



Tax Reform

EC 132/2023



NEW TAXES

FEDERAL LEVEL

SELECTIVE TAX (IS)

- ▶ Levied on:
 - Production, commercialization, extraction or import of Goods and Services harmful to human health or environmental local.

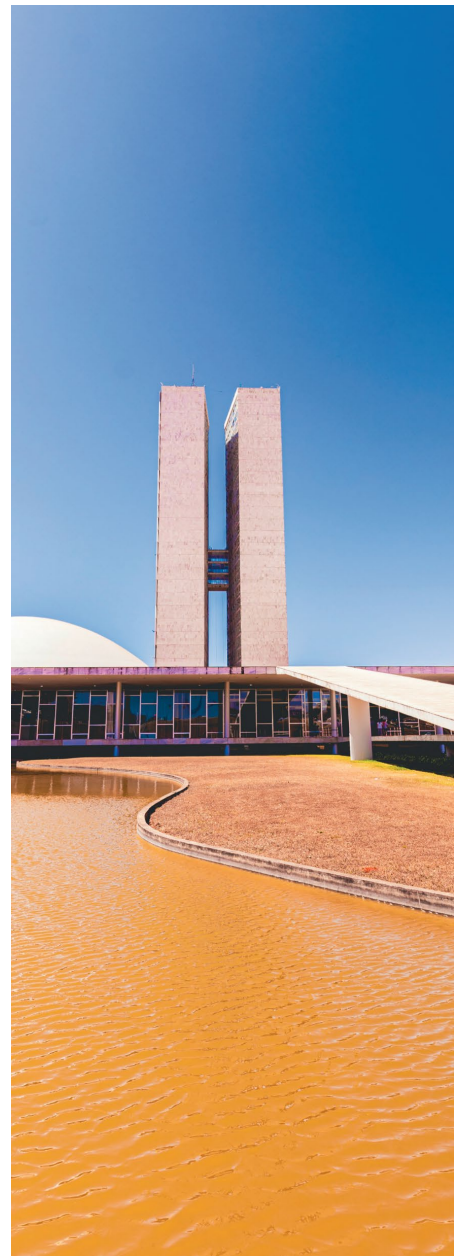
- ▶ Calculation Basis and Rates:
 - It makes part of the ICMS, ISS, IBS and CBS calculation bases.

- ▶ Specifics:
 - It will be once levied on Goods or Services;
 - Not levied on electric power and communication services;
 - On extraction, it will be levied at 1% as maximum rate, based on market value of good.

IPI, COFINS & IPI – CONTRIBUTION LEVIED ON GOODS AND SERVICES ("CBS")

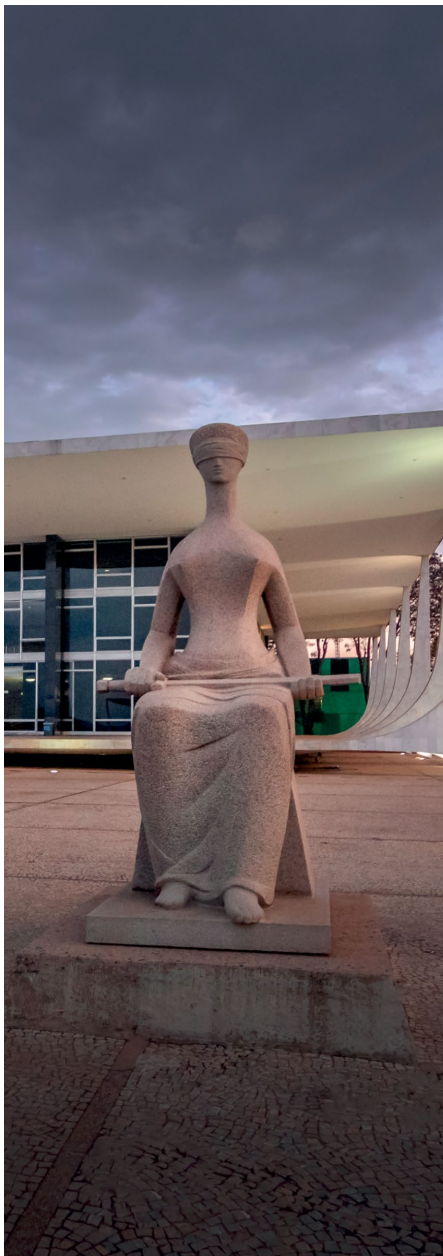
- ▶ Levied on:
 - Goods and Services.

