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ACCOUNTING FOR IBS AND CBS: AN INTERNATIONAL COMPARISON AND ACCOUNTING IMPLICATIONS

Abstract: This paper examines revenue recognition and presentation under Brazil's new dual VAT — IBS (state/municipal) and CBS (federal) — and their accounting and tax consequences in light of the current regulatory framework: Complementary Law No. 214/2025, Complementary Law No. 227/2026, and the regulations issued on April 30, 2026 (Decree No. 12,955/2026, CGIBS Resolution No. 6/2026 and Joint Ordinance MF/CGIBS No. 7/2026). Using a comparative legal–accounting approach grounded in IFRS/CPC, we (i) show the mandatory tax-exclusive pricing and the exclusion of sales taxes from revenue; (ii) discuss broad non-cumulative credit and the timing of input-tax credit recognition; (iii) analyze effects on the income statement, balance sheet, and performance metrics; (iv) compare Brazil's framework with VAT practice in Portugal, Germany, France, and Spain; and (v) address the impact on Simples Nacional taxpayers and the audit implications of the new "Credits to Appropriate" accounts. We address operational effects of split payment (detailed in the April/2026 regulations, voluntarily available from 2027 for B2B transactions) and implications for ERPs, internal controls, working capital, and disclosure (IAS 1/CPC 26; IAS 8/CPC 23), as well as consequences for corporate income tax under Actual and Presumed Profit regimes. We conclude that the current transitional framework modernizes and internationalizes financial reporting, enhancing transparency and comparability, while requiring system readiness, reinforced audit controls and robust transitional notes.

Keywords: IBS; CBS; IFRS 15/CPC 47; Non-cumulative credit; *Split payment.*

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1. INTRODUCTION

The consumption tax reform in Brazil provides for the creation of a dual VAT system, consisting of two new taxes on goods and services: the Contribution on Goods and Services (CBS) at the federal level, and the Tax on Goods and Services (IBS) under state and municipal jurisdiction. These taxes will unify and replace several current taxes—PIS and Cofins, in the case of the CBS; ICMS and ISS, in the case of the IBS. The IPI will be partially phased out, retaining only its selective function for certain products. The model follows the logic of a Value-Added Tax (VAT), aligning with international practices for consumption taxation, such as those in the European Union.

A key feature of the change is the shift in the tax collection method: the "internal" model (tax embedded in the price, as is currently the case especially with ICMS) will be phased out, and "external" taxation will be mandatorily adopted, showing the tax amount separately from the price of the good or service (Peroba, 2025). Constitutionally, the transaction price will correspond solely to the value of the good or service, with the tax added visibly and separately on the invoice. This change increases transparency and brings pricing in Brazil closer to international standards, where prices typically do not include VAT—which is added at the end of the invoice and shown separately.

The regulatory framework for the reform was established in successive stages: Constitutional Amendment No. 132/2023 laid the foundation for the new system; Complementary Law No. 214, enacted on January 16, 2025, detailed the general rules for the IBS, the CBS, and the Selective Tax; and Complementary Law No. 227, enacted on January 13, 2026 (originating from PLP 108/2024), definitively established the IBS Management Committee, regulated administrative litigation, and made specific adjustments to Complementary Law 214/2025. On April 30, 2026, the implementing regulations were published through three coordinated acts: Decree No. 12,955/2026 (CBS Regulations, issued by the Presidency of the Republic), CGIBS Resolution No. 6/2026 (IBS Regulation, issued by the Management Committee), and Joint Ordinance MF/CGIBS No. 7/2026, which formalizes the provisions common to both taxes (Brazil, 2026a; CGIBS, 2026; Brazil/CGIBS, 2026; Mattos Filho, 2026). Together with Joint Act RFB/CGIBS No. 1/2025, these regulations established August 1, 2026, as the effective date from which penalties for noncompliance with the ancillary obligations of the IBS/CBS will become enforceable, making exemption from payment for the test year contingent upon the correct submission of information. It should be noted that these regulations may be supplemented by subsequent joint acts during the transition period (2026 to 2033); therefore, it is recommended to continuously monitor the acts issued by CGIBS and the Federal Revenue Service.

The implementation of the new dual VAT system will be gradual: 2026 will serve as a test year, with reduced rates (0.1% for IBS and 0.9% for CBS) offset by PIS/Cofins and an exemption from payment for taxpayers who correctly fulfill their ancillary obligations (Art. 348 of LC 214/2025); in 2027, the actual collection of the CBS will begin, with the elimination of PIS/Cofins; between 2029 and 2032, the ICMS and ISS will be gradually replaced by the IBS; and 2033 marks the full implementation of the new system. During this transition period, two models coexist, requiring heightened attention from the accounting department to correctly segregate the entity's revenue from the taxes to be remitted. Given this context, the article analyzes the accounting treatment of the IBS and the CBS in accordance with Brazilian accounting standards converged with IFRS, comparing it to international practice (Portugal, Germany, France, and Spain), and discusses the accounting and tax impacts resulting from the change, with implications for the Real Profit, Presumed Profit, and Simples Nacional tax regimes, as well as implications for internal controls and the audit of the new tax balances.

