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GMS Flash Alert

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Brazil – Law No. 15,270/2025 Enacted, Bringing Reforms to Individual Income Tax

On November 26, 2025, the Brazilian government enacted Law No. 15,270/2025,[1] introducing important changes to the Individual Income Taxation, with the aim of expanding the exemption range and reducing the tax burden on low- and middle-income taxpayers. At the same time, it establishes a minimum tax for higher incomes, especially on profits and dividends that are currently not taxed. The regulation seeks to make the tax system more progressive and correct distortions related to fairness.

WHY THIS MATTERS

The new legislation introduces substantial changes to the taxation of individuals, particularly those with high incomes and those involved in cross-border assignments. By revising the progressive income taxation, adding a minimum tax for high-income individuals, and a new taxation on Brazilian dividends, it directly affects the net compensation of expatriates and assignees, potentially altering the cost projections for international assignments.

Main Aspects of Law No. 15,720/2025 for Individuals

Exemption and Reduction Table for Income Tax (from 2026 onwards)

Beginning January 1, 2026, a reduction will be granted on the tax applied to taxable income subject to monthly Individual Income Tax withholding, according to the following table:

Taxable Income subject to Monthly Adjustment	Income Tax Reduction
Up to BRL 5,000.00 / month	Total Reduction
From BRL 5,000.01 up to BRL 7,350.00 / month	Proportional Regressive Reduction
Above BRL 7,350.00 / month	No Reduction

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Additionally, as from the 2026 calendar year, there will be a reduction in the Annual Withholding Income Tax for the following income brackets:

- **Up to BRL 60,000.00/year:** total reduction.

- **Between BRL 60,000.01 and BRL 88,200.00:** regressive reduction.

The changes also affect the calculation on the 13th salary, which is taxed exclusively at source, and the simplified deduction to be considered in the Individual Annual Income Tax Return.

Minimum Individual Income Taxation and Annual Taxation of High Incomes

The law also establishes that, as from 2026, individuals who earn annual income exceeding BRL 600,000.00 will be subject to a minimum Individual Income Tax (called "IRPFM").

Tax Base

The sum of all income earned by the taxpayer is considered—such as dividends, fixed and variable income financial investments, salaries, and rents—including those that are exempt or subject to exclusive taxation at source, with some exceptions.

Rates

- For income between BRL 600,000.00 and BRL 1,200,000.00: a minimum progressive rate is applied linearly, ranging from 0 percent to 10 percent.

> **Example*:***
> ***Annual Taxable Income of BRL 900,000.00:***
> - ✓ Tax Rate = (900,000 – 600,000) / 600,000 x 10 percent.
> - ✓ Tax Rate = 0,5 x 10 percent.
> - ✓ **Tax Rate = 5 percent.**

- For income equal to or greater than BRL 1,200,000.00: a fixed minimum rate of 10 percent is applied.

Deductions

- Individual income tax due resulted from the Annual Income Tax Return.

- Exclusive individual income tax on included income.

- Individual income tax on offshore income (according to Law No. 14,754/2023).

- Individual income tax on income computed and not considered in the previous items.

- Reducer, if applicable—if the sum of the effective rates incurred by the legal entity that paid the dividend and the "IRPFM" exceeds 34 percent, the government will grant a reduction in the "IRPFM" on the dividends received.

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Calculation

Minimum Income Tax ("IRPFM") = Taxable Basis x Tax Rate – Deductions

- ✓ **If the result is positive: "IRPFM" is due.**
- ✓ **If the result is negative: the "IRPFM" is zero.**

Taxation on Profits and Dividends from Brazilian sources

Effective 2026, individuals who are tax residents in Brazil and who receive, in a single month, profits and dividends from the same legal entity in an amount exceeding BRL 50,000.00 will be subject to withholding income tax at a rate of 10 percent. This is considered an advance payment of the "IRPFM" (explained above) and will be deducted of the "IRPFM" due via Annual Income Tax Return.

From the calculated "IRPFM" amount, it must be deducted the income taxes withheld at source on dividends—as it is considered an advance payment of the "IRPFM".

- **If a positive balance:** it will be added to the tax payable in the Annual Income Tax Return.
- **If a negative balance:** it may be subject to a refund.

If the "IRPFM" amount is zero, the entire income tax withheld on dividends will be refundable.

KPMG INSIGHTS

In light of the upcoming changes, organisations, entities and individuals within the scope of the reform may wish to consider the following:

Employers will need to revisit assignment cost projections and tax equalization policies to ensure compliance and competitiveness. Also, employees on assignment, or considering mobility opportunities, will need clear guidance on how these changes affect their take-home pay, tax filings, and long-term financial planning.

If assignees and/or their program managers have any questions or concerns about the scope of the Treaty, its application and potential impacts, and appropriate next steps, they should consult with their qualified tax professional or a member of the GMS tax team with KPMG in Brazil (see the Contacts section).

FOOTNOTE:

1 To see (in Portuguese) Law No. 15,270/2025, Presidency of the Republic of Brazil website: "*Lei Nº 15.270, de 26 de novembro de 2025,"* published on November 27, 2025.

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