CONSULTATION UNDER ARTICLE XII:4(b) WITH

B R A Z I L

Basic Document prepared by the Secretariat

I. INTRODUCTION

Brazil first imposed exchange restrictions in 1947 in order to combat the deficit trend in her balance of payments. The purposes of this measure were clearly defined: to limit the value of imports to the amount of each foreign currency available, and to select imports in accordance with the policy of implementing and developing the national economy. The prior licensing system was established in 1948 as the principal instrument for the achievement of these objectives. At the same time, as a complementary measure, Brazil initiated a programme of bilateral payments agreements with a view to conducting trade, which is often effected on a selective basis, within the framework of a compensation scheme.

Two very important reforms took place in the Brazilian system of foreign trade controls in 1953; these reforms became necessary because of the serious disequilibrium which, for various reasons had become apparent since 1951. These reasons included the purchase of foreign goods in larger quantities than usual, which had been authorized as a precaution against the possible consequences of the Korean conflict. Another such factor was the overvaluation and the rigidity of the exchange rate applied to exporters, in relation to increased costs on the domestic market, and the stimulus which the propensity to import received from this overvalued rate of exchange. In these circumstances, the purpose of the first of the 1953 reforms, which was introduced in January of that year, was to increase the competitive capacity of marginal exporters who were authorized to sell a certain proportion of their foreign exchange receipts in a free market, according to the "mixing" system, and to discourage non-essential imports, transferring them from the official to the free market. Licences in circulation and current import obligations were reflected in the small results obtained from the new system, which remained in force only for a few months. In October 1953, it was considered expedient to take more radical steps to readjust the external value of the cruzeiro. Furthermore, the Government wanted to discontinue the system of selecting imports by administrative means, on a case-by-case basis, and to replace it by controls which were to some extent automatic. In addition, it seemed possible by resorting to special measures within the framework of exchange policy, to find a provisional solution to the problem of the gradual
decline in the incidence of customs duties. As is well known, in recent years the increased cost of imports and the reduced purchasing power of currency have reduced the actual value of the customs tariff, which consisted predominantly of specific duties. The readjustment of the duty on certain groups of products in 1948 did not succeed in checking this tendency to any appreciable extent.

The policy introduced with the second 1953 reform resulted in increased export aids. Moreover, instead of being granted through the free market, as was the case under the previous system, such aids took the form of a bonus on each dollar earned.

The import system underwent a fundamental change. Imports were classified into categories according to criteria of essentiality. The foreign exchange required for their payment was made available to the private sector by public auction of a certain proportion of foreign exchange receipts. By this means, the responsible authorities decide the amount of foreign exchange to be offered for public sale, taking into account the level and the probable trend of balances or credits available in the foreign currency concerned, and the desirability of acquiring larger or smaller quantities of products in a given category. The foreign exchange acquired at public auction may be freely used by the importer in the currency area for which it is valid for payment of any goods included in the category concerned. Thus the prior licensing system and the bilateral agreements for the exchange of goods were no longer instrumental in selecting imports.

On these general bases, exchange policy was simultaneously aimed at three objectives: to control purchases of foreign goods by means of the surtax made effective through the auction of currency to pay for imports; to obtain, through this surtax, sufficient revenue in cruzeiros to encourage exports, and to use this surtax - pending the introduction of a new customs tariff - to solve the problem created by the low incidence of the tariff and its consequent inadequacy as an instrument of import selection.

Control and selection of imports has to a considerable extent now been transferred to the new tariff, which was recently approved. Furthermore, although there is no change in the nature of the exchange system, the application of the regulations laid down under the law establishing the new tariff permits some simplification in its operation as far as imports are concerned.

II. SYSTEM AND METHODS OF CONTROL

As the Brazilian import control system is closely connected with the auction system for the sale of foreign exchange, it was necessary in order to give a full description of the import system to mention some aspects of the exchange system which are beyond the competence of GATT.

a) Legal basis

Briefly, the legal basis of the Brazilian import control system is as follows:

1) Decree-Law No. 7,293 of 2 February 1945, which gives authority to the Currency and Credit Supervisory Body (Sumoc), a body of the Ministry of Finance, to determine exchange policy;
ii) Law No. 1,807 of 7 January 1953, which lays down the basis for control of foreign trade. This Law provides certain incentives for foreign capital investment, establishes a free exchange market for financial transactions which are not covered by the official exchange rate, and makes provision for a system of multiple rates, some of which are fluctuating. Regulations for the implementation of this Law were published in Decree No. 22,285 of 20 February 1953;

iii) Law No. 2145 of 29 December 1953 and the relevant regulations contained in Decree No. 34,893 of 5 January 1954. This Law abolished the organization which since 1948 had exercised administrative control over foreign trade and the issue of licences: the Import and Export Bureau of the Bank of Brazil (Cexim). The Law established the Foreign Trade Bureau (Cacex), also under the Bank of Brazil, in its place, and laid down new rules for authorizing imports. Provision was made, inter alia, for the virtually automatic issue of licences by Cacex, subject to verification of the declared price and provided that the applicant have in his possession an Exchange Certificate (PVC) for the category of products concerned, acquired at a public auction. It should be noted that when Law No. 2,145 was enacted - in December 1953 - Sumoc had recently put into effect the system of auctioning foreign exchange, by Instruction No. 70 of 9 October 1953. It should be added that the same Law provided that the licensing system should remain in force until 31 January 1955. That time-limit was subsequently extended by other laws until 15 August 1957.

iv) Law No. 2,410 of 29 January 1955 which empowers the Executive to abolish, in whole or in part, the system of auctioning foreign exchange (Article 2).

v) Law No. 3,244 of 14 August 1957, which establishes the new customs tariff, provides for the setting up of a Customs Policy Council and makes various changes in the import control system.

b) The administrative basis

The Ministry of Foreign Relations has general responsibility for the guidance and control of trade.

To that Ministry is attached the Advisory Committee for Trade Agreements, which mainly takes action regarding bilateral agreements. The Chairman of the Committee is an official of the Ministry of Foreign Relations; the members include representatives of the Ministry of Finance, the Ministry of Labour, Industry and Commerce, as well as representatives of Sumoc, Cacex, the Exchange Committee, the banking control department of that Committee (Fiban), the National Trade Confederation, the National Industrial Confederation and the Brazilian Rural Confederation.

In addition, there is an Advisory Committee for GATT Affairs which considers all questions relating to multilateral tariff negotiations; it is responsible to the Ministry of Finance, its chairman is an official of that Ministry, and its vice-chairman is an official of the Ministry of Foreign Affairs. This Committee includes representatives of the bodies listed in the preceding paragraph, with the exception of Fiban.
Sumoc, which is also under the authority of the Ministry of Finance, is responsible *inter alia*, for orientating exchange policy and drawing up the national foreign exchange budget. Until recently, it was also responsible for approving, on a proposal by Cacex, the list of imports as well as their classification into each of the categories provided for in the list for auction purposes. By Law No. 3,244 of 14 August 1957, responsibility for the classification of products has been transferred to a new body: the Customs Policy Council, which will operate as a division of the Ministry of Finance.

The principal function of Cacex with regard to imports is to grant licences and to verify the price of the goods concerned.

The Exchange Bureau of the Bank of Brazil, acting in accordance with the directives of Sumoc, determines the amounts of foreign exchange to be offered for auction and carries out the currency transactions resulting from the auctions and the granting of licences.

Fiban, which controls exchange transactions, examines import documents and grants applications submitted to the Brazilian banks for the issue of foreign exchange necessary for payment of imports.

In addition to the authorities referred to above, there are others which, under valid legal provisions, participate in the control and selection of imports. The following list shows these authorities, and the goods for the import of which their approval is required:

<table>
<thead>
<tr>
<th>Authority</th>
<th>Goods Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Agriculture</td>
<td>Live animals and plants, certain seeds, disinfecting machinery and disinfecting apparatus for agriculture, mechanical silos and accessories thereof, wheat-milling machinery and parts thereof, equipment for refrigerated slaughterhouses;</td>
</tr>
<tr>
<td>Air Ministry:</td>
<td>Aviation equipment;</td>
</tr>
<tr>
<td>Admiralty:</td>
<td>Ships and vessels of all types and accessories thereof; floating structures, buoys, lighthouse equipment;</td>
</tr>
<tr>
<td>Merchant Navy Committee:</td>
<td>Dredgers, floating-docks and the like;</td>
</tr>
<tr>
<td>Ministry of Health:</td>
<td>Certain products for medical use;</td>
</tr>
<tr>
<td>National Technological Institute:</td>
<td>Coal and ordinary Portland cement;</td>
</tr>
<tr>
<td>National Railway Department.</td>
<td>Railway equipment;</td>
</tr>
<tr>
<td>Executive Committee for the Protection of the Rubber Industry:</td>
<td>Rubber and rubber manufactures;</td>
</tr>
</tbody>
</table>
Existing provisions lay down rules for cooperation between the various State organizations and the National Industrial Confederation - which is the highest professional body of the Association of Manufacturers - in order to determine whether or not it is necessary to authorize certain imports, from the point of view of Brazilian industry in the sector concerned. To this end, import applications are only approved if the Confederation first issues a document certifying that the imports in question are necessary. This system applies to the following products:

Threshers; machinery and instruments for cutting, ensiling and packing agricultural products; equipment for manufacturing newsprint; articles and equipment of glass; operating tables; vinlyic resins; chemical preparations intended for use as raw materials and not specifically included in the import list; essential oils for perfumery; high-pressure hoses; tubes with or without soldering, of specified diameters; industrial sewing machines and parts thereof; centrifugal, rotative or other pumps; elements for dry-cell batteries; certain types of mills; watch and clock movements and parts thereof; certain abrasives.

c) Modifications to the Foreign Exchange Control, resulting from Law No. 3,244 of 14 October 1957*

The law provides, in respect of foreign exchange allocations for the payment of imports, that imports will no longer be classified in five categories, as hitherto, but will in future be grouped only in two: "general" and a "special" category. The first category will include raw materials, industrial machinery and other production goods, as well as popular consumer goods where domestic supplies are inadequate. The second (special) category will include articles which are not habitually used by the majority of consumers, and articles which are in sufficient supply on the domestic market.