2. THE IBS/CBS MODEL AND FULL NON-CUMULATIVE TREATMENT

Both the CBS and the IBS will be non-cumulative taxes, following the principle of *full credit* VAT. At each stage of the production chain, taxpayers will be able to deduct, from the tax due, the IBS/CBS credits shown on their purchases (thus avoiding a cascade effect). Constitutional Amendment No. 132/2023 established this principle, and Complementary Law No. 214/2025 provides that the new taxes will allow for credit offsets in all purchase transactions related to business activities. In other words, the IBS/CBS will be levied on a broad tax base (all revenues, subject to legal exceptions), but any tax collected at the previous stage may be recovered at the next stage—just as is the case with VAT in European countries.

It is important to note that, pursuant to Article 12, paragraph 2, subparagraph I of Complementary Law No. 214/2025, the amounts of the IBS and CBS will not be included in the tax base for those taxes themselves, nor in the tax base for other taxes (such as IRPJ and CSLL). In other words, a tax will not be levied on itself or on another tax, nor will it form part of the company's taxable income. This exclusionary logic already existed, for example, for the IPI (Tax on Industrialized Products), which is not included in gross revenue for IRPJ/CSLL purposes when itemized on the invoice—an exclusion expressly provided for in paragraph 4 of Article 12 of Decree-Law No. 1,598/1977, as amended by Law No. 12,973/2014 (Brazil, 2014). The reform makes it explicit that the IBS and CBS will follow a similar path to that of the IPI, being treated "separately" from the taxpayer's gross revenue because they do not represent the entity's own revenue. This substantially mitigates the so-called fiscal endogeneity of the previous system—the inclusion of taxes in the tax base for other taxes (the "tax-on-tax" effect) that inflated the total tax burden—even though specific situations and transitional exceptions may persist in particular sectors during the period when the two regimes coexist. By mandating "external" taxation, the IBS/CBS model significantly mitigates the cascade effect and makes the tax levy more transparent and neutral.

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From an operational standpoint, the legislation introduces important innovations regarding the payment and control of the "dual VAT." It provides for the adoption of mechanisms such as *split payment*, in which the tax amount does not pass through the seller's account but is sent directly to the tax authority. Article 27 of LC 214/2025 lists methods for discharging the tax obligation, including:

- (A) *offsetting* through tax credits;
- (B) *payment by the supplier*;
- (C) automatic *split payment* of the tax;
- (D) *payment by the purchaser* (when split payment is not possible); and
- (E) *tax substitution* (pursuant to Article 27 of LC 214/2025).

Under this model, in many cases the buyer will pay the seller only the net value of the goods or services, while the tax amount will be collected separately and automatically by the tax authorities. Decree No. 12,955/2026 (CBS Regulation) and CGIBS Resolution No. 6/2026 (IBS Regulation), together with Joint Ordinance MF/CGIBS No. 7/2026—which formalizes the provisions common to both taxes— detailed three types of *split payment* (smart, standard, and simplified) and confirmed that the mechanism will be available starting in 2027, initially on a voluntary basis and restricted to B2B transactions (Brazil, 2026a; CGIBS, 2026; Brazil/CGIBS, 2026; CRCSP, 2025).

This mechanism reduces tax evasion, but the purchaser's right to a tax credit may be contingent upon the actual payment of the IBS/CBS in the previous stage—unlike in European jurisdictions, where the credit arises upon issuance of the invoice. ERP systems in Brazil— —will need to be adapted to recognize credits only after payment is confirmed, with implications for cash flow detailed below.

Table 1 — Comparison between the current consumption tax system and the new IBS/CBS model (key features).

Aspect	Current System (ICMS, ISS, PIS, Cofins, IPI, etc.)	New Model (IBS/CBS — "dual VAT")
Tax Structure	Several separate taxes (complex legislation and distinct jurisdictions for each tax). E.g., ICMS (state), ISS (municipal), PIS/Cofins (federal), IPI (federal).	Unified dual VAT model with two main taxes replacing the others: IBS (state/municipal) and CBS (federal), with uniform rules and coordination among jurisdictions.
Tax Inclusion in the Price ("embedded" vs. "separate")	Included: taxes embedded in the sales price (the advertised price already includes the tax). Examples: ICMS and ISS are currently added "included" in the price.	Outside: taxes listed separately on the invoice (the price of the good/service does not include the tax). IBS/CBS will be charged separately, increasing the transparency of the pre-tax price.
Non-cumulative Taxation (Tax Credits)	Restricted/partial: credits limited by specific rules. PIS/Cofins allow credits only for certain inputs related to the business activity; ICMS has exceptions and special regimes; there is cumulation in some sectors (ISS is cumulative).	Broad/unrestricted: full tax credit on all purchases related to business activity, ensuring full non-cumulative treatment as in a VAT system. All tax paid in the previous stage generates a credit entitlement in the subsequent stage (except for rare legal exceptions).
"Tax on tax" (cascade effect)	Present: Some taxes are ultimately included in the tax base for other taxes, resulting in double taxation. Example: ICMS and ISS are included in gross revenue for calculating IRPJ/CSLL under the Presumed Profit regime, leading to income tax being levied on the amounts of indirect taxes.	Substantially mitigated: As a general rule, IBS/CBS will not be included in the tax base for other taxes (neither their own nor IRPJ/CSLL). The new system tends to eliminate the levying of one tax on the amount of another, aligning the treatment with that already applied to the IPI (excluded from the IRPJ tax base), although specific situations may still arise in particular sectors.

