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SOCIAL AND ENVIRONMENTAL RESPONSIBILITY REPORTS

On January 28, 2008, Law No. 2,594 (hereinafter, the "Law") was published in the Official Bulletin of the City of Buenos Aires (hereinafter, the "CABA") establishing the legal framework for Social and Environmental Responsibility Reports (hereinafter, "BRSA" according to its Spanish acronym).

The Law establishes that an annual BRSA shall have to be filed by those national or foreign companies having legal domicile and performing their main activities in the CABA (having been at least one year in business as of the effective date of the Law), and further having: (i) more than three hundred employees; and (ii) a turnover in the last year exceeding the values indicated for medium-sized companies in Resolution No. 147/06 issued by the Under Secretariat of Small- and Medium-sized Companies (SEPyME), related and supplementary resolutions, depending on the sector in question: (a) Farming and Livestock AR\$ 18,240,000; (b) Industry and Mining AR\$ 60,000,000; (c) Commerce AR\$ 88,800,000; (d) Services AR\$ 22,440,000 ; and (e) Construction AR\$ 24,000,000.

The companies not included in items (i) and (ii) may optionally file the BRSA, and as a consequence of such filing they will be eligible for some promotional benefits related to credits and incentives for technological innovation to be established by the Ministry of Production.

The Law also sets forth that the minimum contents required to be included in the BRSA shall be established by the Ministry of Production of the CABA and shall include: (i) gender equality conditions; (ii) the social aspect, consisting in the company's relations with stakeholders: employees, community, clients, suppliers and humanitarian organizations, and (iii) the environmental aspect, consisting in the interaction with the environment, promoting activities which are consistent with the regulations in force at the locations where the premises are set up and that contribute to achieve greater reduction in contamination and a more sustainable use of natural resources as well.

For the purposes of determining the indicators for the preparation of BRSA, the Law establishes that the enforcement authority shall take as a reference the indicators provided by the ETHOS Institute, or the AA 1000 - Accountability standards of the Institute of Social and Ethical Accountability and of the Global Reporting Initiative (GRI).

Finally, the Law sets forth that the Ministry of Production shall establish a procedure whereby the citizens may challenge the BRSA in cases of obstruction of access to, misrepresentation or concealment of information in the BRSA. The Executive Branch of Government shall regulate such Law within sixty days as from its enactment. As of this date, the Law is not regulated.

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COLLECTIVE MARKS

Law 26,355, published in the Official Bulletin on March 27, 2008, defines and protects collective marks. According to such law, a "collective mark" is defined as "any sign that distinguishes products manufactured and/or services rendered by an association intended for the development of social economy." Therefore, a collective mark is a mark used simultaneously by different companies (manufacturers and/or service providers registered with the National Registry of Local Development and Social Economy Agents), members of the association or any other entity owning such mark.

In order to use a collective mark, member companies of the association owning the mark must meet certain conditions contained in the regulations of use. Such regulations are filed together with the trademark application and are submitted for approval by the National Registry of Local Development and Social Economy Agents.

Consequently, a collective mark serves two purposes:

- (i) Makes the public aware of the characteristics of the product for which the mark is used.
- (ii) Gathers or federates member companies of the association providing them with a common notoriety and image in the mind of the consumer and, in that way, differentiating their own products from those of competitors.

Similarly as regular marks, the registration of a collective mark is granted for 10 years. However, unlike the registration of an ordinary trademark, a collective mark application may comprise all the classes in which the applicant may have an interest.

Renewal applications are submitted along with an affi-

davit stating that the mark has been used in the last five (5) years at least in one of the protected classes and identifying, when applicable, the relevant product or service.

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NEW LAW ON TIMESHARE

On March 18, 2008, the Argentine Congress passed Law No. 26,356 on Timeshare, which is supplementary to the Argentinean Civil Code and contains public policy rules which cannot be modified by the parties. The main aspects of this law are as follows:

(i) It creates and regulates the Timeshare Tourism Systems (hereinafter "STTC" according to its Spanish acronym).

