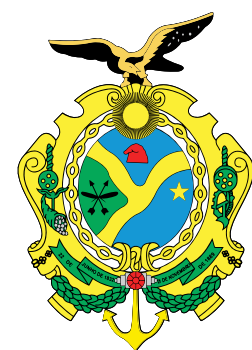


Manaus Free Trade Zone Tax Incentive Guide

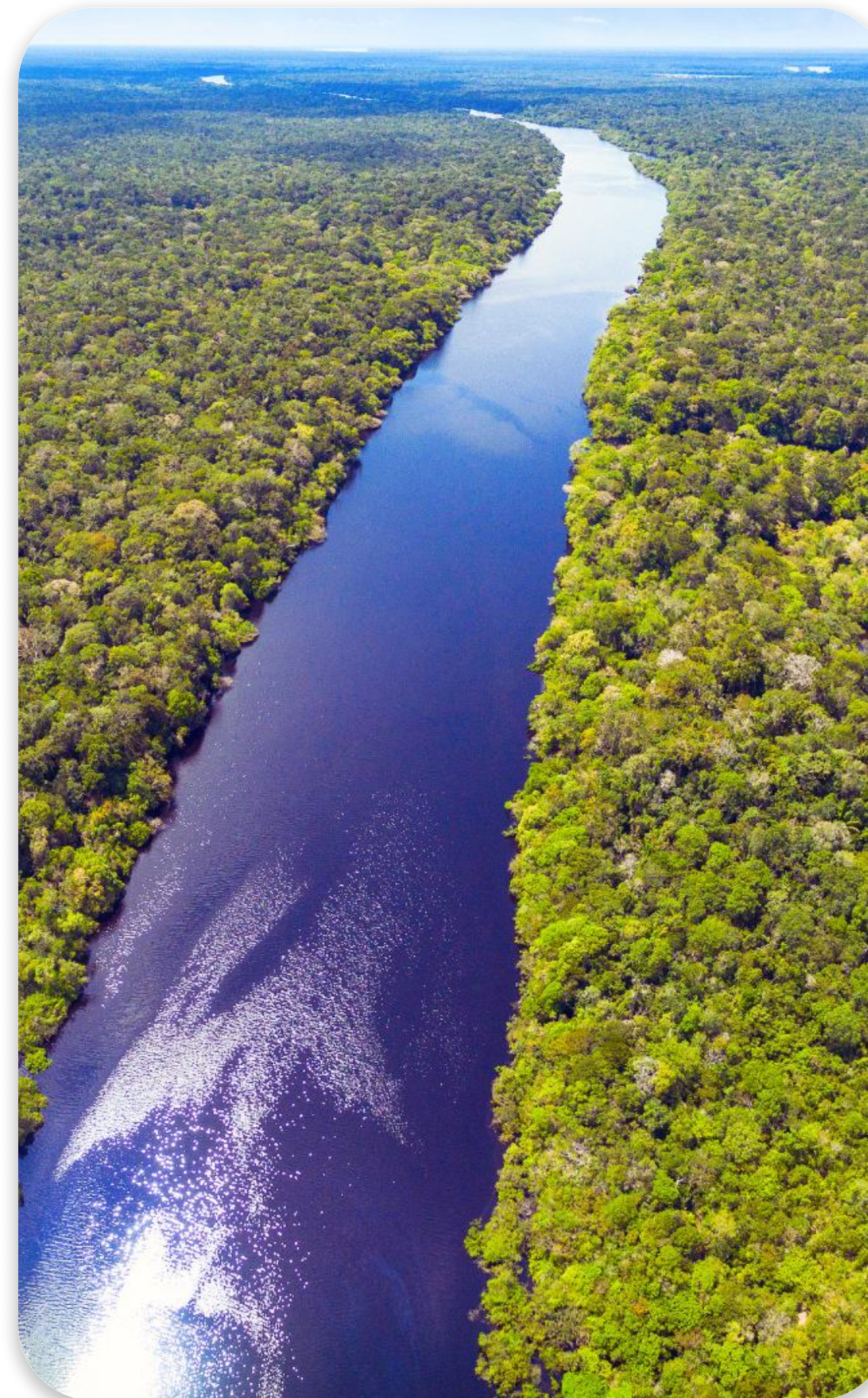
The tax incentives of the Manaus Free Trade Zone constitute a set of fiscal measures aimed at promoting economic and industrial development within the region.

