Deutsch-Brasilianische Industrie- und Handelskammer • VOL.1 • 2025

RECHT & STEUERN

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SONIA MARQUES DÖBLER ADVOGADOS

Herausgeber:

Gefördert durch:

Bundesministerium für Wirtschaft und Klimaschutz

aufgrund eines Beschlusses des Deutschen Bundestages

MERCOSUL AHK Deutsch-Brasilianische Industrie- und Handelskammer
Câmara de Comércio e Indústria Brasil-Alemanha

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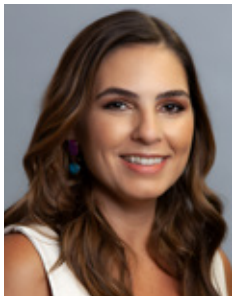

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Advance on Foreign Exchange Contracts and their Exclusion from Debts subject to Judicial Reorganization

The dissolution of a company in Brazil is a complex process that involves a Judicial reorganization is an essential legal instrument for restructuring companies facing financial difficulties, allowing them to renegotiate their debts and avoid bankruptcy. However, not all credits are subject to this process. A relevant example is the advance on foreign exchange contracts ("AFEC"), a widely used financial operation among exporters.

The advance on foreign exchange contracts is a financial instrument that allows export companies to obtain funds in advance based on future export revenues. This advance occurs through a foreign exchange contract signed with a financial institution, which advances the amount to the exporter before the shipment of goods. It is common for larger business groups to have a financial branch that enables this advance to the exporter, facilitating transactions.

The purpose of the AFEC is to facilitate exports by providing working capital to the exporter and reducing foreign exchange risks. In return, the financial institution acquires the right to the export proceeds, which will subsequently be paid by the foreign counterparty upon receiving the exported goods.

According to Article 49, §4, of the Judicial and Extrajudicial Reorganization Law (Law No. 11101/2005), the amounts provided to the debtor under an advance on a foreign exchange contract are not subject to the effects of judicial reorganization. This is because such amounts are considered to belong to the financial institution that granted the advance, rather than to the exporter that received the funds.

Thus, unlike other creditors subject to judicial reorganization, financial institutions that granted AFECs have the right to recover the advanced amounts, regardless of the company's reorganization plan. This means that such credits are not subject to discounts, installments, or other effects provided in the reorganization plan.

Despite the clarity of the legal provision, the practical application of this understanding has generated judicial controversies. Companies undergoing reorganization and judicial administrators argue that allowing the immediate

restitution of AFECs harms the collective interests of creditors and compromises the feasibility of the reorganization plan.

Some state court rulings have held that, although AFEC credits are not subject to recovery rules, they should not be paid before creditors subject to the judicial recovery plan, as this would violate the principle of creditor equality and undermine the effectiveness of the reorganization.

However, the Superior Court of Justice ("STJ") has consolidated the understanding that the amounts arising from AFECs belong to the financial institution and do not form part of the assets of the company under reorganization. Thus, AFEC creditors may demand the immediate return of the amounts without having to wait for the liquidation of the reorganization plan.

A recent STJ decision (Special Appeal No. 2070288 - PR) reinforced the exclusion of AFECs from the effects of judicial reorganization. The STJ's Third Panel ruled that:

- The amounts received as a consequence of an AFEC belong to the financial institution and not to the exporter who received them, meaning they do not form part of the assets of the company under reorganization.
- The AFEC creditor has the right to reimbursement of amounts advanced without having to wait for the payment of creditors subject to the recovery plan.
- The execution of AFEC credits may proceed normally, regardless of the progress of judicial reorganization.

Based on these principles, the STJ ordered the transfer of amounts seized during the reorganization proceedings to the enforcement court, where the financial institution sought the return of the advance granted under the AFEC, reaffirming that AFEC creditors cannot be subjected to judicial reorganization rules.

The STJ's decision strengthens legal certainty to financial institutions that grant AFECs, as it reaffirms their right to reimbursement of these amounts without subordination to the reorganization plan.

This understanding has significant implications for exporters, as the decision ensures continued access to pre-export financing, given that financial institutions will have greater confidence in AFEC transactions. On the other hand, for creditors of companies under reorganization, there may be a negative impact

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since part of the company's funds may be directed to settling AFECs before paying creditors subject to the recovery plan. However, for financial institutions, the STJ ruling confirms that the granting of AFECs continues to be a secure investment, reducing default risks associated with reorganization and encouraging the offering of this product.