(ii) It defines the STTC participants (user, owner, entrepreneur, salesman, resale man, and administrator), as well as the modalities that the STTC can adopt.

(iii) It designates the Secretary of Tourism as the enforcement authority. However, the Consumer Protection Law is also applicable.

(iv) It creates a special registry called "Registry of Providers and Vacational Establishments Subject to the STTC." All the participants in the STTC have to be registered in that registry, prior to the beginning of their respective activities. They must also be authorized by the Enforcement Authority.

The creation of an STTC must be implemented through a public instrument granted by the entrepreneur. This public instrument must include -among other data- all the information regarding: a) the identification and description of the property used for the STTC; b) the nature of the rights transmitted to the users; and c) the rules of use and administration of the STTC.

To create an STTC, the entrepreneur shall execute a public instrument identifying one or more pieces of real estate that will be assigned to the project. These properties must be free and clear of any liens, encumbrances and restrictions and neither the entrepreneur nor the owner, if appropriate, may be subject to any limitation on their ability to freely dispose of assets. There is an exception for the trust created in favor of future users as long as those real properties are in construction.

The entrepreneur shall state in such public instrument all information regarding the real estate assigned to the project, the nature and extension of the rights given to the users and all the rules and procedures that shall regulate the system. Prior to any commercial offering, advertisement or announcement, the public instrument must be registered before the Real Estate Registry and the Registry of Providers and Vacational Establishments Subject to the STTC.

Once registered before the Real Estate Registry, both the entrepreneur and the owner of the real estate subject to the STTC shall not be authorized to change the intended use indicated in the public instrument. Since that moment, the rights acquired by the users may be asserted against mortgagees and successive title holders or holders of other rights on the property subject to the STTC.

The rights acquired by the users shall be intangible and may not be modified or curtailed in any way by heirs or creditors of the entrepreneur or the owner, not even in case of bankruptcy or insolvency proceedings.

In order to commercialize an STTC under construction, the entrepreneur shall guarantee the right of the users through a trust. The users shall have the right to withdraw within 5 days as from the execution of the contract.

The entrepreneurs, administrators, salesmen and interchange nets, when publicizing, promoting or commercializing an STTC, must comply with certain duties of information regarding the characteristics of the rights offered. The information furnished in brochures or other means of distribution (printed or electronic) shall be considered as included in the respective contracts. An STTC located abroad may be commercialized in Argentina subject to prior authorization and registration by the enforcement authority.

Infringements of Law 26,356 shall be penalized with: a) Fine from AR\$ 2,000 to AR\$1,000,000 (USD 315,000 at the current exchange rate); b) Temporary prohibition to engage in trade; c) Cancellation of the authorization.

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◇ Brazil

BRAZIL'S RECENT PROGRESS TO IMPLEMENT INTERNATIONAL ACCOUNTING AND FINANCIAL STANDARDS

Brazil's nationally applicable law on the organization of corporations, Law no. 6,404 of 1976, is significantly amended by Law no. 11,638 of December 28, 2007, effective January 1, 2008, in ways intended to facilitate further integration of Brazil into global capital markets. The amendments support the efforts of Brazil's *Comissão de Valores Mobiliários* ("CVM"), its Securities and Exchange Commission, to promote adherence to the International Financial Reporting Standards ("IFRS").

The amendments are in line with CVM's Instruction no. 457 of 2007, which requires as of 2010 that all Brazilian publicly-traded corporations prepare their financial statements in accordance with the IFRS rules. The amendments concentrate on Chapter XV of Law no. 6,404, the portion of the law that addresses accounting rules for corporations.

Among other things, the amendments incorporated by Law no. 11,638 into Law no. 6,404 require all corporations, whether or not publicly-traded, to value the assets and liabilities of a merged, divided or spun-off company at fair market value. The amendments also modify, with applicability to all corporations, the existing requirement to capitalize or distribute corporate surplus, essentially retained profits, in excess of the amount of corporate capital. Specifically, the amendments extend the existing exceptions for liability reserves and for reserves for contingent profits to include a new exception. The new exception is for reserves for liabilities in connection with the corporation's participation in tax incentive programs.

