

Brazilian VAT/GST Reform: Taxable Supplies

Brazil's Constitutional Amendment No. 132/2023 introduced a new dual consumption tax system based on the tax on goods and services (*imposto sobre bens e serviços*, IBS) and the contribution on goods and services (*contribuição sobre bens e serviços*, CBS). Although imposed by different levels of government, both taxes share the same substantive rules on taxable events, tax base, non-taxable events, special regimes, and non-cumulation. In this article, the authors examine the notion of taxable supply under the new model, focusing on the statutory treatment of goods and services, onerous and gratuitous transactions, imports and exports, and the main untaxable events, based on Complementary Law No. 214/2025 and its subsequent adjustments.

1. Introduction

Constitutional Amendment No. 132/2023 created a new dual consumption tax framework in Brazil, composed of the tax on goods and services (*imposto sobre bens e serviços*, IBS) and the contribution on goods and services (*contribuição sobre bens e serviços*, CBS). The IBS is a tax of shared competence among states, the Federal District, and municipalities, while the CBS is a federal contribution. Despite their institutional distinction, both taxes are deliberately subjected to the same substantive rules concerning taxable events, tax bases, non-taxable events, passive subjects, immunities, special or favoured regimes, and the mechanics of non-cumulation.

The new framework is designed to replace the former incidence¹ fields of IPI (in part), ICMS, ISS, the PIS contribu-

tion, and Cofins. In cross-border situations, it also absorbs the import taxation logic previously applied under the PIS/Cofins import regime. The constitutional framework additionally preserves certain overlapping areas with surviving taxes, including the IOF² (for financial transactions, foreign exchange and securities); the ITBI,³ for certain real estate transactions; the Import Duty; and, residually, the IPI. The reform was regulated primarily by Complementary Law No. 214/2025 and subsequently adjusted by Complementary Law No. 227/2026, which addressed the functioning of the IBS Management Committee and introduced textual corrections to the earlier statute.

The authors, in this article, examine the core notion of taxable supply under the new regime. They analyse the following topics: the basic statutory concepts defined in article 3 of Complementary Law No. 214/2025; the treatment of goods and services; onerous transactions as the central taxable paradigm; gratuitous and below-market supplies; import and export rules; and the principal exceptions and untaxable events.

2. Basic Concepts

The conceptual foundation of taxable supplies is laid down in article 3 of Complementary Law No. 214/2025. These definitions are not merely terminological. They structure the interpretation and application of the incidence and non-incidence rules throughout the statute, while also guiding other relevant provisions set out in the law, such as those governing the determination of the destination⁴ of the supply.

The law defines “operations with goods” as all operations – including lease, bailment and temporary assignment – involving movable or immovable property, whether material or immaterial, including rights. Economically valuable energy is expressly equated with tangible goods for these purposes. “Operations with services”, by contrast, are defined residually, comprising all operations that cannot be classified as operations with goods. By adopting a residual concept rather than a closed enumeration, the legislature sought to capture value-adding operations that do not fit easily into conventional property categories, thereby avoiding definitional gaps in the tax base.

At the same time, article 3 provides the legal concept of supply, which is defined in open-ended terms and encom-

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1. IPI stands for the federal value added tax (VAT) on manufactured products; ICMS, for the state VAT on goods, communication services and intermunicipal and interstate transportation; ISS, for the municipal VAT on services; PIS and Cofins, for the federal social contributions on gross revenue, which may also be levied on the importation of goods and services.

2. IOF stands for the federal tax on credit, foreign exchange and insurance transactions, and on transactions relating to securities.

3. ITBI stands for the municipal tax on the transfer of immovable property and *in rem* rights.

4. See José Luis Ribeiro Brazuna, Thais Veiga Shingai and Breno Vasconcelos, “Place of Supply under Brazil’s IBS/CBS Reform”, *International VAT Monitor* 37, no. 4 (2026): 193, <https://doi.org/10.59403/ymmd4e>.

passes three situations: (i) the delivery or making available of a tangible good; (ii) the institution, transfer, assignment, concession, licensing or making available of an intangible good, including rights; (iii) the rendering or making available of a service. The repeated use of the expression “making available” reflects an intention to extend the scope of the taxable event beyond the idea of ownership transfer, capturing any situation in which economic value is placed at the disposal of another person within the production and supply chain.

