

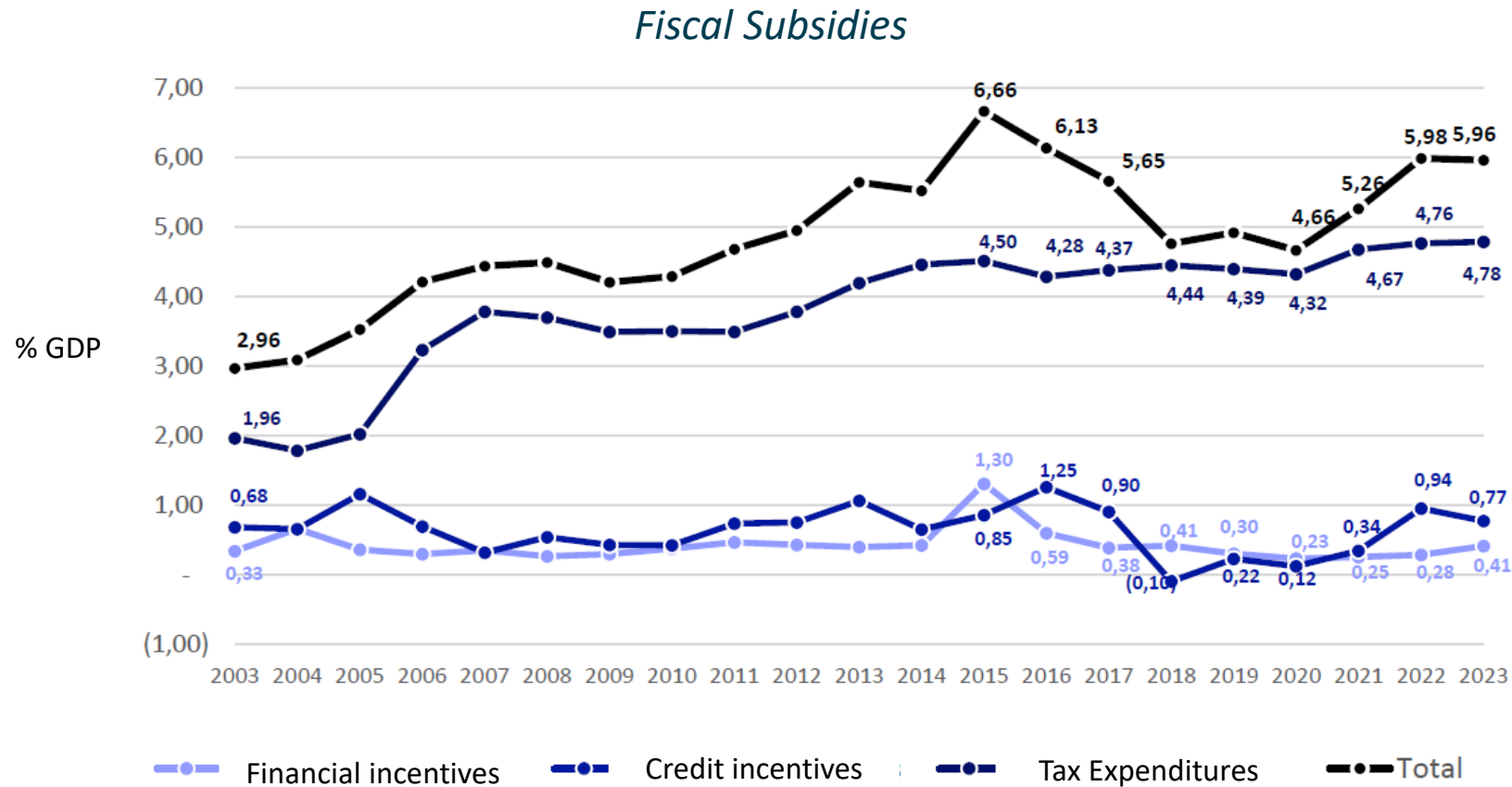


MINISTÉRIO DA FAZENDA

Minimum Standards for Tax Expenditure Reporting: The Brazilian experience

Jul 2025

Tax expenditures in Brazil have increased over time and account for more than 80% of total central government subsidies (4.78% of GDP in 2023)

