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LEGAL GUIDE TO DOING BUSINESS IN THE METROPOLITAN AREA OF FORTALEZA

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(This legal chapter is aimed to provide general information on the legal environment to which businesses are subject in the Metropolitan Area of Fortaleza. It is not a legal advice on any of the topics covered; thus, none of the persons who have participated can be liable for damages that may result from any act, omission or decision taken based on information herein provided. All readers are encouraged to seek professional advice before taking any decision or action).

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Overview

The following text presents the main legal aspects that a businessperson should consider when examining the possibility of doing business in the Metropolitan Area of Fortaleza.

A topical presentation as developed in this chapter shall not cover all possible legal aspects nor can it give the necessary depth to each subject considered. Nevertheless, it can serve as a useful guideline in a first contact with the legal system that an investor will face when doing business in the Metropolitan Area of Fortaleza.

Likewise, it is important to stress that the legislative process in Brazil (and thus in the Metropolitan Area of Fortaleza) is quite dynamic, thus, we always recommend confirming information provided in this material. For that reason, it is essential to seek specific legal advice from a law firm when deciding to do business. At the end of this document there is a list of internet addresses where you can deepen issues dealt herein and follow up on updates.

Ceará: Part of a United Federation

Ceará is one of the 26 Federative Units that are part of the Federative Republic of Brazil. Besides the States, the following entities are part of the Federation: the Federal Government, the Federal District and the Municipalities. The state function is performed by three harmonics and independent branches: executive, legislative and judiciary.

Then again, the legislative competence it is distributed among the Federal Government, States/Federal District and Municipalities. However, rules enacted by Federal Government deserve special attention by investors, once it regulates most of business activities in any of the 26 States and in the Federal District. Nevertheless, it is important to note that despite a considerably legislative homogeneity, the law from a State or a City may differ from the law established by another. For example, the States have competence to set rates of certain taxes related to trade; the Municipalities have competence to set tax rates on real property and services; the Federal government, the States and the Cities have concurrent competence to set environmental taxes and others. This is relevant for investors yearning to do business in the Metropolitan Area of Fortaleza and, from here, operate in other Brazilian cities or states.

Metropolitan Area of Fortaleza

The Metropolitan Area of Fortaleza consists of the territory of the State of Ceará's capital and other 18 Municipalities. In economic terms this territory covers a significant fraction of industrial activity and services in the State of Ceará. The Metropolitan Area of Fortaleza was made official by the Federal Complementary Law 14/1973 and consists of the following Municipalities: Aquiraz, Cascavel, Caucaia, Chorozinho, Eusébio, Fortaleza, Guaiuba, Horizonte, Itaitinga, Maracanaú, Maranguape, Pacajus, Pacatuba, Pindoretama, Sao Goncalo do Amarante, São Luís do Curu, Paraipaba, Paracuru, Trairi.

Similarity between Brazilian Law and Civil Law Systems, and Brazil's Adherence to International Law Rules

Despite the distinctiveness mentioned above - characteristic of a continental country -, it is essential to highlight to investors yearning to do business in the Metropolitan Area of Fortaleza that there is a reasonable similarity between Brazilian Law practiced by Federal Government, States and Cities and most Western European countries' law, since both are based on Roman Law (Civil Law).

Another aspect that helps understand the law practiced in this territory and in other areas of Brazil is the fact that Brazil participates in several relevant international organizations such as the World Trade Organization - WTO. These participations contribute decisively to Brazil's adherence, and consequently to many other regions in Brazil, to a uniform law or at least a more transparent and coherent with a global economy.

This is very clear, for example, in Customs Duty, where WTO has standard rules to its member-countries and as such Brazil follows them. In this context, it is worth mentioning the most favored nation clause (by which Brazil obliges itself to grant to all member-countries same benefits given to a specific one) and national treatment clause (by which Brazil obliges itself not to make any distinction between imported and national products after it is in the domestic market).

In addition, it is noteworthy Brazilian legislation on Intellectual Property, once Brazil has adapted it to the minimum standards of Intellectual Property Protection set on TRIPS - Trade-Related Aspects of Intellectual Property Rights. Similar adaptation also occurred when Brazil incorporated arbitration to its internal law system as proposed by the United Nations Commission on International Trade Law.

On the subject of legal certainty in International Trade, Brazil enacted on October 2014, through Decree 8327, the United Nations Convention on Contracts for the International Sale of Goods, already adopted by most important world economies, which contributes significantly to the elimination of legal obstacles on International Trade existing in Brazil by then. Moreover, this Convention encourages international trade, especially by granting freedom of choice to elect law and jurisdiction to their trade disputes that may come to exist.

Finally, it is worth noting that Brazil has with many countries and several international organizations numerous multilateral and bilateral agreements on international legal cooperation aiming to judiciary cooperation in Civil, Commercial, Labor and Administrative matters, as well as execution of letters rogatory. Furthermore, through Legislative Decree 148, from 2015, Brazil validated the Hague Convention which treats the legalization, through additions, of documents originated from signatory countries, covering the

main countries with which the Metropolitan Area of Fortaleza has significant trade and investment, including Italy, the Netherlands, Portugal, Spain and the USA.

Dispute Resolution: Judicial and Arbitration

In general, experts consider that Brazilian legal system has an appropriate level of technicality. Nonetheless, despite advances in recent years, this system is still bureaucratic and inefficient: for example, it can take over a year to solve a contract dispute.

As pointed out by the World Bank, through an annual study that evaluates environment for investment, trials in Brazil may take more than a year due to multiple appeals. This increases costs and uncertainty. Recent changes in the Civil Procedure Code establishes time limits for appeals and eliminates process suspension when a party files an appeal against the ruling before trial for introducing new evidences or convening experts.

Thus, in practically all cases, and even when one is sure of having a good law, it is usually preferable to avoid litigation. A great alternative is an extrajudicial dispute resolution, such as arbitration, which has an appropriate law system, having Brazil signed and ratified various international conventions on arbitration. Therefore, national law determines that arbitration decisions must be properly acknowledged in accordance with those agreements. In addition, the Brazilian Supreme Court has confirmed Brazilian Arbitration Law constitutionality (Law 9307/96). Nevertheless, the practice of arbitration in Brazil is still not very common.

In the Metropolitan Area of Fortaleza, specifically in Fortaleza, the Brazilian-Portuguese Chamber of Commerce manages along with the Federation of Industries of the State of Ceará - Fiec, a Mediation and Arbitration Center focusing on dispute resolution related to international trade and investment.

Foreign Economic Activities

One first important aspect to point out is that foreign and national capital have identical treatment guarantee, with few exceptions. Thus, there is no difference between a company with national capital and a company with foreign capital located in Brazil, which in practice, favors foreign investment in all productive sectors of Brazilian economy.

Nonetheless, it is forbidden to have foreign capital participating in activities involving nuclear energy, health services, postal services and aerospace industry. Similarly, there is restriction on the acquisition of property located in rural or border areas by foreign companies authorized to operate in Brazil. An individual may only purchase rural properties in here if he/she is a Brazilian resident.

In the same way, by Brazilian Law there are restrictions to foreign participation in financial institutions (although such restrictions may be waived on national interest), public services exploitation, regular

transport operation and control and management of newspapers, magazines and other publications, as well as radio and television broadcasting companies ownership.

Foreign investment is free in all other economic activities.

Foreign Capital

According to Brazilian legislation, goods, machinery, equipment, financial or monetary resources that enter Brazil aimed to produce goods or services or to be used in economic activities are considered foreign capital, if it belongs to individuals or companies resident, domiciled or headquartered abroad.

It is only possible to regulate inflow of foreign capital in Brazil by registering at Brazilian Central Bank, and eventually do a repatriation of capital, dividend payments and reinvestment registration. This registration is done electronically through specific software, which is available by Brazilian Central Bank.

Similar rule applies to foreign loans. That is, it is necessary to proceed to a duly registration of these operations at Brazilian Central Bank prior to closing exchange contract, which must specify all loan conditions. It is important to note that, in general, foreign loans are subject to Financial Operations Tax - IOF of a 6% rate, on exchange date, depending on whether the loan term is equal to or less than 180 days.

Main Corporate Structures

There are several ways to non-residents to invest in Brazil. In case of investment on national productive activity, the appropriate way is through private equity in Brazilian companies. The most common way used by foreign investors to develop business activities in Brazil is by establishing a new company, although it is possible to open a branch office of a foreign company, subject to authorization by Federal Government (however, it is in principle not recommended due to bureaucracy and tax disadvantages).

In general, companies established in Brazil are structured as Joint-Stock Companies (*Sociedade Anônima – S.A.*), Limited Liability Companies (*Limitadas LTDA*) or Individual Limited Liability Companies (*Empresa Individual de Responsabilidade Limitada EIRELI*). The option for these types of companies often arises from shareholder's liability restriction on the amount of capital subscribed into the company (except in case of tort).

The incorporation of such companies is effected through the registration of the incorporation documents before the Board of Trade. These documents must be accompanied by the shareholders' personal documents or acts of incorporation, which if produced abroad have to be translated by a sworn translator accredited in Brazil and have to be legalized at a Brazilian Consulate. After this procedure, it is necessary to

file tax registrations and other necessary permits, depending on the activity the invested company is going to develop.

Although a company's capital stock may be entirely held by individuals or companies not resident in Brazil - except EIRELI which capital can only be held by individuals, the company's manager must be a Brazilian resident, even if they are foreigners, except members of the Board of Directors of a Joint-Stock Company (S/A), who might reside abroad. Similarly, a company or individuals domiciled abroad who are shareholders of a Brazilian company must mandatorily appoint a representative resident in Brazil eligible to receive subpoena.

LTDA and S/A have some points of congruence, including: (a) need of at least two partners who might be individuals or companies; (b) partners or shareholders' limited liability up to subscribed capital stock, and (c) possibility of management by non-partners. Likewise, it is legitimate to celebrate shareholders' agreements regulating, among others, purchase and sale of shares/stocks, preemptive rights, exercise right to vote or right to company control.

Regarding EIRELI, liability limitation of social capital owner is a subject congruent to abovementioned regarding LTDA and SA.

See other features of abovementioned corporate types in the table below:

Differences among EIRELI, LTDA and SA			
Subject	Corporate Structures		
	EIRELI	LTDA	S/A
Capital Holders	An individual, noticing that each person cannot have more than one EIRELI under his/her name.	Two or more partners, individuals or companies.	Two or more shareholders, individuals or companies
Minimum Share Capital	100 times Brazilian minimum wage at the time of company's incorporation. Salary increase does not imply the need to capital increase.	No minimum share capital required by law.	No minimum share capital required, however, at least 10% of subscribed capital must be paid prior to Company's incorporation.
Management Bodies	Administration exercised by one or more directors who must be individuals residing in Brazil.	Administration exercised by one or more director who must be an individual residing in Brazilian and does not need to be a partner.	Administration exercised by a Board of Officers (consisting of at least two Brazilian residents) and a Board of Directors (that is optional, except for publicly traded companies and companies with authorized capital). Board of Directors must be composed of at least three members, residing or not in Brazil.

