

Latin American Tax Newsalert

A Washington National Tax Services (WNTS)
Publication

Brazil

March 14, 2012

Brazil changes "IOF" tax rules on cross-border loans again ("1,800 days" rule)

On March 1, 2012, the Brazilian government changed the Tax on Financial Operations ("IOF") rules on foreign currency exchange transactions for loan principal remittances to Brazil by increasing the minimum average payment term from 720 days to three years. On March 12, 2012, Brazil changed the rules again to further extend the minimum average payment.

The increasing appreciation of the Real (Brazilian currency) against the US Dollar (and other foreign currencies) led the Brazilian government to increase, to 6%, the IOF tax rate levied on these transactions. For more details, please refer to our Newsalerts dated [April 1, 2011](#), [April 15, 2011](#) and [March 1, 2012](#).

The continued foreign currency inflow and the resulting appreciation of the Real led the Brazilian government to once again change the IOF rate rules. According to Decree 7698, published on March 12, 2012, the 6% rate now applies when the minimum average payment term of the loan is up to 1,800 days.

Note that the "1,800 days" rule may be enforced on foreign exchange transactions settled on or after March 12, 2012.



For more information, please contact:

Your LATAX team in the United States:

John Salerno (646) 471-2394 john.salerno@us.pwc.com

Eduardo Pupo (646) 471-7007 eduardo.pupo@us.pwc.com

Jose Leiman (305) 381-7616 jose.leiman@us.pwc.com

Bruno Porto (646) 471-8508 bruno.matos.porto@us.pwc.com

Your LATAX team in Brazil:

Alvaro Taiar (55) (11) 3674-3833 alvaro.taiar@br.pwc.com

Marcelo Alencar (55) (11) 3674-2545 marcelo.alencar@br.pwc.com

This document is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

SOLICITATION

© 2012 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers LLP, a Delaware limited liability partnership, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.