

Personal Income Tax

Dividend Taxation and Minimum Personal Income Tax

November 2025

Brief Background



The Brazilian Congress approved Bill No. 1,087/2025 (“Bill”), which establishes the taxation of profits and dividends distributed by Brazilian companies in certain circumstances, as well as a minimum income tax for individuals, levied on income exceeding a specified threshold (“Minimum Personal Income Tax” or “IRPFM”).

This measure was proposed by the Federal Government as a counterpart to the reduction to zero of income tax for taxpayers with taxable income of up to R\$ 60,000 per year (R\$ 5,000 per month).

Following Congressional approval, the Bill has been submitted for the President’s signature.

The measures will take effect on January 1, 2026; however, as we will highlight, certain situations require action by taxpayers before December 31, 2025.

Set forth below are the main changes introduced by the Bill.

Taxation of Profits and Dividends



Withholding at Source

- Income tax (IRPF) will now be withheld at source, at a rate of 10%, on the **total amount** of dividends paid, credited, applied, or delivered to individuals **resident in Brazil** that **exceed R\$ 50,000** in a given month.



The withheld IRPF will be deducted in the computation of the Minimum IRPF.

- The same withholding will now apply to dividends paid, credited, applied, delivered, or remitted **abroad, regardless of the amount of the dividends**. The withholding does not apply where the beneficiary is a foreign government (subject to reciprocity), sovereign wealth funds, or entities administering pension benefits.



Where the sum of the effective IRPJ/CSLL rate of the dividend-paying company and the 10% rate exceeds the nominal IRPJ/CSLL rate applicable to the company, the non-resident beneficiary may claim a tax credit within **360 days**.

The Bill does not clarify whether such credit may be refunded and/or offset against withholding tax on future dividend distributions.

A Bill has already been introduced extending this deadline to 5 years (Bill No. 5,473/2025)



Withholding will represent **an additional** cost to the non-resident beneficiary whenever their country does not permit or limits the credit of Brazilian tax



No withholding will apply to profits and dividends based on results computed through **2025**, **provided that:**

- ✓ The distribution is approved by December 31, 2025
- ✓ The dividends are payable pursuant to applicable civil or corporate law
- ✓ Payment, credit, application, or delivery occurs in accordance with the terms set forth in the approval resolution

Minimum Personal Income Tax (IRPFM)



Who is subject?

Individuals with annual income exceeding R\$ 600,000.00.

How is the IRPFM Taxable Base determined?

Sum of **all** income of the taxpayer, including exempt income, income subject to a zero rate, or income taxed exclusively/definitively at source, with the following **exceptions**:

- Capital gains (except those arising from stock exchange transactions).
- Accumulated income (Rendimentos Recebidos Acumuladamente – RRA) taxed exclusively at source.
- Inheritances and donations in advance of legal succession (adiantamento de legítima).
- Savings account deposits
- Mortgage Notes (Letras Hipotecárias), LCI, CRI, LIG, LCD,
- Securities related to investment and infrastructure projects, as well as investment funds in investment and infrastructure projects
- FIP-IE, FIP-PD&I
- FII and FIAGRO (with exchange-listed quotas and a minimum of 100 quotaholders)
- CDA, WA, CDCA, LCA, CRA
- CPR with financial settlement traded in the financial market
- Exempt IRPF portion relating to rural activities
- Compensation for workplace accidents, property damage, or moral damages (except loss of profits)
- Retirement or disability benefits arising from workplace accidents and those received by holders of certain diseases (including pensions)
- Securities exempt from or subject to a zero IR rate (except shares and other equity interests)
- Profits and dividends computed through calendar year **2025**, **provided that** (i) the distribution has been **approved by December 31, 2025** and (ii) payment, credit, application, or delivery occurs **by 2028** and complies with the terms set forth in the approval resolution.



Likely litigation against the taxation of dividends based on profits computed prior to the effective date of the Law.

Example

Taxpayer with:

+ Salary:	R\$ 200.000
+ Dividends - Company A:	R\$ 600.000
+ Dividends - Company B:	R\$ 500.000
Capital Gains:	R\$ 100.000
- CRA Income (exempt):	R\$ 50.000
- LCI Income (exempt):	R\$ 80.000
- Indemnification (exempt)	R\$ 20.000

Tax Base: R\$ 1.050.000



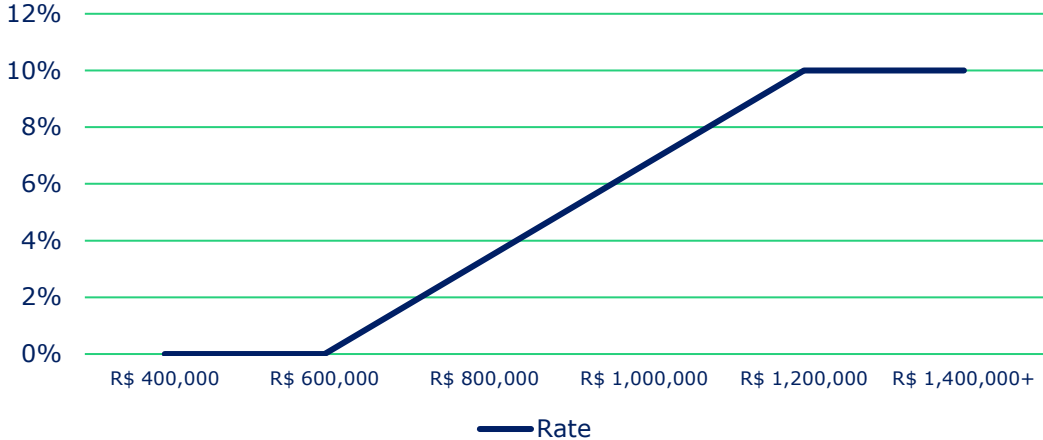
Compliance with these requirements depends on **urgent action** and, in some cases, may entail non-compliance with corporate rules, the consequences of which must be assessed.

