



Tax

Intelligence

From complexity to execution



Regulation of Brazil's VAT Reform

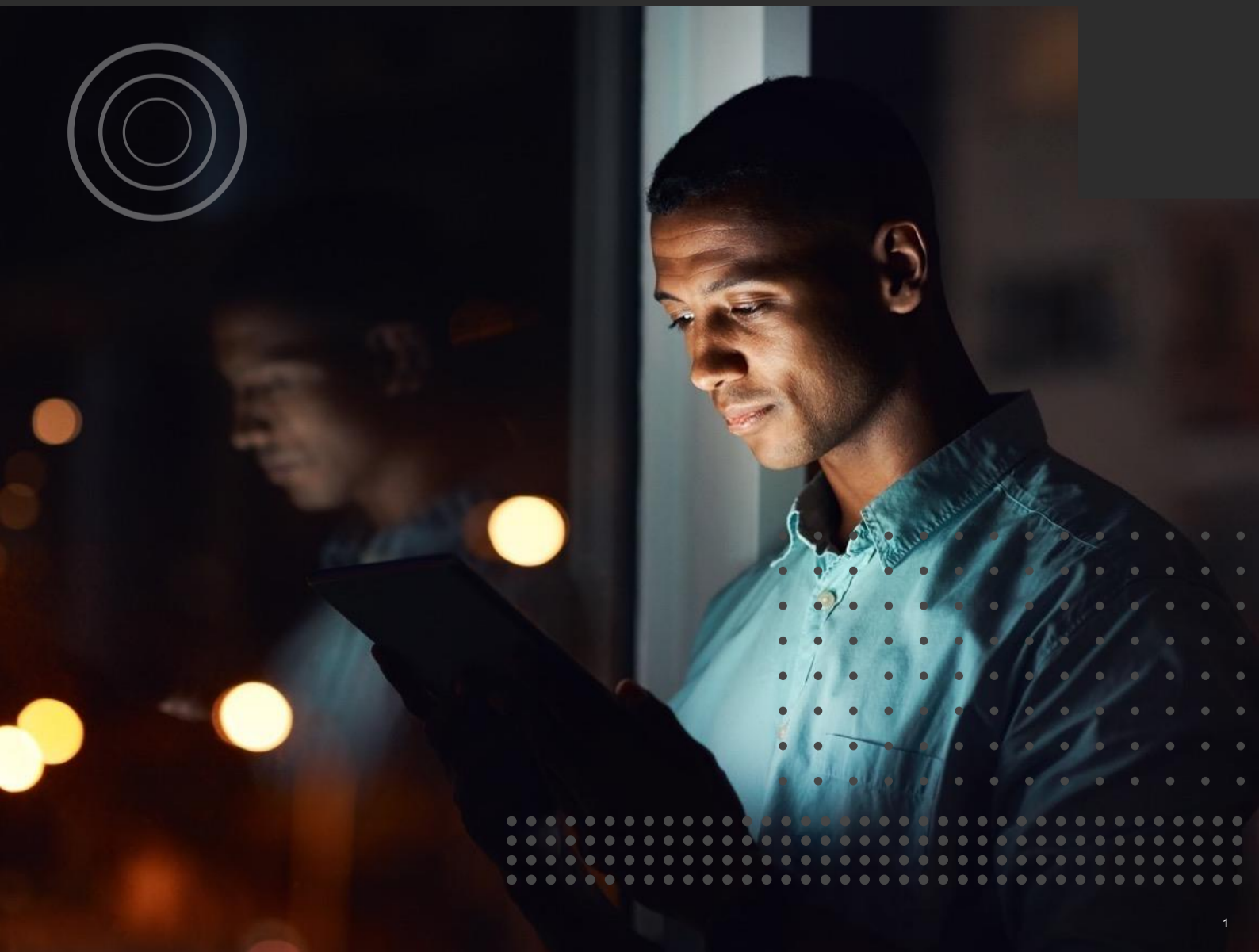
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Publication of Complementary Law No. 214/2025

On January 16, 2025, Complementary Law (LC) No. 214/2025 was published, sanctioning Complementary Project (PLP) No. 68/2024, which regulates Brazil's VAT Reform, as established in Constitutional Amendment (EC) No. 132/2023 (see our [Tax Intelligence No. 41](#)).

On the same date, Presidential Order No. 88 was published, informing the President of the Federal Senate of the reasons for vetoing some articles due to unconstitutionality or contrariness to the public interest. The National Congress now has a period of 30 consecutive days to deliberate on the vetoes by senators and deputies in a joint session, requiring an absolute majority of votes to reject the vetoes.

