



# memorandum to clients

12.01.2016

## **Federal Senate passes Bill of Law that reopens the deadline to regularize exchange and tax issues**

On Nov.23.2016, the Senate passed Bill of Law No. 405/2016, which amends Law No. 13,254/2016, which in turn created the regime of exchange and tax regularization ("RERCT"). The original deadline to adhere to the regime was Oct.31.2016.

According to this Bill of Law, taxpayers have 120 days from the thirtieth day after the publication of the Law to declare their wealth status not on Dec.31.2014 anymore, but instead on Jun.30.2016. The modification of the date to be considered triggers two main consequences: (i) the exchange rate applied to convert the assets to Reals is the one in effect on Jun.30.2016, that is, 3.2098 – not 2.6562 anymore -; (ii) the income tax return and statement of assets abroad of 2014 and prior years no longer have to be rectified.

Another relevant matter is that the income tax rate to be applied to the value of assets declared increased to 17.5%. Therefore, considering also the fine provided by Law No. 13,254/2016, taxpayers shall pay 35% of their wealth regularized under the regime.

The Bill of Law also amends the provision related to individuals who were forbidden from adhering to such regime. The original wording of Law No. 13,254/2016 forbade the adhesion of individuals with public management or elective positions, jobs or duties, as well as their respective spouses and relatives by blood or marriage until second degree or by adoption. The wording of the Bill of Law only forbids that the following individuals adhere to the regime: public agents of direct or indirect public administration, President, Senators, Federal Representatives, Governors, Vice-Governors, State and District Representatives, Mayors, Vice-Mayors and City Representatives.

Moreover, the Bill of Law authorizes that individuals not residing in Brazil adhere to the regime, provided that they were residents of Brazil in any period from Dec.31.2010 and Dec.30.2016.

After the Senate's approval, the Bill of Law was referred to the House of Representatives. If it is fully approved, it shall be sent to the President for a signature. If the House of Representatives amends the Bill of Law, it shall return to the Senate to be once again put to a vote.





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