



THE BRAZILIAN DRAWBACK REGIME: MODALITIES, BENEFITS, AND CHALLENGES IN INTERNATIONAL TRADE

EL RÉGIMEN DE RETIRO BRASILEÑO: MODALIDADES, BENEFICIOS Y DESAFÍOS EN EL COMERCIO INTERNACIONAL

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ABSTRACT

This article provides a comprehensive theoretical review of the Brazilian Drawback regime, emphasizing its modalities, benefits, and operational challenges within the context of international trade. The study highlights the strategic importance of Drawback as a fiscal incentive aimed at reducing production costs and enhancing the competitiveness of exporting firms. The two principal modalities—Integrated Suspension and Integrated Exemption—are examined in detail, alongside their respective advantages and limitations. Furthermore, the discussion addresses persistent challenges, such as procedural complexity and compliance risks, which hinder broader adoption among small and medium-sized enterprises. Recommendations include the digitalization of processes through Siscomex, the implementation of robust governance mechanisms, and the dissemination of technical knowledge to ensure operational efficiency and regulatory compliance. Future research should incorporate empirical case studies and quantitative analyses to substantiate the regime's impact on profitability and competitiveness.

Keywords: Brazilian Drawback Regime. Integrated Suspension. Integrated Exemption. Export Competitiveness.

RESUMEN

Este artículo ofrece una revisión teórica exhaustiva del régimen brasileño de reintegro de derechos de importación (Drawback), haciendo hincapié en sus modalidades, beneficios y desafíos operativos en el contexto del comercio internacional. El estudio destaca la importancia estratégica del Drawback como incentivo fiscal destinado a reducir los costos de producción y mejorar la competitividad de las empresas exportadoras. Se examinan en detalle las dos modalidades principales: la suspensión integrada y la exención integrada, junto con sus respectivas ventajas y limitaciones. Asimismo, se abordan desafíos persistentes, como la complejidad procedimental y los riesgos de incumplimiento, que dificultan una mayor adopción por parte de las pequeñas y medianas empresas (pymes). Las recomendaciones incluyen la digitalización de los procesos a través de Siscomex, la implementación de mecanismos de gobernanza sólidos y la difusión del conocimiento técnico para garantizar la eficiencia operativa y el cumplimiento normativo. Las investigaciones futuras deberían incorporar estudios de caso empíricos y análisis cuantitativos para fundamentar el impacto del régimen en la rentabilidad y la competitividad.

Palabras clave: Régimen brasileño de reintegro de derechos de importación. Suspensión integrada. Exención integrada.

1. INTRODUÇÃO

International trade is a key driver of economic growth and global integration. In this context, customs regimes that reduce costs and enhance competitiveness have become essential for companies seeking to expand their presence in foreign markets. Among these mechanisms, the Drawback regime stands out as one of the most effective fiscal incentives for exporters.

In Brazil, Drawback has played a strategic role since its implementation under Decree-Law No. 37/1966, integrated into the Siscomex system (Siscomex, 2022). This regime allows companies to suspend or eliminate taxes on imported inputs used in the production of goods destined for export, thereby reducing production costs and increasing profit margins (Alonso; Silva, 2022; Gesser, 2020). According to official data, Drawback operations accounted for USD 71.5 billion in exports between February 2023 and January 2024, representing 19.3% of Brazil's total exports (Brasil, 2024). These figures highlight the importance of Drawback for the country's industrial competitiveness and its contribution to economic development.

Despite its relevance, the Drawback regime remains underutilized by many Brazilian companies, particularly small and medium-sized enterprises (Benevides *et al.*, 2025). The complexity of its operational procedures, combined with bureaucratic requirements and compliance risks, often discourages firms from adopting this mechanism (Maia, 2008; Almeida *et al.*, 2018). Furthermore, there is limited academic literature that consolidates the theoretical foundations of Drawback and its practical implications for export competitiveness (Pereira *et al.*, 2021).

The purpose of this article is to provide a comprehensive theoretical review of the Brazilian Drawback regime, emphasizing its modalities, benefits, and operational challenges. By consolidating theoretical knowledge and practical insights, this study aims to contribute to academic literature and offer guidance for companies seeking to optimize their export operations. The discussion also addresses opportunities for digitalization and process improvement, which are essential for strengthening governance and compliance in international trade (Werkema, 2013; Chiavenato, 2004).

This article is organized into five sections. Following this introduction, the literature review presents the conceptual foundations of drawback, its modalities, benefits, and operational aspects. The discussion section analyses the strategic importance of the regime for Brazilian companies and compares it with international practices. Finally, the conclusion summarizes key findings and suggests directions for future research.

