

Tax Reform on Consumption

Constitutional Amendment nº 132/2023

Complementary Law nº 214/2025

Guiding Principles (EC 132/2024)

The National Tax System must observe the principles:

- of **simplicity**;
- of **transparency**;
- of **tax justice**;
- of **cooperation**; and
- of **environmental protection**.

The changes in tax legislation will seek to **mitigate regressive effects**.

The IBS and CBS will be guided by the principle of **neutrality**.

New Taxes on Goods and Services

IPI

Tax on Industrialized Products

Reduction of the rate to

0%

*Except for products with incentivized industrialization in the Manaus Free Trade Zone.

Extinction

ISS

Extinction

ICMS

Criation



Tax on Goods and Services (IBS)

collection by states, Federal District, and municipalities.

Extinction

PIS

Extinction

COFINS

Criation



Contribution on Goods and Services (CBS)

collection by the Union.

Single Legislation

IBS and CBS will have the same:

- Generating events.
- Calculation bases.
- Hypothesis of non-incidence.
- Passive subjects.
- Immunities.
- Specific, differentiated, or favored taxation regimes.
- Non-cumulativity and crediting rules.

Broad-based incidence

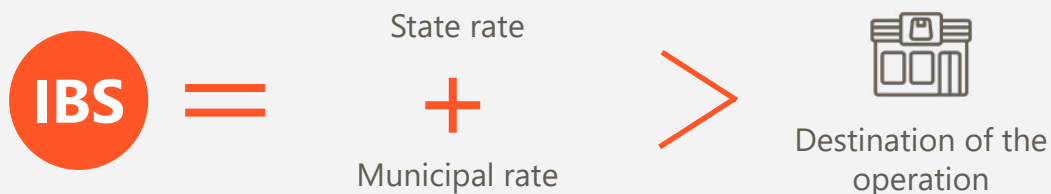
IBS and CBS will apply to 'transactions involving tangible or intangible goods, including rights, or services' and to 'the importation of tangible or intangible goods, including rights, or services carried out by individuals or legal entities, even if they are not regular taxpayers of the tax, regardless of their purpose'.

Tax-exclusive calculation

IBS and CBS will not be included in their own tax base, nor in the tax base of the Selective Tax, ICMS, and ISSQN. Similarly, ICMS, ISSQN, COFINS, and PIS will not be included in the tax base of IBS and CBS.

Destination-based taxation

IBS will be charged based on the **sum of the rates of the state and the municipality of the destination of the operation**, with a complementary law establishing the criteria for defining the destination of the operation, which may include the place of delivery, availability, or location of the good, the provision or availability of the service, or the domicile or location of the purchaser or recipient of the good or service, allowing for differentiations based on the characteristics of the operation.



End of incentives

IBS and CBS will not be subject to the granting of financial or fiscal incentives and benefits related to taxes or specific, differentiated, or favored taxation regimes, except for the cases provided for in the Constitution, except for the following exceptions:

Rates reduced by 100%



Medical devices.

(Appendix XII and Appendix IV, when acquired by direct public administration bodies, autonomous agencies, and public foundations)



Accessibility devices for people with disabilities.

(Appendix XIII and Appendix V, when acquired by direct public administration bodies, autonomous agencies, and public foundations)



Medications.

(Appendix XIV and registered with Anvisa, when acquired by direct public administration bodies, autonomous agencies, and public foundations)



Basic **menstrual health care** products.
(Proposed text)



Horticultural products, fruits, and eggs.
(Appendix XV)



Passenger cars acquired by people with **disabilities** or **autism spectrum disorder**.
(Proposed text)



Passenger cars purchased by professional drivers who intend to use the **vehicle for hire purposes (taxi)**.



Services provided by a non-profit Scientific, Technological, and Innovation Institution.

Rates reduced by 60%



Medications.
(Appendix VI)



Food intended for human consumption.
(Appendix VII)



Agricultural, aquaculture, fishery, forestry, and plant extractive products in their **natural state**.



