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GERMAN DESK.
NEWSLETTER

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01

Cybersecurity & Data Privacy.

Brazilian Data Protection Authority publishes regulation on the rules for applying LGPD penalties

On February 27, 2023, the Brazilian National Data Protection Authority (ANPD) published the Regulation on the Calculation and Application of Administrative Sanctions as an additional step towards ensuring the enforceability of the Brazilian General Data Protection Law (LGPD). As its primary objectives, the Regulation aims to (i) establish the standards and criteria for the application of administrative sanctions by the ANPD, as well as (ii) define the form and calculation methods for the base value of fine sanctions.

The approved text complements and amends the ANPD's previous regulation on the Administrative and Sanctioning Process published in October 2021, thus materializing the Authority's power to apply the sanctions provided for in Article 52 of the LGPD. In general, this process will come to light whenever ANPD identifies data processing agents that commit infractions in the personal data protection field, which will take place respecting the due process of law and the agents' right to a defense.

In the Regulation, ANPD establishes its method for defining the most appropriate sanction in each case, taking into account 11 criteria, which include an analysis of (i) the severity and nature of the violations and the data subjects' rights that were affected, (ii) the level of damage incurred, (iii) the offending agent's good faith, (iv) the economic condition and (v) the potential advantage gained or intended to be gained from the violation. Also, ANPD will consider to what extent the agent implemented (vi) a prompt corrective measure and (vii) whether internal mechanisms and procedures were set in motion to mitigate the damage.

Based on these criteria, violations may be classified as (i) light, (ii) medium, or (iii) severe, and depending on their classification, they will be subject to a range of specific sanctions that should be considered proportional to the identified situation. For example, when facing "severe" violations, the ANPD may impose a simple fine on the offending data processing agent.

Concerning monetary sanctions, the definition of the basic value that the fines may take will be grounded on an objective methodology provided for in the Regulation. For this calculation, the Authority will consider (i) how the violation is classified, (ii) the level of identified damage, (iii) the offending agent's revenues, as well as (iv) any mitigating and aggravating circumstances present in the violation. Such circumstances include assessing (a) the agent's recidivism, (b) their compliance or not with the ANPD's preventive recommendations that preceded the sanctioning process, (c) the extinction of the violation, (d) the adoption of good governance practices policies in the offending agent's daily activities, among others. Also, in case of non-payment of the fine within 20 working days, interest and an additional fine will apply to the offending agent.

It should be noted that the LGPD brings forth a list of possible sanctions, which go from simple warnings or suspending the use of the affected personal databases, up to the publication of the infraction or the application of a fine, with a total limit of R\$ 50,000,000.00 (fifty million reais, currently around 9.5 million dollars). In this context, suffering any penalty does not exclude the possibility of facing ANPD's additional administrative measures to ensure the offending agent's compliance with the LGPD.

Insurance and Reinsurance.

02

Plan of Insurance Market Development, Open Pension, Supplementary Health, and Capitalization Products has been published

The Plan of Insurance Market Development, Open Pension, Supplementary Health, and Capitalization Products was published on March 16, 2023, as a result of CNSeg and its associated federations (FenSeg, FenaPrevi, FenaSaúde, FenaCap, and FENACOR), and also many companies from the Brazilian insurance market.

Divided into 65 INITIATIVES, which must be promoted by 2030, FOUR LINES OF WORK were defined aiming to increase by 20% the population served with the various products of the insurance market, open pension plan, supplementary health, and capitalization, as well as increase revenue in indemnities and surpass the mark of 10% of the national GDP in 2030.

Find below the four lines of work:

- Insurance Image (extension of the ESG and beneficiary basis, plus fortification of insurance study);
- Distribution Channels (commercial intelligence, broker qualification, Open Insurance);
- Products (fortification of new products, with emphasis on civil liability insurance);
- Regulatory Efficiency (flexibility with responsibility).

