

# BRAZIL TAX GUIDE FOR FOREIGN INVESTORS

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# Country Introduction

Brazil is the largest country in South America. It has a land area of over 8.5 million square kilometers - or 3.3 million square miles - and a population of approximately 203 million people, with 61% of it living in urban areas.

Brazil's official language is the Portuguese and English is the foreign language most used by its business community. The country's Constitution guarantees freedom of religion in Brazil.



There are five geographic regions in Brazil: North, Northeast, Southeast, South and Central-West. Economically speaking, the Southeast Region is the most important of them.

Administratively, Brazil is divided into 26 states and one Federal District where the city of Brasília, the country's capital, is located. In economic terms, the three states with largest Gross Domestic Product (GDP) are São Paulo, Rio de Janeiro and Minas Gerais. All of them are located in the Southeast Region, which concentrates approximately 40% of the Brazilian population.

The largest city in the country is São Paulo, which is also the capital of São Paulo State, and the largest city in South America. The Brazilian government estimates that the Gross Domestic Product (GDP) grows 1.68% in 2024. The GDP in 2023 was R\$ 10,9 trillion (Brazilian Reais).

Brazil is a federative republic and consists of the indissoluble union of its States, Municipalities and Federal District. With a representative form of government, all the power is derived from the people and is exercised in their name at three separate levels: federal, state and municipal.

The Federal Constitution, promulgated in October 1988, establishes a presidential system of government with three independent branches: executive, legislative and judicial. The executive power is vested in the President, who is elected by direct vote for a term of four years and eligible for re-election. The legislative branch consists of a two-chamber structure, the National Congress, which is composed of the Federal Senate and the House of Representatives. The judicial branch is composed of federal and state courts, which are headed by the Supreme Court.



The Federal Constitution is the highest law in Brazil and it establishes rights, obligations and directives regarding all aspects of life in the country. No executive, legislative or judicial act has the power to disregard or infringe the rulings of the Federal Constitution. Furthermore, the Federal Constitution also establishes the fundamental rules for the imposition and collection of taxes by the authorities of the Federal Government, States, Federal District and Municipalities, in addition to providing for the method of distribution of the taxes collected by the Federal Government.

# Foreign direct investment

Foreign direct investment (IED) means that the foreign investor has either established some sort of corporate entity to achieve their intended objectives or acquired an ownership interest in a Brazilian company that already exists.

All external loans, direct or through the issuance of securities abroad, as well as other forms of foreign capital, such as royalties due abroad, long-term import financing, are subject to the Crédito Externo (SCE-Crédito), with the BACEN, and export prepayments. All this information is recorded in the Central Bank Information System (SIBACEN), which allows the inclusion and exclusion of agents (individuals or legal entities), in addition to conducting consultations, records and updates as necessary.

The National Monetary Council (CMN) has the highest regulatory authority over foreign investments.

Furthermore, the foreign-exchange policy is controlled and supervised by BACEN.



In general terms, there are no restrictions in respect of the repatriation of funds or remittance of profits, regardless of the time the funds remain in Brazil, provided that the sum of capital to be sent abroad is the same as the sum registered with the BACEN. Corporate entities recipient of foreign investment are subject to the same general tax rules applicable to Brazilian companies owned by individuals or other corporate entities residing and domiciled in Brazil.

Usually, foreign ownership of local enterprises is allowed and, in general, no particular type of operation receives special treatment. However, there are some restrictions on foreign investor control in some economic segments such as communications (television, radio stations and newspaper), aviation (airlines), shipping (coastal and freshwater shipping), mining (exploration and extraction of mineral resources), hydroelectricity (electricity generation) and property of rural lands and lands near Brazil's borders.

There are some lawful means by which foreigner investors can make direct investments in Brazil. Currently, there are two types of entities most commonly used for direct investments:

**Sociedade Limitada – Ltda.  
(similar to the LLC)**

The Ltda. has its capital divided into units of ownership (quotas) representing the interest of each member in the capital of the company.

