



Cracks in a hermetic field: influence and political participation in the parliamentary deliberation of the Brazilian Consumption Tax Reform

Fissuras em um campo hermético: influência e participação política na deliberação parlamentar da Reforma Tributária do Consumo no Brasil

Grietas en un campo hermético: influencia y participación política en la deliberación parlamentaria de la Reforma del Impuesto al Consumo en Brasil

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Abstract: This article explores the 2023 Brazilian consumption tax reform as a socio-political phenomenon, focusing not only on legal outcomes but on the deliberative process itself. Drawing from Fiscal Sociology, the study analyzes public hearings held in Congress, identifying the emergence of new actors and discourses in a historically exclusive field. While elite influence and business interests remain dominant, the participation of women, unions, social movements, and academics outside private practice signals a shift. Key issues such as tax cashback, income redistribution, and environmental taxation gained space in the debate. However, the reform stopped short of adopting progressive mechanisms like carbon taxation or fully implementing cashback programs. International influences—especially from the Organisation for Economic Co-operation and Development (OECD)—shaped the reform, but there was a notable rise in references to Global South countries like India. The findings suggest a fragile yet promising opening of the Brazilian tax field

to broader democratic participation, while revealing persistent structural asymmetries.

Keywords: Tax reform. Political participation. Fiscal justice. Fiscal sociology.

Resumo: Este artigo analisa a reforma da tributação sobre o consumo no Brasil, aprovada em 2023, como um fenômeno sociopolítico. Em vez de se limitar aos efeitos legais, o estudo investiga o processo deliberativo, com base na Sociologia Fiscal. A pesquisa qualitativa das audiências públicas realizadas no Congresso revela o surgimento de novos atores e discursos em um campo historicamente hermético. Apesar da permanência do protagonismo de elites e interesses empresariais, houve maior participação de mulheres, sindicatos, movimentos sociais e acadêmicos desvinculados da advocacia empresarial. Temas como cashback tributário, redistribuição de renda e tributação ambiental ganharam relevância, embora mecanismos progressivos como a taxação de carbono não tenham sido incorporados. A reforma foi influenciada por modelos da Organização para Cooperação e Desenvolvimento Econômico (OCDE), mas referências a países do Sul Global, como a Índia, também apareceram. Conclui-se que há uma abertura ainda frágil, mas significativa, do campo tributário brasileiro à participação democrática, ao mesmo tempo em que persistem assimetrias estruturais.

Palavras-chave: Reforma tributária. Participação política. Justiça fiscal. Sociologia fiscal.

Resumen: Este artículo analiza la reforma del impuesto al consumo en Brasil, aprobada en 2023, como un fenómeno sociopolítico. Más allá de los resultados legales, el enfoque se centra en el proceso legislativo, desde una perspectiva de la Sociología Fiscal. El estudio cualitativo de las audiencias públicas en el Congreso revela la emergencia de nuevos actores y discursos en un campo históricamente cerrado. Aunque los intereses empresariales siguen siendo predominantes, se observó una mayor participación de mujeres, sindicatos, movimientos sociales y académicos independientes. Temas como el cashback tributario, la redistribución de ingresos y la fiscalidad ambiental ganaron visibilidad. No obstante, la reforma no avanzó

en medidas como un impuesto al carbono o el pleno desarrollo de mecanismos de reembolso individualizado. La influencia de la OCDE fue clara, aunque se registró un aumento de referencias a países del Sur Global, como India. Los hallazgos apuntan a una apertura incipiente pero relevante del campo tributario brasileño hacia una participación más democrática, aunque persistiendo desigualdades estructurales.

Palabras clave: Reforma fiscal. Participación política. Justicia tributaria. Sociología fiscal.

Introduction

Brazil's reform of consumption taxation had been on the agenda for decades, but there was a prevailing perception that sectoral, federal, partisan, and socio-economic deadlocks converged into a myriad of constraints that prevented any substantial transformation. In 2023, however — the first year of President Lula's third term — Constitutional Amendment No. 132 was enacted, radically reshaping the legal framework of taxation on consumption in the country.

Some of the most significant changes include: the replacement of five consumption taxes (IPI, ICMS, ISSQN, COFINS, and PIS) with a dual VAT (IBS and CBS); the introduction of an Excise Tax, aimed at repricing goods harmful to health and the environment; the creation of a Joint Management Committee to oversee intergovernmental coordination; as well as gradual but important improvements to other taxes, such as the ITCMD (Inheritance and Donation Tax, which must now be progressive), the IPVA (Motor Vehicle Tax, expanded to cover aircraft and boats), and the IPTU (Urban Property Tax, whose assessment base may now be updated by the Executive Branch). Additionally, the Federal Executive was constitutionally required to submit, by March 20, 2024, a bill to reform income taxation¹. Structural distortions that long plagued the Brazilian tax system — such as the inclusion of taxes in their own calculation base, origin-based collection, the artificial distinction between services and goods circulation, and extensive residual cascading effects — were placed in the historical rearview mirror of the constitutional tax regime.

Once the long transition period established by Constitutional Amendment 132/2023 is completed, Brazil is expected to operate under a system that is simpler, less vulnerable to "tax wars," more efficient in administration, and better aligned with the realities of contemporary economic activity.

Rather than focusing immediately on legislative outcomes, their potential impacts, or their conformity with positive law, our aim in this article is to examine the legislative process itself —

¹ Which, in fact, was presented in April of this year, 2025, as Bill 1087, and is currently under discussion in the Chamber of Deputies.

emphasizing the actors, interests, discourses, and relationships that influenced² the reform. Thus, to the vast body of studies centered on the economic or legal content of tax reform, we add a procedural inquiry, focused on the legislative trajectory of what was then Constitutional Amendment Proposal (CAP) 45/2019, ultimately enacted as Constitutional Amendment 132/2024.