3. ACCOUNTING TREATMENT UNDER CPC/IFRS: IBS/CBS EXCLUDED FROM INCOME

From an accounting perspective, Brazilian standards converged with IFRS establish that sales taxes collected on behalf of third parties do not pass through the company's income statement. Technical Pronouncement CPC 47 (Revenue from Contracts with Customers, equivalent to IFRS 15) provides that revenue recognized from contracts with customers must exclude any amounts collected on behalf of third parties, such as certain sales taxes. In other words, when the entity acts merely as a tax collection agent (and not as the principal), these amounts cannot be recognized as its own revenue. According to the text of the standard: "*—the transaction price—is the amount of consideration to which the entity expects to be entitled in exchange for the transfer of goods or services to the customer, excluding amounts collected on behalf of third parties (for example, certain sales taxes).*" In other words, taxes such as CBS and IBS, collected from the customer for remittance to the tax authorities, are not part of the consideration belonging to the entity and must be excluded from gross revenue in the financial statements.

This treatment is already applied, for example, to the IPI and, in many companies, to the ICMS: these taxes are itemized separately and do not form part of net operating revenue, since the company does not realize a capital gain from these amounts—they function merely as a temporary inflow and outflow of funds to be remitted to the government. In accordance with this principle, IBS and CBS will not be recognized in the company's income statement, just as the IPI is not. Therefore, they will not be recorded as either revenue or an expense, but rather as a tax right or obligation on the balance sheet (current assets, in the case of tax credits to be recovered, or current liabilities, in the case of taxes payable). Paragraph 4 of Article 12 of Decree-Law No. 1,598/1977, as amended by Law No. 12,973/2014, already provided for a similar treatment by stipulating that non-cumulative taxes collected separately are not included in gross revenue for tax purposes (Brazil, 1977; Brazil, 2014). In practice, this means that when recording a sale subject to IBS/CBS, the company will record the tax payable as a liability (or reduce the net amount receivable from customers), without affecting its income statement.

Consider an illustrative example of an accounting entry for a sale subject to IBS/CBS. Complementary Law No. 214/2025 establishes a maximum reference rate of 26.5% for the sum of IBS and CBS, and initial government projections indicate that the effective rate may be around 28% (PwC, 2025; Chamber of Deputies, 2025). It should be noted, however, that these percentages are preliminary estimates and an illustrative scenario, subject to the five-year review scheduled for 2031 and any regulatory adjustments—which is why they should not be interpreted as a definitive forecast. For educational purposes only, we use 25% here. Suppose a service is provided in the amount of R$ 1,000, subject to CBS + IBS totaling 25% (hypothetical tax rate). The client is billed R$ 1,250, of which R$ 1,000 is for the service and R$ 250 is for taxes (IBS/CBS). Upon initial recognition of revenue, the accounting department will record the following journal entries:

- Debit — *Accounts Receivable*: R$ 1,250 (total amount of the invoice receivable).
- Credit — *Service Revenue*: R$ 1,000 (only the service amount, which constitutes the company's own revenue).
- Credit — *IBS/CBS Payable* (liability): R$ 250 (obligation to remit the tax to the government).

In the Statement of Income for the Fiscal Year (DRE), only R$ 1,000 in gross revenue (before expenses) will be shown, with no "sales taxes" line item deducting from revenue—since the tax was never part of revenue in the first place. Subsequently, when the tax is paid to the tax authorities, the payment is recorded with a Debit to *IBS/CBS Payable* of R$ 250 against a Credit to *Cash/Banks* of R$ 250, representing the outflow of funds to settle the tax.

Similarly, the same reasoning applies when recognizing a purchase that generates an IBS/CBS tax credit. For example, suppose the purchase of merchandise for resale for R$ 1,000 + 25% IBS/CBS (total invoice amount of R$ 1,250), with the company being a taxpayer (it may use this as a credit). In recording this transaction, the accounting entries would be as follows:

- Debit — *Inventory*: R$ 1,000 (net acquisition cost, excluding tax).
- Debit — *Tax Credit — IBS/CBS*: R$ 250 (right to deduct the tax paid on the purchase).
- Credit — *Accounts Payable*: R$ 1,250 (obligation to pay the supplier the gross amount of the invoice, including tax).