Advances on foreign exchange contracts play a crucial role in financing exports and are a financial instrument protected by Brazilian law against the effects of reorganization. The recent decision by the STJ reinforces this protection and reaffirms the financial institutions' right to recover amounts advanced without being subject to the reorganization plan.

This case law has significant implications for exporting companies, creditors, and financial institutions, consolidating an understanding that seeks to balance the incentive to exports with the viability of business recovery.

However, the exclusion of AFECs from the reorganization process remains a sensitive issue that may lead to further legal debates in the future, especially when reconciling the interests of creditors subject to the recovery plan with the need for legal certainty for trade finance lenders.

New Rules for Foreigners to Obtain a Tax ID Number in Brazil

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Introduction

The tax ID number (CPF) is an essential registry kept by the Brazilian Federal Revenue Service (Receita Federal do Brasil), designed to identify taxpayers and citizens in general, whether they reside in Brazil or abroad. Registration with the CPF is mandatory for individuals, whether Brazilian or foreign, who own or intend to own assets and rights subject to public registration in Brazil, such as real estate, vehicles, corporate shares, bank accounts, and financial investments.

In light of the need to modernize and streamline administrative procedures, joint administrative order COCAD/COGEA No. 53/2023 introduced significant changes to the process of obtaining a CPF for non-resident individuals, enhancing the efficiency and swiftness of the procedure. This article analyzes the implemented changes, comparing the previous procedure with the new regulatory guidelines to highlight the improvements achieved and the reduction of bureaucratic obstacles that previously hindered access to this registration.

The Previous Context

In the past, the process of obtaining a CPF for foreigners who didn't reside in Brazil required the applicant to visit a Brazilian consulate abroad to submit their request. The foreigner then had to complete the Individual Taxpayer Registration Form (Ficha Cadastral de Pessoa Física – FCPF) and present documents such as a valid passport and, optionally, a birth or marriage certificate to include parental information in the registry. After reviewing and validating the documents, the CPF number was generated and provided to the applicant.

During the COVID-19 pandemic, the Brazilian Federal Revenue implemented measures to facilitate CPF registration for foreigners residing abroad. According to available information, non-residents were allowed to apply for their CPF online, thus removing the need to appear in person before the authorities.

The procedure with the Federal Revenue consisted of completing an electronic form, available in Portuguese, Spanish, and English, followed by submitting

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the required documentation online. Applicants had to submit the CPF Registration Request (Ficha Cadastral de Pessoa Física – FCPF) along with a "selfie" holding their passport to verify their identity.

Documents were then sent via email to the department of the Federal Revenue, who would have approximately 15 business days to confirm or deny the registration. Alternatively, foreigners residing abroad could grant a specific power of attorney to authorize a representative to submit the application on their behalf.

Current Procedure

This scenario changed in 2023 with the enactment of joint administrative order COCAD/COGEA No. 53/2023.Published on October 5th, 2023, this order introduced significant changes to the procedure.

Now, foreigners residing abroad must appear in person before Brazilian consular offices to submit their requests . However, the new regulation sets exceptions for the following cases:

- Foreigners enjoying diplomatic privileges and immunities; and
- Requests related to amendments, regularization, cancellation, reinstatement, and inquiries regarding the CPF Identification Number (NI-CPF).

For these exceptional cases, applications may be submitted directly via email, waiving the requirement for in-person attendance.

For all other cases not covered by these exceptions, the procedure follows the internal guidelines of each consulate. Generally, the process involves completing an electronic form and registering in the E-Consular system to submit the required documentation in advance.

After submitting the documents, the consulate conducts a preliminary review, which typically takes approximately five (5) days. Following this review, the applicant is informed of available dates and times for scheduling an in-person appointment. Upon attending the consular office, the applicant's information and documents are verified, and the CPF is issued immediately . As a result, the applicant leaves the consular office with their CPF in hand.

Comparison Between the Two Procedures

The main difference between the previous and current procedures lies in the security and authenticity of the information provided. The current procedure

offers significant improvements but also presents challenges that may negatively impact certain applicants.

Improvements and Reduction of Bureaucracy

- Organization: The preliminary review conducted by most consulates before scheduling appointments ensures stricter control over submitted documentation, making sure that only complete applications are processed.
- Efficiency: The option to submit documents electronically in exceptional cases simplifies the procedure, making it more accessible and less burdensome for applicants.
- Process Security: The requirement for in-person attendance enhances procedural security, mitigating the risk of fraud or errors by allowing direct validation of documents. The E-Consular system and electronic scheduling also contribute to a more organized and reliable process.