Below, we will present the main topics related to the vetoes made by the Executive Power to the text of PLP No. 68/2024, as well as a summary of the current model of regulation of Brazil's VAT Reform:



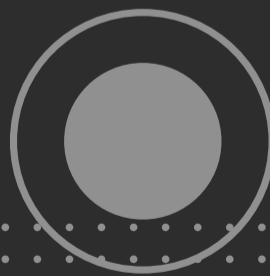
Subject	Veto
IBS/CBS	
Investment funds and endowment funds	<p>Veto to several provisions that excluded investment funds and endowment funds from the condition of taxpayers, with the aim of collecting, managing, and allocating donations from individuals and private legal entities for programs, projects, and other purposes of public interest (vetoes to items V and X of the main section, item III of § 1 and §§ 5, 6, and 8 of art. 26 and § 4 of art. 183).</p> <p>Bear in mind that operations with securities, except for those operations provided for in the specific financial services regime, are not subject to IBS/CBS incidence. Thus, Real Estate Investment Funds (FII) and Investment Funds in Agribusiness Production Chains (Fiagro), for instance, are now taxpayers.</p>
Tax collection by the acquirer – Joint liability	<p>Veto to provision that stipulated that the acquirer of goods/services who is a taxpayer would be jointly responsible for the collection of IBS/CBS in transactions where the payment instrument to the supplier did not allow for the execution of split payment (veto of § 2 of art. 36).</p>
Financial services import	<p>Veto to provision that stipulated application of a zero rate for the importation of financial services where the importer is a taxpayer subject to specific regime applicable to credit, exchange, securities, securitization, and factoring operations (veto of item III of § 1 of art. 231).</p>
Review of lists of goods and services subject to differentiated regime	<p>The provision that imposed additional conditions for the review of lists of goods and services subject to differentiated regimes was vetoed (veto of art. 494), maintaining the rules that had already been defined for this provision (art. 126, § 3º).</p>
Exclusion of services previously related to sovereignty and national security from the list of differentiated regimes	<p>Provisions that favored certain security services with a 60% reduction in IBS/CBS rates were vetoed (vetoes to items 1.4, 1.5, 1.8, and 1.9 of Annex XI).</p>
Federal Excise Tax (IS)	
Exports	<p>The provision that stipulated that the IS would not apply to exports was vetoed (veto of item I of the main clause of article 413).</p> <p>It should be noted that there is a constitutional provision for immunity for exports, with an exception for IS levied on extraction (mining) activities. Therefore, the IS remains applicable to the export of goods resulting from extraction (mining) activities.</p>
Other provisions	
Manaus Free Trade Zone (ZFM) and Free Trade Areas (ALC)	<p>Veto to provisions that allowed for the appropriation of the following credits:</p> <ul style="list-style-type: none"> • IBS credits on the importation of tangible goods for in-person resale in the Free Trade Zone (ZFM) and Free Trade Areas (ALC) (veto of § 5 of art. 444 and § 5 of art. 462); and • presumed CBS credit for industrialized products in the Free Trade Zone (ZFM) or subject to the zero IPI rate provided for in the TIPI on 12/31/2023 (veto of item II, § 1 of art. 454).



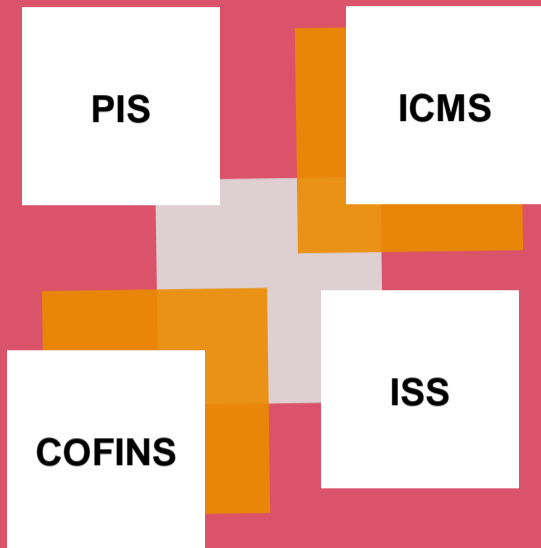
Topics of PLP No. 108/2024 also addressed in LC No. 214/2025

IBS Management Committee

Although the regulation and establishment of the IBS Management Committee were initially addressed in PLP No. 108/2024, which is yet to be reviewed by the Federal Senate, part of the discussion has already been incorporated into LC No. 214/2025. Among other provisions, the LC establishes that, by December 31, 2025, the Management Committee of the Tax on Goods and Services (CGIBS) will be instituted. It will be a public entity with a technical and operational nature under a special regime, headquartered in the Federal District. It will be endowed with technical, administrative, budgetary, and financial independence and its activities will be characterized by the absence of any linkage, oversight, or hierarchical subordination to any public administration body.



Abolished taxes:



Zero rate IPI – maintained to products subject to industrialization at ZFM, as per criteria established in Complementary Law.

Dual VAT

CBS Federal Contribution on Goods and Services

IBS Subnational Tax on Goods and Services – States, Federal District, and Municipalities

*IBS calculation – unified (extinction of calculation per establishment in each State)

IS Federal Excise Tax

New state contribution:

States are authorized to establish contributions on primary and semi-finished products for investment in infrastructure and housing projects. This latest contribution will replace the current contributions to state funds which were valid on April 30, 2023, established as a condition to be met for applying deferral, special regime, or other differentiated treatment related to ICMS. The new contribution's rate and calculation base cannot exceed those of the replaced contributions and will be abolished on December 31, 2043.

Transition period provided in the EC: coexistence of both tax systems, with old and new taxes collected in parallel

- The IBS will be charged at a state rate of 0.05% and a municipal rate of 0.05%, and the CBS will be reduced by 0.1%.
- Full adoption of the new consumption tax system.



