



COUNTRY BRIEFING • BRAZIL

The reform year, and the seven that follow

Brazil is replacing five consumption taxes with a dual VAT, and 2026 is the rehearsal — real fields on real invoices, with almost no tax to pay. From 2027 the rehearsal ends, split payment begins, and the cost of an incorrect invoice stops being theoretical.

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For
CFOs, tax and finance leads

Scope
CBS/IBS and electronic documents

Status at
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Prepared by
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Information document, not tax or legal advice. The Brazilian reform is being implemented through regulations and technical notes that continue to be published and revised. Confirm the position for your entity with the tax authorities or your tax adviser before acting on anything in this briefing.

01 What is actually happening

Five taxes out, two in — over seven years

Brazil's constitutional reform replaces PIS, Cofins, IPI, ICMS and ISS with a dual value-added tax: a federal contribution and a shared state-and-municipal tax, joined by a selective tax on specified goods. For the first time, the country will have something recognisable as a VAT — with credits that flow, a destination principle, and a single set of rules instead of thousands of local ones.

1%

The combined test rate during 2026, offset against existing taxes so the cash effect is neutral

2027

The federal contribution starts properly; PIS and Cofins are extinguished

2029–32

ICMS and ISS phase down as the new state and municipal tax phases up

2033

The old system ends. Only the dual VAT and the selective tax remain

Why this is different from any other mandate in this series

- ◀ **It is a tax reform, not a reporting reform.** Elsewhere the obligation is to report what you already calculate. Here the calculation itself changes, and so does who is owed the money.
- ◀ **The invoice becomes the tax return.** Brazil already settles tax through electronic documents; under the new system the document carries the new taxes, their credits and the information that drives collection.
- ◀ **There is a long overlap.** Between 2029 and 2032 the old and new systems run together, with different rules, different credits and different rates applying to the same transaction.
- ◀ **Pricing and contracts move.** A destination-based, fully creditable tax changes where margin sits, which is a commercial project rather than a compliance one.

Who this reaches inside the business

FUNCTION	WHAT CHANGES FOR THEM
Tax	New taxes, new classifications, new credit mechanics, and a multi-year period of running two regimes at once
Finance systems	Determination, master data, document layouts, postings and reporting — all changing on published dates
Treasury	Split payment removes the tax float from 2027, a permanent working-capital change
Commercial	A destination-based, fully creditable tax changes where margin sits and how prices should be quoted
Supply chain	Classification of goods and services, and the location logic that drives where tax is due

The shape of the new system

ELEMENT	WHAT IT REPLACES AND HOW IT WORKS
Federal contribution (CBS)	Replaces PIS and Cofins. Federal, broad-based, with credits on business inputs
Shared tax (IBS)	Replaces ICMS and ISS — state and municipal, administered jointly, applied at destination
Selective tax	An additional levy on specified goods considered harmful to health or the environment
Reduced regimes	Differentiated treatment for defined sectors and essential goods, reducing the effective rate substantially in some cases
Reference rate	Public estimates of the combined standard rate have clustered in the mid-to-high twenties per cent, and remain estimates

02 The timeline to 2033

Where the effort actually falls

2026

Test year. New fields on documents at a symbolic combined rate, offset so nothing extra is paid

2027

The federal contribution begins for real; PIS and Cofins end; the selective tax starts; split payment arrives

2029–32

The shared tax phases up while ICMS and ISS phase down, in steps, with both systems live

2033

The old taxes are extinguished and the new system stands alone

Throughout

Technical notes and regulations continue to be published, revised and re-dated

Where the work sits, year by year

PERIOD	WHAT YOUR ORGANISATION HAS TO DO	HARDEST PART
2026	Emit correct new fields on every document type as each becomes mandatory; classify products and services under the new logic; validate against the authorities' rules	Master data and classification
2027	Calculate and pay the federal contribution for real; stop calculating PIS and Cofins; handle split payment; manage credits under two regimes at once	Parallel operation
2028	Stabilise, and prepare for the state and municipal transition that begins the following year	Attention, once the urgency passes
2029–32	Apply proportions that change annually, with both old and new taxes on the same transaction and credits flowing under both	Getting the proportions right, every year
2033	Decommission the old regime, including its credits, disputes and history	Unwinding twenty years of complexity