The “supplier” is defined as any individual, legal entity, or unincorporated entity – including general partnerships, silent partnerships, consortia, condominiums and investment funds – that performs the supply, whether resident or domiciled in Brazil or abroad. The “acquirer” is the person obligated to provide payment or some other form of consideration, or the person on whose behalf such obligation arises. The recipient, in turn, is the person to whom the good or service is effectively supplied, who may or may not coincide with the acquirer.

The practical consequence of these definitions is that many disputes that were decisive under the former fragmented system lose their primary importance under IBS and CBS. The presence or absence of ownership transfer, the qualification of the object as merchandise or service, or the characterization of the legal form of the transaction cease to be threshold questions. The new system instead asks whether economic value has been made available and whether it has advanced through the chain towards consumption.

3. Goods and Services

Although the distinction between goods and services remains present in the new legislation, it no longer performs the function it once did. Under the former Brazilian indirect tax system, this classification was frequently decisive: different taxes applied to goods and to services, generating extensive litigation over the proper characterization of transactions. Under IBS and CBS, both are incorporated into a unified framework of taxable supplies.

By expressly including immaterial goods and rights within the category of operations with goods, the law prevents a broad class of transactions from escaping the tax base through definitional arguments. By defining services residually, the law preserves the capacity to tax value-adding operations that do not involve property transfers or grants. The two categories are therefore designed to be mutually exhaustive and collectively comprehensive.

A further consequence of this structure is that the formal civil law shape of the transaction does not determine its tax treatment. A temporary grant of use, a licence, a concession, a lease or another arrangement by which value is made available may each constitute a taxable supply, regardless of whether it involves a transfer of ownership. The system is organized around the movement of economic value through the production and circulation chain, not around the legal technique employed by the parties.

This understanding is confirmed by article 4, paragraph 3 of Complementary Law No. 214/2025, which expressly declares the following factors to be irrelevant for purposes of determining the existence of a taxable event: the legal title by which the supplier holds the good; the legal form, validity and effects of the act or transaction⁵; the existence of profit; and compliance with legal, regulatory or administrative requirements. This provision prevents the use of formal legal characterization as a means of avoiding the tax and reinforces the primacy of the economic content of the supply over its juridical form.

4. Taxable Transactions: Onerous Supplies

The core rule of incidence is found in article 4, caput, of Complementary Law No. 214/2025: IBS and CBS apply to onerous operations with goods or services. Paragraph 2 of the same article defines such operations as any supply with consideration and provides a non-exhaustive list that includes: sale, exchange, barter, dation in payment and other forms of alienation; lease, licensing, concession and assignment; onerous loan; onerous institution of in rem rights; leasing, including financial leasing; and rendering of services.

Paragraph 4 of the same article further provides that taxable operations may include any transaction with goods or services carried out by the taxpayer, including transactions involving non-current assets or transactions carried out outside the taxpayer’s habitual economic activity. This extension ensures that the scope of incidence is not artificially narrowed by the circumstance that a given operation falls outside the regular course of the taxpayer’s business.

The statute also addresses certain gifts and bonuses. Under article 5, item II, gifts are expressly taxable. Bonuses are taxable when they are not reflected in the tax document and depend on a future event, or when the goods given as a bonus are subject to a specific tax rate per unit of measurement. These rules prevent the artificial interruption of the taxable chain through the characterization of ordinary supplies as promotional transfers lacking an explicit price.

5. Gratuitous Supplies and Below-Market Transactions

The treatment of gratuitous supplies and supplies at below-market value is one of the most detailed aspects of the new regime. Complementary Law No. 214/2025 addresses these situations by reference to *three elements*: (i) the description of the operation, (ii) whether IBS/CBS credits were appropriated in the prior stage and (iii) the existence of a specific relationship between the supplier and the recipient. These elements are applied in combination to determine whether a given non-onerous or under-priced supply constitutes a taxable event.

