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Complementary Law No. 224/25 and Cuts to Tax Incentives: Impacts on the Renewable Energy Sector

As part of Brazil's ongoing fiscal adjustment efforts, the federal government has moved to curtail tax expenditures, which have grown significantly in recent years. Complementary Law No. 224/25, enacted in early 2025, represents a key step in this direction—targeting a broad range of federal tax incentives that have supported strategic sectors of the economy, including renewable energy. The law introduces stricter criteria for federal tax benefits and mandates a gradual reduction in their economic value through mechanisms applicable to exemptions, reduced rates, calculation base reductions, presumed credits, and special tax regimes.

Article 4 provides for a 10% reduction in tax incentives meeting two cumulative requirements: (i) the incentive must be listed in the 2026 Annual Budget Law as a tax expenditure or enumerated in Article 4, §2, item II—including the presumed profit regime for Corporate Income Tax (IRPJ) and Social Contribution on Net Profits (CSLL), the Special Regime for the Chemical Industry (REIQ), and various PIS/COFINS and IPI benefits and (ii) the incentive must not fall within exceptions under Article 4, §8, such as constitutionally protected benefits (e.g., Manaus Free Trade Zone), benefits with global quantitative caps, ICT and semiconductor industry incentives, or benefits granted to taxpayers who fulfilled an onerous condition through investment in a project approved by December 31, 2025.

Implementation Techniques

The cuts follow seven techniques based on the incentive mechanism:

Mechanism	Technique
Exemption/zero rate	10% of standard rate applies
Reduced rate	90% reduced rate + 10% standard rate
Calculation base reduction	90% of the reduction applies
Tax credits (including presumed)	Limited to 90% of original value
Reduction of tax due	90% of reduction applies
Special regimes (% of gross revenue)	10% increase in percentage
Presumed calculation base	10% added to presumption percentages

Key Impacts on Renewable Energy

These measures introduce uncertainties requiring careful assessment and strategic decisions. In a capital-intensive sector with long-term contracts, such tax changes can directly influence investment attractiveness and project sustainability. Below are the three main impacts.

1. IRPJ/CSLL – Increase in Presumed Profit Percentages

Almost all wind and solar energy generation projects in Brazil operate under the presumed profit regime. Under this system, the calculation base for profit taxes is determined as a percentage of gross revenue, regardless of the actual accounting result. Previously, profit taxes amounted to 3.08% on energy sales revenue.

Complementary Law No. 224/25 included the presumed profit regime among tax incentives subject to reduction, with a specific scope: the increase applies only to legal entities with total annual gross revenue exceeding R$5 million. The applicable technique is a 10% addition to the presumption percentages, raising the effective taxation to 3.38% on energy sales—an additional 0.3% on the energy price.

Tax increases throughout the supply chain, especially among outsourced service providers operating under the presumed profit regime, may amplify the impact on the sector. This increase also affects legal structures known as Self-Production by Equivalence, widely adopted by large energy consumers requiring long-term supply guarantees, such as green hydrogen producers and data centers. The higher tax burden may impact either the profitability of energy generators or the cost of energy procurement for large consumers, depending on the contractual dynamics of each arrangement.

2. IRPJ/CSLL – Tax Incentives for North and Northeast Investments

Some large power-generation projects, especially hydroelectric plants, are structured under the actual profit regime rather than the presumed profit regime. When generation assets are located in the North or Northeast regions, companies may apply for tax incentives involving IRPJ reduction and reinvestment benefits. These incentives have been impacted by Complementary Law No. 224/25.

The Brazilian Federal Revenue Service published in its "Questions and Answers – Reduction of Tax Incentives and Benefits" (January 2026) an interpretation stating that incentives will not be impacted where "the taxpayer has already begun fulfilling the onerous condition, meaning that the investment

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project is approved and under execution." The main controversy will be how to calculate the reduction for new projects.

3. PIS/COFINS – REIDI (Special Incentive Regime for Infrastructure Development)

REIDI is a special incentive widely used for infrastructure works, including the construction of renewable energy parks, that allows the acquisition of goods and services with PIS/COFINS exemption. This incentive is covered by the cuts implemented by Complementary Law No. 224/25.

The main controversy is how to apply the reduction during the transition period, as the law protects from the tax burden increase those "benefits granted for a fixed term to taxpayers who have already fulfilled an onerous condition." The Federal Revenue Service confirmed that projects already approved and under execution are protected. However, controversies may arise for: (i) projects approved by MME by December 31, 2025 but are awaiting REIDI qualification; (ii) projects qualified by December 3, 2025 but are not yet under construction; and (iii) projects approved from January 2026 onwards.

Notably, REIDI for energy storage systems (batteries) is exempt from cuts under Article 4, §8, item VII.