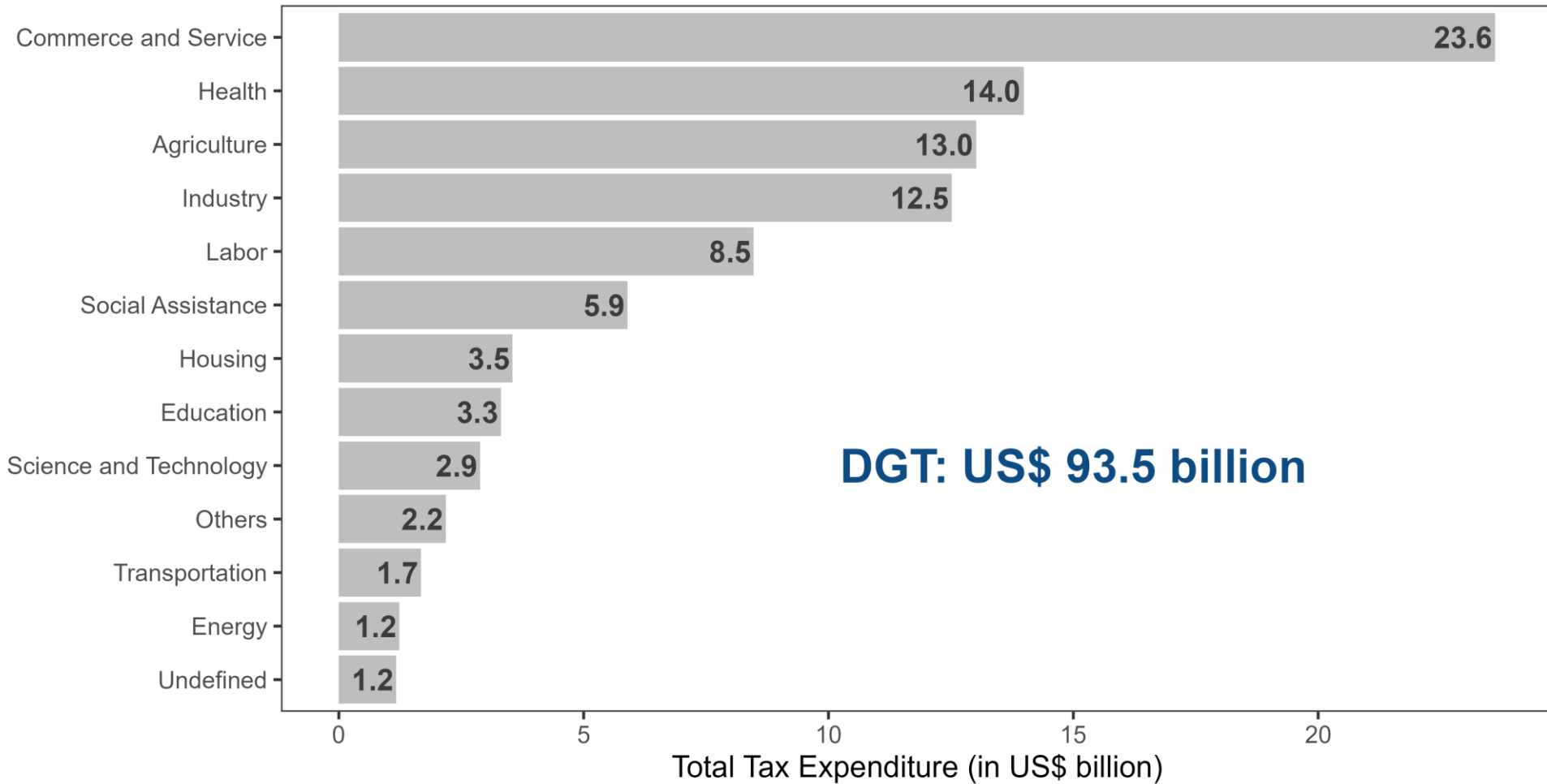


Transparency in tax expenditure reporting

- *The Statement of Tax Expenditures (DGT) is a report that outlines revenue losses resulting from provisions in tax legislation that grant special exclusions, exemptions, deductions, credits, or deferrals of tax liabilities*
- *The Statement of Tax Expenditures (DGT) is published annually as an annex to the Annual Budget Bill, providing detailed information on tax expenditures and the methodology used*
- *Brazil holds a strong position in the Global Tax Expenditures Transparency Index (GTETI), ranking 7th out of 105 countries*

