Brazil’s Selective Tax (Imposto Seletivo): 2027 rates set by MP 1.399/2026

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In brief

Brazil has set the 2027 rates for its new Selective Tax (*Imposto Seletivo*, IS), but the rules are not final. The rates were set by Provisional Measure 1.399/2026 (MP 1.399/2026), published on 4 November 2026. The MP takes effect on 2 February 2027 and must still be converted into ordinary legislation by Congress. Rates from 2028 onward will require new legislation.

- **What the IS is:** a federal tax on goods and services considered harmful to health or the environment, part of Brazil's consumption tax reform. It is administered by the Brazilian Federal Revenue Service (RFB).
- **What it covers:** vehicles, aircraft and vessels; tobacco products; alcoholic beverages; sweetened beverages; extracted mineral products; and lotteries and betting.
- **How it works:** the IS is generally charged once, at a specified point in the supply chain. It generates no tax credits, so purchasers cannot recover it and it becomes a cost.
- **2027 rates:** most rates range from 2.6% (sweetened beverages) to 37.5% (other tobacco and nicotine products). Cigarettes and cigarillos bear 66.7% plus a specific charge of BRL 3.50. Vehicle rates depend on characteristics such as propulsion technology, energy efficiency and recyclability. Extracted mineral products are zero-rated through 31 December 2027.
- **Key dates:** the MP takes effect on 2 February 2027. A bill setting the rates from 2028 is due to go to Congress by 31 May 2027. Several transitional rules expire on 31 December 2027.
- **What businesses should watch:** product classification, pricing and contracts, related-party transactions, compliance based on electronic tax documents, and regulations still to come.

Provisional Measure 1.399/2026 (**MP 1.399/2026**) was published on 4 November 2026 in a special edition of the Federal Official Gazette (*Diário Oficial da União*). It sets the rates and supplementary rules for the Selective Tax (IS, *Imposto Seletivo*) for calendar year 2027.

The IS is part of Brazil's consumption tax reform and applies to specified goods and services considered harmful to health or the environment. The MP builds on Complementary Law 214/2025, which created the tax but left it to ordinary legislation to set the rates. Although the MP entered into force on the date of publication, it takes effect only **from 2 February 2027**.

Download our Practical Guide to Brazil's Selective Tax

1. How the rates were set

Each product's rate is the result of multiplying a **starting rate** by a **conversion factor**.

The starting rate depends on the product. For most products, it is the existing rate of the IPI (the federal Manufactured Goods Tax) on the date the MP was published. For **vehicles**, it is a base rate adjusted for **sustainability criteria**, and for **cigarettes and cigarillos** it is calculated under a specific method in the IPI Regulations, using the IPI rates in effect on the date of publication.

The conversion factor is intended to offset, on a national average basis, the exclusion of other taxes from the IS taxable amount (see section 3). The federal government may reduce the factors by decree, to a minimum of 1.00, based on calculations by the Federal Revenue Service of Brazil (RFB, *Receita Federal do Brasil*). Any reduction takes effect only once the conditions set out in the Constitution and the MP have been met.

2. Goods and services covered and 2027 rates

Good or service	Starting rate	Conversion factor	Final rate
Sweetened beverages (2202.10.00)	2.6%	1.00	2.6%
Malt beer (22.03)	3.9%	1.07	4.2%
Wine and other fermented beverages (22.04 and 22.06), subject to specified exceptions	6.5%	1.23	8.0%
Vermouth and other beverages under heading 22.05	9.75%	1.23	12.0%
Madeira, port and sherry; certain stronger fermented and other beverages	13%	1.23	16.0%
Rum and sugar-cane spirits (2208.40.00), except spirits obtained from molasses	16.25%	1.23	20.0%
Other alcoholic beverages under heading 22.08	19.5%	1.23	24.0%
Cigarettes and cigarillos	66.7% + BRL 3.50 (specific)	1.00	66.7% + BRL 3.50

Other tobacco and nicotine products (24.01 to 24.04)	30.0%	1.25	37.5%
Automobiles (87.03)	6.3% + adjustments	1.21	Rate determined by vehicle characteristics
Light goods vehicles (heading 87.04, except trucks)	3.9% + adjustments	1.21	Rate determined by vehicle characteristics
Aircraft (88.02, except 8802.60.00)	6.5%	1.04	6.8%
Certain motorized vessels (8903.3)	10.0%	1.20	12.0%
Other motorized recreational or sporting vessels (89.03)	6.5%	1.20	7.8%
Extracted mineral products	–	–	0% through 31 December 2027
Lotteries and betting	–	–	0.5%

Product classifications refer to the Mercosur Common Nomenclature (NCM), which is based on the international Harmonized System (HS).

Vehicles. The adjustments to the starting rate reflect propulsion technology, energy efficiency, power, structural and driver-assistance performance, and recyclability. For automobiles, the propulsion-related adjustment ranges from -2.0 percentage points for electric vehicles to +12.0 percentage points for diesel vehicles.

Imports. Where the ad valorem rate is applied to the customs value plus Import Tax, an additional adjustment factor applies, on top of the conversion factor. For 2027, the factor is 1.17 for vehicles, vessels and aircraft and 1.45 for alcoholic and sweetened beverages; other products are not subject to an additional adjustment.

Zero rates. A zero rate applies in specified cases, including vehicles acquired by persons with disabilities or autism spectrum disorder and by taxi drivers entitled to the benefit, vehicles registered as a "sustainable version" that meet specified criteria, and sustainable vessels and aircraft with no direct CO2 emissions.

Exclusions. The IS does not apply to trucks, or to vehicles, aircraft and vessels for the operational use of the Armed Forces and public security bodies.

