

National tax measures adopted in Brazil in response to the COVID-19 pandemic crisis

Marciano Seabra de Godoi*, Fernanda de Oliveira Silveira**

ABSTRACT

The purpose of this report is to provide a general overview of the economic and social impacts of the COVID-19 pandemic in Brazil, and the main fiscal and tax measures which have been adopted by the Brazilian Government during the crisis. Furthermore, the study provides some insights on the prospective tax measures that have been discussed by Brazilian authorities and scholars about the recovery from the pandemic crisis.

KEYWORDS

COVID-19 Pandemic – Brazil – Fiscal and Tax Measures

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* LProfessor and Director of PhD Law Program – Catholic Pontifical University of Minas Gerais – Brazil. Tax Law PhD Complutense University of Madrid – Spain.

** Master in Public Law - Catholic Pontifical University of Minas Gerais - Brazil. PhD student - Federal University of Minas Gerais - Brazil. Lawyer and Tax Consultant.

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1. General Overview

The COVID-19 pandemic impacts on the Brazilian population have been severe and enduring. Brazil has the world's 2nd biggest number of total deaths (142,000 on 28 September 2020)¹ and the world's 3rd biggest number of deaths per 100,000 inhabitants (68)². Yet the President of the Republic said on 11 September that "Brazil was one of the countries who suffered less"³ with the pandemic in the whole world.

In terms of affected population, Brazil has the 10th biggest rate per 100,000 inhabitants. Brazil is one of the countries who tests less for COVID-19 in the world⁴, so the numbers of cases and deaths are probably much higher than the official ones.

Being a complex federation of 27 states and more than 5,550 municipalities, the implementation of social distancing and lockdown measures throughout the huge country varied significantly from place to place. As regards central government, it has acted since the outbreak of the pandemic to minimize the malignancy of the virus and to pressure against social distancing measures. The President of the Republic said on 18 September that stay-

¹ United States is first (205.000).

² Peru is first and Belgium is second in number of deaths per 100.000 inhabitants, without considering the case of San Marino. See <https://www.nytimes.com/interactive/2020/world/coronavirus-maps.html>, accessed on 27 September 2020.

³ See <https://www.cnnbrasil.com.br/politica/2020/09/11/brasil-e-um-dos-paises-que-menos-sofreu-com-a-pandemia-diz-bolsonaro>, accessed 27 September 2020.

⁴ See <https://www.theguardian.pe.ca/news/world/brazil-uses-less-than-a-third-of-available-coronavirus-tests-newspaper-says-493122/>, accessed 27 September 2020.

ing home in social distancing was “bullshit for weak people” and that the strong and brave people did not fear to come face to face and to win the virus⁵.

The unemployment rate in Brazil was already going up since January 2020. With the pandemic outbreak in March 2020, the unemployment rate rose from 11.2 to 13.3% of the economically active population⁶, the biggest rate over the last 3 years. From March to June 2020, 9 million jobs were lost in Brazil due to the pandemic crisis.

Brazil has been in a deep economic crisis for the last 6 years. The 2019 Gross Domestic Product (GDP) per capita adjusted by purchasing power parity is 8% lower than the 2014 figure⁷. The 2020 pandemic hit Brazilian's economic activity hard. The International Monetary Fund (IMF) and Economic Commission for Latin America and the Caribbean (ECLAC) estimate that in 2020 Brazilian GDP will decrease around 9% in relation to the already depressed 2019 GDP⁸. In Latin America and the Caribbean, the COVID-19 crisis is causing even more inequality and poverty, which are chronic problems in the region. ECLAC estimates that unemployment will increase by 50% compared to the end of 2019 figures. As a result, by the end of 2020, people in poverty should account for 37.3% of the Latin America and the Caribbean population (26.9% in the case of Brazil) and people in extreme poverty must reach 15.5% of the population (9.8% in the case of Brazil)⁹.

Federal revenue accrued from January to July 2020 was 15% lower than in the same period of 2019¹⁰. States revenue dropped 6% in average in the first semester of 2020¹¹.