Succession	Treatment according to social contract that can be automatic replacement or EIRELI dissolution. Note that an EIRELI cannot have more than one member; if so, it is necessary to transform it in a Limited Liability Company, or dissolved.	Treatment as stipulated on social contract, which can be automatic replacement, with shareholders' approval or payment of assets to heir(s).	Heir (s) automatically replaces the deceased partner.
Profits/ Dividends Distribution of Minimums Mandatory	EIRELI's capital holder will prevail on profit allocation. There is no obligation of minimum dividends distribution.	The decision of the majority (or higher quorum) prevails on annual profits allocation. Possibility of unequal distribution of dividends. There is no obligation of minimum dividends distribution.	Need to pay a minimum mandatory dividend pursuant Article 202 of Law 6404. Restrictions to disproportional dividends distribution.
Minorities Rights	There is no minority.	Less protection to minor shareholders.	Greater protection to minor shareholders.
Right to Vote	Sole deliberation.	All members have right to vote.	Some types of action may not offer voting rights.
Company's Renunciation	Renunciation implies EIRELI dissolution.	Renunciation right guaranteed.	Renunciation rights allowed only in specific cases established by law.
Transfer of Shares and Stock	Free transference according to social capital owner's will.	Transference of shares is subject to provision on social contract.	Wide range of possibilities of transference of shares.

Usually there are no restrictions on profit distribution and remittance to partners abroad. Thus, once an investment is registered, the distribution, proportional to such registration, will not depend on any prior authorization.

Another important aspect that an investor can use to operate in Brazil is investment funds aimed to application in bonds and securities, as well as in any other assets available on financial and capital markets.

Specifically regarding to PPPs (as indicated below), Law 11079/2004 establishes in its Art. 9, that prior to contract signature it is necessary to establish a Special Purpose Company (SPC), which will be responsible for implementing and managing the partnership.

Note that SPC legal structure allows the isolation of other commercial activities by controlling shareholders and a direct and less complicated access to active and venture receivables by financial agents, in case of default and, as a result, it is required by PPP Law.

SPC does not constitute a new type of company, instead it is organized under Brazilian law corporate types, and, as indicated above, the most common forms are Limited Liability Company (LTD) or Joint-Stock

Company (S/A). Therefore, its constitution follows the same procedure mentioned above regarding these types of companies.

Specifically, Law 11079/2004 provides that: a) the transfer of control of a Special Purpose Company is subject to express permission from Public Administration, under the terms of notice, contract, and legislation; b) the Special Purpose Company may take the form of a public company with securities admitted to trading on a regulated market; c) the Special Purpose Company must comply with corporate governance standards and adopt standardized accounting and financial statements, according to regulations. d) it is forbidden for Public Administration to hold the majority of the voting capital of the companies mentioned in this chapter; e) this foreseen prohibition does not apply to eventual acquisition of a majority of voting capital of the Special Purpose Company by a financial institution controlled by the Government in case of default of loan agreements.

It is important to note, especially in case of default of loan agreements, that Government may take control of SPC voting capital through a financial institution controlled by Government.

Foreign Legal Status

Foreigner's ownership of companies' equity located in the Metropolitan Area of Fortaleza or any other Brazilian area does not assure, by itself, the residence right, being it necessary to meet other requirements, especially of economic nature.

Although there are various types of visa granted by Brazilian authorities, the most important related to economic activities are: foreign investor permanent visa, permanent administrator visa, temporary work visa and technical assistant visa, which have the following features according to current legislation.

Investor Visa

A Permanent Investor Visa is suitable for any foreign who yearn to invest in Brazil and to transfer his/her residence here. The Ministry of Labor and Employment will grant this visa upon proof of investment of at least R\$ 500,000.00 in a Brazilian company and presentation of an Investment Plan that demonstrates this investment social interest (job creation, technology assimilation, increased productivity, among others).

Exceptionally, it allows investments below R\$ 500,000.00, but not less than R\$ 150,000.00 if it aims to activities such as innovation and basic or applied research of scientific or technological nature.

Administrator Visa

A Permanent Administrator Visa serves foreign companies' that intend to appoint a non-resident to work as a manager in a company established in Brazil, which has among its partners this foreign company.

It is necessary to prove that a foreigner investment by said company in Brazil is of at least R\$ 600,000 for each person it intends to appoint as a manager; or, proof of an investment in a Brazilian company of at least R\$ 150,000 and the presentation of an plan for creating at least 10 new jobs within two years after respective administrator's appointment.

It is important to clarify that under Brazilian law a foreigner may be an administrator of more than one company, as long as these companies are part of the same economic group and requests a specific application for this purpose.

Work Visa

In regards the Temporary Work Visa to professional hired to do a specific work during a fixed period, it is important to mention that foreigners need to demonstrate minimum requirements of education and experience on the intended job position.

It is also important to notice that if part of salary is paid abroad it is mandatory to report and tax it in Brazil.

One relevant aspect of granting work visa in Brazil is that Brazilians companies must always have in its staff the proportionality of 2/3 of Brazilian employees for each foreign employee.

Technical Assistant Visa

There is also the possibility of granting a visa to foreign professionals not employed by any Brazilian company for the provision of technical assistance services and/or transfer of technology. It is a temporary work permission based on a contract or an agreement of technical cooperation signed between a foreign company and a company established in national territory.

This visa may be issued in 3 types, considering the urgency of the matter and the time to grant it. In an event of ordinary request, it is granted for a one-year period, extendable for an equal term. In this case, the foreigner shall contribute to workforce qualification, beyond providing technical assistance. The Brazilian requesting company shall submit a corresponding training plan to its operating area in Brazil.

In addition, there is a possibility of granting this visa for a non-extendable 90-day period, upon the company's request directly to Brazilian Consulate abroad, through an invitation letter from inviting company, accompanied by proof of relationship between the foreign individual and the service to be performed in Brazil.

Finally, this visa can be request when there is an emergency situation, being necessary to prove the occurrence of unforeseeable circumstances that poses imminent life, environment or heritage risk or that

has generated interruption of applicant company's activities. In this case, processing the technical assistant visa has a faster procedure and it is grant for a maximum 30-day period.

Tax System

Brazil federative organization is an important aspect to understand current tax system, given the series of taxes levied by Federal Government, States and Municipalities. Therefore tax applied to companies operating in Fortaleza Metropolitan Area may vary accordingly to the City.

In short, there are five main ways to collect taxes in Brazil (a) on consumption or goods, (b) on property, (b) on income, collected only by Federal Government, (d) on labor, charged to employers and employees on payroll or directly on wages, and finally, (e) fees charged from citizens for services rendered by Federal Government, States and Municipalities. Taxes are levied by Federal Government, States, Cities and Federal District.

See, please, the main taxes in the table below:

Tax	Responsible	Tax rate and/or generator factor	Rate
IRPF	Federal Government	Income and capital gains earned by	7.5%, 15%, 22.5% and 27.5%
IRRF	Federal Government	Income and capital gains earned by nonresidents in Brazil, paid by sources in Brazil	15% or 25%, according to income type
IRPJ	Federal Government	Companies who receive earnings. It is possible to choose among systems based on profits: real, presumed or arbitrated	15%, plus an additional 10% of the portion that exceeds R\$ 20,000 per month
IPI	Federal Government	Import and output of industrial product from industrial establishment or similar	Selective rate, ranging between 0% and 370%
IOF	Federal Government	Loans, insurance and foreign exchange	According to operation type - from 0% to 25%
ITR	Federal Government	Property value located in a rural area	It ranges from 0.03% to 20%, depending on property use
CIDE - Shipping Overseas	Federal Government	Payment of royalties and compensation for the transfer	10%
CSLL	Federal Government	Companies who receive earnings. It is possible to choose between arbitrated or presumed income tax.	9%
PIS	Federal Government	Company's revenue	7.6% under non-cumulative regime and 1.65% under cumulative regime
COFINS	Federal Government	Company's revenue	7,6% under non-cumulative regime and 1,65% under cumulative regime

Tax	Responsible	Tax rate and/or generator factor	Rate
PIS - Import	Federal Government	Customs value of imported product	2.1%
COFINS – Import	Federal Government	Customs value of imported product	9.65%
Social Contributions	Federal Government	Payroll	About 29%
Social Contributions (CPRB)	Federal Government	Gross revenue	2,5% or 4%, depending on company's activity
FGTS	Federal Government	Payroll	8%
ITCDM	States	Property or rights value, transferred by donation or inheritance	Determined by state law, varying between 2% and 8%
ICMS	States	Operation value of products circulation	Selective rate, ranging between 7% and 33%
IPTU	Municipalities	Ownership of real estate located in an urban area	Determined by municipal legislation municipal
ITBI	Municipalities	Transmission of real estate ownership	Determined by municipal legislation. In general, it is 2%
ISS	Municipalities	Services value	2% to 5%

Federal Taxes

Among the main federal taxes, we may highlight the following:

Individual Income Tax – IRPF

Individual Income Tax - IRPF must be paid on income and capital earned by individuals resident or domiciled in Brazil. The rate is progressive and varies in four scales of 7.5%, 15%, 22.5% and 27.5%. Taxpayers with annual income less than R\$ 22,847.46 (approximately US\$ 6,900) are exempt from paying this tax. Some expenses authorized by law, such as expenditures on health, education (there is a limited value) and dependents (limit preset by law) may be deducted from the IRPF.

Corporate Income Tax – IRPJ

Corporate Income Tax - IRPJ must be determined based on real income and may be determined on presumed or arbitrated basis by quarterly assessment periods. IRPJ rate applicable to income taxpayers is 15%, having also an additional to profit portion that exceeds the amount of R\$ 20,000 per month of assessment period. IRPJ additional rate is 10%.

In general, IRPJ calculation basis on choosing a real or estimated income tax regime.

Real income is a calculating basis on income tax according to tax accounting records systematically carried out in accordance with commercial and tax laws. Real income adds and deducts net income of a calculation

period (quarterly or annually) of tax losses and tax offsets allowed by income tax law, as well as use of tax deduction incentives established by law.

Estimated income is a simplified form of taxation to determine calculation basis on income tax and CSLL from companies that are not bound neither to real income taxation nor to calculation or quarterly payment. Profit is estimated on revenues earned by a company in a quarter. Estimated tax basis vary from 1.6% to 32% on income depending on activity type exercised by a company.

Branches, agencies or representative in Brazil of companies headquartered abroad are subject to same income tax rules payable by companies resident in Brazil.

Manufacturing Goods Tax – IPI

IPI is a federal tax levied on products processing and importation. It is a non-cumulative tax that allows an industrial taxpayer, acting as industrial or importer, to take tax credit on industrialized products entering taxpayer's establishment, which might be deduct from tax due on industrial products by taxpayer on same fiscal period. Rate varies according to whether or not a product is considered essential. Each product has a unique nomenclature approved on Import Tax Table - TIPI.

Financial Transactions Tax – IOF

IOF is levied on credit, foreign exchange and insurance operations related to securities and other financial assets or exchange instruments. IOF rates and calculation basis will depend on operation type and rate varies from 0% to 25%. In case of credit transactions (e.g. loans), calculation basis is part or all amount that is available to an interested party.

