



SANTA CATARINA STATE
State Secretary of Sustainable Economic Development

PRODEC

**PROGRAM OF DEVELOPMENT FOR
COMPANIES OF SANTA CATARINA STATE**

CLEAR UP YOUR DOUBTS

SANTA CATARINA STATE GOVERNMENT

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Florianópolis, January, 2015

Presentation

The Sustainable Development Secretary in the scope of its abilities encompasses a manager function of the "Program of Development for Santa Catarina State Companies - PRODEC", as a mechanism for the attraction of investments to the State of Santa Catarina.

When editing the current primer book, we intended to spread out the program designed as "PRODEC" in a decentralized manner throughout all regions of our State.

The "PRODEC" extends the program to industrial companies, raising to until 75% the postponement percentage over the incident ICMS [tax over merchandises circulation and services] on the encouraged enterprise, besides extending up until 300 months the stated period of benefit fruition.

Seeking to meet all yearnings of the Catarinense society and informing its "actors" on the related program, the government materializes some of its main objectives, which is the adoption of a new position before the citizen, and as a facilitator agent of the society.

Finally, we take the opportunity to emphasize that the government, with the introduction of this finance mechanism, is construing viable means of decentralized economic and social development.

Florianópolis, January, 2015.

Carlos Chiodini

State Secretary for the Sustainable Economic Development

What is the PRODEC?

The Program of Development for Santa Catarina State Companies – PRODEC, Law n° 13.342 from March 10th 2005, was created to encourage and expand the industry which produce and generate jobs and profit inside the State of Santa Catarina.

It is an incentive, a postponement, and equal to a determined percentage over the ICMS (tax over merchandises circulation and services) value generated by the new project.

Which are the Requirements?

Business/Companies that meet totally or partially the following requirements:

1. Generation of jobs and profit for Santa Catarina;
 2. Increases in level the technology and competitiveness of Santa Catarina Economy;
 3. Contributes to the sustainable development of environment, to the economic and spatial spreading of production activities, to the municipality development and regional development;
 4. Projects directed to infrastructure works, specially roads, railroads, ports and airports in Santa Catarina;
 5. Investments to the production of merchandises that are not existent throughout Santa Catarina productive chain.
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Inclusion of Projects

Investment projects that started, at maximum, 6 (six) months earlier should be included.

To demand PRODEC incentive the company should request the respective documents and a previously consult to the Directory of Economic Development of the State Secretary of Sustainable Economic Development.

The previously filled consult and documents requested should be submitted to the SDS - State Secretary of Sustainable Economic Development, where it will be analyzed by the Technical Committee, the Financial Agent, and Deliberative Council. Then, the contract will be signed and directed to the SEF - The State Treasure Secretary, where the start of the Special Regimen for fruition will occur.

The percentiles, terms, and interests will be established by the PRODEC Deliberative Council, in accordance to: the analysis elaborated by the Technical Committee, the Financial Agent, and each project characteristics, by means of a punctuation matrix that evaluates, among other items, the job generation, technology aggregation, the sort of business, the location (counties with less economical development will have larger benefits), and the environmental observation.

The projects will be analyzed by PRODEC agents.

General Orientation

1. Incentive Amount (Total Operation Value)

The total incentive value to be contracted. It should rise up to 100% of the project fixed investment, including investments in research and development of new products, the register of trademarks and patents, except the land and floating capital.

2. Incentive Percent

Parameter	Maximal Percent
Limit (Clause I of Art 7º)	75% (seventy five per cent) of ICMS (tax over merchandises circulation and services) increment generated exclusively by the new investment.
Investments on Municipality with IDH (Human Development Level) equal or below 95% of State Average Level Limit (§ 10 of Art. 7º)	75% (seventy five per cent) of ICMS (tax over merchandises circulation and services) increment generated exclusively by the new investment.
Investments to the production of merchandises that are not existent throughout Santa Catarina productive chain. Limit (Clause I, § 10 of Art. 7º)	75% (seventy five per cent) of ICMS (tax over merchandises circulation and services) increment generated exclusively by the new investment.

3. Fruition Duration

It is the total length for PRODEC benefit utilization.

Industrial Activities	Maximal Duration	Maximal Duration Investments to the production of merchandises that are not existent throughout Santa Catarina productive chain.	Maximal Duration Municipality with IDH (Human Development Level) equal or below 95% of State Average Level in the year 2000.
.Textiles .Agroindustrials .Iron and Steel .Automotives .Microeletronics .Semiconductors .Biomass and alternative energy .Biotechnology .Biofuel other vegetable fuels .Extraction of bioactive substances, essential oils, scents, natural essences and active elements .Flat Glasses .Laser Machines and equipments with medium and high power .Recycling .Metalworking .Food industry	200 months	300 months	300 months
Other industrial and commercial activities	120 months	180 months	180 months

The incentive ends at the last month of fruition, counting from the Special Regimen signature, or when the total of the ICMS parcels reach the incentive amount (the contractual value).

4. Validity

Activities	Maximal Duration
Industrial Activities in general	48 months
Iron & Steel/Automotives	120 months

5. Amortization

The amount of each incentive parcel should be fully paid at the end of the Validity period.

Example: (I) The parcel used on July 2010 with validity of 48 months should be paid on July 2014; (II) the August 2010 parcel should be paid on August 2014; (III) and so on.

At Deliberative Council discretion and in accordance with the regulation, a discount rising to 40% (forty percent) should be granted over the monthly payment to business located at a municipality with IDH equal or below 95% of the State average level, or to the production of merchandises that are not existent throughout Santa Catarina productive chain.

The discount is not applicable to electrical energy, fuels, liquors, and tobacco sectors.

6. Interests

Activities	Maximal Interests	Interests Investments to the production of merchandises that are not existent throughout Santa Catarina productive chain.	Interests Municipality with IDH (Human Development Level) equal or below 95% of State Average Level in 2000.
Textiles / Agroindustrials / Iron & Steel / Automotives	6% a year	Zero	Zero
Other Industrial Activities	12% a year	Zero	Zero

(*) PRODEC Deliberative Council will establish the satisfactory tax for each project, based on the evaluation obtained on the punctuation matrix. The interests over the approved projects between 1999 and 2005 will be around 3% to 4% a year.

7. Monetary Correction

Activities	Monetary Actualization Rate	Monetary Actualization Rate Investments to the production of merchandises that are not existent throughout Santa Catarina productive chain.	Monetary Actualization Rate Municipality with IDH (Human Development Level) equal or below 95% of State Average Level in 2000.
Textiles / Agroindustrials / Iron & Steel / Automotives	Equal to state taxes	50% state taxes	50% state taxes
Other Industrial Activities	Equal to state taxes	50% state taxes	50% state taxes

8. Financial Agent Commission

It's the analysis commission tax paid directly to PRODEC Financial Agent, due to the elaboration of the economical and financial analysis, and accompaniment of the project execution, corresponding to 0,4% of the incentive value, limited to a value of R\$ 50.000,00 (fifty thousand Reais).

There are two PRODEC Financial Agents available for the companies' free choice:

BADESC

Agência de Fomento do Estado de Santa Catarina S/A (Santa Catarina State Fomentation Agency Corporation)
(www.badesc.gov.br)

BRDE

Banco Regional do Desenvolvimento do Extremo Sul
(Regional Development Bank for the Extreme South)
(www.brde.com.br)

09. How to request the inclusion for PRODEC?

Requesting the submission formulary for Documents and previously seek advice from the State Secretary of Sustainable Economic Development.

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