The main fiscal measures related to combating the economic effects of COVID-19 pandemic were the institution of an emergency aid of approximately 90 euros monthly for informal workers, small businesses and unemployed who do not receive welfare or social security benefits (Law N.º 13.982) and the institution of an emergency benefit for the preservation of employment and income, applicable to cases of temporary suspension of employment contracts and cases of temporary reduction of working hour and wages (Law N.º 14.020).

⁵ See <https://www.poder360.com.br/governo/bolsonaro-diz-que-ficar-em-casa-e-conversinha-mole-para-os-fracos/>, accessed 27 September 2020.

⁶ See <https://g1.globo.com/economia/noticia/2020/08/06/desemprego-sobe-para-133percent-em-junho-diz-ibge.ghtml>, accessed 27 September 2020.

⁷ See <https://tradingeconomics.com/brazil/gdp-per-capita-ppp>, accessed 27 September 2020.

⁸ See IMF, ‘A Crisis Like No Other, An Uncertain Recovery’ (IMF, June 2020) <<https://www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEOUpdateJune2020>> accessed 28 September 2020 and CEPAL, ‘Enfrentar los efectos cada vez mayores del COVID-19 para una reactivación con igualdad: nuevas proyecciones’ (CEPAL, 15 July 2020) <https://repositorio.cepal.org/bitstream/handle/11362/45782/4/S2000471_es.pdf> accessed 28 September 2020.

⁹ CEPAL, ‘Enfrentar los efectos cada vez mayores del COVID-19 para una reactivación con igualdad: nuevas proyecciones’ (CEPAL, 15 July 2020) <https://repositorio.cepal.org/bitstream/handle/11362/45782/4/S2000471_es.pdf> accessed 28 September 2020.

¹⁰ See <https://receita.economia.gov.br/dados/receitadata/arrecadacao/relatorios-do-resultado-da-arrecadacao/arrecadacao-2020/julho2020/analisemensual-jul-2020.pdf>, accessed 27 September 2020.

¹¹ See <https://economia.estadao.com.br/noticias/geral,arrecadacao-do-icms-cresce-em-seis-estados-do-norte-e-do-centro-oeste,70003396166>, accessed 27 September 2020.

In the case of the 90 euros emergency aid, it was initially granted for three months (April to June), with a subsequent extension at the end of June for another two months. The amount initially proposed by the Executive Power for the aid was only 30 euros per month, a value substantially increased after pressure from the National Congress. In September, the Executive Power decided to extend the payments of the emergency aid until December, but the amount was reduced to approximately 45 euros per month.

The total number of beneficiaries of the emergency aid exceeded 67 million people (roughly one third of Brazilian population). By the end of fiscal year of 2020, the total amount of federal spending on this emergency aid will reach almost 50 billion euros, the most significant item of federal spending related to COVID-19 crisis¹².

The other most relevant federal expenditures with the pandemic include transfers to States, Federal Districts and Municipalities (Complementary Law N.º 173, with approximately 12 billion euros being transferred in 2020 from central to regional and local governments), and additional expenses from ministries, especially the ministry of health (approximately 8 billion euros).

2. Direct Taxes' Measures

Due to the COVID-19 pandemic, the Brazilian Government (in all its spheres) adopted some timid and limited tax measures to assist Brazilian taxpayers during the crisis.

No direct measure of significant change in the rules regarding income taxation was adopted, as the Government preferred to reduce other taxes on financial operations, companies' payroll and donations aimed at combating the COVID-19 pandemic.

On the other hand, there were several instrumental measures adopted by the Government¹³ to intervene in private relations and guarantee the capacity of investment and jobs maintenance by most Brazilian companies – which will also be addressed in the following Parts III and IV.

2.1. Labor Rulings and their tax impact on Federal Taxes

Through Provisional Measure no. 927/2020¹⁴, the Federal Government deferred the payment by employers of the contribution to the Guarantee Fund for Length of Service from which their employees are beneficiaries.

¹² Marciano Seabra de Godoi et. al., 'A doença, o auxílio e as alternativas', In Carlos Palao Taboada et. al. (eds), *Finanças Públicas, Direito Financeiro e Direito Tributário em Tempos de Pandemia – Diálogos Ibero-americanos* (1st edn, D'Plácido, 2020).