- ▶ Calculation Basis and Rates:
 - To be defined in Complementary Law.



STATE AND MUNICIPALITY LEVEL

ICMS & ISS –TAX LEVIED ON GOODS AND SERVICES ("IBS")



- ▶ Levied on:
 - Tangible and Intangible Assets, Rights or Services.
 - Imports of tangible and intangible assets, rights or services.

- ▶ Calculation Basis and Rates:
 - To be defined in Complementary Law
 - Reference rate established by the Federal Senate, where each Unit of the Federation will define its own rate (Summed rate = States + Municipal districts).
 - Levied on electric power, telecommunication services, oil byproducts, fuels and minerals.
 - 60% reduction in the rate for operations in the following segments: Education, Health; Medical and Accessibility Devices for Disabled People; Medicines and Health Care Products; Road, Railway and Waterway Services of Passengers Transportation (Urban, Semi-urban, Metropolitan, Inter-municipal and Interstate); Agricultural, Fishery, Forestry and Extractive Products, Vegetables "In Natura"; Agricultural Supplies, Food intended for Human Consumption and Personal Care Products; Artistic, Cultural, Journalistic Productions and National Audiovisuals Means.

- ▶ Specifics:
 - Taxation at destination place.
 - Tax benefits forbidden.
 - Special treatments allowed.
 - Possibility of cash back for individuals.
 - Accumulated creditor balances – treatment according to Complementary Law.
 - Maintenance of the Manaus Free Trade Zone, Free Trade Areas and Special Tax Treatment for Bio-fuels.
 - Not levied on exportation.

- ▶ Implementation – Main Aspects
 - Definition of the administrative process for tax treatment and inspection.

MAINTAINED AND REMODELED TAXES

URBAN LAND AND BUILDING TAX ("IPTU")

- Levied on urban land and building property.
- It may have its calculation basis adjusted by the Executive Branch according to the criteria established in Municipal Law.

CAUSA MORTIS TRANSFER AND DONATION TAX ("ITCMD")

- Levied on movable property, securities and credits.
- It will be progressive.
- Jurisdiction of the domicile State of the deceased person.
- Any benefits only based on specific laws.

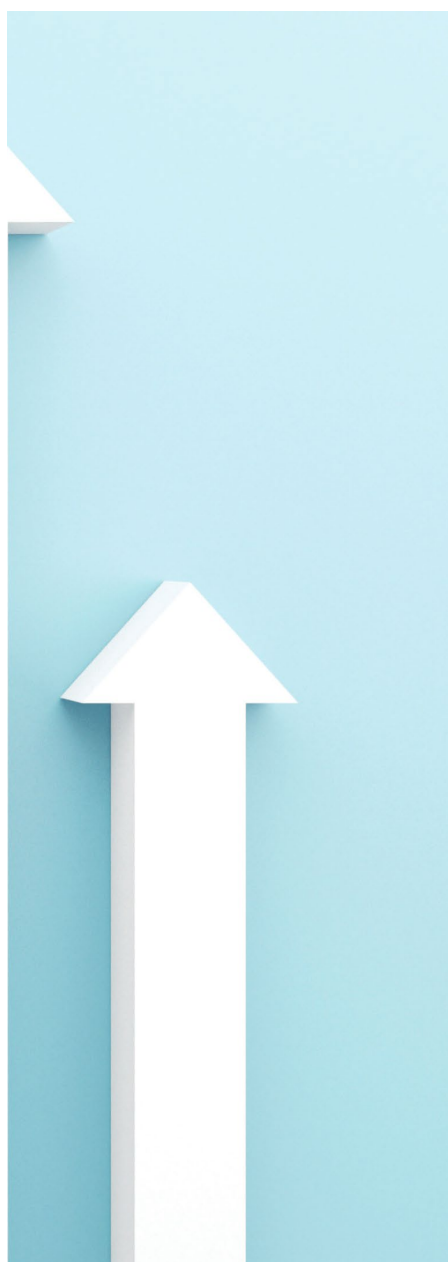
TAX ON PROPERTY OF MOTOR VEHICLES ("IPVA")

