



# Brazilian Tax Reform Highlights: AM&M

Overview & **Future** Perspectives



## Considerations and potential impacts of EC 132/23

### Overview of current taxation:

#### Autoparts

- Taxation of ICMS, ICMS-ST, IPI, and PIS and COFINS, both cumulative and non-cumulative (multiplicity of possible situations);
- High volume of benefits for inputs;
- IPI suspended on sales to assembly plants;
- Benefited taxation on auto parts resale.

- IPI and PIS/COFINS - Benefit for economy cars;
- Lease contracts without ISS incidence.

#### Dealerships

#### Automakers

- Taxation of ICMS, ICMS-ST, IPI, and PIS and COFINS, both cumulative and non-cumulative (many possible situations);
- Benefits for importation of products and inputs;

- Tax burden is mainly on the automakers and auto parts manufacturers;
- Non-incidence of IPI;
- Benefit on the acquisition of semi-new vehicles;
- Vehicle lease contracts without ISS.

### Particularities among taxpayers in this segment:

- Segment highly dependent on tax benefits (Federal and State);
- The location of production plants is more tied to tax benefits than to the logistic chain, supplies, and distribution;
- High volume of credit balances of indirect taxes;
- Diverse taxation for manufactured products, depending on engine capacity;
- Tax benefits on sales to fleet owners, public entities, PCDs, etc;
- Recent benefit granted on sale of economy cars;
- Draft law under discussion about exemption of IPI and IOF - motorcycles.



### Points of Attention: New Taxation Model

Taxes applicable: ✓ IBS ✓ CBS ? IS

- ✓ Preservation of the ZFM (Manaus Free Trade Zone)
- ✓ Continuation of the presumed credit benefit (Law 9440/97 and 9826/99) only for projects with electric motors or that utilize biofuels (including flex fuel).



- Tax benefits will no longer dictate the rules for the establishment of operations, the supply chain should guide the allocation of production plants;
- The approval of credit balances for the transition period should be regulated by a supplementary law;
- Tax benefits applicable to the sale, resale of new vehicles and acquisition and resale of semi-new vehicles by dealerships are expected to be phased out;
- Reduction of credits and increase in cost for those that opted for the SIMPLES National, although there is an option for the standard scheme;
- Potential increase in the tax burden for the entire chain;
- Joint impact of the adoption of OECD rules for transfer pricing purposes, in conjunction with Tax Reform, on customs clearance;
- End of benefits applicable to imports and presumed credits, causing impacts also for IRPJ and CSLL;
- Regionalization and segregation of production tends to be reduced.

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