Thus, the recognized cost of inventory does not include the recoverable tax, as guided by CPC 16 — Inventories. Note that if the right to the credit is only formalized after the tax is actually paid (in accordance with the general rule during the transition period of the reform), the company may initially record the R$ 250 in an asset subaccount, for example, *"IBS/CBS to be recovered—to be recognized"* (current assets), and subsequently transfer it to *IBS/CBS Credits* only upon confirmation of payment and release of the credit. In any case, this amount remains on the balance sheet (as a right to be recovered) and is not recognized as a cost or expense, given the expectation that it will be realized at a later date (Subirá, 2025).

The examples above illustrate that IBS and CBS will be treated, for accounting purposes, in a manner analogous to international VAT, remaining outside the calculation of net income. This eliminates distortions in the income statement, as it prevents sales taxes from artificially inflating gross revenue or purchase taxes from unduly increasing costs and expenses. The difference now is that the national legal framework itself explicitly requires this "off-balance-sheet" presentation, consolidating the alignment between tax legislation and accounting standards—in line with Rezende and Pêgas (2024), who argue that IBS/CBS shifts from the income statement to the balance sheet (as a credit or tax payable).

Table 2 — Comparative example of the presentation of gross revenue from a taxable sale under the old model ("on the books") versus the new model ("off the books").

Income Statement (partial)	Old Model (taxation included)	New Model (taxation on the outside — CPC 47/IFRS 15)
Gross revenue (total amount invoiced)	R$ 1,250 (including tax embedded in the price)	R$ 1,000 (excluding tax, consideration amount)
(-) Sales taxes	R$ 250 (ICMS/ISS/CBS/IBS reported in income as a deduction from revenue)	(Not applicable — tax was not included in gross revenue)
Net operating revenue	R$ 1,000	R$ 1,000

4. ALLOCATION, CONTROL, AND AUDIT OF IBS/CBS CREDITS

Another innovation introduced by the reform concerns how credits are utilized. Under Article 47 of LC 214/2025, a taxpayer may only claim IBS/CBS credits once the liabilities related to the acquisition transactions in which the taxpayer is the recipient have been settled. In other words, the purchasing company must prove that the tax shown on the incoming invoice was actually paid—by the supplier, by the purchaser itself (in cases of reverse charge as provided by law), or through another method specified in Article 27 of LC 214/2025. Additionally, individualized segregation of credits is required, as cross-offsetting between IBS and CBS is not permitted (each may only offset liabilities of its own type), which necessitates accounting control in separate accounts for *recoverable IBS* and *recoverable CBS*.

Article 48 of LC 214/2025 provides specific exceptions to this requirement, waiving the need for prior settlement of the liability in certain situations—for example, when *split payment* has not yet been implemented or when the purchaser makes the payment directly. The general rule, however, is to recognize the credit only after the tax has been effectively paid in the previous " " stage. This requirement is consistent with historical CARF precedents regarding PIS/Cofins, which have already deemed it inconsistent to grant a tax credit when the tax has not been paid by the supplier (Pinto, 2025). The reform incorporates this safeguard to prevent fictitious credits and strengthen the financial nature of the VAT credit.

4.1 Implications for Internal Controls and the Audit of "Credits to Be Allocated"

The introduction of the transitional account *"IBS/CBS to be Recovered—to be Allocated"* creates a new class of tax assets whose conversion into an actual credit depends on an event external to the acquiring entity: proof that the tax was paid in the previous stage. This characteristic increases the risk of fraud and error—overvaluation of assets due to credits not backed by payment, duplicate or fictitious credits, and manipulation of balances for the purpose of managing results. It is recommended that independent auditors include this account among the key audit matters for fiscal year 2026 and beyond, in accordance with NBC TA 240 (Auditor's Responsibilities Regarding Fraud) and NBC TA 315 (R1) (Identification and Assessment of Risks of Material Misstatement), paying specific attention to: (i) the validity of the electronic tax document; (ii) proof that the debt was settled in the previous stage; (iii) accounting segregation between IBS and CBS credits, given that cross-offsetting is prohibited; (iv) proper handling of reversals, returns, cancellations, and suspended credits; and (v) prevention of duplicate, advance, or unsupported credits.

Among the suggested procedures are: (i) periodic reconciliation of incoming invoices with proof of debt settlement from the previous stage, preferably integrated with the CGIBS and Federal Revenue Service systems; (ii) aging tests for credits "to be recognized," with investigation of balances that have not been converted for more than one period; (iii) periodic assessment of recoverability (CPC 01), with write-off as an expense when there is no reasonable expectation of realization; (iv) segregation of duties between recording the acquisition, confirming payment, and recognizing the credit; and (v) timely documentation of evidence of debt settlement. For the auditor, the risk regarding the existence and valuation of these assets now carries the same significance as that of other *cut-off-sensitive* balances, requiring targeted sampling.

This rule impacts cash flow, creating a mismatch between the tax payment at the time of purchase and the utilization of the credit, especially as long as *split payment* is not universal—gradual implementation beginning in 2027, as detailed in Section 6.