- “Test phase” of the system, in which the IBS will have a rate of 0.1% and the CBS of 0.9%, with deduction of amounts due for PIS/Cofins.
- Start of CBS collection at its full rate and abolition of PIS/Cofins.
- Reduction of IPI rates to zero as a general rule.
- Start of IS collection.
- ICMS and ISS rates will be gradually reduced.
- ICMS and ISS benefits or incentives will be reduced in the same proportions as the rate reductions of these taxes until 2032, the last year of their existence.





Broad incidence

- Onerous operations with material and immaterial goods, including rights and services arising from any act or legal business; and
- Non-onerous operations with goods or services expressly regulated in the LC, including:
 - gifts and bonuses, the latter in cases where they do not depend on a future event;
 - transfer of goods and services to a partner or shareholder that is not subject to IBS/CBS, through capital reduction in kind, dividend payment in kind, as well as transfer of goods that allowed the appropriation of credit;
 - non-remunerated supplies or those provided at a value lower than the market price to a related party.



Non-incidence

- Provision of services by an individual in an employment relationship or acting as administrator;
- Transfer of assets between establishments of the same taxpayer;
- Transfer of corporate participation, including alienation;
- Transfer of assets due to merger, split, and incorporation and capital integration and return;
- Financial income and operations with securities, except as provided in the specific financial services regime.
- Dividends and Interest on Equity (INE), interest or remuneration on capital paid by cooperatives; and
- Donations without compensation.



Calculation base

Value of the operation, which includes the total amount charged by the supplier for any reason, except:

- IBS, CBS, and IPI applicable to the operation;
- unconditional discounts;
- reimbursements or refunds received for amounts paid for operations on behalf and order or in the name of third parties; and
- during the transition, amounts applicable to ICMS, ISS, PIS/Cofins, and PIS/Cofins-Import;
- Municipal Public Lighting Contribution (CIP).

Market value of goods or services in cases of:

- lack of operation value;
- operation without a determined value;
- operation value not represented in money; and
- operation between related parties.



Tax liable party

The **taxpayer*** is:

- the **supplier** who performs operations:
 - in the development of economic activity;
 - habitually or in a volume characterizing economic activity, or
 - professionally, even if the profession is not regulated;
- the **importer**; those expressly provided in the LC.

*Exception of liable party in article 26.

Digital Platforms, even if domiciled abroad, are jointly responsible for the payment of IBS and CBS related to operations and imports carried out through them, under the defined circumstances and conditions.



Moment of triggering the taxable event

Operations with goods or services: generally, upon supply or payment, however, there is a provision for tax advances, with definitive amounts calculated on the date of supply.



Operation location

Considering the destination-based taxation directive, as a rule, with specific exceptions as outlined in the LC, the location of the operation is deemed to be:

- with movable material goods: place of delivery or availability of the goods to the recipient;
- with real estate, related movable material goods, and services provided on real estate: place where the property is located;
- for services provided physically on a natural person or enjoyed in person by a natural person: place of service provision; and
- for other services and other intangible movable properties, including rights:
 - for onerous operations: the main domicile of the purchaser; and
 - for non-onerous operations: the main domicile of the recipient.



Cashback

Cashback system to reduce income inequalities with the following minimum thresholds for families with a per capita income of up to half the minimum wage:

- cooking gas (up to 13kg), electricity, water, sewage, natural gas, and telecommunications: 100% for CBS and 20% for IBS;
- other cases: 20% for CBS and IBS.



Export exemption and **import** taxation regardless of taxpayer location.

Tax rates (yet to be defined)



Standard rate (to be defined) for all goods and services, with exceptions set out permitting reductions from 30% up to 100% and specific regimes.



Each federative entity may set its IBS/CBS rate through a specific law, possibly linking it to the reference rate provided in the Senate resolution through a defined percentage **increase** or **decrease**.

For IBS, it is possible to charge a rate lower than the standard one by the states, the Federal District, and municipalities, however, a **limit for this reduction** must be observed during the federative transition (50 years), due to revenue collection issues.



Reference ceilings for the tax burden based on the average collection revenue in relation to GDP over a ten-year period (2012 to 2021), for the respective taxes.



Five-Year Evaluation of efficiency, effectiveness, and efficacy as social, environmental, and economic development policies evaluation of the application to IBS and CBS of special customs regimes, export processing zones, and capital goods regimes of Reporto, Reidi, and Renaval; cashback; the National Basic Food Basket, and differentiated and specific regimes.

In the first five-year evaluation, in which the reference rates of IBS/CBS to be applied from 2033 will be estimated (taking into account revenue data from 2026 to 2030), the Federal Executive Power, after consulting the IBS Management Committee, must submit to the National Congress a PLP proposing measures to reduce the estimated reference rates to a level equal to or less than 26.5%.



According to statements made by the extraordinary secretary of tax reform reported in the press, the general rate of the Dual VAT is expected to be around 28%.



IBS and CBS in LC No. 214/2025

Non-cumulative VAT Framework



Non-cumulative taxation conditioned on payment of taxes at the previous stage

Exception: if the split payment or the collection by the purchaser is not implemented, the appropriation of credits will be conditioned on the highlighting in the electronic fiscal document.

Broad crediting, except for the acquisition of goods and services considered **for personal use and consumption**.

