

**TREATMENT FLUIDS IN OIL AND GAS INDUSTRY – STATE OF RIO DE JANEIRO
TAXPAYERS’ COUNCIL DECISION**

Recently, the First Panel of the Rio de Janeiro Taxpayers’ Council granted the Voluntary Appeal presented on behalf of Raízen Combustíveis S/A (a company of Shell economic group) overruling the first administrative instance decision that had confirmed the terms of the tax assessment, according to which certain treatment and cleaning fluids that are generally used by all oil and gas companies in their activities, instead of inputs of said industry, should be considered as assets of use and consumption – the difference between these two concepts is most relevant due to the fact that only inputs give rise to ICMS (“Value Added Tax”) credits and the values therein involved may be most of the times highly significant.

Albeit the fact that the first instance administrative decision was unfavorable to the company, in the second level the Reporting Administrative Judge yielded to the technical clarifications on the utilization of each of the many products, all of which confirmed by means of technical expertise, and thus changed his previous understanding and former vote on the matter, followed by the other administrative judges, which resulted in a new administrative precedent.

This case was and has been conducted by our lawfirm. It now rests to be seen whether the State Revenue Officer will act and on what grounds.