Brazil tax reform 2025

How corporate professionals are embracing practical change

Thomson Reuters Institute

Executive summary

Brazil stands on the cusp of a landmark tax reform. Passed by Brazil's National Congress in December 2023, this reform represents a pivotal shift from the country's historically complex tax landscape to a much more streamlined, modernized model. Over the coming years, with the most significant changes expected between 2026 and 2032, corporate tax professionals will be at the heart of this transformation.

Companies are moving from cautious observation to purposeful preparation.

The new system replaces a tangled web of federal, state, and local levies with a two-pronged Value-Added Tax (VAT): the Goods and Services Tax (IBS) and the Contribution on Goods and Services (CBS). Alongside these, a new excise tax (IS) was designed to reshape the taxation of products with notable health or environmental impacts, while certain goods and services will benefit from targeted tax reductions.[1] These structural changes — particularly the replacement of ISS/ICMS and PIS/COFINS[2] — emerge as some of the most influential aspects of Brazil's tax reform, representing 38% of the anticipated overall impact from all key drivers of change.

The data shows that Brazil's tax reform is accelerating from policy to reality. One of the key drivers behind this shift was the publication of Complementary Law 214 in January 2025, which provided the general regulation of the new taxes. As a result, companies are moving from cautious observation to purposeful preparation. They are not just anticipating disruption — they are actively assessing how the reform's dual VAT structure and digitalization requirements will reshape their operations. A clear divide is emerging: almost one-third (35%) of companies have moved into adaptation stage, while 63% remain in early planning stages.

According to survey respondents, business strategy and outcomes are at the forefront of organizational priorities, accounting for 59% of the expected impact. This hands-on approach demonstrates that, for corporate tax professionals, the current environment is defined by proactive engagement and commitment to operational excellence as the new system takes shape. Further, the urgency of preparation is underscored by the finding that 69% of respondents say they expect their companies to see significant effects from the tax reform within the next five years.

The structural changes introduced by Brazil's tax reform call for technical adaptation from corporate tax professionals. As organizations look beyond initial reactions, the replacement of complex, layered taxes with the IBS and CBS framework brings tangible implications for managing financial aspects and compliance workflows. Nearly 46% of the expected impact is tied to managing tax credits and incentives, including the shift to a cash basis regime and the elimination of ICMS incentives.

While talent development is acknowledged as important, it is strategically listed *after* system upgrades and tax strategy refinement in most organizations' response to the reform. In fact, when examining priority areas, talent stands as the third-ranked category in which companies anticipate increased investment, with 43% expecting talent development to rise. For tax professionals, this means the next phase will be marked by investment in knowledge, skills, and capacity-building to sustain long-term success under the new tax regime.

1 Orair, R. 2023. *The Brazilian Tax System: A Diagnostic Review and Reform Possibilities*. UNDP LAC (United Nations Development Programme Latin America and the Caribbean). Policy Documents Series No. 43; available at https://www.undp.org/latin-america/publications/brazilian-tax-system-diagnostic-review-and-reform-possibilities.

2 Service Tax (ISS), Tax on the Circulation of Goods and Services (ICMS), Program of Social Integration (PIS) and Contribution for the Financing of Social Security (COFINS).

Key takeaways

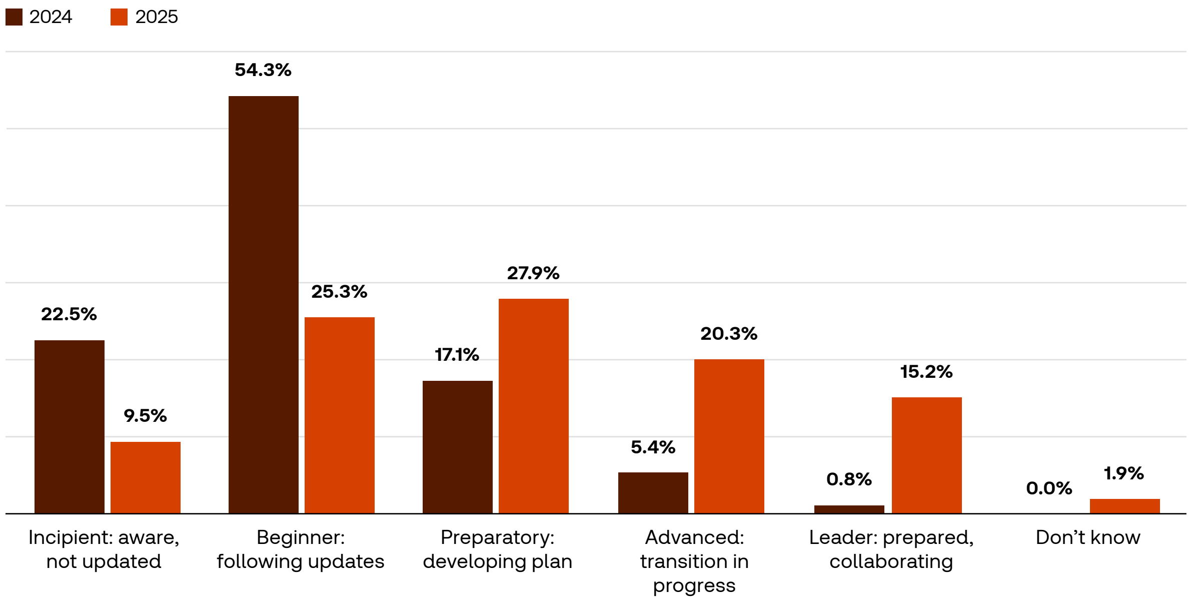
- **Business strategy and outcomes will see impact** — These two are identified as top areas of impact. Companies emphasize reconfiguring their strategic direction and workflows, highlighting a practical and operational focus as reform takes shape.
- **Technology receives top priority among preparations** — When examining readiness areas, technology stands out as the leading focus for companies responding to the reform. Most organizations are either beginning to plan, actively adapting, or ramping up their technological responses — making system upgrades the most prevalent preparatory activity among respondents.
- **Proactive versus reactive readiness is evident** — While some companies have already moved from planning to actively implementing changes, the majority are still in the initial stages of preparation. Organizations that dedicate resources and collaborate with external partners are better positioned to navigate the transition smoothly.
- **Talent follows strategy and technology** — While talent development remains important, it is currently secondary to immediate needs in technology and tax strategy. Companies have the expectation that workforce development will follow as new tools and frameworks are established.
- **Immediate impact and near-term action** — The need for preparation is urgent, with most respondents saying their companies are expecting significant effects from the tax reform within the next five years. Organizations must prioritize readiness to effectively navigate the imminent changes.