The amendments impose a requirement on publicly-traded companies to include in their financial statements a discussion of "value added", an IFRS concept.

Law no. 11,638 breaks entirely fresh ground by requiring *Sociedades de Grande Porte*, a new category of enterprises that it defines, to comply with the accounting rules of law no. 6,404. It also requires such enterprises, even if not publicly-traded, to prepare financial statements that are independently audited. Law no. 11,638 defines *Sociedades de Grande Porte* to include companies that are not organized as corporations. A *Sociedade de Grande Porte* is deemed by the new law to be a company, or a group of companies under common control, that in the preceding year

had assets in excess of R\$240 million (approximately US\$133 million) or annual gross income above R\$300 million (approximately US\$167 million).

The full significance of Law no. 11,638 will become more apparent in the coming year as the CVM issues regulations further defining its application. A significant point of controversy is whether *Sociedades de Grande Porte* that are not publicly-traded must disclose their financial statements in Brazil's Official Gazette and other publications. Some Brazilian legal scholars and corporate lawyers maintain that a disclosure obligation is implicit in the new accounting requirements and in their extension to *Sociedades de Grande Porte*. Others argue that amendment to Law no. 11,638 during the legislative process was accomplished deliberately to omit *Sociedades de Grande Porte* from such obligation.

The innovations of Law no. 11,638 are intended to increase the quality, the speed and the degree of convergence with IFRS. Their implementation remains in many instances subject to further guidance to be issued by CVM or other relevant government agencies. Nonetheless, they will certainly foster the country's integration into global capital markets, in addition to enhancing investors' confidence by promoting corporate governance consistent with international best practices.

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TECHNOLOGICAL INNOVATION INCENTIVES. TIME TO INVEST

The fast and unilateral opening of the Brazilian market at the beginning of the 90's made many Brazilian companies vanish into the air. Amongst those that survived, many started to adopt better management techniques and international quality standards to ensure their competitiveness.

With the advent of the new millennium, management and quality continued to be necessary for companies to survive. Nevertheless, the number of sectors in which these requisites are not sufficient is growing. In these sectors, technological innovation is the new paradigm of competitiveness.

The new path of development requires public policies that increase productive efficiency, decrease vulnerability to foreign exchange fluctuations and stimulate investment.

Japan started to rely on tax and financial incentives for company-focused technological innovation already in the 50's, while Korea started activities in this area in the end of the 60's, followed by India ten years later. Even Costa Rica, in the mid 90's, made a strong entry in international competition to attract [investments](#) and was able to transfer countless projects to that country.

Following this policy and based on the most successful global technological innovation incentive projects, the Brazilian government enacted laws to help companies to develop and invest in technological innovation.

It may be noticed that the purpose of this type of legislation is to stimulate companies to make investments, generating gains in their cash flow.

The most important rule enacted to help companies specifically to design innovations was Law No. 11.196 of November 21, 2005, known as the *Goods Act*, which in its Chapter III, articles 17 to 26, regulated by Decree No. 5.798 of June 7, 2006, consolidated the tax incentives that companies can enjoy automatically, provided that they promote technological research and development of technological innovation.

This Law is intended to stimulate private investments in technological research and development, which are decisive to increase the level of competitiveness of Brazilian companies of any sector, and offer benefits to companies that search for technological innovation projects; in other words, investments that seek to increase the technological qualification of companies to generate quality and productivity gains.

The Industrial Technological Development Program (PDTI) and the Industrial Agricultural Development Program (PDTA), instituted by Law No. 8.661 of June 2, 1993, were the first tax incentive packages established to stimulate technological research and development activities in Brazilian companies. More recently, in Chapter III of Law No. 11.196 of November 21, 2005, these *incentives* were perfected in order to boost companies capacity to internally develop technological innovations, whether by conceiving new products or adding new functionalities or characteristics to the product and manufacturing process, as long as the result reached is a gain in quality or productivity for these companies, in order for them to

have better conditions to compete.