Next Steps and Trends

The debate in Parliament on the effectiveness of federal tax incentives—and which should be renewed or reduced—signals a clear legislative trend for the coming years. For companies operating in Brazil's renewable energy sector, proactive measures are essential:

- Reassess project economics: Model the impact of Complementary Law No. 224/25 alongside the upcoming consumption tax reform to ensure accurate financial projections.
- Review contractual structures: Evaluate whether existing agreements adequately address tax burden changes and consider renegotiation where necessary.
- Engage stakeholders early: Communicate transparently with suppliers, clients, and investors about how increased costs will be absorbed or passed on.

The bottom line? Companies that act decisively now—revisiting their tax planning, legal structures, and commercial arrangements—will be best-positioned to navigate this new regulatory landscape and preserve the competitiveness of their investments in Brazil.

Tax Reform and the End of Tax-Driven Logistics: Operational Efficiency Returns to the Core of Business Strategy

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For a long time, logistics in Brazil was not designed to serve the business, but rather to serve the tax system.

Distribution centers were located based on ICMS tax incentives, routes were made less efficient from an operational standpoint to capture tax credits, and fragmented structures were adopted to mitigate tax accumulation. Operational efficiency often gave way to tax efficiency. For decades, this was the true driver of business decisions in distribution chains.

With its guiding principles of simplicity and neutrality, Brazil's consumption tax reform breaks with this logic. Behind the principle of "simplification" lies an effective structural reconfiguration of how companies organize their operations.

The current model, largely based on taxation at origin, created an environment of tax competition among federative entities, triggering a true fiscal war among different regions of Brazil and, over time, distorting economic and logistics decisions.

With the implementation of IBS and CBS, there is a clear shift in the decision-making axis due to a simple change: as a rule, taxation will occur at destination. This shift may appear technical, but its effects are strategic. By moving tax collection to the place where the consumer is located, the reform reduces the economic value of supplier location and the origin of transactions, weakening the role of tax incentives as a driver of logistics decisions.

In practice, this means that decision-makers will replace the question "where can we pay less tax?" with "how can we operate better for our business?".

Operating better, however, will not mean merely identifying the most efficient logistics structure from an operational standpoint. It will also require governance and tax compliance models capable of ensuring effective tax neutrality.

This is because there is a relevant misconception in the interpretation of the tax reform: that a broad non-cumulative system will automatically eliminate

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distortions. Under Brazil's new consumption tax system, neutrality is one of the core principles, but it was not designed to operate automatically.

Although the initial IBS and CBS regulations have now been published, further regulations and joint administrative acts are still expected. These developments should not alter the main direction of the reform, but they may affect specific compliance procedures, credit mechanics, operational requirements and the timing of implementation.

The new model promises neutrality, but conditional neutrality within a highly digitalized system, in which the right to CBS and IBS credits will depend on the proper formalization and execution of transactions, the consistency of the information reported and, above all, the ability to coordinate among the agents in the chain.

Broad financial credits will only materialize if there is tax compliance, supported by adequate documentation, correct tax payment at the previous stage, and data integrity regarding the parties and the transaction.

From a practical perspective, an operational error may result in the loss of credits, or a delay in their use or refund. In this system, that may translate into a direct cost increase and a potential loss of competitiveness. Therefore, while normative complexity is reduced, operational and governance complexity will increase, at least initially.

In this context, to preserve competitiveness, the reform requires structured coordination across the consumption chain and among the various areas of the company. Tax, logistics, procurement, finance and technology teams will be encouraged to stop operating in silos.

In addition, logistics will no longer be driven primarily by tax variables and will instead take center stage in companies' competitiveness strategies.

The formerly tax-driven logistics network can be redesigned to capture real efficiency. This may involve shortening supply chains geographically, eliminating unnecessary routes and even repositioning distribution centers based on genuine economic criteria, such as proximity to consumers, operating costs and service levels.

Logistics operators and service providers will no longer be mere executors. They will become relevant players in the assessment of tax efficiency across supply chains, as their performance will directly affect the generation and maintenance of credits, with a tendency to reduce companies' costs with these engagements.

At this point, it is important to assess cash flow implications. Although the cost of these engagements is expected to decrease due to the possibility of credits, the nominal rate of non-cumulative taxes is likely to be higher than the tax burden of cumulative taxes. As a result, these engagements may require greater cash disbursements.

Finally, it is worth noting that tax reform does not eliminate tax planning altogether, but changes its nature. Structures that are less efficient from an operational standpoint will lose relevance, while the analysis of the business model, qualification under specific regimes and use of remaining benefits, such as those related to the Manaus Free Trade Zone or regional incentives such as Sudam and Sudene, will gain importance as drivers of management decisions.

