

Presidency of the Republic
Office of the Chief of Staff
Legal Affairs Subsection

SUPPLEMENTARY LAW No. 101, OF MAY 4, 2000,

establishes public finance rules enforcing
responsibility in fiscal management, and other
provisions.

Veto message

(Refer to ADIN 2238

I, the **PRESIDENT OF THE REPUBLIC**, hereby make known that the National Congress decrees and I sanction the following Supplementary Law:

CHAPTER I

PRELIMINARY PROVISIONS

Article 1. This Supplementary Law establishes public finance rules enforcing responsibility in fiscal management, under Title IV, Chapter II of the Brazilian Constitution.

Paragraph 1. Responsibility in fiscal management presupposes well-planned and transparent actions to prevent risks and correct deviations that may affect the balance of public accounts, by compliance with revenue and expenditure results targets, observing limits and meeting conditions regarding tax breaks, generation of personnel and social security expenditures, among others, consolidated and security debt, credit operations, including those involving revenue anticipation, guarantees issued and outstanding liabilities.

Paragraph 2. The provisions of this Supplementary Law shall apply to the Federal government, the States, the Federal District, and the Municipalities.

Paragraph 3. They shall apply to:

I – the Federal Government, the States, the Federal District, and the Municipalities, the following is included:

a) the Executive, Legislative (including the Courts of Accounts) and Judicial Branches, and the Prosecution Service;

b) their respective direct administrations, funds, government agencies, foundations, and state-owned enterprises;

II – the States include the Federal District;

III – the Courts of Accounts include: the Federal Court of Accounts, the State Court of Accounts and, if applicable, the Municipal Court of Accounts.

Article 2. For the purposes of this Supplementary Law, the following definitions shall be used:

I – member of the Federation: the Federal Government, each State, the Federal District, and each Municipality;

II – controlled company: a company controlled by a member of the Federation directly or indirectly, holding the majority of its voting shares;

III – dependent state-owned enterprise: a controlled company receiving funds from the controlling company to cover personnel, overhead, or capital expenditures, excluding from capital expenditures, those resulting from increase in shareholder's equity;

IV – net current revenue: sum of revenues from taxes and contributions, on assets, industrial and agricultural activities, services, current transfers and other current revenues, less:

a) in the Federal Government, the amounts transferred to States and Municipalities pursuant to the Law or Brazilian Constitution, and the contributions mentioned in Article 195, item I, a, and item II, and Article 239 of the Brazilian Constitution;

b) in the States, the amounts transferred to the Municipalities pursuant to the Brazilian Constitution;

c) in the Federal Government, States, and Municipalities, public employee contributions toward their social security and assistance system, and revenues from the financial compensation mentioned in Article 201, Paragraph 9 of the Brazilian Constitution.

Paragraph 1. Net current revenue shall be calculated including the amounts paid and received pursuant to Supplementary Law 87, of September 13, 1996, and including the fund provided for in Article 60 of the Transitional Brazilian Constitutional Provisions Act.

Paragraph 2. Net current revenue of the Federal District and the States of Amapá and Roraima shall not include funds received from the Federal Government to cover the expenditures mentioned in Article 19, Paragraph 1, item V.

Paragraph 3. Net current revenue shall be calculated by adding revenues collected in the reference month and in the previous eleven months, excluding any duplicate inputs.

CHAPTER II

THE PLANNING PROCESS

Section I

The Multi-Year Plan (PPA)

Article 3. (VETOED)

Section II

The Budgetary Guidelines Law

Article 4. The Budgetary Guidelines Law shall comply with the provisions of Article 165, Paragraph 2 of the Brazilian Constitution, and shall:

I – provide for:

a) the balance between revenues and expenditures;

b) the criteria and form for limiting spending, to be implemented in the case mentioned in item II, b of this Article, in Article 9, and in Article 31, Paragraph 1, item II.

c) (VETOED)

d) (VETOED)

e) rules on cost control and evaluation of results of programs financed with budgetary resources;

f) all other conditions and requirements for the transfer of funds to public and private entities;

II – (VETOED)

III – (VETOED)

Paragraph 1. The Budgetary Guidelines Law shall enclose a Fiscal Target Appendix, which shall set annual targets, in current and constant values, for revenues and expenditures, nominal and primary results, and the public debt, for the current and for the two subsequent years.

Paragraph 2. The Appendix shall also contain:

I – evaluation of compliance with the previous year’s targets;

II – statement of annual targets, accompanied by the methodology and the historical records of calculation that support the intended results, comparing these targets with those for the three previous years, and evidencing their consistency with the national economic policy premises and objectives;

III – evolution of net worth, also in the last three years, with emphasis on the source and use of funds derived from asset transfers;

IV – evaluation of the financial and actuarial position of:

a) the general and public social security systems, as well as the Workers’ Aid Fund – (*Fundo de Amparo ao Trabalhador* – FAT);

b) all other public funds and actuarial state programs;

V – statement of estimate and offsetting of tax breaks and growth margin of permanent mandatory expenditures.

Paragraph 3. The Budgetary Guidelines Law shall enclose a Fiscal Risk Appendix, evaluating contingent liabilities and other risks that may affect public accounts, detailing the measures to be taken, should such occur.

Paragraph 4. The document submitting the Federal Government’s draft proposal shall contain, in a specific appendix, the objectives of the monetary, credit, and foreign exchange policies, as well as the parameters and projections for major aggregates and variables, and inflation targets for the subsequent year.

Section III

The Annual Budgetary Law

Article 5. The Annual Budgetary Bill, which shall be consistent with the Multi-Year Plan (PPA), the Budgetary Guidelines Law, and the provisions of this Supplementary Law shall:

I - contain, attached thereto, a statement of consistency between the budget programming and the objectives and targets included in the document mentioned in Article 4, Paragraph 1;

II - be accompanied by the document mentioned in Article 165, Paragraph 6 of the Brazilian Constitution, as well as the measures to offset tax breaks and tax increases in continuing mandatory expenditures;

III - contain a contingency reserve, whose use and amount shall be defined in the Budgetary Guidelines Law based on net current revenue, aimed at:

a) (VETOED)

b) meeting contingent liabilities and other fiscal risks and unforeseen events.

Paragraph 1. All expenditures involving public securities or contractual debt and corresponding revenues shall be provided for in the Annual Budgetary Law.

Paragraph 2. The refinancing of public debt shall be stated separately in the Budgetary Law and in legislation on additional credits.

Paragraph 3. The monetary updating of the principal of the refinanced securities debt shall not exceed the change in the price index provided for in the Budgetary Guidelines Law or in specific legislation.

Paragraph 4. It is prohibited to set aside credits with imprecise objectives or unlimited allocations in the Annual Budgetary Law.

Paragraph 5. The Annual Budgetary Law shall not allocate funds for investments spanning more than one fiscal year - which are not included in the Multi-Year Plan (PPA) or in the form of a law authorizing its inclusion therein, as provided for in Article 167, Paragraph 1 of the Brazilian Constitution.

Paragraph 6. The Central Bank of Brazil's expenditures on personnel and social charges, administrative current expenditures — including public servants' benefits and assistance to the institution's employees -, and investments, shall be part of the Federal government's expenditures and be included in the Annual Budgetary Law.

Paragraph 7. (VETOED)

Article 6. (VETOED)

Article 7. The results of the Central Bank of Brazil, which are determined after the calculation or reversal of the reserves, are classified as National Treasury revenue and shall be transferred within ten business days after the approval of the half-year balance sheets.

Paragraph 1. The negative results shall be classified as a Treasury liability to the Central Bank of Brazil, and it shall be stated in a specific budget allocation account.

Paragraph 2. The impact and the fiscal cost of the Central Bank's operations shall be stated quarterly, as provided for in the Federal Government's Budgetary Guidelines Law.

Paragraph 3. The quarterly balance sheets of the Central Bank of Brazil shall contain explanatory notes on the costs of earnings on the National Treasury available resources and the maintenance of foreign exchange reserves, as well as the profitability of its securities portfolio, particularly those securities issued by the Federal government.

Section IV

The Budgetary Execution and Compliance with Fiscal Targets

Article 8. Based on the term of the Budgetary Guidelines Law and in due compliance with the provisions in Subitem c, of Item I, of Article 4, the Executive Branch shall define, up to thirty (thirty) days after the publication of the budgets, the financial programming and the monthly disbursement schedule.

Sole paragraph. The financial resources legally tied to a specific purpose shall be used solely to meet the intended purpose, even if not in the same year as the respective inflow.

Article 9. If, by the end of two months, it is concluded that the revenue inflow may not be enough to ensure compliance with the primary or nominal result targets set forth in the Fiscal Target Appendix, the Branches and the Prosecution Service shall, at their own initiative and in the required amounts, within the next thirty days, take measures to restrict commitments and financial operations, according to the criteria set forth in the Budgetary Guidelines Law.

Paragraph 1. Should the forecasted revenue be reestablished, even partially, the appropriations set aside for restricted funding commitments shall be replenished in proportion to the reductions previously made.

Paragraph 2. The restrictions shall not be extended to legal or constitutional expenditures of the member of the Federation, including those reserved for the payment of debt service, and those related to scientific and technological innovation and development supported by a fund created for those purposes and those exceptions of the Budgetary Guidelines Law. (Wording by Supplementary Law No. 177, of 2021)

Paragraph 3. Should the Legislative and Judicial Branches, as well as the Prosecution Service not adopt measures to introduce such limitations within the period mentioned in the head

provision of this Article, the Executive Branch is authorized to limit the financial resources pursuant to the criteria established in the Budgetary Guidelines Law.