65 Initiatives:

1. Consumer at the Center of Strategy.
2. Promoting new Visibility for the Economic Activity of Insurance, Capitalization, Supplementary Health, Open Pension and the intermediation activity.
3. Encouraging the ESG agenda – ENVIRONMENTAL.
4. Encouraging the ESG agenda – SOCIAL.
5. Encouraging the ESG agenda – CORPORATE GOVERNANCE.
6. Fortification of School of Business and Insurance (ENS).
7. Extension of Telehealth.
8. Stimulation of Primary Health Care.
9. Promotion of the Conscious Use of the Health Plan.
10. Mobilization for the prevention and fight against fraud.
11. Defining the concept of embedded insurance and assessing its potency and adherence by the market.
12. Proposing a Conduct Practices Guidance Document for Embedded Insurance.
13. Disclosing Embedded Insurance.
14. Disclosing Civil Liability insurance.
15. Identifying barriers to leveraging low-income products.
16. Ensuring Compliance with the Law Related to Mandatory Insurance.
17. Identifying the barriers that influence the unreached market by Insurance.
18. Including Insurance as an Instrument to Mitigate the Credit Risk of Financial Institutions.
19. Making clear the tax treatment of Universal Life Insurance.
20. Building complementary regulations for structuring Universal Life insurance.
21. Providing communication for disclosure and explanation of Universal Life insurance.
22. Disseminating Universal Life insurance for distribution.
23. Approving the PrevSaúde legislation plan.
24. Regulating the PrevSaúde plan.
25. Providing communication to disclose the PrevSaúde plan.
26. Disseminating the PrevSaúde plan for distribution.
27. Developing more modern disharding models that can encourage conversion into income: “income cycles”.
28. Providing communication for dissemination and clarification of new income models: “income cycles”.
29. Disseminating “income cycles” for distribution.

31. Providing communication for disclosing the benefits of automatic membership.
32. Expansion of Pension Plans offered by employers in favor of their employees.
33. Personal and Pension Insurance as a Guarantee Instrument.
34. Possibility of the option of taxation, between the regressive or progressive regime, to be made by the participant upon the first redemption or granting of the benefit, whichever occurs first.
35. Reviewing the regulation of pension plans and insurance for people with survival coverage, as well as the investment rule.
36. Identifying the potential and barriers that influence the non-penetrated capitalization market.
37. Optimizing the distribution of Capitalization Products.
38. Succession Planning – Establishing the figure of the beneficiary in Capitalization Bonds.
39. Reformulation of the programmed-purchase product for greater commercialization, making the application of indexes and fees more flexible.
40. Expansion of the waiver of the documentation required to carry out the promotion in the Incentive modality to other companies inspected by other public authorities, such as Previc and ANS.
41. Match the legal treatment with regard to the requirement of documentation for promotions in the Incentive modality, including collective ones, as adopted in the SEAE approval process.
42. Draws by Own Means – Revoking Art. 43 of CNSP Resolution No. 384/2020, which prohibits the use of own means for the Incentive Modality.
43. Inclusion of Capitalization Bonds of the Guarantee Instrument modality as guarantee for public contracts, following the example of Laws No. 8,666/1993 and No. 14,133/2021.
44. Enabling the use of Instrument of Guarantee securities in short-term contracts.
45. Expanding certification options, in addition to CEBAS, to expand the scope of the Rewarding Philanthropy modality.
46. Proposal for a bill of law within the scope of the IMK.
47. Permission to offer pure outpatient plans.
48. Reviewing the regulation to admit new protocols for carrying out online sales.
49. Investing in technology incubators for a technological solution related to online sales that can be shared.
50. Organizing a database about the broker channel.
51. Stimulating broker improvement through different levels of certification.

51. Stimulating broker improvement through different levels of certification.
52. Improving the study of the branches most adherent to Open Insurance to present a proposal to SUSEP.
53. Establishing partnership with School of Business and Insurance (ENS) to train intermediaries and their representatives.
54. Mobilizing SUSEP to change the legislation.
55. Self-regulation of the Insurance Brokerage, Capitalization, Open Supplementary Pension and Reinsurance Market.
56. Approval of the Law that establishes the conditions for associations and cooperatives to operate in the insurance market.
57. Regulation for Countercyclical Measures.
58. Measuring the Cost of Compliance.
59. Strengthening of SUSEP.
60. Defining the metrics to understand the benefits generated by Open Insurance and strategic debate.
61. Revision of the Co-payment and Deductible Rules.
62. Reviewing of Readjustment Rules.
63. Maintenance of the taxing nature of ANS's procedure list.
64. Improvement of the Process of Incorporation of New Technologies in Insurance.
65. Expansion of Interoperability and Adoption of Electronic Medical Records.

