Indirect Tax Alert

News from EY Americas Tax

Brazil's Superior Court of Justice extends Reintegra tax benefit to sales of goods destined to the Manaus Free Trade Zone

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Brazil's Superior Court of Justice (STJ) held, on 18 February 2020, that sales of goods with national origin to the Manaus Free Trade Zone (MFTZ) for consumption, industrialization or re-export abroad are considered exports that qualify for the tax benefit known as *Reintegra* (i.e., Special Regime for Reinstatement of Tax Amounts to Exporting Companies).

Law 12,546/2011 established *Reintegra*, which is a tax incentive that returns PIS/COFINS (i.e., social contributions) tax credits to exporting companies to eliminate remaining tax liabilities in the production chain and preserve the competitiveness of Brazilian export prices. The credits are calculated by applying a specific rate determined by Brazilian tax authorities. The rates varied during the past five years, but could reach as high as 2%, depending on the period.

The STJ and lower courts of justice may use this decision as a guide in future cases beginning on the date the decision is published in the Electronic Court Gazette. The decision states the following:

The tax benefit of the Special Regime for Reinstatement of Tax Amounts to Exporting Companies (Reintegra) reaches the operations related to the sale of goods of national origin to MFTZ, for consumption, industrialization or re-export abroad.



Because of this decision, companies that have sales to MFTZ and are beneficiaries of *Reintegra* could include the revenue of these sales in the calculation of the PIS/COFINS tax credits.

Given that this decision is not binding (but a relevant precedent), entities with sales to the MFTZ should evaluate how they might benefit from *Reintegra*.

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