**Sociedade por Ações - S.A.  
(similar to the Corporation)**

In the case of the S.A. its capital is divided into shares and it may be a privately held or publicly traded company. Publicly traded companies are subject to normative rules enacted by the Brazilian Securities and Exchange Commission (Comissão de Valores Mobiliários – CVM).



Brazil requires that foreigner investors, whether individuals or legal entities, are registered with a tax ID number provided by the Brazilian Federal Revenue Secretariat (RFB).

In the case of individuals, this tax ID number is called **CPF**, and legal entities are registered with a **CNPJ**.

Since 2021, as part of Government efforts to simplify the business environment in Brazil, non-resident foreigners have been eligible to serve as company managers. Prior to this, only residents of Brazil could assume the roles of manager or director in corporations and limited liability companies.

It is important to note that in the case of an S.A. (corporation) comprised solely of individuals residing abroad and/or foreign legal entities, it is mandatory for the company to have a manager who resides in Brazil.



# Financial reporting and auditing

Publicly held companies that are subject to control by the CVM, must publish audited financial statements annually, together with the report of independent auditors. The financial statements consist of a balance sheet, an income statement, a statement of retained earnings or accumulated losses (generally provided as a part of the statement of shareholders' equity), a statement of cash flows, value-added, and notes to the financial statements.

The audited financial statements must be submitted to the CVM annually, to the appropriate government agency if the company is a public utility, and to the BACEN and other regulatory agencies if the company is engaged in banking, leasing or insurance activities.



Regulatory bodies require companies in regulated industries, such as banking, public utilities and insurance, to prepare detailed uniform financial statements and to conform with specific accounting requirements relevant to their industries.



Companies with limited liability, in turn, are not obliged to annual independent audit, and are not required and report to CVM.



All accountants in Brazil must be registered with the **Brazilian Federal Accountants' Council** (Conselho Federal de Contabilidade or CFC), which has primary responsibility for regulating and overseeing the accounting profession in Brazil; and the Regional State Boards regulate the accounting profession.

The CFC is also responsible for issuing statements on professional ethics, bylaws and auditing standards. Until recently, Brazilian Institute of Independent Accountant and Auditors (Instituto dos Auditores Independentes do Brasil – IBRACON) has been the entity responsible for issuing statements on accounting and auditing. Membership in the institute is voluntary and consists primarily of independent auditors. The institute remains supports the CFC on issuing the Brazilian generally accepted auditing standards.

# Tax system summary

The Brazilian tax system is governed by the Federal Constitution and by the National Tax Code (CTN). All the federal, state and municipal tax authorities abide by this Fundamental Law, which contains all general provisions, definitions, competences, procedures and limitations regarding the Brazilian tax system.

In general lines, income, capital gains and other types of compensation paid, credited, delivered or remitted to nonresidents are subject to withholding income tax (**IRF**).

The main federal taxes imposed on business entities are: Corporate Income Tax (**IRPJ**); Social Contribution on Net Income (**CSLL**); Contribution for Social Security Financing (**COFINS**); Contribution for the Social Integration Program (**PIS**); Tax on Manufactured Goods (**IIPI**); Import Duty (**II**); Tax on Financial Transactions (**IOF**); Contribution for Intervention in the Economic Domain (**CIDE**).

In addition to those taxes, international transactions, especially those related to interest, royalties and service rendering, can be affected by the Brazilian Withholding Income Tax on Outbound Remittances (**IRRF**) and by the Contribution for Intervention in the Economic Domain (**CIDE**).

PIS and COFINS are calculated and payable on a monthly basis based on gross revenue and sales. Rates are PIS 1,65% Calculated on gross revenues and COFINS 7,6% (being subject to a “cumulative or non-cumulative” mechanism in which some credits are allowed. Mechanism will be established based on the objective of the company and the tax regime adopted.



Additionally, the States, including the Federal District, impose mostly a value-added tax on the circulation of goods and services (**ICMS**), and taxes on inheritances (**ITCMD**) and motor vehicles (**IPVA**).

There are also the local taxes imposed by the Municipalities and the Federal District: the tax on services (**ISS**), the tax on urban property (**IPTU**) and the tax on transfer of urban property (**ITBI**).

