















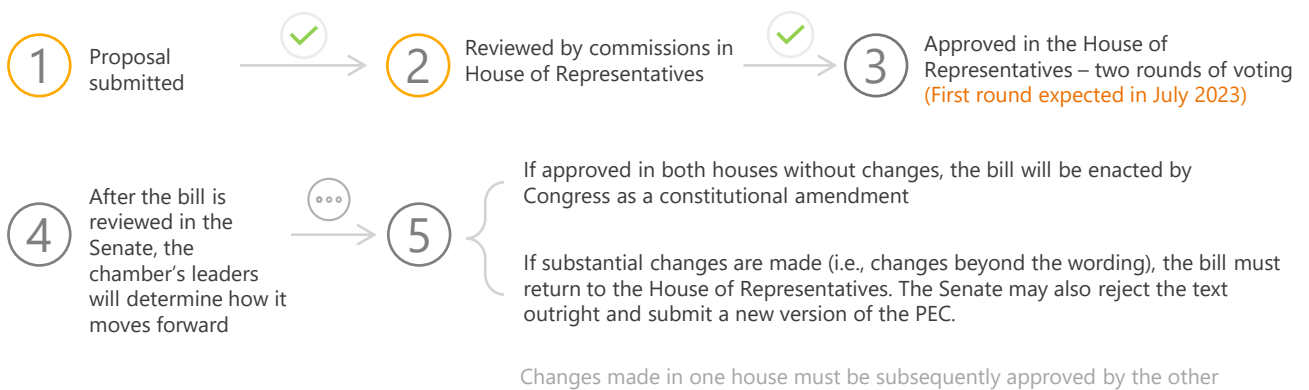
Brazil's Tax Reform

Constitutional Amendment Bill (PEC) No. 45 – Central aspects of the preliminary text

Key Features

 <p>Taxes to be unified</p> <ul style="list-style-type: none"> • PIS • COFINS • IPI • ISS • ICMS 	 <p>Dual IVA (VAT): CBS & IBS</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>Real estate, financial services, lubricants, fuels, healthcare plans, lotteries and government purchases may be subject to specific regimes</p>
 <p>Transition</p> <p>From 2026 (establishment of CBS) until 2033 (end of IPI, ICMS & ISS)</p>	 <p>Tax incidence base</p> <p>VAT will be levied on tangible and intangible goods, services and any rights linked to them</p>	 <p>Manaus Free Trade Zone (ZFM)</p> <p>The ZFM will continue until 2073, potentially with special rules</p>
 <p>Calculation method</p> <p>IBS and CBS will not be included in the calculation base of goods and services (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 with federal funds</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</p> <p>Exceptions: Differing regimes (and potentially privileged regimes) for education, healthcare, collective transport, medicines, staple food baskets (<i>cesta básica</i>), among others.</p>	 <p>Tax credit refunds</p> <p>ICMS: as of 2032, ICMS credits will be compensated with IBS credits (upon approval) in 240 installments, updated in line with the Consumer Price Index (IPCA)</p> <p>IBS & CBS: Complementary law will establish methods and timeframes for cash refunds for certain beneficiaries</p>	 <p>Regional Development Fund (FDR)</p> <p>Federal government funding for the states and municipalities to potentially use in infrastructure, scientific development and job-creation projects</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 consultation on tax reform impacts

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