At the same time, the substance of transactions will be tested with even greater rigor. Operating correctly within the system will become mandatory to preserve tax neutrality and, ultimately, market competitiveness.

In an economy traditionally shaped by tax variables, there is now a cross-functional agenda focused on operational planning, requiring senior management involvement. Brazil's consumption tax reform is not merely a tax reform, but a business reform.

The adaptation agenda therefore involves projecting expected impacts on profit margins and cash flow, reviewing contracts and business models, reassessing suppliers, strengthening data governance, integrating corporate areas and, in many cases, fully revisiting the operating model.

Under this new logic, taxpayers with greater operational maturity and stronger ability to coordinate across areas will be better positioned to move ahead.

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Law N. 15,371/2026: Changes to Paternity Leave and the Creation of Paternity Pay

1. Introduction

On April 1st, 2026, Brazil enacted Law No. 15,371/2026, which gradually extends paternity leave and creates paternity pay (the "Paternity Law"). This new legislation marks significant progress in recognizing parenthood and promoting shared family responsibilities.

Previously, male employees were entitled to only five (5) consecutive days off following the birth of a child, adoption, or foster care placement[1] . This period was treated as paid leave, with the cost borne entirely by employers.

The Paternity Law provides for a gradual extension of leave and establishes a dedicated funding mechanism for paternity pay.

Below, we highlight the key provisions of the Paternity Law.

2. Entitlement and Duration of Leave

Paternity leave applies in the event of a child's birth, including cases of premature birth and the mother's death, as well as in cases of adoption and judicial custody for adoption purposes.

The extension of the leave period will occur gradually:

- As of January 1, 2027: ten (10) days;
- As of January 1, 2028: fifteen (15) days; and
- As of January 1, 2029: twenty (20) days[2]

[1] If the company participates in the Brazilian Citizen Company Program (Programa Empresa Cidadã), paternity leave may be extended by an additional fifteen (15) days beyond the five (5) days provided by law. Please note that enrollment in the program is optional for companies taxed under the actual profit regime. Companies that choose to extend paternity and maternity leave under the program are entitled to certain tax incentives.

[2] The total duration of twenty (20) days will only become effective if the target determined in accordance with the Fiscal Targets Annex of the Budget Guidelines Law, as established by the Federal Government for the second year, has been achieved. If such target is not met, the 20-day leave period will only come into effect as of the second fiscal year following the year in which compliance with the target is verified.

The leave period may be extended in specific cases: (i) for a child with a disability, the leave is increased by one-third; and (ii) if the mother or newborn is hospitalized, leave is extended by the length of the hospitalization, with the period restarting upon discharge.

Additionally, companies participating in the Brazilian Citizen Company Program (Programa Empresa Cidadã) may extend paternity leave by an additional 15 days beyond the statutory minimum, subject to applicable tax incentives.

3. Employee Obligations

To be entitled to paternity leave, the employee must notify the employer at least thirty (30) days in advance, specifying the expected leave period and providing a medical certificate with the estimated due date.

For adoption, the employee must submit a certificate from the Juvenile Court indicating the expected term of judicial custody.

After birth or adoption, the employee must provide the employer with the child's birth certificate or, if applicable, the judicial custody order.

4. Employee Guarantees

The Paternity Law provides protection for employees exercising this right.

Termination without cause is prohibited during the leave and for one (1) month after it ends. If termination occurs after the employee's notice but before the leave begins, the company must pay double compensation corresponding to the protected period.

Furthermore, the employee is entitled to take a vacation immediately after paternity leave, provided they express this intent at least thirty (30) days before the birth. This advance notice requirement is waived in cases of premature birth.

The law also prohibits any form of workplace discrimination against an employee based on their family situation or the pregnancy of their spouse or partner.

5. Paternity Pay

Paternity Law introduces paternity pay, which corresponds to the employee's full remuneration during the leave period.

Payment of paternity pay is initially the responsibility of the company. Subsequently, this amount may be offset against social security contributions owed to the National Social Security Institute, through the applicable tax and social

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security obligations. In practice, this mechanism functions as a reimbursement through deduction.

This structure ensures employees receive full pay during leave while reducing the direct financial impact on companies as leave periods increase.

6. Circumstances for Suspension, Termination, or Denial of Paternity Leave and Pay

Paternity leave and paternity pay may be suspended, terminated, or denied where there is evidence of domestic or family violence, or material neglect of a child under the father's responsibility.

Such measures may be ordered by judicial or administrative decision, initiated by the judge, the Public Prosecutor's Office, the woman in a situation of violence, or the person responsible for the child.

Additionally, during the leave period, the employee may not engage in paid work and must focus on caring for and spending time with the child.

