



At a Glance

Tax Reform: Brazil Overhauls System with New IBS, CBS, and Selective Tax, Effective 2026

Gen Z: From Kamala Harris to Brazilian Elections, Shaping Politics Through Digital Activism

Elections: 2024 Mayoral Race in Brazil Tests Political Polarization and New Alternatives

LATAM: Lula Balances Diplomacy with Venezuela and Chile Amid Regional Tensions

“The Chamber cannot, regardless of the outcome, emerge tarnished with statements from parliamentarians saying there was no debate, no discussion, no time for maturation, no dialogue.”

President of the Chamber, Arthur Lira, defending the work of the task force on the regulation of the Tax Reform (PLP 68/24).
Marina Ramos/Câmara dos Deputados



Major Tax Reform in Brazil

In a significant legislative move, the Brazilian House of Representatives approved a comprehensive tax reform in 2023 to overhaul the country's complex tax system. The reform builds on Constitutional Amendment (PEC) 45/2019, which laid the groundwork for a new tax structure based on dual VAT.

Scheduled to begin in 2026 with the gradual implementation of the IBS and CBS rates, this reform promises to simplify tax calculations, reduce the overall tax burden, and promote economic equity. Brazil's tax system has long been criticized for its complexity and inefficiency, with numerous overlapping taxes creating confusion and administrative loads.

This year, regulatory measures were introduced through PLP 68/2024 and PLP 108/2024, focusing on the rules and administration of the new tax system. While the entire transition process is set to continue until 2078, the new rates will be fully in effect by 2033. The reform has already been approved by the House and will now proceed to the Senate for review.

Key changes

New taxes: The reform will eliminate five existing taxes, replacing them with three new ones—**IBS** (Goods and Services Tax), **CBS** (Contribution on Goods and Services), and **IS** (Selective Tax). This change aims to streamline the tax system and improve transparency.

Exemptions: Essential food items will be fully tax-exempt, while an extended range of basic goods will receive partial exemptions. Additionally, a cashback system will be implemented to support low-income families, ensuring they are not disproportionately affected by the new taxes.

Selective Tax: The IS (Selective Tax) will target products harmful to health and the environment, such as tobacco, alcohol, sugary beverages, and certain vehicles. This tax is designed to discourage consumption of these products and compensate for revenue lost from the elimination of other taxes.

Notable amendments

Rate cap: A provision was added to ensure that if tax rates exceed 26.5%, a new bill will propose rate reductions.

Expanded basic basket: Items like animal proteins, salt, and cheese were added to the tax-exemption.

Specific regimes: Adjustments include increased benefits for real estate transactions, broader coverage for medicines, and zero tax rates for menstrual health products.

The Senate will review the proposal, with special attention to regional concerns such as the Manaus Free Trade Zone. The bill will pass through the Constitution and Justice Commission (CCJ) before a final vote. The Economic Affairs Committee (CAE) will only debate the proposal but does not have decision-making power. Additional regulations will be required to implement aspects like the Selective Tax and the split payment mechanism, aiming for full transparency and efficiency. ♦

The Power of Gen Z and the Internet: From Haddad to Harris

In the digital age, the power of the internet and the influence of Gen Z cannot be overstated. Recently, this power was vividly illustrated through two distinct yet interconnected events: a meme featuring Brazil’s Minister of Finance, Fernando Haddad, and the Brazilian parallel of the viral trend of Kamala Harris’s presidential campaign.

The “Taxadd” Meme: A Case Study

The internet has become a powerful platform for political engagement. In Brazil, Finance Minister Fernando Haddad became the subject of a meme known as “Taxadd,” which emerged as a critique of the government’s focus on tax increases rather than spending cuts. This nickname, a playful blend of “tax” and “Haddad,” highlighted key issues fueling discontent, such as the ending of the tax exemption on international purchases up to USD 50 and the financial market’s demand for comprehensive tax reform.

The “Taxadd” meme gained traction on social media, with puns mocking the minister and spreading rapidly. It even made its way to Times Square, where Haddad was humorously depicted as the “Taxa Humana” (Human Torch) from the Fantastic Four, exploiting the similarity between “tocha” (torch) and “taxa” (tax). This viral protest raised concerns among Haddad and President Lula’s ministers and supporters about potential damage to the minister’s reputation and popularity.



Fernando Haddad depicted as the “Taxa Humana” (Human Torch) in Times Square

Haddad’s popularity had been declining since May, as tracked by the Digital Popularity Index (IPD) from Quaest, which measures fame, engagement, mobilization, valence, and interest based on social media and search data. The “Taxadd” meme not only underscored broader discontent with the government’s financial strategy but also highlighted how Gen Z leverages humor and digital platforms to make political statements. Its impact extended beyond social media into mainstream media, sparking discussions about Brazil’s economic policies.

Digital Wave in Electoral Campaigns and the Gen Z Power

The internet has become a powerful platform for political engagement, particularly among Gen Z, and Brazil is no exception. Since 2020, the country has seen candidates without traditional political backgrounds achieve success through social media. Digital tools are now central to political strategies.

In the current election, digital strategies are driving many campaigns, such as that of Pablo Marçal, a social media “coach” with 12 million Instagram followers and no prior political experience. Leveraging his online presence, Marçal is trying to make a significant impact. Recognizing the potential of social media, other candidates are also heavily investing in these platforms.

This shift is partly inspired by US political trends. Brazilian politicians increasingly look to US elections for guidance, sometimes even adopting American political rhetoric like “we need to elect Kamala.” This fascination reflects an effort to use effective American strategies to engage younger voters. A clear example is Guilherme Boulos’s mayoral campaign in São Paulo, which mirrors Kamala Harris’ US campaign. By leveraging popular online culture, such as the “Brat” meme from Charli XCX, Boulos aims to connect with young voters and turn online enthusiasm into real-world participation, similar to the surge in youth voter registrations in the US after Biden’s withdrawal.