¹³ The Federal Government compiled all the standards issued during the COVID-19 pandemic, available at: http://www.planalto.gov.br/CCIVIL_03/Portaria/quadro_portaria.htm. accessed 27 September 2020.

¹⁴ Available at http://www.planalto.gov.br/ccivil_03/_ato2019-2022/2020/mpv/mpv927.htm. accessed 27 September 2020.

According to the new rules, employers would be able to postpone the payment of the contributions due in March, April and May 2020, which could later be paid in six instalments, without monetary restatement and without any fines, as of 7 July 2020, whereas these instalments suspended would only be advanced if the employer opted to terminate the employment contract during the period.

Brazilian tax law places greater responsibilities and burdens on employers whose employees are repeatedly affected by occupational diseases. For this reason, the Federal Government has also determined that only cases in which the contamination has been proven to have resulted from work will be considered occupational.

On 7 July 2020, the Government published Law no. 14.020/2020¹⁵ to institute the ‘Emergency Employment and Income Maintenance Program’, through which employers were able (i) to reduce working hours and wages through negotiations between employers and employees and (ii) to temporarily suspend employment contracts, provided that certain requirements are met.

The Government also allowed that any possible monthly compensatory aid paid by employers (due to reduced hours and wages): would not be subject to income tax withheld at source, nor be considered taxable in the employee’s income statements; would not suffer the incidence of the taxes commonly demanded on the payroll; and would be considered as deductible operating expenses for the calculation of income tax and social contributions on net income due by the employer.

2.2. Reduction of Federal Social Contributions

Through Provisional Measure no. 932/2020¹⁶, later converted into Law no. 14,025/2020¹⁷, the Federal Government reduced by 50%, from April to June 2020, the rates on the social contributions owed by companies to entities that provide autonomous social services. These taxes are levied on the companies’ payroll or on the revenue obtained by producers (including agro-industries) in the marketing of rural products.

2.3 Exemptions for State Donation Tax

According to the constitutional division of tax jurisdiction among the federated entities, the Brazilian Tax System encompasses various taxes simultaneously due to the Federal Union, to the States and the Federal District (in total 27) and to the Municipalities (currently, there are 5,570 municipalities in Brazil). Because of this division, taxes on donations are due to the States and the Federal District.

¹⁵ Available at http://www.planalto.gov.br/ccivil_03/_Ato2019-2022/2020/Lei/L14020.htm. accessed 27 September 2020.

¹⁶ Available at http://www.planalto.gov.br/ccivil_03/_Ato2019-2022/2020/Mpv/mpv932.htm. accessed 27 September 2020.

¹⁷ Available at http://www.planalto.gov.br/ccivil_03/_Ato2019-2022/2020/Lei/L14025.htm. accessed 27 September 2020.

Some of these States have chosen to exempt donations made to combat the COVID-19 pandemic to some extent, but there was no uniform and coordinated policy, so each State opted for a different exemption model.

The State of Minas Gerais, for example, through Law no. 23,637/2020¹⁸, exempted until December 31, 2020 (or until the cancelation of the state of public calamity decreed in the State), donations of goods or money destined to private hospitals or to private institutions that maintain or sponsor field hospitals.

The State of Ceará, through Law no. 17,193/2020¹⁹, exempted donations of goods, rights or money, in order to face the COVID-19 pandemic, provided they were destined for its territory. The State of Rio de Janeiro, on the other hand, published Law no. 8,804/2020²⁰, through which it exempted donations (i) directed to the State Health Fund to combat the COVID-19 pandemic, (ii) directed to the Scientific, Technological and Innovation Institution, based in its territory, when destined to finance research at the combating of the pandemic; and (iii) some of the equipment necessary to fight the pandemic, according to a list published by the State itself.

3. Indirect Tax Measures

According to the constitutional division of tax jurisdiction among the federated entities, the Brazilian Tax System encompasses various VATs and other indirect taxes simultaneously due to the Federal Union, the 27 States and the 5,570 Municipalities²¹.