Rural Land Tax – ITR

ITR is due on land value and payments are annual by rural real estate owner, holder or possessor. Rate varies from 0.03% to 20% depending on property area and its use.

Net Profits Social Contribution – CSLL

CSLL is a federal tax subject to the same calculation and payment rules established to IRPJ, maintained legal calculation basis and rates applicable. CSLL rate is 9% by rule, and it can be 15% in case of companies considered financial, private insurance and capitalization institutions.

Social Integration Program Contributions - PIS and Social Security Financing Contribution – Cofins

To fund Social Security, Federal Government established Cofins, which is levied on the total monthly income earned by companies, regardless of their accounting classification. In general, for companies opting for presumed income, this tax rate is 3%.

In order to fund social integration program, Federal Government established PIS, which, similarly to Cofins, has its calculation basis on total revenue earned monthly, regardless of accounting classification adopted by them. In general, for companies opting for presumed income, this tax rate is 0.65%.

Companies that adopt the real income tax system are as a rule obliged to adopt PIS and Cofins non-cumulative regime. In this system, PIS rate increases to 1.65% and Cofins rate to 7.6%. However, taxpayer may use credits from PIS and Cofins, corresponding to a rate of 1.65% and 7.6%, respectively, levied on certain costs and expenses determined by law. Such credits can offset PIS and Cofins due on earned income, based on same rates. Regardless of calculating basis, export revenues are immune to PIS and Cofins taxation.

Importation of Goods and services are subject to PIS and Cofins at rates of 1.65% and 7.6%. This new tax applies to any company that imports, regardless of calculation system adopted (cumulative or non-cumulative). Calculation basis of these new contributions is, in case of goods import, customs value plus import tax, ICMS, IPI, PIS and Cofins levied on importation. Companies that choose non-cumulative system may be credited PIS and Cofins levied on goods and services imported.

PIS and Cofins have one of the most complex calculations in Brazilian Tax System, accounting for most discussions in administrative and judicial levels with tax authorities. Government is studying and it is about to release a legislative bill that consolidates these two taxes into one and results in substantial changes to calculate it.

Social Contributions

Social contributions for Brazilian social security system are due by both employer and employee. Social contribution payable by employer is levied on total remuneration paid to company's employees, corresponding to an amount equivalent to approximately 37% of total payroll, depending on the nature of the performed activities.

Alternatively to the contribution based on payroll, Federal Government introduced the Social Security Contribution on Gross Revenue - CPRB, also known as replacement contribution. In this case the calculation basis is the company's gross revenue to reduce social security charges and encourage job creation. This measure is called Payroll Tax Relief due to charges reduction, once the tax value is calculated on gross revenues is obtained by applying lower rates, which varies according to company's activity, reducing,

therefore, contribution amount to be paid. It is important to highlight that CPRB only applies to strategic sectors defined by law by Federal Government.

State Taxes

Among taxes charged by the States of the Northeast (and other Brazilian States), there are the following:

Inheritance and Donation Tax of any Property and Rights – ITCMD

ITCMD is levied on property transfer by inheritance and donation, including property rights, real estate, credits and rights. Rate varies in each federated state ranging from 2% to 8% of a transferred property value.

Sales and Services Tax – ICMS

ICMS is a state tax levied on (a) goods imports, (b) goods operations, (c) interstate and intercity transportation services, and (d) onerous communication services.

In case of goods outflow, tax calculation basis is transaction value. For imports, tax calculation basis is customs value plus import duties, IPI, IOF and any other taxes, fees, contributions and customs expenses.

ICMS tax rate varies according to operation, as well as whether goods traded are or not essential. In case of Fortaleza Metropolitan Area and others areas in Brazil, usually interstate transactions have a 12% base rate, while for domestic transactions a 17% rate is normally applied. However, these rates range between 7% and 33% according to whether the product is essential or not.

ICMS is also a non-cumulative tax, so taxpayer may be credited tax paid on previous operation, with some exceptions.

Municipal Taxes

Finally, from Municipal taxes, there are the following highlights:

Property Tax on Urban Building and Land – IPTU

IPTU is levied on hold, useful domain, or possession of urban property. This tax is due annually and has its rate established by municipalities, based on urban property market value.

Property Transfer Tax by an Onerous Act – ITBI

ITBI is payable on property transfer, in any way, by an onerous act. ITBI rate in most cities is 2% and is applied over property value assessed by Municipality.

Services Tax – ISS

ISS is levied on services rendered income. Services subject to this tax are list in Complementary Law 116/2003. In general, ISS is due to the City where the taxpayer offered services, and tax rate ranges from 2% to 5%, according to services´ nature and the City where services are provide.

Tax on Remittances Abroad

As previously indicated there is no taxation on inflow of foreign funds for investing in a company in Brazil, except in case of investment in assets such as machinery and equipment, subject to payment of Importation Tax as well as IPI, PIS/Cofins-Importation, ICMS and other customs fees.

Similar treatment of tax exemption happens to profits earned by foreign partners in Brazilian companies, which are fully exempt from Income Tax.

Differently occurs with funds remittance abroad from other incomes on invested capital. In general, taxation on interest earned on capital subjects a non-resident foreign partner to income tax at a 15% rate on the date of remittance or interest payment. Similarly, if investor were to earn capital gains from sale of quotas or shares held in Brazilian companies, it would be subject to payment of 15% of income tax on that gain, also withholding.

Amounts remitted abroad as remuneration for services taken are subject, in principle, to the following taxes and rates: IRRF (15%), PIS-Import (1.65%), Cofins-Import (7.60%), CIDE (10%), ISS (5%) and IOF (1.10%).

As a general rule, IRPF and ISS taxes must be deducted from the amounts remitted abroad, while other taxes must be paid by the company resident in Brazil. In case of remittance to countries considered tax havens, IRPF rate tax is 25%.

Intervention on Economic Domain Contribution – CIDE Remittance Abroad – is payable by companies holding license to use or acquire technological knowledge or signatory of contracts involving technology transfer or who provide technical services and administrative assistance, signed with residents or domiciled abroad as well, who pay, deliver, employ or remit royalties, for any reason, to beneficiaries resident or domiciled abroad.

Transfer Price Rules

Law 9430/1996 instituted Transfer Price Rules in Brazil, with the main purpose of avoiding overpricing in import and underpricing on exports operations, and consequently transfer income earned in Brazil to countries that has lower tax income levels than those practiced here.

In addition to abovementioned law, several other legal documents published later must still be observed, mainly regarding calculation methodologies, list of countries that Brazil considers under favorable tax system, among other relevant aspects. Transfer Price Rules are applicable to transactions among related companies, according to Law 9430/1996, among companies in which one of them is situated in a place with favored taxation, or when practiced among companies, although not linked, but one of them is situated in a country whose domestic legislation imposes secrecy on companies' structure or ownership.

A list of countries with favored taxation is update periodically by publication of Normative Instructions, having Law 9430/1996 defined objective criteria for this characterization. A company located in Brazil should be careful, therefore, with transactions carried out with its subsidiaries and with companies in countries listed as tax haven, not only in relation to trading goods, but also in interest charges resulting from loan contracts.

If practicing operations according to transfer price legislation, one should annually check operations performed and compare them with established parameters, using specified methods. Required methods for import are: (a) PIC - Independent Compared Prices Method; (b) PRL - Resale Price Less Profit Method; (c) CPL - Production Cost More Profit Method; and (d) PCI – Quotation Price on Import Method. Exporting existing methods are: (a) PVEx - Selling Price on Exports Method; (b) PVA – Selling Price Wholesale on Destination Country, Decreased Profit Method; (c) PVV – Retail Sale Price on Target Country, Decreased Profit Method; (d) CAP – Acquisition Cost or Production Cost Plus Taxes and Profit Method; and (e) PECEX – Quotation Price on Export Method. Adjustments arising from using specified methods will be treated as addition on IRPF and CSLL calculation basis.

Agreements to Avoid Double Taxation

Brazil maintains agreements with 31 countries on double taxation avoidance. Such agreements, in short, can generate exemptions or advantages to foreign investors or at least prevent new taxation of these incomes in their home country.

Federal Revenue, through Normative Instruction 1226/2011, regulates these agreements, establishing procedure for provision of information on tax situation of company or individual resident or domiciled in Brazil or abroad, of interest to Brazilian tax authorities, country's tax administration with which Brazil has signed agreements to avoid double taxation and prevent fiscal evasion of income taxes.

Foreign Trade

In relation to Foreign Trade Operations carried out through Brazil, it is initially important to note that, Brazil, as a member of the World Trade Organization, is subject to rules laid down by the Uruguay Round regarding transparency and free trade. As member of Mercosur - Southern Common Market - Brazil is

required to rate Import Tax - II charged in its territory accordingly to Common External Tariff - TEC, assigned to different codes of Mercosur Common Nomenclature - NCM.

Imports are also subject to IPI and ICMS, with variable rates according to product tax classification. PIS/Pasep-Import and Cofins-Import and Merchant Navy Renewal Additional Freight - AFRMM are also levied on goods import. For the AFRMM, for companies not benefiting from tax incentives through maritime imports the tax rate corresponds to 25% of the maritime freight value.

The main law that governs foreign trade operations in Brazil is Customs Regulations, updated in 2009 by Decree 6759 that regulates customs activities administration, monitoring, controlling and taxing foreign trade operations.

Special Customs Systems (Drawback and Temporary Admission)

There are systems of export incentives, such as drawback system, which, in general terms, consists of tax suspension or refund (II, IPI, ICMS and AFRMM) on products import used on industrialization of products export or that will be exported.

Other special system that plays an important role in imports is temporary admission, in which it is allowed by subscription responsibility and assurance term, importation of goods that must remain in the country during a pre-determined period, having full or partial suspension – in case of economic use – of tax payment.

Temporary admission applies to goods imported on a temporary basis and without exchange covering, to goods that fit import purposes, and to those use in accordance with stay length and with purposes on concessive act; and, it is terminated when the beneficiary, among other situations, re-exports it or dispatches it for consumption, within the term to stay in Brazil.

Export Processing Zone – EPZ

Brazilian law also foresees the existence of Export Processing Zones (EPZs), which are areas of international free trade intended for installation of industrial export, being forbidden, however, business installation at EPZ if projects clearly show simple transfer of industrial plants already installed in the country.

The first EPZ to operate in Brazil was EPZ Ceará at Port of Pecém.

Once all law requirements are fulfilled and company is authorized to be established at an EPZ (for a period of up to 20 years), acquisitions and imports of goods, new or second hand, in domestic market, and services for these companies will have suspension of II, IPI, COFINS, COFINS-Import, PIS/PASEP Contribution, PIS/PASEP-Import Contribution and AFRMM. Similarly, services offered by foreign residents or

domiciled to companies installed at an EPZ shall be considered as offered abroad, regarding taxes levied by states and municipalities.

In order to install at an EPZ and take advantage from those tax benefits, the company shall commit to earn and keep, per calendar year, gross revenue from international export of at least 80% of total revenue from goods and services gross sales fully using for end product raw materials, intermediate and imported packaging materials or bought on internal market with tax suspension and/or contributions. In this sense, industrialized products at EPZ, when sold on local market will be subject to payment of all taxes and contributions normally incidents in those operation, as well as Import Tax and AFRMM.