On 26 August 1957, the Brazilian Ministry of Finance announced that products included in the first three groups of the former system will be incorporated in the new "general" category, and that products formerly in category 5 will fall into the "special" category. The announcement added that products formerly in category 4 will be distributed among the two new

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1 In view of the close relationship between the customs tariff and the system of restrictions, an analysis of the main provisions of the Tariff Law is annexed to this document.
categories established by Law No. 3,244. Official Gazette Supplement No. AO 745 of 6 September 1957 gives the list of goods included in the general category and indicates that all other goods constitute the special category.

d) Methods used in controlling imports

The principal methods used in controlling Brazilian imports at the present time may be classified as follows:

A. National foreign exchange budget
B. List of products
C. Global quotas
D. Exchange allocation system:
   1. Public sector and economic development
   2. Private sector
      - Auction sales
      - ACL dollars
      - Minimum "agios"
      - Imports resulting from foreign capital inflow
      - Imports financed from outside sources
      - Trade in cruzeiros
E. Exchange certificate (PVC)
F. Import licences
G. Exchange contracts

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2 Copy of this document can be consulted in the GATT secretariat.
A. NATIONAL FOREIGN EXCHANGE BUDGET

For its economic development, Brazil - which in the period 1949-1955 showed an annual increase of 5.6 per cent in the gross national product - has foreign exchange needs which cannot be met satisfactorily by the proceeds of exports, services and inflow of foreign capital. The deficit trend which has characterized the Brazilian balance of payments in recent years is closely related to the disequilibrium between the rate of expansion of import capacity and the new import needs of the growing economy.

Consequently, in order to regulate the use of foreign exchange according to the needs of economic development and to prevent the accumulation of commercial debts abroad, Sumoc was entrusted with the task, in 1953, under Law No. 1,807, of establishing annually a foreign exchange budget, based on estimated receipts and expenditures for each currency area. This budget is approved by the Minister of Finance, in his capacity of Chairman of the Sumoc board.

Within the framework of a purchasing programme which takes into account the country’s needs, and without prejudice to subsequent modifications which circumstances may require, the budget provides for approximate allocations of foreign exchange for the period concerned for the following purposes: (1) payments of purchases for the State and State bodies or agencies as well as official payments and private imports intended for economic development, within the framework of official programmes; and (2) purchases abroad by the private sector, for the normal activity of the Brazilian economy.

B. LIST OF PRODUCTS

Until 14 August 1957, Sumoc approved each year a list of import products, classified according to the degree of essentiality into five categories or groups. As we shall see later, this classification affected the price paid by the importer for foreign currency. As a general rule, machinery and other equipment goods, goods intended for use in key industries such as energy, transport etc., were in the first three categories in order to stimulate imports. The composition of the categories could be modified in the course of the budgetary year by decision of Sumoc.

The list was established having regard to the principle that import prohibitions should be eliminated. Articles which were not specifically mentioned in the first four categories fell into the fifth category.

Since 14 August 1957, the system established by Law No. 3,244, apart from transforming the five categories of the previous system into two categories only, as has already been indicated, tends to give more stability to the classifications. Goods can no longer be transferred from one group to the other merely by administrative decision, as was the case hitherto.
In each case, the approval of the Customs Policy Council will be required; this Council includes representatives of the trade associations, industry, agriculture and the workers. The new system does not envisage the establishment of import prohibitions either.

C. GLOBAL QUOTAS

The authorities which grant global import quotas, and the goods to which this system applies are as follows:

- National Petroleum Council: petroleum and derivatives thereof;
- Ministry of Agriculture: wheat and flour;
- Fiban: newsprint and printing material, films, books and periodicals.

D. EXCHANGE ALLOCATION SYSTEM

1. Public sector and economic development

The present situation results in part from the provisions which were in force when Law No. 3,244 was enacted. Government, state and municipal bodies, autonomous and semi-autonomous institutions and semi-public enterprises are allowed to pay for their imports and make certain remittances at a preferential rate of exchange without having to buy foreign exchange at auctions. If such imports or remittances are specifically included in the national foreign exchange budget, the above-mentioned bodies or undertakings may purchase the amount of foreign exchange necessary for payment in the currency area referred to in the budget, or approved by Sumoc, through the Exchange Bureau of the Bank of Brazil directly.

It should be noted that such imports at a preferential rate of exchange include imports by private firms of equipment, machinery, and other items considered by Sumoc to be highly essential for economic development, in accordance with certain agreements and programmes. The latter include programmes for mechanizing agriculture and for developing and co-ordinating national production of automobiles, trucks, motor-buses, coaches and other means of transport. The system also permits the import of parts to complete units which are partially manufactured in the country.

In July 1957, according to Brazilian sources, the following imports were enjoying preferential treatment, at the actual rate of exchange indicated:
Table 1. Brazil - Imports at preferential rates of exchange

<table>
<thead>
<tr>
<th>Possible imports in 1957 (in $ million)</th>
<th>Actual rate (official rate of exchange plus tax and surtax)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governmental imports and remittances</td>
<td></td>
</tr>
<tr>
<td>Wheat</td>
<td>86.0</td>
</tr>
<tr>
<td>Printing paper</td>
<td>41.7</td>
</tr>
<tr>
<td>Petrobras</td>
<td>128.5</td>
</tr>
<tr>
<td>Rubber</td>
<td>3.3</td>
</tr>
<tr>
<td>Books, periodicals, etc.</td>
<td>8.7</td>
</tr>
<tr>
<td>Petroleum and derivatives thereof</td>
<td>187.2</td>
</tr>
<tr>
<td>Cinematographic film</td>
<td>1.0</td>
</tr>
<tr>
<td>Aviation equipment</td>
<td>10.3</td>
</tr>
<tr>
<td>Imports for electric energy undertakings</td>
<td>10.8</td>
</tr>
<tr>
<td>Other goods</td>
<td>26.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>604.2</strong></td>
</tr>
</tbody>
</table>

Source: Official data and estimates, Brazil.

As has already been indicated, the situation which has been described, regarding the allocation of foreign exchange for payment of imports in the public sector as well as certain private imports for economic development, was the result of the provisions in force prior to Law No. 3,244. In general, the regulations established by this law make no fundamental changes to this situation, but there are a few new provisions, which are briefly as follows:

Imports which receive preferential treatment, as well as financial transfers which are subject to the same system, will without exception be paid for at a rate of exchange not lower than the cost to the State of the currency concerned: 18.82 cruzeiros per dollar, the official rate, plus an additional tax or surtax determined on the basis of the weighted average of the export aids paid. (In March 1955, the official price of foreign exchange was fixed at 43.82 cruzeiros per dollar, and it had remained unchanged up to the date of the most recent information available.) In the case of printing paper, the change from the present system to the new system will be effected by increasing the price of foreign exchange by a fixed proportion every six months (Article 50 of the Law) until it reaches a figure equivalent to the cost to the State;
Foreign exchange allotted for settlement of certain imports for agricultural use, in particular fertilizers and insecticides, will also be made available at cost price and need no longer be obtained at the so-called "special auctions" as previously. (In 1956, foreign exchange of a value of approximately $53 million was allotted at these auctions);

In order to fulfill contracts signed with foreign firms, within the framework of the plan to establish and expand the automobile manufacturing industries in Brazil, the following transitional system will obtain until 30 June 1959: without prejudice to any decision that may be made for its continued application: automobile parts which are not manufactured in the country and which are intended for the completion of units produced domestically will be paid for at the actual rate resulting from the weighted average auction price of foreign exchange for the import of the same products during the six months prior to the entry into force of Law No. 3,244.

2. Private sector

Auction sales

Foreign currency for payment of imports in the private sector is offered for public auction in ten Commercial Exchanges in Brazil, each of which deals with approximately the following proportion of the total:

- Rio de Janeiro (Federal District) 30 per cent
- Sao Paulo (State of Sao Paulo) 30 per cent
- Santos (" " " " ) 1 per cent
- Porto Alegre (State of Rio Grande do Sul) 11 per cent
- Belo Horizonte (State of Minas Gerais) 7 per cent
- Recife (State of Pernambuco) 9 per cent
- Ouritiba (State of Paraná) 5 per cent
- Florianopolis (State of Santa Catarina) 3 per cent
- Salvador (State of Bahia) 3 per cent
- Vitória (State of Espírito Santo) 1 per cent

At the auctions, lots of 1,000 dollars, without further fractioning, are offered separately for the various foreign exchange categories and monetary areas. Each lot relates to a particular currency area - or country - and to only one of the categories into which the import list is divided. In other words, its use by the importer is limited by two basic requirements: the product must originate in the currency area - or country - with which Brazil conducts trade in the currency auctioned, and it must be included in the category of goods to which the transaction refers.

In the system of auctioning foreign currency, there is no ratio between the total amount offered, by lot, for importing products of each category from the various currency areas or countries. In each case, the categories of products for which the foreign exchange lot is valid, and the distribution
of currency to one or the other category, are determined by Sumoc, taking into account factors such as the traditional composition of the flow of imports in the sector concerned, the export capacity or speciality of the country of origin and the requirements of the Brazilian economy.

As already mentioned, the cost of currency to the importer is determined on the basis of the official rate of 18.82 cruzeiros per dollar, plus the premium, or agio, resulting from the auction. (As will be remembered, a 10 per cent tax was levied on the official rate of exchange prior to the entry into force of Law 3,244; this tax has now been suppressed.) In addition, the purchaser must pay the commission of the licensed exchange-broker (2.87 per thousand) and the usual bank commission of 2 per cent.