7. Conclusion

The Paternity Law represents a significant change to the legal framework governing paternity leave in Brazil and contributes to a more balanced distribution of parental responsibilities.

This change requires companies' attention, as they must review their procedures to ensure proper leave administration and compliance with the new legislation.

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International Insolvency from a Brazilian Legal Perspective: practical aspects

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1. Introduction

In today's global economy, companies frequently operate across multiple jurisdictions through subsidiaries, assets, suppliers, and financing structures. As a result, insolvency or restructuring proceedings initiated in one country may directly affect creditors, contracts, assets, and business operations in others, including Brazil.

To address these situations, the United Nations Commission on International Trade Law (UNCITRAL) developed a framework aimed at promoting cooperation between courts, reducing conflicts between jurisdictions, and increasing predictability for creditors and investors. Brazil incorporated this framework into its Bankruptcy and Reorganization Law through the 2020 reform of Law No. 11,101/2005.

2. Practical aspects of cross-border insolvency proceedings in Brazil

From a practical perspective, Brazilian cross-border insolvency rules determine when and how foreign restructuring or bankruptcy proceedings may produce effects in Brazil. This becomes particularly relevant when international groups have assets, subsidiaries, contracts, suppliers, or creditors located in the country.

Brazilian law seeks to balance international cooperation with the authority of local courts over Brazilian assets and creditors. In practice, courts assess which country is most closely connected to the debtor's main business activities and should therefore act as the primary forum for the insolvency proceeding.

This assessment is conducted on a case-by-case basis, considering factors such as the debtor's decision-making center, the location of assets, and the jurisdiction most closely connected to its operations. Once recognized in Brazil, foreign insolvency proceedings may coexist with local proceedings through cooperation mechanisms involving Brazilian courts and foreign authorities.

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Once a foreign insolvency proceeding is recognized in Brazil, local courts may grant measures intended to preserve assets and avoid conflicting judicial decisions. Depending on the case, Brazilian courts may suspend enforcement actions, restrict the disposal of assets, or coordinate procedural measures with foreign authorities.

For Brazilian creditors, foreign insolvency proceedings may directly affect enforcement measures and recovery strategies in Brazil, including the suspension or coordination of local proceedings. At the same time, Brazilian courts generally seek to preserve local assets and business continuity, which may limit the removal of assets from the debtor even in cases involving security interests.

Even multinational groups that are not financially distressed should pay attention to Brazilian insolvency rules whenever a local subsidiary faces financial difficulties. Although Brazilian law generally preserves the separation between parent companies and subsidiaries, local insolvency proceedings may still create operational and strategic impacts across the group, particularly in cases involving integrated operations, guarantees, or shared financial structures.

3. Relevant cases

Although Brazil's cross-border insolvency framework was introduced only in 2020, Brazilian courts have already started applying the new rules in cases involving multinational groups and foreign restructuring proceedings.

One of the first relevant cases following the 2020 reform involved the Profase SE group. In that case, the Rio de Janeiro Court of Justice recognized insolvency proceedings previously initiated in Singapore and granted protective measures in Brazil, suspending local enforcement actions and protecting assets located in the country.

Another important example arose in the second judicial reorganization proceeding involving the Oi Group, filed in 2023. The case included Dutch companies belonging to the corporate group. The case reinforced the possibility of coordination between Brazilian proceedings and foreign entities within multinational groups.

Although the framework is still evolving, court decisions already demonstrate a growing willingness by Brazilian courts to cooperate with foreign insolvency proceedings involving multinational corporate groups.

4. Closing remarks

From a practical standpoint, the current Brazilian framework provides greater predictability for foreign creditors, investors, and multinational companies operating across different jurisdictions, while creating clearer mechanisms for cooperation between Brazilian courts and foreign authorities. At the same time, Brazilian law seeks to balance international cooperation with legal certainty by preserving principles such as the autonomy of legal entities and the authority of local courts over assets and proceedings located in Brazil.

In many jurisdictions, including Germany, it is common for financially distressed companies to initiate insolvency proceedings themselves. In Brazil, however, this practice is less common due to concerns regarding the potential exposure of foreign shareholders' assets, particularly in cross-border insolvency scenarios involving recognition of foreign decisions and cooperation between courts.

Our experience in cross-border insolvency matters highlights the importance of properly structured guarantees and clear corporate separation within multinational groups. In practice, contractual and personal guarantees may allow foreign creditors to negotiate payment outside restructuring proceedings, while preserving the operational independence of local subsidiaries and foreign affiliates.

As international business operations continue to expand, understanding the particularities of Brazilian insolvency law becomes increasingly important for multinational groups and foreign investors, especially in matters involving enforcement of claims, guarantees, and protection of assets located in different jurisdictions.

