

Subject	Current system	Future system
Value-Added Tax (VAT)	<p>Federal Taxes: Tax on industrialised products (IPI); social contributions (PIS and COFINS).</p> <p>State Tax: ICMS / 27 States with varying regulations and rates.</p> <p>Municipal Tax: ISS / Many diverse regulations and rates.</p>	<p>Federal Taxes: Contribution on goods and services (CBS); Excise tax (IS) / Only on products harmful to health or the environment.</p> <p>States and Municipalities: Single tax on goods and services (IBS).</p>
Rules on consumption taxation	Legislation varies for each tax and jurisdiction.	CBS and IBS with the same taxable events, calculation bases, non-incidence hypotheses and taxpayers; same crediting rules.
Calculation methodology	Different taxes included in the calculation bases.	Calculation bases may not include IVA.
Tax incidence	<p>Taxation segmented as:</p> <p>PIS-COFINS: revenue IPI: manufactured products</p> <p>ISS: services ICMS: goods</p>	General taxation, covering all operations and transactions with goods or services.
Tax credit reimbursement	<p>Different rules for various taxes</p> <p>There are numerous cases where compensation or reimbursement is not authorised.</p> <p>Currently, taxpayers face difficulties to be reimbursed.</p>	<p>Accumulated CBS credits will be offset against other federal taxes or refunded within 60 days.</p> <p>ICMS credit balance: after 2032 it will be possible to be offset with IBS; complementary law may set out other possibilities, such as transference to third parties.</p> <p>IPI, PIS and COFINS credits will be compensated with CBS and IBS debts.</p>
Tax rates	Differ by type of tax, entity, goods, sector, activity, and other factors.	<p>As a rule, a single rate, applicable nationwide unless otherwise established by States and Municipalities.</p> <p>Exceptions / differentiated rates applicable to specific goods and services, listed by the Federal Constitution.</p>
Reduced tax rates	Widely Accepted Varies by tax, entity, and Economic Sector, among others.	<p>30% reduction of IBS and CBS authorised through complementary law for:</p> <p>services in intellectual professions, scientific, literary, or artistic nature.</p> <p>60% reduction in IBS and CBS authorised through complementary law for:</p> <p>education services; health services; medical devices for accessibility; medicines and basic women's health care products; sports activities; institutional communication; goods and services related to sovereignty and national security; information security and cybersecurity; collective passenger transportation services; agricultural, livestock, fishing, forestry, and natural plant extraction products; agricultural inputs, food intended for human consumption, and personal hygiene products; national artistic, cultural, journalistic, and audiovisual productions.</p> <p>100% reduction for:</p> <p>medical devices and accessibility aids for people with disabilities; medicines and products for basic women's health care; horticultural products, fruits, and eggs; services provided by non-profit scientific, technological and innovation institutions (ICT); passenger cars purchased by people with disabilities or for use as taxis.</p>
Specific tax regimes	Multiplicity of specific regimes, varying by tax, activity, company, among others.	Authorisation for specific CBS and IBS regimes only for fuels and lubricants; financial services; real estate transactions; health assistance plans; government purchases; cooperative societies; sports activities developed by football (soccer) public limited companies; operations covered by international treaties or conventions; intermunicipal and interstate road, rail, and waterway passenger transportation services; hotel services, amusement parks, theme parks and restaurants; regional aviation.
Selective taxation	It is a characteristic of ICMS and IPI, but complex and non-uniform application.	Creation of an Excise Tax (IS) that will be levied on transactions with goods or services harmful to health or the environment.
Taxation of digital platforms	There is no specific rule.	The taxation of goods and services provided through digital platforms, including those based abroad, will be established.
Compensation fund for tax benefits	Does not exist.	A fund will be created to compensate legal entities enjoying incentives granted for a specified period and under certain conditions, with a contribution from the Federal Government of BRL 160 billion and a compensation deadline until 2032.
National essential food and goods	There are benefits for ICMS, PIS, and COFINS applicable to national essential food and goods (cesta básica).	A complementary law will set out the products to be considered as part of an essential food and goods list with no CBS and IBS rate.
ICMS Incentives	Incentives are approved through agreements by the National Council of Fiscal Policy (CONFAZ) and validated by law.	<p>The validated ICMS incentives will be preserved until 2032.</p> <p>To compensate for the removal of fiscal benefits, a fund will be created and financed by the Federal Government.</p>
Manaus Free Trade Zone (ZFM)	There is a forecast for the maintenance until 2023.	<p>Mechanisms will be established to maintain the competitiveness of the region, including the Sustainability and Economic Diversification Fund of the State of Amazonas with Federal Government resources to ensure preferential treatment for operations in the region.</p> <p>IPI tax levied on products similar to those produced in the ZFM.</p>
Simplified tax regime (simples nacional).	Exclusive tax regime for micro and small businesses, with a unified tax collection system, simplifying declarations and other facilitations.	Maintained, with the inclusion of IBS and CBS in the taxes payable under this regime.
Transition period	—	<p>Over a total of 7 years, as follows:</p> <p>2026: CBS will be charged at a rate of 0.9% and IBS at a rate of 0.1%, compensable with PIS and COFINS</p> <p>2027: full validity of CBS and start of IS collection, removal of PIS and COFINS</p> <p>2027 and 2028: reduction of CBS by 0.1%, and increase in State and Municipal IBS rates by 0.05% each</p> <p>2029 a 2032: proportional increase of IBS and proportional removal of ICMS and ISS</p> <p>2033: full validity of the new system, with the removal of the old system.</p>
Cashback	There are exceptional cases of this type of programme, such as ICMS-Refund in the State of Rio Grande do Sul.	The mechanism will be used to combat regional income inequalities, to be regulated.
Inheritance tax (ITCMD)	Single rate established by States.	Progressive rate.
Urban property tax (IPTU)	No explicit provision in the Constitution for updating the calculation base given by the Municipal Executive.	The base may be updated by the Municipal Executive, according to Municipal Law.
Income tax reform	No deadline.	The Executive must submit a Bill to reform taxation within 90 days after the promulgation of the constitutional amendment.