National **artistic, cultural, event, journalistic, and audiovisual** productions.
(Appendix X)



Operations related to **urban rehabilitation projects of historical zones and critical areas of urban recovery and reconversion** in the Municipalities or the Federal District, to be defined by municipal or district law.



Educational services.
(Appendix II)



Health services.
(Appendix III)



Medical devices.
(Appendix IV)



Accessibility devices for people with disabilities.
(Appendix V)



Personal hygiene and cleaning products primarily consumed by low-income families.
(Appendix VIII)



Agricultural and aquaculture inputs.
(Appendix IX)



Goods and services related to **national sovereignty and security**, information security, and cybersecurity.
(Appendix XI)



Institutional communication to the direct public administration, autonomous agencies, and public foundations.



Sports activities.

Rates reduced by 30%



Administrators.



Accountants.



Veterinarians and Zootechnicians.



Lawyers.



Economists.



Museologists.



Architects and Urban Planners.



Home Economists.



Chemists.



Social Workers.



Physical Education Professionals.



Public Relations Professionals.



Librarians.



Engineers and Agronomists.



Industrial Technicians.



Biologists.



Statisticians.



Agricultural Technicians.

Exemption



Public collective passenger transport services by road and metro of an urban, semi-urban, and metropolitan nature, under a regime of authorization, permission, or public concession.

Waste and Other Materials Intended for Recycling, Reuse, or Reverse Logistics



The taxpayer of IBS and CBS subject to the regular regime may **appropriate presumed credits** of the referred taxes related to the **acquisition of solid waste from incentivized collectors** for use in an environmentally appropriate final disposal process.

Specific Taxation Regimes



Fuels and lubricants.



Cooperative Societies.



Financial services.



Intermunicipal and interstate road, rail, and waterway **collective passenger transport** services.



Health care plans.



Hotel services, amusement parks and theme parks, travel and tourism agencies, bars, and restaurants.



Prediction contests.



Football Corporation and regional aviation.



Real estate.



Diplomatic missions, **consular offices**, representations of international organizations, and their accredited staff.

National Simple Tax Regime

To those opting for the unified regime of the National Simple Tax Regime:



the appropriation of IBS and CBS credits will not be allowed; and



the appropriation of IBS and CBS credits by your client will be allowed in an amount equivalent to that charged through the unified regime.

The taxpayer opting for the National Simple Tax Regime is allowed to calculate and collect IBS and CBS under the regular regime. In this case, as long as the option persists:



the appropriation of IBS and CBS credits will be allowed; and



the appropriation of IBS and CBS credits by your client will be allowed in full amount.

Differentiated Regimes of CBS



Zero-rate reduction of the CBS tax rate on the provision of higher education services by private educational institutions, whether for-profit or non-profit, during the period of adherence and linkage to the University for All Program (Prouni), established by Law No. 11.096/2005.



Automotive Regime

Until December 31, 2032, projects eligible for the benefits established by Article 11-C of Law No. 9.440/1997 and Articles 1 to 4 of Law No. 9.826 of August 23, 1999, from legal entities that are manufacturers or assemblers of vehicles, will be entitled to presumed CBS credits, in accordance with this Complementary Law.

Five-Year Evaluation

All differentiated regimes will be subject to a cost-benefit evaluation every five years, and the law may establish a transition regime to the standard rate, ensuring the respective adjustments in the reference rates.

Broad Non-Cumulativity

IBS and CBS will be non-cumulative, ***"offsetting the tax owed by the taxpayer with the amount charged on all transactions in which they are the purchaser of goods, tangible or intangible, or services, exclusively excluding those considered for personal use or consumption."*** Goods or services considered for personal use or consumption will be:

Goods and services considered for personal use and consumption:



Jewelry, stones, and precious metals.



Works of art and antiques of historical or archaeological value.



Alcoholic beverages.



