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# IMPORTING TO BRAZIL

– Guidelines for Finnish and other foreign-based companies



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## IMPORTING TO BRAZIL

- Guidelines for Finnish and other foreign-based companies

Importing to Brazil is known for its complex regulatory environment regarding taxes and administrative procedures. This can be seen as cautiousness among Finnish and other foreign-based companies when engaging in foreign trade transactions with Brazil.

The objective of this thesis was to create an understanding about the scope of the main formalities when importing to Brazil focusing on import taxes, administrative procedures and documents involved. Also, the idea was to get acquainted with all the main agencies and other parties that either administer or operate in the field of import. These topics are presented not only in theory but also through a chosen case scenario in order to achieve a deeper insight and orientation towards the subject.

Suggestions for how to reduce costs when considering import taxes and administrative procedures as well as why goods may get stuck in Brazilian customs is presented.

This thesis was written in São Paulo, Brazil in a Brazilian company that works as a logistics service provider and has a partner company in Finland. The primary information sources for this research were the data that is received from the Brazilian and the Finnish logistics service provider and from an interview with a Brazilian customs broker. Based on this information, the relevant theoretical information was gathered and added from carefully selected e-material which includes Brazilian and foreign governmental sources, publications, articles, journals, news and other media channels.

This thesis fulfils its purpose resulting in a useful management tool for Finnish and other foreign-based companies that are intending to start importing to Brazil and wants to familiarize themselves with the action in order to improve their business and minimize risks.

### KEYWORDS:

foreign trade, import, regulations, customs clearance, tax, cost-efficiency, business development

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# MAAHANTUONTI BRASILIAAN

- Opas suomalaisille ja muille ulkomaisille yrityksille

Brasilian maahantuonti tunnetaan sen monimutkaisista lainsäädännöllisistä puitteista koskien tuontimaksuja ja hallinnollisia menettelyjä. Tämä korostuu niin suomalaisten kuin ulkomaistenkin yritysten keskuudessa varovaisuutena tehdessään ulkomaankauppaa Brasiliaan.

Tämän opinnäytetyön tavoitteena oli luoda käsitys keskeisistä muodollisuuksista Brasilian maahantuonnissa keskittyen tuontiveroihin ja -menettelyihin sekä mukaan luettaviin asiakirjoihin. Tämän lisäksi ajatuksena oli perehtyä keskeisiin virastoihin ja muihin osapuoliin, jotka joko hallinnoivat tai muuten toimivat Brasilian maahantuonnissa. Nämä aiheet esitetään niin teorian kuin tarkasti valitun käytännön esimerkin kautta syvemmän näkemyksen ja ymmärryksen saavuttamiseksi.

Työssä esitetään ehdotuksia, miten vähentää tuontikustannuksia ottaen huomioon verot ja hallinnolliset menettelyt sekä mitkä tekijät saattavat aiheuttaa tavaroiden juuttumisen Brasilian tulliin.

Tämä opinnäytetyö on kirjoitettu brasilialaisessa yrityksessä São Paulossa, Brasiliassa, joka toimii logistiikan palveluntarjoajana ja jolla on partneriyritys Suomessa. Pääasiallisina tiedonlähteinä on käytetty tietoa, joka on peräisin brasilialaiselta ja suomalaiselta logistiikan palveluntarjoajalta sekä brasilialaisen tulliasioitsijan kanssa tehdystä haastattelusta. Näiden tietojen perusteella aiheeseen liittyvä teoreettinen materiaali lisättiin tarkoin valitusta sähköisestä materiaalista, mikä sisältää niin brasilialaisia kuin ulkomaisia valtion hallinnoimia lähteitä sekä erilaisia julkaisuja, artikkeleita, lehtiä, uutisia ja muita mediakanavia.

Opinnäytetyössä päästiin tavoitteeseen ja tuloksena on hyödyllinen johtamistyökalu niin suomalaisille kuin ulkomaisille yrityksille, jotka aikovat maahantuoda tavaraa Brasiliaan ja jotka haluavat tutustua Brasilian maahantuontiin kehittääkseen liiketoimiaan ja minimoidakseen riskejä.

ASIASANAT:

ulkomaankauppa, maahantuonti, säädökset, tullaus, vero, kustannustehokkuus, liiketoiminnan kehittäminen

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## LIST OF ABBREVIATIONS (OR) SYMBOLS

Abbreviation	Explanation of abbreviation / Translation
3PL	3 <sup>rd</sup> -Party Logistics
ABIMAQ/SINDIMAQ	<i>Associação Brasileira da Indústria de Máquinas e Equipamentos/Sindicato Nacional das Indústrias de Máquinas</i> / Association of Industrial Machines and Equipments in Brazil/National Syndicate of Industrial Machines
AEO	<i>Operadores Econômicos Autorizados</i> / Authorized Economic Operators
AFRMM	<i>Adicional ao Frete para Renovação da Marinha Mercante</i> / Additional Freight for the Renovation of the Merchant Marine
ALADI	<i>Associação Latino-Americana de Integração</i> / Latin American Integration Association
ANEEL	<i>Agência Nacional de Energia Elétrica</i> / National Agency of Electric Power
ANP	<i>Agência Nacional do Petróleo, Gás Natural e Biocombustíveis</i> / National Agency of Petroleum, Natural Gas and Biofuels
ANVISA	<i>Agência Nacional de Vigilância Sanitária</i> / National Health Surveillance Agency
AWB	<i>Conhecimento Aéreo</i> / Air Waybill
B/L	<i>Conhecimento de Embarque Marítimo</i> / Bill of Lading
BACEN	<i>Banco Central do Brasil</i> / Central Bank of Brazil
BNDES	<i>Banco Nacional de Desenvolvimento Econômico</i> / National Bank of Economical and Social Development
BRICS	Brazil, Russia, India, China and South Africa
CAEx	<i>Comitê de Análise de Ex-Tarifários</i> / Ex-Tarário Analysis Committee
CAMEX	<i>Câmara de Comércio Exterior</i> / Chamber of Foreign Trade
CMC	<i>Conselho do Mercado Comum</i> / Counsel of Common Market
CHGS Code	Charges Code
CI	<i>Comprovante de Importação</i> / Proof of Import
CIF	Cost, Insurance and Freight

CNEN	<i>Comissão Nacional de Energia Nuclear / National Commission of Nuclear Energy</i>
CNPJ	<i>Cadastro Nacional de Pessoa Jurídica / National Registry of Companies – Tax Number</i>
CNPq	<i>Conselho Nacional de Desenvolvimento Científico e Tecnológico / National Council of Scientific and Technological Development</i>
COFINS	<i>Contribuição para o Programa de Integração Social e o Programa de Formação do Patrimônio do Servidor Público / Contribution for Financing the Social Security</i>
CPF	<i>Cadastro de Pessoa Física</i>
CRT	<i>Conhecimento de Transporte Rodoviário / Road Waybill</i>
DECEX	<i>Departamento de Operações de Comércio Exterior / Department of Foreign Trade Operations</i>
DI	<i>Declaração de Importação / Import Declaration</i>
DPF	<i>Departamento de Polícia Federal / Federal Police Department</i>
EBCT	<i>Empresa Brasileira de Correios e Telégrafos / Brazilian Mail and Telegraph Company</i>
EPCM	<i>Engineering, Procurement and Construction Management</i>
GDBN	<i>Grupo Técnico de Gestão do Detalhamento Brasileiro Nomenclatura / Technical Management Group of Detailed Brazilian Nomenclature</i>
HS	<i>Sistema Harmonizado / Harmonized System</i>
IATA	<i>International Air Transport Association</i>
IBAMA	<i>Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais / Brazilian Institute of the Environment and Renewable Natural Resources</i>
ICMS	<i>Imposto Sobre Operações Relativas à Circulação de Mercadorias e Serviços de Transporte Interestadual de Intermunicipal e de Comunicações / Tax on the Circulation of Goods, Interstate and Intercity Transportation and Communication Services</i>
IE	<i>Inscrição Estadual / State Inscription</i>
II	<i>Imposto de importação / Import Tax</i>
IM	<i>Inscrição Municipal / Municipal Inscription</i>
INCOTERMS	<i>Termos Internacionais de Comércio / International Commercial Terms</i>

INMETRO	<i>Instituto Nacional de Metrologia, Normalização e Qualidade Industrial</i> / Harmonized System / Brazilian Institute of the Environment and Renewable Natural Resources
IPI	<i>Imposto sobre Produtos Industrializados</i> / Tax on Industrialized Products
IPT	<i>Instituto de Pesquisas Tecnológicas do Estado de São Paulo</i> / Institute of Technological Research of São Paulo
LSP	Logistics Service Provider
MAPA	<i>Ministério da Agricultura, Pecuária e Abastecimento</i> / Ministry of Agriculture, Livestock and Supply
MCT	<i>Ministério da Ciência, Tecnologia e Inovação</i> / Ministry of Science, Technology and Innovation
MDIC	<i>Ministério do Desenvolvimento, Indústria e Comércio Exterior</i> / Ministry of Development, Industry and Foreign Trade
MERCOSUL	<i>Mercado Comum do Sul</i> / Common Market of South
MERCOSUR	<i>Mercado Común del Sur</i> / Common Market of South
MIC	<i>Manifesto Internacional de Carga</i> / International Cargo Manifest
NBM	<i>Nomenclatura Brasileira de Mercadorias</i> / Common Nomenclature of Merchandise
NCM	<i>Nomenclatura Comum do MERCOSUL</i> / Common Nomenclature of MERCOSUL
NCV	No Customs Valuation
NESH / hENs	<i>Notas Explicativas do Sistema Harmonizado</i> / Harmonized European Standards
NVD	No Value Declared
PIS/PASEP	<i>Contribuição para o Programa de Integração Social e o Programa de Formação do Patrimônio do Servidor Público</i> / Contribution for the Social Integration Program and the Program of Formation of the Patrimony of the Public Servants
RADAR	<i>Ambiente de Registro e Rastreamento da Atuação dos Intervenientes Aduaneiros</i> / Registry and Tracking of Actions with Customs Authorities
RCP	Rate Combination
RFB	<i>Receita Federal do Brasil</i> / Federal Revenue of Brazil



SDP	<i>Secretaria de Desenvolvimento da Produção</i> / Secretary of Production Development
SECEX	<i>Secretaria de Comércio Exterior</i> / Foreign Trade Secretariat
SISCOMEX	<i>Sistema Integrado de Comércio Exterior</i> / Integrated System for Foreign Trade
SUFRAMA	<i>Superintendência da Zona Franca de Manaus</i> / Manaus Free Trade Zone Superintendence
TEC	<i>Tarifa Externa Comum</i> / Common External Tariff
TIF/DTA	<i>Conhecimento de Transporte Ferroviário</i> / Rail Waybill
TIPI	<i>Tabela de Incidência do Imposto sobre Produtos Industrializados</i> / Tax Incidence Table on Industrialized Products
UNASUR	<i>União de Nações Sul-Americanas</i> / The Union of South American Nations
VMLE	<i>Valor da Mercadoria no Local de Embarque</i> / Value of the Goods on Loading
WT/VAL	Weight/Valuation
WCO	World Customs Organization
WTO	World Trade Organization

# 1 INTRODUCTION

## 1.1 Background

Brazil, Russia, India, China and South Africa, the large emerging economies in the world and commonly known as BRICS countries, are globally perceived as offering huge opportunities and potential for growth. However, Brazil might be considered better positioned among the BRICS countries due to its richness in natural resources, largely unexploited market and growth in international trade and globalization. (PwC 2015.)

The Federative Republic of Brazil is the largest economy in South America and 7<sup>th</sup> largest economy in the world. It has a highly diversified economy and it is one of the largest consumer markets in the world with over 203 million inhabitants. It is the only Portuguese speaking country in the Americas and the largest Portuguese-speaking country in the world, in addition to being one of the most multicultural and ethnically diverse nations on the planet. (Deloitte 2015a.)

The country has a highly productive agricultural sector, a broad and sophisticated industrial base, and also abundant natural resources and commodities. The primary economic sectors in Brazil are agriculture, aerospace, automotive, oil & gas, energy, mining and technology products. The country's total land mass is the fifth largest in the world and its soil is rich in bauxite, iron ore, timber, tin, manganese, natural gas, aluminium, nickel and gold. The main import items comprise petroleum, vehicle parts, mechanical equipment, electronic micro parts, iron & steel and chemicals. In recent years, Brazil has also become significantly involved in oil production. Furthermore, the country is a leader in renewable energy. Hydropower and biomass energy account for more than 76% of the country's total electricity output. (Mazars 2015.)

There are more than 50 subsidiaries of Finnish companies in Brazil, with about 15 000 employees and around €2.6 billion turnover. In addition, hundreds of Finnish companies export to Brazil on regular basis. Finnish and Brazilian industries are complementary; Finnish companies produce very demanding technical solutions, which help Brazilian industries such as pulp and paper, telecommunications, minerals, energy and marine & offshore, to increase their competitiveness. (ExportFinland 2016.)

Finnish companies and their know-how of high-technology solutions are prominently present in Brazil. For instance, in March 2016, a new 1.5-million-ton pulp mill which was built by a Brazilian pulp manufacturer Klabin in Brazil, started its operations. It produces bleached hardwood pulp from eucalyptus and bleached softwood pulp made of pine. Part of this softwood can be converted into fluff pulp, making the mill the only in the world designed to produce all three fibres. In connection to this plant, a Finnish company Valmet, which is a leading global technology and service provider, was awarded to provide a pair of pulp drying lines. These are one of the biggest drying machines in the world (GoodnewsFinland 2016). Also Kemira, a Finnish multinational chemicals company, was awarded to build a sodium chlorate plant in connection to Klabin's plant. In addition to this, other Finnish multinational companies such as Pöyry, Wärtsilä, Vaisala, Konecranes, Valmet, Outotec and Normet, has a strong and stable position in the Brazilian market.

Brazilian government has ambitious investment plans for improving conditions in Brazil. For example, on June 9<sup>th</sup> 2015, the government announced \$64 billion investment plan for infrastructure including that \$22 billion will be carried out in the next four years (Bloomberg 2015). Also, increase in privatizations of state-owned companies is expected; the government is currently preparing privatizations in logistics sector worth of \$32 billion in total to be executed during years 2017 and 2018 (Suomen suurlähetystö, Brasilia 2016). Therefore, Finland has been intensively increasing its efforts to promote foreign trade with Brazil. Team Finland, which is a unite network for promoting the internationalisation of Finnish companies, has arranged several business delegation visits in recent years from Finland to Brazil for promoting business opportunities in sectors such as marine & offshore, ports, bioenergy & waste-to-energy, smartgrid and education.

This thesis was written in São Paulo, Brazil in a Brazilian company which works as a logistics service provider and has a partner company in Finland. One of the services that these companies offer is transportation from Finland to Brazil. In these cases, when importing goods to Brazil, the following topics arises as a dominative factors: Brazil's highly regulated administrative procedures and complex tax environment. They make Brazil a complicated place to do business for foreign-based companies and it may result in unexpected risks on business plans.

Although Brazilian import is known of its complex regulatory environment regarding taxes and legislation, there are plenty of opportunities as well. With proper research it is

possible to find time- and cost-effective solutions. Still, it seems that there is not much of information available about it and a certain unawareness prevails among Finnish and other companies. That is to say, the foundation for the topic of this thesis was created.

From the author's point of view, the study offered a great amount of valuable and first-hand information as the writer's career intention is to engage in foreign trade operations with Finnish and Brazilian companies.

## 1.2 Objective

The objective of this thesis is to create an understanding about the scope of formalities when importing to Brazil focusing on main import taxes, administrative procedures and documents involved. Also, the idea is to get acquainted with all the main agencies and other parties that either administers or operates in the field of import. These topics are presented not only in theory but also through a chosen case scenario in order to achieve a deeper insight and orientation towards the subject.