Our methodological wager is that understanding Brazil's new tax landscape can gain rigor and precision if, alongside econometric estimates (with their inevitably unrealistic assumptions) and legal-hermeneutical arguments (ranging from those who view the reform as a necessary step toward the realization of fundamental rights, to those who see violations of federalist entrenched clauses), we incorporate a retrospective lens. Such a perspective reveals who holds greater power and influence in the legislative construction of Brazilian tax law. Identifying which groups and interests have the strongest voice provides a heuristic shortcut for anticipating who stands to gain or lose under the new fiscal framework.

The following sections, after a brief note on methodology, discuss our findings on the emergence of new voices in Brazil's fiscal arena and on the treatment of topics as novel as they are relevant to the contemporary world, such as tax cashback and environmental taxation.

Tax reform as a social phenomenon: additional frameworks for Law and Economics

Different schools of thought across Economics, Law, Sociology, and Political Science converge on the perception that taxation plays a significant role as an independent variable in the analysis of social phenomena (MARTIN, 2020). The social and legal interaction that transfers the presumptive signs of contributive capacity—identified

² Here we assume the distributive notion of influence launched in the classic work of Harold Lasswell, who in his first lines postulates that "influential people are those who appropriate most of what is appropriable". The available values are: deference, income and security" (LASSWELL, 1984, p. 15).

within the private context of the market economy—into the public sphere of political decision-making, generally democratic and parliamentary, is crucial for understanding a wide range of societal aspects, such as structural inequalities, democratization processes, institutional arrangements, and prevailing cultural values.

However, scientific inquiry into taxation—beyond the conventional disciplinary boundaries of Economics, Accounting, and Tax Law—remains particularly limited in the Brazilian context. Investigations that focus on decision-making processes, social conflicts, and the reverberations of tax issues within the public sphere in Brazil are only sporadic and fragmentary. With the aim of contributing to filling this gap, we draw on the theoretical-methodological framework of Fiscal Sociology to analyze the process that led to Brazil's most recent tax reform, culminating in Constitutional Amendment 132/2023.

The peculiarity of the New Fiscal Sociology (MARTIN, 2020; MARTIN & PRASAD, 2014) lies in approaching tax and public finance issues as elements that extend beyond their constitutionality or legality (legal dimension), their effects on economic activity and resource distribution (economic dimension), or the strictly procedural aspects of fiscal conflicts (political dimension). Its purpose is to explore, through the lens of fiscal and tax dynamics, broader topics such as gender identity, racial issues, colonialism, political behavior, international relations, human rights, and democratization processes.

Within this socio-fiscal perspective, we analyzed all public hearings related to Constitutional Amendment Proposal (CAP) 45/2019 held in the Chamber of Deputies and the Federal Senate throughout 2023. A qualitative research design was employed to identify the social actors, themes, and interests at stake in the measure's legislative process.

The dataset consisted of the full stenographic transcripts of every public hearing conducted by the Working Group on CAP 45/2019 in the Chamber of Deputies and by the Committees on Economic Affairs and Constitution and Justice in the Senate. These transcripts are publicly available on the official websites of each legislative house. However, the transcripts for the Senate's Economic Affairs

Committee hearings held on September 20, September 27, and October 4 were not made publicly accessible; for those sessions, transcriptions were produced using Whisper artificial intelligence technology. Additionally, we examined the transcripts of public hearings related to CAP 41/2003 - which was ultimately enacted as Constitutional Amendment 42/2003 - in both legislative houses.

A content analysis was conducted based on two primary objectives. The first was to identify the profiles of individuals invited to speak at the public hearings. The second was to assess the positions and interests expressed by these actors regarding the tax reform. The categorization and coding of the transcribed statements followed the methodological guidelines proposed by Moraes (2003) and Flick (2014).

This analysis reveals more than just procedural details — it uncovers shifting patterns of participation and influence within the fiscal sphere. As the following sections suggest, these changes point to significant transformations in Brazil's tax landscape.

Emerging voices in the Brazilian tax field

The first noteworthy feature of the process that culminated in the 2023 tax reform was a greater openness to civil society participation. To assess this phenomenon, we compared the levels of participation in the public hearings held to discuss the proposition that became Constitutional Amendment 132/2023 with those that preceded the approval of Constitutional Amendment 42/2003, the last major reform of Brazil's tax system. Looking at the deliberative hearings for the latter, it is evident that the participants in the public hearings did not reflect the diversity of interests and social groups that make up the majority of the Brazilian population.

In the Chamber of Deputies, in addition to government officials (with a predominance of representatives from the federal government), the invited participants included academics working in private law practice and representatives of business interests. The already limited number of individuals invited to testify—23 in total—was overwhelmingly composed of government representatives, with

a residual presence of 6 representatives of business associations, 3 academics who also worked as private attorneys, and 1 representative of a foreign country. The only woman to appear was a professor and attorney for large corporations who served as a consultant to the rapporteur.

In the Senate, participation was also limited in absolute numbers—27 individuals—and consisted of 15 representatives of state governments, 2 of municipalities, 4 of business associations, 1 academic lawyer, 1 academic without direct ties to economic sectors, 1 representative of a civil society organization, and 1 representative of labor unions. One woman.

In short, in the deliberative process leading to Constitutional Amendment 42/2003, government officials constituted the majority group, while civil society participation was essentially restricted to the business sector, since even those invited as “academics” also acted as attorneys for large taxpayers. The figure below illustrates this point.