Paragraph 4. By the end of May, September, and February, the Executive Branch shall present and evaluate compliance with fiscal targets for each 4-month period, in a public hearing held at the committee referred to in Article 166, Paragraph 1 of the Brazilian Constitution, or an equivalent body in the state and municipal legislatures.

Paragraph 5. Within ninety days from the end of each half-year period, the Central Bank of Brazil shall present, in a joint meeting with the relevant National Congress thematic committees, the evaluation of compliance with the objectives and targets of the monetary, credit, and foreign exchange policies, detailing the impact and the fiscal cost of its operations and the results shown in the balance sheets.

Article 10. The budget and financial execution shall identify, through the use of an accounting and financial administration system, the beneficiaries of the payments of court decisions, in order to comply with the chronological order established in Article 100 of the Brazilian Constitution.

CHAPTER III

PUBLIC REVENUES

Section I

The forecast and the collection of public revenues

Article 11. The creation, forecast, and effective collection of all taxes levied by the member of the Federation pursuant to the Brazilian Constitution are basic requirements for responsibility in fiscal management.

Sole paragraph. No voluntary transfers can be made to the member of the Federation that fails to comply with the provisions mentioned in the head provision of this Article.

Article 12. Revenue forecasts shall comply with technical and legal standards, taking into account the effects of changes in the legislation, in the price index variations, economic growth or any other relevant factor, and shall be accompanied by a statement of its evolution in the last three years, a projection for the next two years, and the calculation methodology and premises adopted.

Paragraph 1. Revenue forecast revisions by the Legislative Branch shall only be permitted with proof of technical or legal error or omission.

Paragraph 2. The estimated revenue for credit operations shall not exceed the capital expenditures included in the draft Annual Budgetary Law.

Paragraph 3. At least thirty days before the deadline for submission of their budget proposals, the Executive Branch of each member of the Federation shall place at the disposal of the other Branches and the Federal Prosecution, the studies and revenue estimates for the following year, including the net current revenue, and the respective memorandum items.

Article 13. Under the terms of Article 8, estimated revenues shall be broken down by the Executive Branch into bimonthly collection targets, including, if applicable, a separate description of measures to combat tax fraud and evasion, the number and amounts of judicial suits for the collection of outstanding tax debts, as well as the evolution of tax credits that may be subject to legal collection procedures.

Section II

Tax breaks

Article 14. The granting or broadening of tax incentives or benefits resulting in tax breaks shall be accompanied by an estimate of its budgetary-financial impact in the year it becomes effective and in the two subsequent years; it shall also comply with the provisions of the Budgetary Guidelines Law and meet at least one of the following conditions:

I – proof, by the proposing party, that the tax breaks has been considered in the revenue estimate of the Annual Budgetary Law, under Article 12, and that it shall not affect the tax result targets included in the appendix to the Budgetary Guidelines Law;

II – be accompanied by countervailing measures, during the period mentioned in the head provision of this Article, through revenue increase measures such as tax rate raises, expansion of the tax base, increase in or creation of taxes or contributions.

Paragraph 1. Tax breaks comprise amnesty, remission, subsidy, presumed credit, exemptions granted on an exceptional basis, changes in tax rate or calculation base which implies a discriminating reduction in taxes or contributions, and other benefits that result from a differentiated treatment.

Paragraph 2. If granting or broadening of an incentive or benefit mentioned in the head provision of this Article stems from the condition described in item II, the benefit shall become effective only when the measures in the abovementioned item are implemented.

Paragraph 3. The provisions of this Article shall not apply to:

- I – changes in the rates of the taxes mentioned in Article 153, Paragraph 1, items I, II, IV and V of the Brazilian Constitution;
- II – debt cancellation in an amount lower than the respective collection costs.

CHAPTER IV

PUBLIC EXPENDITURES

Section I

Generation of Expenditures

Article 15. Any expenditure generated or any assumed liability that fails to comply with the provisions of Articles 16 and 17 shall be considered unauthorized, irregular, and harmful to the public finances.

Article 16. The creation, expansion of or improvement in government action which results in an expenditure increase shall be accompanied by:

- I – an estimate of the budgetary-financial impact in the year it becomes effective and in the two subsequent years;

- II – a statement by the expenditure requester reporting that the increase is consistent with the budgetary and financial aspects of the Annual Budgetary Law, and compatible with the Multi-Year Plan (PPA) and the Budgetary Guidelines Law.

Paragraph 1. For the purposes of this Supplementary law:

- I – the expenditure covered by specific and adequate budget allocation, or that is included in a generic credit, so that the sum of all effected and to be effected expenditures of the same kind, as estimated in the work program, does not exceed the limits set for the year is considered adequate to the Annual Budgetary Law,

- II – the expenditure which complies with the guidelines, objectives, priorities, and targets established in those instruments, and do not violate any of their provisions is considered compatible with the Multi-Year Plan (PPA) and the Budgetary Guidelines Law.

Paragraph 2. The estimate mentioned in item I of the head provision of this Article shall be accompanied by the prerequisites and calculation methodology used.

Paragraph 3. The provision of this Article shall not apply to expenditures deemed immaterial, as defined in the Budgetary Guidelines Law.

Paragraph 4. The rules set forth in the head provision of this Article are a prerequisites for:

I – funding commitments and tenders involving services, supply or goods, or execution of works;

II – expropriation of urban real estate as referred in Article 182, Paragraph 3 of the Brazilian Constitution.

Subsection I

The mandatory Continuing Expenditures

Article 17. Current expenditures are considered to be mandatory and of a continuous nature when deriving from the law, provisional measure or normative administrative act, which determines that the member of the Federation shall execute such outlays for a period of more than two years.

Paragraph 1. The acts creating or increasing the expenditures referred to in the head provision of this Article shall be accompanied by the estimate mentioned in Article 16, item I, and show the origin of funds for its financing.

Paragraph 2. In order to comply with Paragraph 1, the act shall be accompanied by proof that the expenditure thus created or increased shall not affect the fiscal result targets set forth in the appendix mentioned in Article 4, Paragraph 1, and its financial effects shall be offset, in the subsequent years, by a permanent revenue increase or permanent expenditure decrease.

Paragraph 3. For the purposes of Paragraph 2, a permanent revenue increase is that arising from the increase in tax rates, the broadening of calculation base, or the increase or creation of tax or contribution.

Paragraph 4. The proof referred to in Paragraph 2, presented by the expenditure requester, shall contain the calculation premises and also the methodology adopted, without restricting the evaluation consistency of the revenue with all other rules of the Multi-Year Plan (PPA) and the Budgetary Guidelines Law.

Paragraph 5. The expenditure referred to in this Article shall not be executed before the implementation of the measures mentioned in Paragraph 2, which shall be an integral part of the instrument creating or increasing it.

Paragraph 6. The provisions of Paragraph 1 shall not apply to expenditures relating to the debt service or personnel wage increases mentioned in Article 37, item X of the Brazilian Constitution.

Paragraph 7. The extension of an expenditure created for a limited period shall be considered as an expenditure increase.

Section II

Personnel Expenditures

Subsection I

Definitions and Limits

Article 18. For the purposes of this Supplementary Law, total personnel expenditure is defined as: the sum of expenditures incurred by a member of the Federation with active and inactive workers, and retirees, in connection with elective mandates, positions, functions or jobs; civil and military personnel and members of the Branches of the government, with any kind of remuneration, such as wages and fixed and variable benefits, subsidies, pensions, including any additional payments, bonuses, overtime and fringe benefits of any kind, as well as social security charges and contributions withheld by the member of the Federation on behalf of the social security agencies.

Paragraph 1. The amounts of outsourcing contracts relating to the substitution of public servants and employees shall be registered as “Other Personnel Expenditures”.

Paragraph 2. Total personnel expenditures shall be determined on an accrual basis, by adding expenditures incurred in the base month with those incurred in the eleven preceding months, regardless of spending authorization. (Wording by Supplementary Law 178, of 2021)

Paragraph 3. To determine total personnel expenditures, the public servant’s gross income shall be taken into account, without any deductions or withholding taxes, except those provided for in Article 37, item XI, of the Federal Constitution. (Included by Supplementary Law 178, of 2021)

Article 19. For the purposes mentioned in the head provision of Article 169 of the Brazilian Constitution, total personnel expenditures incurred in each determination period by each Federal member of the Federation shall not exceed the following net current revenue percentages:

I – Federal government: 50% (fifty percent);

II – States: 60% (sixty percent);

III – Municipalities: 60% (sixty percent).