Main tax expenditures in Brazil - 2024

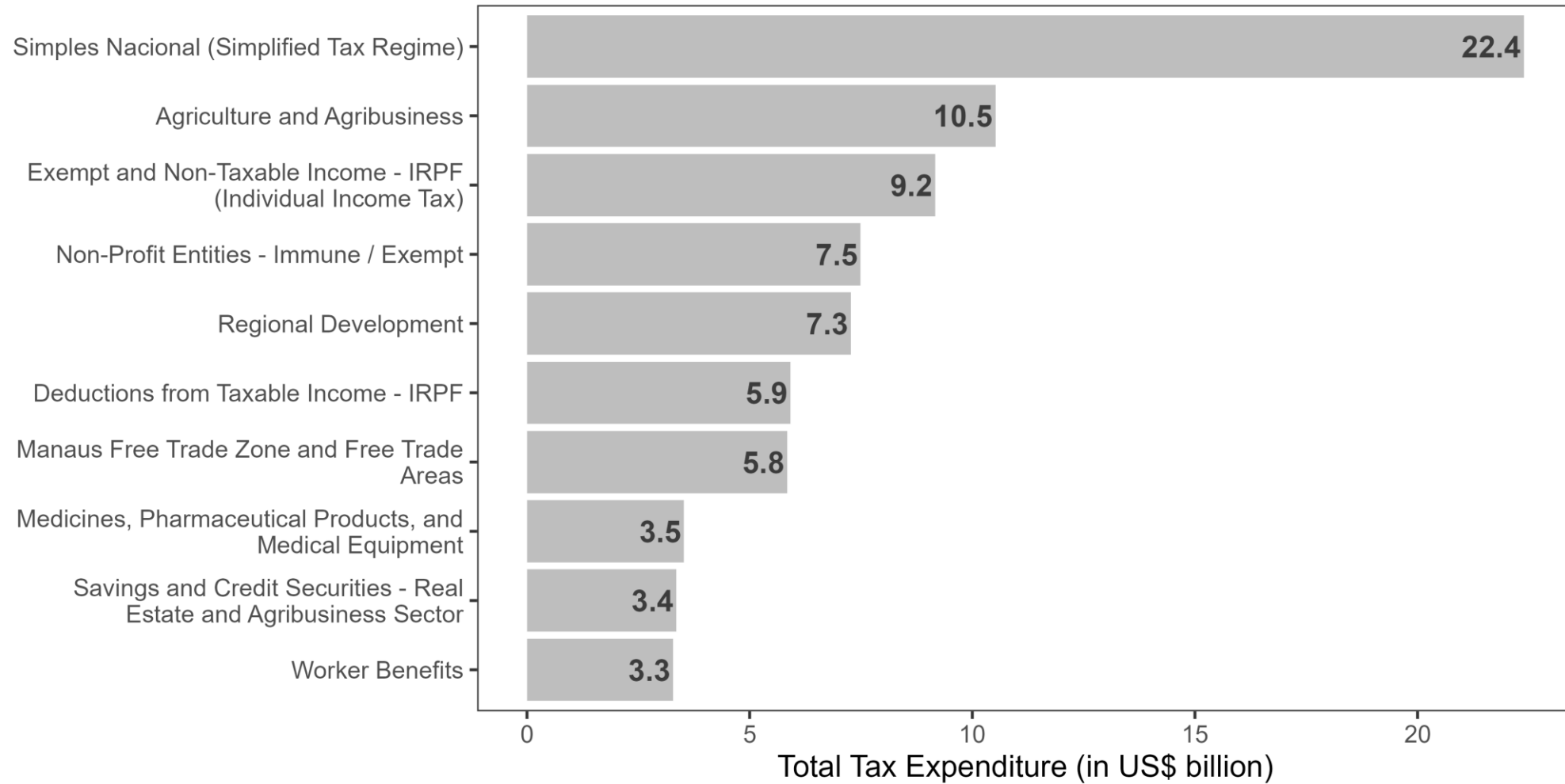
Tax Expenditures by Budget Function (DGT)



Source: DGT - Data from the Brazilian Ministry of Finance (2024).

Main tax expenditures in Brazil - 2024

Top 10 Tax Expenditures by Program (DGT)