The concept given to what is considered technological innovation was the first great advantage of said Law and Decree. Under the terms of the law, **Technological Innovation** is the conception of a new product or manufacturing process, as well as the aggregation of new functionalities or characteristics to the product and process that implies an additional improvement and an effective gain in quality or productivity, resulting in greater competitiveness in the market; in other words, any innovation in the manufacturing process or product that results in quality or productivity gains may be considered a technological innovation eligible for tax incentives.

In addition to the concept described above, consisting of § 1 of art. 17 of Law No. 11.196/2005, Decree 5.798/2006 brought other definitions applied to the concept of technological innovation, which further expand the possibility to obtain qualification under the law.

Among the legal incentives, the highlight is the one that establishes that in the determination of the actual profit for calculation of the Corporate Income Tax (IRPJ) and the calculation base of the Social Contribution on net Profits (CSLL), the company may exclude an amount corresponding to 60% of the sum of expenses incurred in a technological innovation project. This percentage may reach 80% depending on the number of researcher-employees hired and it is important to note that a company does not need to hire researchers in order to enjoy the minimum 60% limit of deduction of expenses. Moreover, there may also be the exclusion of 20% of the total expenses incurred in a technological innovation project under a patent granted or registered cultivated plant varieties.

The Law also allows the direct deduction of 50% of the Excise Tax (IPI) that should be paid on the purchase of equipment intended for innovation. This deduction is made directly on the purchase and, therefore, this amount is not paid, generating an effective gain in cash flow.

The advantages of this law are many, but the most significant one is that no approval for technological innovation projects is required; in other words, the benefits can be enjoyed automatically — the obligation to submit a standard report to the Ministry of Science and Technology is absolutely for statistical purposes.

The difficulty in applying the Law to actual facts is

that in most cases it is not easy to clearly define what Technological Innovation is; considering that the legal definition of technological innovation is wide-scoped.

It is also necessary to ensure the projects' qualification under the Law, that is, document the company, clearly demonstrating that what was benefited is effectively a technological innovation and that the company complied with what the Law intended, thus, considering that there is no need for approval of the projects, we understand and recommend that project management reports be prepared in relation to the expenses declared with the project's activities.

The work suggested is the realization of an Audit of the Innovation for the purpose of *maximizing the gains with tax incentives, searching within the company what is and what is not an expense related to Technological Innovation* within a development plan and creating a report with technical, legal and accounting support for enjoyment of the incentives, in order to ensure the safe enjoyment of the incentives that, in our opinion, are the most beneficial that Brazil has ever offered to companies.

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NEWS ON CORPORATE INCOME TAX

Interpretative Declaratory Act (*Ato Declaratório Interpretativo - ADI*) 20, of December 13, 2007, published by the Brazilian Internal Revenue Service (*Receita Federal do Brasil - RFB*), establishes that for the purposes of the determination of Corporate Income Tax (*Imposto sobre a Renda da Pessoa Jurídica - IRPJ*) and the calculation basis of Social Contribution on Net Profit (*Contribuição Social sobre o Lucro Líquido - CSLL*), manufacturing-to-order operations are considered a provision of service when in the composition of the total cost of the inputs of the customized product there is a preponderance of costs of the inputs supplied by the customer.

The logical consequence of this regulation impacts on the legal entities opting for the presumed profit taxation system, since they will have to pay four times more IRPJ and CSLL.

The reason being that, the respective "manufacturing-to-order" is now classified as the

provision of services, which means that the rate of 8% established for the manufacturer that opts for presumed profit becomes 32%, which is the percentage established for the provision of services.

Another factor of prime importance is that if these legal entities elect to migrate to the actual profit regime, they automatically shift to the non-cumulative PIS and COFINS regime and will suffer an increase of almost 6% in the rate of these taxes, with practically having no option of crediting the contributions within the production chain.