Regarding ICMS levied on by Government of the State of Ceará, companies installed at EPZ Pecém benefit from ICMS exemption on internal exits destined to establishments located at this EPZ; on goods or foreign goods entrance destined to EPZ; and transport service offered within EPZ and local departure/land; and exemption from tax rate difference levied on interstate transactions involving capital goods, as provided on ICMS Agreement ICMS 99 of 1998 of CONFAZ and amendments.

Currently, there is a Law Project pending in the federal legislature that intends to alter, among others, the mandatory minimum percentage of total gross revenue of goods and services sale abroad (from 80% to 60%) and detail conditions that services companies may install at EPZ.

Hiring Labor

The main rules of employment law in Brazil are contained in the Labor Laws Consolidation (CLT), Collective Agreements, Labor Conventions and in several specific laws.

According to Brazilian Law, employment contracts can be oral or written, for a specified time – in cases of temporary work – or indefinite, and it is mandatory to register the Employee Contract on Employment and Social Security Card (CTPS) from first day of work. In this case, it will also be necessary medical examinations prior to hiring, called 'Occupational Health Certificate' (ASO) for admission.

The main type of employment contract in Brazil is indefinite period, which, unless special circumstances, may be terminate by employee or employer at any time and without cause, upon notice of 30 (thirty) days from one party to another, being allowed compensation to such notice in an amount corresponding to 1 (one) monthly remuneration, which shall be paid by the party terminating the contract. The limit of 30 (thirty) days mentioned above will be increased by 3 days for each year of employment, limited to 60 days from initial period, summing up a notice of 90 days in total.

This flexibility is ensured by the existence of a Work Time Guarantee Fund (FGTS) by which employer is required to make monthly deposit, in a blocked bank account on behalf of each employee, of a sum

equivalent to 8% of payment monthly paid. Under this regime employee dismissed without just cause can withdraw the total deposits held by employer in his/her FGTS account, plus taxes, monetary adjustment and a fine of 40% of total amount deposited. The cost of this fine to the company will be 50%; however, employee can only withdraw the equivalent of 4/5, or 40%.

As a general rule, maximum working hours cannot exceed 8 hours per day, totaling 44 hours per week, with daily break of at least 1 hour for meal and rest, and assured weekly paid rest. Similarly, for mentioned working hours salary cannot be less than the minimum wage fixed by Brazilian Government for the whole territory, or any minimum wage set by collective agreement established by each professional category, whichever is greater.

Brazilian law grants others several basic rights to workers and among there are vacation, additional vacation salary of one third of regular month salary, 13th salary annual payment in December, health and risk activities additional payment when employee activities are harmful to employee health, welfare monthly collection allowing employee to use National Social Security Institute – INSS' benefits such as retirement and sick days payment, among others.

Property Issues and Acquisition by Foreigners

In Brazil, a property can be rural or urban. This classification is relevant, once legislation establishes different criteria both for expropriation purposes, as well as for exercising property right and acquisition, especially by foreigners.

It considers a property as urban if fulfills a social function and order established to urban properties by the Master Plan of each City. By exclusion, it considers a rural property when the City Master Plan does not describes it as urban area and fulfills social functions of rural property as established by law.

Property right is an exercise by the owner of rights to use, take advantage of, dispose, as well as claim it from illegal keepers or possessors.

In Brazil, property acquisition only occurs by registering an Instrument of Acquisition (Public Deed of Purchase and Sale, Transfer, Donation, etc.) before Property Registry Office in the city where the property is located. If property value is above 30 (thirty) Brazilian minimum wage it is mandatory to formalize acquisition operation through Public Deed, which must be registered.

Every property must have its certificate registered at the Property Registry Office, which shall have all its history. The registration of an Instrument of Acquisition corresponds to write down the transaction in the real estate certificate and is able to give publicity and carry out property transaction.

In order to register the acquisition before Property Registry Office, as general rule, it is necessary to present the following documents, although, depending on property situation, other documents might be requested: (a) tax compliance certificates; (b) payment receipt of federal occupancy tax, in case of property added to navy land; and (c) payment receipt of transfer tax, inheritance tax or donation tax, when applicable.

In any case, if Instrument of Property Acquisition is not registered before Property Registry Office of the City the property will not be transfer, i.e., it remains on seller's name. Thus, buyer will only have the possession, which consists of the right to dispose of it physically.

Possession, unlike property acquisition, is acquired based on statement of factual elements that reveal the exercise of property's right to use, take advantage and dispose. Thus, from the moment that it is possible to exercise any of the powers inherent to the property, there is possession.

In this sense, it is important to note that it is possible to a person who only has possession to have property acquisition by adverse possession. To this end, it is necessary to verify that the possession meets all legal requirements in adverse possession specific legislation, which might be obtained judicially or administratively, from 2016 on, when new Civil Procedure Code was enacted.

It is also relevant to consider that, when purchasing a property, buyer shall ensure that seller has, in addition to possession the ownership, under the risk of having future problems, such as adverse possession action if a third party is occupying the property.

Limitations and Restrictions on Property Use

Union, States and Federal District are concurrently responsible to legislate on urban law, nature conservation, environment, environment protection and pollution control. In this context, Brazilian legislation has limitations and restrictions on property use under laws enacted by all federative entities.

In general, property has limitations and restrictions resulting from the city's Master Plan, as well as limitations arising from Civil Law, among which, those concerning neighborhood right, right of way, regular property use, airspace use, subsoil exploitation as well as limitations arising from environmental legislation (which will be commented on a specific topic), or those that might be imposed by public bodies due to social interest.

For this reason, buyer should check beforehand Federal, State and Municipal legislation on restrictions for use and construction type in order to identify whether the property yearn destination meets those laws.

Condominiums and Land Subdivisions

Brazilian Law also admits condominium property as well as land subdivision. Condominium property occurs when a property belongs to more than one person and each of them has an indivisible fraction. In such cases, it is important to analyze and verify Condominium Convention, which will describe the common area and regulate its use.

Each owner can freely use the property accordingly to its destination, or its practical use, as far as it does not prevent others to exercise their property right. As a rule, the joint owner shall: (a) contribute to costs proportionately to its part, (b) refrain from performing any work that may affect property's security or change its facade, and finally, (c) use property part in accordance to allocation agreed on Condominium Convention.

Regarding property land subdivision, such possibility is provided for in a federal law that applies to all cities and each city shall regulate subdivision in its territory. In general, land subdivision has requirements and conditions to prevent irregular settlements, as well as providing minimum living conditions and ensuring the fulfillment of respective property social function.

By implementing a land subdivision, owner must donate common areas to the city in which the property is located, and which percentage can be up to 45% of the property area, as well as incur in some costs that may be required to consider land subdivision implementation, which may vary depending on property location, as well as to the subdivision characteristics.

Property Acquisition by Foreigners

Foreigners can purchase rural and urban properties located in Brazil. However, if it is a rural property, property acquisition, and even its lease, can only occur if the foreigner is: (a) an individual resident in Brazil and registered at the National Foreigner Registration - RNE with a status of permanent resident; (b) a foreign company authorized to operate in Brazil, or (c) a Brazilian company under foreign control.

In these cases, purchase and lease will still need prior authorization by National Institute of Colonization and Agrarian Reform - INCRA, which shall ensure that the corresponding property is used exclusively for implementation of agricultural, industrial or colonization projects, and that such projects are ties to its corporate scope, in case of companies.

There are also limitations on the size area that a foreigner can purchase, which can vary according to property location as well as if the property is to be purchased by an individual or a company.

Navy Lands and Tidelands and its Occupation by Individuals

In addition to urban and rural properties, there are also navy lands owned by Federal Government. Navy lands are those located in the full extension where there is tidal influence, including riparian areas, which have been encompassed by the high tide projected line. A line which distance is 33 meters into high tide line is a reference to demark these lands' area. The entity responsible for tidelands demarcation in Brazil is the Union Heritage Bureau (*Secretaria do Patrimônio da União SPU*).

Before issuance of Law 13240, of December, 30th 2015, it was not possible for an individual to acquire navy land, given that these properties are regulated by navy land and occupation regimes.

Navy land transfer tax system is the transfer of a property domain from Federal Government to a person giving it the right to use it by paying annual occupancy tax corresponding to 0.6% of property's full domain value, which evaluation includes corresponding improvements.

According to the occupational system the owner of a property located on navy land acquires property ownership, being allowed its use as long as annual occupancy tax of 2% is paid.

In case of sale of properties and buildings built on navy land through occupation or *in rem* systems it is necessary to pay a navy land transfer tax at a 5% rate of land current value excluded improvements built on it.

As mentioned above, Law 13240/2015 authorizes acquisition of navy land by individuals or companies through redemption and consolidation of full domain, upon payment of an amount corresponding to land direct control and pending obligations at SPU.

Thus, after transferring navy lands' full domain to a private person or company no taxes will be due to the Federal Government.

It is noteworthy that SPU informed on its website, through Ordinance 24 of January, 18th 2016, a list of all areas or properties owned by the Federal Government and identified which ones will be eligible for purchase by individuals. It is important to note that a person that occupies a navy land in good faith will have preemptive rights to property purchase under above mentioned ordinance.

In addition, Law 13240/2015 provides that acquisitions made up to December, 30th 2016 will have a discount of 25% (twenty five percent).

Regarding acquisition price in case of navy land transfer tax's redemption it will be made in an amount corresponding to 17% (seventeen percent) of land full value, excluding improvements, while in occupation regime it will be "bare ground" market price.

Regarding payment of a property divided into fractions that has already been purchased at least one of its units, it will apply same criteria of navy land property acquisition.

Occupants and tenants of navy lands that have no interest in acquiring full ownership of real estate, remain bound to payment of above tax.

The acquisition of an urban real estate located in navy land by foreigners is subject to authorization by President or Minister of Finance, by delegation. However, this restriction does not apply when the foreign acquire a fraction inserted in condominium regulated by specific law, if property is located in an urban area, and its fractions, as a whole do not exceed 1/3 of its total area.

Urban Consortium Operation

Urban Consortium Operation (UCO) consists on a set of interventions and measures coordinated by City, with participation of owners, residents, permanent users and private investors, aiming to achieving in an area structural urban transformations, social improvements and environmental enhancement, promoting proper occupation of specific areas by fulfilling city social functions and upgrading urban environment.

A UCO may provide, among other things: (i) modification of parameters and features for installment, use and occupation of land and subsoil, as well as alterations of building rules, considering environmental impact resulting from them; (ii) regulation of construction, renovations or extensions executed in violation of current legislation; and (iii) implementation of special plans and projects.

A UCO can be initiated by a proposal from private sector as well as from Government. In any case, a UCO must be approved in advance by Urban Development Municipal Council to be forwarded to City Council Chamber.

In reality, the private sector suggests the Government to use UCOs as it recognize them as an effective tool to enable enterprise construction through traded counterparts that improve city and public environment quality, and also have benefits to enterprise itself.

