

# Brazilian Tax Reform Highlights: **Agribusiness**

Overview & **Future** Perspectives





# Agribusiness

## Considerations and potential impacts of EC 132/23

### Overview of current taxation:

- Exemption of the chain due to its importance for food security and the country's economy;
- ICMS - Deferrals, exemptions, reductions and presumed credits;
- PIS and COFINS - Zero rate, reduction of calculation basis, suspension and presumed credits;
- IPI - Zero rate, Non-Taxable.

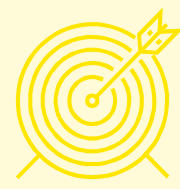
### Particularities among taxpayers in this segment:

- Distribution of some products is impacted by tax factors, leading to ongoing studies and adjustments;
- Diversity of tax rules among the various agribusiness segments;
- Same products and operations subject to different tax rules in the states, including for "cesta básica" items;
- Credit balances difficult to monetize, especially in operations with the foreign market;
- Restrictions on the taking of tax credits on essential business expenses.



### Points of Attention: New Taxation Model

**Incident taxes:** ✓ IBS ✓ CBS  
**Taxes whose incidence is still not clear:** State Contribution



- ✓ Zero or reduced rate by 100% - "cesta básica", vegetables, fruits and eggs.
- ✓ Reduced rate by 60% - food products and agricultural inputs.

- Complementary law will define important tax regimes for the sector, such as: **differentiated regime for biofuels**, to ensure a lower taxation than fossil fuels, **for cooperativism** and **for the rural producer**, legal or physical person, with annual income up to R\$ 3.6 million;
- **Reduction of IBS and CBS rates will be defined in a complementary law**, which raises doubts about the scope and applicability to certain types of products;
- The concept of inputs for the purposes of applying the reduced rates of IBS and CBS and the respective **non-incidence of IS** must include material goods, immaterial items, rights and services (defensive, leases and **royalties on seeds for example**);
- Potential **variation in the prices** of some sector products, including if the **State Contribution on primary and semi-finished products is confirmed**;
- Impact on **cash flow** due to the accumulation of credits in the chain of products subject to reduced rates of CBS and IBS, including due to investments in operational assets;
- Need to reassess the **business exploration model** and rural property.

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