



TAX INCENTIVE GUIDE

A GUIDE FOR THOSE WHO WISH TO INVEST
IN THE WESTERN AMAZON



Ministry of
Development, Industry
and Foreign Trade



INTRODUCTION

The purpose of this TAX INCENTIVE GUIDE is to explain the taxation regimes granted to those wishing to apply for tax incentives for producing and trading within the MANAUS FREE TRADE ZONE (ZFM-ZONA FRANCA DE MANAUS), THE WESTERN AMAZON AND THE FREE TRADE AREAS (FTAS).

It is therefore our intention to summarize the benefit package administered by SUFRAMA in an informative and practical manner. Please note that, as is always the case with tax procedures in Brazil, the content of this publication should be treated as a guide only and the relevant statutory source should be referred to in all matters pertaining to it, especially the actual content and effective stipulations of provisional measures, laws, decrees and other rules implemented in response to regional and national socioeconomic issues affecting SUFRAMA tax initiatives.

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INTRODUCTION

The incentives addressed in this guide relate to tax exempt areas within Western Amazon and the municipalities of Macapá and Santana, in the State of Macapá. Tax incentives for the Manaus Free Trade Zone (ZFM – Zona Franca de Manaus), Western Amazon (AMOC – Amazônia Ocidental), and Free Trade Areas (FTAs) are administered by the Superintendence of the Manaus Free Trade Zone – SUFRAMA.

SUFRAMA is a federal body linked to the Ministry for Development, Industry and Foreign Trade (MDIC), as established by Article 10 of Decree-Law no. 288, dated February 28, 1967:

Article 10. The administration of facilities and services of the Free Trade Zone shall be the responsibility of the Superintendence of the Manaus Free Trade Zone – SUFRAMA, a federal body having own corporate identity and equity, financial and administrative independence, with head offices and jurisdiction in the city of Manaus, the capital of the state of Amazonas.

SUFRAMA's mission is to:

“Promote regional economic development by generating, attracting and consolidating investments based on education, science, technology and innovation, in order to achieve nationwide integration and competitiveness in the international market.” (Strategic Plan)

1 – UNDERSTANDING THE TAX POLICIES OF THE ZFM, FTAs AND WESTERN AMAZON

The Manaus Free Trade Zone is a free trade area for import and export operations. It enjoys certain special tax incentives established for the purpose of promoting regional development by creating an industrial, farming and cattle raising and commercial hub where economic conditions permit growth regardless of regional factors and the far distances from the markets where its goods are consumed, as set forth in Article 1 of Decree-Law no. 288, dated February 28, 1967, Article 1 of Decree-Law no. 356, dated August 15, 1968, and Article 504 of Decree-Law no. 6,759, dated February 05, 2009.

As a result, the region's development has been focused on three sectors of the economy, namely the primary, secondary and tertiary sectors.

From a more focused perspective, the area's special tax status establishes four scenarios that imply the granting of tax benefits, namely:

1st SCENARIO: IMPORTING GOODS INTO THE ZFM, WESTERN AMAZON, AND FTAs.

2nd SCENARIO: DOMESTIC (NATIONALIZED) GOODS BEING PURCHASED BY THE ZFM, WESTERN AMAZON, AND FTAs.




3rd SCENARIO: GOODS BEING EXPORTED BY THE ZFM, WESTERN AMAZON, AND FTAs.

4th SCENARIO: SALES OF PRODUCTS FROM THE MANAUS FREE TRADE ZONE, THE WESTERN AMAZON REGION, AND FREE TRADE AREAS.

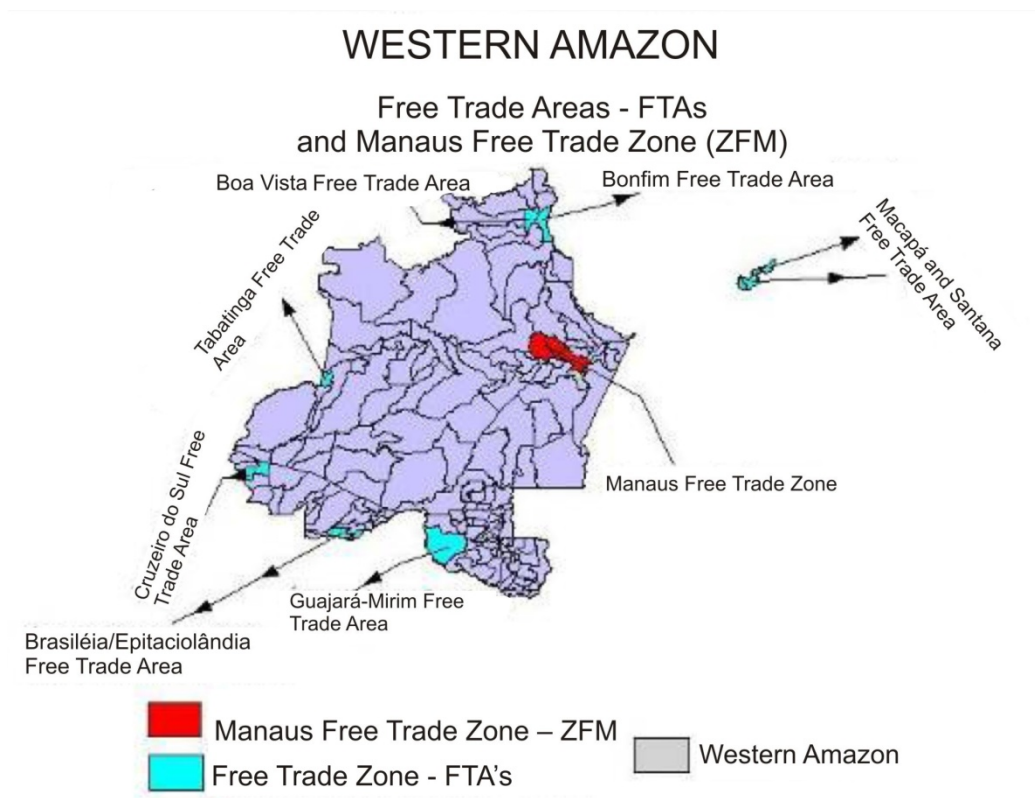
1.1 - SCHEMATIC OVERVIEW OF THE TAX INCENTIVE SYSTEM

MAP OF WESTERN AMAZON



- 1st - Goods imported into the Manaus Free Trade Zone (ZFM), Western Amazon and FTAs;
- 2nd - Domestic goods purchased by ZFM, Western Amazon and FTAs;
- 3rd - Goods exported by ZFM, Western Amazon and FTAs;
- 4th - Goods manufactured in ZFM, Western Amazon and FTAs and sold to the rest of Brazil;
-  Suframa Head Offices
-  Free Trade Areas (7)
-  Regional Coordinations (6)

1.2 - AREAS COVERED BY SUFRAMA: WESTERN AMAZON, MANAUS FREE TRADE ZONE AND FREE TRADE AREAS



*Paragraph 1 of Decree-Law No. 356, dated 15 August 1968:

The Western Amazon encompasses the area covered by the States of Amazonas and Acre, and the Federal Territories of Rondônia and Roraima*, as laid down in Article 1, Paragraph 4, of Decree-Law No. 291, dated 28 February 1967.

