



Brazil tax reform 2025

Building the legal bridge to fiscal reform



Thomson Reuters
Institute

Executive summary

In December 2023, Brazil experienced a historic change in its tax system when its National Congress approved a long-discussed tax reform that will be implemented gradually starting in early 2026, with full implementation expected by 2033.

The reform aims to simplify the tax system by unifying five existing taxes — tax on the Circulation of Goods and Services (ICMS), Service Tax (ISS), tax on Industrialized Products (IPI), Program of Social Integration (PIS), and Contribution for the Financing of Social Security (COFINS) — into a dual Value-Added Tax (VAT) model.

This new scheme introduces three key figures: the CBS (federal tax), the IBS (state and municipal tax), and the IS (Selective Tax). The main objective is to facilitate taxation, promote transparency, and enable citizens to better understand how public resources are distributed.¹

Law firms must not only build — they must lead, ensuring their structures are resilient enough to carry others safely to the other side.

Law firms represent a key component in the adaptation process for both companies and clients. The role of law firms in this case is to build a bridge between their clients and the new legislation to enable understanding and transformation. In anticipation of the reform, 93% of legal professionals in Brazil say they have engaged in a technical reading to better grasp the upcoming changes. The reform requires them to navigate a new regulatory tax architecture, with unfamiliar rules and administrative bodies.

Many law firms are actively preparing for the fiscal reform, laying the first stones of a bridge that must carry clients across a shifting regulatory landscape. Yet while foundational efforts like training and technical reading are widespread, deeper structural reinforcement — such as external consulting and advanced planning — remains limited.

The reform's impact is expected only to intensify over the next five to ten years with 74% of respondents saying they expect a high to disruptive impact during this period. However, signs of strain are already visible: Workloads are increasing, legal activity is accelerating, and firms are anticipating a surge in both judicial and administrative cases.

Investment trends among law firms show a shift from rapid response to strategic reinforcement. Firms are prioritizing technology tools that offer simulation platforms, legal analysis, AI-powered support, and annotated legislation — and leveraging these materials to fortify their bridge for the journey ahead. Notably, nearly a quarter (24%) of surveyed legal professionals identify simulation or calculation tools as their most preferred technological solution.

The river of reform will continue to rise. Yet almost 50% of respondents say their firm has no plan for the changes that are set to begin in January 2026. However, law firms must not only build — they must lead, ensuring their structures are resilient enough to carry others safely to the other side.

¹ Miranda, T. 2025; *Regulamentação da reforma tributária é sancionada; conheça a nova lei*. Portal Da Câmara Dos Deputados, available at <https://www.camara.leg.br/noticias/1127237-regulamentacao-da-reforma-tributaria-e-sancionada-conheca-a-nova-lei>.

Key takeaways

- **Legal firms are laying groundwork, but specialized support is limited** — Most firms have begun foundational efforts — such as reading, training, and webinars — but few have sought external consulting, leaving structural gaps in their preparation.
- **The strongest impact is expected in 5 to 10 years, yet demand is rising now** — While firms anticipate the reform's peak impact in the medium term, workload and legal activity are already increasing, signaling that clients are beginning to act now.
- **Business strategy and outcomes are the most exposed areas** — Legal professionals identify strategic planning, business performance, and talent development as the most vulnerable components under fiscal reform pressure.
- **Client risks are growing, but awareness is uneven** — Clients potentially face rising tax burdens, legislative complexity, and interpretation challenges, yet many firms are only now building the internal capacity to support them effectively.