5. INTERNATIONAL COMPARISON: PRACTICES IN PORTUGAL, GERMANY, FRANCE, AND SPAIN

Countries such as Portugal, Germany, France, and Spain have long experience with VAT (Value-Added Tax) and adopt well-established accounting practices that are similar to one another in the treatment of this tax. In all these cases, VAT is an indirect tax on consumption charged "separately": invoices list the value of the product or service and the applicable VAT amount separately. Consequently, in the financial statements of these companies, VAT is not included as part of revenue or expense. The amount of VAT charged to customers is treated as a liability payable to the tax authorities, while VAT paid on eligible purchases is recorded as an asset (a credit to be recovered from the tax authorities). This model exactly mirrors what will be adopted in Brazil with the IBS/CBS.

In Portugal, for example, the accounting standardization system (SNC) provides for specific accounts to track output VAT (on sales, payable) and input VAT (on purchases, recoverable). When recording a sale, Portuguese accounting already separates the value of the VAT ( ) from the revenue in the initial journal entry, crediting it to a tax payable account, so that the *Sales* account records only the net amount belonging to the company. The same applies in Spain with VAT (standard rate of 21%), in France with TVA (20%), and in Germany with MwSt (19%): in all these cases, financial accounting excludes the tax from net income, carrying it on the balance sheet (under current liabilities or current assets) until it is paid. Thus, the adoption of the IBS/CBS "off-balance-sheet" in Brazil will make Brazilian financial statements comparable to those of these nations with regard to the presentation of revenue and sales taxes.

IFRS standards, which have been mandatory for publicly traded companies in the European Union since 2005, incorporate the same principle of excluding sales taxes from revenue; and even local European standards—such as the German Commercial Code (HGB) or the French *accounting plan*—have never treated VAT as a component of revenue or cost. From a conceptual standpoint, therefore, there is no significant difference between the accounting treatment of VAT in Europe and the proposed accounting treatment for IBS/CBS in Brazil, as both are based on the same international conceptual framework (IFRS/IAS).

Some operational differences, however, are worth noting. In European countries, the right to a VAT credit generally arises at the time of purchase or invoicing (accrual basis), regardless of payment to the supplier—except under special cash-basis VAT regimes applicable to small businesses. This means that, under normal conditions, a company can recognize the recoverable VAT asset as soon as it receives an input invoice with the tax itemized, and can use it in the next periodic filing, even if it has not yet paid the supplier. The Brazilian model designed for the IBS/CBS, however, tends to be stricter in this regard, requiring the actual financial settlement of the tax in the previous stage to release the credit to the purchaser (a sort of hybrid cash-based criterion for credits). In other words, in Brazil there may be a time lag between recording the purchase invoice and claiming the credit, which does not occur in most European countries. This difference will affect working capital: in Brazil, companies may need to finance the tax for a period (until the supplier makes the payment to the tax authorities, or until the next tax filing cycle), whereas in Europe, the immediate credit mitigates this effect.

Some EU countries have adopted, in specific contexts, similar mechanisms to combat tax evasion: Italy has implemented *split payment* for sales to the public sector (since 2015); Poland and the United Kingdom use *the reverse charge mechanism* in sectors prone to fraud. None, however, have the scope proposed in Brazil—which combines accounting standardization aligned with global practices with more advanced tax *compliance* mechanisms. Accounting professionals and public managers can expect that, once IBS and CBS are fully implemented, Brazilian financial statements will become more comparable to European ones, with metrics such as gross margin and EBITDA directly comparable to foreign peers, without the need to manually adjust for taxes.

6. IMPACTS ON FINANCIAL STATEMENTS AND INDICATORS

In summary, the main accounting and financial impacts of the new model on companies' financial statements will be:

- *A reduction in the* reported *gross revenue figure* and a consequent adjustment to performance metrics (requiring transparency in the disclosure of figures on a comparable basis before and after the reform).
- *Restructuring of income statement lines*, possibly eliminating the "Deductions from gross revenue" account for IBS/CBS and altering margin calculation formulas—since taxes will no longer be included in net income.
- *An increase in tax asset and liability balances* on the balance sheet (IBS/CBS accounts receivable and payable), requiring active management to realize tax credits and ensure timely compliance with tax obligations.
- *A review of financial covenants and contractual targets* based on accounting indicators, as changes in presentation may affect these metrics. For example, if a debt agreement stipulates a minimum gross revenue or margin, the parties will need to adjust such clauses to reflect the new calculation basis (excluding sales taxes).

This reorganization of the presentation does not alter net income but affects financial ratios—gross margin, EBITDA margin, EV/Revenue, etc.—which may vary significantly solely due to the new accounting classification of taxes. Investors and analysts will need to be informed to avoid misinterpretations (KPMG Brazil, 2025). It is recommended that, in their first financial statements under the new regime, companies include notes reconciling the old method of presenting revenue with the new one, as required by CPC 26 (IAS 1) and CPC 23 (IAS 8), the latter of which applies to changes in accounting policy and reclassifications.

