

Brazil brings to an end the limitation on Foreign Capital Investments in Airlines

On December 13, 2018, Brazilian President Michel Temer enacted Provisional Measure No. 863/2018, which brings to an end the restrictions for foreign investors and groups to hold a stake in Brazilian airlines.

Prior to this act, foreign interest in airlines was subject to a 20% limitation. The companies also had to be managed by Brazilian citizens. The new Provisional Measure has removed both constraints, allowing up to 100% foreign interest in airline companies' capital stock and foreign management.

It is expected that removing such restrictions will increase foreign investment in the Brazilian aviation sector, fostering competitiveness and an increase in the availability of flights. It will be a good opportunity for foreign aviation companies that wish to expand their activities in South America.

The Provisional Measure has immediate effect but only remains valid up to 120 days counted from publication (not including the days of Congressional recess). Indeed, in order to be converted into law, the Provisional measure must first be approved by the Brazilian Congress, which may make amends to it. If the Provisional Measure is not approved during such 120-day period, it will cease to be valid. It is difficult to say how Congress will react, but it is fair to say that the intent to end with restrictions and encourage competition is aligned with the new Brazilian government free-market intents.