Exemption and immunity

- result in the cancellation of the credit for previous operations by the beneficiary taxpayer; and
- will not result in credit for compensation with the amount due in subsequent operations.

Zero rate

- guaranteed credit maintenance for previous operations by the beneficiary taxpayer;
- will not result in credit for compensation with the amount due in subsequent operations.

Exports

With unrestricted credit maintenance.

Prohibited transfer of credits for any reason to another taxpayer, except in cases of merger, split, or incorporation.



Refund of IBS/CBS credit balances

The IBS and CBS taxpayer with a credit balance at the end of the assessment period may request a full or partial refund.

Deadlines for reviewing the refund request

- Up to 30 days: Taxpayers enrolled in compliance programs;
- Up to 60 days:
 - IBS and CBS related to the acquisition of goods and services incorporated into fixed assets;
 - Refund requests when amount is equal to or less than 150% of the monthly average value (last 24 months) of the difference between the IBS and CBS credits appropriated by the taxpayer and the debits on their operations.
- Up to 180 days in other cases.

In the absence of a response regarding the refund request within the above deadlines, the credit will be refunded to the taxpayer within 15 days.

Adjustment by the Selic Rate (official government index) starting from the first day of the second month following the request until the month prior to the reimbursement, plus 1% in the month of payment.



IBS and CBS in LC No. 214/2025

Taxation framework
Assessment and payment



Monthly assessment period.

Centralized calculation and payment, consolidating operations performed by all taxpayer's branches.



The LC provides for a series of modalities for the extinction of IBS/CBS debts:

- compensation with credits appropriated by the taxpayer;
- payment by the taxpayer;
- collection in the financial settlement of the operation (*split payment*);
- collection by the purchaser (payment instruments that do not allow collection by split payment, such as non-electronic payment methods like check or cash); or
- collection by the responsible party.

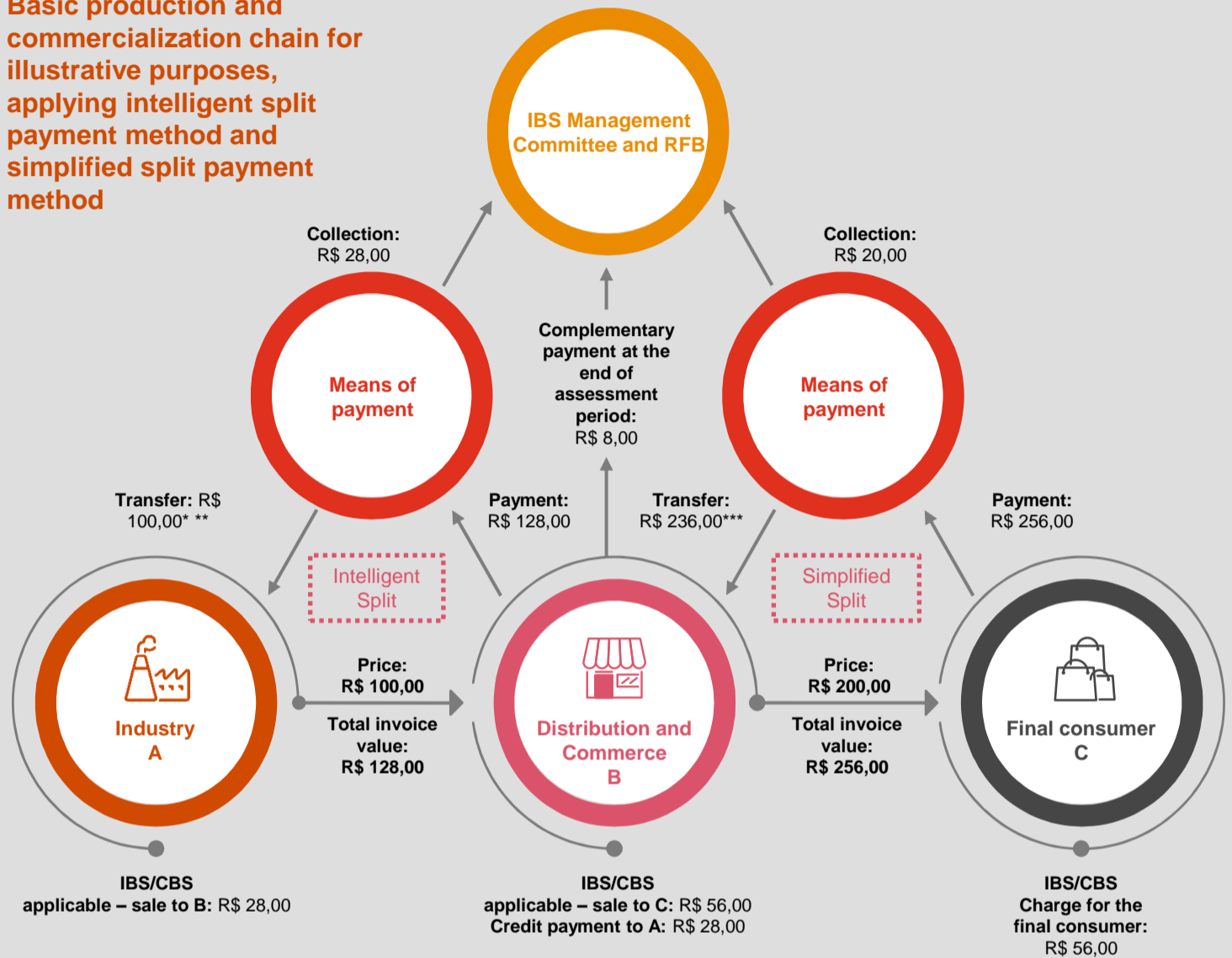




Split payment

As disclosed by the Extraordinary Secretariat of Tax Reform, the intention is that, with the exclusive adoption of electronic tax documentation for the new taxes, the purchaser's utilization of the respective credit will be conditioned on the actual payment of the tax in the previous stage, and that the assessment and payment method will be through split payment, among other methods.

