Brazil’s Congress: The Year-End Agenda and a New Legislature

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In brief

Brazil's Congress closes 2026 focused on the 2027 Budget, the reference rate for the new CBS (approximately 11.3%, as calculated by the TCU, to be set by the Senate by resolution), Provisional Measure 1.394/2026 on fixed-odds betting and regulatory measures that the current Congress may still complete. In the new Congress taking office in February 2027, the PL strengthens its position in both houses, but without a clear majority. The leadership elections, the formation of parliamentary blocs and the allocation of committee chairs should provide the first signals, and the most likely scenario is continued multiparty negotiation.

Brazil's Congress enters the final months of 2026 with a crowded agenda and an added incentive to complete work on pending legislation before the newly elected Congress takes office. Negotiations over the 2027 Budget and fiscal policy will compete for attention with regulation affecting economic sectors and online betting. At the same time, attention is shifting toward the balance of power in the Chamber of Deputies and the Federal Senate when the new Congress takes office in 2027.

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The final months of 2026

The 2027 Budget is expected to dominate negotiations in November and December. Its passage through Congress will offer an early indication of the fiscal priorities for President Luiz Inácio Lula da Silva's (PT – Workers' Party) fourth term, following his reelection on 25 October. It will also help define the scope for new policy initiatives and provide an early indication of how the government and Congress will interact over spending priorities.

Implementation of Brazil's consumption tax reform will also feature prominently on the Senate's economic agenda through the end of 2026. On 28 October, the Federal Public Accounts Tribunal (TCU – Tribunal de Contas da União) calculated a reference rate of approximately 11.3% for the new federal Goods and Services Contribution (CBS – Contribuição sobre Bens e Serviços), which will replace existing federal consumption taxes. The Senate must set the rate by resolution before the CBS begins to be collected in 2027. Fixing the reference rate is an important step in implementing the tax reform and could affect tax planning, pricing, contracts and investment decisions.

Online betting will also remain on Congress's year-end agenda. Provisional

Measure 1.394/2026, in force since 25 September, prohibits fixed-odds betting in Brazil, including sports betting and online games. Congress must now decide whether to make the prohibition permanent and, if so, whether to amend the measure before approving it.

Another issue of particular importance to regulated sectors is Bill PLP 73/2025, which would protect federal regulatory agencies' budgets from subsequent spending restrictions. The bill has passed the Senate and is now before the Chamber of Deputies, where lawmakers have indicated they will seek to pass it before the end of 2026. If that does not happen, similar protections could instead be included in the legislation setting the guidelines for the 2027 federal budget, or Congress could revisit an earlier presidential veto of comparable provisions in the 2026 Budget Guidelines Law.

More broadly, the end of the legislative term may create opportunities for agreement on bills that are already well advanced in Congress. The limited time remaining, however, makes it less likely that agreement will be achieved on broader structural reforms requiring extensive political negotiation.

New legislature: a stronger opposition, but no clear majority

The new Congress taking office in February 2027 will bring a significant shift in the political balance. The right-wing Liberal Party (PL), already the largest party in both houses of Congress, strengthened its position in the elections. In the Chamber of Deputies, it won 121 of the 513 seats, compared with 70 for President Lula's left-wing Workers' Party (PT). Among the other larger parties, União Brasil won 46 seats, the PSD 43, and the PP and Republicanos 41 each.

In the Senate, the shift will be even more pronounced. The PL will hold 29 of the 81 seats, followed by the PT with 10 and the MDB (Movimento Democrático Brasileiro) with eight. Other large parties include União Brasil and the PP, with six seats each, and the PSD and Republicanos, which will each have five.

Despite the PL's gains, parties in the pragmatic center will remain decisive. Economic and regulatory measures will continue to require negotiations among the government, the PL and other parties.

Issues likely to return to the agenda or gain prominence in 2027 include regulation of artificial intelligence and digital platforms, app-based work, energy and infrastructure, critical minerals, judicial reform and continued implementation of the consumption tax reform. Investors should pay particular attention to critical minerals, following proposals in 2026 that could affect foreign investment in the development of resources classified as critical or strategic.

Leadership of the Chamber and Senate

The first major contest of the new Congress will come in February, when the Chamber of Deputies and the Senate elect their leadership. Their current presidents, Hugo Motta (Republicanos) and Davi Alcolumbre (União Brasil), are seeking reelection. The PL's gains, however, have strengthened its

bargaining position and could prompt the party to field its own candidates.

In the Senate, where the PL will be particularly strong, the party has signaled that it intends to field its own candidate for Senate President. Flávio Bolsonaro, who was defeated in the presidential election, has confirmed Rogério Marinho as the party's choice. The party cannot elect him on its own, however, and will need support from parties on the right and in the center. With Flávio Bolsonaro's departure from the Senate, the dynamics of the PL's coalition-building in the new legislature may change.

The outcome of the leadership elections could affect legislative priorities. Reelection of Motta and Alcolumbre would offer greater continuity, preserving established channels of negotiation among the government, the center and the opposition. That would not necessarily mean greater alignment with the government, but could make the legislative agenda more predictable and favor negotiation on an issue-by-issue basis.

PL-backed presidents, by contrast, could give opposition priorities greater influence over the legislative agenda. In the Senate in particular, PL members have suggested that a change in leadership could create opportunities to advance proposals that have not been prioritized under the current presidency. It could also give greater prominence to measures supported by business groups, reviews of existing regulation and oversight of the government. How significant the shift would be, however, would depend on the commitments needed to secure support from parties in the center.