Negative Aspects Requiring Attention

- In-Person Requirement: While in-person validation increases process security, this requirement may pose a barrier for individuals with mobility difficulties or those facing potential delays due to limited availability in consular appointment schedules.
- E-Consular System: Despite increasing digitalization, some Brazilian government platforms have not kept up with regulatory advancements, potentially creating usability challenges, especially for non-native speakers residing abroad. Lack of familiarity with the E-Consular system and the absence of mandatory data for registration may complicate platform navigation.
- Regulatory Decentralization: A significant drawback of the current process is its reliance on the internal regulations of each consulate, leading to variations in procedural application and uncertainties for applicants. The lack of standardized rules across consular offices results in inconsistencies in service, processing times, and documentary requirements, undermining predictability and uniformity and negatively impacting applicants seeking a clear and consistent process.

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Conclusion

The process of obtaining a CPF for foreigners residing abroad has evolved with the implementation of joint administrative order COCAD/COGEA No. 53/2023, which introduced stricter control mechanisms and enhanced procedural security. However, the shift toward mandatory in-person service can be seen as both a positive step in terms of security and direct validation of data and a limitation, particularly for those facing difficulties accessing consular offices.

The previous process, while more agile and flexible - especially during the pandemic - lacked stronger security mechanisms concerning document authenticity and physical presence. The introduction of digital application systems during the pandemic, such as document submission via email, represented an important advancement, but the requirement for a "selfie" with the applicant's passport may have caused discomfort.

Thus, while the new procedure ensures greater security and control, it presents challenges regarding accessibility and procedural efficiency.

Challenges of Bioinputs in Brazil

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Brazil is widely recognised as the world's largest importer of fertilisers, with approximately 83% of those sourced from overseas. This dependence creates significant vulnerabilities, subjecting the agricultural sector to international market fluctuations and exchange rate variations. This situation affects both the economic stability of the sector and Brazil's ability to adopt sustainable agricultural practices.

The Solution of Bioinputs. Adopting bioinputs can reduce this dependency, fostering a more autonomous and sustainable agriculture. They are agricultural products developed from active ingredients of plant, animal, or microbiological origin. They aim to enhance plant growth, increase resistance to pests and diseases, and improve nutrient availability.

Environmental Importance of Bioinputs. Bioinputs play a crucial role in promoting sustainable agricultural practices.

Speaking in generic terms, bioinputs can be:

- Biopesticides: these are used for pest, disease, and weed control and may involve biological agents (such as mites, insects, and nematodes), microbiological agents (such as bacteria, fungi, viruses, or protozoa), semiochemicals (such as pheromones and allelochemicals), or biochemical products (such as hormones, enzymes, or growth regulators).
- Biofertilisers: these are used to enhance soil fertility, utilising inoculants, biofertilisers, and soil biostimulants. Beyond adding nutrients, they improve the physical, chemical, and biological properties of the soil, promote greater ecosystem sustainability, and even aid in the regeneration of degraded areas.
- Biostimulants: these consist of growth regulators, composed of plant or synthetic hormones, which affect plant physiology to improve development.

Frequently, bioinputs are more economical than conventional inputs, as they are made from renewable materials abundant in nature.

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They are less toxic to the environment, do not harm non-target organisms, and cause less ecosystem contamination compared to chemical fertilisers and pesticides.

Over time, bioinputs regenerate soil life, continuously improving fertility and suppressing phytopathogens, rebalancing the agroecosystem. Their use is also required for certifications in various markets that value sustainable agricultural production, providing access to new markets. Isn't that remarkable?

Brazil's Role in Bioinput Production and Use. Brazil stands out globally as one of the leading producers and users of bioinputs. The country has experienced impressive growth in the use of these products in recent years.

Currently, most of the bioinputs used domestically are produced in Brazil, reinforcing their economic and strategic relevance. Bioinputs are most used in soybean (55%), maize (27%), and sugarcane (12%) crops, with cotton, coffee, and citrus sharing the remaining 6%.

The Importance of the New Legislation. Law 15,070/24 represents a regulatory milestone for the use of bioinputs in Brazil. The "on-farm" production model is the main change, allowing farmers to produce their own biological inputs.

However, biofactories aimed at commercial production, as well as importers, exporters, and bioinput traders, must obligatorily register with the federal agricultural defence authority. These measures promote innovation and scalability, ensuring legal security for the bioinput industry's development.

Additionally, Law 15,070/24 mentions tax incentives for bioinputs, but these incentives cannot be unilaterally implemented by the Executive Branch, requiring the approval of specific legislation by the legislature.