The auctions are open to all traders registered by the appropriate municipal authority to carry on trade in the sector or sectors concerned; traders must be represented by brokers. Auctions are also open without previous registration to autonomous bodies, industrial and agricultural associations and effective users.

At the auction, the broker is not required to declare the use to be made of the foreign exchange which he intends to acquire. Consequently, the competitive position of each participant depends to a great extent on the domestic price of the products to be imported, or of the products manufactured therefrom. At the same time, the amount of the agio is affected by purchases of foreign currency for products of which the domestic market price is more elastic. This occurs in particular when the lots of foreign exchange offered for auction are not sufficient to meet the demand.

Let us now look at the system of special auctions - which existed until 14 August 1957 - and the corresponding regulations which were then applicable. The purpose of these auctions was to counteract low capacity for competition in regular auctions concerning certain products when, for various reasons, the Government wished to make foreign currency available at a lower price or at prices which fluctuated less than those resulting from regular auctions, for imports of those products. At special auctions, foreign exchange was offered for importing only a single article or group of articles from the currency area concerned, and not merely any of the articles in the respective category, as at regular auctions.

3 In 1956, the weighted average of this agio, on the basis of all foreign currency sold, was 64.13 cruzeiros per dollar. By categories, and taking into account all foreign currencies, the weighted average of the agio during the period January–November 1956 was:
  Category 1: 55.58; Category 2: 62.01; Category 3: 83.73;
  Category 4: 94.56; Category 5: 197.83.
(Source: Sumoc Bulletin, March 1957, pp. 17 and 53.)

4 In 1956, the weighted average of the agio on the basis of foreign currency sold at normal and special auctions - excluding foreign currency for the payment of petroleum and petroleum products - was 69.06 and 48.85 cruzeiros per dollar, respectively. For petroleum products, the average agio was 34.79 cruzeiros per dollar in the same year.
(Source: Sumoc Bulletin, March 1957, p.53.)
The system of special auctions concerned mainly imports for agriculture, such as agricultural machinery, truck chassis, various implements, disinfectants, insecticides, fertilizers, etc. The same system also governed certain imports for Amazonia and imports of fresh and dried fruit, codfish, oil, olives, articles for Christmas decorations and other knick-knacks. As already indicated above, Law No. 3,244 put an end to special auctions of the type under consideration. Similar results will be obtained by making it possible to obtain directly foreign exchange for the payment of certain products at cost price to the State. In addition, the new law provides for "specific auction sales" with regard to imports of certain goods, provided that such goods are included in the new special category or when the auctions under reference are essential for the implementation of bilateral trade agreements.

At auctions, convertible currency is generally allotted so as to be available for payment abroad after 120 days. At times when foreign exchange is in short supply, this time-limit is usually extended to one year at most. In certain conditions, the system of "urgent delivery" exists so that payment may be made as soon as the shipping documents are received. This system is usually applicable to imports payable in currency of limited convertibility or in inconvertible currency.

ACL dollars

As is well known, bilateral payments agreements, which contain identical provisions and the signatories of which together form the Hague Club, are in force between Brazil, on the one hand, and Austria, the Belgium-Luxemburg Economic Union, the Federal Republic of Germany, France, Italy, the Netherlands, and the United Kingdom on the other.

The foreign exchange necessary to purchase imports payable in the currency specified in these agreements is auctioned according to the usual procedure. Furthermore, in order to facilitate the multilateral utilization of this foreign exchange, it is offered for sale at each auction under the general heading "ACL dollars" (limited convertibility area). After the auction, the importer who was awarded the lot concerned can obtain the corresponding sum in any of the currencies covered, at his own discretion.

Minimum "agio"

Until the beginning of February last, the minimum "agio" in each of the five categories - beginning with category 1 - was 25, 30, 35, 40 and 100 cruzzeiros per dollar respectively, regardless of the nature of the currency offered. For well known reasons, import applications fall mainly into the sector payable in convertible currency; such currency represents only a small part of the foreign exchange offered for auction.

Consequently, the auctions inevitably resulted in a higher agio in this case. Thus, if one compares the price to the importer of convertible and inconvertible currency, it can be seen that the price of the former has frequently exceeded the latter by more than 50 per cent, in terms of a weighted average for the five categories which existed until recently.
As a result, there was more incentive for triangular transactions which were outside the control of the Brazilian authorities. In order to offset detrimental effects on Brazilian terms of trade, as well as on the export subsidy fund and to mitigate discriminatory effects on the trade of Brazil's partners, from 4 February to 14 August last - in accordance with administrative decisions - the minimum bid at public auctions of account currencies was variable and not fixed. The amount of the minimum bid was to be fixed each week, at a level representing approximately 80 per cent of the agios effectively paid during a previous period for payments in United States or ACL dollars, relating to the import category concerned.

Law No. 3,244 of 14 August 1957 to which several references have already been made, provides that in future, as long as the auction system continues, minimum agios may only be fixed in the case of inconvertible currencies and must be computed on the basis of a percentage of the average cost of foreign exchange for import purposes in fully convertible currency or in currency with limited convertibility.

This provision enables the Brazilian authorities to eliminate discrimination as between convertible and inconvertible currencies.

Imports resulting from foreign capital inflow

Besides the auction of foreign exchange, another import system is available to the private sector. This system is a corollary of the treatment granted to foreign capital. This treatment, which Brazilian firms cannot claim, permits the import of equipment and other goods which, in terms of cruzeiros, represent a cost to the purchaser corresponding to the free market rate (i.e., the rate applicable to non-commercial transactions) and not the higher cost which would result from the purchase of foreign currency at public auctions for importation of products within the same category.

Subject to certain conditions of registration and eligibility, the current system governing foreign capital inflow permits the entry of such capital directly in the form of goods - in other words, without settlement through a Brazilian commercial bank - when such goods are intended to serve one of the following objectives: implementation of plans approved by the Federal Government, for certain regions of the country; energy production, communications and transport, provided that the rates applied are submitted for official approval. This system is also extended to equipment, machinery and tools and implements considered to be of interest to the Brazilian economy, on condition

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In December 1956, the average free market rate was 65.65 cruzeiros per dollar. In the same month, the actual rates for imports (official exchange rate plus agio) were the following in the normal auctions by categories:

Category 1: 57.80; Category 2: 69.91; Category 3: 93.28; Category 4: 106.74; Category 5: 253.05. It should be noted that the majority of imports of machinery in the private sector fall within Category 3.
that such imports affect articles which are not produced in Brazil in adequate quantities, and the domestic manufacture of which would contribute to alleviate pressure on the balance of payments. Imports authorized as foreign capital inflow include - on one occasion only for each firm, at the commencement of its operations - a certain proportion of the raw materials required from abroad.

Imports financed from outside sources

Another special import system exists which is similar in some respects to that governing capital inflow. Brazilian firms are eligible for such treatment, subject to prior authorization by Sumoc, if they have obtained credit abroad covering the import of equipment and material for the domestic manufacture of articles classified in the general category of the import list, and provided that such credit or loan is to be repaid within a certain time-limit and in specified instalments. If special official authorization is given, this system can also be extended to articles in the other - special - category.

Trade in cruzeiros

The system of foreign exchange auctions does not apply to imports into Brazil from Bolivia and Paraguay; Brazil has valid agreements with these countries providing for the settlement in cruzeiros of reciprocal foreign trade transactions, subject to certain conditions connected with the special nature of trade with neighbouring countries.

Exchange certificate (PVC)

After the auction and following payment of the agio - for which there is a time-limit of five days - the importer receives a certificate called "Undertaking to sell foreign exchange" (commonly known as PVC), confirming that the Bank of Brazil will make available the appropriate amount of foreign exchange after a period of time specified in the certificate and to which reference has been made above. On the expiry of this time-limit, the importer pays for the foreign exchange in cash at the official rate of 18.82 cruzeiros per dollar.

Import licences

Until 14 August 1957, all imports paid for in foreign exchange bought at auction sales were subject to the licensing system. Since that date, under Law No. 3,244, this requirement no longer applies to imports of products included in the new general category, provided however that such imports are paid for in currency obtained through auction sales.

Once he has obtained the PVC certificate and a receipt of payment of the agio, the importer applies to Cacex for an import licence, within thirty days following the issue of the PVC. If no licence application is made within that time, the PVC ceases to be valid and the importer may thereafter claim reimbursement of the surtax paid.
Licences are generally issued between ten and fifteen days following submission of the application. They are usually valid for 180 days, unless otherwise specified.

In the case of imports paid for out of incoming foreign capital, Cacex issues the licence without any related foreign exchange. In order to obtain a licence of this kind, and in addition to other requirements, the applicant must prove that he owns abroad the equipment and material which he wishes to bring into the country or the necessary foreign currency to pay for the goods. He must also prove that the declared value is the actual value. Furthermore, he must undertake to enter the value of the imported goods among the assets of the Brazilian firm concerned, without making a corresponding entry under current liabilities, and to maintain this entry during the normal period of use of the imported goods, and not to remit any money abroad in settlement of such goods.

In certain conditions, Cacex is also responsible for issuing licences for the import of equipment and material for which financial arrangements have been made abroad, with official authorization, by Brazilian firms.

**Exchange contracts**

An importer who holds a licence - or a FVC certificate, in the case of goods included in the general category - may conclude with the Foreign Exchange Committee the necessary contract to acquire the foreign currency concerned, at the end of the period specified in the relevant certificate, or upon receipt of the shipping documents if "urgent delivery" is specified. Where Fiban intervenes and under certain conditions, the period of validity of the exchange contract may be extended so as to correspond to the time-limits agreed by the purchaser and the seller in writing. The method of a payment order is also permitted in the case of certain imports effected directly by the effective user.

**Changes in the import control system**

Given the special methods which Brazil follows for import control purposes, the stringency of the system is not so much the result of administrative measures as the consequence of the level of the agios effectively paid by importers. Agios have substantially decreased in the course of the last two years. This decline is due not only to the supply of foreign exchange for auction sales but also to internal monetary measures introduced by the Brazilian authorities.