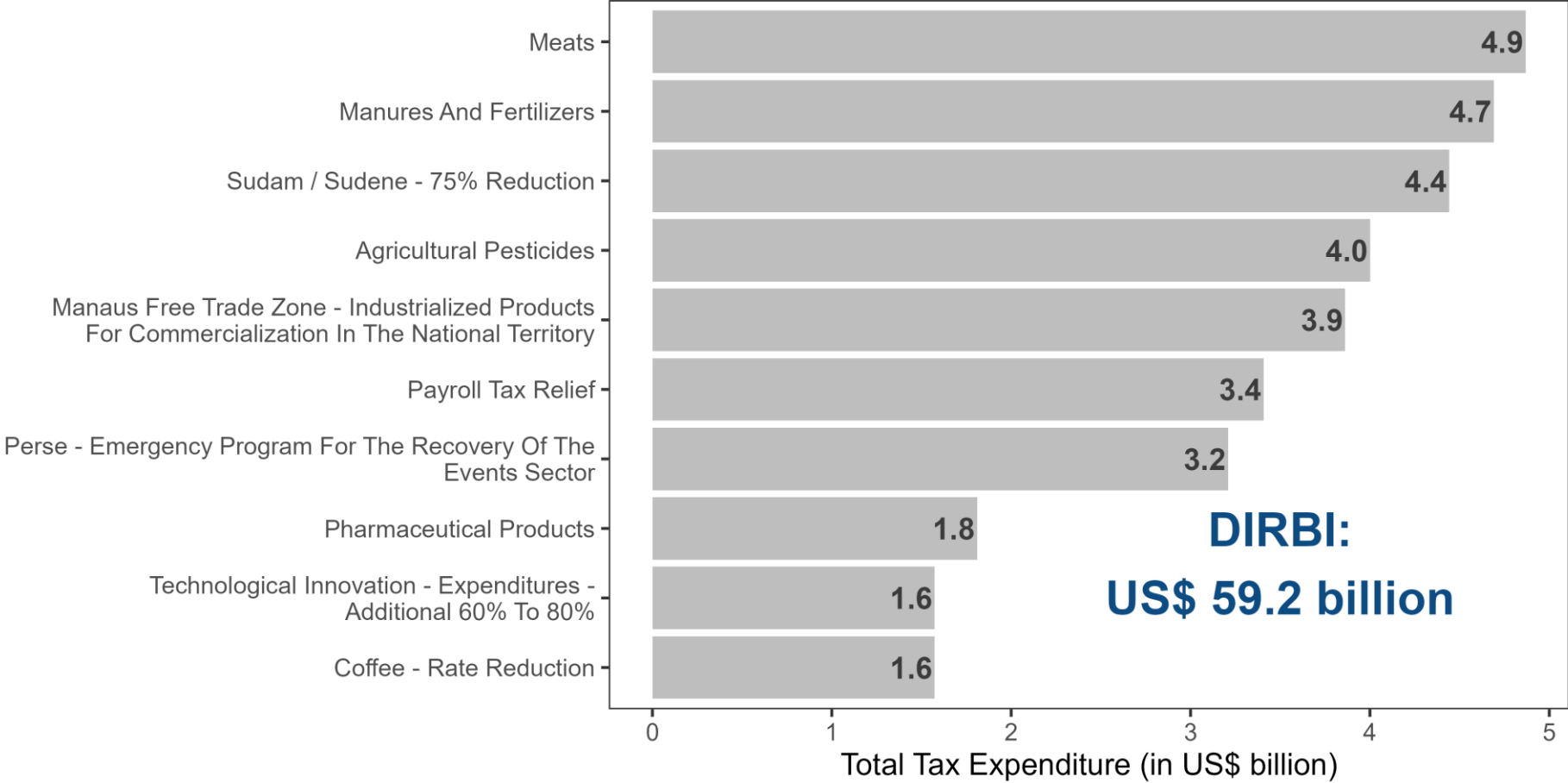
Source: DGT - Data from the Brazilian Ministry of Finance (2024).

Recent advances in transparency: DIRBI

- *The Statement of Tax Incentives, Waivers, Benefits, and Immunities (DIRBI) is a recent and important innovation in enhancing transparency within the Brazilian tax system*
- *DIRBI is a formal declaration or report detailing various forms of tax relief, exemptions, and benefits granted by the government*
- *DIRBI was made possible by the introduction of Provisional Measure No. 1,227/2024, which established conditions for the utilization of tax benefits by companies*
- *One of the conditions is the completion of a required declaration, which is the responsibility of the beneficiary*
- *Evidence from DIRBI suggests that the DGT may be underestimating the value of tax incentives, which could exceed the amounts originally projected*