Methodology

To better understand the corporate tax landscape in Brazil ahead of the upcoming reform, we surveyed 158 professionals working in corporate tax departments. The survey explored their awareness, expectations, and preparedness for the changes on the horizon. Data collection took place via an online survey conducted between July and August 2025. To broaden participation, we also made the survey accessible through an open link on the Thomson Reuters website.

Tax reform readiness: A clear divide

FIGURE 1:
Corporate readiness



Source: Thomson Reuters 2025

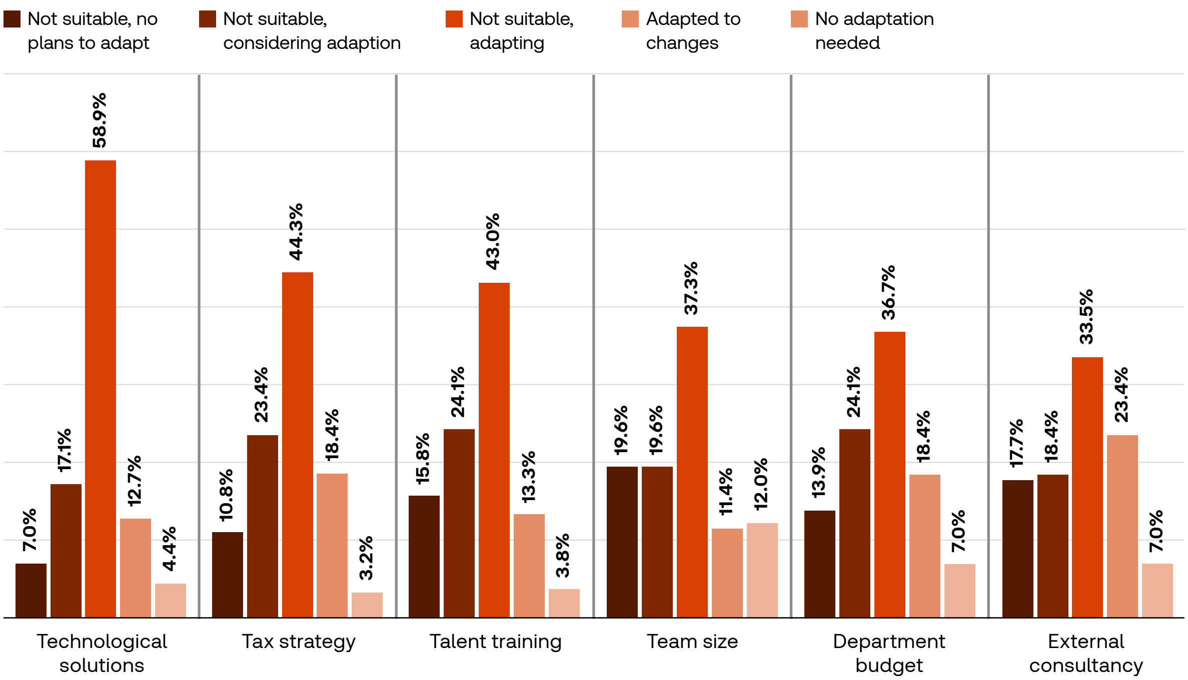
Over the past year, companies have increasingly recognized the urgency of preparing for tax reform, but their responses have varied — many remain in a state of cautious observation, while others have started to take early steps toward readiness. Right now, about 63% of respondents say their companies are in the early stages, with most of this group still laying the groundwork or keeping watchful eyes on developments and a smaller proportion actively planning for what is to come. In contrast, 35% of respondents say their companies have advanced and are now committing resources to transition initiatives.

