

# INCOME TAXATION REFORM IS APPROVED BY BRAZILIAN FEDERAL SENATE

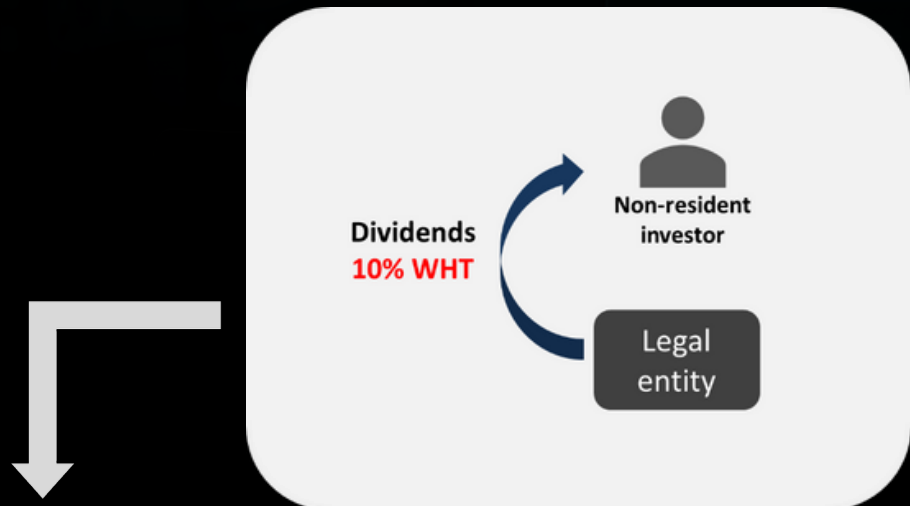
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On November 5, 2025, the Federal Senate approved Bill No. 1,087/2025, which establishes a minimum income tax for Brazilian individuals and imposes taxation on dividends paid to Brazilian individuals and non-resident investors, among other measures.

The bill now proceeds to presidential sanction and, if signed, will come into force on January 1, 2026.

# TAXATION OF DIVIDENDS PAID ABROAD

10% WHT on dividends paid, applied, credited, or remitted abroad by the Brazilian entity to non-residents investors.



## No WHT

### (i) Transitional rule – dividends that:

- relate to profits earned up to 2025;
- have their distribution approved by 31 December 2025;
- are due under civil or corporate law; and
- are paid, credited, applied, or delivered as provided in the approving corporate act.

### (ii) Recipient-based exemptions:

- foreign governments, provided there is reciprocity of treatment for income earned by the Brazilian government;
- sovereign wealth funds; or
- foreign entities whose principal activity is the administration of pension benefits (e.g., retirement and pension plans).

Discussion: with respect to Brazilian corporations, the exemption may apply only to dividends both declared and paid within fiscal year 2025, in light of Article 205, §3 of the Corporate Law (Law No. 6,404/1976), which requires dividends to be paid within 60 days of their declaration and, in any event, within the same fiscal year. It may be discussed the possibility of paying dividends up to 2026, if approved in 2025.

# TAXATION OF DIVIDENDS PAID ABROAD

## Credit for the non-resident investors

Where the combined effective CIT and WHT rates exceed the nominal CIT rates — 34%, 40% (for private insurance and capitalization companies, among others), or 45% (for banks, dealers, brokers, and similar entities) — the non-resident investor may claim a credit for the WHT levied on the dividends.

$$\text{CREDIT} = \text{DIVIDENDS PAID} \times ((\text{EFFECTIVE CIT RATE} + 10\%) - 34\%, 40\% \text{ OR } 45\%)$$

The Executive Branch will regulate how the credit election is to be formalized and the claim procedure, which must be filed within 360 days from the end of the fiscal year.

# MINIMUM INCOME TAX ON BRAZILIAN INDIVIDUALS

## TAXATION ON DIVIDENDS

WHT at a rate of 10% will apply to dividends paid, applied, or credited in a given month by the same legal entity to the same individual resident in Brazil, when the aggregate amount exceeds R\$50,000.00 in that month.



### No WHT on dividends

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- are due under civil or corporate law; and
- are paid, credited, applied, or delivered as provided in the approving corporate act.

Discussion: with respect to Brazilian corporations, the exemption may apply only to dividends both declared and paid within fiscal year 2025, in light of Article 205, §3 of the Corporate Law (Law No. 6,404/1976), which requires dividends to be paid within 60 days of their declaration and, in any event, within the same fiscal year. It may be discussed the possibility of paying dividends up to 2026, if approved in 2025 due to operational constraints and Article 16-A, which contemplates payment up to 2028.

# MINIMUM INCOME TAX ON BRAZILIAN INDIVIDUALS

## ANNUAL MINIMUM INCOME TAX

Bill No. 1,087/2025 also introduces an **annual IRPF minimum tax** for individuals whose **total income** received in the calendar year **exceeds R\$ 600,000**. The rate increases linearly from 0% at R\$ 600,000 to 10% at R\$ 1.2 million (e.g., 5% at R\$ 900,000).

The tax is computed on a specific minimum-tax base that generally includes all income, including amounts taxed exclusively at source and **exempt/zero-rated items**, subject to statutory exclusions – notably: the exempt portion of rural-activity income; income from savings and specified securities (e.g., LCI, LCA, CRI/CRA, LIG, debentures/funds under Law 12,431/2011, and FII/FIAGRO that meet trading/unitholder conditions); certain indemnities (excluding lost profits); defined exempt retirement/pension income; and profits/dividends from results ascertained up to 2025 whose distribution was approved by 31 December 2025 and paid up to 2028.

Where the combined effective CIT plus the individual's IRPF minimum tax on profits/dividends would exceed sector caps (34%, 40% for private insurance/capitalisation companies, or 45% for financial institutions), a statutory reducer applies to the IRPF component tied to profits/dividends; procedural details (elections and claim mechanics) will be set by Executive-branch regulation.

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