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VGL NEWS

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“New relevant change regarding IOF/FX levy and amendment of Monetary Authorities’ regulation on Foreign Loans”

Decree no. 7,457, of 04.06.2011, published on 04.07.2011 (“Decree no. 7,457/11”) and Resolution CMN no. 3,967, of 04.04.2011, published on 04.05.2011 (“Resolution CMN no. 3,967/11”)

- Decree no. 7,457/11

Another relevant amendment was 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”) set forth in Article 15-A, item XXII, of RIOF, through Decree no. 7,457/11, again particularly on foreign loans transactions:

As we reported in our VGL News - Special Edition no. 31 - 04.01.2011, last week (on 03.29.2011) Federal Government established a “New Rule” related to IOF/FX at 6% on the FX transactions’ settlement hired as of 03.29.2011 for the entry of funds into Brazil, including through simultaneous FX, concerning to foreign loans subject to registration before the Brazilian Central Bank (“BACEN”), 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”) set forth in Article 15-A, Item XXII, of RIOF. Due to such New Rule, the ‘qualifying period’ for enjoying the IOF/FX zero-rate under Item IX of Article 15-A of RIOF (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 of Article 15-A of RIOF).

However, now Decree no. 7,457/11 amended such New Rule for enlarging the abovementioned ‘qualifying period’ from up to 360 days to up to 720 days (“new short-term foreign loans”), for the FX transactions’ settlement hired as of 04.07.2011; i.e., the FX transactions’ settlement hired as of 04.07.2011 for the entry of funds into Brazil, including through simultaneous FX, concerning to short term loans (in up to 720 days) will be subject to IOF/FX levy at 6%.

This change is effective as of 04.07.2011.

- Resolution CMN no. 3,967/11

In addition and also pertaining to foreign loans’ rules, but under Monetary Authorities regulation, relevant to mention a new rule issued by the National Monetary Council (“CMN”) set forth in Resolution CMN no. 3,967/11: such rule establishes that, for purposes of the foreign capital registration in Brazil – dealt with in Resolution CMN no. 3,844, of 03.23.2010 – the renewal, repricing and assignment of obligation related to foreign loan transaction, subject to registration before BACEN, hired direct or through the issuance of bonds within the international market are to be subject to simultaneous FX transactions (known as symbolic operations of exchange).

This rule is effective as of 04.05.11.

THIS IS MERELY AN INFORMATIVE NEWSLETTER, RESTRICTED TO VGL CLIENTS. QUESTIONS AND

CLARIFICATIONS ON THE MATTERS CONTAINED HEREIN SHOULD BE ADDRESSED TO OUR OFFICE.

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