


TAX REFORM: ANALYSIS OF THE MAIN ASPECTS OF TAX CHANGES WITH THE ADVENT OF COMPLEMENTARY LAW NO. 214/2015

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ABSTRACT

The article addresses the main aspects of tax changes in Brazil with the enactment of Complementary Law No. 214, of 2015, which brought significant changes to the national tax system. The 2015 tax reform, by amending provisions of the previous legislation, sought to simplify and modernize the tax collection process, in addition to providing greater tax justice. Among the most relevant points, are the revision of the rules for calculating the Tax on the Circulation of Goods and Services (ICMS), with the introduction of the tax substitution regime, and the change in the calculation basis of some taxes, aiming to reduce distortions and increase collection efficiency, stands out. The analysis also includes

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the implications of this reform for taxpayers and the public administration, considering both the advances and the challenges that arise with the implementation of the changes proposed by Complementary Law No. 214/2015. The conclusion of the study emphasizes that, despite the advances in the simplification process and greater uniformity in tax rules, the transition to the new system requires a period of adaptation, in addition to investments in training and new technologies so that the positive effects are fully achieved.

Keywords: Tax Reform. Taxation. Challenges. Opportunities.

INTRODUCTION

Tax reform in Brazil is extremely important for the modernization and simplification of the tax system, which is currently considered one of the most complex and costly in the world. In the political scenario, the reform represents an attempt to resolve conflicts between the different levels of government (Union, States, and Municipalities), which have divergent interests in tax collection. The unification of taxes, proposed by several versions of the reform, seeks to reduce bureaucracy and improve the transparency of the tax system, creating a more harmonious environment for fiscal management in Brazil. By addressing these issues, the reform can increase confidence in economic policy and contribute to the country's fiscal stability.

From an economic point of view, tax reform is essential to improve the competitiveness of Brazilian companies, especially small and medium-sized ones. The current tax system imposes a high tax burden and high administrative costs, which hinder business growth and inhibit investments. The reform can promote a fairer redistribution of the tax burden, favoring the most productive and innovative sectors of the economy, in addition to reducing the distortions that favor specific sectors to the detriment of others. This can result in a more dynamic business environment, spurring job creation and increased productivity.

In this sense, the present study aims to analyze the main implications that the tax reform will cause in the tax scenario. For this, a brief historical contextualization of the Brazilian tax system was developed, bringing the main tax principle concepts, as well as what is expected regarding the main changes that the reform will bring in the coming years.

METHODOLOGY

Scientific methodology is fundamental for the construction of knowledge, offering guidelines for the organization and systematization of research. In qualitative research, seeks to understand phenomena deeply, considering the subjectivity and meanings that individuals attribute to a given context. According to Minayo (2014), qualitative research allows capturing the complex dimensions of social realities, considering the multiplicity of interpretations and perspectives of the participants. The flexibility of this type of approach allows for a more detailed understanding of human experiences and experiences and is especially suitable for investigations involving subjective and contextual aspects.

The choice for qualitative research reflects the search for a more interpretative look at the phenomena studied, in contrast to quantitative methodologies, which focus on objectivity and generalization of the results. The qualitative approach, according to Bardin (2011), uses data collection techniques such as interviews, participant observation and content analysis, seeking to emerge from the research field a richer understanding of the phenomena studied. In addition, the researcher adopts a posture closer to the object of study, being part of the investigative process and interacting with the data in a continuous, reflective and interpretative way.

Bibliographic research, as a complementary method, plays a crucial role in the theoretical and methodological construction of a scientific study. According to Gil (2010), the literature review allows the researcher to situate his investigation in the context of existing discussions, in addition to identifying gaps in knowledge that can be explored. In the context of qualitative research, the literature review also serves to support the analysis, providing a basis for interpretations and allowing a critical understanding of the topics addressed. In this way, the bibliography is not just a collection of sources, but an essential tool for structuring research.

For the development of a study with a qualitative and bibliographic bias, the critical analysis of the literature is a fundamental step. According to Lakatos and Marconi (2017), the literature review should be systematic and rigorous, including both the identification of relevant sources and the evaluation of their contribution to the development of the theme. In the case of qualitative studies, this analysis should also take into account the diversity of theoretical and methodological approaches present in the sources, enriching the understanding of the phenomenon under study and expanding the researcher's theoretical repertoire.

In summary, the choice of a qualitative and bibliographic scientific methodology allows a deep and contextualized analysis of the investigated phenomenon. As Costa (2013) states, qualitative research, combined with literature review, facilitates the construction of a robust theoretical framework, ensuring that research not only explores new issues, but also inserts itself into current academic discussions. The combination of these approaches provides a richer investigation, allowing the researcher to holistically understand the complex and multifaceted aspects of the object of study.