In this respect it might be useful, pending receipt of the International Monetary Fund documents, to supply summary information concerning the orientation of the Brazilian monetary policy.

Since the beginning of 1956, monetary policy has taken into account the influence that selective credit can have on the composition of imports. The measures taken in this direction tend to restrict the granting of overdrafts and bank discounts intended to finance less essential imports. Thus, it should be noted that among the reasons for the fall which has been apparent since July 1956 in the demand for foreign exchange offered for auction, and therefore in the level of surtax, some are related to monetary policy. One of these reasons results from the steps taken to slow down credit expansion by increasing the amount of the deposits which commercial banks are required to maintain in the Bank of Brazil for the account of Sumoc. Another reason - although of less importance - results from the fact that in the event that a licence is not granted within thirty days, the time-limit for reimbursement to the importer of the surtax paid on the purchase of foreign exchange has been extended from thirty to ninety days, without payment of interest.

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6 In 1956, the total number of licences issued by Cacex was 123,024.
III. RELATIVE IMPORTANCE OF EACH SYSTEM OF FOREIGN EXCHANGE ALLOCATION

On the basis of the official statistics for 1956, it is possible to establish the proportion of total Brazilian imports covered by each of the systems of foreign exchange allocation in that year, as well as the proportion of goods covered by foreign capital inflow and financing from outside sources arranged by Brazilian firms. Briefly, these figures are as follows:

Table 2. Brazil - Actual expenditure in foreign currency

<table>
<thead>
<tr>
<th>Item</th>
<th>1956</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outside auction sales</td>
<td></td>
</tr>
<tr>
<td>For governmental imports</td>
<td>75</td>
</tr>
<tr>
<td>Wheat</td>
<td>87</td>
</tr>
<tr>
<td>Paper and printing supplies</td>
<td>41.2</td>
</tr>
<tr>
<td>Petroleum and derivatives thereof</td>
<td>111.4</td>
</tr>
<tr>
<td>Rubber</td>
<td>3.3</td>
</tr>
<tr>
<td>Books, periodicals and films</td>
<td>9.8</td>
</tr>
<tr>
<td>Aviation equipment</td>
<td>16.6</td>
</tr>
<tr>
<td>Firms holding public service concessions</td>
<td>16.8</td>
</tr>
<tr>
<td>Other</td>
<td>9.9</td>
</tr>
<tr>
<td>Imports under licences issued before Instruction No. 70</td>
<td>27.1</td>
</tr>
<tr>
<td>Through auction sales</td>
<td></td>
</tr>
<tr>
<td>Petroleum and derivatives thereof</td>
<td>197</td>
</tr>
<tr>
<td>Other products</td>
<td>496.6</td>
</tr>
<tr>
<td>Imports representing foreign capital inflow</td>
<td>693.6</td>
</tr>
<tr>
<td>Imports by Brazilian firms, financed from outside sources</td>
<td>55.7</td>
</tr>
<tr>
<td></td>
<td>212.8</td>
</tr>
</tbody>
</table>

Source: Sumoc.

Notes

1. At the time of preparing this document, the regulations for the implementation of Law No. 3,244 had not yet been announced in Brazil; these regulations may introduce some adjustments in the exchange procedures applicable to imports, in order to make the procedures conform to the provisions of that law.

2. The text of Law No. 3,244 is annexed to this document. The Brazilian Congress is to take final action concerning the President's veto in respect of the following articles and paragraphs:

Art. 17 paragraphs E, F and G (partly); Art. 18, 1°, 2° and 3°; Art. 19; Art. 20; Art. 38 (infine); Art. 39; Art. 41; Art. 50, 1° paragraphs B and E (infine); Art. 57; Art. 60, 3°; Art. 62, 2°; Art. 64, 2°; Art. 71; Art. 74; Art. 76; Art. 77 - note 184 to the Customs Tariff.

The text of the law as distributed in the annex to this report does not include the text of the articles or paragraphs which were vetoed by the President of the Republic.
Reform of the Brazilian Foreign Trade System

The New Customs Tariff

In 1953 the applicable level of the Brazilian customs tariff represented 31.2 per cent of the total value of imports. This incidence has steadily declined as a result of the specific nature of the tariff combined with the increase in world prices and, to a certain extent, is a result of customs tariff agreements. By 1951 it had fallen to 14.1 per cent.\(^1\) In 1956 - according to information supplied by official Brazilian sources - the incidence of the tariff was as low as approximately 3 per cent.

Since the end of 1953, measures were taken to counteract the limited effect of the tariff for the protection of national economic development; the exchange surtax (agio) was established together with the system of auction sales for exchange transactions.

Law No. 3,244 establishing the new tariff, which was enacted in August last, aims at restoring to the customs tariff its rôle of a principal factor in the selection of imports. The new tariff consists basically of ad valorem duties\(^2\) and comprises nineteen levels of incidence. Apart from duty-free treatment, the duty rates are: 2, 4, 5, 7, 10, 15, 20, 25, 30, 35, 40, 50, 60, 70, 80, 100, 125 and 150 per cent.

In addition to such charges, all imports, with the exception of petroleum and petroleum products, including imports which are exempted from other duties, will pay a "customs duty tax" of 5 per cent ad valorem; this tax will replace the tax which, prior to the date of the new law, was levied in connexion with transfers of currency abroad. The tax was previously levied at the rate of 10 per cent of the official rate of 18.82, i.e. 1.88 cruzeiros per dollar. Further, under Law No. 3,244, imports shall be divided into two categories: the general category and the special category.

The new Customs Policy Council will be responsible for making any changes in the classification of products in these two groups; the initial classification will be made by the Ministry of Finance.

The Council is also authorized to reduce or eliminate import duties on certain raw materials and primary commodities, if the importer of such products has been allotted a quote of similar goods of domestic origin within limits established by the same Council. Any reduction or increase of duties will not be allowed to exceed the minimum or maximum limits of the tariff chapter.

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\(^1\) See United Nations document E.CN.12/369/Rev.1 "Study of Inter-Latin American Trade", p.84.

\(^2\) In accordance with Articles 5, 10 and 54 of Law No. 3,244, duty will be calculated on the c.i.f. value converted into cruzeiros at a rate determined in each case on the basis of the average value reached for foreign exchange for imports in the general category. The rate - which can be different for each category of currency - was fixed for the first time on 25 August 1957 at 70 cruzeiros per dollar, plus the 18.82 cruzeiros corresponding to the official rate of exchange.
concerned. In addition, subject to the same condition, the Council may adjust
the level of duties provided in the tariff, if it were necessary to afford
protection to a key industry, or in circumstances such as those created by
countries which subsidize their exports in such a way as to frustrate the
objectives of the Brazilian tariff, cases of dumping etc.

Authoritative Brazilian sources have indicated that approximately 95 per
cent of imports to which the foreign exchange auction system is applicable will
be included in the general category, and the rest in the special category.

The same sources have supplied the following figures concerning the average
incidence of the new duties on the value of goods classified in each of the
five categories of the previous system:

<table>
<thead>
<tr>
<th>Category</th>
<th>Average Incidence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category 1</td>
<td>12 per cent</td>
</tr>
<tr>
<td>Category 2</td>
<td>32 per cent</td>
</tr>
<tr>
<td>Category 3</td>
<td>60 per cent</td>
</tr>
<tr>
<td>Category 4</td>
<td>64 per cent</td>
</tr>
<tr>
<td>Category 5</td>
<td>84 per cent</td>
</tr>
</tbody>
</table>

This set of figures is accompanied by another from the same source,
according to which in future the average incidence of the new duties will
presumably represent about 30 per cent of the value of imports included in
the new general category and 80 per cent on imports in the special category,
not including the 5 per cent "customs duty tax" which, under Law No. 3,244,
will be levied on all imports except petroleum and petroleum products.

As regards the above-mentioned figures, it should be noted that at recent
auctions prior to the introduction of the new Law, convertible currency or
currency with limited convertibility for imports in categories 1, 2 and 3 cost
the importer a total of approximately 90 cruzeiros per dollar, and about 200
per dollar for imports in categories 4 and 5. These amounts include the
official rate of exchange of 18.82, the tax of 10 per cent (which has now been
abolished) and the surtax resulting from the auction.

*These figures differ from those submitted by the Brazilian delegation in
November 1956 (document L/581), because various amendments were subsequently
made to the draft tariff during its consideration by Parliament. The esti­
mate given in November 1956 was as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category 1</td>
<td>10.74;</td>
</tr>
<tr>
<td>Category 2</td>
<td>15.31;</td>
</tr>
<tr>
<td>Category 3</td>
<td>31.85;</td>
</tr>
<tr>
<td>Category 4</td>
<td>40.59;</td>
</tr>
<tr>
<td>Category 5</td>
<td>83.64;</td>
</tr>
</tbody>
</table>
The Brazilian sources already quoted estimate that in general the new
tariff level will not in itself result in important changes in the cost of
imports. It is hoped that the increase in duties will be compensated in
practice by a reduction of the surtax; but apart from this certain factors
may well, as is only natural, continue to influence the price of exchange;
such factors include the situation of the Brazilian balance of payments with
each currency area, the domestic monetary policy, and the criteria according
to which foreign exchange is auctioned. On the other hand, the weakening of
the selective effect of the auction system, resulting from the regrouping of
products into two categories instead of five, would be offset by the pro-
gressive scale of duties fixed by the new tariff.

There are other aspects which should be indicated in connexion with the
recent reforms. Law No. 3,244 states that financial transfers abroad shall
be effected through the free exchange market, with the exception of certain
transfers such as those intended for the settlement of official commitments,
certain services, amortization of and interest on loans, credits and financial
transactions recorded by Sumoc and a few others.