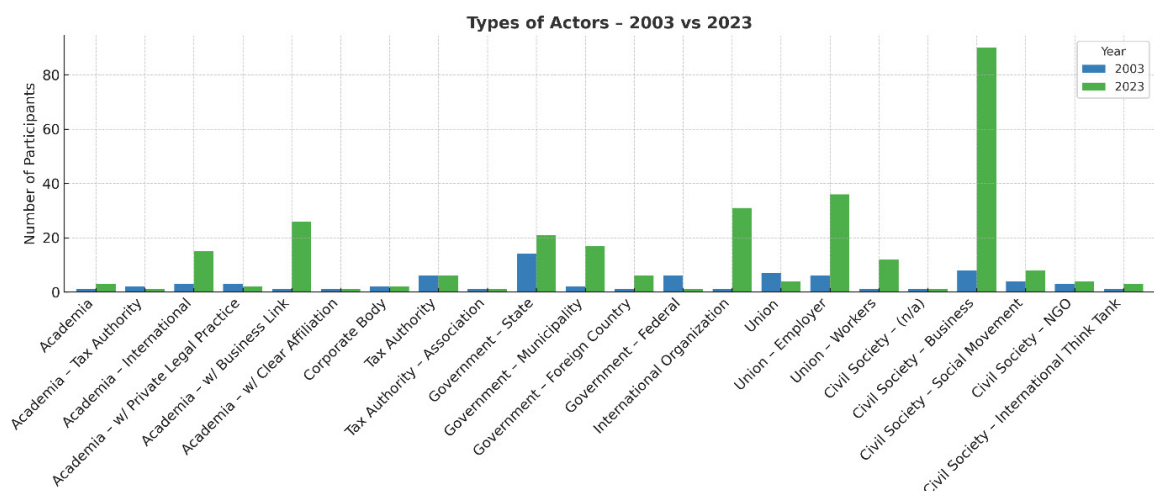


Figure 1 – Types of Actors – 2003 vs 2023.

Source: Author's elaboration.

In contrast, PEC 45/2019, from the Special Committee established for its review on July 10, 2019, demonstrated a more participatory and inclusive trajectory. That committee held 10 public hearings with external invitees, approved requests to convene a diverse

range of participants—including economist Thomas Piketty and former Minister Paulo Guedes—and organized 12 on-site seminars in different states across the federation.

Nonetheless, the proposal followed a strictly parliamentary path and did not enter the Executive Branch's agenda of priorities. An illustrative example of this dynamic is that the Secretary of the Federal Revenue Service under the Bolsonaro government, Marcos Cintra, invited to participate in the public hearing held on August 13, 2019, did not attend.

The legislative process of CAP 45/2019 underwent a major twist in the participatory trajectory it initially seemed to follow. On May 5, 2021, after 40 sessions without producing a report, the President of the Chamber of Deputies assumed the committee's responsibilities to the Board of Directors, suggesting the possibility of taking the proposal to the Plenary. The outcome was quite the opposite: outside the Bolsonaro government's agenda of priorities, the proposal received no further progress after this assumption. It was only on February 9, 2023, under the Lula administration and with a Special Secretariat dedicated to tax reform, led by Bernard Appy, that the topic advanced again.

Instead of a Special Committee, a Working Group (WG) was created—a forum that was less accountable and inclusive, directly linked to the Board and without the obligation to respect proportional representation among parties as prescribed by the legislative rules of the Chamber. All indications suggested that with a proposal already defined as a government priority and the establishment of a WG less inclusive and potentially less democratic than a Special Committee, the opacity and hermeticism seen during the 2003 approval of Constitutional Amendment 42/2003 would intensify, reversing the participatory trajectory initiated in 2019. This expectation seemed reinforced by signals from the Executive. In January 2023, the Minister of Finance, Fernando Haddad, declared that the constitutional reform on consumption taxation should be approved by April, as it was “ready for a vote.”

This, however, did not occur. CA 132/2023 was preceded by the most participatory and plural legislative process in tax matters since 1988. The public hearings held by the Chamber of Deputies' Working Group for CAP 45/2019 indicate the possible emergence of a context—still fragile and subject to change— of opening the tax field to actors historically excluded from its practices, languages, and distinctions.

The participation of women, academics not working as corporate lawyers, labor union representatives, and social movement activists—common in public hearings on education, health, or budget topics—marked a notable novelty in this decision-making process for the tax field. However, the picture is not without nuances. The identification of the social category “taxpayer” with the business sector, along with the reduction of the complex social relationship of taxation to a conflict between the tax authority and large payers, still appears to prevail.

Evidence of this reality can be seen in the fact that almost all civil society actors invited to public hearings represented business institutions. Similarly, employer unions were present in significantly higher numbers than labor unions, clearly inversely proportional to their demographic representation in the population. Furthermore, one-third of invited tax law scholars were simultaneously compensated as corporate lawyers, without providing the necessary disclaimers in their hearing statements, books, articles, or opinion pieces. Women's participation remains largely minoritarian and concentrated in specific segments, such as academia.

The following charts illustrate that even under categories such as “civil society” or “academia,” corporate representation still predominates. Similarly, among public actors, representatives from the federal government are clearly the majority.

Types of Actors - Civil Society

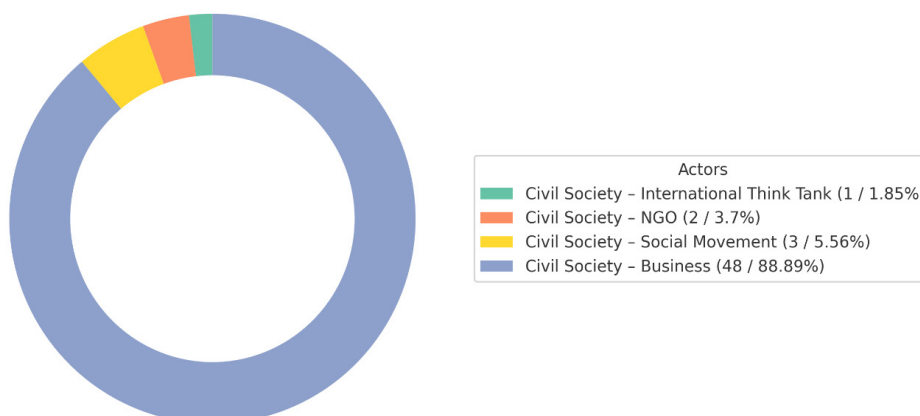


Figure 2 – Profiles of civil society participants in public hearings at the Chamber of Deputies.