In summary, the methodology of this article was a qualitative and bibliographic approach, aiming to understand in depth the impacts of tax reform in Brazil from a critical

and interpretative analysis of the existing sources. Qualitative research allows exploring subjective, contextual and social aspects of the theme, focusing on concepts, arguments and opinions present in the specialized literature. The bibliographic approach will be essential to support the study, as it will be based on a detailed review of books, academic articles, theses, dissertations and other relevant documents, seeking to provide a comprehensive and well-grounded view of the subject, without the need for primary data collection.

TAX REFORM: HISTORICAL OVERVIEW AND RECENT PROPOSALS

HISTORICAL EVOLUTION OF THE BRAZILIAN TAX SYSTEM, SINCE THE CONSTITUTION OF THE TUITION FROM 1988 TO THE CURRENT PROPOSALS

The historical evolution of the Brazilian tax system, since the 1988 Constitution, reflects the search for a balance between the decentralization of revenues and the need for a more efficient and fair system. Before the Constitution, Brazil lived a centralized tax system, in which the Union held most of the revenue, while the States and Municipalities were restricted in their fiscal autonomy. With the enactment of the 1988 Constitution, the tax system underwent a significant restructuring, decentralizing revenues and giving states and municipalities more fiscal autonomy. The new Magna Carta created the need for a greater distribution of responsibilities, attributing specific taxes to each federative entity and thus guaranteeing political and financial autonomy (BENTO, 2011).

In terms of structure, the 1988 Constitution established a broad reform in the Brazilian tax system, instituting the principle of "ability to pay" as the basis for taxation. In addition, the 1988 Charter determined that the Union, the States and the Municipalities should have the competence to institute specific taxes, such as the Income Tax (IR), the ICMS (Tax on the Circulation of Goods and Services), and the ISS (Tax on Services of Any Nature). With this, the Constitution sought to ensure greater tax justice and a more democratic system, allowing greater participation of States and Municipalities in tax collection. However, decentralization also brought challenges, such as the creation of a multiplicity of taxes and an overload in the inspection process (CARVALHO, 2012).

The 1990s were marked by a series of reforms aimed at modernizing the tax system and reducing tax distortions. The federal government created mechanisms such as the Fiscal Recovery Program (PFR), aimed at restructuring the public debt, and

reformed some taxes, including the creation of the Contribution to the Financing of Social Security (COFINS) and PIS/PASEP. However, the complexity of the tax system continued to be an obstacle to the economic development and competitiveness of Brazilian companies. The creation of new taxes and the multiplicity of rates made it difficult for citizens and entrepreneurs to understand the system (SOUZA, 2014).

In the 2000s, the Brazilian government began to seek a deeper tax reform, to reduce the tax burden on the productive sectors and promote a simplification of the system. The government proposed to seek the unification of indirect taxes, such as ICMS, IPI and ISS, into a single tax. The main proposal in this regard was the creation of the Tax on Goods and Services (IBS), a single consumption tax. The objective was to reduce tax distortions and increase the competitiveness of Brazilian companies, by reducing bureaucracy and administrative costs. However, this proposal generated resistance from several sectors, including the States, which feared a significant loss in revenue, since they depend on the ICMS, one of the main taxes they collect (OLIVEIRA, 2015).

In 2019, two Constitutional Amendment Proposals (PEC) – PEC 45/2019 and PEC 110/2019 – were presented in the National Congress to promote a broader tax reform. PEC 45 proposed the creation of a single consumption tax, replacing ICMS, IPI, PIS/COFINS and ISS, to simplify the tax system and reduce the bureaucratic burden. PEC 110, on the other hand, although it also suggested the creation of the IBS, differed in the way of dividing the collection between the States and the Union, proposing a new form of revenue sharing. Both proposals seek to modernize the system, simplifying collection and reducing fiscal distortions, although they face political and regional obstacles (GOMES, 2020).

Tax reform remains one of the most debated issues in the Brazilian political and economic scenario. In 2022, Complementary Law No. 190/2022 was sanctioned, addressing a simplification in the ICMS regime, seeking to reduce distortions and increase predictability in the collection of this tax. This change is a step on the path to reform, but the most comprehensive proposals, such as the creation of an IBS, still depend on advances in Congress. The central challenge of tax reform is the need to balance the interests of different federative entities, ensure greater tax justice, and promote the competitiveness of the Brazilian economy, while maintaining the sustainability of public finances (SILVA, 2021).