Secretaria de
**Desenvolvimento
Econômico, Ciência,
Tecnologia e Inovação**



AMAZONAS
GOVERNO DO ESTADO

TRABALHO QUE TRANSFORMA





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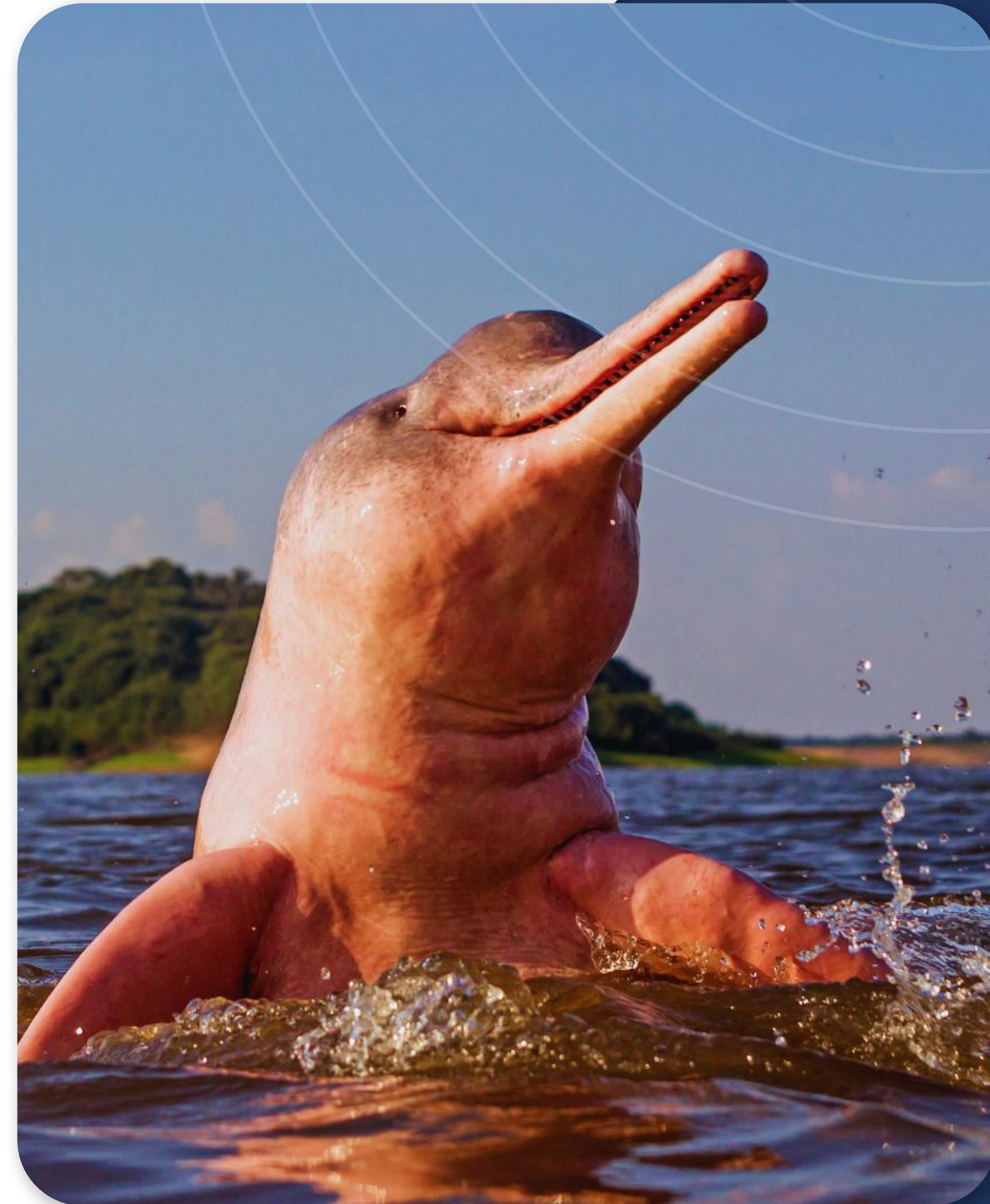
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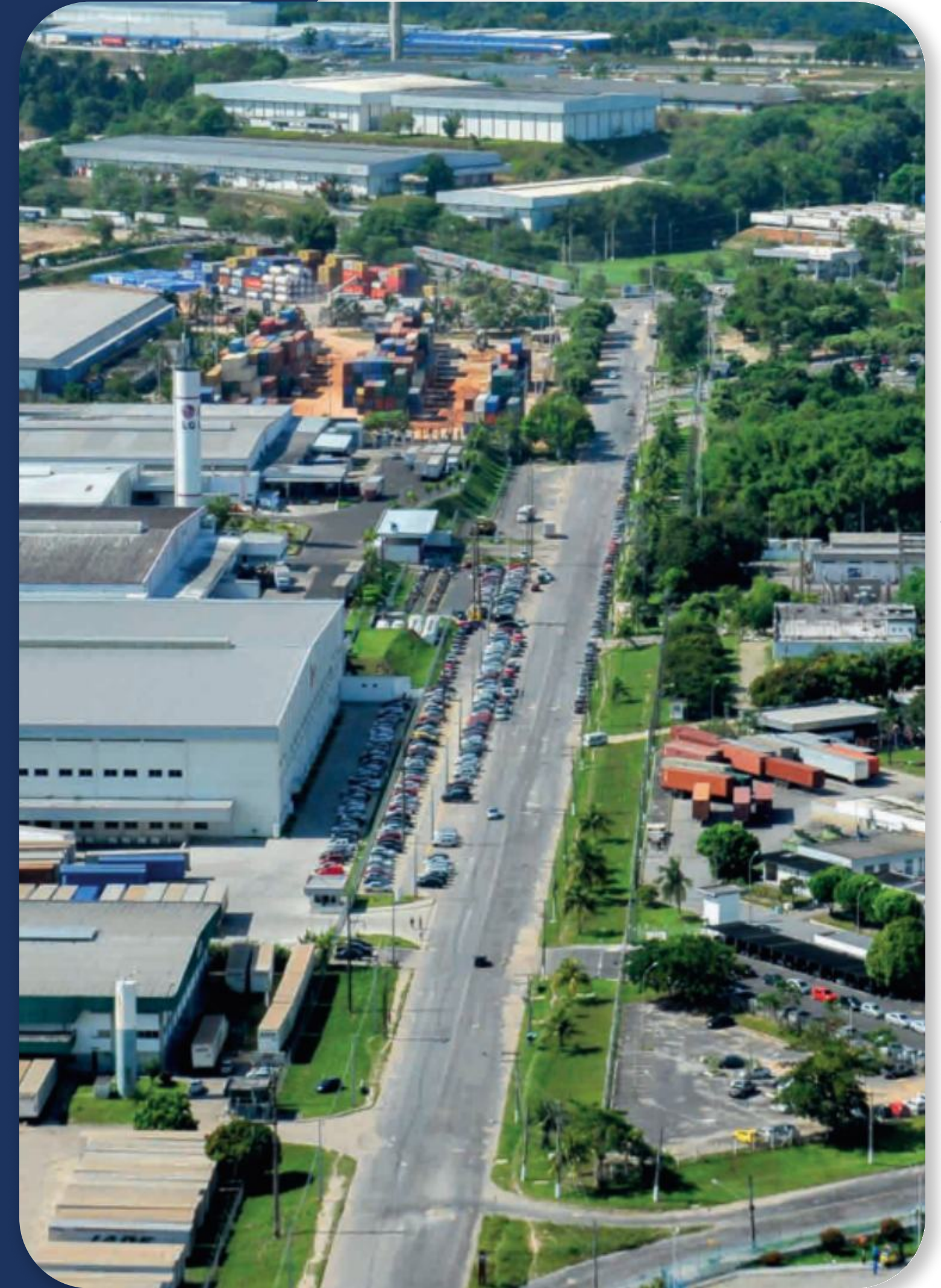
MANAUS FREE TRADE ZONE: THE RIGHT PLACE FOR GOOD BUSINESS