The full plan can be read [here](#).

Unfiling of the new insurance bill of law

Legislative procedure

- On March 8, 2023, the President of the Federal Senate, Mr. Rodrigo Pacheco, requested the unfiling of Insurance Bill of Law (PLC) No. 29/2017, which provides for private insurance rules and revokes the Chapter of the Brazilian Civil Code that deals with insurance (Articles 757 to 802), in addition to some articles referring to the Statute of Limitation;
- The Request presented by the Senator must be included in the Senate's Agenda for analysis and, if approved, PLC No. 29/2017 will continue its processing in the Senate, passing through the Constitution, Justice and Citizenship Commission (CCJ), and the Economic Affairs Committee (CAE);
- If approved by the Federal Senate without amendments, the matter will be sent to the Presidency of the Republic for promulgation. If there are amendments, the PLC will return to the initiating House, for analysis of the amendments presented;
- If the text is approved, the new Insurance Law will come into force one year after its publication;
- Just to remind you, the PLC has been in process since 2004 and, after a long legislative process, it was approved and sent to the Senate for analysis in 2017. In the Senate, it even received a favorable vote in 2019, but did not reach being voted on by the Commission, remaining unchanged until 2021 and being filed at the end of year 2022.





Overview

The Insurance Bill of Law features 129 articles, divided into 6 titles:

- Title I: General Provisions (Arts. 1 to 92);
- Title II: Damage Insurance (Arts. 93 to 109);
- Title III: Life and Physical Integrity Insurance (Arts. 110 to 122);
- Title IV: Mandatory Insurance (Art. 123);
- Title V: Statute of Limitation (Art. 124 to 125);
- Title VI: Final and Transitional Provisions (Arts. 126 to 129).

In the General Provisions, the bill addresses the following matters: (i) object and scope of application; (ii) interest; (iii) risk; (iv) premium; (v) contracting insurance in favor of a third party; (vi) coinsurance and cumulative insurance; (vii) intervening parties; (viii) formation and duration of the contract; (ix) proof of contract; (x) interpretation of the contract; (xi) reinsurance; (xii) claim; (xiii) claims settlement.

The articles related to damage insurance are divided into three chapters: general provisions, civil liability insurance, and transfer of interest; however, in life and physical integrity insurance, mandatory insurance, statute of limitation, and final dispositions there is no division by chapter.

In general, the Insurance Bill of Law has an extremely protectionist character for the insured and a lack of compatibility of many devices in relation to insurance of large risks and not subject to the consumerist relationship (mass risks), influence on reinsurance, in addition to strong interference in the civil procedural law.



03

Capital Markets.

CVM issues Circular Letter to clarify provisions of the new CVM Resolution No. 175/2022

Following the publication of CVM Resolution No. 175 (RCVM 175), of December 23, 2022, in order to more clearly illustrate specific topics of the new Resolution, the Superintendence of Institutional Investors Supervision (SIN) and the Supervision of Securitization (SSE) of the Securities and Exchange Commission of Brazil (CVM) published, on April 4, 2023, the CVM/SIN/SSE Joint Circular Letter No. 01/2023 (CVM/SIN/SSE Circular Letter 01/2023).

CVM/SIN/SSE Circular Letter 01/2023 (available here in Portuguese) aims to clarify and disclose the interpretations of SIN and SSE on the general provisions introduced by RCVM 175.

Divided into 24 (twenty-four) topics in a Q&A format, CVM/SIN/SSE Circular Letter 01/2023 presents 84 (eighty-four) answers to the main questions about RCVM 175 raised by market participants.

Among the covered topics, the following ones are worthy of mention: clarification of questions concerning fund classes and subclasses creation, as well as the calculation of the net equity of each class. In addition, the answers also address the much-discussed remuneration of the service providers of funds, rebates, charges, and accounting statements; constitution and registration of the fund; communication with quota holders; liquidity management; financial statements of administration transfer; general adaptations of other rules (COFI and Resolution CVM No. 21); voting in meetings by parties related to socio-environmental funds; investment by funds with limited liability; among others.

