

	RECOF (IN 1291 <sup>1</sup> )	RECOF-SPED (IN 1612 <sup>2</sup> )	DRAWBACK Suspension (Decree nº 37 <sup>3</sup> )
<b>Concepts of the Regimes</b>	RECOF consists of a <b>Special Customs Regime of Industrial Warehouse under automated control of Customs Board</b> which allows the beneficiary company to import or to acquire in the local market raw materials, parts and components destined to industrial application on which taxes are suspended. <b>Part of these goods must be processed, and it can be subsequently shipped both to domestic and foreign markets.</b> When exporting the finished good, the company <b>exempts the payment of taxes.</b>	Aligned with the National Export Plan, <b>RECOF-SPED (Special Customs Regime of Industrial Warehouse under control of the Public System of Digital Bookkeeping )</b> is a special regime that simplifies and expands the possibilities already offered by RECOF, allowing the beneficiary to <b>import or to acquire in the local market raw materials, parts and components on which taxes are suspended.</b> Part of these goods must be processed, and it subsequently can be shipped both to domestic and foreign markets. <b>When exporting the finished good, the company exempts the payment of taxes.</b>	<b>Special Customs Regime controlled through Concession Act</b> , allowing the beneficiary company to import or acquire in the local market raw materials, parts and components used to generate higher added value goods on which <b>taxes are suspended</b> . These goods should be exported or used in a sales transaction equivalent to an export. <b>When exporting</b> the finished good, <b>the company turns the tax suspension into a tax exemption.</b>
<b>Conceded Benefits</b>	<ul style="list-style-type: none"> <li>- Import or purchase in the local market raw materials, parts and components on which taxes are suspended.</li> <li>- Tax exemption on exports.</li> <li>- Cash flow gains on the sale of the product in the domestic market. Taxes are suspended until the 10th day of the month after that of the sale.</li> <li>- Reduction in storage fees charged by INFRAERO (Brazil's Civil Aviation Authority).</li> <li>- Suspension of the AFRMM (Contribution for Renovation of the Merchant Marine).</li> </ul>	<ul style="list-style-type: none"> <li>- Import or purchase in the local market raw materials, parts and components on which taxes are suspended.</li> <li>- Tax exemption on exports.</li> <li>- Cash flow gains on the sale of the product in the domestic market. Taxes are suspended until the 15th day of the month after that of the sale.</li> <li>- Reduction in storage fees charged by INFRAERO (Brazil's Civil Aviation Authority).</li> <li>- Suspension of the AFRMM (Contribution for Renovation of the Merchant Marine).</li> </ul>	<ul style="list-style-type: none"> <li>- Import or purchase in the local market raw materials, parts and components on which taxes are suspended.</li> <li>- Tax exemption on exports.</li> <li>- Reduction in storage fees charged by INFRAERO (Brazil's Civil Aviation Authority).</li> <li>- Suspension of the AFRMM (Contribution for Renovation of the Merchant Marine).</li> </ul>
<b>Requirements for application</b>	<ul style="list-style-type: none"> <li>- An automated system approved by the Brazilian Federal Revenue Service for controlling all the flow.</li> <li>- Tax compliance.</li> <li>- Equity equal to or higher than R\$10 million.</li> <li>- Companies engaged in: (1) assembling products; (2) transforming, processing and assembling parts and pieces; and (3) packing and repacking products.</li> </ul>	<ul style="list-style-type: none"> <li>- Fulfill the obligations to submit the Digital Tax Bookkeeping (EFD) files.</li> <li>- Tax compliance.</li> <li>- Companies engaged in: (1) assembling; (2) transforming, processing; and (3) packing and repacking products.</li> </ul>	<ul style="list-style-type: none"> <li>- Capacity to control its logistics and production flows.</li> <li>- Need for a Concession Act and Import License granted by a competent authority.</li> <li>- Companies engaged in: (1) transforming; (2) processing; (3) assembling; (4) renovating or repacking; and (5) packing or repacking products.</li> </ul>
<b>Maintenance Requirements</b>	<ul style="list-style-type: none"> <li>- Export manufactured goods with the minimum annual value of 50% of total merchandise imported under the regime, in the minimum amount of US\$5 million.</li> <li>- Annually apply at least 80% of foreign merchandise purchased under the regime to manufacture goods (this percentage is reduced to 75% if the company exports more than US\$50 million and to 70% if the company exports more than US\$100 million).</li> </ul>	<ul style="list-style-type: none"> <li>- Export manufactured goods with the minimum annual value of 80% of total goods imported and acquired under the regime, in the minimum amount of US\$5 million (and the percentage is reduced to 50% in the first year of use).</li> <li>- Annually process at least 80% of foreign merchandise admitted under the regime, and the index is reduced to 70% for products manufactured for the local market.</li> </ul>	<ul style="list-style-type: none"> <li>- Export the manufactured goods fulfilling the commitment to use 100% of the goods acquired under the regime.</li> <li>- The failure to fulfill the commitment may lead to the punishment of the company, but does not prevent it from using the regime.</li> </ul>

<sup>1</sup> <<http://normas.receita.fazenda.gov.br/sijut2consulta/link.action?visao=anotado&idAto=38657>>

<sup>2</sup> <<http://normas.receita.fazenda.gov.br/sijut2consulta/link.action?idAto=71178&visao=anotado>>

<sup>3</sup><<http://legislacao.planalto.gov.br/legisla/legislacao.nsf/b110756561cd26fd03256ff500612662/e115acd59dae704003256a030047d557?OpenDocument>>