To try to avoid possible confusion with the change of activity, from manufacturing to the provision of services, the ADI states in its text that the rule is valid for the purposes of IRPJ and CSLL. However, there is always the concern that municipalities, on the basis of the opinion of the RFB, may try to tax these legal entities with the Service Tax (*Imposto Sobre Serviços - ISS*).

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NO MORE PREVIOUS EXPERIENCE REQUIREMENT FOR HIRING LABOR

Law 11,644, of March 10, 2008 adds article 442-A to the Consolidation of Labor Laws (*Consolidação das Leis do Trabalho - CLT*), limiting the requirement of the evidence of previous experience to no more than six (6) months for the hiring of labor.

The CLT did not limit the time that the employer could demand as experience for the performance of professional activities. The objective of the new rule, according to the press office of *Palácio do Planalto* (official workplace of the President of Brazil) is to render the job market more accessible to youngsters.

However, the rule does not impose on the company the obligation to hire employees with experience of less than six (6) months. Hence, the only obligation imposed by article 442-A on the employer is that it does not link the hiring to the time of experience.

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CONSUMER PROTECTION AGENCY MAY APPLY FINES

This refers to a court decision (*acórdão*) handed down by the Federal Court of Appeals (*Superior Tribunal de Justiça - STJ*), concerning Special Appeal (REsp) 938607, whereby the Court determined that PROCON (Brazilian Consumer Protection Agency) may apply a fine for the practice of dumping.

In the lawsuit in question, the company allegedly reduced its price by 22%, with the aim of harming and eliminating local competition in order to dominate the market and impose higher prices.

The São Paulo State Court found that there was no direct damage to the consumer to justify the penalty imposed on the fuel reseller by PROCON with the application of a fine of 3 million UFIRs (Fiscal Reference Units), and annulled the penalty.

However, the STJ decided on the basis of Law 8,884/94 (Competition Act) and the Consumer Protection Code, that PROCON is indeed a real interested party to act in defense of the community.

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VALIDITY OF CLAUSES OF INALIENABILITY AND UNSEIZABILITY IN A WILL

This refers to a court decision handed down by the Federal Court of Appeals (*Superior Tribunal de Justiça - STJ*), in which it was decided that an attachment in an execution against an estate (collective assets and liabilities of a dead person) as a result of unpaid debts of the deceased, irrespective of the existence of clauses of inalienability and unseizability on the property and money left, is valid.

In the first instance the ruling stated that the debts incurred by the deceased should be settled with the real estate left to his or her heirs, answering the allegation of the creditor. However, in the appellate jurisdiction, the Supreme Court of the State of São Paulo (*Tribunal de Justiça do Estado de São Paulo - TJSP*) used article 1,676 of the former Civil Code, according to which "the debts of heirs will not be paid with the property and money that are transmitted to them in inheritance, when subject to inalienability and unseizability clauses, by a last will provision" to reverse the

decision.

The STJ, in turn, reversed the decision of the TJSP, clarifying that it was not the legislator's intention to leave a door wide open to frauds. For the judgment panel, the unseizability instituted in a will protects the

assets left to the heirs in cases of debts incurred by them. However the debts of dead persons shall be paid with the assets and liabilities left by them.

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◇ Chile

AMENDMENTS AND PROPOSED AMENDMENTS TO SECURITIES REGULATIONS

The Chilean Securities and Insurances Authority, *Superintendencia de Valores y Seguros* ("SVS") recently approved new regulations regarding disclosure of information by publicly traded stock corporations and corporations otherwise subject to the supervision of the SVS.

Among other provisions, these new regulations created a new category of information, "Information of Interest" (*Información de Interés*), which entities subject to SVS's control are required to disclose. In accordance with such regulations, Information of Interest means all information useful for an adequate financial analysis of a corporation, its securities, or the offer of such securities. An example of Information of Interest is all legal, economic or financial information related to the course of business of a corporation, or that can substantially alter such course of business.