The same law expressly abolishes the discrimination which existed in the
consumption tax as between domestic and imported products, and which was levied
on the ex-factory value of the former, while the corresponding basis for the
latter was the c.i.f. price, plus customs duty and shipping costs. For
purposes of determining the treatment to be applied, the tax applicable to
the like domestic product will prevail.

The above-mentioned law also abolishes the requirement of consular
invoices. After 1 January 1958, the consular visa will be issued and payments
of the appropriate fees made on the basis of the commercial invoice, which
will be one of the essential documents for customs clearance.

Aids to coffee exports

Although this is not directly related to Law No. 3,244, in order to
complete the picture of the recent Brazilian reforms in the field of foreign
trade, a brief mention should be made, for information purposes, of the reform
regarding the new system to improve the average level of coffee exports for
which an actual rate of 37.06 per dollar was applicable. (The rate of exchange
for other exports, in cruzeiros per dollar, is as follows: 43.06 for cotton,
cocoa, hides and skins; 55 for most other primary commodities; 67 for other
products and manufactures. Some inconvertible currencies, can be converted into
cruzeiros at a discount of approximately 4 per cent.)

As from 1 July 1957, foreign currency receipts from exports of the 1957-58
coffee crop continue to be exchanged at 37.06 cruzeiros per dollar; this rate
results from the official exchange rate of 18.82 plus the bonus. Furthermore,
the Brazilian Coffee Institute will pay out of the proceeds of the surtax
charged at auction sales of foreign exchange for import purposes, a premium
corresponding to 1 per cent of the selling price if that price is $43 or more
per sack, as shown in the following table:
<table>
<thead>
<tr>
<th>Price per sack (in dollars)</th>
<th>Equivalent in cruzeiros at 37.06 per dollar</th>
<th>Premium (%)</th>
<th>Value of premium (in cruzeiros)</th>
<th>f.o.b. price plus premium (in cruzeiros)</th>
<th>Actual rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>43</td>
<td>1,593.60</td>
<td>1</td>
<td>15.90</td>
<td>1,609.50</td>
<td>37.42</td>
</tr>
<tr>
<td>50</td>
<td>1,853.00</td>
<td>8</td>
<td>148.20</td>
<td>2,001.20</td>
<td>40.00</td>
</tr>
<tr>
<td>55</td>
<td>2,038.30</td>
<td>13</td>
<td>265.00</td>
<td>2,303.30</td>
<td>42.00</td>
</tr>
<tr>
<td>68</td>
<td>2,520.10</td>
<td>26</td>
<td>655.20</td>
<td>3,175.30</td>
<td>46.70</td>
</tr>
<tr>
<td>75</td>
<td>2,779.50</td>
<td>33</td>
<td>917.20</td>
<td>3,696.70</td>
<td>49.30</td>
</tr>
</tbody>
</table>

Source: Brazilian Coffee Institute, Resolution No. 81 of 21 June 1957.

As can be seen from the above table, the premium will increase by 1 percent for each additional dollar earned per sack. This means, for example that if a sack of coffee is exported at a price of $50, the exporter's premium will be 8 percent of that value.

The new system is intended to expand import capacity by stimulating production of high-grade coffee and reducing incentives to deflate export invoices.
Law No. 3,244 of 14 August 1957

Establishes the Reform of the Customs Tariff and other matters.

The President of the Republic: I make it known that the National Congress decrees and I approve the following law.

I. Application

Art. 1 - All merchandise from foreign sources which enters into the national territory shall be subject to importation tax.

Par. 1 - This law shall not apply to foreign merchandise which is destined to other countries and which is in transit through national territory by the usual channels of international commerce.

Par. 2 - Merchandise which has been manifested and found missing at the time of unloading from the ship or verification of the manifest, for the effect of this law, shall be considered as having entered into national territory, without loss of the appropriate sanctions.

II. Rates and/or duties

Art. 2 - The import tax shall be levied in the form as set forth by this law, and the tariff which accompanies it, by means of ad valorem rates; these rates may be combined with the specific equivalent; for the purposes of calculating the tax, the rate which results in the highest duty shall be applied.

Sole Par. - The specific rate shall be adjusted every six months in order to maintain its equivalence with the corresponding ad valorem rate.

Art. 3 - The rate may be altered within the maximum and minimum limits, in the respective section, and relative to the product:

a) - The tariff level of which turns out to be insufficient or excessive to the adequate carrying out of the purposes of the tariff;

b) - The encouragement of the production of which would be of national interest;

c) - Which has been registered as having a similar;

d) - From a country which raises obstacles to the export of Brazilian merchandise to its markets (after prior consultation with the Ministry for Foreign Affairs);

1 English translation from the original in Portuguese, prepared by the Conselho Técnico de Economia e Finanças, Ministério da Fazenda, Brazil.
e) - From a country which devalues its currency or grants subsidies to its exports in such a manner as to frustrate the objectives of the tariff.

Par. 1 - In the instances mentioned in items a), b) and c) the alteration of the rates in each case may not be more or less than 30 per cent ad valorem.

Par. 2 - In the case of "dumping", the rate may be raised to the limit which is capable of neutralizing it.

Art. 4 - When national production of raw materials or any other base product is insufficient to meet domestic consumption, exemption may be granted or a reduction made of the tax for complementary imports.

Par. 1 - The exemption or reduction of the tax shall be granted following proof of acquisition of a certain amount of the national product at the source of production, or proof of refusal or inability to supply within the time limits and at c.i.f. price not above that of the similar foreign product plus the import tax.

Par. 2 - The concession shall be of a general character in relation to each type of product, the acquisition, on the whole, of national production being guaranteed.

III. Basis of calculation

Art. 5 - The ad valorem tax shall be calculated on the basis of the external value of the merchandise plus the expenses for freight and insurance (c.i.f. value).

Sole Par. - The external value of the merchandise shall be considered as the price at which, at the time of its export, it or other similar merchandise is normally offered for sale on the wholesale market of the exporting country, plus the cost of any container or packaging and the expenses connected with transport to the port of embarkation to Brazil, minus when the case applies, the internal consumption taxes of the exporting country which are normally recuperated on exports of the merchandise.

Art. 6 - The external value shall be declared by the importer on the import note.

Par. 1 - If, after checking the merchandise, the customs official has any reason to question the declaration of the importer, he must, within a period term of eight days, with signed documentation, establish the new value under which the clearance may proceed.

Par. 2 - Having been notified of the embargo, the importer shall have thirty days in which to make his claim to the Inspector of Customs, who shall give his decision within the period of thirty days counted from the date of receiving the claim.
Par. 3 - In the absence of a decision within the time established in
the preceding paragraph, the value declared by the importer shall be accepted
temporarily, merely for the effect of the unloading of the merchandise and
upon guarantee or deposit of the claimed difference, in accordance with the
provisions of Art. 14 and its paragraphs of Decree Law No. 607 of 10 August
1938.

Par. 4 - Recourse may be made against this decision under the terms of
the legislation in force.

Art. 7 - When the external value cannot be duly verified, the calculation
for the tax shall be made on the basis of the domestic wholesale market, less
30 per cent accounting for profit and expenses, over and above the duties
incident upon the import.

Art. 8 - In the calculations of the tax no distinction shall be made
that has not already been established by law or in the tariff, between
merchandise new or used, finished or partially finished, complete or incomplete,
assembled or unassembled.

Sole Par. - In the event of depreciation or intrinsic damage, casual or
from means beyond control, a discount shall be granted on the external value
of the merchandise in accordance with the prior appraisal made by the competent
authorities.

Art. 9 - A guide may be established for the minimum value of a product
which is difficult to value because it is not quoted on the national or inter­
national market, or which has been exported to Brazil in the form of "dumping",
in this case without conflicting with the provision of Par. 2 of Art. 3 of
this law.

Art. 10 - The conversion rate for the external value shall be fixed
monthly by the competent authority based on the fluctuation of the import
exchange market during the month preceding that just elapsed.

IV. Classification

Art. 11 - Merchandise which, at the first glance, may appear to be
described in more than one place in the tariff shall be classified according
to the following procedures:

a) - The classification with the most specific description
shall have preference over that of general character;

b) - Merchandise of a composite nature and that constituted
by the mounting or joining of heterogeneous materials or
articles not included under item a), shall be considered
classifiable under the heading of its essential character;
c) - Merchandise which continues to be in more than one classification despite the application of procedures of items a) and b) shall be classified under the highest rate;

d) - That part or piece without proper classification in the tariff and which cannot be identified as belonging to any determined apparatus, work or object, shall follow the classification of the whole.

Art. 12 - Merchandise not included in any classification in the tariff shall be assumed to belong to that which it has the greatest analogy.

Sole Par. - Such similarity shall be indicated by the Tariff Commission, authorized by the Inspector of the Customs and communicated to the Customs Policy Council.

Art. 13 - If the merchandise cannot be given an equivalent and cannot by any means be placed in any classification in the tariff, tax shall be paid at 50 per cent ad valorem.

Art. 14 - The country of origin of the merchandise is understood as that in which the merchandise was produced.

Par. 1 - Merchandise resulting from material and workmanship of more than one country shall be considered to have originated in that which it received the most substantial part of its transformation.

Par. 2 - By the most substantial part of its transformation is understood that in which it gained new individuality.

V. Container, Case or Packing

Art. 15 - The container, case or packing shall be subject to tax in accordance with its classification in the tariff if it is not used in normal conditions for the conditioning of the merchandise or if, in the national market, it has a value superior to the contents.

Sole Par. - When this case or packing contains dissimilar merchandise the respective value or weight shall be divided proportionally between the tax normally levied on them.

Art. 16 - Considered as:

a) - Net weight shall be that of the merchandise excluding the container, case or packing;

b) - Gross weight shall be that of the merchandise with its container, case or packing.
VI. Baggage

Art. 17 - Baggage declared by a passenger, when in quantity which does not indicate commercial objectives, shall be disembarked free of tax insofar as it consists of the following articles:

a) - Clothing and personal effects;

b) - Monogrammed bed and table linen;

c) - Jewels for personal use;

d) - Printed books;

e) - Vetoed;

f) - Vetoed;

g) - Radio, television, camera with movie or still, typewriter of the portable type and of a unit weight not in excess of ten kilos; by unit and by object.

