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Tax Intelligence Express

From complexity to execution

Regulation of the Brazil's VAT Reform

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Complementary Law No. 227/2026

Amendments to Complementary Law No. 214/2025

On January 14th, 2026, the Complementary Law (LC) No. 227, conversion of the Complementary Project (PLP) No. 108/2024 (initially addressed in Tax Intelligence (TI) No. 34), was published.

The LC regulates Constitutional Amendment (EC) No. 132/2023, which established the VAT Reform, consolidating essential pillars for implementing this new taxation model. In summary, the LC:

- advances coordination between the Management Committee for the IBS (CGIBS) and the Brazilian Federal Revenue Service (RFB), setting out the alignment of interpretations and the tax ruling (consultation) process;
- establishes the National Chamber for Integration of Litigation for the Subnational Tax on Goods and Services (IBS) and the Federal Contribution on Goods and Services (CBS), aimed at standardizing administrative decisions;
- creates the National Tax Compliance Program (PNCT), which encourages good practices and reduces penalties, while establishing a clearer and more uniform set of infractions and fines;
- regulates split payment and the governance of systems shared among the Union, States, and Municipalities;
- regulates the transition of ICMS credit balances, indicating pathways for a gradual and secure migration to the new taxation model.

Below, we outline the relevant aspects of this new Law, **as well as a comparative summary of its amendments to LC No. 214/2025, which regulated EC No. 132/2023**.

Alignment of IBS and CBS

Committee for Alignment of Tax Administrations

- The Alignment of the interpretation of the IBS and the CBS may be requested by the President of the CGIBS, by the Minister of Finance, and by any representative entities of economic sectors responsible for appointing taxpayer representatives on the administrative adjudicatory bodies for the IBS and the CBS.
- The request to align the interpretation of the IBS and the CBS will be decided within 90 business days from the date the request is submitted.

Written ruling request on the application of IBS and CBS tax legislation

- The request, related to a specific fact, will be assured to the taxpayer and must be complete and exactly described in the petition.
- **Processing:** the ruling on the interpretation and application of IBS and CBS legislation will be issued by the respective bodies of the CGIBS and the RFB.
  - The draft ruling prepared by the consulted body may be reviewed by the other body within 30 days from the date its draft is made available virtually. This period may be extended, with justification, once, for an equal period.
  - If the period lapses without a manifestation by the other body, the draft will be deemed tacitly accepted.
  - In case of divergence between the bodies, the draft ruling will be referred to the Committee for Alignment of Tax Administrations. Such referral will suspend processing of the ruling request before the consulted body until a resolution is issued.

Effects of the ruling

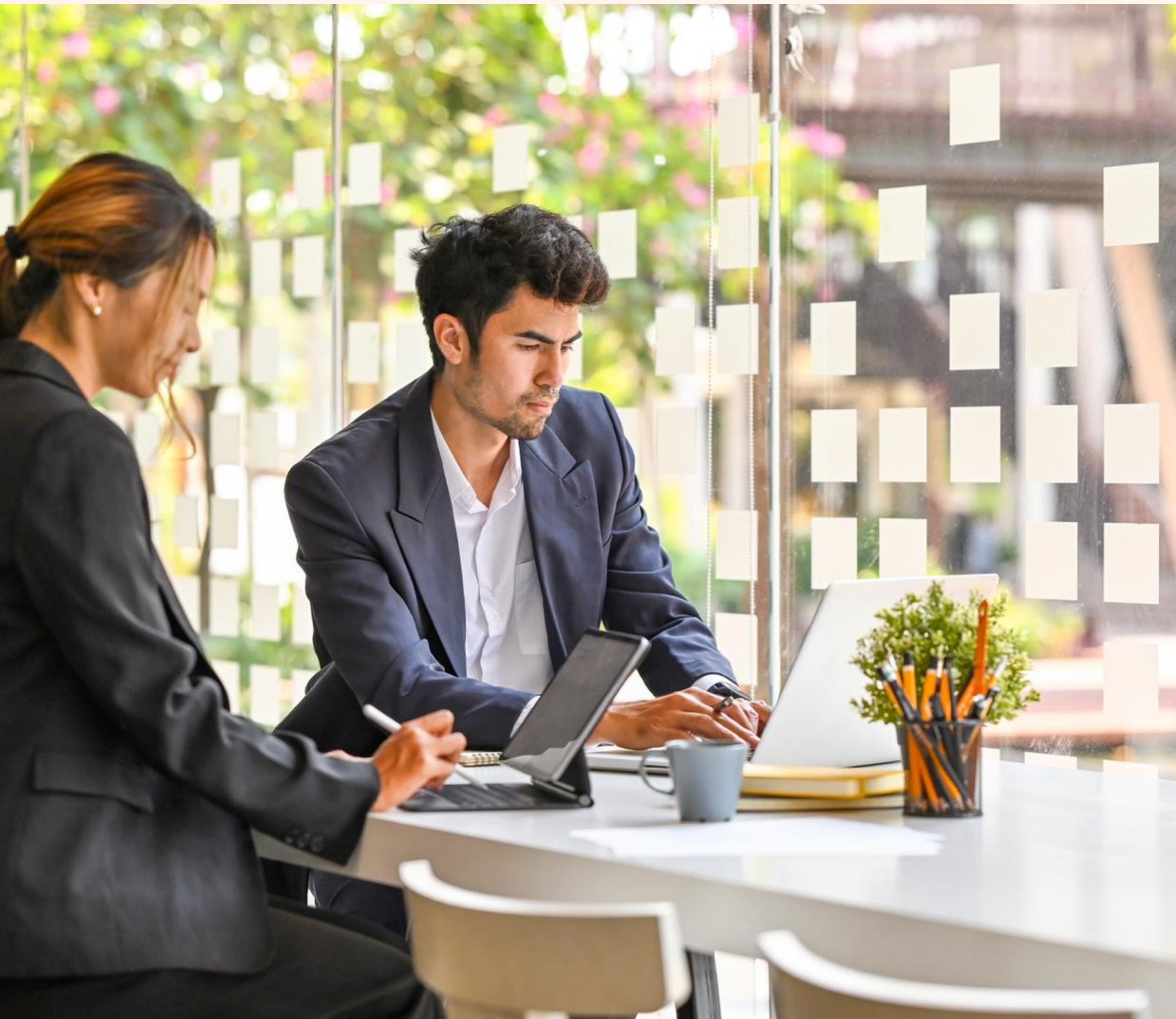
No tax proceeding will be initiated, with respect to the matter consulted upon, during the period between the filing of the ruling request and receipt of the response, provided that the filing occurred by the due date of the obligation to which it refers.