Furthermore, as informed by CVM, SIN, and SSE intend to continue publishing Circular Letters as each Normative Annex of RCVM 175 is published. So far, only the Annexes of FIF (Financial Investment Funds) and FIDC (Receivables Investment Funds) have been introduced into RCVM 175.

CVM postpones the beginning of the new regulatory framework for investment funds

Brazil's Securities and Exchange Commission (CVM) approved, on March 28, 2023, CVM Resolution No. 181 (RCVM 181), which makes specific changes to CVM Resolution No. 175 (RCVM 175) and postpones its effectiveness until October 2, 2023.

RCVM 175 establishes a new regulatory framework for investment funds and aims to reflect fundamental advances for greater efficiency in the operation of the funds market, responding to requests for regulatory modernization, among other measures. To read our newsletter about RCVM 175, [click here](#).

Initially scheduled to take effect on April 3, 2023, the new regulatory framework was postponed to October 2, 2023, after the CVM received requests from representatives of the investment fund industry and the Brazilian Financial and Capital Markets Association (ANBIMA). There was an agreement from a large part of the industry about the need for a longer period to adequately implement the operational and structural provisions of RCVM 175.

Besides changing the validity and the implementation schedule of RCVM 175, RCVM 181 postpones other deadlines and makes specific adjustments in order to improve the new fund rule, as following below:

- Adaptation of the stock of Receivables Investment Funds (FIDCs)

The deadline for the adaptation of the FIDCs stock was postponed to April 1, 2024, considering the original deadline of December 31, 2023. It should be noted that the adaptation deadline for the entire industry remains on December 31, 2024.

- Classes and subclasses, rebates, and segregation of fund fees

The rules related to the creation of classes and sub-classes, rebates, and the segregation of the fund's fees (administration, management, and maximum distribution) had their effectiveness extended to April 1, 2024. This change was requested by ANBIMA, which pointed out the need for these three topics to come into force together to minimize the compliance costs during the adaptation process of the funds and reduce the impact to the investors.

- Description of fees in the annex or appendix

RCVM 181 transferred to the class descriptive appendix the administration and management fees, which were previously foreseen in the general segment of the regulations, as well as the provision that in case the class of quotas has sub-classes with distinctions of administration and management fees, these should be disciplined in the respective descriptive appendices of the sub-classes.

- Provision of the certificates of receivables in the limits per financial asset modality

The certificates of receivables, so far not foreseen in RCVM 175, were included in the list of assets that should observe the limit per type of financial asset of up to 20% of the net worth of a determined class. These certificates of receivables observe, as a general rule, the 20% limit, being this limit reduced to 5% for investments in certificates of receivables whose backing is composed of non-standard credit rights, as specified in Article 2, item XIII, of Regulatory Annex II of RCVM 175.

