

IOF TAX

Federal government announces new rates in the IOF levied on foreign exchange, credit and insurance transactions

May 2025



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- On May 22, 2025, **Decree No. 12,466/2025** was published in the Brazilian Official Gazette, through which the Brazilian federal government increased the rates of the Financial Transactions Tax ("**IOF**") levied on credit transactions ("**IOF/Credit**"), foreign exchange transactions ("**IOF/FX**") and Insurance transactions ("**IOF/Insurance**").
- Given that it is considered a tax that does not have the sole objective of funding the government but also stimulates economic activities (e.g., control foreign exchange and credit transactions conducted in Brazil), the IOF is not subject to the grace period that applies to most taxes. **Given this context, the new ruling concerning the IOF tax hike is effective from May 23, 2025.** Changes concerning the advancements of receivables and the levy of IOF on such credit transactions had their effective date deferred to June 01, 2025.
- It is worth noting that, following the amendments introduced by **Decree No. 12,466/2025**, the **Executive Branch reversed certain measures** and, through **Decree No. 12,467/2025**, reinstated the following IOF rates: (i) 0% on foreign exchange transactions involving transfers to and from abroad related to investments by investment funds in international markets; and (ii) 1.1% on foreign exchange transactions for the transfer of funds abroad aimed at making funds available by residents in Brazil for investment purposes. Scenario (ii) will be further regulated by the Brazilian Federal Revenue Service ("RFB"), providing a clear regulatory oversight.
- Given the current scenario and the backlash such tax hikes are suffering, it is possible that further amendments on the subject may be published. In any case, the following slides summarize the main changes introduced thus far.

➤ Concerning the **IOF/Credit**, the main changes are the following:

- 1 The **daily IOF/Credit rate** for **corporate borrowers (legal entities)** was increased from **0.0041%** to **0.0082%**, and the **fixed additional rate** was raised from **0.38%** to **0.95%**. As a result, the **maximum annual rate** for legal entities that enter credit transactions is **increased from 1.88% to 3.95%**.
- 2 For **borrowers under the *Simples Nacional* regime**, including individual microentrepreneurs (MEI), in transactions up to BRL 30,000.00, the daily rate will be **0.00274%** and the fixed rate **0.95%**, resulting in a **maximum annual rate increase from 0.88% to 1.95%**. For MEIs and individuals, the fixed rate of 0.38% remains unchanged.
- 3 IOF/Credit, according to the rates indicated above, **will now apply to the anticipation of receivables** and other supplier financing arrangements (commonly referred to as "*forfait*" or "*risco sacado*").
- 4 Credit **transactions with cooperatives**, previously exempt from IOF/Credit, will now be subject to the applicable rates mentioned above for **operations exceeding BRL100 million annually**. This threshold is considered on a consolidated basis for the entire economic group.

BORROWER	DAILY RATE	FIXED ADDITIONAL RATE	MAXIMUM ANNUAL RATE
Corporate borrowers (legal entities)	0,00820%	0,95%	3,95%
Simples Nacional up to BRL 30,000.00	0,00274%	0,95%	1,95%
MEI up to BRL 30,000.00	0,00274%	0,38%	1,38%
Individuals	0,00820%	0,38%	3,37%

➤ Regarding the **IOF/FX**, the main changes are presented below:

- 1 As a general rule, **remittances abroad** will now be subject to the **IOF/FX at a rate of 3.5% instead of the previous 0.38%**. Only the transactions listed in items I to XXIII of article 15-B remain subject to specific rates.
- 2 **Inflows** related to **foreign loans** will be subject to the **IOF/FX at 3.5%** if the **average minimum term is less than 364 days**.
- 3 Article 15-C of Decree No. 6.306/2007 - which provided for the gradual reduction of the IOF/FX to zero by 2029 - has been repealed. This reduction schedule had been implemented as part of Brazil's commitment to the OECD.

* *Inflows of funds not covered by the transactions listed in items I to XXIV remain subject to the IOF/FX at 0.38%.*

QUALIFICATION OF THE FX TRANSACTION	PREVIOUS RATE	NEW RATE
<i>Fulfillment of obligations (cross-border payment arrangements) arising from the acquisition of goods and services from abroad (article 15-B, item VII)</i>	3,38% <i>article 15-C, item IV (revoked)</i>	3,5% <i>article 15-B, item VII</i>
<i>Fulfillment of obligations (cross-border payment arrangements) arising from withdrawals made abroad by its users (article 15-B, item IX)</i>	3,38% <i>article 15-C, item IV (revoked)</i>	3,5% <i>article 15-B, item IX</i>
<i>Acquisition of foreign currency in traveler's checks and for loading an international prepaid card (article 15-B, item X)</i>	3,38% <i>article 15-C, item IV (revoked)</i>	3,5% <i>article 15-B, item X</i>

QUALIFICATION OF THE FX TRANSACTION	PREVIOUS RATE	NEW RATE
<i>Inflows of resources relating to external loans with a minimum average term of up to 364 days - previously, the minimum term was up to 180 days - (article 15-B, item XII)</i>	0% <i>article 15-C, item I (revoked)</i>	3,5% <i>article 15-B, item XII</i>
<i>Acquisition of foreign currency in cash (article 15-B, item XX)</i>	1,1% <i>article 15-B, item XX (amended)</i>	3,5% <i>article 15-B, item XX</i>
<i>Remittance abroad to make resources available to a resident in the country (article 15-B, item XXI), except for remittances made for investing abroad, which are subject to art. 15-B, item XXI-A.</i>	1,1% <i>article 15-B, item XXI (amended)</i>	3,5% <i>article 15-B, item XXI</i>
<i>Remittance abroad, by a resident in the country, for investment purposes (article 15-B, item XXI-A)</i>	0,38% <i>Covered by the previous general rule</i>	1,1% <i>new art. 15-B, item XXI-A</i>
<i>Remittance, by residents abroad, of funds held in deposit accounts in the country (article 15-B, item XXII)</i>	3,38% <i>article 15-C, item IV (revoked)</i>	3,5% <i>article 15-B, item XXII</i>
<i>Unspecified remittances ("general rule") - not covered by items I to XXIII (article 15-B, item XXIV)</i>	0,38% <i>article 15-B, caput (not applicable)</i>	3,5% <i>article 15-B, item XXIV</i>
<i>Unspecified inflows ("general rule") - not covered by items I to XXIV (article 15-B, item XXV)</i>	0,38% <i>article 15-B, caput (not applicable)</i>	0,38% <i>article 15-B, item XXV</i>

➤ Finally, regarding the **IOF/Insurance**, the main changes were:

- 1 Under the new article 2 of Decree No. 6.306/2007 (as amended by Decree No. 12,466/2025), the scope of the **IOF/Insurance** was expanded to include: **(i)** transactions carried out by insurance companies; **(ii)** transactions of open private pension entities; and **(iii)** transactions by other entities treated as financial institutions.

As a result, pension plans such as the *Vida Gerador de Benefício Livre* (VGBL) are now subject to taxation.

- 2 The **IOF/Insurance** will be levied at a **5% rate** on **VGBL plans** when the **total monthly contributions** made by the policyholder across all their plans **equal or exceed BRL 50,000**.

Demarest's Tax team is available to provide any further clarification that may be necessary.

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