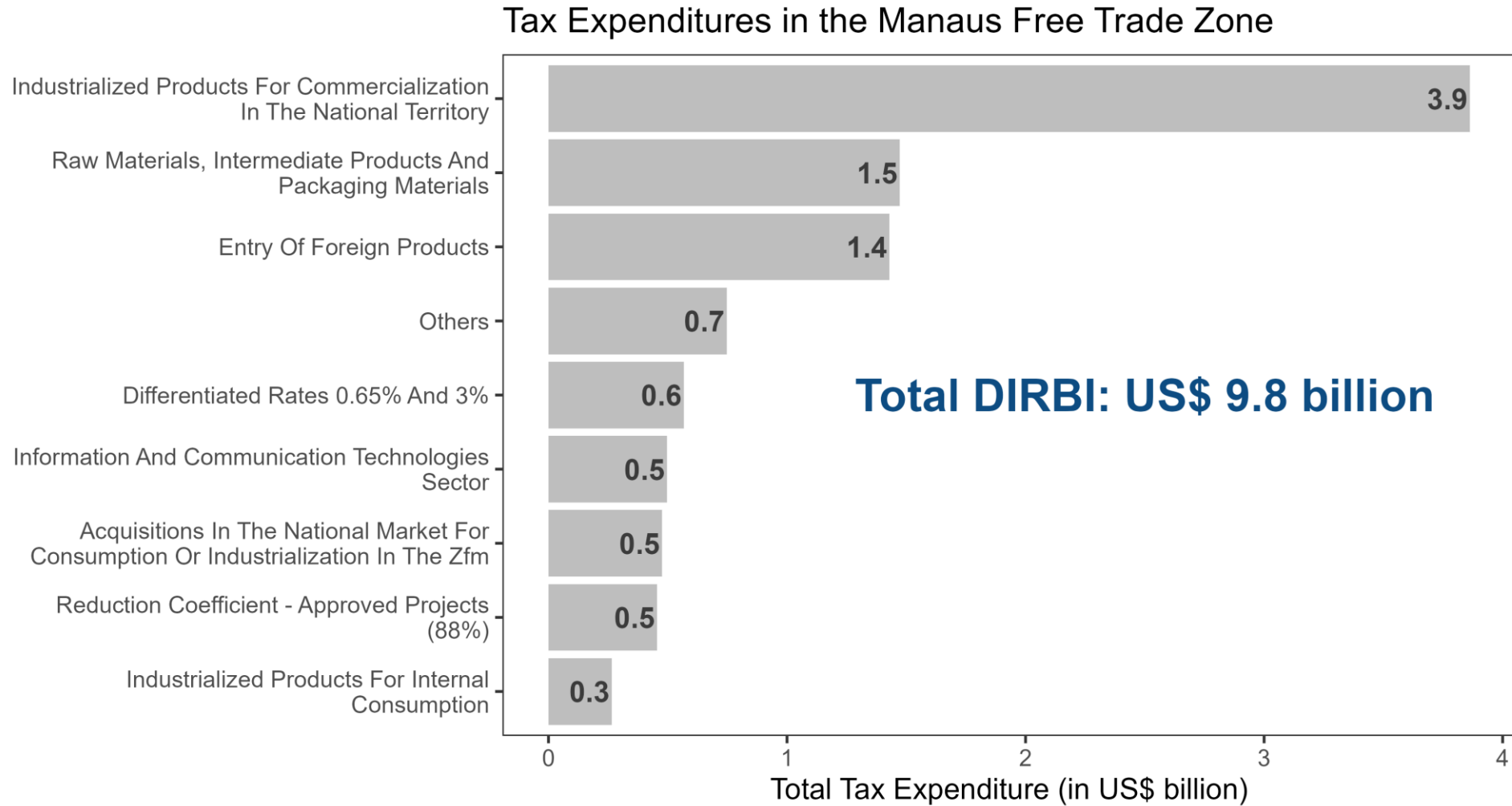
Data reported by DIRBI – 2024: greater level of detail

Top 10 Tax Expenditures in Brazil (DIRBI)



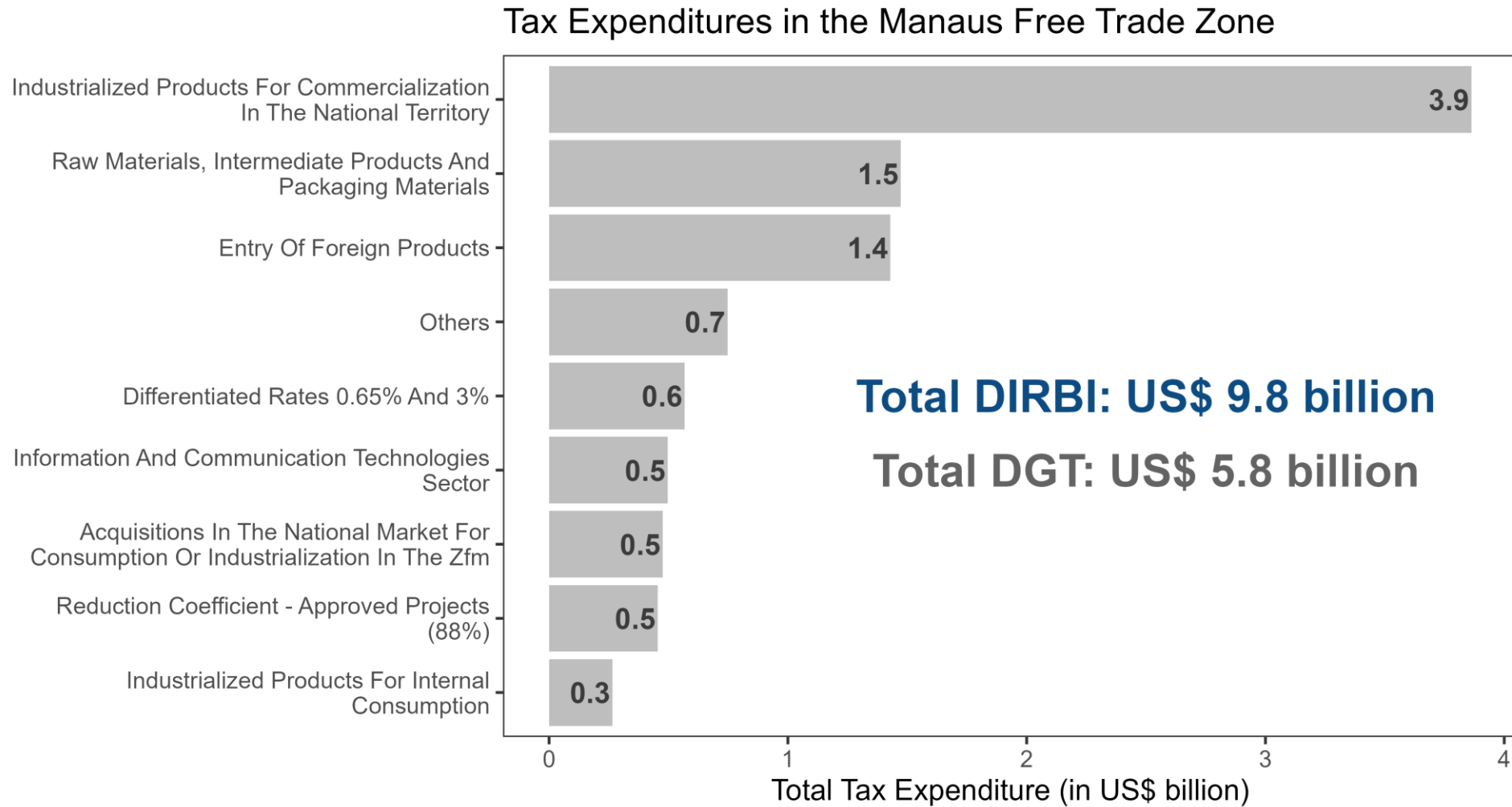
Source: DIRBI (2024) - Data from the Brazilian Ministry of Finance.