- The ruling binds the tax administrations and the requesting taxpayer, within the limits of the specific fact under analysis, and does not extend to third parties.
- The tax due in accordance with the ruling response will be payable **without** the imposition of a penalty, provided that:
  - payment is made within 15 days from the date the taxpayer becomes aware of the response; and
  - the ruling request was filed by the due date of the obligation to which it refers.
- The ruling request does not suspend the deadline for payment of the tax, either before or after its submission, nor the deadline for fulfilling ancillary obligations to which the requester is subject.
- The tax relating to the matter consulted will not be assessed with respect to the taxpayer who acts in strict accordance with the ruling, of which they have been notified, while it has not been revoked, in whole or in part.
- No appeal or request for reconsideration is available against the ruling or the order declaring it ineffective.

National Chamber for Integration of Administrative Litigation for the IBS and the CBS

- The National Chamber for Integration of Administrative Litigation for the IBS and the CBS was created, with authority to standardize administrative jurisprudence on matters common to both taxes.
- The Chamber may be provoked through the filing of a Special Appeal regarding decisions of CARF or CGIBS, or through an incident for the standardization of repetitive matters, or regarding a second-instance decision that fails to apply a binding provision.
- Judgment of the incident for the standardization of repetitive matters will set a thesis on the subject, and the National Chamber for Integration of Administrative Litigation for the IBS and the CBS shall issue a precedent that will have the nature of a binding ruling as from its publication in the Federal Official Gazette (DOU).
- The body will be composed of:
  - 4 counselors representing the National Treasury on CARF's Superior Chamber of Tax Appeals, appointed by the Minister of Finance;
  - 4 members of the CGIBS Superior Chamber: 2 from the States and Federal District tax administrations and 2 from the municipal and Federal District tax administrations, appointed by the CGIBS;
  - 4 taxpayer representatives: 2 from the counselors of CARF's Superior Chamber of Tax Appeals and 2 from the members of the CGIBS Superior Chamber, appointed respectively by the Minister of Finance and by the CGIBS;
  - the President, who will vote only in the event of a tie.

This is not exactly a parity-based composition, since there will be 9 representatives of the Treasuries and only 4 of the taxpayers.



Infractions and penalties related to the IBS and the CBS

The LC, acceding to taxpayers' requests, standardizes the penalties applicable to the IBS and the CBS.

- **It establishes fines for, among numerous other situations:**
  - absence of registry with a unique identification;
  - failure (by the purchaser or recipient) to confirm the transaction, to report lack of knowledge, the undoing of the deal, or to report the return of goods, with respect to a tax document issued by a third party, even in contingency;
  - undue credit;
  - lack of payment;
  - failure to issue tax invoice.
- Imposition of a fine* of 75% in cases of *ex officio* assessment:
  - on the amount of tax not declared or underdeclared and unpaid or not collected, in whole or in part; or
  - on the amount of the undue credit due to improper use.

  ***The fine applicable in the case of tax not declared or underdeclared and unpaid or not collected, in whole or in part, will be 50% on the portion of the tax subject to the *ex officio* assessment, provided that the return correctly describes the good or service and the respective quantities, as well as the transaction value.**
- In cases of **evasion, fraud, sham (simulation), or collusion,** regardless of other applicable administrative or criminal penalties, the fine will be increased to:
  - 100% on the entirety or difference of the tax subject to the *ex officio* assessment;
  - 150% on the entirety or difference of the tax subject to the *ex officio* assessment, in cases where the taxpayer's repeat offense is verified.
- **Repeat offense:** the commission of a new infraction **qualified as evasion, fraud, sham (simulation), or collusion** by the same legal entity or its successors, considering all its establishments together, or by the same natural person, **within three years** from the date on which the previous assessment was made.
- **A provision was inserted establishing that, in 2026, if a notice of infraction is issued for noncompliance with ancillary obligations related to the IBS/CBS, the taxpayer will be notified to, within 60 days from the notice, amend the omission identified by the tax authorities, and compliance with the notice will result in extinguishment of the penalty imposed on the taxpayer.**

National Tax Compliance Program (PNCT)

- Creation of the PNCT, intended to integrate the tax compliance regimes of the IBS/CBS.
- **Adherence will be voluntary** and will depend on meeting objective criteria to be set forth in regulation. It will be regulated by a joint act of the CGIBS and the RFB.
- Main **benefits** for participating taxpayers:
  - extended deadline for fulfilling ancillary obligations;
  - prioritized analysis of refund claims for the IBS and the CBS;
  - reduction of penalties for noncompliance with principal or ancillary obligations;
  - prioritized analysis of ruling requests and tax guidance;
  - reduction of documentary requirements and administrative procedures; and
  - relaxation of the requirement to verify market value in related-party transactions.

Non-tax administrative penalties related to split payment

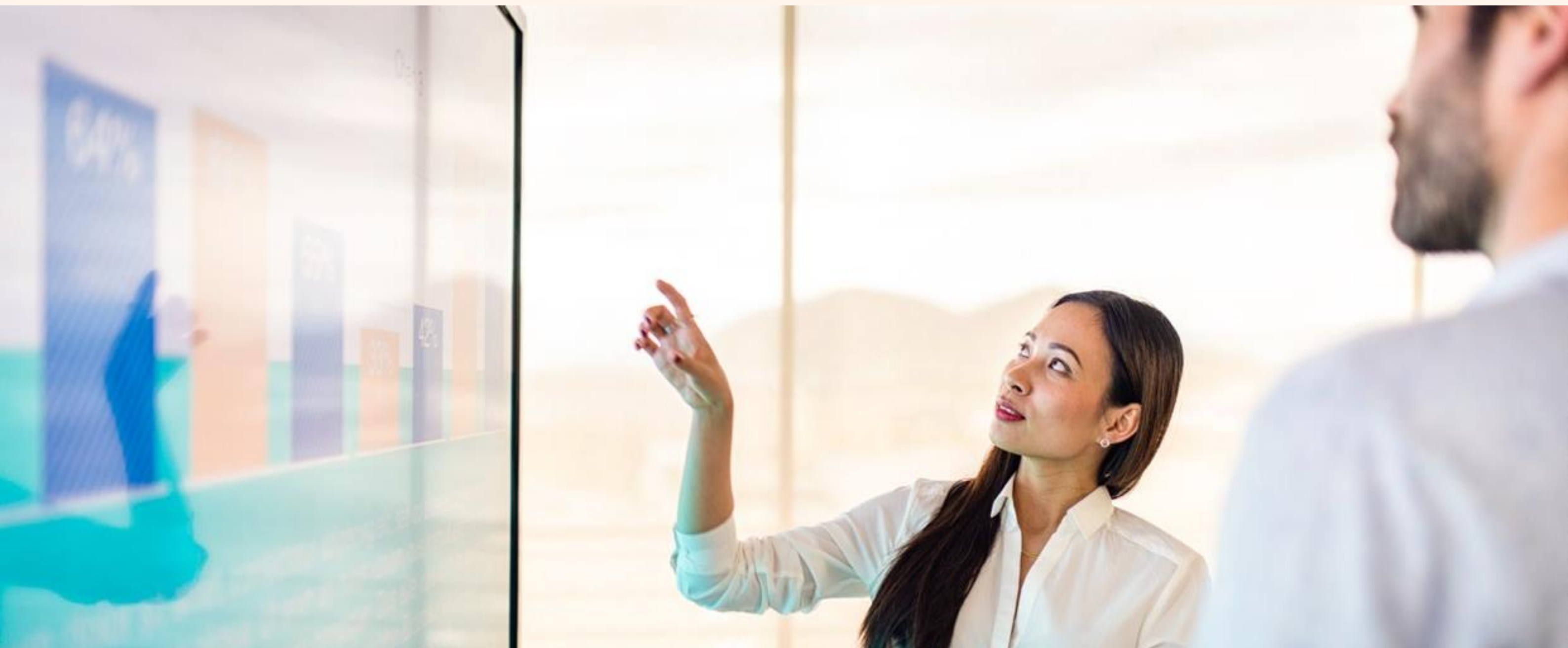
- The electronic payment service provider and the institution operating payment systems will be subject to administrative penalties in case of:
  - failure to segregate, or segregate in noncompliance with the legislation, the amounts related to IBS/CBS: one tenth of a UPF per transaction;
  - failure to remit or remit late, or remit less than due, the segregated IBS/CBS amounts: a late-payment fine of 3% per month or fraction thereof on the amount not remitted, remitted late, or under-remitted
  - late report or report in noncompliance with the legislation of the information regarding the segregation and remittance carried out: one thousandth of a UPF* per transaction, per day or fraction of a day of delay.
- A joint act of the RFB and the CGIBS will establish, for each of the penalties, a tolerance limit for the percentage of noncompliant transactions each month. The penalties may be reduced by 100% if the percentage of noncompliant transactions is below the defined tolerance limit.