*Supplementary Law No. 41, dated 22 December 1981, and the Provisional Terms of the Brazilian Federal Constitution of 1988, Article 14, converted the Federal Territories of Rondônia and Roraima into Federal States.



2 – OVERVIEW OF INCENTIVES

1st SCENARIO: IMPORTING GOODS INTO THE ZFM, WESTERN AMAZON, AND THE FTAs

1 – IMPORT DUTY

1.1 – MANAUS FREE TRADE ZONE AND WESTERN AMAZON

a) – **Exemption from Import Duty on foreign goods entering the ZFM** intended for internal consumption, manufacture to any degree, including processing, such as farming or cattle raising products, fish products, facilities and operation of industries and services of any type, and storage for re-export, With the exception of weapons and ammunition, tobacco, alcoholic beverages, passenger vehicles; perfumes or vanity goods, prepared cosmetics and cosmetic preparations, excluding those classified in positions 3303 and 3307 of the Brazilian Customs Tariff – TAB¹ are exclusively intended for internal consumption within the Manaus Free Trade Zone or produced using raw materials originating from the region's flora and fauna, in compliance with basic production processes.

Decree-Law no. 288/67, Article 3, Paragraph 1; Decree-Law no. 356/68, Article 1; Law no. 8,032/90, Article 4, Law no. 8,387/91, Article 1;

b) – **Reduction of Import Duty on exiting goods manufactured in the Manaus Free Trade Zone** destined to any location within the Brazilian territory.

b.1) – Information Technology Goods – **reduction rate** resulting from the ratio of the value of domestic raw materials and other inputs, the cost of labor used in the production process, and the costs of raw materials and other domestic and

¹ **3303** - Perfumes and Toilet Waters; **3304** - Beauty or make-up products and skin care preparations (other than medicaments), including sunscreen or sun tan preparations; manicure or pedicure preparations; **3305** - Preparations for use on the hair; **3306** - Preparations for oral or dental hygiene, including denture fixative pastes and powders; yarn used to clean between the teeth (dental floss), in individual retail packages, and **3307** - Pre-shave, shaving or after-shave preparations, personal deodorants, bath preparations, depilators and other perfume or vanity goods and prepared cosmetics, and cosmetic preparations, not elsewhere specified or included, prepared room deodorizers, whether or not perfumed or having disinfectant properties.

foreign inputs and labor used. (Paragraph 1, Article 2 of Law 8,387/1991)

b.2) – Automobiles, tractors and other land vehicles – **reduction rate** plus five percentage points. (Paragraph 9, Article 7 of Decree-Law 288/1967)

b.3) – Other goods – **reduction of 88%** (eighty-eight percent).

(Paragraph 4, Article 7 of Decree-Law 288/1967)

Decree-Law no. 288/67, Article 7 II;

Law no. 8,387/91, Article 1;

1.2 – FREE TRADE AREAS – FTAs

Exemption from import duty on the entry of foreign goods intended for internal sale and consumption, fish processing, mineral resources and raw materials of agricultural or forestry origins, agriculture², farming and cattle raising and pisciculture, tourism and storage for export, for ship manufacture and repairs and landed costs related to accompanied luggage, except for weapons and ammunition, tobacco, alcoholic beverages, passenger vehicles, perfume and finished goods for IT.

Law no. 7,965/89, Tabatinga FTA, Article 3;

Law no. 8,210/91, Guajará Mirim FTA, Article 4;

Law no. 8,256/91, Boa Vista and Bonfim FTA, Article 4;

Law no. 8,387/91, Macapá and Santana FTA, Article 11, Paragraph 2;

Law no. 8,857/94, Brasília and Cruzeiro do Sul FTA, Article 4;

2 – IMPORT-RELATED EXCISE TAX

2.1 – MANAUS FREE TRADE ZONE AND WESTERN AMAZON

Exemption from import-related Excise Tax upon the entry of goods into the Manaus Free Trade Zone, provided that said goods are **intended for internal consumption only**, or destined for manufacture to any degree, including processing, farming and cattle raising purposes, fishing, facilities and to storage for re-export, except for weapons and ammunition, tobacco, alcoholic beverages, passenger vehicles, perfume or vanity goods, and prepared cosmetics, and cosmetic preparations.

Decree no. 7,212/2010, Article 95, New IPI Regulation;

Decree-Law no. 288/67, Article 3, Paragraph 1;

Decree-Law no. 356/68, Article 1; Law no. 8,032/90, Article 4; Law no. 8,387/91

² The Guajará-Mirim FTA is exclusively responsible for agriculture activities

2.2 – FREE TRADE AREAS – FTAs

Exemption from excise tax on entry of foreign goods intended for internal sale and consumption, manufacture of products in its territories³, cattle processing⁴, fish processing, mineral resources and agricultural or forest raw materials, agricultura⁵, farming and cattle raising and pisciculture, tourism and storage for export⁶, for ship manufacture and repairs⁷ and landed costs related to accompanied luggage, except for weapons and ammunition, tobacco, alcoholic beverages, passenger vehicles, perfume and finished goods for IT⁸.

Decree no. 7,212/2010, Article 106, New IPI Regulation;

Law no. 7,965/89, Tabatinga FTA, Articles 3 and 13;

Law no. 8,210/91, Guajará Mirim FTA, Articles 4 and 13;

Law no. 8,256/91, Boa Vista and Bonfim FTA, Articles 4 and 14;

Law no. 8,387/91, Macapá and Santana FTA, Article 11, Paragraph 2;

Law no. 8,857/94, Brasília and Cruzeiro FTA, Article 4;

Decree no. 6,759/2009 – Customs Regulations, Articles 525 and 526.

3 – IMPORT-RELATED PIS/PASEP and COFINS

3.1 – MANAUS FREE TRADE ZONE

The calculation of the customs value⁹ of foreign goods entering Brazil will be in accordance with the new wording in Law 12,865, Article 26 of 2013 for the purpose of calculating the PIS/PASEP and COFINS, which are both linked to imports.

a) In general, PIS/PASEP rate is 1.65%, having the following variations for the goods listed below:

I - Pharmaceuticals	2.10%
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³ Manufacture of products restricted to the Tabatinga, Brasília and Cruzeiro do Sul FTAs

⁴ Restricted activity to the Boa Vista, Bonfim, Macapá, Santana, Brasília and Cruzeiro do Sul FTAs

⁵ Restricted activity to the Guajará-Mirim FTA

⁶ Restricted activity to the Tabatinga FTA

⁷ Ship manufacture and repair activities limited to the Guajará-Mirim and Tabatinga FTAs

⁸ The list of exceptions for finished information technology goods applies to the Tabatinga and Guajará-Mirim FTAs

⁹ **Article 4** - When assessing the customs value, regardless of the customs valuation method, the following elements shall be included:

I - the cost for transporting imported goods to the unloading customs port or airport or the customs border points where customs territory entry formalities must be met;

II - costs related to loading, unloading and handling associated to the transport of imported goods until arrival to the locations referred to in the previous item; and

III - costs related to the insurance of the goods during the operations referred to in items I and II.