On the balance sheet, the reform will increase the balances of current tax assets and liabilities—"IBS/CBS Credits to Be Recovered" on the asset side and "IBS/CBS Liabilities to Be Paid" on the liability side. In sectors with high transaction volumes, particularly exporters that accumulate credits without corresponding debits, there is a risk of assets being inflated by taxes to be recovered, requiring periodic assessment of recoverability (CPC 01). For *valuation* purposes, it is crucial to distinguish between credits that are actually realizable and accumulated balances.

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Another important consequence is evident in cash flow. Since the credit is only recognized after the tax has actually been paid, *the timing* will be less favorable than under the current system. A study by the Brazilian Federation of Banks (FEBRABAN, 2025), cited by KPMG Brazil (2025), estimates that advance payment via *split payment* could reduce cash flow predictability by up to 15% in the first year of the reform. Companies will need more working capital to finance taxes until they are offset, adjusting treasury processes to synchronize IBS/CBS disbursements with the utilization of the corresponding credits.

On the other hand, with the end of cumulative taxation for all taxpayers (including those opting for the Presumed Profit regime), the effective tax rate per stage tends to decrease, and tax neutrality should reduce price distortions—long-term benefits for financial planning. Business projections should incorporate this new dynamic, considering that a portion of sales will generate lower net cash inflows and a portion of purchases will generate credits that may take a full cycle to translate into reduced payments.

From the perspective of systems and internal controls, there will also be significant work involved: companies will need to update their ERP systems and charts of accounts to handle the IBS and CBS separately, correctly configuring the new accounts for taxes payable and recoverable for each situation (domestic sales, interstate sales, exempt transactions, etc.). Additionally, effective January 1, 2026, the main electronic tax documents (NF-e, NFC-e, CT-e, NFS-e, NF3e, BP-e, among others) must be issued with the CBS and IBS clearly highlighted, in accordance with Technical Notes published by CGIBS and the Federal Revenue Service (Federal Revenue Service, 2025). Reconciliation routines must also be improved to ensure that all taxes highlighted on the invoice are properly accounted for as liabilities (in the case of sales) or assets (in the case of purchases), and that their payments and offsets are recorded at *the* correct *time* (TOTVS, 2025).

Additionally, billing and financial modules must accommodate *split-payment* scenarios—in which the gross amount of the invoice will not be received in full, as the tax portion will be automatically remitted to the tax authorities. All of this requires training for accounting and tax teams: companies that prepare in advance (by training employees, simulating journal entries, and reviewing contracts to clearly state tax-exclusive prices) will have an advantage during this transition.

Table 3 below summarizes the main impacts identified and the respective responses recommended by management:

Table 3 — Impacts and Management Responses (IBS/CBS)

Impact	What Changes	Recommended Action
"Off-the-books" gross revenue and altered margins	Gross revenue is now reported excluding IBS/CBS; revenue figures appear to have decreased (merely a reclassification adjustment). Gross and EBITDA margins may show numerical variations (higher in percentage terms, due to the lower revenue base).	Explain the change in presentation in the notes to the financial statements; provide reconciliations between the old and new criteria; recalibrate analyses and communicate to investors that the variation is due to a change in criteria, not operational performance.
Restructuring of the Income Statement (elimination of revenue deductions)	The Income Statement no longer includes the "sales taxes" line item deducted from revenue; sales taxes no longer affect net income.	Adapt internal reporting and indicator calculation models (margins, revenue-to-expense ratio, etc.); review financial targets and covenants linked to revenue or margin, adjusting them to the new concept of gross revenue.
Increase in tax assets and liabilities on the balance sheet	IBS/CBS credits to be recovered and taxes payable become substantial balances in current assets and current liabilities, respectively. There is a possibility of accumulated credits (e.g., exporters) and a risk of delays in reimbursement by the tax authorities.	Monitor the collectibility of tax credits (periodic impairment tests); seek to expedite the use or reimbursement of accumulated credits; plan for the timely fulfillment of obligations to avoid fines and interest.
Increased need for working capital (cash flow)	The timing difference between tax payments and the realization of tax credits creates a cash lag. The company temporarily finances the tax amount until it is recovered through the credit, reducing short-term cash flow predictability.	Incorporate the new tax timing into financial planning and cash management; consider adjustments to payment and collection terms (negotiations with suppliers/customers) to mitigate the impact; set aside additional working capital to support the transition.
Adaptation of systems, controls, and fraud risk	ERP systems, the chart of accounts, and invoicing/accounts payable processes must support the complete segregation of IBS/CBS. Split payment alters the traditional cash flow. A new account titled "IBS/CBS to be Allocated" is created, which is susceptible to undue credit risk or fraudulent " " (duplicate, unsupported, or advance credits).	Update systems and train the accounting and tax team; strengthen internal controls for reconciling electronic tax documents, accounting records, and proof of payment from the previous stage; segregate duties; include "Credits to Be Allocated" within the scope of the audit' , including aging, existence tests, and recoverability assessments.