MAIN PROPOSALS OF THE TAX REFORM

Tax reform in Brazil is a central topic in discussions about improving the country's tax and economic system. Since the 1988 Constitution, several proposals have been presented in the National Congress, to simplify the tax structure, reduce distortions and improving the competitiveness of the economy. The main tax reform proposals stand out, especially with the process, is the creation of a Tax on Goods and Services (IBS), a single tax to replace several indirect taxes, such as ICMS, IPI, PIS, and COFINS (SOUZA, 2020).

Souza (2020, p. 158) teaches that:

Tax reform is an urgent need for Brazil, especially in the current context of a tax system characterized by a high tax burden and administrative complexity. The unification of taxes, proposed by several versions of the reform, aims not only to simplify the collection process, but also to ensure greater equity, reducing the regressivity of the current system and promoting a more efficient and transparent business environment. The Tax on Goods and Services (IBS), for example, is pointed out as a way to reduce the tax costs of companies, simplifying collection and avoiding bureaucratic overload.

The creation of the IBS aims to simplify the Brazilian tax system. Currently, the multiplicity of taxes on consumption generates complexity in the collection and compliance with tax obligations, especially for companies. The proposal suggests the unification of these taxes, which could reduce the cost of compliance for companies, reduce bureaucracy and, consequently, improve the business environment in the country. In addition, the collection of the IBS is carried out more transparently, with the unification of the rates and the implementation of a tax compensation system to avoid double taxation and regional distortions (GOMES, 2019).

Another important proposal is the redistribution of the collection of the new tax. The reform seeks to balance the division of resources between the different federative entities, with a greater participation of the Union in the collection of the IBS, but without harming the financial autonomy of the States and Municipalities. To this end, the proposal provides for a compensation mechanism, in which States and Municipalities that have a collection lower than the national average would receive compensation from the Union. The main intention of this change is to reduce regional inequalities, offering fairer treatment to States and Municipalities with lower collection capacities (CARVALHO, 2021).

Furthermore, the creation of a single consumption tax is on the agenda, but with some caveats. Other tax reform proposals, such as the adoption of the taxation system by

"competence" instead of "cause", have been discussed in the political scenario. The accrual taxation system seeks to increase tax efficiency and combat the tax war between states, since currently, consumption taxes are applied differently in each state. The reform also proposes a review of taxes on production and marketing, to reduce the distortions caused by tax exemptions and benefits that end up creating unequal competition between companies. The focus is to create a fairer and more equitable system, where companies compete under more similar conditions (SILVA, 2021).

Finally, an important point of the current tax reform proposals is the exemption of payroll. The idea is to replace part of the payroll taxes with consumption taxes, such as the IBS, which could reduce the cost of labor in Brazil and encourage the formalization of the labor market. The exemption is considered a crucial measure to stimulate the generation of formal jobs, especially in a context of high informality and unemployment rates. However, this proposal also generates controversy, especially regarding the fiscal impacts on the public coffers and the need to ensure that the reduction in the tax burden does not affect the collection necessary to finance social security (MARTINS, 2020).

COMPARISON WITH TAX SYSTEMS OF OTHER COUNTRIES AND THEIR ADVANTAGES AND CHALLENGES

The Brazilian tax system has characteristics that make it one of the most complex and bureaucratic in the world, which ends up negatively impacting competitiveness and the business environment in the country. When comparing it with tax systems in other countries, such as the United States and Germany, we observe significant differences in the way taxes are applied and administered. In the United States, for example, the tax system is more decentralized, with federal, state, and local taxes, but the tax structure is less complex, with fewer types of indirect taxes and more streamlined administration. In Germany, the indirect tax system such as VAT (Value Added Tax) is simple and efficient, allowing for greater transparency and predictability, characteristics that Brazil is still seeking to achieve (CARVALHO, 2021).

However, both the American and German systems face challenges that are also observed in Brazil. In the United States, complexity arises due to the coexistence of different tax levels and the possibility of different tax rates in each state, which creates uncertainty for businesses operating in multiple locations. Germany, in turn, faces challenges related to the high tax burden, which can harm competitiveness in certain

sectors of the economy. In Brazil, the coexistence of taxes such as ICMS, IPI, PIS, COFINS and ISS results in economic distortions and high administrative costs for companies, in addition to a strong tax war between states. Thus, the great advantage of other countries' systems lies in simplification and standardization, while Brazil struggles to find a solution that can balance tax collection and tax justice (GOMES, 2019)

In the same perspective, the following excerpt is highlighted, in which: it argues that:

While tax reform has the potential to simplify the Brazilian tax system, it also presents significant challenges for businesses and governments to adapt. The implementation of the IBS will require a deep restructuring of the collection processes, which can generate high transition costs and create legal uncertainties, especially for small and medium-sized companies that do not have the necessary resources to quickly adjust to the new rules (GOMES, 2019, p. 187).