* **Fiscal Standard Unit (UPF)** — amount of BRL 200.00, to be updated annually by the variation of the National Price Index.

- **Exclusion of liability:** when the infraction was caused by information not provided or provided incorrectly by the supplier, the purchaser, the digital platform, or another person or unincorporated entity that receives the payment.
- The **repeated practice** of the aforementioned infractions constitutes a violation of the rules that regulate the financial and payments system and results in the application of penalties by the competent regulatory authority, without prejudice to the fines above.

Establishment of the special public association formed by the Union (represented by the RFB) and the CGIBS

- **Purpose:** to develop, implement, manage, and operate, on a shared basis, modules, systems, and components related to the administration of the IBS and the CBS.
- A public entity of a special nature and subject to the legal regime of public law, with operations characterized by the absence of linkage, supervision, or hierarchical subordination to any public administration body.
- The association's governance rules, defined in a joint act of the RFB and the CGIBS, will ensure equal participation of the members in the deliberative bodies.
- The association may enter into agreements, cooperation arrangements, and other instruments with agencies and entities of the Direct and Indirect Public Administration, as well as with international organizations, subject to legal and regulatory limits.



ICMS Transition

Concept and recognition of credit balances

A credit balance is the amount of ICMS recorded as a credit and not offset or used by the taxpayer by December 31st, 2032, provided that:

- it is duly determined in the establishment's tax bookkeeping, even if the bookkeeping was performed after December 31st, 2032;
- it is permitted by the state or Federal District legislation in force on December 31st, 2032 and arises from transactions occurring up to that date;
- it has not been offset or used by the taxpayer by December 31st, 2032; and
- it has been approved (homologated).

The credit balances will be recognized by the States and by the Federal District.

Transfer of the Credit Balance

Transfer of the ICMS credit balance to entities within the same economic group or to third parties exclusively for offsetting against ICMS or IBS liabilities.

Such transfer is conditional upon the credit holder's compliance regarding IBS and all other taxes owed to the respective State or to the Federal District.

Approval (homologation)

For ICMS credit balances in general, the taxpayer must observe the following:

- filing of the request within a maximum period of five years, counted from January 1st, 2033; and
- the State or the Federal District must issue a decision within a maximum period of 24 months, extendable for an equal period in the event of an audit.

With respect to ICMS credit balances arising from the entry (acquisition) of goods destined for fixed assets:

- filing of the request in the same assessment period in which the utilization of the credit begins, in the case of assets whose entry into the establishment occurs as from January 1st, 2029; and
- the decision regarding credit balances related to the entry of fixed assets must be issued within up to 60 days.

If there is no response to the approval request within the aforementioned deadlines, the respective credit balances will be deemed tacitly approved. Approval does not preclude the examination and assessment of amounts related to the respective credit balance, so long as the Public Treasury's right to assess has not lapsed.

Offset of the credit balance against ICMS itself

If the State or the Federal District and the taxpayer agree, the approved credit balance may be used to offset the taxpayer's ICMS liability, whether finally assessed or not.

Offset of the credit balance against the IBS

The States and the Federal District will inform the CG-IBS, within 30 days from approval, of the amount of the approved credit balance, the identification of its holder, and the date of completion of the offset to which it refers, subject to the following breakdown:

- credits from the entry of goods destined for fixed assets; and
- other credits.

As already provided in Constitutional Amendment No. 132, the utilization of credit balances will occur by offset against the IBS:

- for the remaining term of the current regime for credits relating to the entry of goods destined for fixed assets;
- in 240 monthly installments, in other cases;
- updated by the IPCA as from 2033, pursuant to Article 133.

Reimbursement of the credit balance

If the aforementioned offsets are not possible, the taxpayer with an approved credit balance may be reimbursed, in cash, by the CG-IBS, in 240 equal and successive monthly installments, or, with respect to offsets in progress, for the remaining term.

The reimbursement will occur within up to 90 days after the end of the month in which the corresponding offset would have occurred. If there is a delay in payment, the amount will be updated from the ninety-first day, based on the Selic rate.

Amendments to Complementary Law No. 214/2025

Subject	Complementary Law No. 214/2025 (original writing)	Complementary Law No. 227/2026
Concepts		
Location	Not foreseen.	The leasing, rental, and temporary assignment of the asset were included in the concept of "operations involving goods."
Taxable event for IBS/CBS		

IBS/CBS incidence on gratuitous supplies or supplies of goods and services at below-market value	IBS/CBS will apply to:
	• gratuitous supplies or supplies of goods and services at below-market value, in the cases provided for in the Complementary Law;
	• the supply of gifts and bonuses;
	• the transfer, by the taxpayer, to a partner or shareholder who is not a taxpayer under the regular regime, by way of return of capital, in-kind dividends, or otherwise, of goods whose acquisition allowed the taxpayer to take credits, including in production; and
	• other gratuitous or below-market-value supplies of goods and services by the taxpayer to a related party.
		Incidence on gratuitous or below-market-value supplies of goods and services:
		• **goods and services acquired by the taxpayer, that allowed the taking of credits, for:**
		  • the taxpayer who is a natural person;
		  • natural persons who are partners, shareholders, officers, and members of the taxpayer's board of directors and fiscal council and advisory committees to the board of directors as provided by law;
		  • the taxpayer's employees; and
		  • spouses, partners, or relatives, by blood or affinity, up to the third degree, of the aforementioned natural persons.