Source: Author's elaboration.

Types of Actors - Academia

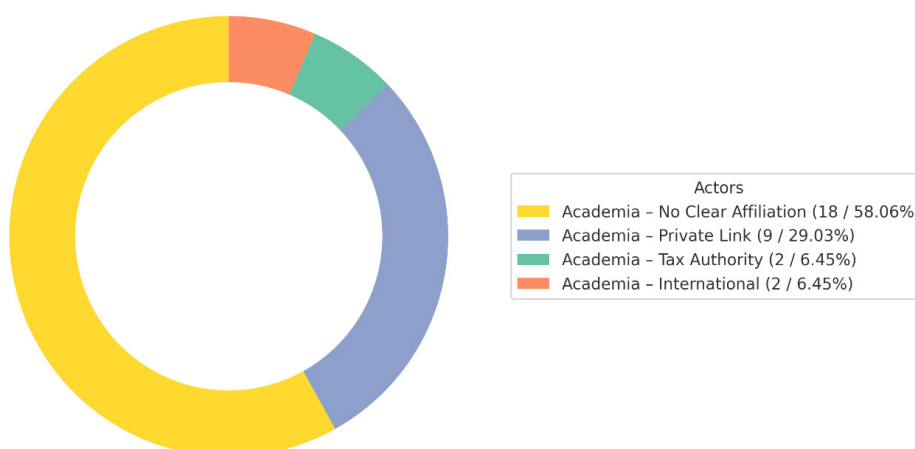


Figure 3 – Profiles of academics participating in public hearings at the Chamber of Deputies.

Source: Author's elaboration.

In the Senate, a similar expansion and diversification of participation was observed when comparing the 2003 reform to that of 2023. The public hearings conducted by the Commission on Economic Affairs and the Commission on Constitution, Justice and Citizenship—subjects of this study—brought together a larger

number of participants and a wider range of segments than two decades earlier. However, when contrasted with the Chamber of Deputies, a notable divergence emerges. No labor unions participated, women's presence was lower, the number of independent academics was almost equal to those affiliated with private law practice or corporations, and no less than 54% of participants were connected to businesses, either through associations or employer unions. The graph below clarifies this point.

Types of Actors - Federal Senate

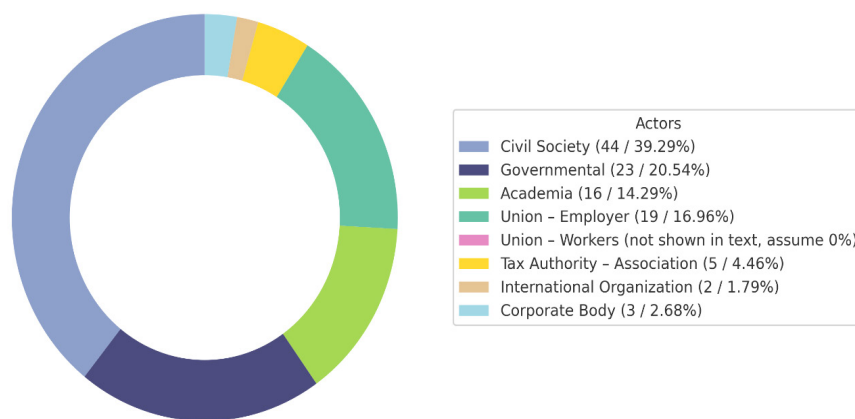


Figure 4 – Types of participants in public hearings in the Senate.

Source: Author's elaboration.

Types of Actors - Civil Society (Senate)

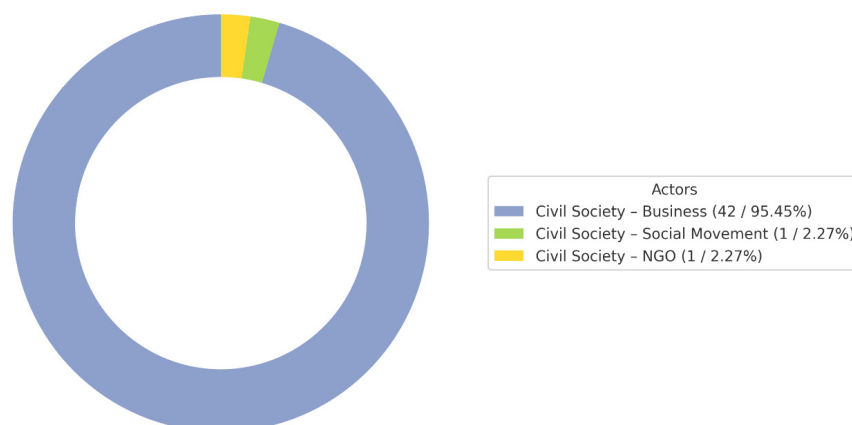


Figure 5 – Profiles of social society participants in public hearings at the Senate.

Source: Author's elaboration.

In line with the view expressed by political scientist Fábio Wanderley Reis, for whom “the Senate is the place designed for the application of the consociational principle, ensuring the representation of the states as such” (REIS, 1993, p. 440), the participation in that Legislative Chamber was predominantly composed of governmental actors linked to these federative entities. The graph below suffices to illustrate this observation. It is also notable that the prevalence of individuals connected to private legal practice remains among those categorized as academics, and that there is an almost complete overlap between civil society actors and business interests.