What makes the overlap years hard

Between 2029 and 2032 a single transaction can attract both an old tax and its replacement, at proportions that change each year, with credits arising under both regimes. Three consequences follow, and they are worth planning for now rather than in 2028:

- ◀ **Determination has to be right twice.** Every transaction needs a correct answer under two sets of rules simultaneously, and the proportions are time-dependent rather than static.
- ◀ **Reconciliation gets harder before it gets easier.** Two tax systems post to the same ledger, and proving the position means explaining both — and the relationship between them.
- ◀ **Institutional knowledge ages out.** The people who understand the old regime will be the ones asked about it in 2032, by which time many will have moved on. Documenting decisions now has unusual value.

THE MOST EXPENSIVE MISREADING

"There is no tax to pay in 2026, so there is nothing to do in 2026." The rehearsal is where the errors are supposed to happen. A company that populates the new fields wrongly this year, unpenalised, discovers it in 2027 — when the same error denies a customer's credit, triggers a fine, or stops an invoice. **2026 is the only year in which being wrong is free.**

What to hold on to when the dates move

Individual deadlines in this reform have already been adjusted, and more will be. Two things have not moved and are safe to plan against: **the direction** — a dual VAT replacing five taxes, settled through electronic documents — and **the data work**, which is the same whichever month a given document family becomes mandatory. Build the classification and determination foundation, and a shifted date becomes a scheduling detail rather than a replan.

03 What 2026 actually requires

Real fields, real validation, almost no tax

During the transition year the new taxes are charged at a symbolic combined rate — reported as under one per cent — and offset against existing obligations, so there is no additional cash burden. What is not symbolic is the data: the new fields must appear on electronic documents, and they must be right.

REQUIREMENT	WHAT IT MEANS
New fields on documents	Each document must carry the new tax groups — base, rate, amount, classification and the codes that drive treatment — alongside the existing taxes
A symbolic rate	Reported as roughly nine tenths of a per cent federal and one tenth state and municipal, offset against existing taxes so net cash is unaffected
A penalty-free window	A defined tolerance period after the regulations were published, during which missing or incorrect fields did not attract penalties
Progressive mandatory dates	Document types became mandatory in sequence during 2026, with further types following in 2027
Classification under new logic	Products and services classified for the new taxes, including reduced regimes — the longest and least visible work

Rates, dates and the tolerance period are as reported in commentary consulted in September 2026 and have been adjusted during implementation. Confirm the current position before relying on them.

What "the fields must be right" actually involves

- Every product and service mapped to its new classification, including reduced and exempt treatments
- Credits identified on the purchase side, since the new taxes are broadly creditable
- Rules that determine the treatment of each transaction type, not a default applied everywhere
- Documents validated against the authorities' rules before transmission, not after rejection

What to sample, and what to look for

SAMPLE	WHAT A DIFFERENCE REVEALS
High-volume standard products	Whether the default treatment is right — an error here is repeated thousands of times
Anything with a reduced or exempt treatment	Whether the reduced regimes are being applied at all, or defaulted to the standard rate
Services, and mixed goods-and-services supplies	The hardest classification cases, and the ones most likely to have been deferred
Interstate and intermunicipal flows	Whether destination logic is applied correctly — new behaviour for many transactions
Returns and corrections	Whether the reversal carries the same treatment as the original — a frequent gap

HOW TO USE THE REST OF THE REHEARSAL

Take a month of real documents and compare the new fields your system produced with what they should have been, line by line, for a representative sample of products, customers and transaction types. **The differences are your 2027 project plan** — and finding them now costs nothing but attention.