IBS/CBS incidence on gratuitous supplies or supplies of goods and services at below-market value	IBS/CBS will apply to:
	• gratuitous supplies or supplies of goods and services at below-market value, in the cases provided for in the Complementary Law;
	• the supply of gifts and bonuses;
	• the transfer, by the taxpayer, to a partner or shareholder who is not a taxpayer under the regular regime, by way of return of capital, in-kind dividends, or otherwise, of goods whose acquisition allowed the taxpayer to take credits, including in production; and
	• other gratuitous or below-market-value supplies of goods and services by the taxpayer to a related party.
		• **goods and services produced or rendered by the taxpayer** for:
		  • natural persons who are partners, shareholders, officers, and members of the taxpayer's board of directors and fiscal council and advisory committees to the board of directors as provided by law, and the taxpayer's employees;
		  • spouses, partners, or relatives, by blood or affinity, up to the third degree, of the taxpayer who is a natural person; and
		  • in the other cases provided for in the Complementary Law.
		
		Exception for goods and services supplied to natural persons, used predominantly in the taxpayer's economic activity and mentioned in art. 57, §3, items IV and V of CL 214/2025, as not for personal use or consumption. Examples include: health plans provided under a collective agreement or convention, transportation vouchers, food vouchers, and meal vouchers, which will not be taxed.
		
		Regulations will establish simplified and optional criteria for taxing the supply of goods and services for **temporary use** by the natural persons referred to above.

Subject	Complementary Law No. 214/2025 (original writing)	Complementary Law No. 227/2026
(cont.) Taxable event for IBS/CBS		
Ordering the application of favorable treatments to the taxpayer when more than one classification is applicable	Not foreseen.	Establishes an objective criterion for the order of applying the most favorable treatment to the taxpayer when more than one mechanism applies to the same transaction: 1. zero rate; 2. suspension with conversion into a zero rate; 3. exemption; 4. deferral; and 5. rate reduction (other than the first option). If it is possible to apply more than one rate reduction to the same transaction: • only where expressly provided will reductions be applied cumulatively; and • if there is no provision allowing cumulation, the greater reduction will prevail.
Time of occurrence of the taxable event		
Continuous transactions	In transactions performed on a continuous or installment basis where it is not possible to identify the moment of delivery or availability of the good, or the completion of the supply of the service, the taxable event is **deemed to occur at the moment when the payment becomes due**.	In transactions performed on a continuous or installment basis, the taxable event is deemed to occur **at the earlier of the following events**: • when the portion of the consideration corresponding to each payment becomes due; or • payment of the obligation arising from the supply.
Advance payments		
Rates applicable to IBS/CBS advances	The rates will be those in effect on the date of payment of each installment.	The rates in effect will be applied: • on the date of issuance of the electronic tax document corresponding to the payment; or • on the date of payment, **whichever occurs first**.
Advance IBS/CBS amounts exceeding the final amounts	If advances exceed the final amounts, the differences will be booked as credits in the assessment.	If advances exceed the final amounts, the rules applicable to **undue or overpayment** will be observed. As a reminder, in cases of undue or overpayment, an IBS/CBS refund will only be owed to the taxpayer if: • the transaction did not generate a credit for the purchaser of the goods or services; and • there is no passing on of the financial burden.

Subject	Complementary Law No. 214/2025 (original writing)	Complementary Law No. 227/2026
(cont.) Advance payments		
Non-occurrence of the supply	If the supply does not occur after an advance payment, including due to rescission, **the supplier may take credits based on the amount of the refunded advance installments**.	If the supply does not occur after an advance payment, including due to rescission, the **rules applicable to cancellation will be observed**.
Purchaser's credit taking	Not foreseen.	The extinguishment of IBS/CBS liabilities in cases of advance payment will allow the purchaser to take credits.
Maximum period of 5 days between advance and supply	Not foreseen.	The regulations will establish situations in which advances may be recorded as debits in the assessment period of the supply.
Place of the transaction		

Goods or services not covered by specific provisions	For other services and other intangible movable goods, including rights, the place of the transaction is the principal domicile of the:
	• purchaser, in onerous transactions;
	• recipient, in non-onerous transactions.
		For other cases not listed in items (I to IX), the place of the transaction is:
		• **onerous transaction:**
		  ◦ the principal domicile of the purchaser resident or domiciled in Brazil; or
		  ◦ the principal domicile of the recipient resident or domiciled in Brazil (if the purchaser is not resident or domiciled in Brazil);
		• **non-onerous transaction:** the principal domicile of the recipient resident or domiciled in Brazil.

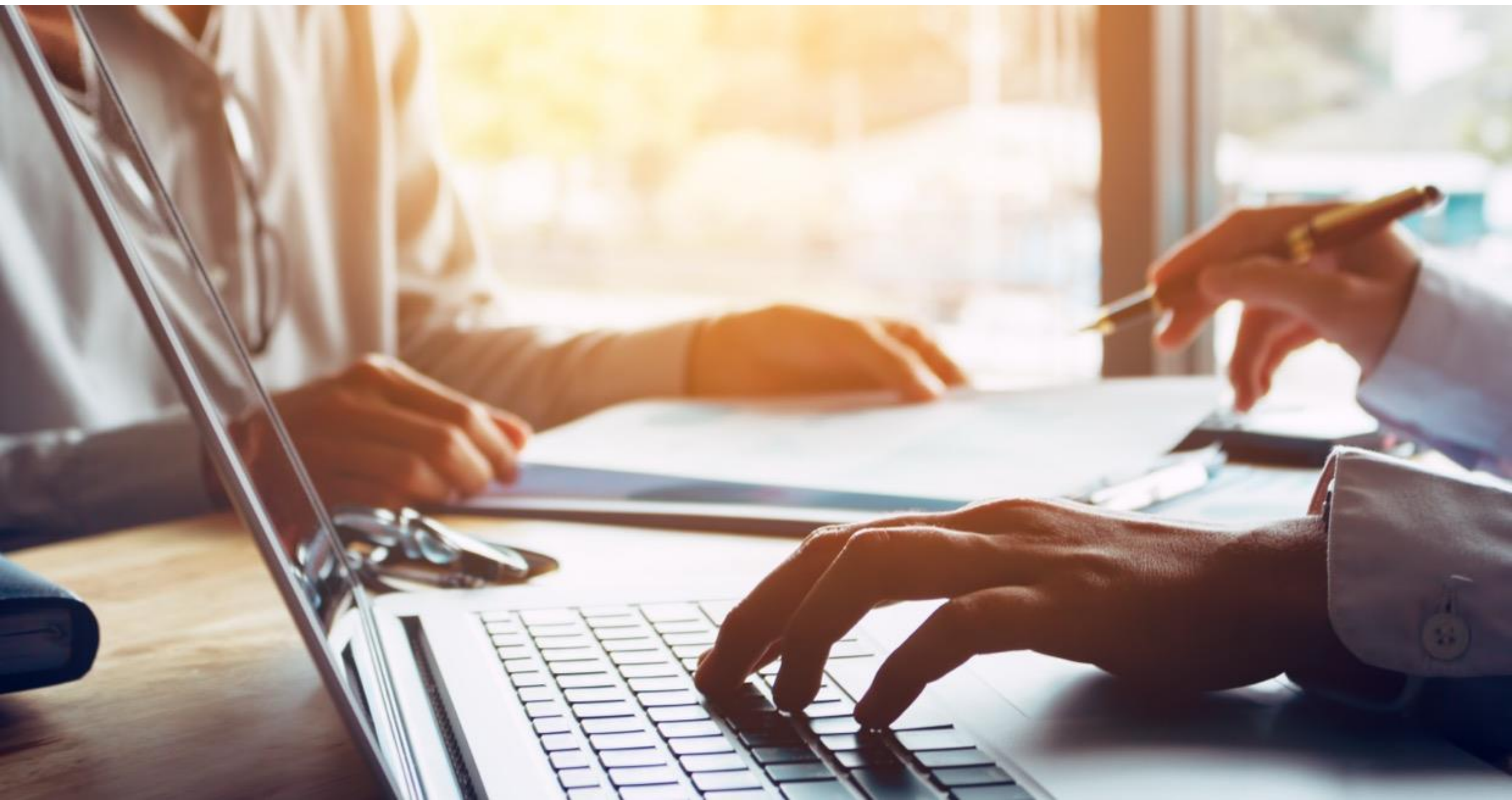
Lease of tangible movable goods	Not foreseen.	They will be deemed supplied at the **principal domicile of the purchaser**, in **acquisitions** carried out on a **centralized** basis by a taxpayer under the regular IBS/CBS regime that has more than one establishment and that are not subject to a prohibition on credit taking.
Multilateral acquisitions of electric power	The place of the transaction is the establishment or domicile of the agent that shows a debtor energy balance.	The place of the transaction is the establishment of the agent or of its represented parties that are in the debtor position of the financial settlement determined by the Electric Energy Commercialization Chamber.

