Brazilian Tax Reform Highlights: Health Sector

Overview & Future Perspectives

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Health Sector
Considerations and potential impacts of EC 132/23

Overview of current taxation:

Medicines
(Human and Animal Health)

- PIS and COFINS tax exemption for "Positive List";
- Reduced ICMS for some products/situations;
- IPI zero rate.

Medical Equipment

- PIS and COFINS tax exemption for some items;
- Reduced ICMS for some products or operations;
- IPI zero rate.

Health Services

- ISS, PIS e COFINS;
- Taxpayers adhering to SIMPLES.

Particularities among taxpayers in this segment:

- Lists and categories of medicines with different tax rates and regimes;
- Tax residues especially in hospitals;
- Various ISS rates;
- Monophasic and tax substitution;
- Credit accumulation;
- Tax benefits by agreement terms with states;
- Possibility of exemptions, reductions or other tax exemptions in contracts with Public Administration;
- Different tax treatments depending on the fiscal classification (NCM)

Points of Attention: New Taxation Model

Incident Taxes: ✔ **IBS** ✔ **CBS** ✖ **IS**

- ✓ 60% or 100% rate reduction: health services, medicines and medical-hospital equipment
- ✓ Specific scheme for health plans

- **The reduction of IBS and CBS rates by 60% or 100%** will be defined by LC, applicable to health services, medical devices and accessibility for people with disabilities, medicines, and products for menstrual health care;
- The incidence matrix rule for the specific taxation regime for **Health Assistance Plans** will also be defined by LC;
- There is no clear definition in the constitutional text regarding **the maintenance of credits in operations with reduced rates;**
- Possible **impact on cash flow** related to the reimbursement deadline for **credits** eventually **accumulated in benefited operations;**
- **Increase in cost for SIMPLES optants,** however, there is the option for non-cumulativity of IBS/CBS;
- **Impact of changes in the CMED table,** which is responsible for ensuring the transfer of tax variations in the price of medicines;
- Need to **reassess margins practiced in the distribution of medicines** due to the reduction and/or extinction of tax benefits of the current taxation system;
- Potential **effects on the taking of credits** on drug inputs that are not effectively acquired (ex. Industrialization by third parties).

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