

DECREE NO. 12,499/2025 AND MP NO. 1,303/2025

Brazilian Government changes
IOF and proposes changes to
income taxation

June 2025



DECREE NO. 12,499/2025

- On May 22, 2025, the Brazilian Government published **Decree No. 12,466/2025**, amending **Decree No. 6,306/2007** to increase the rates of the Financial Transactions Tax ("**IOF**") levied on credit ("**IOF/Credit**"), foreign exchange ("**IOF/FX**") and insurance ("**IOF/Insurance**") transactions.
- After the amendments, the **Brazilian Government reversed specific measures** through **Decree No. 12,467/2025**. Please access our Client Alert on the amendments introduced through Decrees Nos. 12,466/2025 and 12,467/2025.
- On June 11, 2025, the Brazilian Government published **Decree No. 12,499/2025**, which repealed Decree Nos. 12,466/2025 and 12,467/2025, **partially maintaining the initial increases and implementing new changes.**

PROVISIONAL MEASURE NO. 1,303/2025

- Also on June 11, 2025, the Brazilian Government published **Provisional Measure ("MP") No. 1,303/2025**, which updated the framework for taxation on financial investments and virtual assets in Brazil, and **(i)** increased the withholding income tax ("**WHT**") rate related to interests on net equity ("**IOE**"), **(ii)** changed the rules governing the **CSLL** (*one of the two corporate income taxes with the IRPJ*) **levied** on financial institutions, **(iii)** increased the taxation of Brazilian fixed-odds lottery betting operators and **(iv)** changed the rules for recovery of tax credits.

DECREE NO. 12,499/2025

New IOF rules



NEW IOF RULES

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- Although Decree No. 12,499/2025 repealed Decree Nos. 12,466/2025 and 12,467/2025, most of the changes introduced by these decrees were maintained. Find below a summary of the alterations introduced by **Decree No. 12,499/2025**, which **entered into force on June 12, 2025**:

Matter	Prior Rule	New Rule
Fixed IOF/Credit rate (general rule)	0.95% (Decree No. 12,466/2025)	0.38%. The increase in the daily rate to 0.0082% for legal entities was maintained
Fixed IOF/Credit rate for borrowers under the <i>Simples Nacional Regime</i> in transactions of up to BRL 30,000.00	0.95% (Decree No. 12,466/2025)	0.38%. The increase in the daily rate to 0.00274% was maintained
Fixed IOF/Credit rate on the anticipation of receivables and other supplier financing arrangements ("forfait" or " <i>risco sacado</i> ")	0.38% (Decree No. 12,466/2025)	0%. The controversial and questionable IOF/Credit levy at the daily rates introduced by the prior Decree was maintained
Fixed IOF/Credit rate on transactions with cooperatives above BRL 100 million per year	0.38% (Decree No. 12,466/2025)	0%. The IOF/Credit levy at the daily rates provided by the prior Decree was maintained
IOF/FX rate on outbound foreign exchange transactions for repatriating foreign investment in Brazilian companies	3.5% (Decree No. 12,466/2025)	0%
IOF/Securities on primary acquisition of quotas of Investment Funds in Credit Rights (" FIDC ")	Not applicable	0.38% Not applicable to acquisitions of quotas (i) subscribed until June 13, 2025, or (ii) in the secondary market
IOF/Insurance at the rate of 5% on private pension plans (" VGBL ")	If the sum of the contributions in all plans held by the insured in the month is equal to or greater than BRL 50,000.00 (Decree No. 12,466/2025)	If the sum of the contributions in all plans held by the insured in the year is greater than (i) BRL 300,000.00 , it is levied on the amount that exceeds BRL 300,000.00, for contributions <u>until December 31, 2025</u> , and (ii) BRL 600,000.00 , it is levied on the amount that exceeds BRL 600,000.00, for contributions <u>as of January 1, 2026</u>

MP NO. 1,303/2025

New income tax rules on
financial investments and
virtual assets



NEW INCOME TAX RULES

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MAIN CHANGES INTRODUCED BY MP NO. 1,303/2025

Financial and capital markets taxation – non-resident investors, and resident individuals and legal entities

Virtual assets taxation, including cryptocurrency and crypto-assets

Increase in taxation of IOE payments

Increase in CSLL rates for financial institutions

Increase in taxation of fixed-odds betting operators: Gross Gaming Revenue Tax ("GGR") of 18%

Additional restrictions on the recovery of tax credits

EFFECTS

MP No. 1,303/2025 will enter into force on January 1, 2026, except for the increases in CSLL and GGR tax, which will become effective in the fourth month after the publication of the MP. The MP must be converted into law by the Brazilian Congress within 120 days (60 + 60), under penalty of losing its validity.



RESIDENT INDIVIDUALS AND LEGAL ENTITIES IN BRAZIL



Fixed-rate: The current regressive WHT rates of 22.5% to 15%, which are levied depending on the investment's term applicable to financial investments, were replaced by a fixed WHT rate of 17.5%. The WHT does not apply to investments by financial institutions. Under the new rules, losses in financial investments may be carried forward to offset income of the same nature for up to five years. Losses incurred by December 31, 2025, are governed by the prior legislation. The MP prohibits offsetting losses in financial loan transactions.



Taxation of incentivized securities: Income derived from investments in LCI, CRI, CDA, WA, LCA, CRA, CPRs, LIGs, LCDs, and incentivized infrastructure debentures (Law No. 12,431/2011) issued as of 2026 will be subject to 5% WHT when paid to an individual residing in Brazil. If the maturity of these bonds is extended, the WHT will be due on the income accrued as of the renegotiation date.