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ECA Digital and the Protection of Children and Adolescents in the Digital Environment

The enactment of Law No. 15,211/2025, known as the ECA Digital, represents one of the most significant regulatory developments in recent years in Brazil concerning the protection of children and adolescents in the digital environment. Regulated by Decrees No. 12,622/2025 and No. 12,880/2026, the new legislation seeks to adapt Brazil's child and adolescent protection framework to the challenges arising from the rapid digitalization of social interactions, online content consumption, and the growing participation of minors on digital platforms.

The ECA Digital applies to any information technology product or service directed at children and adolescents in Brazil, or likely to be accessed by this audience, regardless of where the platform is developed, manufactured, offered, or operated. In practice, the legislation has extraterritorial reach and directly impacts foreign companies with Brazilian users under the age of 18.

Among the main pillars of the ECA Digital are: the prohibition of certain profiling practices and targeted advertising aimed at minors; the ban on abusive mechanisms in electronic games, such as so-called "loot boxes"; and the imposition of age verification obligations, the regulation of which will fall under the authority of the Brazilian National Data Protection Authority (ANPD).

The ANPD will be responsible for regulating and overseeing compliance with the law and will have the authority to impose sanctions, including the temporary suspension of services or the prohibition of their operation. Where violations are not remedied directly by the offending party, enforcement may also occur through court-ordered blocking measures.

Although these pillars have received considerable attention from the market, another important aspect — with significant operational implications for companies, agencies, digital platforms, and advertisers — concerns the regulation of minors' participation in remunerated or commercial activities in the online environment.

Decree No. 12,880/2026 expressly establishes the requirement for judicial authorization for children and adolescents to participate in activities related to content monetization, advertising, marketing campaigns, live streaming, and other initiatives with economic purposes in the digital environment. Mere parental or guardian consent is no longer sufficient in situations that may characterize artistic, advertising, or economic work performed by minors.

This change is particularly relevant because the digital environment has made the distinction between leisure, spontaneous exposure, and economic activity increasingly blurred. Children and adolescents frequently participate in sponsored videos, monetized live streams, influencer campaigns, and promotional activities that generate direct or indirect revenue, often without parents or guardians fully realizing or intending the economic nature of such activities.

The requirement for judicial authorization for minors' work is not entirely new under Brazilian law. The Child and Adolescent Statute (ECA), in force since 1990, already required judicial authorization for the participation of children and adolescents in public performances, artistic productions, and entertainment activities.

In traditional advertising, obtaining judicial authorization for minors' participation has long been a well-established market practice. Companies, production firms, and advertising agencies have traditionally been required to submit contracts, shooting schedules, working conditions, and compensation arrangements to the Juvenile Courts for prior approval.

What the ECA Digital does, therefore, is expressly extend this regulatory framework to the digital environment, encompassing situations that had previously often escaped regulatory scrutiny: child influencers, creators of children's content on video-sharing platforms, participation in social media campaigns, and monetized digital content of any nature.

The transition to this new model brings significant operational challenges. The first is the mismatch between the pace of the digital environment and that of the Judiciary. Online campaigns are often planned and executed within very short timeframes, frequently tied to real-time trends or seasonal events.

There is also legitimate concern regarding the lack of uniformity in the criteria for granting judicial authorizations. Since each Juvenile Court will analyze cases individually, different jurisdictions may adopt different interpretations regarding what constitutes economic activity or the commercial exploitation of minors' images in the digital environment, thereby creating legal uncertainty.

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Another sensitive issue involves user-generated content that is commercially reused by brands and platforms. The reposting of videos, campaigns based on spontaneous consumer content, and the use of minors' images in digital advertising initiatives will require greater caution in validating image rights and assessing whether judicial authorization may be necessary.

In light of this scenario, companies will need to review internal workflows, marketing policies, influencer agreements, and campaign approval procedures. The adoption of due diligence mechanisms focused on minors' participation in digital content is expected to become increasingly important.

At the same time, the new regulation creates opportunities for companies seeking to position themselves as leaders in corporate responsibility and child and adolescent protection. In a global context marked by growing concerns regarding digital safety, data protection, and the mental health of children and adolescents, regulatory compliance is no longer merely a risk mitigation measure but also a reputational differentiator.

More than simply imposing new obligations, the legislation consolidates a new paradigm: the recognition that the digital environment requires specific mechanisms to protect the work, image, and dignity of children and adolescents. For the business sector, the challenge will be to strike a balance between innovation, commercial agility, and regulatory compliance.