3. When and how the IS applies

The IS is charged **only once**, and it does not generate tax credits: it gives no credit for earlier transactions and none for later ones. The taxable event occurs, among other cases, on the **first supply of the good, on auction sales, on mineral extraction and on importation**.

On a sale, the taxable amount is the sale price, excluding the IBS and CBS (Brazil's new dual VAT), the IS itself and unconditional discounts, as well as the ICMS (state VAT) and the ISS (municipal services tax). On importation, the taxable amount is the customs value plus Import Tax, and the IS is paid when the import declaration is registered.

4. Transitional rules

Article 6 of the MP sets out exceptional transitional rules, which apply only until 31 December 2027:

- **Tobacco reference value.** For tobacco products with a fixed retail price, the reference amount is 15% of the retail price. For other products, it is the net sale amount, excluding ICMS, CBS and IBS, in the first transaction between unrelated parties.
- **Temporary zero rates.** The following are zero-rated through 31 December 2027:
  - the specific charges on tobacco products and alcoholic beverages, except the BRL 3.50 charge on cigarettes and cigarillos. In 2027, other tobacco products and alcoholic beverages are therefore subject only to the ad valorem rates shown in section 2;
  - certain automobiles and aircraft, including ambulances, prisoner transport vehicles, hearses and agricultural aircraft;
  - vessels and aircraft acquired or leased in specified cases for tourism, scheduled commercial aviation or aerial survey; and
  - extracted mineral products.
- **Other temporary reductions.** A 50% reduction applies to acquisitions and leases of airplanes and helicopters by air taxi services companies. Small producers of alcoholic beverages (up to 250,000 liters of alcohol) benefit from graduated reductions in the ad valorem rate, ranging from 40% for the smallest producers to 10%, depending on volume. The RFB may issue further rules on these reductions and on the tobacco reference value.

Whether these rules remain in place beyond 2027 depends on the **bill to be submitted to Congress by 31 May 2027, setting the rates and other supporting rules for 2028**.

5. Key dates

Date	Event
2 February 2027	The MP takes effect.
31 May 2027	Deadline for submitting to Congress a bill setting the IS rates from 2028 onward.
31 December 2027	The transitional rules in Article 6 of the MP expire, including the tobacco reference value, the zero-rated specific charges and the reductions for small producers and other specified cases.

2029 to 2033	IS rates for tobacco products and alcoholic and sweetened beverages are gradually increased to offset the reduction in the state VAT (ICMS) rate as the ICMS is phased out by the new IBS.

6. What businesses should watch for

Responding to the RFB's calculation of IS owed has legal consequences. The RFB may automatically calculate each taxpayer's IS liability from electronic tax documents and make the calculation available for review. Confirming or adjusting it constitutes acknowledgment of the amount owed, while failing to respond within the applicable period results in the calculated balance being presumed correct. In any case, the RFB can still issue its own official assessment. Taxpayers should therefore review the calculation carefully.

Vehicle classification needs care. The MP clarifies that pickup trucks are not treated as trucks for the purposes of the exclusion from the IS, whatever their gross vehicle weight. Businesses should review how their vehicles are classified.

Related-party transactions require particular care. For related-party sales subject to an ad valorem rate, where no reference value applies, the taxable amount cannot be lower than market value.

Some IPI rules will continue to matter. Taxpayers who are not subject to the IPI remain bound by the provisions of the IPI Regulations that are not specific to the IPI, such as the minimum retail price for cigarettes.

Important details are still to come. The government has yet to issue regulations under the MP. Outstanding points include IS rebates when invoices are cancelled, the rounding of rates and the reductions for small producers, and the rules from 2028 onward will depend on new legislation.

With the 2027 rates now set but the rules still evolving, businesses need to act on several fronts at once. Our Tax team can help you classify your products, revisit pricing and contracts, prepare your systems, and keep track of the regulations and of the MP's passage through Congress. Contact us to discuss your situation.

Read our Practical Guide and download it for future reference

7. Frequently asked questions

When does MP 1.399/2026, which sets the Selective Tax rates, take effect?

Although it entered into force on the date of publication, the MP takes effect only from 2 February 2027.

How is the Selective Tax rate for each product calculated in 2027?

Each rate is the product's starting rate multiplied by a conversion factor.

What is the conversion factor for?

It is intended to offset, on a national average basis, the exclusion of other taxes from the IS taxable amount.

What is the taxable amount for the Selective Tax on sales and imports?

On a sale, it is the sale price, excluding the IBS, the CBS, the IS itself and unconditional discounts, as well as the ICMS and ISS. On importation, it is the customs value plus Import Tax, and the IS is paid when the import declaration is registered.

Does the Selective Tax generate credits for later transactions in the supply chain?

No. The IS is charged only once, and no credit is generated.

Are pickup trucks excluded from the Selective Tax, like trucks?

No. The IS does not apply to trucks, or to vehicles, aircraft and vessels for the operational use of the Armed Forces and public security authorities, but the MP states that pickup trucks are not treated as trucks for this purpose, whatever their gross vehicle weight.

What temporary reduction applies to small producers of alcoholic beverages?

Small producers of alcoholic beverages (up to 250,000 liters of alcohol) benefit from a reduction in the ad valorem rate of 40% (up to 50,000 liters), 20% (above 50,000 and up to 125,000 liters) or 10% (above 125,000 and up to 250,000 liters).

What happens if a taxpayer does not respond to the RFB's automatic Selective Tax calculation?

If the taxpayer does not respond by the deadline, the calculation is presumed to be correct. The RFB can still issue its own assessment.

What is needed for the transitional rules to continue in 2028?

Continuation depends on the bill to be submitted to Congress by 31 May 2027, setting the rates and other supporting rules for 2028.

Professionals who combine legal insight and market perspective



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