



GUIDE FOR FOREIGN INVESTOR

Ministry of Industry, Foreign Trade and Services

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FEDERATIVE REPUBLIC OF BRAZIL

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1. INTRODUCTION

1.1. The Ministry

The Ministry of Industry, Foreign Trade and services (MDIC) is a government body of the direct federal administration.

1.2. Mission

To foster economic development by making policies to boost foreign trade, industry, trade and services, and business innovation.

1.3. Vision

To make MDIC a reference in management of foreign trade policies and industrial development in Brazil.

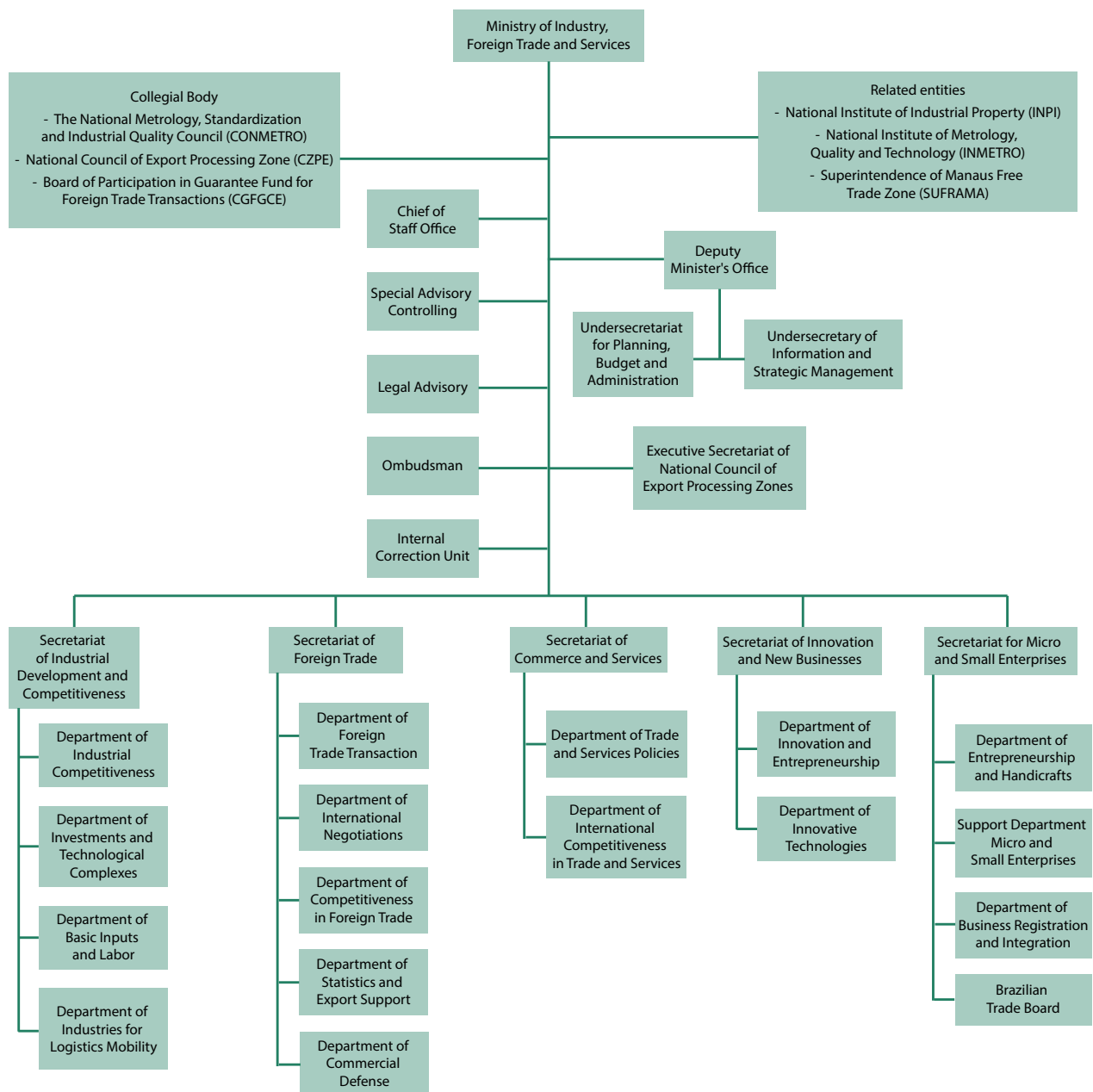
1.4. Organizational Structure

The current structure of MDIC is provided for in Decree-Law nº 9.260, of December 29th, 2017, which was edited to adjust it to the law nº 13.341, of September, 29th, 2016. Both legal rules had significant impact in the organization and the actions taken the Ministry in order to transform it in the Ministry of Industry, Foreign Trade and services (MDIC).

The mentioned law transferred the Executive Secretariat of the Foreign Trade Chamber (CAMEX) to the Ministry of Foreign Affairs and the presidency of CAMEX to the Chief of Staff Office; redefined the relative placement of MDIC regarding the competences that before used to be exclusive; and removed from the supervision of MDIC the National Bank for Economic and Social Development (BNDES) and the Brazilian Agency for the Promotion of Exports and Investments (Apex-Brasil).

The Decree nº 9.067, published on May 31st, 2017, transferred the National Secretariat of Fisheries and Aquaculture (SAP), the Special Secretariat for Micro and Small Enterprises (SEMPE) and the Executive Secretariat of the Foreign Trade Chamber (SE / CAMEX) to the MDIC. In April 2018, the National Secretariat of Fisheries and Aquaculture became part of the General Secretariat of the Presidency of the Republic (Decree nº 9.330 of April 6th, 2018).

1.5. Organization Chart



1.6. Associated entities

1.6.1. National Institute of Industrial Property (Instituto Nacional da Propriedade Industrial - INPI)

Created in 1970, INPI is a federal agency responsible for the improvement, dissemination and management of the Brazilian system of granting and guaranteeing intellectual property rights for the industry.

Among the INPI's services are: i) registrations of trademark, industrial designs, geographical indications, computer programs and topographies of integrated circuits; ii) concessions of patent and, iii) endorsement of franchise agreements and different modalities of technology transfer. In the Knowledge Economy, these rights become competitive differentials, boosting the constant emergence of new identities and technical solutions.

1.6.2. National Institute of Metrology, Quality and Technology (Instituto Nacional de Metrologia, Qualidade e Tecnologia - INMETRO)

Inmetro is a federal authority that acts as Executive Secretariat of the National Council of Metrology, Standardization and Industrial Quality (Conmetro), an interministerial collegiate body, which is the normative body of the National System of Metrology, and Industrial Quality (Sinmetro).

Sinmetro, Conmetro and Inmetro were created in December 11th, 1973 by the Law 5,966 with the purpose of integrating an articulated systemic framework. INMETRO replaced the former National Institute of Weights and Measures (INPM) increasing its range of actions to serve the Brazilian society.

Under its broad institutional mission, Inmetro aims to strengthen national companies by increasing their productivity through the adoption of mechanisms to improve the quality of products and services.

INMETRO mission is to provide confidence to Brazilian society in measurements and products, through metrology and conformity assessment, promoting the harmonization of consumer relations, innovation and competitiveness of the Country.

1.6.3. Superintendence of Manaus Free Trade Zone (Superintendência da Zona Franca de Manaus - SUFRAMA)

SUFRAMA is a government body of the federal administration that manages the Manaus Free Trade Zone (ZFM), with the responsibility of building a regional de-

velopment model that uses sustainable natural resources, ensuring economic viability and quality of life improvement for local populations.

With five decades of existence, SUFRAMA has made possible the implantation of the three clusters that forms the ZFM - commercial, industrial and agricultural - and promotes the interiorisation of development by all States included in the area of the model, identifying business opportunities and attracting investments for the region for both the Industrial cluster of Manaus and the other economic sectors of its area of activity.

1.7. Supervised entities

1.7.1. Brazilian Industrial Development Agency (Agência Brasileira de Desenvolvimento Industrial - ABDI)

ABDI is a private non-profit entity that has management contract with the Ministry. ABDI's mission is to develop strategic actions for Brazilian industrial policy, promoting productive investment, employment, innovation and industrial competitiveness in Brazil.

1.8. Secretaries

1.8.1. Secretariat of Foreign Trade (Secretaria do Comércio Exterior - SECEX)

The Secretariat of Foreign Trade (SECEX) is responsible for formulating proposals for policies and programs for the development of Brazilian foreign trade.

In addition, it is responsible for operational and trade facilitation programs, and for developing and disseminating foreign trade statistics. It participates in international negotiations related to foreign trade, and is also responsible for coordinating trade defense policy against unfair trade practices, and for promoting export culture to increase the share of Brazilian exports in world trade.

1.8.2. Secretariat of Commerce and Services (Secretaria de Comércio e Serviços - SCS)

The Secretariat of Commerce and Services (SCS) is responsible for promoting sustainable economic growth, through public policies and actions. The Secretariat acts to create favorable conditions for entrepreneurship and the solution of bottlenecks to favor the Brazilian economy and Brazil's performance in the international market, thus, contributing to a favorable environment to the generation of employment, wealth and knowledge.