As a reference model in high-tech industrial parks, the Manaus Free Trade Zone (ZFM) has, in over 50 years of operation, established a grand project integrating the development of the Amazon with job creation and income generation, alongside improvements in infrastructure and logistics in the region.

The largest industrial hub in northern Brazil offers investors what no other production center can guarantee: legal security and clear investment regulations. The provision of tax incentives is safeguarded by our Federal Constitution of 1988, which ensures a unique competitive advantage over other regions and protects against potential challenges to its legitimacy.

With over 500 fully operational companies, the Manaus Industrial Pole spans several sectors, including electronics, two-wheel vehicles, chemicals, metallurgy, mechanical engineering, and optics. This hub produces a wide range of products such as televisions, cell phones, motorcycles, watches, soft drink concentrates, and air conditioners.

As the most successful regional development strategy in the country, the ZFM also extends its influence to the states of Acre, Rondônia, and Roraima, as well as to the cities of Macapá and Santana in Amapá, where development projects are implemented in conjunction with environmental protection initiatives.



Manaus Industrial Hub - PIM. Photo: Alfredo Fernandes/Sedecti

Northern Metropolis, Manaus is a vibrant economic center

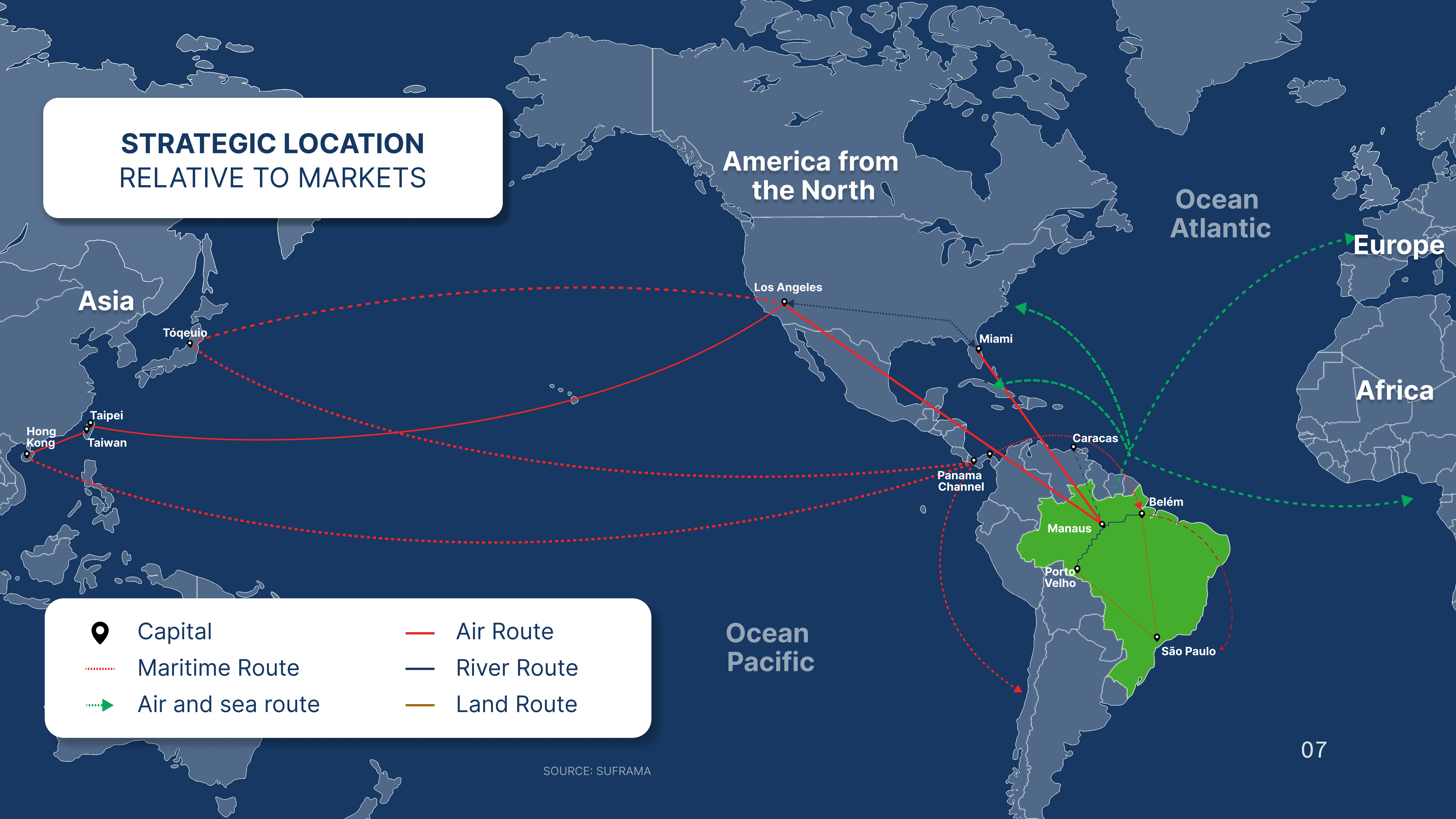
Manaus, situated in a prime location at the geographic center of the Amazon, is a dynamic economic hub. With a population of over 2.2 million, the city is home to the Manaus Free Trade Zone and stands as the principal financial, corporate, and economic center of northern Brazil..