04 The documents, and what changed in them

Brazil has more electronic documents than anywhere — all of them move

Brazil settles tax through its electronic documents, so a tax reform is necessarily a document reform. Each family has its own layout, its own technical notes and its own mandatory date.

DOCUMENT FAMILY	COVERS	REPORTED DATE
Goods invoices and transport documents	The main goods invoice, its consumer variant and freight documentation	From August 2026
Services and communications	The national services invoice standard and the communications-services document	From October 2026
Passenger transport	Air and other passenger-transport documentation and related scenarios	From December 2026
Simplified regime and imports	Taxpayers under the simplified national regime, and import declarations	From January 2027

Sequence and dates as reported in professional commentary; individual technical notes have been re-dated during implementation and should be tracked continuously rather than assumed.

Two changes that reach beyond tax

CHANGE	WHY IT AFFECTS SYSTEMS THAT HAVE NOTHING TO DO WITH TAX
The alphanumeric taxpayer identifier	From July 2026 newly registered companies receive an identifier containing letters as well as digits. Anything that stores, validates, formats or sorts that number — including interfaces, custom code, portals and reports — has to accept it. Existing identifiers are unaffected, which is precisely what makes this easy to overlook until a new customer cannot be created
The national services standard	Municipal services invoicing has historically been fragmented across thousands of local systems. A national standard changes integration for every company issuing services documents, and removes a long-standing source of local exceptions

Why the document work cannot be sequenced after the tax work

In most countries a tax change is calculated first and reported afterwards, so the reporting work can follow. In Brazil the document **is** the reporting, and each family has its own mandatory date — which means document readiness is on the critical path from the beginning, not at the end.

- Each family has a separate layout, technical note and date, so "Brazil is done" is never true as a single statement
- Third-party components used for transmission have their own upgrade cycles and their own queues
- Technical notes are revised during the year, so a layout signed off in March may not be current in September
- Validation is applied by the authorities, so an untested layout fails in production rather than in test

A PRACTICAL TEST FOR THE IDENTIFIER CHANGE

Try to create a customer, a supplier and a purchase order using an alphanumeric identifier in a test system, then push a document through to issue and payment. **The failures will not be where you expect** — they are usually in validation routines, interfaces and reports written years ago on the assumption that the number is numeric.

05 Split payment and your cash

The part that belongs to the treasurer, not the tax team

From 2027 Brazil introduces split payment: the tax element of a settlement is separated at the point of payment and directed to the authorities rather than passing through the supplier. It closes the gap between tax charged and tax collected — and changes working capital for everyone in the chain.

What changes when tax stops passing through you

TODAY	UNDER SPLIT PAYMENT
You receive the full invoice amount	You receive the net amount; the tax element is routed separately
The tax sits with you until the due date	That float disappears — a permanent, one-off working-capital effect at transition
Credits and liabilities net at return level	Settlement moves closer to the transaction, changing when positions are realised
Reconciliation is monthly	Payments and documents must tie together transaction by transaction, raising the bar on data quality

How it is expected to work

- The invoice carries the tax**
The electronic document states the new taxes and the amounts due, as it already does for the existing ones.
- The payment is identified against the document**
Settlement is linked to the specific invoice, which is why transaction-level data quality becomes a payment issue.
- The tax element is separated**
At settlement, the tax portion is directed to the authorities rather than to the supplier.
- The supplier receives the net**
Cash application has to recognise a document as fully settled when only part of its face value has arrived.

Who needs to be in the room

- Treasury** — for the cash-flow modelling, which is the material impact and is not a tax calculation
- Accounts receivable** — for cash application against partially settled documents
- Credit and collections** — because what arrives against an invoice is no longer its face value
- Commercial teams** — because pricing conversations shift once tax is fully creditable and visible

Questions to put to your banks and your ERP team

- ◀ How is a partially settled document reported back, and can our cash application treat it as fully settled?
- ◀ What identifies the payment against the invoice, and is that identifier reliably present on both sides today?
- ◀ What happens to a payment that cannot be matched to a document, and who resolves it?