Upon proposal review and approval each UCO will be created by specific law that, in short, will define its goals, area to be affected, urban aspects that will be changed and deployed in the area, agents' responsibilities, economic and social care program for population directly affected by the operation, neighborhood and environmental impact studies, as well as management regulation and eventual funds created to raise financial resources.

As a fundraising source, the City may use the instrument of onerous grant to right to build (solo set) awarded by financial compensation or Construction Potential Additional Certificate (CEPAC).

CEPAC is a real estate title launched by City, which grants its owner the right to build or use properties above standards set by current law for use and occupancy or regularize construction in accordance with these standards.

A CEPAC, if created, may be freely negotiated and will be subject to Securities and Exchange Commission (CVM)'s control and supervision. However, CEPAC is not a debt or an equity title, i.e., it does not generate credit or share right against issuing City, but only confers right that is inherent and can be passed, which is construction right under conditions stipulated by UCO legislation.

Environment

Protection and improvement of environment quality is a responsibility of Federal Government, States, Federal District and Municipalities s bodies and institutions established by the government, which together make part of Environment National System (SISNAMA).

Environmental Licensing Process

The projects and activities are licensed or authorized from an environmental aspect by a single federative entity depending on project and activity type, degree of legal environmental impact and legal property impacted, accordingly to jurisdiction established by law.

In general, the Federal Government (Brazilian Institute of Environment and Renewable Natural Resources - IBAMA) is responsible for environmental licensing of projects and activities with significant environmental impact at national or regional scope. Municipal environmental agencies are responsible for environmental licensing projects and activities with local environmental impact; and, State or Federal District environmental agency are responsible for environmental licensing projects and activities located or developed in more than one City, and residually, those projects and activities not licensed by IBAMA and by municipalities.

Moreover, it is of each environmental agency responsibility to license projects and activities located or developed in protected areas established by them, except in the type of conservation units called Environmental Protection Areas (APAs).

Licensing projects and activities considered effectively or potentially causing significant degradation to environment require a prior Environmental Impact Study and its Report on Environmental Impact (EIA/RIMA). The following activities are included in this category: construction of roads, railways, ports,

airports, pipelines, and transmission lines, electric power generation plants up to 10MW of electricity, industrial facilities, agro-industrial complex and urban projects with more than 100ha, among others.

Licensing is a singular process divided in three steps, which follow one another depending on project deployment phase from design definition, construction and operation.

Environmental Licensing Stages	
Stage	Description
Preliminary License (LP)	Granted on preliminary phase of planning project or activity, approving its location and design, certifying environmental viability and establishing basic requirements and conditions of next stages of its implementation.
Installation License (LI)	Authorizes project or activity installation in accordance with specifications on plans, programs and projects approved, including environmental control measures and other conditions, which constitute a determinant reason.
Operating License (LO)	Authorizes activity or project operation after checking effective compliance with previous listed licenses with environmental control measures and conditions specified for operation.

In cases of environmental licensing projects with significant environmental impact, the entrepreneur is obliged to support the deployment and maintenance of conservation units of a Group of Integral Protection, and entrepreneur resources amount to be allocated for this purpose is fixed by the environmental agency licensor.

Fixing the amount will depend on project's environmental impact, up to a maximum of 0.5% of investment sum required for project implementation. It is not included in the calculation investment on plans, projects and programs required on licensing procedure of environmental impacts mitigation caused by project, as well as charges, and incidental costs to enterprise financing, including those relating to warranties, and insurance costs.

In addition to the obligation of obtaining environmental licenses and authorizations, projects and activities considered as potential polluters and environmental resources users are obliged to register at IBAMA Federal Technical Register, through a mandatory online registration that due to law or regulation is subject to environmental control by environmental agencies.

Regarding entrepreneurs' responsibilities for environmental damages that might be caused by their projects and activities, entrepreneurs are obliged to indemnify and/or repair damages caused to environment and to third parties, and may respond on a civil, criminal and administrative level for the environmental damage caused.

Concerning cases of criminal and administrative responsibility, Brazilian law sets forth about the applicable sanctions on behavior and activities harmful to environment, which range from a warning or a fine, to loss,

restriction or suspension of tax benefits and incentives and financial credit on official credit establishments or a ban from contracting with Public Administration.

Regardless of criminal and administrative responsibilities, the National Environmental Policy in Brazil admits objective liability regardless of fault, imposing upon the polluter an obligation to recover and/or indemnify damages caused to environment.

Thus, it is held environmentally accountable not only the person directly responsible for the environmental damage, but also other agents who, being aware of offending conduct, contributed to its implementation, by act or omission.

That being said, directors, managers, board members, technical bodies, auditors, agents or representative of a company, and even financial institutions, indirectly exposed to environmental risk in credit operations, once applied the 'Payer Polluter Principle', may be held liable for such damages, in the latter case, in the event it is proved that there was negligence in granting a loan.

Intellectual Property

Brazil has signed and ratified the Agreement on Trade-Related Aspects of Intellectual Property Rights and signed the Bern Convention on Artistic Property, Patent Cooperation Treaty, Convention on Plant Variety Protection and Paris Convention on Protection of Intellectual Property. Nevertheless, intellectual property protection in Brazil is still a sensitive issue and therefore it is important that a company interested in investing in this sector in Brazil is properly protected.

It is important to mention that trademarks registration, patents and industrial designs in other countries - with exception of well-known brands considered - do not warrant protection in Brazil. To have their property rights secured here, foreign companies must register them before the National Institute of Industrial Property (INPI), preferably with specialized legal advice.

Brand

It is any distinctive sign visually perceptible that identifies and distinguishes products and services from other similar from various sources. Trademarks are gradually becoming an important economic asset for companies and institutions.

In Brazil, Industrial Property Law - LPI regulates trademarks registration and INPI is responsible for granting it. It is valid for 10 years and this period might be extended at holder's request for an equal and successive periods. It is important to note that a registration granted by INPI is valid only in Brazil.

A brand can only be requested by individuals or companies that exercise legal and effective activity, compatible with product or service that a brand aims to distinguish. With the registration certificate, the holder has the right to exclusively use the brand throughout the national territory and may prevent competitors from using similar signs that might cause confusion to client. Unauthorized reproduction of a brand can be challenged by a lawsuit.

Patent

A patent is a temporary property title granted by the State, based on Industrial Property Law - LPI, to those who invent new products, processes or make improvements for industrial applications. It is the most commonly used protection instrument in technological innovation. Its importance is crucial, as granting exclusive right gives its holder the possibility of return on applied investment in developing a new products and industrial processes.

Only a patent owner can sell the product or apply to the process which has been patented, as well as grant intellectual right to exploit it, costly or not, definitively or temporarily. It is important to know that granting this right is territorial. It is only valid within the country responsible to grant intellectual property protection, i.e., the grant of a patent in Brazil only guarantees rights to its holder to have it protected within Brazil.

The company, institution or actual inventor (individual) might require patent ownership with the competent body in the country of interest. In Brazil, the institution responsible for granting patents is INPI.

Any invention which object is a new product or process, in all technological fields of application, provided it meets requirements of novelty, inventive activity and industrial application can be subject to a patent.

Industrial Design

It is the kind of protection of industrial property that deals with design associated with ornamental plastic form of an object or ornamental set of lines and colors that can apply to a product, providing a new and original visual result in its external configuration. It can be composed of three-dimensional features such as shape or object surface or two-dimensional features, such as patterns, lines or colors. The design has to be a model that can be reproduced by industrial means. In Brazil, INPI grants the registry, and its validity is up to 25 years.

Anti-Corruption

Brazil – among 168 countries evaluated in 2015, currently ranks 76th on Corruption Perceptions Index of International Transparency, anticorruption global coalition – has shown a proactive position in fighting corruption. In 2013, with Law 12846/2013, –also known as Anti-Corruption Law – Brazil has aligned itself to the most stringent and advanced world laws to combat corruption, such as Foreign Corrupt Practice Act - FCPA in the United States and Great Britain Bribery Act.

Under this new law, companies are responsible for illicit practices and can pay a fine of up to 20% of its revenues and it is possible to prohibit company's operation.

Corruption acts characterizes (e.g. bribery with payment made by a company to a public official) even if there is no direct participation by company's representatives or owners. Companies are liable if the State proves corruption act by a direct employee or an outsourced employee. Companies are liable for any act that benefits itself, even without knowledge of those responsible.

This Anti-Corruption Law provides for a "leniency agreement" in which a company may have a fine reduction of up to two thirds of its amount. In order for this agreement to have effect, a company will have to admit the corruption act and cooperate with investigations.

Federal Incentives to Invest in the Metropolitan Area of Fortaleza

In general, incentives in Brazil are managed and granted by Federal Government, States, Federal District and Municipalities. At the federal level, incentives are provided mainly through resources from Northeast Development Superintendence (SUDENE), Banco do Nordeste do Brasil (BNB), National Bank for Economic and Social Development (BNDES), Northeast Investment Fund (FINOR), Northeast Constitutional Financing Fund (FNE), Workers Fund (FAT), among others.

These incentives vary continuously and consist of subsidized financing package, tax credits and tax exemptions and there aim to promote economic development on Northeast.

As the Metropolitan Area of Fortaleza, in Ceará, is located in the Northeast, such incentives may be granted to companies set up in this area.

Northeast Development Fund – FDNE

Northeast Development Fund (FDNE), made available by Sudene, ensures resources for investments in infrastructure and public services and productive enterprises with high capacity of new businesses and new productive activities. It finances up to 60% of total investment, limited to 80% in fixed investment and represented by subscription and payment of debentures convertible into companies' shares that own the projects, or its holders. Financing term is up to 20 years for infrastructure projects, and up to 12 years for other projects, including grace period.

Among sources of funding secured by FNE, highlights are (a) Northeast Agribusiness Development Program Support, (b) Aquaculture and Fishing Development Support, (c) Isolated Acquisition of Raw Materials, Supplies and Goods Financing (d) Commercial and Services Sectors Funding (e) Northeast Industrial Sector

Support Program (f) Regional Tourism Support Program, (g) Micro and Small Businesses Support Financing Program.

These programs are directed, as appropriate, to implementation, expansion, modernization, renovation and relocation of projects specific activities; to increase competitiveness, productive capacity expansion and international integration of private industrial enterprises including mining or purchase of raw materials and inputs used in production of industrial and agricultural industries. Financing maximum period is 12 years, except for loans covered by Regional Tourism Support Program that have a financing period of up to 15 years, with a grace period of 5 years for the latter type of program and for 4 years for all others.

Fiscal Balance State Fund

Fiscal Balance State Fund (FBSF) was established by Law 16097/2016 and aims to enable and maintain public finances balance on the State of Ceará, and is due by companies that develop industrial and commerce activities which turnover in 2015 is over R\$ 12,000,000.00 (twelve million reais) and R\$ 3,600,000.00 (three million, six hundred thousand reais) respectively.

It is FBSF revenue, among others, amount corresponding to 10% (ten percent) of ICMS incentive or benefit granted to corporate taxpayers in the State of Ceará. This amount is also established by ICMS Agreement 42/16. The funds earned from FBSF will be allocated to State Treasury fiscal balance.

It is noteworthy that FBSF is effective for 24 (twenty four) months from September, 1st 2016.

