

TAX NEWSLETTER

INVESTMENTS IN BRAZILIAN FINANCIAL AND
CAPITAL MARKETS – CHANGES IN IOF/EXCHANGE TAX

Decree No. 6,983/09, published in the Brazilian Official Gazette on October 20, 2009, increased from zero to 2% the rate of the Tax on Foreign Exchange Transactions (IOF/Exchange Tax) applicable to the conversion of foreign currency into Brazilian reais in connection with inflows of proceeds to Brazil for investments in the Brazilian financial and capital markets. This includes, basically, investments made under the terms of the Resolution of the National Monetary Council No. 2,689, of January 26, 2000 (CMN Resolution No. 2,689/00). The new rate of 2% only applies to inflows of proceeds carried out from October 20, 2009, onwards.

Outflows related to investments made in the Brazilian financial and capital markets remain subject to the IOF/Exchange Tax at the rate of zero. This includes the return of the capital invested in Brazil under the terms of CMN Resolution No. 2,689/00, as well as dividends and interest on shareholders' equity ("*juros sobre capital próprio*") paid by Brazilian companies to non-Brazilian residents which invest under the terms of CMN Resolution No. 2,689/00.

The rate of the IOF/Exchange Tax can be increased at any time up to 25%, but only with respect to currency exchange transactions carried out after the provision increasing such 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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