


With the legal battle won, the
priority is tax reform

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WLY 2024



The year 2022 was marked by a historic achievement for Brazilian leasing and by positive expectations regarding economic development. After more than 20 years of disputes in the courts, the Federal Supreme Court (STF), the highest instance of the Judiciary in the country, gave a favorable outcome to the thesis defended by the leasing sector, thus recovering the legal security necessary for the sector to work with predictability.

The STF considered that the Tax on Services (ISS), which is levied on leasing operations, must be paid at the place where the company's headquarters are located, as the leasing market has always defended over the last two decades.


Since 2000, when legal questions began involving the location of ISS collection, leasing activities in the country have been losing steam. The portfolio's balance, which already reached R\$110 billion in 2009, equivalent to 3.5% of GDP, ended 2022 with a share of 0.19% of GDP. The Present Value of the Portfolio (VPC) reached BRL 15.2 billion, up 9.49% compared to December 2021.



Among the most leased assets are machinery and equipment, responsible for 47.11% of the total portfolio; aircraft, with 27.98%; Computer equipment, 11.50% and other types of goods, with 13.41% of the total portfolio.

Once this battle is won, the market's attention is turned to the macroeconomic scenario. With a more favorable political environment, economic agents hope that the government will be able to carry out the much-desired Tax Reform that will simplify the country's tax collection process. The complexity of the fiscal framework has been an obstacle to economic and social development.


The Tax Reform proposal is being discussed in the National Congress and is expected to be approved in the second half of 2023, aligning Brazil with the absolute majority of countries that already adopt the Value Added Tax (VAT).



The replacement of IPI, PIS, Confins, ICMS and ISS by a single tax is the way to pursue the long-awaited sustainable economic growth. According to a study by the Ministry of Finance, with the Tax Reform, the Gross Domestic Product (GDP) will increase by 20% every 15 years, which means that each Brazilian will be 20% richer on average, which means national income growth.

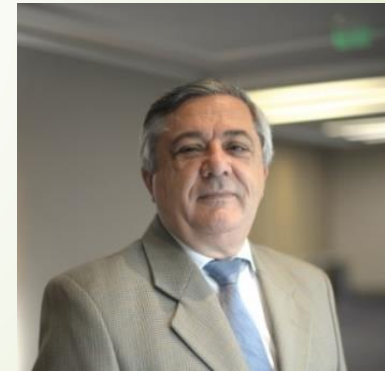
The end of the distortions of the current Brazilian tax system, among them, cumulativeness, cost of investments, tax bureaucracy will have a multiplier effect on the economy, with real gains in productivity. Government data show that tax disputes are equivalent to 75% of GDP, which shows how harmful and detrimental to development our tax model is. With the end of tax accumulation alone, the country's potential GDP is able to grow 4%.

Updating the national tax model will bring more security to companies to make investments and compete in fairer conditions in the global market. With the end of legal uncertainty and the expected recovery of economic activity, leasing may once again become a competitive credit instrument. It is a complete product, which meets all the conditions to be a provider of long-term funding to industry, small and medium-sized companies, providing machinery and equipment for use in production activities.



The Tax Reform is the opportunity to establish a favorable environment for reducing the banking spread (always seen as high), given the significant effect of the tax burden on its composition, so that the national financial system can contribute more and more to increase credit in the country, providing conditions to accelerate economic growth.

Brazil needs an economic policy that favors long-term structural growth, the necessary legal security, and a new tax system that can promote the rearrangement of priorities, seeking efficiency and equity among our economy's entities.



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Present Portfolio Value - Top lessors in 2022

