

















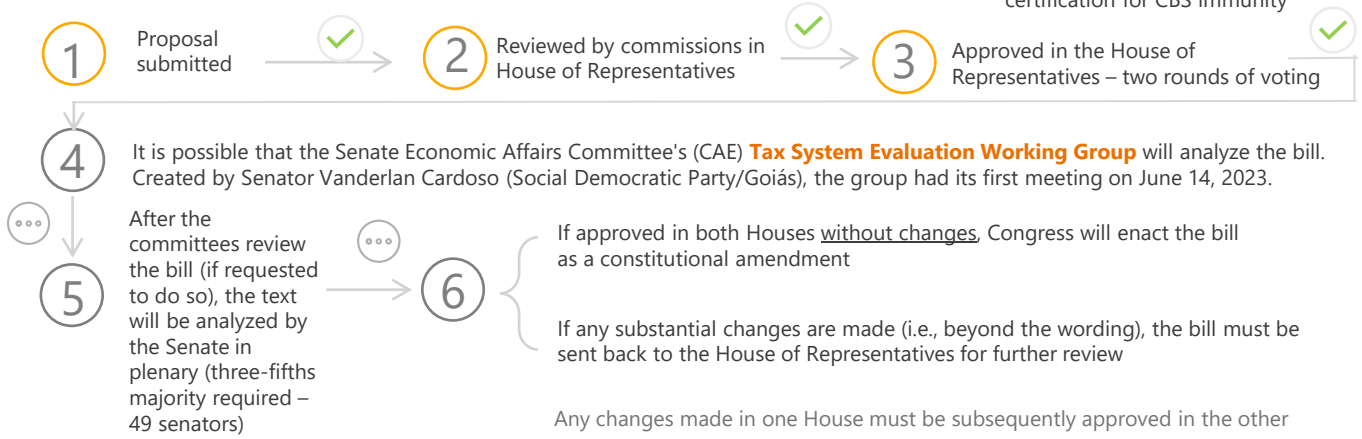
Brazil's Tax Reform

Constitutional Amendment Bill (PEC) No. 45 – Key features of the version approved in the House of Representatives

Key Features

 <p>Taxes extinguished</p> <ul style="list-style-type: none"> • PIS • COFINS • IPI • ISS • ICMS 	 <p>Dual IVA (VAT)</p> <p>The federal government will levy CBS exclusively; a National Council will determine how IBS collection is divided between Brazil's states and municipalities</p>	 <p>Specific tax regimes</p> <p>Fuels and lubricants, financial services, real estate transactions, healthcare plans and lotteries, government procurements, cooperative societies, hotel services, amusement/theme parks, restaurants and regional aviation services</p>
 <p>Transition period</p> <p>From 2026 (CBS and IBS established). PIS/COFINS will not be levied from 2027. ICMS, ISS and IPI will end in 2033.</p>	 <p>Tax base</p> <p>VAT (CBS and IBS) will be levied on tangible and intangible goods and services</p>	 <p>Manaus Free Trade Zone (ZFM)</p> <p>Mechanisms will be created to ensure the zone remains competitive and has a different tax treatment</p>
 <p>Calculation method</p> <p>IBS and CBS will not be included in the calculation base of goods and services (i.e., no cascading taxation)</p>	 <p>Digital platforms</p> <p>IBS and CBS will be levied on imported goods and services, even if supplied by entities who do not regularly pay taxes in Brazil</p>	 <p>State-level sales tax (ICMS) incentives</p> <p>Complementary law will establish criteria for incentive-related compensation, which will be paid for via federal funding</p>
<p>CBS & IBS rates</p> <p>Rules: CBS – Single rate IBS – Standardized rate in each state/municipal entity for all products, services and related rights. States and municipalities are able to adopt the standard rate or establish their own.</p> <p>Exceptions: Exceptional regimes, including a 60% IBS reduction for certain goods and services such as education, healthcare, and agricultural products and inputs. Exemptions authorized for public transportation, and 100% reduction authorized for medications, medical devices, staple food packages (<i>cestas básicas</i>), and higher education services (Prouni), among others</p>	 <p>Tax credit refunds</p> <ul style="list-style-type: none"> • Starting from 2032, ICMS credits may be offset (upon approval), with IBS credits in 240 installments. Balances will be adjusted in line with the consumer price index (IPCA) • PIS and COFINS credits will be offset with IBS and CBS – if not possible, complementary Law will rule the reimbursement. For CBS, they will be reimbursed within 60 days, with cash refund programs established via complementary law  <p>Unified legislation</p> <p>CBS and IBS will be subject to the same triggering events, calculation bases, non-incidence hypotheses, and taxpayers; specific, exceptional, or favored tax regimes; as well as rules covering non-cascading taxation and tax credits</p>	 <p>Regional Development Fund (FDR)</p> <p>Potential use in infrastructure, scientific development, and job-creation projects</p>  <p>National Council</p> <p>27 members for the states and the Federal District & 27 members for the municipalities and the Federal District</p> <p>Quorum required for approval:</p> <ul style="list-style-type: none"> • An absolute majority of the State and Federal District representatives' votes, provided they represent at least 60% of the country's population; and • An absolute majority of the municipal and Federal District representatives' votes.  <p>Immunity</p> <p>IBS and CBS immunity for entities listed in Article 150, VI of the Constitution These entities do not require certification for CBS immunity</p>

Status



Our Expertise

Legal support with the legislative process for the tax reform

Strategic analysis of the proposed amendments, reviews of the amendments from a constitutional and legal perspective and the bill's potential impacts, among other services.

Legal advice on tax reform impacts and tax litigation

Assessments and analysis of the potential impacts on different sectors' tax burdens, the impact of tax credits on transactions, complying with ancillary tax obligations, among other services. Analysis of aspects that taxpayers may seek to challenge via litigation.