

Bracelpa, ANDIPA and ABIGRAF carry out joint awareness-raising actions on tax-free paper

The National Association of Paper Distributors (ANDIPA), the Brazilian Graphic Industry Association (ABIGRAF) and the Brazilian Pulp and Paper Association (Bracelpa) have just made public a joint release on Normative Instruction No. 976 of the Federal Income Service on tax-free paper to their members and related companies.

The objective of this joint action is to inform on issues involving tax exemption for papers earmarked for printing books, newspapers and periodicals, while putting in evidence the paper of each of the companies at the time of the new measures' release. Published last year, the Normative Instruction's purpose is to fight illegality in the sale of these papers and, consequently, tax evasion, which reduces the Union's and Brazilian States' tax collection.

The material comprises a letter, signed by the three associations, the entire Normative Instruction and an Explicative Note commented by the Federal Income Service (texts below).



São Paulo, January 27, 2010

Dear Madam, Dear Sir:

The Federal Revenue Office published Normative Instruction No. 976 in the Federal Official Gazette on December 8, 2009, which governs the special registration (RE) and the registration of updated data of manufacturers, distributors, importers, newspaper companies, publishing houses and printing shops that use paper to print books, newspapers and periodicals, backed by tax-free benefits (i.e., immune papers). The objective of this measure – which broadens verification mechanisms related to this theme - , is to fight illegality in the sales of immune papers and, consequently, tax evasion, which is reducing the Union's and the Brazilian States' revenues.

The Brazilian Pulp and Paper Association (Bracelpa), the National Association of Paper Distributors (ANDIPA) and the Brazilian Graphic Industry Association (ABIGRAF) praise the coming into force of the abovementioned Normative Instruction and are making their best efforts to guarantee its enforcement, in particular because the measure strengthens the position of companies that conduct activities in compliance with applicable legislation. Their rationale is that only if all the stakeholders involved participate – companies, government entities and civil society -, illegality will be banned and competition will regain its normal status. For the Normative Instruction's effective and efficient enforcement, these entities are working together and making information available to companies that operate with immune papers.

To this end, they mention that Article 150 of the 1988 Federal Constitution sets forth tax immunity for paper for printing books, newspapers and periodicals. This tax exemption is not extended to other uses of this paper. However, in the past years, part of the tax-free paper used in these publications had been deviated in the sales chain and, therefore, favoring unfair competition and causing the non-collection of taxes due.

The recently published Normative Instruction No. 976 foresees penalties to infringing companies, which go from simple fines to the especial registration cancelation that allows operating with non-taxed paper. Control will be effected via the Internet on real time and the prompt and efficient crossing of information will be instrumental to prevent illicit transactions.

For your company's convenience, you may consult additional information on the Normative Instruction, which makes the legislation on the theme more stringent effective prior to its publication, the

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entire text published in the Federal Official Gazette is attached hereto, in addition to an Explicative Note with details on the new piece of legislation.

Bracelpa, ANDIPA and ABIGRAF are at your disposal to further clarify the theme. Additionally, these entities are certain that they have your full support to disseminate this information so that the measures may be effectively applicable in the short term.

Truly yours,

Elizabeth de Carvalhaes

Executive President

Bracelpa

Andrés Romero Gonzáles

President

ANDIPA

Mario César M. de Camargo

President

ABIGRAF