Brazil Tax Reform simulator: Planning ahead 2026–2033

Brazil's Tax Reform (2026–2033) is set to overhaul the nation's complex indirect tax system, introducing a dual VAT model (CBS at the federal level and IBS at the state/municipal level) with a seven-year transition phase. This transition, beginning in 2026 and concluding by 2033, will gradually phase out existing taxes and implement the new model. For companies operating in Brazil, the reform poses significant challenges but also opportunities for those who prepare.

The Brazil Tax Reform challenge for companies

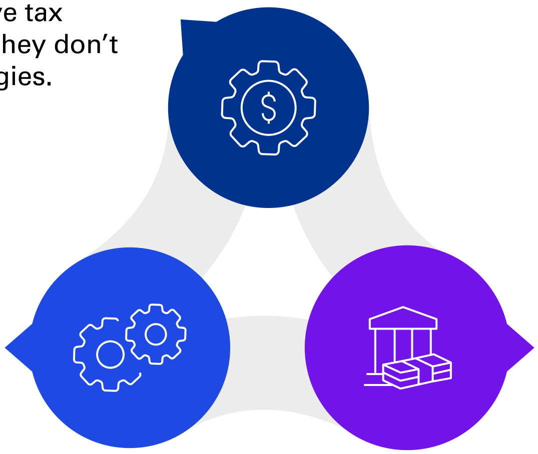
Businesses must adapt rapidly to unprecedented changes in taxation. Key challenges posed by the 2026–2033 reform include:

Pricing volatility and margin pressure:

With the new dual VAT projected to have combined rates around 25%–30%, many sectors could see higher effective tax costs, risking margin erosion if they don't proactively adjust pricing strategies.

Operational shifts:

The move to destination-based taxation (tax collected where goods/services are consumed) and the end of certain local tax advantages will alter the competitive landscape. Legacy setups optimized for the old system may no longer be cost-effective.



Tax complexity in transition:

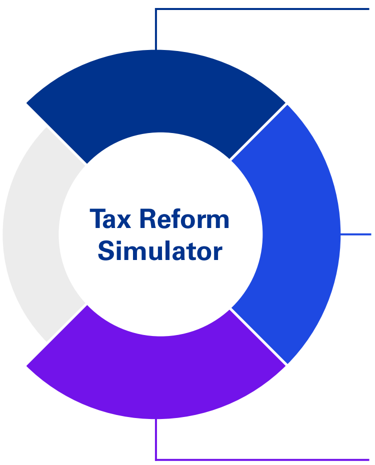
During the seven-year transition, legacy taxes (ICMS, ISS, PIS/COFINS, IPI) will coexist with new taxes (IBS, CBS). This overlap creates operational and system complexity. A major expected pain point is the overload of running two tax models in parallel – a strain on tax and IT teams. Companies will need to handle new tax codes, updated invoice formats, and constantly evolving regulations, all while still complying with the old rules in the interim.

Proactive planning is imperative. Companies that delay action risk profit compression, supply chain disruptions, compliance penalties, and strategic blindsides.

Brazil tax reform simulator: Helping to gain clarity and control

The KPMG Brazil tax reform simulator can empower companies to understand and navigate these changes before they happen. This simulator provides executives with a "what if" model for the reform's impact, using your own data and KPMG's tax solutions to drive confident decision-making.

Key attributes of the tax reform simulator include:



Data-driven tax impact simulation:

The simulator leverages businesses historical transactional data to model the new tax regime's impact with precision. By ingesting the actual detailed data submitted to authorities (e.g., SPED files), the tax reform simulator forecasts your transactional taxes under the reform – down to the invoice line level. This means you see exactly how your tax burden would shift each year of the transition period, versus your current baseline.

Holistic transition forecasting (2026–2033):

Map out the entire seven-year transition on a timeline. The tool models year-by-year changes: for example, as IBS gradually replaces ICMS/ISS from 2029 onward, it shows how your tax rates will evolve.

Interactive dashboards:

Visualize these changes through interactive dashboards, making it easy for Finance and Tax teams to convey to leadership how the tax reform trajectory will affect your company over time.

The simulator doesn't just crunch numbers-it delivers actionable insights that drive strategy, in an environment where uncertainty in tax and fiscal planning is one of the biggest challenges during the transition years, allowing your company to enter the reform era with a plan.

A tailored approach for a unique need

The tax reform simulator stands apart in its accuracy, flexibility, scalability, and enterprise-ready features, delivering outstanding value to your company:

Accuracy and depth:

KPMG's simulator offers more accurate modeling by leveraging real data, and specific methodology and technology solutions powered by a robust calculation engine. In contrast to one-size-fits-all calculators, KPMG's modeling is tailored to your business specifics, yielding precise forecasts.

Powered by the KPMG Indirect Tax Toolkit:

Using the KPMG Indirect Tax Toolkit, our team can rapidly enable the simulator for your company. The KPMG Indirect Tax Toolkit enables batch tax calculations and volume testing, which we utilize to simulate thousands of transactions under the new rules in minutes. This capability accelerates the analysis and provides flexibility to test multiple scenarios (e.g., different business units, or varying market conditions) efficiently, covering every angle of your operations.

Enterprise-grade dashboard and analytics:

The KPMG tax reform simulator includes rich visual dashboards and simulation outputs designed for enterprise use. We know that presenting results in a clear, and compelling way is crucial for decision-makers. These insightful dashboards make it easy for Finance, Tax, and C-suite leaders to grasp the impacts at a glance and drill down into specifics as needed.

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Getting ahead of the Tax Reform

Brazil's tax reform is approaching fast – the time to act is now. Companies that start early will lead the pack, while those that wait may find themselves scrambling amid rising costs and complexity.

Don't let tax reform uncertainty slow you down. Experience how KPMG's solution can turn uncertainty into opportunity for your organization.

Let us help you drive into 2026 with clarity and control.

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

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