This thesis could be useful as a management tool to Finnish and other foreign-based companies that are intending to import to Brazil and wants to familiarize themselves with the action in order to improve their business and minimize risks.

## 1.3 Methodology

This study is a qualitative research. The primary information sources for the research are the data that is received from the Brazilian and Finnish logistics service providers and from an interview with a Brazilian customs broker as follows in Appendix 9. Based on this information the relevant theoretical information is gathered and added from carefully selected e-material which includes Brazilian and foreign governmental sources, publications, articles, journals, news and other media channels. With this in mind, a great amount of translation work was also required.

This thesis is divided into seven chapters. The introduction chapter explains the aim of the study as well as the objectives and answers pursued. Chapters 2, 3 and 4 presents theoretical information regarding taxes, administrative procedures and documents involved when importing to Brazil. The 5<sup>th</sup> chapter is reserved for the practical approach

and in the 6<sup>th</sup> chapter a summarized analysis about the importing process is provided. In the conclusion the successfulness of this thesis regarding its purpose is evaluated.

#### 1.4 Limitations

When examining the chain of logistics in foreign trade and especially when moving cargo from its place of origin to its final destination and the different tasks and phases in-between, it is possible to gather following steps to be executed:

- Loading on truck at origin
- Export customs declaration form completion
- Carriage to port/airport of export
- Export clearance
- Unloading at port/airport of export
- Loading onto vessel/aircraft at the port/airport of export
- Carriage to port/airport of import
- Unloading charges at port/airport of import
- **Import customs clearance**
- **Import taxes and duties**
- Loading on carrier at port/airport of import
- Carriage to place of destination
- Responsibility for insurance

This thesis focuses on the event where cargo reaches the border of Brazil until its release from the Customs authorities, and the steps as highlighted above. Topics such as pre-carriage to Brazil and inland transportation in Brazil are not presented in a detailed manner.

## 2 PAYABLES

Brazil's highly regulated and complex tax environment makes it a complicated place to do business for foreign-based companies. Therefore, it requires attention when structuring a foreign trade transaction in order to minimize any liabilities for success. In this chapter the method for classifying goods when importing to Brazil is presented. Also, the outline of duties and taxes involved is determined as well as a short description of what each tax is imposed on and the way they impose on goods is presented.

### 2.1 Classification of goods

Brazil is a member of MERCOSUL, which is an abbreviation for *Mercado Comum do Sul* and it stands for Common Market of South. It is also referred by the Spanish speaking countries as MERCOSUR. MERCOSUL, established in 1991, is practically a trade union and its member countries are Brazil, Argentina, Paraguay, Uruguay and Venezuela. The classification of goods when importing to Brazil is based on the Common Nomenclature of MERCOSUL (*Nomenclatura Comum do Mercosul*), which is more commonly known as NCM. It was adopted in 1995 by Brazil, Argentina, Paraguay and Uruguay in order to foster the growth of international trade by elaborating freight tariffs, providing other relevant information to international trade and making the creation and comparison of statistics easier. NCM is based on The Harmonized Commodity Classification and Coding System, or simply Harmonized System (HS), which is an international standardized method of product classification based on a code structure and related descriptions. The creation and updating of the HS is the responsibility of World Customs Organization (WCO). (Masterclass Brazil 2015.)

The so-called NCM is a code consisting in total of eight digits. The first six digits come from the HS while the seventh and eighth digits come from the NCM. The system first assigns goods to categories of natural and crude products and progresses to assign goods to categories with higher complexity. Its systematic classification corresponds to the following structure illustrated in Table 1.

Table 1. Illustration of determining the NCM Code.

Levels of classification	Digits of classification	Example
Chapter, first two digits	0 0 0 0 . 0 0 . 0 0	01 - Live animals
Position, first four digits	0 0 0 0 . 0 0 . 0 0	0104 - Live animals of the ovine or caprine species
Simple sub-position, fifth digit	0 0 0 0 . 0 0 . 0 0	0104.1 - Live animals of the ovine or caprine species, ovine
Composed sub-position, sixth digit	0 0 0 0 . 0 0 . 0 0	0104.10 - Live animals of the ovine or caprine species, ovine, breeder
Item, seventh digit	0 0 0 0 . 0 0 . 0 0	0104.10.1 - Live animals of the ovine or caprine species, ovine, breeder, pure race
Sub-item, eighth digit	0 0 0 0 . 0 0 . 0 0	0104.10.11 - Live animals of the ovine or caprine species, ovine, breeder, pure race, pregnant or with nestling

The NCM has a total of 21 sections that contain 99 chapters. Among these chapters, three of them are purposely left blank for special occasions and uses in future (Duran, R. 2013a). Total amount of NCM Codes that exists is over 10 000. The complete list of these product-specific codes is known as the *Tabela Códigos de NCM* which stands for Table of NCM Codes. It can be accessed online for example going to the website of a Brazilian accounting company called Tonziro Contabilidade and following path DEPARTAMENTOS > Departamento Fiscal > Tabelas > Tabela Códigos NCM > Acesse aqui os Códigos NCM.

## 2.2 Brazilian tax system

In Brazil, a total of 90 different kinds of fees such as taxes, duties and contributions are currently charged. These taxes can be divided into three categories based on different governmental sphere:

- Federal taxes, duties and contributions which are regulated and collected by the Federal Government. These fees usually apply equally throughout Brazil;

- State taxes, duties and contributions which are regulated and collected by the Government of each State. These fees are usually regulated differently State by State;
- Municipal taxes, duties and contributions which are regulated and collected per each County's Government. These fees vary significantly throughout Brazil (Utsumi, I. 2014). They impose mainly on lands, properties and services.

### 2.3 Taxes involved when importing to Brazil

When importing to Brazil, the following taxes, duties and contributions are involved:

Federal:

1. Import Tax
2. Tax on Industrialized Products
3. Contribution for the Social Integration Program and the Program of Formation of the Patrimony of the Public Servants
4. Contribution for Financing the Social Security
5. Additional Freight for the Renovation of the Merchant Marine
6. Fee for using Siscomex

State:

7. Tax on circulation of goods, interstate and intercity transportation and communication services

As can be noticed, the fees are mainly collected by the Federal Government and the municipal fees do not incide on this sector. The above-mentioned State tax is the one which varies depending on the destination of the products. In the next lines, a short description of each of the above listed fees is presented.

#### **Import Tax**

Import Tax, which is *Imposto de importação* in Portuguese and commonly known as II, is a federal tax and it is charged when foreign products enter in Brazil. It exists mainly for economic regulation and protection and it is levied on foreign products in order to prevent unfair competition with Brazilian products. (Duran, R. 2013b.)



The member countries of MERCOSUL may execute trade activities tariff-free but when imports involved a third country that is not a member, MERCOSUL has generated a so-called Common External Tariff, which is *Tarifa Externa Comum* in Portuguese and commonly known as TEC. This is a percentual rate and the rates apply for every NCM Code. In other words, for every product there is a product-specific rate for II. The complete list of these codes and their specific rates can be accessed for example from the website of Ministry of Development, Industry and Foreign Trade, which is *Ministério do Desenvolvimento, Indústria e Comércio Exterior* in Portuguese and commonly known as MDIC, and following path Página Inicial > Comércio Exterior > Tarifa Externa Comum - TEC (NCM) - DEINT > Arquivos Atuais > TEC em word completa.

The percentual rate for II may vary from 0% to 35%, depending on the goods involved in the transaction.

### **Tax on Industrialized Products**

Tax on Industrialized Products, which is *Imposto sobre Produtos Industrializados* in Portuguese and commonly known as IPI, is a federal tax levied to national and foreign products which are subjected to any type of industrial process or manufacturing. Despite its collection nature, the tax exists to equalize the costs of foreign industrialized products to national ones. (Farah, A. 2013.)

The percentual rates for IPI varies according to the Tax Incidence Table on Industrialized Products, which is *Tabela de Incidência do Imposto sobre Produtos Industrializados* in Portuguese and commonly known as TIPI. It was established by the Brazilian Government and it is similar to the TEC; for every NCM Code there is a specific rate for IPI. In other words, for every product there is a product-specific rate for IPI. The complete list of these codes and their specific rates can be accessed for example going from the website of Federal Revenue of Brazil, which is *Receita Federal do Brasil* in Portuguese and commonly known as RFB, and following path PÁGINA INICIAL > ACESSO RÁPIDO > TRIBUTOS > IPI - IMPOSTO SOBRE PRODUTOS INDUSTRIALIZADOS > Tabela de incidência do IPI (Tipi).

The percentual rate for IPI may vary from 0% to 300 with an average of 15%.

### **Contribution for the Social Integration Program and the Program of Formation of the Patrimony of the Public Servants**

This contribution is *Contribuição para o Programa de Integração Social e o Programa de Formação do Patrimônio do Servidor Público* in Portuguese and commonly known as PIS/PASEP or PIS. It is a federal social contribution for promoting the participation of the employees in the development of the companies in order to better distribute the national income. PIS is due on importations of goods and services from abroad. (Mello, J. 2013.)

The percentual rate for PIS is 2.1%.

### **Contribution for Financing the Social Security**

Contribution for Financing the Social Security is *Contribuição para o Financiamento da Seguridade Social* in Portuguese and commonly known as COFINS. It is a federal social contribution levied on the gross revenue of businesses in general and it is intended to finance the social security that covers retirement and health care. COFINS is due on importations of goods and services abroad. (Mello, J. 2012.)

The percentual rate for COFINS is 9.65%.

### **Additional Freight for the Renovation of the Merchant Marine**

Additional Freight for the Renovation of the Merchant Marine is *Adicional ao Frete para Renovação da Marinha Mercante* in Portuguese and commonly known as AFRMM. It is a federal social contribution destined to support the development of Brazil's merchant marine and naval construction industry. This contribution is applied only when the transportation is done by sea while importing.

The percentual rate for AFRMM is 25% for long distance sea transport and 10% for coastal transport. An exemption may apply for the ocean carriage of goods that either originated or were destined for ports located in the north or northeastern regions of Brazil. (Duran, R. 2014a.)

## Fee for using SISCOMEX

Fee for using SISCOMEX is *Taxa de Siscomex* in Portuguese and it is charged for using a platform called Siscomex, which is an integrated computerized system for handling all foreign trade transactions in Brazil. Any importer that aims to develop trade activities with Brazil must first apply for using the system. The total amount charged starts from R\$ 214,50.

The amount charged increases if there are more than one so-called additions, *Adição* in Portuguese, involved in the import declaration. Addition is a cargo-specific summary in the import declaration which includes the information about a trade transaction and a calculation of the fees involved. More than one addition may be required when more than one type of product is imported at once and has one of the following characteristics:

- More than one NCM Code is being used or;
- The process for manufacturing a product is different regardless the weight and size or;
- Product came from a different manufacturer or;
- Product came from a different manufacturing country or;
- Requirement for an Import Licence

In other words, under one addition there can be many products of one type as long as they come from the same country of manufacturing and the same manufacturer, have been manufactured in the same way regardless the weight and size, have the same NCM Code and all the products follow the requirements for licencing in the same way.

The amount of charge increases by following structure (data as of June 2016):

1. R\$ 185.00 is for the import declaration
2. + R\$ 29.50 for the first addition = R\$ 214.50
  - a. + R\$ 29.50 for the second addition
  - b. + R\$ 23.60 for every following addition until 5<sup>th</sup> one
  - c. + R\$ 17.70 for every following addition until 10<sup>th</sup> one
  - d. + R\$ 11.80 for every following addition until 20<sup>th</sup> one
  - e. + R\$ 5.90 for every following addition until 50<sup>th</sup> one
  - f. + R\$ 2.95 for every rest of the additions

For example, the total amount charged for using Siscomex when 10 additions are involved, is  $R\$ 185.00 + R\$ 29.50 + R\$ 29.50 + 3 \times R\$ 23.60 + 5 \times R\$ 17.70 = R\$ 403.30$ . The total amount charged is divided then to the product-specific calculations in each addition proportionally regarding to the each product's customs value. The product-specific amount can not be less than R\$ 40.00; then another measures of proportionality are applied.

### **Tax on the Circulation of Goods, Interstate and Intercity Transportation and Communication Services**

This tax is *Imposto Sobre Operações Relativas à Circulação de Mercadorias e Serviços de Transporte Interestadual de Intermunicipal e de Comunicações* in Portuguese and commonly known as ICMS. It is a state tax and it is applied whenever merchandise is transferred from one party to another, including import operations. This merchandise can be for example sales, services, transportation, communication services or supplying of any goods (Duran, R. 2014b). The percentual rate for ICMS is fixed for each state regardless of the product or service on which it incides. When importing, the rate for ICMS is generally 18%.

ICMS has another interesting characteristic. As it is a state tax and the rates may vary according to each of the 27 states in Brazil, there are different rates applied when considering interstate operations. ICMS intrastate tax rates range from 7% to 19%. It can be increased to 25% in certain situations depending on, among other aspects, the type of good, its origin and destination, and regional tax incentives. Almost every situation is unique and should be checked before the import and/or circulation of goods and services in Brazil. ICMS credits may be obtained by the company for raw materials and goods acquired for resale. It is possible to offset these credits against future ICMS amounts to be paid. A company will not be eligible for corresponding tax credits where it has purchased ICMS-inclusive goods without being an ICMS taxpayer. (Mazars 2015.)

As an example, if the goods are bought from A in a state whose rate is 7% to B in a state whose rate is 10%, the seller A will pay 7% and the other 3% will be paid by the buyer B. On the other hand, if the goods are bought from B to A, the seller B will pay the 10% amount and A will get an ICMS credit of the 3% difference, to be discounted in the balance of ICMS taxes to pay in the end of that month. A table of state-specific and interstadual rates is presented in Appendix 1.

In this sense, when considering the location of the customer relative to the port and the delivery term, it is advisable to check from which port the products should be imported and which route is more convenient to choose, if by cabotage or land.

## 2.4 Calculation of taxes

The calculations made by the Customs authorities in Brazil are based on the so-called CIF value of the goods to be imported. CIF is an abbreviation for Cost, Insurance and Freight and it is also known as a term of delivery in the set of International Commercial Terms of delivery named INCOTERMS. The Incoterms defines and distribute the risks and responsibilities between parties of the trade contract. It is important to understand the concept of “*delivery*” when dealing with foreign trade. It does not always mean the physical arrival of the goods at their destination; it actually means the point at which the seller completes his contractual obligation.

When the goods arrive to the Customs, the CIF value of the goods is considered to be as the Customs value. The Customs value consists of following components:

- Value of the product
- Value of freight cost
- Value of insurance cost
- Value of wharfage cost

When calculating the amounts of taxes, duties and contributions involved and the amounts to be paid to the Customs when importing to Brazil, the following equations apply:

Cost due to II:

$$\text{CIF} \times \frac{\text{II} - \%}{100}$$

Equation 1. Cost II.

Cost due to IPI:

$$\left( \text{CIF} + \text{CIF} \times \frac{\text{II} - \%}{100} \right) \times \text{IPI} - \%$$

Equation 2. Cost IPI.

Cost due to PIS:

$$\text{CIF} \times \frac{\text{PIS} - \%}{100}$$

Equation 3. Cost PIS.

Cost due to COFINS:

$$\text{CIF} \times \frac{\text{COFINS} - \%}{100}$$

Equation 4. Cost COFINS.

Cost due to AFRMM:

$$\text{Freight Cost (FC)} \times \frac{\text{AFRMM} - \%}{100}$$

Equation 5. Cost AFRMM.

The calculations so far are quite simple. When it comes to the calculation of ICMS, the equation is more challenging. The idea here is to add all the costs calculated so far together in addition to the Customs value. Then, the NCM-specific rate for ICMS is used in the equation and also the fee for using Siscomex is added to the equation as Cost TS.

