

EXECUTIVE TAX ALERT 2026

FOR CEOS, CFOS, SENIOR EXECUTIVES AND LEGAL CONSUEL

Brazil's projected tax burden for **2026 is expected to reach 34.12% of GDP**, compared to **32.2% in 2025**, signaling a **material increase in fiscal pressure** on businesses, investments and consumption.

This environment requires an **immediate reassessment of business models**, driven by the new tax framework applicable to **consumption, income and financial investments**, alongside the consolidation of the **Dual VAT (IVA Dual)**.

The shift to **destination-based taxation**, applicable to both goods and services, represents a **structural change** affecting **tax planning, pricing strategies, logistics, corporate governance and operating models**. In parallel, the **Managing Committee** will determine the allocation of the **IBS within the Dual VAT**, potentially generating **regional and sector-specific asymmetries**.

Key expected impacts:

- **Productive and supply chains:** restructuring, efficiency gains and economies of scale.
- **Wholesale and retail trade:** margin pressure, pricing adjustments and distribution strategies.
- **Marketplaces:** increased **tax liability exposure, compliance obligations and fiscal risk**.
- **Capital profitability:** compression of gross margins and return on invested capital.
- **Cash flow and working capital:** increased mismatch between purchasing and sales terms, higher liquidity needs and financial costs.
- **Labour costs:** potential reduction of working hours (from 44 to 40 hours per week or from a 6x1 to 5x2 regime), **without salary reduction**, increasing unit labour costs.
- **Procurement:** higher acquisition costs of goods and services across industrial, commercial and service chains.
- **Tax credits:** higher effective costs and potential restrictions, particularly affecting **MEI and Simples Nacional** taxpayers.

- **Corporate governance and compliance:** increased operational complexity, stronger internal controls and greater board oversight.
- **Legal and tax litigation risk:** higher exposure to disputes, assessments and tax provisions.
- **Valuation and corporate transactions (M&A):** direct impacts on EBITDA, valuation models, investments and asset pricing.
- **Corporate structure:** need for reorganizations, regional restructuring and cost center realignment.
- **Investment and expansion decisions:** reassessment of CAPEX projects and investment location strategies.
- **Reputational and ESG impacts:** greater public scrutiny over pricing, tax pass-through and stakeholder alignment.

2026 will not merely represent a tax transition year, but a structural inflection points for business models. Companies that anticipate decisions and integrate tax, finance, operations, technology and governance will preserve competitiveness. Inaction is likely to result in **margin erosion, inefficiencies, loss of value and reputational risk.**

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MPACT MATRIX – TAX REFORM 2026 Impacts on Corporate Area

Area	Key Impacts	Strategic Risks	Priority Actions
Board / Senior Management	Higher effective tax burden; impact on valuation; reputational exposure	Value erosion; delayed decisions; ESG exposure	Define strategic guidelines; oversee adaptation plan; engage board committees
Finance (CFO)	Margin compression; EBITDA impact; increased working capital needs; higher JCP taxation	Liquidity pressure; cash flow stress; covenant breaches	Review financial projections; cash stress tests; reassess dividend policy
Tax / Fiscal	Dual VAT; destination-based taxation; IBS allocation; new compliance obligations	Tax assessments; loss of credits; litigation	Redesign tax planning; map impacts by state/region; strengthen compliance
Legal / Litigation	Increase in transitional disputes; interpretative conflicts	Higher provisions; excessive litigation	Preventive legal strategy; contract review; active risk management
Sales / Commercial	Changes in pricing formation; destination-based effects; competitive pressure	Margin loss; ineffective tax pass-through	Review pricing models; market segmentation; renegotiating commercial terms
Supply Chain / Operations	Supply chain restructuring; higher total costs; credit timing issues	Operational inefficiencies; unit cost increases	Scale gains; supplier review; logistics integration
Procurement / Sourcing	Higher acquisition costs; credit impacts	Margin erosion; supplier dependency	Contract renegotiation; sourcing strategy review; total cost analysis
Logistics / Distribution	Destination-based taxation; impact on distribution centres and routes	Inefficient logistics structure; higher costs	Reorganise distribution centres; optimise logistics network
Human Resources	Reduced working hours without salary reduction; higher labour cost per unit	Fixed cost pressure; productivity loss	Redesign work schedules; invest in automation; operational redesign
Technology / ERP	System upgrades; tax-accounting integration	Calculation errors; compliance failures	Upgrade ERP systems; integrate tax-accounting-finance; pre-go-live testing
Accounting	Chart of accounts changes; cost and value-added reclassification	Distorted financial statements; management errors	Update chart of accounts; align managerial and tax accounting
Strategy / M&A	Valuation impacts; review of corporate structures	Mispriced transactions; inefficient structures	Reassess valuation models; review holdings and structures
Governance / Compliance	Increased regulatory complexity; higher tax exposure	Institutional risk; control failures	Strengthening controls; engage audit and compliance committees
Reputation/ESG / Marketing	Price sensitivity; public scrutiny of tax pass-through	Reputational damage; stakeholder pressure	Transparent communication ; ESG alignment ; reputation management