Through Decree no. 10,285/2020²², the Federal Government reduced to zero, until September 30, 2020, the rates of the Tax on Industrialized Products (a federal VAT) on various products intended to combat the COVID-19 pandemic, such as ethyl alcohol with a concentration equal to or more than 70%, disinfectants, masks and protective clothing.

¹⁸ Available at <http://jornal.iof.mg.gov.br/xmlui/handle/123456789/233766>. accessed 27 September 2020.

¹⁹ Available at <https://www.cge.ce.gov.br/wp-content/uploads/sites/20/2020/04/LEI-N%C2%BA17.193-27-de-mar%C3%A7o-de-2020.pdf>. accessed 27 September 2020.

²⁰ Available at http://www.fazenda.rj.gov.br/sefaz/faces/menu_structure/servicos?_afzLoop=18945129424864254&datasource=UCMServer%23dDocName%3AWCC42000008150&_adf.ctrl-state=xubum0u40_59. accessed 27 September 2020.

²¹ Marciano Seabra de Godoi, 'Recent Developments in Brazil Regarding the Indirect Taxation of Services in the Digital Economy' (2018) 72 IBFD Bulletin for International Taxation, 1.

²² Available at <https://www2.camara.leg.br/legin/fed/decret/2020/decreto-10285-20-marco-2020-789866-publicacaooriginal-160169-pe.html#:~:text=Reduz%20temporariamente%20as%20al%C3%ADquotas%20do,vista%20o%20disposto%20no%20art.> accessed 27 September 2020.

This same reduction was later extended by Decrees no. 10.302/2020²³ and 10.352/2020²⁴, for other products, such as laboratory or pharmacy articles, gloves, and clinical and digital thermometers.

On April 16, 2020, in turn, the Federal Government published Ordinance no. 158/2020²⁵, through which it reduced to zero, until September 30, 2020, the rates of the Import Tax, the Tax on Industrialized Products and the PIS and Cofins contributions (two other federal VATs) on the same products mentioned by the Decree no. 10,258/2020.

This same reduction for the Import Tax was corroborated by Resolutions no. 17/2020²⁶, 22/2020²⁷ and 32/2020²⁸, with the extension of its effects to other products, such as respiratory resuscitation devices, hospital supplies, COVID-19 test kits, medical equipment and devices, and some drugs such as chloroquine and dipyrone.

PIS and Cofins contributions, however, continued to be normally required in internal operations involving these same products. The only exception was the temporary reduction of their rates until September 30, 2020, by Decree no. 10,318/2020²⁹, on revenue from sales on the domestic market and from import operations involving certain inputs used in parenteral nutrition.

Regarding the Tax on Circulation of Goods and Services (a state VAT), once again, there was no coordinated and unanimous policy by States.

Some States have chosen only to reduce the rates for the Tax on Circulation of Goods and Services on necessary products to combat the COVID-19 pandemic, such as the Federal District (through Law no. 6,521/2020³⁰). Others totally exempted these products, such as the State of Santa Catarina (until September 2020, through Law no. 17,930/2020³¹).

²³ Available at <https://www2.camara.leg.br/legin/fed/decret/2020/decreto-10302-1-abril-2020-789921-publicacaooriginal-160237-pe.html>. accessed 27 September 2020.

²⁴ Available at http://www.planalto.gov.br/CCIVIL_03/_Ato2019-2022/2020/Decreto/D10352.htm. accessed 27 September 2020.

²⁵ Available at <https://www.in.gov.br/en/web/dou/-/portaria-n-158-de-15-de-abril-de-2020-252723605>. accessed 27 September 2020.

²⁶ Available at <https://www.in.gov.br/en/web/dou/-/resolucao-n-17-de-17-de-marco-de-2020-248564246>. accessed 27 September 2020.

²⁷ Available at <http://www.camex.gov.br/resolucoes-camex-e-outros-normativos/58-resolucoes-da-camex/2675-resolucao-n-22-de-25-de-marco-de-2020#:~:text=Concede%20redu%C3%A7%C3%A3o%20tempor%C3%A1ria%2C%20para%20zero,Corona%20V%C3%ADrus%20%2F%20Covid%2D19>. accessed 27 September 2020.