Source: SRF Normative Ruling No. 327, dated May 9, 2003.

II - Perfumes	2.20%
III - Machinery/vehicles	2.00%
IV - Auto parts	2.30%
V - Paper (exempt)	0.80%

Article 7, item 1, of Law no. 10,865, dated April 30, 2004;

Article 8, Paragraphs 1 to 10, Law no. 10,865/2004.

Article 26, of Law 12,865, dated October 9, 2013.

Brazilian Federal Revenue Department Normative Ruling No. 1,401/13.

b) Import-related COFINS – a rate of 7.60% is typically applied upon entry, with the following variations for the goods listed below:

I - Pharmaceuticals	9.90%
II - Perfumes	10.30%
III – Machinery/vehicles	9.60%
IV – Auto parts	10.80%
V - Paper (exempt)	3.20%

Article 8, paragraphs 1 to 10, Law no. 10,865/2004.

Article 7, item 1 of Law no. 10,865, dated April 30, 2004.

Brazilian Federal Revenue Department Normative Ruling No. 1,401/13.

c) Suspension of import-related PIS/PASEP and COFINS – Duty payable on new goods destined for incorporation in the property, plant and equipment of a company located within the Manaus Free Trade Zone. Suspension will be converted into a zero tax rate after a period of eighteen months has elapsed from the date when the good has been incorporated into the importing company's fixed assets.

Law no. 10,865/2004, Article 14, Paragraph 1;

Law no. 11,196/2005, Article 50;

Decree no. 5,691/2006, Article 1.

d) Suspension of PIS/PASEP and COFINS on imports by companies located within the Manaus Free Trade Zone of raw material, intermediate products and packaging materials, for use in manufacture processes by industrial plants located within the ZFM with projects approved by Suframa.

Law no. 10,865/2004, Article 14-A;

Law no. 10,925/2004, Article 5

2nd SCENARIO: DOMESTIC OR NATIONALIZED (*) GOODS BEING PURCHASED BY THE ZFM, WESTERN AMAZON AND FTAs

1 – EXCISE TAX – Internal Operations

1.1 - MANAUS FREE TRADE ZONE AND WESTERN AMAZON

a) **Exemption from excise tax** for all goods produced in the ZFM intended for internal consumption or commercialization anywhere within the Brazilian territory, except for weapons and ammunition, tobacco, alcoholic beverages, and passenger vehicles.

Decree-Law no. 288/67, Article 9, Paragraph 1;

Law no. 8,387/91, Article 1.

Constitutional Amendment no. 42.

Law no. 9,065/95, Article 19.

b) **Equivalence to a Brazilian export** abroad when **goods originating in Brazil are shipped for consumption or manufacture within the ZFM**, or re-exported abroad, or shipped to Western Amazon.

Decree-Law no. 288/67, Article 4;

Decree-Law no. 356/68, Article 1.

c) **Tax Exemption** for products made out of raw materials of agricultural and vegetal gathering origin produced regionally, except of cattle raising origin, by any company located at Western Amazon.

Decree-Law no. 1,435/75, Article 6.

(*) Pursuant to **CONSULTATION SOLUTION/SRF no. 448, dated November 16, 2006**, the IPI (excise tax) exemption applicable to the ZFM, as specified in Article 69, item III of RIPI/02, along with the suspension of IPI taxation, as referred to in **Article 71**

of the same rule, relates in general to domestic goods, which are those derived from any of the manufacture operations mentioned in Article 4 - RIPI/02 performed in Brazil. However, the benefit is extended to foreign goods that are nationalized and resold to customers located in said region, if such goods are imported from nations that guarantee equal treatment to the goods imported from those nations and equivalent domestic goods, based on any international agreement, treaty or convention of which Brazil is a signatory. This is the case, e.g., of imports originating from Mercosur member states (pursuant to Article 7 of the Mercosur Treaty and ratified by Decree no. 350/1991) and the nations who are signatories to the GATT agreement, or which may have adhered to it (pursuant to the provisions of Paragraph 2, Article III, Part II of this Treaty and ratified by Law no. 313/1948).

Article 98 - Law no. 5,172/1966 – CTN

Article 69, item III and Article 71 of Decree no. 4,544/2002 – RIPI/02

Pursuant to **CONSULTATION SOLUTION No. 11, DATED JANUARY 22, 2007**, the IPI exemption referred to in Article 69, item III and Article 82, item 1 of RIPI/2002 is limited to domestic goods, which are defined as being those derived from any of the manufacture operations mentioned in Article 4 therein being performed in Brazil. However, the benefit also applies to nationalized foreign goods when they originate from nations that guarantee equal treatment for both the domestic good and the one imported from a nation party to any international agreement, treaty or convention of which Brazil is a signatory.

EXEMPTION: FREE TRADE AREAS (FTAs) – NATIONALIZED GOODS.

The IPI exemption on goods entering the Free Trade Areas (FTAs), as set forth in Articles 93, 96, 99, 102, and 105 of RIPI/2002, applies to domestic and nationalized goods, regardless of the country these nationalized goods have been imported. Nevertheless, in order to qualify for this exemption, said goods must be sent to companies authorized to operate within the respective Free Trade Area and must be destined for use in the manner as set forth in Articles 92, 96, 98, 101, and 104 of RIPI/2002 for each specific FTA.

LEGAL PROVISIONS: Decree no. 4,544/2002 (RIPI/2002), Article 69, item III, 82, 92, 93, 95, 96, 98, 99, 102, 104, and 105; CST Regulatory Opinion no. 40/75.

CONSULTATION SOLUTION NUMBER 51, DATED JUNE 15, 2011

SUBJECT: Excise Tax - IPI

ABSTRACT: EXEMPTION AND SUSPENSION. MANAUS FREE TRADE ZONE - ZFM AND WESTERN AMAZON. GATT. NATIONALIZED GOODS. As a rule, exemptions and suspensions of the Excise Tax applicability related to the Manaus Free Trade Zone - ZFM or Western Amazon, as set forth in Articles 81, III, 84, 95, I, and 96 of the Excise Tax Regulation, refer to national goods, i.e., those resulting from any manufacturing operations quoted in Article 4 of said Regulation performed in Brazil. However, the benefit is extended to foreign goods that are nationalized and resold by the importer to addressees located in the Manaus Free Trade Zone and Western Amazon, if such goods are imported from countries with which Brazil has signed any international agreement or convention for ensuring equal treatment between the goods imported from such countries and the Brazilian goods (e.g., in imports from GATT countries or later GATT signatories).

APPLICABLE LAWS: CF/1988, Article 5, Paragraph 2; CTN, Articles 98 and 111; Law No. 313/1948, Article III, Paragraph 2; RIPI, Articles 81, III, 84, 95, I, and 96; and PN CST No. 40/1975.

1.2 – FREE TRADE AREAS

a) Exemption from excise tax upon entry of domestic or nationalized goods intended for consumption, processing, storage or manufacture, except for weapons, ammunition, passenger vehicles, alcoholic beverages.

