

# TAX REFORM

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PEC 45/2019

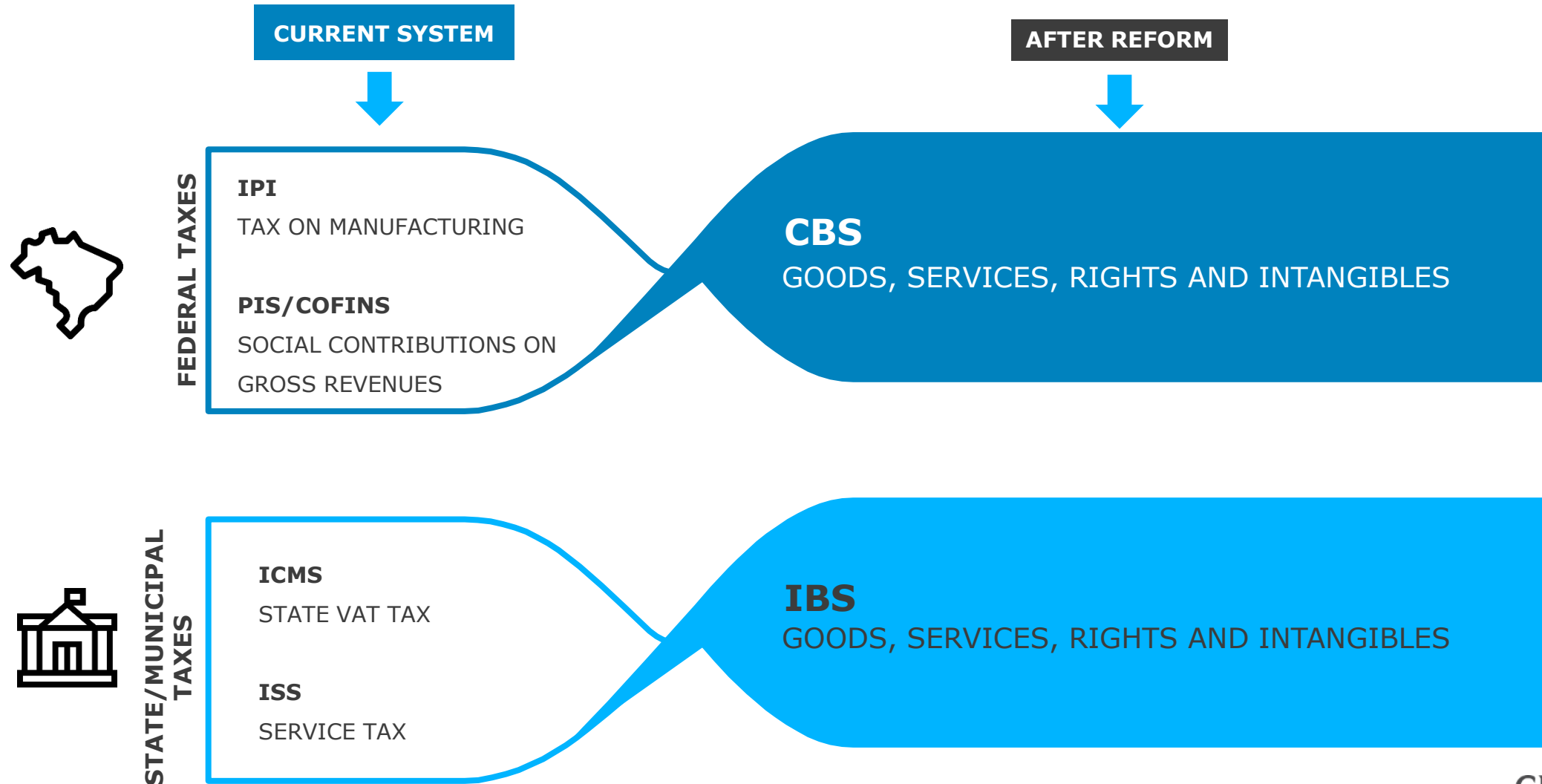
2023 July

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CESCON  
BARRIEU

# TAX REFORM

## PEC 45-A /2023, July





# DUAL VAT MODEL

## Guidelines

### ◆ Dual VAT model

- Federal taxes (IPI, PIS and COFINS) will be gradually replaced by CBS
- State (ICMS) and municipal (ISS) taxes will be gradually replaced by IBS
- CBS and IBS will have the same **calculation basis** and **triggering event**, applicable on transactions with goods, services and rights
- The joint applicable rate should be of 25%
- CBs and IBS to be “true” value-added taxes (as opposed to the prevailing regime where credits may be restricted)



**IBS and  
CBS**



# DUAL VAT MODEL

## Guidelines

### ◆ **Applicable Rate**

- It is expected that the joint rate of CBS and IBS be of 25%. CBS rate will be fixed by the Federal government where IBS' applicable rate will be determined by each State/Municipality.
- Certain economic activities will be afforded with reduced rates and/or special regimes (i.e., health, fuel, education, hospitality, among others).