Types of Actors - Governmental (Senate)

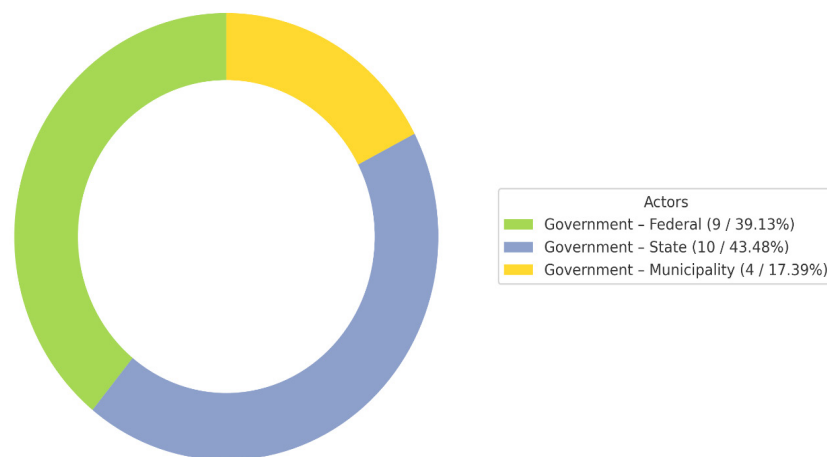


Figure 6 – Profiles of governmental participants in public hearings at the Senate.

Source: Author's elaboration.

It can be concluded that the field of taxation has opened up within our Parliament in a manner unprecedented in history. This development suggests an incipient, yet perceptible, resonance of issues related to tax justice in the public sphere. Social movements, labor unions, NGOs, and scholars organized around themes such as climate justice, anti-racism, public service valorization, gender equality, and democratic deepening appear to be increasingly aware of the tax dimension of their causes and struggles.

This observation aligns with the state of the art in empirical research on citizen behaviors and attitudes toward taxation, which indicates a shift from the widespread tax refusal observed in the 1980s toward a recognition of the moral and politically valid character of tax obligations, with debates increasingly oriented toward the pursuit of fairer and more efficient forms of taxation (WILLIAMSON, 2017).

Although this unprecedented presence remains constrained by asymmetric access to the material and symbolic resources necessary to assert demands in centers of power, it has already demonstrated an impact on the discursive and deliberative conduct of the legislative process that culminated in the 2023 tax reform. The following section addresses the new demands that have emerged within the tax power field as a result of this increased participatory engagement.

New Issues on the Fiscal Agenda

The discussion of Constitutional Amendment 132/2023 in the public hearings organized by the Working Group (WG) of the Chamber of Deputies, as well as by the Special Committee on Economic Affairs and the Constitution, Justice, and Citizenship Committee of the Federal Senate, generated a tax debate that extended far beyond the—already complex and comprehensive—framework related to the design of a new consumption tax system in Brazil.

What was observed resembled an arena akin to an original constituent process, in which nearly all relevant aspects of taxation emerged. More than just a parliamentary opening for the amplification of civil society positions regarding the redesign of consumption taxes, issues such as Income Tax and redistribution; international taxation and the country's position in the global order; democratic legitimacy of taxes; alternatives for Brazilian federalism; climate change and energy transition; reduction of inequalities and oppression based on income, gender, and race; Brazil's productive and economic matrix; and examples from international experience, among countless others, gained significant space in the discussions.

Cashback and Tax Relief on the Basic Consumption Basket

In the final decades of the 20th century, influential voices within the orthodox public finance literature questioned the claim that consumption taxation is especially regressive over the lifecycle of taxpayers, particularly when compared to other tax bases. However, this view was ultimately refuted by empirical evidence. Since at least the year 2000, robust studies have consistently demonstrated that taxes on consumption are, by definition, regressive (CHERNICK & RESCHOVSKY, 2000). This problematic feature continues to pose a challenge for both scholars and policymakers, who seek viable alternatives to mitigate its effects. Historically, three broad approaches have emerged.

The first approach argues that, despite its inherent regressivity, the consumption tax base is more resilient to the political pressures of democratic systems. This is due to its relatively low visibility—consumption taxes are less perceptible to voters and taxpayers, thereby lowering the political cost of taxation. Proponents further argue that the regressive effects of consumption taxation can be offset by implementing progressive ancillary policies, made possible by the greater revenue-generating capacity of this tax base (STEINMO, 1993). However, this perspective is not directly relevant to the current debate surrounding Constitutional Amendment No. 132 of 2023, since there was broad consensus that the reform of Brazil's constitutional framework for consumption taxation would not explicitly aim to alter the overall tax burden or the tax-to-GDP ratio.

The second approach is reflected in the original text of the 1988 Federal Constitution, which introduced the principle of *selective taxation* based on the essential nature of goods and services. This was conceived as a mechanism to mitigate regressivity by taxing essential goods at lower rates and non-essential (luxury) items at higher rates. The underlying premise is that wealthier households tend to consume more non-essential goods, while low-income households allocate a larger share of their income to essential items. However, this model has faced several practical distortions in Brazil

since 1988. In practice, the political influence of organized industry groups has often had a greater impact on tax rate differentiation—particularly in the case of the State Value-Added Tax (ICMS, *Imposto sobre Circulação de Mercadorias e Serviços*)—than any objective measure of a product’s essentiality.

The third and more recent approach seeks to reduce the regressivity of consumption taxation by combining instruments from both Public Finance Law and Tax Law. This model involves the individualized reimbursement of taxes paid on the purchase of goods and services to lower-income households. Structurally, this constitutes a social policy of income transfer that simultaneously reduces the regressive burden of consumption taxation. In Brazil, initial experiments with this mechanism were launched in the state of Rio Grande do Sul. During the legislative process of Constitutional Amendment No. 132 of 2023, the World Bank presented a simulation highlighting the promising potential of this approach in reducing inequality—especially when compared to traditional measures such as blanket exemptions on basic goods. The report stated explicitly: “If the list of VAT-exempt basic goods were narrowed and the equivalent amount of forgone tax revenue were redirected toward a targeted cashback system, a significantly less regressive indirect tax system could be achieved” (CUCOLO, 2023).