Cost due to ICMS:

$$\frac{\text{CIF} + \text{Cost II} + \text{Cost IPI} + \text{Cost PIS} + \text{Cost COFINS} + \text{Cost AFRMM} + \text{Cost TS}}{1 - 0.18} \times \frac{\text{ICMS} - \%}{100}$$

Equation 6. Cost ICMS (1).

One way to calculate the ICMS Cost is to calculate every cost separately, step-by-step, and add to the equation afterwards. On the other hand, it is possible to calculate the

ICMS Cost through a refined equation, based on the before-mentioned equation, as following:

Firstly, further derivation is performed for a term from the Cost ICMS (1):

$$\begin{aligned}
 & \text{CIF} + \text{Cost II} + \text{Cost IPI} + \text{Cost PIS} + \text{Cost COFINS} \\
 &= \text{CIF} + \text{CIF} \times \frac{\text{II} - \%}{100} + \left( \text{CIF} + \text{CIF} \times \frac{\text{II} - \%}{100} \right) \times \frac{\text{IPI} - \%}{100} + \text{CIF} \times \frac{\text{PIS} - \%}{100} + \text{CIF} \times \frac{\text{COFINS} - \%}{100} \\
 &= \text{CIF} \left( 1 + \frac{\text{II} - \%}{100} + \frac{\text{IPI} - \%}{100} + \frac{\text{II} - \% \times \text{IPI} - \%}{100^2} + \frac{\text{PIS} - \%}{100} + \frac{\text{COFINS} - \%}{100} \right) \\
 &= \frac{\text{CIF}}{100^2} (100^2 + \text{II} - \% \times \text{IPI} - \% + 100(\text{II} - \% + \text{IPI} - \% + \text{PIS} - \% + \text{COFINS} - \%))
 \end{aligned}$$

Consequently, when above-mentioned result is inserted to the equation of Cost ICMS:

$$\begin{aligned}
 & \frac{\text{CIF}}{100^2} (100^2 + \text{II} - \% \times \text{IPI} - \% + 100(\text{II} - \% + \text{IPI} - \% + \text{PIS} - \% + \text{COFINS} - \%)) \\
 & \quad + \text{FC} \times \frac{\text{AFRMM} - \%}{100} + \text{TS} \\
 & \quad \times \frac{\text{ICMS} - \%}{100} \\
 & \quad \frac{1 - 0.18}{1 - 0.18}
 \end{aligned}$$

Equation 7. Cost ICMS (2).

When all the costs have been calculated, it is possible to calculate the total cost of the shipment when taking taxes into account. Calculations may differ due to, for example, the transportation mode, since AFRMM is only applied in sea freight. Also, when tax exemptions are applied, they can be eliminated from the equations.

A calculation example is provided in Chapter 5.

### 3 ADMINISTRATIVE PROCEDURES

When importing to Brazil, it is necessary for companies to obtain certain authorizations and licenses. Also, the companies must go through some procedures to enable their goods enter Brazil's territory. In this chapter, the main administrative procedures are presented as well as main organizations involved.

#### 3.1 RADAR

Before starting any foreign trade activities in Brazil, it is necessary to get an authorization for such activities from Federal Revenue of Brazil which is *Receita Federal do Brasil* in Portuguese and commonly known as RFB. It is part of the Ministry of Finance, which is *Ministério da Fazenda* in Portuguese, and it has the same responsibilities as for example Internal Revenue Service, commonly known as IRS, in the United States. RFB is the one which collects the taxes, duties and contributions involved when importing to Brazil.

The authorization is known as the RADAR License. RADAR is an abbreviation for *Ambiente de Registro e Rastreamento da Atuação dos Intervenientes Aduaneiros* and it can be translated into the Registry and Tracking of Actions with Customs Authorities. There are two different kinds of RADAR License. These are presented in the next paragraphs.

##### **RADAR Pessoa Física**

*Radar Pessoa Física* is a special licence that is granted to individuals who will practice foreign trade, which accounts for more than US\$ 3.000, in cases such as for professional activities, for professional collections or for own use and consumption (Bruha, P. 2014.)

##### **RADAR Pessoa Jurídica**

*RADAR Pessoa Jurídica* is a licence exclusively for legal entities or companies that are willing to engage in foreign trade operations. There are three different types of these licenses:



- Limited, which is *Limitada* in Portuguese, is a license for companies whose estimated financial capacity is less than or equal to US\$ 150.000. In other words it is for companies who are capable of practicing foreign trade which accounts for less than or equal to US\$ 150.000;
- Unlimited, which is *Illimitada* in Portuguese, is a license for companies whose estimated financial capacity is more than US\$ 150.000. In other words it is for companies which are capable of practicing foreign trade which accounts more than US\$ 150.000;
- Express, which is *Expressa* in Portuguese, is a license for companies that intend to operate only in export operations. The Express license may be granted also for international organizations or public entities or for companies that have fiscal benefits. With Express license, administrative procedures within foreign trade are faster. (Bruha, P. 2015a.)

The licenses can be applied with related documentation either from the office of RFB or applying a Digital Certificate online. According to the analysed financial capacity of the company, it is up to the judgment of the RFB to decide which type of license will be granted to the company. If the company in question is not satisfied with the license granted, it can appeal to the decision and request a further analysis of its financial capacity. The process for the further analysis can not take longer than ten working days. (Bruha, P. 2015a.)

Limited and Unlimited licenses are valid for 18 months. This period is counted from the date of granting of the license or from the date when the last foreign trade operation registered with Siscomex was made. If there are no foreign trade operations made by the company in 18 months, the company must apply for the RADAR licence again. For granting Limited and Unlimited days, the waiting time is ten working days and for express licence it is two working days. (Bruha, P. 2014.)

There are cases when a company or an individual is exempt of owning a RADAR License when importing to Brazil. These cases can occur when the goods to be imported are worth less than or equal to US\$ 3.000. For these situations the Brazilian Mail and Telegraph Company which is *Empresa Brasileira de Correios e Telégrafos* in Portuguese and commonly known as EBCT, offers service called Simplified Import which is *Importa Fácil* in Portuguese. It is important to notice that the goods imported within Simplified Import procedure can not require any additional authorizations from consenting agencies in Brazil, which is needed when the goods to be imported have special characteristics

but an exemption exists with products for scientific and technological research. Also, when using Simplified Import, only one fixed tax rate is applied which is the Import Tax with the rate of 60%. (Bruha, P. 2015a.)

### 3.2 SISCOMEX

RADAR License is not only an authorization to start operations in foreign trade but it also grants access to the SISCOMEX which an abbreviation for *Sistema Integrado de Comércio Exterior* and as stated earlier, it is an integrated computerized system for handling all foreign trade transactions in Brazil. Any importer that aims to develop trade activities with Brazil must first apply for using the system. (Bruha, P. 2015a.)

#### **Managing and consenting parties**

SISCOMEX is a computerized instrument through which the government controls the foreign trade in Brazil. There are two different types of government agencies intervening in SISCOMEX: the managing parties and the consenting parties. (Bruha, P. 2015a)

The intervening government agencies, as managing parties, responsible for administration, maintenance and improvement of SISCOMEX are:

- Foreign Trade Secretariat, which is *Secretaria de Comércio Exterior* in Portuguese and commonly known as SECEX. It is established by the Ministry of Development, Industry and Foreign Trade which is *Ministério do Desenvolvimento, Indústria e Comércio Exterior* in Portuguese. Its responsibility is to supervise that foreign trade policies apply and international trade agreements are fulfilled;
- Central Bank of Brazil, which is *Banco Central do Brasil* in Portuguese and commonly known as BACEN. It is responsible for handling and controlling the foreign currency exchange;
- Federal Revenue of Brazil, which is as stated earlier, *Receita Federal do Brasil* in Portuguese and commonly known as RFB and in addition to collecting the taxes, duties and contributions involved in importing its responsibility is also to supervise the procedures in Customs. (Bruha, P. 2015a.)

The consenting parties are entities which gives an additional authorization for controlled goods as follows in the Appendix 2.

It is common in Brazil to have the president reform ministries at least in every 4 years, that is his/her regular mandate term. Therefore, in May of 2016, the new president of Brazil, Michel Temer, reformed the structure of Ministries in the Government. Earlier number of ministries was reduced from 32 to 23. During this reform, ministries were either created, united, shut down or their names were changed.

Following ministries and departments were extinguished:

- Secretariat of Ports of the Presidency, which is *Secretaria de Portos da Presidência da República* in Portuguese;
- Secretariat of Civil Aviation of the Presidency, which is *Secretaria de Aviação Civil da Presidência da República* in Portuguese;
- Secretariat of Social Communication of the Presidency, which is *Secretaria de Comunicação da Presidência da República* in Portuguese;
- Office of the Comptroller General of Brazil, which is *Controladoria – Geral da União* in Portuguese;
- Ministry of Culture, which is *Ministério da Cultura* in Portuguese;
- Ministry of Communications, which is *Ministério da Comunicações* in Portuguese;
- Ministry of Agrarian Development which is *Ministério do Desenvolvimento Agrário* in Portuguese;
- Ministry of Women, Racial Equality and Human Rights, which is *Ministério das Mulheres, da Igualdade Racial e dos Direitos Humanos*;
- Military House of the Presidency, which is *Casa Militar da Presidência República* in Portuguese. (Zero Hora 2016.)

Following ministries changed their names:

- Ministry of Development, Industry and Foreign Trade to Ministry of Industry, Trade and Services;
  - o *Ministerio do Desenvolvimento, Indústria e Comércio Exterior em Ministério da Indústria, Comércio a Serviços*;
- Ministry of Science, Technology and Innovation to Ministry of Science, Technology, Innovation and Communications;
  - o *Ministério da Ciência, Tecnologia e Inovação em Ministériö da Ciência, Tecnologia, Inovações e Comunicações*;

- Ministry of Education to Ministry of Education and Culture;
  - o *Ministério da Educação em Ministério da Educação e Cultura;*
- Ministry of Labour and Social Security to Ministry of Labour;
  - o *Ministério do Trabalho e Previdência em Ministério do Trabalho;*
- Ministry of Justice to Ministry of Justice and Citizenship;
  - o *Ministerio da Justiça em Ministério da Justiça e Cidadania;*
- Ministry of Social Development and Fight against Famine to Ministry of Social and Agrarian Development;
  - o *Ministério do Desenvolvimento Social e Combate à Fome em Ministério do Desenvolvimento Social e Agrário;*
- Ministry of Planning, Budget and Management to Ministry of Planning, Development and Management;
  - o *Ministério do Planejamento, Orçamento e Gestão e Ministério do Planejamento, Desenvolvimento e Gestão;*
- Ministry of Transport to Ministry of Transport, Ports and Civil Aviation;
  - o *Ministério dos Transportes em Ministério dos Transportes, Portos e Aviação Civil. (Zero Hora 2016.)*

Following ministries were created:

- Ministry of Transparency, Monitoring and Control, which is *Ministério da Transparência, Fiscalização e Controle* in Portuguese;
- Institutional Security Cabinet of the Presidency, which is *Gabinete de Segurança Institucional da Presidência da República* in Portuguese. (Zero Hora 2016.)

The news about extinguishing the Ministry of Culture and uniting it with the Ministry of Education created great controversy among artistic people. Therefore, on 21<sup>st</sup> of May 2016, Michel Temer decided to separate the Ministry of Culture from the Ministry of Education and recreate it. Also, at the same time, the amount of ministries increased to 25.

As it can be seen, some of the managing and consulting parties either changes or transfers to under different ministries. Although the responsibilities of the agencies and ministries may change, slow paced practical impact can be expected.

## **Other users of SISCOMEX**

In addition to the managing and consenting parties, following entities are users of SISCOMEX:

- Importers, exporters and their representatives;
- Depository, responsible for bonded warehouses, trustee of cargo under customs control;
- Freight forwarder on international trade routes or transporter between bonded warehouse. (Bruha, P. 2015a)

The following people are allowed to be accredited to operate in SISCOMEX as representatives of the company or individual, in the exercise of activities related to the customs clearance:

- Customs broker;
- Director or employee of the represented legal entity;
- Employee of an affiliate or subsidiary of the represented legal entity;
- Employee or specifically designated public server – in cases of a public administration entity, autarchy and public foundation, autonomous public agency, international organization and other extraterritorial institutions. (Bruha, P. 2015a.)

It is important to remember that companies can opt for a customs broker. Most commonly in foreign trade in Brazil, the importer chooses a local customs broker for its legal representative due to the bureaucratic documentation procedures and the language barrier when dealing with Customs authorities.

## **Advantages of SISCOMEX**

SISCOMEX integrates the registration activities, monitoring and controlling foreign trade and allows to follow the exit and entry of goods in Brazil. The system allows users to promptly keep up to date with the transaction of foreign trade, since intervening agencies may take part and interfere at any stage of the process. Through the system itself, the importer can exchange information with the parties responsible for authorizations and consents and therefore, increase the efficiency of foreign trade operations in terms of time and cost. It aims to create a single flow of information in order to:

- Harmonize and standardize codes and nomenclatures;
- Eliminate parallel data collection systems;
- Simplificate and standardize documents;
- Decrease the volume of documents;
- Quicken the information flow and processing;
- Reduce administrative costs;
- Gather data for statistics.

### 3.3 Import License

As a general rule, Brazilian imports are exempted from licensing. However, certain products require an authorization to be imported from the government and in some cases it is necessary to have an Import License, which is *Licença de Importação* in Portuguese. Import License is granted either automatically or non-automatically. The application process can be done via SISCOMEX. The License can be acquired automatically if the managing parties authorize the import. Non-Automatic License is applied when an additional authorization is required for the product to be imported from a consenting party. (Farah, A. 2014.)

There are also products that are prohibited to import to Brazil, such as:

- Narcotics and illegal drugs, as in every substances, natural or not, which when ingested cause physical and psychological changes;
- Cigarettes or alcoholic beverages produced by Brazilian companies, but destined only for foreign markets;
- Counterfeit money and goods, as counterfeit goods are considered a violation of international intellectual property regulations;
- Hazardous waste and other such materials which may cause damage to the environment and public health;
- Pornographic materials;
- Rough diamonds from countries that do not participate in the Kimberley Process;
- Used goods, except when there is no equivalent goods produced in Brazil or when these goods are donated directly to any Brazilian public or charitable entity, for their own use and to meet its institutional purposes, without commercial means;

- Goods, and their packages, destined to children and youth that replicate the shape of cigarettes or other similar tobacco products. (Bruha, P. 2015b)

It is important to mention that all products that present irregular documentation or that were imported without legal authorization from the consenting agencies are prohibited to enter Brazil. On the other hand, the import of these products can be authorized by the consenting party responsible for regulating it. (Bruha, P. 2015b.)

### 3.4 Customs Clearance

There are two different types of processes for customs clearance when importing goods to Brazil:

- Definitive Customs Clearance, which is *Despacho aduaneiro a título Definitivo* in Portuguese;
- Non-Definitive Customs Clearance, which is *Despacho aduaneiro a título não Definitivo* in Portuguese.

Definitive Customs Clearance occurs when any foreign goods enter to Brazil and the goods are owned by a company which is also located in Brazil. The purpose for importing the goods is that they will be consumed later on in Brazil, in terms of creating revenue. (Bruha, P. 2015c.)

The Non-Definitive Customs Clearance is also known as Temporary Customs Clearance. In this case, the intention is to import the goods in temporary basis and they will not be consumed. The goods will enter in Brazil under suspended conditions and a deadline is given for them to be re-exported. The main feature of this type of customs clearance is that tax exemption is granted to the foreign goods entering Brazil. These situations might happen with fairs, exhibitions, congresses, expeditions, shows and others. (Bruha, P. 2015c.)