Subject	Complementary Law No. 214/2025 (original writing)	Complementary Law No. 227/2026
Taxable base		
Multilateral acquisitions of electric power	Not foreseen.	Value of the financial settlement determined by the Electric Energy Commercialization Chamber, considering the proportional participation of the agent's establishments or of those it represents.
Rate reductions		
Differentiated and specific regimes	The rate reductions established under the differentiated IBS/CBS regimes will apply to the rate of each federative entity.	The rate reductions established under the differentiated **and specific** IBS/CBS regimes will apply to the rate of each federative entity, except in cases where a nationally uniform rate applies.
Digital platforms		
Joint liability for failure to provide information	Not foreseen.	The digital platform is jointly liable with the supplier resident and domiciled in Brazil if it does not provide the CGIBS and the Brazilian Federal Revenue Service (RFB) with information on the transactions and imports carried out through it.
Optional tax substitution	Not foreseen.	The digital platform may opt, with the supplier's consent, to act as the substitute taxpayer for transactions it intermediates on behalf of a supplier resident or domiciled in Brazil, and must: • issue tax documents for the supplier's transactions, including on a consolidated basis; • calculate the IBS/CBS on such transactions; and • pay the IBS/CBS based on the information of the transaction intermediated by the platform, with the supplier remaining liable for any differences.
Joint liability – failure to issue a tax document by a supplier resident and domiciled in Brazil	Digital platforms, even if domiciled abroad, are jointly liable for the payment of IBS/CBS related to transactions and imports carried out through them together with the supplier resident or domiciled in Brazil, if the supplier: • is a taxpayer, even if not registered; and • does not record the transaction in an electronic tax document.	The joint liability provided for in the Complementary Law and addressed in this section remains in place; however, there is a provision that if the platform issues the tax document within 30 days from the date the supplier should have issued it and pays the IBS/CBS based on the value and other information of the transaction it intermediated, the fine, late-payment interest, and the penalty for failure to issue the tax document will be charged exclusively to the supplier.

Subject	Complementary Law No. 214/2025 (original writing)	Complementary Law No. 227/2026
(cont.) Digital platforms		
Unavailability of information regarding the rules applicable to the supplier	Not foreseen.	The digital platform is authorized to calculate IBS/CBS liabilities using the reference rates when information on the tax rules applicable to the supplier is unavailable, and any difference must be: • paid by the supplier if the applicable rates are higher than the reference rates; or • refunded if the applicable rates are lower than the reference rates.
Purchaser's credit taking	Not foreseen.	The extinguishment of IBS/CBS liabilities in cases of advance payment will allow the purchaser to take credits.
Taxpayer status		
FII and Fiagro – IBS/CBS taxpayers	Provisions that imposed taxpayer status on Real Estate Investment Funds (FII) and Investment Funds in Agribusiness Production Chains (Fiagro) in certain situations were vetoed by the Executive Branch. The National Congress overrode presidential vetoes to establish non-taxpayer status for endowment funds and investment funds instituted under Law No. 13,800/2019.	The new Law includes again provisions that, by contrary implication, provide for taxpayer status for FII and Fiagro in certain situations. If these investment funds are taxpayers under the regular regime, when the quota holder is subject to taxation under the specific regime for financial services, the portion of the income received by the quota holder corresponding to transactions taxed in the fund will not be included in the tax base of the specific regime for financial services.
Other investment funds – non-taxpayers	The National Congress overrode presidential vetoes to establish non-taxpayer status for endowment funds and investment funds instituted under Law No. 13,800/2019.	Other investment funds whose assets consist exclusively of investments in equity interests, certificates, rights, securities, financial instruments, and other financial assets permitted by the Securities and Exchange Commission of Brazil (CVM) are not taxpayers. Credit Receivables Investment Funds (FIDC) and other investment funds that prepay receivables, not characterized as investment entities, are taxpayers under the regular regime. If these investment funds are taxpayers under the regular regime, when the unitholder is subject to taxation under the specific regime for financial services, the portion of the income received by the quota holder corresponding to transactions taxed in the fund will not be included in the tax base of the specific regime for financial services.

Subject	Complementary Law No. 214/2025 (original writing)	Complementary Law No. 227/2026
Fines		
Interest on unpaid punitive fines	Not foreseen.	An express provision establishes that late-payment interest accrues on unpaid punitive fines for payments made after the due date.
Split payment		
Concepts	Not foreseen.	For purposes of the law: • **originator of the payment transaction** means the party that initiates the transaction within the payment arrangement, and may be either the payer or the payee; • **payee-initiated payment transactions** are those originated through an instruction or instrument issued by the recipient of the funds, who defines the payment amount, with the payer only effecting the payment, even if partially; • **payer-initiated payment transactions** are those originated by the payer, who defines the payment amount, without prior intervention by the recipient of the funds within the payment arrangement.
Standard procedure	The supplier is required to include in the tax document information that enables: • the linkage of the transactions to the payment transaction; and • the identification of the IBS/CBS amounts due on the transactions. The information must be transmitted to payment service providers by: • the supplier; • the digital platform; or • another person or unincorporated entity that receives the payment.	The **originator of the payment transaction** must transmit to the payment service provider information that enables: • the linkage of the transactions to the payment transaction; and • the identification of the IBS/CBS amounts due on the transactions. The information must be transmitted to payment service providers: • by the supplier or by the purchaser, in cases where they initiate the payment transaction; • by the digital platform; or • by another person or unincorporated entity, in cases where they initiate the payment transaction. In payee-initiated payment transactions, the payee may choose not to transmit to the payment service provider the information linking the transactions to the payment transaction, in which case the supplier or the digital platform must include the information in the tax document.