This issue became a central point of debate during the legislative process of Constitutional Amendment No. 132 of 2023. Multiple proposals were brought forward, spanning from suggestions to immediately amend Article 167, item IV, of the Federal Constitution—so as to earmark at least part of the revenue from the Contribution on Goods and Services (CBS) and the Tax on Goods and Services (IBS) derived from transactions involving vulnerable consumers for direct reimbursement (ideally via split payment mechanisms)—to sharp criticisms of the initiative. Detractors argued that individualized tax refunds would, in practice, require low-income populations to maintain a sort of “working capital,” as they would need to advance the full amount of the tax and only receive a refund later.

The matter also gained visibility in debates concerning gender inequality in taxation. A proposed version of the constitutional amendment included a provision explicitly recognizing the legal validity of individualized refunds as a tool for promoting gender equality. However, this proposal failed to gain traction. Under pressure from more conservative congressional blocs, the scope of cashback mechanisms was ultimately restricted to addressing income-based inequities only.

Two key takeaways emerge from this context: (i) the narrow interpretation of Tax Law that limited itself to the use of selective rates as a means of mitigating the regressivity of consumption taxes is now outdated in Brazil; and (ii) despite broad debate, strong technical support, and growing consensus around individualized reimbursement as the preferred public policy to counteract the regressive effects of the new tax system, the measure was not prioritized in the regulatory legislation.

This outcome can be attributed, in large part, to the political economy surrounding the issue. The most vocal advocates of cashback policies have been independent intellectuals and policy experts with no direct ties to private legal practice or corporate lobbying. In contrast, the strongest resistance has come from business-oriented civil society organizations. This alignment is almost entirely reversed when it comes to the defense of tax exemptions for the basic consumption basket. Faced with strong business influence and the fiscal impossibility of implementing both policies simultaneously—given that doing so would require significantly raising overall tax rates to maintain revenue neutrality—the cashback mechanism had limited impact. Meanwhile, the fiscal cost of the exemption for the basic consumption basket, when combined with the extensive list of other sectors subject to reduced rates, is likely to be substantial.

As the following charts illustrate, the cashback policy failed to resonate with the most influential stakeholders—particularly among employer associations and business interest groups.

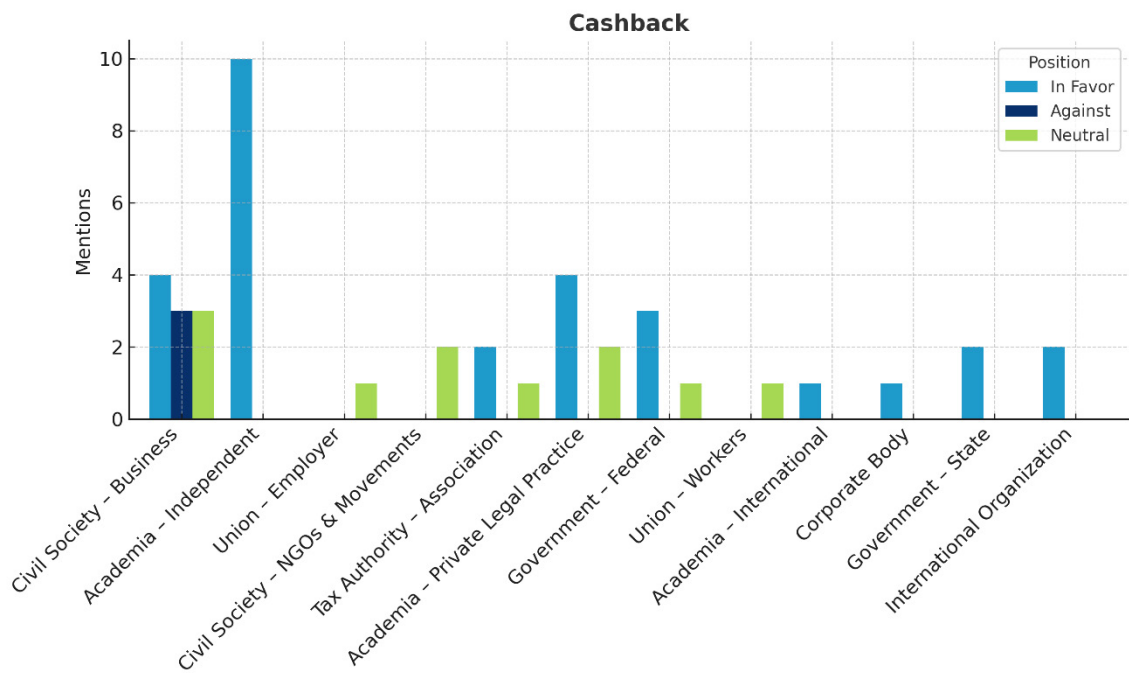


Figure 7 – Positions regarding cashback in both legislative houses.

Source: Author's elaboration.