Methodology

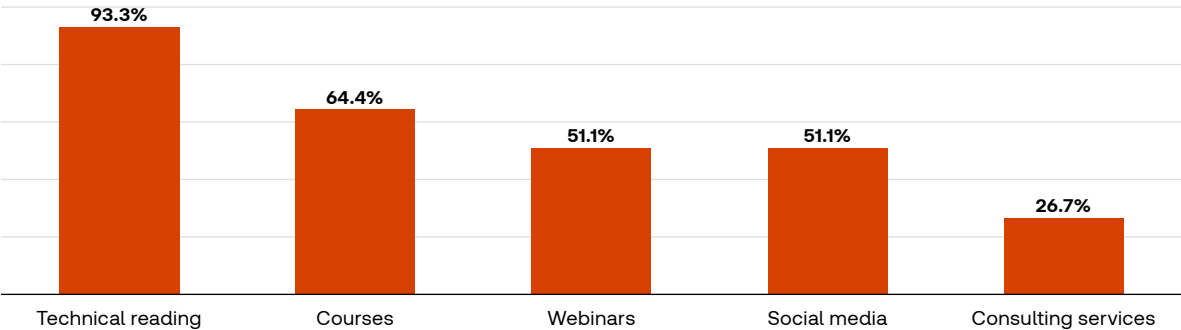
The data for this report was gathered from 46 legal professionals at law firms in Brazil about their awareness, expectations, and readiness for the upcoming tax reform. The data for this report was gathered via an online survey that was conducted in July and August 2025. To broaden participation, we also made the survey accessible through an open link on the Thomson Reuters website.

Constructing the legal bridge for a new tax era

The journey toward fiscal reform is well underway. According to survey respondents, many law firms in Brazil have already laid the initial foundations: 93% of professionals have engaged in technical reading, almost two-thirds (64%) have taken courses, and just more than half (51%) have participated in webinars or followed updates via social media.

However, only 27% of respondents say their firms have gone further by seeking external consulting services to reinforce their structure. This indicates that although the overall strategy is well recognized, few firms have committed the necessary resources and expertise to ensure they can effectively handle future challenges.

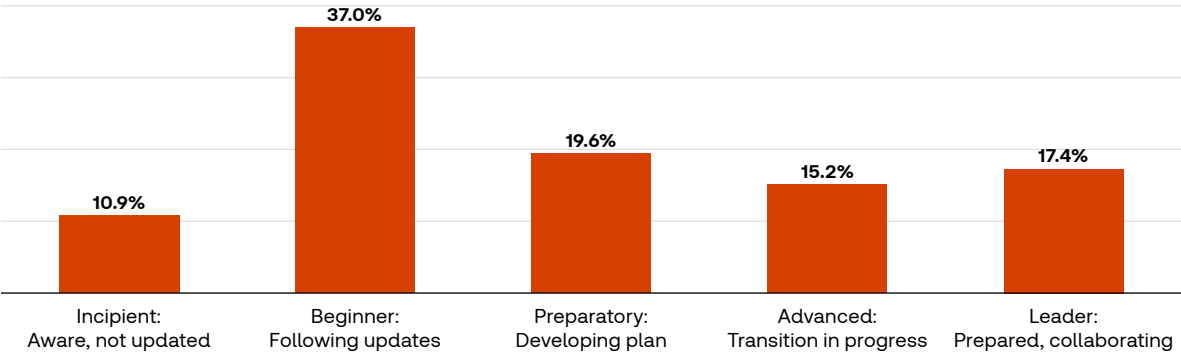
FIGURE 1:
Preferred information sources for staying updated



Source: Thomson Reuters 2025

This foundational knowledge is beginning to take form as well. More than half of respondents (52%) reported being in the preparatory to leader stages, indicating that some participants have already initiated their plans. Yet, 37% say they remain at the beginner stage, and 11% have yet to follow updates. This means that half of respondents say their firm is without a plan for the upcoming changes in January 2026.