Subject	Complementary Law No. 214/2025 (original writing)	Complementary Law No. 227/2026
(cont.) *Split payment*		
Simplified procedure	The taxpayer may opt for a simplified procedure **for all transactions in which the purchaser is not an IBS/CBS taxpayer under the regular regime**, under which the IBS/CBS amounts to be segregated and remitted by the payment service provider or by the institution operating the payment system will be calculated based on a pre-established percentage of the transaction value. IBS/CBS amounts collected through the simplified procedure will be used to pay the taxpayer's outstanding liabilities arising from transactions in which the purchaser is not an IBS/CBS taxpayer under the regular regime that occurred in the assessment period, in the chronological order of the tax document, according to criteria established in the regulations. The CGIBS and the RFB will: • calculate the balance of IBS/CBS liabilities from transactions in which the purchaser is not an IBS/CBS taxpayer under the regular regime, after deducting the portions already extinguished by any of the methods provided in the Complementary Law, in the assessment period; and • transfer to the supplier, within three business days from completion of the assessment, the amounts received that exceed the amount referred to in the preceding item.	The simplified procedure remains optional **for all transactions**; however, there is a provision that initiating a payment transaction relating to a transaction involving a good or a service without identifying the IBS/CBS amounts implies an election for the simplified procedure. IBS/CBS amounts collected through the simplified procedure will be used to pay, in the chronological order of the tax document: • the taxpayer's outstanding liabilities arising from transactions that occurred in the assessment period in which the purchaser is not an IBS/CBS taxpayer under the regular regime; and • **other outstanding liabilities of the taxpayer, at the end of the assessment period, if amounts remain unused as described in the preceding item**. The CGIBS and the RFB will transfer to the supplier, within three business days from completion of the assessment, the IBS/CBS amounts collected through the simplified procedure in the assessment period and not used as described in the preceding items. Payment of IBS/CBS through the simplified procedure: • ensures the extinguishment of the taxpayer's liabilities exclusively as described herein; and • **does not grant the purchaser who is an IBS/CBS taxpayer under the regular regime the right to take a credit for the amount segregated and remitted**.



Subject	Complementary Law No. 214/2025 (original writing)	Complementary Law No. 227/2026
Methods of extinguishing tax liabilities		

Transactions involving electric power	In transactions involving electric power or rights related thereto, the collection of IBS/CBS related to generation, commercialization, distribution, and transmission will be carried out exclusively:
	• by the electric power distributor, if the sale is to a purchaser served in the regulated contracting environment;
	• by the seller, in the case of an acquisition in the free contracting environment of power for the purchaser's consumption or when the purchaser is not subject to the regular IBS/CBS regime;
	• by the purchaser, as the responsible party for electric power, if intended for consumption in a multilateral acquisition of electric power; or
	• by the electric power transmission company, in the provision of electric power transmission service to a consumer connected directly to the basic transmission grid.
		In transactions involving electric power or rights related thereto, the collection of IBS/CBS related to **importation**, generation, commercialization, distribution, and transmission will be carried out exclusively:
		• by the electric power distributor, in cases of supply to a purchaser served in the regulated contracting environment **or of charges for the use of distribution systems for consumers served in the free contracting environment**;
		• by the seller, in the case of an acquisition in the free contracting environment of power for the purchaser's consumption or when the purchaser is not subject to the regular IBS/CBS regime;
		• **in the case of acquisition for consumption carried out on a multilateral basis:**
		    • **by the retail marketer, with respect to the consumption of the consumer units represented; or**
		    • **in other cases, by the consuming establishment**.
		• by the electric power transmission company, in the provision of electric power transmission service **and connection to the transmission system** to a consumer connected directly to the basic transmission grid.

Non-cumulative system		
Return and cancellation by a purchaser <u>not</u> subject to the regular regime	The supplier subject to the regular regime may claim credits based on the amount of the debits levied on the returned or canceled transaction.	The supplier subject to the regular regime may claim credits **or reverse debits** based on the amount of the debits levied on the returned or canceled transaction.
Return and cancellation by a purchaser subject to the regular regime	Not foreseen.	The regulation will set out the procedures and requirements to be observed, which may consist of: • for the purchaser: creation of a debit or reversal of a credit; and • for the supplier: claiming of a credit or reversal of a debit.
Return and cancellation of transactions whose debit has been extinguished, in whole or in part, by split payment	Not foreseen.	The regulation **may provide** for the total or partial transfer to the supplier of the amount collected, subject to the following: • the transfer must be made within up to 3 business days counted from the date of the debit reversal or the date on which the supplier would be permitted to claim a credit; and • the amount transferred may not be claimed as a credit by the supplier.

Subject	Complementary Law No. 214/2025 (original writing)	Complementary Law No. 227/2026
Goods and services for personal use or consumption		
Goods and services acquired by the taxpayer and provided to individuals	As a rule, goods and services for personal use or consumption include, among other cases, goods and services **acquired <u>or produced</u>** by the taxpayer and provided free of charge or at a price below market to: • the taxpayer themself, if an individual; • individuals who are partners, shareholders, officers, and members of the board of directors, fiscal council, and advisory committees to the board of directors of the corporate taxpayer; • the taxpayer's employees.	As a rule, goods and services for personal use or consumption include, among other cases, goods and services **acquired** by the taxpayer and provided free of charge or at a price below market to: • the taxpayer themself, if an individual; • individuals who are partners, shareholders, officers, and members of the board of directors, fiscal council, and advisory committees to the board of directors of the corporate taxpayer; • the taxpayer's employees.
Transportation, meal, and food vouchers	Provision of transportation vouchers, meal vouchers, and food vouchers to employees and their dependents **as a result of a collective labor agreement or convention** is **not** considered to be goods for personal use or consumption, and the credits on the acquisition of these services are equivalent to the respective debits of the supplier determined and extinguished in accordance with the provisions of the specific regimes for health care plans and financial services.	The requirement that the provision of transportation, meal, and food vouchers to employees and their dependents be set forth in a collective agreement or convention was removed from the text.
Disposal of goods for personal use or consumption	Not foreseen.	In the event of the disposal of an asset that did not allow the taking of a credit upon its acquisition, due to its classification as a good for personal use or consumption, the taxpayer may exclude from the tax base the acquisition cost of the asset, up to the amount of the disposal proceeds, provided that the asset can be unequivocally identified.
CGIBS		
System free of charge	Not foreseen.	Taxpayers are assured free access to system integration mechanisms for sending and receiving data and minimum transactions intended for the calculation and compliance with ancillary obligations related to IBS/CBS, made available, respectively, by CGIBS and by the RFB.
Cost reimbursement	Not foreseen.	CGIBS and the RFB may provide, upon reimbursement of costs, automated transactions that exceed the minimum necessary for the calculation and compliance with ancillary obligations, as defined in regulation.

