

# Euro-Asian Law Congress - XI Session Development of the world law and order: Institutions and mechanisms

## Expert Report - Brazil



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## I. Special Tax/Economic Zones in BRAZIL

1. Domestic Legislation: Definitions, Types
2. International Treaty Issues: Tax, Investment, Trade
3. BEPS Issues: PE, TP, Harmful Tax Competition, Transparency

## II. Dispute Resolution

1. MAP, Other International
2. Domestic System: Administrative, Judicial

# I. Special Tax/Economic Zones in Brazil

## A. FEDERAL

### 1. Regional Development

- i. North/Northeast: Corporate Income Tax (IRPJ) Incentives, Federal Funding
- ii. Manaus Free Trade Zone (ZFM): Customs, Federal VAT/Excise Tax Benefits, „import-corridor“ attracting light assembly in industries with relatively low cost of freight (e.g. electronics, motorcycles)
- iii. Export Processing Zones (ZPE): Customs, Federal VAT/Excise Tax Benefits, fixed, often counterintuitive, incoherent locations vis-à-vis infrastructure and human capital

### 2. Industry Sector Development

- i. Customs and Federal VAT/Excise Benefits
  - a. Automotive Regimes (multiple nationwide editions), enhanced in the North/Northeast and for export-oriented plants
  - b. Oil & Gas Regimes, Offshore E&P, benefiting Rio de Janeiro and other coastal states in particular
  - c. High-Tech, Electronics, Aerospace: Leveling the domestic playing field vs ZFM, benefits São Paulo in particular, enhanced when export-oriented
- ii. Federal Funding of Brazilian MNEs, particularly benefiting agribusiness, enriching the countryside and deflating overcrowded urban areas

# I. Special Tax/Economic Zones in Brazil

## B. STATE & LOCAL

1. State VAT, City Services Tax, Other Tax/Financial Benefits
  - i. In-Country: Harmful Tax Competition, Highly Distortive
  - ii. States/Cities seeking to turn themselves into defacto or de jure SEZs

## C. International Treaty Issues

1. North/Northeast, ZFM
  - i. Tax Treaties: Tax Sparing issue in Residence Countries (Territorial vs. Worldwide Systems). Brazil-U.S. Tax Treaty of 1967 never ratified
  - ii. Investment treaties: Stable regimes, expectations maintained, no disputes
2. Industry Regimes/Effects
  - i. WTO issues, distortive ring-fenced regimes discriminatory against foreign exporters not established within Brazil
  - ii. From an international tax perspective: transparent, non-discriminatory (vs all local taxpayers)



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