If a corporation has not formally disclosed to the market certain Information of Interest, and plans to directly or indirectly disclose it to any specific group of the market, the new regulations oblige such corporation to simultaneously disclose such Information of Interest to the public, being sufficient for that purpose the publication of such information in a visible part of the relevant corporation's Website. If were not possible to simultaneously disclose such information, it must be disclosed as soon as practicable.

In addition, the SVS also submitted to public consultation a proposal to modify current regulations, and to

establish a new one regarding the registration of foreign securities in Chile. Two proposed regulations provide that only stock exchanges and stock brokers may sponsor the registration of foreign securities in the foreign securities registry. They also set forth the requirements and conditions that companies must comply with in order to sponsor the registration of foreign securities in the relevant registry, to be traded in the Chilean market (*i.e.* compliance with SVS's disclosure regulations). Likewise, they include a procedure for the cancellation of foreign securities from the registry.

Another new proposed amendment provides a new regulation for *qualified investors*, to participate in special securities markets. Finally, the last new regulation proposed establishes new conditions, proceedings and information concerning the trading of foreign stocks in Chilean markets.

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NEW LABOR COURTS AND PROCEEDINGS

Last March, a new labor law regulating special labor courts and proceedings entered into force. The purpose of these new provisions is to lighten the caseload of the current labor courts, shorten case duration, and thereby ensure efficient and timely administration of justice.

For such purposes, the number of labor judges has been doubled and some matters (particularly, social security collection cases) have been carved out from the labor courts' jurisdiction. The new labor courts will have specialized judges with more attributions and initiative and the new ordinary labor procedure will include public and oral hearings, the judge's direct contact with the parties and the evidence, and shorter terms. Finally, all tasks to be carried out by court personnel will be free of charge.

In addition, the following new labor procedures entered into force: a) an expedited procedure for contract termination claims involving amounts lower than eight Monthly Minimum Wages (approx. US\$2,600) and certain maternity privilege matters; b) a special relief procedure to protect basic worker rights (only those expressly established by law), when violated by the employer; and c) fines and administrative resolutions' claim procedure.

The new labor law entered gradually into effect in certain regions and is expected to be implemented in full force country-wide by October, 2009.

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◇ Uruguay

INVESTMENT LAW N° 16,906. NEW REGULATORY DECREE

Law 16,906, dated January 20, 1998 (hereinafter the "Law") declared the promotion and protection of investments made in national territory by national and foreign investors of national interest.

The Ministry of Economy and Finance (hereinafter "MEF") announced a new regulation of the Law, which main aspects shall be analysed below.

1. Objectives of the new regulation

The new regulation basically aims to the following objectives:

- To enlarge the beneficiaries basis
- To facilitate access to beneficiaries of small and medium sized companies
- To assign the benefits according to objective criteria, giving more benefits to those projects that generate a greater impact on the economy.
- To improve the control of the performance of the projects, to ensure a greater transparency of the promotion regime.

2. Beneficiaries

Companies whose investment projects or sector activity where they develop their affairs are declared promoted by the Executive Branch shall be beneficiaries of this promotion regime.

The rule provides for no limitation to the industrial

or agroindustrial sector, any type of activity being able to obtain promotion declaration.

3. Included investments

3.1. Definition of investment

An investment is defined by the new decree as the acquisition of the following assets, to be used as fixed or intangible asset:

- a) Personal property directly intended for the activity of the company (non-utilitary vehicles and real property intended for dwelling houses are excluded)
- b) Fixed improvements (excluding those intended for dwelling houses)
- c) Intangible property determined by the Executive Branch.

Although it does not derive from the decree, in the presentation of the new regime, the MEF anticipated that, as part of the investment project, investments made within six months before the request, may count.

3.2. Treatment of investments additional to those indicated in the original project.

In case a company makes investments additional to those originally projected, it may request the review of the benefits granted (in amounts as well as in terms).

