

Provisional Survey Report 2014

**New Issues and Requests for Improvements on Trade and Investment  
- Central / South America -**

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Japan Business Council for Trade and Investment Facilitation (JBCTIF)  
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(Note) \*, APEC countries and regions

Issues and requests relating to foreign trade and investment - Argentina

	Category	No	Issue	Issue Details	Requests	Governing Laws
2	Grant of a Preferential Tariff Rates based on Increased Home Production, and/or Local Procurements	(1)	Irrational Compulsion on the Use of Domestic Products	- Government of Argentina (GOA) compels use of high priced poor quality domestically manufactured products that drives down the production efficiency.	- It is requested that GOA repeals the import restrictions on goods, excluding those, which are inductive to environmental destruction, etc. prohibited by other countries.	
3	Export Requirements	(1)	Administrative Guidance on Export Amount Equaling Import Amount	- Under its administrative guidance, GOA directs all importers to export goods abroad in the amount equal to the amount of import in the importer's own name. The failure to observe this Directive in effect results in no grant of Import Licence.  - GOA informally directs importers to export goods abroad, lest the import business negatively affects the Argentine trade balance.	- It is requested that GOA: -- discontinues its import control, and -- introduces a policy to develop export industry on a mid-long-term perspective.  - It is requested that GOA totally repeals the imposition of export requirement on importers, in as much as importers' creation of business is a difficult proposition, or alternatively exercises its control by a numerical cap such as X% of the preceding year.	
9	Restrictive Export/Import Trade, Duty, and Customs Clearance	(1)	High Import Duty	- While many countries levy import duty on inkjet printers, high duty rates impede business operation especially in the following 2-countries: -- Brazil: Printer main unit: 16%, Printer consumables: 0% -- Argentina: SFP of less than 30 ppm: 16%, SFP of 30 ppm or more: 2%, MFP: 12%, Printer consumables: 0%		
		(2)	DJAI (Sworn Affidavit of Intention to Import) System	- Importers must file with the Authority in advance Request for Purchase of Goods or Import Licence, which by GOA may refuse to accept or monitor. On the other hand, Non-Automatic Licencing System that protects domestic products is also available. All importers are rushing for applications for licence on specified products such as digital cameras, audio products, LED displays, etc.  - GOA has made it compulsory upon importers of about 600-items of imported goods to apply for Anticipated Special Import Affidavit System (Declaracion Jurada Anticipada de Importacion = DJAI) System. Importers must file application giving the details of the import cargoes to obtain prior approval of AFIP (Taxation Authority) and the Domestic Transaction Bureau.  In effect this is a measure to balance import/export volume, requiring importers export and domestic investment in the amount equal to the import amount. It takes a considerable time to complete the procedures as the import application can be refused.	- It is requested that GOA clearly identifies the process to acquire Import Licence, the time line and the requisite conditions, while GOA's needs for the Import Licence Scheme is understandable.  - Already WTO Panel has been established on this Scheme upon request by EU, the U.S., Japan, etc., on the ground that DJAI is inconsistent with the WTO Agreement. It is requested that GOJ continues its efforts on this issue with the WTO Panel.	- The Tax Bureau Decree No. 3252/2012, & Customs Act No.22,425, Article 91 and amended Article 91.

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	(3)	Import Restrictions	<p>- Due to the DJAI introduced since February 2012, the loss of sales opportunities has arisen. The ambiguity of the Administrative Examination Standard causes delays in numerous cases. It makes importers to set up their sales plan.</p> <p>- DJAI, introduced as GOA's import restriction measures (to assure the trade balance) have resulted in import delays and import restrictions. The examination basis under DJAI contains ambiguity in many respects. The Importers failing to export products in the amount equaling imports are racking their brain what to do, as the Administration gives harsh treatment to them. There is no sign of improvement. Such importers are negotiating directly with the Head of Domestic Commerce Department for a scheduled import programme. This is, however, time consuming.</p> <p>- GOA compels foreign currency acquisition and import restrictions, making business with Argentina nebulous and difficult.</p> <p>- Importers must first get the Import/Export Balance Schedule (IEBS) approved by GOA in each year. It may import products in corresponding quantities only up to the Approved Amount.</p> <p>Apart from IEBS, acquisition of DJAI for each import is a mandatory requirement. The lead-time for approval is long. Its validity remains too short for products manufactured outside Japan, despite its slight improvement from "Import Customs Clearance within 180 days of the Application Date" to "Import Customs Clearance within 180 days of the Approval Date".</p> <p>Beginning January 2014, the extremely high Luxury Tax has abruptly been applied to 4-Wheel Vehicles. It directly affects sales of the 4-Wheel Vehicles in high price ranges.</p> <p>- A Member Firm desiring to appoint local distributor in Argentina is unable to export products from Japan, as it likes. GOA's Administrative Guidance (with Import Licence) requires importers to export the same amount as the import. It may be possible to satisfy the requirements for a large enterprise locally incorporated dealing in import and export. However, for a small enterprise, it is difficult to do so. While the U.S., Japan, and EU have lodged complaint with WTO, alleging the Argentine Import Licence System is inconsistent with the WTO Agreement, not much progress has been made. In addition, Argentine foreign currency shortage has recently become even more conspicuous. Tighter import restrictions are imminent.</p> <p>- GOA implements import (foreign currency) restrictions.</p>	<p>- It is requested that GOA takes step to either repeals DJAI as soon as possible or deregulates the restrictions.</p> <p>- It is requested that GOA repeals the import restrictions, or deregulates and clearly identifies the basis of GOA's requirement.</p> <p>- It is requested that GOA:  -- repeals or deregulates Import Restrictions,  -- expedites DJAI approval,  -- streamlines the competent authority's procedures relative to these, and  -- repeals the Luxury Tax, or reviews the tax rate</p> <p>- It is requested that Japan, the U.S. and EU jointly prompt WTO Dispute Settlement Procedures in unison to repeal the restrictive GOA's administrative guidance and to achieve import/export liberalisation in Argentina as soon as possible.</p> <p>- It is requested that GOA repeals import (foreign currency) restrictions.</p>	<p>- General Resolution No. 3255/2012</p> <p>- Declaracion Jurada Anticipada de Importacion - DJAI No. 3252  <a href="http://www.jetro.go.jp/world/cs_america/ar/biznews/4fa08f6cdafe8">http://www.jetro.go.jp/world/cs_america/ar/biznews/4fa08f6cdafe8</a></p> <p>- Inconsistency with the WTO Agreement</p>

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11	Restriction on Profits Remittance Abroad	(1)	Restricted External Remittance in Foreign Currency	<ul style="list-style-type: none"> <li>- Restricted External Remittance:                             <ul style="list-style-type: none"> <li>-- Holding customs clearance for an extended period on items on which the import licence has been already issued.</li> <li>-- Early collection from the exporters of the U.S. dollars and compulsory conversion into Peso.</li> <li>-- Request to importers of delaying payment in the U.S. dollars.</li> <li>-- Compulsory conversion into Peso of the bank deposit in the U.S. dollars.</li> <li>-- Registration at the central bank of commercial banks' purchase of the U.S. dollars.</li> <li>-- Requirement of vexatiously complex, bureaucratic procedures for external remittance.</li> </ul> </li> <li>- Anticipated Special Import Affidavit System (DJAS) applicable to Remittance in payment of consideration for service fees (such as trademark, brand names, etc.) does not work due to the BCRA's control even after obtaining approval.</li> </ul> <p>Remittance abroad requires complex and bureaucratic procedures.</p>	<ul style="list-style-type: none"> <li>- GOM exercises its control by way of administrative guidance over the telephone, etc. on many issues, disrupting the stability of traders' business activities, regardless of how it impacts their activities.</li> <li>- It is requested that GOA deregulates restrictions on external remittance.</li> <li>- It is requested that GOA deregulates the restrictions on external remittance.</li> </ul>	
		(2)	Mandatory Conversion of Foreign Currency Revenue into Local Currency	<ul style="list-style-type: none"> <li>- Foreign Exchange Risk and Foreign Exchange Commission are repeated from having to convert proceeds from exported products manufactured in Argentina into local currency and to convert again into foreign currency preserve the currency value in foreign currency.</li> </ul>	<ul style="list-style-type: none"> <li>- It is requested that GOA repeals the restrictions stated in the left column.</li> </ul>	
		(3)	Implementation of Restrictions on Purchase of Foreign Currency, and on External Remittance of Dividends in Foreign Currency	<ul style="list-style-type: none"> <li>- GOA severely restricts foreign currency procurement and use of foreign currency abroad. The purchase amount of dollars for trip abroad is restricted while 35% tax is levied on air-ticket purchase and the amount of credit card used abroad. In addition, while the Central Bank Prior Approval Scheme has been in force since January 2012 on External Remittance to Home Countries by Subsidiaries and Related Companies, due to the de facto control, it is in effect disallowed.</li> </ul>	<ul style="list-style-type: none"> <li>- It is requested that GOA repeals the restrictions in all, inclusive of de fact control.</li> </ul>	
12	Exchange Controls	(1)	Restricted Non-Deliverable Forward Transactions	<ul style="list-style-type: none"> <li>- Argentine enterprises are permitted to deal in Non-Deliverable Forwards only with domestic banks in Argentina.</li> </ul>	<ul style="list-style-type: none"> <li>- It is requested that GOA deregulates foreign exchange control.</li> </ul>	
		(2)	Deviation of Official Rate of Exchange (ORE) from Parallel Rate of Exchange (PRE)	<ul style="list-style-type: none"> <li>- Despite the high Real Inflation Rate, the repeated interventions by Banco Central de la Republica Argentina (BCRA) for the defence of the peso devaluation have driven up the cost of quoting in the U.S. dollars. While the deviation tends to narrow between the Devaluation Rate of ORE and Real Inflation Rate, the existence of 50-70% gap between the ORE and PRE has pushed up the Real Inflation Rate. It makes the cost projection difficult.</li> </ul>	<ul style="list-style-type: none"> <li>- It is requested that GOA bases its economic planning is based on the prevailing market conditions.</li> </ul>	
13	Finance	(1)	Reschedule Issue on External Debt	<ul style="list-style-type: none"> <li>- The default status continues on GOA's debt of 8.9 billion in USD, Not until its debt is repaid in full, GOA is not in a position to make further borrowings from JBIC and other financial institutions. The hurdles remain high for investment from Japan.</li> </ul>	<ul style="list-style-type: none"> <li>- It is requested that GOA resolves the problem as soon as possible.</li> </ul>	

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	(2)	Compulsory Deposit Scheme for Borrowing from Non-Residents	- Borrowing from Non-Resident is subjected to Compulsory Deposit System (CDS) so that the Borrower is compelled to deposit with no interest 30% of the borrowed amount with BCRA. => CDS does not apply to the borrowing from overseas for operational fund. Its repayment is possible only after 365 days from the borrowing date. However, it is unclear if such purchase of foreign currency is executable as operational fund. Due to the absence of merit in borrowing foreign currency with the Argentine currency, which is under strong pressure for devaluation, as it stands, most enterprises domestically borrow in peso.	- It is requested that GOA repeals the compulsory deposit requirement on loan from non-resident.		
14	Taxation Systems	(1)	Frequent Amendments of Taxation System and Nebulous Taxation System	- Enterprises in Argentina are unable to operate their business with a long-term perspective as GOA keeps changing frequently taxation system, for example, the export surtax rates on agricultural products, or introducing export tax on minerals. Its policy is being swung to and fro by the National Budget.	- It is requested that GOA ensures transparency in introducing new taxation system, or changing the taxation system or tax rates by ensuring opportunities for private enterprises to receive in advance sufficient and adequate explanation, - It is requested that GOA studies the portfolio for the source of tax revenue, such as new introduction of tax incentive measures for enterprises with clean record of income tax payments, and new establishment of personal inheritance tax.	
		(2)	Abrupt High Tax Levy	- GOA has abruptly adopted the high rate luxury tax since January 2014. The Luxury Tax of 50% applies to 2-Wheeled Vehicles of more than 22,001 pesos Local Wholesale Price (compared to the previous 10%).	- It is requested that GOA review the Luxury Tax.	- Boletin Oficial (Official Gazette) of 30 December 2013, Law No.26,929, Applicable to all vehicles on which invoice is issued to wholesalers after this date.
15	Price Controls	(1)	Existence of Price Control	- GOA exercises price control on energy fees (electric power and gas), so that enterprises including Foreign Funded Enterprises (FFE) in energy sector are unable to secure the ROI proportionate to their investments. The prevailing circumstances discourage investment into the Energy Sectors such as oil and natural gas, etc.  - GOA exercises price control in order to hold down inflation.	- In light of the prevailing serious energy crunch in Argentina, it is requested that GOA overhauls its legislation encouraging investment into the energy sector (inclusive of the overhaul of investment environment such as the energy price increase).	
		(2)	High Wage Rate Hike Matching High Inflation Rate	- The high wage increase rate triggers the high inflation. A Member Firm's Subsidiary in Argentina (MFS) is compelled to raise wages for its employees for them to maintain their standard of living.	- It is requested that GOA introduces a mid-to-long-term policy that annihilates inflation.	

	Category	No	Issue	Issue Details	Requests	Governing Laws
17	Implementation of Intellectual Property Rights ("IPRs")	(1)	Counterfeits	- Inflow of counterfeits into the market largely damage sales. Moreover, quality problems on counterfeits can impair MFS reputation in the market, apart from damage on sales. Distributors handling certificates can be tied to crime organisations such as mafia and narcotic dealers. Taking an outright charge is difficult, accompanying risks.	- It is requested that GOA tightens the water's edge operations at Customs Service to clamp down upon counterfeits, and develops campaign to dispel the counterfeits.	
19	Industrial Standards, Approval of Safety Standards	(1)	Establishment of Standard Numbers on Import Products, etc.	- GOA specifies its Standard and other standard Numbers for electrical safety, etc. That imported goods must satisfy.		
		(2)	Acquisition of Standard Nos. by Importer	- Product standard is required for each importer even when the product is identical.		
20	Monopoly	(1)	Monopoly	- Law exists on protection from monopolistic activity.		
21	Restrictions on Land Ownership	(1)	Restricted Land Ownership	- GOA disallows landownership by Foreign Funded Enterprises (FFE) of 20% or more of the total national area.		
24	Indigested Legislation, Abrupt Changes	(1)	Low Level of Information Disclosure	- GOA's failure to enforce appropriate information disclosure detracts much from the Argentina's reputation and/or credibility in the international market in terms of the macro economy, while in micro terms, much time is wasted in completing each clerical work.	- It is requested that GOA: -- makes an adequate disclosure of information, and -- ensures that the directives and orders are issued to subordinate organisations thoroughly reach the very end of the organisational hierarchy.	
		(2)	Nebulous Laws on Mining and Minerals and the Nebulous Provisions for their Changes	- Notwithstanding the tax exemption for 30-years granted under Mining Investment Law (Law No. 24.196, enforced in 1993), GOA decided to impose export tax introduced in 2002 on all mining companies beginning from December 2007.	- It is requested that GOA honours its past commitments, despite the change in Administration, especially on projects involving FFEs, - It is requested that GOA repeals the export tax on mining companies enforced since 30 November 2007 by legislative amendments and Notices of the Agency for the Federal Mining Industry, Ministry of Internal Affairs, - It is requested that GOA ensures transparency in changing legislation by ensuring opportunities for private enterprises to receive in advance sufficient and adequate explanation.	

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		(3)	Abrupt Legislative Enactment or Amendment without Prior Explanation	<ul style="list-style-type: none"> <li>- GOA promulgates or changes Laws and Regulations without advance explanation to the public or advance market verification, disrupting enterprises plan for distribution of dividends.</li> <li>- Amendments of Laws and Regulations are frequent, some of them being implemented unofficially.</li> </ul>	- It is requested that GOA administers with a mid-long-term projection.	
26	Others	(1)	Traffic congestions Caused by Demonstration Parade	- Due to the traffic congestions caused by the road blockage for demonstration parade, enterprises are frequently forced to change their business schedule to the discouragement of workers' morale that results in the decline in work efficiency.	- While the right of workers for demonstration parade cannot be denied, it is requested that GOA excises its power by opening the public road to non-participating people in the demonstration for them to freely go through the public road.	

Issues and requests relating to foreign trade and investment - Brazil

	Category	No	Issue	Issue Details	Requests	Governing Laws
1	Restrictions on Entry of Foreign Capitals	(1)	Difficulty in Establishment of Local Representative Office, Construction Work Office, Branch Office, and Much Burden	- In Brazil, judicial personality is not authorised in a representative's office. In addition, it is difficult for Foreign Funded Enterprises (FFE) to obtain the licence for establishment of Branch Office. Consequently, FFEs Representative Office normally takes the form of subsidiary, in which the Brazilian law requires the Chief Executive Officer (CEO) to be a Brazilian (or a Brazilian resident, in case of a foreign national with permanent visa). [The requisite conditions for Non-Resident's acquisition of Permanent Visa or his/her replacement]: --Investment exceeding RS600,000, or Investment exceeding RS150,000 plus additional employment of minimum 10 employees (modified by Decree 95/2011 in 2011) --The Temporary Visa previously switched to Permanent Visa after 2-plus-2 years stay, has now become switchable to Permanent Visa after 2-years stay by Decree 99 (19 December 2012).	- It is requested that GOB: -- makes it possible for Foreign Funded Enterprises entering Brazil to register the business, taking various operational forms, -- facilitates expatriates' visa acquisition as they do in other countries, and -- repeals the system.	- Regulation of Brazilian Immigration Bureau - Decision No.27 of July 29, 1994 - Resolucao Normativa 10 CNI (of 11 November 1997) - Prescriptive Resolution No. 95 (Issued on 19.08.2011 by CNI) - Prescriptive Resolution No. 99 (Issued on 19.12.2012 by CNI)
2	Grant of a Preferential Tariff Rates based on Increased Home Production, and/or Local Procurements	(1)	Stringent Nationalisation/ Local Procurement Requirement	- GOB levies Federal Excise Tax of 30% on cars unless the local parts are used 65% or more, with additional conditions. Not only export of CBU to Brazil but also the local KD productions are both difficult.	- It is requested that GOB repeals restrictions.	- Decree 7716 /2012: 2013-2017
		(2)	Loss of Competitive Edge by Excessive Preferential Measures on Home Production	- Under the Tax Incentive Measures for Nationalisation, GOB grants exemption or reduction of Import Duty and Industrial Tax on Domestic Industries (Import Duty varies by geographical regions). For goods on which Import Contents exceed 40% of the Sales Price due to the change in ICMS Tax that favours Production in the Place Of Consumption, GOB requires description of Import Contents Values on Invoices. - Thanks to Preferential Measures on Home Production, domestic enterprises enjoy reduced import duty and industrial tax (while import duty varies by district). Non-manufacturing enterprises locally in Brazil have lost the competitive edge as a result to the extent of such Preferential Measures.	- The locally procured materials and parts require improvement in price and quality.  - It is requested that GOB repeals the Preferential Tax Measures.	- Resolution 13
		(3)	Preferential Measures on Home Production	- GOB gives excessive Preferential Measures on Home Production, Procurement Control, Preferential Pricing Measures mean entry barriers to enterprises not engaged in home production in Brazil.	- It is requested that GOB gives preferential measures also upon enterprises that contribute to fostering of human resources such as transfer of high-end technology know-how.	
		(4)	Local Contents	- To acquire Incentives in Manaus Free Zone it is necessary to satisfy the Basic Productive Process Criteria. GOB sometimes compels local procurement of items, which are not competitive in terms of quality, volume and prices. For example, recently, whereas GOB mandated the local procurement of the Bare Board for TV Printed Circuit Board, in reality, Multec, the large domestic raw board manufacturer, discontinued its production.	- While Member Firm appreciates the needs for nurturing and protecting indirect materials manufacturers, without the improvement in cost competitiveness, investment environment cannot improve.	- Ministry for Development of Foreign Trade and Industry Inter-Ministerial Gate No.290 of 16 September 2013