It is also important to mention about a third possibility; Customs Clearance in Advance which is *Despacho aduaneiro Antecipado* in Portuguese. This occurs when there is a special need for the goods to be cleared as quickly as possible and then to be forwarded to the importer. Most commonly this procedure is adopted for the import of perishable products or others with special characteristics. Also, this procedure may be possible

when goods are transported by land, river or lake or imported by public entities. (Bruha, P. 2015c.)

When it comes to the Mode of Clearance which is *Modalidade de Despacho* in Portuguese, it practically implies that when the goods are cleared; either upon arrival of the goods or in advance. The clearance occurs upon arrival, when Definite and Non-Definitive Clearances apply and this course of action is considered to happen under *Normal* mode. When the clearance is done in advance, the import declaration is registered in prior to arrival. The mode of this kind of clearance is considered to be *Antecipado*. (Bruha, P. 2015c.)

When the Customs authorities have analysed and cleared the goods, they describe the successfulness of the clearance with Customs Conference Channel which is *Canal de Conferencia Aduaneira* in Portuguese. There are four channels available for the Customs to categorize the clearance:

- Green Channel
  - o Green Channel, which is *Canal Verde* in Portuguese occurs when the clearance of the goods is completed without any discrepancies and the goods can be released without any further investigation;
- Yellow Channel
  - o Yellow Channel, which is *Canal Amarelo* in Portuguese occurs when there is a need for revising the documents;
- Red Channel
  - o Red Channel, which is *Canal Vermelho* in Portuguese occurs when there is a need for revising the documents and the goods;
- Grey Channel
  - o Grey Channel, which is *Canal Cinza* in Portuguese occurs when there is a need for revising the documents and the goods as well as declared Customs Value and payment of all taxes.

These Channels affect directly to the amount of time used for clearing the goods and RFB executes all the further investigations. The Green Channel is the fastest one.



### 3.5 Special Customs Regimes

There are so-called Special Customs Regimes, which is *Regimes Aduaneiros Especiais* in Portuguese, for import operations through which it is possible to enjoy tax benefits such as exemption, partial or total suspension of taxes. Special Customs Regimes may be applied in following situations:

- When the goods are supposed to remain in the country on a temporary basis given a certain type need;
- When the goods are supposed to stay in the country but have a certain type of purpose for consumption.

#### **Ex-Tariff**

Ex-Tariff, which is *Ex-Tarifário* in Portuguese, is an incentive promoted by the Ministry of Development, Industry and Foreign Trade (MDIC) whose main objective is to promote investments in capital assets in Brazil through an import duty relief. This regime allows temporary reduction for the rate of Import Tax which means a rate of 2 percent for two years. Ex-Tariff regime is applicable to goods classified as capital, data and telecommunications assets as well as their parts and components, and that do not have a locally produced counterpart. (Deloitte 2015b.)

The applications for Ex-Tariff are handled by the Chamber of Foreign Trade, commonly known as CAMEX, upon proposal of the Ex-Tariff Analysis Committee, CAEx. This committee consists of representatives from the Secretary of Production Development, SDP, from the National Bank of Economical and Social Development, BNDES, and from CAMEX. The Council of Common Market, CMC, approves and maintains current national system of importing goods subject to Ex-Tariff Regime (Brasilengenharia 2014). The names of these organs in Portuguese are as following:

- The Chamber of Foreign Trade, which is *Câmara de Comércio Exterior* in Portuguese and commonly known as CAMEX;
- Ex-Tariff Analysis Committee, which is *Comitê de Análise de Ex-Tarifários* in Portuguese and commonly known as CAEx;
- The Secretary of Production Development which is *Secretaria de Desenvolvimento da Produção* in Portuguese and commonly known as SDP;

- The National Bank of Economical and Social Development, which is *Banco Nacional de Desenvolvimento Econômico e Social* in Portuguese and commonly known as BNDES;
- The Council of the Common Market, which is *Conselho do Mercado Comum* in Portuguese and commonly known as CMC.

In order to apply for the Ex-Tariff, the importer must file a request called “*Formulário para apresentação de pleito de Ex-Tariário*” with the SDP and provide certain documentation for analysis. Following the request, a certificate of non-similarity may be issued: the check starts when the detailed specifications equipment, as well as detailed description of their performance together with technical catalogs, reaches to BNDES, or to Association of Industrial Machines and Equipments in Brazil/National Syndicate of Industrial Machines which is *Associação Brasileira da Indústria de Máquinas e Equipamentos/Sindicato Nacional das Indústrias de Máquinas* which is commonly known as ABIMAQ/SINDIMAQ. These entities have the registry of registered industrial machinery and equipment in Brazil. (Brasilengenharia 2014.)

The difficulties with obtaining Ex-Tariff start to arise when a domestic manufacturer reports that the goods, which are already produced in the country, are equivalent to the ones to be imported. In this case the importer must prove the non-similarity of national goods. There are a few key points to consider when trying to prove that there is not a locally produced counterpart as following:

- When considering machinery for serial production, the analysis can be started with proven and concrete evidence that goods produced with the national machine has different basic characteristics and measures and therefore, can not replace the machine to be imported;
- The importer may also try to prove that the goods produced with the national machine do not have the same quality as produced with the machine to be imported. This is usually more difficult to prove due to the lack of measurable quantities;
- Or that the productivity of the imported machine is significantly higher. The differences in energy and raw materials consumed will be used in order to compare the efficiencies in production;
- If the price and delivery time of the national machine is notably higher than the machine to be imported, it may have an impact in the decision of granting Ex-Tariff. (Brasilengenharia 2014.)

In general the equipment to be imported is equivalent to the national one if following requirements are met:

- The equipments produce the same product;
  - The quality of the product is the same;
  - The productivity is the same;
  - The consumption of raw materials is the same;
  - The price of domestic equipment shall be equivalent to the imported equipment's value including CIF value, taxes and other charges paid in the Customs;
  - The national manufacturer has supplied the equipment in question before.
- (Brasilengenharia 2014.)

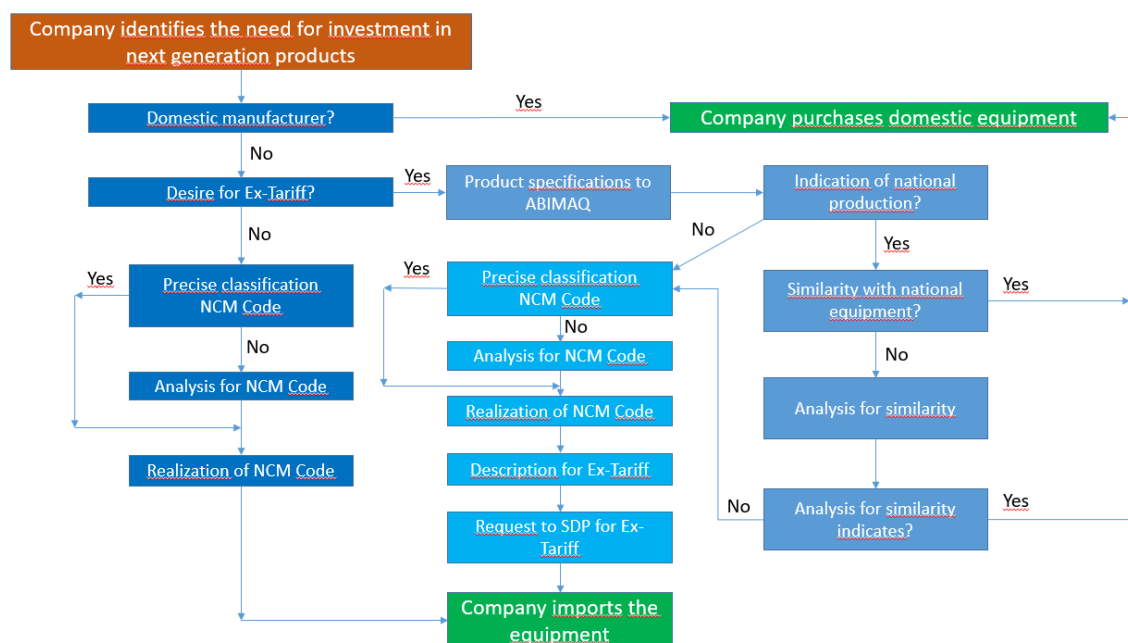
In some cases disputes between the importer and the national manufactures may advance to a dead end when an additional analysis from the CAEx is required. Then CAEx can request a technical report from a technological entity with recognized suitability and competence for verifying either the similarity or non-similarity with the equipment or machines to be imported. The Institute of Technological Research of São Paulo, which is *Instituto de Pesquisas Tecnológicas do Estado de São Paulo* in Portuguese and commonly known as IPT, has frequently been called to issue technical opinions, analysis and proof of similarity or non-similarity for resolving disputes. (Brasilengenharia 2014.)

There might be also situations when it is difficult to find the correct classification and NCM code for the goods to be imported. For guidance on finding the right NCM code, so-called Harmonized European Standard (hENS), which is *Notas Explicativas do Sistema Harmonizado* in Portuguese and commonly known as NESH, can be utilized. It was created for establishing more detailed scope and contents of Nomenclatures and therefore, for providing clarification and interpretation of the HS. However, even after consulting hENS, the information gathered for individualizing a certain product may be insufficient, especially when framed in relatively broad contents of NCM codes such as the ones described only by the expression of "other". When this situation occurs, it is possible to contact the Technical Management Group of Brazilian Detailed Nomenclature, which is *Grupo Técnico de Gestão do Detalhamento Brasileiro Nomenclatura* in Portuguese and commonly known as GDBN, for meeting the needs of higher degree of thoroughness when identifying the goods. The GDBN has representatives from CAMEX, SECEX and RFB. From GDBN the importer can apply for Detailed Brazilian Nomenclature (DBN), which adds four more digits to the NCM code.

It is important to remember that the adoption of DBN do not promote any change in the NCM. (Brasilengenharia 2014.)

Another key thing to remember is that when applying for Ex-Tariff, it is advisable to present information about the objectives of the project or function in which the new equipment will be inserted such as gains in productivity, increases in exports or reduction in imports, improvements in services and infrastructure including possible objectives and so on. The more detailed information about the implementation, expansion and structure of the project or function in which the new equipment will be carried out, the better it can be analysed. Also the economic importance of getting the equipment imported before other international competitors shall be explained. (Brasilengenharia 2014.)

The procedure for applying Ex-Tariff, which can be seen in Picture 1, may take 120 days after initiation.



Picture 1. Illustration of the procedure for obtaining Ex-Tariff.

Process for obtaining Ex-Tariff can be relatively simple when there is a clear and accurate classification for the goods to be imported and when there is no dispute in similarity issues with domestic manufacturers. (Brasilengenharia 2014.)

With the concession of the temporary reduction of the Import Tax, the Brazilian government provides a relevant tax reduction to the importer, since Import Tax is the

basis for the calculation of the other taxes involved with importing to Brazil as stated before. (Deloitte 2015b.)

## Blue Line

Blue Line, which is *Linha Azul* in Portuguese, or Express Customs Clearance, which is *Despacho aduaneiro Expresso* in Portuguese, is designed for importers who seeks to meet minimum requirements for clearing the goods in Brazil. The system follows the international orientation of Authorized Economic Operators (AEO), which is *Operadores Econômicos Autorizados* in Portuguese. (Receita Federal do Brasil 2015a.)

AEO is a part of European Union's legislation. AEO concept is based on the Customs-to-Business partnership introduced by the World Customs Organisation (WCO). It is for traders who voluntarily meet a wide range of criteria work in close cooperation with customs authorities to assure the common objective of supply chain security and they are entitled to enjoy benefits throughout the EU. (European Commission 2016.)

The philosophy behind the Blue Line is to seek to maximize the use of limited resources of public administration in opposition to the growing volume of foreign trade. To that end, the customs administration created a system that rewards traders with benefits who voluntarily meet a wide range of criteria work in close cooperation with customs authorities to assure the common objective of supply chain security. Furthermore, streamlining the customs procedures enables importers to reduce their logistics costs and inventories and thus to become more competitive in the global market. (Receita Federal do Brasil 2015a.)

There are several requirements to be apt to the regime and they can be divided into what the company must have or present and what it can not have:

The company can not:

- Have pendencies of any kind RFB, especially related to the use of especial customs regime;
- Have been submitted to any certain type of special supervision regime according to law over the last three years;
- Operate industrial activities related to cigarettes and tobacco products, guns and ammunition, beverages, jewelry and gems.

The company must:

- Be subjected to the income tax regime based on Actual Profit which is a taxation arrangement for a company. In Brazil, companies can opt to join one of the three possible arrangements of verification of taxes: National Simple System (*Simple Nacional*), Presumable Profit (*Lucro Presumido*) or Actual Profit (*Lucro Real*). Each one has the pre-requisites and pros and cons, so each company chooses which is more convenient or adequate for its regime of cash flow;
- Present proof of fiscal regularity in relation to taxes administrated by RFB;
- Have a computerized accounting;
- Have a computerized corporative system (including foreign trade) integrated to accounting to control the stock of national and international goods, as well as those destined to exports, especially during their input, permanence and output, identifying the operations performed by each establishment.
- Be registered at the National Registry of Companies which is *Cadastro Nacional de Pessoa Jurídica* in Portuguese and commonly known as CNPJ, for more than two years;
- Have a net worth equal or higher than R\$ 20.000.000,00 (20 million reais);
- Have operated at least 100 foreign trade operations over the last 12 months whose sum is equal or higher than US\$ 10.000.000,00. (10 million dollars);
- Present an auditing report endorsing its internal controls, covering operations performed over the last two years contemplating at least the following topics:
  - o Registration of the company data; accounting systems and tax registration;
  - o Provision of a good quality customs clearance, foreign trade and production process;
  - o Compliment with the norms related to special customs regimes;
  - o Safety of the foreign trade logistic chain. (Novais, A. 2013.)

Every two years, the company should provide new audit that demonstrates the ongoing quality of its internal controls.

The major benefit of the Blue Line regime is the reduction of the time taken to release the goods submitted to customs clearance. These goods will be treated by the green channel with the guarantee that, in case the goods need to be inspected, they will be released within eight hours if located at a port and within four hours if located anywhere else. (Novais, A. 2013.)

The Blue Line is common for example in pharmaceutical and automotive industries.

### Temporary Admission

Special Temporary Admission Regime which is *Regime Especial de Admissão Temporária* or *Admissão Temporária* in Portuguese is a regime that allows the entry of goods in Brazil in a case where the goods enter the country with a specific purpose and for a certain period of time, such as one year or two. This regime grants either total or partial exemption of payment of taxes if later on the goods will be exported from Brazil. (Bruha, P. 2014b.)

The special temporary admission policy may apply to goods used in the following purposes with total exemption of taxes due on their entry into Brazil:

- Fairs, exhibitions, congresses and other scientific or technical events;
- Scientific research or expeditions, provided that they are related to projects authorized beforehand by the CNPq;
- Shows, exhibitions and other artistic or cultural events;
- Sporting competitions and exhibitions;
- Trade or industrial fairs and exhibitions;
- Trade promotion, including not-for-sale samples and samples used by sales representatives;
- Inward processing. (Bruha, P. 2014b.)

The following goods can also enter Brazil under Temporary Admission, but with partial exemption of taxes due. In these cases, the amount of taxes due will be proportional to the length of their stay in Brazil:

- Machinery and equipment for economic use - used in the provision of services or in the production of other goods - in the form of operating lease, rent or loan. (Bruha, P. 2014.)

## **Drawback**

Drawback exists for the suspension or elimination of taxes on imported goods to be used in products for further export. The mechanism works as an incentive to exports because it reduces the production costs of the products to be exported making them more competitive in the international market. (Receita Federal do Brasil 2014a.)