Committee leadership

Once the Chamber and Senate leadership elections are decided, attention will turn to the chairs of the standing committees. These positions can be just as important, since committees play a central role in shaping economic and regulatory legislation and determining how quickly bills move through Congress.

Committee chairs are negotiated based on party strength and the composition of parliamentary blocs. The PL's gains will strengthen its claim to chair influential committees, but are unlikely to give the party control of all the most important ones.

In the Chamber, the PL's 121 seats will give it greater influence in important committees, including Constitution, Justice and Citizenship; Finance and Taxation; Mines and Energy; Public Security and Combating Organized Crime; and Foreign Affairs and National Defense. The allocation of committee positions will depend, however, on the formation of parliamentary blocs. União Brasil, the PP, PSD, Republicanos and MDB will also have sufficiently large delegations to compete for influential positions.

In the Senate, the PL's projected 29 seats will give it a stronger claim to the chairs of influential committees, including Constitution, Justice and Citizenship; Economic Affairs; Infrastructure Services; and Foreign Affairs and National Defense. The allocation of committee chairs, however, will probably form part of the broader negotiations over the leadership of the Senate.

The allocation of committee positions will therefore provide one of the first concrete indications of how the new Congress may approach its legislative

agenda. Both committee chairs and the choice of rapporteurs for individual bills will be important to watch, particularly on economic, tax, regulatory, energy and infrastructure matters. Together, these positions can play a decisive role in accelerating, reshaping or blocking legislation before it reaches the floor.

Conclusions

The picture that emerges is one of institutional continuity, but a more fragmented path to congressional majorities. In the final months of 2026, attention will focus primarily on the 2027 Budget, fiscal measures, online betting and regulatory measures that the current Congress may still complete before the end of the legislative term.

From February on, three developments should provide the first concrete indications of how the new Congress will operate: the Chamber and Senate leadership elections, the formation of parliamentary blocs and the allocation of chairs on the most influential committees.

The PL's gains have strengthened the opposition, particularly in the Senate, but parties in the pragmatic center will remain decisive. The most likely scenario for 2027 is therefore continued multiparty negotiation. Constitutional changes and highly polarized measures will face greater obstacles, while there should remain significant scope for agreement on economic, tax, regulatory, energy and infrastructure matters.

Key points

What will dominate Brazil's congressional agenda through the end of 2026?

In the final months of 2026, attention will focus primarily on the 2027 Budget, fiscal measures, online betting and regulatory measures that the current Congress may still complete before the end of the legislative term. The 2027 Budget is expected to dominate negotiations in November and December.

What is the CBS reference rate for 2027 and who sets it?

On 28 October, the Federal Public Accounts Tribunal (TCU – Tribunal de Contas da União) calculated a reference rate of approximately 11.3% for the new federal Goods and Services Contribution (CBS – Contribuição sobre Bens e Serviços), which will replace existing federal consumption taxes. The Senate must set the rate by resolution before the CBS begins to be collected in 2027.

What does Provisional Measure 1.394/2026 prohibit in the online betting market?

Provisional Measure 1.394/2026, in force since 25 September, prohibits fixed-odds betting in Brazil, including sports betting and online games. Congress must now decide whether to make the prohibition permanent and, if so, whether to amend the measure before approving it.

Where does Bill PLP 73/2025 on regulatory agencies' budgets stand?

The bill has passed the Senate and is now before the Chamber of Deputies, where lawmakers have indicated they will seek to pass it before the end of 2026. If that does not happen, similar protections could instead be included in the legislation setting the guidelines for the 2027 federal budget, or Congress could revisit an earlier presidential veto of comparable provisions in the 2026 Budget Guidelines Law.

How many seats will the PL hold in the Chamber and Senate from 2027?

In the Chamber of Deputies, it won 121 of the 513 seats, compared with 70 for President Lula's left-wing Workers' Party (PT). The PL will hold 29 of the 81 seats, followed by the PT with 10 and the MDB (Movimento Democrático Brasileiro) with eight.

Who is expected to compete for the leadership of the Chamber and Senate in February 2027?

Their current presidents, Hugo Motta (Republicanos) and Davi Alcolumbre (União Brasil), are seeking reelection. In the Senate, where the PL will be particularly strong, the party has signaled that it intends to field its own candidate for Senate President. Flávio Bolsonaro, who was defeated in the presidential election, has confirmed Rogério Marinho as the party's choice. The party cannot elect him on its own, however, and will need support from parties on the right and in the center.

Why do standing committee chairs matter for economic and regulatory legislation?

Once the Chamber and Senate leadership elections are decided, attention will turn to the chairs of the standing committees. These positions can be just as important, since committees play a central role in shaping economic and regulatory legislation and determining how quickly bills move through Congress. Both committee chairs and the choice of rapporteurs for individual bills will be important to watch, particularly on economic, tax, regulatory, energy and infrastructure matters.

Which issues are likely to return to Brazil's legislative agenda in 2027?

Issues likely to return to the agenda or gain prominence in 2027 include regulation of artificial intelligence and digital platforms, app-based work, energy and infrastructure, critical minerals, judicial reform and continued implementation of the consumption tax reform. Investors should pay particular attention to critical minerals, following proposals in 2026 that could affect foreign investment in the development of resources classified as critical or strategic.

What is the most likely scenario for government and congressional relations in 2027?

The PL's gains have strengthened the opposition, particularly in the Senate, but parties in the pragmatic center will remain decisive. The most likely scenario for 2027 is therefore continued multiparty negotiation. Constitutional changes and highly polarized measures will face greater obstacles, while there should remain significant scope for agreement on economic, tax, regulatory, energy and infrastructure matters.

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