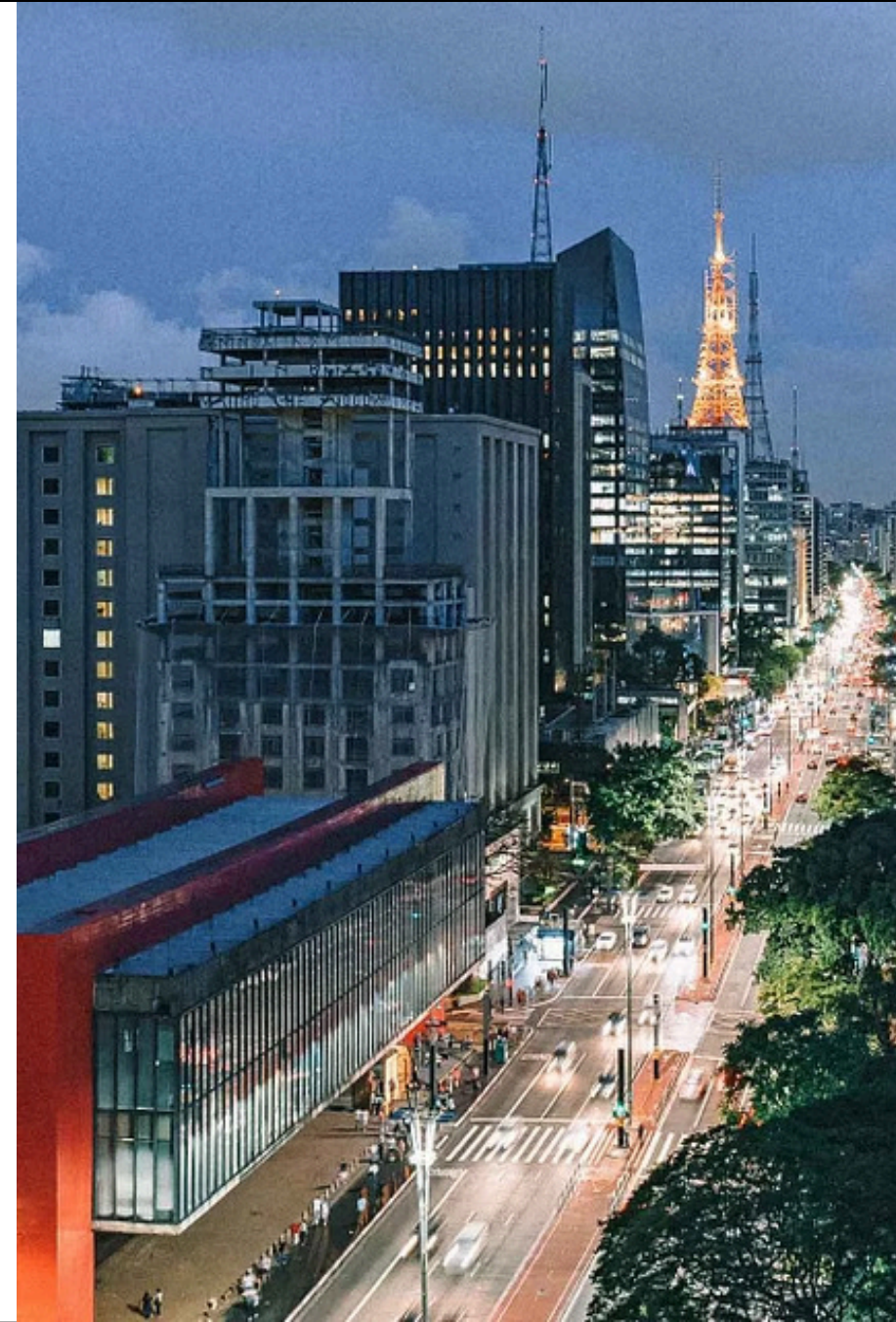


## Brazil's Historic Tax Reform

Brazil is undergoing a transformative overhaul of its consumption tax system—one of the most ambitious fiscal reforms in Latin American history. Through Constitutional Amendment No. 132/2023 and Complementary Law No. 214/2025, the country is replacing five fragmented taxes with a streamlined dual VAT model plus a selective excise tax. This reform represents more than structural change: it's a strategic opening for international companies to access one of the world's ten largest economies, home to over 220 million consumers.



## From Fragmentation to Clarity

### The Problem: A Uniquely Complex System

Brazil's previous consumption tax framework was notoriously complex, layering federal, state, and municipal taxes (PIS, COFINS, ICMS, ISS, IPI) with overlapping jurisdictions. Each tax operated under distinct rules, rates, exemptions, and reporting formats, creating severe operational challenges.

The consequences were profound: persistent litigation between authorities and taxpayers, cascading taxes that inflated final prices, overwhelming compliance costs, and integration nightmares. Many multinational corporations avoided Brazil entirely, despite its enormous market potential, citing the tax system as the primary deterrent.



#### Constant Litigation

Disputes between tax authorities and businesses



#### Cascading Taxes

Multiple layers increasing final consumer prices



#### Compliance Burden

System integration issues and reporting complexity



#### Investment Deterrent

Foreign companies avoiding market entry

## The New Tax Architecture

The reform introduces a modern, internationally-aligned tax structure that replaces complexity with clarity. Three new taxes form the foundation of Brazil's consumption tax system, designed to eliminate cascading effects and align with OECD best practices.