Par. 1 - Vetoed.

Par. 2 - Vetoed.

Art. 18 - Vetoed.

Pars. 1, 2, 3 - Vetoed.

Art. 19 and Sole Par. - Vetoed.

Art. 20 - Vetoed.

VII. Customs Policy Council

Art. 21 - The Customs Policy Council is established within the Ministry of Finance.

Art. 22 - The proper functions of the Council shall be the following:

a) - To determine the specific equivalent of the ad valorem rate in accordance with Art. 2;

b) - To modify any rate or tax in accordance with Art. 3;

c) - To establish annually the quota for acquisition of raw material as well as the quota for any basic material and the corresponding exemption or reduction in the tax in accordance with Art. 4;
d) - To establish the guide for minimum values in accordance with Art. 9;

e) - To bring up to date the nomenclature of the tariff and introduce corrections therein;

f) - To grant or revise registration of a similar product.

Sole Par. - Rate alterations referred to in letters a) and b) of Art. 3 shall be preceded by conferences held among the interested parties in the principal cities of the country, for a period of not less than thirty days.

Art. 23 - The Council shall also be responsible for:

a) - The proposal of alterations in the customs legislation;

b) - Handing down opinions on the granting of customs rights in international covenants;

c) - Handing down opinions on draft bills upon request of any Commission of the Chamber of Deputies or the Federal Senate;

d) - Taking part in the examination of any other problems relating to the formulation and execution of customs policy.

Art. 24 - The Council shall be made up of persons of the highest reputation with thorough knowledge of all subjects of an economic and financial nature and shall be constituted as follows:

a) - A member President indicated by the Minister of Finance and appointed by the President of the Republic;

b) - Nine other members of which six are effective and three are substitutes, chosen in accordance with the first paragraph of this article;

c) - Three members of which two are effective and one a substitute, indicated by the National Confederation of Commerce;

d) - Three members of which two are effective and one a substitute, indicated by the National Confederation of Industry;

e) - Three members of which two are effective and one a substitute, indicated by the Brazilian Rural Confederation;

f) - One effective member and one substitute indicated by the National Confederation of Commercial Workers, of Industry, of Maritime Transport and Terrestrial Transport.

Par. 1 - The effective members indicated in lines a) and b) shall be chosen from amongst the public servants in governmental sectors who are directly connected with the execution of economic and financial policy.
Par. 2 - The members of the Council referred to in letters b), c), d) and e) of this article shall be named by presidential decree for a period of four years renewable every two years in two-year periods, being eligible for two successive terms. The substitutes shall serve in the place of their corresponding effective members in the absence of the latter, at the convocation of the President.

Par. 3 - In the initial period one half of the members shall be appointed for two years.

Par. 4 - The members referred to in item b) shall be indicated by the Minister of Finance and those referred to in items c), d) and e) by the respective confederations.

Par. 5 - The President and the Vice-President, elected by the Council from among the members indicated by the Federations, shall hold their mandates for two years.

Art. 25 - The Council shall function only with a quorum of two-thirds of its members, all decisions being taken by majority vote.

Par. 1 - When the subject under question is that as set forth in letters d) and e) of Article 3, decisions shall be taken by a majority of two-thirds of the members.

Par. 2 - The President shall have the deciding vote.

Art. 26 - The Council shall ordinarily meet twice a week and extraordinary meetings shall be convoked by the President or by a decision of the majority of the members.

Par. 1 - Sessions of the Council shall be public, unless majority decision to the contrary is taken by its members.

Par. 2 - The Council may authorize, by its own decision or by request an audience of technical and other parties interested in the subject under consideration.

Art. 27 - The deliberation of the Council on matters as indicated in Art. 22 shall become effective within a period of fifteen days from the date of publication of the Act by the Ministry of Finance.

Par. 1 - If approval is denied, the Finance Minister, within a term of thirty days, shall return the case to the Council, accompanied by the reasons for the denial, which may only be overridden by a majority vote of two-thirds of the Council.

Par. 2 - If the veto is overridden and the original decision confirmed, or in the absence of a decision by the Minister of Finance within the period stipulated in the preceding paragraph, the deliberation of the Council shall become effective by act of the respective president in the terms and period set forth in this article.
Art. 28 - The following positions shall be created within the Ministry of Finance:

CCI  — One President of the Customs Policy Council.
CCI  — One Executive Secretary of the Customs Policy Council.

Art. 29 - The President and other members of the Customs Policy Council shall receive a fee of Cr$.1,500 for every session which they attend up to a maximum of twelve each month.

Sole Par. - Failure to appear at a session or absence at the act of voting, even with a justifiable excuse, shall entail loss of the fee.

Art. 30 - A member of the Council who is absent, without justifiable motive, from more than three sessions a month or more than one-fifth of the total sessions during the year, shall automatically lose his position on the Council.

Par. 1 - A vacancy left by an outgoing member shall, within ten days, be communicated by the President to:

a) - The Minister of Finance in the case of a member who falls under letter b) of Art. 24 and

b) - To the respective confederation in the case of a member who falls under letters c), d) and e) of Art. 24.

Par. 2 - The nomination, in the case of a vacancy, shall follow the regulation established in Art. 24 and shall be made for the remaining period of the mandate.

Par. 3 - Holidays may be granted by the Council to any member who asks for them for a maximum period of 120 days.

Art. 31 - The Council shall have a technical secretariat directed by an executive secretary and made up of public servants designated or requisitioned in the form of the legislation in force.

Par. 1 - The executive secretary shall take part, without voting rights, in the sessions of the Council and shall receive the gratification for attendance as referred to in Art. 29.

Par. 2 - The assessors and technical assistants in the technical secretariat shall receive a gratification determined by the Ministry of Finance.

Art. 32 - Within 180 days from the date of publication of this law the executive power shall send a draft bill to the National Congress creating a rating of employees, attributions and organization of the technical secretariat of the Customs Policy Council.
Sole Par. - Until the draft bill referred to in this paragraph has become law, the Finance Minister may contract for the Technical Secretariat economists and other technicians within the scale and limits approved by the President of the Republic.

VIII. Penalties

Art. 33 - The increase in duty resulting from any difference in value or quantity or improper classification of merchandise declared on the import documents shall be collected with a fine of 50 per cent.

Sole Par. - The fine shall not be applied when the difference verified is not in excess of 5 per cent of the sum of the duty declared by the importer on the documents.

Art. 34 - When, in the cases referred to in the preceding article, the existence of fraud is unequivocably proven, the false declaration of value, nature or quantity shall be punished with a fine equivalent to 100 per cent of the tax due.

Par. 1 - In the case of recurrence, with aggravating circumstances, the Directorate of Customs Revenue, confronted with a condemnatory decision without appeal at the administrative level, shall suspend for a period of one to five years the acceptance, by any department of the customs, of documents presented by the company or firm which has committed the infraction.

Par. 2 - The sanctions laid down in Par. 1 shall be extended to the directors, associates, managers and authorized agents of said company or firm as well as companies and firms of which they are a part.

Art. 35 - In a like manner, when the complicity of the exporter in a fraud of the type referred to in Par. 1 of the preceding article has been unmistakably proven, the Directorate of Customs Revenue shall apply to the exporting firm a penalty identical with that established in the referred paragraph.

Sole Par. - The provisions of Par. 2 of the preceding article shall also apply to the exporting company or firm.

Art. 36 - Twenty per cent of fines levied in accordance with Arts. 33 and 34 shall be awarded to the employee responsible for discovering the fraud.

Sole Par. - When the fraud is verified as the result of a denouncement the portion awarded to the employee shall be divided in equal parts with the denouncer.
IX. Transitory and General Dispositions

Art. 37 - Total or partial remission of duty shall be granted to products utilized in the composition of others to be exported on drawback, in accordance with the terms of the regulation to be issued as proposed by the Customs Policy Council, herewith revoking Decree No. 904 of 28 July, 1934.

Art. 38 - The consular invoice shall be abolished as of 1 January 1958, and, wherever appropriate, the Regulations approved in Decree No. 22,717 of 16 May 1933, shall be applied to the commercial invoice (vetoed).

Par. 1 - The commercial invoice shall contain the indications to be established by the regulations and shall be vised by the consular authorities, following upon payment of the emoluments as set forth in the referred decree and presentation of the licence as issued by Cacex or, in the case of Art. 55, proof of the exchange cover as issued by the Carteira de Cambio (Exchange Bureau) of the Bank of Brazil.

Par. 2 - With the exception of the cases covered by law or regulation the consular visa constitutes an essential condition to the release of the merchandise through customs under pain of the payment of a fine equivalent to 20 per cent of the value of said merchandise, without affecting other penalties imposed by law, not affecting however the necessary approval of the information as to nature, quantity and price of the merchandise shown in the commercial invoice.

Par. 3 - Over and above the indispensable elements of the customs documents, the import bill should contain other indications for statistical purposes or be accompanied by a special document for the same purpose, in the form established by law.

Art. 39 - Vetoed.

Art. 40 - No pecuniary advantage shall accrue to any employee as the result of a decision made by virtue of the duty or function he is performing.

Art. 41 - Vetoed.

Art. 42 - Except in the case of deposit or bond as stipulated in Par. 3 of Art. 6, or to guarantee placement in a fiscal appeal, customs clearance with temporary suspension of duty shall only be granted upon the signing of a performance bond (termo de responsabilidade) for the cases covered by this law and also the following:

a) - Temporary exemption;

b) - For the maximum period of one year the import of a determined piece of equipment or group of equipment without a national similar, considered of interest for the economic development of the country, when it is the object of a draft bill sent to the National Congress with a covering memorandum from the Executive Power.
Art. 43 - The import bill, the confirmatory waybill (guia comprobatoria), the difference note and any other customs documents in any number of copies may be filled in on the typewriter.