FIGURE 2:
Legal readiness



Source: Thomson Reuters 2025

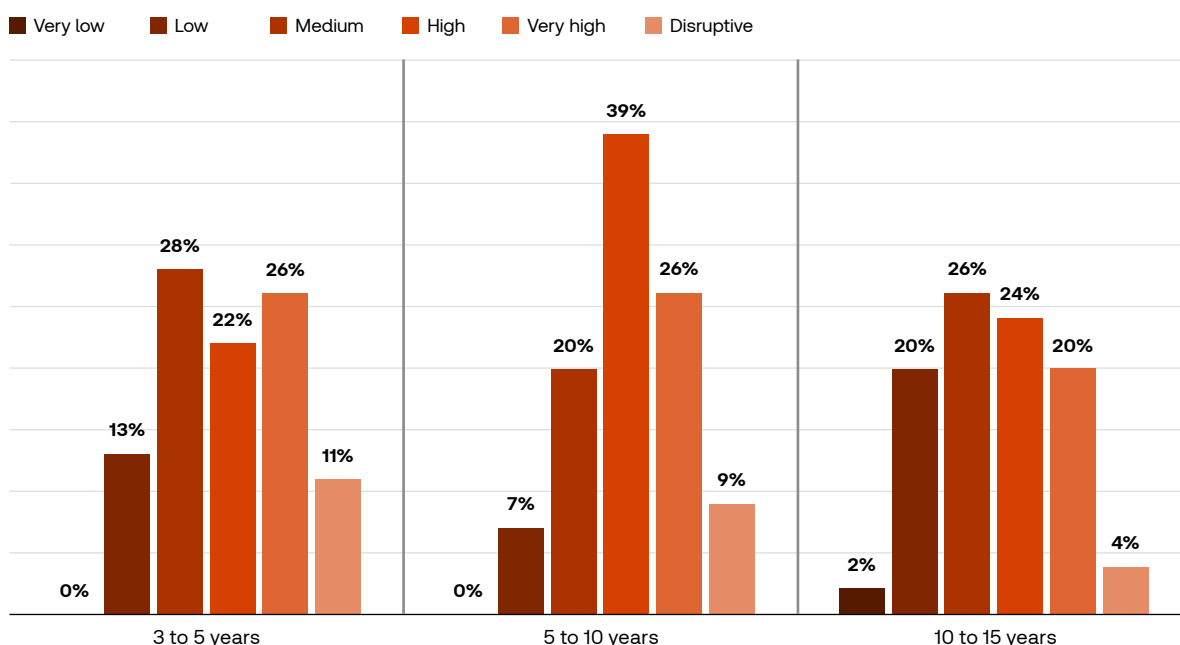
Legal firms facing the currents of fiscal reform

The impact of reform is gaining momentum. Most respondents say they anticipate that in the next 3 to 5 years, the impact will be medium (28%), high (22%), or even very high (26%). However, the strongest impact is expected to occur in 5 to 10 years, when the reform reaches its final stages before full implementation in 2033. During this period, the percentages of those seeing an impact increases, with 39% saying they expect a high impact, and 26% foreseeing a very high impact.

Looking further ahead, in 10 to 15 years, after the reform has been fully implemented, the waters may begin to settle but not without turbulence. Comparable share of respondents predict the impact will be very low to low (22%), medium (26%), high or very high (44%). This moderate variation suggests that while some law firms and their clients may be well prepared, others may still be vulnerable to the long-term effects.

FIGURE 3:

Ranked expected impact over different time horizons



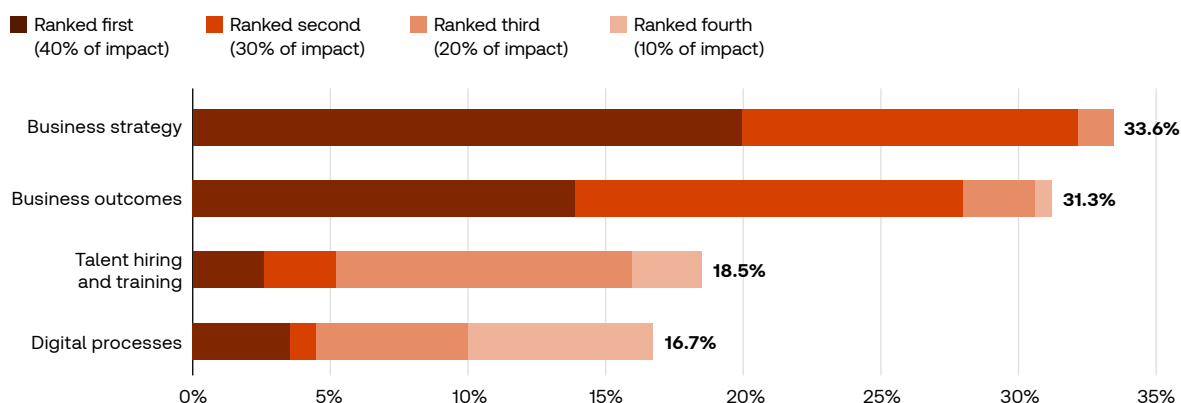
Source: Thomson Reuters 2025

The areas most exposed are clear as well, according to the research. Business strategy stands as the most impacted² area, with more than one-third (34%) of respondents citing this. And this is followed by business outcomes (31%), talent hiring and training (18%), and digital processes (17%). Law firm leaders need to understand that these structural components must be well planned and reinforced to withstand the reform's pressure.

² A weighted scoring impact was used, breaking down each category's contribution by priority level (ranked first - 30%, ranked second - 25%, ranked third - 20%, ranked fourth - 15%, and ranked fifth - 10%). The scores are then summed to show the total impact per category and priority.

FIGURE 4:

Ranked key area affected

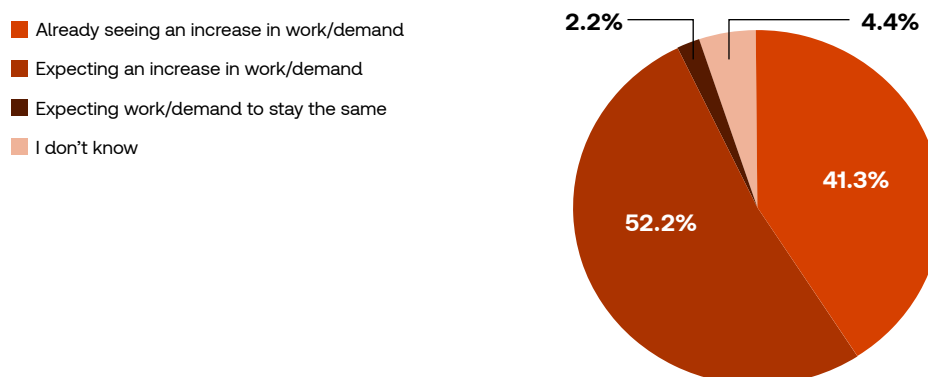


Source: Thomson Reuters 2025

Additionally, legal demand is already rising. More than 4-in-10 respondents report an increased workload, and 52% expect further growth, signaling that clients are beginning to prepare for the crossing. Further, when asked in a separate survey question about the change in the number of legal cases they see, 78% of law firm respondents say they anticipate a rise in judicial cases, and 89% foresee an increase in administrative cases. These expectations suggest that the legal sector overall is entering a period of heightened activity as the change begins to challenge existing legal frameworks.

FIGURE 5:

Expected impact from customers on the firms



Source: Thomson Reuters 2025

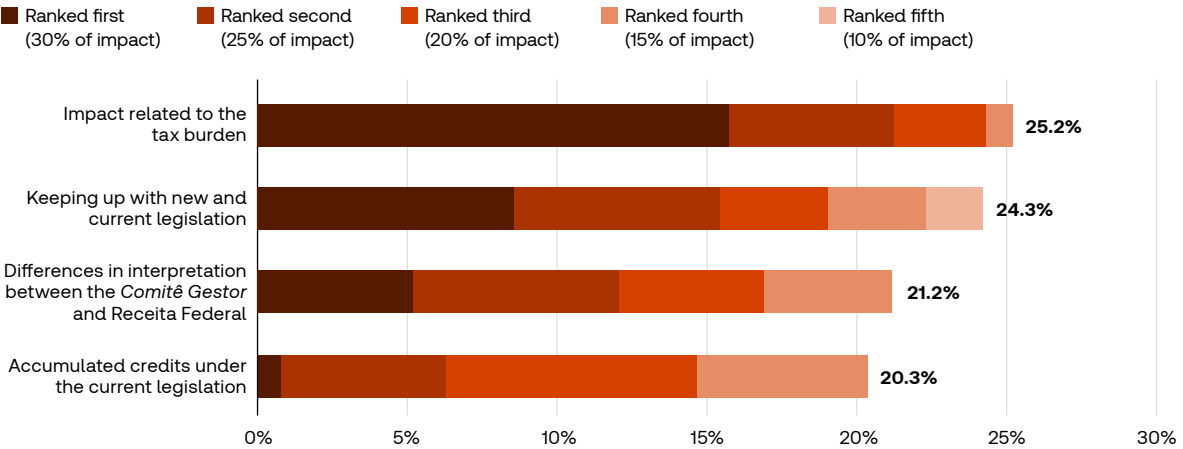
For clients, the reform brings its own threats. The most expected challenge is the increased tax burden, followed by the burden of keeping up with new and current legislation — taken together, these two factors represent nearly half of what respondents see as the overall impact.

Other risks cited in the survey include interpretation differences between the *Comitê Gestor*³ and *Receita Federal do Brasil*⁴ (cited by 21% of respondents), and accumulated credits under current legislation (20%). These are the rocks beneath the water's surface, hidden risks that could sink a client's boat if not addressed in the overall strategy of change management.

³ Brazilian Internet Steering Committee

⁴ Special Department of Federal Revenue of Brazil

FIGURE 6:
Ranked challenges for the firms' clients



Source: Thomson Reuters 2025

To navigate these shifting currents and the rise in demand, legal services organizations will need to make internal adjustments with the client perspective in mind.

Reinforcing from within

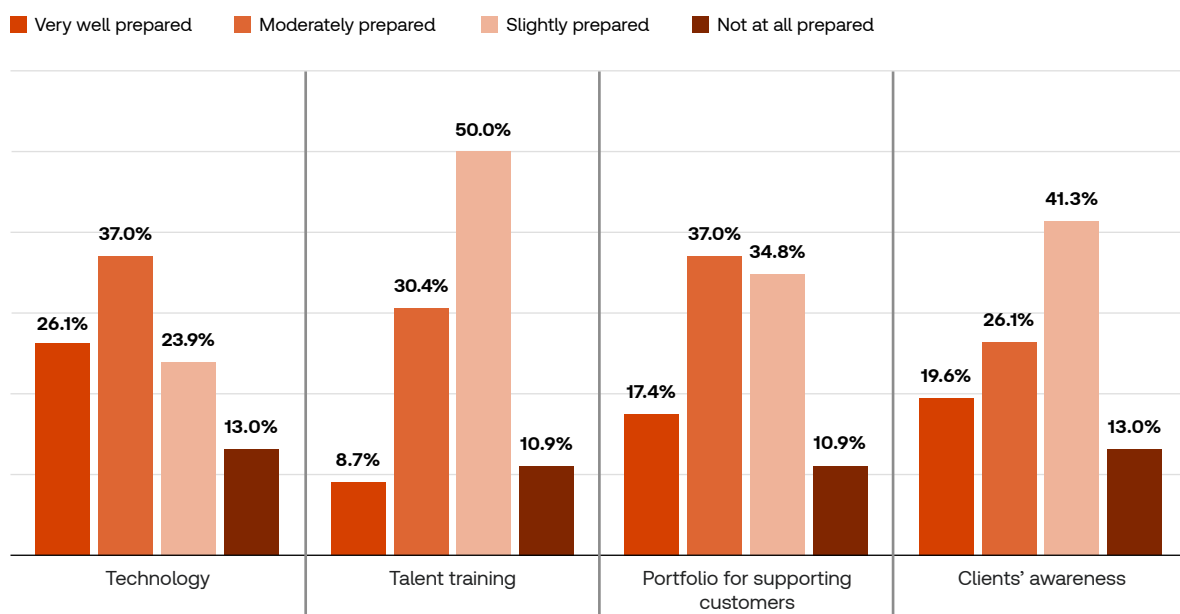
When it comes to evolving to meet these changes, respondents cite *technology* as the area in which they are most prepared, with 63% of firms reporting moderate to high readiness. These figures reflect the groundwork already laid and investments made in digital infrastructure that provide a reliable base to support the demands of fiscal reform.