Drilling down into key areas — technology, tax strategy, talent training, team size, department budgets, and external consultancy — most companies are either just starting to plan, actively adapting, or ramping up their response to the coming changes, respondents say. Many companies are focusing on technological solutions, making this their top priority. In addition, they are investing significant effort in tax strategy planning and talent training, demonstrating an understanding that successful change requires both strategic financial planning and the development of skilled personnel.

From 2024 to 2025, corporate leaders are likely to shift from rhetoric to execution — but at very different speeds. Those who anchor reform in strategy, outcomes, and technology will transform an obligation into a competitive advantage. Those who wait for *total certainty* may pay for that decision in hits to their organizations' margin and cash flow, as well as the possibility of litigation.

FIGURE 2:

Corporate readiness per area



Source: Thomson Reuters 2025

Preparing for the period of greatest tax reform impact

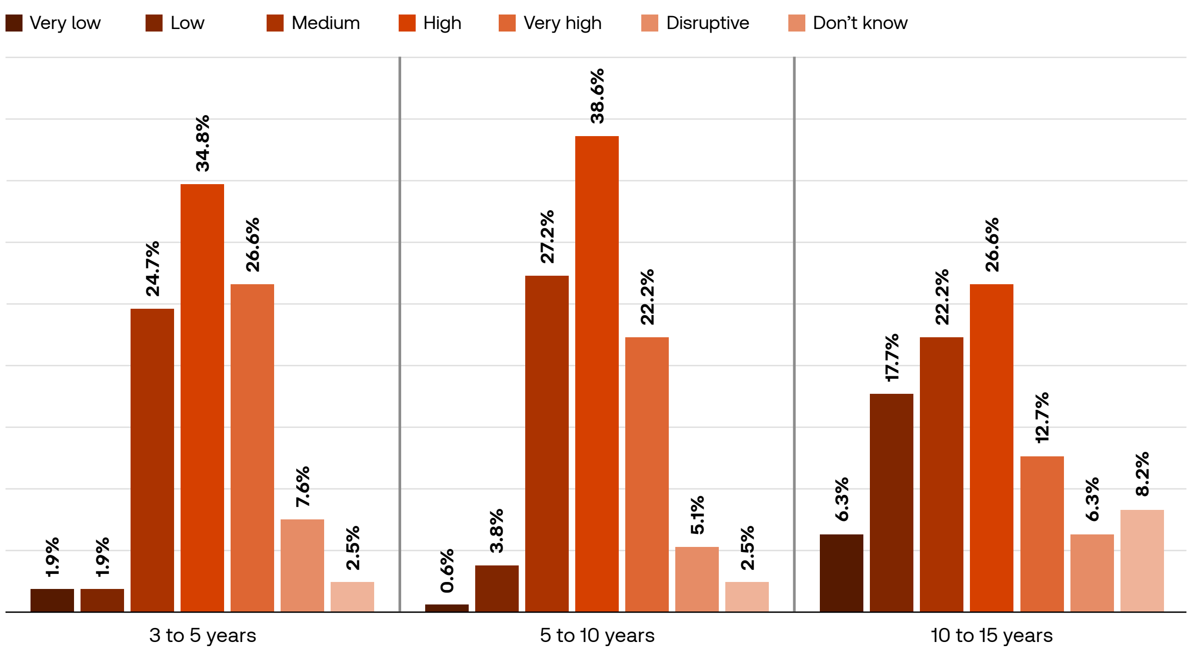
Last year, 69% of respondents surveyed said they anticipated high to disruptive levels of impact in their organizations from the tax reform, with an additional 26% saying they were expecting medium-level disruption a clear indication that expectations of significant change were widespread, even though the survey did not focus on specific time periods. In contrast, the current year's findings offer a more layered perspective: respondents now project the greatest impact on their companies within the next 10 years, followed by a gradual moderation as time progresses.

Almost 69% of respondents say their businesses are bracing for significant effects over the next five years, and an additional 28% say they anticipate impacts ranging from very low to moderate. As the focus shifts to the medium term, from five to 10 years, respondents show similar intensity. About two-thirds (66%) predict a meaningful effect, while those seeing a less substantial impact grows to 32%. This evolution suggests some companies expect the initial shock to moderate but remain significant.

Looking beyond the next decade, expectations shift. Almost an equal share of respondents now foresees either a significant or a low to moderate impact from the reform. This could indicate companies expect to have largely adapted to the new tax environment by this point.

FIGURE 3:

Ranked expected impact over different time horizons



Source: Thomson Reuters 2025

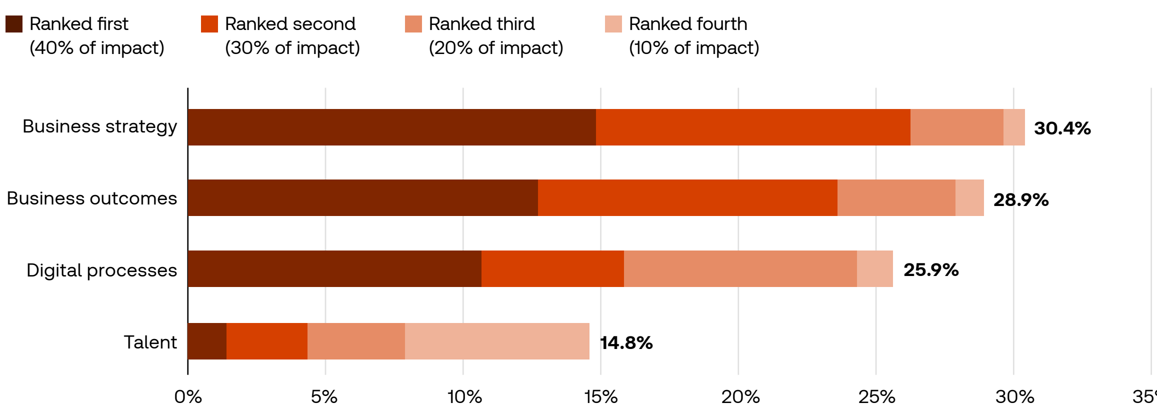
Planning and execution: Keys to successful adaptation

Not surprisingly, many companies are focused on both planning and delivering tangible outcomes, according to the survey. In fact, business strategy and overall results stand out as the two areas expected to bear the greatest impact,[3] together accounting for 59% of the total. This near-even split signals a sophisticated understanding across the corporate landscape, in that organizational leaders understand that successful adaptation requires both planning and execution.

The digital processes area was ranked third in terms of impact, underscoring that technological transformation is not just a supporting element but a central focus of the coming changes. Meanwhile, the impact on talent grows when ranked lower in priority, suggesting that talent gains prominence after other implementation challenges are addressed.

FIGURE 4:

Ranked key area affected



Source: Thomson Reuters 2025

3 A weighted scoring to measure impact was used, breaking down each category's contribution by priority level (ranked first - 40%, ranked second - 30%, ranked third - 20%, and ranked fourth - 10%). The scores are then summed to show the total impact per category and priority.

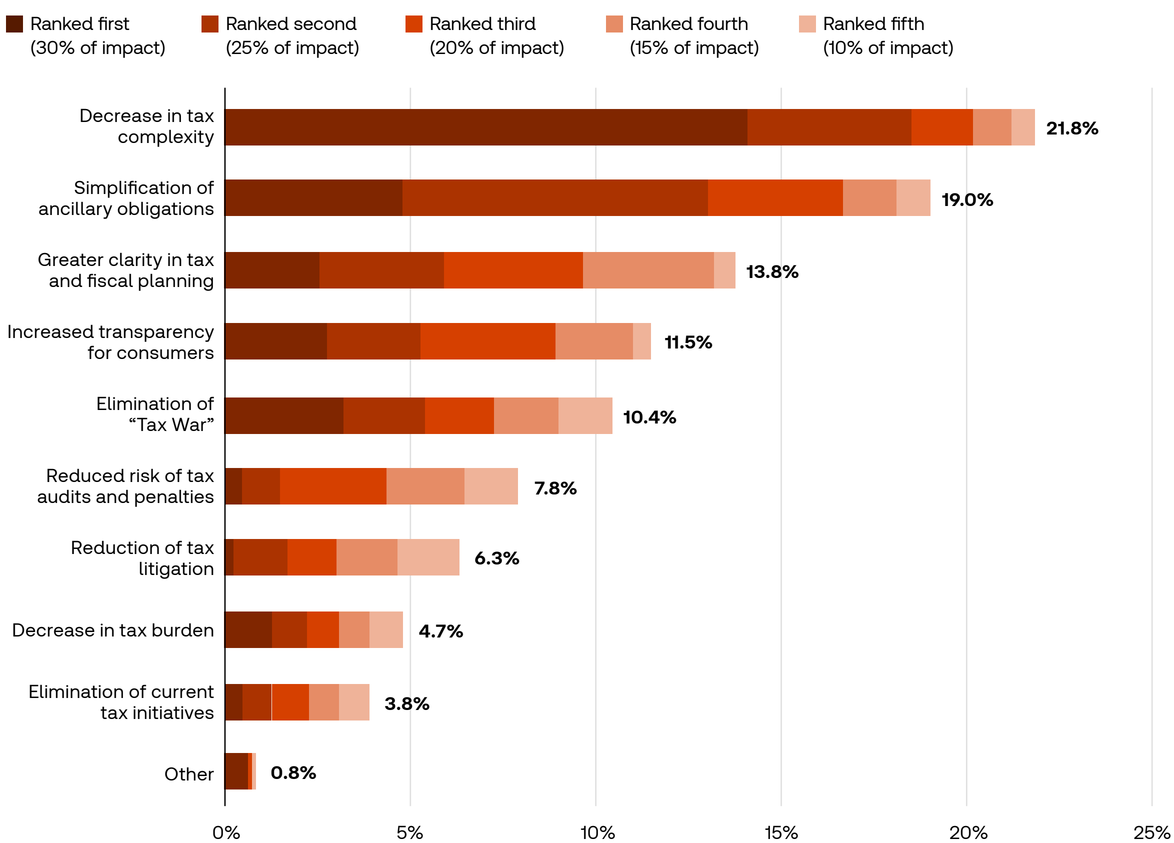
Anticipated advantage: Achieving clarity and efficiency

A year ago, there was no strong consensus on which benefit stood out above the rest. The top-rated benefit — simplification of ancillary obligations — accounted for just 13% of the expected positive impact,[4] while the lowest, categorized as *other*, represented 9%.

