

Strengthening fiscal revenues to finance sustainable development

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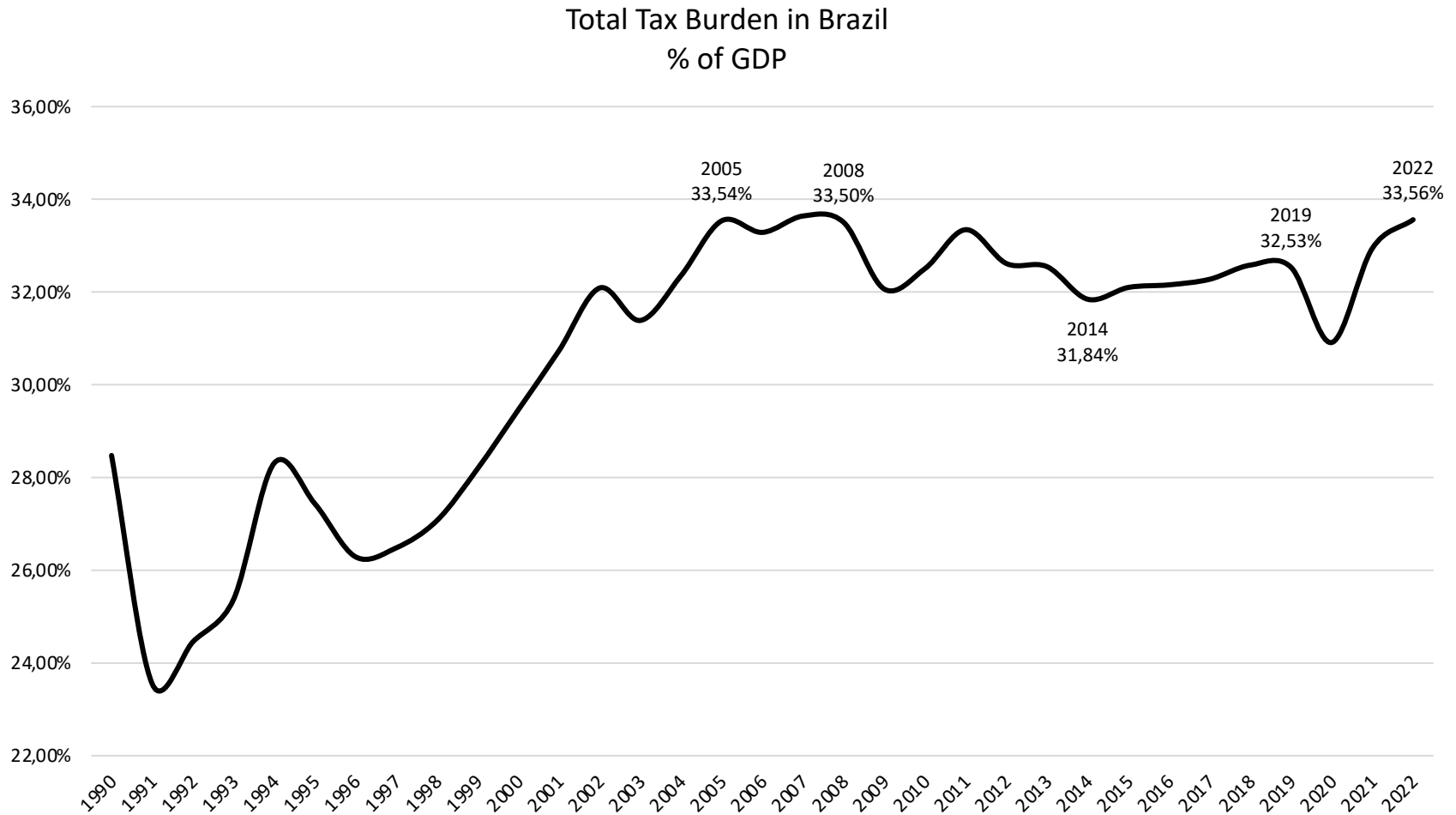


NAÇÕES UNIDAS

CEPAL

- Brazilian tax structure and need for reform.
 - Level and composition of tax burden in Brazil
 - The reason we need tax reform.
 - The outline of the Brazilian tax reform on consumption (Constitutional Amendment n° 132, 2023).
 - General structure of tax reform
 - Sustainability aspects (excise tax)
 - The social issue (*cashback* and tax expenditure for basic foods basket)
 - Conclusions and next steps
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- After the process of increasing the tax burden in the post-real plan period, there was a period of relative stability



- International comparison highlights discrepancies in terms of:
 - Level: compared to the average of other countries in Latin America and Caribbean
 - Composition: compared to the average of OECD member countries.

