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Taxalert

PEC 45/2019 Approved:
Promulgation of the Tax
Reform Expected to Occur
Next Week

December/2023

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After a year of extensive debates around the approval of a broad reform of taxation on consumption in the country, the PEC 45 has been approved once again by the Chamber of Deputies, following amendments made by the Federal Senate.

This re-approval comes with the partial alteration and removal of some provisions that were included in the text approved on the 8th of November this year. However, according to Deputy Aguinaldo Ribeiro (PP-PB), the project's rapporteur in the Chamber of Deputies, these modifications were mutually agreed upon with the Federal Senate in order to bring the legislative process to a conclusion.

Main changes in relation to the text approved by the Federal Senate:

► Specific Regimes

The scenarios for classification for air transport, sanitation, and highway concessions, operations of telecom infrastructure sharing, goods and services of circular economy, generation and mini-generation of electric energy have been removed.

► Fuels and lubricants:

The definition of rates is now determined by law and no longer by a resolution of the Federal Senate. A prohibition to the benefits of the ZFM has been included.

► ZFM and CIDE

The use of CIDE for maintaining the competitiveness of the ZFM has been suppressed, leaving the IPI already in the transition period.

► **Differentiated / Benefitted Regimes**

The possibility of rate reduction for the so-called extended basic basket, purchase of medicines and medical devices by a social assistance entity has been eliminated, and the general hypothesis of benefit for these items remained.

► **Other changes**

Also removed were provisions dealing with: the IBS Management Committee, specifically in relation to the election of its president; the hypothesis of awarding entities that show an increase in tax efficiency during the federative transition; and the obligation to present/publish technical studies for the modification of tax rules.

Next Steps and Expectations for the Upcoming Week

Based on the statements from the rapporteur in the Chamber, Deputy Aguinaldo Ribeiro (PP-PB), the text approved in the second round is the result of an agreement with the Federal Senate, with its promulgation expected next week.

Furthermore, expectations for simplification are high, given the complexity and high cost of our current tax system. However, it's important to highlight that the text heading for promulgation contains controversial points and, therefore, deserves the attention of companies and taxpayers, especially considering that a large part of the provisions of PEC 45/2019 will need to be regulated by a Complementary Law to be drafted and discussed throughout the next year (2024).

Follow our comparative table between the current system, the expected IVA model, and the main gaps contained in the final text of the Tax Reform: **Click here.**



Brazilian Tax Reform

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