- Exposure to capital risk in long and short-strategy funds

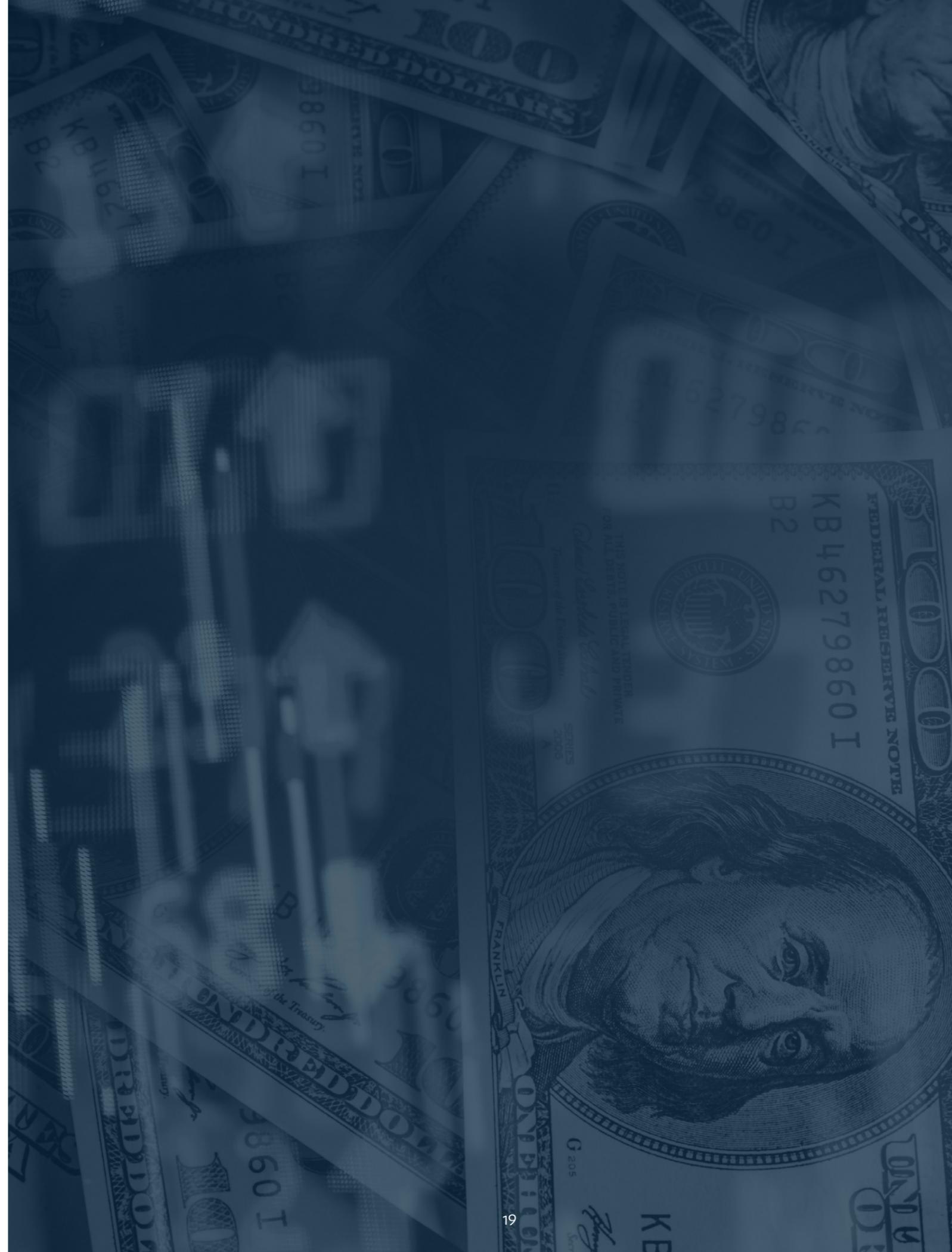
In order to correct a deficiency readily identified by the market in the rules for exposure to the capital risk brought in by RCVM 175, the CVM included an express provision applicable to the share classes that carry out transactions involving long and short positions of assets and derivatives of the variable income market, whose expected result is preponderantly derived from the difference between the positions (long and short), exempting said classes from complying with the maximum limit for use of a gross margin of 70% of the net assets of the class.

- Concentration limits per issuer in the “Multimarket” class applicable only to variable income assets

RCVM 181 adjusted the sole paragraph of Article 58 of Normative Annex I of RCVM 175 to state that the concentration limits per issuer in the case of the “Multimarket” class apply only to certain variable income investments, such as shares and depositary receipts admitted to trading in an organized market, subscription warrants and receipts admitted to trading on an organized market, shares of fund classes typified as “Shares”, ETFs of shares, BDR-Shares and BDR-ETFs of shares.

- Custodian and origination/assignment of credit rights by the administrator, manager, or consultant specialized in FIDC

RCVM 181 included two additional paragraphs to Article 30 of the Normative Annex II of RCVM 175, providing, in summary, that if the investment policy admits the acquisition of credit rights originated or assigned by the administrator, manager, specialized consultants, and their related parties, the custodian may not be a party related to the manager or specialized consultant. This requirement is not applicable to the class exclusively destined for professional investors.





Infrastructure.