Additionally, SCS is responsible for the creation of new development instruments necessary for the effective promotion of economic development, as well as for the leverage of foreign trade in services and for the internationalization of companies in the sector. To this end, it articulates its actions with other Ministries, entities representative of the various productive sectors and institutions of the federal, state and municipal governments. With respect to the development of commercial intelligence, the Secretariat provides information system on foreign trade of services and disseminates accurate statistics and market studies for the sector.

1.8.3. Secretariat of Industrial Development and Competitiveness (Secretaria de Desenvolvimento e Competitividade Industrial - SDCI)

The Secretariat for Industrial Development and Competitiveness (SDCI) is responsible for formulating, proposing and coordinating policies, programs, projects and actions aimed at industrial development, focusing on increasing productivity and productive efficiency.

It is incumbent upon this Secretariat to promote actions designed at attracting investments, reducing systemic costs that affect industry and increasing industrial competitiveness, encouraging the participation of Brazilian industry in global value chains. In this sense, the SDIC identifies demands and proposes measures aimed at improving the business environment in Brazil, with emphasis on advancing and simplifying regulatory, fiscal, financing and investment mechanisms. Encouraging the

sustainable development of the industrial sector and practices of social responsibility are also included as functions of this Secretariat.

In view of its scope of action, the SDCI is present in the support and articulation with the federative spheres in the implementation of actions aimed at the strengthening and the local and regional industrial development.

Exactly by its nature, SDCI is a permanent forum for dialogue with the national industrial sector, seeking, through its initiatives, to integrate actions directed at industrial development within the Brazilian government, and to ensure a business environment conducive to increase productivity competitiveness of domestic industry.

1.8.4. Secretariat of Innovation and New Businesses (Secretaria de Inovação e Novos Negócios - SIN)

The Secretariat of Innovation and New Business has as main objective to promote the competitiveness of Brazilian companies through the stimulation of innovation, a determining factor for the Brazilian economic development.

Thus, within the scope of its competences, in 2017, the Secretariat of Innovation gave priority to the elaboration of policies and programs for the generation and diffusion of innovation in the productive sector; proposing measures for the simplification of regulatory, fiscal, financing and investment mechanisms; the implementation of actions to promote innovative entrepreneurship and the venture capital environment in the country; the development of actions for the formation of talents and the qualification of human resources based on current and future needs of the Brazilian productive sector; the development of actions to attract private international investment in research, development and innovation, negotiation and implementation of international innovation agreements to foster partnerships between Brazilian and foreign companies; the promotion of the environment for the development of businesses and technologies related to the digital economy, bioeconomic, nanotechnology and energy; and the coordination of the position of government in intellectual property policies.

Based on these actions, the Secretariat's activities are strategically focused on innovation issues, based on the strengthening of its constituent elements: regulatory mechanisms, entrepreneurship, business and human resources qualification, and intellectual property.

1.8.5. The Special Secretariat for Micro and Small Enterprises (Secretaria de Micro e Pequena Empresa - SEMPE)

SEMPE became part of the MDIC structure through Decree No. 9,004, dated March 13th, 2017. SEMPE's main competence is to formulate, coordinate and articulate policies and guidelines to support microenterprises and small enterprises (SMEs), individual microentrepreneurs (MEI) and artisans. It is the Federal Government body responsible for establishing the National Policy for the Development of Micro and Small Companies in Brazil.

SEMPE's actions aim to improve the business environment for SMEs, MEIs and artisans by improving and simplifying regulatory and fiscal mechanisms, access to credit and new markets, and improving competitiveness and capacity building. In addition, it supervises the concession of the favored, differentiated and simplified treatment for micro and small companies provided for in the Federal Constitution.

The Secretariat seeks to implement measures in partnership with various Ministries, S System, financial institutions, entities representing micro and small enterprises and other public and private actors, with the purpose of stimulating the development of small enterprises in Brazil.

SEMPE holds the presidency of the Permanent Forum of MPE (FPMPE) and the Management Committee of REDESIM (National Network for the Simplification of Registration and Legalization of Companies and Businesses), both provided by Complementary Law No. 123, dated December 14, 2006, the Statute of Micro and Small Enterprises. The Secretariat also coordinates the actions within the MEI WG, a technical group that deals with issues related to the individual microentrepreneur, as well as managing the Brazilian Handicraft Program (PAB).

1.8.6. Executive Secretariat of the Foreign Trade Chamber (Secretaria da Câmara de Comércio Exterior - SE/CAMEX)

The Chamber of Foreign Trade (CAMEX) collegiate body under the Republic Presidency is responsible for formulating, adopting, implementing and coordinating policies and activities related to foreign trade in goods and services, including tourism, aiming the promotion of foreign trade and investment, and the international competitiveness of the country.

The CAMEX Executive Secretariat, which became part of the MDIC structure, provides direct assistance to the Chair of the CAMEX Council of Ministers and to the Chair of the Executive Management Committee (GECEX), as well as preparing meetings, monitoring and evaluating the Council of Ministers of CAMEX, GECEX, the Private Sector Consultative Council (CONEX) and the National Investment Committee (CONINV).

The Secretariat also articulates with public and private entities, and in particular with CAMEX member bodies; coordinates collegiate bodies, committees and intragovernmental technical groups set up within CAMEX; and identifies, evaluates and submits to the Council of Ministers of CAMEX measures and proposals for legal regulation and other acts related to foreign trade. Among other activities, the unit also acts as the National Focal Point - Ombudsman for Direct Investments.

1.8.6.1. Ombudsman for Direct Investment (OID)

The Cooperation and Facilitation Investment Agreements (ACFI) that Brazil has negotiated and signed bilaterally require, among other provisions, the creation of a National Focal Point, Ombudsman for Direct Investments (OID), established within the scope of CAMEX.

The OID is responsible for receiving consultations and requirements about the areas related to investments, which must be answered jointly with the members of the government involved in each case. This allows that these queries of investors from countries with which Brazil has ACFIs in force to be dealt with in a single body, which must respond in a timely manner to the demands requested.

An integral part of the structure of the Executive Secretariat, under the supervision of the CAMEX Council of Ministers, the ODI is composed of:

I - by the Executive Secretary of CAMEX, who will represent it institutionally and coordinate its activities;

II - by a Secretariat, which will use the structure of the CAMEX Executive Secretariat and will have staff and servants specialized in matters related to investments to support the Executive Secretary of CAMEX in carrying out their duties within the scope of the ODI;

III - by an Advisory Group, composed of representatives of the Ministries that constitute CAMEX; and

IV - by the Network of Focal Points, composed of focal points of the entities of the Public Administration to be defined by the Internal Regulation of the ODI, as well as those indicated by Brazilian Federation Units.

The bodies and entities of the Network of Focal Points will designate their staff as focal points to work together with the ODI to provide information on investments, resolve doubts and seek solutions to investor inquiries, in their competence area, among other activities to be defined by the Internal Rules of the ODI.

The Advisory Group is chaired by the Executive Secretary of CAMEX and will monitor and guide the work of the ODI, including the preparation and possible revisions of its Internal Regulation.

Among the ODI's competences, the following stand out: support and guide investors, clarifying doubts, receiving consultations and recommending solutions to the questions raised; and to propose to the pertinent entities and agencies of government improvements in the legislation or in the procedures adopted, in the cases in which the solution of a questioning so recommends it.

The ODI may also receive consultations and inquiries from the national investors regarding their investments in the countries with which the Federative Republic of Brazil has ACFIs in force, which it will follow up through the mechanisms provided for in such agreements.

1.8.6.2. This Guide

This guide is an instructing document for the foreign investor to consult the basic rules that regulate foreign investment in Brazil under the framework of the MDIC.

1.8.7. Executive Secretariat of National Council of Export Processing Zones (SE/CZPE)

The Executive Secretariat of the National Council for Export Processing Zones (SE/CZPE) acts as a technical and administrative support body for the Council of Export Processing Zones (CZPE), a collegiate body composed of the Minister of State of Industry, Foreign Trade and Services - President; Minister of State of Finance; Minister of State of Planning, Development and Management; Minister of State of the Environment; Minister of State of National Integration; and Minister of State Chief of Staff of the Presidency of the Republic.

As the main competencies, the SE/CZPE is responsible for the effective implementation of the decisions taken by this Council; for the analysis of the projects for implantation of Export Processing Zones- ZPE and the respective industrial projects. In addition, the Secretariat also acts in the monitoring of the installation and operation of the SPAs and the companies installed in them; as well as in the promotion of the Brazilian ZPE regime, including through articulation with other relevant Federal, State and Municipal Government bodies.

SE/CZPE is also a direct and immediate assistance to the Minister of Industry, Foreign Trade and Services, as President of the Council; and integrates the organizational structure of the MDIC.

2. OVERVIEW

2.1. Foreign Trade











2.1.1. Trade Balance in 2017

In 2017, Brazilian exports totaled US \$ 217.739 billion, 17.5% higher than the result of 2016 - US \$ 185.235 billion. There was a growth of 9.4% in manufactured exports and 10.5% in industrialized exports. There was a record in the quantity exported, which reached a volume of 692 million tons.

