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Tax reform and the reconfiguration of the fiscal autonomy of small municipalities: challenges and the role of external control.

Tax reform and the reconfiguration of the fiscal autonomy of small municipalities: challenges and the role of external control.

Fiscal reform and reconfiguration of the fiscal autonomy of small municipalities: challenges and role of external control.

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ABSTRACT

Constitutional Amendment No. 132/2023, regulated by Complementary Law No. 214/2025, promoted the most comprehensive restructuring of the Brazilian tax system since the 1988 Constitution, by instituting the dual model of consumption taxation composed of the Contribution on Goods and Services (CBS) and the Tax on Goods and Services (IBS). The adoption of the destination-based taxation criterion and the centralization of collection in a shared Management Committee reconfigure fiscal federalism, with direct impacts on municipal financial autonomy. This work evaluates how the reform modifies the composition of revenues and the management capacity of small municipalities, considering their structural fragility, dependence on intergovernmental transfers, and the limits to adaptation to the new model. The research adopts a qualitative and exploratory approach, based on document analysis and an updated bibliographic review. The findings indicate that the effects tend to be asymmetrical: municipalities with greater economic dynamism may benefit from the logic of destiny, while smaller municipalities face the risk of worsening fiscal fragility. It is concluded that the fiscal sustainability of small municipalities will depend on the effectiveness of equalization mechanisms, administrative modernization, and action.

The strategic role of the Courts of Auditors as drivers of good tax governance practices.
The practical effectiveness of the reform will depend on the institutional capacity of local entities, the quality of fiscal information, and the prioritization of operational audits aimed at monitoring the transition.
Keywords: tax reform; fiscal federalism; small municipalities; Goods and Services Tax (GST); municipal financial autonomy; external control.

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1 INTRODUCTION

The enactment of Constitutional Amendment No. 132/2023 represents a structural break with
The tax model in place since the 1988 Federal Constitution. By reorganizing taxation
of consumption, replacing taxes such as ICMS and ISS with the dual system formed by
Contribution on Goods and Services (CBS) and the Tax on Goods and Services (IBS),
Regulated by Complementary Law No. 214/2025, the reform seeks to simplify the system.
To correct historical distortions and increase fiscal neutrality. The central innovation is the adoption of
The principle of destination-based taxation, which transfers revenue collection to the place of consumption, in
This replaces the origin-based standard. This change profoundly reconfigures the
Brazilian fiscal federalism.

At the municipal level, the impacts are particularly significant. The ISS, historically a source
The relevant source of own revenue will be gradually phased out and replaced by the IBS, whose management
It will now comply with national rules coordinated by the IBS Management Committee (CG-IBS).
The change is not limited to an alteration of the tax incidence: it implies a reconfiguration of the
Municipal financial autonomy, an essential element for the exercise of powers.
local constitutional provisions. This situation becomes even more critical when considering municipalities.
small-sized, characterized by low capacity for their own revenue collection, diversification
Limited economic resources and high dependence on intergovernmental transfers. How
As Mendes and Souza (2025) demonstrate, the viability of reform for these entities depends not
not only the economic efficiency of the new model, but also its ability to preserve the
Federal balance through appropriate equalization mechanisms.

Recent literature shows that the redistribution of income based on consumption patterns can...
produce heterogeneous effects among municipalities. Silva (2026), based on models
econometrics applied to the period 2010–2023 and in prospective simulations up to 2032,
This demonstrates that entities located in the North and Northeast regions are the most dependent on
Consumption taxes are the most vulnerable to the transition. Gobetti, Orair and Monteiro (2023)
They estimate that, under certain conditions of growth and gradual transition, up to 98% of
Municipalities could see net gains from the reform; however, they emphasize that the absence of
Robust compensation mechanisms can convert these potential gains into actual losses.
for smaller municipalities.

The overall objective of this research is to analyze the impacts of tax reform on the composition
of the revenues and financial autonomy of small municipalities, with a focus on

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fiscal sustainability and the institutional capacity to adapt to the new model. These are
Specific objectives: (a) to examine Brazilian fiscal federalism and its historical weaknesses;
(b) analyze the effects of replacing the ISS with the IBS on autonomy and revenues
municipal; (c) identify the strengths and weaknesses of the reform from a revenue perspective.
municipal; and (d) assess the role of the Courts of Auditors in the transition and in inducing good practices.
tax governance practices.

This study was developed based on a literature review and document analysis of
constitutional and sub-constitutional legislation relating to tax reform, especially
Constitutional Amendment No. 132/2023, Complementary Law No. 214/2025 and normative acts
related to the implementation of IBS and CBS. The research adopts a qualitative approach and
exploratory, not intended to empirically measure the impacts of the reform on
not all Brazilian municipalities, but rather to discuss the main risks, opportunities and
Institutional constraints of the transition for small municipalities.

2. THEORETICAL FRAMEWORK

2.1 Fiscal Federalism and Municipal Autonomy

Brazilian federalism is characterized by a decentralized structure in which the Union, states,
The Federal District and municipalities are autonomous entities, according to Article 18 of the Constitution.
Federal Constitution of 1988. This autonomy, however, is strongly conditioned on the capacity
financial resources of each entity to fulfill its constitutional duties (Brazil, 1988). A
The Constitution formally expanded municipal autonomy by granting it taxes such as the ISS (Service Tax).
Property tax (IPTU) and real estate transfer tax (ITBI), but this autonomy is subject to substantial restrictions stemming from the limited tax base.
local economic factors, administrative capacity, and the very architecture of the tax system.
national.

