



Tax News

Pillar 2 Has Arrived in Brazil! Here's What It Means for You

On October 3rd, Provisional Measure (PM) 1,262 was issued, introducing an additional Social Contribution on Profits to establish a Qualified Domestic Minimum Top-up Tax (QDMTT) in Brazil. This officially aligns us with the countries that have adopted the OECD's GloBE rules, bringing Brazil firmly into the fold of global tax reform. Normative Instruction RFB 2,228 has also been released, providing key details on how these new rules will apply.

The QDMTT will take effect from 2025, ensuring a minimum income tax rate of 15% for large multinational groups with consolidated revenues over 750 million euros. This is a significant development for businesses operating in Brazil, particularly those with global footprints.

While the PM will follow the normal legislative process, it's unlikely we'll see substantial changes due to the importance of maintaining global alignment.

One important element to note is the explicit reference to OECD Commentaries and Guidance as the interpretative framework for these rules. This is a major shift in how Brazilian tax law will interact with global standards, and it's critical that businesses understand these implications to avoid potential missteps in compliance or strategy.

We can help you navigate this complexity, ensuring that your tax structure and policies remain compliant and optimally aligned with both domestic and international requirements.

In addition, adjustments to the SUDENE and SUDAM, which are tax incentives that significantly reduce the effective income tax rate of beneficiary

companies, have been authorized to make them compatible with Pillar 2, offering opportunities for businesses with operations in those regions. Now is the time to reassess your use of these incentives and see how they can fit into the global minimum tax framework. We're ready to help you evaluate these opportunities and maximize their benefit.

On the M&A front, the new rules introduce important changes, especially regarding the tax treatment of goodwill and fair value. This will critically impact multinational groups that are currently involved in, or planning, acquisitions in Brazil. Understanding these changes is crucial to structuring deals efficiently and managing tax exposure. Our team has the expertise to guide you through these updates, helping you anticipate and address any challenges in your transactions.

It's also important to highlight that our rules have incorporated transitional safe harbors, which can serve as crucial tools to help manage and mitigate many of the potential effects of these changes, at least until 2026. This represents one of the initial analyses that MNE groups need to conduct concerning their presence in Brazil.

Finally, a quick reflection: if the new Transfer Pricing rules were Brazil's first significant step toward globalized taxation, Pillar 2 is definitely the second (pun intended). We're now entering uncharted waters, and there is plenty of work ahead!

Whether you're just beginning to explore Pillar 2 or are already deeply involved, our team is here to assist you. We're ready to provide tailored advice, help you assess the impact of these changes, and ensure your organization remains compliant while optimizing your tax position. Let's navigate these new waters together.

Feel free to reach out—these are fascinating times, and we're here to help you every step of the way.

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