▲ Boulos, a candidate for mayor of São Paulo, is following Harris’ campaign example



▼ Harris’ campaign embracing “brat”

Gen Z is redefining political activism by blending humor, technology, and advocacy. Their digital activism is significantly impacting political discourse. In Brazil, Gen Z represents 12.44% of the electorate, making their engagement crucial in shaping political outcomes. As we progress further into the digital age, their influence on politics is poised to grow. ♦



Brazilian Municipal Elections Face Polarization and Search for a Third Way as Key Challenges

The deadline for political party conventions, which confirmed the candidates for Brazil's 2024 municipal elections, ended on August 5. With the candidates now selected, political campaigning will officially begin on August 16, leading up to the first round of voting scheduled for October 6. For cities with over 200,000 voters, a runoff, if needed, will take place on October 27.

São Paulo's Competitive Landscape

In São Paulo, the largest electoral college in the country, the mayoral election is expected to be one of the most competitive in the city's history. Experts suggest this could be the most fiercely contested election São Paulo has ever seen, with three candidates technically tied in current polls. This high level of competition reflects the complex and dynamic nature of the current political landscape. One of the main factors influencing the election will be the polarization between supporters of President Lula and former President Jair Bolsonaro. Their influence remains significant, as their supporters continue to impact electoral decisions. Additionally, there is a growing interest in candidates who position themselves as a "third way"—alternatives to the dominant political polarizations—seeking to attract voters dissatisfied with the traditional extremes.

The debate over the candidates' proposals and visions will be crucial in shaping public opinion. Campaigns are expected to focus on key issues such as security, health, education, and infrastructure, with candidates

striving to stand out in a highly competitive environment. Campaign strategies, voter communication, and the ability to mobilize support will be key determinants of each candidate's success.



The three main candidates for the São Paulo mayoral race—Mayor Ricardo Nunes (MDB), Federal Deputy Guilherme Boulos (PSOL-SP), and presenter José Luiz Datena (PSDB)—are statistically tied in polls. Zanone Fraissat & Eduardo Knapp/Prefeitura de São Paulo e Folhapress

As the political campaign intensifies and election day approaches, the evolving electoral landscape will continue to unfold. The interaction between candidates' proposals, the impact of political polarization, and the search for new alternatives will create a dynamic and unpredictable environment, significantly influencing the political future of Brazil's cities. ♦



Brazil's Response To Venezuela

The political crisis in Venezuela has garnered global attention, with significant concerns surrounding the transparency and legitimacy of the recent electoral process. On August 1, President Lula, along with Mexican President Andrés Manuel López Obrador and Colombian President Gustavo Petro, issued a joint statement calling for respect for popular sovereignty and greater transparency in the Venezuelan electoral process. This statement was interpreted by Venezuelan President Nicolás Maduro as an endorsement of his re-election, yet it emphasized the need for disaggregated voting data to ensure the credibility of the elections.

The Initiative for Democratic Governance in Spain and the Americas (IDEA), a group of 30 former heads of state and government, urged Lula to firmly condemn the electoral fraud in Venezuela. They argued that accepting the contested election results would undermine efforts to promote democracy in the Americas and called for a clear stance in defense of the democratic rights of Venezuelans. Internally, Lula's cautious stance on the Venezuelan election, opting not to directly condemn the allegations of fraud and waiting for the publication of official data, has generated criticism from both the opposition and some sectors of his own party, the Workers' Party (PT). The opposition accuses Lula of compromising democratic values by not taking a firm stance against Maduro's regime, while within PT, there is a debate about the need to balance Brazil's diplomatic influence in Latin America with supporting a more assertive response in defense of democracy.

Additionally, the Brazilian government recently assumed the diplomatic representations of Argentina and Peru in Venezuela after these countries' diplomats were expelled by Maduro's regime. This temporary measure was formally communicated to Venezuelan authorities, with requests for diplomatic immunities to be respected.

Lula's Visit to Chile

Amid these international dynamics, President Lula embarked on an official visit to Santiago, Chile, on Sunday, August 4. Accompanied by a delegation of ministers, advisors, private sector representatives, and other government officials, Lula aimed to diversify the Brazil-Chile partnership beyond the commercial agenda. The meeting with Chilean President Gabriel Boric was seen as an opportunity to improve bilateral relations, considering recent disagreements over the Ukraine war and Venezuela. While Boric condemned Russian aggression and took a firm stance against Nicolás Maduro's regime, Lula has positioned himself as a mediator, reluctant to openly condemn his long-time allies. Although the Venezuelan issue was not the main focus of the visit, it was anticipated that it would be discussed. During the meeting on Monday, August 5, Lula called for transparency in Venezuela's electoral process, while Boric chose not to comment on the matter. Among the signed agreements were a letter of intent for cooperation in the mining sector and a joint declaration to establish a working group on sustainable aviation fuels. On the second and final day of his visit, Lula met with Santiago's mayor, Irací Hassler, and former President Ricardo Lagos. He also attended the cornerstone laying ceremony for Chile's National Space Center. During his stay in Santiago, on August 5, Lula received a phone call from French President Emmanuel Macron. Macron thanked Lula's wife, Janja da Silva, for attending the Olympic Games opening ceremony and praised the joint statement by Brazil, Colombia, and Mexico regarding Venezuela. Lula reiterated his commitment to seeking a peaceful resolution to the Venezuelan conflict, respecting the sovereignty of the Venezuelan people. ♦



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