

Brazil's Special Program for Regularization of Assets Abroad

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Following the international trend to encourage tax transparency, the Brazilian Government, by means of law no. 13,254 dated January 13, 2016, created a special program to encourage taxpayers to voluntarily disclose to the Brazilian authorities (the "Program") non reported investments, properties or rights ("Assets") sent or kept abroad or repatriated to the country but not declared or declared with omission or inaccuracy to the Brazilian authorities. Taxpayers resident in the country on December 31, 2014 are eligible to participate in the Program.

Taxpayers eligible for this initiative will be not be further investigated for crimes originated by tax fraud, tax evasion, money laundering and other crimes caused by the non reporting of the Assets listed in Law 13,254 (the "Amnestied Crimes"), provided specific conditions are met. The extinction of punishment also applies to third parties with assets held in their names on behalf of such participants.

One of the requirements is that the Assets are not the result of unlawful activity. In addition, the participants must willingly and voluntarily initiate and promote the steps to said regularization.

The following persons are excluded from the Program (i) political exposed persons, their spouses and descendants, ascendants and collateral relatives till the second degree, by blood or affinity; (ii) those already criminally convicted for the Amnestied Crimes; and (iii) taxpayers who dealt with the Assets only after December 31, 2014.

Eligible taxpayers must initially present: (i) a self regularization statement with a description of the Assets and the source of funds; and (ii) pay the corresponding 15% tax on the declared amount of the Assets and a fine of 100% of the amount of such tax, being the amount of the Assets converted into Brazilian Reais pursuant to the exchange rate in force on December 31, 2014.

The declaring taxpayer must present evidence, if required by authorities, of the existence and value of the Assets as of December 31, 2014. As a result, Income Tax and Foreign Asset statements presented respectively to the Brazil's Internal Revenue Department and Central Bank since December 31, 2014

will have to be adjusted accordingly as well as, in the case of entities, its corporate bookkeeping.

The repatriation of the reported assets is not mandatory.

The adhesion to the Program results in the (i) extinction of punishment of the Amnestied Crimes if the conditions for the adhesion to the Program are met before a judicial conviction for such Amnestied Crimes becomes unappealable; and (ii) extinction of further tax and foreign exchange liability arising from non-compliance of reporting obligation.

Authorities can exclude any participant of the Program if any document or information presented is found false or inaccurate. Such exclusion can happen within the five-year statute of limitation period.

The Program is available for adhesion from April 04, 2016 till October 31, 2016.

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