

NEW TAXATION ON DIVIDENDS IN BRAZIL

WHAT FOREIGN INVESTORS NEED TO KNOW

17 NOV 2025

LEGISLATIVE STATUS



Bill No.

1,087/2025

was **enacted by the Senate**
on **November 5, 2025**.



Awaits **Presidential** approval
(expected imminently).



Will **take effect on**

January 1, 2026

FOCUS: FOREIGN INVESTORS



WITHHOLDING TAX ON DIVIDENDS

- 10% withholding tax (IRRF) on profits and dividends paid to nonresident investors.
- Applies irrespective of the distribution amount.
- Exemptions remain for:
 - Foreign governments and central banks
 - Sovereign wealth funds
 - Qualified pension funds (subject to regulation)



TAX CREDIT AND REFUND MECHANISM

To avoid double taxation:

- Corporate taxes (IRPJ + CSLL) previously paid by the Brazilian entity may be credited against or refunded to the investor.
- Where the aggregate tax burden exceeds the applicable corporate tax rate, the investor may seek a refund within 360 days.



GRANDFATHERING RULE

Profits relating to results accrued up to 2025, whose distribution is approved by December 31, 2025 and becomes enforceable under civil or corporate law, provided that their payment, credit, use, or delivery occurs in accordance with the terms originally established in the approval act.



PREPARING FOR 2026

Foreign investors should:

1. Document and track profits accumulated before December 31, 2025, to support exemption eligibility through internal analyses and legal opinions, and, if necessary, to substantiate their position in judicial proceedings.
2. Assess corporate structures and applicable tax treaties to mitigate double-taxation risks
3. Perform quantitative analyses and financial modeling to assess potential claims for tax credits or refunds of Brazilian taxes available to non-resident investors.
4. Consider possible litigation strategies.
5. Review profit distribution plans before year-end.

WHAT IS UNCLEAR

TIMING OF PROFIT DISTRIBUTION

Varying approval and payment requirements for limited liability companies (Ltdas) versus corporations (S.A.)

REFUND PROCESS

Administrative procedures, audit requirements, and appellate rights for withholding tax refunds

CORPORATE TAX CREDIT CALCULATION

Methodology for calculating the effective tax rate (including treatment of losses, deferred taxes, and related party transactions)

TAX TREATY INTERACTION

Potential coordination between foreign tax credits and Brazilian withholding tax credits

CHANGES FOR BRAZILIAN INDIVIDUALS (QUICK OVERVIEW)



PROGRESSIVE RATES

Reduced rates between BRL 5,000–7,530



DIVIDENDS TO INDIVIDUALS

10% withholding tax on amounts exceeding BRL 50,000 per month



MINIMUM INDIVIDUAL INCOME TAX (IRPFM)

0–10% on income above BRL 600,000/year



EXCLUSIONS FROM IRPFM

Capital gains outside exchanges, tax-incentivized bonds, pre-2026 profits, certain pensions

TAX

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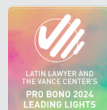
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