²⁸ Available at <http://www.camex.gov.br/resolucoes-camex-e-outros-normativos/58-resolucoes-da-camex/2675-resolucao-n-22-de-25-de-marco-de-2020#:~:text=Concede%20redu%C3%A7%C3%A3o%20tempor%C3%A1ria%2C%20para%20zero,Corona%20V%C3%ADrus%20%2F%20Covid%2D19>. accessed 27 September 2020.

²⁹ Available at http://www.planalto.gov.br/CCIVIL_03/_Ato2019-2022/2020/Decreto/D10318.htm. accessed 27 September 2020.

³⁰ Available at http://www.buriti.df.gov.br/ftp/diariooficial/2020/03_Mar%C3%A7o/DODF%20054%2020-03-2020/DODF%20054%2020-03-2020%20INTEGRA.pdf. accessed 27 September 2020.

³¹ Available at http://leis.alesc.sc.gov.br/html/2020/17930_2020_lei.html. accessed 27 September 2020.

With the publication of Decree no. 10,305 / 2020³², the Federal Government reduced the tax rate on Financial Transactions to zero for operations involving: (i) loans, under any type, including credit opening; (ii) discounts, including the sale of credit rights (from credit sales) to factoring companies resulting; (iii) advance to depositor; (iv) loans, including in the form of financing; (v) limit excesses; (vi) credit at an additional rate of 0.38%; and (vii) new incidence of such tax in cases of extension, renewal, novation, composition, consolidation, debt confession and similar cases, without replacing the debtor.

This reduction was initially planned for the period from 3 April to 3 July 2020, but was extended until 2 October 2020, by Decree no. 10,414 / 2020³³.

4. Procedural Tax Aspects

As said before, the Federal Government³⁴ adopted several instrumental measures trying to guarantee the capacity of investment and jobs maintenance by most Brazilian companies.

4.1. Extensions in the payment of current taxes

Through Ordinances 139/2020³⁵ and 150/2020³⁶, the Federal Government extended the deadline for the payment of social security contributions due by companies and domestic employers, as well as PIS and Cofins contributions, so that their payments related to the months of March and April 2020 (originally due in April and May 2020, respectively) were deferred to August and October 2020.

For Brazilian exporting companies, the Federal Government makes it possible to obtain special tax regimes, known as Drawback, through which one can obtain the temporary suspension of taxes that would be required in the acquisition in the domestic market and/or in the import of inputs to be applied or consumed in the industrialization of the product that shall be exported. Due to the COVID-19 crisis' impacts on international markets and transactions, the Federal Government issued Provisional Measure no. 960/2020³⁷ extending for a year the deadline

³² Available at http://www.planalto.gov.br/ccivil_03/_ato2019-2022/2020/decreto/d10305.htm. accessed 27 September 2020.

³³ Available at http://www.planalto.gov.br/CCIVIL_03/_Ato2019-2022/2020/Decreto/D10414.htm. accessed 27 September 2020.

³⁴ Some of these measures (such as extensions in the payment of tax installments and in the delivery of tax returns and suspension on collection actions and deadlines for tax defenses) were mirrored by some of the 27 Brazilian States and 5,570 Municipalities.

³⁵ Available at <https://www.in.gov.br/en/web/dou/-/portaria-n-139-de-3-de-abril-de-2020-251138204>. accessed 27 September 2020.

³⁶ Available at <https://www.in.gov.br/en/web/dou/-/portaria-n-150-de-7-de-abril-de-2020-251705942>. accessed 27 September 2020.

³⁷ Available at http://www.planalto.gov.br/CCIVIL_03/_Ato2019-2022/2020/Mpv/mpv960.htm. accessed 27 September 2020.

for companies that obtained Drawback Concession Acts due in 2020, to prove the export of products whose inputs had not yet been taxed because of this special regime.