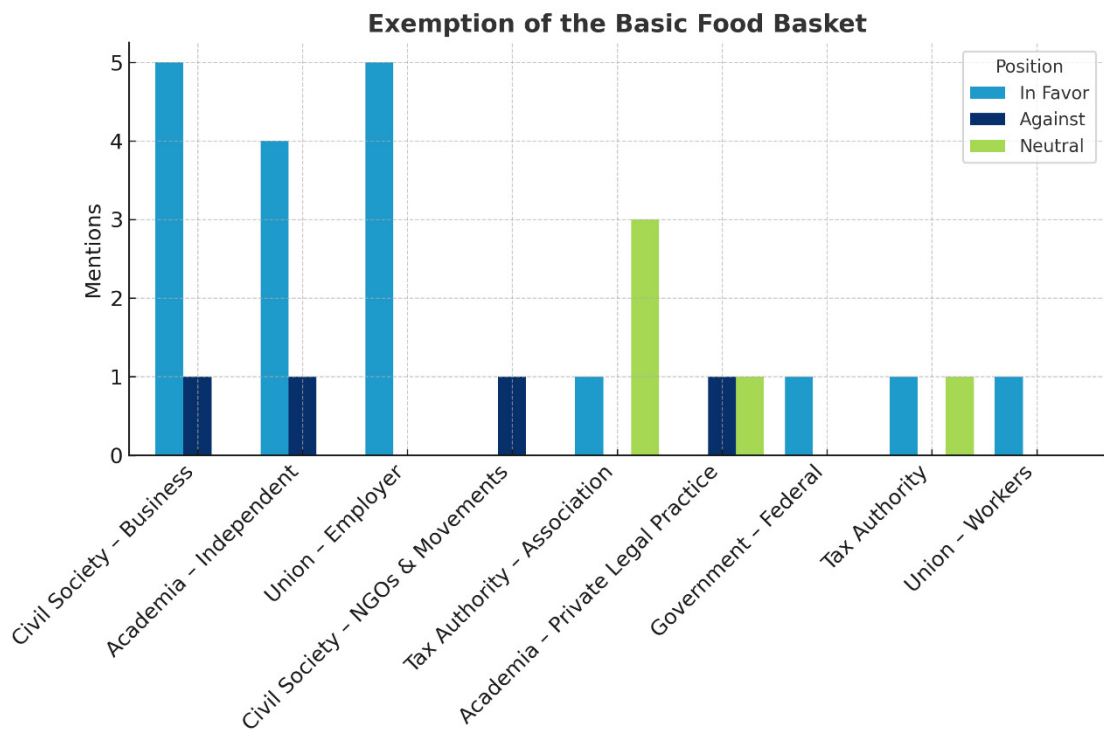


Figure 8 – Positions in relation to the exemption of the basic food basket in both legislative houses.

Source: Author's elaboration.

Climate Change

Anthropogenic climate change, driven by the emission of greenhouse gases into the atmosphere, represents the most pressing challenge of our time—if not of all human history (CHARBONNIER, 2021; WAINWRIGHT & MANN, 2018). Strong empirical evidence suggests that the implementation of Pigouvian taxes—designed to align the market prices of emission-intensive activities with their social costs—is highly effective, outperforming, for instance, Emissions Trading Systems (PIRLOT, 2021), also known as carbon credit markets. Given this, one would expect climate-related concerns to play a prominent role in the tax reform debate, especially in the design of the new excise tax.

However, discussions held during public hearings revealed that climate change did not occupy a central position in the new structure of Brazil's reformed consumption tax system. References to the topic were minimal, with much of the attention focused on securing tax relief for sectors such as liquefied petroleum gas (LPG) and fossil fuels, or on advocating for fiscal incentives for self-declared "green" activities—rather than calling for the taxation of emissions through excise mechanisms.

As noted, there were only 13 mentions of the issue across all public hearings held in both houses of Congress. Of these, three explicitly opposed the over-taxation of greenhouse gas emissions, and four called for tax incentives to sectors purportedly capable of contributing to the energy transition. Only six interventions directly supported the adoption of carbon taxes. This helps explain why, in the forthcoming supplementary legislation, the excise tax will not take the form of a modern carbon tax.

See the tables below for further details.

Table 1 – The Debate on Fossil Fuels in the Chamber of Deputies

WHO	HOW
COMSEFAZ (Committee of State Finance Secretaries)	"We aim to reduce harmful impacts through the modernization of the tax system, driving economic growth within a more sustainable model that is fundamentally based on three pillars: low carbon emissions, efficient use of resources, and social inclusion."
ABEGÁS (Brazilian Association of Piped Gas Distribution Companies)	"That is why natural gas is essential. That is why it is so important that we direct our full attention to this input, which, in my view, is fundamental to this moment of the country's reindustrialization."
INESFA (National Recycling Institute)	"...We often hear about a carbon tax, which, for us at the National Recycling Institute, certainly makes sense. But we hear little discussion about, beyond taxing more polluting activities, offering some type of benefit to those activities that, in some way..."
IBP (Brazilian Institute of Petroleum and Gas)	"... just to clarify for the debate: this [fuel] sector collected BRL 139 billion in taxes in 2022 — in other words, it is already heavily taxed."
Professor at the Institute of Marine Science, Federal University of Ceará	"For a green tax reform, four points must be considered: the double dividend, which would involve shifting the tax burden by taxing 'bads' and subsidizing 'goods'; green taxes, meaning an expansion of environmental taxation; the review of subsidies for environmentally harmful products; and the allocation of revenues to fund environmental policies."
IDS (Institute for Democracy and Sustainability)	" The complexity of the tax system must come to an end, so that taxation becomes fair, generates wealth and attracts investments. An ecological VAT (Value-Added Tax); as Excise Tax on environmental externalities; a Green CNAE (National Classification of Economic Activities); and incentives for sectors that contribute to decarbonization."
Coordinator of Carbon Pricing at the Coalition of Finance Ministers for Climate Action, World Bank	"I emphasize the need to address a tax on carbon itself — not on carbon credits, as is often referred to in Brazil."

Researcher at the Brazilian Institute of Economics, Getulio Vargas Foundation (FGV)	"In the new tax system, with the introduction of the Excise Tax, we have all the necessary conditions to emulate a true carbon tax — a tax that is in fact linked to greenhouse gas emissions, associated with each specific type of product."
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Source: own elaboration.

