

MEMORANDUM TO CLIENTS

11.24.2014

LAW NO. 13,043/2014 AND ADMINISTRATIVE ORDINANCES NO. 20/2014 AND NO. 21/2014 – CHANGES IN TAX RECOVERY PROGRAM (“REFIS”)

On 18 November 2014, Administrative Joint Ordinance no. 20 (“Administrative Ordinance no. 20/2014”) and Administrative Joint Ordinance no. 21 (“Administrative Ordinance no.21/2014”), both from 17 November 2014, were published on the Official Gazette.

These Administrative Ordinances regulate Law no. 13,043, published on 14 November 2014 (“Law no. 13,043/2014”), a result of the recent conversion of the Provisional Measure no. 651/2014 (“MP no. 651/2014”).

Among the changes related to the Federal Tax Recuperation Program (“REFIS”), promoted by such Law and Administrative Ordinances, we highlight the following:

(i) Reopening date for adherence

Law no. 13,043/2014 reopened the deadline for joining the REFIS, for tax debts due until 31 December 2013 with the possibility of joining the benefit until the 15th (fifteenth) day after its publication.

Administrative Ordinance no. 21/2014, in turn, clarified that deadline for joining the REFIS will end on 1 December 2014.

(ii) Payment of advances

Law no. 13,043/2014 kept the staggered payment of advances necessary for joining the REFIS, in the percentage of 5% (five percent), for debts of up to BRL 1 (one) million; 10% (ten percent), in the case of debts of BRL 1 (one) million to BRL 10 (ten) million; 15% (fifteen percent) for debts between BRL 10 (ten) million and twenty (20) million; and 20% (twenty percent) for debts of more than BRL 20 (twenty) million.

Such advances shall be fully paid until the last day for the option for installment payment arrangements, i.e. 1 December 2014, according to the Administrative Ordinance no. 21/2014.

Thus, it is important to note that Law no. 13,043/2014 has protected the rights of taxpayers who joined the REFIS for the duration of the MP no. 651/2014, to pay just a portion of the amount, as anticipation, in 5 (five) times.

According to the article 1, §5°, of the Administrative Ordinance no. 21/2014, this guarantee is restricted to taxpayers who made adherence to the REFIS between 1 August 2014 to 25 August 2014.

(iii) Use of credits from tax losses and negative basis of Social Contribution on Net Income

Law No. 13,043/2014 also brought the possibility that taxpayers with existing installment, of debts due until 31 December 2013, use their own credit of tax losses and negative basis of Social Contribution on Net

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Income ("Social Contribution"), calculated up to the end of 2013 and declared until 30 June 2014, for prepayment of debt installments.

I.e., the new law allows the discharge of outstanding debts object of existing installments, including interest and penalties, through offsetting tax losses and negative basis of Social Contribution.

In this case, the taxpayer must pay, in cash, at least 30% (thirty percent) of the balance of the current installment and fully repay the remaining balance only with the use of credits from tax losses and negative basis of Social Contribution.

(iv) Debts of capital gains earned in the operation of Demutualization of Stock Exchanges

Law no. 13,043/2014 also foresees the possibility of special inclusion for debts of Income Tax of Legal Entities - Income tax and Social Contribution, arising from capital gain occurred until 31 December 2008, from the disposition of shares originated from the conversion of equity securities of non-profit civil associations.

According to the system prescribed in Law no. 13.043/2014, such debts may be paid in cash, with a 100% (one hundred percent) reduction of late payments penalties and ex-officio fines, and 100% (one hundred percent) reduction of interests; payments within sixty (60) months installments, with 20% (twenty percent) of entry and the remaining in monthly installments, also by reduction of 100% (one hundred percent) of late payment penalties and ex-officio fines, and 100% (one hundred percent) of interest. The request for installment payments must be filed until 28 November 2014.

(v) Debts of Provisional Contribution on Financial Transactions

Law No. 13,043/2014 also allowed the inclusion of debts of the Provisional Contribution on Financial Transactions ("CPMF") in the installment provided in the Law No. 12,996, from 18 July 2014.

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