Comparing DGT X DIRBI: The case of ZFM in 2024



Sources: DIRBI and DGT - Data from the Brazilian Ministry of Finance (2024).

Comparing DGT X DIRBI: The case of ZFM in 2024



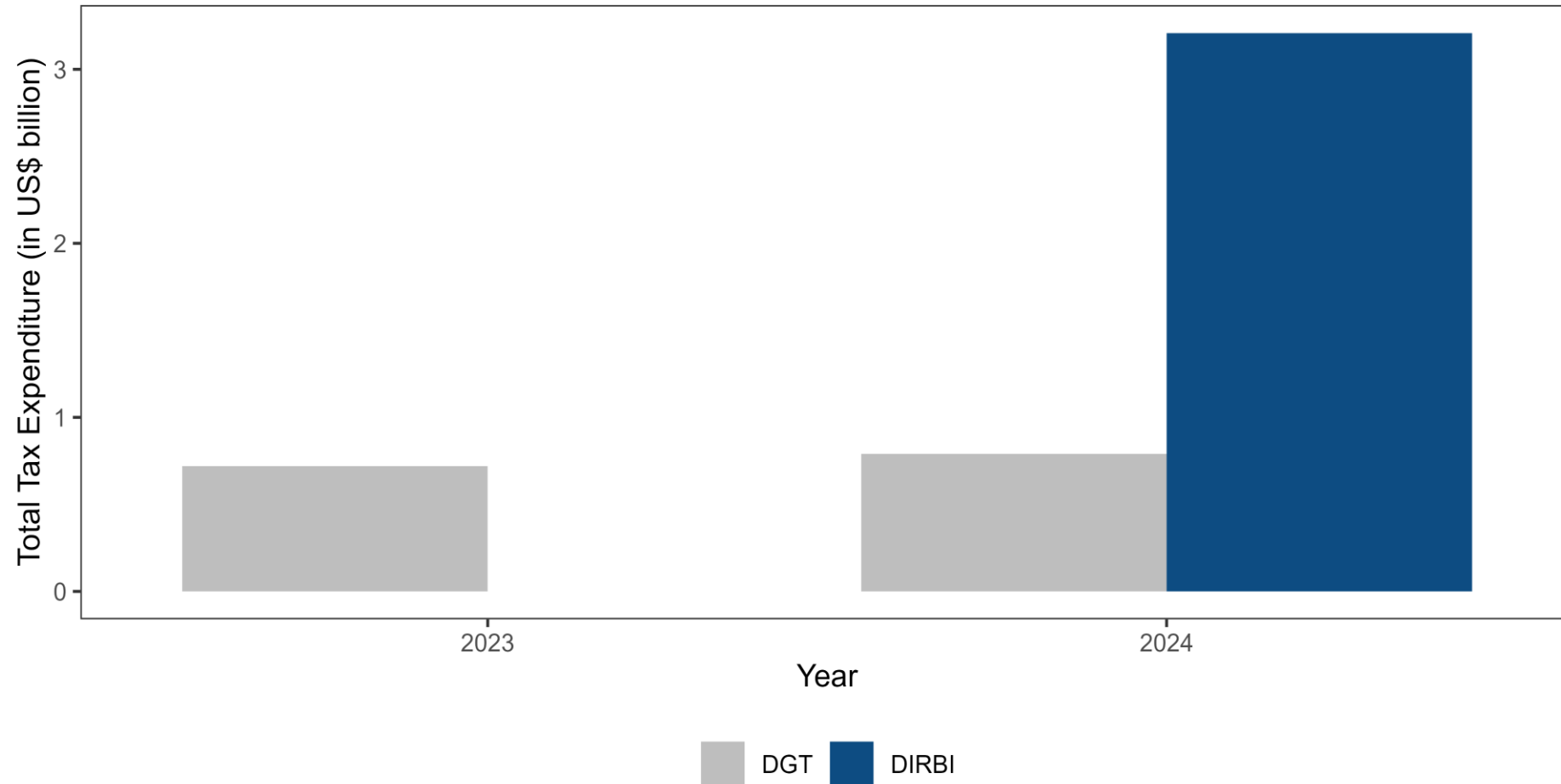
Sources: DIRBI and DGT - Data from the Brazilian Ministry of Finance (2024).