Tobacco products.



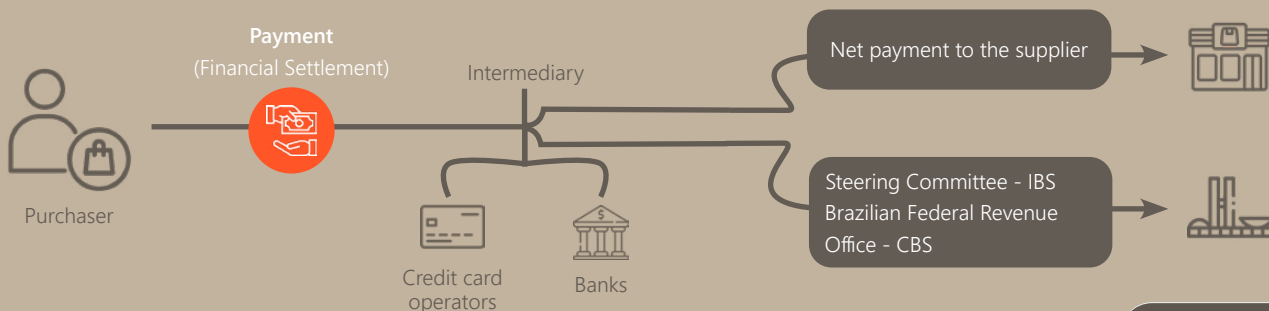
Weapons and ammunition.



Recreational, sports, and aesthetic goods and services.

Split Payment

Mechanism that automatically separates the tax amount and the net value of the product at the time of payment.



Types of Split Payment

Standard

Electronic payment service providers and institutions operating payment systems must segregate and collect, at the time of the financial settlement of the transaction (split payment), the amounts of IBS and CBS effectively applicable to the operation, and remit them to the IBS Steering Committee and the Brazilian Federal Revenue Office (RFB).

Simplified

The amounts of IBS and CBS to be segregated and collected by the payment service provider or the institution operating the payment system will be calculated based on a pre-established percentage of the value of the operations, set by the IBS Steering Committee for IBS and by the Brazilian Federal Revenue Office (RFB) for CBS. This percentage may vary by economic sector or taxpayer, based on calculations using a uniform methodology previously disclosed, including data on the average rate applicable to the operations and the history of credit utilization, and will not be related to the actual amounts of IBS and CBS liabilities applicable to the operation.

Deadline for reimbursement of accumulated credits by the taxpayer



Up to 30 days from the date of the request for reimbursement claims from taxpayers enrolled in compliance programs developed by the IBS Steering Committee and the Brazilian Federal Revenue Office (RFB).



Up to 180 days from the date of the request, in other cases.