Law no. 7,965/89, Tabatinga FTA, Article 4;

Law no. 8,210/91, Guajará Mirim FTA Articles 6;

Law no. 8,256/91, Boa Vista and Bonfim FTA Article 7;

Law no. 8,387, Macapá and Santana, Article 11, Paragraph 2;

Law no. 8,857/94, Brasília and Cruzeiro do Sul FTA, Article 7;

Law no. 8,981/95, Articles 108, 109, and 110.

Law no. 9,065/95, Articles 19.

2 – PIS/PASEP and COFINS

2.1 – MANAUS FREE TRADE ZONE, WESTERN AMAZON AND FREE TRADE AREAS

a) In general, the PIS/PASEP rate is 1.65% on the total amount of the purchase invoice from other States, applicable both to industry and commerce, and the respective reduction to zero.

Article 17 of Law no. 11,033, dated December 21, 2004;

Article 2, Paragraph 3 of Law no. 10,996 dated December 15, 2004.

Article 65, paragraph 8 of Law no. 11,196/2005.

COFINS related to Domestic Purchases – generally, the incentive is applied a rate of 7.6% on the total amount of the purchase invoice from other States, applicable for both industry and commerce, and the respective reduction to zero.

Article 17 of Law no. 11,033, dated December 21, 2004;

Article 2 of Law no. 10,996/2004 and Article 65, Paragraph 8 of Law no. 11,196/2005

SUMMARY TABLE – PURCHASE OF DOMESTIC GOODS

PURCHASE OF DOMESTIC GOODS BY:	PIS/PASEP	COFINS
ZFM, WESTERN AMAZONIA, AND FTAs	1.65%	7.60%
DOMESTIC PURCHASE INCENTIVES (Using SUFRAMA / Sinal Systems)	Reduced to Zero	Reduced to Zero

b) Reducing PIS/PASEP and COFINS to zero as applicable to revenue from sales of goods intended for consumption or manufacture in the Manaus Free Trade Zone and Free Trade Areas by legal entities located outside the ZFM.

Law no. 10,996/2004, Article 2;

Law no. 11,196, dated November 21, 2005, Article 65, Paragraph 8

Decree no. 5,310/04;

Law no. 11,945/2009, Article 24.

c) Reducing PIS/PASEP and COFINS rate contributions to zero as applicable to revenue from the commercialization of raw materials, intermediate products and

packaging materials produced in the Manaus Free Trade Zone for use in manufacture processes by industrial plants located at the ZFM itself and in accordance with projects approved by the Administrative Council of the Superintendence of the Manaus Free Trade Zone (CAS).

Law no. 10,637/2002, Article 5 A;

Law no. 10,865/2004, Article 37;

Decree no. 5,310/2004

3rd SCENARIO: GOODS EXPORTED BY THE ZFM, WESTERN AMAZON, AND THE FTAs

The Manaus Free Trade Zone is a free trade area that also grants export incentive as laid down in Article 1 of Decree-Law No. 288/1967:

*“Article 1: The Manaus Free Trade Zone is a free trade area for imports and **exports** with special tax incentives, which has been established with the aim of creating an industrial, commercial and farming and cattle raising hub in Amazon's inland provided with economic conditions that allow it to develop, regardless of local factors and the long distance from the centers that consume its products.”*

1- EXPORT DUTY:

1.1 - ZFM AND WESTERN AMAZON AND FREE TRADE AREAS (ALCs)

Exemption (Article 5, paragraph 3, of Decree-Law no. 288/1967):

“Article 5. The export of goods, regardless of their origin, from the Manaus Free Trade Area to other countries is exempt from export tax.”

2- PIS/PASEP:

2.1 - ZFM AND WESTERN AMAZON AND FREE TRADE AREA

Non-applicability (Law No. 10,637/2002 Article 5, items I and III):

“Article 5. The PIS/Pasep contribution shall not

apply to income originated from the following transactions:

I - export of goods to other countries; (...)

III - sales to export trade businesses for export purposes”

3 - COFINS:

3.1 - ZFM AND WESTERN AMAZON AND FREE TRADE AREA

Non-applicability (Law No. 10,833/2003, Article 6, items I and III):

“Article 6. COFINS shall not apply to income from the following transactions:

I - export of goods to other countries; (...)

III - sales to export trade businesses for export purposes.”

4th SCENARIO: SALES OF PRODUCTS FROM THE MANAUS FREE TRADE ZONE, THE WESTERN AMAZON REGION, AND FREE TRADE AREAS.

The Manaus Free Trade Zone grants tax incentives on Sales Operations to commerce and industry in the following situations:

1 – EXCISE TAX – Internal Operations

1.1 – THE MANAUS FREE TRADE ZONE AND THE WESTERN AMAZON REGION

Tax exemptions on ZFM goods, intended for internal use or for any degree of manufacture, including processing, farming and cattle raising, fish products, facilities and operation of industries and services of any type, and storage for re-export.¹⁰

(Decree-Law No. 288/1967 Article 3):

“Article 3 The entry of foreign goods into the Free Trade Zone, intended for internal consumption, any degree of manufacture, including processing, farming or cattle raising products, fish products, facilities and operation of industries and services of any type, and storage for re-export, shall be exempt from import duty and excise tax.”

¹⁰ With the exception of weapons and ammunition, tobacco, alcoholic beverages, passenger vehicles; perfumes or vanity goods, prepared cosmetics, and cosmetic preparations, excluding those classified in positions 3303 and 3307 of the Mercosur Common Nomenclature, if intended exclusively for internal consumption in the Manaus Free Trade Zone or when produced using raw materials originating from the region's flora and fauna, in compliance with basic production processes.

Products manufactured in the ZFM and commercialized internally or sent to another state (Decree-Law No. 288/1967, Article 9 and Decree No. 7,212/2010, Article 81, Items I and II):

DECREE-LAW No. 288/1967 ARTICLE 9

“Article 9: All goods produced in the Manaus Free Trade Zone are exempt from Excise Tax (IPI), whether they are intended for internal consumption or for commercialization anywhere in Brazil. (Text given in Law 8,387 dated December 30, 1991)

Paragraph 1: The exemption dealt with in this article, concerning products manufactured in the Manaus Free Trade Zone which must be used in other regions of Brazil shall be conditional on compliance with the requirements laid down in Article 7 of this Decree-Law. (Included by Law 8,387 dated December 30, 1991)

Paragraph 2: The exemption dealt with in this Article does not apply to the goods referred to in Article 3, Paragraph 1 of this Decree-Law. (Included by Law 8,387 dated December 30, 1991)”

DECREE No. 7.212/2010. ART. 81. ITEMS I AND II

“Article 81: The following are exempt from tax (Decree-Law No. 288, Article 9 dated February 28, 1967, and Law 8,387, Article 1, dated 1991):

I – products manufactured in the in the Manaus Free Trade Zone, intended for internal consumption, excluding weapons and ammunition, tobacco, alcoholic beverages and passenger vehicles

II - products manufactured in the in the Manaus Free Trade Zone, by businesses with projects approved by the Board of Directors of the Superintendence of the Manaus Free Trade Zone (SUFRAMA), which are not manufactured by conditioning or reconditioning, intended for commercialization anywhere else in Brazil, excluding weapons and ammunition, tobacco, alcoholic beverages, passenger vehicles; perfume and vanity goods, prepared cosmetics and cosmetic preparations, unless these (Positions 33.03 to 33.07 of the IPI Table) are produced using raw materials originating from the region’s flora and fauna, in accordance with Basic Productive Processes.”

