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## **Recent developments in international taxation: Brazil**

### **Overview**

Throughout 2024 and into the first half of 2025, the Brazilian tax system underwent a significant transformation. Within the national taxation framework, progress continued on the tax reform initiated in 2023 by Constitutional Amendment 132. This effort advanced further with the enactment of Complementary Law 214 of 2025, which establishes part of the regulatory framework for the reform.

The reform aims to unify the main taxes on the consumption of goods and services, thereby reducing complexity and minimising tax disputes. However, the implementation of the Complementary Law in 2024/2025 has already sparked new discussions and potential disputes regarding the interpretation of the legislation, with further regulations still pending.

On the international taxation front, Brazil has strengthened tax collection and compliance by formally incorporating the qualified domestic minimum top-up tax (QDMTT) from Pillar Two into its domestic tax legislation. This aligns the country with the OECD and G20 international framework, which seeks to combat base erosion and profit shifting (BEPS) by establishing a global minimum tax rate of 15 per cent for multinational enterprises.

The adoption of Pillar Two parameters is not an isolated action but part of a broader initiative to align Brazil with global efforts to combat tax evasion, enhance tax progressivity and improve public finances. Notably, over the past two years, Brazil has revised its transfer pricing rules to comply with OECD standards and significantly reformed the taxation of individuals' foreign investments, primarily to prevent tax deferral and curb tax evasion. Meanwhile, the government raised the income tax exemption threshold for low-income individuals, effective in 2025.

Additionally, in 2025, the Federal Government submitted a proposal to the Federal Congress to introduce a minimum tax on monthly incomes exceeding BRL 50,000 and annual incomes over BRL 600,000, which would include dividends that are currently exempt from taxation in Brazil (Bill 1,087/2025). The government has also significantly increased, by decree, the financial transactions tax applied to certain foreign exchange operations and credit transactions between individuals (Decrees 12,466/2025 and 12,467/2025).

Another increasingly relevant topic addressed by new legislation in 2024 is environmental policy. Incentives for environmental preservation have been incorporated into the tax reform and its regulations (Complementary Law 214/2025). There were also specific tax measures promoting green hydrogen (Law 14,990/2024) and carbon credits traded in the regulated market, which is currently undergoing regulatory approval to come into effect in Brazil (Law 15,042/2024).

### **Tax reform – Complementary Law 214/2025**

Complementary Law 214 is the legislation responsible for implementing, at the statutory level, the changes introduced to the constitutional tax system by Constitutional Amendment 132/2023 ('the Tax Reform') – which overhauls the country's consumption tax framework, creating the Dual IVA. This law:

- establishes a dual VAT system – a goods and services tax (IBS) and a contribution on goods and services tax (CBS);
- defines the concept of 'goods and services' subject to taxation;
- sets forth rules for non-cumulative taxation;
- outlines the transition from the current system to the new one; and
- introduces a selective tax on goods and services that are harmful to health and the environment, among many other provisions.

At this regulatory stage, the rates for IBS and CBS have not yet been determined, only the indication that 'reference rates' will be set by the respective authorities. However, there is a clear benchmark for their maximum level: the combined reference rates for IBS and CBS cannot exceed 26.5 per cent.

Considering this combined reference rate and the Federal Government's estimates, Brazil is poised to have a VAT rate that will likely be regarded as high compared to those applied in other countries, especially within the Latin American context.<sup>1</sup>

Regulations are still pending on several critical aspects of the new consumption tax framework, including the establishment of a management committee to resolve disputes between taxpayers and tax authorities, and the taxation of donations and inheritances, among other matters (Complementary Bill 108/2024).

### **International tax aspects**

#### *Law No 15,079/2024: OECD Pillar Two – BEPS and GloBE Rules*

Law 15,079/2024, enacted on 30 December 2024, establishes a 15 per cent minimum tax on profits for multinational corporations operating in Brazil, aligning with the OECD's Pillar Two of the BEPS framework, also known as the Global Anti-Base Erosion (GloBE) Rules.

The legislation applies to multinational groups with consolidated annual revenues exceeding €750m in at least two of the last four fiscal years. If the effective tax rate of a taxpayer company within such a group is below 15 per cent, an additional social contribution on net profit (CSLL) is calculated based on the difference between the effective tax rate of the group's Brazilian entities and the 15 per cent global minimum, thereby compensating for the shortfall.