5. On this topic, see Luís Eduardo Schoueri, *O Conceito de “Operações” à Luz da Disciplina Jurídica do Imposto sobre Bens e Serviços* [The Concept of “Transactions” in Light of the Legal Framework of the Tax on Goods and Services] (forthcoming).

5.1. Personal use or consumption: The general framework

Article 57 of Complementary Law No. 214/2025 defines what is to be considered as goods and services for *personal use or consumption*. The law establishes that the following items are objectively treated as personal use or consumption, generating no IBS/CBS credits for their acquirer. See Table 1.

Items objectively treated as personal use or consumption	When they are NOT treated as personal use or consumption
Jewellery, precious stones and metals; works of art; items of historical or archaeological value	If commercially traded or used in the manufacture of goods for sale
Alcoholic beverages; tobacco products	If commercially traded or used in the manufacture of goods for sale
Weapons and ammunition	If traded, used in manufacturing, or used by security companies
Recreational, sporting, and aesthetic goods and services	If traded, used in manufacturing, or used exclusively at the taxpayer's establishment by its customers

5.2. Supplies to related individuals: Incidence and non-incidence

Article 57, item II establishes that goods and services acquired by the taxpayer and supplied free of charge or at below-market value to certain individuals are presumed to be for personal use or consumption. The individuals covered are (i) the taxpayer itself, if a natural person; (ii) partners, shareholders, managers, and members of supervisory or advisory boards; (iii) employees; and (iv) spouses, domestic partners and relatives up to the third degree of the persons listed above.

When this presumption applies, the taxpayer is treated as the final consumer, which has two consequences: (i) the taxpayer may not appropriate IBS/CBS credits on the acquisition; and (ii) if the taxpayer did appropriate such credits and subsequently makes the gratuitous or below-market supply, the supply becomes a taxable event under article 5, item I. Three scenarios arise from the combination of these rules. See Table 2.

5.3. Statutory exceptions for employee-related benefits

Article 57, paragraph 3, item IV excludes a series of items from the category of personal use or consumption, even when these items are supplied non-onerously or at below-market value to employees or managers. These items are therefore not subject to the credit denial and incidence rules described above. The list includes: (i) uniforms and personal protective equipment; (ii) non-alcoholic food and beverages supplied at the taxpayer's establishment during working hours; (iii) on-site health services and childcare

Scenario	Description	Tax treatment
Scenario 1	Supplier appropriated credits (contrary to art. 57, inc. II) and made a gratuitous or below-market supply to listed persons	Taxable: IBS and CBS apply
Scenario 2	Supplier did not appropriate credits (art. 57, inc. II already denied them) and made such supply	Non-taxable: chain already interrupted
Scenario 3	Supplier appropriated credits under the statutory exception (art. 57, § 3°, inc. IV) and made such supply	Non-taxable: business-related exception applies

services during working hours; (iv) health plan benefits granted to employees and their dependents under collective bargaining agreements; (v) educational benefits granted under collective bargaining agreements, including scholarships and tuition discounts – provided they are offered to all employees, with differentiation permitted in favour of lower-income or larger-family employees; and (vi) vouchers for meals, food and transportation.

Other items may also be excluded if they meet criteria to be established by regulation, pursuant to the open-ended clause at the end of article 57, paragraph 3, item IV.

5.4. Related-party supplies

Article 5, item IV separately establishes that IBS and CBS also apply to other non-onerous or below-market supplies made by a taxpayer to a related party.

The concept of related party is defined in paragraphs 2 through 6 of article 5 and covers (i) situations in which one party exercises direct or indirect influence over the other, sufficient to affect the terms of the transaction; (ii) control and common control relationships; (iii) affiliated entities; (iv) entities included or includable in consolidated financial statements; (v) entities under common control or in which the same partner holds 20% or more of the capital; and (vi) entities in which the same partners – or their spouses, domestic partners or relatives up to the third degree – hold at least 20% of the capital. A party also qualifies as related when it holds the right to receive at least 25% of the profits or assets of the other upon liquidation, or when the transaction involves a director, controller or relatives up to the third degree.