Paragraph 1. The following expenditures shall not be considered when evaluating compliance with the limits set forth in this Article:

I – severance pay for dismissal of servants or employees;

II – voluntary dismissal incentives;

III – those derived from enforcement of the provisions of Article 57, Paragraph 6, item II of the Brazilian Constitution;

IV – those resulting from judicial decisions and relating to a period prior to the assessment period, as referred to in Article 18, Paragraph 2;

V – personnel expenditures of the Federal District and the states of Amapá and Roraima, covered by funds transferred by the Federal government under Article 21, items XIII and XIV of the Brazilian Constitution, and Article 31 of Brazilian Constitutional Amendment No. 19;

VI – expenditures with inactive workers and pensioners, even if effected through a single management unit supported by resources coming from: (Wording by Supplementary Law No. 178, of 2021).

a) receipts from taxpayer contributions;

b) the financial compensation mentioned in Article 201, Paragraph 9 of the Brazilian Constitution;

c) transfers aiming to promote actuarial balance to the social security system, in the manner defined by Federal Executive Branch body responsible for the guidance, supervision and monitoring of the public servants' own pension plans. (Wording by Supplementary Law No. 178, of 2021).

Paragraph 2. Personnel expenditures resulting from judicial decisions shall be included in the limit of the respective Branch or body referred to in Article 20, in compliance with the provisions of 1, item IV.

Paragraph 3. When the limits provided for in this Article are verified, it is prohibited to deduct the amount paid for by resources collected to cover financial deficit of social security systems. (Wording by Supplementary Law No. 178, of 2021).

Article 20. The distribution of the overall limits set forth in Article 19 shall not exceed the following percentages:

I – at the Federal level:

a) 2.5% (two point five percent) for the Legislative Branch, including the Federal Court of Accounts;

b) 6% (six percent) for the Judicial Branch;

c) 40.9% (forty point nine percent) for the Executive Branch, of which 3% (three percent) shall be allocated to personnel expenditures related to the provisions of Article 21, items XIII and XIV of the Brazilian Constitution, and Article 31 of Brazilian Constitutional Amendment No. 19, distributed in proportion to the average expenditures related to each of these provisions—expressed as a percentage of net current revenue—incurred in the three fiscal years preceding the publication of this Supplementary Law; (See Decree No. 3917, of 2001)

d) 0.6% (zero point six percent) for the Prosecution Service;

II – at the State level:

a) 3% (three percent) for the Legislative Branch, including the State Court of Accounts;

b) 6% (six percent) for the Judicial Branch;

c) 49% (forty-nine) percent for the Executive Branch;

d) 2% (two percent) for the Office of the State Prosecutor;

III – at the Municipal level:

a) 6% (six percent) for the Legislative Branch, including the Municipal Court of Accounts, if applicable;

b) 54% (forty percent) for the Executive Branch.

Paragraph 1. The limits for the Legislative and Judicial Branches of each government level shall be distributed among their agencies, in proportion to average personnel expenditures, expressed as a percentage of net current revenue, incurred in the three fiscal years preceding the publication of this Supplementary Law.

Paragraph 2. For the purposes of this Article, the term “body” includes:

I – the Prosecution Service;

II – in the Legislative Branch:

a) at the Federal level, the respective Houses and the Federal Court of Accounts;

b) at the State level, the Legislative Assembly and the Courts of Accounts;

c) in the Federal District, the Legislative Chamber and the Federal District Court of Accounts;

d) at the Municipal level, the City Council and the Municipal Court of Accounts, if applicable;

III – in the Judicial Branch:

a) at the Federal level, the courts referred to in Article 92 of the Brazilian Constitution;

b) at the State level, the Courts of Justice and others, if applicable.

Paragraph 3. The limits for personnel expenditures of the Judicial Branch, incurred by the Federal government pursuant to Article 21, item XIII of the Brazilian Constitution, shall be set by applying the rule stated in Paragraph 1.

Paragraph 4. In the States in which there are Municipal Court of Accounts, the percentages defined in the head provision of this Article, item II, a and c, shall be increased and reduced by 0.4% (zero point four percent), respectively.

Paragraph 5. For the purposes of Article 168 of the Brazilian Constitution, the transfer of financial resources corresponding to total personnel expenditures by Branch and body shall result from enforcement of the percentages defined in this Article, or those established in the Budgetary Guidelines Law.

Paragraph 6. (VETOED)

Paragraph 7. The branches and bodies referred to in this Article shall determine, in a separate manner, regarding the way the limits provided for in this Article are being enforced, the full amounts spent with the personnel concerning inactive workers and pensioners, even if the expenditures have been paid for by another Branch or body. (Included Supplementary No. 178, of 2021).

Subsection II

Control over Total Personnel Expenditures

Article 21. It shall be null and void: (Wording by Supplementary Law No. 173, of 2020)

I - any act resulting in increase in personnel expenditures that does not comply with:

a) the requirements of Articles 16 and 17 of this Supplementary Law, and the provisions of Article 37, item XIII and Article 169, Paragraph 1 of the Brazilian Constitution; and (Included by Supplementary Law No. 173 of 2020)

b) the legal commitment limit applied to inactive personnel expenditures; (Included by Supplementary Law No. 173, of 2010)

II – any act resulting in personnel expenditures in the last 180 (one hundred and eighty) days before the end of office of the Head of Branch or body referred to in Article 20; (Wording by Supplementary Law No. 173, of 2020)

III – any act resulting in personnel expenditures which anticipates amounts to be implemented in the periods after the end of office of the Head of Branch or body referred to in Article 20; (Included by Supplementary Law No. 173, of 2020)

IV – approval, review or sanction by the Head of the Executive Branch, by the President and other members of the Board or similar decision body of the Legislative Branch, by the President of a Court of the Judicial Branch and by the Head of the Prosecution Service, the Federal Government and the States, of a legal norm comprising a plan to alter, readjust and restructure the careers of the public sector, or the review, on their own initiative, to appoint candidates approved in a public exam, when: (Included by Supplementary Law No. 173, of 2021)

a) it results from increase in personnel expenditures in the last 180 (one hundred and eighty) days before the end of office of head of the Executive Branch; or (Included by Supplementary Law No. 173, of 2021)

b) it results from increase in personnel expenditures which anticipates amounts to be implemented in the periods after the end of office of the Head of the Executive Branch. (Included by Supplementary Law No. 173, of 2021)

Paragraph 1. Restrictions provided for in items II, III and IV shall: (Included by Supplementary Law No. 173, of 2020)

I – also be applied during reappointment or reelection as Head of the Branch or an autonomous body; and (Included by Supplementary Law No. 173, of 2020)

II – be applied only to heads of elective positions of the Branches referred to in Article 20. (Included by Supplementary Law No. 173, of 2020)

Paragraph 2. For the purposes of this Article, the following shall be considered acts of appointment and filling of public office: those provided for in Paragraph 1 of Article 169 of the Federal Constitution or those which, otherwise, result in the creation or increase in mandatory expenditure. (Included by Supplementary Law No. 173, of 2020)

Article 22. Compliance with the limits established in Articles 19 and 20 shall be evaluated at the end of each 4-month period.

Sole paragraph. If total personnel expenditures exceed 95% (ninety-five percent) of the limit, the Branch or body referred to in Article 20 which has exceeded the limit shall be prohibited from:

I – granting any advantage, increase, adjustment or correction of remuneration for any reason, other than those arising from judicial decision, legal or contractual order, except for the review provided for in Article 37, item X of the Brazilian Constitution;

II – creating a position, job, or function;

III – changing a career plan resulting in an increase in expenditures;

IV – offering public employment positions, admitting or hiring personnel for any reason, except when the replacement results from retirement or death of public servants in the education, health, and security areas;

V – hiring overtime work, except in the case mentioned in Article 57, Paragraph 6, item II of the Brazilian Constitution and in those provided for in the Budgetary Guidelines Law.

Article 23. If total personnel expenditures of the Branch or body referred to in Article 20 exceed the limits set forth in that Article, without prejudice to the measures described in Article 22, the excess percentage shall be eliminated in the two subsequent 4-month periods—with at least one third of such excess being eliminated in the first 4-month period—and also the measures provided for in Article 169, Paragraph 3 and 4 of the Brazilian Constitution, among others, shall be adopted.

Paragraph 1. In the case mentioned in Article 169, Paragraph 3, item I of the Brazilian Constitution, the objective may be reached either by abolishing positions and functions or by reducing their values.

Paragraph 2. The temporary reduction in work hours shall be allowed, and wages shall be adapted to the new work schedule.

Paragraph 3. If the reduction is not completed in the established period, and the excess continues, the member of the Federation shall be prohibited from: (Wording by Supplementary Law No. 178, of 2021)

I – receiving voluntary transfers;

II – obtaining direct or indirect guarantee from other member of the Federation;

III – contracting credit operations, except for those aimed at refinancing securities debt and those aimed at reducing personnel expenditures. (Wording by Supplementary Law No. 178, of 2021)

Paragraph 4. The restrictions stated in Paragraph 3 shall be immediately applied when total personnel expenditures exceed the limit during the first 4-month period of the final year of the term in office of the Heads of the Branch or body referred to in Article 20.

Paragraph 5. The restrictions provided for in Paragraph 3 of this Article do not apply to Municipalities should there be a decrease in real revenue over 10% (ten percent), compared to the corresponding first 4 months of the previous fiscal period, due to: (Included by Supplementary Law No. 154, of 2018) (Legal effects)

I – decrease of transfers received from the Participation Fund of the Municipalities resulted from the concession of tax breaks by the Federal Government; and (Included by Supplementary Law No. 154, of 2018), (Legal effects)

II – decrease in revenue coming from royalties and special shares. (Included by Supplementary Law No. 154, of 2018), (Legal effects)

Paragraph 6. The provision of Paragraph 5 of this Article may be applied only if the total personnel expenditures in the current first four months do not exceed the percentage of the limit provided for in Article 19 of this Supplementary Law, considering for this calculation, the net current revenue of the first four months corresponding to the previous year and monetarily updated. (Included by Supplementary Law 164, of 2018) (Legal effects)

Section III

Social Security Expenditures

Article 24. No social security benefits or services may be created, increased or extended without indication of the total financing source, according to in Article 195, Paragraph 5 of the Brazilian Constitution, and in compliance with Article 17.