Minimum Personal Income Tax (IRPFM)



Rate

The IRPFM rate will vary according to the taxable base and will increase linearly between R\$ 600,000 and R\$ 1,200,000. Above that threshold, the rate will be 10%:



For example, with a taxable base of R\$ 1,050,000, the IRPFM rate would be 7.5%.
Result: tax **computed** of R\$ 78,750.00.

Deductions

For purposes of determining the IRPFM, the taxpayer may **deduct**:

- IRPF due on taxable income (e.g., salaries and rental income, among others)
- IRPF withheld exclusively at source on income that has been included in the IRPFM taxable base (e.g., withholding tax on financial investments)
- IRPF computed on offshore income (e.g., profits from controlled entities abroad or income from financial investments abroad)
- IRPF definitively paid with respect to income included in the IRPFM taxable base and not taken into account in the items above
- The amount of the dividend credit (redutor) applicable to profits and dividends

If these deductions result in a negative IRPFM amount, the IRPFM shall be zero.

After these deductions, the taxpayer may further deduct the amount withheld on profits and dividends. The resulting balance will be added to the IRPF computed in the Annual Tax Return, generating an amount **payable** or to **be refunded**.

Taxpayer with Negative IRPFM

+ Computed IRPFM:	R\$ 78,750
- IRPF (Annual Return):	R\$ 55,000
- Withholding (Investments):	R\$ 40,000
= IRPFM: R\$ 0 (- 6,250)	
+ IR Computed (Annual Return):	R\$ 55,000
= IR Due: 55,000	

Taxpayer with Positive IRPFM - Without Dividends

+ Computed IRPFM:	R\$ 78,750
= IRPF (Annual Return):	R\$ 55,000
= IRPFM: R\$ 23,750	
+ IR Computed (Annual Return):	R\$ 55,000
= IR Due: 78,750	

Taxpayer with Positive IRPFM - With Dividends

+ Computed IRPFM:	R\$ 78,750
= IRPF (Annual Return):	R\$ 55,000
= IRPFM: R\$ 23,750	
- Dividend Withholding:	R\$ 60,000
+ IR Computed (Annual Return):	R\$ 55,000
= IR Due: 18,750	

Minimum Personal Income Tax (IRPFM)



Dividend Credit (Redutor) – Details

The dividend credit will be calculated so that the **effective** IRPJ/CSLL rate on a company's profits, plus the **effective** IRPFM rate on dividends distributed by that same company, does not exceed the nominal IRPJ/CSLL rate applicable to each dividend-paying company.

The effective IRPJ/CSLL rate will be based on the company's **accounting profit** not taxable profit, which may give rise to distortions due to tax benefits, tax loss carryforwards, interest on net equity (JCP) payments, etc.

This effective rate may be calculated based on the company's **consolidated financial statements** of the dividend-paying company. There is also provision for an **optional simplified mechanism** for computing the effective rate by companies subject to the IRPJ/CSLL under the Assumed Profit (Lucro Presumido) regime.

The grant of the credit is **conditioned** upon the submission of financial statements to the tax authority, in the form to be approved by regulation.

Example

	Company A	Company B
Effective Corporate Tax Rate (IRPJ/CSLL):		
- Accounting Profit:	R\$ 5,000,000	R\$ 3,000,000
- Computed IRPJ/CSLL (34%):	R\$ 1,250,000	R\$ 600,00
- Effective IRPJ/CSLL Rate:	25%	20%
Effective IRPFM Rate:		
- Dividends Received:	R\$ 600,000	R\$ 500,00
- IRPFM on Dividends:	R\$ 60,000	R\$ 50,00
- Effective Rate:	10%	10%
Dividend Credit (Redutor) Calculation:		
- Combined Effective Rates (IRPJ/CSLL + IRPFM):	35%	30%
- Nominal Rate:	34%	34%
- Rate Differential:	1%	-4%
- Dividends Received:	R\$ 600,000	R\$ 500,00
- IRPFM Dividend Credit:	R\$ 6,000	0

Taxpayer with Negative IRPFM

+ Computed IRPFM:	R\$ 78,750
- IRPF (Annual Return):	R\$ 55,000
- Withholding (Investments):	R\$ 40,000
- Dividend Credit:	R\$ 6,000
= IRPFM: R\$ 0 (- 22,250)	
- Dividend Withholding:	R\$ 60,000
+ IR Computed (Annual Return):	R\$ 55,000

= IR Refundable: 5,000

Taxpayer with Positive IRPFM

+ Computed IRPFM:	R\$ 78,750
- IRPF (Annual Return):	R\$ 55,000
- Dividend Credit:	R\$ 6,000
= IRPFM: R\$ 17,750	
- Dividend Withholding:	R\$ 60,000
+ IR Computed (Annual Return):	R\$ 55,000

= IR Due: 12,750

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