

**De:** Velloza & Girotto  
**Enviado em:** quinta-feira, 1 de março de 2012 17:21  
**Para:** Velloza & Girotto  
**Assunto:** V&G News - Special Edition nº 49 - IOF/FX



VELLOZA & GIROTTTO  
ADVOGADOS ASSOCIADOS

**V&G News**  
Special Edition nº 49  
February 29, 2012

## IOF/FX

### **Zero Rate for BDRs and Increase in the Minimum Average Term for Foreign Loans Subject to the 6% Rate**

On March 01, 2012, Decree No. 7,683, of February 29, 2012 (“**Decree No. 7,683/2012**”) was published on the Brazilian Federal Official Gazette, changing a few provisions set forth by Decree No. 6,306, of December 14, 2007, which regulates the Tax on Credit, Foreign Exchange (“FX”), Insurance or Bonds’ and Securities’ Transactions (“**IOF**”) – “**IOF Regulation**”.

Below are the main changes brought about by Decree No. 7,683/2012, which essentially deal with the levy of the IOF applicable to FX transactions (“**IOF/FX**”).

#### **Changes to item XVI and inclusion of item XXIV of article 15-A of the IOF Regulation: BDRs subject to zero IOF/FX rate**

Decree No. 7,683/2012 established that an IOF/FX zero rate shall be applicable to FX settlements hired by foreign investors – including by means of simultaneous FX transactions –, in connection with the transfer of funds from abroad for the investment, in Brazil, in Brazilian Depositary Receipts (“**BDRs**”), as regulated by the Brazilian Securities Commission (“**CVM**”). FX settlements hired for the return of the funds invested by such foreign investors are also covered by such zero IOF/FX rate.

#### **Changes to item XXII of article 15-A of the IOF Regulation: increase of the minimum average term for foreign loans subject to the IOF/FX 6% rate**

Also, as to the inflow of funds into Brazil, including by means of simultaneous FX transactions, in connection with foreign loans subject to registration before the Central Bank of Brazil, hired either directly or by means of the issuance of securities within the international market, Decree No. 7,683/2012 changed the minimum average term for such foreign loans from up to 720 days to up to

three years, for FX settlements hired as of March 01, 2012.

## **Entry into force**

Decree No. 7,683/2012 has entered into force on March 01, 2012 – i.e., on the date of its publication.

THIS IS MERELY AN INFORMATIVE NEWSLETTER, RESTRICTED TO VELLOZA & GIROTTO CLIENTS. QUESTIONS AND CLARIFICATIONS ON THE MATTERS CONTAINED HEREIN SHOULD BE ADDRESSED TO OUR OFFICE.

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