2. REFERENCIAL TEÓRICO

2.1 Drawback

Drawback is a customs mechanism of great relevance in international trade and plays a crucial role in the efficient management of export operations for companies worldwide. According to Silva (2014), this special customs regime was created in 1789 by the Continental Congress in the United States, originally aimed at stimulating employment, fostering local manufacturing, and encouraging exports. Initially, however, its application was limited to a few specific items that were imported and exported directly.

Silva (2014) said that drawback is one of the oldest export incentives globally, adopted by several countries to reduce the costs associated with importing inputs. This long trajectory demonstrates that export incentives are not a recent concept. Nevertheless, the mechanism is more commonly applied in developing countries due to the high levels of taxation on foreign inputs.

In Brazil, the Drawback regime has undergone several administrative transformations over the years, culminating in its current model established under Article 78 of Decree-Law No. 37/1966 and integrated into the Siscomex platform (Siscomex, 2022). Its primary objective is to suspend or eliminate taxes levied on imported inputs used in the production of goods intended for export (Huamanlazo; López, 2021).

Drawback grants exemption or suspension of taxes on imports, particularly for inputs incorporated into products destined for foreign markets. Table 1 illustrates some of the main taxes and fees exempted or suspended under the regime (Brasil, 2019).

Boarder 1 | Reduction of Tax Burden

Taxes and Fees
Tax on Industrialized Products
Import Tax
Additional Freight for the Renewal of the Merchant Marine (AFRMM)
Contribuição para o PIS/Pasep-Importação
Contribution to COFINS - Importation

Source: Brasil (2019)

According to Silva (2014), drawback plays a fundamental role in reducing manufacturing costs for Brazilian products destined for export. This strategy represents an important incentive for Brazil's foreign trade, as it lowers production costs, enabling exporters to offer more competitive prices in international markets and increase profitability. This effect was confirmed by Floriano et al. (2020) and Gesser (2020), who identified real gains in companies using the regime between 2013 and 2018.

The importance of this mechanism in reducing production costs and improving international competitiveness is supported by statistical data on the volume of operations under the Drawback regime. According to reports consolidated by the Department of Foreign Trade Operations (DECEX), exports under Drawback reached USD 71.5 billion between February 2023 and January 2024, representing 19.3% of Brazil's total exports (Brasil, 2024).

However, as Maia (2008) warns, Drawback requires strict oversight to prevent fraud, such as the diversion of imported raw materials to the domestic market after industrialization, which would violate the regime's principles. Without the benefit of tax exemption, Brazilian products would become less competitive internationally.

Contrary to most studies that highlight Drawback as a mechanism that brings financial and commercial advantages to national companies, research by Pereira et al. (2021) on publicly traded companies listed on the B3 stock exchange could not confirm whether this mechanism serves as a tool for business growth. The authors recommend conducting detailed studies in companies that use the regime. Similarly, Almeida et al. (2018) identified limitations in their research due to the participation of only one company in the fruit sector of Rio Grande do Norte and the lack of detailed responses regarding Drawback. They suggest including a larger number of companies in future studies to obtain more comprehensive data on the application, challenges, and restrictions of this customs mechanism.

2.2 Drawback Modalities

This section explores two main modalities of the Drawback regime administered by the Brazilian Secretariat of Foreign Trade (Secex), which are widely applied in practice: Integrated Suspension and Integrated Exemption. A third modality, Tax Restitution, under the jurisdiction of the Brazilian Federal Revenue Service (RFB), will not be addressed in this article due to its bureaucratic complexity and limited benefits compared to the other two modalities currently in force (Brasil, 2019). Therefore, the focus will

be on Integrated Suspension and Integrated Exemption, which play a predominant role in the context of international trade management and deserve a more detailed analysis.

