REDATA: Special Tax Regime for Data Center Services in Brazil

12.11.2026 6 min read

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In Brief

Brazil's new REDATA regime provides federal tax incentives for investment in data center infrastructure, with relief available for eligible ICT equipment and components and, in certain cases, extending into the supply chain. The regime is not yet fully operational, however, and its introduction coincides with Brazil's transition to a new consumption tax system. Important implementing regulations are still pending, including the list of products eligible for REDATA, while the treatment of the regime under the new CBS and IBS taxes remains to be defined. These developments will determine the scope of the tax benefits ultimately available to data center investors.

1. What is REDATA?

Law 15.504/2026 established the Special Tax Regime for Data Center Services (REDATA – Regime Especial de Tributação para Serviços de Datacenter) to provide federal tax incentives for companies investing in the installation, modernization, or expansion of data centers in Brazil. Companies that qualify for the regime are entitled to relief from certain federal taxes when they purchase or import eligible information and communication technology (ICT) equipment and components for use in their data center projects.

REDATA currently covers the federal gross receipts contributions (PIS/Cofins), the corresponding contributions on imports (PIS/Cofins-Import), the federal excise tax (IPI), and Import Duty (II). The taxes are initially suspended rather than collected when qualifying equipment is purchased or imported. Once the company incorporates the equipment into its fixed assets and fulfills the applicable REDATA requirements, the suspension converts into a zero rate, making the tax relief permanent.

Access to the tax benefits comes with continuing obligations covering energy sourcing, sustainability and water efficiency, investment in research and development, and the allocation of data processing capacity to the Brazilian market.

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2. Who and What Qualifies for REDATA?

Qualified companies and co-qualified suppliers

REDATA also extends tax relief into the supply chain. Manufacturers that

contract to supply eligible ICT equipment to a REDATA-qualified data center company may become co-qualified under the regime. Co-qualified manufacturers can benefit from REDATA's tax suspension on eligible products used to manufacture the ICT equipment they will supply to the qualifying project. Only products included on the list issued by the federal government qualify for the benefit.

Once the manufacturer sells and delivers the finished ICT equipment to the REDATA-qualified company, the suspension converts into a zero rate. Co-qualification lasts for as long as the relevant supply contract remains in effect.

Eligible products

REDATA tax relief is limited to products included on a list issued by the federal government. Once issued, the government can add products to the list, but not remove them. For REDATA-qualified data center companies, the listed products must be acquired for incorporation into their fixed assets. Co-qualified manufacturers obtain relief on listed products used to manufacture ICT equipment that they will supply to a qualified data center company.

Import Duty relief is subject to an additional restriction: there must be no equivalent product manufactured in Brazil. This limitation will become particularly important as Import Duty relief assumes greater weight under REDATA following Brazil's transition to its new consumption tax system.

The IPI benefit does not apply to products manufactured in the Manaus Free Trade Zone.

3. REDATA Benefits Come with Ongoing Commitments

Companies that qualify for REDATA must meet a series of ongoing requirements to remain eligible for the regime's tax benefits.

Requirement	What REDATA requires
Domestic capacity	At least 10% of the processing, storage, and data-handling capacity installed with REDATA benefits must be made available to the Brazilian market, either commercially or free of charge to eligible science, technology, and innovation institutions or public authorities. Alternatively, they can replace this commitment with additional R&D investment equal to 10% of the value of products acquired with REDATA benefits.
Energy	100% of the project's electricity demand must be met through supply contracts or self-generation from renewable or low-emission sources, as defined by regulation. See our companion REDATA Energy briefing for a detailed discussion of this requirement, including the treatment of natural gas.

Sustainability and water efficiency	Companies must meet sustainability criteria established by regulation, maintain a Water Usage Effectiveness (WUE) of 0.05 L/kWh or less, measured annually, and publish a sustainability report online.
R&D	Companies must invest in Brazil an amount equal to 2% of the value of products acquired or imported with REDATA benefits in qualifying R&D projects involving the digital economy. The investments must involve eligible Brazilian institutions and may be centralized through a private fund.