How DIRBI is playing a crucial role in guiding policy decisions on the rationalization of tax benefits: The case of PERSE

- *The Emergency Program for the Resumption of the Events Sector (PERSE) was established in the context of the COVID-19; although intended as an emergency measure, the benefit remains in place.*
- *Under the program, beneficiary companies are subject to a zero tax rate on a range of taxes (IRPJ, CSLL, PIS/PASEP, Cofins)*
- *As part of the Executive Branch's effort to terminate the benefit, Law No. 14,859/2024 introduced a global cap of **R\$15 billion (US\$ 2.73 billion)** on the total tax exemptions granted under the program. Once this threshold was reached, the program was scheduled for discontinuation*
- *According to the most recent DIRBI data, PERSE has already exceeded **R\$21.5 billion (US\$ 3.84 billion)** in tax benefits from January 2024 to May 2025, surpassing the stipulated limit, and will therefore be discontinued*
- *The cap was established as part of a new regulatory framework governing the use of tax incentives, with DIRBI data playing a crucial role in measuring (almost real-time) the utilization of the benefit*

Comparing DGT X DIRBI: The case of PERSE

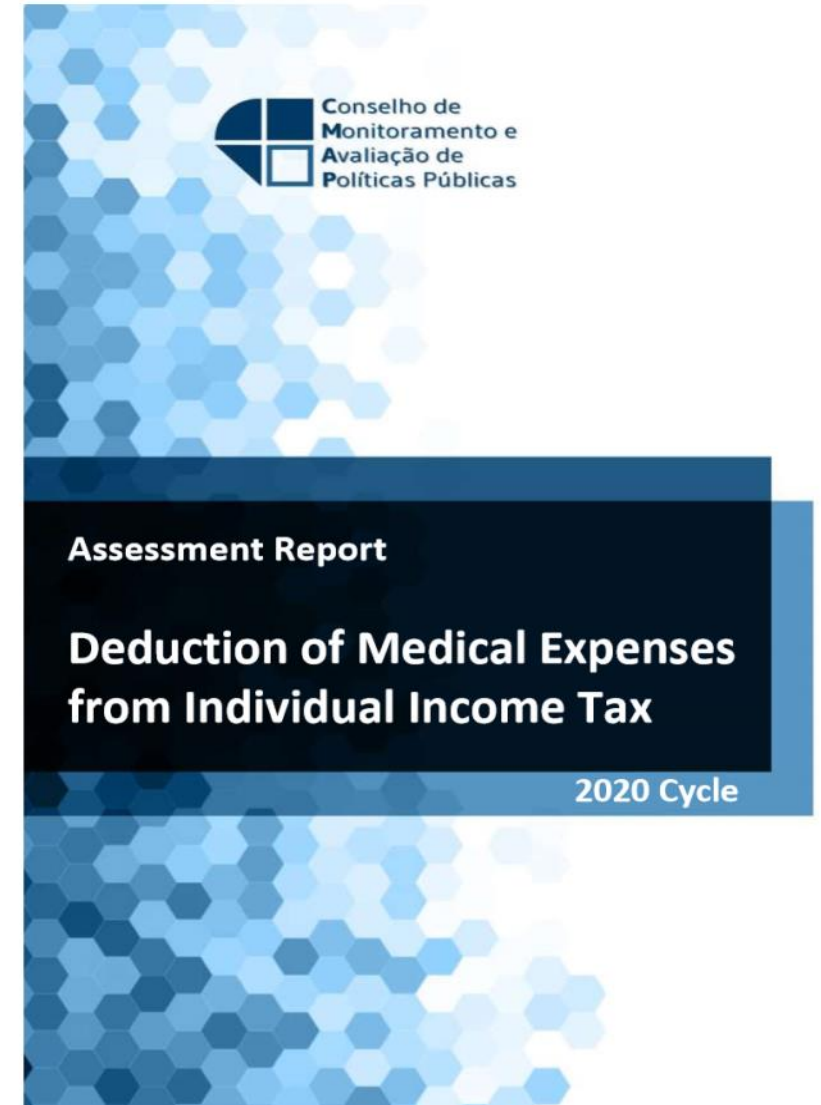
Tax Expenditures in the Emergency Program For The Resumption Of The Events Sector



Sources: DIRBI and DGT - Data from the Brazilian Ministry of Finance (2023-4).