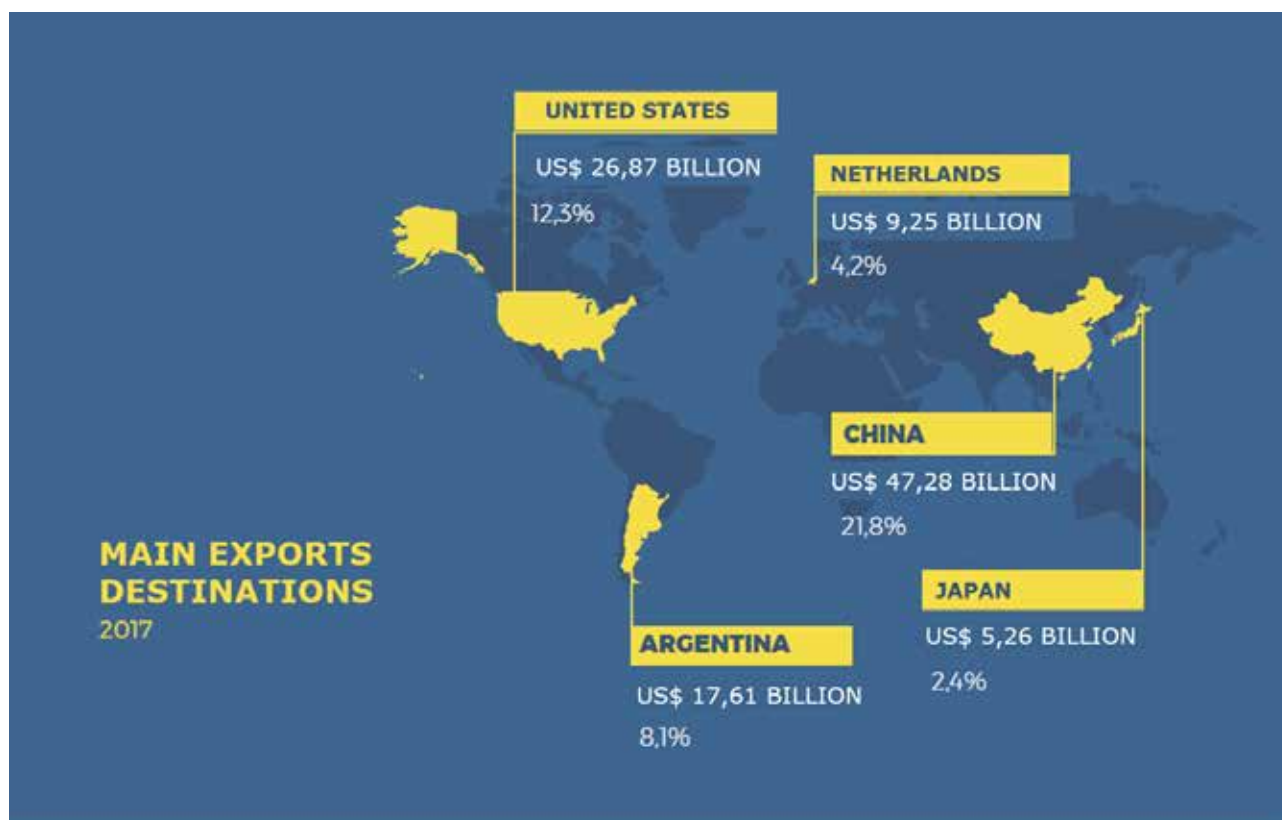
In turn, imports increased by almost 10% in the year, reaching US \$ 150.749 billion. This upward movement in foreign purchases did not occur since 2013, when the import growth rate was 7.0%. The growth of imports expresses the growth of Brazilian economic activity and is in line with other indicators, which also point to the resumption of industrial activity.

The trade balance in 2017 reached US \$ 67 billion - a record in the trade surplus - and the total trade flow reached US \$ 368.50 billion, a 15.1% increase compared to 2016.

2.1.2. Main products exported in 2017

| | | |
|--|---|--|
| MAIN PRODUCTS EXPORTED 2017 | 1° SOY 11,8%  | 2° IRON ORE 8,8%  |
| | 3° PETROLEUM 7,6%  | 4° SUGAR 4,2%  |
| | | 5° AUTOMOBILES 3,1%  |
| | | 6° CHICKEN MEAT 3%  |
| | 7° CELLULOSE 2,9%  | 8° BEEF 2,3%  |
| | 9° SOYBEAN MEAL 2,3%  | 10° COFFEE 2,1%  |

2.1.3. Main exports destinations in 2017



2.1.4. Brazil and its insertion in the Global Market

Brazil has revised its positioning strategy in the global scenario, focusing on expanding opportunities for exports of its goods and services and investments, especially through the expansion of the country's network of international agreements.

Brazil has acted strongly to attract foreign investment to the country. In this sense, the negotiations of Cooperation Agreements and Investment Facilitation Agreements (ACFIs) were concluded with 14 countries, including Mercosur partners (Brazil, Argentina, Uruguay and Paraguay), members of the Pacific Alliance and with important Brazilian investment destinations in Africa, Asia and the Middle East. The purpose of these agreements is to facilitate the flow of capital, reduce risks, prevent controversy and increase legal certainty both for investors in Brazil and for Brazilian investors who provide funds in foreign markets.

The country has also been active in regional and bilateral negotiations on government procurement, services, regulatory convergence, non-tariff barriers, SMEs, e-commerce and trade facilitation.

In 2017, the signing of the Economic Complementation Agreement (ECA) between Mercosur and Colombia not only consolidated the preferential access provided by ECA No. 59 and the initiatives negotiated between the parties, but also paved the way for tariff reduction, especially for automotive, textile and steel products. In 2018, there was also the signing of the government procurement agreement and the investment protocol in financial services between Brazil and Chile, as well as the launching of negotiations for the signing of a Free Trade Agreement (FTA) between the two countries, which represents an updating exercise of ACE 35, signed in 1995, with the inclusion of topics such as services, electronic commerce, regulatory coherence, trade facilitation, competition, micro and small companies, environment and labor issues.

MDIC is also at the ahead of various international dialogues with more than 15 different countries, including China, the United States and Argentina, Brazil's three largest trading partners. It also actively participates in discussions within the framework of the World Trade Organization (WTO), the World Economic Forum, the G-20, the BRICS, among others, advocating advances in trade facilitation, investment facilitation, SMEs, digital commerce, regulation, among others. Recently, Brazil became an observer member of the WTO Agreement on Government Procurement (GPA).

Also accentuate initiatives for international cooperation in trade facilitation, such as the substitution of paper origin certificates for digital documents in Brazil's bilateral trade with Argentina, Uruguay, Chile and Colombia.

The revitalization of Mercosur's economic and commercial dimension has been pursued as a priority. In 2017, Mercosur concluded public investment and procurement agreements. It has also strengthened its integration with important partners such as the Pacific Alliance countries, the European Union, the European Free Trade Association (EFTA), Canada, India, Korea, Singapore, Morocco, Tunisia, among others.

3. IMPROVING THE BUSINESS ENVIRONMENT

Actions focused on reduction of bureaucracy and speed of processes, meeting the demands of the productive sector in different levels, from the microenterprise to the large industries.

3.1. Electronic System for Monitoring Barriers to Brazilian Exports – SEM Barreiras - (“Without Trade Barrier”)

The “Electronic System for Monitoring Barriers to Brazilian Exports – SEM Barreiras” is an online public management tool developed by the Brazilian Government for the notification of barriers imposed on Brazilian exports. It is an integrated channel to consider and respond to the issues reported by the private sector on issues of market access.

It was established in November 2017 and is an instrument that narrows the relationship between government and society and contributes to a greater rationalization and coordination of government agencies’ efforts to remove trade barriers or reduce their effects.

Through this System, the Brazilian private sector has a channel to report barriers related to Brazilian products, services and investments that have the potential to affect or have already affected its exports, providing transparency in the actions taken by the Federal Government.

For more information access sembarreiras.gov.br

3.2. Portal Único de Comércio Exterior (Single Window)

The “Portal Único” Program (Single window) is the main initiative to reduce bureaucracy and facilitate Brazilian foreign trade. It establishes a single window to centralize the interaction between government and commercial operators and promotes the complete reformulation of export and import processes, with the objective of reducing the average term of operations by 40% and increasing the competitiveness of Brazilian foreign trade.

The “Portal Único” deliveries have been incremental, allowing gains throughout its development, started in 2014. A good example was the electronic annexation of documents, which eliminated 99% of the use of paper documents in exports and imports, with governmental consent.

In 2017, the new Export Process was launched, simplifying procedures for foreign sales, eliminating documents and steps, and reducing government requirements. This action directly benefits 5 million annual export operations of more than 255 thousand companies. The start of the implementation of the New Import Process has occurred in the second half of 2018.

The main benefits of the new processes are:

- Unified Export and Import Declarations, with replacement of redundant documents and reduction in reporting.
- Integration of declarations with the electronic invoice, allowing automatic data feeding, information integrity, less possibility of errors and easier to prove exports.
- Reduction and optimization of manual steps of conferencing data and documents for each operation through the use of automated technologies;
- Possibility of comprehensive approvals for more than one operation, which makes it possible to reduce controls from operation to operation.
- Possibility of carrying out simultaneous customs and non-customs controls of goods, to the detriment of sequential stages;
- Intensive use of risk management;
- Integration of foreign trade systems and processes and centralization of communication between private operators and government bodies and entities in one place;
- Continuous improvement of the governance of controls on foreign trade operations, based on coordinated and harmonized action;

The gains from the implementation of the “Portal Único” Program have already been recognized by the World Bank in the Doing Business Reports of 2016, 2017 and 2018.