As a historic port city and the capital of the State of Amazonas, Manaus ranks as the 8th largest municipality contributing to the country's Gross Domestic Product (GDP) and is among the top 10 domestic tourism destinations. Its strategic position on the banks of the Amazon River facilitates access to markets across the Americas and key pan-Amazonian financial and production centers via water transport..

Manaus hosts significant educational and research institutions, including the century-old Federal University of Amazonas (UFAM), the State University of Amazonas (UEA), and the renowned National Institute for Amazon Research (INPA). These institutions, supported by the National Service for Industrial Learning (SENAI) and the Social Service for Industry (SESI), play a crucial role in labor qualification and the development of production chains with certified quality.

The city boasts a diverse array of accommodations, including urban and jungle hotels, a modern international airport, and bustling shopping centers offering a wide range of products and services. Additionally, Manaus is known for its appealing regional cuisine.

STRATEGIC LOCATION RELATIVE TO MARKETS



 Capital	 Air Route
 Maritime Route	 River Route
 Air and sea route	 Land Route

SOURCE: SUFRAMA

MINERAL WEALTH A SIGNIFICANT ASSET OF THE STATE

The Amazon region is endowed with world-class deposits of tin, potassium, niobium, and aluminum. The vast expanse of the state, combined with its diverse geological environments, results in significant reserves and production of gas, oil, gold, titanium, tantalite, phosphate, kaolin, amethyst, manganese, and iron.

The production of tin, gold, tantalite, oil, clay, and gas is already established. Recently identified gas reserves in areas near the capital are set to provide a stable and cost-effective supply of electricity, offering competitive prices for consumption in the Industrial Pole.



A LEGACY OF NATURAL RESOURCES

The state of Amazonas possesses an invaluable legacy of biodiversity, mineral wealth, and water resources. Technical and scientific studies¹ conducted by esteemed academic and research institutions have underscored the significance of the Manaus Free Trade Zone (ZFM) economic model in preserving biodiversity at every level of its living structure—ranging from genes to species and ecosystems.

¹ *Rivas, Alexandre et al. Economic Instruments for Protecting the Amazon: The Experience of the Manaus Industrial Hub. Curitiba: Ed. CRV, 2009.*

A NETWORK OF TAX INCENTIVES THAT MAKES ALL THE DIFFERENCE

Entrepreneurs who choose the Manaus Free Trade Zone (ZFM) benefit from a comprehensive network of state and federal tax incentives, offering a significant competitive advantage, particularly in the importation of inputs and capital goods.

The stability of these business regulations, safeguarded by constitutional guarantees, enhances investment planning and contributes to the predictability of expected returns.

FEDERAL INCENTIVES

In summary, federal incentives encompass:

Regarding Import Tax (II):

- 1 a. Exemption on the importation of goods for domestic consumption, industrialization of any degree - including processing, agriculture, fishing, installation and operation of industry and services of any nature - as well as storage intended re-export;
- b. Reduction of the tax due on the exit of industrialized products from the Manaus Free Trade Zone (ZFM) to any location within the national territory. This applies to raw materials, intermediate products, secondary and packaging materials, components, and other foreign-origin inputs, proportionate to the costs of labor and domestic inputs, particularly for IT goods. For other industrialized products, a reduction of up to 88% is available, provided they meet the required level of local industrialization compatible with the Basic Production Process (PPB).

