

INCOMING TELEGRAM *Department of State*

FN 16 BRAZ

43

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XR FN 5 BRAZ

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*Rec'd 6962
1/6/67*

LIMITED OFFICIAL USE RIO DE JANEIRO6962

1. PRESIDENT CASELLO BRANCO ISSUED JANUARY 4 DECREE LAA EFFECTIVE JANUARY 1 MODIFYING SEVERAL BRAZILIAN TAX LAWS WITH AIM IMPROVING TAX PAYER COMPLIANCE.
2. IMPORTANT PROVISION NEW DECREE IS REVOCATION OF FINES AND PUNISHMENTS FOR FAILURE DECLARE ASSETS HELD ABROAD. DATE FOR DECLARATION OF ASSETS IS ALSO EXTENDED TO APRIL 30, 1967. THIS PROVISION REVOKES REQUIREMENT TO RETURN TO BRAZIL 70 PERCENT OF FOREIGN HELD ASSETS, WHICH MAJOR CONCERN U.S. BUSINESS COMMUNITY IN CONNECTION BILATERAL TAX NEGOTIATIONS. SEE EMBASSY A-1115. "ESTADO DE SAO PAULO" ALSO INTERPRETED THIS TO APPLY TO INVESTORS OVERSEAS SERVICE CLIENTS WHO DECLARE THEIR ASSETS PRIOR APRIL 30.

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3. DECREE ELIMINATES CAPITAL GAINS TAX ON REAL ESTATE TRANSACTIONS BETWEEN PHYSICAL PERSONS, BUT RETAINS TAX FOR FIRMS AND PERSONS OFFICIALLY ENGAGED REAL ESTATE BUSINESS. EDUARDO LOPES RODRIGUES, DIRECTORY GENERAL FINANCE MINISTRY, STATED THIS PROVISION TAKEN TO ELIMINATE WIDESPREAD PRACTICE UNDERSTATING SALES PRICES IN REAL ESTATE TRANSACTIONS, THUS BRINGING THEM "ABOVE BOARD".

4. PROVISION IN DECREE ALSO PROVIDES OPPORTUNITY FOR STATES TO FLOAT BOND ISSUES WITHOUT FEDERAL GOVERNMENT APPROVAL. RODRIGUES ADVISED THAT THIS PROVISION TAKEN AT REQUEST STATE SAO HAULO, WILL HAVE TO BE REVISED.

5. AIRGRAM FOLLOWS. RAINE

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