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	(5)	Preferential Treatment on Use of Brazilian Flag Vessels	- In order to protect the domestic industry, GOB compels the use of Brazilian Flag Vessels as regards imports of tariff exempted goods and exempts payment of Mercantile Marine Fund for unloading at Salvador ports northward.	- It is requested that GOB repeals the system intended to protect the domestic industry.	
	(6)	Principle of Domestic Insurance Coverage	- GOB compels insurance coverage by the domestic insurance companies (ICDIC) to foreign companies at higher insurance premium rates. - Federal Senate Resolution No.13, designed to curb the so called State-to-State Incentive Battles, Attraction of Enterprises and Unloading Ports, includes a provision that removes incentives from products with less than 60% local contents, beginning January 2013. As shown in the foregoing Bare Board example, Resolution No.13 totally ignores certain amount of time and investment pre-requisite to increase the local procurement.	- It is requested that GOB thoroughly hears the manufacturing enterprises' views, before ruling on the local contents requirements.	- Federal Senate Resolution No.13 of 25 April 2012 - Ajuste Sinief No 19 of 7 November 2012
5 Regulations on Parts Industrial Policy	(1)	Tax Incentives Unfavourable to Parts Manufacturers	- In the absence of the supply base of parts industry domestically in Brazil, the set manufacturers have no alternative but to rely upon imports for their parts procurement. Since GOB grants various tax benefits on the set manufacturers' parts import, the parts manufacturers' effort to sell their parts in the domestic market is almost impossible due to the difference in the tax benefit between the set manufacturers and the parts manufacturers. The tax benefits in the foregoing include: (1) Lei Hanan: 100% tax exemption of ICMS (Tax on the Circulation of Goods and Services of 17%) in the Manaus FTZ; (2) Lei da Informatica: ICMS is reduced to 7% from 17%, 100% Tax Exemption of IPI (Industrial Products Tax of 10-20%) (3) RECOF: GOB grants Priority Customs Clearance to Information Telecommunication Industry (ITI), whose payment may be suspended for import duty and all other taxes, pending product shipment. At times when high rates of effective duty prevail, ITI benefits from the eased cash flow. (4) Drawback: GOB grants tax exemption to manufacturers' direct import of parts for incorporation into export products on account of import duty, Industrial Product Tax (IPI), Tax on the Circulation of Products and Services (ICMS), etc. (5) Regime Automotivo GOB grants 40% exemption of I.I.. (import duty) for automotive sector, on conditions that sales to automotive industry must be 50% or more of the total sales, aside from investment into manufacture. These conditions are impossible to clear for most electronic parts manufacturers. (6) Moreover, opening of new business with car manufacturers has become almost impossible in substance, since all intermediary taxes in distribution are exempted as regards the automotive industry. (Law No. 10485/11.2003) GOB effectively bans import by making it compulsory for the local enterprises to manufacture domestically the products in the category of the PPB (Processo Produtivo Basico = Basic Production Process) Scheme	- GOB lacks consistency from time to time in its grant of tax preferential measures. As regard television receivers, Amazon State provides special incentive measures on the local panel display assembly operation. - To begin with the taxation system is complex, while changes are daily affairs. Enterprises in Brazil must face the legal risks all the time.	

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			<p>applied for and acquired by the local enterprises (RC, LNB). However, set manufacturers are authorised to import the products, providing that the products are new products.</p> <p>Viable operation of parts manufacturing business has become more and more difficult, due to the compartmentalised restrictions by product sector and by state, which have further reduced the market scale for parts manufacturers, despite the spread of general electric parts market from AV Equipment to IT / White Goods / Cars. Moreover, the grant of various incentives for "Parts" manufacturers is subject to investment into manufacturing, while to "Set" manufacturers, the maximum incentives are available on import of parts and materials.</p>		
6 Reduction and Elimination of Preferential Policies for Foreign Capital	(1)	Lack of Continuity on Tax Incentive Scheme	- While a Member Firm operates under Preferential Tax Measures (PTM) on certain specified products, PTM is available only for a limited period without guarantee for continuation. A Member Firm is unable to set up a long-term business plan.	- It is requested that GOB formalizes PTM by revision of the governing laws, instead of making available such measures in a haphazard manner.	
9 Restrictive Export/Import Trade, Duty, and Customs Clearance	(1)	High Import Duty	<p>- Due to the high tax rates on camera products, many smuggled goods imported from neighbouring countries disrupt the normal distribution activities. In many cases, travelers on their return trip smuggle them in as accompanying goods.</p> <p>- Compared to Locally Manufactured Products, GOB levies high Import Duty in the range of 12-20% on Electric Products of various kinds imported and sold in the domestic market.</p> <p>- While many countries levy import duty on inkjet printers, high duty rates impede business operation especially in the following 2-countries:                      -- Brazil: Printer main unit: 16%, Printer consumables: 0%                      -- Argentina: SFP of less than 30 ppm: 16%, SFP of over 30 ppm: 2%, MFP: 12%, Printer consumables: 0%</p> <p>- GOB levies High Import Duty on imports from Non-Mercosur Member States. It makes it difficult for procuring high quality materials and parts at competitive prices.</p> <p>- High Import Duty levied upon Imports.</p> <p>- High Import Duty. In 2012, as a temporary measure for protection of the domestic industries, GOB raised in Import Duty on 100-items.</p>	<p>- It is requested that GOB refrains from raising the tax rates triggered by the import tariff reductions.</p> <p>- It is requested that GOB reviews the tax rates.</p> <p>- Filing of petitions and lobbying activity are necessary.</p> <p>- It is requested that GOJ pushes harder its request to GOB for it to suppress the protectionist movement.</p>	- Brazilian Taxation System
	(2)	Increased Import Duty Rate	- On 1 October 2012, GOB has raised import tariff for 100 items including steel products. The maximum tariff rate after raise is 25%. The raised tariff valid for 12-months which is extendable up to 31 December 2014 at longest.		
	(3)	Complex and High Rates of Various Taxes on Imports	- While some imports are tax exempt, in addition to Import Duty, VAT, ICMS (Tax on the Circulation of Products and Services), Industrial Product Service Tax, Service Tax (in case of Import of Service), adding up to high cost in total.	- It is requested that GOB either streamlines or removes tariff rates.	



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			<ul style="list-style-type: none"> <li>- At Manaus FTZ, it takes much time from the arrival of the goods to withdrawal. It is only upon completing all of the following procedures that the goods are finally released:                             <ol style="list-style-type: none"> <li>1) Check benefits</li> <li>2) Check import control</li> <li>3) Apply to Bank for cargo withdrawal</li> <li>4) Pay to Japan</li> <li>5) Prepare paper to tax office</li> <li>6) Check ICMS</li> <li>7) Pay for boat cost</li> <li>8) Payment of Service fees</li> <li>9) Tax Office Check</li> </ol> </li> <li>- It takes a long time for grant of Customs Permit after the cargo arrival at local ports (as follows), while the storage cost snowballs to the high amount: (The days shown below are approximate.) [Sao Paulo]                             <ul style="list-style-type: none"> <li>-- By Sea: 10 days</li> <li>-- By Air: 7 days</li> </ul> </li> <li>[Manaus] Waiting Period                             <ul style="list-style-type: none"> <li>-- Green: 3 days (95%)</li> <li>-- Yellow: 6-7 days (2%)</li> <li>-- Red: 8 days (3%)</li> </ul> </li> <li>- GOB requires ID Card, Taxpayer Identification Number for going through the Customs, complicating the procedures.</li> <li>- Enlargement of quota for free import and deregulation on its application procedures.</li> </ul>	<ul style="list-style-type: none"> <li>- It is requested that GOB expedites the customs clearance.</li> <li>- It is requested that GOB streamlines its customs clearance including the procedures.</li> <li>- Enlargement of quota for free import and deregulation on its application procedures.</li> </ul>	<ul style="list-style-type: none"> <li>- Customs Regulation</li> <li>- MDIC (Ministerio do Desenvolvimento, Industria e Comercio Exterior) Circulars Nos.12/99 and 9/00</li> </ul>
			<p><b>(Improvement)</b></p> <ul style="list-style-type: none"> <li>- The use of SISCOMEX (Integrated Foreign Trade System) administered by DECEX (Department of Operations for Foreign Trade) of SECEX (Foreign Trade Department) for the Export/Import Procedures is a mandatory requirement under the law. Filing application for Exporter/Importer Registration (REI), and preparation of hardware/software, etc. for network connection to customs brokers, banks, etc. are all requisite steps to complete the export/import procedures by SISCOMEX.</li> </ul>		
	(7)	High Cost of I/L Acquisition	<ul style="list-style-type: none"> <li>- GOB collects the fee of 1.96% (which differs, commensurate with the rank graded by the total import parts amount) over the invoice price to cover the cost of issuing an I/L, which is too high for a fee.</li> </ul>	<ul style="list-style-type: none"> <li>- It is requested that GOB reduces the I/L issuance fee.</li> </ul>	<ul style="list-style-type: none"> <li>- MDICE "General Foreign Trade System"</li> </ul>
	(8)	Complex and Delayed I/L Acquisition Procedures	<ul style="list-style-type: none"> <li>- Procedures are complex and time consuming concerning filing application for I/L.</li> </ul>	<ul style="list-style-type: none"> <li>- It is requested that GOB simplifies the procedures.</li> </ul>	<ul style="list-style-type: none"> <li>- Customs Regulation</li> <li>- MDIC (Ministerio do Desenvolvimento, Industria e Comercio Exterior) Circulars Nos.12/99 and 9/00</li> <li>- MDICE "General Foreign Trade System"</li> </ul>

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	(9)	Rampant Smuggling and Illicit Imports	<p>- Due to the heavy tax burden imposed by GOB, including, without limitation, Import Duty (II) 4-20%, Tax on the Circulation of Products and Services (ICMS) 7-18%, and Federal Sales Tax (PIS/COFINS) 3.65%, besides Industrial Product Tax (IPI), illicit imports are rampant, with incorrect quantities and amounts shown on customs declaration forms, etc. Despite the fact that import of the latest high-tech IT products is indispensable for promotion of the Brazilian industry, stale, used goods are sold by illicit dealers out in the open in the market as brand new, because of the various heavy taxes and regulations.</p> <p>- Illicit imports and smugglings abound of electronic machineries and equipment (in circumvention via Uruguay and Paraguay of Mercosur Member States, and by traffickers from the U.S. and Miami), due to a less-than- thorough collection of import duties, ICMS and IPI Taxes and other taxes and dues that injures development of the domestic industry in Brazil, because of the gap in cost and price from the legitimately manufactured, imported and distributed products.</p> <p>Examples:                      -- Personal computers, mobile phones, home electric appliances, office equipment.</p> <p>- Illegal imports are rampant.</p>	<p>- It is requested that GOB:                      -- deregulates the heavy tax burdens,                      -- makes redoubled efforts thoroughly and completely in clamping down on the illicit imports and illicit products.</p> <p>- It is requested that GOB tightens its clampdown on illicit imports, and smuggled products.</p> <p>- It is requested that GOB:                      -- tightens its clampdown upon parallel imports at the water's edge, and                      -- gives seminars to customs employees.</p>	
	(10)	Unauthorised Triangular Trade	- GOB does not authorise a triangular trade, whereby imported goods are consigned direct to the customer, while the payment for cost of goods is settled through a subsidiary in Brazil.	- It is requested that GOB authorises the triangular trade.	
	(11)	Indiscriminate Import Duty Levy between New and Used Products	- Other than "books, pamphlets, magazines, clothing and shoes", GOB levies import duties (provided, however, that new clothing and shoes are taxable).	- It is requested that GOJ and GOB considers adjusting the classification to an adequate level.	
	(12)	Nebulous Import Procedures on Foods	- Import procedures for Japanese food products are extremely complex.	- On products already marketed in Japan, it is requested that GOB: (1) applies a simplified procedures for products imported as samples, and (2) streamlines the product registration procedures in Brazil (more precisely, by simplifying certain procedures at Ministry of Agricultural Development and exempting certain inspection procedures by National Health Surveillance Agency (ANVISA))	
	(13)	Restricted Food Imports from Japan	- While GOB lifted Import Control on Food Products from Japan, import duty remains high.	- It is requested that GOB takes steps to review the adequacy of the import duty level.	

Category	No	Issue	Issue Details	Requests	Governing Laws
	(14)	Disunity in Rules on Customs Clearance	- Due to the non-standardised Customs Rules, traders experience much difficulty in preparing the shipping documents for their customers in Brazil. To expedite customs clearance, it is necessary to use the Blue Line (Express Customs Clearance System).	- Measures such as provision of Blue Line are welcome to traders for improving the environment for further development of international business.	
	(15)	Strike at Customs and Ports	- The wage negotiation of customs inspectors has procrastinated without solution so that the intentional delay strategy taken has given impact upon the production lines. In addition, delays in arrival and loading/unloading on and from main ships have arisen, affected by the confrontation between the Port Authority that wishes to expel the Union and the Union.	- It is requested that the Customs with its endowed power under the law continues the work at port unaffected by strikes.	
	(16)	High Transportation and Distribution Cost	- There is no free time at Brazilian Airports and Seaports so that Storage Fee on CIF value is levied from the Cargo Arrival Date. In addition, the domestic steamer lane is closed to foreign flag vessels so that a small number of the domestic carriers monopolises the service at exorbitant regardless of their service being domestic transport.	- It is requested that GOB: -- applies the Port Free Time, and -- deregulates the restrictions on FFEs.	
	(17)	Cases on Prolonged Import Process	- There are cases when the import process is prolonged. While such prolongation is due to strikes, it materially affects set up of the sales planning and the resource planning.	- It is requested that GOB simplifies the Import Process.	
	(18)	Stark and Still Export Customs Clearance Scheme	- Revision of price and settlement date is difficult to make after the sailing date.	- It is requested that GOB takes steps to simplify and make more flexible Customs Clearance Procedures	
	(19)	Manual of Labeling on Packaging of Immune Paper	- To encourage Education and Culture in Brazil, the Federal Constitution grants Tax Immunity to papers used for publication or educational purposes, such as books, newspapers, periodicals, and for writing (the Products). However, to expel the use of the Products for other purposes, GOB compels use of packaging materials printed "PAPEL IMUNE". It has frustrated export to Brazil of the products, as the requirement goes far beyond manufacturers' taking adequate responsive actions with ease.	- While GOB states the new requirement is for the purpose of improving the tax revenue, it is a question of whether the importers submit to the local legislative systems. It is requested that GOB reviews the new requirement, which compels manufacturers in exporting countries the use of a special packaging for the Products. The unilateral compulsion of the use of the special packaging is tantamount to action for expulsion of imports.	- RFB Normative Instruction No.1341
10	Restrictive Measures for Operations in Free Trade Zones ("FTZs") and Special Economic Zones ("SEZs")	(1) Abrupt Amendment of the Interpretative Ruling for Grant of the Preferential Tax Treatment in FTZ	- The Member Firm has had to change its production process by the abrupt amendment of the Interpretative Ruling on PPB (Processo Produtivo Basico = Basic Production Process), which forms the requisite conditions for grant of the Preferential Tax Treatment in the Manaus Free Trade Zone. The Member Firm was compelled to change its production process. Since 2013, GOB has compelled incorporation of Interactive Middleware Dinga on 75% of the Television Receivers manufactured.	- It is requested that GOB ensures: -- consistency and stability in the law interpretation, and -- a sufficient moratorium period for adjustment with enterprises in making legislative changes.	

	Category	No	Issue	Issue Details	Requests	Governing Laws
		(2)	Compulsory Acquisition of I/L on Imported Parts into FTZ	- In the Manaus region, GOB has dispensed with the Import Licence (I/L) requirement on finished watches since 1 January 1997, however, it has continued to require the I/L on individual parts (For Example: speakers, power cords). It is quite complex.		- Customs Regulation - MDIC (Ministerio do Desenvolvimento, Industria e Comercio Exterior) Circulars Nos.12/99 and 9/00 - MDICE "General Foreign Trade System"
		(3)	Inflexible Import Customs Clearance Procedures in FTZ	- In the Manaus FTZ, GOB requires importers to designate destinations for the imported goods upon customs clearance. No change of destinations can be admitted after the customs clearance is over.		
11	Restriction on Profits Remittance Abroad	(1)	Restricted External Remittance of Consideration for Service such as Royalty	<p>- Technical Licencing Agreement (TLA) must be registered at The National Institute of Industrial Property (INPI) as defense against third party's claim, and for both remittance of royalty abroad, and deduction from the taxable income on Corporate Income Tax provided, however, that in effect; INPI exercises its substantive examination right, upon registration of TLA.</p> <p>- Remittance is difficult on service fees, concerning the services provided to MFS employees while they are in Japan, cost of business trip, etc. that do not involve movement of goods.</p> <p>- As regards registration of TLA at INPI, the applicant must carefully appeal the freshness of the technology introduced, failing which, registration can take much time, blocking the remittance. It also takes an expert's assistance for TLA registration.</p> <p>- Up to now, Banco Central do Brasil (BCB) has not authorised remittance abroad to cover any cost that does not relate to import (physical movement) of goods (such as payment for traveling cost incurred on business trip). Member Firm is worried about huge loss from non-collection and how to dispose of the issues. Restrictions on external remittance are now on the way for deregulation (BCRA has simplified the Personal Remittance Procedures in the amount up to 20,000RS).</p>	<p>- The GOB's requirement as described in the left column is already repealed in many countries, and goes against the international general tide.</p> <p>- It is requested that GOB causes amendment of the related legislation and improves the implementation by the governing authority.</p> <p>- It is requested that BCB deregulates or repeals the restrictions on remittance abroad.</p> <p>- It is requested that GOB causes amendment of the related legislation and improves the implementation by the governing authority.</p> <p>- It is requested that BCB repeals remittance restrictions.</p>	<p>- "Law on Foreign Capital and Remittance Abroad", etc.</p> <p>- "Law on Foreign Capital and Remittance Abroad", etc.</p> <p>- "Law on Foreign Capital and Remittance Abroad", etc.</p> <p>- BCB Regulation (CIRC1,533 CIRC2,685)</p>
		(2)	Excessively Heavy Tax Burden on External Remittance of Consideration for Service	- GOB levies 40% Tax upon External Remittance of Service Fees. A Member Firm Subsidiary (MFS) engaged in Agricultural Chemicals Business, acting as Regional Headquarters in Mid-South America / Caribbean has lost its flexibility outside Brazil.	- Conversely, it is requested that GOB reviews the possibility for attracting service industries into the high cost Brazil, for example, by reduction in ISS (Imposto sobre Servicos=Municipal Tax on Services) (5%) levied on Services rendered in Brazil.	