### ◆ **Existing Tax Incentives**

- The existing tax incentives will be gradually extinct until the end of the transition phase (2032).
- Federal government will create a fund that will reimburse taxpayers for losses in cases where the a tax incentive was granted until 2032 (ICMS tax incentives).
- Taxpayers will not forfeit accumulated credits at the end of 2032 as they will be reimbursed in cash or used to offset CBS/IBS



# FEDERAL TAXES

Comparision

	IPI	PIS/COFINS	CBS
<b>Triggering event</b>	Import or manufacturing of goods	Gross revenues taxes	Sale of goods, services and rights
<b>Tax Rates</b>	Variable – as a rule, ranging from 10% to 20%	9.25% (non-cumulative regime) or 3.65% (cumulative regime)	To be fixed – but likely to be 25% together with IBS
<b>Nature of the tax</b>	Non-cumulative	Two regimes – non-cumulative and cumulative depending on the election by taxpayers	True value-added tax
<b>Special tax regimes or rates</b>	Usually reduced rates apply to essential goods	Limited reductions or exemptions	The same tax rate should apply to all transactions, with certain few exceptions



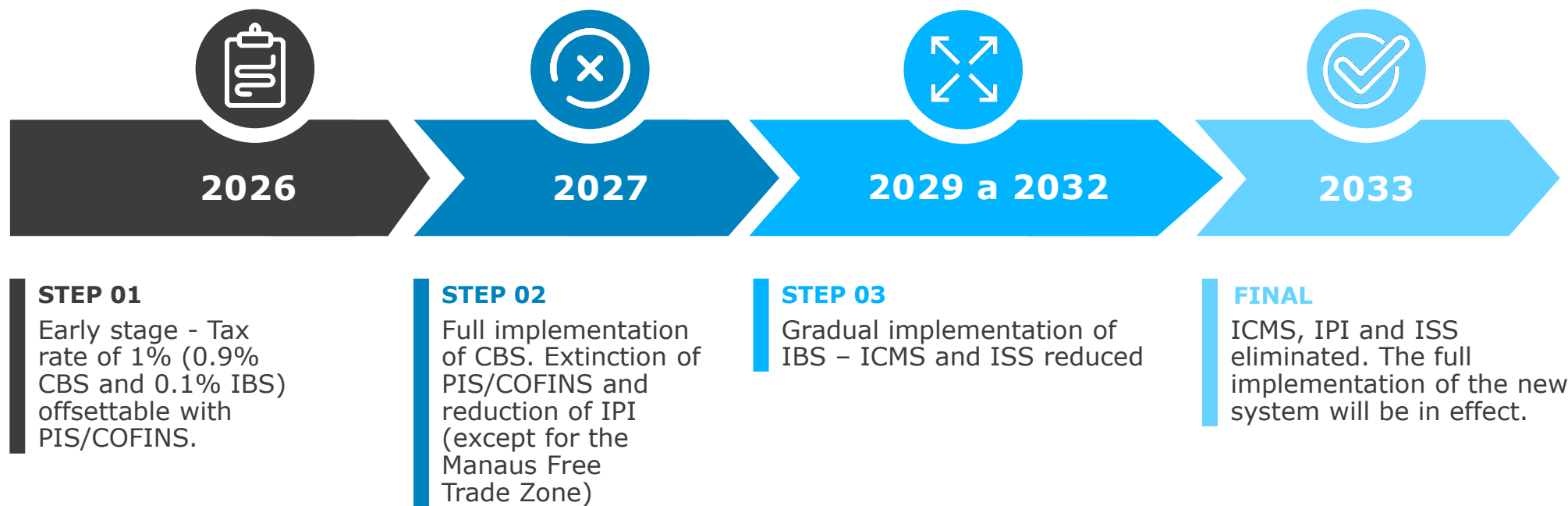
# STATE/MUNICIPAL TAXES

## Comparison

	ICMS	ISS	IBS
<b>Triggering event</b>	Sale of goods	Rendering of services	Sale of goods, services and rights
<b>Tax Rates</b>	General rate of 18% but it may varies	2% to 5%	To be fixed – but likely to be 25% together with IBS
<b>Nature of the tax</b>	Value-added tax (but with restriction on the recognition of certain credits)	Cumulative tax	True value-added tax
<b>Special tax regimes or rates</b>	Largely granted to foster local economy	Limited to the 2% rate	The same tax rate should apply to all transactions, with certain few exceptions

# TRANSITION PERIOD

## TRANSITION FOR TAXPAYERS:





# FINAL REMARKS

- CBS and IBS will be managed by a Counsel formed by members of the Federal, State and Municipal governments.
- Zona Franca de Manaus will have its tax incentives maintained.

## Status

- PEC 45 will be appreciated and voted by the Senate.
- If approved (with no changes in the currently proposal) will become into effect.
- If there are any material changes, the new bill will be once again appreciated by the House of Representatives.





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