REDATA reduces the domestic-capacity and R&D commitments by 20% for qualifying establishments in Brazil's North, Northeast, and Center-West regions.

4. REDATA and Brazil's Consumption Tax Reform

REDATA comes into effect as Brazil transitions to a new consumption tax system, and that transition will substantially change the tax benefits available under the regime.

Under the current rules, REDATA provides relief from PIS/Cofins, PIS/Cofins-Import, IPI, and Import Duty on qualifying transactions. The PIS/Cofins and IPI benefits, however, will apply only through 31 December 2026, when those taxes are phased out as part of the consumption tax reform.

From 1 January 2027, therefore, Import Duty relief would become REDATA's principal tax benefit under the rules currently in place. As noted above, that relief is subject to an important limitation: it applies only to imported products with no equivalent produced in Brazil. For projects that rely heavily on imported equipment, this restriction could significantly affect the value of the REDATA benefits.

The post-reform picture is not yet complete. Further regulation is expected to provide for REDATA incentives involving the new Contribution on Goods and Services (CBS) and Tax on Goods and Services (IBS). Until those rules are issued, however, the extent of REDATA's tax benefits from 2027 onward remains to be defined.

5. What Investors Should Be Watching

Important elements of REDATA still depend on implementing regulations. In particular, the federal government has yet to issue the list of eligible products, which will determine which equipment and components can benefit from the regime. Companies will also need to factor REDATA's continuing qualification requirements into project planning and compliance.

The interaction with Brazil's consumption tax reform remains the other major issue to watch. Until the rules governing REDATA relief under CBS and IBS are issued, investors will not have a complete picture of the tax incentives available under the regime. Under the framework currently in place, the increasing importance of Import Duty relief also makes the restriction on

products with an equivalent manufactured in Brazil particularly relevant to procurement decisions.

For an analysis of REDATA's energy-sourcing requirements, including the treatment of natural gas and its implications for data center projects, see our companion REDATA Energy briefing.

Key Points

What is REDATA and which federal taxes does it cover?

Law 15.504/2026 established the Special Tax Regime for Data Center Services (REDATA – Regime Especial de Tributação para Serviços de Datacenter) to provide federal tax incentives for companies investing in the installation, modernization, or expansion of data centers in Brazil. REDATA currently covers the federal gross receipts contributions (PIS/Cofins), the corresponding contributions on imports (PIS/Cofins-Import), the federal excise tax (IPI), and Import Duty (II).

How does REDATA extend tax relief to manufacturers in the supply chain?

REDATA also extends tax relief into the supply chain. Manufacturers that contract to supply eligible ICT equipment to a REDATA-qualified data center company may become co-qualified under the regime. Co-qualified manufacturers can benefit from REDATA's tax suspension on eligible products used to manufacture the ICT equipment they will supply to the qualifying project. Co-qualification lasts for as long as the relevant supply contract remains in effect.

What ongoing commitments must companies meet to keep the REDATA tax benefits?

Companies that qualify for REDATA must meet a series of ongoing requirements to remain eligible for the regime's tax benefits. Access to the tax benefits comes with continuing obligations covering energy sourcing, sustainability and water efficiency, investment in research and development, and the allocation of data processing capacity to the Brazilian market.

Does REDATA Import Duty relief apply to products with an equivalent made in Brazil?

Import Duty relief is subject to an additional restriction: there must be no equivalent product manufactured in Brazil.

What happens to the REDATA tax benefits when the consumption tax reform takes effect in 2027?

The PIS/Cofins and IPI benefits, however, will apply only through 31 December 2026, when those taxes are phased out as part of the consumption tax reform. From 1 January 2027, therefore, Import Duty relief would become REDATA's principal tax benefit under the rules currently in place. Further regulation is expected to provide for REDATA incentives involving the new Contribution on Goods and Services (CBS) and Tax on Goods and Services (IBS). Until those rules are issued, however, the extent of REDATA's tax

benefits from 2027 onward remains to be defined.

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