Regarding the Tax on Industrialized Products (IPI):

- 2 a. Suspension, converted into an exemption, from the tax on foreign products imported by the Manaus Free Trade Zone (ZFM) for domestic consumption or use in the industrialization of other products, in fishing and agriculture, as well as in the establishment and operation of industries and services of any nature, or for storage intended for export abroad;
- b. Exemption from the tax on national products brought into the ZFM for consumption, use, industrialization, or for distribution through their warehouses to the Western Amazon region;
- c. Exemption for products manufactured within the ZFM, for establishments with projects approved by the Board of Administration of SUFRAMA (CAS), intended for sale at any other location within the national territory, provided they comply with the Basic Production Process (PPB).

Regarding the Social Contributions of the Social Integration and Employee Asset Formation Program (PIS/PASEP) and the Social Contribution for Social Security Financing (COFINS):

- 3**
- a. Suspension of the requirement on imports of raw materials, intermediate products and packaging materials used in the industrialization process, in accordance with the project approved by the SUFRAMA Board of Directors (CAS);
 - b. Reduction to 0% of the rates levied on revenues from the sale of raw materials, intermediate products, and packaging materials produced within the Manaus Free Trade Zone (ZFM) for use in the industrialization process by industrial establishments located there, in accordance with the project approved by CAS;
 - c. Differentiated rates with a reduction of approximately 60% in the applicable rate (0.65% for PIS and 3% for COFINS) levied on the gross revenue earned by an industrial legal entity from the sale of its own production, in accordance with the project approved by CAS.

Regarding Corporate Income Tax (IRPJ):

- 4**
- a. A 75% reduction in income tax and additional taxes calculated based on operational profit, for legal entities that have a project registered and approved by December 31, 2028, for installation, expansion, modernization, or diversification within sectors of the economy deemed priorities for regional development by the Amazon Development Superintendency (Sudam).
 - b. Reinvestment of 30% of the tax due until December 31, 2028, for the modernization or enhancement of equipment in projects identified as priorities for regional development.

Regarding the Additional Freight for the Renewal of the Merchant Marine (AFRMM):

- 5**
- a. There is no impact on river and lake navigation, except for liquid bulk cargo, transported within the North and Northeast Regions.

It is important to note that benefiting from the above incentives is contingent upon project approval by the CAS and the Sudam Deliberative Council (CONDEL).

STATE INCENTIVES

Regarding state taxes, the rules are outlined in the tax incentive policy of the State of Amazonas as provided by Law No. 2,826 of 2003 and regulated by Decree No. 23,994 of 2003. These regulations adhere to the principles established by the Federal Constitution of 1988, the Constitution of the State of Amazonas, and federal legislation.

The benefits include exemptions, reductions in the tax base, and deferrals (extensions of the payment period) for ICMS levied on both the acquisition of inputs and the sale of finished products.