Art. 44 - Application of Note 183 of the Tariff Table shall be suspended for six months from the date of presentation of a request for the registration of a similar national product.

Sole Par. - This article shall not apply to the import for which the exchange had already been closed before the date of presentation of the request for the registration.

Art. 45 - The part or complementary component of a unit to be completed within the country and which is imported by a manufacturer of a national vehicle under the plan approved by the Executive Power up to 1 December 1957, shall be exempt from import duty upon presentation of a confirmatory document relating to the acquisition of corresponding exchange which shall be made in a total amount equal to the cost of the foreign monetary unit calculated on the basis of the weighted average resulting from the auctions of the respective import category in the six months preceding the date of publication of this law.

Par. 1 - The exemption shall not cover spares or parts with a registered national similar.

Par. 2 - The privileges stipulated in this article shall expire on 30 June 1959.

Art. 46 - At the proper time the Customs Policy Council shall fix the reduction of the duty to be granted as from 1 July 1959, according to the decree of nationalization achieved by the manufacturers referred to in the foregoing article or for those whose plans for manufacture were approved after 31 December 1957.

Art. 47 - The limit of alteration of the ad valorem rate as foreseen in Par. 1 of Art. 3 shall enter into effect two years as from the date of publication of this law.

Art. 48 - As long as it may remain indispensable to interoperate the tariff with controlled exchange and the selection of imports is subjected to the requirements of the economic development of the country, all merchandise shall be grouped into two categories: general and special.

Par. 1 - In the general category shall be included raw materials, equipment and other commodities for production such as items of general consumption of which the supply in the internal market is not satisfactory.

Par. 2 - In the special category shall be included items of merchandise of restricted consumption and other items of any nature of which the supply in the internal market is considered satisfactory.
Par. 3 - Bidding for certain specified merchandise for imports shall only be permitted in the following cases:

a) - When the merchandise is in the special category;

b) - When it is indispensable to the execution of bilateral trade agreements.

Art. 49 - The classification of products in the two categories of imports in which the previous article refers shall be established by an act of the Finance Ministry within a period of thirty days to be counted from the date of publication of this law.

Sole Par. - Any subsequent alteration to these classifications shall be the exclusive competence of the Customs Policy Council in accordance with the stipulation of Art. 27 revoking Art. 5 of Law No. 2,145 of 29 December 1953.

Art. 50 - No import can be effected at an exchange cost below that relating to the merchandise or goods of the general category to which Art. 48 of this law refers.

Par. 1 - The following operations are excluded from the rulings of this article:

a) - The import of newsprint and paper imported by publishing companies or book publishers intended for the preparation of these, as well as the products referred to in Insert VI of Law No. 2,145 of 29 December 1953, Art. 7, altered by Art. 56 of the present law, once the conditions established in Law 1,336 of 18 June 1951, are fulfilled;

b) - The imports of fertilizers, insecticides and similar products, employed exclusively in agricultural and livestock activities, excluding (vetoed) the compounded or complex manures, granulated or not;

c) - The imports of wheat and petroleum and its by-products, referred to in Law No. 2,975 of 27 November 1956;

d) - The imports of equipment, components and spare parts with no registered national similar intended for newspaper enterprises and book publishers, as well as for investments considered essential to the economic development or national security, in accordance with the criterion established by the Council of the Superintendency of Currency and Credit, after consultation, according to the case, with the National Economy Council, which shall take into account the specific requirements of the less developed regions of the country (vetoed).
Par. 2 - The operations referred to in the previous paragraph shall be effected within the allocations established in the exchange budgets as provided for in Art. 12 of Law No. 1,807, of 7 January 1953 and cannot be effected at an exchange rate below that resulting from the weighted average of the bonuses paid to exporters plus the rate deriving from the parity declared to the International Monetary Fund.

Par. 3 - For the imports of paper, referred to in a) of Par. 1 of this article, the difference between the cost resulting from the parity rate declared to the Monetary Fund and that foreseen in Par. 2, shall be readjusted each semester in incentives of 10 per cent for editors or book publishers, and for newspapers and magazines whose present weight does not exceed eighty grams, and incentives of 25 per cent for the remainder.

Par. 4 - The imports referred to in Par. 1 shall be processed according to the principles established in Art. 4.

Par. 5 - The imports of equipment, components and spare parts, intended for newspaper enterprises, referred to in e) of Par. 1, shall be processed after previous consultation with the syndical organ with which the stated beneficiaries are associated.

Art. 51 - Financial transfers abroad shall be processed through the free exchange market referred to in Art. 2 of Law No. 1,807 of 7 January 1953.

Par. 1 - The following operations are excluded from the rulings of this article:

I - Payment of financial commitments of the Union, States, Federal District and Municipalities, when not involving, directly or indirectly, coverage or financing of imports;

II - Payment of services relating to activities referred to in d) of Par. 1 of Art. 50;

III - Amortization and interest on loans, credits and financings:

a) - Registered or, if still in the process of registration at the date of this law, which shall be approved by the Superintendency of Currency and Credit in accordance with letter c) of Art. 1 of Law No. 1,807 of 7 January 1953;

b) - Relating to the imports referred to in d) and e) of Par. 1 of Art. 50;

c) - Relating to the imports of equipment not included in the previous items, provided it is approved by the Council of the Superintendency of Currency and Credit, within the exchange budget possibilities.
Par. 2 - The payment of commitments referred to in Inserts I, II and III of the previous paragraph, shall be effected in accordance with the provisions of Par. 2 of Art. 50, except when relating to c) and Insert III, the exchange rate of which cannot be below that of the general import category.

Art. 52 - The operations referred to in the first paragraphs of Arts. 50, 51 and 58, shall be executed in accordance with the criteria established by the Council of the Superintendency of Currency and Credit or by specific deliberation of the Council itself, and shall depend, for execution, on previous publication in the "Official Gazette" of the following:

I - Nature of the operation;

II - Name of the beneficiary;

III - Value of the operation in foreign currency;

IV - Exchange rate granted;

V - Difference between the value of the operation at the exchange rate granted and the equivalent at the exchange rate of the general category or free market, as the case may be;

VI - Value in foreign exchange, of the national product and the cruzeiro total of the subsidy, in the case of Art. 58.

Art. 53 - During the existence of the exchange auction system, a minimum agio shall only be permitted for inconvertible currency, calculated on the basis of a percentage of the average total cost of currencies of free or limited convertibility.

Art. 54 - Under the system of two import categories, the conversion rate referred to in Art. 10, shall be fixed for all merchandise, based on the average cost of the foreign currency, in the general import category referred to in Par. 1 of Art. 48.

Par. 1 - During the first year of enforcement of this law, the conversion rate shall be readjusted every three months.

Par. 2 - For the first three months, the conversion rate cannot exceed the average cost of the foreign currency unit of the first two import categories prior to the effectiveness of this law.

Art. 55 - The imports of products in the general category with exchange coverage freely obtained in the respective auction, shall not require an import licence.

Art. 56 - Art. 7 of Law No. 2,145 of 29 December 1953 shall henceforth read as follows:
"Article 7 - Import licence or exchange coverage obtained in exchange auctions, shall not be required for the following:

I - Imports of articles intended for the private use of diplomatic missions and foreign departments, or of their officials, provided the respective governments shall afford reciprocal treatment to the Brazilian missions and their personnel;

II - Animals, machines, apparatus or professional instruments of immigrants, brought to be used by him personally or in his work;

III - Travellers' baggage, excluding furniture and vehicles, but solely clothing and objects of personal and domestic use, up to a value of Cr$.100,000 estimated at the official exchange rate;

IV - Goods and chattels belonging to persons transferring residence to Brazil provided that, by their quantity and characteristics, they are not intended for commerce and have belonged to the person for more than six months before embarkation from the country of origin, the proof of respective ownership to be verified by the competent Brazilian consular authority;

V - Goods and chattels belonging to diplomatic personnel and brought in by them when returned to Brazil by the State Secretariat of the Ministry for Foreign Affairs; those belonging to personnel deceased abroad, and to public civil servants and military personnel who return from abroad, released from commissions of permanent character, exercised on land, for more than six months; with the provision in all these cases that goods are not intended for commerce;

VI - Maps, books, journals, reviews and similar publications which deal with technical, scientific, didactic or literary matters, written in foreign language, as well as books printed in Portugal, in Portuguese, and religious books written in any language and of any origin."

Par. 1 - The baggage and objects referred to in this article should arrive in the country within the maximum period of three months where travellers are concerned, and six months in the case of immigrants, counted from the date of disembarkation, under penalty of payment of a fine equivalent to the import of the goods without licence;

Par. 2 - The persons benefited by the concessions contained in inserts IV and V, shall only have the right to a similar concession, after a period of three years has elapsed.

Art. 57 - The regime governing foreign trade, established by Law No. 2,145 of 29 December 1953, shall be maintained wherever it does not conflict with this law, (vetoed).
Art. 58 - The imports of products referred to in a) and b) of Art. 50, Par. 1, in accordance with the stipulations of Par. 2 of the same article, shall be exempt from tax.

Par. 1 - A subsidy shall be granted to the manufacturers, in this country, of the products referred to in this article, equivalent to the difference between the price of the foreign similar, imported in accordance with Par. 2 and 3 of Art. 50, and that which would result if the imports were effected at the cost of general category exchange, plus the amount of the tax calculated on the basis of the rates established in the Tariff, using as a basis the c.i.f. price in the case of products transported by sea, or the f.o.b. price in the remaining cases.

Par. 2 - The Customs Policy Council shall promote the readjustment of the rates given in the tariff, in order to assure adequate levels of protection, taking into account the necessity of maintaining a suitable incentive to the progressive improvement of productivity. In the case of newsprint, the Council shall establish a symbolic duty rate, solely for the purpose of calculating the subsidy referred to in the preceding paragraph.