In order to record amounts due and payment of such taxes, Brazil has been implementing a new public digital bookkeeping system known as **SPED**. The main objectives of the SPED system are to:

- integrate the tax offices of different spheres (federal, state and municipal) by standardizing and sharing tax and accounting information;
- streamline and standardize tax returns;
- improve the identification of tax violations.

Companies are required to comply with the Public Digital Bookkeeping System (SPED) and issue documents in the required formats, accordingly to different criteria for each SPED module. Generally, the files relating to the SPED modules must be signed through a digital certificate approved by a specific program created by the Brazilian Federal Revenue Secretariat.



**The SPED system increased the degree of interaction between taxpayers and tax authorities.** Possible inconsistencies identified through database cross-checks will face heightened visibility and scrutiny by the Brazilian tax authorities. Despite the Brazilian Revenue Department's efforts to create an efficient electronic tax reporting system, it unfortunately does not simplify the process for taxpayers. According to studies and surveys by the World Bank, Brazil ranks 109<sup>th</sup> on “ease of doing business”, as companies dedicate 1,958 hours per year, on average, to comply with tax demands at various government levels. This figure accounts for the time needed to prepare, file, and pay (or withhold) three major types of taxes: corporate income tax, value-added or sales tax, and labor taxes, including payroll taxes and social contributions.

In Brazil, companies are not required to obtain in advance an approval from the tax authorities before carrying out transactions involving significant amounts. However, when dealing with public sector organizations, most of the times the government requires a tax clearance certificate (CND).

With proper tax planning it is possible to obtain the most advantageous tax results. However, the Complementary Law 104/2001 allows tax authorities, pursuant to the implementing procedures to be set forth by a future ordinary law, to disregard lawful acts or transactions carried out with the purpose of dissimulating the occurrence of a taxable event or the elements of tax liability. To this date, the Complementary Law 104/2001 is still unenforceable due to the lack of required implementing regulations.

# Withholding income tax and tax treaties

In general, all income, capital gains and other compensations paid, credited, delivered or remitted to nonresidents are subject to withholding income tax (IRF). The rates effective as of 2024 are as follows:

Taxable Income (BRL)	Tax Rate %	Deductible Amount (BRL)
Up to 2,259.20	–	–
2,259.21 to 2,826.65	7.5	169.44
2,826.66 to 3.751,05	15.0	381.44
3,751.06 to 4,664.68	22.5	662.77
4,664.69 and above	27.5	896.00

Capital Gain Calculation Basis (BRL)	Tax Rate %
Capital Gains up to 5.000.000,00	15
Capital Gains from 5.000.000,01 to 10.000.000,00	17,5
Capital Gains from 10.000.000,01 to 30.000.000,00	20
Capital Gains over 30.000.000,01	22,5

However, this IRF rate is increased to 25% if:

- such payments are compensation for services provided by nonresidents in Brazil; or
- the nonresident is domiciled in a tax haven or low-tax jurisdiction, i.e. a country where the income tax is levied at a rate up to 20%.

On the other hand, **Dividends** paid to nonresidents are not subject to IRF tax.

**Interest** paid to nonresidents is generally subject to an IRF tax rate of 15%. But if the recipient is a resident of a country that is deemed to be a low-tax jurisdiction by Brazilian tax authorities, the IRF tax rate increases to 25%.

Payments of **Royalties, Technical Assistance, Administrative Assistance** and **Technical Services** to nonresidents are generally subject to an IRF tax rate of 15%. But if the recipient is a resident of a country that is deemed to be a low-tax jurisdiction by Brazilian tax authorities, the IRF tax rate increases to 25%. Generally, these payments are also subject to the CIDE tax.

