

# Aspects of Import Process of Capital Goods in Brazil

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**UK Consulate Briefing - Trade Mission from CEA –  
Construction Equipment Association**

August 08, 2011



# ABIMEI

## Brazilian Association of Importers of Industrial Machines & Equipment

- Established in 2003
- 84 associated members



# **ABIMEI's Mission**

**To increase the competitiveness of imported machines and equipment and to create new business opportunities**

- Representation before government authorities
- Assistance for members & their customers in relation to import processes, fiscal requirements & customs difficulties
- Reliable statistical database of Brazilian market information



# ABIMEI's Responsibilities

- To improve the image for imported machines & equipment thorough the media & market
- To provide “Quality” & “After Sales Warranty” seals of approval for products offered by associated members
- To recommend best practices in the acquisition of imported machines & equipment

# ABIMEI's Member Profile

- Foreign Manufacturers
- Distributors
  - Resellers or dealers
    - small & medium sized companies
  - Commissioning agents:
    - high value-added machines
    - Importer is the end user
- Domestic Manufacturers
  - Usually also belong to ABIMAQ
- Service Providers
  - Logistics & import consultancies

# Difficulties Experienced by Importers

- Very high import expenses over FOB or CIF value
- Impact of sea-freight in the import expenses calculation
  - Large and/or heavy machinery
  - Need of special containers
- II : Import Duty
  - 14% for most capital goods
  - Exceptions: 2%
  - Evaluation by Government's Ministry of Development, Industry and Commerce (MDIC) through Abimaq

# Difficulties Experienced by Importers

- IPI : Industrial Products Tax (Federal)
  - Currently zero for domestic & imported machines
- ICMS : Tax of Circulation of Merchandise and Services (≈ VAT)
  - Different for each state in Brazil
  - Varies from 12% up to 18% - In the State of São Paulo, it is currently 8.8% due to a special reduction on the basis of calculation.
- PIS & Cofins : Federal taxes
  - Currently PIS is 1.65% & Cofins 7.60%

# Difficulties Experienced by Importers

- Port expenses
  - Cost of around 25% over sea-freight
- Handling & warehouse fees
- Broker used for customs clearance
  - Broker's Union flat fee: around US\$ 200
- Wire expenses: always officially through Central Bank
- **Complexity of import expense calculation**

# Import Expenses Calculation for Capital Goods - Brazil

US\$

FOB Port of Dispatch	-	100.000,00
Sea freight	2 - 3% on FOB	2.000,00
Insurance	0,5% on FOB	500,00
 C I F		 102.500,00

## Import Expenses

Wire expenses	0,5% FOB	500,00
II (Import tax)	14% CIF	14.350,00 *
IPI (Federal tax)		0,00 *
PIS (Federal tax)	1,65%	2.153,35 *
Cofins (Federal tax)	7,60%	9.918,45 *
ICMS (similar to VAT)	12%(CIF + II + IPI)	15.934,09 *
Port expenses	25% over sea freight	500,00
Handling & warehouse fees	1,0% CIF	1.025,00
Warehouse (Bonded area) - 10 days	0,7% CIF	717,50
Broker's expenses	1,0% CIF	1.025,00
Broker's Union (flat fee)		200,00
 <b>TOTAL ESTIMATED COSTS -----</b>		 <b>148.823,39</b>
<b>Estimated costs / FOB amount</b>		<b>1,49</b>
<b>Estimated costs / CIF amount</b>		<b>1,45</b>

(\*) All taxes to be paid before Customs clearance process.

# When the Distributor is the Importer

- Usually the import process will be based on the net price (no profit margins)
- Additional taxes of around 10% to be considered over the invoiced selling price
  - Difference of ICMS
  - PIS + Cofins
- Addition of profit margin: from 10% up to 30%
- Additional handling & administrative costs

## Remarks & Conclusions

- Playing by the rules: legal way of importing
- Small & medium sized companies prefer not to get involved in the import process, even with paying higher costs
- Very favorable exchange rate: US\$ 1.00 = R\$ 1.55
- Market situation: supply & demand – new industrial policy presented recently by Brazilian Government
- Uncertainty due to the current situation of worldwide economy: USA & Europe