Category	No	Issue	Issue Details	Requests	Governing Laws
	(3)	High Tax Levied on Royalty	- Tax on Royalty is extremely high. As regards Remittance of Royalty, Withholding Tax of 12.5%, Tax on Financial Transactions of 0.38% and Contribution for Intervention on the Economic Domain of 10% are imposed. As regards of remittance of service withholding tax of 15%, tax on financial transactions of 0.38%, contribution for intervention on the economic domain of 100%. Social Integration Programme of 1.65%, Social Integration Fund of 7.6%, in total of 5-kinds of taxes is imposed. As regards Remittance corresponding to Actual Settlement of Expense Account, Withholding Tax of 15% plus Tax on Financial Transactions of 0.38%.	- Restrictions as described in the left column have already been repealed in many countries, departing from the international tide. It is requested that GOB causes the law to be amended and improves its implementation by the authority.	- "Law on Foreign Capital and External Remittance", etc.
	(4)	Restricted Term for Royalty Payment	- Royalty Payment is allowed for a term of 10-years maximum. Tax Rate is high on Royalty (27% in Brazil, 12.5% in Japan).  - "Law on Foreign Capital and Remittance Abroad, etc." restricts up to 5-years (or maximum 10-years by special extension request) the term of the Know-How Agreement. Due to this Law, remittance is not allowed as consideration for the know-how, which is by right valuable beyond the lapse of 5-years (10-years) term. Moreover, protection of confidentiality is guaranteed for only 5-years. Upon lapse of 10-years, if the Licensor can appeal to INPI introduction of new technology, further extension as New Contract is possible.  - "Law on Foreign Capital and External Remittance" restricts the contract term on Know-How Licencing Agreement to 5-years maximum (10-years maximum by filing special application for extension.) Because of this limitation, Licensor is unable to collect royalty for per se valuable know-how past 5-years. As a result, technological transfer (production consignment) to the local partner comes to standstill.	- It is requested that BCB: -- allows collection of Royalty Payment after the passage of 10-years. -- reviews the Brazilian Domestic Tax Rates.  - Restrictions as described in the left column have already been repealed in many countries, departing from the international tide. It is requested that GOB causes the law to be amended and improves its implementation by the authority.  - It is requested that GOB takes steps to enable licensor's collection of royalty past 10-years.	- "Law on Foreign Capital and External Remittance", etc.  - "Law on Foreign Capital and External Remittance", etc.
	(5)	Cap on Royalty Rate between Related Enterprises	- BCB restricts royalty rate between related parties. Moreover, materials and component parts procured from related enterprises must be excluded from the royalty calculation basis.	- Restrictions as described in the left column have already been repealed in many countries, departing from the international tide. It is requested that GOB causes the law to be amended and improves its implementation by the authority.	- "Law on Foreign Capital and External Remittance", etc..
12	Exchange Controls	(1) Different External Remittance	- External remittance is not possible in the pretext of personal expenses.	- It is requested that GOB deregulates the remittance restrictions.	

Category	No	Issue	Issue Details	Requests	Governing Laws
	(2)	Complex/delayed Licence Acquisition Procedures for External Remittance	- An expatriate to Brazil, when remitting cost of living to his/her family left behind in Japan, must prepare a Comfort Letter showing that the recipients are his/her dependant family members. In addition, some banks also require submission of family register (FRG), and proof of earnings of the remitter (POE).	- It is requested that GOB: -- harmonises the remittance procedure via banks, -- obviates the need for submission of FRG and POE so that just Comfort Letter suffices, -- accepts submission of alternative documents for those not readily obtainable in Brazil such as FRG and -- fundamentally deregulates or eliminates the regulatory requirement for FRG , POE, Comfort Letter, etc.	- BCB Regulation (CIRC1,533 CIRC2,685)
	(3)	Undeveloped Forward Booking Market for Foreign Exchange	- GOB restricts the means of hedging the foreign exchange risk only to variable bonds in US dollars and SWAP. In the absence of the foreign exchange advance booking market, enterprises are compelled to rely upon extremely restrictive means of hedging the risks of foreign exchange. Also it is expensive to hedge the foreign exchange risk since the cost is linked to interest rate. - Due to the absence of the Advance Booking Market of Foreign Exchange in Brazil, enterprises are left with no alternative but to rely on limited means for hedging the foreign exchange risks, such as NDF (Non-Delivery Forward) and its cost is exorbitantly high.. In addition, Brazilian enterprises are prohibited from dealing in NDF, etc. with banks other than the domestic banks. - It is difficult for a Member Firm' Subsidiary (MFS)--purchasing imported goods in foreign currency for local resale in Brazil--to hedge the exchange risk, due to the absence of The Forward Foreign Exchange Market, which is available in leading countries, while BCRA authorises transactions only in the local currency Real. The 3-methods for hedging the exchange risk now available are costly, Real not being a hard or strong currency. Non-Deliverable Forward, the most general-purpose method is void of fairness, as income tax liability accrues only when enterprises generate profits from the transaction.	- It is requested that GOB establishes foreign exchange advance booking market that parallels to the leading countries.  - It is requested that GOB creates the advance booking market for foreign exchange in Brazil.  - It is requested that BCRA establishes a more concise procedure that does not disfavour local enterprises in Brazil in hedging the exchange risk. In light of the volatility and the difference of the Real's interest rate from hard currencies, there would not be much hope for cost reduction at the time of making the forward booking.	
	(4)	Unauthorised Netting of Debtors/ Creditors	- GOB disallows netting of external debtors and creditors account, necessitating external remittance both ways.	- It is requested that GOB liberalises the netting.	
	(5)	Exchange Control	- Upon acquisition of foreign currency, GOB levies tax, and restricts foreign currency acquisition.	- It is requested that GOB takes steps to repeal tax and liberalises netting.	
13	Finance	(1) Complex Financial/Taxation Systems and Regulations	- Tax on Financial Transactions (IOF) and Systems related to foreign exchange are extremely complex. Moreover, these change ever so often. The tax exemption period of the previous more than 90 days has been changed to more than 360 days (by the year end 2013).	- It is requested that GOB: -- simplifies the regulations, and -- further abridges the exemption period.	- Law 7853 (5 December 2012)
		(2) High Interest Rate	- Real Interest Rate is ranked in the world top class. It holds down sales of high price goods.		

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	(3)	Preferential Financing Scheme for Products	- It appears that financial institutions apply favourable interest rates to dealers who purchase goods from enterprises with local manufacturing facilities in Brazil.	- It is requested that GOB both confirms and provides the latest information.		
	(4)	Contract and Settlement Terms in USD	- GOB prohibits domestic transactions in USD.	- It is requested that GOB takes steps to liberalise the domestic settlement in USD and the domestic contract in USD, such contracts are desirable in certain cases.		
14		Taxation Systems	(1) Complex Taxation System	<ul style="list-style-type: none"> <li>- Multi-layered taxation and commission systems additionally burden the operational costs of enterprises for clerical works relating to bookkeeping and taxation:                             <ul style="list-style-type: none"> <li>-- Federal taxes, state taxes, and municipal taxes in total of 18 kinds of taxes;</li> <li>-- Various commissions and contributions in total of 27 kinds and varieties.</li> </ul> </li> <li>- GOB levies complex, high rates of taxes of multiple kinds, which change ever so often. Brazilian taxes which are particularly different from Japanese taxes are:                             <ol style="list-style-type: none"> <li>1) A legal person must calculate every month its tax base and tax liability.</li> <li>2) Currency fluctuation correction is made on fixed assets and capital account and any gain after correction of value is subject to tax collection.</li> <li>3) While tax payments on consolidated basis do not exist in Brazil, equity method applies to persons with 20% or more of capital contribution in related companies.</li> </ol> </li> <li>- Taxes imposed on auto-parts upon import comprise of federal taxes, namely, import tariff, and Industrial Product Tax (IPI) and state taxes, namely, ICMS (Commodity distribution service tax). The rates of import tariffs and IPI vary by tariff items, while those of ICMS vary by states (18% for Sao Paulo now).</li> <li>- Vexatiously complex treatment of taxes, especially, indirect taxes such as IPI and ICMS, is extremely complex, having a substantial impact on the costing of enterprises operation.</li> <li>- The taxation systems are so complex that each competing enterprise must retain experts.</li> <li>- Complex and high tax rates (Corporate income tax, Industrial product tax, Financial transactions tax, Social integration plan tax (Sales tax), and Financial contribution to the Social Insurance (Sales tax), Contribution to social interest, Cheque tax, and Product distribution service tax).</li> </ul>	<ul style="list-style-type: none"> <li>- It is requested that GOB integrates and streamlines the taxation system and lessens the tax burden, and grants tax exemption incentives, etc. on foreign investment in Brazil.</li> <li>- It is requested that GOB:                             <ul style="list-style-type: none"> <li>-- delineates clearly its policy including the tax guide in the performance of construction work.</li> </ul> </li> <li>- It is requested that GOB introduces a commonly used taxation system.</li> <li>- It is requested that GOB:                             <ul style="list-style-type: none"> <li>-- turns all taxes into a VAT format,</li> <li>-- reduces tax rates, and</li> <li>-- streamlines the taxation system (by reduced tax varieties.)</li> </ul> </li> <li>- It is requested that GOB integrates and streamlines the taxation system and lessens the tax burden, and grants tax exemption incentives, etc. on foreign investment in Brazil.</li> <li>- It is requested that GOB integrates and streamlines the taxation system and lessens the tax burden, and grants tax exemption incentives, etc. on foreign investment in Brazil.</li> </ul>	

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			<ul style="list-style-type: none"> <li>- Federal tax, state tax, and municipality tax levied on imported products are extremely complex. While tax refund is available for local production, (it is said that) the (basic) definition of local production, and the refund rate are not clearly identified.</li> <li>According to the JETRO web site at (<a href="http://www.jetro.go.jp/world/cs_america/br/invest_04/">http://www.jetro.go.jp/world/cs_america/br/invest_04/</a>), these taxes are identified as follows:</li> <li>[Federal tax]: Import Tax (II), Income Tax (IR) Industrial Product Tax (IPI), Financial Transactions Tax (IOF), etc.</li> <li>[State tax]: Tax on the Circulation of Products and Services (ICMS)</li> <li>[Municipality tax]: Service Tax (ISS)</li> <li>Besides the foregoing, there are Social Security Financing Tax (COFINS) and various other social contributions, which are collected as levy, corresponding to tax levy.</li> <li>- The complex taxation system comprising of Federal, State, Municipality Taxes, COFINS and various other Contributions complicate the work concerned with tax payments. It demands much time of tax payors for comprehending the taxation system. Tax payers must incur much cost for work concerned with filing tax returns.</li> <li>- Depending upon where the buyer and supplier are located, ICMS tax rates differ. On inter-state transactions, various considerations such as procurement and contractual terms must be integrated to calculate profitability of the transactions, and deductible expenses vary from state to state. The handling of Nota Fiscal (Invoice) is complex (which forms a factor discouraging foreign investment into Brazil in the manufacturing sector.</li> <li>- Each state provides its own unique incentive measures under Tax on the Circulation of Goods and Services, or Impostos Sobre Circulacao de Mercadorias e Prestacao de Servicos (ICMS), without regard to the principle of equal treatment to all taxpayers.</li> <li>- The ST (Tax Substitution) System under ICMS State Consumption Tax has come to apply virtually in all states and on all goods. It increases the financial burden upon enterprises proportionate to the payment terms, the longer, and the heavier.</li> </ul>	<ul style="list-style-type: none"> <li>- It is requested that GOB streamlines and clarifies the taxation system.</li> <li>- It is requested that GOB streamlines the taxation system.</li> <li>- It is requested that GOB: introduces tax rates unaffected by the location of the legal entity.</li> <li>- It is requested that GOB to harmonize treatment on deductible expenses through all states.</li> <li>- While tax investigation led by the taxation authority (TA) has characteristics of being a post verification, the prior enquiry made to TA seeking its confirmation enables enterprises to eliminate the risk for correction of the tax return and to secure predictability in their business operation It will contribute toward increased efficiency in clerical work related to tax matters.</li> <li>- It is requested that GOB streamlines and transforms ICMS from the State to the Federal Tax in a single, uniform rate.</li> </ul>	<ul style="list-style-type: none"> <li>- Brazilian Taxation System</li> </ul>

Category	No	Issue	Issue Details	Requests	Governing Laws
			<ul style="list-style-type: none"> <li>- Taxation system on Outboard Engine is so complicated that it is impossible to determine if the competition is fair and adequate.</li> <li>- IPI tax, state tax and the taxation system are complex and moreover, at high rates. GOB applies creative Transfer Price Taxation System.</li> <li>- While the average import duty rate is about 14%, on top of this GOB levies additional 5-types taxes including Industrial Product Tax (IPI), and Contribution for the Financing of Social Security (COFINS), representing 40-45% over the invoice price in sum. It is nothing but protective trade. The complex taxation system and high tax rates obstruct introduction of new products.</li> <li>[Improvement]</li> <li>In case of shipment by sea, Merchant Marine Renewal Tax (AFRMM), Import Tax of 25% is levied upon ocean freight. Depending upon the volume of shipment, proposal made to the customer for use of airfreight could successfully save the Import Tax, depending upon the shipment volume, and the due delivery time, of course.</li> </ul>	<ul style="list-style-type: none"> <li>- It is requested that GOB streamlines the taxation system to turn it into the one that assures a high transparency.</li> <li>- It is requested that GOB simplifies the taxation system.</li> <li>- It is requested that GOB takes steps to formulate simple tax system that brings down the tax rates in effect.</li> </ul>	<ul style="list-style-type: none"> <li>- Brazilian Tax Law No.563</li> <li>- Federal Bureau of Tax, Ministry of Finance Decree No.572, etc.</li> </ul>
	(2)	Heavy Tax Burden and Inequality	<ul style="list-style-type: none"> <li>- Various tax burdens push up the operational cost (so called Brazilian Cost) and suppress profits, including social security, etc., which are doubly and triply imposed. Especially costly are value added and inland taxes. Example: Import Duty of 20% on the amount of (F.O.B. + Freight + Insurance) applies to Finished Products shipped from Manaus FTZ to the external Brazilian domestic market. In addition, about 20% of Industrial Product Tax (IPI) and 6% of Commodity Distribution and Service Tax (ICMS) imposed on the amount after adding the Import Duty. However, IPI is exempted, if the products are manufactured into finished products in Manaus.</li> <li>- Due to the heavy tax, the commodity sales prices double or triple those in the leading countries. Heavy taxes in the distribution make prices of illicit tax evading copied products a third or less of the genuine sold in the legitimate channel of distribution in certain cases.</li> <li>- Due to the heavy tax, the commodity sales prices double or triple those in the leading countries.</li> </ul>	<ul style="list-style-type: none"> <li>- It is requested that GOB:                             <ul style="list-style-type: none"> <li>-- reduces the tax rates,</li> <li>-- reviews, integrates and streamlines the taxation system,</li> <li>-- reduces ICMS, and</li> <li>-- reduces tax on production goods.</li> </ul> </li> <li>- It is requested that GOB:                             <ul style="list-style-type: none"> <li>-- alleviates the heavy tax burdens,</li> <li>-- tightens its clamp down on illicit local products, illicit imports and smuggled products, and</li> <li>-- refrains from raising various taxes to compensate for import tariff reductions.</li> </ul> </li> <li>- It is requested that GOB alleviates the heavy tax burdens.</li> </ul>	<ul style="list-style-type: none"> <li>- Law 9249, Article 25</li> <li>- Corporate Income Tax Law</li> <li>- Ordinance No.4056 (Diario Oficial of 17 December 2001)</li> <li>- Law No. 10883 (made effective on 30 December 2003)</li> <li>- Diario Oficial of 3 January 2002</li> <li>- Law 9249, Article 25</li> <li>- Corporate Income Tax Law</li> <li>- Ordinance No.4056 (Diario Oficial of 17 December 2001)</li> <li>- Law No. 10883 (made effective on 30 December 2003)</li> </ul>

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			<ul style="list-style-type: none"> <li>- Not only COFINS but also various other taxes are imposed on pre-profit gross sales amount, such as the temporary contribution on financial activities (CPMF) 0.38%, tax on financial operations (IOF) 1.5% on interest, and federal social contribution on net income (CSLL) 9%. All these taxes burden heavily, negating the viability of the import business.</li> <li>- The heavy burden of complex taxation system has driven Brazilian industries into dilatation of a black market or underground economy. In addition, legitimate enterprises groan in agony from heavy taxes, ICMS 12%, CPMF (or Contribution Provisional Movement Financial, otherwise known as cheque duty, repealed in 2007) 0.38%, etc. However, by GOB's adoption of Electronic Fiscal Note (Nota Fiscal Electronica), it seems that tax evasions have been in the decline.</li> <li>- Currently, there are roughly 50 varieties of tax (or 60, according to some) and tax burden is extremely heavy (more than 35% of GDP.)</li> <li>- Medical Devices exported to Brazil face a severe tax burden, which is about 70% of C.I.F. prices, including Import Duty, INPI, ICMS, CPMF, etc. The resulting sales prices are so high that it is no longer possible for the imported products to compete against the products locally manufactured in Brazil.</li> </ul>	<ul style="list-style-type: none"> <li>- It is requested that GOB:                             <ul style="list-style-type: none"> <li>-- integrates and streamlines the taxation system and lessens the tax burden, and grants tax exemption incentives on foreign investment in Brazil,</li> <li>-- delineates clearly its policy including the tax guide in the performance of construction work,</li> <li>-- introduces General Taxation Policy, and</li> <li>-- turns all taxes into value added tax with reduced tax rates.</li> <li>-- streamlines the taxation system (by reducing the tax categories)</li> </ul> </li> <li>- It is requested that GOB:                             <ul style="list-style-type: none"> <li>-- streamlines various sales taxes.</li> <li>-- clamps down upon underground economy,</li> <li>-- spreads tax collection widely with moderate rates, and</li> <li>-- deregulates heavy taxes.</li> </ul> </li> <li>- It is requested that GOB:                             <ul style="list-style-type: none"> <li>-- reduces tax rates, and</li> <li>-- reviews, consolidates, and simplifies the taxation system.</li> </ul> </li> <li>- It is requested that GOB:                             <ul style="list-style-type: none"> <li>-- reduces the various tax rates, or</li> <li>-- concludes Free Trade Agreement with Japan, enabling application of Economic Partnership Agreement (EPA) with Japan.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- Diario Oficial of 3 January 2002</li> <li>- Law 9249, Article 25</li> <li>- Corporate Income Tax Law</li> <li>- Ordinance No.4056 (Diario Oficial of 17 December 2001)</li> <li>- Law No. 10883 (made effective on 30 December 2003)</li> <li>- Diario Oficial of 3 January 2002</li> </ul>
	(3)	Nebulous Taxation System	<ul style="list-style-type: none"> <li>- In export transaction, the permissible limit for excluding the application of Transfer Pricing Taxation System (TPTS) is stipulated as 'the case where the transaction price (TP) with the overseas' related party is not less than 90% of the TP (after tax) in the domestic market'. However, depending upon commodities, the domestic TP is not clearly established or no domestic transaction has taken place.</li> <li>- Since 17 June 1999, GOB has implemented income tax on financial transactions of 0.38% tax on the total transactions amount, each time an amount is recorded in the debtor in the ledger for a financial transaction.</li> </ul>	<ul style="list-style-type: none"> <li>- It is requested that GOB:                             <ul style="list-style-type: none"> <li>-- clearly establishes the basis of the domestic TP, and</li> <li>-- clarifies the basis of establishing TP, if there is no domestic transaction.</li> </ul> </li> </ul>	