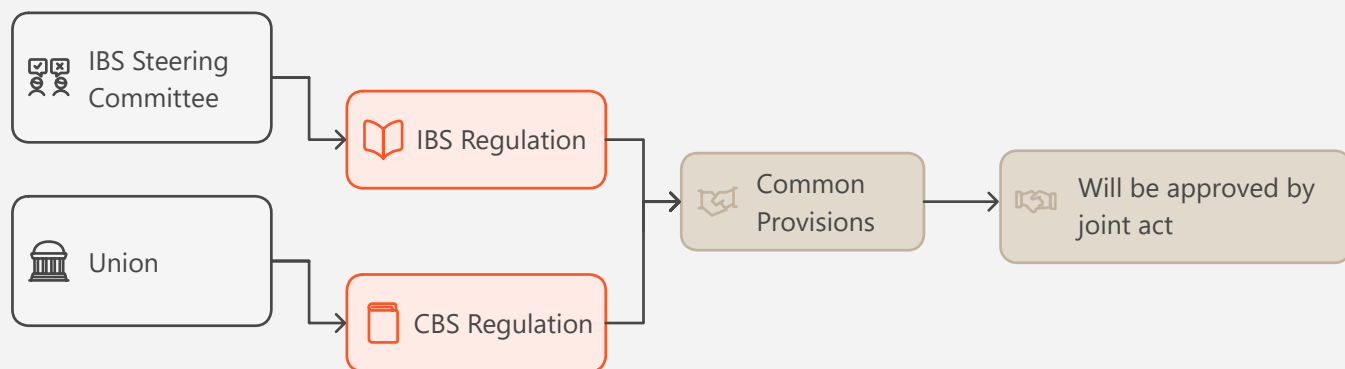


Up to 60 days from the date of the request for reimbursement claims of credits:

- I. related to the acquisition of goods and services incorporated into the taxpayer's fixed assets; or
- II. for reimbursement claims whose value is equal to or less than 150% of the average monthly difference between credits and debits.

If there is no response from the IBS Steering Committee or the Brazilian Federal Revenue Office (RFB) within the indicated deadlines, the credit will be reimbursed to the taxpayer within the following 15 days.

Administration of IBS and CBS



The IBS Steering Committee, the Brazilian Federal Revenue Office (RFB), and the Office of the Attorney General of the National Treasury will work to **harmonize rules, interpretations, ancillary obligations, and procedures** related to IBS and CBS.

The harmonization of IBS and CBS will be ensured by the following bodies:

Committee for the Harmonization of Tax Administrations; and

Forum for the Legal Harmonization of Prosecutors.

The oversight of compliance with primary and ancillary obligations, as well as the establishment of the related tax credit:



The CBS is under the jurisdiction of the Auditor-Fiscal of the Brazilian Federal Revenue Office (RFB);



Ao IBS compete às autoridades fiscais integrantes das administrações tributárias dos Estados, do Distrito Federal e dos Municípios.

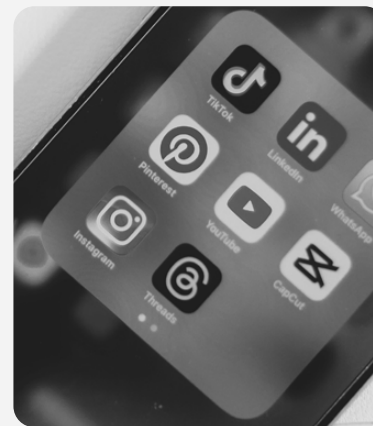
The conditioning of credit utilization to the verification of the effective collection of the tax applicable to the operation will be allowed, provided that:

I. the purchaser can collect the tax applicable to their acquisitions of goods or services; or

II. the tax collection occurs at the financial settlement of the operation.

Platform Liability

Definition of scenarios in which digital platforms, *"even if domiciled abroad, are responsible for the payment of IBS and CBS related to transactions and imports carried out through their intermediation,"* among which, *"jointly with the purchaser or recipient and in substitution for the supplier, if the latter is resident or domiciled abroad,"* and *"jointly with the supplier, if the latter is resident or domiciled in the country; is a taxpayer, even if not registered (...) and does not record the transaction in an electronic tax document."* The digital platform will not be liable for tax in relation to transactions in which it does not control any of the essential elements (**collection, payment, definition of terms and conditions, or delivery**).



Rebalancing of Administrative Contracts

The contracts in force at the time this Complementary Law comes into effect, entered into by the direct or indirect public administration of the Union, the States, the Federal District, and the Municipalities, including public concessions, will be adjusted to ensure the restoration of economic and financial balance due to the change in the effective tax burden borne by the contractor as a result of the impact of the institution of IBS and CBS, in cases where the imbalance is proven.

PIS/COFINS Credit Balance

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



will remain valid and usable in accordance with the Complementary Law, maintaining the period for their utilization;



must be duly recorded in the tax bookkeeping environment, in accordance with applicable legislation;



may be used for offsetting against the amount due for CBS; and



They may be reimbursed in cash or offset against other federal taxes, provided that they meet the requirements for use in these modalities established by the legislation of the contributions referred to in the main clause on the date of their extinction, observing, on the date of the request or declaration, the conditions and limits in force for the reimbursement or offsetting of credits related to taxes administered by the RFB.