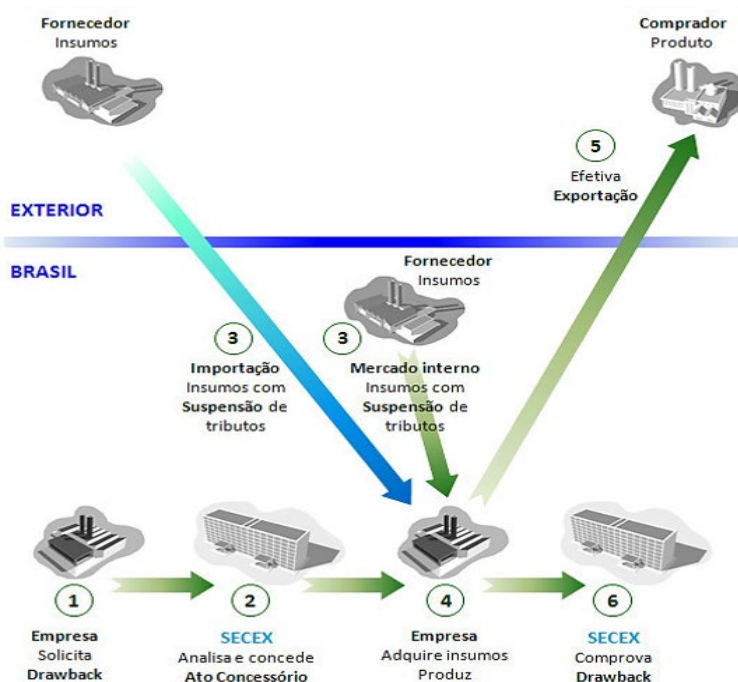
2.2.1 Drawback Modalities: integrated suspension modality

According to Brito Junior (2004), the Integrated Suspension modality is an effective strategy to stimulate exports, allowing the suspension of taxes levied on imports and domestic acquisitions of inputs that will be employed or consumed in the industrialization of products destined for export. It is classified as a Special Customs Regime and serves as a foreign trade policy instrument with international application, featuring characteristics and functionalities comparable to similar regimes adopted by other countries.

Moreover, as noted by Scheuermann and Lüdke (2017), the Integrated Suspension modality represents an export commitment assumed by beneficiary companies. With government authorization, these companies are allowed to import and/or purchase domestically the necessary inputs to produce goods intended for export, with taxes suspended.

The Figure 1 illustrates this process, from the initial request submitted by the company (Step 1) to the final compliance verification by Secex (Step 6)

Figura 1 | General Process of Integrated Suspension Drawback



Source: Brasil (2019)

This modality plays a fundamental role by relieving the tax burden on inputs, eliminating the internal tax component from exported products, and resulting in more competitive national goods in the global market at lower costs (Brito Junior, 2004).

A notable feature of Integrated Suspension is its non-discriminatory nature: it does not differentiate between industrial sectors, does not consider the qualification of the beneficiary, and imposes no restrictions regarding the destination of the product (Scheuermann; Lüdke, 2017).

To provide a clearer understanding of this regime, the steps involved in the process are detailed below, as highlighted by Brasil (2019).

- Step 1 – Request for Drawback Regime: The company interested in using the regime applies for program adherence.
- Step 2 – Analysis and Granting of the Concession Act: SECEX reviews the application and issues the Concession Act if all regulatory requirements are met.
- Step 3 – Acquisition of Inputs: The company acquires inputs for production through two options:
 - Importation of inputs from abroad with tax suspension. Domestic acquisition of inputs with tax suspension.
- Step 4 – Production of Goods: With the acquired inputs, the company begins manufacturing goods intended for export.
- Step 5 – Execution of Export: The manufactured goods are exported to international markets.
- Step 6 – Compliance Verification: SECEX verifies compliance with the Drawback regime, ensuring that operations were carried out according to the Concession Act.

In summary, the methodology underlying the Integrated Suspension process plays a fundamental role in ensuring companies' compliance with fiscal and customs regulations, promoting transparency and effectiveness, and making the regime accessible to a wide range of businesses seeking to expand their export operations.

2.2.2. Drawback Modalities: integrated exemption modality

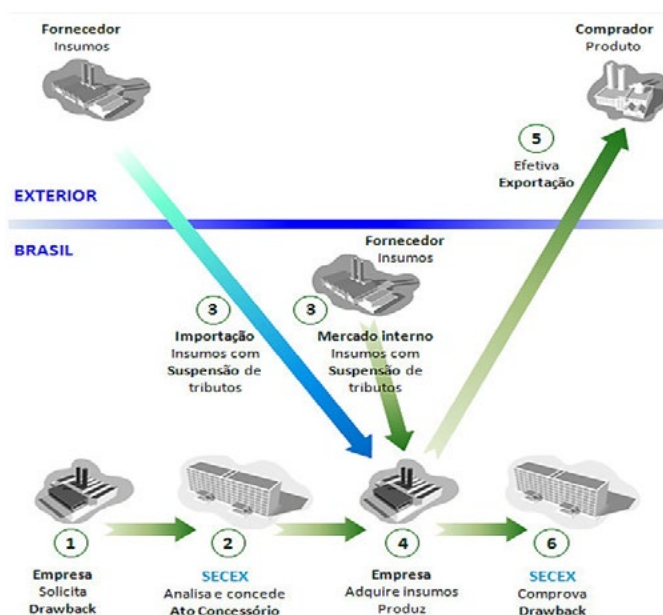
To reduce costs related to the importation of inputs and promote the competitiveness of exporting companies, many countries worldwide have adopted the customs regime known as Integrated Exemption Drawback. According to Moori et al. (2011), this modality applies when companies acquire goods domestically or import them—either combined or independently—that are equivalent to those used or consumed in the industrialization process of exported products.