Supplementary Law No. 227 and Its Impact on Gifts and Inheritances: What Brazilian-German Families and Businesses Need to Know

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On 14 January 2026, Brazil enacted Complementary Law No. 227/2026 (LC 227), the second piece of legislation implementing the constitutional Tax Reform. Although the Reform is best known for the introduction of the new VAT-type taxes (IBS and CBS), LC 227 also rewrites the general rules of the State tax on inheritances and gifts (ITCMD), a levy historically left to twenty-seven different State statutes. For families with assets, heirs or donors between Brazil and Germany – or other countries abroad – the changes deserve careful attention.

A central novelty concerns cross-border transmissions. The Federal Constitution required, and still requires, a federal complementary law regulating the State's competence to tax inheritances and gifts involving foreign elements, namely assets located abroad, deceased persons whose probate was conducted abroad, or non-resident donors.

In the absence of such complementary law, the Federal Supreme Court ruled, in the binding decision of Theme 825 (2021), that States could not levy ITCMD until the required complementary law was enacted. LC 227 finally fills that legislative gap. The constitutional requirement has not changed; what has changed is that the complementary law it demands now exists. Effective collection, however, still depends on each State adapting its own legislation to the new general rules, so the timing of the actual tax exposure will vary by State.

Under Article 159 of LC 227, when the deceased or the donor is domiciled abroad, the ITCMD is due to the Brazilian State (or the Federal District) where the heir or the donee is domiciled. When both parties to the transmission are domiciled abroad but the asset is located in Brazil, the ITCMD is due to the State where the asset is situated (Article 159, III).

This raises a structural concern that the Brazilian legislator did not address: the risk of double taxation. To the extent that the other jurisdiction involved in the transmission also levies a tax on inheritances or gifts, the aggregate bur-

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den on the same patrimonial event can become significant. Brazil and Germany have no treaty allocating taxing rights over inheritances and gifts. The bilateral treaty signed for income tax purposes was denounced by Brazil in 2005 and has never been replaced. However, even when in force, that treaty applied only to income taxes and would not have reached ITCMD or any equivalent foreign levy on transmissions, since wealth-transfer taxation lies outside its material scope.

A second important change is the mandatory progressivity of rates. Article 156 of LC 227 obliges all States to adopt progressive brackets based on the value of the share, legacy or gift. The federal ceiling remains at 8%, as fixed by Senate Resolution. States that historically applied flat rates will need to legislate brackets to conform. It is expected that, during this year, the States that still apply flat rates will enact new statutes introducing progressive schedules, as required by the complementary law. Under the constitutional principle of annual anteriority, those new statutes will, as a rule, only produce effects in the following year. In São Paulo, for example, no new statute has been enacted so far, and the current 4% flat rate continues to apply until the State legislature acts and the anteriority period elapses. The transition timing is therefore an open variable, with relevant implications for any anticipation of succession that is already under consideration.

A third change deserves particular attention from holding-company structures, which are widely used in Brazil for succession purposes.

Article 154 of LC 227 redefines the tax base for shares and quotas of non-listed companies. The new base must be calculated by a technically sound methodology that reflects market value and shall correspond, at a minimum, to the adjusted net equity, with assets and liabilities marked to market, plus the market value of goodwill. This is a material departure from the criterion historically applied in some States, such as São Paulo, where the tax base for non-listed quotas has been the patrimonial value, understood as the book net equity calculated from the value at which assets were contributed to the company, typically the historical cost reported in the donor's individual income tax return. The State of São Paulo had attempted to require taxation based on market value, but the São Paulo Court of Appeals has consistently rejected that position.

As with the progressivity rule, State statutes that do not yet adopt market value as the base, such as the São Paulo statute, will need to be amended to reflect LC 227, and those amendments will, as a rule, only produce effects in the year following their enactment, by virtue of the anteriority principle. There is, therefore, a window of opportunity to carry out donations of quotas under the current historical cost base before the relevant State legislation is changed. Once it changes, real-estate holdings whose properties were contributed at historical cost will see their ITCMD base rise materially, often by multiples of the previous figure. As a consequence, after the State laws are amended, the ITCMD advantage of donating quotas of real-estate holdings (with a base calculated at historical cost) as compared to donating the underlying properties directly (whose base has long been the venal value, close to market value) will be neutralized. Other tax advantages traditionally associated with holding structures remain unaffected, in particular the lower corporate income tax burden compared to taxation at the individual level, alongside their utility as governance and asset-protection tools.

For Brazilian-German families and businesses, the recommendation is concrete: existing structures involving offshore holding vehicles, anticipated cross-border gifts, or successions whose planning has been postponed should be reviewed under the LC 227 framework, ideally before the relevant State statutes are amended. What was deferred may soon become taxable; what was undervalued will be marked to market; and what crossed borders untaxed now has, in many cases, a clear destination, normally the State where the Brazilian heir or donee lives.