MODEL IT BEFORE IT ARRIVES

The working-capital effect can be estimated now from your own data: take a representative month, apply the expected tax treatment, and calculate the difference between what you would have held and what you would hold. **It is a modelling exercise, not an implementation** — and it is the number that gets the rest of the programme funded.

06 What it means for your SAP system

The largest localisation change in a generation

Brazilian SAP landscapes are among the most heavily localised anywhere, typically combining core functionality, a tax determination engine and third-party components for document transmission. The reform touches all three at once.

LAYER	WHAT THE REFORM DOES TO IT
Tax determination	New taxes, new classifications and new rules run alongside the old ones for years. Determination logic must handle both, correctly, per transaction
Master data	Products, services, customers, suppliers and locations all need new attributes. This is the largest single work package and the one most often underestimated
Document generation	Every document family changes layout on its own date, with technical notes revised during the year
Postings and credits	New accounts, new credit mechanics, and a period in which both regimes post to the same ledger
Custom code and interfaces	Years of local developments assume the current tax structure and a numeric taxpayer identifier. They have to be found before they fail
Reporting	Obligations evolve alongside the taxes, and the reconciliations that prove correctness have to be rebuilt

Five questions worth asking now

- ◀ **Are we on a release that will receive the reform content**, or is an upgrade a prerequisite we have not planned?
- ◀ **Who maintains our tax determination content**, and what is their commitment and timetable for the new taxes?
- ◀ **How much custom code touches tax fields or the taxpayer identifier**, and has anyone inventoried it?
- ◀ **Who owns product and service classification**, and do they have capacity for a full re-classification?
- ◀ **How are we validating the 2026 fields today** — against the authorities' rules, or by assuming they are correct because nothing was rejected?

Why Brazilian landscapes are harder than others

Two features make Brazil unlike the other countries in this series. First, the tax logic is frequently not entirely inside SAP — a determination engine, a document-transmission component and sometimes a local partner each own part of the answer, so a change has to be coordinated across vendors rather than configured in one place. Second, the volume of local custom development is unusually high, because the old regime's complexity forced it. **Both mean the inventory step matters more here than anywhere else:** you cannot plan a change to something nobody has listed.

THE DEPENDENCY MOST PROGRAMMES DISCOVER LATE

Reform content generally arrives through support packages and notes that assume a minimum release level. If your system sits below it, **an upgrade becomes a prerequisite** — a project with its own timeline, testing and business disruption, sitting in front of the compliance work rather than beside it. Confirm this with SAP early; it is the single most common cause of a Brazilian programme running late.

A note on scope discipline

A change this large attracts everything else that has been waiting: the upgrade someone wanted, the consolidation of company codes, the retirement of a legacy interface. Some of that genuinely belongs in the programme, and some of it is how a compliance deadline turns into a transformation that misses it. **The test is simple** — does this item have to be true for a correct document to leave the system on its mandatory date? If not, it is a separate decision with a separate timeline.

07 Readiness and the next two quarters

What has to be true before the rehearsal ends

QUESTION	IF THE ANSWER IS UNCLEAR
1 Are the new fields present on every document type we issue?	You are not rehearsing — you are accumulating a 2027 problem
2 Has anyone checked that the values are correct, not just present?	Absence of rejection is being mistaken for correctness
3 Is every product and service classified under the new logic?	The longest-lead work package has not started
4 Are we on a release that will receive the reform content?	An unplanned upgrade may sit in front of everything else
5 Have we inventoried custom code touching tax or the taxpayer identifier?	Failures will surface one at a time, in production
6 Can our systems handle an alphanumeric identifier end to end?	A new customer or supplier cannot be onboarded
7 Have we modelled the working-capital effect of split payment?	Treasury will be surprised by a permanent change in 2027
8 Do we know which document dates apply to which of our flows?	A mandatory date will pass unnoticed for one document family
9 Who tracks technical notes, and how often?	Revisions are missed, and the layout drifts out of line
10 Are commercial teams aware that pricing logic changes?	Margin decisions are being made on the old assumptions

