Decree no. 7,454/11 and Decree no. 7,456/11, being all the changes below commented under Article 15-A:

- Decree no. 7,454/11 – Change in Item XX: Credit Card Companies remittance abroad for accomplishing with its obligations deriving from the acquisitions of goods/services by credit card users:

Item XX: it was increased from 2.38% to 6.38% the IOF/FX rate levied on FX transactions destined to the accomplishment with obligations of credit card companies or commercial or multiple banks in the capacity of credit cards’ issuers, being such obligation originated from the acquisition of goods and services abroad made by credit cards’ users/costumers (except if user/costumer is the Federal Government, or the Govt. States, Municipalities, their foundations and instrumentalities).

This new tax rate will be effective after 04.27.11.

- Decree no. 7,456/11 – Changes in Items I, VI, IX, XIX, XXII and in Paragraphs 1 and 2: Special New Rule for short-term Foreign Loans:

Other amendments were made by Decree no. 7,456/11, changing some IOF/FX triggering events, increasing its rate and revoking some rules. The inclusion of Item XXII below commented (the “New Rule”) is the most relevant change; all the other changes also commented below are consequences of this New Rule creation:

Inclusion of Item XXII: established a “New Rule” related to IOF/FX at 6% on the FX transactions’ settlement hired as of March 29, 2011 for the entry of funds into Brazil, including through simultaneous FX, concerning to foreign loans subject to registration before the Brazilian Central Bank, direct or through the issuance of bonds within the international market with an average minimum term of up to 360 days (herein called as “short-term”). Due to the New Rule herein commented, the qualifying period for enjoying the IOF/FX zero-rate under Item IX below commented (regarding foreign loans) was increased to up to 360 days (as opposed to the former rule of up to 90 days, currently revoked under Item I commented below).

Revoke of Items I and VI: Decree no. 7,456/11 revoked the IOF/FX levy, respectively: (a) at 5.38% over the amount entered into Brazil (inflow) as a result of or destined to currency loans with an average minimum term of up to 90 days (previous “short-term” loans; that is, previously, more than 90 days was the minimum

qualifying period set forth in IOF Regulation for the borrower to be entitled to the IOF/FX zero-rate on foreign loans, provided under Item IX below commented); and (b) at zero-rate on FX operations executed by financial institutions for entering funds obtained abroad for the purposes of on-lending into Brazil.

Change under Items IX and XIX: In these two cases, the changes only aimed at creating exceptions for the transaction included into the New Rule of Item XXII: (a) Item IX deals with the inflow and outflow of funds related to foreign loans and financing transactions, which as a general rule had its IOF/FX at zero-rate (now included an exception for the transactions contemplated under Item XXII below commented – that is, inflow of funds for short-term foreign loans); and (b) Item XIX deals with IOF/FX at zero-rate in an FX purchase executed by a financial institution authorized to operate in the FX market, contracted simultaneously with an FX sale, exclusively when required in a regulatory provision, now included the exception of Item XXII.

Changes under Paragraphs 1 and 2: for loan transactions (in currency) via bond issuance with put-and-call option clauses for the debtor or the creditor, the first scheduled date for such exercise shall determine the IOF/FX levy under the New Rule. In addition, when the loan transaction is hired for an average minimum term higher than 360 days and it is settled in advance, total or partially, not accomplishing with the qualifying minimum term determined under the New Rule, taxpayer will be subject to IOF/FX at 6%, plus interests on arrears and fine, also subject to the penalties set forth in article 23 of Law no. 4,131, of 09.03.62 and article 72 of Law no. 9,069, of 06.29.95.

These changes are effective since 03.29.11.

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