## **Antidumping rules**

Dumping is defined as the entry of a product into the local market (including under drawbacks) at a price lower than its normal price in the country of origin. If the entry is considered a threat to the local market, anti-dumping measures are employed. (PwC 2013.)

To avoid such practice, the Brazilian authorities control the import prices based on the inputs obtained in commodity exchanges, specialized publications, price lists of foreign producers, prices declared by the importers, and any other method that allows evaluating import and export prices. If authorities suspect of the price charged, the company has to prove that price adopted is not lower than the price generally charged using one of the comparison methods available. (Deloitte 2015c.)

## **Regional Trading Agreements**

As stated earlier, Brazil is a member of MERCOSUL trade agreement along with Argentina, Paraguay, Uruguay and Venezuela. MERCOSUL acts also as an Customs Union and it includes the following:

- A “rules of origin” agreement whereby MERCOSUL member countries may exchange products tariff-free provided certain conditions are met;
- Exclusion lists that grant MERCOSUL member countries the right to specify import product categories they sought to exclude from the common external tariff and;
- A bilateral accord permitting products manufactured in Brazil's Manaus Free Trade Zone or Argentina's Tierra del Fuego to be traded with full tariff exemptions within the MERCOSUL. (Deloitte 2015c.)



MERCOSUL has also partnered with so-called Andean Community which comprises countries such as Bolivia, Colombia, Ecuador and Peru. This agreement is commonly known as The Union of South American Nations, which is *União de Nações Sul-Americanas* in Portuguese and commonly known as UNASUR. It was established in 2004. UNASUR has stated that import duties should be eliminated among signatories within 15 years. Brazil is also a member of the Latin American Integration Association, which is *Associação Latino-Americana de Integração* in Portuguese and commonly known as ALADI. To respect previous bilateral agreements within MERCOSUL and within the Latin American Integration Association, the bloc has 67 schedules for the reduction and eventual elimination of import duties among the nine members. Brazil is also a member of the World Trade Organization (WTO). (Deloitte 2015c.)

In addition, MERCOSUL signed an agreement in 2004 to adopt special tariffs in its trade with the countries of the Southern African Customs Union, comprising Botswana, Lesotho, Namibia, South Africa and Swaziland. The agreement aims to gradually reduce and eventually eliminate tariffs. Similar agreements were signed with India, Chile, Mexico, Guiana, Suriname, Cuba, among others. (Deloitte 2015c.)

### 3.5.1 Other Regimes

#### **Recof, Repetro, Repex and Repetro**

Recof is a special regime to the imports of products which will be industrialized for national market or markets abroad. This regime is available only for certain manufacturing sectors such as automotive, aviation and IT among others defined by legislation. Suspension of II, IPI and social contributions PIS and COFINS may apply.

Repex is a special regime targeted to the imports of crude oil and its derivatives. Suspension of social contributions PIS and COFINS may apply.

Reporto is a special regime targeted to the modernization and extension of port structures. Suspension of II, IPI and social contributions PIS and COFINS may apply.

Repetro is a special regime targeted to the imports of equipment destined to the exploration of oil and natural gas as well as its production. Total suspension of federal taxes may apply on importation and there may also be ICMS benefits.

## **Bonded Warehouse**

Bonded Warehouse, which is *Entrepósito Aduaneiro* in Portuguese, is a special regime that allows the storage of foreign goods in a bonded warehouse for public use, with suspension of payment of import taxes such as the social contributions called PIS/PASEP and COFINS. As a general rule, the goods may remain in the bonded warehouse for a period of up to one year with an option to request additional year. (Receita Federal do Brasil 2014b.)

## **Certified Bonded Warehouse**

Certified Bonded Warehouse, which is *Depósito Alfandegado Certificado* in Portuguese, is a regime that allows goods that are sold for a company abroad, to be stored in a bonded warehouse and be delivered, under contract, within the national territory and made available to the buyer. The goods can stay in the warehouse for the maximum of 12 months with an option to additional 12-month period. Certain restrictions may apply depending on the State. (Deloitte 2015c.)

## **Special Deposit**

Special Deposit, which is *Depósito Especial* in Portuguese, is a regime which allows the storage of parts, components and replacement materials for maintenance subjected for example to vehicles, machinery, equipment, instruments and so on, either national or foreign ones, with suspension of payment of taxes when importing such as social contributions PIS/PASEP and COFINS. (Receita Federal do Brasil 2014c.)

## **Secured Deposit**

Secured Deposit, which is *Depósito Afiançado* in Portuguese, is a regime which enables the storage of materials imported for the maintenance and repair of the vessels and aircrafts which are owned by an enterprise that operates in the international commercial transportation with suspension of payment of taxes when importing such as social contributions PIS/PASEP and COFINS. (Receita Federal do Brasil 2014d.)

### **Depósito Franco**

*Depósito Franco* is a regime which allows the storage of foreign goods in a bonded warehouse when co-operation with the trade flow of neighbouring countries is required. (Receita Federal do Brasil 2014e.)

### **Customs Transit**

Customs Transit, which is *Trânsito Aduaneiro* in Portuguese, is a special arrangement allowing the transport of goods under customs control from one point to another within the customs territory. In this case, a total suspension of payment of taxes is applied. (Receita Federal do Brasil 2014f.)

### **Duty-Free Shop**

Duty-Free Shop, which is *Loja Franca* in Portuguese, a regime where a duty free shop can be established in ports or airports, as in primary zones or customs territory, in order to practice commercial activities such as sell domestic or foreign goods. In this regime, a total tax suspension is covered and after the sale of goods, the suspension will be converted into exemption. (Receita Federal do Brasil 2014g.)

## 4 DOCUMENTS

There are several documents that must be submitted to the Customs authorities when importing to Brazil. The main reason why goods get stuck at Brazilian Customs is the lack of proper documentation. In this chapter the basic set of documents is presented. It can be considered that if the importer has the knowledge of what are the requirements and what kind of information is needed in the documents, it is safe to say that the importer is more likely to succeed with the importation.

The most important documents when importing to Brazil are so-called Import Declaration and Proof of Import. The Import Declaration contains all the necessary information regarding the importation. When the goods are cleared by the customs, the declaration gets approved and the Proof of Import is achieved as a result.

### 4.1 Import Declaration

Import Declaration, which is *Declaração de Importação* in Portuguese and commonly known as DI, is the document where all necessary information about the information is collected. Its contents can be divided as following:

- Summary about the trade transaction and the cargo
- Details about the trade transaction and the cargo
- Documents required along importation, basic set
  - o Bill of Lading
  - o Commercial Invoice
  - o Packing List
  - o Other documents

An example template of Import Declaration and filling instructions of it are presented in Appendix 7.

## Bill of Lading

Bill of Lading, which is *Conhecimento de Carga* in Portuguese, is one among other documents that must be delivered to the Customs authorities in order to fulfil the import declaration's requirements.

Bill of Lading is a shipping document and represents a contract between the shipper of the goods and the carrier. It can be said that the owner of the goods is the one who possesses the Bill of Lading, since Bill of Lading works as a proof of ownership. Therefore, this document has also another characteristic; it is used for many types of financial transactions. It can be bought, sold or traded while the goods are in transit.

There are specific types of Bill of Ladings depending on the transportation mode used as following:

- When transporting by sea freight, Bill of Lading, which is *Conhecimento de Embarque Marítimo* in Portuguese and commonly known as B/L, is applied
- When transporting by air freight, Air Waybill, which is *Conhecimento Aéreo* in Portuguese and commonly known as AWB, is applied
- When transporting by road, Road Waybill, which is *Conhecimento de Transporte Rodoviário* in Portuguese and commonly known as CRT, is applied
- When transporting by rail, Rail Waybill, which is *Conhecimento de Transporte Ferroviário* in Portuguese and commonly known as TIF or DTA, is applied.  
(Receita Federal do Brasil 2016d.)

Bill of Ladings can also be classified depending on the amount of parties involved in the transportation as following:

- Combined, named *Único* in Portuguese, is applied when the document is issued by the carrier itself such as shipping agency, airline or ship owner and when the consignee is not a deconsolidator agent;
- Master, also named *Master* in Portuguese, is applied when the document is issued by the main carrier on receipt of goods from the freight forwarder;
- House, also named *House* in Portuguese, is applied when the document is issued by a freight forwarder on receipt of goods from the shipper;

- Sub-Master or Co-Loader, also named *Sub-Master* or *Co-Loader* in Portuguese, is applied when the documents is issued by a freight forwarder on receipt of goods from another deconsolidator agent. (Receita Federal do Brasil 2016d)

The documents so-called Combined Bill of Lading and House Bill of Lading can be submitted to the Customs authorities for accompanying the Import Declaration. The documents classified as Master or Sub-Master can not support the Import Declaration but may assist in the Special Customs Regime called Customs Transit. (Receita Federal do Brasil 2016d.)

Example templates and filling instructions of Combined and House Bill of Ladings corresponding to sea and air freight are presented in Appendices 3 and 4.

## **Commercial Invoice**

Commercial Invoice, which is *Fatura Comercial* in Portuguese, is another mandatory contractual document of legal nature to be presented to the Customs authorities. It contains the information of the transaction between the importer and the exporter. Any goods imported in Brazil must always be accompanied by the Commercial Invoice. (Mello, J. 2012.)

Commercial Invoice is a vital document for the success of fulfilling import declaration's requirements. In the Import Declaration, the Commercial Invoice is presented with its reference number. It must contain the following information:

- The complete name and address of the exporter;
- The complete name and address of the importer;
- Specification of goods in Portuguese or in any official language from the General Agreement on Tariffs and Trade which are either English, French or Spanish. If in another language, must be accompanied by a translation in English;
- Brand, and numbering, and if there is any, the reference number of the volumes;
- Amount and kind of packages;
- Gross weight of the volumes;
- Net weight of the commodity thus considered free of any envelope;
- Country of origin which means the place where the goods were produced or where occurred the last substantial transformation;

- Country of purchase referring to the place where the goods were purchased to be exported to Brazil;
- Country of provenance, thus considered that one where the goods were at the time of their acquisition;
- Unit price and total amount of each type of goods shipped, and if the amount and nature of rebates and discounts granted to the importer;
- Freight and other costs related to the goods specified in the invoice;
- Conditions and currency of the payment;
- Terms of trade corresponding to the term of INCOTERMS used. (Receita Federal do Brasil 2015b.)

The amendments, qualifications or lines made on the invoice must be certified by the exporter.

The failure by the importer of the obligation to submit the invoice to customs supervision, when required is applicable of penalties such as:

- The arbitration in the price of goods for purposes of determining the basis of calculation, according to the criteria defined by law;
- Cumulative application of fines: 5% of the customs value of imported goods, 100% of the difference between the declared price and the price actually charged on imports or between the declared price and the price arbitrated. (Mello, J. 2012.)

An example template of Commercial Invoice and filling instructions of it is presented in Appendix 5.

## **Packing List**

Packing List, which is *Romaneio de Carga* in Portuguese, is a vital document since it is connected to the Commercial Invoice. It is a shipping document and it is prepared by the seller and contains specifications about the cargo or the packages. In Import Declaration the Packing List is presented with its reference number. The Packing List must contain information such as:

- The total number of packages;
- Marks and numbers of packages;

- Identification of volumes in numerical order;
- Packaging type such as box or pallet or so on, containing net and gross weight as well as unit size(s) and the total volume of cargo;
- Reference to the corresponding commercial invoice. (Receita Federal do Brasil 2016b.)

There are situations where the Packing List is not necessary to deliver. Examples of these kind of situations are unpackaged bulk cargo that can alone identify themselves such as large machinery and equipment or chassis of a car. The failure by the importer of the obligation to submit the Packing List to customs supervision, when required, is applicable of R\$ 500,00 fine. (Receita Federal do Brasil 2015c.)

An example template of Packing List and filling instructions of it is presented in Appendix 6.

## **Other documents**

### **Certificate of Origin**

When importing goods that enjoys tax preferential treatment because of their origin, a document called Certificate of Origin must be provided along the application of tariff preference in question. These situations may occur for example between MERCOSUL member countries or with third countries outside the zone that has a common tariff policy with a MEROCSUL member country. (Receita Federal do Brasil 2016.)

### **International Cargo Manifest**

International Cargo Manifest, which is *Manifesto Internacional de Carga* in Portuguese and commonly known as MIC, is required in the land border units according to the Agreement for International Land Transport (ATIT) along the Import Declaration. Cargo manifest is a document used by customs personnel and it is issued for a particular shipment either by the carrier or its representative. (Receita Federal do Brasil 2016.)



## 4.2 Proof of Import

Proof of Import, which is *Comprovante de Importação* in Portuguese and commonly known as CI, is a document which comes as a result of successful clearance of goods. It effectively promotes the nationalization of goods' importer. It contains general information about the importer and the trade transaction as well as information about the Customs Conference Channel.

An example template of Proof of Import and filling instructions of it is presented in Appendix 8.

## 5 CASE SCENARIO – IMPORTING FROM FINLAND TO BRAZIL

In this chapter, a real case of importing from Finland to Brazil is examined. Some details have been modified due to confidentiality reasons. The case is described as follows:

The market research efforts of the new business development team of a Finnish multinational company called A has led to a business opportunity in Brazil. A confirmed deal has been signed about a greenfield project located in a city called Ponta Grossa, which is located in the state of Paraná in the South region of Brazil, just below São Paulo. As a result of engineering, procurement and construction management (EPCM) team's preliminary studies, the project comprises almost a hundred of shipments in total to the greenfield project's site from dozen of countries from Europe as well as United States and China within a two-year timeline. The total value of the investment is roughly 70 million euros and the total amount of weight to be transported is approximately 700 tons with a total volume close to 3000 cubic meters.

The EPCM team has also discovered that they do not have enough knowledge about planning, implementing and controlling logistics to Brazil. Therefore, a trustworthy Finnish third-party logistics service provider (3PL) called B with its proven ability of doing business in Brazil is hired to take the responsibility for arranging the logistics part.

The Finnish logistics service provider (LSP) utilizes its supply chain network and connects two counter-parts from Brazil to the project: a Brazilian logistics service provider called C and a Brazilian consulting company in the area of foreign trade to act as an authorized customs broker and legal representative called D.

The Finnish multinational company A establishes itself in Brazil with the help of the Brazilian customs broker resulting in successful acquisition of Unlimited RADAR Licence. The customs broker acts as a representative within SISCOMEX.

One of the shipments includes two industrial boilers, Boiler X and Boiler Y. Boiler X weighs 6.5 tons (gross) with a volume of 300 cubic meters and Y weighs 3.5 tons (gross) with a volume of 200 cubic meters, totalizing in 10 tons and 500 cubic meters.

Both industrial boilers come from the same country of manufacturing and the same manufacturer, have been manufactured in the same way regardless the weight and size

and comply with the requirements of licensing in the same way. Therefore, the boilers can be classified under one NCM Code. Also the preliminary studies have shown that an Import Licence is not required and that the boilers fit under the description of requirements for applying Ex-Tariff benefit. The boilers will be transported from Pietarsaari's port in Finland directly to the Port of Paranaguá in Brazil as an unpacked break-bulk shipment due to their physical dimensions. Because of the characteristics of the boilers, they must be delivered directly to the site upon arrival to Brazil. With that in mind, customs clearance in advance will be applied. Paranaguá port in the coast of Paraná state is considered to be a cost-effective and qualified solution for the port of discharge due to its shortest distance to the site and its ability to handle the cargo. A proper vessel from a shipping line is ordered for executing such shipment and the transit time is approximately 35 days. The term of delivery applied is ExWorks. In this case it means that the Finnish logistics service provider B will arrange the transportation from the manufacturer to the port of Paranaguá including export formalities and the Brazilian companies C and D deals with the import formalities and the on-carriage to the final destination.