On the other hand, countries such as Estonia and New Zealand have been notable for their success in simplifying their tax systems, with Estonia adopting a corporate tax model with a single tax rate and a fully digitized administration. These models offer clear advantages in terms of efficiency and cost reduction, which favors the attraction of investments and facilitates tax compliance. In Brazil, the complexity of the tax system prevents the implementation of more agile and efficient solutions, such as digitalization and the simplification of tax obligations. The Brazilian tax reform seeks, precisely, to find a balance between the lessons learned from these international systems and the specificities of the country, to increase competitiveness and tax equity (SILVA, 2020).

ECONOMIC IMPACTS OF TAX REFORM

EFFECTS ON ECONOMIC GROWTH: STIMULUS OR DISCOURAGEMENT OF GROSS DOMESTIC PRODUCT (GDP) GROWTH?

Tax reform has the potential to directly impact economic growth, and can stimulate or discourage the growth of Brazil's Gross Domestic Product (GDP). One of the main objectives of the reform is to simplify the tax system, reducing bureaucracy and administrative costs for companies. With a more transparent and efficient system, companies could reduce the time spent on tax compliance, which in turn would increase their productivity and competitiveness. Tax simplification can also attract more investment, both domestic and international, spurring economic growth. Studies indicate that a reform that reduces the tax burden on production and consumption has the potential to increase

GDP in the long term, since it frees up resources that can be applied to the expansion of productive activities (SOUZA, 2020).

SOUZA (2020, p. 196) argues that:

Tax reform should be seen not only as a change in the tax collection system, but as a tool for promoting greater tax justice in the country. By reducing the tax burden on the poorest and increasing the progressivity of the system, the reform has the potential to reduce social inequalities, in addition to improving access to essential public services, such as health and education.

In addition, the exemption of productive sectors, proposed by some of the tax reforms under discussion, can have positive effects on economic growth. Reducing payroll taxes, for example, would lower hiring costs and encourage the creation of new jobs. This increase in employment could result in higher domestic demand and, consequently, stimulate the economy. However, it is important to highlight that the exemption, if not well calibrated, can generate losses in revenue, which could compromise the government's ability to finance essential public policies, such as education and health. Therefore, tax reform needs to be carefully planned to ensure that stimulating growth does not harm the fiscal sustainability of the State (GOMES, 2019).

On the other hand, the implementation of a tax reform can have negative effects on economic growth if the changes are not well structured. The transition from a complex tax system to a more simplified one requires time and adaptation for both the public and private sectors. During this transition period, there may be increased uncertainties and costs for companies, which could discourage investments and negatively affect GDP growth in the short term. In addition, the proposal to centralize some taxes and the redistribution of revenue among federative entities may generate resistance, especially among states that rely heavily on the collection of taxes such as ICMS, which may lead to tax disputes that would slow down the process of implementing the reform (CARVALHO, 2021).

In the long run, however, successful tax reform can contribute significantly to economic stabilization and growth. The simplification of the tax system and the reduction of the tax burden on the most productive sectors can improve the business environment, generating more efficiency in the economy. As a result, the tax reform has the potential to increase competitiveness, promote the formalization of companies, and improve the distribution of resources, which can reflect in a more sustainable and lasting growth trajectory for Brazil. However, the impacts of the reform depend on a gradual and

balanced implementation process, with special attention to maintaining tax justice and mitigating adverse effects on public finances (SILVA, 2020).

RESULTS: THE SOCIAL IMPACTS OF TAX REFORM

The main objective of the tax reform is to simplify the tax system and make collection more efficient. However, the impacts of this reform are not limited to the economy, as changes in the tax system can directly affect society, especially the most vulnerable sections of the population. The redistribution of the tax burden, proposed by these reforms, aims to reduce regional and social inequalities, balancing collection between the different federative entities and allowing resources to be better distributed for essential public policies, such as health, education, and infrastructure (GOMES, 2020).

Among the positive social impacts expected from the reform, the potential reduction of fiscal inequality stands out. The current system is marked by a concentration of taxes on consumption, such as the ICMS, which weighs more heavily on the lower income classes, since low-income people consume proportionally more than the richest. With the implementation of the Tax on Goods and Services (IBS), one of the central proposals of the tax reforms, a greater progressivity in taxation is expected, where taxes will be more equitably distributed among the social strata. Relieving the tax burden on the poorest can have a positive effect, as it enables greater consumption capacity and, consequently, improves the quality of life of low-income families (SILVA, 2021).