- ▶ Taxation:
 - It may have different rates according to the type, value, use and environmental impact.
- ▶ Specifics:
 - Levied on terrestrial, aquatic and aerial motor vehicles, except agricultural aircraft and certified operators, legal entity's vessels with grant to provide services or that performs industrial, artisanal, scientific or subsistence; platforms, agricultural tractors and machinery.
- 50% of the IPVA collected by the States will be intended to Municipal Districts.



TRANSITION

TIMELINE



2026 - IBS 0,1% and CBS 0,9% (deducted from PIS/COFINS or offsetting with federal taxes).

- Taxpayers that comply ancillary obligations, should be exempted from IBS and CBS payment.

2027 – IS integral collection.

2027 - CBS integral collection and extinction of PIS and COFINS.

2027 - IPI tax reduction to 0%, except for products that are also manufactured in the Manaus Free Trade Zone (ZFM).

From 2027 to 2028 - IBS collected at 0,05% to States and 0,05% to Municipality and CBS will be reduced in 0,1%.

From 2029 to 2032 – ICMS and ISS proportionally reduced, as well as their tax benefits.

As from 2033 – extinction of ICMS and ISS.

From 2029 to 2077 - IBS with proportional distribution.

OTHER ASPECTS

ICMS CREDITOR BALANCES

- ▶ Existing balances at end 2032 will be used as follows:
 - 48 installments if deriving from assets acquisition.
 - 240 installments for other balances.
 - As from 2033, adjustment of the balances according to IPCA or other market indices.
 - Complementary Law will address the installments implementation, transfer to third parties and reimbursement of credits.

- ▶ Maintained
 - Until 2032, unbinding of 30% of the States' and Municipal Districts' revenue arising from taxes, fees and fines.

- ▶ National Basic Food Basket:
 - Complementary Law will define the products destined to human food to compose the National Basic Food Basket. The cashback will be apply on the Basic Food Basket.
 - Rate 0% for IBS and CBS.
 - Manaus Free Trade Zone and Free Trade Areas.
 - Up to 12/31/2032 industrial enterprises installed in SUDAM and SUDENE, as well as in Central-West region, except Federal District – presumed IPI credit.
 - Bio-fuel: Maintenance of the tax regime favorable to bio-fuels and hydrogen with low carbon emission.
 - Maintenance of the special treatment for micro-companies and small-sized companies.

INNOVATIONS

- Regional incentives, (exemption, reduction, defferal) must consider low carbon emission and environment sustainability criterias.
 - Creation of the National Fund for Regional Development.
 - Fund for Offset of ICMS Tax Benefits or Tax-Financial benefits: it aims to compensate legal entities, as from January 2029 to December 2032, for losses arising from tax benefits granted for certain term and condition.
 - Possible contribution on primary products and semi-finished products established by the States and Municipal Districts, applicable up to 12/31/2043.
 - After enactment of this Amendment to Constitution (EC), 90 days for the Executive Branch to forward to the National Congress the Draft Bill to reform income taxation and salaries.
 - After enactment of this EC, 180 days for the Executive Branch to foward to the National Congress the Complementary Laws to implement the Tax Reform.
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CONTATO

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