Basic production and commercialization chain for illustrative purposes, applying intelligent split payment method and simplified split payment method



* For illustrative purposes, we assumed there would be no credits from previous operations.

** Ideal situation assuming that both hypotheses of § 3º of article 32 of the LC will be implemented

*** In the last stage of the chain, the sale to C, simplified split payment provided for in article 33 of the LC was considered, with a hypothetical percentage of 10% of the operation value, assumed for merely didactic purposes (the percentage, not yet legally proposed, may be differentiated by economic sector or by taxpayer and will not be related to the value of the IBS/CBS debits effectively incident on the operation). The difference between the amount due after credit compensation (R\$ 28.00) and the amount collected (R\$ 20.00) must be complemented at the end of the assessment period (in the case of over-withhold, the difference will be refunded within 3 days of the end of the assessment period).

The simulation considers the reference rate that has been estimated by the Federal Government, of 28% (not yet legally proposed) and that all operations in the chain and their respective financial settlements occurred within the same reporting period.



Additional comments:

The adoption of split payment for the assessment and payment of taxes will still depend on the existence of a unified digital payment system that ensures its effectiveness nationwide. Once such a system is established, the assessment and payment of taxes will occur through a mixed regime of accrual and cash basis, as the tax credit will be conditioned on payment, for the monthly assessment period, and due to the settlement of commercial transactions via split payment, respectively, in what can be called a "current account" of credits and debits among taxpayers on a national scale.

The amount collected through split payment, when exceeding the IBS/CBS liabilities, will be transferred to the supplier **within up to 3 business days**. It should be noted that the calculation of the excess amounts will only consider the transactions related to the payment.



Split payment (cont.)

Before making the funds available to the supplier, the payment service provider or the institution operating the payment system must, based on the information received, consult the system of the IBS Management Committee and the RFB regarding the amounts to be segregated and collected. These amounts correspond to the positive difference between:

- the IBS/CBS debts on the operation, highlighted in the electronic fiscal document; and
- the portions of the debts that have already been extinguished by any of the methods provided.

The so-called simplified split payment, in which the IBS and CBS to be segregated and collected by the payment methods will be calculated based on a pre-established percentage of the transaction value, which will not be related to the actual IBS/CBS debts on the transaction, is an option for the taxpayer in cases of full system implementation. It may also become mandatory for retail businesses while the standard procedure is not yet functioning adequately at the required level.

Exclusively in the simplified procedure, the deadline for returning the funds received that exceed the amount of IBS/CBS debts is counted from the conclusion of the assessment.

The split payment does not exempt the taxpayer from the responsibility of paying any remaining balance of IBS/CBS, considering the moment of the taxable event and the tax due date.

Other rules for split payment:

- the segregation and collection of IBS/CBS will occur on the date of the financial settlement of the payment transaction, in accordance with the payment flows established between the participants of the arrangement.
- in transactions involving goods or services with installment payments by the supplier, the segregation and collection of IBS/CBS must be carried out proportionally at the financial settlement of each installment.
- the early settlement of receivables does not alter the obligation to segregate and collect IBS/CBS as per the previous items.



Tax incentives and favorable tax regimes in LC No. 214/2025



Simples Nacional

The taxpayer under “Simples” may choose between the two taxation regimes for IBS/CBS:

- single, without allowing IBS and CBS credits and with the right to credit in the next stage of the chain by the purchaser, in the same amount as the charged value;
- general non-cumulative regime.



Automotive sector

Presumed CBS credit granted to industries in the North, Northeast, and Center-West regions and Sudene and Sudam operating areas, under certain conditions, to encourage:

- the production of electric or hybrid vehicles with a combustion engine that uses biofuels either isolated or simultaneously with petroleum-derived fuels;
- the production of vehicles powered by an internal combustion engine that uses biofuels either isolated or cumulatively with petroleum-derived fuels.



Manaus Free Trade Zone (ZFM) and Free Trade Areas (ALC)

The LC lists several cases where suspension of incidence, zero rate reduction, and granting of presumed IBS/CBS credits may apply.

From January 1, 2027, **reduction to zero IPI rates** related to products manufactured in the ZFM in 2023 and subject to a rate below 6.5% in the Industrialized Products Tax Table (TIPI) in effect on December 31, 2023 (a list will be released). Exception: information and communication technology goods.

The State of Amazonas may establish a counterpart contribution similar to those existing on December 31, 2023, provided that it is intended for the financing of higher education, the promotion of micro, small, and medium-sized enterprises, and the development of the State, subject to legal requirements.



