

Breakthrough: Brazil approves land border duty free stores

The first Executive Conference session took place yesterday (March 19) in Orlando at the inaugural Duty Free and Travel Retail Summit of the Americas.

Motta International CEO and International Association of Airport Duty Free Shops (IAADFS) Chairman of the Board Erasmo Orillac began by welcoming delegates to the conference.

ASUTIL President and Dufry General Manager Brazil and Bolivia Gustavo Fagundes then delivered significant news regarding the border situation on Brazils side.

Following the submission of a **draft bill** to the Brazilian government back in 2012, Fagundes confirmed regulation had finally been approved to open land border duty free stores in Brazil.

As reported in the March edition of *TRBusiness*, customs had already laid out guidelines for the regulation of Brazil's long-awaited land border shop arrivals business.

This took place at a meeting of key South American duty free stakeholders convened by the National Union of State Legislators in the presence of the Receita Federal (*Brazil's federal revenue service*).

BRAZIL BORDER BREAKTHROUGH

Under the now approved guidelines, border stores can be established in any of the 32 border twin cities in either special areas or determined by each city.

These include Colombia, Venezuela, Argentina, Paraguay, Bolivia and Peru (*See below map*).



Dufry General Manager Brazil and Bolivia and ASUTIL President Gustavo Fagundes.

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MAPA dos MUNICÍPIOS - LOJAS FRANCAS



Contrary to speculation that the new duty free stores could expect to begin trading in August, José Luis Donagaray, Secretary General, ASUTIL had previously told *TRBusiness* that such a scenario would be more likely to occur by the end of 2018.

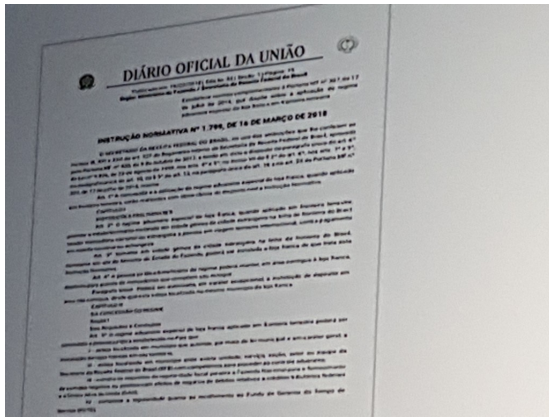
According to Fagundes, border shops already exist in some of the neighbouring countries and some cities have more demographic density than others, which represents greater market opportunities.

On the flip side, the “very low” density of some cities could present challenging operating conditions.

He said: “This is a very important change from an industry point of view. It opens several opportunities for operators and suppliers.

“We have been working for a long time to get this act to be issued and believe the design of the act is challenging in that it is very open. It will represent an important learning curve for everyone.

“The industry must be able to drive this opportunity in a united manner and do so as successfully as possible.”



The official document indicating the approval of legislation to open land border duty free stores in Brazil.

ALLOWANCE SITUATION

On the subject of allowances, currently, Brazilians will be able to purchase up to \$300 per month without having to prove that they travelled, nor are they obliged to buy all items in one place or on the same day.

A 50% tariff will apply to imported products exceeding \$300 (although there are limitations on quantities for alcohol and tobacco).

Importantly, Brazilians will still be able to take advantage of a \$300 allowance to purchase in duty free shops in neighbouring countries.

But a document seen by *TRBusiness* outlines Receita's intention to reduce this threshold to \$150 unless a global Mercosur agreement is struck.

Meanwhile, the prospect of Brazil raising its inbound duty free allowance for citizens in a similar move to Uruguay and more recently Argentina – which raised its threshold from \$300 to \$500 earlier this year – is something the association is working on, with Donagaray hoping a move could be achieved this semester.

Speaking about the allowance increases in LATAM countries, Fagundes remarked: “Two very important countries in the region have already improved the quota. In Argentina it has increased from \$300 to \$500 and Uruguay from \$500 to \$650.

“This is key for the region and the sustainability of duty free and is a very important issue. The industry has been working hard on that.”