Subject	Complementary Law No. 214/2025 (original writing)	Complementary Law No. 227/2026
Electronic Tax Domicile (DTE)		
Unification within the scope of the IBS	The DTE will be unified and mandatory for all entities and other legal entities subject to registration with the CNPJ.	The DTE will be unified, **within the scope of the IBS**, and mandatory for all entities and other legal entities subject to registration with the CNPJ.
Electronic Fiscal Document		
Consolidated fiscal documents	Not foreseen.	For simplification purposes, the joint act of CGIBS and RFB must allow the issuance of consolidated fiscal documents.
Import of intangibles and services		
Consumption	For import purposes, consumption of intangibles and services is understood as use, exploitation, utilization, usage, or access.	Consumption in the Country of a service or intangible good, including rights, is deemed to occur in the case of a supply made by a person resident or domiciled abroad: • whose place of the transaction is in the Country; or • where the purchaser or recipient has residence or domicile in the Country, in other cases.
Rates	For purposes of determining the state, district, and municipal IBS rates, the place of import is the destination of the transaction.	For purposes of determining the state, district, and municipal IBS rates, import is deemed to occur at the place: • of the transaction as defined under the general rule; or • of the principal domicile of the purchaser or recipient, in other cases.
Exports of intangibles and services		
Consumption abroad	Not foreseen.	Consumption abroad of a service or intangible good, including rights, is deemed to occur in the case of a supply: • whose place of the transaction is not in the Country; or • where the purchaser and the recipient are residents or domiciled abroad, in other cases.
Specific regime for fuels		
Inclusion of gasoline and diesel streams in the monophase regime	IBS/CBS will be levied only once on transactions, even if initiated abroad, involving gasoline, diesel oil, among other fuels.	IBS/CBS will be levied only once on transactions, even if initiated abroad, involving gasoline, diesel oil and their **respective streams**, among other fuels. "Streams" are considered to be liquid hydrocarbons derived from petroleum and liquid hydrocarbons derived from natural gas used in mechanical blending to produce gasolines or diesel, in accordance with the standards established by the ANP.

Subject	Complementary Law No. 214/2025 (original writing)	Complementary Law No. 227/2026
Specific regime for financial services		
Inclusion of loyalty program administration and mutual asset-protection operations	Payment arrangements are considered financial services, including the operations of arrangers and payment institutions and the early settlement of receivables from such arrangements.	Payment arrangements are considered financial services, including the operations of arrangers and payment institutions, the early settlement of receivables from such arrangements, and the **administration of loyalty programs**. **Mutual asset-protection operations** are also included.
IBS/CBS rates	It established several criteria for calculating the rate, to be performed based on data from January 1st, 2022 to December 31st, 2023.	The sum of the IBS/CBS rates applicable to financial services will be: • **2027** and **2028:** 10.85%; • **2029:** 11.00%; • **2030:** 11.15%; • **2031:** 11.30%; • **2032:** 11.50%; • **2033:** 12.50%.
Rate reduction if the services are currently subject to the ISS	Not foreseen.	In the case of financial services subject to ISS, the combined rates will be reduced by: • **2027** and **2028:** at 2%; • **2029:** at 1.8%; • **2030:** at 1.6%; • **2031:** at 1.4%; • **2032:** at 1.2%.
Payment arrangements – taxable base	The IBS/CBS tax base will correspond to the gross amount of the remuneration received directly from the merchant, plus the amounts received from other participants in the payment arrangement and minus the amounts paid to them.	The IBS/CBS tax base will correspond to the gross amount of the remuneration received from the merchant**, the arrangement's institutor, or other participants, with the right to a corresponding credit for the amounts paid to them, provided that the IBS/CBS liabilities have been duly extinguished**. **This provision does not imply recognition of any contracting or subcontracting relationship between the arrangement's institutor and other participants, nor the inclusion of amounts passed on to other participants or to the institutor in the tax base of the taxes that will be extinguished.**
Loyalty points programs	Not foreseen.	The administration of loyalty programs will be taxed as follows: • the IBS/CBS tax base, for each assessment period, will correspond to the value of points issued, minus the amounts paid upon redemption of points and the amounts reimbursed for unused points recorded as revenue; • the purchaser of the points will not be entitled to an IBS/CBS credit.

Subject	Complementary Law No. 214/2025 (original writing)	Complementary Law No. 227/2026
(cont.) Specific regime for financial services		
Proprietary loyalty programs	Not foreseen.	The specific regime also applies to proprietary loyalty programs in which points are used as consideration in the supply of goods and services by the issuer of the points, in which case the points used as consideration will be deducted from the tax base based on the amount considered in determining the IBS/CBS tax base for the transaction.
Federal Excise Tax (IS)		
Tiered rates – sugary beverages	Provision for tiered rates only for alcoholic beverages and smoking products.	The IS rates applicable to smoking products, alcoholic beverages, and **sugary beverages** will be set on a tiered basis.
Medicines		

Zero rate reduction	Provides for a zero rate for the medicines listed in Annex XIV of this Complementary Law.	The IBS/CBS rates on the supply of medicines registered with ANVISA are reduced to zero when they are:
		• intended, according to their sanitary registration, for:
		  ◦ rare diseases;
		  ◦ neglected diseases;
		  ◦ oncology;
		  ◦ diabetes;
		  ◦ HIV/AIDS and other sexually transmitted infections (STIs);
		  ◦ cardiovascular diseases; and
		  ◦ the Programa Farmácia Popular do Brasil (Popular Pharmacy Program of Brazil) or an equivalent.
		• classified as serum or vaccines, in accordance with specific sanitary regulation.