Talent training, however, is notably more fragile. Almost two-thirds (61%) of respondents say their organizations admit they are not or only slightly prepared to manage the regulatory changes ahead. This reveals a critical gap in internal expertise, one that could weaken the opportunities of this change if not addressed. Without professionals who are equipped to interpret and apply the new rules, even the most advanced systems may falter under pressure.

Between these two ends lies a transitional zone — the ability to support clients and the level of client awareness. Here, readiness is mixed. Data shows that some respondents say their firms are just beginning to engage with these challenges, while others report more confidence and progress. Clearly, talent is the glue that connects internal capabilities with external expectations.

FIGURE 7:

Legal readiness per topic



Source: Thomson Reuters 2025

Not surprisingly, investment activity mirrors this structural evolution. In the next six months, organizations are prioritizing upgrades in technology and improvements in processes, with around 26% of respondents indicating their firms are making increased investment in these areas.⁵ The tools being sought — simulation and calculation platforms, practical articles, scientific doctrines, AI-powered assistance, and annotated legislation — are the materials that many firms are using to understand the problem and chart out their journey ahead.

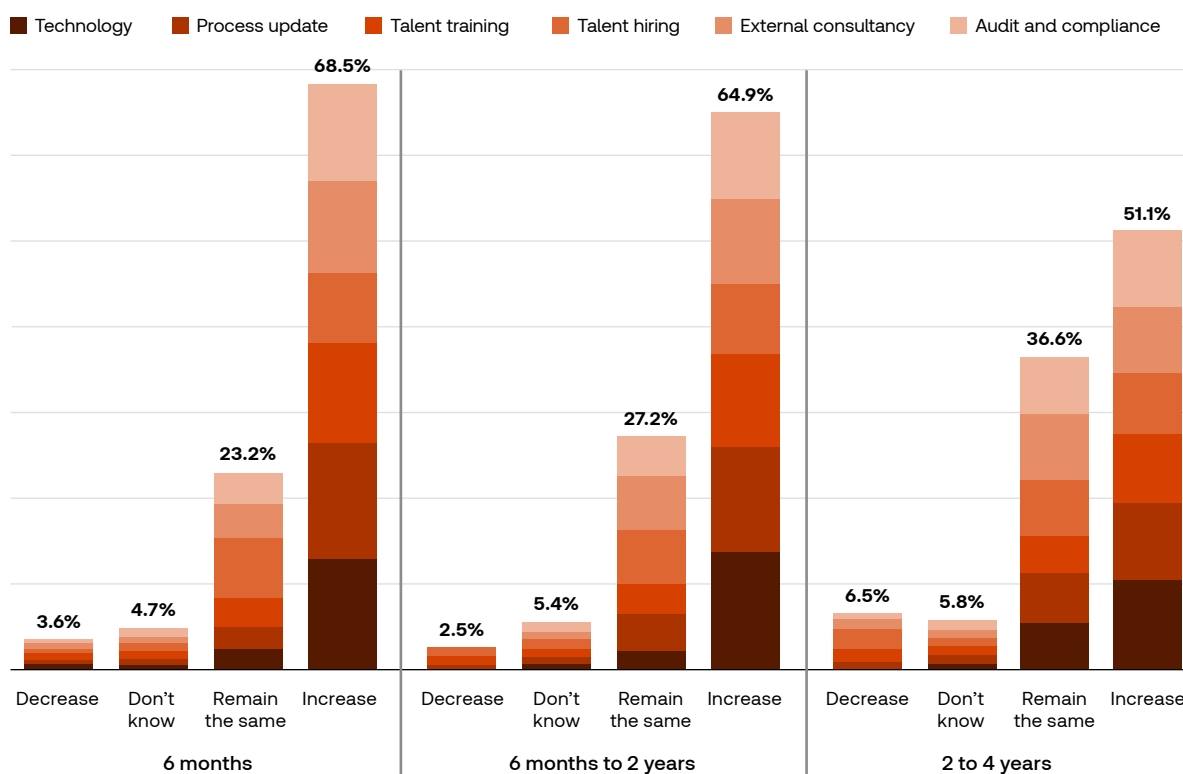
⁵ Investment change percentages have been adjusted so that all categories together add up to 100%.