Worker Support Fund – FAT

The Worker Support Fund - FAT is a special fund of account and financial nature and is linked to the Ministry of Labor and Employment, allocated for payment of the Unemployment Insurance Program, of the Salary Bonus and for funding the Economic Development Program. The Fund is regulated through Law 7998 of 11 January 1990.

FAT Resources Application Program is aim to implement, expand, rehabilitate and modernize economic infrastructure on energy, telecommunications, sanitation, transportation and logistics sectors, financing installation, expansion, restoration and modernization of fixed assets, investment in new machinery and equipment produced in Brazil, including sets and industrial systems, expenditures of engineering study projects related to finance, technology updates and information technology, among others. Maximum operations period is determined in accordance with project's cash flow and proponent payment capacity which shall not exceed 15 years, there being included a grace period of up to 3 years.

Production and Sales of Machinery and Equipment Financing Program – Finame

Finally, BNDES has resources available through Production and Sales of Machinery and Equipment Financing Program – Finame which aim to finance production and marketing machinery and new equipment manufactured in Brazil, registered at Finame in the forms of: purchasing financing or manufacturer financing. Deadline is 60 months, including a grace period of 24 months, and a total period can be extended in case of acquisition of locomotives, rail freight cars and passenger buses. BNDES also has an Export Production Financing Program which aims to encourage exports through financing working capital needed to produce goods destined for foreign markets and services, basic and detailed projects of engineering. Total financing term is 36 months, with a grace period of 12 months.

Other Incentives

Besides incentives above, there are tax benefits and to stimulate priority private investment and productive activities and development initiatives in the Northeast Region.

Among federal taxes, companies that exploit activities in the following economic sectors: (a) infrastructure (energy, telecommunication, transport, gas, water, sanitation), (b) tourism (hotels, convention center, etc.), (c) agribusiness (d) agriculture, (e) mining, (f) manufacturing industry (textile, leather, shoes, pharmaceuticals, machinery and equipment manufacturing), (g) non-metallic minerals, metallurgy, steel and mechanical, (h) chemical and petrochemical, (i) paper, (j) transportation and sports items; (k) wood, (l) food and drink, and (m) mechatronics, information technology and biotechnology might request one of SUDENE'S following incentives.

PROGRAMS	INCENTIVES
IRPJ Exemption (Digital Inclusion Program)	It benefits corporate holders of deployment projects, modernization, expansion or diversification projects, filed until December 31 st 2018, with tax exemption, including additional non-refundable for a period of ten (10) years, for activities manufacturing machinery, equipment, instruments and devices based on digital technology, aimed on digital inclusion program.
IRPJ Reduction for new ventures	IRPJ Reduction of 75% for 10 years. Benefited company should constitute capital reserves with tax benefit's amount result (tax amount not paid). This value can only be used to absorb losses or capital increase and cannot be distributed to partners or shareholders.
IRPJ Reduction for existing projects	It benefits companies that have projects in Sudam or Sudene working area with a 25% IRPJ reduction up to December 31 st 2008 and from January 1 st 2009 until December 31 st 2013 with a reduction of 12.5%. The reduction right does not encompass IR and additional non-refundable already paid. The use of benefit reduction does not preclude the option for Reinvestment (see item below) regarding IRPJ balance to be paid.
IRPJ Reinvestment	Reinvestment right of up to 30% of tax due in modernization projects or supplementary equipment until year 2018. To this amount, company must add 50% of own resources (counterpart) and deposit the total amount at Bank BNB.
AFRMM Exemption	AFRMM Exemption until December 31 st 2015. AFRMM is charge in landfills vessel of/from Brazilian ports, calculated on freight charged by Ministry of Ports on a 25% rate.

Accelerated Depreciation Stimulated and Contribution Discount for PIS/Pasep and Cofins	A company receiving IRPJ benefit reduction of 75% can claim these benefits: (a) accelerated depreciation: depreciation in the first full year of fixed assets acquisition. In this case, total depreciation (including normal and accelerated depreciation) cannot exceed fixed assets cost, (b) Loan Discount of PIS and Cofins Contributions calculated on fixed assets acquisition listed on Decree 5789/2006.
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Besides benefits listed above there are other federal tax benefits, which can be used by foreign investors in the Metropolitan Area of Fortaleza:

Instrument	What is it?	Who it benefits?
IPI Reduction for machines and equipment	IPI rates for a large share of industrial goods are reduced to zero.	Industrial companies, users of industrial goods
Modernization and Expansion of Port Structure Incentive Tax System- REPORTO	Special tax regime – its main feature is tax reduction in acquisition of machines and equipment with reduction on IPI, Cofins, PIS/Pasep and II (in the case of equipment without national equivalent) – Deadline: December 31 st 2017	Port operator; Organized Port Concessionaire; Tenant of Port Installation of Public Use; Company Authorized to Explore Port Installation of Private Mixed Use; and railway concessionaire; Dredging companies in rivers, lakes, seas, bays and channels; bonded areas of secondary zone; vocational training centers set up by Port Authority Councils-CAPs.
Income Tax and PIS/ Cofins Anticipated Return	PIS and Cofins paid in the acquisition of machines and equipment are credited on a monthly basis, within a 12-month term. Previously, it used to be returned to companies that purchased these goods in the form of tax credits compensating in 24 months.	Companies' domestic market or import acquisition of machinery and equipment of goods and services production that might choose to discount PIS and Cofins credits.
Capital Goods for Exporting Companies Acquisition Special Regime (RECAP)	This measure allows companies to purchase in domestic market or to import capital goods (new machines, instruments and equipment) with payment suspension of PIS and Cofins. Once licensed, the company will have a period of three years to have this benefit.	Companies that export 70%, or more, of annual value of its sales (Law No. 11774/2008). However, Decree No. 6887/2009 reduced export percentage required for 60%, and shipyards (without contribution requirement). Only a company previously authorized by the Secretary Internal Revenue may be granted RECAP
Platforms of Exportation of Technology Services Special Tax Regime (REPES)	For companies benefiting from incorporation into its fixed assets (in case of goods), REPES suspends requirements of: - PIS/Pasep and Cofins contribution levied on gross revenues from sale of new goods or earned by service done;- PIS/Pasep-Imports and Cofins-Imports contribution on new goods or	Company previously qualified by Internal Revenue Service Department and exercising activities mainly referred to software development or provision of information technology and, at the moment of opting by REPES, assumes export commitment less than sixty percent of its annual gross revenues from sale of goods and services.

	services; - IPI levied on import of new goods without domestic similar.	
(PAC) Development of Infrastructure Incentives Special Regime – REIDI	Establishes PIS/Pasep and Cofins suspension in machines and equipment acquisition for incorporation in infrastructure works aimed at its fixed assets. To apply to this benefit, as qualified or co-qualified, companies should present to Internal Revenue a copy of Administrative Order that approved infrastructure works, published by the Ministry of the respective sector.	Infrastructure works in sectors of: -transport, only in highways and waterways; organized ports and port facilities for private use; urban trains and railroads, including locomotives and cars, and airport systems and protection systems the flight installed in public aerodromes; energy-encompassing reaching exclusively, generation, co-generation, transmission and distribution of electricity, and production and processing of natural gas in any physical state; sanitation, reaching only drinking water supply and sanitation; irrigation, and pipelines.
(PAC) Program of Support to the Technological Development of the Semiconductor Industry – PADIS	Companies that join the Program will be benefited with IRPJ exemption and IPI rates reduction to zero, PIS/Cofins and CIDE levied on internal sales or import of machines, devices, instruments and equipment for incorporation into fixed assets.	Companies manufacturers of semiconductors, solar cells and panels, displays that besides having activities of research, development, design, spreading, cutting, packaging and testing invest in R&D, at least five percent of its gross domestic (possibility of easing percentage to 2%).
II Reduction for machines not produced nationally (Former Tariff Regime)	Special tax regime with temporary reduction of II rate for capital goods (BK) and computer and telecommunications goods (BIT), from 14% to 2%. Basic conditions: lack of domestic production and compliance with country's development policies; Duration: fixed period of up to two years. Does not apply to "used goods" or "integrated systems".	Industrial companies and service providing.
Importation Authorization for used Lines	Authorization for importation of seed lines/units of production, that are not domestically produced, or cannot be substituted by others currently manufactured in domestic territory, among other criteria.	Companies interested in transferring to Brazil completely used production line.
Micro-companies and Small Companies Taxation Regime (<i>Simples Nacional</i>)	Unified regime for verification and payment of Federal taxes and contributions (CSLL, PIS, Cofins, IPI, Social Security	Differentiated, favored and simplified treatment to microenterprise and small companies.

	Contribution on payroll.), of State tax (ICMS), Federal District and Municipal tax (ISS), including simplification of accessory fiscal obligations.	
Technological Innovation Incentives	Tax incentives such as CSLL deductions from expenditures in R&D activities; IPI reduction on machines and equipment for R&D purchase; integral depreciation of these goods on acquisition year; accelerated amortization of intangible goods; IR reduction withheld at source levied on remittances abroad resulting from technology transfer contract; IR exemption withheld at source in remittances abroad to pay trademarks, patents and cultivars registration and maintenance; or economic subventions granted for hiring researchers with master's or doctorate degrees, employed in companies to carry out research, development and technological innovation activities.	Corporate entities that carry out technological research and development of technological innovation.
Infrastructure Development of the Oil Industry in North, Northeast and Center-West Regions Special Incentive System (REPENEC)	Tax suspension in developing implementation of infrastructure projects in North, Northeast and Center-West, in the sectors of petrochemical, oil refining and production of ammonia and urea from natural gas, by company enabled by the system, in machinery and equipment sale, building materials sales, services, and/or lease of machinery and equipment for use in the works object of encouragement. Taxes discharged are PIS/Cofins, IPI in the industrial or equivalent, PIS/Pasep-Import and Cofins-Import, IPI and Import Tax.	Company that has an approved project for implementation of infrastructure projects in the North, Northeast and Center-West regions, in petrochemical, oil refining and production of ammonia and urea from natural gas sectors, for incorporation into its fixed assets.

State Incentives to Invest in the Metropolitan Area of Fortaleza

Other sources of investments and benefits are given by Ceará and its cities. Most tax incentives to industries results in a significant reduction on ICMS and on other taxes and fees, including those given by

municipalities, such as ITBI, Work Execution License Fees, Location and Operation Fee and its annual renewal, IPTU and ISS.

Northeast Industrial Policy main objective is to encourage establishment, expansion, diversification, rehabilitation and modernization of factories, including actions aim at attracting investment on industry sector, basic infrastructure availability required for project implementation, training and labor training and support and encouragement to industrial development aiming to stimulate internalization of productive activities implementation, strengthening institutions network focus on socioeconomic development and absorption and new technologies spread, attraction and strengthening of local technology-based companies and generation and growth of supply chains.

Industrial Development Fund – FDI

FDI was established in 1979 through Law 10367 and has since then been improved, aiming to strengthen institutions network focus on socioeconomic development, absorption, and spread of new technologies, attraction and strengthening of local technology-based companies, generation and growth of supply chains and industry development. Its function is to improve a set of locational advantages segments and industries affected by some structural weaknesses, generated by market failures and failures of federal policies on local development.