POSITION	COMPANY	TOTAL US\$	CONTRACTS	SHARE %
1	Bradesco Leasing S/A Arrendamento Mercantil	615.940.384	3.752	21,22
2	Santander Leasing S/A Arrendamento Mercantil	546.193.745	4.732	18,82
3	Banco IBM S/A	479.014.708	149	16,50
4	Daycoval Leasing - Banco Múltiplo S/A	469.998.726	4.096	16,19
5	HP Financial Services Arrendamento Mercantil S/A	318.397.470	5.212	10,97
6	Alfa Arrendamento Mercantil S/A	134.500.676	430	4,63
7	Banco de Lage Landen Brasil S/A	120.596.792	1.191	4,16
8	Banco Bradesco Financiamentos S/A	65.879.915	37.738	2,27
9	BB Leasing S/A Arrendamento Mercantil	63.949.125	495	2,20
10	SG Equipment Finance S.A. Arrendamento Mercantil	35.854.611	245	1,24
11	CCB Brasil Arrendamento Mercantil S/A	22.293.777	108	0,77
12	Banco Itaucard S/A	15.033.658	8.267	0,52
13	Banco RCI Brasil S/A	11.051.798	6.294	0,38
14	Banco Citibank S/A	2.148.181	141	0,07
15	Banco Toyota do Brasil S/A	1.458.783	76	0,05
Total		2.902.312.350	72.926	100,00

Source : Abel - Brazilian Association of Leasing Companies.

New investments -Top lessors in 2022

POSITION	COMPANY	TOTAL(US\$)	CONTRACTS	SHARE%
1	Bradesco Leasing S/A Arrendamento Mercantil	259.684.170	782	19,71%
2	Santander Leasing S/A Arrendamento Mercantil	250.476.390	1.106	19,01%
3	Daycoval Leasing - Banco Múltiplo S.A	241.698.729	1.098	18,34%
4	Banco IBM S/A	185.359.113	12	14,07%
5	HP Financial Services Arrendamento Mercantil S/A	167.090.155	1.617	12,68%
6	Banco de Lage Landen Brasil S/A	59.753.405	294	4,53%
7	Alfa Arrendamento Mercantil S/A	48.422.144	121	3,67%
8	BB Leasing S/A - Arrendamento Mercantil	46.529.311	207	3,53%
9	Banco Bradesco Financiamentos S/A	28.626.981	419	2,17%
10	CCB Brasil Arrendamento Mercantil S.A	15.780.093	36	1,20%
11	SG Equipment Finance S.A. Arrendamento Mercantil	13.988.203	35	1,06%
12	Banco Toyota do Brasil S/A	264.230	5	0,02%
13	Banco Citibank S/A	0	0	0,00%
14	Banco Itaucard S/A	0	0	0,00%
15	Banco RCI Brasil S/A	0	0	0,00%
Total		1.317.672.923	5.732	100,00

Source: Abel - Brazilian Association of Leasing Companies

Equipment leased (US\$ M)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Vehicles and related	17.283	10.862	4.810	3.067	1.572	1.365	1.088	757	749	376	247	297
Machinery and equipment	6.310	5.869	5.275	3.407	1.972	1.772	1.496	1.170	1.376	1.128	1.252	1.421
Aircraft	578	660	854	895	569	498	506	400	545	511	735	843
Computer equipment	1.036	1.175	686	405	276	307	384	287	259	229	267	347
Installations	89	72	51	69	40	37	15	31	32	23	18	9
Furniture	89	67	58	56	29	28	27	18	17	14	12	12
Ships	58	53	61	75	46	40	45	25	15	10	3	2
Real estate	59	84	40	28	21	20	17	6	5	3	2	7
Others	43	45	18	98	107	130	103	44	21	8	6	4
Total	25.545	18.887	11.853	8.100	4.632	4.197	3.681	2.738	3.019	2.302	2.542	2.942

Source: Abel - Brazilian Association of Leasing Companies

Collectible leases per sector 2011-2022 (US\$ M)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Individuals	20.007	9.779	4.855	1.949	684	625	452	337	297	139	106	143
Services	6.759	5.802	5.138	5.353	3.236	3.043	2.568	2.029	2.006	1.441	1.566	2.077
Commerce	2.043	1.740	1.237	1.065	593	607	618	597	568	375	461	831
Industry	3.354	2.610	2.060	1.751	921	810	673	632	525	417	471	763
Government	97	158	76	167	126	109	79	50	31	12	8	322
Others	1.237	978	490	468	157	108	70	70	83	79	135	146
Total	33.497	21.067	13.856	10.753	5.717	5.302	4.460	3.715	3.510	2.463	2.747	4.282

Source: Abel - Brazilian Association of Leasing Companies