4. Benefits

4.1. Detail of the benefits established by the rule.

According to what is established in the Law and the new Decree, the fiscal benefits that may be granted are those established by Decree Law 14,178 (known as Industrial Promotion Law)

Below we detail said benefits, with the scope that the MEF has granted it:

- Exemption from Equity Tax of: (i) personal property for all their useful life; and (ii) civil works for periods of 8 or 10 years, depending if they are works in Montevideo or in the inland of the country respectively.
- Exemption from tariffs and taxes on the import of property of non-competitive assets

- Exemption from VAT for the purchase of materials and services intended for civil works in the local market (law 14,178 deals with credit)

- Increased calculation of fees and salaries paid for technological development in priority areas. The calculation would be allowed to be made at one time and a half for the purpose of the deduction of expenses in IRIC or IRAE

- Economic Activities Income Tax (hereinafter "IRAE"). An exemption of up to 100% of the amount invested for a term that may vary between 3 and 25 years, as from the moment when the fiscal net income is obtained is established. The percentage and term of the exemption shall depend on the categorization of the investment project.

4.2. Criteria for the assignment of benefits.

One of the intentions of the new regulation of the Law lies in achieving a more objective weighing of projects at the time of granting the benefits. To do so, the benefits to be granted shall be related with the degree of effective compliance with the objectives of national policy set in the Investment Law.

Those objectives were ratified by this decree and are the following:

- Job generation
- Decentralization
- Increase of exports
- Increase of the national added value
- Use of clean technologies
- Increase of investigation, development and innovation (I + D + i)
- Impact of the project on the economy

The new Decree establishes that for the purpose of determining the benefits to be granted to each project, a matrix shall be made, where by means of awarding points to all the objectives referred to, based in a series of indicators, and its later weighing according to certain preset criteria, points are obtained.

Each matrix shall have a maximum possible point.

Finally, the benefit that a project shall obtain shall depend on the dimension of the project and the points that it has obtained by application of the matrix, re-

lated to the maximum possible points.

The only exception to this procedure shall be for small investment projects that shall be only evaluated based on the objectives of job generation and technological development, which may be considered individually or jointly.

5. Special situations

5.1. Tourism sector

The new regulation establishes that investment projects referred to hotels and tourism complexes may apply for the benefits established therein. It further adds that those investment projects obtaining points higher than 60% of the total possible points of the matrix for Big Projects - Section 2, may request the authorization for State Casinos to operate, when the viability of the projected investment is related to said authorization.

5.2. Economic groups

If a beneficiary company belongs to an economic group, the MEF shall perform additional controls. It shall control that the expected results of the project that gave rise to the granting of the benefits are not related to the results of contrary sign, originated in similar activities that are object of the benefit, developed by other member companies of the group. Should this be verified, they shall be sanctioned with the reliquidation of the benefits.

For the purpose of determining the linking criteria, the rules of the Central Bank of Uruguay regarding this matter shall apply.

6. Optional regime

Lastly, we want to point out that the companies that have submitted investment projects, or plan to submit them in the future, may choose between being subject to the prior regime or by the new regulation. This option may be exercised by those companies that present their investment projects between December 20, 2006 and February 28, 2009.

Even those companies that have presented their projects within the indicated term (after December, 2006) and that have already obtained the promotion declaration the date the new regulation becomes in force, may request the adaptation of the benefits that have been granted pursuant to the provisions of the new regime. Therefore, they must submit a note before the

Application Commission and the documents that it requires for the purpose of evaluating the request.

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STRANGER LAWYER DESTINATION: SAO PAULO

This Issue: Sao Paulo, Brazil.

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NOTE: The ABA International Section will be hosting "Challenges for Foreign Investment in Latin America" Conference right here in Sao Paulo May 8-9, 2008.

São Paulo, the Rainy City ("Terra da Garoa"), is the largest and most populous city in the Americas, where people purportedly do nothing but work, but where culture, entertainment and gastronomic pleasures are full of surprises and superlatives.