7. IMPLICATIONS FOR COMPANIES UNDER THE SIMPLES NACIONAL SYSTEM

Although the main focus of this article is on companies under the Real Profit and Presumed Profit regimes, the transition to the IBS/CBS also affects micro and small businesses subject to the Simples Nacional regime—a regime expressly preserved by Complementary Law No. 214/2025 and by Article 146, III, "d," of the Federal Constitution. Complementary Law No. 214/2025, in its Article 41 and related provisions, amended Complementary Law No. 123/2006 to integrate the IBS and CBS into the structure of the simplified tax regime, offering micro and small enterprises two alternatives: (i) to maintain the unified payment, with the IBS and CBS included in the DAS, without generating credits for the acquirer; or (ii) opt, on a semiannual basis (in April and September), for payment "outside" the DAS—the so-called "Simples Híbrido"—in which case the IBS and CBS are calculated under the regular regime, generating full credits for customers who are taxpayers of these taxes (Sefin/RO, 2025).

From an accounting perspective, companies that continue to pay via the DAS will generally not have separate "IBS/CBS to Be Recovered" accounts (subject to the prohibition on offsetting credits under the unified regime). Companies participating in the Simples Híbrido, on the other hand, will follow accounting treatment equivalent to that of other companies under the regular regime, in accordance with CPC 47 and CPC 16. In the 2026 trial year, companies opting for the Simples regime are generally not required to itemize IBS and CBS on tax documents, except in the case of refunds (Art. 348, III, "c," of LC 214/2025); Starting in 2027, there will be an internal redistribution of amounts collected under the DAS, with a temporary reduction in nominal tax rates to offset the introduction of the CBS, followed by the IBS. It is up to the accounting professional to simulate both scenarios—especially in B2B transactions, where the absence of credits under the unified regime may reduce competitiveness—and to document the option chosen in an explanatory note.

8. IMPACT ON THE ACTUAL PROFIT AND PRESUMED PROFIT REGIMES

Actual Profit

Companies under the Real Profit regime calculate IRPJ/CSLL based on accounting profit adjusted for legal additions and exclusions. Since accounting under IFRS (CPC) will exclude IBS and CBS from both revenue and expenses, these taxes do not affect accounting profit—profit before IRPJ will already be "net" of these taxes, just as is currently the case with IPI and, in many cases, with ICMS. Constitutional Amendment 132/2023 and Legislative Decree 214/2025 reinforce that IBS and CBS are not included in the tax base for other taxes, including IRPJ and CSLL. Therefore, for the Actual Profit method, there will be no change in the tax burden attributable to the new accounting treatment—companies will continue to pay IR/CSLL on actual operating profit, excluding indirect taxes.

Presumed Profit

Under this regime, IRPJ/CSLL are calculated not on actual profit, but on a presumed percentage applied to the taxpayer's gross revenue (plus any other revenue). Historically, there has been debate over which components are included in this "gross revenue" for presumption purposes. Current legislation (Decree-Law No. 1,598/1977, Art. 12, as amended by Law No. 12,973/2014; Law No. 9,249/1995, Art. 20) defines gross revenue as the proceeds from the sale of goods and services, from which returns, cancellations, and unconditional discounts may be deducted, and explicitly excludes the IPI when it is itemized on the invoice and charged to the buyer. However, other "included" taxes (such as ICMS and ISS) were not expressly excluded by law, which led to the understanding that they were part of the taxable gross revenue under the presumed profit regime. In fact, in 2024, the Superior Court of Justice upheld the ruling that ISS forms part of the tax base for IRPJ and CSLL under the presumed profit regime (STJ, 2024). This situation meant that companies under the presumptive tax regime, in practice, paid IRPJ/CSLL on tax amounts embedded in their sales—an effect of "taxing a tax" considered by many to be inappropriate, but which was supported by the literal wording of the law until then.

The reform is expected to correct this distortion. Constitutional Amendment 132/2023 and Complementary Law No. 214/2025 make it clear that the IBS and CBS will not be included in their own tax bases, nor in the tax bases of any other taxes. This indicates that, even under the Presumed Profit regime, these taxes will not be included in the calculation of taxable gross revenue. In other words, the portion of the price corresponding to IBS/CBS will be excluded before applying the presumption percentage. Technical analyses justify this treatment: since both IBS and CBS are non-cumulative taxes similar to the IPI, they must follow the IPI's system of not being included in gross revenue under the Presumed Profit regime, as they do not represent the company's actual revenue. The legal treatment will mirror paragraph 4 of Article 12 of Decree-Law No. 1,598/1977 (included by Law No. 12,973/2014), which excludes the IPI, to also exclude the IBS/CBS. As a result, companies under the Presumed Profit regime will no longer pay IRPJ/CSLL on the CBS/IBS amounts itemized on invoices—which aligns the presumed profit regime with the principle of not taxing revenues that do not constitute the company's own earnings, thereby resolving past interpretive disputes. Conceptually, taxes itemized and passed on merely as an agent of the tax authorities do not constitute an increase in equity and, therefore, should not be included in the calculation basis for presumed profit.