Currently, taxes such as ICMS, PIS/Cofins contributions, and the future IBS (a new VAT that will replace five taxes levied on commercial transactions) generally do not distinguish bioinputs from their chemical counterparts.

Unfortunately, the new law was timid in this aspect, merely suggesting that the legislator could establish specific fiscal benefits for the production, commercialisation, and use of bioinputs.

Future Trends and the Need for Specific Tax Incentives. The use of bioinputs in Brazil is expected to grow steadily due to the factors mentioned above.

The continuous professionalisation and expansion of the industry, integrated management of chemical and biological products, increased adoption by farmers, and the development of new formulations and technologies in biological products are all key drivers of this trend.

However, the lack of specific tax incentives for bioinputs hinders broader adoption, despite their evident benefits, such as reducing pesticide costs by up to 25%. Providing specific fiscal incentives for bioinputs, distinct from those for chemical counterparts, could enhance Brazil's transition to sustainable agriculture, consolidating healthier agriculture for both the environment and human health.

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Global Minimum Tax of 15%: Challenges and Impacts for Multinationals in Brazil

On December 27, Law 15.079/2024 was published, introducing the requirement of a minimum effective tax rate of 15% on companies' net profits into the Brazilian tax system, in line with the Global Rules Against Tax Base Erosion.

The aim of the Global Anti-Base Erosion Rules, known as the GloBE Rules and developed by the Organization for Economic Cooperation and Development (OECD) and the G-20 countries, is to prevent harmful tax competition between countries by establishing a global standard to guarantee minimum effective taxation, with a focus on multinational companies.

Currently, 37 countries have already introduced this tax. According to the new rules, if one of the countries does not require taxation at the minimum effective rate, the untaxed portion can be claimed in another country that has already implemented the rules. This ensures that each country in which the group operates requires minimum taxation for itself because, if it doesn't, another country will end up taxing that income.

The minimum effective taxation rule does not apply to all Brazilian companies, but only to multinational groups with global consolidated turnover of more than 750 million euros in at least two of the four tax years immediately preceding the one analyzed. Once this turnover threshold has been exceeded, the Brazilian entity must analyze the new rules and check whether it is taxed at more than 15%. If it doesn't, it will be obliged to pay the additional Social Contribution on Net Profits (CSLL) introduced by the new law, to reach this minimum tax rate.

Although, in Brazil, the nominal tax burden for legal entities in general (non-financial), reaches 34% (15% IRPJ, plus an additional 10% on annual profits above R$ 240,000.00, plus CSLL at a rate of 9%), this is not always the actual taxation borne by the company.

This is because, especially in the Real Profit system, various deductions, tax benefits and adjustments are allowed which can reduce the tax base and, consequently, the effective tax burden. This regime allows the deduction of op-

erating expenses, as well as specific tax incentives, such as goodwill and the presumed 9% CSLL credit on the profits of subsidiaries abroad, when the legislation allows it. In addition, accumulated tax losses can be offset up to a limit of 30% of adjusted net income, significantly reducing the taxable amount. These deductions, while reducing the company's tax burden, can lead to situations in which effective taxation is lower than a nominal rate of 15%, which, in the context of Law 15.079/2024, could result in the requirement of an additional CSLL to achieve this minimum taxation percentage.

The minimum effective tax rules, provided for in Law 15,079/2024, require the qualifying companies to calculate the Effective Tax Rate (ETR) of the group of companies for the jurisdiction. The ETR calculation consists of the sum of the adjusted covered taxes of each constituent entity located in the jurisdiction divided by the jurisdiction's GloBE net income for the tax year. This rule establishes that if the ETR is less than 15%, the difference must be paid as additional CSLL in Brazil.

The Ministry of Finance estimates that around 290 multinationals operating in Brazil will be affected by this new rule. Of these, around 20 are Brazilian multinationals. For Brazilian companies with operations abroad, the analysis of effective taxation becomes even more complex. If it holds a stake in a subsidiary domiciled in a low-tax country, for example, the profits of this subsidiary will be taxed in Brazil using the Universal Basis Taxation system, as provided for in Law No. 12,973/2014. These profits may generate a presumed 9% CSLL credit, as long as the subsidiary is not located in a tax haven or privileged tax regime and has active income of more than 80%. However, even with the use of the presumed credit, the combined tax burden may be insufficient to reach the 15% required by the global minimum tax, especially if the profits abroad are significant and the domestic tax burden is reduced by deductions.