After more than 450 years of existence, about 100 different [ethnic groups](#) coexist harmoniously in São Paulo. The inhabitants, called 'Paulistanos', form an incomparable cultural melting-pot fueled by a rich diversity of traditions, religions and customs of the immigrants who have made São Paulo their home. It is from this mix that São Paulo keeps putting on new faces, becoming ever more interesting and unique. "Sampa" (a famous nickname for the city) holds the largest Italian and Japanese population outside Italy and Japan, respectively. For instance, São Paulo's 6 million people of Italian descent outnumber even Milan and Rome.

Other curiosities of this great metropolis include the fact that, despite the economic profile of Brazil, São Paulo has the second largest concentration of helicopters in the world, just behind New York City. It is either the main or one of the principal markets in the world for luxury products. Every day, 500 babies are born and 800 cars are registered in São Paulo.

The downtown area of Sao Paulo has recently been spruced up. For Brazilian art, head to the *Pinacoteca do Estado* (State Art Gallery), at Praça da Luz, a gorgeously restored museum that features some of the country's best artists from the 19th Century through contemporary age. *Estação Julio Prestes*, where *Sala São Paulo* is located, is one of the most modern and well-equipped concert halls in the world. Another fascinating and tasty choice, worthy of a visit in the downtown area, is the *Mercado Municipal* (Municipal

Market), or "*Mercadão*", as it is widely known. This market, located in a building which is a good representation of the architecture from the coffee boom period, is the only place in the city where it is possible to find all types of fruit, regardless of the time of year.

Some say that Sao Paulo's restaurants are like Rio de Janeiro's beaches -the main attraction. Picking a fine restaurant is like finding hay in a haystack. Perhaps the best and most sophisticated restaurants are found in the *Jardins* and *Itaim* areas.

In *Jardins*, around *Oscar Freire Street*, besides the charming coffee shops and the glamorous stores, you will find some of the best restaurants in the city. *Figueira Rubayat* is one of the best choices if you are looking for a pleasant environment (glass ceiling, surrounding a huge and beautiful 130 year-old tree) with good steaks and the largest variety of world-class wines in Brazil. Some of the fanciest restaurants in the city are located here -*Fasano*, *Gero*, *A Bela Sintra* and *D.O.M.*

In the *Itaim* area, which also offers all kinds of restaurants, bars and coffee shops (try the brand new *Oscar Café*), there is the special Amauri Street with restaurants along both sides, ranging from Italian, French and Japanese, to Portuguese, Thai and contemporary cuisine. For high-class, try *Parigi*, *La Tambouille* and *Magari*. When dining in the downtown area, the *Terraço Italia* must be mentioned. This restaurant, with over 40 years of tradition, offers one of the best views of the city from atop the tallest building in Sao Paolo.

At night, the hard part is choosing from a great variety of noble options, ranging from "happy hours" (*Mercearia São Roque* or *São Bento* in the *Itaim* area, or the Bohemian *Vila Madalena* neighborhood), to more stylish bar/restaurants with great music such as *Allucci Allucci*, *Sky Bar* (located at the top of the 5-star hotel *Unique*), *Le Roi* or *Di Bistrot*. For jazz, there is the traditional and fancy Baretto Bar inside the *Fasano* Hotel. Another traditional place for jazz and blues music, which has already received notable artists such as B.B. King, Buddy Guy and Ray Charles, is the *Bourbon Street Music Club*. You will find live music in pubs around the city, such as the *All Black Irish Pub* (*Jardins* area) or *Kia Ora* (*Itaim* area).

For dancing, the best options would be *Museum Dining Art* (recently renovated and with 12 meter ceilings); *Café de La Musique*, which also operates as a restaurant; the *Disco*, a local club; as well as international nightclubs such as *Mynt*, from Miami, or *Pacha*, from Ibiza. Note that all these places often host the top 10 DJs of the world, and are normally the destination of the beautiful people.

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