The anti-avoidance purpose of these provisions is clear. When a non-onerous or below-market supply is made to a related party outside the scope of the personal-use rules described above, the transaction remains taxable and the tax base may be determined by arbitration, as provided in article 12, paragraph 4, item IV of Complementary Law No. 214/2025.

5.5. Family offices

A specific rule in article 57, paragraph 2 addresses legal entities whose principal activity is the management of

goods and financial assets belonging to their partners, directors, managers, board members, employees and their relatives up to the third degree – commonly referred to as “family offices”. For such entities, all goods and services related to the management they perform are treated as being for personal use or consumption, with no IBS/CBS credit entitlement.

6. Exceptions and Untaxable Events

Article 6 of Complementary Law No. 214/2025 sets out a structured set of untaxable events. These rules operate alongside those of article 5 and must be read in conjunction with the credit rules of article 57. They may be organized into three categories according to the element on which non-taxation depends.

6.1. Non-taxation based on the description of the operation

The following untaxable events depend solely on the nature of the operation itself, without reference to prior credit appropriation⁶ or to a relationship between the parties:

- financial income, except when included in the tax base under the special regime for financial services or when included in the base of the principal operation;
- other transactions with securities, except when subject to the special regime for financial services;
- transfers of public resources and public goods to non-profit civil entities through public law cooperation instruments, including grants, cooperation agreements, management contracts and similar instruments entered into by direct public administration bodies, autarchies and public foundations;
- allocations by a cooperative corporation of resources to its statutory reserve and assistance funds, and reversals of those reserves; and
- non-remunerative associative contributions made to qualifying civil associations that meet the requirements of article 14 of the National Tax Code.

The statute also provides, in article 4, paragraph 6, that the acquisition and supply of goods and services by a natural person who is formally a taxpayer, but who acts outside the scope of that person’s economic activity, are treated under the same rules applicable to non-taxpayers in that sphere.

6.2. Non-taxation depending on prior credit appropriation

A second category of untaxable events depends on whether IBS/CBS credits were appropriated at a prior stage. These include: (i) transfers of goods by the taxpayer to a partner or shareholder who is not a regular-regime taxpayer, whether by capital return, in-kind dividends or otherwise (non-taxable if the acquisition of the transferred goods did not generate credits for the con-

tributor); (ii) disposal, liquidation and transfer, including alienation, of equity interests (non-taxable absent prior credit appropriation); (iii) transfer of goods in connection with mergers, spin-offs, incorporations, capital contributions and capital returns (subject to the same condition); and (iv) donations without consideration for the donor’s benefit (non-taxable only if the donor reverses the credits previously appropriated upon acquisition of the donated good or service). If credits are not reversed, the donation is taxable at market value.

The rule on donations deserves particular attention. Under article 6, item VIII, paragraph 2, a donation is non-taxable only upon credit reversal. If the donor chooses to appropriate credits and does not reverse them, the donation becomes a taxable supply valued at market price. This rule reflects the underlying logic of non-cumulation: credit appropriation and untaxed final consumption cannot coexist in the same chain.

Additional untaxable events in this category include: (i) receipts of dividends and interest on equity (*juros sobre capital próprio*), receipts of interest or remuneration paid by cooperative corporations to their members, and results from the valuation of equity interests – provided no credits were generated; and (ii) distributions by a cooperative corporation to its members of proceeds from the operations covered by article 271 of Complementary Law No. 214/2025, and cash distributions of surplus by cooperative corporations to their members, as recognized in the income statement.

6.3. Non-taxation depending on the relationship between the parties

A third category of untaxable events depends on the existence of a specific relationship between the parties, regardless of credit history. These are: (i) services rendered by a natural person under an employment relationship with the taxpayer or in the capacity of manager, member of the board of directors or supervisory board, or member of advisory committees; and (ii) transfers of goods between establishments belonging to the same taxpayer.

