



Brazilian Tax Reform Highlights: Mining & Metals

Overview & **Future** Perspectives



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Overview of current taxation:

MINING

- ICMS - Normal taxation on internal operations. Exports are tax-exempt;
- IPI - Not taxed for "in natura" products;
- PIS and COFINS - Exports are tax-exempt.

METALS

- ICMS - Normal taxation on internal operations. Exports are tax-exempt;
- IPI - Normal taxation. Not taxed on the sale of scrap;
- PIS and COFINS - Exports are tax-exempt. Sale of scrap supported by suspension.

Particularities among taxpayers in this segment:

- Accumulation of ICMS, PIS and Cofins credit balances due to substantial export operations;
- Possibility of reimbursement of PIS and Cofins credit balances;
- Use of special regimes as an incentive for infrastructure development;
- There are discussions regarding the crediting of ICMS on intermediate products;
- Benefits that grant suspension of PIS and Cofins charges on the sale or importation of new machinery and equipment;
- PIS and Cofins credits questioned as to their direct application in the production process;
- State programs that encourage the installation and expansion of new industries;
- Benefit to predominantly exporting companies that guarantees the suspension of PIS and Cofins on internal acquisitions.



Points of Attention: New Taxation Model

Incident taxes: ✓ IBS ✓ CBS ✓ IS (Extraction)

Taxes whose incidence is still not clear: **State Contribution**

- ✓ Non-incidence of IBS and CBS on export



- ▶ Complementary Law may set the incidence of a fixed one percent **Selective Tax** on the extraction of non-renewable resources;
- ▶ **Uncertainty about the scope of the Selective Tax** for other stages of the chain considering items harmful to health and the environment and about the applicability of the State Contribution on primary and semi-manufactured products, which may represent an increase in the tax burden for some products including in export;
 - ▶ In this sense, there is no consensus on the definition of the concept of primary and semi-manufactured products;
- ▶ An expansion of the credit base with the possibility of reimbursing credit balances in a short term, as indicated by the actions of the Management Committee, could represent significant progress for the sector.

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