According to Brazilian Federal Revenue Secretariat, the following countries are regarded as tax havens or low-tax jurisdictions:

American Samoa, Andorra, Anguilla, Antigua and Barbuda, Aruba, Ascension Islands, Bahrain, Barbados, Belize, Bermuda Islands, British Virgin Islands, Brunei, Campione D' Italia, Cayman Islands, Channel Islands (Alderney, Guernsey, Jersey, and Sark), Commonwealth of the Bahamas, Cook Islands, Curaçao, Cyprus, Djibouti, Dominica, Federation of Saint Kitts and Nevis, French Polynesia, Gibraltar, Grenada, Hong Kong, Ireland, Isle of Man, Kiribati, Labuan, Lebanon, Liberia, Liechtenstein, Macau, Maldives, Marshall Islands, Mauritius Islands, Monaco, Montserrat Islands, Nauru, Niue Island, Norfolk Island, Panama, Pitcairn Island, Qeshm Island, Saint Helena Islands, Saint Lucia, Saint Martin, Saint Pierre and Miquelon, Saint Vincent and the Grenadines, Seychelles, Solomon Islands, Sultanate of Oman, Swaziland, Tonga, Tristan da Cunha, Turks and Caicos Islands, U.S. Virgin Islands, United Arab Emirates, Vanuatu, Western Samoa.