3.3. REDESIM - National Network for Simplification of Registration and Legalization of Business

The National Network for Simplification of Registration and Legalization of Business (REDESIM), created by the Federal Government through Law 11.598 of December 3rd, 2007, has as a basic premise to simplify procedures and reduce time and the cost of registration and legalization of legal entities, reducing bureaucracy to the minimum necessary.

REDESIM integrates all the processes of the bodies and entities responsible for registration and licensing of legal entities, through a single entry for data and documents, accessed through the REDESIM Portal.

It is a set of computerized, interoperable systems that have been made available to the citizen to carry out the process of registration and legalization of legal entities within the Union, States and Municipalities.

The whole process of registration and legalization of legal entities in Brazil has been redesigned in order to achieve the goals and needs of a modern society: reduction of procedures; transparency; simplification and standardization of compliance; reduction of costs and deadlines.

The REDESIM systems are being implemented to guarantee the linearity and the uniqueness of this process, from the perspective of the user, integrating all the actors that participate in it: Registration Bodies (Business Boards, Registry Offices of Legal Entities or OAB), Tax Administrations at the federal, state and municipal levels and licensing agencies, especially the Fire Department, Sanitary Surveillance and the Environment.

The REDESIM Portal (<http://www.redesim.gov.br>) provides the necessary guidelines for the legalization of the business, documentation on standard models to facilitate filling and greater security throughout the process.

In line with the simplification requirement of REDESIM, the Secretariat for Micro and Small Enterprises (SEMPE) has developed its own booklet, which establishes rules and procedures that must be observed in applications for authorization to nationalize or install a branch, agency or establishment in the Country by a foreign company.

In addition to guiding foreign companies in order to ensure the uniform practice of requests for authorization, compliance with the provisions of said booklet will facilitate the understanding of the requirements of the Civil Code and Normative Instruction DREI No. 7 of December 5, 2013, reducing the term of the authorization by the Executive Branch, avoiding requirements and reducing reworking costs.

For more information about nationalization or installation of branch, agency or establishment in the Country by a foreign company, access the booklet prepared by SEMPE.

3.4. Reestructuring of the Brazilian Industrial Property System

With the help of national and foreign partners, MDIC and INPI implement and study a series of measures to reduce the backlog of trademarks, patents and industrial designs. Another front of action provides for the improvement of the institute's structural conditions.

Since the beginning of this management, 210 employees have been hired, which represents an increase of 25% of the staff.

The recent measures of modernization of the Brazilian Industrial Property System have already made significant advances. In 2017, the Institute reduced the brand backlog by 14.9%, 7.6% for patents and 26% for industrial stocks.

The following measures are also being implemented:

- Stock of patents - Institution of simplified deferral regime, by means of standard. The expectation is to process a significant number of patent applications over 2018, reducing the institution's backlog.
- Modernization of the flow - INPI will receive up to R \$ 40 million of investments, based on a technical cooperation agreement between MDIC, ABDI and the Institute. The goal is to improve IT infrastructure and reshape processes, ensuring that the organization achieves time compatible with international practices.

On another front, MDIC and INPI signed Patent Prosecution Highway (PPH) agreements with the United States, the European Union, Japan, China and Latin American countries for the sharing of information and the acceleration of technical examination of requests for patents. Agreements are also being negotiated with the United Kingdom and Denmark.

For more information, access the INPI booklet.

3.5. Antibureaucracy System

MDIC created the Administrative Simplification Working Group (GTSA), with the objective of proposing measures to improve and simplify internal norms, actions and processes and its related and supervised entities. After identifying proposals that could be implemented in up to 12 months, representatives from all areas of the ministry began the implementation process.

Of a total of 54 measures, 28 were completed, 19 are being implemented and 7 are in the planning stages.

4. INVESTMENT ATTRACTION

4.1. Innovation Room (Sala de Inovação)

The Innovation Room is a government initiative aimed to coordinate the actions for attraction research centers and projects, development and innovation (PD & I) of large companies to Brazil.

It seeks to concentrate and provide to investor information about the Brazilian innovation ecosystem (financing, incentives, technological infrastructure, qualified personnel) in a practical way.

The Innovation Room also established a unique doorway to assist foreign companies, their subsidiaries or affiliates interested in developing projects or establishing PD&I centers in the country: Apex-Brasil. The companies will be able to contact Apex-Brasil, and the agency, in coordination with the members of the Innovation Room and state and municipal level entities, will present a customized Brazil offer for their needs.

The Innovation Room is a coordinating body in which the main public and private entities participate in research, development and innovation area (MDIC, MC-TIC, MRE, Apex-Brazil, BNDES, CNPq, FINEP, ANPEI, ANPROTEC, CNI, CONFAP, EMBRAPII and FORTEC).

The users that can benefit from the Room are the Foreign Companies, its subsidiaries established in Brazil and its subsidiaries that operate here. And the deadline for service, from the sending of company information until receipt of the Brazil offer, is 15 working days.

To participate, the company must complete a Form (IPP-R & D) sent by Apex-Brasil detailing the company's profile, PD&I Project and the forms of support wanted. In order to provide security for the company in relation to the information provided, it is possible to sign a confidentiality agreement (NDA) with Apex-Brasil. To access the service, the company can contact by e-mail innovate@apexbrasil.com.br.

The Innovation Room is based on Decree No. 9243, of December 19, 2017; Interministerial Ordinance MDIC / MCTIC nº 26 of May 18, 2018; MDIC Ordinance No. 134-SEI, of January 19, 2018; Decree MDIC / INS No. 512-SEI, of March 21, 2018.

4.2. National Strategy for Investments and Business Impact

Established in December 2017, the National Strategy for Investments and Impact Businesses has the objective of promoting the expansion of public and private resources destined to the investment and financing of businesses that generate social and environmental impact in Brazil.

4.3. Brazilian Export Processing Zones (EPZ)

4.3.1. Historical aspects, legal framework and institutional characteristics

Export Processing Zones (EPZs) are characterized as industrial areas, under customs control, for the installation of preponderantly exporting companies. Companies that settle in such spaces have access to specific tax, exchange and administrative treatments to promote competitiveness of their products in the foreign market.

In Brazil, the regime was originally established by Decree-Law no. 2.452, of July 29, 1988. As a result of the process of internationalization of the Brazilian economy and improvement of legislation on the subject, a new legal framework was enacted with Law No. 11.508 of July 20, 2007.

In addition to Law No. 11.508/2007, the following legal frameworks of the Brazilian EPZ regime should also be highlighted:

- a) Decree No. 6.634, dated October 5, 2008: Provides for the National Council of Export Processing Zones (CEPZ).
- b) Decree No. 6.814, of April 6, 2009: Regulates Law no. 11.508/2007.
- c) Resolution CEPZ nº02, of May 15, 2009: Establishes procedures for the presentation of proposals to create EPZ.

d) Resolution CEPZ nº05, of September 01, 2009: Provides for the attributions and responsibilities of the administrators of the EPZ.

e) Resolution CEPZ nº05, of September 28, 2011: Establishes the requirements, basic parameters and roadmap for presentation and technical evaluation of industrial projects in the EPZ.

The main instance of public policy deliberation for these areas is the National Council of Export Processing Zones (CEPZ), composed by Minister of State for Industry, Foreign Trade and Services - President; Minister of State of Finance; Minister of State for Planning, Development and Management; Minister of State for the Environment; Minister of State for National Integration; and Minister of State Chief of Staff of the Presidency of the Republic. The CEPZ is responsible for - among other attributions:

- i. analyze the proposals for the creation of EPZ and submit them to the decision of the President of the Republic;
- ii. analyze and approve industrial projects, including those for expansion of the plant initially installed;
- iii. authorize the installation of companies in these spaces; and
- iv. approve the list of products to be manufactured in the EPZ.

The Executive Secretariat of the CEPZ (SE/ CEPZ) is the operational unit, responsible for the effective implementation of the decisions taken by the Council; for the monitoring of the process of implementation and operation of the EPZ and for the industrial projects to be implemented in such enterprises - among other actions.

4.3.2. Benefits of the Brazilian EPZ Regime:

a. Specific Benefits:

The companies with industrial projects supported by the Brazilian EPZ regime have tax, administrative and exchange benefits; as well as have a long-term legal certainty to carry out their operations, since these benefits are guaranteed for a period of up to 20 (twenty) years, extendable for the same period in case of large investments that require long amortization periods.