Par. 3 - The subsidy referred to in the preceding paragraph shall be granted from the product of a Special Fund, which shall be constituted in the Bank of Brazil from the proceeds of the "agios" collected in auctions of the general category, amounting to the equivalent in exchange of the value of national production sold in the internal market, in accordance with instructions to be issued by the Council of the Superintendency of Currency and Credit.

Art. 59 - In accordance with letter a), Par. 3 of Art. 48, the Exchange Department of the Bank of Brazil shall hold specific auctions for passenger automobiles of weights up to 1,600 kilogrammes and f.o.b. value not exceeding US$2,300, or equivalent in any other currency, within the minimum limits of US$12,000,000 during the first year and US$8,000,000 in the second year, or equivalent in other currencies, auctions to be held monthly within the allocations set forth in the exchange budget referred to in Art. 12 of Law No. 1,807 of 7 January 1953.

Par. 1 - The price mentioned in this article shall be that of the assembled vehicle, abiding by the provisions of the sole paragraph of Art. 5.

Par. 2 - The imports referred to in this article may be effected by manufacturers or assemblers of these vehicles, provided the automobiles are imported completely knocked-down (CKD) and with the weight reductions indicated in Par. 3 of this article.

Par. 3 - The manufacturers or assemblers who take advantage of the provisions of the preceding paragraph shall be granted reductions in the value of the import tax, proportional to the weight reductions in accordance with the following table.
Weight reductions  Reduction of import tax

15 per cent  40 per cent
25 per cent  60 per cent
35 per cent  70 per cent
45 per cent  80 per cent
above 45 per cent  90 per cent

Par. 4 - For customs purposes, the value of the knocked-down vehicles with the reductions in weight stipulated in the preceding paragraph, shall be determined by the Customs Policy Council, in accordance with the provisions of letter d) of Art. 22.

Par. 5 - To enjoy the benefits dealt with in Pars. 2 and 3 of this article, the manufacturers and assemblers should submit to the Ministry of Transport their manufacturing or assembly plan.

Par. 6 - The automobile imported and assembled in the manner set forth in Pars. 2 and 3 of this article, cannot be sold with a margin of profit higher than 18 per cent for the assembler, and 18 per cent for the retailer, under penalty of losing the advantages conceded by this article.

Par. 7 - In order to obtain the reductions of import tax stipulated in Par. 3 of this article, the manufacturer or assembler shall supply to the Ministry of Transport and Public Works, proof of the purchase of parts or components of national production corresponding to the weight reductions.

Par. 8 - The cost of the foreign currency unit for the imports referred to in this article, cannot be less than Cr$.100 per United States dollar or equivalent in other currencies.

Art. 60 - The violation of any exchange rules, verified during the Customs clearance, shall incur the following penalties:

I - A fine of 100 per cent on the respective value, should the merchandise be imported without licence or in excess of the limits of the licence, when its import is subject to this formality, Pars. 3, 4, and 5 of Art. 6 and Art. II of Law No. 2,145 of 29 December 1953, being revoked.

II - A fine of 100 per cent on the value of the fraud, in the cases of over - or under-invoicing or any other form of exchange fraud applied to the import.

Par. 1 - For the effects of Items I and II, the value of the merchandise or of the fraud shall be calculated on the basis of the cost of exchange for the corresponding category.

Par. 2 - A difference of 10 per cent either way in the price, or 5 per cent in the quantity or weight shall not be considered an exchange violation.
Par. 3 - The violations referred to in this article shall be examined and judged according to the provisions of Art. 6 (Vetoed).

Par. 4 - The provisions of Art. 36 shall be applied to the penalties specified in this article, and wherever applicable, those of Par. 1 of Art. 34 and those of Art. 35.

Art. 61 - The Customs Policy Council shall be established within thirty days of the publication of this law.

Art. 62 - The Executive Power, within the period of one year from the date of publication of this law, shall take the following steps:

I - Send to Congress a Bill re-examining and bringing up to date the general and specific legislation on exemptions and tax reductions, based on proposal from the Customs Policy Council;

II - Promote the necessary arrangements for bringing up to date international agreements on the subject of customs treatment and in which customs duties different from those established in the Tariff Table are applied;

III - Modernize and consolidate the provisions of the customs legislation not revoked by this law.

Par. 1 - In case of an agreement not yet ratified by Congress by the date of publication of this law, the Executive Power shall undertake the task of adjusting its clauses to the provisions of this law.

Par. 2 - The exemptions granted by Decree-Law No. 300 of 24 February 1938, and subsequent laws, excepted (vetoed) those expressly benefiting companies, entities or persons, are hereby revoked.

Art. 63 - The Ministry of Finance shall take the necessary steps in order that, within the period of one year from the date of publication of this law, the work of examination and judgement of the fiscal resources under the responsibility of the superior Council of Tariffs shall be settled, and may for this purpose:

I - Increase temporarily or permanently, up to three times the normal figure, the present number of members of the stated Council, distributed in as many Chambers as necessary, including those for the purposes of Art. 60;

II - Suspend or dismiss any member of the Council who does not fulfil the terms of service set forth in the regulations.

Art. 64 - To the personnel of the customs department as well as those of the National Laboratory of Analysis and its regional departments, shall be distributed a percentage calculated on the respective revenue of the import tax, in quotas proportional to the respective salaries.
Par. 1 - The percentage shall be established annually, by act of the Minister of Finance, and may vary for each department or department category, in order to assure equity in its distribution.

Par. 2 - The quota allocated monthly to each employee cannot exceed 100 per cent of the respective salary (vetoed).

Par. 3 - The amount of the quotas to be distributed to all the employees must not exceed 3 per cent of the import tax yearly revenue, estimated on the budgetary forecast for each fiscal year.

Art. 65 - The tax on transfer of funds abroad and any applying to imported merchandise, collected on the occasion of the respective customs clearance, with the exception of the excise tax and Sole Tax on fuels and lubricants, are henceforth extinct.

Art. 66 - In substitution of the taxes abolished by the preceding article a customs clearance tax of 5 per cent is hereby created to apply to the value of imported merchandise, excluding, however, those already affected by the Sole Tax applied on fuels and lubricants.

Par. 1 - The product of this tax shall be distributed as follows:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merchant Marine Fund</td>
<td>32%</td>
</tr>
<tr>
<td>Social Security Fund</td>
<td>18%</td>
</tr>
<tr>
<td>Naval Fund</td>
<td>15%</td>
</tr>
<tr>
<td>Aeronautical Fund</td>
<td>15%</td>
</tr>
<tr>
<td>Federal Electrification Fund</td>
<td>10%</td>
</tr>
<tr>
<td>Port Concessionaires</td>
<td>6%</td>
</tr>
<tr>
<td>Fund for Re-equipment of the customs departments</td>
<td>3.5%</td>
</tr>
<tr>
<td>Fishery Credit Fund</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

Par. 2 - Until the Merchant Marine Fund has been created, that portion of the product of the tax allocated to it shall be deposited, in a special account, at the National Economic Development Bank, for application as determined by law.

Par. 3 - Bearing in mind the provisions of the preceding paragraph, the distribution of the product of the tax shall be initiated in 1958, the allocations foreseen in the budget in force continuing to prevail in the current year.

Art. 67 - All automotive vehicles of the jeep, pick-up and panel truck type or those for double duty use, are exempt from the excise tax assessment.

Art. 68 - Any excise tax discrimination between the national and the foreign product is abolished, the rate attributed to the former prevailing.
Art. 69 - The Customs Commission of Similars is likewise abolished, and its duties transferred to the Customs Policy Council.

Sole Par. - The files and documents of the Committee of Similars shall be forwarded to the Customs Policy Council.

Art. 70 - For the purpose of verifying regularity in the payment of the tax due on merchandise, chattels and items coming into the country from abroad, the activity of the customs authorities in charge of this control can be extended to any point of the national territory, in accordance with instructions issued by the Minister of Finance.

Art. 71 - (Vetoed).

Sole Par. - (Vetoed).

Art. 72 - The Executive Power is authorized to open a special credit of Cr$.300,000,000 to meet the expenses for:

a) - Installation and operation of the Customs Policy Council;

b) - Re-equipment of the customs departments, including the National Laboratory of Analysis;

c) - Expense accounts, travel and daily allowances of the members of the Brazilian delegation in charge of promoting negotiations with the contracting parties of the General Agreement on Tariffs and Trade (GATT);

d) - Any other steps indispensable to the enforcement of the new Tariff, including expenditures for personnel and material required for the application of this law.

Sole Par. - This credit shall be automatically registered by the Court of Accounts and distributed to the National Treasury.

Art. 73 - Customs clearance shall be guaranteed under the system prevailing on the date of publication of this law, for:

a) - Merchandise already licensed by the Department of Foreign Trade (Cacex);

b) - That to be imported based on the exchange sale pledge previously purchased in auction or granted;

c) - That excluded from the import licence system, provided the respective exchange coverage, in the form of the regulation approved by Decree No. 32,285 of 19 December 1953 (Art. 62, Insert II) is assured by document already issued by the Exchange Department of the Bank of Brazil - Banking Fiscalization (Fiban);
d) - That which, by any previous law, is exempt from import licence and can be paid for through the free-rate market, provided it has been shipped prior to the effective date of the present law.

Art. 74 - (Vetoed).

Art. 75 - The appointment of members of the Customs House Tariff Commission shall be effected by the respective Inspectors and submitted for the approval of the Director of Customs Revenue.

Art. 76 - (Vetoed).

Art. 77 - (Vetoed).

Sole Par. - (Vetoed).

Art. 78 - All provisions to the contrary are hereby revoked, this law to enter into effect from the date of its publication, its validity in Foreign States, the provisions set forth in Para. 1, Art. 1 of Decree Law No. 4,657 of 4 September 1942, being revoked for this sole purpose.

Rio de Janeiro, 14 August 1957; 136th year of the Independence and 69th of the Republic.

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