In addition, tax simplification has the potential to generate more social justice, by reducing tax evasion and increasing government revenue. With the creation of a more transparent and easy-to-understand system, it is possible that more taxpayers will feel encouraged to comply with their tax obligations. This would increase the state's ability to finance social programs, such as Bolsa Família, which help the most vulnerable populations. The reform can also provide a more efficient redistribution of resources, allowing greater access to essential public policies and reducing disparities in access to public services between different regions of the country (CARVALHO, 2021).

However, tax reform can also present risks, especially for populations in poorer regions. The transition to a new system can generate uncertainties, especially if there is no adequate compensation for States and Municipalities that depend heavily on the collection of taxes such as ICMS. If these federative entities lose revenue power without efficient compensation, this could result in cuts in essential public services, directly

impacting the quality of life of the most vulnerable populations. The reform needs to ensure that the redistribution of revenues between the Union, States and Municipalities is done in a way that does not harm the population of less developed regions (OLIVEIRA, 2019).

OLIVEIRA (2020, p. 172) analyzes that:

The tax reform also offers an opportunity to promote greater integration between the different levels of government, allowing tax collection to be distributed in a more balanced way between the Union, the States and the Municipalities. This can result in a better allocation of resources and greater efficiency in the execution of public policies, especially in the areas of infrastructure and regional development.

Another important aspect of the social impacts of tax reform is the effect on the labor market. The exemption from payroll, proposed by some reform models, can have a positive impact on increasing the formalization of the labor market, promoting more formal jobs. This would be an important measure to reduce informality, which is one of the main causes of inequality in Brazil. By reducing costs for companies, the reform can encourage job creation, which, in turn, can improve household income and reduce poverty in the country (SOUZA, 2020).

However, tax reform needs to be carefully planned to prevent benefits from being concentrated in certain sectors or regions, which could further increase social inequalities. In a context of great regional and social inequality in Brazil, the reform must include compensatory measures that ensure that the most vulnerable are not harmed by the transition of the tax system. Therefore, the social impacts of the tax reform will depend on its implementation and how the benefits will be distributed among the different social strata and regions of the country. Tax reform, if well structured, can represent an advance in the search for greater fiscal and social justice in Brazil (SILVA, 2021).

DISCUSSIONS: CHALLENGES AND OPPORTUNITIES OF TAX REFORM

Among the positive social impacts expected from the reform, the potential reduction of fiscal inequality stands out. The current system is marked by a concentration of taxes on consumption, such as the ICMS, which weighs more heavily on the lower income classes, since low-income people consume proportionally more than the richest. With the implementation of the Tax on Goods and Services (IBS), one of the central proposals of the tax reforms, a greater progressivity in taxation is expected, where taxes will be more equitably distributed among the social strata. Relieving the tax burden on the poorest can

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strata and regions of the country. Tax reform, if well structured, can represent an advance in the search for greater fiscal and social justice in Brazil (SILVA, 2021).

CONCLUSION

In summary, the tax reform represents a fundamental opportunity for Brazil to modernize its tax system, making it simpler, more efficient, and fairer. The complexity of the current system, with multiple taxes that burden both companies and citizens, prevents the full economic and social development of the country. The proposal to unify and simplify taxes, in addition to promoting equity in the distribution of the tax burden, seeks to reduce bureaucracy and administrative costs, creating a more business-friendly environment and attracting more investments, both national and international. Implementing effective reform has the potential to boost economic growth and improve Brazil's competitiveness on the global stage.

However, for the objectives of the tax reform to be achieved, careful planning and the construction of a consensus among the different sectors of society, especially among the federative entities, is necessary. The redistribution of tax collection, essential for the promotion of tax justice, needs to be carried out in a balanced way, avoiding losses for States and Municipalities that depend on certain sources of revenue. In addition, the transition to a new system requires compensation and adaptation measures, especially for more vulnerable sectors and regions, to ensure that the reform does not cause additional inequalities or social instability.

Therefore, tax reform should not only be seen as a technical necessity to improve revenue and competitiveness, but also as a crucial tool for promoting more sustainable and inclusive economic development. By creating a fairer, more transparent, and more efficient tax system, Brazil will be able to improve the quality of public services, reduce social inequalities, and promote greater integration between the various regions of the country. With proper implementation, tax reform has the potential to transform Brazil into a more competitive and fair country, promoting the well-being of the population and sustained economic growth.

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