In practical terms, there is a slight tax relief under the presumed profit regime. Previously, a service company with revenue of R$ 1.05 million, including ISS (5%), calculated IRPJ/CSLL on R$ 1.05 million; now, with a 5% IBS "on the side," the reported revenue will be R$ 1.0 million, and IRPJ/CSLL will be levied only on that amount. The savings are modest, but they correct the double taxation. The "gross revenue" tax base will continue to follow Article 12 of Decree-Law 1,598/1977 and Law No. 9,249/1995, now excluding separately itemized non-cumulative taxes—it is recommended to monitor the Federal Revenue Service's regulatory acts for explicit confirmation (Coimbra, 2025).

In summary, under both the Actual Profit and Presumed Profit regimes, the adoption of the IBS/CBS does not increase the IRPJ/CSLL tax burden; under the Presumed Profit regime, it tends to eliminate IR/CSLL taxation on indirect taxes, aligning the treatment with that already applied to the IPI and with IFRS. The corporate income tax base becomes more transparent and accurate, reflecting, as a rule, only the income actually earned.

Table 4 — Comparison of the effects of the IBS/CBS on profit taxation regimes.

Aspect	Actual Profit (Accounting Profit)	Presumed Profit (Percentage of Revenue)
IRPJ/CSLL Tax Base	Net accounting profit for the fiscal year (calculated in accordance with CPC/IFRS, with statutory adjustments).	Fixed percentage applied to gross revenue (depending on the industry), plus other revenue.
Inclusion of IBS/CBS in the tax base	These are not included in accounting net income, either before or after the reform. Net income is already calculated net of these taxes (as was already the case with IPI, separate ICMS, etc.), therefore IBS/CBS do not affect the calculation of IRPJ/CSLL.	They will no longer be included in gross revenue for the calculation of presumed profit. Before the reform, "included" taxes (ICMS, ISS) were part of the tax base, but with IBS/CBS "excluded" ( ), these amounts will be excluded from taxable income.
Impact on the IRPJ/CSLL Tax Burden	No change in the IRPJ/CSLL tax burden due to IBS/CBS. The accounting result remains the same, in accordance with the principle of contributory capacity (what is not earned by the company is not taxed).	A modestly favorable reduction in the IRPJ/CSLL tax burden compared to the previous model: the amounts set aside for IBS/CBS are not treated as profit for tax purposes. In other words, this tends to eliminate the taxation of taxes themselves, correcting a previous distortion.
Note	This was already in line with IFRS practices—many companies had been excluding ICMS/ISS from accounting revenue, so the corporate income tax base already excluded sales taxes. The legislation now explicitly codifies this practice for IBS/CBS.	Care must be taken during the transition to correctly recalculate the deemed taxable income base by excluding IBS/CBS. The end of double taxation (income tax on indirect taxes) increases the consistency of the system, bringing it closer to the Actual Profit method in this regard.

9. FINAL CONSIDERATIONS

Accounting for IBS and CBS as proposed represents a significant modernization of Brazilian tax accounting, bringing it closer to international IFRS/IAS standards and to practices already established in countries with VAT. By completely separating taxes on goods and services from net income, Brazil improves the comparability of its financial statements relative to other economies, provides greater transparency regarding how much of the price corresponds to tax, and tends to mitigate cascading taxation in the income tax sphere as well.

From a practical standpoint, this transition will require adaptation. Companies and government agencies will need to invest in systems, training, and process adjustments. Accounting professionals should review procedures for revenue recognition (CPC 47), inventory and cost accounting (CPC 16), and tax credit control—it is especially recommended to create subaccounts for "IBS/CBS to be recovered—to be allocated" while the credit is not available, with increased attention to internal controls and auditing, as per Section 4.1. Furthermore, it is expected that the Accounting Pronouncements Committee and the Federal Accounting Council will issue specific guidance for the transition, similar to what occurred during the convergence to IFRS.

It should be noted that this article reflects the regulatory framework in effect as of May 2026, taking into account Constitutional Law 214/2025 (as amended by Constitutional Law 227/2026), Decree No. 12,955/2026, CGIBS Resolution No. 6/2026, Joint Ordinance MF/CGIBS No. 7/2026, and Joint Act RFB/CGIBS No. 1/2025. Since the agencies themselves acknowledge that these regulations may be supplemented by subsequent rules during the transition, it is recommended to continuously monitor the joint acts issued by CGIBS and the Federal Revenue Service.

In conclusion, the adoption of the IBS and CBS with "off-balance-sheet" taxation, combined with convergence toward international standards, indicates that Brazil is moving toward a " " paradigm aligned with global best practices. The practical contribution of this article is to guide accountants, auditors, and managers in the transition from a system of deductions from net income to a system of tax assets and liabilities managed in a digital environment—with a focus on pricing, the recalculation of indicators and *covenants*, the utilization of tax credits, and the strengthening of internal controls and audit procedures regarding the new tax balances.

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