Products prepared from raw materials of agricultural or vegetable gathering origin, except for raw materials of cattle raising origin, by businesses located in the Western Amazon Region. (Decree-Law No. 1,435/75, Article 6)

“Article 6: Products prepared from raw materials of agricultural or vegetable gathering origin, except for raw materials of cattle raising origin, by businesses located the area defined in Decree-Law No. 291, Article 1, Paragraph 4, dated February 28, 1967, are exempt from Excise Tax.

Paragraph 1: The products referred to in the heading to this article shall generate Excise Tax credits, calculated as if due, whenever used as raw materials, intermediates or packagings materials, in the manufacture of products, anywhere in Brazil, when these are actually subject to payment of the above tax.

Paragraph 2: The tax incentives described in this article apply exclusively to products prepared by industrial entities whose projects have been approved by SUFRAMA.”

1.2 – FREE TRADE AREAS

Products manufactured in the FTAs, composed predominantly of raw materials of regional origin extracted from the animal, vegetable and mineral segments¹¹, are exempt¹² from IPI, as laid down in Law No. 11,898, dated January 8, 2009, as shown below:

“Article 26: Products manufactured in the free trade import and export area covered by Laws No. 7,965, of December 22, 1989, No. 8,210, of July 19, 1991, No. 8,387, of December 30, 1991, and No. 8,857, of March 8, 1994, are exempt from Excise Tax, whether they are intended for internal consumption, or for commercialization anywhere else in Brazil.

Paragraph 1: The exemption described in the heading to this article only applies to products composed predominantly of raw materials of regional origin extracted from the animal, vegetable and mineral

¹¹ With the exception of the mineral ores in Chapter 26 of the Mercosur Common Nomenclature (MCN), or the agrosilvopastoral system

¹² The exemption laid down in Article 26 of the law applies exclusively to products prepared by industrial entities whose projects have been approved by the Superintendence of the Manaus Free Trade Zone

segments, with the exception of the mineral ores in Chapter 26 of the Mercosur Common Nomenclature (MCN), or the agrosilvopastoral system, in compliance with the relevant environmental legislation and as defined in regulations.

Paragraph 2: The exemption in the heading to this Article does not apply to weapons and ammunition, tobacco, alcoholic beverages, passenger vehicles, perfume or vanity goods, prepared cosmetics and cosmetic preparations, except those classified in positions 3303 to 3307 of the CNM, where intended exclusively for internal consumption in the free trade areas referred to in the heading of the article above or when produced using raw materials originating from the region's flora and fauna, in accordance with basic productive processes and the preponderance mandated in Article 26, Paragraph 1, of this Article."

2 – PIS/PASEP and COFINS

2.1 – MANAUS FREE TRADE ZONE AND FREE TRADE AREAS

PIS: Reduction in tax rate – ZFM and FTAs: (Law No. 10,637, Article 2, Paragraphs 4 and 5 of December 30, 2002, and Law No. 10,996/2004 Article 2, Paragraphs 4, 5 and 6).

The incentive consists of a reduction in tax rates applied to sales operations for goods produced in the Manaus Free Trade Zone and sold by an industrial company established in the ZFM, with a SUFRAMA approved project, through the application of a differentiated tax rates¹³.

This incentive also applies to the gross revenue of legally constituted industrial or commercial entities established in the Free Trade Areas.

LAW No. 10.637/2002. ARTICLE 2. PARAGRAPHS 4 AND 5

"Article 2: To determine the PIS/PASEP to be levied, a rate of 1.65% (one point six five percent) will be applied, to the calculated tax base, as laid down in Article 1.

¹³ See Table I

(...)

Paragraph 4: The gross revenue of legally constituted industrial or commercial entities established in the Manaus Free Trade Zone, resulting from the sale of its own production are an exception to the terms in the heading to this article, for projects that have been approved by the Superintendence of the Manaus Free Trade Zone (SUFRAMA), which are subject to the terms in Paragraphs 1 to 3 of this Article, where the rates are: (Included by Law No. 10,996, of 2004)

I – 0.65% (zero point six five percent), for sales made by a legally constituted entity (Included by Law No. 10,996, of 2004):

a) inside the Manaus Free Trade Zone; and (Included by Law No. 10,996, of 2004).

b) outside the Manaus Free Trade Zone, where the PIS/PASEP rate is subject to the non-cumulative tax system; (Included by Law No. 10,996, of 2004).

II – 1.3% (one point three percent), for sales to: (Included by Law No. 10,996, of 2004).

a) a legally constituted entity established outside the Manaus Free Trade Zone, which is subject to the calculation of notional profit for income tax purposes; (Included by Law No. 10,996, of 2004).

b) a legally constituted entity established outside the Manaus Free Trade Zone, which is subject to the calculation of net profit for income tax purposes and whose revenues, in whole or in part, are excluded from the non-cumulative PIS/COFINS regime; (Included by Law No. 10,996, of 2004)

c) a legally constituted entity established outside the Manaus Free Trade Zone which has opted into the Integrated Tax Payment System (SIMPLES); and (Included by Law No. 10,996, of 2004)

d) federal, state, district or municipal administrative bodies. (Included by Law No. 10,996, of 2004)."

Paragraph 5: The terms in Paragraph 4 also apply to the gross revenue of legally constituted industrial or commercial entities established in the Free Trade Areas dealt with in Laws No. 7,965, of December 22, 1989, No. 8,210, of July 19, 1991, No. 8,256 of November 25, 1991, No. 8,387, Article 11, of December 30, 1991, and No. 8,857, of March 8, 1994. (Text given in Law No.11,945, of June 4, 2009)

COFINS: Reduction in tax rate – ZFM and FTAs: (Law No. 10,833, Article 2, Paragraphs 4 and 5 of December 29, 2003, and Law No. 10,996/2004 Article 2, Paragraphs 4, 5 and 6).

The incentive consists of a reduction in tax rates applied to sales operations of goods produced in the Manaus Free Trade Zone and sold by an industrial company established in the ZFM, with a SUFRAMA approved project, through the application of a differentiated tax rates¹⁴.

This incentive also applies to the gross revenue of legally constituted industrial or commercial entities established in the Free Trade Areas.

LAW No. 10.833/2003. ARTICLE 2. PARAGRAPHS 5 AND 6

“Article 2: To determine the COFINS rate to be levied, a rate of 7.6% (seven point six percent) will be applied, to the calculated tax base, as laid down in Article 1.

(..)