This regime involves the acquisition or importation of goods equivalent to those employed in activities such as repair, creation, cultivation, or extractive processes of products that have already been exported. Based on these principles, the authors emphasize that Integrated Exemption essentially consists of stock replenishment. It is important to note that beneficiary companies under this regime have the flexibility to choose between importing or purchasing equivalent goods domestically, either combined or separately, considering the total quantity acquired or imported, subject to tax payment prior to the concession. In 2011, the Integrated Exemption Drawback regime was regulated by the Brazilian Federal Revenue Service (RFB), introducing the possibility of stock replenishment not only for imported inputs but also for those acquired domestically and used in the production of exported goods (Olivo, 2015).

Research conducted by the authors identified that the export of industrialized goods, produced using inputs acquired in the domestic market or imported under the Integrated Exemption regime, grants the right to perform new acquisitions and/or imports under the same regime. This mechanism is known as successive drawback, as it allows companies to continuously replenish their stock of inputs for subsequent production cycles without incurring additional tax burdens.

Figure 2 illustrates the general process of the Integrated Exemption Drawback modality, starting from the initial importation and tax payment (Step 1) to the final stock replenishment with tax exemption granted to the company (Step 6).

Figura 2 | General Process of Integrated Exemption Drawback



Source: Brasil (2019).

The steps involved in this process are as follows.

- Step 1a – Standard Importation: The company imports inputs, and all applicable taxes are duly paid.
- Step 1b – Domestic Supplier: Alternatively, the company may acquire inputs from the domestic market, with taxes also paid.
- Step 2 – Production: Once the inputs are available, the company begins manufacturing goods.
- Step 3 – Standard Exportation: The manufactured goods are exported to international markets.
- Step 4 – Drawback Request: The company applies for the Drawback regime with the Brazilian Federal Revenue Service.
- Step 5 – Analysis and Granting of the Concession Act: SECEX reviews the application and, if requirements are met, issues the Concession Act authorizing the company to use the regime.
- Step 6a – Importation with Tax Exemption: With the Concession Act granted, the company can import inputs without paying taxes.
- Step 6b – Domestic Acquisition with Tax Exemption: The company may also acquire inputs domestically without tax incidence.
- Step 7 – Stock Replenishment: Finally, the company replenishes its stock of inputs to continue production.

This process highlights the significance of Integrated Exemption in reducing costs and improving competitiveness for companies that have already completed export operations. By allowing tax-free replenishment of equivalent inputs, the regime ensures continuity in production cycles while maintaining compliance with customs regulations.

2.2.3 Drawback Modalities: comparison between integrated suspension and integrated exemption

Both Integrated Suspension and Integrated Exemption modalities under the Brazilian Drawback regime aim to reduce production costs and enhance export competitiveness, yet they differ significantly in their operational logic and timing of benefits.

Integrated Suspension allows companies to import or acquire inputs domestically with taxes suspended before the export operation occurs. This modality is particularly advantageous for firms planning future exports, as it provides immediate relief from tax burdens, improving cash flow and reducing upfront costs (Brito Junior, 2004; Scheuermann; Lüdke, 2017).

In contrast, Integrated Exemption operates as a stock replenishment mechanism. Companies first complete the export process under standard tax conditions and subsequently request the regime to replenish equivalent inputs without tax incidence.

This approach benefits firms that maintain continuous production cycles and need flexibility in sourcing inputs after fulfilling export commitments (Moori et al., 2011; Olivo, 2015).

From a strategic perspective, Integrated Suspension offers greater financial predictability and immediate cost reduction, making it suitable for industries with high import dependency and long production lead times.

Integrated Exemption, on the other hand, provides operational flexibility and is often preferred by companies with variable demand or seasonal production patterns. Both modalities contribute to Brazil's international trade competitiveness, but their effectiveness depends on the company's export planning, cash flow management, and compliance capabilities (Brasil, 2019).

2.2.4 Benefits And Challenges

The Drawback regime offers significant advantages for companies engaged in international trade, primarily by reducing production costs and enhancing competitiveness in global markets. By suspending or exempting taxes on imported inputs used in the manufacturing of export goods, the regime enables firms to optimize their cost structures and increase profit margins (Silva, 2014; Alonso; Silva, 2022).