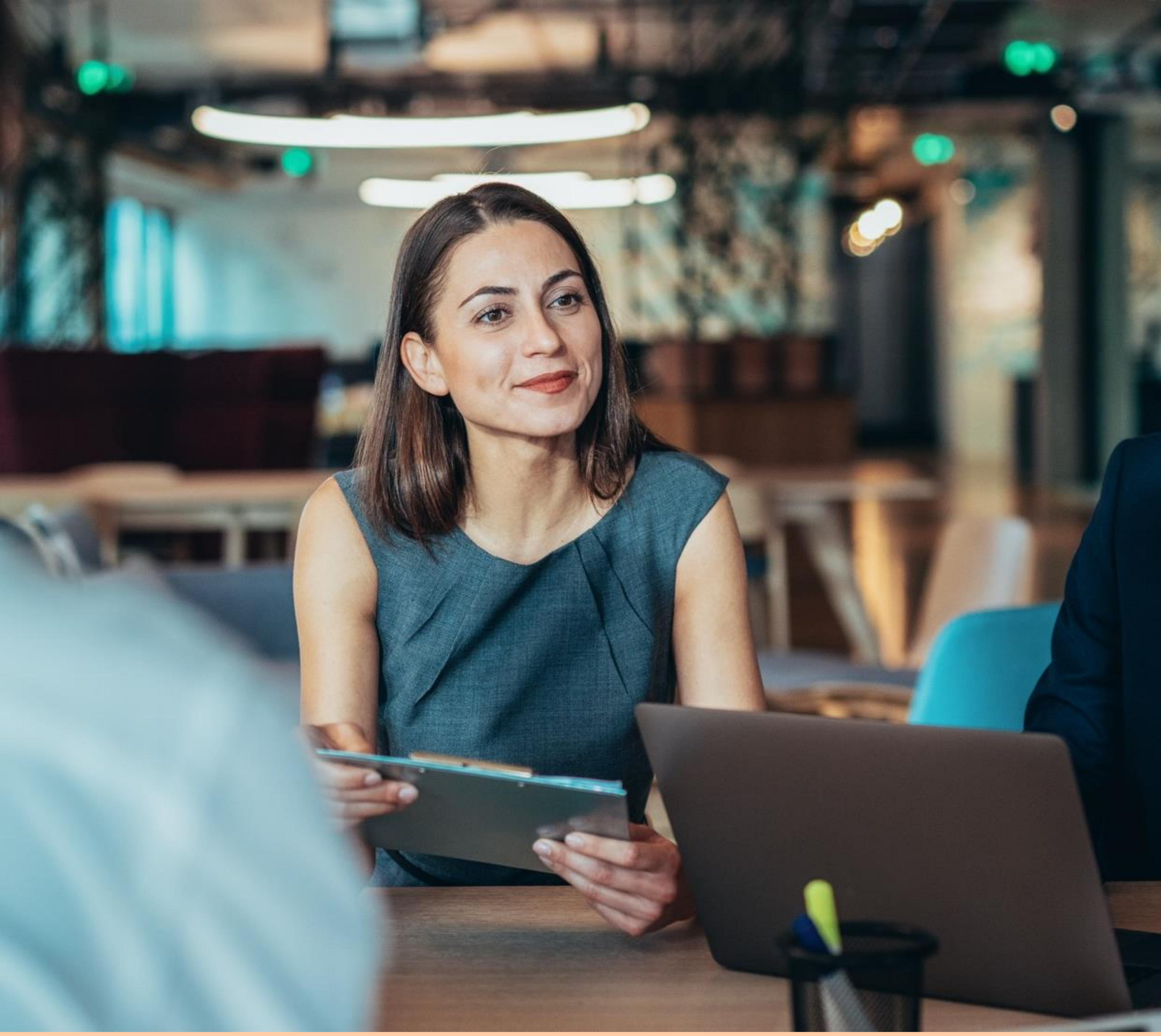
Periodicity for reviewing the list of medicines benefiting from a zero rate	The head of the Federal Executive Branch and the IBS Managing Committee, after consulting the Ministry of Health, could **annually issue** a joint act to revise the list referred to in Annex XIV, solely to include medicines that did not exist at the date of publication of the previous review, that serve the same purposes as those in that annex, and whose price caps have already been set by CMED.	A joint act of the Ministry of Finance and the IBS Managing Committee, after consulting the Ministry of Health, **will publish, every 120 days, the list of medicines entitled to a zero IBS/CBS rate.**
Cases of public health emergency	In the event of a public health emergency recognized by the competent federal, state, district, or municipal Legislature, a joint act of the Minister of Finance and the IBS Managing Committee may be issued at any time to include medicines not listed in Annex XIV of this Complementary Law, with the benefit limited to the period and the locality of the public health emergency	In the event of a public health emergency recognized by the competent federal, state, district, or municipal Legislature, a joint act of the Minister of Finance, the Ministry of Health, and the IBS Managing Committee may be issued at any time**, solely to include medicines and care pathways not covered by the rate reduction**, with the benefit limited to the period of the respective public health emergency.

Vetoes by the President of the Republic

Some provisions of Complementary Bill No. 108/2024 were vetoed, as listed in the President of the Republic's order – Message No. 36 – and sent to the National Congress for review. Congress has a period of 30 calendar days to deliberate, and an absolute majority is required to overturn these vetoes.

Below are, for reference, the main vetoes related to amendments to Complementary Law No. 214/2025:

Subject	Complementary Law No. 214/2025 original wording (maintained)	Vetoed provisions of Complementary Law No. 227/2026, which amended Complementary Law No. 214/2025
Taxable base		
Unconditional discount and loyalty program	An unconditional discount is considered to be the portion that reduces the transaction price, which appears on the corresponding fiscal document and does not depend on a subsequent event, **including if granted through a loyalty program provided free of charge by the supplier themself**.	The provision removed the stipulation that, if granted through a loyalty program provided free of charge by the supplier themself, it characterizes an unconditional discount.
Transaction value not represented in money – <u>proprietary</u> loyalty program	The taxable base will correspond to the market value of the goods or services, understood as the value practiced in comparable transactions between unrelated parties, among other cases, when the value of the transaction is not represented in money.	The tax base would correspond to the market value of the goods or services, understood as the value practiced in comparable transactions between unrelated parties, among other cases, when the value of the transaction is not represented in money, **including in cases where the consideration is made by means of points from a proprietary loyalty program**.
Food for human consumption with a 60% rate reduction		
Addition of plant-based milks	Fermented milk, dairy beverages, and dairy compounds, in accordance with the requirements of the specific legislation, classified under NCM/HS codes 0403.20.00, 0403.90.00, and 2202.99.00.	Fermented milk, dairy beverages, and dairy compounds, in accordance with the requirements of the specific legislation, **and natural liquid foods produced from vegetables, cereals, fruits, legumes, oilseeds, and tubers, even if mixed**, classified under NCM/HS codes 0403.20.00, 0403.90.00, and 2202.99.00.



Want to understand more about how this subject can impact your business? Contact PwC.

Mariana Carneiro
mariana.carneiro@pwc.com

Mayra Theis
mayra.theis@pwc.com

Kleber Romano
kleber.romano@pwc.com

Alvaro Pereira
alvaro.pereira@pwc.com

Sara Fischer
sara.fischer@pwc.com

Raquel Ramos
raquel.ramos@pwc.com

Durval Portela
durval.portela@pwc.com

Dante Stopiglia
VAT/ Tax Reform Leader
dante.stopiglia@pwc.com

Carlos Coutinho
PwC Brazil Tax Leader
carlos.coutinho@pwc.com

Check for further details:

www.pwc.com.br

Follow us:

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