



Preparing for tax reform in Brazil

Indirect Tax Services



What is happening and when?

The tax reform in Brazil—approved in December 2023—has been long awaited, aiming to simplify one of the most complex tax systems in the world, which is widely considered to be overly burdensome for businesses. The goal of the tax reform is to boost economic growth, which has been fluctuating for the last decade.

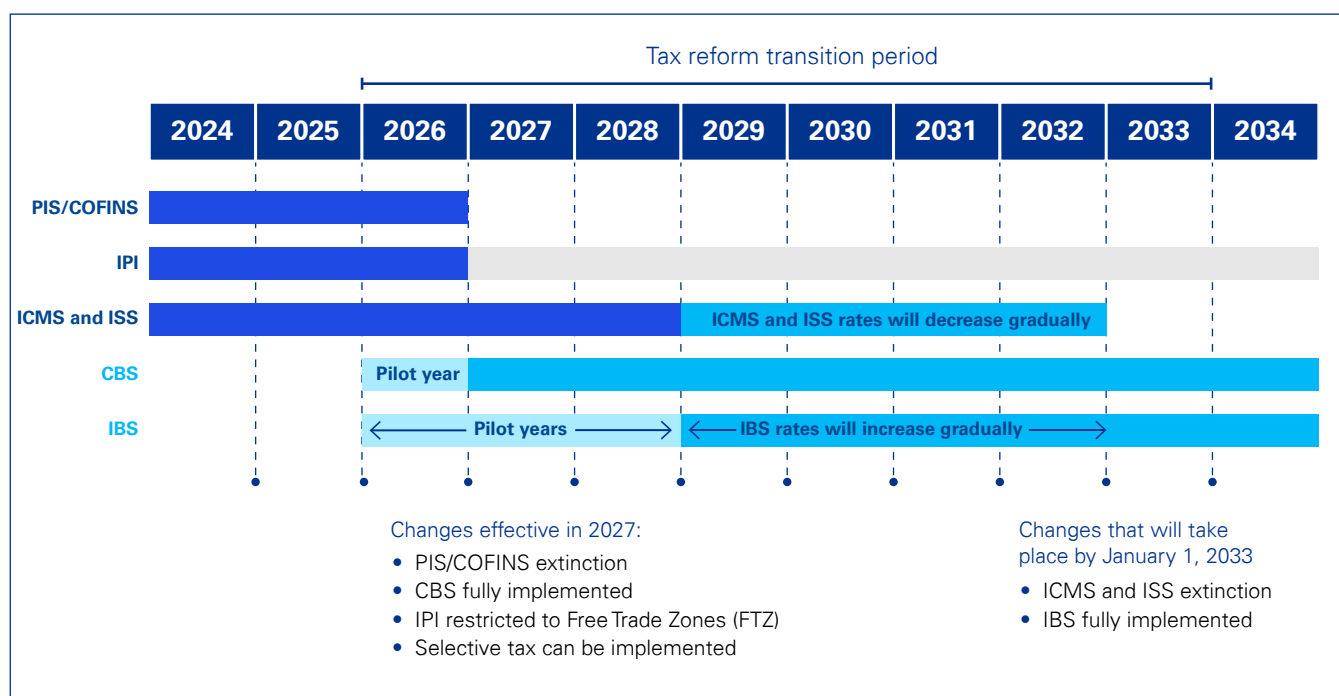
The most significant change brought by the tax reform surrounds the unification of existing indirect taxes and a shift to a dual VAT system with two different taxes: CBS (federal level) and IBS (subnational level—state and municipal).

Unlike other countries, the changes brought by the tax reform in Brazil will be implemented in a phased model throughout the course of seven years, during which time both tax systems—current (PIS/COFINS, IPI, ICMS, and ISS) and dual VAT—will coexist.

What does this mean for your business?




Changes brought by the tax reform will become effective on January 1, 2026 and will apply to every company doing business in Brazil. Once effective, adopting the new system will be mandatory, and companies will not be able to opt out. In other words, Brazil-domiciled businesses will need to reevaluate their systems, master data, pricing, and business models to ensure timely and accurate adherence to the new legislation from day one throughout the transition period.

Given the complexity companies will face during the transition period, relying on technology solutions as enablers to a compliant management of the Tax function is the most cost-effective approach to prepare for the upcoming changes and alleviate the burden to maintain process and taxability logics.



How we can help

In this evolving landscape, each company will face unique challenges and opportunities. The best approach to prepare and cope with the tax reform changes is not a one-size-fits-all approach but, rather, one that is meticulously tailored to fit the specific needs of your business. At KPMG LLP (KPMG), we understand this fundamental principle and have developed a suite of services that can align with your strategic objectives.

| Approach | Overview |
|---|---|
|  Tax transformation assessment | We conduct a thorough assessment of your organization's current systems and potential tax reform impacts, highlighting the main areas of attention, potential challenges, and a technical view of the most recommended approaches that will fit your needs for tax determination, calculation, electronic invoice and digital reporting. |
|  Tax engine assessment | <ul style="list-style-type: none">We conduct an assessment of existing tax engine design, evaluating any potential changes and integration data points between the tax engine and ERP, with recommendations to accommodate changes brought by the tax reform.We provide support with version migration (tax engine on premise versus cloud and/or ERP migrations) as a readiness strategy prior to tax reform, helping ensure access to the most up-to-date functionalities and tax content for the new legislation. |
|  Pricing modeling | We provide support with the creation of modeling scenarios, leveraging KPMG technology solutions to simulate how indirect taxes will impact your transactions (inbound and outbound) throughout the seven-year transition period, giving a holistic view of the to-be tax burden to specific scenarios. |

The value of KPMG

Our US-based tax professionals who focus on Brazil taxes, in conjunction with the KPMG firm in Brazil, allow us to build long-lasting relationships when providing Brazil tax technology consulting services, guidance on content offerings, and tax technology solutions capabilities. And, we have the resources to remain up to date with the most recent developments and trends in the Brazil market.

Our core team is formed by tax professionals with more than 20 years of combined experience and knowledge of Brazilian taxes, which includes indirect taxes, accounting, compliance, and implementation experience with the largest ERPs and tax technology solutions covering tax determination and calculation, electronic invoicing, and digital reporting.

KPMG has the right experience and technology solutions to help your organization navigate through challenges pertaining to an implementation of a new tax system, helping to ensure that your core processes are ready and do not experience negative impacts related to transition to the new tax environment in Brazil.

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