	Carga Tributária (Receita Tributária em % do PIB)					
	Total	Consumo	Renda	Salários	Seguridade Social	Demais bases
OECD	34.2	10.7	12.0	0.5	9.0	2.0
Latin America and Caribbean	21.7	10.8	5.7	0.2	3.7	1.2
Brazil	33.5	15.0	8.0	0.5	8.0	1.9

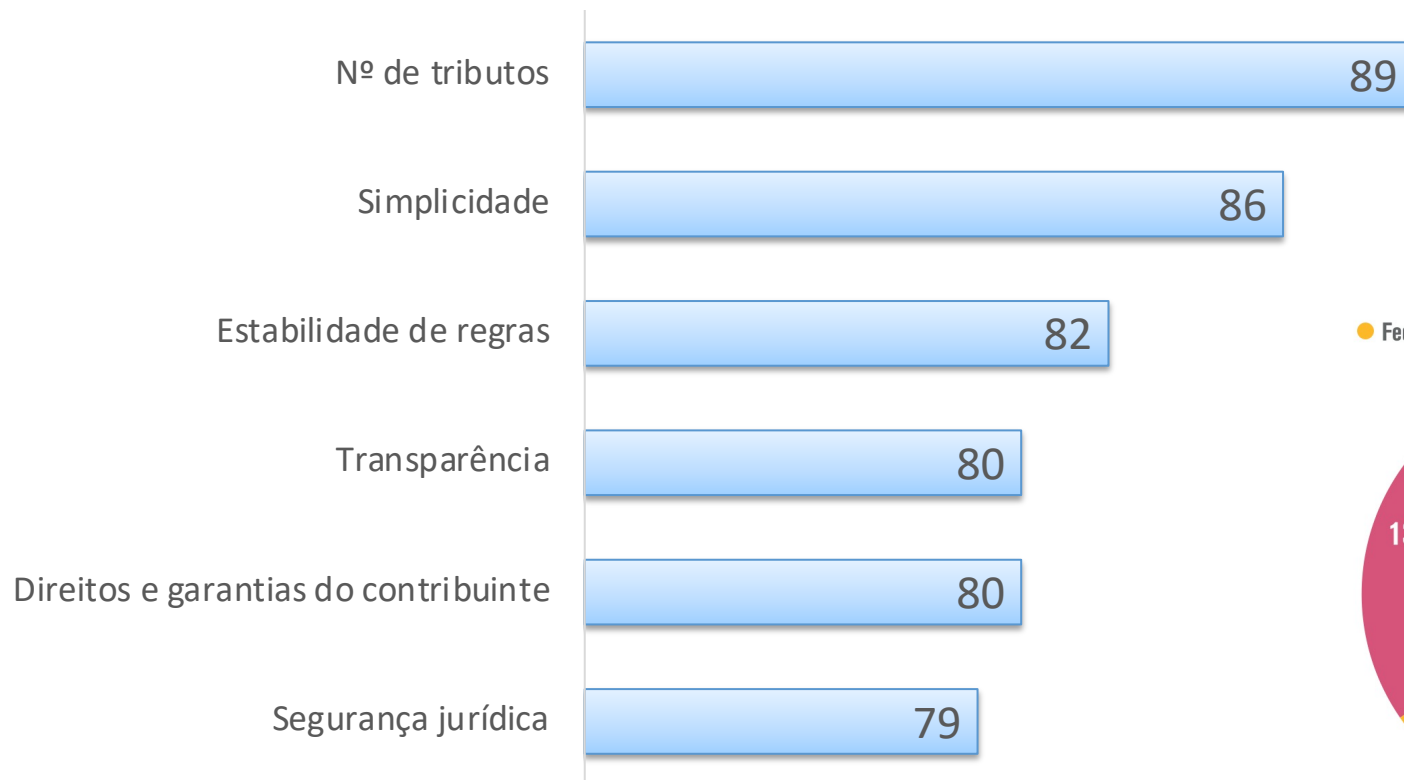
	Participação % em relação ao total					
		Consumo	Renda	Salários	Seguridade Social	Demais bases
OECD	100.0%	31.3%	35.0%	1.4%	26.4%	5.9%
Latin America and Caribbean	100.0%	50.1%	26.4%	0.9%	17.1%	5.6%
Brazil	100.0%	44.7%	24.0%	1.6%	23.9%	5.8%