The implementation of minimum effective taxation in Brazil represents a milestone in the adaptation of the national tax system to global guidelines for combating the erosion of the tax base, in line with the practices already adopted by several developed economies. For multinationals operating in the country, the new legislation imposes additional challenges in tax management, requiring a detailed analysis of the Effective Tax Rate (ETR) and a strategic reassessment of profit allocation and the use of tax benefits.

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In this context, compliance with the GloBE Rules requires not only a rigorous technical approach, but also strategic vision to mitigate financial impacts and avoid competitive distortions. In this scenario, tax planning becomes even more essential to ensure compliance with regulatory requirements, minimizing risks and optimizing companies' overall tax burden.

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Law 15.042/2024: Framework for a Regulated Carbon Market in Brazil

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On 12 December 2024, Law 15.042/2024 was published, establishing the regulation of the carbon credit market in Brazil and creating the Brazilian Emissions Trading System (SBCE). This law provides a legal framework aimed at reducing carbon emissions and lay the foundation for a broad market for buying and selling carbon credits. By transforming carbon credits into tradeable financial assets, the expectation is that this system will promote responsible environmental practices and accelerate the country's transition to a low-carbon economy.

1. Background

Brazil's carbon market regulation aligns with the broader global historical development, of which Brazil is an integral part. In 1992, during ECO-92 in Rio de Janeiro, the United Nations created the United Nations Framework Convention on Climate Change (UNFCCC). This convention aimed to stabilize greenhouse gas concentrations in the atmosphere to avoid harmful climate impacts.

Since then, every year, countries meet at the Conferences of the Parties (COPs) to discuss solutions to climate change. In 1997, through the Kyoto Protocol, the concept of carbon credit was created and introduced to the world as a certificate representing the reduction of greenhouse gas emissions into the atmosphere.

In 2015, the Paris Agreement strengthened the concept of carbon credits by adding an economic perspective. Article 6 of the agreement established the creation of a global market to regulate international exchanges of carbon credits, allowing countries to collaborate in meeting climate goals. As a result, several countries began developing their own rules to regulate the issuance, purchase and sale of these new "assets".

Brazil, in line with its international commitments, approved Law No. 15.042/2024 to regulate the country's carbon credit market, addressing a legal gap that had previously hindered the commercialization of these credits.

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2. Aspects of Law 15.042/2024

Law 15.042/2024 splits the carbon credit market into two sectors: regulated ("mercado regulado") and voluntary ("mercado voluntário"). The regulated market involves public sector companies with specific rules for action and emissions, while the voluntary market targets private sector companies.

In the regulated market, public institutions and organizations must meet specific CO2 emission targets. To manage and supervise this market, the law provides for the creation of an administrative body responsible for establishing metrics for each sector.

On the other hand, despite its name suggesting an option to participate, the voluntary market does not allow companies to choose whether or not to comply with the rules. This market is aimed at private companies, and the law establishes emission metrics. If companies reach a certain threshold, they are automatically subject to regulation under the following standards:

I. Companies that generate more than 10,000 tCO2 (ten thousand metric tons of CO2) must report these emissions to the SBCE, submitting a monitoring plan and detailed activity reports;

II. Companies that generate more than 25,000 tCO2 (twenty-five thousand metric tons of CO2) must offset these emissions with their own credits or by purchasing credits from third parties.

The concept of CO2 emissions is a worldwide measure used to standardize comparisons between different greenhouse gases, taking into account their global warming potential.

One of the most important points of the law is the inclusion of carbon credits as securities. In other words, the federal government recognizes carbon credits as a financial asset. This recognition could make it easier to trade these credits on the stock exchange in the future.

Another key point is that the law exempts agriculture from SBCE obligations. This means that rural properties engaged in agriculture are not required to comply with greenhouse gas emission limits and can sell all their carbon credits without offsetting their own emissions.

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Just as the Brazilian Central Bank regulates the amount of money in circulation, Law 15.042/2024 aims to establish strict control over CO2 emissions, creating a market in which large emitters must seek business partners to acquire carbon credits and offset their emissions. In addition to promoting sustainable emission control, the law encourages responsible environmental practices by enabling entities with low or zero emissions to maintain sustainability while generating financial returns through the sale of carbon credits.

It is estimated that the global demand for carbon credits could grow up to 15 times by 2030 and up to 100 times by 2050. This would turn the carbon credit market, which was valued at US$ 1 billion in 2021, into a US$ 50 billion market by 2030.