FDI can ensure to business companies and cooperatives considered of vital importance to State economic development, deployment incentives, operation, relocation, expansion, modernization, diversification or recovery, as tax and financial incentives, shares subscription, equity holdings and loan, among others.

Such incentives are also extended to importers of industrial products and components that are not manufactured in a specific State, where such products have as destination a company located in the State. Nevertheless, in cases of oil import and its derivatives, natural gas, perfumery, footwear and motor vehicles, incentives might be granted to companies, regardless of their manufacturing in the State. In these cases, funding provided to such companies will amount to up to 60% of ICMS due, and will only include the portion of the tax generated by imports increase of the company and its subsidiaries headquartered in the State.

As noted above, FDI allows equity acquisition investments and loans to medium and long term, including subsidies on principal and finance charges; and tax incentives in the latter case, through ICMS deferral, concession of presumed tax credit and reduction on tax calculating basis.

As a rule, loan and incentives to companies receiving FDI are granted for a maximum period of 10 years and might not exceed 75% of ICMS generated by beneficiary liability company, except for strategic projects, thus considered by specific legislation and described below. In FDI, taxpayer is awarded with 75% ICMS

deferral and has a return of main amount and obligations from 1% to 25% after 36 months, adjusted by TJLP (Long Term Interest Index Table).

The main criteria for each project will follow a scoring system, in order to determine benefit percentages and returns, as well as existing term of such benefits. The score will be obtained after analysis of the following aspects considered relevant by state policy: job creation (maximum 25 points), transaction costs (maximum 20 points), project geographic location (maximum 40 points), project social and environmental responsibility (maximum 5 points) and R&D (maximum 5 points).

There is also an Economic and Social Development State Fund - FUNEDES (Complementary Law 39/2004) to promote growth and modernization of industrial, commercial, agricultural, tourism, livestock and foreign trade, financing policies investments, urban development programs and projects, housing and sanitation. The contributions of companies interested in participating in state investment programs in infrastructure and social actions when undertaken by corporate taxpayers of ICMS will be first submitted to the Department of Finance. Benefit deducted from tax computed in each period is 20% of payable tax.

Attraction Program for Strategic Developments - PROADE

Created in 2009 by Decree 30012, the Attraction Program for Strategic Development - PROADE ensures incentives for deployment in Ceará of economic enterprises considered strategic for State development. The benefit can be up to 99% of ICMS generated due to company's own production as provided by FDI law, with a return of up to 1% and term benefit up to 10 years, renewable for same period.

For PROADE purposes the following activities are considered strategic for the State of Ceará development: deployments of factories of metallic minerals extraction; manufacture of non-metallic mineral products; manufacture of pharmaceuticals and pharmaceutical chemicals; automobile manufacturing, trucks, utilities, trucks and buses, chemicals manufacture, textile industry and locomotives, wagons and other rolling stock manufacture. In case of extractive industries and mineral products manufacturing they should be located at a minimum distance of 150 kilometers from Fortaleza. In turn, except establishments of non-metallic mineral products manufacture, textile and of locomotives manufacturing should set a minimum investment of 200 million reais.

Wind Power Emergency Program – PROEOLICA

PROEOLICA is aimed to promote the use of wind energy source, as alternative source of energy, economic, social and environmental development and to promote seasonal complementarity with the hydrological source of energy in national interconnected system reservoirs. Decree 27951/2005 establishes policies and actions to support natural renewable resources that use development as a contribution to diversification of State's energy matrix seeking its energy self-sufficiency.

Companies within PROEOLICA will benefit for a consecutive period of 120 months from FDI/PROVIN incentives with equivalent to 75% ICMS deferral with monthly payment and within legal timeframe, with a principal and charges return of 1%, adjusted by applying Long-Term Interest Rate - TJLP or other index that might replace it by a monetary authority decision, as Resolution or CEDIN Term of Agreement.

Development Program of Industrial and Port Complex of Pecém and of Ceará Economy - PRODECIPEC

The Development Program of Industrial and Port Complex of Pecém and of Ceará Economy - PRODECIPEC was created to stimulate the implementation, expansion and modernization of economic enterprises located in this territory of the State and considered strategic for Ceará development, among them, oil refining and derivatives, steel, thermoelectric power generation and natural gas and biodiesel production, as well as large economic enterprises representing attraction of large volume of investments or generation of large numbers of jobs in the State economy thus recognized by Resolution of the State Council of Industrial Development - CEDIN.

PRODECIPEC incentives are provided for in FDI as well as transfer, free or paid, and/or encumbrance of public and/or private lands that may be expropriated; execution of works and infrastructure services necessary for project installation, including earthworks; construction or financing facilities for industrial use, including sheds and warehouses; acquisition or financing and installation of equipment for industrial establishment of port terminal connection; ICMS exemption on import and leasing contract signed with foreign company and finally, ICMS deferral on specific cases.

PRODECIPEC also allows the State of Ceará to participate, directly or through state government entities' members of Indirect Public Administration on the capital stock of beneficiary companies, through own resources or assets, being the acquisition of control prohibited.

Business Centers of Goods Distribution Incentive Program – PCDM

Created by Decree 28047/2005, this Program has a reduction of up to 75% of the ICMS generated by interstate shipments of goods and 50% of domestic sale of products exclusively in the State of Ceará, and guarantees incentives for a period of up to 120 consecutive months. The deferral of this tax is due on the importation of foreign goods for subsequent sales; and importing from abroad and other states of goods to integrate fixed assets – payment is due at the time of disembodiment. According to a Government Decree to be entitled to a differentiated tax treatment, the project submitted by applicant companies to incentive should undergo a technical analysis by CEDIN. Based on this approval, SDE and Sefaz Departments may grant the established incentives. According to the program rules, only companies that meet certain criteria will be able to receive incentives. These include promoting goods entry from external market or from states in the South and Southeast of Brazil, except in Espírito Santo, or from any region, as far as it is purchased directly from manufacturer. Companies must also have minimum annual income of R\$ 30 million.

Another requirement of this Program is that companies already operating in the State must ensure the increase of 5% on ICMS payment in a period of 12 months. The increase should be levied on the previous year PCDM basis. Companies will also have to be included in the computerized system "Rapid Border", fill up the Economic-Financial Information Declaration (DIEF) indicating which goods were traded, make all its operations available on Sintegra Portal, and issue its tax documents by Electronic Data Processing System and subsequently Electronic Invoice.

Tax Incentives Granted by the Cities in the Metropolitan Area of Fortaleza

As mentioned earlier in this chapter the Metropolitan Area of Fortaleza covers 19 cities. Below there are description of tax incentives granted by main industrial cities to investors.

Tax Incentives Granted by the City of Fortaleza

The city of Fortaleza approved in 2015 by Complementary Law 205 two tax incentive programs for companies wishing to expand their business or to settle in the city, aiming at economic, social, cultural and technological development of Fortaleza.

Activities entitled to this incentive are especially those associated with information technology sectors, engineering activities, architecture, cartography, surveying and geodesy, professional education, manufacturing of pharmaceutical chemicals, medicinal products, communication devices, games, design, museums, restaurants and audiovisual production.

The percentage reduction associated to tax incentives varies according to criteria established by the municipality, covering variables such as number of jobs, annual revenue growth and building area.

Economic Development Program of Fortaleza (PRODEFOR)

PRODEFOR tax incentives consist in reducing Tax Services of Any Nature (ISS) up to 60%, Property tax (IPTU) up to 60%, and Real Estate Transfer Tax (ITBI) up to 40%. There is an additional 40% discount on ISS and ITBI rates for people who settle in a specific geographic area of Fortaleza. The maximum tax benefits will be 60 months except for specific geographic areas, which benefit term will be up to 96 months.

Beneficiary companies should preferably acquire goods and service from city providers, hire more than 80% of labor from employees domiciled in the area of enterprise direct influence and be compliant with tax obligations of Fortaleza, of State of Ceará and of the Federal Government and may not be registered with the registry of tax non-compliant companies (CADIM).

Support Program for Technology and Creative Parks in Fortaleza (PARQFOR)

PARQFOR aims to promote the development of technological and creative parks, creation of formal jobs, to increase tax collection and improve social welfare through promotion of productive inclusion, training young adults, and investment in research and development and innovation.

PARQFOR tax incentives consist in reducing tax on land ownership and property tax up to 100%, ISSQN up to 60%, and ITBI up to 100%. The maximum tax benefit will be 60 months and may be extended for same period at applicant's request and upon municipality's convenience and opportunity.

Tax Incentives Granted by Cities on the Industrial and Port Complex of Pecém - CIPP

The Industrial and Port Complex of Pecém is inserted in the territory of the cities of Caucaia and Sao Goncalo do Amarante. Both cities provide tax incentives for companies that invest in their territories.

Tax Incentives Granted by the City of Caucaia

The municipality of Caucaia as per Law 2030 of 2009 provides tax incentives to companies setting up in its territory and, among other activities, are engaged in the food industry, processing, steel, metallurgy, petrochemical, textile, generation energy, aerospace and automotive industry. Similarly, companies dedicated to providing services in the tourism industry, hospitality, information technology, logistics and scientific research may also have tax benefits.

Caucaia's laws establishes the possibility of reducing Property Tax and ITBI rates based on the number of jobs created by companies that develop or may develop activities subject to such incentive. The reduction percentage can go up to 90% of taxes calculation basis; and, concession period of this incentive can be up to 132 months.

For buildings belonging to the tourist equipment companies and hotels that have an area greater than 10,000 m², property tax rate reduction will be 80%, regardless of the number of jobs created. Similarly, such companies shall have incentives for a period of 96 months, irrespective of any other condition.

Regarding ISSQN the rate is 2% for companies receiving benefits provided in this Law and which duration will vary depending on criteria established by the municipality.

The law also provides tax benefits related to fees paid to environmental licensing, land parceling and permits, indicating a reduction of 90% of actual value.

The municipal legislation also provides for the transfer of real estate, on loan, businesses to be installed and who agree to accept, without charge, the Economic Development Agency of Caucaia - ADECA as a partner

of the project, with a corresponding stake to payment the transfer of immovable property of value in the form of capital subscription.

Tax Incentives Granted by the City of São Gonçalo do Amarante

Pursuant to Law 1296 of 2014 the municipality of São Gonçalo do Amarante may grant the following incentives and/or benefits: i) land donation or transfer; ii) buildings or facilities (construction and expansion), on loan with purchase preference; iii) machinery and equipment; iv) tax incentives; v) infrastructure and services around the venture; vi) professional development and vii) dissemination and promotion.

Regarding tax incentives, under that law, it may be granted to companies that are installed in São Gonçalo do Amarante with the following activities: i) industry: food processing, agrochemical and food industries; beneficiation, including granite and marble, processing and assembly of goods; steel; metallurgical; petrochemical, refining and chemical; electromechanical, electronic and electrical appliances; textile, spinning, knitting and similar; automotive; aeronautics, naval or war; furniture in general; footwear, leather goods and related products; waste recycling; ceramic, precast and potteries; power generation; packaging and drinks in general; and ii) services in the field of: tourism and hospitality; information technology, technological and scientific research; structuring logistics, dry and central port of distribution of consumer goods; scientific research and vocational training; security and commercial representation.