Table I, below, summarizes the basic information on the main benefits of the Brazilian EPZ regime.

| TABLE I – MAIN BENEFITS OF THE BRAZILIAN EPZ REGIME | | |
|---|---|---|
| Type | Description | |
| Taxes | <ul style="list-style-type: none"> → Acquisition of goods and services in the foreign market with suspension of the requirement of: → Tax on Industrialized Products - IPI; → Contribution to Social Security Financing - COFINS; and → Contribution to the Social Integration Program - PIS/PASEP. | <ul style="list-style-type: none"> → Acquisition of goods and services in the foreign market with suspension of the requirement of: → Importation Tax - II; → Additional to Merchant Navy Renewal Freight - AFRMM; → Tax on Industrialized Products - IPI; → Contribution to Social Security Financing - COFINS Importation; and → Contribution to the Social Integration Program - PIS / PASEP Import. |
| Administrative | <ul style="list-style-type: none"> • The import and export operations of the companies installed in EPZs are exempt from licensing and authorization by Federal Government bodies. • Exceptions: • controls of national security, health and environmental protection; • exports of products destined to countries that Brazil maintains payment agreements; subject to the export quota system; and • of products subject to Export Tax – IE. | |
| Exchange | <ul style="list-style-type: none"> → The limits of caput of article 1 of Law 11.371/2006 do not apply to companies installed in EPZ (definition by the National Monetary Council - CMN of limits for maintenance abroad of revenues obtained from exports). ⇒ Note: Currently, however, CMN Resolution No. 3.719/2009 allows the exporter of goods or services to maintain abroad all the resources related to the receipt of their exports. | |
| Long-Term Legal Security | <ul style="list-style-type: none"> → The benefits granted to companies located in EPZs are guaranteed for a term of up to 20 (twenty) years, with the possibility of extension, for the same period, in case of large investments that require long amortization periods. | |

b. Additional benefits:

Law 11.508/2007 also allowed industrial projects in the EPZ to access other important measures to encourage investment in exports, as highlighted in Table II below, in accordance with the respective specific regulations:

| TABLE II - OTHER BENEFITS APPLICABLE TO INDUSTRIAL PROJECTS IN EPZ | |
|--|---|
| Type | Description |
| Regional incentives | <p>→ Benefits and incentives foreseen for the areas of operation of the North Development Superintendencies (SUDAM) and the Northeast (SUDENE):</p> <ul style="list-style-type: none">• Reduction of up to 75% of the IRPJ, including additional non-refundable, for a period of 10 (ten) years, for those projects of implantation, modernization, expansion or diversification of industrial plants; and• Reinvestment of 30% of IRPJ due to projects for modernization or equipment complementation, for those enterprises in operation in the area of operation of SUDENE and SUDAM. <p>→ Programs and development funds of the Central-West Region.</p> |
| Trade Promotion | <p>→ Reduction of the income tax rate to zero on remittances abroad for payment of expenses related to market research and promotion of Brazilian products.</p> |
| R&D in IT | <p>→ Investments in research and development of information technology may claim incentives for computer goods and automation.</p> <p>→ Possibility of obtaining incentives related to R & D expenditures (full depreciation, amortization, withholding tax credit, IRPJ reduction of remittances for registration and maintenance of trademarks).</p> |
| Import of Used Goods | <p>→ The tax suspension of the EPZ scheme, when related to machinery, apparatus, instruments and equipment, applies to new or used goods, for incorporation in the fixed assets of the company authorized to operate in EPZ.</p> <p><u>Note:</u> In the case of used goods, this tax suspension will be applied when it is an industrial complex, and which is a constituent element of the payment of the company's capital stock.</p> |

4.3.3. Others measures to stimulate investments in EPZ

4.3.3.1. State Tax Incentives

In addition to the incentives granted by the Federal Government, under Law 11.508/2007, the State Governments and the Federal District agreed to grant tax incentives for the industrial projects to be implemented in the EPZ, in accordance with

the ICMS Agreement No. 99 of 18 September 1998, of the National Council of Finance Policy (CONFAZ)¹.

According to this Agreement, the signatory Federation Units are authorized to exempt from the Tax on Circulation of Goods and Interstate Transportation Services (ICMS) in the following operations:

- a) internal exits (operations within the same State) intended for establishments located in EPZ;
- b) entry of goods or goods imported from abroad;
- c) provision of the transport of goods or goods between EPZs and embarkation / disembarkation sites; and
- d) interstate acquisitions of goods destined to fixed assets and the provision of transport services of such assets, with regard to the differential of the rate.

The scope of this Agreement includes the Federal District and the following States: Acre, Bahia, Ceará, Goiás, Mato Grosso, Maranhão, Mato Grosso do Sul, Minas Gerais, Pará, Paraíba, Pernambuco, Piauí, Rio de Janeiro, Rio Grande do Norte, Rio Grande do Sul, Rondônia, Roraima, Santa Catarina, Sergipe and Tocantins.

4.3.3.2. Reduction of Customs Clearance Costs

Another source of savings for the operation from the EPZ stems from the logistics improvement that allows the reduction of costs and deadlines of customs clearance. In the case of imports, the goods are transferred, under customs control, from Brazilian ports and airports to the interior of the EPZ, where they are stored in a bonded warehouse and dispatched with agility for the consumption of the companies installed there. In exports, EPZ goods arrive at ports, also under customs control, ready for shipment, reducing the waiting time, with the consequent de-bureaucratization of foreign trade operations.

1 Available at https://www.confaz.fazenda.gov.br/legislacao/convenios/convenio-icms/1998/cv099_98.

4.3.3.3. Stimulus to the Productive Chain of Industrial Projects in ZPE

Law 11.508/2017 guarantees the specific tax incentives of the Brazilian EPZ regime also to the acquisition of goods carried out between companies authorized to operate in EPZ.

Such treatment, therefore, represents a stimulus measure to the production chain for industrial projects in EPZ, with a greater competitiveness to carry out new stages of local processing of production destined to the external market.

4.3.4. Limitations of the Brazilian EPZ Regime

The Brazilian EPZ regime presents some limitations that should be observed previously by potential investors, such as:

- Companies installed in EPZ must receive and maintain, per calendar year, gross revenue from exports abroad of at least 80% of their total gross revenue. The revenue from the sale of goods between companies located in the EPZ will be considered as arising from exports.
- The company installed in EPZ cannot establish a subsidiary or participate in another legal entity located outside of EPZ, although to enjoy incentives provided for in the tax legislation; nor can it enjoy any incentives or benefits other than those expressly provided for in Law 11.508/2007.
- The tax suspension provided for in the EPZ scheme applies only to the acquisition of capital goods, raw materials, intermediate products and packaging materials required for the industrial installation or intended to be part of the production process.
- The request for the installation of a company in EPZ will be made upon presentation of a project, in the form established in regulation.
- Subject to the specificities mentioned above, the same legal and regulatory provisions applicable to other domestic companies, except those provided for in Law 11.508/2007, apply to companies authorized to operate in EPZ.

4.3.5. Current Situation of EPZ in Brazil

Currently, Brazil has 18 ZPEs in process of effective implantation in 17 Brazilian states, as shown in Table III, below. These EPZ are in different stages of implantation by the Country.

| TABLE III – CURRENT SITUATION OF BRAZILIAN EPZ | | | |
|--|----------------------|-------------------------|-------|
| L | EPZ Name | Municipality | State |
| 1 | ZPE de Ilhéus | Ilhéus | BA |
| 2 | ZPE de Araguaína | Araguaína | TO |
| 3 | ZPE de Cáceres | Cáceres | MT |
| 4 | ZPE de Barcarena | Barcarena | PA |
| 5 | ZPE de Imbituba | Imbituba | SC |
| 6 | ZPE de Teófilo Otoni | Teófilo Otoni | MG |
| 7 | ZPE de Suape | Jaboatão dos Guararapes | PE |
| 8 | ZPE de Macaíba | Macaíba | RN |
| 9 | ZPE do Pecém | São Gonçalo do Amarante | CE |
| 10 | ZPE de Parnaíba | Parnaíba | PI |
| 11 | ZPE de Bataguassu | Bataguassu | MS |
| 12 | ZPE de Boa Vista | Boa Vista | RR |
| 13 | ZPE do Acre | Senador Guimard | AC |
| 14 | ZPE de Aracruz | Aracruz | ES |
| 15 | ZPE de Fernandópolis | Fernandópolis | SP |
| 16 | ZPE de Uberaba | Uberaba | MG |
| 17 | ZPE de Porto Velho | Porto Velho | RO |
| 18 | ZPE do Açu | São João da Barra | RJ |

The Ceará EPZ, located in the Industrial and Port Complex of Pecém (CIPP), in the municipality of São Gonçalo do Amarante (CE), concluded the process of implementation of its initial stage, driven by the industrial project of Companhia Siderúrgica do Pecém (CSP), and started its export operations in the second half of 2016. Currently, the management company of the SPA is preparing a new phase of implementation of the EPZ, which should contemplate industrial projects in the sectors of ornamental rocks, food, footwear, clothing, metallurgy and petrochemicals.

The EPZ of Parnaíba (PI) is in the final phase of the implementation of the infrastructure, with a view to obtaining customs clearance from the Federal Revenue Service (RFB).

Also noteworthy are the start of the implementation of the initial stage of the EPZ in Cáceres (MT), with a preliminary focus on the processing and export of local agribusiness production, as well as other investment opportunities; and the recent creation of the Açu EPZ, in the State of Rio de Janeiro.

4.3.6. Potentials of EPZ

Based on its orientation to the external market, it is understood that the Brazilian EPZ regime may represent an important support instrument for new productive investments in the country with an export focus.