Both exclusions are coherent within a consumption tax framework. The employment relationship does not constitute a taxable supply by the employee to the employer. Internal transfers between establishments of the same legal entity do not represent the movement of value towards final consumption by a third party and are therefore correctly excluded from the scope of IBS and CBS.

7. Imports and Exports

IBS and CBS apply to imports of goods and services from abroad, while exports of goods and services are immune to both taxes. Exporters are entitled to appropriate and to use the credits relating to their prior operations, even though the exported supply is not itself taxed.

7.1. Imports and exports of tangible goods

For tangible goods, the taxable event on import is the entry of foreign-origin goods into Brazilian territory. The

6. The Brazilian indirect tax system credit appropriation rules are designed to ensure that taxable persons can appropriately claim credits for IBS and CBS paid in previous transactions.

legislation also defines a detailed list of entries that do not constitute a taxable event. These include:

- the return of goods sent on consignment and not sold within the authorized period;
- goods returned due to technical defects for repair or replacement;
- goods returned due to changes in the importing country's import rules;
- goods returned due to war or public calamity;
- goods that arrived in Brazil by manifest shipping error and are redirected or returned abroad;
- goods imported as replacements for previously imported defective goods;
- goods subject to forfeiture before customs release;
- goods returned abroad before the registration of the import declaration;
- fish caught outside Brazilian territorial waters by a Brazilian company;
- goods under the temporary export customs regime upon re-entry;
- goods in transit that are accidentally destroyed; and
- goods destroyed under customs control before their release by the customs authority.

The principal rules applicable to the importation of tangible goods may be summarized as shown in Table 3.

On the export side, tangible goods are immune to IBS and CBS. In addition, the legislation deems certain goods as exported even without physical departure from Brazilian territory. These include:

- goods fully incorporated into goods temporarily in Brazil owned by a foreign purchaser;
- goods delivered to public administration bodies under international bidding contracts;
- goods incorporated into defence products under international agreements;
- goods sold to duty-free shop operators;
- aircraft produced in Brazil and delivered to domestic carriers under contracts with foreign entities; and
- goods incorporated into vessels or platforms under construction for oil and gas activities contracted by foreign entities.

Indirect exports – in which goods are supplied domestically to an acquirer for the specific purpose of subsequent export – are subject to suspended IBS and CBS, provided the acquirer satisfies the following conditions:

- is a certified export trading company under the Authorized Economic Operator (*Operador Econômico Autorizado*, OEA) programme;
- holds net equity equal to or greater than the higher of BRL 1 million (approximately USD 200,000) or the total amount of suspended taxes;
- opts into the Electronic Tax Domicile system;
- maintains digital bookkeeping; and
- is in good fiscal standing with federal, state and municipal tax authorities.

The suspended taxes become due if the export is not completed within 180 days or if the goods are diverted to the domestic market, industrialized, destroyed, lost or stolen before effective export.

Table 3. Importation of tangible goods

Element	Rule
Taxable event	– Entry of foreign-origin goods into Brazilian territory
Moment of assessment	– Release of goods under the consumption clearance process – Release of goods under temporary admission for economic use – Assessment of tax liability for luggage, goods identified as missing by customs or goods not covered by an import declaration
Place of import	– Place of delivery of the goods to the final recipient – Principal domicile of the acquirer of bonded goods – Place where the loss of the imported good is established
Tax base	– Customs value plus: import duty, selective tax, Siscomex fee, AFRMM, Cide-Fuels, anti-dumping duties, countervailing duties, safeguard measures and any other charges imposed up to customs clearance ¹ – IPI, ICMS, and ISS are excluded from the base
Tax rates	– Same rates applied to domestic transactions involving the same good; if identification is impossible, the standard rates of the destination apply
Taxpayer	– Taxpayer: the importer (any person or entity promoting the entry of the goods) – Substitute liable party: carrier (until unloading is complete) and depositary (after unloading, while goods are in bonded custody) – Joint and several liability: person who registers the import declaration on behalf of another; predetermined principal; representative of foreign carrier; multimodal transport operator

1. The Siscomex fee is the federal fee charged for the use of the electronic system provided by the federal government to control imports and exports of goods. AFRMM stands for the additional freight charge for the renewal of the merchant marine. Finally, Cide-Fuels is a federal contribution for intervention in the economic domain, specifically levied on the importation and trade of fuels.