Paragraph 5: The gross revenue of legally constituted industrial or commercial entities established in the Manaus Free Trade Zone, resulting from the sale of its own production are an exception to the terms in the heading to this article, for projects that have been approved by the Superintendence of the Manaus Free Trade Zone (SUFRAMA), which are subject to the terms in Paragraphs 1 to 4 of this Article, where the rates are: (Included by Law No. 10,996, of 2004)

I - 3% (three percent), for sales made by a legally constituted entity (Included by Law No. 10,996, of 2004).

a) inside the Manaus Free Trade Zone; and (Included by Law No. 10,996, of 2004).

b) outside the Manaus Free Trade Zone, where the COFINS rate is subject to the non-cumulative tax system; (Included by Law No. 10,996, of 2004).

II - 6% (six percent), for sales to: (Included by Law No. 10,996, of 2004).

a) a legally constituted entity established outside the Manaus Free Trade Zone, which is subject to the calculation of notional profit for income tax purposes; (Included by Law No. 10,996, of 2004).

b) a legally constituted entity established outside the Manaus Free Trade Zone, which is subject to the calculation of net profit for income tax purposes and whose revenues, are in whole or in part, excluded from the non-cumulative COFINS regime; (Included by Law No. 10,996, of 2004)

c) a legally constituted entity established outside the Manaus Free Trade Zone which has opted into the Integrated Tax Payment System (SIMPLES); and (Included by Law No. 10,996, of 2004)

d) federal, state, district or municipal administrative bodies. (Included by Law No. 10,996, of 2004)

Paragraph 6: The terms in Paragraph 5 also apply to the

¹⁴ See Table I

gross revenue of legally constituted industrial or commercial entities established in the Free Trade Areas dealt with in Laws No. 7,965, of December 22, 1989, No. 8,210, of July 19, 1991, No. 8,256 of November 25, 1991, No. 8,387, Article 11, of December 30, 1991, and No. 8,857, of March 8, 1994. (Text given in Law No.11,945, of June 4, 2009)

Paragraph 7: The requirements laid down in Paragraph 5 of this Article relating to approved projects do not apply to the legally constituted commercial entities referred to in Paragraph 6 of this Article. (Included by Law No.11,945, of June 4, 2009)”

LAW No. 10.996/2004. ARTICLE 2. PARAGRAPHS 4. 5 AND 6 - PIS/COFINS

“Article 2: The rates of the PIS/PASEP Tax and the Social Security Financing Tax (COFINS) are reduced to zero when applied to earnings from the sale of goods intended for consumption or manufacture in the Manaus Free Trade Zone (ZFM).

Paragraph 1: For the purposes of this Article, the sale of consumer goods in the Manaus Free Trade Zone (ZFM) is understood to mean those that are intended for the legally constituted entities that will use them directly or sell them as wholesalers or retailers.

Paragraph 2: The terms of Law No. 10,637, Article 3, Paragraph 2(II) of December 30, 2002, and Law No. 10,833, Article 3, Paragraph 2(II) of December 29, 2003 apply to the operations described in the heading to this Article.

Paragraph 3: The terms of this Article apply to the sale of goods intended for consumption or manufacture in the Free Trade Areas dealt with in Laws No. 7,965, of December 22, 1989, No. 8,210, of July 19, 1991, No. 8,256 of November 25, 1991, No. 8,387, Article 11, of December 30, 1991, and No. 8,857, of March 8, 1994, for legally constituted entity established outside of these areas (Text given in Law No.11,945, of June 4, 2009)

Paragraph 4: The terms of this Article do not apply to the sale of goods intended for legally constituted wholesalers and retailers, subject to the non-cumulative PIS/PASEP and COFINS tax system, which are established in the Free Trade Areas referred to in Paragraph 3. (Included by Law No. 12,350, of December 20, 2010).

Paragraph 5: Invoices relating to sales dealt with in the heading to this Article must contain the phrase “Sale of goods exempted from PIS/PASEP and COFINS taxes” with the specification of the corresponding legal device. (Included by Law No. 12,350, of December 20, 2010).”

2.2 - PIS/PASEP and COFINS RATES RELATED TO DOMESTIC SALES AND DISTINCT ZFM AND FTA RATES

DISTINCT RATES FOR SALES BY ZFM AND FTAS	PIS/PASEP	COFINS
i) Sales to companies located in the ZFM and FTAs	0.65%	3%
ii) Sales to companies located OUTSIDE the Manaus Free Trade Zone and Free Trade Areas, where PIS/COFINS are assessed on a non-cumulative basis.	0.65%	3%
iii) Sales to companies located OUTSIDE the Manaus Free Trade Zone and Free Trade Areas, where income tax is assessed are based on notional profit.	1.3%	6%
iv) Sales to companies located OUTSIDE the Manaus Free Trade Zone and Free Trade Areas, where income tax is assessed based on net profit and the revenue of said companies is totally or partially excluded from the non-cumulative PIS/COFINS assessment system.	1.3%	6%
v) Sales to companies located OUTSIDE the Manaus Free Trade Zone and Free Trade Areas which have <u>chosen</u> for SIMPLES (Integrated Tax Payment System);	1.3%	6%
vi) Sales to federal, state, district or municipal bodies.	1.3%	6%

PIS/PASEP and COFINS – Intermediary Products

Reduction to zero (0) of the PIS/PASEP and COFINS rates assessed on earnings derived from the sale of raw material inputs, intermediary products, and packaging materials produced in the ZFM for use in industrialization processes by establishments in the ZFM operating SUFRAMA approved projects.

LAW No 10.637/2002. ARTICLE. 5-A:

“Article 5 - The rates of the PIS/PASEP Tax and the Social Security Financing Tax (COFINS) are reduced to zero when applied to earnings from the commercialization of raw materials, intermediate goods, and packaging material produced in the Manaus Free Trade Zone (ZFM) and intended for use in the manufacture processes of industrial entities incorporated at the ZFM whose projects are approved by the Board of Directors of the Superintendence of the Manaus Free Trade Zone– SUFRAMA. (Text given by Law No. 10,865, of 2004 see Law No. 10,925, of 2004)”

PIS/PASEP – Granting of Credits

Credit in the purchase of merchandise produced by industrial entities located in the Manaus Free Trade Zone and Free Trade Area's pursuant to projects approved by SUFRAMA, as determined by applying a 1% (one percent) PIS/PASEP rate in accordance with Paragraph 12, Article 3 of Law no. 10,637/2002. In the event of a *commercial company* located in the FTAs, such Credit shall be calculated based on a 0.65% rate on the resale of goods pursuant to Paragraphs 15 and 16 of Article 3 of Law no. 10,637/2002, as introduced by Law no. 11,945, dated June 04, 2009.

LAW No 10.637/2002. ARTICLE 3. PARAGRAPHS 12, 15 AND 16.

“Article 3: Legally constituted entities can deduct credits from the value calculated as described in Article 2 with regards to:

(...)

Paragraph 12. Except for the provisions in Paragraph 2 of this Article and Paragraphs 1 to 3 of Article 2 of this Law, on the acquisition of goods produced by legally constituted entities established in the Manaus Free Trade Zone, whose projects have been approved by the Board of Directors of the Superintendence of the Manaus Free Trade Zone (SUFRAMA), computation of the credit will be based on the application of a 1% (one percent) tax rate and, in the scenario described in Article 2, Paragraph 4(IIb) of this Law, on the application of a 1.65% (one point six five percent) tax rate). (Text given in Law No. 11,307 of May 19, 2006)

(...)

