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PRESS RELEASE

Federal Income Tax Normative Instruction fights illegality in the sale of papers

SÃO PAULO, December 2009 – A measure to govern competition in the paper for printing and writing sector, fight illegality and tax evasion. It's the Brazilian paper producers' major objective in view of the Federal Income Tax's Normative Instruction no. 976, published in the Federal Official Gazette this Tuesday (12/8). The measure sets forth mechanisms for new data registration and verification systems in connection with the correct use of tax-free papers.

“Since 2008, we have negotiated with the federal government a solution for a problem that hurts competition in the domestic market”, affirms Elizabeth de Carvalhaes, Executive President of the Brazilian Pulp and Paper Association (Bracelpa). “In addition to companies, federal and state governments will also benefit from the measure”, adds the officer.

Article 150 of the 1988 Federal Constitution established tax-free benefits for papers for printing books, newspapers and periodicals. This immunity was also extended to other types of use of this paper. However, in the past years, part of the product considered tax-free and used in these publications was deviated in the sales chain, without the collection of applicable taxes.

“Besides losses suffered by companies, the deviation of immune paper also results in tax evasion, given that it reduces the Union's and States' taxes revenues”, explains Ms de Carvalhaes. Bracelpa's data shows that this deviation has increased during the last years, as indicated in the table below. Estimates were calculated taking into consideration the difference in tons of immune paper and the paper volume which, in fact, was used in the publication of books and magazines (*in this case, paper for printing newspapers was not considered*).

Deviation of Immune Paper to Other Activities

Year	Paper Deviated (in thousands of tons)	% in relation to the amount considered immune paper
2005	303	45%
2006	422	52%
2007	473	54%
2008	554	56%
2009 (Jan/Oct)	460	56%

On June 4, the President of the Republic sanctioned Law No. 11.945, which regulates the new registration of companies that produce immune paper and establishes a more stringent verification in the sales chain that commercializes paper for editorial purposes.

The recently published Normative Instruction No. 976, also sets forth penalties, from fines to the special registration cancellation that allows the sales of tax-free paper for at least a five-year period. “This control will be made on real time by means of Internet mechanisms. The efficient and prompt crossing of information will be instrumental to prevent illicit practices”, concludes Elizabeth de Carvalhaes.

On Bracelpa

The Brazilian Pulp and Paper Association (Bracelpa) institutionally represents the sector's companies, among its other major public interests. It is active in the municipal, state and federal spheres, and participates in international forums such as the World Trade Organization (WTO) and the UN's Food and Agriculture Organization (FAO). In a global industrialized segment, whose products were highly competitive, in 2008, Brazil conquered the fourth place as the world's pulp producer, and in the segment of paper, maintained its 12th ranking. Additionally, the Country is the first world producer of pulp from eucalyptus. Brazilian pulp and paper companies are an international reference for its sustainable practices. One of Brazil's major advantages in relation of its competitors is that 100% of pulp and paper production comes from planted forests - i.e., renewable resources and carbon sumps. The sector's forests are also certified by internationally accredited bodies, such as the Forest Stewardship Council (FSC) and the Brazilian Program of Forest Certification (Cerflor).