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The IBS Regulation: Three-Stage Credit Governance and the Technical Complexity of the Tax Transition

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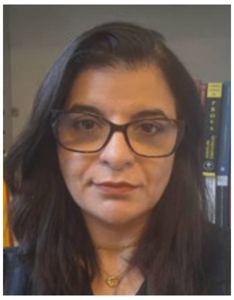

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A new regulatory environment and a complex transition

The publication of the IBS Regulation on 30 April 2026 marks the beginning of a phase in which the new system ceases to be a mere legal blueprint and starts to affect, in practice, the day-to-day operations of every taxpayer that carries out transactions involving goods, services or rights in Brazil. It also consolidates the period in which the former tax model coexists with the new IBS and CBS regime, increasing the complexity of tax calculations, multiplying sources of uncertainty and raising the risk of credit losses and tax disputes.

There will be a lengthy period of overlapping rules, in which each error in transaction classification or bookkeeping may turn into a significant liability a few years down the road. It is important to clarify the role of regulations in tax law: they do not create taxes or new rights; their purpose is to flesh out and implement what has already been set out in statute.

In the case of the IBS, this level of detail is considerable. The Regulation comprises 620 articles and annexes governing taxable events, non-cumulativity, the refund and reversal of credits, assisted assessment, split payment, ancillary obligations, taxpayer registration, electronic tax documents and a variety of specific regimes. The result is a technically dense environment—complex, risky and costly to manage for any taxpayer that does not have a structured transition plan.

The three-stage classification of credits and its central role in tax governance

The Regulation's treatment of credits is pivotal. It organizes the concept of credit into three stages: (i) credit to be taken, (ii) booked credit and (iii) used credit, defined as follows:

(i) credit to be taken corresponds to an expected right associated with an IBS debit duly documented, but not yet recorded;

(ii) booked credit is the credit that, once all legal and formal requirements have been met, enters the taxpayer's calculation and becomes available for offset or refund;

(iii) used credit is the credit effectively employed to extinguish IBS debits or that has been refunded to the taxpayer.

This classification creates clear milestones in the life cycle of each credit, now tracked both by the assisted assessment system and by the tax authorities' control tools.

In practice, this three-stage structure moves credit management out of the purely accounting sphere and places it at the heart of corporate tax and financial governance. The moment at which a credit ceases to be "to be taken" and becomes "booked" and, later, "used" has a direct impact on working capital, pricing, cash flow planning and exposure to the lapse of rights by limitation.

In this context, a credit that is not recorded in due time may simply become time-barred; a booked credit backed by weak documentation may be disallowed; and a used credit that does not comply with the rules on refund or reversal may lead to a tax assessment issued ex officio.

The Regulation's clarity regarding the credit cycle comes with an implicit requirement: internal processes, controls and systems must be able, at any time, to reconstruct the history of each credit, from the underlying transaction through to its ultimate use. This centrality of credits is closely linked to other sensitive aspects of the Regulation.

The broadened concept of "transaction" covers the supply of tangible goods, intangibles and services, including swaps, gifts, bonuses, free samples, intragroup supplies, licences and assignments of rights, hybrid contracts and transactions in which the agreed price departs from market value.

In each of these situations, the legal and tax characterisation of the transaction determines whether there is a right to credit, when the taxable event arises, which level of government is competent to tax, how the tax base is calculated and how returns, cancellations, invoice corrections or reversals due to spoilage, theft or allocation to personal use or consumption must be treated.

Another element that interacts directly with credits is the assisted assessment, built on electronic tax documents, information on the extinguishment of tax liabilities and data supplied by the taxpayers themselves.

The tax administration will periodically provide a preliminary IBS calculation, showing extinguished debits, booked credits and the respective dates of extinguishment and booking. The taxpayer no longer starts this calculation from

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a blank sheet, but instead works by making upward and downward adjustments to this assisted computation. If the taxpayer remains silent, the balance is presumed correct and the tax claim is deemed constituted.

Any mismatch between the taxpayer's internal classification of credits (to be taken, booked, used) and what appears in the assisted assessment may crystallise into an amount deemed due, subject to interest and penalties.

The introduction of split payment further heightens the need for accurate data at the origin of the transaction. The possibility that the IBS amount will be automatically segregated at the time of payment, based on parameters defined in regulation and on the information contained in the invoice, means that the tax document ceases to be merely evidence of the transaction and becomes the trigger for collection itself.

If the transaction is misclassified, or if the rate or the place of the transaction is wrongly identified, the withheld amount may be lower or higher than the amount actually due, forcing corrective actions, refunds or top-up payments that increase compliance costs and the likelihood of audits. All of this takes place in an environment in which ancillary obligations are strengthened.