Paragraph 1. The offsetting referred to in Article 17 shall not apply to increase in expenditures resulting from:

I – benefits granted to those meeting the eligibility criteria established in the relevant legislation;

II – quantitative expansion of operations and services rendered;

III – adjustment in the value of benefits or services with the purpose of preserving its real value.

Paragraph 2. The provisions of this Article applies to health, social security and social assistance services or benefits, including those granted to public and military personnel, active and inactive servants, and pensioners.

CHAPTER V

VOLUNTARY TRANSFERS

Article 25. For the purposes of this Supplementary Law, voluntary transfer is defined as transfer of current or capital resources to other Members of the Federation, in the form of cooperation, aid or financial assistance, which does not arise from Brazilian Constitutional or legal determination nor is it determined by the Single Health System (SUS).

Paragraph 1. Requirements for voluntary transfers, in addition to those established in the Budgetary Guidelines Law, include:

I – existence of a specific budget allocation;

II – (VETOED)

III – compliance with the provisions of Article 167, item X of the Brazilian Constitution;

IV – proof, by the beneficiary, of:

a) no outstanding taxes, loans and financing due to the transferring member, and that previously received funds have been duly accounted for;

b) compliance with Brazilian Constitutional limits regarding education and health;

c) compliance with the limits set for consolidated and securities debt, as well as those for credit operations, including revenue anticipation, recorded in outstanding commitments and total personnel expenditures;

d) budgetary estimate of counterpart funds.

Paragraph 2. It is prohibited to use transferred resources for any purpose other than the one agreed upon.

Paragraph 3. Voluntary transfers relating to education, health, and social assistance actions shall not be used for the purpose of applying the sanctions of suspension of voluntary transfers provided for in this Supplementary Law.

CHAPTER VI

ALLOCATION OF PUBLIC FUNDS TO THE PRIVATE SECTOR

Article 26. The direct or indirect allocation of funds to meet the needs of natural persons or to cover corporate losses shall be authorized by a specific law, satisfy the conditions established in the Budgetary Guidelines Law and be included in the budget or in the additional credits.

Paragraph 1. The provisions of the head provision of this Article shall apply to all indirect administrations, including public foundations and state-owned companies, except for the financial institutions and the Central Bank of Brazil, in the performance of their core activities.

Paragraph 2. Those provisions also apply to the granting of loans, financing and refinancing operations, including the respective debt postponement or composition, the granting of subsidies and the participation in capital structure or in capital increase.

Article 27. Financial charges, fees or similar expenditures related to credits granted by a member of the Federation to an individual or corporation not directly or indirectly controlled by it, shall not be lower than those set by law or lower than the fund raising costs.

Sole paragraph. Debt postponement and debt composition arising from credit operations, as well as loans or financing granted in disagreement with the provisions of the head provision of this Article, shall be subject to specific legislation, and the corresponding subsidy shall be included in the Annual Budgetary Law.

Article 28. Unless stated in specific legislation, public funds, including those arising from credit operations, shall not be used to rescue member institutions of the National Financial System, even through recovery loans or financing aimed at enabling the transfer of the shareholders control.

Paragraph 1. The prevention of insolvency and other risks shall be exercised through funds and other mechanisms, constituted by member institutions of the National Financial System, according to the current legislation.

Paragraph 2. The provisions of the head provision of this Article do not prohibit the Central Bank of Brazil from granting discount lending and loans with maturities with fewer than three hundred and sixty days to financial institutions.

CHAPTER VII

DEBT AND INDEBTEDNESS

Section I

Basic Definitions

Article 29. For the purposes of this Supplementary Law, the following definitions shall be adopted:

I – consolidated long-term public debt: total amount, determined without double accounting, of financial liabilities assumed by the member of the Federation, according to the terms of legal contracts, agreements or treaties, generated by credit operations and scheduled for total amortization over a 12-month period;

II – public securities debt: public debt represented by securities issued by the Federal government, including those of the Central Bank of Brazil, the States and Municipalities;

III – credit operations: financial obligations assumed resulting from a mutual loan, credit granting, issuance and acceptance of security, financing for the acquisition of goods, anticipated revenue from the term sale of goods and services, leasing and similar operations, including the use of financial derivatives;

IV – granting of guarantee: commitment to fully honor a financial or contractual obligation assumed by a member of the Federation or its related bodies;

V – refinancing of securities debt: issuance of securities to repay the principal plus monetary updating.

Paragraph 1. Debt assumption or acknowledgment, as well as the confession of indebtedness by the member of the Federation shall be equivalent to a credit operation, without prejudice to compliance with the provisions of Articles 15 and 16.

Paragraph 2. The Federal government's public consolidated debt shall also include the debt relating to the issuance of securities under the responsibility of the Central Bank of Brazil.

Paragraph 3. Credit operations of fewer than twelve months are also included in public consolidated debt, when its corresponding revenues are stated in the budget.

Paragraph 4. At the end of each fiscal year, the refinancing of the principal of securities debt shall not exceed the amount registered at the end of the previous year, added to the amount of credit operations authorized in the budget for that purpose and effectively realized, plus monetary updating.

Section II

Limits on Public Debt and Credit Operations

Article 30. Within ninety days from the publication of this Supplementary Law, the President of the Republic shall submit:

I – to the Federal Senate: the proposal of overall limits for the amount of consolidated debt of the Federal government, the States and Municipalities, pursuant to Article 52, item VI of the Brazilian Constitution, as well as the limits and conditions referred to in item VII, VIII and IX of the same Article;

II – to the National Congress: a bill establishing limits for the amount of federal securities debt, as mentioned in Article 48, item XIV of the Brazilian Constitution, accompanied by a statement of its consistency with the limits set for the Federal government's consolidated debt, pursuant to the provisions of item I, Paragraph 1 of this Article.

Paragraph 1. The proposals referred to in items I and II of the head provision of this Article and their amendments shall contain:

I – demonstration that the limits and conditions are consistent with the rules set forth in this Supplementary Law and with the fiscal policy objectives;

II – estimated impact of enforcement of the limits on each of the three levels of government;

III – reasons for any proposal of differentiated limits for each level of government;

IV – calculation methodology for determining the primary and nominal results.

Paragraph 2. The proposals mentioned in items I and II of the head provision of this Article may also be submitted in terms of net debt, with a description of its calculation methodology.

Paragraph 3. The limits mentioned in items I and II of the head provision of this Article shall be set as a percentage of net current revenue for each government level, and shall also apply to all entities of the Federation on each level, and shall constitute the ceiling applicable to them.

Paragraph 4. The amount of the consolidated debt shall be determined at the end of each 4-month period, for the purpose of verifying compliance with the debt ceiling.

Paragraph 5. Within the period mentioned in Article 5, the President of the Republic shall submit to the Federal Senate or to the National Congress, depending on the case, a proposal to maintain or alter the limits and conditions established in items I and II of the head provision of this Article.

Paragraph 6. Whenever the fundamentals of the proposals referred to in this Article are changed, due to economic instability or changes in the monetary or exchange policies, the President of the Republic may submit to the Federal Senate or National Congress a request for a review of the current limits.

Paragraph 7. Judicial payments not made during the execution of the budget in which they were included shall be considered part of the consolidated debt for the purpose of application of the respective limits.

Section III

Restructuring Debt According to the Established Limits

Article 31. Should the consolidated debt of a member of the Federation exceed the respective limit at the end of a 4-month period, it shall be brought within the limit by the end of the three subsequent periods, with a minimum of 25% (twenty-five percent) reduction in the first period.

Paragraph 1. For as long as the excess is verified, violators of the limit shall:

I – be prohibited from contracting internal or external credit operations, including revenue anticipations, except for the payment of securities debt; (Wording by Supplementary Law No. 178, of 2021)

II – obtain the primary result required to bring the debt within the established limit, and, among other measures, shall restrict funding commitments, pursuant to Article 9.

Paragraph 2. Once the period for bringing the debt within the limit has expired, and if the excess persists, the member of the Federation shall also be prohibited from receiving voluntary transfers from the Federal government or the States.

Paragraph 3. The restrictions of Paragraph 1 shall apply immediately if the amount of debt exceeds the limit during the first 4-month period of the last year in office of the Chief of the Executive Branch.

Paragraph 4. The Ministry of Finance shall disclose on a monthly basis the list of members of the Federation that have exceeded the limits of consolidated and securities debt.

Paragraph 5. The rules provided for in this Article shall be observed in case of noncompliance with the limits set for securities debt and internal and external credit operations.

Section IV

Credit Operations

Subsection I

Contracting credit operations

Article 32. The Ministry of Finance shall verify compliance with the limits and conditions for contracting credit operations by each member of the Federation as well as by any enterprise directly or indirectly controlled by them.