Brazilian Government keeps boosting national economy by structuring infrastructure bids and projects

Railroads - Intercity Train (TIC) North Route: São Paulo-Campinas
TIC North Route will meet the demands of “express” and “stopping” services, comprising: (i) express train between São Paulo - Jundiaí - Campinas, called “TIC Express”; (ii) stopping service, including 5 stations crossing 5 municipalities (Jundiaí, Louveira, Vinhedo, Valinhos and Campinas); and (iii) metropolitan stop service, 7-Rubi Line, currently operated by CPTM (Metropolitan Trains Company of the State of São Paulo – Companhia Paulista de Trens Metropolitanos), with 56.8 km of extension, 17 stations, serving 7 cities in the Metropolitan area of São Paulo (São Paulo, Caieiras, Franco da Rocha, Francisco Morato, Campo Limpo Paulista, Várzea Paulista and Jundiaí). Bid Notice was published on March 31, 2023 and Auction is expected to be held on November 28, 2023.

Toll Roads - Roads on Paraná State (Paranaenses)

PR(Lote1):Concessionofbrownfieldroads(BRs277/373/376/476/PRandPR-418/423/427), with a total extension of 473 kilometers, throughout the State of Paraná. Bid Notice is expected to be published in May 2023 (while it is expected that the Auction occurs between August/September 2023).

PR (Lote 2): Concession of brownfield roads (BRs 153/277/369/PR and PR-092/151/239/407/408/411/508/804/855), with a total extension of 604 kilometers, throughout the State of Paraná. Bid Notice is expected to be published in May 2023 (while it is expected that the Auction occurs between August/September 2023).

Airports -São Gonçalo do Amarante/RN

New concession of the São Gonçalo do Amarante Airport, located near Natal, in the State of Rio Grande do Norte. The Project estimates BRL 308.9 million for Capex, considering a concession agreement with a 30 years term. Auction occurred on May 19, 2023.

Sanitation - Arapiraca Sanitation

Arapiraca’s water supply and sanitary sewage concession, which includes 28 municipalities with a total 660 thousand habitants, corresponding to 20% of the State of Alagoas population. Auction is expected to be held on second quarter of 2023.

05 TAX.

Provisional Presidential Decree No. 1,171/2023 – New attempt to tax profits from offshore companies owned by individuals

Surprisingly, the Federal Government published, on April 30, 2023, Provisional Presidential Decree (MP) No. 1,171/2023 which, along with the change in the ranges of the individuals' income tax table, tries to establish, for the fourth time, the automatic taxation of income earned by individuals residing in Brazil who have financial investments, controlled entities, and trusts abroad.

After two fruitless attempts – Provisional Presidential Decree No. 627/2012 and Bill No. 2,337/2021 – and an attempt still under discussion at the Brazilian Congress (Bill No. 3,489/2021), the Federal Government brought forward a new proposal for taxation of this income under the concept of the Controlled Foreign Corporation international rules (referred to as to as CFC).

Differently from previous Provisional Presidential Decrees, which sought to tax such income through monthly income tax payments, Provisional Presidential Decree No. 1,171/2023 establishes that the income earned by individuals with financial investments, controlled entities and trusts abroad must be controlled and taxed as separate income in the income tax return, subject to the following exclusive tax rates: (i) exempt for the annual portion of the income that does not exceed BRL 6,000; (ii) 15% on the annual portion of the income that exceeds BRL 6,000 but does not exceed BRL 50,000; and (iii) 22.5% on the annual portion of the income that exceeds BRL 50,000.

The rule would be applicable as of January 1, 2024, to investments in controlled companies based in tax havens or countries that have privileged tax regimes and are included in a list published and constantly updated by the Federal Revenue Office, in Normative Instruction No. 1,037/2010.

This is a first criticism to the text proposed by the Provisional Presidential Decree, since, despite being listed by the Federal Revenue Office, some companies based in tax havens, such as the Netherlands and Austria, among others, apply high tax rates to passive income. By adopting a fully formal concept, without considering the specificities of each one of these entities, the Provisional Presidential Decree deviates from its allegedly antiavoidance nature.

Besides imposing taxes on income earned through companies in the aforementioned locations, Provisional Presidential Decree No. 1,171/2023 also provides for the taxation of income earned through controlled companies that – even if not based in tax havens – earn active income lower than 80% of the company's total revenue.

