

NEWSLETTER

Brazil Tax Update 2026

Key Changes and Strategic Opportunities

Main Changes in the Brazilian Tax Landscape

The first four months of 2026 consolidated unprecedented and profound changes in Brazil's tax and customs framework. Below, we highlight six developments with the broadest impact across industries, together with recommended mitigation and planning measures.

1. Implementation of the Tax Reform (IBS and CBS)

The year 2026 marks the formal operational launch of Brazil's Consumption Tax Reform. With the legal establishment of the IBS (Tax on Goods and Services) and CBS (Contribution on Goods and Services), the tax system definitively adopts the destination-based taxation principle.

Impact:

IBS and CBS apply to all imports of goods and services—including digital products and intangible assets—regardless of the importer's regularity of activity. Digital platforms may be held responsible for tax withholding, while an automatic Split Payment mechanism will be implemented for electronic transactions, directly affecting companies' cash flow management. The combined dual VAT rate is estimated to range between 26.5% and 28%.

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In Brazil, we are represented by seven member firms that combine diverse professional backgrounds, extensive experience, strategic industry knowledge, and strong local reputations to deliver the high-quality service clients require, together with the personalized attention and commitment they value.

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Recommended Actions:

Review international service agreements to address the new tax implications, map licensing and SaaS contracts, and closely monitor the transition rules established under Decree No. 12,955/2026.

2. The Return of Dividend Taxation

After nearly three decades of exemption, Law No. 15,270/2025 reintroduced the taxation of profits and dividends in Brazil, effective January 1, 2026.

Impact:

A 10% withholding income tax (IRRF) now applies to dividends distributed to resident individuals when monthly payments exceed BRL 50,000, as well as to profit remittances made to shareholders, partners, and corporate structures abroad. In parallel, the Minimum Individual Income Tax (IRPFM) was introduced, with progressive rates of up to 10% for annual income exceeding BRL 600,000.

Recommended Actions:

Assess eligibility for the “Minimum Tax Burden Reduction Mechanism” available where the combined effective tax burden exceeds thresholds of 34%, 40%, or 45%, and evaluate preventive legal measures for companies operating under the Simples Nacional regime or involving accumulated-profit transition rules.

3. Increase in Presumed Profit Taxation for Companies with Revenue Above BRL 5 Million

Complementary Law No. 224/2025 introduced a broad reduction of tax incentives and benefits, classifying the Presumed Profit Regime (Lucro Presumido) within this framework.

Impact:

Companies with annual revenues between BRL 5 million and BRL 78 million are subject to a 10% increase in the presumed profit margins used to calculate Corporate Income Tax (IRPJ) and Social Contribution on Net Profit (CSLL) on the portion of revenue exceeding BRL 5 million. In the services sector, for example, the presumed margin rises from 32% to 35.2% on the excess amount. Compliance is assessed quarterly, creating challenges for businesses with seasonal revenue streams.

Recommended Actions:

Conduct an immediate review of the company’s tax regime. For businesses whose actual profit margins are lower than the revised presumed margins, migration to the Actual Profit Regime (Lucro Real) may become more economically advantageous.