Offsetting of ICMS tax or financial-tax benefits

Individuals or legal entities holding onerous benefits related to ICMS, due to the reduction in the level of these benefits provided for in § 1 of art. 128 of the ADCT, in the period between January 1, 2029, and December 31, 2032, will be compensated by resources from the Fund for Compensation of Tax or Financial-Tax Benefits established by art. 12 of Constitutional Amendment No. 132/2023, in accordance with the criteria and limits for determining the level of benefits and their reduction and with the procedures for analyzing the requirements for the applicant's eligibility for compensation established in the Complementary Law.

Selective Tax

Selective Tax

Levied by the Union on the "production, extraction, commercialization, or importation of goods and services harmful to health or the environment." Considered harmful to health or the environment are:



Vehicles.



Vessels and aircraft.



Smoking products.



Alcoholic beverages



Sugary beverages.



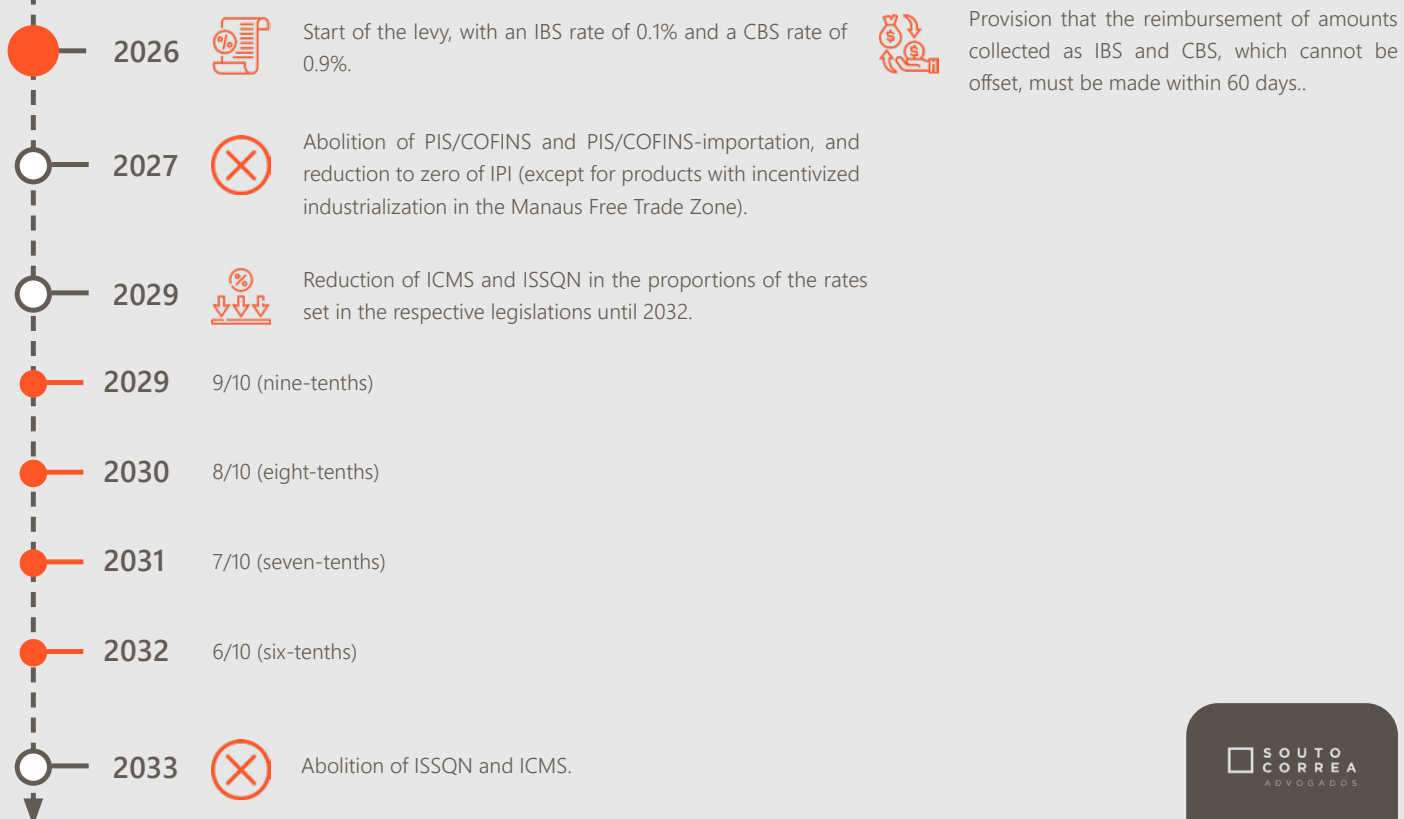
Extracted mineral



Prediction contests and
fantasy sports.

- It may not be levied on *"exports nor on operations with electricity and telecommunications"*.
- The incidence will be single-phase, that is, *"it will be levied only once on the good or service"*.

Transition



Vetoos

Vetoed Provisions	Justification
<ul style="list-style-type: none"> • Items V and X of the caput of art. 26; • Item III of § 1 of art. 26; • § 5 and § 6 of art. 26; • § 8 of art. 26; • § 4 of art. 183. 	Understanding that there is no constitutional authorization for investment funds and endowment funds not to be considered taxpayers of IBS and CBS. By granting financial or tax benefits in situations not provided for in the Constitution, the provisions would violate arts. 156-A, §1, X, combined with art. 195, § 16, of the Constitution.