Paragraph 1. The interested member of the Federation shall formalize its request based on opinion issued by its technical and legal agencies, presenting a cost-benefit evaluation, economic and social interest of the intended operation and compliance with the following conditions:

I – existence of prior written authorization, in the Annual Budgetary Law's text, for contracting the operation, as additional credit or through specific law;

II – inclusion of funds arising from the operation in the budget or in additional credits, except in case of anticipated revenues operations;

III – compliance with the limits and conditions established by the Federal Senate;

IV – specific authorization by the Federal Senate for external credit operations;

V – compliance with the provision of Article 167, item III of the Brazilian Constitution;

VI – compliance with all other limitations established by this Supplementary Law.

Paragraph 2. Federal securities debt operations, authorized in the Annual Budgetary Law or additional credits, shall be subject to a simplified mechanism that meets their requirements, according to their characteristics.

Paragraph 3. For the purposes stated in Paragraph 1, item V, the amount considered for each fiscal year shall be the total inflows of funds from credit operations and executed capital expenditures, as follows:

I – capital expenditures shall not include those carried out as loan or financing to taxpayer for the purpose of providing fiscal incentive, based on a tax levied by the member of the Federation, if such operations result in direct or indirect decrease in the liabilities of the member of the Federation;

II – if the loan or financing referred to in item I is granted by a financial institution controlled by a member of the Federation, the value of the operation shall be deducted from capital expenditures;

III – (VETOED)

Paragraph 4. Without prejudice to the specific responsibilities of the Federal Senate and the Central Bank of Brazil, the Ministry of Finance shall maintain a centralized and updated electronic

record of the internal and external public debts, guaranteeing public access to the information, which shall include:

I – charges and contracting conditions;

II – updated balances and limits for the consolidated and securities debt, credit operations and guarantees.

Paragraph 5. External credit operations agreements shall not include a clause that results in the automatic compensation of debits and credits.

Paragraph 6. The deadline for determining the limits and the conditions set forth in this Article and for reviewing the guarantee of concession by the Federal Government shall be, at least, 90 (ninety) days and, maximum, 270 (two hundred and seventy) days, at the Ministry of Treasury's discretion. (Included by Supplementary Law No. 159, of 2017)

Paragraph 7. The objective of the credit operations of the States, the Federal District and the Municipalities might be altered without the need for revision by the Ministry of Economy, as long as there is prior and express permission for such, in the Budget Law, in the additional credits or in specific legislation, which demonstrates the cost-benefit relationship and the economic and social interest and does not violate the provisions of this Supplementary Law. (Included by Supplementary Law No. 178, of 2021)

Article 33. The financial institution which contracts a credit operation with a member of the Federation, except for securities and external debt, shall request proof that the operation complies with the established conditions and limits.

Paragraph 1. Operations contracted in disagreement with the provisions of this Supplementary Law shall be considered null and void, and shall be canceled through a refund of the principal, without payment of interests and other financial charges.

Paragraph 2. If the refund is not effected during the same fiscal year in which the inflow occurred, a specific reserve shall be set aside in the Annual Budgetary Law for the subsequent year.

Paragraph 3. Until the operation is canceled, amortized or the reserve set forth in Paragraph 2 is set aside, the sanctions provided for in Paragraph 3 of Article 23 shall apply to the entity. (Wording by Supplementary Law No. 178, of 2021)

Paragraph 4. A reserve shall also be set aside, in an amount equivalent to the excess, if not in compliance with the provisions of Article 167, item III of the Brazilian Constitution, according to the provisions of Article 32, Paragraph 3.

Subsection II

Prohibitions

Article 34. The Central Bank of Brazil shall not issue government securities within two years after the publication of this Supplementary Law.

Article 35. Members of the federation are forbidden from contracting credit operations, directly or through a fund, an autonomous agency, a government body, foundation, state-owned enterprise, or any Federation body, including its indirect administration entities, even in the form of novation, refinancing or postponement of previously contracted debt.

Paragraph 1. The prohibition referred to in the head provision of this Article does not apply to operations between a state financial institution and another member of the Federation, including its indirect administration bodies, whose purpose is not:

I – financing current expenditures, either directly or indirectly;

II – refinancing debt not due to the same grantor;

Paragraph 2. The provisions of the head provision of this Article do not prohibit the States and Municipalities from purchasing government securities from the Federal government to increase their available resources.

Article 36. Credit operations between a state financial institution and a member of the Federation that controls it when the latter is the beneficiary of the loan, are prohibited.

Sole paragraph. The prohibition mentioned in the head provision of this Article does not prohibit a controlled financial institution from acquiring, in the market, government securities to meet its clients' investment needs, or from acquiring government securities issued by the Federal government to invest their own capital resources.

Article 37. The following are considered equivalent to credit operations and are, therefore, prohibited:

I – raising funds through revenue anticipation from taxes or contributions, when the respective taxable event has not occurred yet, without prejudice of the provisions of Article 150, Paragraph 7 of the Brazilian Constitution;

II – anticipating receipt of amounts from enterprises when the government holds, directly or indirectly, the majority of voting shares of the mentioned enterprise, except for profits and dividends, according to the respective legislation.

III – directly assumption of commitment, confession of indebtedness or similar operation, with a supplier of goods, merchandise or services, by issuing, accepting or endorsing credit instruments, this prohibition does not apply to state-owned enterprises;

IV – assumption of liabilities with suppliers, without budgetary authorization for future payment of goods and services.

Subsection III

Credit Operations Based on Budgetary Revenue Anticipation

Article 38. Credit operations based on revenue anticipation shall be offset to meet cash shortfalls during the fiscal year, and shall comply with the requirements mentioned in Article 32, in addition to the following:

I – they shall be offset only up to the tenth day after the beginning of the year;

II – they shall be settled, including the payment of interest and other charges, until the 10th of December of each year;

III – they shall not be authorized in case any charges are levied other than interest, mandatory fixed or indexed to the basic financial rate or any replacement rate;

IV – the operations mentioned in the head provision of this Article shall be prohibited:

a) until a previous operation of the same nature is fully repaid;

b) in the last year in office of the President, Governor, or Mayor.

Paragraph 1. The operations referred in this Article shall not be computed for the purpose of Article 167, item III of the Brazilian Constitution, provided that they shall be settled within the period set forth in item II of the head provision of this Article.

Paragraph 2. Credit operations through revenue anticipation by the States or Municipalities shall be offset by opening a credit line with the winning financial institution in a competitive electronic procedure carried out by the Central Bank of Brazil.

Paragraph 3. The Central Bank of Brazil shall maintain a monitoring and control system over the outstanding credits and, in case of noncompliance with the limits, the Central Bank of Brazil shall apply the suitable sanction to the creditor institution.

Subsection IV

Operations with the Central Bank of Brazil

Article 39. In its relations with the members of the federation, the Central Bank of Brazil shall be subject to the prohibitions mentioned in Article 35, in addition to the following:

I – purchasing government securities on the date of the placement in the market, except for the provisions of Paragraph 2 of this Article;

II – exchanging, even on a temporary basis, debt securities of a member of the Federation for federal public debt securities, as well as forward purchase or sale of such securities when the final result is similar to an exchange;

III – granting guarantees.

Paragraph 1. The provisions of item II, *in fine*, does not apply to the stock of Central Bank of Brazil special series bills, included in the portfolio of financial institutions, which may be refinanced through new forward sale operations.

Paragraph 2. The Central Bank of Brazil may only directly purchase securities issued by the Federal government to refinance upcoming federal securities debt maturing in its portfolio.

Paragraph 3. The operation mentioned in Paragraph 2 shall be offset through a public auction, at the average rate and at the prevailing market conditions.

Paragraph 4. The National Treasury shall not acquire federal debt instruments existing in the portfolio of the Central Bank of Brazil, even with repurchase clause, unless the operation aims at reducing securities debt.

Section V

Guarantees and Counter-Guarantees

Article 40. The entities may grant guarantees for internal or external credit operations, pursuant to the provisions of this Article, the rules set forth in Article 32 and also, in the case of the Federal government, they may also grant the limits and conditions established by the Federal Senate and the rules issued by the Ministry of Economy concerning the classification of the borrower's payment capacity. (Wording by Supplementary Law No. 178, of 2021)

Paragraph 1. The guarantee shall be conditioned to the provision of counter-guarantee, in an amount equal to or higher than the guarantee provided, and to the absence of overdue obligations from the requesting member of the Federation to the guarantor and its controlled companies, and also in compliance with the following:

I – no counter-guarantee can be required from bodies and agencies of the member of the Federation itself;

II – the counter-guarantee required by the Federal government from States or Municipalities, or by States from Municipalities, may consist in the earmarking of tax revenue directly collected and resulting from Brazilian Constitutional transfers, and the guarantor shall be authorized to retain such revenue and use the respective amount to repay overdue debt.

Paragraph 2. In the case of credit operations with international financial bodies, or with federal credit and development institutions for the transfer of foreign funds, the Federal government can only provide guarantee to a member of the Federation which meets the legal requirements for receiving voluntary transfers, in addition to the provisions of Paragraph 1.

Paragraph 3. (VETOED)

Paragraph 4. (VETOED)

Paragraph 5. Any guarantee provided in excess of the limits set by the Federal Senate shall be null and void.

Paragraph 6. Indirect administration entities, including their controlled companies and subsidiaries, are prohibited from providing guarantee, even through fund resources.