Category	No	Issue	Issue Details	Requests	Governing Laws
	(4)	Uniquely Irrational Transfer Price Taxation System	<p>- Due to the non-conformance of the system design to the OECD Model, compatibility is not secured between the Brazilian TPTS and TPTS in the country of Member Firm's customers, etc. subject to TPTS. The calculation methodology for the export transfer price under the Brazilian TPTS wildly departs from the general business practices and the economic principles concerning the maximum profit for the importer having a special relationship with the exporter, defying a reasonable control.</p> <p>- GOB has adopted an irrational and independent TPTS, which applies not only to subsidiaries and related companies but also to the locally capitalised exclusive distributor.</p> <p>- Brazil remains outsider to The Organisation for Economic Co-operation and Development (OECD), instituting its own Transfer Price Taxation System not governed by the OECD Model. As a result, it is irrational. Moreover, it compels increased tax burden, while it is infested with frequent changes in administrative system, forcing importers into great difficulty, for having to negotiate with the Competent Tax Authority, and to cope with the language problems over the interpretation of laws, etc. For example, as a means of calculating Transfer Price, GOB does not recognise the use of neither Comparable Profit Method (CPM) used by GOU and OECD Member States, nor Transactional Net Margin Method (NMM) used by other countries. GOB instead recognises the following 3-methods:                      (1) CUP = Comparable Uncontrolled Price Method (Precos Independentes Comparados, PIC)                      (2) CPM= Cost Plus Method (Custo de Producao mais Lucro, CPL)                      (3) RPM=Resale Price Method (Precos de Revenda menos Lucros, PRL)                      However, (1) CUP and (2) CPM are not workable in practice considering the actual workload involved. Therefore, (3) RPM is the only choice that remains. However, the subsidiary in concern (MFS) deducts the Profit Rate by each Business Division (20% in case of Machinery Parts) across the board from the Resale Price, and then the resulting number is deemed as the price between Independent Enterprises. In this fashion the calculation method is far apart from the real transactions.                      [The foregoing Issue, contained at p388 of the 2013 Version, is repeated here because of its importance.]</p>	<p>- It is requested that GOB assures conformance of its TPTS to the OECD Model.</p> <p>- It is requested that FRB prepares the rules in observance of OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations.</p> <p>- It is requested that GOB administers TPTS in accordance with "The Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations", the OECD Standard Model.</p>	<p>- Law No. 9,430/1996 with which GOB introduced TPTS, followed by various revisions. [2012] RFB Normative Instruction No.1/2012 (later converted into Law 12,755/2012), Normative Instruction No. 1,312/2012 and 12,766/2012 =&gt; Effecting Amendments over total issues relative to TPTS such as Profit Rate under RPM=Resale Price Method (Precos de Revenda menos Lucros, PRL).</p>

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	(5)	Transfer Price Taxation System	<p>- GOB maintains unique TPTS that does not follow the OECD Guidelines Transfer Price Taxation System. Taxpayers must maintain P/L per MCM No., which requires introduction of special software. This is not exactly improvement over the Issue in Details of the Member Firm, at Meeting of the Joint Committee on Japanese-Brazil Cooperation in Promotion of Trade and Investment (September 2009) Member Firm presented its issues and requests precisely, such as rigid establishment of Profit Rate, opening of meeting on Advance Pricing Agreement. Provisional Law promulgated in April 2012 was made into the law and formally enforced in September 2012. It has been compulsory since 2013 (optional as to 2012). Its implementing regulation promulgated at the end of 2012 included substantial changes in the following issues: (1) Restricted application of the scope of application for the Safe Harbour Provisions (from the previous "Unlimited" scope to Less Than 20% of sales transactions, (2) Profit Rate under Import Resale Price Method: Profit Rate and Application Method: (While repealing the distinction between Resale and Manufacturing Materials, the profit rate within the range of 20 to 40% is applicable according to business sectors.)</p> <p>- Compared to EU/the U.S., GOB demands an extremely high margin rate, inhibiting the trade between parents/subsidiaries.</p>	<p>- Certain improvements have materialised such as inclusion of provision for adjusting the margin rate commensurate with the precise picture of each business sector by Finance Ministry's Normative Institutions. It is requested that GOB considers establishment of advance price agreement, etc. to resolve the question (2) on the left column on the question over the application of business sectors. Furthermore, as regards the scope of safe harbour application, it is requested that GOB removes restrictions as has been done previously. It is further requested that GOB structures the Framework for Avoidance of Double Taxation (including amendment of the Tax Treaty).</p> <p>- It is requested that GOB reduces the Margin Rate.</p>	<p>- Law Nos. 12715, 12766 - Regulation Nos. 1321, 1322</p> <p>- Transfer Pricing Taxation System</p>
	(6)	Deemed Profit Tax Levied at High Gross Margin Rate	<p>- Due to the two kinds of formulae for calculating the maximum allowable imported goods pricing under Decree No. 9430 (1996) or notification No.2435 (2012), numerous legal proceedings have emerged on tax issues. Taxpayers contentions are:</p> <p>(1) Fixed Margin Rate will be flexible to account for differences in business sectors,</p> <p>(2) The Average Gross Margin of product group is allowable, not by single unit,</p> <p>(3) Prior Enquiry System is established for APA (Advance Pricing Agreement), etc.</p> <p>Provisional No.563 (April 2012) has changed the Gross Margin Rate to 20% on General Goods, while to higher 40% to 30% on Certain Goods including Cameras, which necessitate adjustment with tax authorities Provisional No.563 made into law in September 2012 has changed the Maximum Allowable Comparable Import Price from CIF Price + Import Duty to F.O.B. Price. Taking the opportunity for promulgation of its Detailed Implementing Regulation 12715/12, Enterprises will file their request to GOB via CNI (National Confederation of Industry Brazil), FIESP (Federation and Center of Industry in São Paulo), and ELETROS (Associação Nacional de Fabricantes de Produtos Eletroeletrônicos=National Manufacturers' Association of Electric / Electronic Products).</p>	<p>- A Member Firm is not convinced about GOB's mechanical additional tax levy under TPTS without due process of investigation, rebuttals, and verification. It is requested that GOB amend in part the gross margin rate: Example: Reduction is requested from 40% to 20% on Digital Still Camera (DSC), because 40% gross margin on DSC is too high.</p>	<p>- Transfer Pricing Taxation System - Law No. 9430, 1996 - Law 12715/12 (September 2012)</p>

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			- Irrespective of functions and risk assumptions of the related parties in concern, GOB requires price settings that assure the legal profit rates. On the other hand, from the Member Firm's perspective, it must set its prices that assure adequate profit to the Brazilian corporation, its Subsidiary (MFS), in light of its function, risk, status of the intangible assets.	- It is requested that GOB adds to its Transfer Price Taxation System "Transaction Net Margin Method (TNMM)" as allowed by OECD Guidelines and Japanese Transfer Price Taxation System.	- Circular of Federal Tax Agency on Detailed Rules of Implementation No.243, Articles Nos. 8, 12, 13, 23,.24, 25 and 26.
	(7)	TPTS that requires a Broad Scope of Transactions and High Margin Rates	- The scope of Brazilian TPTS is extremely broad relative to TPTS in other countries, including transactions with a firm with capital contribution of 10% or more. It demands a vast amount of clerical burden. Furthermore, GOB adopts the method of requiring the fixed high profit rate irrespective of special characteristics of either the business or mode of transactions, so that transactions viable in other countries can be difficult to run with profit in Brazil because of the Brazilian Transfer Price Taxation System.	- It is requested that GOB takes steps to review the Brazilian Transfer Price Taxation System, widely deviating from the OECD TPTS Guideline, which is the international standard model, apart from the issues described in the left column.	- Law No. 9430, 1996, The Basic Notification of the Federal Tax Bureau
	(8)	PIS/COFINS, ICMS Taxes Levied on the Received Capital Interest	- GOB levies PIS/COFINS on capital interest which holding companies receive. (No tax is collected on normal interest).	- It is requested that GOB excludes PIS/COFINS collection on capital interest.	
	(9)	Delays in Export Refund Procedures	- Should the tax refund claim against the Federal Government arise on social contribution including prepayment of PIS (Social Integration Program)/COFINS (Contribution for the Financing of Social Security), etc., the taxpayer is entitled to claim refund, instead of just simply deducting from the tax that becomes payable in the future. However, its practical execution is in doubt. For example, there is no clear guidance on the clerical procedures and the time schedule for refund request. The refund scheme does not function well. A few years ago, GOB introduced tax exemption scheme whereby indirect tax such PIS/COFINS paid upon import of Materials and Component Parts (MCPs) are refundable when the final products are exported. Since 2010, the same tax exemption has been introduced also on local purchase of MCPs. At the Japan-Brazil Joint Commission for Trade and Investment held in September 2009, Japanese side raised the substantive problems and the Brazilian side expressed its understanding of the problems.	- It is requested that GOB promptly discharges its responsibility to refund PIS/COFINS, etc.	
	(10)	Inadequate Tax Refund Scheme	- No refund system is available for the accounts receivable that have turned into a bad debt in the end, while VAT/Sales Tax on them have been levied and paid. The impact to the enterprise operation is serious, because both the tax rates and the risks of bad debts are high in Brazil.  - There is no Brazilian Scheme that refunds taxes paid, in the case where the accounts receivables on which ICMS / sales taxes paid ended up in bad debt.	- It is requested that GOB makes available the system for the bad debt refund of VAT/sales tax, even if such refund is limited to bankruptcy and composition.  - It is requested that GOB takes steps to institutionalise the Tax Refund (Restricted to Bankruptcy and Composition)	

Category	No	Issue	Issue Details	Requests	Governing Laws
	(11)	Absence of Scheme for Consolidated Tax Payment	<ul style="list-style-type: none"> <li>- There is no Consolidated Tax Payment System (CTPS) in Brazil.</li> <li>- A Holding Company more often than not finds itself in deficit position, while companies under its umbrellas are in taxable position from the yields of their business operations. In many cases, it inflates the overall taxable amounts.</li> </ul>	<ul style="list-style-type: none"> <li>- It is requested that GOB establishes CTPS.</li> <li>- It is requested that GOB takes steps to introduce the Scheme for Consolidated Tax Payment</li> </ul>	
	(12)	Ambiguous Definition on Rules for Tax Loss	<ul style="list-style-type: none"> <li>- Due to the ambiguous provisions on tax loss of Corporate Income Tax Law, enterprises are unable to employ the tax loss in case of the deficit operation.</li> </ul>	<ul style="list-style-type: none"> <li>- It is requested that GOB clarifies the definition for the tax loss.</li> </ul>	- Corporate Income Tax Act
	(13)	Disallowed C.I.F. Price Setting under Incoterms	<ul style="list-style-type: none"> <li>- GOB does not recognise price setting based on the CIF price, pursuant to INCOTERMS.</li> </ul>		
	(14)	Tax Levied on Funds Moved between Bank Accounts on Financial Deal	<ul style="list-style-type: none"> <li>- It is difficult for an enterprise to construct its own Group Cash Management System in Brazil in the case where an enterprise with cash surplus and another enterprise with cash demand co-exist and the enterprise desires to minimise the outflow of the cost and to achieve an enhanced fund utility within the Group. As affairs now stand, construction of own group financial management is not viable, since it attracts tax liability under IOF (Imposto Sobre Operacoes Financeiras, Tax on Financial Operations), etc.</li> </ul>	<ul style="list-style-type: none"> <li>- It is requested that GOB overhauls its legislation to make viable, the cash management service by financial institutions and enterprises.</li> </ul>	
	(15)	ICMS tax levied on lenders on loan-in-kind transactions	<ul style="list-style-type: none"> <li>- Under the Rio state taxation system, Member Firm's Subsidiary (MFS) operates a Crude Oil Production Project jointly with another enterprise (PE, Partner Enterprise) that performs Crude Oil Lifting. Rio state levies ICMS tax upon the Loan in Kind Transaction that temporarily arises between the partners, in the case where PE's Crude Oil Lifting does not reach the MFS's Entitled Volume of Crude Oil. (In practice, another reverse Loan in Kind Transaction arises from the subsequent Crude Oil Lifting that washes the loan situation between the Partners.)</li> </ul>	<ul style="list-style-type: none"> <li>- It is requested that GOB converts its taxation system responsive to the actual project operation.</li> </ul>	
	(16)	Irrational Tax Levy on the Global Personal Income	<ul style="list-style-type: none"> <li>- GOB levies Personal Income Tax only not on the income gained within Brazil but also on the total worldwide revenue, resulting in the levy of high tax amount. (As regards Annuity Insurance Premium, the Social Security Treaty between Brazil and Japan was ratified in 2012 to prevent the double payment.)</li> </ul>		
	(17)	Preparation lags behind on Detailed Implementing Regulation, following the Tax Reform	<ul style="list-style-type: none"> <li>- Overhaul of the implementing regulation lags behind after amendment of Import ICMS.</li> </ul>	<ul style="list-style-type: none"> <li>- It is requested that GOB takes steps to ensure simultaneous promulgation of amendment of taxation system and implementing regulation.</li> </ul>	

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	(18)	Accompaniment of System Change with Amendment of Taxation System	- Taxpayers must cope with the change of its system relative to the frequent modifications in the taxation system, chances are that GOB's announcement of the basic frame for the system is unreleased, or production of the software relative to the new taxation system has not caught up.	- It is requested that GOB takes steps to ensure a thorough preparation is completed with the concerned associations and parties all around relative to the change in the taxation system.	
	(19)	Opacity and Increased Cost brought about by Frequent Modifications in the Taxation System	- Enterprises incur increased cost from frequent amendments of taxation system.  - Frequent changes made by one state to another in the Commodity Distribution and Service Tax (ICMS) disrupt sales activity.	- It is requested that GOB ensures consistency in effecting changes made under thorough preparation.  - It is requested that GOB takes steps to establish the nationwide harmonised institutional framework in lieu of piecemeal state-by-state battles over taxation system for attracting enterprises.	
	(20)	Cumulative ISS Tax Levy	- In a case where a project owner contracts EPC (Engineering, Procurement and Construction) under the "Turn-Key" terms, ISS of 5% is levied on the contract amount. However, where the EPC contractor contracts with subcontractors, the same tax levy applies without grant of credit. ISS cumulates proportionate to the increment in the number of subcontractors.	- It is requested that GOB approves the ISS credit.	
	(21)	Handling of Withholding Tax upon Payment of Capital Interest	- Under the Japan-Brazil Tax Treaty, Withholding Tax of 12.5% applies upon payment of interest on capital fund from Brazil to Japan, while the Withholding Tax of 15% applies to payments made domestically between the parties in Brazil. In the case where a Japanese enterprise invests into a Brazilian enterprise via a holding company, the following problems arise due to the differences in the applicable Withholding Tax rates: Capitalisation Form: $\begin{matrix} \text{Japanese} & & \text{Invest} & & \text{Holding} & & \text{Invest} & & \text{Brazilian} \\ \text{Enterprise} & == & \text{into} & == & \text{Enterprise} & == & \text{into} & == & \text{Enterprise} \\ \text{(Japan)} & & & & \text{(Brazil)} & & & & \text{(Brazil)} \end{matrix}$ Applicable Tax Rates upon Payment of Interest on Capital Fund: $\begin{matrix} \text{Japanese} & & & & \text{Holding} & & & & \text{Brazilian} \\ \text{Enterprise} & <= & 12.5\% & == & \text{Enterprise} & <= & 15\% & == & \text{Enterprise} \\ \text{(Japan)} & & & & \text{(Brazil)} & & & & \text{(Brazil)} \end{matrix}$ Problems: While the Holding Enterprise upon payment to Japanese Enterprise of interest on capital fund is being withheld 12.5%, 15% is being withheld as to Holding Enterprise when it receives from Brazilian Enterprise interest on capital fund, giving rise to the difference of 2.5%. If Holding Enterprise has no revenue other than interest on capital fund, (1) Holding Enterprise must add 2.5% out of its own capital fund in its payment to Japanese Enterprise, (2) while Holding Enterprise is unable to deduct 2.5% from other taxes payable. It results in double tax payment.	- In the case where the business purpose of Holding Enterprise is confined solely to investment into the Brazilian Enterprise, the Withholding Tax Rate is determined by the Japan-Brazil Tax Treaty upon payment of interest on capital fund from Brazil Enterprise to Holding Enterprise (payable to Japanese Enterprise). It is requested that GOB amends its Tax Act to withhold Tax at 12.5%.	

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	(22)	Wage Tax using Sales Amount as Tax Base	- Article 55 of Law No.12715 (Issued on 18 September 2012) enables taxpayers to choose between 20% on wage and 1% on sales, depending upon business sectors.		- Law No.12715 (Issued on 18 September 2012)
	(23)	Terms and Conditions for Grant of Tax Incentive Measures	- Local production of the Main Circuit Board, the brain of office equipment, appears to be the requisite conditions for grant of Tax Incentive Measures on local production of Office Equipment that exploits Electronics Manufacturing Service.	- The main circuit board crystallises the manufacturer's technology. Its local production may likely lead to outflow of technology. - It is requested that GOJ takes steps to induce GOB's grant of tax incentive measures, in the case where the manufacturer supplies the main circuit board.	
	(24)	Local Contents Regulation	- Through compulsion of the local procurement rate of Brazilian domestic products for semiconductor memories/NAND FLASH products, for example, Cell Phones (15%), Tablets (50%), Laptop PC (90%), enterprises without semiconductor production facilities in Brazil are unable to enjoy the PPB taxation incentives. They suffer loss of sales opportunities in Brazil. Interruption of free competition amounting to the market oligopoly is imminent by a few particular semiconductor manufacturers.	- It is requested that GOB deregulates restrictions and achieves the economic revitalisation by free market competition.	- Diario Oficial (Official Gazette) No.306, 28 December 2012 - Diario Oficial No.45, 9 October 2012 - Diario Oficial No.109, 17 May 2012
	(25)	High Import Duty and Various Taxes	- As it stands, the prices of imported products jump up to 1.5-2 times of CIF prices due to import duty and other taxes that push up costs.	- It is requested that GOB reduces Import Duties, other taxes and dues.	
	(26)	Numerous Kinds of Taxes and the Heavy Burden	- Various taxes exceed 20% over Sales Amount, namely, PIS-COFINS (the Financing of Social Security), IPI (Industrial Product Tax), ICMS (Commodity Distribution and Service Tax), and ISS (Service Tax). While these taxes can be set off against taxes included in the materials cost, nevertheless, the tax burden is heavy. It involves complicated clerical work, with many documents, and incurs heavy expenses.	- It is requested that GOB streamlines its taxation system and reduces the tax rates.	
	(27)	Heavy Cost relative to Tax Related Matters	- By levy of complex and high rates of various taxes, enterprises must bear the heavy tax burden in actual amounts. Moreover, the complexity and frequent changes in taxation system and tax payment procedures necessitates payment of fees to tax accounting offices and heavy clerical burdens.	- Structural Reform (Streamlining of the Taxation System) is requested.	- Tax Acts of various kinds.
	(28)	Frequent Changes of the System for Filing Tax Returns	- GOB plans introducing an Electronic Book Keeping System called "eSocial", software of which is pre-requisite for filing Tax Returns. Enterprises face heavy expenditure during this fiscal year for the cost of purchasing the system, training and education, and input of past data and information.	- It is requested that GOB, as a nation, undertakes to continue using the system at least for a few decades once it is introduced.	
	(29)	Complex/Irrational Taxation System and Frequent Changes	- (1) Due to the absolute heavy tax burden, electronics industries relying upon semiconductors, which are not capable of being manufactured in Mexico, find themselves in less favourable position than other industries. (2) In addition to numerosity of various taxes, changes are frequent. It is difficult for enterprises to take responsive actions for compliance and plan ahead into the future.	- It is requested strongly that GOB will: -- exercise governance that warrants compatibility inclusive of state and city taxes, and -- establish the tax regime that reflects the real economy.	