Following NCM Code is determined:

- Classification
  - o NCM Code: 8402.11.00
- NCM code corresponds to the following hierarchic position:
  - o 8402 – Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof
    - 11 - Steam or other vapour generating boilers (other than central heating hot water boilers capable also of producing low pressure steam); super-heated water boilers:
      - 00 - Watertube boilers with a steam production exceeding 45 t per hour

With the NCM Code, it is possible to determine the rates for the taxes. TEC would give 14% rate for Import Tax but the Ex-Tariff benefit reduces it to 2%. According to TIPI, the rate for IPI is 0%. The rates for PIS and COFINS are respectively 2.1% and 9.65%. The rate for ICMS in Paraná state is 18%. Since the transportation mode used is by sea, 25% rate for AFRMM will apply. The amount charged for using Siscomex will be R\$214.50.

In order to proceed with the calculation of taxes it is necessary to be able to define the CIF value of the goods. CIF value, which is the Customs value, consists of following components:

- Value of the product
- Value of freight cost
- Value of insurance cost
- Value of wharfage cost

The CIF value has to be in local currency. Therefore, the amounts have to be converted to reais. It is important to notice that when the payment is done to the Customs authorities, the currency rates of the date of the payment are applied. In this case, €1.00 is considered to be equivalent to R\$4.00. Following information is available:

- Value of the merchandise when sold: €320,000.00 = R\$1,280,000.00
  - o This value includes both boilers
- Value of freight cost: €335,000.00 = R\$1,340,000.00
  - o Rather high freight cost is applied in this case since the vessel used for the shipment is ordered based on a case-specific need instead of using a common commercial shipping route.
- Value of insurance cost: €4,800.00 = R\$19,200.00
  - o According to the agreement with the insurance company in case the cost is 0.015% of the VMCV.
- Value of wharfage: R\$1,200.00
  - o Charged from the port of Paranaguá

CIF Value: R\$1,280,000.00 + R\$1,340,000.00 + R\$19,200.00 + R\$1,200.00 = R\$2,640,400.00.

Taxes can be calculated now according to the equations presented in Chapter 2.4:

$$\text{Cost II: } \text{CIF} \times \frac{\text{II} - \%}{100} = \text{R\$2,640,400.00} \times \frac{2}{100} = \text{R\$52,808.00}$$

$$\text{Cost IPI: } \left( \text{CIF} + \text{CIF} \times \frac{\text{II} - \%}{100} \right) \times \text{IPI} - \% = (\text{R\$2,640,400.00} + \text{R\$52,808.00}) \times 0 = \text{R\$0}$$

$$\text{Cost PIS: } \text{CIF} \times \frac{\text{PIS} - \%}{100} = \text{R\$2,640,400.00} \times \frac{2.1}{100} = \text{R\$55,448.40}$$

$$\text{Cost COFINS: } \text{CIF} \times \frac{\text{COFINS} - \%}{100} = \text{R\$2,640,400.00} \times \frac{9.65}{100} = \text{R\$254,798.60}$$

$$\text{Cost AFRMM: Freight Cost (FC)} \times \frac{\text{AFRMM} - \%}{100} = \text{R\$1,340,000.00} \times \frac{25}{100} = \text{R\$335,000.00}$$

Cost ICMS:

$$\frac{\text{CIF} + \text{Cost II} + \text{Cost IPI} + \text{Cost PIS} + \text{Cost COFINS} + \text{Cost AFRMM} + \text{Cost TS}}{1 - 0.18} \times \frac{\text{ICMS} - \%}{100}$$

$$\frac{\text{R\$2,640,400.00} + \text{R\$52,808.00} + \text{R\$55,448.40} + \text{R\$254,798.60} + \text{R\$335,000.00} + \text{R\$214.50}}{1 - 0.18} \times \frac{18}{100}$$

$$= \text{R\$732.878,67.}$$

Also, the cost due to ICMS can be calculated according to Equation 7:

$$\frac{\frac{\text{CIF}}{100^2} (100^2 + \text{II} - \% \times \text{IPI} - \% + 100(\text{II} - \% + \text{IPI} - \% + \text{PIS} - \% + \text{COFINS} - \%)) + \text{FC} \times \frac{\text{AFRMM} - \%}{100} + \text{TS}}{1 - 0.18} \times \frac{\text{ICMS} - \%}{100}$$

In this case, the rate for IPI is 0%. Therefore:

$$\frac{\frac{\text{CIF}}{100^2} (100^2 + 100(\text{II} - \% + \text{PIS} - \% + \text{COFINS} - \%)) + \text{FC} \times \frac{\text{AFRMM} - \%}{100} + \text{TS}}{1 - 0.18} \times \frac{\text{ICMS} - \%}{100}$$

$$\frac{\frac{\text{R\$2,640,400.00}}{100^2} (100^2 + 100(2 + 2.1 + 9.65)) + \text{R\$1,340,000.00} \times \frac{25}{100} + \text{R\$214.50}}{1 - 0.18} \times \frac{18}{100}$$

$$= \text{R\$732.878,67.}$$

$$\text{Total Cost} = \text{CIF} + \text{Costs (II + IPI + PIS + COFINS + ICMS + AFRMM + TS)}$$

Total Cost (R\$) = R\$2,640,400.00 + R\$52,808.00 + R\$55,448.40 + R\$254,798.60 + R\$732,878.67 + R\$335,000.00 + R\$214.50

Total Cost (€) = €660,100.00 + €13,202.00 + €13,862.10 + €63,699.95 + €183,219.6675 + €83,750.00 + €53.63

➔ Total Cost = R\$4,071,548.17 = €1,017,887.043.

If the rate for II would have been 14%:

- The cost due to II would have been R\$369,656.00 (€92,424.00), which is R\$316,848.00 (€79,212.00) more than the cost with the rate of 2%. The difference is sixfold.
- The cost due to ICMS would have been R\$802,430.67 (€200,607.67), which is R\$69,552.00 (€17,388.00) more than the cost with the rate of 2%. The difference is almost 10%.
- The total cost would have been R\$4,457,948.17 (€1,113,387.043), which is R\$386,400.00 (€96,600.00) more than the cost with the rate of 2%. The difference is almost 10%.

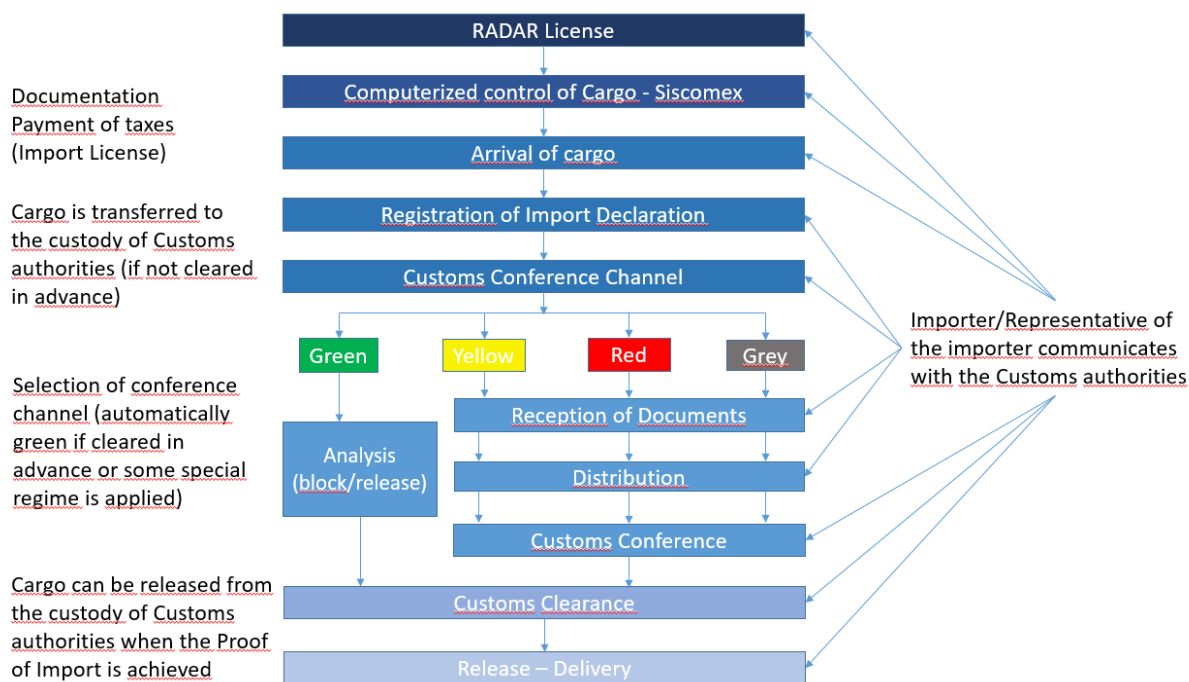
Also, some additional savings are created due to the Customs Clearance in advance. Normally, when the shipment arrives to the port, the proper documentation to the customs authorities is delivered upon arrival and meanwhile the documents and the cargo is being inspected, the cargo will stay in a bonded warehouse which may lead to additional warehousing costs. But, when clearing goods in advance, there is no need for storing the goods and some fees charged by the local port are avoided. These can be, in addition to warehousing costs, caused by the operations related to, for example, desconsolidation, handling, collecting, terminal security and so on.

Customs clearance in advance requires the proper documentation to be sent to the Customs authorities 30-45 days before the arrival of the shipment. Here, the customs broker plays an essential part. Practically the customs broker collects all the proper documentation needed, such as Commercial Invoice, Packing List and the House Bill of Lading, from the importer and submits them to SISCOMEX and later on, the documents will be attached to the import declaration. In addition, the information about tax benefits must be delivered and also proof that the taxes are paid. It is important to notice that the applying process for Ex-Tariff may take 120 days after its initiation; therefore, careful planning is required. Also, when the documents are sent to the Customs prior to the

arrival of the shipment, the clearance process goes straight to the Yellow channel since the documentation has to be investigated. Thus, the time period of 30 to 45 days is reserved and if any problems occur, the customs broker communicates with the customs authorities in order to make sure that the goods are cleared when the shipment arrives to its port of destination. When the shipment arrives and the proof of import is received, the goods can be released from the customs for further transportation to the site.

## 6 SUMMARY OF THE IMPORTING PROCESS

The import process can be summarized as seen in Picture 2.



Picture 2. Illustration of the process of customs clearance.

When importing to Brazil, the smoothness of the customs clearance process is a very fragile factor. The complex law and regulations environment in force by Brazilian Customs may easily result in goods getting stuck at customs. Altogether, the primary reason for this tend to be the lack of communication between the importer and the customs or the legal representative acting as an intermediary. When these parties communicate well, it is most likely that the goods imported to Brazil will not get stuck and thus will be cleared without complications. As some imported goods may require special procedures and additional documentation, it is essential for every party to share a mutual understanding considering these issues. The reasons for goods to get stuck in Brazilian customs are most commonly lack of proper documentation, lack of equivalence with the requirements of ministries and agencies, communication issues with the customs authorities, importing prohibited goods or loss of cargo. (Bruha, P. 2014c.)



As one can notice, importing to Brazil is associated with rather high overall tax burden. The knowledge about ways to reduce the costs caused by import taxes can turn into a great advantage and benefit in terms of cost-effectiveness. Even though applying for tax benefits may require some extra work, it can pay off very well especially in the long term. There are various of ways to create savings when importing to Brazil, such as evaluating the CIF value carefully, because the freight cost may vary greatly due to the characteristics of cargo and the transportation mode used. Secondly, as it can be seen in the case scenario in chapter 5, the rate of the II has a very powerful impact to the overall costs caused by import taxes and therefore, the consideration of Ex-Tariff regime is highly advisable. In addition, countries and products are not treated equally when it comes to importing to Brazil. Products that are intended as components in manufacturing tend to enjoy lower import duties than products that are ready to be sold to the consumer. Depending on the complexity of the assembly there may be significant savings by importing the components separately and performing the assembly of the products in Brazil. This is typically the case for manufactured goods where much of the value is in the actual assembly process. The additional advantage of local assembly is that it is possible to source components locally, and this is beneficial when compared to importing the components. Another key thing to remember is also that location matters; Brazilian states and municipalities tend to have different kind of tax exemptions and compensations for attracting new players to strengthen the local industry and economy. (Nes, E. 2015.)

## 7 CONCLUSION

The findings of this thesis provides an understanding about the scope of the main formalities and parties involved when importing to Brazil. The method for classifying goods and descriptions of taxes and their calculations were presented, followed by the explanations of main administrative procedures and related organizations. Those sets of information are the basis of the understanding of the trading system. Finally, to clarify to the execution of procedures, a compilation of the basic set of documents and instructions was presented, and illustrated with a practical case scenario, considering also some convenient tips about reducing costs and avoiding goods getting stuck in the Brazilian customs. Also, it can be seen throughout the thesis that in several topics more detailed approach is applied due to its relevance to the subject, based on the findings in discussions with the people who work in the field.

One of the challenges for the thesis was the lack of author's previous experience in the subject and the study was written during a 4-month internship period which created a strict schedule for the thesis. Also the physical distance and the difference in local time between Finland and Brazil created challenges for communicating with the advisors and thereby highlighted the importance of the ability to work independently. Nevertheless, even though the starting point for writing the thesis was particularly challenging, the idea of entering to a completely new environment and area of business was found fascinating and highly motivating factor. Eventually, through comprehensive research and mapping about the subject including discussions with players working in the field of import as well as reviews of countless literary sources, the thesis reached its goal with high level of quality and credibility.

An interesting potential topic for further study about Brazilian import would be investigating and comparing different locations in Brazil in terms of total cost and how it is possible to benefit from interstadual operations when considering the state tax ICMS.

All things considered, this study fulfils its purpose and it is reasonable to assume that this thesis can be useful as a management tool to Finnish and other foreign-based companies that are intending to start importing to Brazil and wants to familiarize themselves with the action for improving their business and minimize risks.