As the timeline extends to the six-month to two-year range, the pace of investment begins to stabilize. According to the survey, fewer firms plan to increase spending across all areas, yet technology and talent hiring remain the focal points. This may mark a shift from rapid construction to strategic reinforcement, representing an effort to consolidate progress and ensure long-term resilience.

Looking further ahead to the two-year to four-year horizon, investment plans become more measured. Most organizations expect their spending to remain steady, confident that early and focused investment will position them well as the new regulations take effect. Notably, across all timeframes, fewer than 7% of respondents anticipate their firms will be reducing their investments, signaling a shared commitment to strengthening organizational capacity.

FIGURE 8:

Changes in investment areas over different time horizons

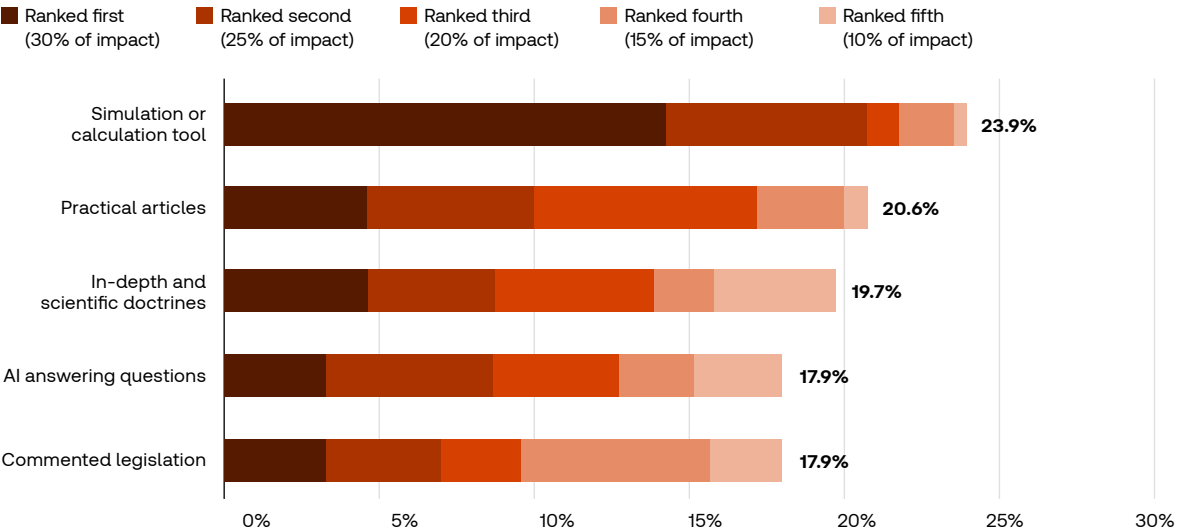


Source: Thomson Reuters 2025

As technological investment continues to grow, so do the demands for effective tools to support adaptation to Brazil's fiscal reform. Almost one-quarter (24%) of the legal professionals surveyed say that a simulation or calculation tool would be their *preferred* technological solution, 21% say practical articles, 20% say in-depth and scientific doctrines, and 18% prefer either an AI to answer questions or commented legislation.⁶ These preferences reflect a diverse set of needs — from strategic planning to accessible interpretation — as professionals prepare to navigate the complexities of the rule changes ahead.