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			<p>(3) Limiting provision of incentive to products manufactured only in Manaus, goes against the rational flow of economy. It impacts heavily upon enterprises not just for taxes but for distribution and other costs of operation as well.</p> <ul style="list-style-type: none"> <li>- On ICMS (Commodity Distribution and Service Tax), the taxation authority attempts to collect tax for one reason or another on products under the purchaser's control (the ownership of which has already passed to the purchaser). The case has been brought before the court. Its judgement is now pending.</li> <li>- Port strikes take place frequently, severely impacting the product import. (1~2 months' delays habitually arise.)</li> <li>- Using the 5-year-cap for retroactive assessment of additional tax levy, GOB, out of the blue, initiates groundless tax investigation, concerning past tax payment, etc.</li> <li>- Taxes levied upon imports are too numerous: (Import Duty 22~25%, Industrial Product Tax 35%, Social Integration Fund 1.65%, Social Insurance Financing Contribution 7.6%, Commodity Distribution and Service Tax 18%)</li> <li>- Refund request filed on Credit stored under ICMS (Commodity Distribution and Service Tax) a disingenuous process intervenes, taking excessive time. Application for refund remains pending. Not a single dime has been refunded since 2003 on the credit accumulated since the year 2003 remains unrefunded.</li> </ul>	<ul style="list-style-type: none"> <li>- It is requested that GOB:                             <ul style="list-style-type: none"> <li>-- makes taxation system transparent, and</li> <li>-- heightens the moral of its people</li> </ul> </li> <li>- It is requested that GOB:                             <ul style="list-style-type: none"> <li>-- makes taxation system transparent, and</li> <li>-- heightens the moral of its people</li> </ul> </li> <li>- It is requested that GOB:                             <ul style="list-style-type: none"> <li>-- makes taxation system transparent, and</li> <li>-- heightens the moral of its people</li> </ul> </li> <li>- It is requested that GOB:                             <ul style="list-style-type: none"> <li>-- makes taxation system transparent, and</li> <li>-- heightens the moral of its people</li> </ul> </li> <li>- It is requested that GOB:                             <ul style="list-style-type: none"> <li>-- makes taxation system transparent, and</li> <li>-- heightens the moral of its people</li> </ul> </li> </ul>	
	(30)	Tax Auditor's Unjustified Demand	<ul style="list-style-type: none"> <li>- The Taxation Office Systems are fragile to the extreme. They send in notices for non-payment and payment in arrears. Enterprises must expend much time and labour in rebuttals on unwarranted allegations. Customs employees unlawfully stop customs clearance on the ground of deficiency in documents, demanding under the table payments. The cargo flow stops.</li> </ul>	<ul style="list-style-type: none"> <li>- It is requested that:                             <ul style="list-style-type: none"> <li>-- GOB streamlines the taxation system and reduces the tax rates, and</li> <li>-- Taxation Authority expedites their clerical work.</li> <li>-- GOB takes steps to give more details in legislation.</li> </ul> </li> </ul>	- General Tax Law
	(31)	Nebulous Statute of Limitation	<ul style="list-style-type: none"> <li>- A Member Firm's Subsidiary (MFS) now in the liquidation process has received, out of the blue, Notice for Denial of Past Unpaid Tax or of Past Offset Tax Payment, dating back to the period in excess of 5-years. MFS has frequently received orders, demanding payment for the alleged Unpaid Tax Amount plus Penalty. While Member Firm understands that the Administration's Right of Tax Collection expires in 5-years by right, it also understands that it is necessary to institute a New Tax Litigation in order to deny the Administration's demand of tax payment. Member Firm is unable to decide whether it should institute the litigation that requires 10-years minimum before judgement is handed down. While its question lingers in mind, it has responded by paying to the Administration's Order.</li> </ul>	<ul style="list-style-type: none"> <li>- It is requested that GOB:-                             <ul style="list-style-type: none"> <li>-- takes steps to make it clear that the requirement of statute of limitation is fulfilled on matters neither notices nor questions whatsoever has reached the taxpayer.</li> <li>-- cuts down the time required for completing the tax related court proceedings.</li> </ul> </li> </ul>	

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16	Employment	(1)	Resident and Capital Requirement For Liaison Office Representative And Expatriates	- GOB authorises only a Resident in Brazil or in the case of foreigners, only a Permanent Visa Holder (not Temporary Visa Holder) to assume the position of the Chief Representative in a Foreign Funded Enterprise (FFE). The capital fund of 600,000RS registered with BCB is pre-requisite for an expatriate to acquire Permanent Visa. Should the FFE require an additional expatriate, it must employ at least 10-Brazilian nationals and make additional investment of 150,000RS. Temporary Visa is valid for 2-years only, and its new acquisition has become increasingly difficult.	- It is requested that GOB: -- repeals the requirement for acquisition of Permanent Visa -- accepts resident card and passport copy endorsed by Ministry of Justice (the same as GOJ does), and -- streamlines the application procedures for change in RNE (Registro Nacional de Estrangeiros=Foreign National Registration, serving as Foreign National Identity Card) after expatriate's assumption of duty in Brazil.	- Decision No.27 of July 29, 1994
		(2)	Delays and Difficulties in Acquisition of Visa Issuance	- It takes quite a long time to obtain appropriate Business, Temporary-Short-Stay, or Long-Term-Permanent-Stay Visas as the case may be for MFS to accept from Japan, persons for business trip, supporters, and for long-term stay.  - GOB requires visa for a business trip by technical support personnel. However, enterprises are unable to cope in emergencies as it takes more than 10-business days before the visa is issued.  - GOB has tightened its examination of work visa permit, making it difficult for enterprises to obtain Visas for Senior Executives and Technical Engineers. The delay in issuance of Visas for a Long-Term Stay materially affects the personnel deployment policy of enterprises. It takes about a week and payment of Consular Fee for 10,200 yen to obtain a (business tip) visa valid for 90-days stay (in contrast to the 5-years validity of the visa issued by the U.S. to Brazilian applicants.) - It takes quite a long time to obtain visa locally in Brazil, (sometime taking 3-months). - Entry into Brazil is not authorised by merely proving the protocol on extension of the stay period for the short-term visa. - It takes 4 to 6-months to complete the process for change of the short-stay visa to permanent visa, provided, however, that application is accepted only 2-months before the ending date of the validity.	- It is requested that GOB: -- expedites the visa acquisition procedures, -- simplifies the procedures for extension of the stay period of various types of Visas.  - It is requested that GOB: -- expedites the visa issuance, and -- makes the visa validity longer. -- accepts filing of visa application at any time, no necessarily during emergencies, at External Brazilian Consulate General. - It is requested that GOB streamlines and expedites visa issuance and extends the stay period for a long-term-visa, comparable to the U.S. Visas.  - It is requested that GOB accepts application for change by 6-months in advance from the ending date of the validity.	- Immigration Control Law - Article 16 of Lei No. 6815/80 - Decision No.53 of Immigration Council (CNI) - Immigration Control Law - Article 16 of Lei No. 6815/80 - Decision No.53 of Immigration Council (CNI) - Immigration Control Law - Article 16 of Lei No. 6815/80 - Decision No.53 of Immigration Council (CNI)

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			<ul style="list-style-type: none"> <li>- Even for an existing enterprise, it takes more than 4-months for acquisition of Work Visa. Moreover, since last year, renewal of Temporary Visa has been suspended. After the change of the procedure from Renewal to Permanent Visa issuance, it takes long, about one-year for issuance of the Permanent Visa.</li> <li>- It takes more than half a year for switchover to the Permanent Visa from Short-Term Visa. Should an expatriate need to go outside of Brazil while the switchover application is pending, it is advisable to obtain a Tourist Visa before hand, as such expatriate runs the risk of Refusal of Entry upon return to Brazil.</li> <li>- It takes about half a year for foreign applicants to obtain (permanent/temporary) work visa.</li> <li>- It takes two-three weeks for acquisition of work visa. It makes it difficult to make emergency business trips.</li> <li>- The visa issuance procedures are extremely bureaucratic, taking much time.</li> <li>- It takes more than 5-months in average to get the Visa issued. It has been said that the simplified acquisition procedures have expedited the acquisition. However, it has become not a bit faster, at all.</li> <li>- RNE (Identity Card Issuance) Problems: RNE issuance has extremely delayed. Protocol presented as ID, instead, is not recognised as ID, depending upon the place of presentation. Each time, it takes quite a bit of effort for giving explanation.</li> <li>- Since 2012, GOB requires application for shifting to Permanent Visa, after 2-Years of Stay under the Visa V (with 2-year validity). The process progresses at the snail's pace. Some expatriates have experienced the 1.5 years waiting period. During the review period, it is advisable to obtain tourist visa in Japan and re-enter Brazil. However, the following problems have surfaced: -- An Emigration Officer at Sao Paulo GRU Airport confiscated RNE, on account of the Visa Expiry.</li> </ul>	<ul style="list-style-type: none"> <li>- It is requested that GOB:                             <ul style="list-style-type: none"> <li>-- expedites the procedures for Visa Issuance/Renewal Procedures, and</li> <li>-- prioritises the Permanent Visa acquisition period to make it shorter than the temporary visa</li> </ul> </li> <li>- It is requested that GOB expedites the visa renewal / switchover procedures.</li> <li>- It is requested that GOB:                             <ul style="list-style-type: none"> <li>-- streamlines, expedites the procedures for visa acquisition and,</li> <li>-- streamlines the application procedures for extension of the authorised stay period under various visas.</li> </ul> </li> <li>- It is requested that GOB:                             <ul style="list-style-type: none"> <li>-- expedites Visa Issuance,</li> <li>-- makes longer the Visa Validity, and</li> <li>-- accepts direct Visa Application at External Brazilian Consulate General.</li> </ul> </li> <li>- It is requested that GOB:                             <ul style="list-style-type: none"> <li>-- expedites the visa issuance, and</li> <li>-- makes the visa validity longer.</li> </ul> </li> <li>- It is requested that GOB:                             <ul style="list-style-type: none"> <li>-- expedites the procedures for Visa Issuance and Renewal. And</li> <li>-- makes the acquisition period of permanent visa shorter (more favourably) than the time required for temporary visa acquisition.</li> </ul> </li> <li>- It is requested that GOB promptly issues RNE.</li> <li>- It is requested that GOB takes steps to:                             <ul style="list-style-type: none"> <li>-- devise ways and means to expedite the process for Visa Switching Application.</li> <li>-- have Immigration Officers in Brazil and Consular Offices in Japan commonly share the actual correct Status Quo concerning Visa Application.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- Immigration Control Law</li> <li>- Article 16 of Lei No. 6815/80</li> <li>- Decision No.53 of Immigration Council (CNI)</li> <li>- Immigration Control Law</li> </ul>

Category	No	Issue	Issue Details	Requests	Governing Laws
			-- Brazilian Consular Office in Japan refused issuance of the Tourist Visa, on the ground that the applicant had stayed in Brazil beyond the authorised period of stay, despite the fact that the Tourist Visa is only transient in nature based on the Brazilian Law that requires a Valid Visa upon entry into Brazil.		
	(3)	The Validity of the Short-Term Entry Visa	<p>- Entry Visa is valid only for 3-months and it must continue being valid not only upon entry but also upon departure. It is extremely difficult to use it.</p> <p>- Under the going legislation direct filing to Consular Office is possible for a stay of 30-days or less and in emergencies. Otherwise such application is not granted. (Work Permit is not required).</p> <p>- Visa validity is good for 60 days only (for entry from the U.S.), while South Koreans can enter without visa.</p>	<p>- It is requested that GOB: -- extends the Visa Validity, -- expedites the visa acquisition, -- improves the visa acquisition procedures. Probably the whole problem emanates from differences in the affairs of the state in each country, to which there could be no remedy.</p>	<p>- Immigration Control Law - Article 16 of Lei No. 6815/80 - Decision No.53 of Immigration Council (CNI)</p>
	(4)	Overly Labour Protective Labour Legislation	<p>- Labour Act does not permit reduction in wages. Employers are unable to demote, reduce wages, or revise allowances by reflecting the operational performance, social economic conditions, etc.</p> <p>- The Law promulgated on 1 March 1943 prohibits bank workers from working more than 8-hours a day. Surplus backup workers must be secured all the time to meet the peak period requirement, since no overtime work is permitted.</p> <p>- The system for acquisition of paid leave is stark and stiff, 30 days per annum, for 10-consecutive days or more each time. Small and medium enterprises are unable to defray costs and allowances for employees on leave.</p> <p>- Job retention rate is extremely poor. Basic education lags behind, while poor infrastructure is constantly pointed out. On the other hand, obsolete labour legislation remains intact, throwing its weight around. Soaring labour cost has debilitated the competitive edge of Brazilian enterprises.</p> <p>- (1) Labour Law is formulated in the manner that prohibits downward revision of allowances. The length of the service years beyond limit forecloses worker's desire to stay, seeking stable employment. (2) Bonus for worker's job contribution, determined year by year on separate issues, if granted for 2-years in succession, is considered vested right. This provision forecloses payment of such bonus, to the detriment of workers' interest.</p>	<p>- It is requested that GOB amends the Labour Law overly in favour of workers.</p> <p>- It is requested that GOB repeals the Law promulgated on 1 March 1943.</p> <p>- It is requested that GOB repeals the provisions in the Labour Act concerning the paid leave.</p> <p>- It is requested that GOB: -- beefs up basic education to homogenise the workers' quality level as a whole, and -- amends labour legislation that stands behind stark and stiff labour system.</p> <p>- It is requested that GOB takes steps to: -- enlarge the scope of discretionary determination between employers and employees' free bargaining, and -- expel syndicate's interference (by arrangement of intervention by legal counsel for record keeping purposes).</p>	<p>- The Consolidation of Labour Laws  - The Consolidation of Labour Laws (Consolidacao das Leis Do Trabalho) (CLT) - Artigo 255 DA CLT - Article 13 of the Constitution - Article 58 of CLT - Article 130 of CLT</p>

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			<p>(3) The legislation compels workers to take 10-day successive holiday. On the other hand if a worker takes a single day leave on his/her own accord, it is treated as being absent from work to the detriment of the worker's workplace environment.</p> <p>(4) From employers' perspective, these are elements of cost increase (the Brazilian Cost), obstructing adequate deployment of workforce.</p> <p>- Various institutional schemes not coming to grips with the industrial reality, such as the Wage Scale that freezes downward adjustment, etc. aggravate profitable operation.</p> <p>- Problems: (Under the prevailing circumstances of the economic growth, inflation and the economic policy of Brazil, allowances must be considered), nevertheless, it is extremely difficult for industries to secure profit in the face of the extremely large wage increase, including without limitation, Guaranteed Minimum Wage Increase under Labour Law and Union Contract, Wage Scheme that disallows Adjustment of Bonus to reflect worker's contribution, Labour Law Compelled Minimum Wage Increase Guarantee and Across-the-Board Long-Term Leave, Employees' assumption of high Social Security Cost, etc. that push up largely labour cost, and the severest market competition that disallows Passing On of all these increased costs to Selling Prices.</p>	<p>- While the doctrine of labour protection deserves appreciation, it is the employers' wish that GOB takes steps to create a more flexible scheme for wage scale determination.</p> <p>- It is requested that GOB changes its policy more flexibly toward the Labour Legislative Scheme.</p>	- Labour Laws (Consolidacao das Leis Do Trabalho) (CLT)
	(5)	Imperative Registration in Industrial Union	- CLT's requirement to register employees in the Craft/Industrial Unions makes it impossible for an employer to harmonise revisions in wages and working conditions across the board within its enterprise. Different standards among employees are sources of unhappy relations among workers and can be a cause for a labour complaint.		
	(6)	Powerful Labour Union	<p>- Trade Union to which an enterprise belongs unilaterally decides the rate of wage raise totally without regard to the operational performance of individual employers. Employers are unable to run their business flexibly, by reflecting the status of business operation, individual workers' aptitude to work, and their future career development programme.</p> <p>- Wage raise is determined by talks among Trade Unions, without reflecting the enterprise's business performance, or individual workers' efforts and degree of contributions.</p>	<p>- It is requested that GOB gives a freedom within certain bandwidth to enterprises with a clearly defined personnel evaluation policy and Key Performance Indicator of their business. (As it stands, the employment gets less stable along with the gain in service years.)</p> <p>- It is requested that GOB reviews the system.</p>	- CLT
	(7)	Obligation to Employ Indigenous Personnel	<p>- More than two-third of employees must be represented by the Brazilian both in wages and in number. It is difficult for Small-Medium Enterprises (SMEs) to satisfy these requirements.</p> <p>- Employers are compelled to maintain the wage ratio between the expatriates and the indigenous employees within the basic limit.</p>	<p>- It is requested that GOB gets the CLT amended.</p> <p>- It is requested that GOB gets the CLT amended.</p>	

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	(8)	Compulsion of Direct Employment	- Member Firm's Subsidiary (MFS) outsourcing the shipping work to a subcontractor, has appealed the case to Court of Appeal, after losing in the Court of First Instance in the proceeding instituted by the Labour Union. The Court is beginning to hand down the decision holding that the company should employ subcontractors' workers as its regular employees. Compulsion of direct employment is expanding to include subcontractor's workers as regular employees.	- It is requested that GOB authorises continuation of the subcontracting of mountain-forest logging.	- CLT - Social Security Insurance Laws of various kinds
	(9)	Compulsion of Trainees' Employment	- GOB compels employment of trainees in certain ratio against the total employees, provided, however, that in its calculation, GOB includes in the denominator the number of the midnight shift workers engaged in the endless operation, which is normally not assigned to trainees. The requirement narrows the scope of the work assignable to trainees, so that no work is there for the trainees, who are accepted in accordance with the regulatory requirement.	- It is requested that GOB modifies the regulatory requirement in such a way as suited to the surrounding circumstances.	
	(10)	Restricted Despatched Workers' Employment Period	- The term of employment for dispatched temporary workers is only for 6-months maximum. It is difficult to adjust the workforce timely in a country where the labour cost is high and economic conditions dramatically change (excepting skilled-workers and line-workers).		
	(11)	High Labour Cost	- The phenomena equally apply to Mid-South American / Caribbean countries in general. It has become increasingly difficult to secure quality workers at reasonable wage levels, and to maintain the optimum internal wage balance among employees, due to inflation, economic growth, and globalisation of enterprises that have driven up the labour cost. A Member Firm experiences difficulty in the maintenance of equality among its employees, as it must pay, for the same job, a higher wage (to the newly employed workers in the recent years than) the employees with many-service years.	- In each year, GOB and industry group announce wage increase rate in excess of the inflation rate for private enterprises to follow. However, appreciation in labour cost results in the loss of competitive edge of the domestic industries. It is requested that GOB issues its labour policy in line with the inflation rate.	
	(12)	Downward Rigidity of Wages	- Employees' wages are frozen as regards downward adjustment. GOB raises the minimum wage rate by reflecting the inflation rate in the preceding year + the growth rate of GDP. However, there is a limit to pass on the wage increase to the sales price. As it stands, sooner or later, MFS is unable to continue its business operation on a viable basis.	- It is requested that GOB takes steps to: -- liberalise the downward adjustment of wages, and -- remove the obligations to raise wages to the inflation rate, and completely liberalises wage increase between the labour and employers.	- CLT - Social Security Insurance Laws of various kinds
	(13)	Inflated Labour Cost	- Social Insurance Laws of various kinds have inflated the labour cost doubling the face value of worker's wages that enterprises assume. This too heavy. In addition, while the Labour Law mandates a specified rate of wage hike each year, downward adjustment of wage is prohibited. Employers are unable to determine individual wage by reflecting the company's business performance, and evaluation of individual workers' contribution. Labour cost keeps going up. Moreover, labour litigations are abundant. Some litigation is instituted by workers with no direct employer/employee relations. There can be no preventive measures.	- Structural Reform (Review of the excessive-labour protection).	- Social Security Insurance Laws of various kinds - CLT

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	(14)	Equal Pay for Equal Work	- Due to the Governing Principle of Equal Pay for Equal Work, employers' Modulated Labour Policy by differentiating individuals' revenue by personnel rating is not possible, as so doing may increase the employers' exposure to the risk of legal proceedings in the Labour Court.	- It is requested that GOB deregulates the provisions on Labour Laws.	
	(15)	Minimum Wage Rate Hike exceeding the Inflation Rate	- In each year the rate of Minimum Wage Increase has been continually higher than that of the Inflation Rate. Employers are responsible for raise in wage to the extent of the inflation rate without fail. Raise in wage always means decline in profit to export enterprises without means of harvesting the inflated profit from the domestic demands inflated by inflation. CLT also prohibits wage reductions. In order to remain competitive in terms of labour cost, enterprises have no alternative but dismiss their workers, whose remuneration base has exceeded a certain level. This is not only injurious to enterprises but it does not protect workers in substance either.	- It is requested that GOB: -- raises the rate of minimum wage within the scope that allows enterprises' maintenance of competitive edge by technological innovation, etc, -- totally liberalises wage increase negotiation by repealing the wage raise obligations, for inflation and -- liberalises wage reduction.	
	(16)	Complex/Delayed Acquisition of Motor Vehicle Driver's Licence	- GOB compels practical training at driving school for 20-hours or so to holders of Japanese driving licence. Moreover, explanation given at DETRAN (Departamento Estadual de Transito or State Traffic Department), etc. is ambiguous each time, so that the applicant is unable to tell what is formally required for acquisition of the driver's licence. In addition, the applicant must be able to speak and negotiate in Portuguese. In effect, acquisition of the driver's licence is no easy matter.	- It is requested that GOB: -- establishes a clear-cut guideline addressed to foreigners for acquisition of drivers licence, and -- provides the assistance.	
	(17)	Delayed procedures for registration of RNE (Registro Nacional de Estrangeiros)	- Application for the RNE (Registro Nacional de Estrangeiros=National Registration for Foreigners) is accepted only by reservation, which takes much time.		
	(18)	Rules of Employment for Retiree under Age Limit System	- On occasions such as transfer of machineries and equipment where many experts are needed, enterprises wish to re-employ retirees (due to reaching the age limit). However, the Law prohibits retirees' temporary resumption of work in the same line of work, while reemployment in a different line of work at the same wage level prior to retirement is permitted. The law forecloses activation of the retirees' true ability. (note: The problem here concerned is persons who are give special allowance.)	- In order to upgrade the skill level in the manufacturing sector, it is requested that GOB permits retirees': -- continuation at the same line of work, and -- short-term resumption of work in the same line of work.	
	(19)	Absence of Age Limit System	- Due to the absence of the notion of the Mandatory Retirement Age, workers deployment cannot be made on the principle of right person in the right place.	- It is requested that GOB amends the Labour Act that retains the rigid, non-fluid institution.	
	(20)	Validity of Business Visa	- The Validity has been changed to 3-years on Business Visa.		