The statute also provides for the possibility of a tourist refund regime for supplies of tangible goods made in Brazil to individuals domiciled abroad during a stay of less than 90 days. Under article 471 of Complementary Law No. 214/2025, the refund is limited to goods included in the tourist's accompanied luggage and supplied by accredited taxpayers and is available only upon departure by air or sea.

7.2. Imports and exports of intangible goods and services

For intangibles and services, the statute establishes a complementary structure based on the place of consumption. The following situations constitute imports subject to IBS and CBS: (i) supply by a non-resident or person domiciled abroad for consumption in Brazil, (ii) supply performed in

Brazil by a non-resident and (iii) supply related to immovable or movable property located in Brazil.

When the value of an intangible or service is embedded in the customs value of imported tangible goods, it is treated as part of the importation of those goods and governed by the rules described in section 7.1. above.

The following situations constitute exports immune to IBS and CBS:

- supply to a non-resident for consumption abroad;
- services related to immovable property located abroad;
- services related to movable property temporarily brought into Brazil and returned abroad after completion; and
- a range of logistics and ancillary services directly and exclusively linked to the export of goods or to their delivery abroad. These include intermediation in the distribution of goods abroad (agent commission); cargo insurance; customs brokerage; warehousing; road, rail, air, water or multimodal freight transport; cargo handling; container handling and leasing; consolidation and deconsolidation of cargo; express shipments; weighing and measuring; refrigeration; and assembly, installation and training for the use of exported goods.

Place-of-supply rules determine where consumption occurs and therefore whether a transaction qualifies as an import or export. Specific statutory criteria apply to:

- intangibles related to immovable property;
- services physically performed on a natural person or enjoyed by a natural person in person;
- services for organizing fairs, exhibitions, congresses and similar events;
- services physically performed on movable goods, and port services;
- passenger transport;
- cargo transport;
- services for the exploitation of roads through toll collection; and
- fixed telephony and communication services delivered through cables, wires and similar media.

In residual cases, consumption is located at the residence or domicile of the acquirer or recipient. When an intangible or service is partly consumed in Brazil and partly

abroad, only the portion consumed in Brazil is treated as an import, and only the portion executed or consumed abroad is treated as an export.

Regarding tax liability, the acquirer is the taxpayer upon importation of intangibles and services. The foreign supplier bears joint liability. Digital platforms⁷ – even when resident or domiciled abroad – may be designated as responsible for payment of IBS and CBS on imports made through them.

8. Concluding Remarks

The concept of taxable supply under Brazil's new IBS/CBS regime is broad in scope and closely tied to the logic of destination-based consumption taxation. Complementary Law No. 214/2025 defines goods, services, and supply in expansive terms and treats onerous transactions as the central paradigm of incidence. It then builds a more detailed set of rules for gratuitous and below-market supplies, related-party transactions, imports, exports and untaxable events.

In several situations, the determination of whether a supply is taxable depends not only on the description of the transaction but also on two additional elements: whether IBS/CBS credits were appropriated at the prior stage, and whether a legally relevant relationship exists between the supplier and the recipient. The combination of these elements is employed by the statute to identify the point at which the credit chain of non-cumulation must end and final consumption is reached.

Some interpretive questions remain open. The scope of below-market supply rules and the criteria for determining what falls within the business-related exceptions of article 57, paragraph 3 are further areas where the boundaries of the new regime will be tested in practice. The overall framework, however, provides a detailed and internally coherent map of taxable and untaxable events, structured around the principle that the tax chain must terminate at effective consumption.

7. Brazuna, Shingai and Vasconcelos, "Place of Supply under Brazil's IBS/CBS reform".