



Government changes **IOF rules** with immediate effect

May | 2025

Government changes IOF rules effective immediately

Contrary to recent efforts to simplify the taxation of foreign exchange transactions, the federal government published last week a decree increasing IOF-FX rates, raising the cost of various remittances abroad (services, royalties, capital reduction, debt transactions, among others). The decree also introduces changes to IOF-credit and IOF-insurance.

New decrees published on May 22 and 23

The Federal Government published on 22 May 2025, Decree No. 12,466/2025, which made significant changes to the rate of the Tax on Credit, Foreign Exchange, Insurance, or Securities Transactions ("IOF"). The new regulation, effective as of 23 May 2025, has a material impact on several international financial transactions, in addition to amending the rules applicable to domestic transactions.

After the backlash from the measures, on 23 May 2025 the government partially reversed the reforms through Decree No. 12,467/2025.

IOF-FX

Outbound remittances

The standard rate for remittances abroad is now 3.5%.

- This means that if there is no express provision in the legislation, remittances abroad are subject to the new rate of 3.5% and no longer 0.38%.
- This is the case, for example, of remittances of services, royalties and capital reduction.

External short-term loans

Short-term external loans (up to 364 days), previously exempt, will now be subject to IOF-FX at 3.5%.

- Return of the provision (repealed in 2022) that external loans which minimum average amortization term is lower than a certain parameter would be taxed.

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IOF-FX (cont.)

Purchases of goods and services and cash withdrawals abroad

Rate rises to 3.5 % for remittances made by issuing institutions under payment arrangements.

- The new rate applies to: (i) settlement of purchases of goods and services abroad and (ii) cash withdrawals made by users abroad.
- The same rate of 3.5% applies to remittances of funds in reais held in deposit accounts in the country held by residents, domiciled or headquartered abroad and originally received in compliance with obligations of institutions that participate in cross-border payment arrangements as issuers.

Traveler's checks, prepaid card and cash

Rate of 3.5% for traveler's checks and for loading international prepaid cards, intended to meet personal expenses on international trips, as well as for the acquisition of cash.

Remittances of cash and cash abroad

Rate rises from 1.1% to 3.5%, including transfers to spouse, partner or relative by blood or affinity.

- Remittances of funds to accounts held abroad without a specific purpose are now taxed at the new rate.
- A rate of 1.1% is maintained if availability is for investment purposes

Other IOF rules remain unchanged

- Transactions subject to a zero rate (e.g., dividends, interest on equity, investments in Brazil's financial and capital markets by non-residents in accordance with Securities and Exchange Commission regulations) and exemptions (e.g., importation of goods) remain unchanged, including foreign exchange operations and transfers to and from abroad related to investment fund applications in the international market, within the limits and conditions established by the Securities and Exchange Commission (whose repeal of the benefit has been reinstated).
- The general rate of 0.38 % on other foreign-exchange transactions for inflows of funds from abroad was also maintained.

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IOF-FX (cont.)

Summary table

Outbound remittances		
Operation	How it was	Now
Operations without specific rules (services, royalties, capital reduction, etc.)	0.38%	3.5%
Remittances related to transactions of issuers of payment instruments related to the purchase of goods and services and withdrawals abroad	3.38% (with a reduction to zero by 2028)	3.5%
Traveler's checks, prepaid card	3.38% (with a reduction to zero by 2028)	3.5%
Remittances to overseas account	1.1%	3.5%
Remittances to overseas account to be later used for investment purposes	1.1%	1.1%
Operations subject to the zero rate and exempt	0% or exemption	0% or exemption

Inbound remittances		
Operation	How it was	Now
Foreign loans with a minimum average repayment term of up to 364 days	0%	3.5%
Operations without specific rules	0.38%	0.38%
Transactions subject to the zero tax rate and exempt (e.g., investments in the financial and capital markets in Brazil by non-residents in accordance with the rules of the Brazilian Securities and Exchange Commission)	0% or exemption	0% or exemption

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IOF-credit

New rates

Credit granted to legal entities

- Change in the daily rate from 0.0041% to 0.0082%, as well as the additional rate from 0.38% to 0.95%.

Total limit applicable to credit contracts with a fixed value (term of 365 days or longer)



Credit granted to Simples Nacional Companies
(Operations up to R\$ 30,000.00)

- Change in the daily rate from 0.00137% to 0.00274%, as well as the additional rate from 0.38% to 0.95%.

Total limit applicable to contracts with a fixed value (term of 365 days or longer)



Credit granted to MEI
(Operations up to R\$ 30,000.00)

- Change in the daily rate from 0.00137% to 0.00274%.

Total limit applicable to contracts with a fixed value (365 days or more)



Credit granted to individuals

No change

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IOF-credit

New operations mentioned

Inclusion of “forfait” operations in the scope of the IOF-Credit

The decree began to classify as credit operations, subject to IOF-Credit, the operations of anticipation of payment to suppliers, such as the "forfait" or "drawee risk", attributing to financial institutions the responsibility for the collection of the tax.

The change is effective as of 1 June 2025.

Considering the particularities of these operations, there are uncertainties regarding the scope of the provision and its application. It is important to evaluate its application in each practical case from the point of view of both the legality of the provision and its operationalization.

Cooperatives with credit operations above R\$ 100 million

Cooperatives with annual operations above R\$100,000,000 are now subject to the regular rates of IOF-Credit.

IOF-insurance

Life insurance plan with survivor coverage is now taxed at the rate of 5% on monthly contributions greater than R\$ 50,000.00

Our Tax team is closely following this issue. For further clarification on this or other topics of interest, please contact one of our professionals.

For more information on this topic, please contact **our specialists:**



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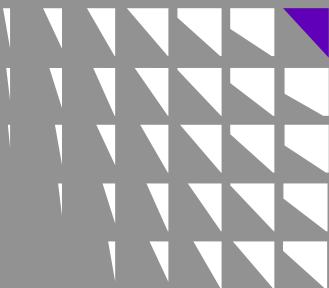
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Together in the decisions
that matter.



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