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	(21)	Payment of FGTS (Severance Pay Fund) to Expatriates Overseas	- In Brazil enterprises set aside 8% of the total monthly wages as reserve fund for Severance Pay Fund (FGTS). "In the event an employee is discharged without justifiable reasons", enterprises makes additional 40% payment as penalty. Upon return of an expatriate back to the home country, payment is made to the returned expatriate inclusive of the 40% additional payment.	- "Return" to home country of an expatriate overseas means return to the permanent domicile company, and does not amount to "discharge without justifiable reasons". It is requested that GOB takes steps to amend the law, to remove the provision that requires additional 40% payment.	- CLT Article 478.	
	(22)	Labour System	- Compulsory wage raise each year is employers' obligations. Wages, and Job titles cannot be lowered. No age limit retirement system exists. Only means left for an enterprise is dismissal. It heavily burdens the enterprises, such as severance indemnities.	- GOB's intervention upon Labour Scheme goes too far. Compulsory wage raise, for example, debilitates enterprises' competitive strength.	- Constitution	
	(23)	Labour Issues prone to proceed to Court Cases	- Workers' propensity to Right is exceptionally strong. Anything can be a cause to trigger court cases.	- It is requested that GOB takes steps to heighten the moral of its people.		
	(24)	Wage Raise	- Inflation adjustment + Industrial Sector Wage Hike, plus Assessment/Evaluation is a general pattern. The rate of wage increase grows precipitously out of hand.			
17	Implementation of Intellectual Property Rights ("IPRs")	(1)	Insufficient IPRs' Protection	- While legislative overhauls have made a fair progress in each country, the economic growth and the snowballing patent applications have outpaced the legislative overhauls in each country. Qualitative differences in the level of Examiners, examination delays, etc. have been the cause of Scattering Results amounting to the pending task that demands improvement. It affects applicant's quest for a stable protection of IPRs.	- It is requested that INPI advances collaboration with other countries under Patent Prosecution Highway (PPH), ASEAN Patent Examination Co-operation (ASPEC), etc., promotes their utilisation in order to resolve the backlog of examination, and gives training to examiners.	
	(2)	Inadequate Import Embargo Provisions on Patent Infringing Products	- Customs measures at ports only provides for suspension of products that infringe trademarks only and does not provide for suspension of patent infringing products. It appears that customs suspension is extremely rare of imported patent infringing products.	- It is requested that GOB positively makes rules for suspending import of patent infringing products at ports.	- Industrial Property Act, Article 198 - "Industrial Property System in Brazil", Japan Industrial Property Association	
	(3)	Severe Treatment upon Divisional Patent Application	- GOB rigorously restricts Divided Applications. Despite the absence of any contrary statutory provisions, divided application is accepted only as it concerns the claim that existed upon seeking examination.	- It is requested that in accordance with the law, GOB allows divided application of the claim that did not exist upon seeking the examination.	- Industrial Property Act, Article 26	
	(4)	Delayed Patent Application Examination and Issue of Patent	- It takes 8 to 9-years in average for establishment of patent right. In the electric-electronic field, it takes more than 10-years in some cases.	- It is requested that GOB: -- increases the number of examiners, -- reduces the time period from the filing date to the patent issuance as National Institute of Industrial Property (INPI) has represented at its seminar of various kinds.	- Information from the local patent attorney - Information obtained from an External Seminar	

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			<ul style="list-style-type: none"> <li>- The abnormally long examination period on patents and utility design application in Brazil (10 years or more), as compared to other developing countries, makes it difficult to obtain substantive protection of Intellectual Property Rights (IPRs) on products with short life cycle.</li> <li>- In average, it takes 8-years from the application date to the date of patent issuance.</li> </ul>	<ul style="list-style-type: none"> <li>- It is requested that INPI reduces the period for issuance of patents and IPRs in Brazil through promotion of cooperation on examination with other countries, etc.</li> <li>- It is requested that GOB takes steps to cut down the period required for patent issuance from the date of filing application.</li> </ul>	- Examination and Employment
	(5)	Rigorous Conditions for the use of Expedited Examination Scheme	<ul style="list-style-type: none"> <li>- Exercise of Priority Right for Patent Application requires satisfaction of the following requirements which are difficult to satisfy:                             <ol style="list-style-type: none"> <li>1) Applicant must be individuals over 60 years in age,</li> <li>2) Unauthorised use by a third party of the invention.</li> <li>3) Registered patent is conditional upon acquisition of financial resources (evidence required).</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>- Promulgation of Rules enabling early examination will facilitate the use of the Priority Right. For example, promulgation of a rule that accepts the applicant's submission of the Search Result in a Corresponding Foreign Country will facilitate exercise of PRPA.</li> </ul>	<ul style="list-style-type: none"> <li>· Resolution 132/2006 <a href="http://www.wipo.int/wipo_lex/en/details.jsp?id=8389">http://www.wipo.int/wipo_lex/en/details.jsp?id=8389</a></li> </ul>
	(6)	Examination made in Order of Patent Application Nos.	<ul style="list-style-type: none"> <li>- INPI examines in the order of Patent Application Numbers (PAN). As a result, examination takes place regardless of when the Request For Examination (RFE) is filed. Later RFE gets examined earlier than the later RFE in the sequence of the PAN.</li> </ul>	<ul style="list-style-type: none"> <li>- It is requested that INPI examines in the sequence of Acceptance of Request for Examination.</li> </ul>	- Information from Local Patent Attorney
	(7)	Insufficient Disclosure of IPRs Information	<ul style="list-style-type: none"> <li>- In developing countries with growing needs for acquisition of Intellectual Property Right, the database remains unprepared for statistical information on the number of IPRs applications, etc. It is impossible to ascertain accurately the risk from the patents held by other enterprises.</li> </ul>	<ul style="list-style-type: none"> <li>- It is requested that GOB:                             <ul style="list-style-type: none"> <li>-- advances collaboration with IPOs of other countries, and</li> <li>-- overhauls the IPRs database as soon as possible.</li> </ul> </li> </ul>	
	(8)	Inadequate Measures at Water's Edge	<ul style="list-style-type: none"> <li>- Due to the High Duty Rates, smuggled goods in abundance from neighbouring countries disrupt normal sales activities. Inflow of goods by personal import agent via internet has also increased.</li> <li>- Inflow of counterfeits forms a great obstacle for sales and distribution. In addition, should quality problems result from counterfeits, it would damage the MFS reputation, apart from sales also. Distributors dealing in counterfeits can be connected to mafia and crime organisation. Outright revelation is difficult and dangerous as such distributors could be tied to crime organization at the back such as mafia narcotic dealers.</li> </ul>	<ul style="list-style-type: none"> <li>- It is requested that GOB intensifies its control on parallel imports, measures at water's edge, in substance, by giving lectures to customs officials.</li> <li>- It is requested that GOB:                             <ul style="list-style-type: none"> <li>-- tightens its water's edge clampdown,</li> <li>-- invigorates clampdown upon counterfeits,</li> <li>-- develops campaign, etc. to exterminate counterfeits.</li> </ul> </li> </ul>	
	(9)	Restrictions on Patents relative to Medical Drug	<ul style="list-style-type: none"> <li>- The Brazilian Authority restricts patentable inventions relative to Medical Drugs. Patent examinations are bifurcated (in duplication) in Brazil, namely, National Institute of Industrial Property (INPI) and Brazilian Health Surveillance Agency (ANVISA), so that it takes a long time before patent is issued.</li> </ul>	<ul style="list-style-type: none"> <li>- It is requested that the Brazilian Authority:                             <ul style="list-style-type: none"> <li>-- issues patent on applications that satisfy the requirements under Article 8, that none of the negative reasons under Article 10 applies, and</li> <li>-- discontinues Anvisa's bifurcated examination in duplication</li> </ul> </li> </ul>	- Industrial Property Act, Article 8, Article 10 and Article 229C

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18	Demands for Technology Transfer	(1)	Short Protection Period for Transferred Technology	- In provision of Technological Transfer in Brazil, the Contract Term is specified as 5-years in principle. Because of the short protection period, Member Firm cannot help being hesitant about giving technological transfer with a positive stance.	- It is requested that the Brazilian Authority repeals the going Contract Term of 5-years, and replaces it with the provision, "for the Contract Term as mutually agreed between the parties".	- National Institute of Industrial Property (INPI) - Decision No.22 of 27 February 1991 - Normative Order No. 120 of 17 December 1993
		(2)	Rigid Terms for Registration of Technological Transfer Contract	- It is necessary to register at National Institute of Industrial Property (INPI) and Banco Central do Brasil (BACEN) upon transfer of technology to a Brazilian Industry. The registration necessitates acceptance of severe terms. Without registration, external remittance of royalty, etc. is disallowed. In addition, contract term must be within 5-years. Member Firm's Contract Term has expired with certain Brazilian Enterprise so that royalty payment receipt has become no longer possible. Hence, no further provision of technological cooperation.	- It is requested that GOB takes steps to consider deregulating the rules in order to enable provision of a long-term technological cooperation by Member Firms.	- National Institute of Industrial Property (INPI) - Decision No.22 of 27 February 1991 - Normative Order No. 120 of 17 December 1993
19	Industrial Standards, Approval of Safety Standards	(1)	Rigorous Standard Governing the Telephone Line Electromagnetic Compatibility	- In regard to telephone line conformity certification, Brazilian standards are more stringent than the typical world standard. (1) The power-line inductive standard is specified in Res.442, Art13, Sect.3, and Art.14, Sect.5c, Art. 15 Sect.3 and Art. 16 SEC.3. (The required level is Resistibility (must not be damaged). (2) Impedance Balance (Longitudinal Imbalance)	- It is requested that GOB: (1) changes from "resistibility (must not be damaged) to Safety", and (2) deletes or deregulates the requirement.	- (1)ANATEL Resolution 442, Article 13-3 - (2)ANATEL Resolution 473, Article 55III
		(2)	INMETRO's Compulsion of Parts Certification	- National Institute of Metrology, Quality and Technology (INMETRO) compels acquisition of its Certification on Certain Specified Auto Parts (Parts Affixed into Finished Car, and Replacement Parts). Moreover, its renewal is necessary annually. Certification acquisition costs heavily, several million yen per item, and nearly a million yen for renewal of each item. For spare parts with shipment of only a limited quantity, it is impossible to recover the Certification costs.	- It is requested that INMETRO: -- repeals the Auto Parts Certification Scheme, or -- reduces the subject items to the minimum.	
		(3)	Lengthening Time of New Product Registration	- ANVISA compels registration and certification of Medical Device imported for domestic sales in Brazil. Due to the shortage of workforce at ANVISA, it has come to take a longer period to complete the whole process from Documental Examination to Inspection and Audit on Products, Production Processes, and Quality Control Scheme. It is rumoured that the diplomatic issues are responsible for the delays in examination. If it is the case, it is high time Authority considered the scheme truly needed for the benefit of its people.	- It is requested that GOB: -- repeals the scheme or -- considers minimizing the items to the bare necessity.	
		(4)	Complex/Delayed Brazilian Radio Regulations Certification	- ANATEL's Implementation and the Applicable Rules for Certification of Radio Registrations are complex, and ambiguous, devoid of established sufficient means for compliance.	- It is requested that ANATEL: -- simplifies the procedures, for example, by obviating the need for test on equivalent products or -- establishes the means for compliance.	- ANATEL

	Category	No	Issue	Issue Details	Requests	Governing Laws
21	Restrictions on Land Ownership	(1)	Farmland Acquisition Restricted for FFEs	<p>- The Law that prohibits FFEs' acquisition of farmland in excess of 10% of the farmland area of each village, town and city has not been implemented on the force of the Federal Government Attorney General's Office (FGAGO) holding that the Law is unconstitutional in regard to the provision in the Constitution that prohibits discriminatory treatment to enterprises. However, in Diario Oficial (Official Gazette) of 23 August 2010, FGAGO's admission of its constitutionality and President's consent were published and the provision under the Law has been enforced since this date of publication.</p> <p>- Foreign Funded Enterprises (FFE) in substance are foreclosed from acquisition of a large-scale farmland in the rural area, so that an FFE's large-scale investment is nearly impossible in Brazil.</p> <p>- Restrictions upon FFE's ownership of farmland.</p>	<p>- It is requested that GOB deregulates or repeals restrictions.</p> <p>- It is requested that GOB takes steps to change the requirement to Notification in principle on an FFE's large-scale farmland acquisition, so that the Administrative Intervention takes place only when the issues such as Buying Up of the Farmland exists.</p> <p>- It is requested that GOB takes steps to repeal the restrictions.</p>	<p>- The Land Act</p> <p>- National Institute for Colonization and Agrarian Reform (INCRA), Notification No. 70 of 6 December 2011, etc.</p>
22	Environmental Pollution and Waste Disposal	(1)	Unique Recycle Mark (Batteries)	<p>- Legislative provisions have been promulgated in each country and each region throughout for effective use of natural resources and prevention of environmental pollution. It is the same with Batteries. GOB compels provision of the various markings on the Battery itself, and its User's Manual correctly without any mistakes, the administration of which heavily burdens the manufacturers.</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> <p>Japan</p>  <p>Li-ion</p> </div> <div style="text-align: center;"> <p>EU</p>  </div> <div style="text-align: center;"> <p>U.S.A.</p>  </div> <div style="text-align: center;"> <p>TAIWAN</p>  </div> <div style="text-align: center;"> <p>BRAZIL</p>  </div> </div>	<p>- It is requested that GOJ and GOB will jointly work toward unification of the Recycle Marking Requirement worldwide.</p>	
23	Inefficient Administrative Procedures, Regimes and Practices	(1)	Delayed Procedures for Acquisition of Licences and Approvals upon Establishment of Company	<p>- It takes too long for establishment of enterprise and acquisition of licences, permits and approvals. Especially as regards Importers Registration Procedures at Receita Federal, MFS has encountered with vast differences between the pre-entry feasibility research and the reality, in part due to complicated legislation. A process of turning a company into a sleeping company is necessary to liquidate the company. In effect, this requirement prolongs the liquidation process for a company.</p>	<p>- It is requested that GOB:</p> <ul style="list-style-type: none"> <li>-- makes the system more transparent, and</li> <li>-- streamlines and expedites the procedure.</li> </ul>	

Category	No	Issue	Issue Details	Requests	Governing Laws
	(2)	Overly Consumer Protective Scheme	- Under the Consumer Defense Code, the Consumer Protection tends to be excessive. Customers frequently send out seemingly unreasonable demands to manufacturers, while Consumer Union, etc. unilaterally, more often than not, heap blames upon manufacturers. Manufacturers face themselves having to cope with claimers, smugglers and parallel importers.	- It is requested that GOB takes steps to properly examine the cases.	
	(3)	Delays in Registration and Examination of Newly Developed Products	- It takes a lot of time for registration and examination at Ministries and Agencies. On newly developed products, it takes more than half a year at times. It means the loss of sales opportunities to the applicant.	- It is requested that GOJ prompts the Brazilian Ministries and Agencies issuing the licences and approvals such as Anvisa, Ministry of Agriculture, etc.	
	(4)	Complex Product Registration Procedures	- Product registration procedures are complex.	- It is requested that GOB repeals product registration requirement, namely, once registered, no further renewal is necessary, as it has been the practice in Japan.	
	(5)	Nebulous Registration Control System	- Since last year, GOB has begun a thorough deployment of SISCOSERV (integrated registration system for overseas transactions on service, provided, however, that it retains a wide area of nebulous points in practical application. Consultation with experts serves no purpose as their interpretation differs from person to person. What constitutes proper deployment of SISCOSERVE remains in the dark. It takes a lot of analyses and workload, while the time alone passes by. As registration is compulsory, failure to timely comply means payment of penalty. Member Firm has no time to lose in resolving the conundrum.	- It is requested that GOB will arrange a meeting in the Japanese language at Japan Chamber of Commerce and Industries in Brazil to ensure that the full and complete information is given to and shared by all Japanese affiliated enterprises operating in Brazil.	- Detailed Regulation 1.277/12 (Law 12.546/12, concerning the Registration in its online SISCOSERV (Integrated System of Foreign Trade in Services, Intangibles, and Other Operations that Produce Variations in Equity, database of any operations of Brazilian legal entities and individuals that import or export services.)
	(6)	Declaration, Return, Statement, Etc.	- As regards personnel data, for example, GOB compels submission of data in the minutest details, requiring an excessive workload.	- It is requested that in seeking declaration from enterprises, GOB duly takes care not to affect the efficiency in business operation.	
	(7)	Complex and Time Consuming Administrative Procedures of Various Kinds	- Virtually on all issues involving the Administration, it takes a complex and time-consuming response. In the practical example, Member Firm and MFS, its subsidiary have experienced much delay over Filing of Work Visa Application, Registration of New Director on the Board, Trademark Registration, Application for Bonded Warehouse, etc.	- It is requested that GOB reforms its structure (by reviewing the excessive protection of its Employees (Public Servants).	- Ministry of Labour and Employment (Brazil) Regulations, etc.
	(8)	Designation of Representative upon Incorporation of Local Legal Entity	- Where a Foreign Enterprise establishes Locally Incorporated Legal Entity (Limited Company), the Limited Company so established must have a representative consigned with the total rights of the Foreign Enterprise (Parent Company). Member Firm has assigned as its representative a Japanese expatriate.	- It is requested that GOB takes steps to repeal this provision of the relevant law. As it stands, the person so consigned can execute anything. This is risky to the Parent Company).	- Brazilian Corporation Law (So, it is said.)