Paragraph 7. The provision of Paragraph 6 does not apply to guarantee granted by:

I – controlled companies to its subsidiaries or controlled companies, nor to the provision of counter-guarantee under the same conditions;

II – financial institution to domestic companies, according to the terms of the law.

Paragraph 8. The provisions of this Article shall not apply to guarantee provided:

I – by state financial institutions, which shall comply with the rules applicable to private financial institutions, pursuant to the relevant legislation;

II – by the Federal government, under federal law, to financial corporations directly and indirectly controlled by the Federal government, relating to export credit insurance operations.

Paragraph 9. When paying the debt of other member of the Federation as a result of guarantee provided, the Federal government and the States are allowed to condition constitutional transfers to the reimbursement of the stated amount paid.

Paragraph 10. The member of the Federation whose debt has been paid by the Federal government or a State as a result of guarantee provided in a credit operation, shall not have access to new credit or financing until mentioned debt has been fully liquidated.

Paragraph 11. Alteration to the methodology used for the purpose of classifying the payment capacity of the States and Municipalities shall be preceded by a public consultation, and the entities' opinion shall be considered. (Included by Supplementary Law No. 178, of 2021).

Section VI

Outstanding Commitments

Article 41. (VETOED)

Article 42. In the last two 4-month periods of their term in office, the Head of the Branch or body referred to in Article 20 is prohibited from assuming any expenditure commitment that may not be fully liquidated in their own term in office, or those resulting in installments to be paid in the subsequent year without leaving sufficient available financial resources for that purpose.

Sole paragraph. The available financial resources shall be computed considering charges and expenditure commitments payable until the end of the year.

CHAPTER VIII

ASSET MANAGEMENT

Section I

Available Financial Resources

Article 43. The available financial resources of the members of the Federation shall be deposited pursuant to Article 164, Paragraph 3 of the Brazilian Constitution.

Paragraph 1. Available financial resources of the general and public social security systems, even when earmarked for the specific funds referred to in Articles 249 and 250 of the Brazilian Constitution, shall be deposited in a separate account from all other available financial resources of each member of the Federation and invested on market conditions, observing the limits and conditions imposed by safety and prudential considerations.

Paragraph 2. The available financial resources mentioned in Paragraph 1 shall not be invested in:

I – state and municipal government securities, nor in stocks or other commercial papers relating to companies controlled by the respective member of the Federation;

II – loans of any nature, to taxpayers or to the government, including its controlled companies.

Section II

Preservation of Public Assets

Article 44. Capital revenue derived from the transfer of properties and rights integrating the public assets shall not be used to finance current expenditures, unless destined by law for the general and public social security systems.

Article 45. Pursuant to the provisions of Article 5, Paragraph 5, the Annual Budgetary Law and the additional credit law shall only include new projects once the needs of projects in progress have been duly provided and the expenditures required for the conservation of public assets have been set aside, to the provisions of the Budgetary Guidelines Law.

Sole paragraph. The Executive Branch of each member of the Federation shall submit to the Legislative Branch, until the date of submission of the draft Budgetary Guidelines Law, a report containing the required information for compliance with this Article, which shall be widely disseminated.

Article 46. Any act involving the expropriation of urban real estate issued without complying with the provision in Article 182, Paragraph 3 of the Brazilian Constitution, or without prior judicial deposit of the value of indemnity is considered null and void.

Section III

Companies Controlled by the Public Sector

Article 47. The controlled companies that formalized a management agreement containing performance objectives and targets, under the law, shall have managerial, budgetary and financial autonomy, without prejudice to enforcement of the provisions of Article 165, Paragraph 5, item II of the Brazilian Constitution.

Sole paragraph. The controlled company shall include in its quarterly balance sheets an explanatory note on the:

I – the provision of goods and services to the controlling company, with the respective prices and conditions, as well as a comparison with those in the market;

II – funds received from the controlling company for any reason, specifying amount, source and use of funds;

III – sale of goods, rendering of services or granting of loans and financing at prices, rates, terms or conditions different from those prevailing in the market.

CHAPTER IX
TRANSPARENCY, CONTROL AND OVERSIGHT

Section I

Transparency in Fiscal Management

Article 48. The instruments of fiscal management transparency, which shall be widely disclosed, even in electronic public media, include: plans, budgets, and Budgetary Guidelines Laws; rendering of accounts and respective prior statement of opinion; Summary Budget Execution Report and Fiscal Management Report; and the simplified versions of these documents.

Paragraph 1. Transparency shall be ensured also through: (Wording by Supplementary Law No. 156, of 2016).

I – encouragement to popular participation and organization of public hearings, during the elaboration and discussion of plans, budget and policies law and budgets; (included by Supplementary Law No. 131 of 2009).

II – Disclosure of detailed information on the budget and financial execution, through electronic means of public access, for the society to fully acknowledge and supervise, in real time; and (Wording by Supplementary Law No. 156, of 2016).

III – Adoption of an integrated system of financial and control management, which meets the minimum quality standards established by the Executive Branch and the provisions of Article 48-A. (Included by Supplementary Law o. 131, of 2009) (See Decree No. 7185, of 2010).

Paragraph. 2 The Federal Government, the States, the Federal District and the Municipalities shall make available their accounting, budgetary and fiscal information according to periodicity, format and systems established by the Federal Government accounting central body, and the information shall be disclosed via electronic means of broad public access. (Included by Supplementary Law No. 156 of 2016).

Paragraph 3. The Federal Government, the States, the Federal District and the Municipalities shall send the Ministry of Treasury, under the terms and the periodicity to be defined by a specific ruling of that body, information necessary to constitute a centered and electronic registry of the internal and external public debt, provided for in Paragraph 4 of Article 32. (Included by Supplementary Law No. 156 of 2016).

Paragraph 4. Non-compliance with the provisions of Paragraph 2 and 3 shall result in the penalties provided for in Paragraph 2 of Article 51. (Included by Supplementary Law No. 156 of 2016).

Paragraph 5. In the case of sending the information, according to the provisions of Paragraph 2, for all intents and purposes, the Federal Government, the States, the Federal District and the Municipalities are considered to have carried out their duty to disclose according to the head provision of this Article. (Included by Supplementary Law No. 156 of 2016).

Paragraph 6. All the Branches and bodies referred to in Article 20, including the autonomous agencies, public foundations, state-owned enterprises, dependent bodies and funds, belonging to the member of the Federation, shall make use of single systems of budget and financial execution, kept and managed by the Executive Branch, protecting its autonomy. (Included by Supplementary Law No. 156 of 2016).

Article 48-A. For the purposes of the provisions of item II of the sole paragraph of Article 48, the members of the federation shall make available to any natural or legal person access to information concerning: (Included by Supplementary Law No. 131 of 2009).

I – expenditures: all acts carried out by the management units during the execution of the expenditure, at the time of the execution, disclosing at least information related to the number of the corresponding process, to the goods supplied or the service provided, to the natural or legal person beneficiary of the payment and, whenever the case may be, to the bidding process taking place; (Included by Supplementary Law No. 131 of 2009).

II – revenue: revenue entry and receipt by the management units, including those referring to extraordinary resources. (Included by Supplementary Law No. 131 of 2009).

Article 49. The accounts submitted by the Chief of the Executive Branch shall be available throughout the year in the respective Legislative Branch and in the technical body responsible for its preparation, to be consulted and evaluated by the citizens and institutions.

Sole paragraph. The rendering of accounts by the Federal government shall contain statements by the National Treasury and official financial development agencies, including the National Bank for Economic and Social Development (BNDES), detailing loans and financing granted with funds from the fiscal and social security budgets, and, for financing agencies, summary evaluation of the fiscal impact of their activities during the year.

Section II

Record Keeping and Consolidation of Accounts

Article 50. In addition to other public accounting standards, public record keeping shall comply with the following:

I – available financial resources shall be recorded in a separate book, so that funds earmarked for a body, fund or mandatory expenditure may be individually identified and recorded;

II – expenditures and commitments shall be recorded on an accrual basis; in addition, the results of financial flows shall also be determined on a cash basis;

III – the financial statements shall comprise the joint and individual transactions and operations of each body, fund or direct administration, government body or foundation, including state-owned enterprises;

IV – social security revenue and expenditures shall be presented in specific financial and budgetary statements;

V – credit operations, outstanding commitments and other types of financing or assumption of obligations with third parties shall be recorded so as to evidence the amount of and change in public debt in the period, broken down by nature and type of creditor, as a minimum;

VI – the statement of changes in public assets shall emphasize the source and use of funds arising from the sale of assets.

Paragraph 1. Intergovernmental operations shall be excluded from joint statements.

Paragraph 2. The publication of general standards for the consolidation of public accounts shall be the responsibility of the Federal government's central accounting body, until the council mentioned in Article 67 is established.

Paragraph 3. The Public Administration shall maintain a cost system that enables the evaluation and monitoring of the budgetary, financial, and asset management.

Article 51. By June 30, the Federal government's Executive Branch shall consolidate the accounts of the members of the federation for the previous year, at the national level and by sphere of government, and disclose them, including the use of publicly accessible electronic media.

Paragraph 1. The States and Municipalities shall submit their accounts to the Federal government's Executive Branch on the following dates:

I – Municipalities, by April 30, with a copy to the Executive Branch of the respective State;

II – States, by May 31.

Paragraph 2. Failure to comply with the deadlines set forth in this Article shall impede the member of the Federation, until the situation is normalized, from receiving voluntary transfers and entering into credit operations, except for those aimed at refinancing the indexed principal of securities debt.