In this sense, without prejudice to other investment opportunities to be exploited, the potential of greater value added to the production and exports of Brazilian agribusiness is highlighted. Projections from the Ministry of Agriculture, Livestock and Supply (MAPA) highlight the perspective of relevance of Brazil in selected segments, as evidenced by Table IV below.

| TABLE IV - MAIN PRODUCERS OF AGRICULTURAL PRODUCTS 2022/2023 Projections - Ministry of Agriculture, Livestock and Food Supply (MAPA) | | | |
|---|-------------------------|-------------------------------------|------------------------|
| Product | Volume (Million ton) | Partic. % in International Trade | Ranking (Worldwide) |
| Corn | 18,6 | 13,4% | 4 ^o |
| Soybeans in Grain | 63,8 | 44,2% | 1 ^o |

| | | | |
|--------------|-----|-------|----|
| Beef | 1,9 | 19,9% | 2º |
| Chicken meat | 4,8 | 41,7% | 1º |

In this context, therefore, the EPZ can help to take advantage of the business opportunities in the productive chains mentioned above, with a consequent increase, not only in national exports, but also in the generation of employment and local income.

4.3.7. Creation of new EPZ

The presentation of proposals for the creation of EPZ is fundamentally regulated by CEPZ Resolution No. 02, dated May 15, 2009. This process is initiated on the basis of a request from the State and Municipal Government, alone or jointly.

The implementation of the EPZ is carried out through a company that manages the EPZ, which must, among other obligations, carry out the relevant infrastructure works and ensure compliance with the provisions of the Customs Authority with regard to customs control of goods and goods in the enterprise.

The exclusivity of the competence of the State administration (States and/or Municipalities) to present a petition for the creation of the EPZ does not prevent the participation of the private sector in the companies managing EPZ. In addition, it is worth remembering that the proposals to create new EPZ must be accompanied by at least one industrial project to be implemented in the intended undertaking, in accordance with the relevant legislation.

The act of creating a new EPZ is the responsibility of the President of the Republic, based on the recommendation of the CEPZ and technical analysis based on the SE/CEPZ Opinion.

4.3.8. Industrial Projects in EPZ

The presentation of an industrial project to be installed in EPZ is regulated by Resolution CEPZ No. 05, dated September 28, 2011. According to this legal provi-

sion, the approval of the industrial projects in the EPZ is the responsibility of the CEPZ, also based on technical analysis in Conclusive Opinion of SE/CEPZ.

4.3.9. Links

- Executive Secretariat of the National Council of Export Processing Zones (SE / CZPE) / Secretaria-Executiva do Conselho Nacional das Zonas de Processamento de Exportação (SE/CZPE) <http://www.mdic.gov.br/index.php/zpe>
- Export Processing Zone of Pecém (Ceará) - Zona de Processamento de Exportação de Pecém (Ceará) <http://www.zpeceara.ce.gov.br/>
- Export Processing Zone of Parnaíba / Zona de Processamento de Exportação de Parnaíba (Piauí) <http://www.zpeparnaiba.com/>

4.4. National Investment Information Network (RENAI)

Renai, coordinated by the Department of Development and Industrial Competitiveness of MDIC, is one of the instruments through which the federal government publishes data on productive investments in Brazil. This Network, which has been in operation since 2004, is formed by partnerships established between the Ministry of Industry, Foreign Trade and Services (MDIC), the Secretaries of State for Economic Development, industry federations, as well as other investment and development agencies.

The methodology used by Renai consists of monitoring the productive investments announced by public and private companies disclosed in the media: specialized data sources such as Emerging Markets Information Service (EMIS) and fDi Markets, as well as electronic websites of state entities and business entities, reports from financial institutions and widely circulated newspapers and magazines. In order for a news item to be included in the Network database, at least information about the company, the project and the value of the investment is required. Additional de-

tails such as where the investment was made and the project start or end year are only included when the ad has these specifications.

Thus, the Investment Announcement Reports published by Renai constitute an important tool for:

- Conduct market research and scenario formulation;
- Analysis of investment attraction in the different regions of the country;
- Studies on foreign investments in Brazil;
- Search of potential clients and investors; and
- Formulation of business strategies and public policies.

It is also the responsibility of this Network:

1. Assist federal, state and municipal investment promotion institutions to develop their investor support structures;
2. Collaborate with actions to train federal and state agents involved in facilitating and promoting investments, including in partnership with other government agencies and private institutions; and
3. To subsidize proposals and recommendations aimed at promoting and facilitating investments, as well as improving the business environment in Brazil.

To achieve these goals, Renai seeks to work in close technical cooperation with state governments, maintaining focal points in the Secretariats of Economic Development, investment agencies and / or other bodies also responsible for attracting, expanding and maintaining investments in the federal units.

Below are some communication channels through which investors interested in Brazil can obtain additional information about each of the Brazilian states.

| STATES | WEBSITES |
|---------------------|--|
| Acre | http://www.ac.gov.br Acre em números |
| Alagoas | http://www.sedetur.al.gov.br/ Guia de Investimentos - Alagoas |
| Amapá | http://www.ageamapa.ap.gov.br/ |
| Amazonas | http://www.seplancti.am.gov.br/incentivos-fiscais/ Guia do Investidor - AM |
| Bahia | http://www.sde.ba.gov.br |
| Ceará | http://www.sde.ce.gov.br/ |
| Distrito Federal | http://www.sedict.df.gov.br/ |
| Espírito Santo | http://www.invistanoes.es.gov.br https://sedes.es.gov.br/ |
| Goiás | http://www.goiasindustrial.com.br http://www.sed.go.gov.br/ |
| Maranhão | http://www.seinc.ma.gov.br/ http://www.emap.ma.gov.br/ |
| Mato Grosso | http://www.sedec.mt.gov.br/ http://www.mtfomento.mt.gov.br/ |
| Mato Grosso do Sul | http://www.semagro.ms.gov.br/ |
| Minas Gerais | http://www.indi.mg.gov.br/ http://www.desenvolvimento.mg.gov.br/pt/ |
| Pará | http://sedeme.com.br/portal/ http://www.codec.pa.gov.br/ |
| Paraíba | http://www.sedetur.al.gov.br/ |
| Paraná | http://www.apdbrasil.org.br/ |
| Pernambuco | http://www.addiper.pe.gov.br/ |
| Piauí | http://www.sedet.pi.gov.br/index.php |
| Rio de Janeiro | http://www.rj.gov.br/web/casacivil http://www.codin.rj.gov.br/ |
| Rio Grande do Norte | http://www.agn.rn.gov.br/ |
| Rio Grande do Sul | http://www.sdect.rs.gov.br/inicial |
| Rondônia | http://www.rondonia.ro.gov.br/suder/ |
| Roraima | www.seplan.rr.gov.br |
| Santa Catarina | http://www.investesc.com http://www.sds.sc.gov.br/ |
| São Paulo | http://www.investe.sp.gov.br/ |
| Sergipe | http://www.sedetec.se.gov.br/ |
| Tocantins | https://seden.to.gov.br/ |

To know more about RENAI, visit: <http://www.mdic.gov.br/index.php/competitividade-industrial/renai>

4.5. *Ex-tarifario* for BK and BIT

The *Ex-tarifario* system allows the temporary reduction of the import tax rate on capital goods (BK) and IT and telecommunications (BIT) goods, in order to stimulate investment in the country. The *Ex-tarifario* only reaches machinery and equipment indicated in the MERCOSUR Common External Tariff (TEC) as BK or BIT, without equivalent production in Brazil.

4.6. Rota 2030 Mobility and Logistics

Rota 2030 Mobility and Logistics, established by Provisional Measure No. 843, dated July 5, 2018, consists of a program aimed at guiding the development of the country's automotive industry in the coming years, seeking to align the national product in terms of technology, energy efficiency and safety, to the standard pursued by the major global centers of automotive production and development. The new program seeks to ensure the achievements of Inovar-Auto, correcting eventual incompatibilities with WTO regulations and adding an offensive vision in relation to the international market. In addition, the Rota 2030 Program brings a differentiated policy model, comprising challenging goals and rewards to the participating companies, constituting an important stimulus to the improvement of the energy efficiency and safety of vehicles sold in the country. In this sense, mandatory targets for vehicular labeling, energy efficiency, structural performance and assistive technologies and minimum expenditures on research and development in the country are defined.

4.7. Pedefor

Pedefor - Program to Encourage the Competitiveness of the Productive Chain, to the Development and Improvement of Suppliers of the Oil and Natural Gas Sector, instituted by Decree 8.637, of January 15, 2016, seeks an improvement of the Local Content Policy of the sector of exploration and production of oil and natural gas,

through legal recognition and the valorization of initiatives and investments that contribute to increase the competitiveness of suppliers in Brazil; stimulate national engineering; promote technological innovation in strategic segments; expand the chain of suppliers of goods, services and systems producing in Brazil; to increase the level of Local Content (LC) of the suppliers already installed; and, stimulate the creation of technology-based companies.

In the process of regulation and inspection of the LC Policy implemented by the Oil Nacional Agency (ANP), it was possible to identify that many of the initiatives adopted by the operators of the petroleum sector generated positive impacts in the industry but were not supported by the current regulation and are not measured and recognized for the purpose of compliance with LC obligations. On the other hand, failure to comply with LC's agreed percentages can lead to large fines, even when there is a proven commitment by these companies to achieve the agreed values. Thus, the new Program aims to contemplate the initiatives of these companies that contribute to the development of the supply chain of goods and systems for the sector, focusing not only on the failure to meet the agreed percentages of LC and the consequent application of fines.

