

# Tax Reform

Highlights of the text approved by the House of Representatives in July 2023

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Contribution on Goods and Services (CBS)



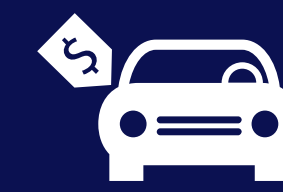
Tax on Goods and Services (IBS)



Selective Tax (IS)



Urban Property Tax (IPTU)



Tax on Motor Vehicles Ownership (IPVA)



Inheritance and Donation Tax (ITCMD)

## Contribution on Goods and Services (CBS) and Tax on Goods and Services (IBS)

CBS and IBS were structured to simplify, bring transparency to the national tax system, and reduce fiscal uncertainty by predicting the same characteristics.

- **Taxable events:** they will apply to domestic operations and imports, whether they involve services or tangible or intangible goods.
- **Calculation basis:** the value of the transactions. They will not include CBS and IBS.
- **Tax authorities:** Federal government for CBS; and States and Municipalities for IBS.
- **Taxpayer:** all those who engage in the generating acts, including the individual in the importation - regardless of the purpose of the imported goods.
- **Tax credit:** time and way of refunding accumulated amounts by the taxpayer shall be defined in a supplementary law.

## **Contribution on Goods and Services (CBS) and Tax on Goods and Services (IBS)**

**CBS and IBS were structured to simplify, bring transparency to the national tax system, and reduce fiscal uncertainty by predicting the same characteristics.**

- **Specific or differentiated tax regimes:** for fuels, lubricants, services Property, Properties and Plans Healthcare Services, Competitions Public Projects, Government Procurement Hotels, amusement parks and theme parks, restaurants, aviation and regional. the maintenance of the national and Free Zone of Manaus; Distinction of taxation in special customs procedures and Export processing areas.

## Contribution on Goods and Services (CBS) and Tax on Goods and Services (IBS)

CBS and IBS were structured to simplify, bring transparency to the national tax system, and reduce fiscal uncertainty by predicting the same characteristics.

- **Non-cumulative taxes:** it will allow the compensation of the tax levied on the acquisition of goods/materials or intangible services in the previous link of the chain (except for exempt operations or for personal use/consumption), in order to avoid cascading taxation.
- CBS and IBS may have additional compensation limited by supplementary law, which may require proof of collection of the tax incidence in the previous stage (and not only the payment of both in the price by the acquirer).
- For individuals, non-cumulative will be represented by the Cashback to be defined in the Supplementary Law, and it may take the form of presumed credits for acquisitions by rural producers and autonomous carriers, extensible to mobile goods used for resale.

## Contribution on Goods and Services (CBS) and Tax on Goods and Services (IBS)

CBS and IBS were structured to simplify, bring transparency to the national tax system, and reduce fiscal uncertainty by predicting the same characteristics.

- **Reference rate:** CBS reference rate will be fixed by the Federal Government, and for IBS it will be defined by Senate, it is up to the States, Federal District and Municipalities to define their own rates based on the reference. For IBS, the rate will be the sum of the rates of the States and Municipalities.
- **Zero rate:** it will be provided in supplementary law, for products from the national staple foods, basket for medical devices and accessibility for people with disabilities; medicines and products of basic care for menstrual health; vegetables, fruits and eggs; export of goods and services; services related to Prouni; services benefited by PERSE (only CBS), among others.

## Contribution on Goods and Services (CBS) and Tax on Goods and Services (IBS)

CBS and IBS were structured to simplify, bring transparency to the national tax system, and reduce fiscal uncertainty by predicting the same characteristics.

- **Reduced rate of 60%:** as determined by complementary law, for services related to education, healthcare; medical devices and accessibility devices for people with disabilities; medications and basic menstrual health care products; collective passenger transportation services by road, rail, and waterway (Urban, Semi-urban, Metropolitan, Inter-municipal, and Inter-state); Agricultural, Fishing, Forestry, and Extractive Products, Fresh Vegetables; Agricultural Inputs, Food for Human Consumption, and Personal Hygiene Products, National Artistic, Cultural, Journalistic, and Audiovisual Productions, and sports-related goods and services; goods and services related to national security and sovereignty, information security, and cyber security.

# Selective Tax (IS)

- **Selective Tax (IS):** it will be levied on the production, commercialization, or importation of goods and services harmful to health or the environment, to be determined by law. The IS will be integrated into the calculation basis of Tax on Circulation of Goods and Services (ICMS), Services Tax (ISS), Tax on Goods and Services (IBS) and Contribution on Goods and Services (CBS).



## Urban Property and Land Tax (IPTU) and Motor Vehicle Property Tax (IPVA)

- **Urban Property and Land Tax (IPTU):** the calculation basis updating of IPTU will be done through an Executive Order, according to criteria established in Municipal Law.
- **Motor Vehicle Property Tax (IPVA):** it still be applied to land vehicles and will also be extended to watercraft and aircraft (except agricultural aircraft); vessels used for water transport services or by individuals/legal entities engaged in industrial, artisanal, scientific, or subsistence fishing; platforms capable of self-propulsion on water; and tractors and agricultural machinery. It should be noted that States are authorized to charge progressive tax rates based on the environmental impact caused by the vehicle.

## Inheritance and Donation Tax (ITCMD)

- **(i)** The Inheritance and Donation Tax (ITCMD) will have progressive rates of up to 8% per value range of the succession share or donation destined for the heir and donee, respectively.
- **(ii)** It have to be paid to the State where the deceased person resided on the date of death.
- **(iii)** It will also be levied on assets left by foreign donors and assets located abroad - regardless of the enactment of a Complementary Law, entering into force upon the promulgation of the Constitutional Amendment.

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