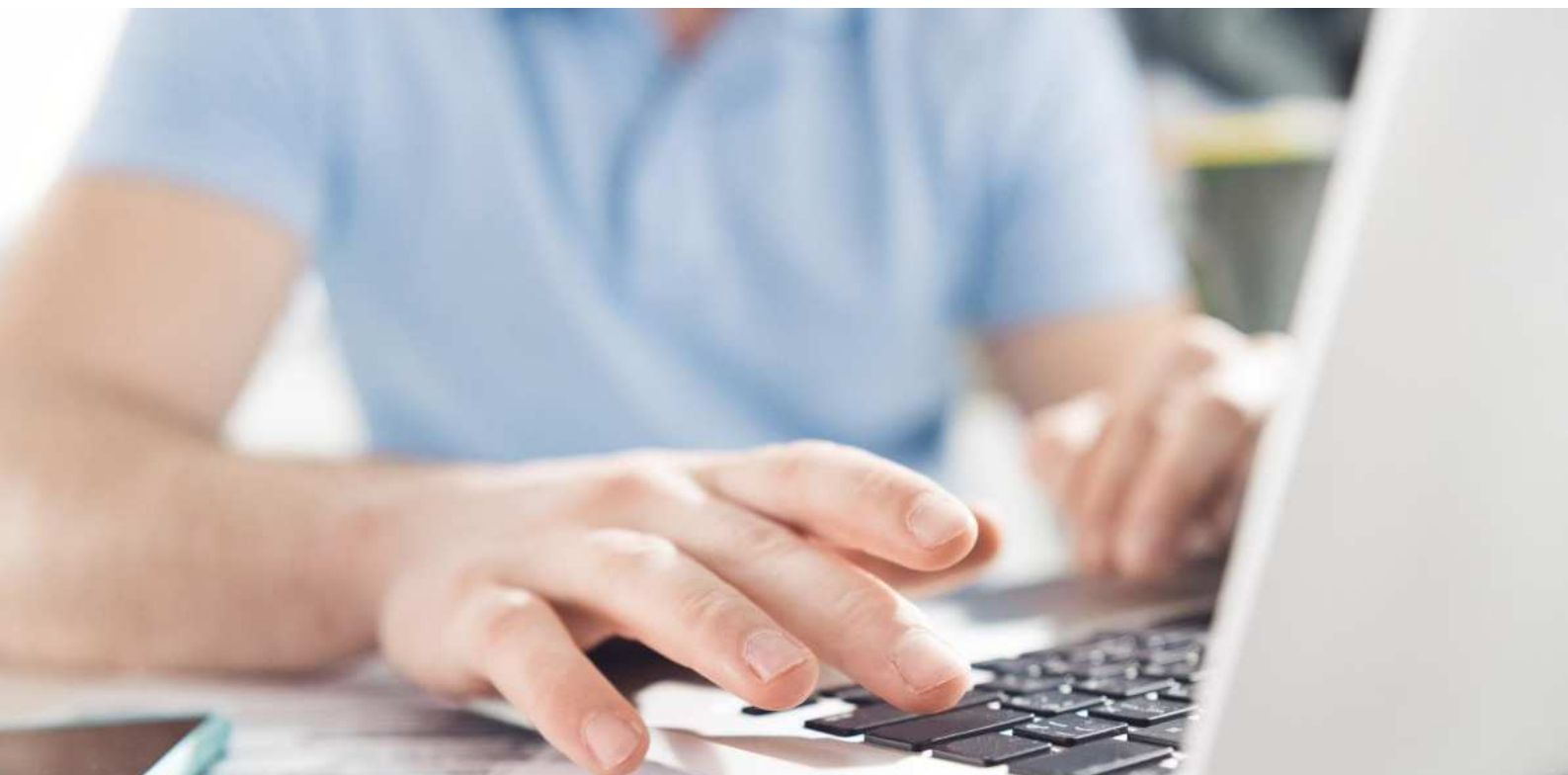


Brazil has also entered into a number of tax treaties with foreign countries, which resulted in the reduction of withholding income tax rates on interest, royalties and technical assistance fees. The foreign countries, among others, that have entered into tax treaties with Brazil are:

Argentina, Austria, Belgium, Canada, Chile, China, Czech Republic, Denmark, Ecuador, Finland, France, Hungary, India, Israel, Italy, Japan, Luxembourg, Mexico, Netherlands, Norway, Philippines, Peru, Portugal, Slovakia, Russia, South Africa, South Korea, Spain, Sweden, Trinidad Tobago, Turkey, Ukraine and Venezuela.



If the domestic tax rates are lower than the ones set forth by the tax treaties, the former applies. Likewise, the same applies in the case of tax treaties that do not provide for a reduced tax rate.



# Federal taxes

## IRPJ and CSLL – Taxes on Profit

The IRPJ (corporate income tax) is levied at 15% on the taxable profit determined at the end of each fiscal year. A surtax of 10% is charged on the taxable profit exceeding the amount of R\$ 240K per year.

The CSLL (social contribution on net income) is levied at 9% for companies in general and is calculated on the net profits before the allowance for IRPJ. However, entities such as banks and financial institutions may be subject to higher rates.

In Brazil the fiscal year is the same as the calendar year, but taxes are due and payable on a monthly basis. Although the corporate year end is not important for tax purposes, in practice most companies close their accounting period on December 31st of every year. Nevertheless, a legal entity may elect to have its corporate tax determined on quarterly or yearly basis.

The Brazilian corporate entities are subject to tax on all Brazilian and foreign-source income. Both foreign branches' and subsidiaries' profits are taxed as earned.

Operating costs and expenses are deductible from the gross income from a company's core activity and supplementary businesses when the taxpayer deems their real profit as the tax base. However, some of these costs and expenses cannot be deducted because of their nature or amounts involved.

Act 11638/2007 introduced new rules to adapt Brazilian accounting practices to the International Accounting Standards (IFRS). Additionally, Act 11941/2009 ensured fiscal neutrality, i.e. no adverse tax consequences should arise from the adoption of the new accounting criteria regarding the recognition of revenue, costs and expenses used to determine net income.

Tax losses must be segregated as operational losses and non-operational losses. Tax losses reported in past tax returns can be carried over up to 30% of the taxable income in each year and they do not expire. Consequently, legal entities are required to pay taxes on at least 70% of their taxable income every year. Non-operational losses may be offset only against non-operational gains.

In some circumstances, a legal entity may elect to be taxed based on its estimated profit rather than its actual profit.





The taxable profit can be either a company's real profit or the presumed profit for the year. Exceptionally, the tax authorities may define the taxable profit for a certain company, pursuant to specific rules provided by law.

## ■ Tax Regime

A Brazilian company may opt to pay corporate taxes based on a presumed profit method (*lucro presumido*); or based on actual taxable income (*lucro real*). This choice may be revisited every year, but the chosen regime will bind the company for the entirety of the calendar year. Hence, the choice is generally driven by the profitability of the company and its plans for future investments, among other factors.