4. Expansion of DUIMP and Reduction of Import Incentives

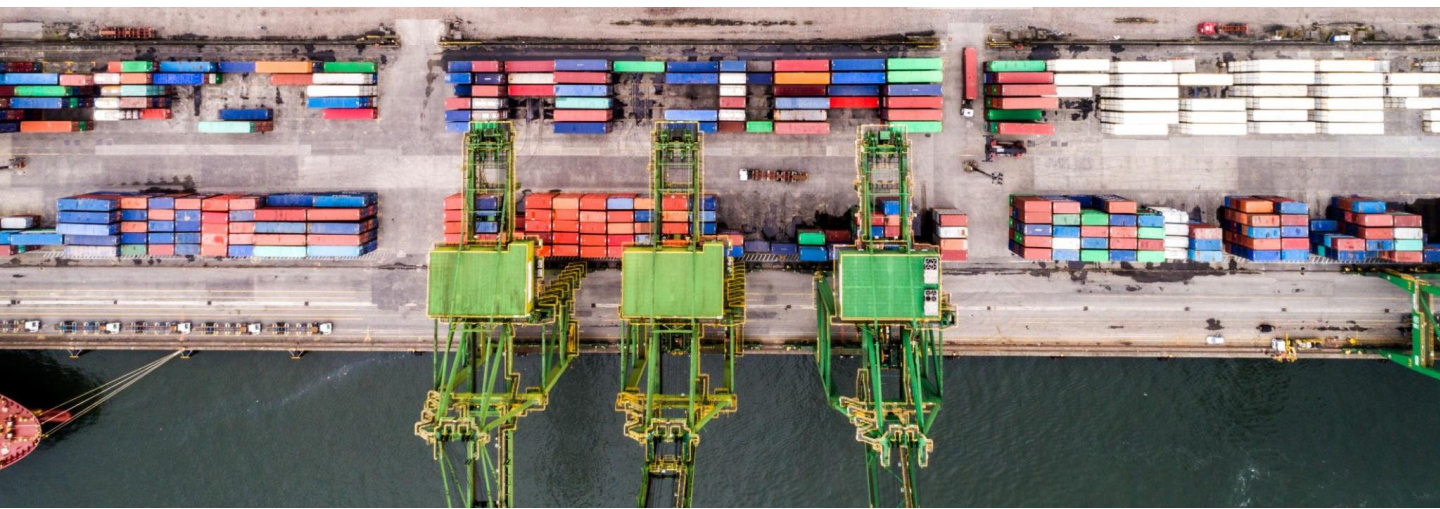
Brazil's customs clearance process continues its definitive digital transformation through the Single Import Declaration (DUIMP), integrated into the Foreign Trade Single Window Portal.

Impact:

DUIMP requires highly structured information integrated with the Product Catalog (including NCM-specific attributes), significantly increasing tax cross-checking capabilities and eliminating the use of generic product descriptions. At the same time, Complementary Law No. 224/2025 established a 10% linear reduction in import duty incentives and benefits, calculated automatically by the system.

Recommended Actions:

Undertake an urgent review and cleanup of Product Catalog data and NCM classifications. Identify customs incentives currently utilized and assess strategies to absorb the 10% reduction without generating logistical delays or penalties arising from data inconsistencies.



5. U.S. LLCs Classified as a Privileged Tax Regime

Tax Ruling (Solução de Consulta COSIT) No. 56/2026 significantly tightened oversight of international structures involving U.S. Limited Liability Companies (LLCs).

Impact:

The Brazilian Federal Revenue Service formally determined that U.S. LLCs owned by non-resident members and treated as transparent/pass-through entities constitute a privileged tax regime. As a result, tax deferral opportunities are eliminated (triggering mandatory annual taxation at 15% under the Offshore Companies Law), transfer pricing rules under Law No. 14,596/2023 become fully applicable, thin capitalization limitations are tightened, and withholding tax on remittances abroad increases to 25%.

Recommended Actions:

Review existing international corporate structures and assess the feasibility of transitioning to alternative legal entities not included in the ruling, such as U.S. C-Corporations. Where appropriate, consider legal remedies if effective taxation at the shareholder level can be demonstrated in the jurisdiction of origin.

6. Strategic Opportunity: The Mercosur–European Union Agreement

The provisional implementation of this landmark agreement creates significant competitive opportunities for Brazilian businesses.

Impact:

The agreement provides for the gradual reduction of import tariffs on European goods—including machinery, industrial inputs, chemicals, and technology—while expanding market access for Brazilian exports, particularly in agribusiness, pulp and paper, and manufactured goods. However, eligibility for these benefits depends on strict compliance with preferential rules of origin as well as robust sanitary, environmental, traceability, and ESG requirements.

Recommended Actions:

Prepare product-specific impact assessments and landed-cost analyses by NCM classification, implement comprehensive origin-control documentation with suppliers, and reassess supply chain structures to capture available tax advantages in a compliant and sustainable manner.

Against this backdrop of significant transition and increasing regulatory sophistication, proactive tax planning and process adaptation are essential to protect business operations and unlock new efficiencies.

The teams at MGI Brazil and BSA Law remain available to conduct tailored assessments and support clients in navigating each of these developments with confidence and strategic foresight.

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