<ul style="list-style-type: none"> • § 2 of art. 36 	Understanding that the provision contradicts the public interest by generating legal uncertainty about tax liability and discouraging the mechanism of IBS and CBS collection by the purchaser in cases where split payment is not available.
<ul style="list-style-type: none"> • § 4 of art. 138 	Understanding that the provision contradicts the public interest by conferring unequal tax treatment in the deferral of input acquisition between contributing and non-contributing rural producers, which would harm the development of family farming, mostly classified as non-contributing.
<ul style="list-style-type: none"> • Item III of § 1 of art. 231 	Understanding that by granting a tax benefit to financial institutions in the importation of financial services, the provision violates item X of § 1 of art. 156-A and § 16 of art. 195 of the Constitution.
<ul style="list-style-type: none"> • Item III of § 1 of art. 252 	Understanding that the provision contradicts the public interest by generating legal uncertainty and allowing operations not comparable to the rental of real estate to be covered by the reduced rate provided for in the specific tax regime for this activity.
<ul style="list-style-type: none"> • § 2 of art. 332 • Art. 334 	Understanding that the provisions contradict the public interest by providing for the application of communication methods between taxpayers and tax administrations that are slower, less effective, and more costly than the Electronic Tax Domicile - DTE.
<ul style="list-style-type: none"> • Item I of the caput of art. 413 	Understanding that by instituting a general clause of non-incidence of the selective tax on exports, the provision violates item VII of § 6 of article 153 of the Constitution, which determines the tax incidence on mineral goods at extraction, regardless of their destination. Note that immunity for exports for other hypotheses of the selective tax is guaranteed by the direct application of the constitutional rule.