Under the presumed profit system, corporate taxes are charged on a presumed profit that is generally calculated by applying a fixed percentage to the gross sales or service revenue (the percentage is based on the type of activity undertaken by the company), plus 100% of the company's passive income. Therefore, no expense deductions are allowed and tax losses may not be deducted or carried forward. Corporate taxes are computed on a quarterly basis. A legal entity qualifies for the estimated profit regime if its total gross revenue is equal to or under R\$ 78MM in the preceding fiscal year.

Under this tax regime, the company's gross revenue is submitted to a certain rate for the determination of the tax base, in accordance with the company's activity. In this tax regime both IRPJ and CSLL are levied quarterly.

A Brazilian company may also adopt the actual profit method to pay corporate taxes. In this case, the tax is charged on the company's actual profit adjusted for nondeductible expenses and nontaxable revenues. Corporate income tax is calculated on a monthly basis.

## ■ Books and records

Corporate entities and individuals engaged in commercial activities must maintain proper accounting books and record transactions in these books as required by law.

Official records must be written in Portuguese with values expressed in Reais. Transactions must be recorded in chronological order. Manual or computerized subsidiary ledgers for cash receipts and disbursements and for purchases and sales are permitted if they are properly registered. Records must be clear and without erasures. Blank lines and alterations are not permitted.

## ■ Method of accounting

Companies in Brazil must use the accrual method for computing the results of their activities. A cash method is available for small companies that elect for the simplified taxation system.





## ■ Accounting practices

On December 28, 2007, after seven years of discussions in the Brazilian Congress, Law no. 11.638 was approved. This law makes relevant amendments to Law no. 6404, of December 15, 1976, as amended by Law and 11,941 of 2009, regarding the preparation of financial statements for corporations and large companies, even if they have not been organized as corporations (“S.A.”). Besides those Laws, the Comitê de Pronunciamentos Contábeis (CPC) has the authority to issue accounting statements in Brazil.

This Brazilian Law represents a major step in the process towards harmonization with International Financial Reporting Standards (IFRS).

Brazil is a member of the International Accounting Standards Board (IASB). In general, accounting practices adopted in Brazil are comparable to those prescribed by IASB because CPC take IASB statements into consideration when preparing accounting standards.



## ■ Transfer pricing

The new transfer pricing framework was enacted in 2023. Introduced by Law No. 14,596 and further detailed by Normative Ruling No. 2,161, the new model governs controlled transactions and introduces several key innovations, enhancing comparability analysis and allowing for the selection of the most appropriate calculation method. The framework also regulates transactions involving intangibles, intra-group services, cost contribution, and profit-sharing agreements, debt operations, and guarantees.

Starting in the 2024 tax year, the new rules will become mandatory. Hence, companies are required to thoroughly review their entire business structure in collaboration with their auditors and accounting advisors on a global scale.



## ■ Thin Capitalization

The rules on thin capitalization were introduced in the Brazilian tax law in January 2010. Until then, there were not rules on the proportion between debt and direct equity investment made by related parties.

As general rule, the interest expenses are necessary for a company's activities. The transfer pricing rules affecting cross-border loans remain in effect, as do the general requirements for deductibility.



Furthermore, the interest paid to nonresident related parties may be deducted for corporate income tax purposes only if the following thresholds are complied with:

- each nonresident related party debt-to-equity ratio cannot exceed twice (2:1) the value of the direct equity investment made by such nonresident related party in the Brazilian recipient company;
- the overall indebtedness cannot exceed the same proportion (2:1) in relation to the aggregate amount of the direct equity investments made by all nonresident related parties in the Brazilian recipient company.

Additionally, if the recipient of interest payments is located in a tax haven or benefits from a favored tax system, the interest paid to such recipient may be deducted for corporate income tax purposes only if the following thresholds are complied with:

- the amount of the Brazilian entity's indebtedness to the tax haven resident does not exceed 30% of the net equity of the Brazilian company;
- the Brazilian company's total indebtedness to all entities located in a tax haven or benefiting from a preferential tax regime does not exceed 30% of the net equity of the Brazilian company. Any and all excess interest will be treated as nondeductible expense for IRPJ and CSLL purposes.