Council for Monitoring and Evaluation of Public Policies – CMAP

- *The CMAP's assessments yield various findings concerning the governance of tax benefits*
- *The selection of tax benefits for evaluation is guided by three primary criteria:*
 - 1. Criticality:** *It considers the variation in the availability of public resources across fiscal years*
 - 2. Materiality:** *It focuses on the total volume of public resources involved*
 - 3. Relevance Criterion:** *It assesses the inclusion of the benefits within declared priorities and transversal agendas formally established in the Pluriannual Plan*



Council for Monitoring and Evaluation of Public Policies – CMAP

- ***33 tax benefits*** have already undergone evaluation since 2019, including the University for all program (***PROUNI***), Simplified Tax Regime (***Simples Nacional***), ***deduction of medical expenses*** from Personal Income Tax, tax exemption/reduction on the ***basic food basket***, among others

- *The reports indicate the presence of the following weaknesses:*
 - ✓ *Lack of clear definition of governing bodies and coordination*
 - ✓ *Deficiency in the definition of objectives, targets, and monitoring indicators*
 - ✓ *Insufficient or non-existent monitoring and evaluation systems*
 - ✓ *Low transparency and accountability*
 - ✓ *Process-oriented focus instead of effective results*

- *CMAP makes recommendations, but does not have the institutional capacity to indicate a discontinuation of a tax benefit*

A proposal for a multidimensional characterization of tax expenditure beneficiaries

PRODUCTIVE		SOCIAL		ENVIRONMENTAL	REGIONAL	
Indicators		Indicators		Indicators	Indicators	
Sector complexity	Average sector salary	Sectors with high and moderate social contribution	Female average salary differential	Sectors with high and moderate environmental contribution	Municipalities with High Social Vulnerability	Municipal complexity
Objective		Objective		Objective	Objective	
Identify % (or value) of tax expenditures allocated to more complex sectors	Identify % (or value) of tax expenditures allocated to sectors that pay the best salaries	Identify % (or value) of tax expenditures allocated to these sectors	Identify % (or value) of tax expenditures allocated to these sectors	Identify % (or value) of tax expenditures allocated to Green Economy sectors	Identify % (or value) of tax expenditures allocated to these disadvantaged regions	Identify % (or value) of tax expenditures allocated to less complex municipalities
Criterion		Criterion		Criterion	Criterion	
Sectors with higher complexity are those classified in the upper quartile of the complexity indicator	Sectors with the highest salaries are those classified in the upper quartile of the average salary	Febraban Green Taxonomy	(Female salary mass in the sector / total female workers) / (male salary mass in the sector / total male workers) - Identify sectors with a ratio close to or greater than 1	Febraban Green Taxonomy	Disadvantaged municipalities are those classified in the upper quartile of the percentage of low-income families in CadÚnico	Low-complexity municipalities are those classified in the lower quartile of the economic complexity indicator
Foundation		Foundation		Foundation	Foundation	
Productive development PNDR + SDG 8 and 9		Reduction of social inequalities PNDR + SDG 10	Reduction of wage inequalities PNDR + SDG 5 and 8	Sustainability PNDR + SDG 13 and 15	Reduction of regional inequalities PNDR + SDG 10	Reduction of regional inequalities PNDR + SDG 10

Final remarks

- *Brazil performs well in transparency regarding the reporting of tax expenditures*
- ***DIRBI is enhancing transparency** and facilitating solutions to phase out and discontinue tax expenditures*
- ***Governance challenges:** lack of an institutional framework ensuring a continuous and integrated flow of minimum criteria for*
 - ✓ *Ex-ante assessment for approval that evaluates fundamental criteria such as objectives, goals, managing ministry, indicators, and cost-benefit analysis*
 - ✓ *Monitoring*
 - ✓ *Ex-post assessment*
 - ✓ *Minimum criteria for renewal*
 - ✓ *Enforcement to discontinue a tax expenditure with a negative evaluation*



Ministério da Fazenda

Para maiores informações acesse o site da Secretaria de Política Econômica:
www.gov.br/fazenda/pt-br/orgaos/spe