Low carbon emission biofuels and hydrogen

Guarantee of competitive differential in setting specific rates per unit of measure to ensure lower taxation than that on fossil fuels.



Special customs regimes, Export Processing Zones (ZPE) and capital goods regimes – suspension of IBS/CBS payment:

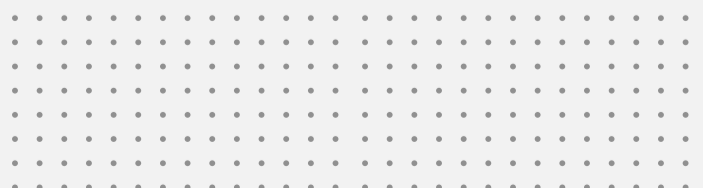
As a general rule, suspension of IBS and CBS payment.



Specific tax regimes in LC No. 214/2025

- **Fuels (monophasic):** applicable to operations involving gasoline; anhydrous ethanol fuel (EAC); diesel oil; biodiesel (B100); liquefied petroleum gas (LPG), including liquefied gas derived from natural gas (LNG); hydrated ethanol fuel (EHC); aviation kerosene; fuel oil; processed natural gas; biomethane; compressed natural gas (CNG); and others that may be defined and authorized by the National Agency of Petroleum, Natural Gas, and Biofuels (ANP), listed in a joint act of the IBS Management Committee and the Federal Executive Branch. The calculation base will be the quantity of fuel involved in the operation, and the rates, adjusted in the year prior to their validity, observing the ninety-day anteriority rule for their increase, will be uniform throughout the national territory, specific per unit of measure, and differentiated by product. The appropriation of credits related to acquisitions intended for distribution, commercialization, or resale will be prohibited. However, the right to appropriate and use IBS/CBS credits in other operations (such as using them as inputs in the production process) is guaranteed, without the need to prove the payment of these taxes. Similarly, exporters are guaranteed the right to appropriate and use the credits.
- **Financial Services:** there will be taxation by IBS/CBS on financial services, and the calculation base will be composed of the revenues from these services with a series of deductions provided, depending on the service type. In credit operations, for example, the taxable base is the difference between the interest charged and the funding costs, even if accounted for in the net worth and expenses with Provision for Doubtful Accounts (PDA). Fees and commissions charged by financial institutions will be taxed by IBS and CBS under the general regime. From 2027 to 2033, as a rule, the nationally uniform rates will be set to maintain the tax burden on credit operations of banking financial institutions. Financial institutions and other companies subject to the specific regime will be able to appropriate and use the IBS and CBS credits on their acquisitions of goods and services. Taxpayers subject to the general regime, who are borrowers of credit operations, will be able to appropriate IBS/CBS credits, calculated at the same rate due on credit service operations, applied to the portion of financial expenses effectively paid, on a cash basis, that exceeds, after the date of its payment, the amortization of the principal and the financial expenses corresponding to the Selic Rate.
- **Real Estate transactions:** applicable to the sale, including those resulting from real estate incorporation and land subdivision; assignment and onerous translative or constitutive act of real rights; leasing, onerous assignment, and leasing; and administration and intermediation services; civil construction services; easement, assignment of use or space; permission of use and right of way. The calculation base is the transaction value; of the lease, onerous assignment, or leasing of the real estate; or of the assignment or onerous translative or constitutive act of real rights over real estate; and the rates are generally reduced by 50%, except for leasing, onerous assignment, and leasing operations of real estate, which are reduced by 70%. Companies subject to the specific regime may appropriate and use the IBS/CBS credit on their acquisitions of goods and services. Individuals who carry out leasing, onerous assignment, and leasing operations of real estate will be considered taxpayers under the regular IBS/CBS regime if, in the previous calendar year, the total revenue from these operations exceeded BRL 240,000 and if they have more than three distinct properties.
- **Health Insurance Plans:** applicable to health plans in cases where these services are provided by health insurers; benefit administrators; health plan cooperative operators; health insurance cooperatives; and other health care plan operators. The taxable base will be the service revenue, which includes premiums, contributions, and financial income from technical reserves, with deductions for indemnities, amounts related to cancellations and premium refunds, the administration fee paid to benefit administrators, and amounts paid to brokers for intermediation. The rates, uniformly applied nationwide, will correspond to the reference rates of each federative sphere, reduced by 60%. Companies subject to the specific regime may appropriate and use the IBS/CBS credit on their acquisitions of goods and services. **The IBS/CBS credit is allowed for purchasers of health care plans when intended for employees and their dependents due to a collective labor agreement, as they do not qualify as goods for personal use or consumption.**

The LC also provides for rules for the following specific regimes: lotteries; cooperatives; bars, restaurants, hotel services, amusement and theme parks, collective passenger transport, and travel and tourism agencies; Soccer Society (*Sociedade Anônima do Futebol*—SAF); operations covered by international treaties or conventions, including those related to diplomatic missions, consular offices, representations of international organizations, and their accredited staff.



Excise Tax (IS) in LC No. 214/2025

Taxation framework



Incidence

On production, extraction, commercialization, or import of goods harmful to health or the environment. **Not subject to non-cumulative taxation and will be triggered only once over the good or service.**

Exhaustive list with specific Common Nomenclature of Mercosur (NCM) codes and incidence on:

- vehicles;
- vessels and aircrafts;
- smoking products such as cigars and cigarettes;
- alcoholic beverages;
- sugary beverages;
- extracted mineral goods such as iron ore, oil, and natural gas; and
- prediction contests and fantasy sport.