## COFINS and PIS – Social Contributions

COFINS and PIS are social contributions on billing. COFINS resources are used to finance social security expenses in the health and social welfare sectors. PIS contributions are used to create a fund for employees that can be withdrawn in the event of marriage, retirement, disability, or purchase of a home.

COFINS and PIS are charged monthly on the gross revenue earned by legal entities, usually through a non-cumulative calculation method. COFINS and PIS are respectively levied at 7.6% and 1.65% rates. However, it is possible to offset the tax due against certain credits on consumables and other expenses, according to applicable law.

The revenue from the export of goods and services is exempt from COFINS and PIS, provided that the funds from such exports effectively enter Brazil.

Legal entities under the presumed profit regime for income tax purposes are taxed by COFINS and PIS at the rates of 3.0% and 0.65%. However they are not allowed to deduct credits. Special calculation methods may apply to specific industries and types of revenue.



Additionally, COFINS and PIS taxes are levied on imports, with goods facing rates of 9.65% and 2.1%, respectively. Services brought in from abroad incur rates of 7.6% and 1.65%. Taxpayers operating under the non-cumulative regime can reclaim these payments as input tax credits.





## IPI – Value-added Excise Tax

IPI is a tax charged on the manufacture of domestic products, as well as on the imports of foreign products. This tax must be paid by the manufacturer and/or importer.

IPI is calculated on non-cumulative basis and the tax amount due can be reduced by deducting the IPI already paid in past stages of the production chain relating to a same transaction. The IPI paid on raw and packaging materials, among others items, may be used as tax credit. IPI rates vary according to the product, ranging from 0% to 330%. Currently, the higher rates are reserved for non-essential products, such as cigarettes, liquor, cosmetics, and similar products. The export of products manufactured in Brazil is exempt from IPI.

## II – Import Duty

The II is imposed on goods entering Brazilian territory. As a non-recoverable tax, the amount paid is incorporated into the total cost of importation. The calculation of the II is based on the CIF value of the product. Rates vary between 0% and 60%, depending on the product type according to the MERCOSUR Common Nomenclature (NCM) and the application of any special customs regimes.

## CIDE – Tax on Overseas Remittances

The CIDE is levied on remittances abroad for payment of royalties, technical services and assistance and administrative support. This tax is levied at a rate of 10% on the amounts remitted abroad, and it is payable by the Brazilian company. The CIDE tax is not levied on payments regarding software license or trade/distribution rights.

## IOF – Tax on Financial, Insurance and Exchange Transactions

The IOF applies to various types of transactions, including:

- credit transactions made by financial institutions;
- intercompany loans between non-financial companies;
- loans between individual and legal entity acting as borrower;
- securities transactions in the securities market;
- insurance transactions made by insurance companies;
- exchange transactions made by institutions authorized to deal in the exchange market.

For domestic credit transactions, the daily IOF rates for individuals is 0.0082% (equivalent to 3% annually), while for companies, it is 0.041% (equivalent to 1.50% annually). The IOF on foreign exchange transactions is applied at varying rates, depending on the transaction type, with a maximum rate of 25%. However, Decree No. 11,153/2022 has introduced a phased annual reduction of 1% in these rates until 2029. As a result, the tax will eventually be eliminated for international purchases and foreign currency acquisition.

# State taxes

## ICMS – Value-added Tax

ICMS is a VAT on the circulation of goods, provision of intrastate and interstate transportation and communications services, and electric power. For taxation purposes, each operational location is deemed as an ICMS taxpayer.

Normally, intrastate transactions are taxed at a rate of 17% or 22%. The interstate transactions are subject to a rate of 4%, 7% or 12%, depending on the location of the purchaser or recipient. There are specific rates imposed on the goods considered superfluous (beverages, perfumes, firearms etc.), and for electricity and communications services. Generally, the transaction price is the ICMS tax base. In some situations, the tax law establishes a minimum tax base. The ICMS is also due on the import of goods. As general rule, exports are not subject to ICMS.

