

Brazil's Industry Lauds Tax Exemption for Foreign Investor

Contributed by Nelson Motta
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The president of the National Industrial Confederation (CNI), Armando Monteiro Neto, declared that he is in favor of tax exemptions for foreign investors who buy government bonds.

"This could have a positive impact on interest rates in the short-term," he said, adding that it would also increase the volume of financing available in the private sector.

Monteiro Neto made his remarks following a meeting with president Luiz Inácio Lula da Silva, the Minister of Finance, Antonio Palocci, the head of the secretariat of the National Treasury, Joaquim Levy, and representatives of the São Paulo stock market (Bovespa), the futures market (BM&F) and the industrial federations of São Paulo and Rio de Janeiro.

Brazil's Ministry of Finance is studying a proposal to grant certain tax exemptions to foreigners who invest in the Brazilian stock market.

According to the secretary of the National Treasury, Joaquim Levy, the taxes the Ministry has in mind are the income tax and the Provisional Contribution on Financial Transactions (CPMF, the "check tax").

Easing the tax burden on foreign investment would be a way to inject leverage into the country's financial market, Levy believes. "The government is responsive; it is watching," he says.

One of the proposals under examination was submitted to the federal government at the end of last year by the National Association of Financial Market Institutions (ANDIMA).

An ANDIMA study suggests that reducing taxes on foreign investors could increase the amount invested in fixed-rate titles from the current level of US\$ 4.57 billion (R\$ 10 billion) to US\$ 13.71 billion (R\$ 30 billion).

At the time the proposal was presented to the National Treasury, the president of ANDIMA, Alfredo Moraes, stated that the goal is to encourage the participation of foreign investors in order to induce local investors to make longer-term investments and accept more fixed-rate titles.

In Levy's opinion, Brazilian investors will not consider themselves discriminated against. "This [sort of treatment] is common in most of the world," he said.

He went on to explain, however, that the proposal is still being analyzed and the final word is still out.

The ANDIMA proposal would have foreign investors continue paying taxes at the current rate of 15% on investments of up to one year. The rate would decrease to as low as 0% for investments of more than two years.

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