Table 2 – The Debate on Fossil Fuels in the Federal Senate

WHO	HOW
Climate Taxation Specialist at the United Nations Development Programme (UNDP)	"Not taxing carbon results in lost revenue in favor of other countries, and it could be a significant source of funding to support the green energy transition process and strengthen the Government's ability to position itself within the green transition agenda for the next 50 years."
Brazilian Institute of Petroleum and Gas (IBP)	"We already have specific taxes on this economic activity — for example, CIDE, a fuel-specific tax, and also the RenovaBio program, which is a sectoral carbon credit regime that affects the fuel distribution sector. So, there is already very strong targeted taxation in this sector."
Brazilian Association of Electricity Distributors (ABRADEE)	"Much has been said about how Brazil could benefit from the wave of investments driven by the energy transition, environmental policies, and the green economy. The Growth Acceleration Program (PAC) emphasizes this, and the neo-industrialization agenda is connected to it. There is discussion around green hydrogen and the issuance of carbon certificates that can be exported and monetized — generating income for the country (...). But what we advocate now is the creation of a special tax regime to qualify these activities and ensure legal certainty in revenue collection and for those bearing the cost."
National Association of Railway Transporters (ANTF)	"The railway sector also produces lower carbon emissions (...). so we see a clear need to promote and support freight rail transport."

Northeast Consortium (Consórcio Nordeste)	“When you have incentives for renewable energy, we may even generate revenue from the sale of carbon credits, bringing financial resources into the country. This is a key issue for the Northeastern states, and we ask that it be addressed carefully, because we believe a strong federal republic depends on strong federated entities with the autonomy and financial capacity to implement their own public policies.”
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Source: own elaboration.

International Influences

There is, in international tax relations, a long-standing and resilient logic of domination in which the Global North assumes regulatory prerogatives without broader authorization or legitimacy — as evidenced by Pillars 1 and 2 of the Base Erosion and Profit Shifting (BEPS) project (Hearson, 2021). This dynamic remained largely present during the legislative process of Constitutional Amendment No. 132/2023, which was heavily inspired by standards promoted by the Organisation for Economic Co-operation and Development (OECD).

Nevertheless, there were signs of a subtle shift away from the dominant influence of Global North tax models and practices as benchmarks for Brazilian fiscal policy. Notably, there was a significant number of critical remarks regarding the United States’ *sales tax*, and India — a country from the Global South — was invoked as a reference or example.

In conclusion, the Brazilian tax field continues to revolve around the gravitational pull of OECD countries, reflecting the prevailing global reality. However, alternative influences are beginning, albeit slowly, to gain ground. See the illustration below.

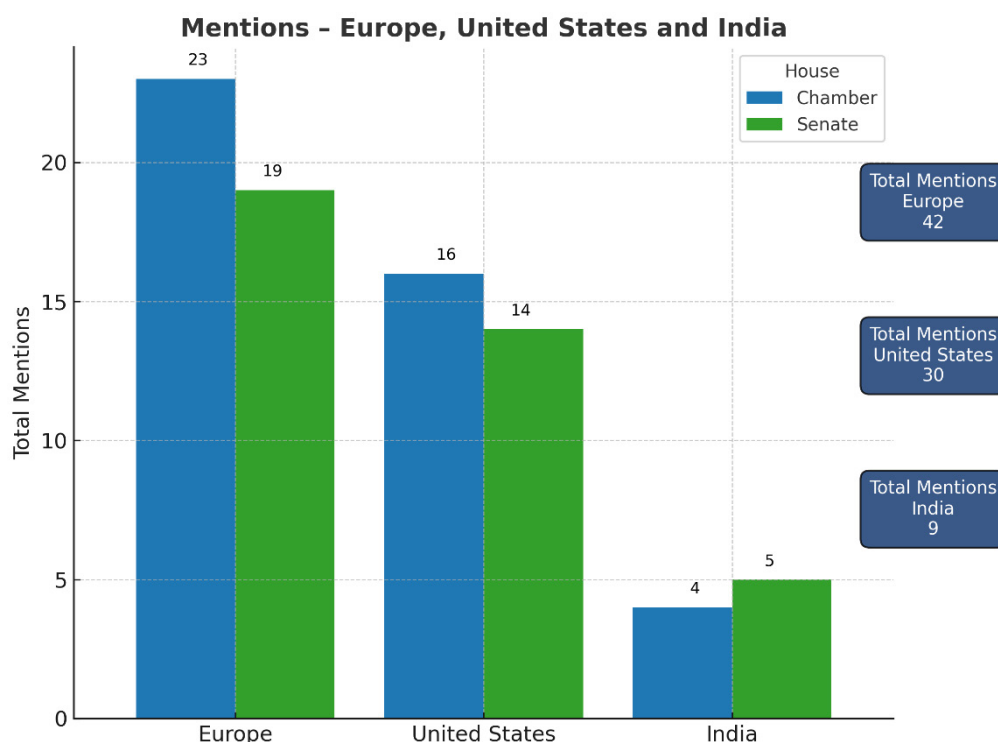


Figure 9 – Mentions of Europe, United States and India in both legislative houses.

Source: Author's elaboration.

Final Considerations

It is essential to approach Brazilian tax analysis with a political and procedural lens. This perspective reveals how the field has become more inclusive, while also showing how this process remains limited and subject to reversals. There is still a long road ahead before the century-long hermeticism of the Brazilian tax system is truly overcome.

Despite undeniable social progress — few countries in the contemporary world have constitutionalized redistributive policies or social rights such as *cashback*, even if only in a limited form — the issue of reducing Brazil's colossal inequalities has yet to advance meaningfully in public debate. This is evident, for instance, in the Executive Branch's failure to meet the deadline set by Constitutional Amendment No. 132/2024 to submit a proposal to Congress for reforming income tax legislation.

Despite the existing limits and ambivalences within this dual process of broadening the Brazilian tax field, the fact remains that social demands and groups previously excluded from the debate were present in the 2023 tax reform process. It is essential to ensure a continuous expansion of this social and political space so that groups and interests truly representative of the Brazilian population are brought to the forefront.

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