Paragraph 15. The provisions in Paragraph 12 of this Article also apply in the event of acquisition of goods produced by legally constituted entities established in the Free Trade Areas dealt with in Laws No. 7,965, of December 22, 1989, No. 8,210, of July 19, 1991, No. 8,256 of November 25, 1991, No. 8,387, Article 11, of December 30, 1991, and No. 8,857, of March 8, 1994. (Text given in Law No.11,945, of June 4, 2009)

Paragraph 16. With the exception of the provisions in Paragraph 2 of this Article and Paragraphs 1 to 3 of Article 2 of this Law, on the acquisition of goods sold by legally constituted commercial entities established in the

Free Trade Areas referred to in Paragraph 15, computation of the credit will be based on the application of a 0.65% (zero point six five percent) tax rate. (Text given in Law No.11,945, of June 4, 2009)”

COFINS – Credit in the purchase of merchandise produced by *industrial entities* located in the Manaus Free Trade Zone and Free Trade Area's pursuant to projects approved by SUFRAMA, as determined by applying a rate of 4.6% (four point six percent) pursuant to Paragraph 17, Article 3, of Law 10,833/2003. As for *commercial entities* located in the FTAs, said Credit shall be calculated by applying a 3% (three percent) rate to resold goods, pursuant to Paragraphs 23 and 24, Article 3 of Law 10,833, dated December 29, 2003, (except for wholesale and retail companies subject to the non-cumulative assessment system).

LAW No 10.833/2002. ARTICLE 3. PARAGRAPHS 17, 23 AND 24

“Article 3: Legally constituted entities can deduct credits from the value calculated as described in Article 2 with regards to:

(...)

Paragraph 17. With the exception of the provisions in Paragraph 2 of this Article and Paragraphs 1 to 3 of Article 2 of this Law, on the acquisition of goods produced by legally constituted entities established in the Manaus Free Trade Zone, whose projects have been approved by the Board of Directors of the Superintendence of the Manaus Free Trade Zone (SUFRAMA), computation of the credit will be based on the application of the tax rate below: (Text given in Law No. 12,507 of October 11, 2011)

I – 5.60% (five point six percent), on operations with goods referred to in Law 11,196, Article 28(VI) of November 21, 2005; (Included by Law 12,507, of October 11, 2011)

II - 7.60% (seven point six percent), in the scenario dealt with in Article 2, Paragraph 5 (IIb) of this Law; and (Included by Law 12,507, of October 11, 2011)

III – 4.60% (four point six percent), in other cases. (Included by Law 12,507, of October 11, 2011)

(...)

Paragraph 23. The provisions in Paragraph 17 of this Article also apply in the event of acquisition of goods produced by legally constituted entities established in the Free Trade Areas dealt with in Laws No. 7,965, of December 22, 1989, No. 8.210, of July 19, 1991, No. 8,256 of November 25, 1991, No. 8,387, Article 11, of December 30, 1991, and No. 8,857, of March 8, 1994. (Text given in Law No.11,945, of

June 4, 2009)

Paragraph 24. With the exception of the provisions in Paragraph 2 of this Article and Paragraphs 1 to 3 of Article 2 of this Law, on the acquisition of goods retailed by legally constituted commercial entities established in the Free Trade Areas referred to in Paragraph 23, computation of the credit will be based on the application of a 3% (three percent) tax rate. (Text given in Law No.11,945, of June 4, 2009)”

TAXABLE EVENT	CREDIT	
	PIS/PASEP	COFINS
Purchase of goods produced by INDUSTRIAL ENTITIES located in the Manaus Free Trade Zone and Free Trade Areas.	1%	4.6%
Purchase of goods produced by COMMERCIAL ENTITIES, except for wholesale and retail companies subject to the non-cumulative assessment system located in the <u>Free Trade Areas</u> .	0.65%	3%

3 – IMPORT DUTY

3.1 MANAUS FREE TADE ZONE

Import duty exemption on entry of goods into the ZFM aimed at internal consumption or manufacturing to any degree, including processing, farming and cattle raising, fishing, facilities, or storage for re-export¹⁵. (Decree Law No. 288/1967, Article 3):

*“Article 3, The entry of foreign goods in the Free Trade Zone intended to internal consumption, manufacture at any degree, including processing, farming or cattle raising, fishing, facilities and operation of industries and services of any type and storage for re-exporting, shall be exempt from **import duties** and duties on manufactured products.”*

Reduced Import Duty on goods manufactured in the Manaus Free Trade Zone, sold anywhere in Brazil (Decree-Law No.288/1967, Article 7), including:

¹⁵ With the exception of weapons and ammunition, tobacco, alcoholic beverages, passenger vehicles; perfumes or vanity goods, prepared cosmetics, and cosmetic preparations, excluding those classified in positions 3303 and 3307 of the Mercosur Common Nomenclature, if intended exclusively for internal consumption in the Manaus Free Trade Zone or when produced using raw materials originating from the region's flora and fauna, in compliance with basic production processes.

*“Article 7: **Goods manufactured in the Manaus Free Trade Zone**, excluding information technology goods and automobiles, tractors and other ground vehicles, their parts and spare parts, apart from those in positions 8711 to 8714 of the Brazilian Customs Tariff (TAB), and their respective parts and spare parts, when sent to anywhere in Brazil, **will be subject to payment of Import Duty** on the raw materials, intermediary products, secondary materials and packaging, components and other consumables of foreign origin used therein, **with the tax rate calculated using the reduction coefficient of their ad valorem rate**, in accordance with Paragraph 1 of this Article, as long as they meet local manufacturing level requirements that are compatible with the basic productive processes of products in the same position and sub-position of the Brazilian Customs Tariff (TAB). (Text given in Law No.8,387, of December 30, 1991)”*

Variable Reduction in Import Duty using the Tax Rate Reduction Coefficient (CRA)
(Decree-Law No. 288/1967, Article 7, Paragraph 1)¹⁶:

*“Paragraph 1: The **tax rate reduction coefficient will be calculated by applying a formula** which consists of: (Paragraph included by Law No.8,387, of December 30, 1991).”*

I - as the numerator: the sum of the values of the raw materials, intermediary products, secondary materials and packaging, components and other consumables produced domestically plus the labor used in the productive process; (Item included by Law No.8,387, of December 30, 1991)

II - as the denominator, the sum of the values of the raw materials, intermediary products, secondary materials and packaging, components and other consumables produced domestically and of foreign origin plus the labor used in the productive process; (Item included by Law No. 8,387, of December 30, 1991).”

¹⁶ Automobiles, tractors and other ground vehicles, their parts and spare parts, apart from those in positions 8711 to 8714 of the Brazilian Customs Tariff (TAB), and their respective parts and spare parts, manufactured in the Manaus Free Trade Zone, when sent anywhere in Brazil, will be subject to payment of Import Duty on the raw materials, intermediary products, secondary materials and packaging, components and other consumables of foreign origin used therein, in accordance with the reduction coefficient established in this Article, to which five percentage points will be added. (Paragraph included by Law No. 8,387, of December 30, 1991).