3. Next steps

While Law 15.042/2024 marks the initial steps toward developing Brazil's carbon credit market, its implementation will occur in multiple phases, as outlined in the schedule below:

Phase 1 (12 to 24 months): Creation of the administrative body and definition of metrics for the regulated sectors;

Phase 2 (12 months): Implementation of the system for monitoring, reporting and verifying emissions by companies;

Phase 3 (24 months): Companies are obliged to submit emissions reports and monitoring plans;

Phase 4: Brazilian Quota Emissions (CBEs) begin to be issued and traded on the regulated market;

Phase 5: Full implementation of the market, with the first auction of CBEs and the creation of the secondary market for trading between companies.

This timeline gives companies a two-year window to prepare for submitting reports or purchasing carbon credits to offset their emissions.

In summary, Law 15.042/2024 represents a landmark in establishing a regulated carbon market in Brazil, aligning the country with global efforts to combat climate change while promoting sustainability. With the implementation of

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the Brazilian Emissions Trading System (SBCE), Brazil is creating a favorable environment for reducing greenhouse gas emissions and generating economic value through the purchase and sale of carbon credits. Although the law is still being phased in, it sets a clear path toward a sustainable future, delivering broad environmental and economic benefits.

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New Legal Framework for Bioinputs and Implications for Brazilian Agribusiness

Despite the growing use of bioinputs in Brazil, until recently these products lacked a specific regulatory framework that reflected their specificities. Bioinputs were not treated by the Ministry of Agriculture and Livestock (MAPA) as an autonomous category and were regulated according to different regimes depending on their intended use. This changed in December 2024 with the enactment of the legal framework for bioinputs, Law No. 15,070/2024, which is expected to provide greater legal certainty to Brazilian agribusiness.

Bioinputs are products, processes, and technologies of biological origin from animals, plants, or microorganisms, used for various applications in the field, in particular for soil fertilization and pest control. Their use is not new and has increased every year, driven by the search for more sustainable agricultural practices and the desire to diversify the matrix of inputs used in crops.

Prior to the new law, bioinputs used in pest control were classified as agricultural pesticides, subject to Law No. 14,785/2023 and Decree No. 4,074/2002. Bioinputs used for soil fertilization were classified as fertilizers, according to Law No. 6,894/1980 and Decree No. 4,954/2004.

The lack of a specific regulatory framework was particularly felt in the context of bioinput production by rural producers for their own use, without commercial purposes, using structures built on their property. This model became popular with the development of the bioinput market and represents an alternative to purchasing bioinputs sold on the market. This practice has been carried out without any need for regularization, supported by an exemption provided for in Article 10-D, § 8 of Decree No. 4.074/2002, and without the need to comply with specific technical standards, attracting concerns that the lack of control would be linked to a potential compromise of the quality and safety of bioinputs produced under this model.

Aware of this reality, Law No. 15,070/2024 seeks to reconcile the need for regulation with the various interests involved, in order to ensure the harmonious coexistence of the commercial and non-commercial models of bioinput production currently practiced in Brazil. To this end, the law establishes two well-defined regulatory regimes: for bioinputs produced or imported for com-

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mercial purposes, and for bioinputs produced exclusively for self-use, whose commercialization is prohibited.

For commercial bioinputs, the law establishes a stricter regulatory regime, with a system similar to that commonly adopted for other regulated product categories. Key provisions include:

1. **Product Registration**: commercial bioinputs must be registered with MAPA, except for those intended exclusively for export, whose manufacture must be previously communicated to MAPA.
2. **Companies Registration**: biofactories, importers, exporters, and sellers of commercial bioinputs must also be registered with MAPA.
3. **Oversight Authority**: MAPA is granted the authority to oversee the production, export, and import of all commercial bioinputs.

With regard to bioinputs for self-use, the law provides for a more flexible and accessible regulatory regime that seeks to reconcile the preservation of the autonomy of rural producers with the need to ensure the quality and safety of the bioinputs thus produced. Key provisions include:

1. **Exemption from Product Registration**: self-use bioinputs are exempt from registration.
2. **Simplified Production Unit Registration**: self-use production units require only simplified registration, which may be waived by MAPA, especially for family farming units.
3. **Transport Authorization**: the law authorizes the transportation of self-use bioinputs between establishments of the same ownership (i.e., the same economic group, the same association or cooperative of producers, or the same owner) and between the industrial plant and affiliated producers (in the case of integrated production), rural consortia, agrarian condominiums, and similar entities, for storage or use.
4. **Flexibility of Use**: bioinputs produced for self-use may be intended for both individual self-use and self-use by producer associations or cooperatives, integrated production, rural consortia, agrarian condominiums, or similar entities, as long as there is no commercialization.