According to Brasil (2019), the main taxes suspended or exempted include Import Tax (II), Tax on Industrialized Products (IPI), PIS/PASEP-Importation, COFINS-Importation, and AFRMM, which represent a substantial portion of the fiscal burden in Brazil. This fiscal relief allows exporters to offer more competitive prices internationally, strengthening Brazil's position in global trade (Gesser, 2020; Floriano et al., 2020).

Empirical studies confirm the positive impact of Drawback on corporate performance. Floriano et al. (2020) demonstrated that companies adopting the regime achieved measurable cost reductions and improved profitability. Similarly, Gesser (2020) analysed data from 2013 to 2018 and found consistent financial gains among firms utilizing Drawback. These benefits are reflected in national trade statistics: between February 2023 and January 2024, exports under drawback totalled USD 71.5 billion, accounting for 19.3% of Brazil's total exports (Brasil, 2024).

Such figures underscore the strategic importance of the regime for the country's economic development. Despite these advantages, Drawback faces operational and structural challenges. The complexity of its procedures, combined with bureaucratic requirements, often discourages small and medium-sized enterprises from adopting the regime (Almeida et al., 2018).

Compliance risks also persist, as highlighted by Maia (2008), who warns that imported inputs benefiting from tax suspension must not be diverted to the domestic market after industrialization—a violation that could lead to penalties and undermine the integrity of the system. Furthermore, academic literature reveals gaps in empirical evidence regarding the regime's effectiveness as a growth tool for publicly traded companies.

Pereira et al. (2021), for instance, found no conclusive link between Drawback adoption and corporate expansion, recommending further research to clarify its long-term impact. In addition to these limitations, the lack of specialized knowledge among professionals and the absence of streamlined digital processes contribute to inefficiencies in managing Drawback operations (Moori et al., 2011).

Future improvements should focus on digitalization through Siscomex, enhanced compliance mechanisms, and broader dissemination of technical knowledge to ensure that companies of all sizes can fully leverage the benefits of this regime.

3. DISCUSSION

The Brazilian Drawback regime plays a strategic role in reducing production costs and enhancing export competitiveness. Its two main modalities—Integrated Suspension and Integrated Exemption—offer distinct advantages. Integrated Suspension provides immediate tax relief on imported or domestically acquired inputs before export, improving cash flow and reducing upfront costs (Brito Junior, 2004; Scheuermann; Lüdke, 2017).

Integrated Exemption, in contrast, operates as a stock replenishment mechanism, granting tax exemption after exports have been completed, which benefits companies with continuous production cycles and variable demand (Moori et al., 2011; OLIVO, 2015). Both modalities are essential for Brazil's international trade strategy, but their effectiveness depends on the company's operational profile and export planning.

Despite these advantages, academic literature reveals significant gaps in empirical research on Drawback implementation in real business environments. Studies such as Pereira et al. (2021) and Almeida et al. (2018) highlight the lack of detailed analyses on operational bottlenecks and the potential gains achievable through process optimization. This absence of practical evidence limits the ability to measure the true impact of the regime and identify areas for improvement. Addressing these gaps is crucial to ensure that companies of all sizes can fully leverage the benefits of Drawback while maintaining compliance and operational efficiency.

4. CONCLUSION

The Brazilian Drawback regime constitutes a pivotal instrument for reducing production costs and enhancing the international competitiveness of exporting firms. Its two principal modalities—Integrated Suspension and Integrated Exemption—deliver complementary advantages. The former affords immediate relief from tax burdens on imported or domestically sourced inputs prior to exportation, thereby improving cash flow and financial predictability. The latter ensures operational continuity by enabling tax-free replenishment of equivalent inputs following export transactions, which is particularly advantageous for companies engaged in ongoing production cycles.

Notwithstanding these benefits, the regime is constrained by significant challenges, including procedural complexity, compliance risks, and insufficient dissemination of technical expertise among small and medium-sized enterprises. These limitations hinder the full realization of Drawback's potential as a catalyst for business expansion and export growth.

To optimize its effectiveness, future initiatives should prioritize process digitalization through Siscomex, the development of comprehensive training programs, and the implementation of robust governance frameworks to mitigate operational risks. Furthermore, empirical research incorporating quantitative case studies and financial performance indicators is essential to substantiate the regime's impact on profitability and competitiveness.

In conclusion, Drawback remains an indispensable component of Brazil's foreign trade policy. However, its sustained success will depend on regulatory simplification, technological innovation, and the widespread adoption of best practices that ensure compliance, efficiency, and strategic value for exporters.

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