	Category	No	Issue	Issue Details	Requests	Governing Laws
		(9)	Delayed Approval on Branch Establishment due to Strikes	- Member Firm established its branch office in Argentina last year. Due to the IGJ strikes, after GOB's approval, it took more than one-year for the IGJ examination, which normally gets through in a few months, impacting upon the Member Firm's agrichemicals business. A half-year long IGJ strike of year before last was the main reason.	- It is requested that GOJ induces Argentina Government to put the brakes on walkout practices.	
24	Indigested Legislation, Abrupt Changes	(1)	Frequently Amended Taxation System	- Especially as regards taxation system, frequent amendments in laws/regulations compel collection and followup of detailed information. Moreover, amendments take the form of correction/addition so that reading the latest law is not enough to grasp the total perspective. Hence, the endless reference to old laws continues to the detriment of efficiency and legibility.	- It is requested that GOB takes steps to: -- simplify and clarify the legislative scheme to the maximum extent possible and -- ensure all changes are made known to one in the administration without exception.	- Laws and regulations of all kinds.
		(2)	Frequently Amended/Changed Laws and Regulations	- Due to the foreign exchange situation, there have been numerous changes in legislation on imports with each change made effective immediately on the date of promulgation. Examples: Establishment of Import Quota in 1995; Change in import settlement terms in 1997.	- It is requested that GOB: -- allows ample transitional period, and -- allows preparatory period of 3 months minimum.	- No 002753-ART.2 (1997.4.30)
		(3)	Frequently Amended/Changed Legislation relative to Import/ Other Laws and Regulations	- From time to time, abrupt changes in legislation are made on import usance, while the details of changes are not made available in certain areas.	- It is requested that GOB allows a longer period between the date of promulgation and the date of enforcement in any legislative changes.	- Circular BCB 2747 (On Import Usance)
		(4)	High Level Exhaust Gas Control on Motorcycles Ahead of Others in the World	- New Emission Standard PROMOT 4, corresponding to European Emission Standards EURO 4 is due for enforcement from January 2016 ahead of others in the total world. This prevents Member Firm from effective design development, blocking the expansion of trade destined to Brazil.	- It is requested that GOB takes steps to: GOB synchronises the introduction of Exhaust Gas Control to level with EU and other countries.	- CONAMA RESOLUTION No. 297/2002,205 of 26 February 2002, Article 8 (1), Exhaust Gas Control
26	Others	(1)	Inadequate Infrastructure for Logistics	- On top of the high labour cost, the poor overhaul of the infrastructure at ports, domestic transportation networks, and communication network at high costs, together, make it difficult for FFEs to manufacture products that are internationally competitive.  - The overhauls of econo-social infrastructure for which GOB is responsible lags behind due to the resource funds being exhausted by the personnel costs of the bureaucrats.  - The infrastructure for the domestic transportation (particularly in Manaus) is inadequate:: -- Inadequate port facilities at Manaus ==> Tax benefit gained from the Manaus production is set off by the high transportation cost. -- Inadequate airway connections between the local cities.	- It is requested that GOB: -- overhauls the infrastructure such as ports, domestic transportation network, and telecommunication network, and -- secures the safety in the domestic transportation route. - It is requested that GOB overhauls the infrastructure of ports, and networks for domestic transportation, telecommunication, etc. - It is requested that GOB resolves the flawed and incomplete infrastructure.	

Category	No	Issue	Issue Details	Requests	Governing Laws
			<ul style="list-style-type: none"> <li>- A Member Firm in Tax Exempted Manaus Free Trade Zone procuring some parts from Sao Paulo faces the inefficiency in the Transport Route for these parts. It takes many days at high transport cost with the burglary risk in the overland transport.</li> <li>- Public Roads are in extremely poor repair, while Railway Network requires overhaul. Furthermore, Low Quality, High Cost Logistics and Security Concern in transit require immediate attention.</li> <li>- Port service is poor while port cost is high.</li> </ul>	<ul style="list-style-type: none"> <li>- It is requested that GOB takes steps to:                             <ul style="list-style-type: none"> <li>-- ensure safety on the transport route, and</li> <li>-- alleviate the burden on wage related accompanying expenses.</li> </ul> </li> <li>- It is requested that GOB takes steps to:                             <ul style="list-style-type: none"> <li>--streamline the infrastructure, and</li> <li>--overhaul environment for attracting skilled workforce.</li> </ul> </li> </ul>	
	(2)	Fragile Infrastructure for Logistics	<ul style="list-style-type: none"> <li>- The cargo handling capacity in Brazilian ports can hardly catch up with the robust demand so that the main ship delays occur all the time, causing many risks, including hiatus of production line.</li> <li>The road conditions are in poor repair to the extreme, especially in the northern area and the distance to run is extra long, so that more quality problems arise during transport, compared to other countries.</li> <li>Construction of the through paved highway connecting between Manaus and Sao Paulo has been long under the plan, however, it has not yet materialised to this date. It continues to necessitate, without fail, using the Amazon River.</li> </ul>	<ul style="list-style-type: none"> <li>- It is requested that GOB takes steps to:                             <ul style="list-style-type: none"> <li>-- improve the cargo handling capacity in Brazilian ports, and</li> <li>-- overhaul the road pavement as soon as possible.</li> </ul> </li> </ul>	
	(3)	Inadequate Communication Infrastructure	<ul style="list-style-type: none"> <li>- The overhaul of infrastructure is a mandatory requirement (poor telephone line connections, sudden blackouts by thunder, etc.)</li> <li>- Connectivity of Internet and Telephone is poor.</li> </ul>	<ul style="list-style-type: none"> <li>- It is requested that GOB overhauls the infrastructure on port facilities, domestic transport network, telecommunications, etc.</li> <li>- It is requested that GOB takes steps to improve and overhaul the communication infrastructure.</li> </ul>	
	(4)	Aggravated Public Security	<ul style="list-style-type: none"> <li>- In Sao Paulo where FFEs entering Brazil cluster, it is imperative to select carefully the location for offices and warehouses, in regard to employees' safety, and preservation of cargoes. However, such places are extremely few or expensive.</li> <li>- There is a risk of robbery in transport of parts from Sao Paulo to Manaus.</li> <li>- Valuable goods cannot be transported to metropolitan areas other than Sao Paulo for security reasons.</li> <li>- The public security has been aggravating recently, not only in Sao Paulo and Rio de Janeiro but also throughout the country. Many cases of murder, robbery, and kidnap have arisen. Public security in the Manaus region has been aggravated (by burglaries bearing heavy armaments).</li> <li>- The aggravated public security due possibly to shortage of employment opportunities and inequality in income distribution, etc. has impacted the investment environment as well.</li> </ul>	<ul style="list-style-type: none"> <li>- It is requested that GOB controls security and deregulates restrictions.</li> </ul>	

Category	No	Issue	Issue Details	Requests	Governing Laws
	(5)	Burglary Risk	- Truck jack by robbery arises in overland transport between Belem and Sao Paulo. Infrastructure is poor particularly in northeast area, while police service is sparse. It is difficult to retrieve the stolen goods, once burglary takes place. In addition, robbery occurs even when an escort guard is on duty with the shipment on cargo delivery to customers.	- It is requested that Police takes steps to: -- overhaul infrastructure in the northern-east area, and -- reinforce security/clampdown	
	(6)	Prevalence of Prices in USD	- The general pricing system in Brazil such as legal counsel fees, and subsidiary is in US dollars, not in Real (BRL).		
	(7)	High Cost of Commodity	- House rent, etc. are being interlocked with the Brazilian PPI inflation index (IGPM), which has the effect of causing inflation. Indirectly, the cost of living, such as, energy (electricity and gas) and gasoline prices are linked to the U.S. dollars, despite the fact that these are domestically manufactured in Brazil.		
	(8)	Customs and Harbour Work	- Strikes frequently occur so that work interruption occurs each time.	- It is requested that GOB takes steps to reduce strikes through improvement of working environment.	

Issues and requests relating to foreign trade and investment - Chile

	Category	No	Issue	Issue Details	Requests	Governing Laws
12	Exchange Controls	(1)	Restricted Forward Booking of Foreign Exchange	- Chilean enterprises are authorised to contract Forward Booking in Foreign Exchange only with the Chilean domestic banks.	- It is requested that GOC deregulates Foreign Exchange Control.	
14	Taxation Systems	(1)	Tax Treaty Not Ratified	- Direct/Indirect Investment into Chile from Japan has grown to the level exceeding 1 billion yen (Brit) or 1 trillion (US). On the other hand, Japanese Affiliated Enterprises (JAEs), unprotected by Tax Treaty, face the growing risk of Double Taxation from Chilean Administration's severer employment of Transfer Price Taxation System. Thus, JAEs face the declining competitive edge against the countries such as South Korea (ROK) that have already ratified the Tax Treaty, as regards Additional Tax levied on External Remittance to Japan of Dividend and Interest relative to Loan from Japan (so called Withholding Tax). Urgency and Importance of early ratification of Tax Treaty grow, in order to invigorate Japanese affiliated enterprises' desire to invest in Chile.	- It is requested that GOJ takes steps as soon as possible to start negotiation toward ratification of Tax Treaty. (Chilean negotiator says: "Government of Chile (GOC) is ready and willing to sit at the negotiation table at any time awaiting the Japan side.")	- Chilean Tax Act - OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations
17	Implementation of Intellectual Property Rights ("IPRs")	(1)	Counterfeits	- Inflow of counterfeits forms a great obstacle for sales and distribution. In addition, should quality problems result from counterfeits, it would damage the MFS reputation, apart from sales also. Distributors dealing in counterfeits can be connected to mafia and crime organisation. Outright revelation is difficult and dangerous as such distributors could be tied to crime organization at the back such as mafia narcotic dealers.	- It is requested that GOB: -- tightens its water's edge clampdown, -- invigorates clampdown upon counterfeits, -- develops campaign, etc. to exterminate counterfeits.	
		(2)	Copying for Private Use	- Copying made for private use from music CD regularly purchased into PC, and from PC to mobile audio player; first audio/video recording of on-air broadcast for time-shift listening/viewing, second audio/video recording into a smartphone for time-shift listening/viewing, second audio/video recording into a smartphone for time-shift listening/viewing when out of the home, a printed book regularly purchased converted into a digital format, and copied into a tablet... Such usages actually take place. In light of the fact that such action cannot be considered as being harmful to the copyright holder, the copyright granted to the copyright holder should be restricted to make lawful the foregoing copying practices.	- It is requested that GOM takes step to restrict the copyright to make lawful copying made for the purpose of realistically private use.	- No provisions for permitting private copying.
19	Industrial Standards, Approval of Safety Standards	(1)	Non-Participation in CB Scheme	- Samples are required since GOC has not yet participated in CB Scheme.	- It is requested that GOC participates in CB Scheme.	
		(2)	Longer Period for Acquisition of Certification	- Energy Efficiency Product Certification is obtainable only after the acquisition of Safety Certification. The compulsory acquisition procedures obstruct the market access.	- It is requested that GOC changes the procedures that allow parallel filing of certifications on product safety and energy efficiency simultaneously.	- Resolucion 2716/2011 EXENTA Television, Set-Top Box - SEC Resolution 2684/2010 DVD Blue-Ray and Audio Equipment

	Category	No	Issue	Issue Details	Requests	Governing Laws
		(3)	Superfluous Product Safety Requirements, Inadequate Certification Scheme	- In the case of the typical Certification Scheme concerning a Member Firm, the Competent Authority conducts Factory Inspection upon Acquisition of Certification, followed by Annual Factory Inspection (once a year). In addition, Sampling Inspection of 6-months after certification, as well as Sampling Inspection of Products placed in the Market, requiring considerable number of samplings. The burden is heavier for these alone compared to leading countries. The frequency of factory inspection is much higher costing heavily, as it takes place for each product (protocol), and each certification institute. Certification by Certification Institute and Testing Institute from time to time hardly meets the statutory deadline, or fails to meet the deadline.	- It is requested that GOC takes steps to: --accept the Inspection Report by Certification Institute of other countries, -- accept Inspection Reports among Chilean Certification Institutes, -- share in common the Factory Inspection Report on Products on which the Common Product Safety Standard Applies, -- adjust to the Adequate Level the Number of Samples for Sampling Inspection, and -- allow sufficient time to meet the requirements.	- Resolucion 2716/2011, EXENTA Television, Set-Top Box - SEC Resolution 2684/2010, DVD Blue-Ray and Audio Equipment - Resolution 2371, Home Theatre Equipment/ Printer
23	Inefficient Administrative Procedures, Regimes and Practices	(1)	Inefficiency in Administration	- It takes a lot of time for examination in each Administrative Procedure. For example, it took 4 to 5 months to obtain INDECI Certificate upon opening a new store, after submission of voluminous documents.	- It is requested that Government of Chile takes steps to improve efficiency in its administrative procedures.	

Issues and requests relating to foreign trade and investment - Peru

	Category	No	Issue	Issue Details	Requests	Governing Laws
9	Restrictive Export/Import Trade, Duty, and Customs Clearance	(1)	Restricted Hand Baggage upon Entry	- Upon entry into Peru, only one PC may be brought in as hand luggage.	- It is requested that GOP takes steps to: deregulate the restrictions now, when one PC per person has become a common occurrence. At times, a businessperson may carry one PC each for <i>personal</i> and <i>business</i> purposes.	
14	Taxation Systems	(1)	Nebulous Implementation of Taxation System	- Including Transfer Pricing Taxation System, replies to a question differ depending upon to whom the question is addressed. More often than not, the basis of the taxation system application is not crystal clear. - It is incumbent upon the GOP to ensure more transparency in system and employment of tax investigation by identifying the frequency of investigation and the fiscal year subject to investigation.	- It is requested that GOP clarifies the application basis of the taxation system in a tangible form. - It is requested that Ministries and Agencies speed up their Administrative Service.	
		(2)	Complex Nature of Clerical Work Concerning Taxation System	- Detraccion (IGV Withholding Tax Scheme for certain service work) withheld by the taxpayer and then paid to the taxation authority requires quite a bit of complicated, clerical work concerning payment. - The balancing taxation system called "Sistema de Detracciones" has increased the clerical burden, making it more complex. - It takes quite a while (6-months to 1-year from the filing of application to the receipt of the refund amount) for tax refund request (such as IGV) based on the justified right.	- It is preferable that GOP takes steps to: repeal Detraccion.  - It is requested that GOP expedites the administrative service. - It is requested that GOP speeds up its work through improvement of clerical work.	
		(3)	Delays in Tax Administration Procedures	- Now and then, it takes much time in Tax Administration Procedures.	- It is requested that GOP expedites its administrative services.	
16	Employment	(1)	Dividend Payment Scheme to Workers	- The Workers Dividend Distribution System requires an employer to pay a certain amount of pre-tax profit to its employees, narrowing the free discretion of enterprises for profit distribution. In general, GOP overly protects workers' interest, therefore, it tends to drive employers into curtailment of workers. - The Workers Dividend Distribution Percentage is too high, increasing the cost burden to enterprises. Enterprises' promotion of employment is hindered by the legislation that sets forth no reduction of wage, no dismissal of workers in principle, no setting of retirement age, etc.	- It is requested that GOP takes account of the situation in other countries and revises the Labour Act so that it allows employers to exercise their free discretion on employment.	
		(2)	Restricted Number of (Professional) Foreign Workers	- Alien workers must not exceed 20% of the total number of workers and 30% of the total wages paid by law. In some cases, enterprises are compelled to employ unnecessary Peruvian workers so that it may recruit requisite alien workers.	- It is requested that GOP repeals the cap on alien workers.	
17	Implementation of Intellectual Property Rights ("IPRs")	(1)	Rampant Counterfeit Products	- It is necessary that Ministries and Agencies will store and expand corresponding know-how on the measures to deal with counterfeit products.		

Category	No	Issue	Issue Details	Requests	Governing Laws
	(2)	Counterfeits	- Inflow in large volume of counterfeits into the market forms a great barrier to sales. Moreover, should quality problems arise due to the counterfeits, Member Firm's reputation is at stake, inflicting damage upon issues outside the product sales. It is difficult to take outright charge against Distributors handling counterfeits as they may be connected to crime organisations such as mafia and narcotic dealers.	- It is requested that GOP takes steps to: -- tighten water's edge measures, -- clamp down upon certificate, and -- develop rational scheme for driving out counterfeits, matching the advancement in digitisation and networking.	
	(3)	Compensation Scheme for Private Copying	- Compensation Scheme for Private Copying is outdated in the time of digitisation and networking. It lacks rationality and transparency in collection and distribution.	- It is requested that GOP takes steps to: -- strengthen the water's edge measures, -- clamp down upon counterfeits by the hands of administration, and -- develop campaign, etc. for extermination of certificate.	- Scheme is in place (for Recording Media). Since introduction of the Compensation Scheme in 2003, Private Copying Levy is included in Recording Media such as CD-R, DVD and Cassette Tape.
	(4)	Temporary Saving/Storage in the Use of Equipment and for Provision of Service using Information Communication Technology	- The minimum amount of copying should be made possible in the process of Communication, Viewing, Listening and Executing Copyrighted Materials, Provision of Service using Information Communication Technology, to the extent of facilitating such process smoothly with high efficiency.	- It is requested that GOP takes step to introduce Restrictions of Copyright concerning Temporary Saving/Storage in the Use of Equipment and in the Communication Process, as well as the restrictions in Copyright Use for the purpose of Provision of Service that employs the Information Communication Technology.	- [USA] EPA that GOU has exchanged with each country that holds temporary storage also amounts to copying. However, US Court denied copying right infringement by a cached memory within equipment, unless it is affixed for a period exceeding the transient period. - The Intellectual Property Provisions - Chile (71P) US-Chile Free Trade Agreement (FTA) enforced on January 1, 2004. - The United States-Peru Trade Promotion Agreement (PTPA) on entered into force on February 1, 2009. (Article 16.5.2, 16.6.2 and 29) - The EU-Colombia and Peru Trade Agreement (Article 251, 252)

Category	No	Issue	Issue Details	Requests	Governing Laws	
	(5)	Copying for Analysis and Research of Information	- To the extent recognised as necessary for Information Analysis, copying of Copyrighted Materials should be allowable.	- It is requested that GOP takes steps to introduce the Limitation upon Copyright as related to Information Analysis and Research.		
	(6)	Copying for Providing Internet Information Search Service	- To the extent recognised as necessary for provision of Internet Information Search Service, copying of Copyrighted Materials should be allowable.	- It is requested that GOP takes steps to introduce the Limitation upon Copyright as related to providing Internet Information Search Service.		
	(7)	Copying relative to Testing for Development or Practical Application of Technology	- To the extent recognised as necessary for Development or Practical Application of Technology relative to Audio/Visual Recording, copying of Copyrighted Materials should be allowable.	- It is requested that GOP takes steps to introduce the Limitation upon Copyright as related to Testing for Development or Practical Application of Technology.		
21	Restrictions on Land Ownership	(1)	Compulsion of Land Expropriation	- In 2010, Firm's Subsidiary in manufacturing business received request from Road Development Agency of Lima City that Firm's Subsidiary vacate a portion of Firm Subsidiary 's land property for free to enable DALC to convert a portion of the arterial road into raised road. The Decree which forms the basis of this request is not made public as yet, the legal basis of the request is incomplete. Should Firm's Subsidiary accepts all request of the Municipal Government, it must change its factory layout, severely affecting Firm Subsidiary's manufacturing activities. While refusing to yield to the municipal request, Firm's Subsidiary was compelled to discuss with the municipal authority if a limited transfer of the property is workable for both parties. The neighbour commercial facilities have already agreed to transfer for free a portion of their property now used for general commercial facilities without prospect of receiving the rightful compensation for the transfer. Japanese Embassy in Peru suggested a solution under the Investment Agreement. However, Firm's Subsidiary did not choose a diplomatic approach for solution of the matter, in light of maintaining a good relationship with the municipal authority.	- It is requested that GOP protects the legally owned private property.	
		(2)	Nebulous Registration of Land Owners	- The Registered Landowner's Approval is required for Exploration and Development. However, in the local area, there are cases where the Landowner is not necessarily registered clearly, or residents' communal strife continues over metes and bounds, delaying by large margin the start of exploration.	- It is requested that GOP compels Land Ownership Registration in a full and complete manner to identify the landowner beyond question.	

