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# Drawback Regimes in Brazil

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In order  
to



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stimulate the economy, the Brazilian government has created some initiatives that

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would enhance exports. One of these initiatives is the drawback regime. In this article, we will explain what is the regime and its major modalities.

## What is a drawback regime?

A drawback is a [customs regime](#) consisting of the suspension, exemption or refund of the taxes generated by the products that were used in the production process of exported goods.

The regime is granted to operations that can be classified as:

- Transformation;
- Beneficiation;
- Manufacturing;
- Renovation or reconditioning;
- Packaging or repackaging.

The regime applies to the entire good or to the pieces that constitute it. The purpose of drawback regimes is to stimulate exports as tax exemption to imports and acquisitions in the internal market makes national goods more competitive in the external market.

## Benefits

The benefits generate by the drawback regime is directly related to financial aspects and to the improvement of the organization and standardization of corporate procedures. This



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way, the Brazilian exports become more competitive, bringing benefits to both the internal and the external market.

The initiative also increases profit and encourages investments in the improvement and modernization of [industrial hubs](#) due to the tax exemption.

## Modalities

### Suspension Drawback

In this modality, there is the suspension of taxes applied to imports, such as the [Import Tax](#) and IPI of the goods used in the industrialization of the exported product. This suspension is granted by the IRS (Receita Federal).

### Exemption Drawback

The exemption modality involves the exemption of the Import Tax (II), IPI and AFRMM (Additional Freight for the Renewing of the Merchant Marine) for goods in equivalent quality or quantity, destined to the reposition of goods previously imported with the entire collection of taxes and used in the industrialization of the exported product. This exemption is granted by SECEX, [Brazilian Department of Foreign Trade](#).

### Refund Drawback



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Drawback refund is the suspension of the incident taxes in the import operation (Import Tax – II -, Tax over Industrialized Products – IPI – and Additional Freight for the Renewing of the Merchant Marina – AFRMM) of the goods to be exported after being sent to manufacturing, complementation, reconditioning or conditioning of another good about to be exported. This refund is granted by DECEX (Commercial Trade Operations Department) through SECEX.

### **”Verde-Amarelo” Drawback**

Drawback “verde-amarelo” (or “green and yellow”) grants the suspension of IPI, [PIS](#) and COFINS in the acquisition of raw material, intermediate products and packing material in the internal market. The modality covers imports and acquisitions made in the internal market for the incorporation of the good about to be exported.

This drawback modality contributes directly to the decrease of manufacturing processes and to the increase of Brazilian products in the foreign market.

### **Integrated Drawback**

Integrated drawback is a special regime to stimulate exports by exemption of taxes related to imports (II, IPI, PIS, COFINS, [ICMS](#) and AFRMM) and acquisitions in the internal market.



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The regime also applies to goods that are used in the repair, production, cultivation or mining activity of products to be exported.



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