## ITCMD – Property Transfer Tax

ITCMD tax is levied on inheritances and donations of real estate properties, rights and movable properties. The rates vary from 0% (in some exempt transactions) to 8% (maximum rate). In addition, States may indicate minimum and maximum values for ITCMD operations, and the tax base is the market value of the property or right inherited or donated.

## IPVA – Vehicle Property Tax

IPVA tax is assessed on a yearly basis and it is imposed on the ownership of all kinds of vehicles, including airplanes and boats. The tax rate varies from state to state, ranging from 0,5% to 4%. The tax base is the market value of the vehicle at the beginning of the year.

# Municipal taxes

## ISS – Service Tax

ISS tax is levied on services rendered, except those subject to the ICMS tax (certain transport, communication services and electricity). The ISS is not a VAT tax. The ISS tax rates range from 2% up to the maximum rate of 5%, depending on the municipality and the type of service. The taxable base of ISS is the price of the service rendered. The import of services is subject to ISS levy, while the export of services is exempt if the service is entirely rendered abroad.

## IPTU – Real Estate Property Tax

IPTU tax is due every year based on the fair market value of real properties in urban areas.

The rate varies from municipality to municipality and according to the location of the property.

## ITBI – Real Estate Transfer Tax

ITBI tax is levied upon the transfer of property deeds, and it is payable by the acquirer.



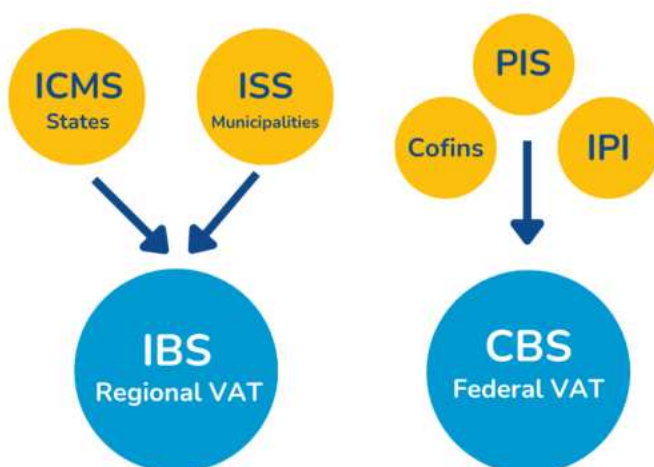
# Tax Reform

In December 2023, the **Brazilian Tax Reform** bill was enacted into law, introducing a streamlined framework for consumption taxes. The new rules provide for the simplification of the current system, which is deemed overtly complex and burdensome for taxpayers in Brazil.

Central to the reform is the introduction of a new Value Added Tax (IVA), aligning Brazil with the common practices of most developed nations. This tax is structured as a dual system, consisting of a federal tax known as '*Contribuição sobre Bens e Serviços*' (CBS) and a state tax termed '*Imposto sobre Bens e Serviços*' (IBS). These will replace the PIS/Cofins and IPI taxes at the federal level, and the ICMS and ISS taxes at the regional level, respectively. In addition, a Sin Tax ('*Imposto Seletivo*' - IS) has also been proposed to curb the consumption of certain products, such as those harmful to health or the environment.

## Tax Reform

### Dual VAT



### Transition

The new taxes await further regulation to become enforceable but are planned to replace the existing levies by 2033. However, the full transition to the new system is expected to take 50 years. This extensive overhaul, which will shift tax collection from the place of production to the place of consumption, is projected to be completed by 2078.

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## About DPC

Reference in **outsourcing accounting and business management services** since 1984, DPC is expert in translating Brazil's different economic and tax contexts and in providing customized management solutions, helping more than 600 multinationals and Brazilian companies in various areas to overcome challenges and to build strong and successful businesses.

DPC's priority is to ensure **outstanding** services through the **expertise** of a **highly qualified team**, constantly updated on international accounting standards and on the latest changes in Brazilian legislation.



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40 years