The concern with preserving the quality and safety of self-use bioinputs is expressed, for example, through provisions that:

1. **Good Practices**: require self-use production to follow Good Practices procedures to be established by MAPA.
2. **Technical Oversight**: indicate that MAPA will issue regulations on the need for self-use bioinput production to be accompanied by a qualified technical responsible.
3. **State Oversight**: assign the agricultural agencies of the States and the Federal District the authority to oversee the production of self-use bioinputs.

Additionally, the law establishes stricter controls on the self-use production of bioinputs that have microorganisms as active ingredient. This includes:

1. **Starting Material Delimitation**: delimitation of the starting material that can be used for their production.
2. **Record-Keeping**: obligation for rural producers to keep information on the batches produced for a period of 5 years.
3. **Sales Records**: requirement for institutions maintaining microorganism germplasm banks or producing microorganisms and selling isolates, strains, or species to rural producers to maintain sales records for a period of 5 years.

Industry plays a relevant role in the bioinput sector in terms of investments in research and technological development, as they are able to scale up processes and allow a desired diversification of the biological product portfolio.

By establishing different regimes for commercial bioinputs and self-use bioinputs, the law shows its sensitivity to the specificities of each production model and its interest in finding a solution capable of allowing the continuity of the self-use production model, by conforming it to minimum technical parameters and control burdens that attempt to guarantee the quality and safety of the bioinputs thus produced.

Nonetheless, it is still too early to draw conclusions on the effectiveness of Law No. 15,070/2024 in achieving its proposed objectives and the practical impact it will have on the sector. Although very promising, the law refers to future regulations to define critical aspects, such as the requirements and specifications for the registration of commercial bioinputs, the rules for the registration of biofactories, importers, exporters, and sellers of bioinputs, the

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rules for the simplified registration of bioinput production units, the instructions for good manufacturing practices, etc. These points will be crucial for the practical implementation of the law and for measuring its results in promoting and organizing the bioinput market.

Countdown to Brazil’s Tax Reform: How to Prepare for the Transition Period?

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The taxation of goods and services in Brazil has always been at the center of political debates, both due to the undeniable complexity of Brazilian legislation and the impact that the tax burden and fiscal obligations impose on companies’ practices.

For many years, tax reform was a recurring topic, reflecting society's desire for a simpler and more efficient system. While a step forward was made with the approval of **Constitutional Amendment (EC) No. 132/2023**, doubts remain about whether the model approved by the Federal Government will meet expectations in simplifying Brazil's consumption tax system.

EC No. 132/2023, along with the recently approved Complementary Law (LC) No. 214/2025, concentrated consumption taxation into a **dual Value Added Tax (VAT)** model by establishing the **Contribution on Goods and Services (CBS)**, under federal jurisdiction, and the **Tax on Goods and Services (IBS)**, which will be collected by an **IBS Managing Committee** with equal representation from the States, Federal District, and Municipalities. In addition to CBS and IBS, the law creates a **Selective Tax** ("Sin Tax" - IS), designed for non-revenue purposes, which will be imposed on the production, sale, or importation of goods and services deemed harmful to health or the environment.

This new legislative framework will be implemented gradually, with a transition period set to occur between 2026 and 2032. During this time, the current consumption taxes — namely, the **Tax on Industrialized Products (IPI)** and **PIS** and **COFINS** contributions at the federal level, the Tax on Circulation of Goods and Services (ICMS) at the state level, and the **Tax on Services of Any Nature (ISS)** at the municipal level — will coexist with the new system, requiring taxpayers to remain attentive and diligent throughout the entire process.

As 2026 approaches, this article aims to explore the key actions companies can take to prepare for and comply with Brazil's Tax Reform during the transition period.

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1) 2026: Beginning of the Transition

In 2026, taxpayers will continue to collect the current consumption taxes, notably ICMS, ISS, PIS, COFINS, and IPI in 2026. However, transactions involving goods and services will also be subject to a 1% test rate under the dual VAT system, with 0.9% CBS and 0.1% IBS. It is important to note that the Selective Tax (IS) will only begin to be charged starting in 2027.

The CBS and IBS test rates must be recorded on invoices and assessed in the corresponding tax ancillary obligations. Additionally, the amounts paid in 2026 for these new taxes may be offset, if they follow the preferential order set forth in Article 345 of LC 214/2025 - first against PIS/COFINS contribution debts, then other federal taxes, or, if no such debts exist, they may be reimbursed to the taxpayer.

