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Indirect Tax Alert

News from EY Americas Tax

Brazil: New Ordinance published by Sao Paulo State Authorities establishes new procedures for importing goods within state and brings cash flow opportunities

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On 11 March 2020, the authorities in the Brazilian state of Sao Paulo published Ordinance CAT (Coordination of Tax Administration) #24/2020, which modifies the procedures for the taxation and clearance of imported goods within the state.

At first glance, the Ordinance could be understood as a consolidation of existing rules on this matter (since it absorbed and/or revoked provisions of Ordinance CAT #59/2007). However, the Ordinance may have some positive implications for taxpayers. For example, Brazilian taxpayers can request the benefits of a special regime to suspend ICMS (state value-added tax) on imports when certain conditions are met (as seen in Article 14) (i.e., ICMS is suspended when products are cleared by customs, but due when products are sold). Unlike past ordinances, Ordinance CAT #24/2020 does not use the term "partial suspension," which could lead taxpayers to believe that it changed to a full suspension of ICMS on imports.

In addition to the conditions usually required for the suspension of ICMS on imports (e.g., unloading and customs clearance of goods in the State of São Paulo and proof of existing ICMS credit balance), Ordinance CAT #24/2020 establishes a new condition under which taxpayers must prove that a similar Brazilian product does not exist or there is insufficient production of the product in Brazil.

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