4.8. Regime for Auto parts not Produced

The Regime for Auto parts not Produced, established under the Brazil-Argentina Automobile Agreement, allows the importation of auto parts without equivalent national production, applying an aliquot equivalent to 2%. The approval of the lawsuits considers the guidelines of the current industrial policy; the policies for the development of the production of the automotive sector, especially those directed to auto parts; the stimulus to the increase of the productive chain of auto parts; the absorption of new technologies; and compliance with technical and safety laws and regulations.

5. COMPETITIVENESS SUPORT

5.1. Special Import Regimes

5.1.1. The Special Customs Regime of Drawback

The Drawback is a Special Customs Regime, worldwide known as active improvement, under the Kyoto Convention, which governs international customs procedures. Thus, the Regime allows the exporter to be exempted from taxes levied on the inputs that were used in the manufacture of the product to be exported, to have greater competitiveness of the final industrialized product abroad. It is an internationally known “improving” regime, in which no tribute should be exported, otherwise the commodity produced will lose market overseas. Article VIII of the WTO General Agreement also does not recommend export taxes, i.e. no taxes should be exported.

The Regime was created by Decree-Law No. 37 / 1966 and later perfected by other legislations. Currently, the integrated drawback in the suspension mode is legally covered by Law 11945 / 2009, as amended by Law 12058 / 2009. For integrated drawback in the exemption mode, the relevant legal framework is Law 12350 / 2010. There are also legislations dealing with special operations within the Regime, known as drawback for vessel (Law No. 8402 / 1992) and drawback for domestic supply (Law No. 8032 / 1990, as amended by Law No. 10184 / 2001).

The Special Drawback Customs Regime allows the suspension or exemption of Import Tax, Industrialized Products Tax, Contribution to PIS / PASEP and Contribution to Social Security Financing (COFINS) on import or acquisition in the market of inputs to be used or consumed in the industrialization of products to be exported. In addition to these taxes, in the Drawback Suspension, there is the exemption of the Tax of Circulation of Goods and Services (ICMS) on imports and the Additional over the Freight for Renovation of the Merchant Navy - AFRMM.

This instrument can be applied in the following modalities:

I - suspension of the payment of taxes on the import and the domestic acquisition of merchandise for employment or consumption in the industrialization of the product to be exported;

II - exemption of taxes on the import or the domestic acquisition in quantity or quality equivalent to that used in the processing, manufacturing, complementation or packaging of exported products; and

III - total or partial refund of taxes paid on imports of goods exported after processing, or used in the manufacture, complementation or packaging of another exported good.

The SECEX is responsible for the administration of the operations in the modalities suspension and exemption of taxes (items I and II), through the issuance of a specific concession act. The Federal Revenue Secretariat of Brazil (RFB) is responsible for the administration of tax refunds (item III). In all cases, however, RFB is responsible for the physical examination of all imported and exported goods, as well as checking the regularity of tax operations, according to the Brazilian customs regulations.

Table 1 shows an example of the simulation of the tax burden with the payment of full taxation and the use of the Drawback Suspension on the importation of headlamp that will be used in the assembly of the car that will be exported. If the company chooses to import a car headlight, NCM 8512.20.11, using Drawback, to incorporate in the vehicle that will be exported later, will pay only the value of the merchandise, in this case R \$ 100.00. The same import, if carried out without the use of Drawback, will cost R \$ 181.04 (R \$ 100.00 + R \$ 81.04).

The table also shows an example of a purchase in the domestic market, in which there is a difference: the payment of ICMS. Then, when using Drawback, the purchase of the lighthouse in the domestic market will cost R \$ 122.50 (R \$ 100.00 + R \$ 22.50), due to ICMS. When purchasing the lighthouse collecting all taxes, your purchase will cost R \$ 155.79 (R \$ 100.00 + R \$ 55.79). In both cases, both the import and the domestic purchase, one can verify the benefit that the Drawback regime will provide in reducing production costs of the merchandise that will be exported by the company.

Table 1 – Simulation of tax burden

| Product: NCM 8512.20.11 Headlamps for automobiles and other cycles | | | | | | |
|---|-------|-------|------|--------|-------|------------------|
| Customs value: R\$ 100,00 | | | | | | |
| Hypothesis | Taxes | | | | | tax burden (R\$) |
| | II | IPI | PIS | COFINS | ICMS | |
| 1. Imports with full payment of taxes | 18,00 | 17,70 | 2,10 | 10,65 | 32,59 | 81,04 |
| 2. Imports with drawback | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 |
| 3. Domestic Market acquisition with full payment of taxes | 0,00 | 15,00 | 2,10 | 10,65 | 29,04 | 55,79 |
| 4. Domestic Market acquisition with drawback | 0,00 | 0,00 | 0,00 | 0,00 | 22,50 | 22,50 |

In 2017, exports under drawback regime reached US\$ 50,1 billions, equivalent to 23% of the total amount exported by the country during the year, in accordance to Table 2, showing the importance of the instrument for the promotion of Brazilian exports.

Table 2 – Participation of the Special Customs Regime of Drawback on exports

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---------------------------------------|-------|-------|------|-------|------|-------|------|-------|-------|-------|-------|
| Brazilian Exports (US\$ billion) | 160,6 | 197,9 | 153 | 201,9 | 256 | 243 | 242 | 224,2 | 191,1 | 185,2 | 217,1 |
| Exports under drawback (US\$ billion) | 50,7 | 56,5 | 37,7 | 50,1 | 59,3 | 53,94 | 51 | 53,3 | 45,7 | 42,2 | 50,1 |
| Drawback / Exportações (%) | 31,6 | 28,5 | 24,6 | 24,8 | 23,2 | 22,2 | 21 | 23,8 | 23,9 | 22,8 | 23,0 |

Fonte: SECEX/MDIC

Regarding the number of companies that exported under the regime, there was an increase of 0.74% in the comparison 2017/2016, demonstrating a greater use of the regime by Brazilian exporting companies.

Table 3 – Percentage growth of the number OF companies exporting
under drawback regime

| | 2016 | 2017 | Growth (%) |
|---------------------|-------|-------|------------|
| Number of companies | 1.745 | 1.758 | 0,74 |

Fonte: SISCOMEX

In addition, SECEX is always seeking to improve the operational procedures of the regime. Among them, it is worth mentioning that in 2017 was implemented the functionality that allows Brazilian companies to benefit from the importation on behalf of third parties in the suspension modality of the Drawback Regime; the same functionality was implemented for Drawback Exemption in 2016. The measure allows these companies to focus activities on their core businesses, delegating the import process to a specialized broker.

It was also published the first tutorial for use of the drawback exemption scheme, available on the MDIC webpage on youtube (MdicGovBr), which brings an initial overview of the system.

In February of 2018 the companies of the sector of agricultural defensives, defense materials and chemical also started to benefit from the drawback exemption scheme.

In July of 2018 was concluded the integration of Drawback Exemption to the Foreign Trade Single Window. Drawback Suspension was integrated in 2017.

LEGAL FRAMEWORK

- Decree-Law no. 37 / 66 - Article 78;
- Decree-Law no. 1722, of 1979;
- Decree-Law no. 6759 / 2009 (Customs Regulation);
- Paragraph 1 and 2 of Article 59 of Law 10,833, of 12/29/2003;
- Law no. 11,945, of 4/6/2009;
- Law no. 12,058, of 12/10/2009;

- Law no. 12,350, of 20/12/2010;
- Portaria Conjunta SRFB / SECEX no. 467/2010, of 03/25/2010 (Integrated Drawback Suspension);
- Portaria Conjunta SRFB / SECEX no. 3/2010, of 17/12/2010 (Integrated Drawback Exemption);
- ICMS Agreement no. 27, of 1990;
- Portaria SECEX no. 23, of 07/14/11, and amendments (Consolidation and procedures).

LINKS OF INTEREST

Single Window: <http://www.portalsiscomex.gov.br/>

- Updated version of Portaria SECEX no. 23/2011: <http://portal.siscomex.gov.br/legislacao/secex>
- Guide of Drawback Suspension: <http://portal.siscomex.gov.br/informativos/biblioteca-de-arquivos/manuais/manual-do-drawback-suspensao>
- Guide of Drawback Exemption: http://portal.siscomex.gov.br/biblioteca-de-arquivos/manuais/manual-drawback-isencao/at_download/file

Website of the Ministry of Industry, Foreign Trade and Services: www.mdic.gov.br

- Statistics of foreign trade, usage tips, and reports and additional information on drawback:
- <http://www.mdic.gov.br/index.php/comercio-exterior/drawback>

5.2. Integrated System of Foreign Trade of Services, Intangibles and Other Transactions that Produce Changes in Equity – SISCOSERV

5.2.1. Context

Siscoserv was created based on the need for a specific computerized system for foreign trade services operations. It is first and foremost an operating system for exporting and importing services, which registers information provided by exporters and importers, creating a database to extract statistics on foreign trade in services in Brazil. Siscoserv's background is to be at the same time an instrument to assist the government in the formulation of public policies and be an aid tool in decision-making in business strategies.

