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## ***Brazil reduces IOF tax rate to zero on certain cross-border investments***

*June 17, 2013*

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### ***In brief***

The Brazilian government has published legislation reducing the IOF tax rate — a tax on financial operations — from six percent to zero, effective June 5. This rate change affects the IOF tax on funds entering Brazil for investing in fixed-income assets. These investments include those made under Brazilian Central Bank rule 2.689, such as FDIC (Receivables Funds), and FIM (Multi-Market Funds), and purchases of Brazilian government bonds.

The IOF tax rate previously had been reduced to zero on variable-income assets or investments made in the Brazilian market using a FIP (Private Equity Fund) or FII (Real Estate Fund).

The IOF rate reduction also applies to funds entering Brazil to provide warranties required by the Brazilian SEC and other capital markets regulators.

In addition, reversing a measure adopted in 2011, the Brazilian government has published legislation that reduces the IOF tax rate from one percent to zero, effective June 13. This change is related to the acquisition of foreign-exchange derivatives agreements/options.

The IOF tax rate remains at six percent on short-term regular loans (loans with terms up to 360 days).

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***Let's talk***

For a deeper discussion, please contact:

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