The Regulation provides for a unified registration for IBS and CBS, expands the range of parties required to issue electronic tax documents and standardises layouts, digital signatures, access keys and tax events. Each transaction generates data that feed into the assisted assessment, electronic auditing and credit monitoring. In this context, seemingly minor recording errors may result in significant distortions in the booking and use of credits and, consequently, in tax assessments or economic losses.

From technical detail to strategy: how taxpayers navigate the transition

In the face of such a long and detailed Regulation, the stance adopted by taxpayers will be decisive. The IBS Regulation is not just a technical text for the tax department; it is a roadmap for transformation that cuts across registrations, contracts, systems, operating procedures and governance.

Those who treat the matter lightly are likely, over the coming years, to face credit losses, higher contingencies and repeated last-minute fixes in an environment of increasingly digital tax enforcement.

Those who appreciate the central importance of the threefold credit classification, map their value chains, review contracts, adapt their ERPs and set up ongoing monitoring routines will be far better placed to manage the transition safely, preserving credits, avoiding assessments and turning compliance with the IBS Regulation into a source of predictability and competitive advantage.

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Brazil Introduces New Electronic Ultimate Beneficial Owner (UBO) Reporting Obligation

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The Brazilian Federal Revenue Service (Receita Federal do Brasil – RFB) has introduced a significant new reporting obligation aimed at increasing transparency regarding ultimate beneficial ownership structures. Through Normative Instruction No. 2,290/2025, the RFB created the Electronic Beneficial Ownership Form (e-BEF), a centralized digital platform designed to collect, monitor and update information regarding UBOs to Brazilian entities and investments.

The new framework follows a broader international trend toward greater corporate transparency and enhanced disclosure of beneficial ownership information. In recent years, tax authorities and regulatory agencies worldwide have increased their focus on identifying the individuals who ultimately own, control or economically benefit from corporate and investment structures, particularly in cross-border arrangements.

What Has Changed?

Although Brazilian legislation already required certain entities to disclose information regarding their ultimate beneficial owners, compliance was historically linked to CNPJ registration and update procedures. Information was generally provided through supporting corporate documentation and specific administrative filings.

The e-BEF introduces a dedicated digital environment through which information concerning beneficial ownership must be reported, maintained and updated. As a result, the RFB will have a more structured and continuous mechanism for monitoring ultimate beneficial ownership information across a broad range of entities and investment structures.

Who Will Be Affected?

The new obligation is particularly relevant for foreign entities, multinational groups, investment structures and organizations that maintain investments, assets or corporate interests connected to Brazil. Depending on the type of entity and the implementation schedule established by the RFB, reporting obligations may also extend to investment funds, foreign investors in the Brazilian financial and capital markets, certain non-profit organizations and entities linked to private pension arrangements.

As implementation progresses, companies with more complex ownership structures or multiple layers of corporate ownership are expected to face greater compliance challenges, particularly when beneficial ownership information must be traced through several jurisdictions.

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Information Required

The e-BEF requires the disclosure of information relating to the individuals who ultimately own, control or benefit from the relevant structure. Depending on the circumstances, required information may include identification documents, tax information, residency details and ownership data.

Where no individual can be identified as holding, directly or indirectly, more than 25% of the ownership interest, the reporting obligation extends to individuals responsible for the management or administration of the entity. This approach reinforces the RFB's objective of ensuring that a natural person can ultimately be associated with the relevant structure whenever possible.

Implementation Timeline

The implementation of the e-BEF will occur gradually, with different categories of entities becoming subject to the reporting obligation according to the schedule established by the RFB.

The first significant compliance milestone arises at the end of 2026, when the initial reporting obligations become effective for entities already within the scope of the new framework. As a result, companies and investors should not wait until the applicable filing deadline approaches to begin gathering UBO information and supporting documentation.

Consequences of Non-Compliance

Failure to comply with the new reporting requirements may result in administrative restrictions, difficulties in maintaining tax registrations and other operational limitations before the Brazilian tax authorities. Depending on the circumstances, non-compliance may also affect the regular status of the entity's CNPJ registration.

Practical Considerations

Companies and investors should begin reviewing their ownership structures well in advance of the applicable reporting deadlines. Identifying ultimate beneficial owners, mapping ownership chains and organizing supporting

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documentation may require significant coordination among shareholders, affiliates and advisors across multiple jurisdictions.

For multinational groups and foreign investors, the introduction of the e-BEF should be viewed not only as a tax compliance requirement, but also as an important governance and risk management matter. Establishing internal procedures to maintain accurate and up-to-date beneficial ownership information will be essential to ensuring ongoing compliance with the new Brazilian reporting framework.

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