⁶ A weighted scoring impact was used, breaking down each category's contribution by priority level (ranked first - 30%, ranked second - 25%, ranked third - 20%, ranked fourth - 15%, and ranked fifth - 10%). The scores are then summed to show the total impact per category and priority.

FIGURE 9:
Preferred technological solutions



Source: Thomson Reuters 2025

In this environment, the internal structures of many firms are undergoing a strategic transformation, with technology emerging as a strong foundation and talent development revealing critical vulnerabilities. As organizations prepare for the coming fiscal reform, their investment priorities reflect a shift from rapid adaptation to long-term resilience.

The final steps toward stability

The legal sector's progression toward addressing the challenges brought by Brazil's upcoming fiscal reform continues to gain momentum, but its long-term success will hinge on how well firms strengthen each element of their strategic framework. While client engagement and awareness remain uneven, the focus must shift toward building internal capabilities that not only meet the demands of reform but also enable law firms to effectively support clients through the complexities of the evolving regulatory landscape.

Investment trends reflect this strategic evolution. Firms are moving beyond rapid adaptation and into a phase of long-term consolidation of abilities, prioritizing tools and processes that enhance resilience. Simulation platforms, annotated legislation, and AI-powered assistance are becoming essential resources to support firm professionals in navigating the pressures of reform. As the timeline extends, organizations are demonstrating a commitment to sustained investment, signaling confidence in their early groundwork and a shared understanding of the challenges ahead.

To ensure a successful transition into the new tax era, legal organizations must act decisively.

However, the path forward remains uncertain. The most significant disruptions are expected within the next five to ten years, and risks — ranging from increased tax burdens for clients to conflicts in legislative interpretation — are already emerging. Legal firms must not only prepare internally but also serve as stabilizing forces for their clients.

To ensure a successful transition into the new tax era, legal organizations must act decisively. This includes investing in talent, adopting advanced technological tools, and proactively engaging with clients now to raise awareness and readiness. The blueprint is clear, and the necessary resources are available — now is the time to build with intention.

Like a well-engineered bridge, the legal infrastructure must be functional, reinforced, and ready to carry the weight of the country's evolving regulations. Firms that take strategic action today will be best positioned to lead tomorrow, guiding their clients safely across the reform landscape and into a more stable fiscal future.

Strategic recommendations

- **Prioritize internal training** — Ensure that firm professionals understand the implications of the reform and are equipped to adapt. Training should go beyond technical updates and include scenario modeling, operational adjustments, and cross-functional coordination. Teams should also be prepared for client-facing interactions, with a strong focus on raising client awareness and guiding them through the transition effectively.
- **Invest in specialized talent** — Address internal expertise gaps by hiring professionals with deep knowledge of the coming fiscal reform and regulatory interpretation. Consider external consulting to accelerate readiness and support more complex client cases.
- **Adopt advanced technological tools** — Implement simulation and calculation platforms to better model reform scenarios; and integrate AI-powered solutions to enhance legal research, automate responses, and improve operational efficiency.
- **Strengthen client engagement** — Develop educational content such as practical articles and commented legislation to help clients understand the reform. Offer personalized advisory services to guide them through strategic decisions and compliance challenges.
- **Align legal strategy with business impact** — Conduct regular impact assessments to evaluate how the new reform affects business outcomes, talent needs, and digital processes. Use these insights to adjust internal strategies and client offerings.
- **Maintain long-term investment discipline** — Avoid reactive budget cuts and instead focus on reinforcing your firm's core capabilities. Ensure that technology and talent remain central to your investment strategy in order to support sustained performance.

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