Complexity of the Brazilian tax system

- Multiple taxes (IPI, PIS, COFINS, ICMS, ISS, II, etc.)
 - Multiple regimes (special regimes)
 - Tax benefits (tax expenditure, “guerra fiscal”)
 - Redução da base de cálculo
 - Multiple legislations (federal, states e municipal)
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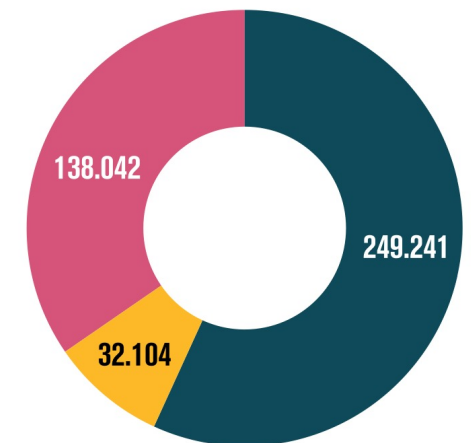
The assessment of the Brazilian tax system is negative.

Assessment of the quality of the Brazilian tax system
(very bad or bad ratings on total responses)



Normas Tributárias editadas entre 1998-2020

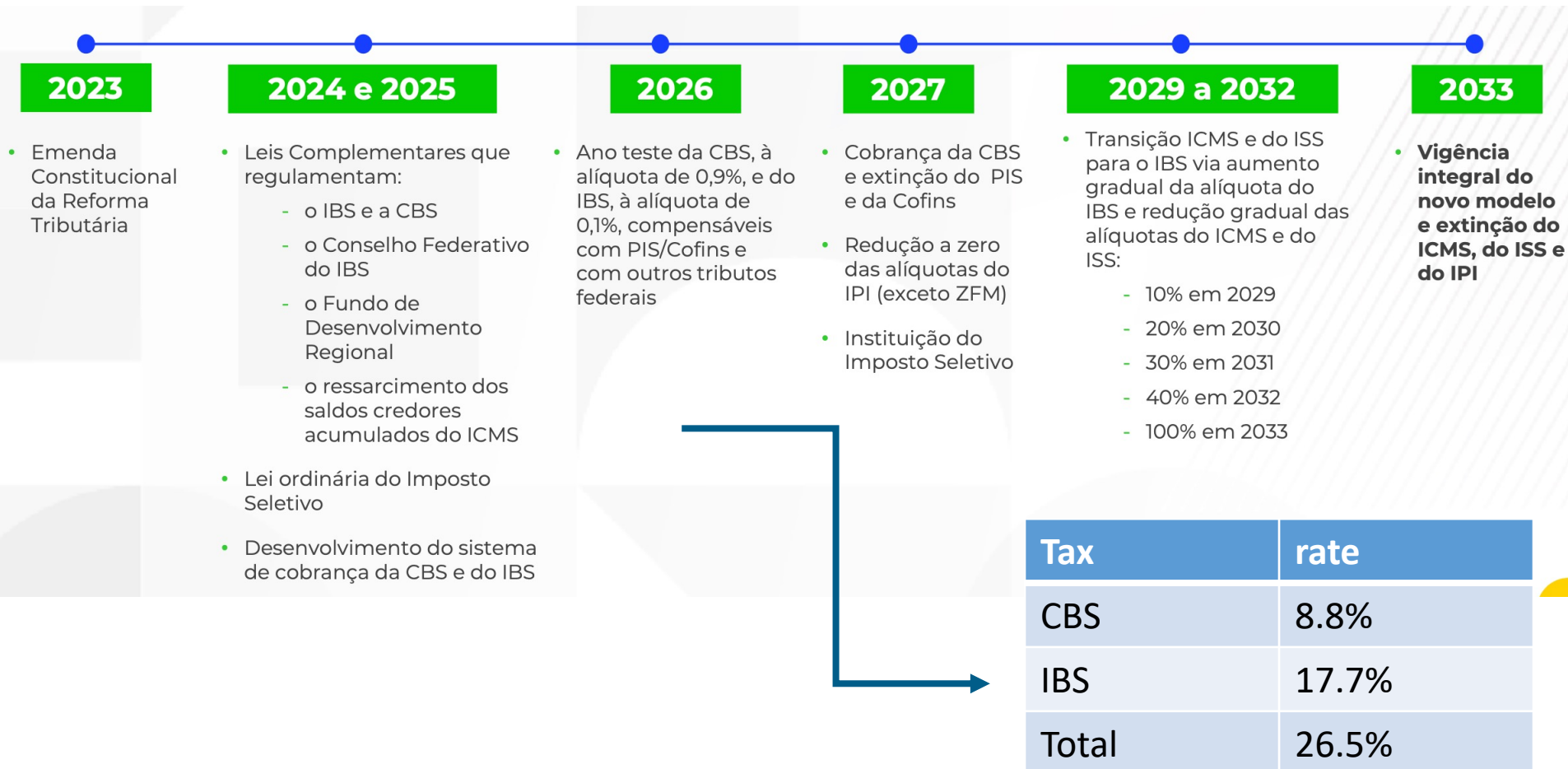
Federais Estaduais e DF Municípios

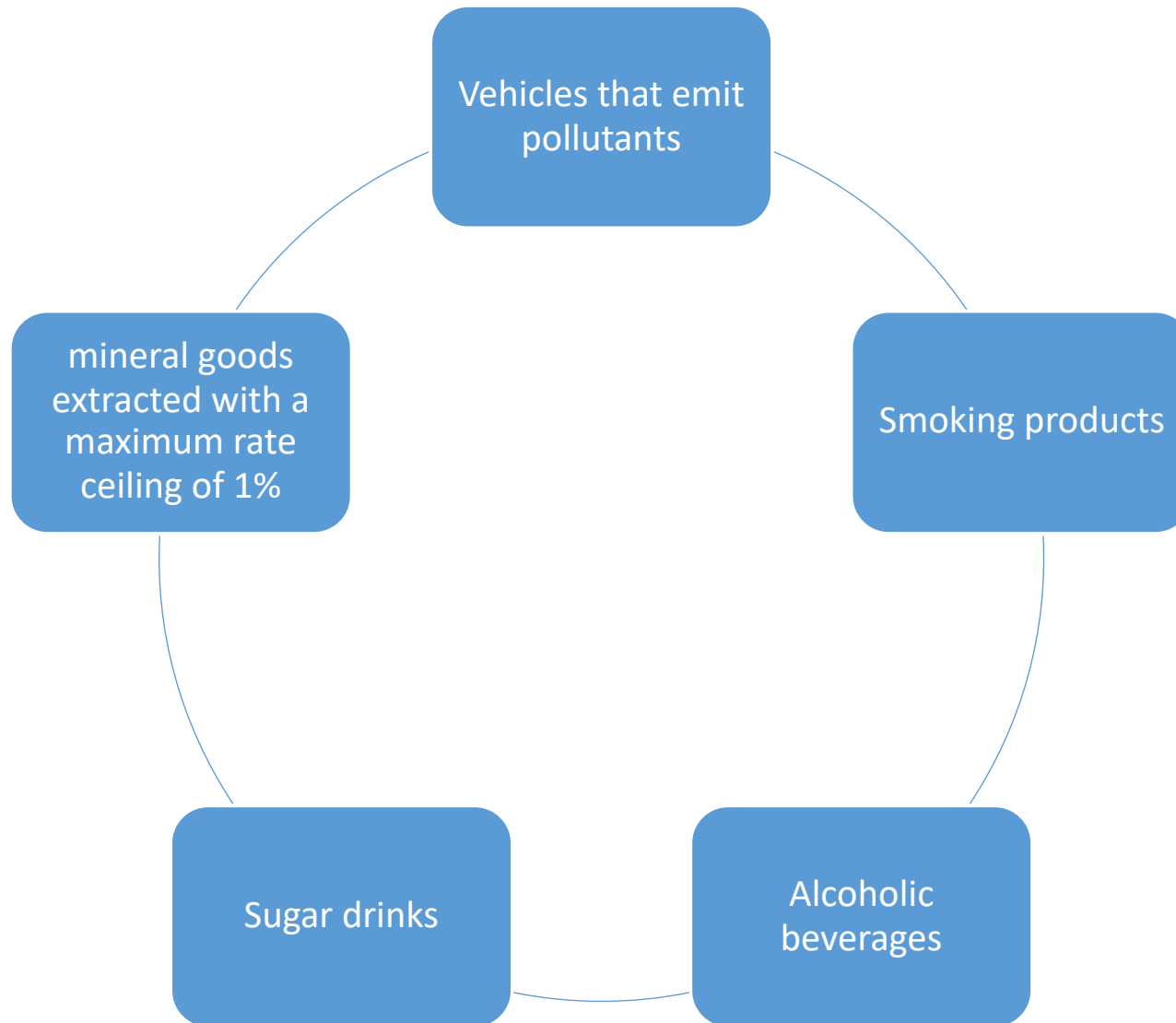


- The outline of the Brazilian Constitution Amendment number 132, 2023
 - Objective: Simplification of the tax system without changing the level of the tax burden.
 - Main changes:
 - Extinction of 5 (five) taxes that affect the consumption of goods and services (IPI, ICMS, ISS, PIS and COFINS)
 - Creation of a Tax on goods and services (IBS – “Imposto sobre bens e serviços”) under the jurisdiction of states and municipalities.