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Table of State-specific and Interstadual rates for ICMS

Aliquota  
Interna do  
ICMS

DESTINO

ORIGEM

	AC	AL	AM	AP	BA	CE	DF	ES	GO	MA	MT	MS	MG	PA	PB	PR	PE	PI	RN	RS	RJ	RO	RR	SC	SP	SE	TO
AC	17	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
AL	12	17	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
AM	12	12	17	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
AP	12	12	12	17	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
BA	12	12	12	12	17	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
CE	12	12	12	12	12	17	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
DF	12	12	12	12	12	12	17	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
ES	12	12	12	12	12	12	12	17	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
GO	12	12	12	12	12	12	12	12	17	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
MA	12	12	12	12	12	12	12	12	12	17	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
MT	12	12	12	12	12	12	12	12	12	12	17	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
MS	12	12	12	12	12	12	12	12	12	12	12	17	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
MG	7	7	7	7	7	7	7	7	7	7	7	7	18	7	7	12	7	7	7	12	12	7	7	12	12	7	7
PA	12	12	12	12	12	12	12	12	12	12	12	12	12	17	12	12	12	12	12	12	12	12	12	12	12	12	12
PB	12	12	12	12	12	12	12	12	12	12	12	12	12	12	17	12	12	12	12	12	12	12	12	12	12	12	12
PR	7	7	7	7	7	7	7	7	7	7	7	7	12	7	7	18	7	7	7	12	12	7	7	12	12	7	7
PE	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	17	12	12	12	12	12	12	12	12	12	12
PI	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	17	12	12	12	12	12	12	12	12	12
RN	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	17	12	12	12	12	12	12	12	12
RS	7	7	7	7	7	7	7	7	7	7	7	7	12	7	7	12	7	7	7	17	12	7	7	12	12	7	7
RJ	7	7	7	7	7	7	7	7	7	7	7	7	12	7	7	12	7	7	7	12	19	7	7	12	12	7	7
RO	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	17	12	12	12	12	
RR	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	17	12	12	12	
SC	7	7	7	7	7	7	7	7	7	7	7	7	12	7	7	12	7	7	7	12	12	7	7	17	12	7	7
SP	7	7	7	7	7	7	7	7	7	7	7	7	12	7	7	12	7	7	7	12	12	7	7	12	18	7	7
SE	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	17	12	
TO	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12

List of the Consenting parties in SISCOMEX					
Name of the consenting party	Translation in Portuguese	Abbreviation	Consenting responsibilities when importing	Upper body	Translation in Portuguese (abbrv.)
The National Agency of Electric Power	<i>Agência Nacional de Energia Elétrica</i>	ANEEL	An autarchy of the government and its responsibility is to consent to the import of electricity	-	-
National Agency of Petroleum, Natural Gas and Biofuels	<i>Agência Nacional do Petróleo, Gás Natural e Biocombustíveis</i>	ANP	Petroleum and its derivatives as well as natural gas and biofuels	Ministry of Mines and Energy	<i>Ministério de Minas e Energia</i> (MME)
National Health Surveillance Agency	<i>Agência Nacional de Vigilância Sanitária</i>	ANVISA	Medication, food, cosmetics, sanitary products, health products, health equipment, human organs, cigarettes and so on	Ministry of Health	<i>Ministério da Saúde</i>
National Commission of Nuclear Energy	<i>Comissão Nacional de Energia Nuclear</i>	CNEN	Radioactive materials and equipment	Ministry of Science, Technology and Innovation	<i>Ministério da Ciência, Tecnologia e Inovação</i> (MCTI)
National Council of Scientific and Technological Development	<i>Conselho Nacional de Desenvolvimento Científico e Tecnológico</i>	CNPq	Goods destined for scientific and technological research	Ministry of Science, Technology and Innovation	<i>Ministério da Ciência, Tecnologia e Inovação</i> (MCTI)
Department of Foreign Trade Operations	<i>Departamento de Operações de Comércio Exterior</i>	DECEX	Products subject to trade protection, drawback operations and other special characteristics related to the procedures and the goods	Ministry of Development, Industry and Foreign Trade	<i>Ministério do Desenvolvimento, Indústria e Comércio Exterior</i> (MDIC)
Federal Police Department	<i>Departamento de Polícia Federal</i>	DPF	Chemical products that may be destined for the illicit production of drugs, narcotics or that may render its user physically or psychologically dependant	Ministry of Justice	<i>Ministério da Justiça</i>

Brazilian Mail and Telegraph Company	<i>Empresa Brasileira de Correios e Telégrafos</i>	EBCT	Company owned by the government and its responsibility is to consent to the import of machines for franking mail and machines for the sale of postage stamps	-	-
Brazilian Army	<i>Exército Brasileiro</i>	-	Firearms, ammunitions, explosives and other war materials	Ministry of Defence	<i>Ministério da Defesa (MD)</i>
National Institute of Metrology, Standardization and Industrial Quality	<i>Instituto Nacional de Metrologia, Normalização e Qualidade Industrial</i>	INMETRO	Goods subject to products that use gas and also subject to energy efficiency labelling	Ministry of Development, Industry and Foreign Trade	<i>Ministério do Desenvolvimento, Indústria e Comércio Exterior (MDIC)</i>
Ministry of Agriculture, Livestock and Supply	<i>Ministério da Agricultura, Pecuária e Abastecimento</i>	MAPA	Animals and its products, vegetables and its products, pesticides, wines, drinks and other agricultural inputs	-	-
Ministry of Science, Technology and Innovation	<i>Ministério da Ciência, Tecnologia e Inovação</i>	MCT	Sensitive goods that can be used in the making of nuclear, chemical or biological weapons and missiles	-	-
Manaus Free Trade Zone Superintendence	<i>Superintendência da Zona Franca de Manaus</i>	SUFRAMA	Goods subject to the tax benefits of the Manaus Free Trade Zone in Amazonas	Ministry of Development, Industry and Foreign Trade	<i>Ministério do Desenvolvimento, Indústria e Comércio Exterior (MDIC)</i>



## Combined Bill of Lading Example Template, Sea Freight

Shipper		COMBINED TRANSPORT BILL OF LADING	
Negotiable		B/L No.	
Consignee			
Notify address			
Precarriage by		Port of loading	
Vessel		Port of transhipment	
Port of discharge		Place of delivery	
Marks and Nos.		Freight payable at	
		Number of original Bs/L	
		Gross weight, kg	
		Measurement, m <sup>3</sup>	
Particulars above declared by Shipper			
		<p>Received the goods in apparent good order and condition and, as far as ascertained by reasonable means of checking as specified above unless otherwise stated.</p> <p>The Carrier, in accordance with the provisions contained in this document</p> <p>a) undertakes to perform or to procure the performance of the entire transport from the place at which the goods are taken in charge to the place designated for delivery in this document and</p> <p>b) assumes liability as prescribed in this document for such transport</p> <p>c) where it has been agreed that the Carrier shall only be responsible for shipment from port-to-port then the Carrier shall only be liable for loss of or damage to the cargo occurring from and during loading up to and during discharged from the vessel.</p> <p>One of the Bs/L must be surrendered duly endorsed in exchange for the goods or delivery order.</p> <p>IN WITNESS whereof THREE (3) original Bs/L have been signed, if not otherwise stated above, one of which being accomplished the other(s) to be void.</p>	
For delivery please apply to:		Place and date of issue	
		Carrier	

## House Bill of Lading, Sea Freight, Filling Instructions

- Number of Bill of Lading
- Shipper (full style and address)
- Consignee (full style with CNPJ and address)
  - o Importer
- Notify address (full style with CNPJ and address)
- Pre-carriage by (if exists)
  - o Pre-carriage refers to a transportation that takes place before the cargo is loaded on the vessel. In other words, pre-carriage brings the goods to the main carrier.
- Vessel
  - o Boat or ship used for the transportation of cargo.
- Port of Loading
  - o Where goods are loaded and secured on the ship.
- Port of Transshipment
  - o This refers to a port where a transfer of a shipment from one carrier to another happens while in its route.
- Port of Discharge
  - o The port where the goods are unloaded from the vessel.
- Place of Delivery
  - o Place of Delivery refers to the place where cargo leaves the custody of the carrier.
- Freight payable at
  - o This refers to where the freight is paid. It can be either prepaid at the port of loading or collected in the destination or somewhere along the route.
- Number of Original Bills of Lading
  - o Number of Bill of Ladings that are issued for the shipment. Three bills are a standard: one for the shipper, one for the consignee and one for a third party such as a broker or a banker. For security purposes it is advisable to only request as many bills of lading as is needed since the risk for fraud, theft or unauthorized release increases.
- Marks and numbers
  - o This refers to the identification of cargo or packages.
- Quantity and description of goods

- Packaging method and number of packages
- Description of goods
- Unit measures (length, width, height)
- Unit gross weight, kg
- Unit net weight, kg
- Nomenclature
- Number of Commercial Invoice
- Notes and marks
- Total cubic meters, m<sup>3</sup>
- Total gross weight, kg
- Total net weight, kg
- Freight and charges
  - Brazilian regulation requires freight and other charges to be shown.
- Place and date of issue
  - Place and date refers to where and when the original bill of lading is signed and released to the shipper or his agent.
  - Signature of Carrier
  - Freight forwarder

## House Bill of Lading Example Template, Air Freight

<div><div></div><div></div><div></div></div> <div>Shipper's Name and Address</div>			<div>Shipper's Account Number</div> <div></div>			<div>Not Negotiable</div> <div>Air Waybill</div> <div>Issued by</div> <div></div>		
			<div>Copies 1,2 and 3 of this Air Waybill are originals and have the same validity</div>					
<div>Consignee's Name and Address</div> <div></div>			<div>Consignee's Account Number</div> <div></div>			<div>It is agreed that the goods described herein are accepted in apparent good order and condition (except as noted) for carriage SUBJECT TO THE CONDITIONS OF CONTRACT ON THE REVERSE HEREOF. ALL GOODS MAY BE CARRIED BY ANY OTHER MEANS INCLUDING ROAD OR ANY OTHER CARRIER UNLESS SPECIFIC CONTRARY INSTRUCTIONS ARE GIVEN HEREON BY THE SHIPPER, AND SHIPPER AGREES THAT THE SHIPMENT MAY BE CARRIED VIA INTERMEDIATE STOPPING PLACES WHICH THE CARRIER DEEMS APPROPRIATE. THE SHIPPER'S ATTENTION IS DRAWN TO THE NOTICE CONCERNING CARRIER'S LIMITATION OF LIABILITY. Shipper may increase such limitation of liability by declaring a higher value for carriage and paying a supplemental charge if required.</div>		
<div>Issuing Carrier's Agent Name and City</div> <div></div>			<div>Accounting Information</div> <div></div>					
<div>Agent's IATA Code</div> <div></div>			<div>Account No.</div> <div></div>					
<div>Airport of Departure(Addr. of First Carrier) and Requested Routing</div> <div></div>			<div>Reference Number</div> <div></div>			<div>Optional Shipping Information</div> <div></div>		
<div>To By First Carrier Routing and destination To by to by</div> <div></div>			<div>Currency CHGS WTS VAL Other Code PPD COM PD COLT</div> <div></div>			<div>Declared Value for Carriage</div> <div></div>		<div>Declared Value for Customs</div> <div></div>
<div>Airport of Destinations Flight/Date For Carrier Use Only Flight/Date Amount of Insurance</div> <div></div>			<div>INSURANCE - If Carrier offers insurance, and such insurance is requested in accordance with conditions on reverse hereof, indicate amount to be insured in figures in box marked "Amount of Insurance."</div>					
<div>Handling Information</div> <div></div> <div>SCI</div> <div></div>								
No of Pieces RCP	Gross Weight	Kg lb	Rate Class Commodity Item No.	Chargeable Weight	Rate / Charge	Total	Nature and Quantity of Goods (Incl.Dimensions or Volume)	
		K Q						
						VOL CBM		
Prepaid		Weight Charge Collect		Other Charges				
		Valuation Charge						
		Tax						
		Total Other Charges Due Agent						
		Total Other Charges Due Carrier						
Total prepaid		Total Collect		Signature of Shipper or his Agent				
Currency Conversion Rates		CC Charges in Dest. Currency		Signature of Issuing Carrier or its Agent				
For Carrier's Use only at destination		Charges at Destination		Executed on (Date) at (Place)		Signature of Issuing Carrier or its Agent		
				Total Collect Charges				

ORIGINAL 3 (FOR SHIPPER)

## House Bill of Lading, Air Freight, Filling Instructions

- Number of Air Waybill
- Shipper (full style and address)
- Consignee (full style and address with CNPJ)
  - o Importer
- Issuing Carrier's Agent Name and City
  - o Freight forwarder
- Agent's IATA Code
  - o This code refers to a code approved by International Air Transport Association (IATA). IATA accreditation is a seal of approval recognized worldwide. A freight forwarder can apply for this and can work as an authorized travel agent.
- Accounting Information
  - o Information about the responsible party for payment or additional information about the terms of payment. The following information about the responsible party must be shown:
    - o CNPJ
    - o *Inscrição Estadual*
    - o *Inscrição Municipal*
      - *Inscrição Estadual* (I.E.) stands for state-specific registry and *Inscrição Municipal* (I.M) refers to city-specific registry. These registries are made for following and monitoring companies' payments of taxes and duties in state and municipal level.
- Airport of Departure and Requested Routing
- Routing and Destination
- Currency
- CHGS Code (Charges Code)
  - o Charges Code is fulfilled only when the air waybill is transmitted by electronic means and the code refers to the nature of charges involved.
- WT/VAL (Weight/Valuation)
  - o Weight/Valuation charge; either prepaid or collected.
- Other
  - o Other charges at Origin; either prepaid or collected.
- Declared value for Carriage

- The declared value for carriage as specified by the shipper can be put. If the shipper does not want to declare value, NVD (No Value Declared) can be filled.
- Declared value for Customs
  - If the shipper declares a value for customs purposes, such value may be inserted. If the shipper does not want to declare the value for customs, NCV (No Customs Valuation) can be inserted or the box can be left blank.
- Airport of Destination
  - The airport of destination of the last carrier, or city when the name of the airport is unknown because the city is served by more than one airport
- Flight(s)/Date(s)
  - Requested flights and dates
- Amount of Insurance
  - If carrier offers insurance, the amount to be insured must be filled.
- Handling information
  - Information about handling the cargo. In the case of dangerous goods, separate statements according to the need must be filled. Other handling information using the codes and abbreviations involved, where available, should be shown.
- SCI (Special Customs Information)
  - This refers to the Customs status of the shipment. This is applicable only to shipments from and within European Union countries.
- Cargo information
  - Number of pieces, RCP (Rate Combination Point)
    - Number of pieces for the applicable rating entry
  - Gross weight (kg)
  - Rate Class
    - Rate Class describes how the cost for freight is calculated. One of the following codes must be inserted:
      - M – Minimum charge
      - N – Normal rate
      - Q – Quantity rate
      - B – Basic charge (optional)
      - K – Rate per kilogram (optional)
      - C – Specific Commodity Rate

- R – Class rate reduction
- S – Class rate surcharge
- U – Unit load device basic charge or rate
- E – Unit load device additional rate
- X – Unit load device additional information
- Y – Unit load device discount
- W – Weight increase
- Commodity Item No.
  - Commodity Item Number must be inserted when following Rate Classes applies: Specific Commodity Rate, Class rate reduction or Cass rate surcharge.
- Chargeable weight
  - According to applicable rating rules, chargeable weight is calculated and filled. With Unit load device rate, several options are available.
- Rate/Charge
  - According to the rate class
- Total
- Total charge and any discounts applied
- Nature and Quantity of Goods
- The description of goods
- Additional information about the goods if they have specific characteristics
- Dimensions (length, width, height) and total volume in m3
- Nomenclature
- Additional notes and agreements
- Other charges
  - Any other charges incurred either at origin, in transit or at the destination.
- Prepaid and Collect section refers to any charges that are either prepaid, or collected. These charges can be as following:
  - Weight charge
  - Valuation charge
  - Tax
  - Total other charges due agent
  - Total other charges due carrier

- Total amount prepaid
  - Total amount collected
- Currency conversion rates
  - Information about the charges in the destination
  - Collect Charges in Destination Currency
  - Charges at destination
  - Total collect charges
- Carrier's Execution Box
  - The date and place of execution of the air waybill
  - The signature of the issuing carrier or its agent



# Commercial Invoice Example Template

[illegible]

## Commercial Invoice, Filling Instructions

- Consignee
  - o Full style and address
  - o CNPJ
  - o Inscrição Estadual
  - o Inscrição Municipal
- Number of Commercial Invoice
- Date of Invoice
- Number of the related Packing List
- Total number of Package
- Volume in cubic meter
- Total gross weight
- Total net weight
- Shipper
  - o Exporter
  - o Full style and address
- Number of purchase order, reference and additional information
- Information about cargo
  - o Item number and quantities
  - o Amount and kind of packages
  - o Description of goods
  - o Unity gross and net weight
  - o Unity and total values
  - o Freight cost
- Manufacturer(s)
- Delivery terms
  - o Incoterms
- Nomenclature
- Terms of Payment
- Country of Origin
  - o The place where the goods were produced or where occurred the last substantial transformation
- Port of Shipment
  - o Port of Loading

- Port of Destination
  - o Place of Discharge
- Authorized Signatory
  - o Exporter

## Packing List Example Template

Razão Social  
Endereço  
Cep  
País  
CNPJ  
INSCRIÇÃO ESTADUAL  
INSCRIÇÃO MUNICIPAL