For Small and Medium-sized Enterprises, the Brazilian Constitution allowed the establishment of a simplified taxation regime, known as ‘Simples Nacional’, which allows these companies the unified payment of federal, state and municipal taxes.

As it involves taxes from different competencies, Simples Nacional is managed by a Management Committee that encompasses representatives of all the federated entities in Brazil. Through Resolution no. 154/2020³⁸, the Management Committee extended the original deadlines for payment of the taxes included in Simples Nacional, as follows: (i) for federal taxes (income tax, tax on industrialized products, social contribution on profit, PIS and Cofins contributions and employers’ social security contribution), the original payments related to March, April and May 2020 were extended to October, November and December 2020, respectively; (ii) for state (tax on the circulation of goods and services) and municipal (service tax) taxes, the original payments related to March, April and May 2020 were postponed to July, August and September 2020, respectively.

4.2. Extensions in the payment of previous tax instalments

Through Ordinance 201/2020³⁹, the Federal Government extended the payment deadlines related to federal tax instalment programs, so that the instalments due in May, June and July 2020 could be paid in August, October and December of 2020, respectively, with interests until its effective payment.

Through Resolution 155/2020⁴⁰, the Management Committee also extended the deadlines for payment of instalments made under ‘Simples Nacional’, so that the instalments due in May, June and July 2020 could be paid in August, October and December 2020, with interests until its effective payment.

4.3. Extensions in the submission of tax returns

Regarding the filing of declarations with tax impacts, the Federal Government promoted different measures for individuals and for legal entities.

For individuals, the deadline for submitting the declaration of Brazilian Capitals Abroad was extended from April to June 2020 (through Circular DC/BACEN no. 3,995/2020⁴¹), and from March to June 2020, the deadline for the submission of the Annual Adjustment

³⁸ Available at <http://normas.receita.fazenda.gov.br/sijut2consulta/link.action?visao=anotado&idAto=108368#2114637>. accessed 27 September 2020.

³⁹ Available at <https://www.in.gov.br/en/web/dou/-/portaria-n-201-de-11-de-maio-de-2020-256310621>. accessed 27 September 2020.

⁴⁰ Available at <http://normas.receita.fazenda.gov.br/sijut2consulta/link.action?visao=anotado&idAto=109446>. accessed 27 September 2020.

⁴¹ Available at https://www.bcb.gov.br/pre/normativos/busca/downloadnormativo.asp?arquivo=/lists/normativos/attachments/50954/circ_3995_v1_o.pdf. accessed 27 September 2020.

Declaration for Individuals, referring to the 2019 calendar year income taxation (through Normative Instruction 1,930/2020⁴²).

For legal entities in general, the deadlines (i) for the transmission of Federal Tax Debt and Credit Declarations (DCTF) and the Digital Tax Deed of PIS/Pasep, Cofins and the Social Security Contribution on Revenue (EFD), which would have previously been delivered in April, May and June 2020, were postponed to July 2020 (through Normative Instruction no. 1,932/2020⁴³); and (ii) for the transmission of the Tax Accounting Bookkeeping (ECF), referring to the 2019 calendar year, was postponed from July 2020 to September 2020 (through Normative Instruction no. 1,965/2020⁴⁴).

For Small and Medium-sized Enterprises under Simples Nacional, the Management Committee published the Resolution no. 153/2020⁴⁵ extending to June 2020 the deadline for submitting the Declaration of Socioeconomic and Tax Information (DEFIS) and the Simplified Annual Declaration for the Individual Microentrepreneur (DASN-Simei), referring to the 2019 calendar year.

4.4. Suspension of collection actions and deadlines for tax defenses

Through Ordinance no. 7,821/2020⁴⁶, the Federal Government suspended, for 90 days, the deadlines for the presentation of defenses in tax matters as well as for the collection measures and initiation of procedures for the exclusion of taxpayers from federal installments. The suspension of the deadlines for the presentation of defenses involving federal taxes was further extended until 31 August 2020, through Ordinances no. 543/2020⁴⁷, 936/2020⁴⁸, 1,087/2020⁴⁹ and 4,105/2020⁵⁰.