### **CBS — Federal VAT**

Contribution on Goods and Services, administered at the federal level. Replaces PIS and COFINS, creating a unified federal consumption tax with standardized rules and digital reporting requirements.



### **IBS — State & Municipal VAT**

Tax on Goods and Services, jointly managed by states and municipalities. Replaces ICMS and ISS, establishing consistent subnational taxation across Brazil's diverse jurisdictions.

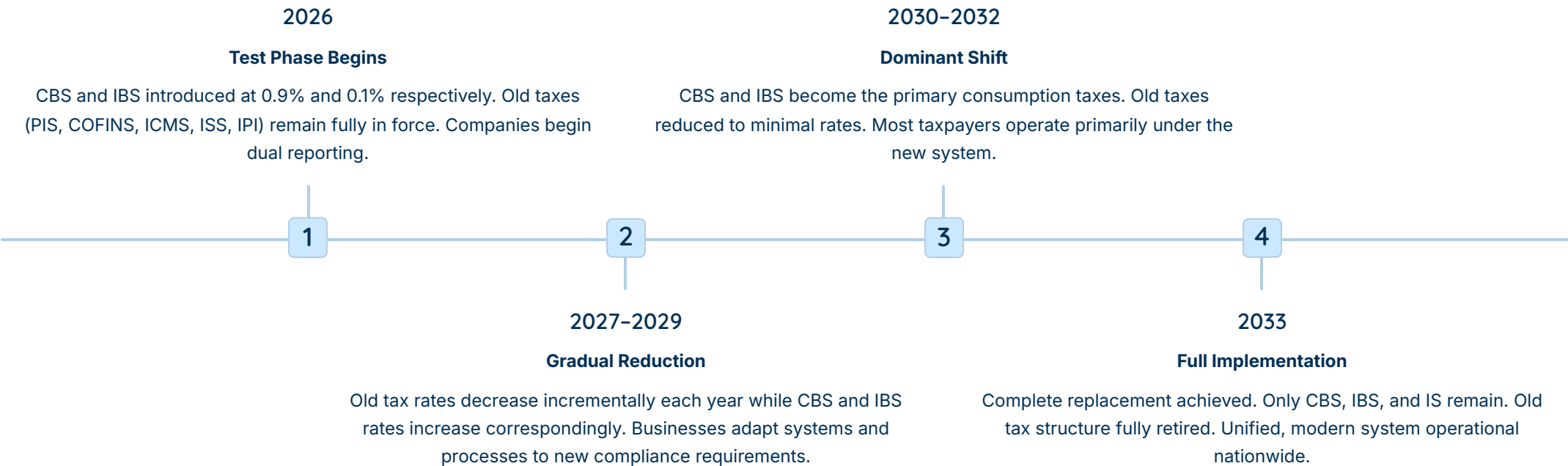


### **IS — Selective Tax**

Selective excise tax targeting products harmful to health or the environment. Applied to specific categories such as tobacco, alcoholic beverages, and high-emission vehicles to discourage consumption.

## Transition Timeline: 2026–2033

The reform implements a carefully staged transition over eight years. Both old and new systems will coexist during this period, allowing businesses to adapt progressively while reducing implementation risks. This dual structure creates operational complexity but provides unprecedented predictability for strategic planning.



For international investors, this transition period represents a strategic entry window—an opportunity to establish presence and build relationships before the full shift to a simplified, competitive tax environment.

## Strategic Advantages for Global Companies

The reformed tax system transforms Brazil from a compliance nightmare into a competitive, predictable market aligned with international standards. Companies entering now benefit from a modern framework designed to support growth and reduce friction.



### Predictable Tax Burden

Standardized rules eliminate ambiguity. Non-cumulative VAT structure prevents cascading. Destination-based taxation aligns incentives correctly across supply chains.



### Reduced Bureaucracy

Fewer compliance layers mean lower administrative costs. Unified digital reporting through e-invoicing systems streamlines operations and reduces audit risk.



### OECD Alignment

Brazil's new system follows international best practices, making it familiar to multinational tax teams. Neutral, destination-based VAT enables competitive pricing strategies.



### Sector Benefits

Special reduced rates and regimes for health, education, food security, and social sectors create opportunities in high-impact industries serving Brazil's growing middle class.

## Why Now? Your Gateway to Brazil

### Decades of Barriers, Now a Gateway

Brazil's tax system has historically deterred entry. The reform dismantles these barriers, creating a modern, data-driven, auditable framework that reflects national consensus toward business-friendly policy.

### Strategic Timing

Entering during the transition allows you to grow with the system, establish local expertise, and build market position before competitors arrive post-2033.

## How Numeric Can Help



At [Numeric Contadores](#), an ETL Global member firm in Brazil, we specialize in guiding international companies through this transformation. Whether you're evaluating market entry, conducting M&A tax due diligence, adapting ERP systems to CBS/IBS, or seeking local representation and compliance services, we serve as your bridge to one of the world's most dynamic consumer markets. We combine deep local expertise with global ETL standards, transforming complexity into competitive advantage.