

MEMORANDUM TO CLIENTS

INFRASTRUCTURE

July 28, 2016

20% limitation on foreign ownership
of local airlines is reinstated

Law No. 13,319/2016

On July 25, 2016, interim President, Michel Temer, signed Law No. 13,319/2016 ("Law"), which converted, in part, Provisional Measure No. 714/2016 ("PM"). President Temer vetoed the provision in the PM that eliminated the limitation on foreign ownership of Brazilian aviation companies. Therefore, the 20% (twenty per cent.) limitation previously stipulated in the Brazilian Aeronautical Code, Law No. 7,595/1986, is reinstated.

The PM, as introduced by Dilma Rousseff (who is currently facing impeachment proceedings), increased from 20% (twenty per cent.) to 49% (forty nine per cent.) the limitation on foreign ownership related to voting capital stock in Brazilian aviation companies. The PM also permitted a higher ownership percentage or even full ownership by foreign companies if provided for in an international agreement signed between the foreign country and Brazil, provided that reciprocity is guaranteed.

The Brazilian Congress (specifically, the House of Representatives), when analyzing the PM, amended the original wording of the PM to remove the limitation on foreign ownership of Brazilian aviation companies. Accordingly, the final wording of the PM, as submitted to the President for approval, permitted foreign entities to wholly own Brazilian aviation companies.

The Law (with the President's veto) was approved in order to ensure that the PM was converted into law before the applicable deadline. Nonetheless, the possibility of increasing the foreign ownership limitation from the current 20% (twenty per cent.) to a higher threshold is still being debated and a new bill or provisional measure addressing this matter is likely to be proposed in the forthcoming months.

The Law was published in the Official Gazette on July 26, 2016, and its official text, in Portuguese, can be accessed by [clicking here](#).

Attorneys of the Infrastructure practice

The purpose of this memorandum is to inform our clients about important changes and developments in the area of law. We remain at the reader's disposal for any additional information that may be desired regarding the subject matter herein.

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