Note, however, that CBS and IBS payments will not be mandatory next year. According to Article 348, §1º, of LC 214/2025, taxpayers who comply with their tax obligations in 2026 will be exempt from paying the new taxes throughout the respective calendar year.

The regulation makes it crucial for companies to adjust their internal systems to ensure compliance with ancillary obligations. These adjustments will not only allow effective preparation but may also help minimize the potential tax burden from the test rate on transactions carried out in 2026.

2) 2026: Invoices, Split Payment, and Tax Assessment

Companies must adapt their invoice and tax systems to include the test rate of the dual VAT (i.e., CBS and IBS), without compromising the assessment and postings of existing taxes.

For this reason, the Management Committee for Electronic Invoices issued Technical Note 2024.002 to update the invoice layout and include specific fields related to CBS, IBS, and IS taxation. These modifications encompass tax rates and adjustments in determining the Tax Authorities responsible for collecting payments, due to the new destination-based regime introduced by the Tax Reform.

The new invoice layout will be implemented throughout 2025, with a test environment available on September 1, 2025, and mandatory use beginning on October 31, 2025. This means companies will need to update their invoice

systems to meet the requirements of Technical Note 2024.002, while also integrating them with new tax obligations related to CBS, IBS, and IS assessment, which are still subject to pending legislative approval.

Furthermore, companies' systems must reflect the new tax collection system introduced by the reform, known as split payment. According to Articles 31 to 35 of LC 214/2025, electronic payment operators must segregate the IBS and CBS rates from the total transaction value at the moment of the financial settlement. The entire process will be automated through the linkage of invoice data with the payment method, ensuring that the tax amounts are immediately allocated.

The split payment method will initially be applied to transactions conducted by payment systems from financial institutions, primarily affecting the retail sector. However, the new legislation allows taxpayers to opt for the split payment procedure for the monthly assessment of IBS and CBS taxes. As the mechanism is still subject to regulation by the IBS Management Committee and the Brazilian Federal Revenue Office (RFB), it is possible that this method will become mandatory for other types of good and services supplies.

While further regulation is still pending, it is certain that split payment will bring IBS and CBS assessments closer to a cash basis regime, unlike the current taxes, which follow the accrual basis. Consequently, this new tax payment model will require the integration of invoicing and payment systems, along with necessary adjustments to companies' financial management.

Nevertheless, the transition process extends beyond adapting tax and accounting software; it also demands a thorough review of internal processes.

3) 2026: Internal Process Review

Maintaining efficiency without compromising compliance during the tax reform transition requires a comprehensive view of business operations, rather than focusing solely on tax routines.

An example is the new assessment method for consumption taxes. According to Article 42 of LC 214/2025, IBS and CBS credits and debits will be consolidated for the establishments of a same taxpayer. This centralized system differs from the current autonomy model applied to IPI, ICMS, and ISS, which could impact companies' structuring and influence decisions on opening or closing branches.

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In fact, the entire business model may be influenced by the tax reform, as consumption taxation affects the pricing of goods and services commercialized by companies. Considering that Article 12 of LC 214/2025 established that IBS and CBS are now excluded from the value of the transaction and will be collected separately, this scenario creates opportunities for cost and price renegotiation, and even for contractual review with suppliers and clients.

In this context, training and development are essential practices to address the changes brought by the Brazilian Tax Reform and should not be limited to a company's tax department. It is advisable to involve different employees, as strategic decisions must consider the broader impact of the new rules. Preparation should be a continuous effort within the business environment, particularly as many key aspects of the new tax legal system remain uncertain.

4) Brazilian Tax Reform: Next Steps

Several important aspects of the Brazilian Tax Reform are still awaiting definition, with the most significant being the standard IBS and CBS rates. A resolution from the Federal Senate will determine the taxation applicable from 2033 onwards, after the transition period. However, it is expected that the combined rates could reach 28%, positioning Brazil as the country with the highest consumption tax under the VAT model.

Additionally, 2025 is expected to see the approval of other important Tax Reform regulations. Among them is Complementary Bill (PLP) 108/2024, which establishes the IBS Management Committee, along with specific regulations for each of the new taxes, special regimes, and the maintenance of existing tax credits — a crucial matter for business organization.

All of this highlights that preparing for the Brazilian Tax Reform is a dynamic process. Companies need to adapt their operations in a planned manner while maintaining flexibility to handle potential developments. In this context, specialized legal advice is a fundamental tool to ensure a successful transition to the new consumption tax system.

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Stand März

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