

<b>PROVISIONAL MEASURE (MP) 1.171/2023</b>	
<b>Taxation of foreign investments of Brazilian individuals</b>	
<b>Who can be impacted</b>	Individuals residing in Brazil with investments abroad.
<b>Types of investments</b>	<ul style="list-style-type: none"> <li>▪ Financial investments;</li> <li>▪ Controlled entities (holdings, legal entities and foundations, for example);</li> <li>▪ Trusts.</li> </ul>
<b>Main aspects of the new taxation</b>	
<b>Financial investments</b>	<ul style="list-style-type: none"> <li>▪ Progressive rates of zero, 15% and 22.5%.</li> <li>▪ Taxation on legal availability of funds (i.e. redemption, amortization, disposal, maturity or liquidation).</li> <li>▪ Tax on exchange variation.</li> </ul>
<b>Controlled Companies Abroad</b> (tax haven/privileged regime or passive income)	<ul style="list-style-type: none"> <li>▪ Progressive rates of zero, 15% and 22.5%.</li> <li>▪ Profits generated as of 1.1.2024 will be taxed at the end of each year.</li> <li>▪ Profits generated until 31.12.2023 will be taxed only on legal availability of funds.</li> <li>▪ Subsidiary includes holding companies, funds and other types of entities.</li> <li>▪ Losses generated as of 1.1.2024 can be offset.</li> </ul>
<b>Trust Abroad</b>	<ul style="list-style-type: none"> <li>▪ Assets and rights declared as property of the settlor.</li> <li>▪ Transfers to beneficiaries treated as donation (in life) or causa mortis (in succession).</li> <li>▪ Assets and rights taxed by the settlor according to their nature (financial investment, entity controlled abroad, etc.), applying the rules described above.</li> </ul>
<b>Updating the value of assets and rights abroad</b>	
<ul style="list-style-type: none"> <li>▪ The MP allows an adjustment for updating the value of certain assets located abroad;</li> <li>▪ The difference of the updated adjustment, between the market value and the acquisition cost, will be taxed at a 10% rate</li> </ul>	
<b>Change in the general rule for capital gains from assets abroad</b>	
The capital gain on assets, rights and financial investments located/obtained abroad, while a non-resident is now taxed;	The exchange variation in the capital gain on assets, rights and financial investments acquired with funds obtained in foreign currency will now be taxed.
The MP will be subject to deliberation by the National Congress, within 120 days as from its publication, and may be rejected or converted into law, with or without changes.	