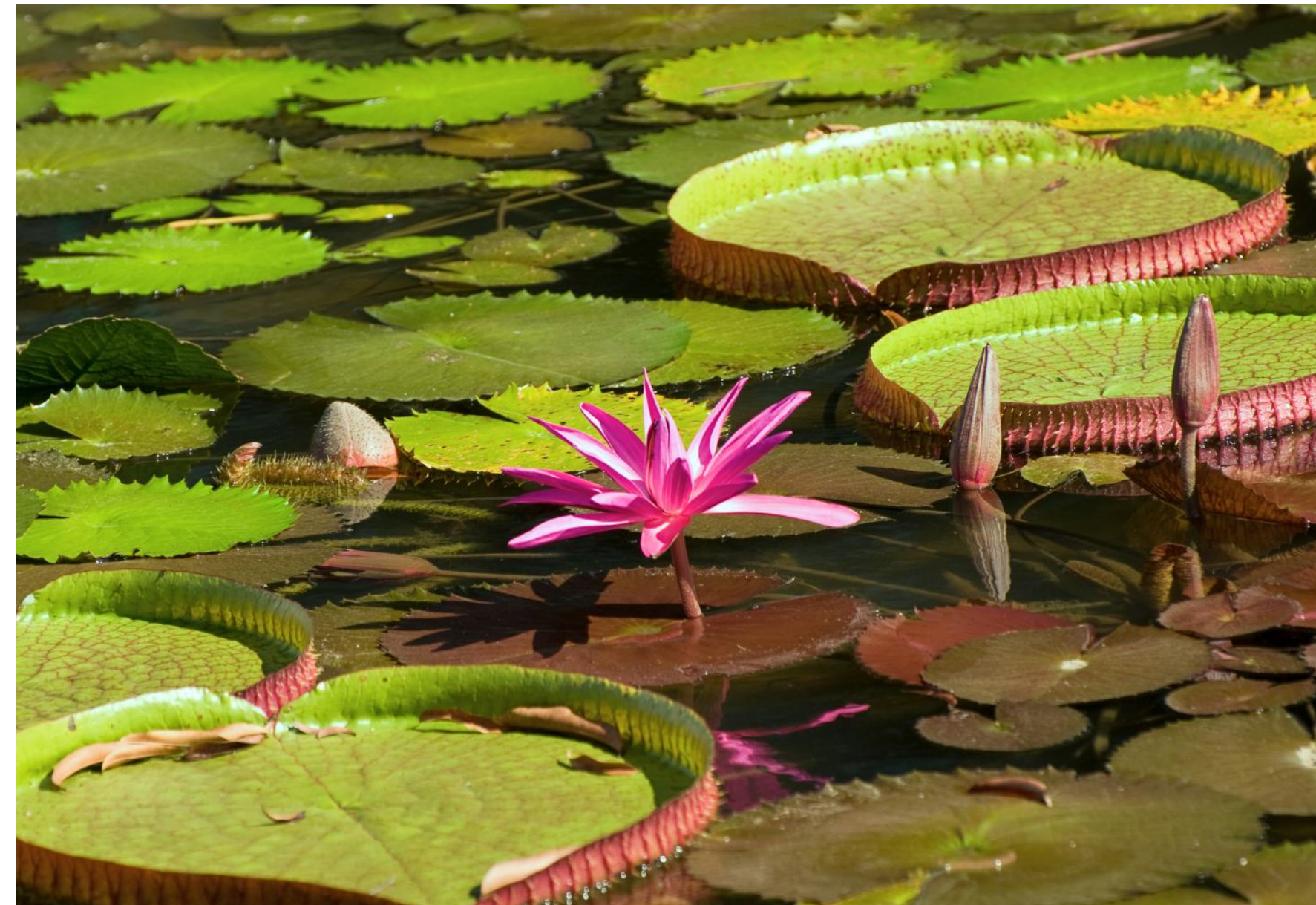
These incentives strengthen production chains by encouraging the production of intermediate goods—less complex industrial components that contribute to the final product's production. This leads to reduced production costs and more efficient utilization of labor and resources.

The main state incentives include:

- 1 | **Crédito estímulo do ICMS:** esse crédito reduz o valor do imposto a pagar que, a depender do bem, pode variar de 55% a 100%, sendo este incentivo dado por produto;
- 2 | **Tax Deferral:** This applies to the importation of raw materials and secondary materials from abroad, as well as the exit of intermediate goods used as inputs for other incentivized industries within the State of Amazonas.
- 3 | **Exemption from Tax on Machinery and Equipment:** This applies to the acquisition of machinery and equipment directly used in the production process.
- 4 | **Reduction in ICMS Calculation Base:** This applies to imports of raw materials and secondary materials from abroad, with reductions ranging from 55% to 64.5%.

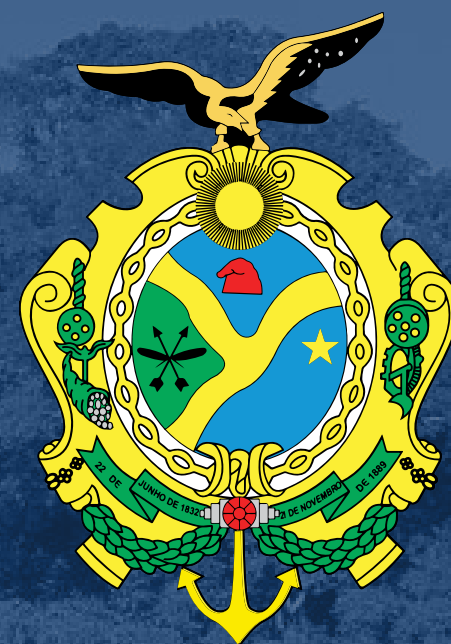
FERTILE GROUND FOR LARGE INVESTMENTS

The Manaus Free Trade Zone (ZFM) provides the most favorable conditions for the success of productive initiatives, including legal security, stability, and environmental respect. It offers these advantages to all those who, like the people of the Amazon, seek to establish sustainability and thrive in the world's largest rainforest.



Fonte: Andbeyond

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