This constitutes an attempt to create an antiavoidance provision, present in many locations, which presumes the transfer of profits from an individual to a controlled company, when the passive income (i.e., income deriving from interest, royalties, dividends, rent, capital gains, etc.) is substantially higher than the active income arising from the company's activities.

The criticism to the Provisional Presidential Decree is that the effective tax rate applied to the income in these controlled companies would not really matter; the transfer of profits would be presumed due to the mere allocation of passive income. Once again, the Provisional Presidential Decree puts individuals in a situation where income may be automatically taxed in Brazil, even if the taxpayer's intention is not to transfer profits to another country.

Moreover, there is no specific treatment for structures that, despite being in tax havens, were implemented out of a business need and have a business purpose, such as flipping structures from companies, in which founders transfer units of ownership of Brazilian companies abroad, in order to attract more investments.



The Provisional Presidential Decree establishes that the rule will be applied to controlled companies and other entities, with legal personality or not, including investment funds and foundations, in which individuals: (i) hold – directly or indirectly, separately or jointly with other parties, including as a result of voting agreements – rights that ensure preponderance in the decision-making process and the power to elect, or remove from office, the majority of management; or (ii) hold – directly or indirectly, separately or jointly with connected persons – more than 50% (fifty percent) of equity interest in the company (or equivalent) or in the rights to realizing profits or receiving its assets in the event of dissolution.

Therefore, the Provisional Presidential Decree includes the so-called anti-fragmentation rules, in which the interest held by connected persons is analyzed with that held by the individual, for a controlling relationship to exist, as mentioned above.

For the purposes of application of the anti-fragmentation rules, a connected person is: (i) an individual who is the spouse, cohabitant or relative, blood relative, relative by affinity, to the third degree, of the individual residing in Brazil; (ii) a legal entity whose officers or managers are spouses, cohabitants or relatives, blood relatives, relatives by affinity, to the third degree, of the individual residing in Brazil; (iii) a legal entity of which the individual residing in Brazil is a member, owner or unit holder; or (iv) an individual who is a member of the legal entity of which the individual residing in Brazil is a member, owner or unit holder.

Profits assessed in the balance sheet will be considered as distributed on December 31 of the calendar year and calculated in the Annual Tax Return of the year in which they were assessed. From a practical perspective, profits will be calculated as investment acquisition cost and will not be taxed again at the moment they are distributed.

Investments in controlled legal entities will continue to be taxed at the moment income is made available, provided that such legal entities are not based in tax havens or that their active income is higher than 80% of their revenue.

The Provisional Presidential Decree also points out that profits earned by controlled companies until December 31, 2023 – whether they fall under the CFC rules set forth in this Decree or not – will also be taxed the moment they are made available. The text is not clear on how the control of these profits will be done in the Annual Tax Return, but this is a step forward, considering that past Bills tried to tax the stock of these profits, which would violate the constitutional principle of income and non-retroactivity of the tax law.