The current year's expectations are more sharply focused, with 41% of the expected impact coming from decreasing tax complexity and simplifying ancillary obligations. Meanwhile, greater clarity in tax and fiscal planning is among the top three priorities, reinforcing the theme that businesses want predictable, understandable tax environments in which they can confidently make strategic decisions.

FIGURE 5:

Ranked expected benefits



Source: Thomson Reuters 2025

4 A weighted scoring impact was used, breaking down each category's contribution by priority level (ranked first - 30%, ranked second - 25%, ranked third - 20%, ranked fourth - 15%, and ranked fifth - 10%). The scores are then summed to show the total impact per category and priority.

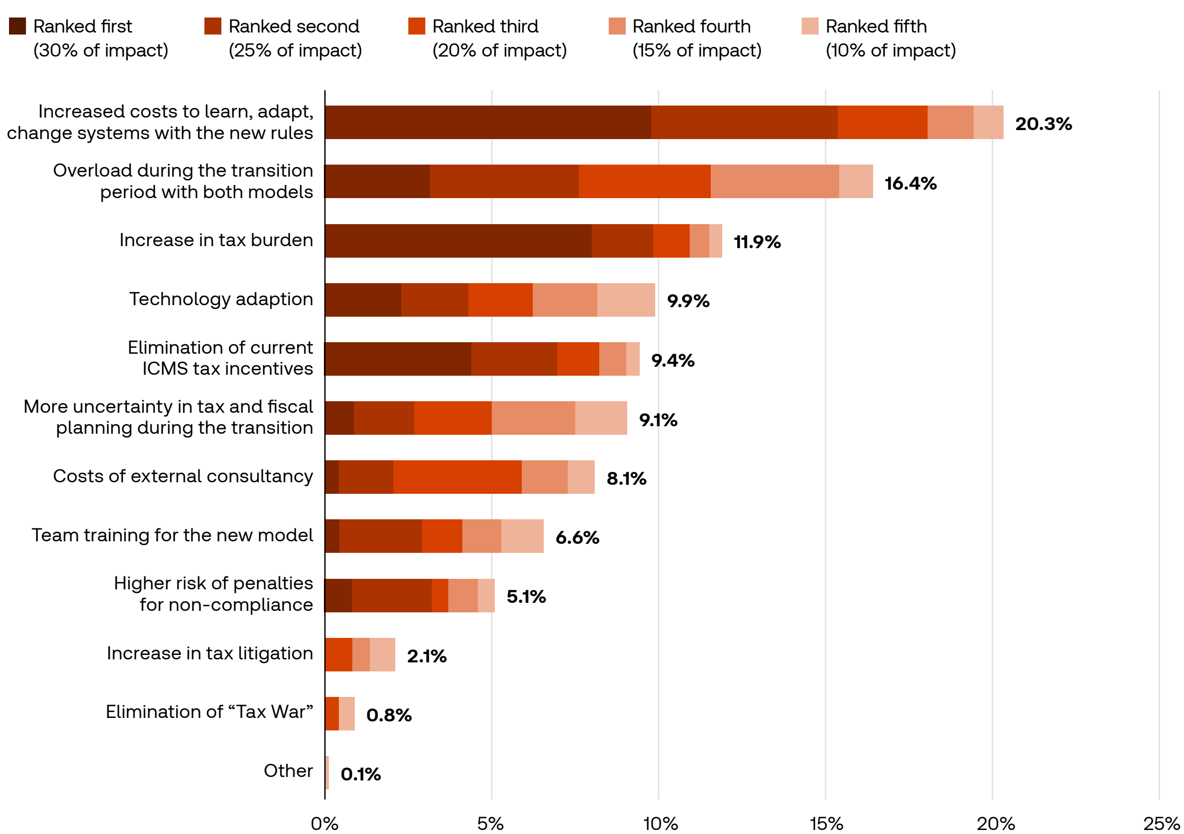
Anticipated challenge:
Adaptation costs and system changes

Beyond anticipated benefits, Brazil's forthcoming tax reform presents major hurdles for businesses and their in-house tax functions, with adaptation costs and overload during the transition emerging as the leading concerns — representing more than one-third of all expected negative impact.[5] The costs, especially those associated with learning, system upgrades, and process overhaul, stand out as significant challenges. In contrast, talent is perceived as one of the least affected areas, suggesting that with robust systems and well-defined strategies, employees are expected to gradually acquire the necessary skills through targeted training and experience.

The increase in tax burden is also among the top three concerns, stemming partly from the elimination of current ICMS tax incentives. It logically follows that the decrease in tax burden was cited as one of the minor challenges — companies do not anticipate substantial relief, and many are bracing for the possibility of higher costs.

Unsurprisingly, technology adaptation emerges as a consistent challenge. All companies must invest in new software, upgrade existing systems, and ensure their technological infrastructure can handle reformed tax requirements.

