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Brazilian Government enacts Provisional Measure 449

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The Brazilian Government enacted on December 4, 2008, the Provisional Measure (*Medida Provisória*) 449, introducing a bail-out (a facilitated installment payment program plus an official pardon) related to small tax debts and a few changes in the federal fiscal and corporate legislation.

Among the main features released, it is important to highlight the Transition Tax Regime (*Regime Tributário de Transição – RTT*) for purposes of calculation of the corporate income tax under the actual profit method. The *RTT* deals with the fiscal adjustments derived from the new methods and criteria introduced by Law 11,638 on December 28, 2007, and by articles 36 and 37 of Provisional Measure 449. This is related to the fact that Brazil is moving towards IFRS. The *RTT* will be elective in the years of 2008 and 2009 and, in principle, will be in force until another law dealing with the same issues is published.

Another relevant feature of the aforementioned Provisional Measure, regarding the administrative fiscal process, is the unification of the Taxpayers' Council (*Conselho de Contribuintes*) and the Fiscal Appeals Superior Chamber (*Câmara Superior de Recursos Fiscais*) into one institution. This new administrative court, named Fiscal Appeals Administrative Council (*Conselho Administrativo de Recursos Fiscais*), is part of the body of the Ministry of Finance and has jurisdiction to decide over administrative appeals related to the applicability of the legislation in connection with taxes administered by the Brazilian Federal Revenue Bureau (*Secretaria da Receita Federal do Brasil*).

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