

TAX NEWSLETTER

DEPOSITARY RECEIPTS TRADED OUTSIDE BRAZIL
– CHANGES IN IOF/BONDS AND SECURITIES TAX

Decree No. 7,011/09, published in the Brazilian Official Gazette on November 19, 2009, imposed the levy of the Tax on Transactions Involving Bonds and Securities (IOF/Bonds and Securities Tax) on the assignment ("cessão") of shares which are issued by a Brazilian company and admitted to trade in the Brazilian stock exchange with the specific purpose of enabling the issuance of depositary receipts traded outside Brazil.

As from November 19, 2009, the IOF/Bonds and Securities Tax levies on said transactions at the rate of 1.5%. This rate is applied on the product of (a) the number of shares which are assigned and (b) the closing price for such shares on the date prior to the assignment. If the shares were not traded on that date, the last available closing price for the shares should be considered.

Pursuant to Brazilian law, the IOF/Bonds and Securities Tax levies on transactions involving bonds and securities, including those carried out on a Brazilian stock exchange. The rate of the IOF/Bonds and Securities Tax applicable to transactions involving shares traded in the Brazilian stock exchange is currently zero.

The Brazilian government is entitled to increase the rate of the IOF/Bonds and Securities Tax at any time up to 1.5% per day of the amount of the transaction, but only with respect to transactions carried out after the legislation increasing the rate enters into force.

This newsletter aims at commenting on the main changes recently occurred on the Tax Legislation. For further enlightenments, our professionals are at your disposal.

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