FIGURE 6:
Ranked concerns



Source: Thomson Reuters 2025

5 A weighted scoring impact was used, breaking down each category's contribution by priority level (ranked first - 30%, ranked second - 25%, ranked third - 20%, ranked fourth - 15%, and ranked fifth - 10%). The scores are then summed to show the total impact per category and priority.

Major disruptions:
New taxes, credits & incentives

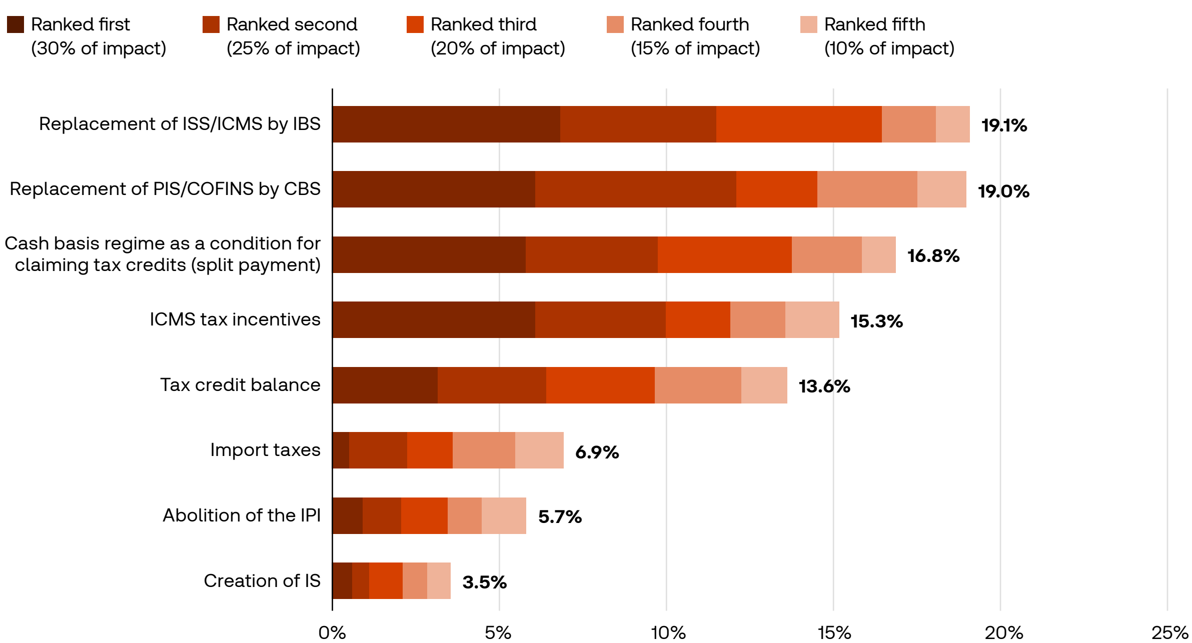
The replacement of ISS/ICMS by IBS and PIS/COFINS by CBS together represent the most significant disruptions expected by the reform, accounting for 38% of the anticipated overall impact from all key drivers of change.[6] Companies across Brazil are now facing a new reality in which technological adaptation and compliance with evolving electronic tax document requirements have become critical. The introduction of new tags and fields for IBS, CBS, and IS taxes, along with events like credit and debit notes, has prompted the tax community to weigh the necessity of these changes against the challenges of implementation. When asked about this in an independent question, 66% of respondents say they consider these adjustments notable yet difficult.

Another significant dimension of the reform revolves around the management of tax credits and incentives. The introduction of the cash basis regime for tax credit claims, the restructuring of ICMS tax incentives, and the challenges of tax credit balance management together make up nearly half of the total impact. Corporate tax professionals expect these changes to lead businesses to reassess how they manage working capital and credit.

As the reform eliminates ICMS tax incentives, companies are already adapting their strategies. By 2033, any outstanding ICMS credits must be offset over 20 years. When asked in a separate survey question about how organizations plan to reduce or eliminate this credit, 52% report they will rely on careful tax planning as both a safeguard and a roadmap amid new regulatory demands. Meanwhile, 30% say they are unlocking immediate value through reimbursement or credit transfers. These findings highlight how Brazilian companies are preparing for regulatory changes well in advance.

FIGURE 7:

Ranked key drivers



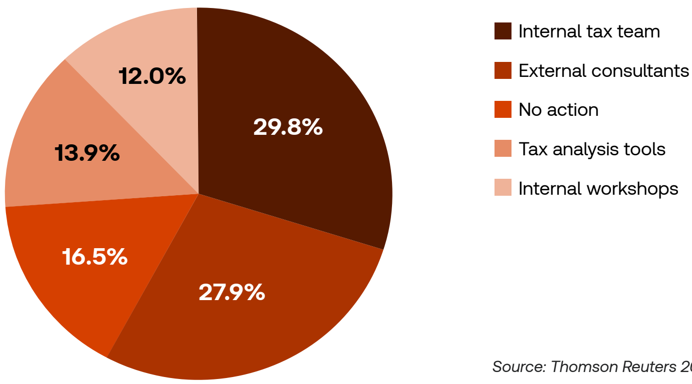
Source: Thomson Reuters 2025

6 A weighted scoring impact was used, breaking down each category's contribution by priority level (ranked first - 30%, ranked second - 25%, ranked third - 20%, ranked fourth - 15%, and ranked fifth - 10%). The scores are then summed to show the total impact per category and priority.