A sequence for the next two quarters

Now · Measure

- Sample a month of real documents and check the new fields against what they should be
- Confirm your release and support position with SAP
- Inventory custom code touching tax and the identifier

Next · Classify and fix

- Complete product and service classification with the business
- Correct determination rules and re-test on real documents
- Prove the alphanumeric identifier end to end

Then · Model and plan

- Model the split-payment cash effect with treasury
- Plan the 2027 parallel-operation period
- Put technical-note tracking on a standing agenda

Questions 1 to 3 are the ones to answer first: they establish whether the rehearsal is actually rehearsing anything. Questions 4 and 5 decide whether the 2027 work is a configuration exercise or a programme with an upgrade in front of it — which is a very different conversation to have with a board.

THE WINDOW IS CLOSING QUIETLY

The rehearsal has no alarm at the end of it. Nothing will stop working on 31 December — the penalties and the real rates simply begin, on whatever data quality you happen to have by then.

08 How 30 Advisory helps

An SAP finance and compliance practice

Brazil is the largest compliance programme most groups will run this decade. We work on the part that decides whether it lands: the data, the determination and the evidence that it is right.

Rehearsal review

Three to four weeks. A real month of documents checked field by field, classification coverage measured, release position confirmed and custom code inventoried.

Output: a quantified gap list and a 2027 plan.

Remediation

Classification completed with the business, determination corrected and retested on real documents, identifier handling proven end to end, and reconciliations built.

Output: fields that are right, not just present.

Transition support

Parallel operation through 2027 and the phase-down years, technical notes tracked and applied, and the same discipline extended to your other jurisdictions.

Output: a controlled transition.

What a rehearsal review produces

Field-level evidence

A real month of documents compared against expected treatment, by product family, customer type and transaction — differences quantified, not described

A classification position

How much of your catalogue is classified under the new logic, what remains, and who has to do it

A technical readiness view

Release and support position, custom-code inventory, identifier readiness and the document dates that apply to your flows

What makes this different

- ◀ **We test correctness, not presence.** The 2026 tolerance means nothing rejects, so the only way to know is to compare against expected treatment — which is what we do.
- ◀ **We start from master data.** Classification is the longest-lead item and the one that cannot be accelerated later. Everything else follows it.
- ◀ **We bring treasury in early.** Split payment is a cash story, and a modelled number is what funds the rest of the work.
- ◀ **We say what we are not.** We are not your tax adviser and we do not determine your classifications. We work alongside the people who do, and make the system reflect their decisions.

A SENSIBLE FIRST STEP

Take one month of issued documents and ask a simple question: **are the new tax fields correct?** Not present — correct. If nobody can answer with evidence, that is the finding, and this is the last year in which it costs nothing to discover.

Sources consulted 25 September 2026 — vatcalc and Rio Times summaries of Receita Federal guidance on the transition year and its rates; EDICOM on the electronic-document timetable and layout changes; KPMG, VATupdate and Fiscal Solutions on the alphanumeric taxpayer identifier; practitioner commentary on the 2026–2033 timeline and split payment. SAP behaviour from the SAP Help Portal and partner commentary.

This briefing is provided for information only and does not constitute tax, legal or accounting advice. It summarises publicly available material as at 25 September 2026; the Brazilian reform is being implemented through regulations and technical notes that continue to be published, revised and re-dated, and secondary sources disagree on detail — including rates, tolerance periods and document deadlines. Confirm the position for your own entity with the tax authorities or a qualified adviser before acting. 30 Advisory accepts no liability for decisions taken on the basis of this document.