Packing List nº ref. To commercial invoice nº dated

Package	Qty	Description	L	W	H	CMB	Unit Net Weight Kg	Total Net Weight Kg	Total Gross Weight Kg
	X X X Pcs Pcs Pcs			x	x				
1 Pallet	X X X Pcs Pcs Pcs			x	x				
1 Pallet	X X X Pcs Pcs Pcs			x	x				
<b>TOTAL</b>									


## Packing List, Filling Instructions

- Shipper
  - o Full style and address
- Consignee
  - o Full style and address
  - o CNPJ
  - o Inscrição Estadual
  - o Inscrição Municipal
- Number of the Packing List
- Reference to the Commercial Invoice and its date of issue
- Description of goods
  - o Package type, quantity and description
  - o Dimensions (length, width, height)
  - o Unit and total net weight
  - o Unit and total gross weight
  - o Unit and total measure of cubic meters

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# Import Declaration Example Template

Declaração: [REDACTED] Data do Registro: [REDACTED]

 SECRETARIA DA RECEITA FEDERAL DO BRASIL - RFB  
EXTRATO DA DECLARAÇÃO DE IMPORTAÇÃO  
CONSUMO

1

Modalidade do Despacho: [REDACTED]

Quantidade de Adições: [REDACTED]

**Importador**

CNPJ: [REDACTED] [REDACTED]

**Adquirente da Mercadoria**

CNPJ: [REDACTED] [REDACTED]

**Representante Legal**

CPF: [REDACTED] [REDACTED]

**Carga**

Tipo do Manifesto: [REDACTED]

Número do Manifesto: [REDACTED]

Recinto Aduaneiro: [REDACTED]

Embalagem: [REDACTED]

Peso Bruto: [REDACTED] Kg

Peso Líquido: [REDACTED] Kg

Quantidade: [REDACTED]

**Valores**

Frete:

Seguro:

VMLE:

VMLD:

**Moeda**

DOLAR DOS EUA

DOLAR DOS ESTADOS UNIDOS

DOLAR DOS ESTADOS UNIDOS

**Valor**

[REDACTED]

[REDACTED]

[REDACTED]

**Tributos**

I.I.:

I.P.I.:

Pis/Pasep:

Cofins:

Direitos Antidumping:

**Suspensão**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**A Recolher**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Data da Emissão: \_\_/\_\_/\_\_

Assinatura do Representante

Declaração: [REDACTED]

Data do Registro: [REDACTED]

2

**Dados Complementares**

=====

BRASLOG - BRASIL LOGÍSTICA E COMÉRCIO EXTERIOR LTDA.  
 CNPJ: [REDACTED]  
 TEL.: (13) 2138-8800 - FAX: (13) 2138-8849  
 WWW.BRASLOG.COM.BR

=====

N/REF.....[REDACTED]  
 S/REF.....[REDACTED]

=====

VEICULO / NAVIO.....[REDACTED]  
 DATA DE EMBARQUE.....[REDACTED]  
 DATA DA CHEGADA.....[REDACTED]  
 LOCAL DE EMBARQUE.....[REDACTED]  
 CONHECIMENTO DE EMBARQUE.....[REDACTED]  
 FATURA COMERCIAL.....[REDACTED]  
 PACKING LIST.....[REDACTED]  
 MANIFESTO.....[REDACTED]  
 PRESENÇA DE CARGA / C.E.....[REDACTED]  
 VOLUME / EMBALAGEM.....[REDACTED]

=====

O IMPORTADOR ASSUME A RESPONSABILIDADE PELA DESISTENCIA DAS DIVERGENCIAS DE PESO E VOLUME.

=====

ICMS SUSPENSO CONFORME ARTIGO 75, INCISO 4, DECRETO 6.080 DE 28/09/2012.

=====

INCLUIMOS NA TELA ACRÉSCIMO O VALOR DE [REDACTED] REFERENTE A CAPATAZIA PAGO NO PORTO DE PARANAGUA.

=====

VALOR MLE.....[REDACTED]  
 VALOR DO FRETE.....[REDACTED]  
 VALOR DO FRETE+SEGURO+MLE.....[REDACTED]  
 VALOR DOS ACRESCIMOS.....[REDACTED]  
 VALOR CIF.....[REDACTED]  
 TAXA CAMBIAL.....[REDACTED]  
 TAXA CAMBIAL.....[REDACTED]

=====

TOTAL IMPOSTOS:  
 VALOR TOTAL I.I.....[REDACTED]  
 VALOR TOTAL I.P.I.....[REDACTED]  
 VALOR TAXA SISCOMEX.....[REDACTED]  
 VALOR TOTAL PIS.....[REDACTED]  
 VALOR TOTAL COFINS.....[REDACTED]  
 AFRMMM.....[REDACTED]  
 VALOR TOTAL ICMS.....[REDACTED]

=====

NUMERO DA ADICAO.....[REDACTED]  
 CODIGO N.C.M.....[REDACTED]  
 VALOR ADUANEIRO.....[REDACTED]  
 ALIQUOTA I.I. (%).....[REDACTED]  
 VALOR DO I.I.....[REDACTED]  
 ALIQUOTA I.P.I. (%).....[REDACTED]  
 VALOR DO I.P.I.....[REDACTED]  
 ALIQUOTA DO PIS (%).....[REDACTED]  
 VALOR DO PIS.....[REDACTED]  
 ALIQUOTA COFINS (%).....[REDACTED]  
 VALOR DO COFINS.....[REDACTED]  
 VALOR DA TAXA DE SISCOMEX.....[REDACTED]  
 DESPESAS ADUANEIRAS.....[REDACTED]  
 BASE DE CALCULO ICMS.....[REDACTED]  
 ALIQUOTA DE ICMS (%).....[REDACTED]  
 VALOR DO ICMS.....[REDACTED]

=====

REPRESENTANTES CREDENCIADOS AUTORIZADOS A ACOMPANHAR O DESEMBARACO ADUANEIRO: - DESPACHANTES:

[REDACTED]

Declaração: [REDACTED]

Data do Registro: [REDACTED]

3

[REDACTED]

- AJUDANTES:

[REDACTED]

Declaração:		Data do Registro:		4
Adição:				
<b>Exportador</b>				
Nome:				
País:				
<b>Fabricante/Produtor</b>				
Nome:				
País:				
<b>Classificação Tarifária</b>				
NCM				
NBM				
<b>Condição de Venda</b>				
INCOTERM:				
VCMV:			EURO/COM.EUROPEIA	
<b>Peso Líquido da Adição:</b>				
<b>Descrição Detalhada da Mercadoria</b>				
Qtde:		VUCV:		EURO/COM.EUROPEIA
Qtde:		VUCV:		EURO/COM.EUROPEIA
<b>Imposto de Importação</b>				
Regime de Tributação:				
Alíquota AdValorem (TEC):				
Valor a Recolher:				
<b>Imposto sobre Produtos Industrializados</b>				
Regime de Tributação:				
Alíquota AdValorem (TIPI)				
Valor a Recolher:				
<b>Dados Gerais Pis e Cofins</b>				
Base de Cálculo:				
Percentual de Redução da base de Cálculo:				
Regime de Tributação:				
<b>Pis/Pasep</b>				
Alíquota AdValorem:				
Valor Devido:				
Valor a Recolher:				
<b>Cofins</b>				
Alíquota AdValorem:				
Valor Devido:				
Valor a Recolher:				



## Import Declaration, Filling Instructions

1<sup>st</sup> Page:

- *Modalidade de Despacho* = Mode of Clearance
- *Quantidade de Adições* = Quantity of Items
- *Importador* = Importer
- *Adquirente da Mercadoria* = Buyer
- *Representative Legal* = Legal representative
- *Carga* = Cargo
- *Valores* = Values
- *Tributos* = Taxes

2<sup>nd</sup> Page:

- *Valor MLE* = VMLE is an abbreviation for *Valor da Mercadoria no Local de Embarque* and it stands for Value of the Goods in the place of Embarking. It is the value of the goods and any other expenses prior to shipment.
- *Valor do Frete* = Value of Freight
- *Valor do Frete + Seguro + MLE* = This is the same as VMLD and it is an abbreviation for *Valor da Mercadoria no Local de Descarga* and it stands for Value of the Goods in the place of Discharge. In this value is included the price of freight and insurance, in addition to VMLE.
- *Valor dos Acréscimos* = Additional values, such as wharfage
- *Valor CIF* = CIF-value (Cost, insurance, freight and wharfage) of cargo
- *Taxa Cambial* = Exchange rate, for example USD
- *Taxa Cambial* = Exchange rate, for example EUR

*Total Impostos* = Total Taxes

- *Valor Total I.I* = Total value of II
- *Valor Total I.P.I* = Total value of IPI
- *Valor Taxa Siscomex* = Value of Tax of using Siscomex
- *Valor Total PIS* = Value of PIS
- *Valor Total COFINS* = Value of COFINS

- *AFRMM = Adicional ao Frete para Renovação da Marinha Mercante*, Tax for the Improvement of Ports and Additional to the Freight of the Merchant Marine
- *Valor Total ICMS = Imposto Sobre Operações Relativas à Circulação de Mercadorias e Serviços de Transporte Interestadual de Intermunicipal e de Comunicações*, Tax on Circulation of Goods and Services, Total Value of ICMS
- *Numero da Adição* = Number of Addition
  - Refers to the arithmetic operation and the number of operation
- *Codigo N.C.M* = Nomenclature Code of the product
- *Valor Aduaneiro* = Customs Value
- *Alíquota I.I (%)* = Aliquot of II in Percentage
- *Valor Do I.I* = Value of II
- *Alíquota I.P.I (%)* = Aliquot of IPI in Percentages
- *Valor do I.P.I.* = Value of IPI
- *Alíquota do PIS (%)* = Aliquot of PIS in Percentages
- *Valor do PIS* = Value of PIS
- *Alíquota COFINS (%)* = Aliquot of COFINS in Percentages
- *Valor do COFINS* = Value of COFINS
- *Valor da Taxa de Siscomex* = Value of the Fee of using Siscomex
- *Despesas Aduaneiras* = Customs Expenses, such as AFRMM
- *Base de cálculo ICMS* = Calculation Basis for ICMS
- *Alíquota de ICMS (%)* = Aliquot of ICMS in Percentages
- *Valor do ICMS* = Value of ICMS

Accrediated representatives authorized to accompany the Customs Clearance:

4<sup>th</sup> Page:

*Exportador* = Exporter

- *Nome* = Name of the Exporter
- *País* = Country of Origin

*Fabricante/Produtor* = Manufacturer/Producer

- *Nome* = Name of the Manufacturer/Producer
- *País* = Country of Origin

*Classificação Tarifária* = Tariff Classification

- *NCM* = Nomenclature
- *NBM* = Nomenclatura Brasileira de Mercadoria

*Condição da Venda* = Terms of Sale

- Incoterms
- *VCMV* = *Valor Custo de Mercadoria Vendida*, Portuguese for Value of merchandise when sold

*Peso Líquido da Adição* = Gross weight of Addition

*Descrição Detalhada da Mercadoria* = Detailed Description of the goods

*Imposto de Importação* = Import Tax

- *Regime de Tributação* = Tax Treatment
  - o *Recolhimento Integral* = Full Payment
- *Alíquota Advalorem (TEC)* = Aliquot Advalorem (*Tariff Exterior Comum* = Common External Tariff)
- *Valor a Recolher* = Value of Payment

*Imposto sobre Produtos Industrializados* = Tax for Industrialized Products

- *Regime de Tributação* = Tax Treatment
  - o *Recolhimento Integral* = Full Payment
- *Alíquota Advalorem (TIPI)* = Aliquot Advalorem (*Tariff Imposto Produtos Industrializados* = Tariff for Industrialized Products)
- *Valor a Recolher* = Value of Payment

*Dados Gerais Pis e Cofins* = General information of PIS and COFINS

- *Base de Cálculo* = Calculation Basis
- *Percentual de Redução da base de Cálculo* = Reduction from the Calculation Basis in Percentages
- *Regime de Tributação* = Tax Treatment


*Pis/Pasep*

- *Alíquota Advalorem* = Aliquot Advalorem
- *Valor Devido* = Amount due
- *Valor a Recolher* = Value of Payment

*Cofins*

- *Alíquota Advalorem* = Aliquot Advalorem
- *Valor Devido* = Amount due
- *Valor a Recolher* = Value of Payment

## Proof of Import Example Template

 RECEITA FEDERAL DO BRASIL Coordenação-Geral do Sistema Aduaneiro [REDACTED]		<b>COMPROVANTE DE IMPORTAÇÃO</b>
<b>1 - DADOS GERAIS</b>		
DECLARAÇÃO DE IMPORTAÇÃO Nº [REDACTED]		DATA DO REGISTRO [REDACTED]
DECLARAÇÃO DE RETIFICAÇÃO Nº [REDACTED]		DATA DO REGISTRO [REDACTED]
<b>2 - DADOS DO IMPORTADOR</b>		
NOME DO IMPORTADOR [REDACTED]		CNPJ/CPF [REDACTED]
ENDEREÇO COMPLETO [REDACTED] [REDACTED]		
<b>3 - DADOS SOBRE A CARGA</b>		
VALOR TOTAL DA IMPORTAÇÃO (R\$) [REDACTED]	PESO BRUTO (Kg) [REDACTED]	QUANTIDADE DE VOLUMES [REDACTED]
<b>4 - DADOS DO DESEMBARAÇO</b>		
CANAL DE CONFERENCIA ADUANEIRA [REDACTED]		DATA DO DESEMBARAÇO [REDACTED]
OBSERVAÇÕES		DATA DE EMISSÃO [REDACTED]

## Proof of Import, Filling Instructions

- *Dados gerais* = General information
  - *Declaração de Importação N<sup>o</sup>* = Number of the Import Declaration
  - *Data do Registro* = Registration date
  - *Declaração de Retificação N<sup>o</sup>* = Number of the Rectificated Declaration
  - *Data do Registro* = Registration date
- *Dados do Importador* = Data of the Importer
  - *Nome do Importador* = Name of the Importer
  - *CNPJ/CPF* = Cadastro Nacional de Pessoa Jurídica / Cadastro de Pessoa Física. Both stand for a Federal ID number, which is unique for each company, i.e. legal entity (in case of CNPJ) and for each individual (in case of CPF).
  - *Endereço Completo* = Complete address
- *Dados Sobre a Carga* = Information about the Cargo
  - *Valor Total da Importação* = Total value of Import
  - *Peso Bruto* = Gross Weight
  - *Quantidade de Volumes* = Number of Items
- *Dados de Desembaraço* = Information about the Clearance
  - *Canal de Conferência Aduaneira* = Customs Conference Channel
  - *Data do Desembaraço* = Date of Clearance
  - *Observações* = Observations
  - *Data de Emissão* = Date of Submit

Interview with customs broker Carlos Alberto Caiuby Lobo Vianna from Empresa Nacional De Logística, Nationwide Logistics:

O que é o processo de desembaraço aduaneiro para importação?

(What is the process for Customs Clearance when importing?)

Quais os impostos estão envolvidos e como eles são calculado?

(Which taxes are involved and how they are calculated?)

Como o sistema de nomenclatura funciona e como a nomenclatura adequada é determinada?

(How the Nomenclature System works and how a proper NCM is determined?)

O que são os documentos necessários?

(Which documents are necessary?)

Existe algum processo de desembaraço aduaneiro especial e possibilidades de redução dos direitos e taxas de importação?

(Are there any special clearance procedures where it is possible to have reductions for the payment of taxes and duties when importing?)

Com base na sua experiência, quais as portas que tem o mais rápido desembaraço aduaneiro?

(Based on your experience, which ports have more efficient customs clearance process?)