Pricing strategies:
Internal vs external expertise

FIGURE 8:

Primary actions for assessing pricing impact



Source: Thomson Reuters 2025

Companies are taking action to understand how tax reform will affect their pricing strategies, with almost 3 in 10 respondents saying their company is forming dedicated internal teams to analyze and adapt to these changes. Companies also are bringing in external expertise by hiring specialized tax reform consultants, respondents say.

However, the data reveals a concerning gap in preparedness. About one-sixth of respondents report that their companies are taking no action to assess pricing impacts from tax reform. Meanwhile, the remaining companies are pursuing more targeted strategies: using sophisticated tax analysis tools to model potential impacts or focusing on internal education through workshops and training programs.

In this context, tax reform is treated as a strategic priority, with 84% of respondents saying their organizations are actively working to understand and prepare for pricing implications through various internal and external resources.

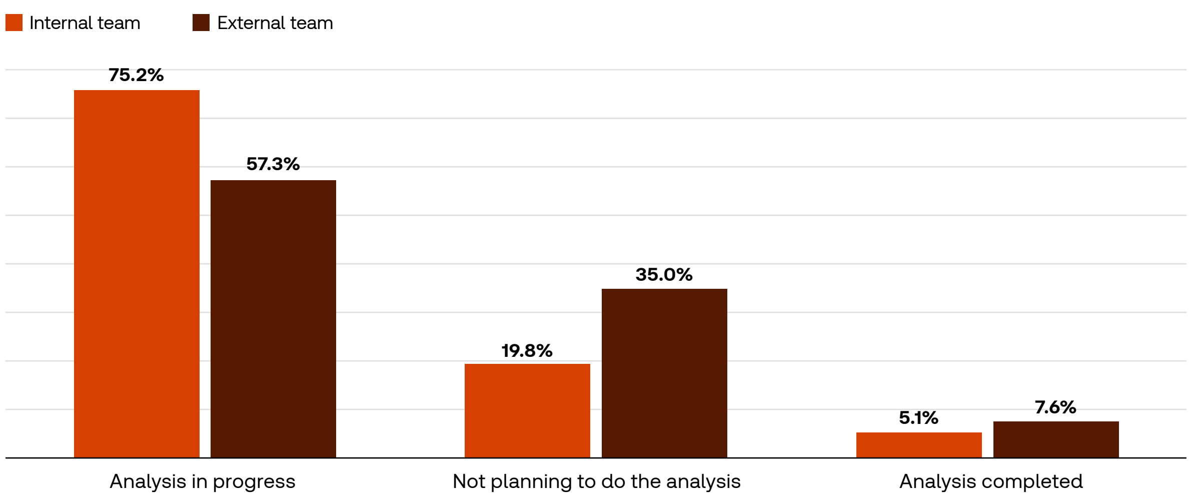
Assessing contract impacts: Preference for internal teams

Most companies also are rigorously analyzing how tax reforms will affect their contract strategies, relying both on internal teams and external consultants, the survey shows. Internally, nearly three-fourths are still amid their evaluations, and only a small percentage have finished highlighting the complexity and importance of this process. However, some organizations opt out of internal reviews, either preferring external expertise or seeing little impact on their contracts.

Externally, more than half of respondents say their companies have engaged consultants to guide their contract analysis under new regulatory demands, with just a few having completed this work. The significant proportion of companies still in progress shows that businesses are taking a careful and strategic approach to tax reform, balancing resources and expertise to ensure thorough preparation. Indeed, companies are no longer relying solely on isolated efforts; instead, they are strategically combining the expertise of robust internal teams with the specialized insights of external consultants.

FIGURE 9:

Actions on contract impacts with suppliers, customers, and partners



Source: Thomson Reuters 2025

Strategic shifts in investment by function

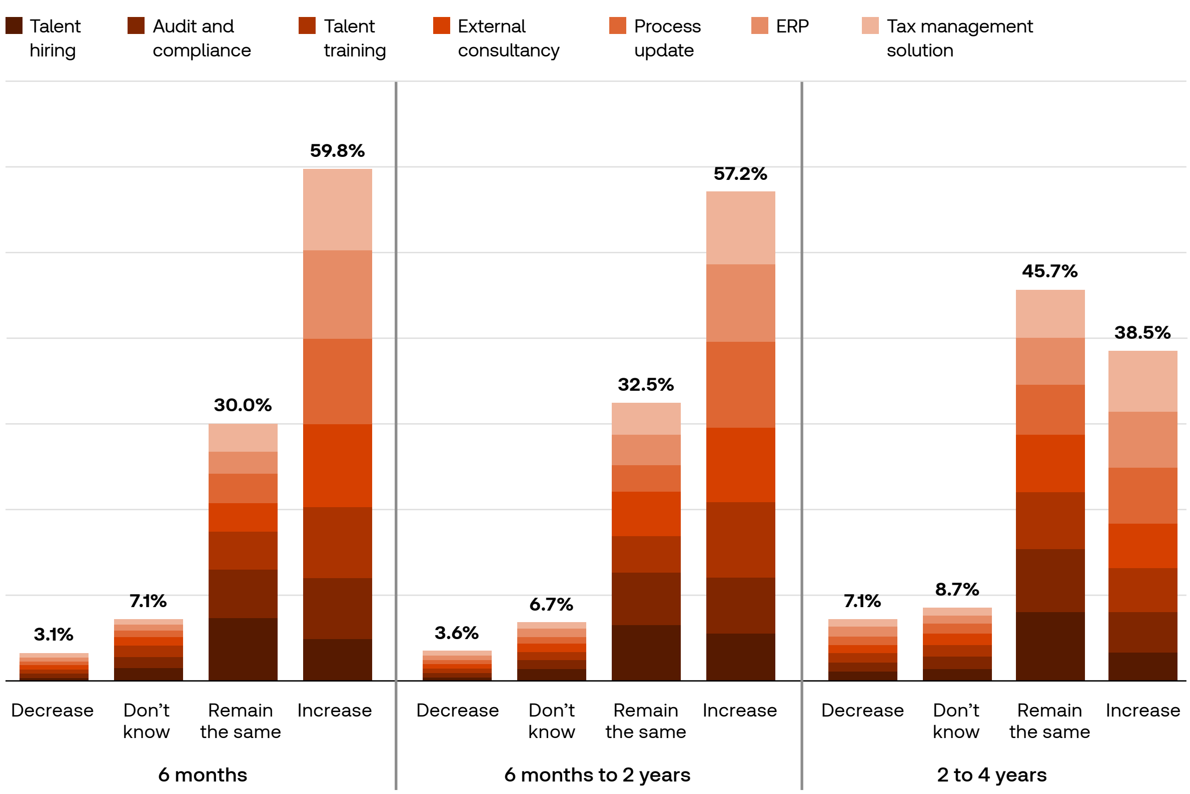
Finally, the survey shows that organizations are making strategic shifts in their investment priorities across different time horizons, revealing clear patterns in how businesses approach growth and operational efficiency. Over the next six months, the plan is to prioritize investments in refining core processes and upgrading Enterprise Resource Planning (ERP) systems, alongside modern tax management solutions. These immediate efforts are closely followed by a continued commitment to specialized expertise, with external consultants brought in to steer critical projects, and targeted training aimed at upskilling the existing workforce.

As the planning horizon extends to two years, the focus shifts from rapid modernization to building resilience within the organization. A slightly larger portion of respondents say their companies anticipate steady investment, emphasizing ongoing process improvements and sophisticated compliance tools. Notably, training their own teams begins to take precedence over hiring externally, signaling a pivot toward nurturing internal talent and reducing reliance on outside consultants.

Looking further ahead — two to four years out — organizations anticipate a period of consolidation, the survey shows. Selective increases are reserved for foundational business platforms, especially those supporting compliance and operational durability; and investments in workforce capability evolve as well, with a clear preference for developing existing staff through advanced training, while hiring remains measured and strategic.

FIGURE 10:

Changes in investment areas over different time horizons



Source: Thomson Reuters 2025

Conclusion

Organizations and their tax functions are increasingly prioritizing immediate, practical solutions in response to changing business conditions and new tax regulations — even as their approaches vary. This divergence creates a new risk frontier: early adopters are already integrating pricing models, credit strategies, and IT transitions into their operating frameworks, while those moving more slowly may face disruption, costly rework, and even litigation as key deadlines approach.

At the heart of these changes lies the challenge of adaptation costs and operational hurdles. To meet the requirements, companies have accelerated their adoption of advanced tax management systems to meet evolving requirements, which in turn are motivated by the introduction of new models and structural changes to existing tax documents to integrate IBS, CBS, and IS taxes, along with the planned abolition of ICMS by 2033.

As a result, urgent compliance and operational needs often take precedence over longer-term initiatives like talent development, which only become focal after initial transitions. Talent emerges as a practical bottleneck during implementation, and this reality has shifted business focus toward actionable steps, such as updating systems and adjusting business models.

Firms that prioritize scalable infrastructure and adaptable systems lay the groundwork for smoother transitions — not only in response to tax reform but also to unforeseen challenges down the road.

Beyond the immediate adaptation to regulatory change, another compelling conclusion emerges: companies that embrace continuous learning and flexible resource allocation are positioning themselves to thrive amid future disruptions. By deliberately combining external expertise for short-term impact and cultivating in-house talent for sustained excellence, organizations are forging resilient cultures equipped to navigate uncertainty.

Additionally, the shifting investment landscape underscores the importance of technological agility. Firms that prioritize scalable infrastructure and adaptable systems lay the groundwork for smoother transitions — not only in response to tax reform but also to unforeseen challenges down the road. This proactive stance allows businesses to turn regulatory hurdles into opportunities for innovation, efficiency, and competitive advantage.

Finally, collaboration — internally and externally — is a key driver of success. The strategic integration of consulting partners with empowered internal teams leads to richer analysis, faster solutions, and a more robust approach to problem-solving. As companies shift from reactive measures to strategic foresight, those who foster open dialogue and multi-disciplinary cooperation are poised to set new standards of organizational maturity and leadership in their industries.

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