Category	No	Issue	Issue Details	Requests	Governing Laws
23 Inefficient Administrative Procedures, Regimes and Practices	(1)	Inefficiency in the Administrative Procedures	<p>- The procedures relating to licences and approvals are nebulous, time consuming and complex. Their treatment and disposal depend upon officers in charge at the window, without any clue as to how long it takes to complete the procedures. If urgently required, they demand payment of bribery. It serves as hotbed of bribery.</p> <p>Example: It is compulsory to renew the Safety Approval On Buildings in every two-year, requiring filing of application for renewal not later than 2-months before expiration. However, response is slow at The National Institute of Civil Defense (INDECI), responsible for processing of inspection and issuance of permit, so that at Car Dealers' shops, the renewal is not completed within 2-months in certain cases.</p> <p>- A long waiting period is necessary to obtain Resident Registration of "Carne" (issued by Immigration Office), due to the procedural complexity. In one case, it took 6-months or so to complete the procedure.</p> <p>- It take a long time to get Alien's Carnet for an Expatriate going to Member Firm's Subsidiary (MFS) in Peru. It is the same with trainees, and family members of the expatriate. The procedures are complex and time consuming.</p>	<p>- It is requested that GOP enhances efficiency in its administrative procedures.</p> <p>- It is requested that GOP takes steps to improve the procedures so that Carne is issued within 2-months or so as is the case with other Central and South American countries.</p> <p>- It is requested that GOP takes steps to:</p> <ul style="list-style-type: none"> <li>-- simplify the procedures for issuance of Carne on account of trainees sent by Member Firm, and</li> <li>-- make complete the scheme for acceptance.</li> </ul>	
	(2)	Complex Clerical Procedures at Immigration	<p>- GOP requires submission of Employers' Guarantee (stating the amount of tax paid each time) upon Departure or Arrival of Foreign Residents in Peru for improvement of the FFEs environment. This is a cumbersome requirement.</p>		
24 Indigested Legislation, Abrupt Changes	(1)	Local Authority's Unilateral Promulgation of Anti Mine Regulation	<p>- In March 2010, Cusco Regional Council promulgated Regulations prohibiting grant of new Mine Concession within Cusco Region. Ministry of Energy and Mines on 10 May 2010 filed complaint to the Constitutional Court (CC), alleging unconstitutionality of the Regulation. However, the Regulation remains in force. Instituto Geologico Minero y Metalogenia (INGEMMET) on the force of this Regulation refuses acceptance of application for New Mine Concessions within Cusco Region. This is because INGEMMET has decided to continue applying the Regulation pending the CC Decision, which could take about 2-years. The move similar to this anti-mining Regulation is spreading to other Regions such as Apurimac. Unless Judiciary and Administration take immediate action, this will materially impair exploration activities in Peru.</p> <p>=&gt; The Refusal of Mine Concession has been resolved in Cusco Region.</p>		

	Category	No	Issue	Issue Details	Requests	Governing Laws
		(2)	Frequent Revisions of Mining Law	<p>- Delays have arisen on legal procedures and issuance of licences and permits, due to the frequent change in Mining Law, which is promulgated without regard to practical employment under its legislative system itself. Supreme Decree DS020-2012-EM enforced since June 2012 requires Approvals and Signatures of all "Registered Landowners" before making boring for mines' exploration. Frequently, landownership is by the Resident Community so that the applicant must, de facto, collect the signatures of all residents comprising the Community. Moreover, there are cases where landowners comprising the Community do not live there, metes and bounds of the Resident Communities is in dispute, or some landowners are not correctly registered. For these reasons, it takes much time and effort in order to fulfill the requirements under the Supreme Decree. It delays many projects for exploring natural resources.</p> <p>=&gt; Under the amended DS020-2012-EM, the signature of the Community Representative suffices to start boring for mines' exploration. It may be considered; it has resolved all foregoing problems.</p>		

Issues and requests relating to foreign trade and investment - Venezuela

	Category	No	Issue	Issue Details	Requests	Governing Laws
1	Restrictions on Entry of Foreign Capitals	(1)	Requisition/ Nationalisation	- Government of Venezuela (GOV) has accelerated nationalisation of enterprises in various fields, Heavy Industries, Financing, Retail, etc. under its policy to socialize the Nation, including Foreign Funded Enterprises in these sectors, Amended Law on Defence of People in the Access to Goods and Services (INDEPABIS) promulgated in January 2010 has simplified the GOV's nationalisation procedures so that GOV may nationalise private enterprises without Advance Declaration of Requisition. It is a matter of concern that hereafter requisition or nationalisation abruptly takes place. In addition, since 2006, GOV has decided to operate upstream petroleum industries only by a Joint Venture Company (JVC) in which Venezuela's State Owned Petroleum Company (SOPC) owns more than 60% equity interest. It is a risk that operation of the projects depends solely upon the SOPC's intention. - GOV has accelerated requisition or nationalisation of enterprises in basic industries (resources, energy, steel, finance, foods, communication, etc.) In recent years, GOV has expanded the scope of requisition or nationalisation into other sectors (distribution, etc.), including the idling properties. Measures must be taken to avoid such properties' requisition or nationalization.		- Amended Law on Defence of People in the Access to Goods and Services (INDEPABIS= (Instituto para la Defensa de las Personas en el Acceso a los Bienes y Servicios)
		(2)	Socialist/ Nationalisation Policy	- Enterprises operating in Venezuela face the risk of their customers being nationalised out of the blue.		
9	Restrictive Export/Import Trade, Duty, and Customs Clearance	(1)	Import Restrictions	- Dealing with Venezuelan parties is made extremely nebulous and difficult by restricted foreign currency acquisition, and import restrictions.		
		(2)	Certification for Not-Domestically Produced	- In principle, import is prohibited on domestically manufactured products.		
11	Restriction on Profits Remittance Abroad	(1)	Prohibited External Remittance of Dividends	- Government of Venezuela (GOV) allocates Foreign Exchange Quota (FEQ) for External Remittance. Moreover, FEQ Allocation has come to a standstill so that in effect collection of profit has been disallowed such as remittance of Dividends.		
12	Exchange Controls	(1)	Stringent Foreign Exchange Restrictions	- In substance, GOV disallows procurement of and payment in USD. - Due to the severe control on Foreign Exchange Transactions by CADIVI (Foreign Exchange Administration Commission), and the local purchaser's failure to obtain promptly the FEQ Licence Member Firm Subsidiary's (MFS) collection of Accounts Receivables has delayed by a large margin. In the recent several years, no prospect has been in sight for collection of accounts receivables GOV restricts import of finished 4-wheel vehicles by dual methods, FEQ and Quantitative Quota.	- It is requested that GOV deregulates the restrictions. - It is requested that GOV: -- Promptly processes Application for FEQ and repeals Quantitative Quota, and -- Immediately issues Licences for the past applications.	

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			<ul style="list-style-type: none"> <li>- The continuation of the chronic Foreign Currency shortage has driven CADIVI to tighten Foreign Exchange Control. Customers (importers) are unable to procure the requisite foreign currency. Consequently, Member Firm is unable to sell to its customers in Venezuela. Implementation has begun the new foreign currency supply system, named "System for Administration of Foreign Currency" (Sistema Complementario de Administracion de Divisas=SICAD). However, no public announcement has been made on Contract Price, Contract Rate, etc. Furthermore, numerous restrictions apply, so that Member Firm is unable to establish its Sales Plan for the future.</li> <li>- Since 2003, GOV has severely restricted import in USD/foreign exchange, especially after the demise of former president Hugo Chavez, the Official Parity Rate against USD had been pegged solely at 6.3, whereas market rate "in excess of 60", forming a wide gap. In January 2014, regeneration of foreign exchange by CADIVI, expansion USD import was announced, lowering the Average Exchange Rate to "11.3" the Actual Exchange Rate, while the Official Parity Rate remains at 6.3, effectively forming the Dual Exchange Rate System with 11.3.</li> <li>- Official Parity Rate is affixed at 6.3BsF to USD1.00, provided, however, that prevailing rate has escalated nearly 10-times of Official Parity Rate. An Enterprise's Business Performance being evaluated at Official Parity Rate does not reveal its actual business performance.</li> <li>- Powerful Foreign Exchange control has prompted furtherance of inflation so that, GOV envisages 50% inflation rate for the fiscal year 2013. It would exceed 70% in 2014, if no policy change takes place.</li> </ul>	<ul style="list-style-type: none"> <li>- It is requested that GOV takes steps to:                             <ul style="list-style-type: none"> <li>-- deregulate Foreign Exchange Administration Control, and</li> <li>-- improve implementation of SICAD.</li> </ul> </li> <li>- Despite the adverse economic climate described in the left column, Member Firm's Subsidiary (MFS) has continued its self-drawn up Business Continuity Plan (BCP). It has scaled down its organisation, minimising to the extreme all outgoing expenses to ensure markup, and manages to continue its business.</li> <li>- It is requested that GOV introduces Foreign Exchange System that reflects the actual market conditions.</li> </ul>	- SICAD
	(2)	The Risk of Currency Devaluation	<ul style="list-style-type: none"> <li>- Enterprises are faced with a perpetual devaluation risk for the local currency, BsF (VEF). MFS is compelled to maintain the Assets and Liabilities Balance in USD so that the Assets are greater than the Liabilities on a long-term basis, in order to avoid the Foreign Exchange loss in the Account Report in the local currency. Namely, MFS must hold down import within the limit of USD actually procured. In order to minimise Foreign Exchange loss in the Consolidated Account Report in USD with its parent in Japan, MFS has been endeavouring to minimise the net assets in the local currency. President has announced, "there would be no devaluation in 2014."</li> </ul>		
	(3)	Complex and Delayed Approval Procedures for FEQ Allocation	<ul style="list-style-type: none"> <li>- On the Imported Cargoes shipped with Prior Approval on Foreign Exchange Allocation, the importer faces much difficulty in discharging its payment obligations in foreign currency (USD). In addition to delays in Foreign Currency Allocation, CADIVI gives no explanation whatsoever, if it actually executes Foreign Currency Allocation, and if so when the actual allocation takes place. Cargoes arriving at a Venezuela port get stuck without obtaining the customs clearance approvals, and simply incur extraneous expenses such as demurrage.</li> </ul>	<ul style="list-style-type: none"> <li>- It is requested that GOV consistently applies the rules in the Allocation Of Foreign Currency.</li> </ul>	

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			- Two alternatives are available to purchase foreign currency (USD): (1) Filing application to Foreign Exchange Administration Commission (CADIVI), and (2) Joining the System (Auction) for Administration of Foreign Currency (SICAD). The former takes much time for completing the application procedures. As for the latter, it is extremely nebulous how it is implemented (the frequency of auction, the bidding qualification, contract price, etc.). Consequently, it is difficult to schedule the foreign currency procurement, frustrating payments in foreign currency. It all relates to colossal, across-the-board social problems -- stagnant imports, chronic product shortage, declining productivity in the domestic production, etc.	- It is requested that GOV takes steps to: -- streamline and deregulate the FEQ approval procedures -- deregulate the stringent foreign exchange control system.	
	(4)	Delayed FEQ Allocation in Import Settlement	- FEQ allocation for Settlement of Account has delayed by large margin for major customers of Member Firm with no prospect of solution in sight. New shipments from Japan have come to a standstill, seriously impacting the factory operation of Member Firm's customers.	- It is requested that GOV takes steps to: -- stabilise foreign currency revenue of Petróleos de Venezuela, S.A. (PDVSA) (state-owned oil and natural gas company) and establish the transparent scheme for foreign currency distribution, and -- foster industries other than PDVSA, capable of earning foreign currency.	
	(5)	Overvalued Official Fixed Parity Rate, plus, shortage of FEQ	- Official Fixed Parity Rate is fixed at the Overvaluation Level. Moreover, Allocation of FEQ to Private Sectors is hardly sufficient and lags behind, shrinking business in the Private Sectors.	- It is requested that GOV takes steps to introduce and implement the New Foreign Exchange Scheme as soon as possible.	
15	Price Controls	(1) Price Controls	- GOV's compulsion of Price Control is implemented in a haphazard manner without any solid plan whatsoever at unrealistic prices. It suppresses profitability to customers in private sectors. Business activity in the private sectors has been dwindling year after year.		
		(2) Growing Intensity of Government Control from Cost to Retail Price	- GOV, with grasp or knowledge of neither the Industrial Characteristics nor Value Chain, carelessly compels/controls from cost, markup to final retail price. It has given serious damages to the economic activity of enterprises, driving them into a-sales-below-cost syndrome in certain cases. It is feared that it makes it difficult for enterprises to maintain business operation and employment.	- It is requested that GOV takes steps to: -- steer economy into more realistic direction, and -- give priority to a Systematic Treatment on the Foreign Exchange Issue, rather than Control, which is a Symptomatic Therapy.	- "A Law of Fair Costs and Prices (Gazette No. 39.715, 2011)" enacted under Presidential Enabling Act, Details not yet prepared (which is also problematic).
16	Employment	(1) Difficulty in Dismissal	- Employers are unable to dismiss workers whose wage is less than treble of the minimum wage or less without justifiable reason, which in effect is very difficult to prove. - Dismissal in effect is not possible. Virtually workers are unconditionally protected, regardless of violation in the rules of employment or acedia in work attitude...This kind of practice serves as melting pot for even worse acedia.	- While it is necessary to protect workers from unfair dismissal, it is important and necessary that Ministries and Agencies acquaint themselves with the world standard.	- Labour Law
		(2) Rigorous Labour Standard and Safety Standard	- Enterprises must expend much cost and effort to satisfy the most stringent Labour Standards and Safety Standards.		

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	(3)	Inflexible Labour Market	- To protect workers in the low-income bracket, the labour market is extremely inflexible.		
	(4)	Restricted Employment of Foreign Workers	- The number of alien employees must be within 10% of total number and the amount of remuneration for the alien employees must be within 20% of that of the total employees in case such an enterprise is with 10-employees, or more. - GOV restricts employment of foreigners within 10% of total number and of total wage of employees. MFS takes measures in accordance with this requirement.	- It is requested that GOV repeals the restrictions.  - It is requested that GOV deregulates / repeals restrictions on employment of foreign workers.	- Labour Act, Article 27
	(5)	Nebulous and Delayed Work-Visa Acquisition Procedures	- It takes an extraordinary long period for acquisition of work permit/work visa. More precisely, in the case of enterprises with more than 10-employees, the number of foreign employees must be within 10% of the total employees, and the total amount of wages of foreign employees must be less than 20% of the total amount of total employees, etc. In case where an FFE desires to despatch expatriates in excess of the stipulated limits, such FFE must obtain Special Labour Permit, as an exceptional measure. It took Member Firm's Subsidiary (MFS) 2-years to obtain the work visa after filing application, while the examination within Ministry of Labour continued. - It takes "years" to acquire Labour Transient Visa (TR-L) after filing application under the procedures specified by GOV.	- It is requested that GOV takes steps to simplify drastically the requisite procedures.  - It is requested that GOV expedites the work visa acquisition procedures.	
	(6)	Frequent Labour Disputes	- In car industry, labour disputes are frequent. It gravely impacts continuation of production, (provided, however, that the Member Firm is not involved in labour disputes.)		
	(7)	Raised Minimum Wage	- Three times a year of minimum wage increase weighs heavily upon fixed costs.		
	(8)	Stagnant Employment	- An effective deployment of workforce by reflecting each worker's aptitude, by reorganisation, etc. is not executable, due to the rules governing the ratio between indigenous employees vs. expatriates, de facto prohibited dismissal, etc.		- New Labour Law - Decree Prohibiting Dismissals
	20	Monopoly	(1)	Nationalisation Policy inhibits Competition	- Due to the nationalization of industries, inefficiency predominates in all markets, where fair competition is totally absent. Since December 2013, "Price Control on Home Electric Appliance" has come into force. The Price Control Measures extend to Rental Fees of Office Buildings.
23	Inefficient Administrative Procedures, Regimes and Practices	(1)	Amendments, Corrections, Resubmissions required by Personal Discretion of Individual Government Employees	- In all fields requiring submission of documents, including without limitation, Financial Report, Descriptive Changes in Registration, and Labour Issues, it has become a routine, whereby government employees more often than not compel Amendments, Corrections, and Resubmissions on documents prepared exactly in accordance with the legislative provisions. Government employees at their sole discretion changes on the spot implementing rules of the legislative provisions. Non-compliance with the changed implementing rules would not advance the procedures. Applicants in many cases must deal with the extraneous work.	- It is requested that GOV takes steps to review and overhaul integration of the laws and the implementing rules.

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	(2)	Labour Inspection Authority's Absence of Fairness and Restrictions under new Labour Law	- Labour Inspection Authority tacitly approved illegal strikes, disabling resolution of the problems through intervention of jurisprudence and administration. The successive Elections in 2012-2013 must have prompted the Administration's action, anxious to gain workers' votes. It has also prolonged the construction work period, which has served as a major cause for the aggravated profitability. Furthermore, New Labour Act since 2012 has triggered increased the overall labour cost, due to the increased difficulty than ever before in dismissal of workforce, and the restricted outsourcing and work-hours.		- Venezuelan Oil Industry Agreement - Labour Act (2012), etc.	
	(3)	Inefficient Administration	- While GOV makes decision, it is not followed up by promulgation of substantive implementing rules. It is not enforceable and all come to a standstill.			
	(4)	Inefficient Administrative Procedures under the Socialist Demonstration, Abrupt Change in Legislative System and the Risk of Nationalisation (Condemnation)	- After the demise of former President Chavez, inefficiency has spread all across the administrative procedures, while abrupt changes are frequent in systems and schemes. After enactment of the Enabling Act in November 2013 under the new Maduro Administration, opaqueness has veiled all over politics and economics.			
24	Indigested Legislation, Abrupt Changes	(1)	Inefficient Administrative Procedures, Abrupt Changes in Legislative Schemes	- Since 2012, National Assembly adopted the "Enabling Law," which empowers President Hugo Chavez to enact and amend laws in the manner favourable to the President and Government on a broad range of issues without sufficient legislative debate or approval.		- Presidential "Enabling Law"
		(2)	Frequent Abrupt Changes of Laws without Prior Discussions with Interested Parties	- No sufficient time is allowed, following the law amendments. Law amendments made without reference to the old laws and phenomena compel extraneous workload and expenses upon the interested parties.	- It is requested that GOV takes steps to conduct prior consultation with all relevant parties (including interested parties).	
		(3)	Unprepared Legislative Systems	- While GOV decides its policy, substantive implementing details remain undefined and unexecuted. As a result, everything comes to a standstill.		
26	Others	(1)	Exacerbated Inflation	- Inflation by 30% or so per year continues, raising prices on all services and commodities, pushing up cost of operation in Venezuela. For the f/y 2013 it was up by "52.7%" On the other hand, GOV restricts the markup to 30% or so on Household Electric Appliances, squeezing the P/L of MFS.		

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