The development of Siscoserv focused mainly on companies of the service sector. In addition to companies that already operate in foreign trade, the system would be useful for entrepreneurs in the sector who do not export, but seek information for the planning of export actions, policy makers, research institutes and universities.

5.2.2. General concepts and structure

On August 1, 2012, the Federal Government of Brazil implemented the Integrated System for Foreign Trade in Services, Intangibles and Other Transactions that Produce Changes in Equity (Siscoserv), a tool used to improve stimulus, formulation, monitoring and measurement of public policies related to services and intangibles, as well as the orientation of business strategies related to the sector.

Siscoserv is a computerized system in which sales and purchases of services, intangibles and other operations that produce changes in equity are registered by residents or domiciled in the country to residents or domiciled abroad. Siscoserv has joint management of the Secretariat of Commerce and Services of the Ministry of Industry, Foreign Trade and Services - SCS / MDIC and of the Federal Revenue Secretariat of Brazil of the Ministry of Finance - RFB / MF.

The system was structured in accordance with the concepts set out in the General Agreement on Trade in Services (GATS) of the World Trade Organization

(WTO). For the purposes of this Agreement, trade in services is defined according to 4 modes of supply of service provision:

- Mode 1 – Cross-border: from the territory of one Member into the territory of any other Member;
- Mode 2 – Consumption abroad: in the territory of one Member to the service consumer of any other Member;
- Mode 3 – Commercial presence: by a service supplier of one Member, through commercial presence in the territory of any other Member;
- Mode 4 – Presence of natural persons: by a service supplier of one Member, through presence of natural persons of a Member in the territory of any other Member.

The records in Siscoserv encompass the services provided in the four modes detailed above. The exception is mode of delivery 3, which is not registered in the Acquisition Module, only in the Selling Module.

Siscoserv captures, through the sales and acquisition of services records (RVS and RAS, respectively), the commercial flow of services and intangibles between Brazil and the rest of the world.

The financial flow resulting from these operations is captured by the billing records (RF) as a result of sale, and payment (RP) as a result of the acquisition of services and intangible assets. Siscoserv, for not maintaining correlation with the foreign exchange operations, also captures the foreign trade operations of services performed with funds held abroad.

All information provided in the system is classified according to the Brazilian Nomenclature of Services, Intangibles and Other Transactions that Produce Changes in Shareholders' Equity (NBS).

The obligation to make the registration is of the individuals or companies domiciled in Brazil, whenever they carry out purchase or sale of services and intangible assets with individuals or companies domiciled abroad.

Micro and small enterprises participating in a special tax regime called SIMPLES, as well as natural persons who, in the individual name, do not habitually and professionally exploit any economic activity of a civil or commercial nature are exempted from registration at Siscoserv, provided that they do not carry out operations on a higher value to US \$ 30,000.00 in the month.

The time period for registration in Siscoserv is always after the beginning of the rendering of the service or the transfer of the intangible. The company has until the last business day of the 3rd month following the date of commencement of service. This period influences the deadline for the publication of consolidated statistics, which always occurs in the year after the base year, usually at the beginning of June.

The information entered in the system is self-declaratory and there is no prior consent of the operations. In addition, the system allows both the rectification by the user of the information entered, which can occur at any time after the insertion of the information, as well as the insertion of data with delay.

Siscoserv is composed of two Modules: Sale and Acquisition. In the Selling Module, the sale (export) of services and intangible operations, registered in Modes of Provision 1, 2 and 4, are registered. This module also covers the registration of operations carried out through commercial presence abroad.

In the Acquisition Module, services and intangibles purchased (imported) by residents or domiciled in the country of residents or domiciled abroad are registered.

Siscoserv Manuals should be considered as a “road map” for the System. In addition to complementing the relevant legislation, they clarify legal and operational aspects of Siscoserv. Manuals are available at: <http://www.mdic.gov.br/index.php/comercio-servicos/a-secretaria-de-comercio-e-servicos-scs-15/estatisticas-2>

5.2.3. Objectives of Siscoserv

The services sector, although representing 72% of Brazil's Gross Domestic Product (GDP), is a sector that lacked reliable information regarding foreign trade.

So, the main objectives of Siscoserv are:

- Structure the foreign trade policy for services.
- Improve the actions of stimulating, formulating, monitoring and measuring public policies related to services and intangibles.
- Strengthen the country's participation in international trade in services.
- Orient business strategies for foreign trade in services and intangibles through the provision of trade intelligence tools.

5.2.4. Legal framework of Siscoserv

- Law No. 12,546 of December 14, 2011, arts. 24 to 27;
- Decree No. 7,708 of April 2, 2012;
- Ordinance MDIC No. 113, of May 17, 2012, with its subsequent amendments;
- Normative Instruction RFB No. 1,277, of June 28, 2012, with its subsequent amendments;
- Joint Ordinance RFB / SCS No. 1,908, dated July 19, 2012, with its subsequent amendments: Establishes Siscoserv and defines: terms, limits and conditions of registration related to transactions between residents or domiciled in Brazil and residents or domiciled abroad that include services, intangible assets and other operations that produce changes in the equity of individuals, legal entities or depersonalized entities;
- Joint Ordinance RFB / SCS no. 768, of May 13, 2016: Approves the 11th edition of the Computerized Manuals of the Modules for the Sale and Acquisition of the Integrated Foreign Trade System for Services, Intangibles and Other Transactions that Produce Changes in Shareholders' Equity (Siscoserv).

The legislation on Siscoserv and the manuals of the Modules Sale and Acquisition, containing guidelines on registration are available at: <http://www.mdic.gov.br/index.php/comercio-servicos/a-secretaria-de-comercio-e-servicos-scs-15/estatisticas-2>

5.2.5. Benefits of Siscoserv for companies

Exports, whether of goods or services, are strategic because they generate jobs, income, technological gains and investments. Thus, export support for higher value-added services is the subject of public policies in most countries around the world. However, to establish effective actions, it is necessary to have detailed and reliable information. From the data of Siscoserv, the Statistics of Foreign Trade of Services are published annually.

5.2.6. Statistics generated by Siscoserv

SCS / MDIC has sought to contribute to transparency and relevant information about the service sector. From 2015, the Secretariat started to publish annual statistics on foreign trade in services based on data from Siscoserv. Data for the years 2014 and 2015 have already been released. The consolidated data for 2016 will be released in June 2017.

The statistics make it possible to know the current scenario of the foreign trade of services in Brazil, in addition to mapping expansion opportunities, and can be found in: <http://www.mdic.gov.br/comercio-servicos/estatisticas-do-comercio-exterior-de-servicos>

By prioritizing the commercial flow, Siscoserv outlines a panorama that transcends the financial aspects of foreign trade in services. Through the System, it is possible to capture details of the provision of services that escape the other instruments. The way the service is delivered unveils the business models adopted by Brazilian companies and is a determining factor in international negotiations. The start and end dates of the services, in turn, help us to characterize commercial links between countries, whether lasting or fleeting. The very identification of relevant actors of this trade by the Government has become possible.

The universe of individuals and legal entities required to register in Siscoserv, and the classification of services and intangible assets through the NBS, distinguishes the data extracted from Siscoserv from the Service Account of the Balance of Payments, compiled by the Central Bank of Brazil in accordance with the sixth edition

of the IMF's Balance of Payments and International Position of Investments (BPM6), and supported by information on foreign exchange contracts. Differences in methodology and data sources therefore do not allow full comparability between the two sets of information.

From MDIC's point of view, a statistical debugging of the data is performed. Data with error indications of completeness, based on statistical analysis, are taken from the statistical base even though they remain in the System itself. The number of inhibited records is not significant compared to the total number of operations, however the amount involved could often affect the statistics in order to decrease the reliability of the information to be disclosed.

Data on Sales, Acquisitions and Commercial Presence of services and intangible operations are disclosed. The data are disclosed in 3 categories: Consolidated Data, Panorama of International Trade in Services and Bilateral Profiles; in addition to the Commercial Presence data, in spreadsheets in XLS format. Both Panorama and Profiles have bilingual versions for English and, in the case of Latin American countries, Spanish versions.

The Overview of International Trade in Services 2015 includes data from the Balance of Payments services account (Balance of Services Overview - total exports and total imports by 2015); (which allows a contextualisation of Brazil's foreign trade in relation to the world) and Siscoserv data (the vision of which services and intangibles, seen as products, are being marketed by Brazil - exported and imported - and which trading partners). In the last chapter the publication adds a quick view of the service sector in the Brazilian economy.

Additionally, the bilateral profiles of Foreign Trade Services are disclosed, which offer, from the data of Siscoserv, a vision of the services and intangibles that are being commercialized by Brazil with the most strategic commercial partners of the country. There is also a vision of Brazil's commercial relationship with some Economic Blocks, such as Mercosur, European Union and BRICS.

Consolidated data are also published in the form of tables, which describe in detail the most relevant aspects of the Brazilian foreign trade in services in the

calendar year. As an example, we can cite the volume of trade between Brazil and its trading partners, the services provided, the participation of the Federation Units and the crossing of these elements. These data make it possible for Associations representing the Private Sector, trade promotion bodies and even companies to make sectoral or target country analyzes that contribute to their commercial intelligence strategies.