The Federal Government also enacted Law no. 13,988/2020⁵¹ to establish the general guidelines for tax transactions within the scope of the Federal Government whose regu-

⁴² Available at <http://normas.receita.fazenda.gov.br/sijut2consulta/link.action?visao=anotado&idAto=108340>. accessed 27 September 2020.

⁴³ Available at <https://www.in.gov.br/en/web/dou/-/instrucao-normativa-n-1.932-de-3-de-abril-de-2020-251138205>. accessed 27 September 2020.

⁴⁴ Available at <http://normas.receita.fazenda.gov.br/sijut2consulta/link.action?visao=anotado&idAto=111014>. accessed 27 September 2020.

⁴⁵ Available at <http://normas.receita.fazenda.gov.br/sijut2consulta/link.action?visao=anotado&idAto=108098>. accessed 27 September 2020.

⁴⁶ Available at <https://www.in.gov.br/en/web/dou/-/portaria-n-7.821-de-18-de-marco-de-2020-248644106>. accessed 27 September 2020.

⁴⁷ Available at <http://normas.receita.fazenda.gov.br/sijut2consulta/link.action?idAto=107927&visao=anotado>. accessed 27 September 2020.

⁴⁸ Available at <http://normas.receita.fazenda.gov.br/sijut2consulta/link.action?visao=anotado&idAto=109891>. accessed 27 September 2020.

⁴⁹ Available at <http://normas.receita.fazenda.gov.br/sijut2consulta/link.action?visao=anotado&idAto=110754>. accessed 27 September 2020.

⁵⁰ Available at <http://normas.receita.fazenda.gov.br/sijut2consulta/link.action?visao=anotado&idAto=111406>. accessed 27 September 2020.

⁵¹ Available at http://www.planalto.gov.br/ccivil_03/_ato2019-2022/2020/lei/113988.htm. accessed 27 September 2020.

lation was given by Ordinances no. 9,924/2020⁵² and 18,176/2020⁵³ in order to allow all Brazilian taxpayers to transact their outstanding debts until 31 August 2020.

However, the Federal Government made it possible, through Ordinance no. 14,402/2020⁵⁴, that taxpayers who have been affected by COVID-19 pandemic could join, from July 2020 to 29 December 2020, an Exceptional Transaction modality whose benefits and reductions were even more advantageous compared to that regulated by the aforementioned Ordinances.

The Federal Government also extended, through Provisional Measure no. 927/2020⁵⁵, regulated by Ordinance no. 555/2020⁵⁶, the term of validity of certificates (attesting the fiscal regularity of Brazilian taxpayers) which would expire during most of the first semester of 2020. Similar measures were adopted by some Brazilian States, such as the State of Minas Gerais (through Decree n. 47,898/2020⁵⁷, which also suspended collection actions).

4.5. Measures to expedite Customs Clearance

The Federal Government also adopted measures to expedite the customs clearance of products or inputs necessary to combat the COVID-19 pandemic, both to (i) enable such products to be the subject of a Special Export License (under the terms of Ordinance no. 16/2020⁵⁸) and (ii) allow the delivery of these goods before the conclusion of the customs conference (Normative Instruction n. 1,927/2020⁵⁹) as well as (iii) guarantee their priority dispatch (Normative Instruction RFB no. 1,929/2020⁶⁰) and (iii) allow their Certificate of Origin to be presented within 60 days of the registration of the Import Declaration, without requiring any guarantee (Normative Instruction 1,936/2020⁶¹).

Regarding the international taxation of income (corporate and personal income), Brazilian government took no legislative measures in response to COVID-19 crisis.

⁵² Available at <https://www.in.gov.br/en/web/dou/-/portaria-n-9.924-de-14-de-abril-de-2020-252722641>. accessed 27 September 2020.

⁵³ Available at <https://www.in.gov.br/en/web/dou/-/portaria-n-18.176-de-30-de-julho-de-2020-269665327>. accessed 27 September 2020.

⁵⁴ Available at <https://www.in.gov.br/en/web/dou/-/portaria-n-14.402-de-16-de-junho-de-2020-261920569>. accessed 27 September 2020.