 - Creation of a Contribution on goods and Services (CBS – “Contribuição sobre bens e serviços”) under the Union’s jurisdiction.
 - Creation of an Excise Tax (IS – “Imposto Seletivo”) under the jurisdiction of the Union.

➤ The outline of the Brazilian Constitution Amendment number 132, 2023

➤ Period of transition:





- Cashback for:
 - 100% from CBS for the purchase of residential gas (13 kg)
 - 50% of CBS for electricity, water and others
 - 20% of CBS and IBS on the Other products

 - For families with Monthly income up to $\frac{1}{2}$ minimum wage
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- Reduction in taxation on foods that are currently in the PIS/Cofins Basic Basket, except for foods consumed very heavily among the richest;
- Prioritisation of foods consumed mainly by the poorest population..

	% no total	Alíquota atual	Alíquota proposta	Alíquota c/ cashback
Cesta básica (Alíquota zero)	35,6%	8,0%	0,0%	0,0%
Cesta estendida (Alíquota reduzida)	30,0%	15,8%	10,6%	8,5%
Total dos alimentos	100,0%	17,5%	13,3%	11,1%

- Reform in consumption taxation contributes to the simplification and greater efficiency of the current tax system. From a fiscal point of view, the objective is that it does not neither expand nor reduce the aggregate tax burden of taxes on consumption.
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- Next steps provided for in Constitutional Amendment No. 132, 2023

Art. 18. O Poder Executivo deverá encaminhar ao Congresso Nacional:

I - em até 90 (noventa) dias após a promulgação desta Emenda Constitucional, projeto de lei que reforme a tributação da renda **(Reforms income taxation)**, acompanhado das correspondentes estimativas e estudos de impactos orçamentários e financeiros;

(...)

III - em até 90 (noventa) dias após a promulgação desta Emenda Constitucional, projeto de lei que reforme a tributação da folha de salários **(reforms payroll taxation)**.

Parágrafo único. Eventual arrecadação adicional da União decorrente da aprovação da medida de que trata o inciso I do caput deste artigo poderá ser considerada como fonte de compensação para redução da tributação incidente sobre a folha de pagamentos e sobre o consumo de bens e serviços.

Thank you

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