The ISS rate for the tax incentive beneficiary companies is set at 2%.

Tax Incentives Granted by the City of Aquiraz

Incentives were created through property tax and ISS reduction, for companies setting up in the city that generate jobs. The owners, useful domain holders who have given or will give property free of charge for the exclusive use of the Union, States, Federal District, cities or their respective authorities, including the exemption only the assigned part are exempt from taxes payment, on the condition that they comply with the legal requirements,.

The value of the property tax will be reduced by 50% (fifty percent) for a period of five (5) consecutive years for companies that will be installed in the Industrial District defined in the Master Plan of Aquiraz, counted as of the date of actual commencement of activities at that location, subject to the conditions set by the government for installation and operation.

The tax levied on land occupied with primary economic activity and previously recorded of rural land tax can be reduced by up to 80% (eighty percent)

Tax Incentives Granted by the City of Maracanaú

In case of implementation, modernization, adaptation or expansion of companies operating on services, it will be granted incentive on increase taxable income by Tax Services of Any Nature (ISS) for a period of sixty (60) months, ranging from 20% to - 100% of investment proved to be reduced during the first twelve (12) months.

To these companies it is also granted an incentive on added value generated by each company in relation to total added value transferred to the City each year as well as on increase tax revenues value, granted for a period of up to 5 (five) years, limited to a maximum of 50% of investment value in relation to the following taxes: Urban Building and Land tax (IPTU), Real Property Tax Transmission (ITBI), License fee for Construction Work, Roads and housing developments, on those resulting from investments; License fee for Location and Production Establishment of Operation, Commerce, Industry and Service Delivery; License Fee for serving advertising in general; License Fee for occupying land, streets, public places, airspace and underground in the city; License Fee for location and facilities operating in special hours; Sanitary Inspection Fee; Inspection Fee for information on real estate boundaries in non-allotted areas.

Companies that purchase vehicles on behalf of a legal person in Maracanaú, or transfer the Records Certificate and Vehicle Licensing (CRLV) to the City, will be granted a 20% incentive of increase in value of property taxes - Tax on Vehicles Property - passed on to the City.

Tax Incentives Granted by the City of Paracuru

The City of Paracuru exempts from Tax on Urban Land Property (IPTU) the owner that uses the real estate to implement an industrial or touristic, leisure and entertainment project in the city since it is approved by the Municipal Public Administration; it establishes an exemption for a maximum 5 years period that might be extended for same period.

Paracuru grants companies that are installed in the city, with project approved by City Administration, exemption of up to 100% (one hundred percent) of the on Tax Services of any kind and Tax on Transfer of Real Estate *Inter Vivos* for a maximum period of 5 years, as long as its workforce has at least 70% of local hand labor.

The Public-Private Partnership as a Public Instrument of Investment in Infrastructure and in Urban Renewal

The Public-Private Partnership (PPP) is a special modality of concession by which the Government can select and hire private partners (companies and consortia) to offer public services, supply goods or public construction, in an amount not less than R\$ 20.000.000,00 (twenty million reais), with a minimum duration of 5 (five) and a maximum of 35 (thirty five) years.

PPP contracts can be signed in two modalities: Sponsored Concession and Administrative Concession. The first consists in offering public services, which may or may not be preceded by public construction, charging a fare and additionally there is a counterpart by the Federal Government. The Administrative Concession consists in providing public service to the Government itself who uses the service and is responsible for paying the corresponding fare.

In the current scenario, PPP has proven to be a valuable tool, which the Government uses to invest in infrastructure, as well as urban renewal projects, once it offers attractive conditions for private partners and for the Government itself.

As an example, we can list some of the advantages that the private partner receives:

- The risks involved in offering the services are shared with the public partner;
- The public partner offers guarantees (e.g. non-tax revenues' linkage, constitution or usage of special funds, hiring and warranty insurance);
- Plurality of counterpart insurance (e.g. bank order, assignment of untaxed credits, and granting rights);
- Lower interest funding costs, due to public partner participation;
- The private Partner cannot have its profits decreased by unilateral standard imposed by the Government.

A PPP also enables the public partner to decentralize investments in order to optimize its budget, increasing available resources, directing them to functions that are exclusive to Government, as well as reducing public investment commitment into sectors that the exploitation by private enterprises are viable.

The PPP shall be hired by the public partner through a bidding procedure; which documents must contain all requirements and characteristics of the partnership. The bidding documents must also include the selection criteria, being admitted the following:

- Lowest fare of public service that will be offered;
- Offer of the public service combining lowest fare with best technique;
- Public partner's counterpart of lowest value;
- Offer of the public service combining public partner's counterpart with best technique;

A PPP must be managed by a Special Purpose Company (SPC), which must be created prior to contract signature, and will also be responsible for implementing the partnership. On its turn, PPP contracts must include term, penalties, sharing risks, remuneration; and must establish adjustment indexes, mechanisms for preserving currency of services offer, default, objective criteria for assessing performance, guarantees, sharing of economic gains, as well as inspection mechanisms.

In this context, Federal and State of Ceará Governments increasing interest for PPPs is revealed through incentive programs created by these two entities. At federal level, the Investment Partnership Program (IPP) is aimed to remove bureaucracy and excessive government interference in concessions.

In this perspective, the Management Committee of the federal program published on September 2016 resolutions with general and strategic guidelines aiming to streamline the process of contracting private companies, whilst giving them mechanisms to ensure greater transparency and publicity, as well as respective environmental viability.

Similarly, Committee's resolutions have also revealed Federal Government PPP policy direction by giving an opinion on projects that are eligible for PPI, and therefore should be hired through contracts with private sector. Among such developments there are airports, highways, railways, water companies, with particular emphasis onto Pinto Martins International Airport, located in Fortaleza/CE.

The State of Ceará Government also released in 2016 a Public-Private Partnership Concession Program. This Program highlighted 10 (ten) initial state assets:

1. Events Center;
2. Olympic Training Centre;
3. Arena Castelão (Football Stadium);
4. Aquarium;
5. Ceasa (Vegetable and Fruits Fair);
6. Solar Panels;
7. Digital Belt;
8. Subway System;
9. Industrial Complex of the Port of Pecém;
10. Land in Fortaleza that will be available to the real estate market;

This scenario indicates that the Government will increasingly use PPP as an instrument vehicle to investment in infrastructure and in urban renewal.

On the other hand, the private partner has the opportunity to contribute to improvements through an instrument that gives them greater benefits and economical guarantees.

Conclusion

In addition to the information presented briefly in this chapter, there is a relevant collection on the internet where many aspects of subjects above mentioned to further consultation.

Find below web-research sources separated by theme:

International Agreements Signed by Brazil (bilateral and multilateral)	dai-mre.serpro.gov.br www2.mre.gov.br/dai/quadros.htm
International Agreements Signed by Brazil to Avoid Double Taxation	idg.receita.fazenda.gov.br/aceso-rapido/legislacao/acordos-internacionais/acordos-para-evitar-a-dupla-tributacao/acordos-para-evitar-a-dupla-tributacao
International Legal Cooperation Agreements Signed by Brazil (bilateral and multilateral)	www.agu.gov.br/page/content/detail/id_conteudo/113478
Arbitration (Mediation and Arbitration Center of the Brazilian-Portuguese Chamber)	www.cbpce.org.br
Federal Legislation (foreign exchange and foreign capital)	www.bcb.gov.br/?CAMBIOLEG
Countries or Places with Favored Taxation and Privileged Tax Regimes, According Understanding from Brazilian Government.	normas.receita.fazenda.gov.br/sijut2consulta/link.action?visao=a_notado&idAto=16002
Federal Legislation (foreign trade)	idg.receita.fazenda.gov.br/orientacao/aduaneira/regimes-e-controles-especiais/regimes-aduaneiros-especiais
Foreign Trade (general)	www.comexbrasil.gov.br
Foreign Trade (tax simulator)	www.receita.fazenda.gov.br/Aplicacoes/ATRJO/SimuladorImportacao/default.htm
Foreign Trade (Customs Regulation)	www.planalto.gov.br/ccivil_03/_Ato2007-2010/2009/Decreto/D6759.htm#art820
Mercosur	www.mercosur.int
Federal Tax Incentives for the Northeast (Sudene)	www.sudene.gov.br/incentivos-fiscais-e-fundos
Regis Limited Partnership Registration (manual)	www.drei.smpe.gov.br/legislacao/instrucoes-normativas/titulo-menu/pasta-instrucoes-normativas-em-vigor-04/in-10-2013-anexo-2-manual-de-registro-sociedade-limitada-08-09-2014_p2_2015.pdf
Corporation Registration (manual)	www.drei.smpe.gov.br/legislacao/instrucoes-normativas/titulo-menu/pasta-instrucoes-normativas-em-vigor-04/in-10-2013-anexo-3-manual-de-registro-de-sociedade-anonima_08092014.pdf
Individual Limited Liability Company Registration (manual)	www.drei.smpe.gov.br/legislacao/instrucoes-normativas/titulo-menu/pasta-instrucoes-normativas-em-vigor-04/in-10-2013-anexo-5-manual-de-registro-de-eireli-08-09-2014.pdf
Tax Incentives	www.cede.ce.gov.br/cede/paginas/legislacoesfdi
Intellectual Property	www.inpi.gov.br
Federal Legislation (general)	www4.planalto.gov.br/legislacao
Federal Legislation (tax)	normas.receita.fazenda.gov.br/sijut2consulta/consulta.action
Federal Legislation (environment)	www.mma.gov.br/port/conama/legiano.cfm?codlegitipo=1
Foreign Work	portal.mte.gov.br/trab_estrang/
State Taxation on Transactions in Export Processing Zones - ZPE	www1.fazenda.gov.br/confaz/confaz/Convenios/ICMS/1998/CV099_98.htm
Foreigners Visa	trabalho.gov.br/trabalho-estrangeiro
City of Aquiraz	www.aquiraz.ce.gov.br
City of Cascavel	cascavel.ce.gov.br
City of Caucaia	www.caucaia.ce.gov.br
City of Chorozinho	www.chorozinho.ce.gov.br
City of Eusébio	www.eusebio.ce.gov.br

City of Fortaleza	www.fortaleza.ce.gov.br
City of Guaiuba	www.guaiuba.ce.gov.br
City of Horizonte	horizonte.ce.gov.br
City of Itaitinga	www.itaitinga.ce.gov.br
City of Maracanau	www.maracanau.ce.gov.br
City of Maranguape	www.maranguape.ce.gov.br
City of Pacajus	https://www.facebook.com/governodepacajus/
City of Pacatuba	www.pacatuba.ce.gov.br
City of Pindoretama	pindoretama.ce.gov.br
City of São Gonçalo do Amarante	www.saogoncalodoamarante.ce.gov.br
City of São Luís do Curu	saoluisdocuru.ce.gov.br
City of Paraipaba	www.paraipaba.ce.gov.br
City of Paracuru	www.paracuru.ce.gov.b
City of Trairi	trairi.ce.gov.br