Section III

Summarized Budget Execution Report

Article 52. The report mentioned in Article 165, Paragraph 3, of the Brazilian Constitution shall cover all Branches and the Federal Prosecution, and shall also be published within thirty days from the end of each two-month period, comprising:

I – the budgetary balance sheets, specifying, for each economic category:

a) revenues by source, including received and receivable revenue, as well as an updated forecast;

b) the expenditures by group of nature, detailing the allocation for the year, and expenditures paid and the balance;

II – statement of execution of:

a) the revenues, by economic category and source, specifying initial forecast, updated forecast for the year, received revenue in the two-month period and in the year, and forecast of receivable revenue;

b) the expenditures, by economic category and expenditure nature group, specifying initial forecast, allocation for the period, expenditures committed and paid in the two-month period and in the year;

c) expenditures, by function and sub-function;

Paragraph 1. Revenues from credit operations and expenditures with debt repayment shall highlight the amounts relating to securities debt refinancing.

Paragraph 2. Failure to comply with the deadlines set forth in this Article shall subject the member of the Federation to the sanctions provided for in Article 51, Paragraph 2.

Article 53. The Summary Report shall be accompanied by statements on:

I – determination of net current revenue, as defined in Article 2, item IV, its evolution, and a forecast of its performance until the end of the year;

II – social security revenue and expenditures mentioned in Article 50, item IV; III – nominal and primary results;

IV – interest expenditures, as provided for in Article 4, item II;

V – outstanding commitments, detailing the amounts stated in accounting records, payments effected and amounts payable, by Branch and body referred to in Article 20.

Paragraph 1. The report for the last two-month period of the year shall be accompanied by statements on:

I – compliance with the provisions of Article 167, item III of the Brazilian Constitution, pursuant to Article 32, Paragraph 3;

II – actuarial projections for the general and public social security systems;

III – changes in public assets, showing sale of assets and use of respective funds.

Paragraph 2. When applicable, justifications shall be presented for:

I – funding commitments limitations;

II – unfulfilled revenue forecasts, specifying measures taken and planned against tax fraud and tax evasion, as well as oversight and collection actions.

Section IV

Fiscal Management Report

Article 54. At the end of each four-month period, the Heads of the Branches and agencies mentioned in Article 20 shall issue a Fiscal Management Report, to be signed by:

I – the Head of the Executive Branch;

II – the President and other members of the Board or equivalent decision-making body, pursuant to the internal rules of the Legislative Branch bodies;

III – Presidents of Courts and other members of the Board or equivalent decision-making body, pursuant to the internal rules of the Judicial Branch bodies;

IV – Head of the Federal Prosecution in the Federal Government and the States.

Sole paragraph. The report shall also be signed by the authorities responsible for the financial administration and internal control, as well as by others as may be defined by a decision made by each Branch or body mentioned in Article 20.

Article 55. The report shall contain:

I – a comparison between the limits set forth in this Supplementary Law and the following amounts:

- a) total personnel expenditures, specifying those with inactive personnel and pensioners;
- b) consolidated and securities debt;
- c) guarantees granted;
- d) credit operations, including those based on revenue anticipation;
- e) expenditures mentioned in Article 4, item II;

II – indication of corrective measures taken or to be taken in case any of the limits is exceeded;

III – statements, in the last four-month period:

- a) of the amount of available financial resources on December 31;
- b) of the amounts recorded in outstanding commitments of expenditures:
 - 1) liquidated;
 - 2) committed but not liquidated, recorded therein because they meet one of the conditions set forth in Article 41, item II;
 - 3) committed but not liquidated, recorded up to the limit of the cash balance;
 - 4) not recorded therein due to lack of available financial resources, for which the respective commitments have been canceled;
- c) of compliance with the provision of Article 38, item II, and item IV, b.

Paragraph 1. The report issued by the Heads of the bodies mentioned in Article 54, items II, III and IV, shall contain only the information relating to item I, a, and the documents listed in items II and III.

Paragraph 2. The report shall be published within thirty days after the end of the base period, and widely disclosed to the public, including by electronic media.

Paragraph 3. Failure to comply with the deadline set forth in Paragraph 2 shall subject the member of the Federation to the sanction provided for in Article 51, Paragraph 2.

Paragraph 4. The reports mentioned in Articles 52 and 54 shall be standardized, based on samples that may be updated by the council referred to in Article 67.

Section V

Submission of Accounts

Article 56. The accounts rendered by the Head of the Executive Branch shall include, in addition to those of their own bodies, those of the Heads of the Legislative and Judicial Branches and the Head of the Prosecution Service, as mentioned in Article 20, subject to previous separate evaluation by the respective Court of Accounts.

Paragraph 1. The accounts of the Judicial Branch shall be presented within the scope of:

I – the Federal government, by the Presidents of the Federal Supreme Court and the Higher Courts, consolidating the accounts of the respective courts;

II – the States, by the Presidents of the Courts of Justice, consolidating the accounts of all other courts.

Paragraph 2. The Court of Accounts' opinion on the accounts shall be issued within the periods provided for in Article 57 by the intergovernmental permanent committee mentioned in Article 66, Paragraph 1 of the Brazilian Constitution, or equivalent committee of the state and municipal Legislative Houses.

Paragraph 3. Once the results of the review of accounts have been confirmed and completed, they shall be fully disclosed.

Article 57. The Court of Accounts shall issue a prior conclusive opinion on the accounts within sixty days of their receipt, unless otherwise stated in the state Brazilian Constitutions or municipal bodies laws.

Paragraph 1. For Municipalities that are not state capitals and have a population of fewer than two hundred thousand inhabitants, the term shall be one hundred and eighty days.

Paragraph 2. The Court of Accounts shall not go into recess as long as a prior opinion on the accounts of a Branch or body referred to in Article 20 is pending.

Article 58. The submission of accounts shall evidence the collection performance regarding the forecasts, with emphasis on measures taken regarding revenue inspection and combat to tax fraud and evasion, credit recovery actions in the administrative and judicial spheres, as well as other measures aimed at increasing the revenues from taxes and contributions.

Section VI

Fiscal Management Oversight

Article 59. The Legislative Branch shall, directly or assisted by the Courts of Accounts and the internal control system of each Branch and the Prosecution Service, supervise compliance with the rules of this Supplementary Law, taking into account the rules for methodological standards edited by the council referred to in Article 67, with emphasis on: (Wording by Supplementary Law No. 178, of 2021).

I – compliance with the targets set forth in the Budgetary Guidelines Law;

II – limits and conditions for credit operations and recording in outstanding commitments;

III – measures taken to bring the total personnel expenditures within the respective limit, pursuant to Articles 22 and 23;

IV – measures taken, pursuant to Article 31, to bring the amounts of consolidated and securities debt within the respective limits;

V – use of funds resulting from the sale of assets, in light of the Brazilian Constitutional restrictions and those imposed by this Supplementary Law;

VI – compliance with the total expenditure limits set for municipal legislatures, if applicable.

Paragraph 1. The Courts of Accounts shall notify the Branches or agencies referred to in Article 20, in case they observe any of the following:

I – possibility of occurrence of any of the situations mentioned in Article 4, item II, and Article 9;

II – that total personnel expenditures exceeded the limit by 90% (ninety percent);

III – that the amounts of consolidated and securities debt, credit operations and guarantees granted exceed the limit by 90% (ninety percent);

IV – that expenditures with inactive workers and pensioners exceed the legally defined limit;

V – any developments that may negatively affect the costs or results of the programs, or any evidence of irregularity in the budgetary management.

Paragraph 2. The Courts of Accounts shall further evaluate the calculation of the limits applicable to total personnel expenditures of each Branch and body referred to in Article 20.

Paragraph 3. The Federal Court of Accounts shall monitor compliance with the provisions of Article 39, Paragraph 2, 3, and 4.

CHAPTER X

FINAL AND TRANSITIONAL PROVISIONS

Article 60. A state or municipal law may set a limit for consolidated and securities debt, credit operations and granting of guarantees lower than the one provided for in this Supplementary Law.

Article 61. Government securities, provided that they are duly registered with a centralized settlement and custody system, can be offered as collateral to guarantee loans or other transactions under the law, for their economic value, as defined by the Ministry of Finance.

Article 62. The Municipalities shall only contribute to cover the costs of expenditures incurred by other members of the federation if:

I – authorized in the Budgetary Guidelines Law and in the Annual Budgetary Law;

II – authorized in covenant, agreement, accord, or any similar arrangement, pursuant to the law.

Article 63. Municipalities with a population of fewer than fifty thousand people may opt for:

I – applying the provisions of Article 22 and Article thirty, Paragraph 4, at the end of the half-year;

II – disclosing on a semi-annual basis:

a) (VETOED)

b) the Fiscal Management Report;

c) the statements mentioned in Article 53;

III – preparing the Fiscal Policy Appendix of the Multi-Year Plan (PPA), the Fiscal Target Appendix, and Fiscal Risk Appendix of the Budgetary Guidelines Law, as well as the appendix mentioned in Article 5, item I, starting from the 5th year after publication of this Supplementary Law.

Paragraph 1. The disclosure of reports and statements shall be made within thirty days from the half-year end.