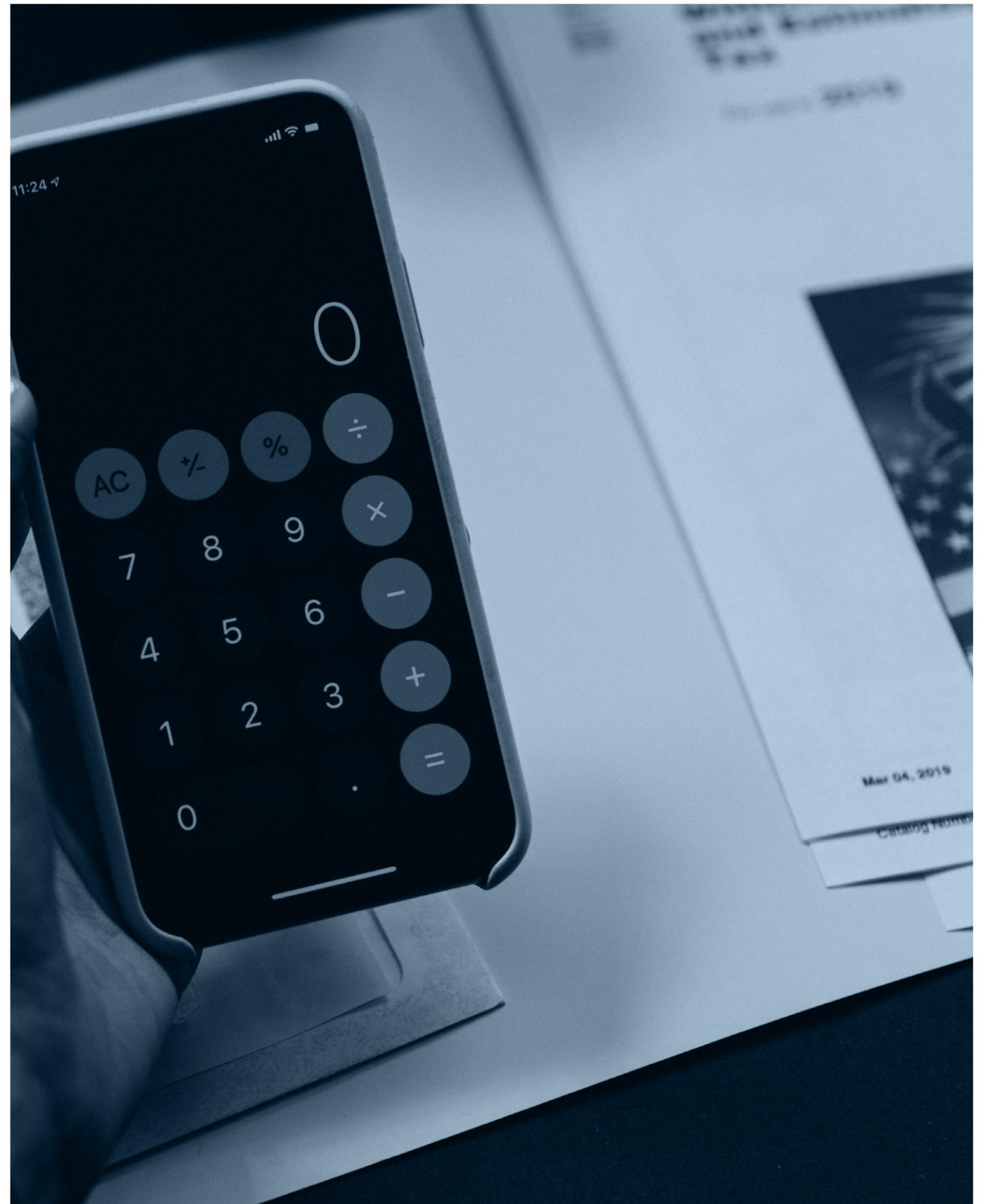
It also provides for an opportunity to reevaluate the acquisition cost of assets abroad, such as financial investments, real estate, vehicles, aircraft, and equity interest in controlled companies. To this end, taxpayers would have their income taxed in advance according to the market value on December 31, 2022, with reevaluation being taxed at a differentiated rate of 10%. This is a rule that can be applied as a potential strategy for tax planning, especially in cases in which settlement of the asset could be expected in the short-term.

The new legal text also has an entire and specific chapter about taxation on trusts at the federal level. In line with the concepts introduced by Supplementary Law No. 145/2023, which regulates trusts in Brazil, Provisional Presidential Decree No. 1,171/2023 determines that the trust property and rights of a trust abroad must be treated as owned by the settlor after being created and will be owned by the beneficiary at the moment of distribution or death of the settlor.

Income earned by trusts would be considered as income subject to the CFC rules, in the same way as for controlled companies abroad. The taxpayer will be the trustee, as described in the paragraph above.

Finally, it is important to highlight that the Provisional Presidential Decree revokes article 24, par. § 6, I, of Provisional Presidential Decree No. 2,158-35/2001, which authorizes the right to the first exempt disposition of assets acquired by someone as a non-resident.

It is worth noting that, although the Provisional Presidential Decree is binding, it is not automatically applicable and depends on being enacted within the legal term of 60 days, extended for another 60 days, so that it becomes effective in the tax system as of January 1, 2024, in compliance with principle that establishes that a law which creates or increases a tax can enter into force only in the following year or after 90 days, whichever comes first. Therefore, even if the Presidential Provisional Decree is approved, there would be time for taxpayers to reorganize their structures to mitigate the effects of applying such rule.



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