



Benefits for the Semiconductors and Digital TV Equipment Industries

The Government included in PAC the Program for Support to Technology Development of the Semiconductors Industry (PADIS) and the Program for Support to Technology Development of the Digital TV Equipment Industry (PATVD).

Semiconductors are the inputs for the manufacture of microcircuits (chips and processors) used in a vast range of electronic equipment (computers, mobile phones, notebooks, palm-tops, DVDs, digital TVs, among others). Companies engaging in the development of such products, as well as of some types of displays, may qualify for PADIS by submitting a project approved by the Executive Branch.

In order to qualify for PATVD, a company must make investments in the manufacture and development of radiofrequency signal transmission equipment for digital television.

The major benefits from these programs are the following, among others:

Tax	PADIS Benefits	PATVD Benefits
PIS/COFINS	Zero rate on domestic sales and imports of new machinery, devices, instruments and equipment for incorporation into the fixed assets. Zero rate upon the product exit.	Zero rate on domestic sales and imports of new machinery, devices, instruments and equipment for incorporation into the fixed assets. Zero rate upon the product exit.
CIDE	Zero rate on remittances relating to patents, trademarks and technology when made by companies qualifying for PADIS and in connection with said activities.	Zero rate on remittances relating to patents, trademarks and technology when made by companies qualifying for PATVD and in connection with said activities.
IPI	Zero rate on domestic sales and imports of new machinery, devices, instruments and equipment for incorporation into the fixed assets. Zero rate upon the product exit.	Zero rate on domestic sales and imports of new machinery, devices, instruments and equipment for incorporation into the fixed assets. Zero rate upon the product exit.

PIS/COFINS and IPI	Zero rate for computer tools (software) and inputs targeted at activities under PADIS, when imported or acquired in the domestic market by a legal entity qualifying for PADIS.	Zero rate for computer tools (software) and inputs targeted at activities under PATVD, when imported or acquired in the domestic market by a legal entity qualifying for PATVD.
II	Zero rate of Import Duty (II) assessed on the import of new machinery, devices, instruments and equipment listed in an Executive Branch act, under the conditions and during the periods stated in such act, when imported by companies qualifying for PADIS.	Zero rate of Import Duty (II) assessed on the import of new machinery, devices, instruments and equipment listed in an Executive Branch act, under the conditions and during the periods stated in such act, when imported by companies qualifying for PATVD.
IR (activity profit)	Zero rate upon the product exit.	---
minimum investment requirement	5% of the gross revenues must be invested in R&D activities, at least 1% of which being invested under conventions with accredited institutions.	1% of the gross revenues must be invested in R&D activities, at least 0.5% of which being invested under conventions with accredited institutions.

These benefits cannot be used cumulatively with other reductions or benefits applying to the same tax. Only in the case of PADIS may such benefits be coupled with a deduction (when computing net profits) of expenditures with technology research and development of technological innovations classifiable as operating expenses under the Corporate Income Tax (IRPJ) laws, or as payment under article 17, I and paragraph 2 of Law 11196 de 2005.

The income tax saved on account of such benefit cannot be distributed to partners.

It is worth stressing that the tax rate reductions set out in Provisional Measure 352 will apply only to goods or inputs listed in the Executive Branch act. With these measures instituted by Provisional Measure 352, the Government expects that more companies engaging in the manufacture of semiconductors and digital TV equipment will be interested in bringing their factories to Brazil.