

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Brazil

**Post:** Brasilia

## New Tax Incentives for Agricultural Processors and Exporters

### Report Categories:

Trade Policy Monitoring

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### Report Highlights:

The Brazilian Government published on April 2, 2009 Joint Directive No. 1 in Brazil's Official Gazette regulating the so-called integrated yellow-green drawback system to allow agricultural processors to be exempt from local taxes on domestic or imported inputs for the processing of agricultural and food products for exports.

**General Information:**

On April 2, 2009 the offices of Brazil's Foreign Trade and Customs Services jointly published in Brazil's Federal Gazette, Directive No. 1 regulating the use of the so-called "Integrated yellow-green drawback system. The Directive will enter into force 45 days after the day of its publication.

Under Directive 1, Brazilian agricultural processors, such as meat packers, are exempt from the following taxes: on the purchases of agricultural inputs from domestic or imported sources: a) IPI Excise Tax of 5 percent; b) PIS social tax of 1.65% and, c) COFINS social tax of 7.60%.

Drawback programs in Brazil are regulated by Presidential Decrees No. 37 from 1966 and Presidential Decree No. 4543 of 2002. Currently, Brazil has nine separate drawback programs, of which the most important was published in October 2008 for industrial goods.

COMMENT: Pork and chicken processors welcomed the publication of Joint Directive No.1 as a means to reduce their costs of production when purchasing soybean meal and corn. In addition, both sectors already benefit from another drawback program which exempts from import duties agricultural inputs used in the processing of pork and chicken for exports, such as corn from Argentina. According to the sector leaders, this initiative will increase the competitiveness of Brazil's products overseas during a period of tight export credit.