Paragraph 2. Should the limits relating to total personnel expenditures or consolidated debt exceed, and for as long as this situation persists, the Municipality shall be subject to the same verification periods and limits set for all other entities.

Article 64. The Federal government shall provide technical and financial assistance to Municipalities for the modernization of the respective tax, financial, asset and social security administrations, for the purpose of complying with the rules set forth in this Supplementary Law.

Paragraph 1. The technical assistance shall consist in training and development of human resources and transfer of technology, as well as support in the disclosure of the instruments mentioned in Article 48 in widely accessible electronic media.

Paragraph 2. The financial assistance shall comprise the granting of goods and resources, financing through federal financial institutions, and the transfer of funds from external operations.

Article 65. In the event of a public calamity acknowledged by the National Congress, in the case of the Federal government; or by the Legislative Assemblies, in the case of States and Municipalities; and for as long as the situation persists:

I – the deadlines and the provisions of Articles 23, 31 and 70 shall be suspended;

II – the achievement of fiscal results and the commitment limits set forth in Article 9 shall be waived.

Paragraph 1. Should a public calamity be recognized by the National Congress, under the terms of a legislative decree, partially or fully in the national territory and while the situation lasts, in addition to the provisions of item I and II of the head provision of this Article: (Included by Supplementary Law No. 173, of 2020).

I – The limits, conditions and other restrictions applied to the Federal Government, States, Federal District and the Municipalities shall be dismissed, as well as verification of: (Included by Supplementary Law No. 173, of 2020).

a) contracting of loan operations; (Included by Supplementary Law No. 173, of 2020).

b) granting of warranties. (Included by Supplementary Law No. 173, of 2020).

c) contracting between the members of the federation; and (Included by Supplementary Law No. 173, of 2020).

d) receiving voluntary transfers; (Included by Supplementary Law No. 173, of 2020).

II – the limits and the prohibitions and sanctions provided for and resulted from arts. 35, 37 and 42 shall be dismissed, as well as the need for compliance provided for in the sole paragraph of Article 8 of this Supplementary Law, as long as the resources collected are directed to the combat against the public calamity. (Included by Supplementary Law No. 173, of 2020).

III – The conditions and prohibitions provided for in Articles 14, 16 and 17 of this Supplementary Law shall be dismissed as long as the incentive or benefit and the creation of or the increase in the expenditure is directed to the combat against the public calamity (Included by Supplementary Law No. 173, of 2020).

Paragraph 2. The provisions of Paragraph 1 of this Article, taking into account the terms established by legislative decree that recognizes the public calamity by the National Congress and while the public calamity lasts: (Included by Supplementary Law No. 173, of 2020).

I – shall be applied exclusively: (Included by Supplementary Law No. 173, of 2020).

a) to the Federation's units reached by the public calamity and located in the territory where the public calamity has been recognized by the National Congress and while the state of public calamity lasts; (Included by Supplementary Law No. 173, of 2020).

b) to the management and financial acts necessary for the expenditures related to enforcing the legislative decree; (Included by Supplementary Law No. 173, of 2020).

II – These provisions do not interfere with those related to transparency, control and supervision. (Included by Supplementary Law No. 173, of 2020).

Paragraph 3. In the case of additions to credit operations guaranteed by the Federal Government under the terms of the provisions of Paragraph 1 of this Article, the guarantee shall be maintained, and contract alterations on the current guarantee and counter guarantee shall not be necessary. (Included by Supplementary Law No. 173, of 2020).

Article 66. The terms set forth in Articles 23, 31, and 70 shall be doubled in case of low or negative real growth of the national, regional, or state Gross Domestic Product (GDP) for a period equal to or higher than 4 quarters.

Paragraph 1. Low growth shall be defined as the accumulated change in real GDP lower than 1% (one percent) during the period corresponding to the four last quarters.

Paragraph 2. The change rate shall be the that determined by the IBGE or other body that may replace it, and the same methodology shall be used to determine the national, state, and regional GDP.

Paragraph 3. In the case mentioned in the head provision of this Article, the measures referred to in Article 22 shall continue to be adopted.

Paragraph 4. In case there are drastic changes in the conduct of monetary and exchange rate policies, acknowledged by the Federal Senate, the term mentioned in the head provision of this Article 31 may be extended for up to four 4-month periods.

Article 67. The ongoing monitoring and evaluation of the policies and workability of the fiscal management shall be performed by a fiscal management council, composed of representatives of all Branches and levels of government, the Prosecution Service and technical entities representing the society as a whole, for the purpose of promoting:

I – balance and cooperation among the members of the Federation;

II – dissemination of practices resulting in greater efficiency in the allocation and execution of public expenditure, revenue collection, indebtedness control and transparency in fiscal management;

III – adoption of rules for the consolidation of public accounts, standardization of rendering of accounts and fiscal management reports and statements provided under this Supplementary Law, streamlined rules and standards for small Municipalities, as well as other standards required for social control;

IV – disclosure of analyses, studies and diagnoses.

Paragraph 1. The council referred to in the head provision of this Article shall institute means of rewarding and publicly recognizing the Heads of a Branch that succeed in achieving praiseworthy results in their social development policies, coupled with the pursuit of a fiscal management based on the rules set forth in this Supplementary Law.

Paragraph 2. A law shall provide for council's composition and operations.

Article 68. Pursuant to Article 250 of the Brazilian Constitution, the General Social Security System Fund is hereby created, under the Ministry of Social Security and Assistance, with the purpose of providing funds to pay for the benefits of the general social security system.

Paragraph 1. The Fund shall be constituted by:

I – real estate and movable assets, securities and earnings of the National Social Security Institute (INSS) not used in connection with its operations;

II – properties and rights awarded to the INSS for any reason, or that may be transferred to the INSS by virtue of the law;

III – revenues from social security contributions provided for in Article 195, item I, a, and item II of the Brazilian Constitution;

IV – proceeds from the transfer of goods and assets of natural persons or legal entities in debt with the Social Security;

V – income from the investment of its assets;

VI – funds from the Federal government budget.

Paragraph 2. The Fund shall be managed by the INSS, under the terms of the law.

Article 69. The member of the Federation which presently has or eventually creates its own social security system for its employees shall establish it as a contribution-based system, based on accounting and actuarial standards ensuring its financial and actuarial balance.

Article 70. The Branch or body referred to in Article 20 which has exceeded the limits set forth in Articles 19 and 20 for total personnel expenditures in the year preceding the publication of this Supplementary Law, shall comply with the limit in up to two years, gradually eliminating the excess at the rate of at least 50% (fifty percent) per year, by adopting the measures described in Articles 22 and 23, among others.

Sole paragraph. Noncompliance with the provisions of the head provision of this Article in the period prescribed shall subject the member of the Federation to the sanctions provided for in Article 23, Paragraph 3.

Article 71. Except for the case mentioned in Article 37, item X of the Brazilian Constitution, until the end of the third fiscal year after this Supplementary Law enters into force, total personnel expenditures of the Branches and bodies mentioned in Article 20, expressed as a percentage of net current revenue, shall not exceed the expenditures incurred in the preceding year, plus up to 10% (ten percent) if such expenditures are below the limit defined in Article 20.

Article 72. The expenditures incurred by the Branches and bodies referred to in Article 20 relating to services provided by third parties, expressed as a percentage of net current revenue, shall not exceed those incurred the year before this Supplementary Law goes into effect, until the end of the third year thereafter.

Article 73. Violation of the provisions of this Supplementary Law shall be punishable pursuant to Decree-Law 2848 of December 7, 1940 (Penal Code); Law 1079 of April 10, 1950; Decree-Law 201 of February 27, 1967; Law 8429 of June 2, 1992; and all other rules set forth in relevant legislation.

Article 73-A. Any citizen, political party, association or union is a legitimate party to report to the respective Court of Accounts and the competent Prosecution Service on non-compliance with the provisions set forth in this Supplementary Law. (Included by Supplementary Law No. 131, of 2009).

Article 73-B. The following period for compliance with the rules provided for in items II and III of the sole paragraph of Article 48 and Article 48-A shall be established: (Included by Supplementary Law No. 131, of 2009).

I – 1 (one) year for the Federal Government, the States, the Federal District and the Municipalities with over 100,000 (one hundred thousand) residents; (Included by Supplementary Law No. 131, of 2009).

II – 2 (two) years for the Municipalities with residents between 50,000 (fifty thousand) and 100,000 (one hundred thousand); (Included by Supplementary Law No. 131, of 2009).

III – 4 (four) years for Municipalities with up to 50,000 (fifty thousand) residents. (Included by Supplementary Law No. 131, of 2009).

Sole paragraph. The periods established in this Article shall be counted from the publication of the Supplementary Law referred to in the head provision of this Article. (Included by Supplementary Law No. 131, of 2009).

Article 73-C. Non-compliance, up to the end of the periods provided for in Article 73-B, with the provisions of items II and III of the sole paragraph of Article 48 and Article 48-A is subject to the sanction provided for in item I of Paragraph 3 of Article 23. (Included by Supplementary Law No. 131, of 2009).

Article 74. This Supplementary Law goes into effect on the date of its publication.

Article 75. Supplementary Law 96, of May 31, 1999 is hereby revoked.

Brasília May 4th, 2000.

FERNANDO HENRIQUE CARDOSO

Pedro Malan

Martus Tavares

This text does not replace the one published in the Official Gazette of May 5, 2000.