⁵⁵ Available at http://www.planalto.gov.br/ccivil_03/_ato2019-2022/2020/mpv/mpv927.htm. accessed 27 September 2020.

⁵⁶ Available at <https://www.in.gov.br/en/web/dou/-/portaria-conjunta-n-555-de-23-de-marco-de-2020-249439539>. accessed 27 September 2020.

⁵⁷ Available at http://www.fazenda.mg.gov.br/empresas/legislacao_tributaria/decretos/2020/d47898_2020.html#:~:text=Disp%C3%B5e%20sobre%20a%20suspens%C3%A3o%20de,2002%2C%20e%20d%C3%A1%20outras%20provid%C3%A2ncias. accessed 27 September 2020.

⁵⁸ Available at http://www.mdic.gov.br/images/REPOSITORIO/secex/gab/portarias_secex_2020/Portaria_SECEX_016_2020.pdf. accessed 27 September 2020.

⁵⁹ Available at <http://normas.receita.fazenda.gov.br/sijut2consulta/link.action?visao=anotado&idAto=107785>. accessed 27 September 2020.

⁶⁰ Available at <http://normas.receita.fazenda.gov.br/sijut2consulta/link.action?visao=anotado&idAto=108156>. accessed 27 September 2020.

⁶¹ Available at <https://www.in.gov.br/en/web/dou/-/instrucao-normativa-n-1.936-de-15-de-abril-de-2020-252573865>. accessed 27 September 2020.

5. Post-COVID-19 Tax Measures

In 2019, an ambitious constitutional reform of Brazilian indirect taxation was proposed to National Congress, but consensus on this subject was far from being reached.

In July 2020, Federal Government proposed to National Congress a more limited reform of indirect taxation with no necessity of constitutional amendments. Once more, consensus is far from being reached. Federal Government says this proposal would not raise the tax burden, but several economic sectors – specially the services sector – say the opposite.

The Minister of the Economy has been obsessed since 2019 about reintroducing the federal tax on financial transactions. His proposal is to reintroduce this tax abolished in 2007 and, in return, reduce the payroll taxes to a minimum. But the presidents of the two legislative branches are contrary to reintroducing the federal tax on financial transactions.

Regarding the personal income tax, the Minister of the Economy states from time to time that the government weighs to reduce or even to abolish the major allowances related to education and wealth personal expenses. In return, he offers the opportunity of doubling the current threshold of minimum exempted income.

Another offer loosely proposed by the Ministry of Economy is to revoke the 1995 income tax exemption of distributed dividends in exchange for reducing the statutory rates of corporate income tax. None of these Minister's offers are concretely put on a bill to be sent to the Congress.

Several economists⁶² and international organizations⁶³ have made clear calls for post-COVID-19 medium- and long-term tax policies which could strengthen high income and high wealth taxation. However, there is no indication from the Brazilian government that, after this first moment of emergency assistance spending and tax relief/postponement measures, some type of tax reform will be able to change the endemic inequity of our regressive tax system, excessively dependent on a very high indirect taxation on goods and services.

⁶² See ICRICT, The global pandemic, sustainable economic recovery and international taxation (2020) <<https://static1.squarespace.com/static/5a0c602bf43b5594845abb81/t/5ee79779c63e0b7d057437f8/1592235907012/ICRICT+Global+pandemic+and+international+taxation.pdf>> accessed 9 August 2020.

⁶³ CEPAL, 'Enfrentar los efectos cada vez mayores del COVID-19 para una reactivación con igualdad: nuevas proyecciones' (CEPAL, 15 July 2020) <https://repositorio.cepal.org/bitstream/handle/11362/45782/4/S2000471_es.pdf> accessed 28 September 2020 and OECD, Tax and Fiscal Policy in Response to the Coronavirus Crisis: Strengthening Confidence and Resilience (2020). <https://read.oecd-ilibrary.org/view/?ref=128_128575-o6rakt0aa&title=Tax-and-Fiscal-Policy-in-Response-to-the-Coronavirus-Crisis> accessed 9 August 2020.