FII and Fiagro: As a rule, income from Real Estate Investment Funds (FIIs) and Investment Funds in Agro-Industrial Production Chains (FIAGROs) will be subject to 17.5% WHT. Income from FIIs and FIAGROs with at least **100 quota holders** (currently exempt when paid to individuals) will be subject to 5% WHT. Return from trading quotas in the secondary market will be taxed at the progressive rates applicable to capital gains (15% to 22.5%, depending on the gain) or as a net gain. The legislation proposes changes in taxation at the level of the funds' portfolio, revoking the automatic distribution rule, the anti-avoidance rule for taxation as a company, and the taxation on financial investments.



Loan of securities: Remuneration earned by lenders for lending securities in Brazil will be subject to 17.5% WHT. Generally, the other provisions follow the existing system.



Deduction of losses: Losses from trading financial investments on the stock exchange and over-the-counter markets organized in Brazil by a legal entity taxed under the actual profit regime may be deducted for corporate income tax purposes, if they are regular, usual, and necessary for the company's activities.

RESIDENT INDIVIDUALS AND LEGAL ENTITIES IN BRAZIL



Financial investments abroad: The income tax rate increased from 15% to 17.5% on income from foreign investments within the scope of financial investments and profits and dividends of controlled entities.



Fixed Income Index Funds: As a rule, income and capital gains earned by quota holders will be taxed at a 20% rate. If the fund's portfolio is composed exclusively of incentivized securities (LCI, LCAs, etc.), income tax will be levied at a 7.5% rate.



Taxation of net gains on the stock exchange: Transactions in the stock exchange and organized over-the-counter markets, including day trade, are subject to 0.005% WHT.



New fund rules: Significant changes were introduced regarding the taxation of investment funds, including taxation at 17.5% in cases of the transformation of investment funds.



Recognition of changes in the equity value of quotas: Legal entities subject to corporate income taxes (IRPJ/CSLL) under the actual profit regime must record the changes in the equity value of investment fund quotas on an accrual basis. There are specific rules/sub-accounts to control changes in the value of quotas in FIA, FIP, FII, or FIAGRO.



Losses in hedge transactions: Losses incurred through derivative contracts with counterparties abroad may be deducted by Brazilian legal entities when assessing corporate income taxes (IRPJ/CSLL) if the transaction has been (i) carried out in compliance with market parameters and (ii) registered in the stock exchange or organized or non-organized over-the-counter market. The scope of the rules concerning the 0% rate and the deduction of losses in international hedge transactions has been expanded.

NON-RESIDENT INVESTOR

Income from financial investments: MP No. 1,303/2025 increased the WHT rate to **(i) 17.5%** on income and capital gains incurred by foreign investors as a rule (currently 15%) and **(ii) 25%** for investors residing in low-tax jurisdictions (previously subject to the same rules as resident individuals).



Exemption on stock exchange transactions: The WHT exemption on capital gains obtained from the sale of assets traded in the stock exchange or organized over-the-counter market by investors other than those from low-tax jurisdictions was restricted to the trading of shares, subscription bonuses, subscription receipts, and certificates of deposit of shares.



FIPs and government securities: Income and capital gains arising from FIPs that qualify as investment entities and government securities continue to be subject to 0% WHT.



Investment type conversion: The conversion from direct (Investment 4131) to capital/financial market investment (Resolution 13 - formerly Resolution 4373) will be subject to 17.5% WHT. The tax base will be the positive difference between the asset's market value on the conversion date and the acquisition cost. On the other hand, the conversion from capital markets to direct investment will not be subject to taxation. The acquisition cost, for the purpose of calculating capital gain on future transactions, will be the market value of the asset as of the date of conversion.



- **Increase in GGR tax levied on fixed-odds lottery betting operators from 12% to 18%:** Gross gaming revenue (stakes minus winnings and individual income tax) from the exploitation of fixed-odds lottery betting will be subject to 18% GGR taxation (not the 12% currently in force), of which **6%** will be allocated to social security (increase included by the MP), and **12%** will be allocated according to the legislation (unchanged by the MP).
- **CSLL on financial institutions:** Credit, financing, and investment companies will be included in the list of institutions subject to the **20%** rate (currently applicable to banks). Other companies considered by the National Monetary Council ("**CMN**") as financial institutions will now be subject to CSLL at the **15% rate** (currently taxed at the 9% rate), for example, fintechs and Direct Credit Companies.
- **Limits on offsetting of tax credits:** the offsetting request will be rejected when the credit relates to:
 - i. Undue or overpaid payment based on a non-existent payment slips ("**DARF**");
 - ii. Non-cumulative regime for assessing the two contributions on revenue (PIS/COFINS), when the credit has no relation to the economic activity of the taxpayer.
- **Virtual assets:** Income (including net gains) derived from transactions involving virtual assets, including crypto-assets and cryptocurrency, is subject to income tax at a 17.5% rate. Losses incurred in transactions with virtual assets may be deducted in the calculation period and in up to five previous calculation periods for individuals and legal entities that are exempt or opt for Simples Nacional. For legal entities, net gains from transactions involving virtual assets are included in the tax base of the two corporate income taxes (IRPJ/CSLL), and the deduction of losses is not permitted.
- **IOE:** The WHT rate levied on the payment of IOE increased to **20%** (currently subject to 15% WHT).

OUR TAX EXPERTS

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(*) They carry out **advisory work** and **administrative litigation**.