Fixed 88% Reduction in Import Duty¹⁷ (Decree-Law No. 288/1967, Article 7, Paragraph 4):

*“Paragraph 4: For goods manufactured in the Manaus Free Trade Zone, excluding information technology goods and automobiles, tractors and other ground vehicles, their parts and spare parts, apart from those in positions 8711 to 8714 of the Brazilian Customs Tariff (TAB), whose projects had been approved by the Board of Directors of the Superintendence of the Manaus Free Trade Zone (SUFRAMA), up to March 31, 1991, or for like or similar products listed in the same position and sub-position of the Brazilian Customs Tariff (TAB), which are included in projects that will be approved, in the period laid down in Article 40 of the Transitory Constitutional Provisions Act, the reduction described in the heading of this Article will be **eighty-eight percent**. (Paragraph included by Law No. 8,387, of December 30, 1991).”*

¹⁷ For raw materials, secondary materials and packaging, used in the manufacture of products to be sold anywhere in Brazil, excluding information technology goods and automobiles, tractors and other ground vehicles, their parts and spare parts, apart from those in positions 8711 to 8714

***For the first time in the history of the mankind,
we are going to experience a deep,
silent social transformation, with no
revolutions, wars, or class struggles
– simply by means of the magnificent
invisible power of information.***

***Yoneji Masuda
The Information Society, 1980***



***As the blessing in the song
says, I'm from the Brown City,
baptized by the waters of the
Virgin of Conception.***

Anibal Beça



***Reality is as it is,
not as we would wish it be.
Nicolo Machiavelli
The Prince, 1513***

3 – FREQUENTLY ASKED QUESTIONS ON TAX TREATMENT GRANTED TO COMPANIES.

✓ WHAT FEDERAL INCENTIVES DOES SUFRAMA GRANT TO COMPANIES LOCATED IN THE ZFM?

- i) Exemption from Import Duty at the purchase of foreign goods intended for consumption or manufacture;
- ii) Reduction of Excise Tax when the goods are to be sold the domestic market;
- iii) Distinct PIS and COFINS rates at the sale of goods sold the domestic market.

INDUSTRY – Companies that have no outstanding debts with the Brazilian tax authorities and whose projects have been approved by SUFRAMA's Administrative Council may apply for the tax incentives administered by SUFRAMA.

✓ WHAT ARE THE INCENTIVES ADMINISTERED BY SUFRAMA?

- I – exemption from Import Duty (II) for raw materials, intermediate products, secondary and packaging materials, components and other inputs of foreign origin used for manufacturing goods intended to consumption within the ZFM;
- II – reduction of Import Duty (II) for raw materials, intermediate products, secondary and packaging materials, components and other inputs of foreign origin used for manufacturing goods intended to consumption at other locations within the Brazilian territory;
- III – exemption from Excise Tax for goods (IPI) produced in the ZFM intended to be commercialized at any location in the Brazilian territory;
- IV - exemption from IPI for goods produced from raw materials of agricultural or vegetable gathering origin, except for raw materials of cattle raising origin;
- V – IPI credit, calculated as if it was owed, to the purchaser of the goods listed in the preceding item, whenever intermediate products or packaging material are used as raw material in the manufacture of goods at any location in the Brazilian territory; of goods that are actually subject to said tax;

VI – exemption from II and IPI for capital goods intended to the implementation of industrial projects.

Basis for Consultation: Resolution No. 203 of December 10, 2012

✓WHAT ARE THE PROCEDURES REQUIRED TO BE ELIGIBLE FOR FEDERAL TAX INCENTIVES ADMINISTERED BY SUFRAMA?

1st Step: KNOW THE TYPE OF INVESTMENT YOU WISH TO MAKE, as each type of investment has its own **Classification** for the project to be submitted.

Projects are classified as follows:

I – **Facility:** when the project aims at establishing a new industrial plant within the area under SUFRAMA's jurisdiction;

II – **Update:** when the project aims at adjusting approved projects due to technical, economic, market, or environmental factors;

III – **Diversification:** when the project aims at introduce new products other than those that have already been approved; and

IV – **Expansion:** when the project aims at increasing the nominal installed capacity of an existing plant without diversifying the product lines as previously approved.

Projects are also classified according to the size under the following **Categories**:

2.3.1 - Simplified Project, for small and micro businesses:

a) when the annual need for imported inputs does not exceed the maximum amount of US\$ 360,000.00 (three hundred and sixty thousand dollars); or

b) being classified as a micro or small business, according to the terms of Supplementary Law No. 123, Article 3, of December 14, 2006 or the legislation that substitutes it **(New text given in Resolution No. 203, Article 3(b) of 10 December 2012).**

2.3.2 – Full Project: for projects not covered by the preceding category.

2nd Step: SUBMIT THE TECHNICAL-ECONOMIC PROJECT aiming at the granting of the tax incentives administered by SUFRAMA, in accordance with the

data structure defined by SUFRAMA or the use of specific software as made available by SUFRAMA (www.suframa.gov.br)

The technical-economic project shall be prepared by an economist duly registered with the Regional Economy Council – CORECON (www.corecon-am.gov.br)

3rd Step: PROJECT ANALYSIS – the project will be submitted to Analysis, in accordance with the mandatory procedures established in Resolution no. 203, dated December 12, 2012;

4th Step: APPROVAL – project approval is governed by Article 10 of **Resolution no. 203, dated December 10, 2012**, which states that the CAS is responsible for approving projects relating to the tax incentives referred to in Article 1 thereof, the application for which is submitted by companies having a regular taxpayer's status by submitting a Certificate of Taxpayer's Status (CRC – Certificado de Regularidade Cadastral) to SUFRAMA or the relevant income tax clearance certificates, or any equivalent document issued by the applicable authorities, pursuant to item "d" of Article 38 of the above Resolution, and the products of which show PPB approval, pursuant to Article 4, Decree no. 2,891/98.

5th Step: IMPLEMENTATION – once the project has been approved, the company may begin its implementation, which shall be monitored and assessed by SUFRAMA by technical opinions, i.e., once the total or partial implementation of the company's facilities is finished, the company that owns a project may request SUFRAMA to issue the Operating Opinion (LO - Laudo de Operação), which is the document evidencing the suitability of the industrial facilities, machines and equipment required to start up the approved technical-economical project, in compliance with the sizing as established therein.

4 - TAX TREATMENT OF PURCHASES OF DOMESTIC GOODS – USE OF WSSINAL (SYSTEM) TO OBTAIN INCENTIVES

Companies purchasing domestic goods (therefore, shipped to the ZFM or FTAs) may benefit from the following tax incentives:

I – Exemption from IPI: for domestic goods entering the ZFM intended for internal consumption, use or manufacture; in the case of the FTAs, specific legislation should be applied.

II – Reduction of PIS and COFINS rates: tax rates applied to revenue derived from the sale of goods intended for consumption or manufacture within the ZFM by a legal entity located outside ZFM shall be reduced to zero (0);

III – Exemption from ICMS: applies to domestic manufactured goods intended for commercialization or manufacture.

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