Vetoed Provisions	Justification
<ul style="list-style-type: none"> • § 4 of art. 429 	<p>Understanding that the provision contradicts the public interest since there is no incidence of selective tax on operations with leaf tobacco. Maintaining the provision would generate legal uncertainty by providing for a fine equivalent to the value of a tax that would not be charged in the operation.</p>
<ul style="list-style-type: none"> • § 5 of art. 444 • § 5 of art. 462 	<p>Understanding that the provisions contradict the public interest, as they would allow for the mistaken interpretation that double appropriation of IBS credits would be possible in the case of collection of the presumed credit by the importer of the Manaus Free Trade Zone and Free Trade Areas, which would generate legal uncertainty.</p>
<ul style="list-style-type: none"> • Item II of § 1 of art. 454 	<p>Understanding that the proposal introduces a new hypothesis of benefit to products that already had a zero rate on December 31, 2023. This means that these are products whose production in the Manaus Free Trade Zone no longer presented a competitive advantage over the rest of the country. Thus, it would be the granting of an additional benefit to the Manaus Free Trade Zone, which would contradict the constitutional mandate to maintain the competitive differential established in article 92-B of the Transitional Constitutional Provisions Act, inserted by Constitutional Amendment No. 132/2023.</p>
<ul style="list-style-type: none"> • Art. 494 	<p>Understanding that the provision contradicts the public interest by hindering the timely updating of medical devices, accessibility devices for people with disabilities, medicines, and agricultural and aquaculture inputs covered by favorable tax treatment due to their essentiality and social relevance. The legislative proposal would also violate items I and II of § 9 of art. 156-A of the Constitution and § 2 of art. 130 of the Transitional Constitutional Provisions Act.</p>
<ul style="list-style-type: none"> • Art. 495 • Art. 536 	<p>Understanding that the provisions incur unconstitutionality, by violating item II of § 1 of art. 61 of the Constitution, by dealing with administrative organization under the competence of the President of the Republic in a parliamentary amendment.</p>
<ul style="list-style-type: none"> • Art. 517, in the part that includes item "b" of item XII-A of § 1 of art. 13 of Complementary Law No. 123/2006. 	<p>Understanding that the provision contradicts the public interest, as there is no provision for the collection of IBS and CBS by the tax substitution regime in the autograph of Complementary Bill No. 68, of 2024, sent for sanction.</p>
<ul style="list-style-type: none"> • Items 1.4, 1.5, 1.8, and 1.9 of Annex XI 	<p>Understanding that the provision violates item X of § 1 of art. 156-A and § 16 of art. 195 of the Constitution by allowing goods and services not related to sovereignty and national security, information security, and cybersecurity to be covered by the reduced rate provided for in the favored tax regime for this activity.</p>

Tax Reform on Consumption

PLP 68/2024

Sanctioned as **Complementary Law 214/2025**. The vetoes will be considered by the parliamentarians in a joint session of the Chamber of Deputies and the Federal Senate, requiring an absolute majority of votes from Deputies and Senators for their rejection.

PLP 108/2024

Awaiting approval by the National Congress



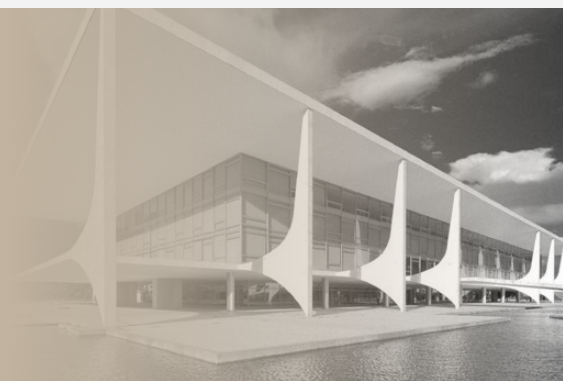
Payroll Tax Reform

Within 90 days after the promulgation of Constitutional Amendment 132/2023, the Executive Branch should have already submitted a bill to reform payroll taxation. The submission is estimated to occur in 2025.



Income Tax Reform

Within 90 days after the promulgation of Constitutional Amendment 132/2023, the Executive Branch should have already submitted a bill to reform income taxation, accompanied by the corresponding estimates and studies of budgetary and financial impacts. The submission is estimated to occur in 2025.



If you need more information on the subject, please contact the [Tax](#) Team at Souto Correa.