Rates

Will be provided for in ordinary law.

Vehicles

Rates may be **reduced** or **increased** for each vehicle according to sustainability (ESG) criteria and technology use in the same way as the recently created the Mover Program.

Other products

Rates may be specific (annually adjustable by IPCA) per unit of measure or *ad valorem*.

Operations with extracted mineral goods will respect the constitutional maximum percentage of 0.25% (lower than the constitutional maximum of 1%).

Zero rate for natural gas intended for use as an input in the industrial process.



Non-incidence

Immunity

- Exports, including supplying goods with the specific purpose of export to a commercial export company; except for IS on extraction (mining) activities (levied regardless of the destination as per EC); and
- Operations with electricity and telecommunications.

Non-incidence

- Goods and services with a 60% reduction in the standard IBS/CBS rate (does not mention other percentages).



Tax liable party

Taxpayer

- Manufacturer
- Importer
- Auction winner
- Extractive producer
- Service provider

Responsibility assigned as a rule to the owner, possessor, transporter, or any other holder of national products from the manufacturer with export immunity, among other cases.



Triggering event

- First commercialization of the good;
- Auction winning bid;
- Non-onerous transfer of produced goods;
- Incorporation of the good into the fixed assets by the manufacturer;
- Extraction of mineral goods;
- Consumption of the good by the manufacturer;
- Provision or payment of the service, whichever occurs first; or
- Importation of goods and services.



Calculation base

- Value of sale;
- Auction value;
- Reference value in:
 - Non-onerous transaction or consumption of the good;
 - Extraction of mineral goods; or
 - Commercialization of tobacco products;
- Book value of incorporation of the good into fixed assets;
- That expressed in the appropriate unit of measure in cases where specific rates are provided;
- The revenue of entities that promotes the activity of prediction contests and fantasy sport.

The following items are **not** included in the calculation base:

- ICMS, ISS (transition), IBS, CBS, and IS itself applicable to the operation;
- Unconditional discounts.



Assessment

Monthly and centralized calculation and payment, consolidating operations performed by all taxpayer's branches.

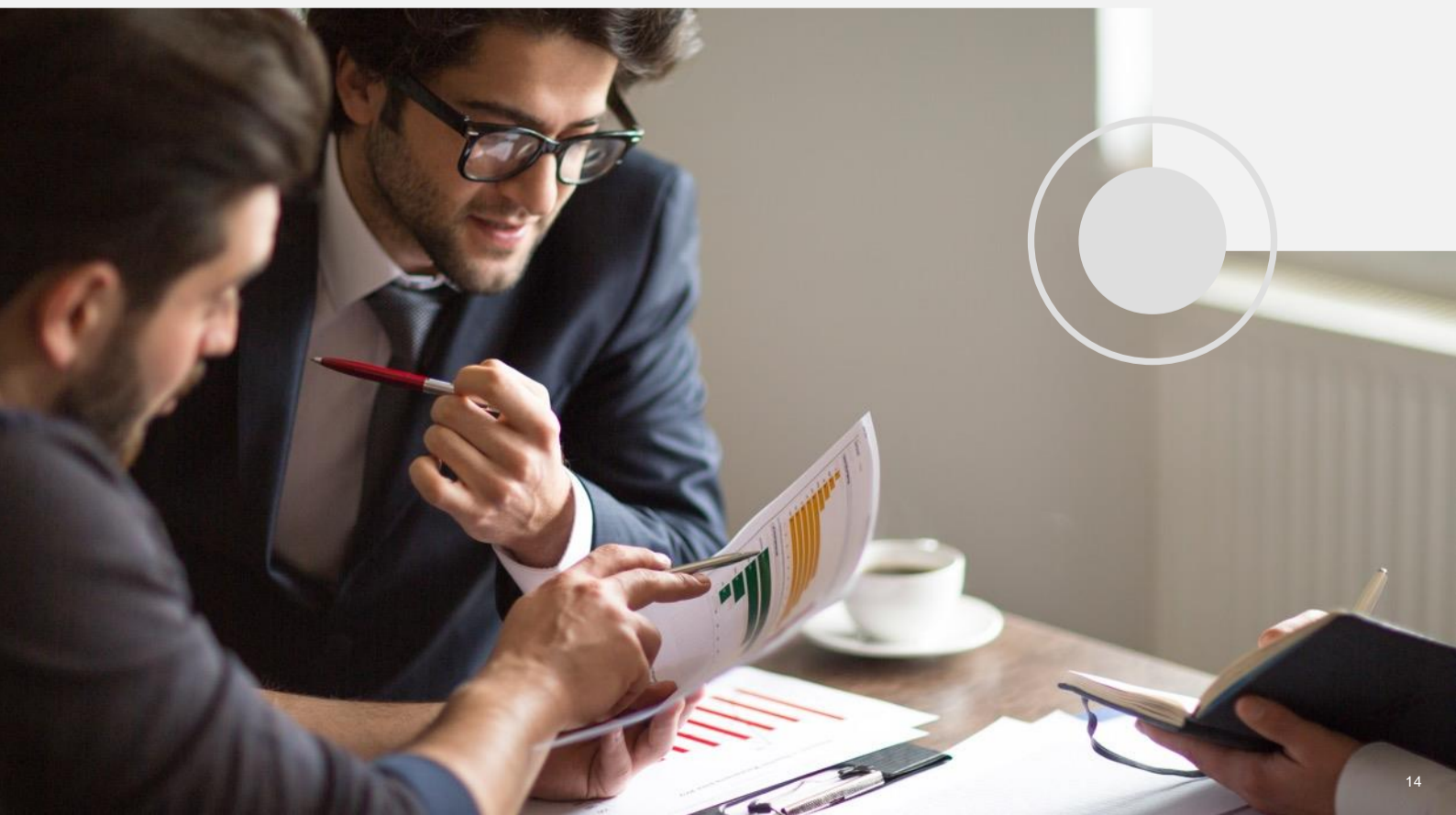
ICMS Fiscal or Financial-Fiscal Benefit Compensation Fund