*Decree 12,406/2025: Convention between the Federative Republic of Brazil and the Kingdom of Norway for the Elimination of Double Taxation concerning Income Taxes and the Prevention of Fiscal Evasion and Avoidance*

Decree 12,406/2025, published on 13 March 2025, promulgates the Convention between the Federative Republic of Brazil and the Kingdom of Norway for the Elimination of Double Taxation concerning Income Taxes and the Prevention of Fiscal Evasion and Avoidance, along with its Protocol.

This agreement, signed in Brasília on 4 November 2022, replaces the previous treaty from 1981 and its subsequent amendments, aligning with OECD standards.

The Convention establishes mechanisms to eliminate or reduce double taxation on income, ensuring that individuals and entities are not taxed twice on the same income in both countries. It also introduces specific provisions for offshore activities, including the exploration of seabed and subsoil resources. It stipulates that a Norwegian company conducting such activities in Brazil for more than 30 days within a 12-month period will be considered to have a permanent establishment in Brazil, subjecting it to Brazilian taxation.

The Convention includes a new provision on the taxation of technical services, which were previously addressed only in the Protocol and treated as royalties. The new clause sets a withholding tax limit of 10 per cent: more favourable than the general 15 per cent rate.

The agreement incorporates anti-avoidance provisions, including a principal purpose test (PPT), to prevent treaty shopping and ensure that the benefits of the Convention are not misused for tax avoidance purposes. On this topic, the Convention establishes mechanisms for the exchange of tax information between Brazil and Norway, enhancing transparency and cooperation in combatting tax evasion and avoidance.

The Convention entered into force for Brazil on 30 December 2024 following the completion of internal legal procedures. It applies to income taxes for the calendar year following its entry into force. The new Convention supersedes the previous treaty signed in 1980 and its protocols, effectively terminating them for all taxes covered by the new agreement.

Brazil currently has 38 agreements to avoid double taxation (ADTs) with other countries. Although the country is not a member of the OECD, most of these treaties follow the OECD model, with some specific adaptations. Recently, Brazil has been updating its treaties to align them with more modern international practices. Examples of this include the treaties with Switzerland, the United Arab Emirates, and Norway.

### **Other relevant legal changes**

*Law No 14,973/2024: contribution on gross revenue (CPRB) exemption and employer's social security contribution (CPP) reinstatement*

According to Law 14,973/24, from 2025 to 2027, the option for taxation over gross revenue, an alternative to payroll taxation, will end by 2027. The exception of the CPRB (3.5 per cent tax over gross revenue) and the reinstatement of the CPP (20 per cent tax over payroll) will occur gradually until 2028.

### *Additional charge on import revenues*

Law 14,973/24, among other provisions, established the inclusion of an additional 1 per cent rate to the *Cofins-Importação* (tax on import revenues). According to the law, this 1 per cent additional charge was introduced to offset the exemption from payroll taxes. In return, there will be a gradual reduction of the additional charge, which will occur until 2028.

### *Personal income tax (IRPF)*

In 2025, significant adjustments were made to the Brazilian IRPF system. Said changes were introduced by Provisional Measure 1,294/2025, which includes the expansion of exemptions and the updated progressive tax table.

The exemption threshold was raised, meaning individuals with monthly income up to BRL 3,036 (equivalent to two minimum wages) will be exempt from paying income taxes. The progressive tax table was also adjusted to reflect the increase in the minimum wage. The updated tax brackets are as follows:

- up to BRL 2,428.80: exempt;
- from BRL 2,428.81 to BRL 2,826.65: 7.5 per cent;
- from BRL 2,826.66 to BRL 3,751.05: 15 per cent;
- from BRL 3,751.06 to BRL 4,664.68: 22.5 per cent; and
- above BRL 4,664.68: 27.5 per cent.

Provisional Measure 1294/2025 must be converted into law for these changes to remain in effect.

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<sup>1</sup> When considering VAT rates worldwide, the average tax rate generally falls between 18 per cent and 19 per cent. This average can vary slightly depending on the source, as different organisations may include or exclude certain countries or regions. According to the *World Population Review*, the global average VAT rate stands at 18 per cent, with significant variation across regions. For instance, countries in Africa, Asia and the Americas tend to have lower VAT rates, often ranging between 10 per cent and 15 per cent, while developed economies outside Europe can have higher rates. Europe stands out with relatively higher VAT rates compared to other parts of the world. According to the [Tax Foundation](#), the average VAT rate across the European Union is approximately 21.8 per cent as of 2025.