27.04.18

MEMORANDUM

Brazilian Income Tax Regulations
(Decree 3.000, of 26th. March, 1999

Article 174. Non-profit charity, recreational, cultural and scientific institutions, and civil associations which render the services they have been set up for and make them available to the persons they are intended for are tax free.

Paragraph 1. The above mentioned exemption is limited to Corporate Income Tax, subject to compliance with the following Paragraph.

Paragraph 2. Earnings from capital gains earned from fixed or variable income financial investments are not comprised by the tax exemption.

Paragraph 3. The provisions of **Paragraphs 2** and **3**, **(i)** to **(v)**, of **Article 170** will apply.

Article 170. Non-profit educational and social assistance institutions are not subject to (corporate) income tax.

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Paragraph 2. An entity will be deemed to be non-profit whenever it does not show a surplus in its accounts or, on the event it does in any given fiscal year, it directs the full amount of its result to the maintenance and development of its corporate objectives.

Paragraph 3. For the sike of enjoyment of the exemption, the institutions mentioned under this **Article 170** are required to comply with the following requirements:

(i) Not to remunerate its officers in any manner for their services rendered;

(ii) To invest the full amount of its (financial) resources in the maintenance and development of its corporate objects;

(iii) To keep complete accounting records of its income and expenses in books in accordance with the applicable formalities which assure their respective accuracy;

(iv) To keep in good order for a 5 (five) year term from the date of issue the documents evidencing the origin of its income and the effectiveness of its expenses, as well as the performance of any and all other acts or operations which may change its equity position on a later date;

(v) To deliver annually its Income Tax Report in compliance with the provisions established by the Federal Revenue Secretariat;

(vi) To pay the withholding taxes due on any earnings paid or credited and the Social Security contribution with regard to its employees, as well as to perform all arising accessory tax obligations;