EC No. 132 provides that:

- A Compensation Fund for ICMS Fiscal or Financial-Fiscal Benefits will be established to compensate individuals and legal entities benefiting from ICMS exemptions, incentives, and fiscal or financial-fiscal benefits granted for a fixed term and under conditions, considering the impacts of the reduction of these benefits until December 31, 2032;
- Applies to holders of burdensome ICMS benefits regularly granted until May 31, 2023, including extensions or renewals and those that, due to state legislative changes, have migrated to other programs or benefits between May 31, 2023, and the date of the Constitutional Amendment (EC) or are in the migration process on the date of EC promulgation;
- Criteria must be established in Complementary Law.

Provisions of LC No. 214/2025:

- Compensation will be done by **payment**.
- Establishes a series of concepts, including:
 - **Condition:** the counterparties provided for in the **granting act** or set by **law**, required from the benefit holder and that impose additional burdens or restrictions on their activity. **Examples** of counterparties are cited as follows:
 - aimed at implementing or expanding an economic enterprise linked to transformation or industrialization processes capable of adding value;
 - establishing new job creation; or
 - imposing a sales price limitation or restriction on contracting certain suppliers.
 - **Economic impact:** presumed and granted ICMS credits, discount granted on ICMS to be collected due to early tax payment, ICMS to be collected multiplied by the Selic Rate of the reference month in the case of extended ICMS payment benefit.
- Used the same concepts of implementing and expanding economic enterprise from Law No. 14,789/2023 (which deals with subsidies).
- **Established the compensation eligibility procedure and its conditions, setting deadlines for credit recognition of up to 60 days after the fiscal bookkeeping submission containing its demonstration and 30 days for resource delivery to the beneficiary with Selic interest application in case of late payment.**



Treatment of accumulated credit balances of abolished taxes in No. 214/2025

ICMS

The EC provides for the use of existing credit balances at the end of 2032. These balances must have been approved by the respective federative entities, **under the complementary law terms**, through compensation with IBS:

- For the remaining period of the current regime for credits related to the entry of goods intended for fixed assets;
- In 240 equal and successive monthly installments in other cases; and
- Adjusted by IPCA from 2033.

The LC, however, does not address the topic, which is currently object of the PLP No. 108/2024, yet to be analyzed by the Senate.

PIS/Cofins

PIS and COFINS credits, including presumed credits not appropriated or used until the date of these contributions' extinction:

- will remain valid and usable, maintaining the deadline for their use;
- must be appropriately recorded in the PIS and COFINS bookkeeping environment;
- may be used for compensation with CBS amounts; and
- may be refunded in cash or compensated with other federal taxes, subject to the additional requirements set out in the LC.





Takeaways

What should companies focus on at this moment?

Brazil's Tax Reform should be deemed as a great opportunity to establish a competitive advantage in both domestic and international environments. This advantage tends to materialize through a holistic approach to risk management, which can be converted into opportunities, supported by technology and predictive data analysis in an integrated manner, to be transformed into a powerful value lever for your business.

The Tax Reform demands comprehensive reflections that mainly consider the key aspects below, which may vary depending on the specific case:

Economic modeling and tax intelligence

- Impact measurement using efficient data and technology
- Optimal timing and method of transitioning from structures anchored in tax benefits
- Reasoning on Tax Reform aspects

Organizational strategy

- Segment-specific aspects
- Feasibility of the business case based on the Tax Reform onwards
- Required governance for the transition period

Resilience and risk factors

- Tax Reform as a new factor in the corporate risk and advantage spectrum
- Pricing strategies vs. demand impacts
- Repercussions on contracts / agreements in general

Corporate and operational structure

- Consolidation / creation of entities, planning of real estate, labor etc.
- Logistics and distribution review
- Impacts of Tax Reform on suppliers / supplies

Performance indicators and strategic communication

- Mapping the effects on EBITDA and respective communication
- Repercussion with stakeholders in general

Key transformation channels



Processes and operational model



Technology

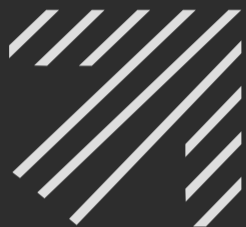


People



Data





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