Studies on municipal public finances, such as those conducted by IPEA and...
Bremaeker's analyses indicate that a significant portion of Brazilian municipalities possess
low capacity for own revenue collection and high dependence on transfers
intergovernmental. Studies by IPEA (2023) show that more than 60% of the revenue
The funds available to Brazilian municipalities come from intergovernmental transfers, among the
which Municipal Participation Fund (FPM) occupies a central position. Rezende and
Nascimento (2022) demonstrate that, in small municipalities, the ICMS quota share

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They can represent up to 40% of net current revenues, which makes them especially vulnerable to changes in the national tax system.

Bremaeker (2017) highlights that dependence on transfers is structural and results from The historical concentration of revenues in the federal and state spheres, which compromises the Independent planning and execution of local public policies. This situation is aggravated. through what Arretche (2020) calls the "paradox of decentralization": the 1988 Constitution transferred increasing responsibilities to municipalities, especially in health, education and social assistance, without a corresponding decentralization of revenue. As they point out Rachelle and Gomes (2025) argue that effective municipal autonomy does not exist without instruments. tax mechanisms that allow the entity to finance its public policies; the limitation of these instruments translate into a material loss of autonomy, even when this figure is shaped in a certain way. fully enshrined in the constitutional text.

2.2 Extra-fiscality and Inducing Tax Norms

Analyzing the effects of the reform on municipalities requires attention to the function... extra-fiscal use of taxes, that is, the use of the tax system not only to collect revenue, but also as an instrument of economic intervention and behavioral guidance.

Doctrinal tradition, based on the contributions of Bobbio (2007), distinguishes the law sanctioning of promotional law: while the former uses sanctions for social control, The second one uses incentives to guide behaviors towards economic objectives and social rights defined by the State.

In the tax field, this dimension manifests itself in extra-fiscality, whereby taxes They serve as instruments of public policy. Schoueri (2018) emphasizes that taxation Modernity cannot be viewed solely from a revenue-raising perspective; it must also be understood... as a mechanism for intervention in the economy. Historically, municipalities have used the ISS as an extra-fiscal instrument, making use of tax benefits to attract companies and to foster local development. As Job (2025) observes, the prohibition of granting Tax incentives related to consumption taxation, as foreseen in the reform, obligate the municipalities are reconfiguring their economic promotion strategies, replacing existing instruments. direct tax revenues through indirect mechanisms, such as subsidies and structured public policies. and tax compliance programs. This transition demands greater capacity to Planning and governance are scarce elements, especially in smaller municipalities.

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2.3 Municipal Fiscal Sustainability and Dependence on TRANSFERS

The fiscal sustainability of municipalities is central to understanding the impacts of the reform. As Silva (2026) points out, based on the Tax Dependency Index Municipal (IDTM), municipalities with greater dependence on consumption taxes tend to to see its investment capacity reduced during the transition to IBS, especially in The absence of efficient fiscal equalization mechanisms. This reality is particularly sensitive in small municipalities, for which the share of ICMS and ISS makes up Significant portions of current revenue.

Faria (2024) shows that changes in the criteria for sharing produce heterogeneous effects. between municipalities, depending on factors such as economic structure, population and level of productive activity. Mendes and Souza (2025) reinforce that uncertainty regarding the flow of Resources compromise the ability of managers to plan medium- and long-term policies. especially with regard to investments in infrastructure. Gobetti, Orair and Monteiro (2023) They demonstrate that, although the reform may generate fiscal gains for most municipalities In a scenario of accelerated economic growth, these gains are unequal and depend strongly dependent on the calibration criteria of the equalization fund. Thus, fiscal sustainability Municipal tax revenue then depends not only on the tax structure, but also on the existence of Compensatory mechanisms capable of mitigating the redistributive effects of the reform.

2.4 The Dual VAT Model and Cooperative Federalism

Brazil's choice for a dual Value Added Tax (VAT) model, with CBS under federal jurisdiction and IBS under shared jurisdiction between states and municipalities, aligns the country with the international experience adopted by most member countries. from the OECD (2021).

This model, while unifying the tax base and eliminating tax wars, creates challenges for federal governance. The Ministry of Finance (2026) highlights that the The creation of the CG-IBS inaugurates an era of cooperative federalism, replacing federalism. predatory, marked by tax competition between federated entities. Orair and Gobetti (2021) They argue that structuring a shared subnational VAT is one of the most significant advances.

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significant from the point of view of allocative efficiency, but they emphasize that their effectiveness for The municipalities with the least capacity depend on the quality of the distribution mechanisms and the speed of administrative adaptation.

3. ANALYSIS OF THE IMPACTS OF TAX REFORM

3.1 Structure of fiscal federalism and its historical limitations

Brazilian fiscal federalism is characterized by an asymmetrical distribution of powers.
Tax and revenue-raising capacity among the federative entities. Although the Constitution of Although 1988 formally expanded municipal autonomy, this autonomy is frequently mitigated by structural limitations stemming from the local economic base and capacity administrative and architectural aspects of the national tax system. Gobetti (2023) highlights that the Fiscal inequality between subnational entities remains high, despite partial reforms. which demonstrates the system's historical inability to promote the equitable distribution of revenues.

This situation is aggravated by the mismatch between the responsibilities assigned to municipalities. and the resources made available: the decentralization of public policies was not accompanied by proportional decentralization of revenues, which Bremaeker (2017) calls "decentralization "Without resources." This imbalance forces municipal managers to reconcile growing demands. with budgetary constraints, frequently resorting to voluntary transfers and agreements, which compromises financial predictability.

With Constitutional Amendment No. 132/2023, this debate takes on a new dimension. Unification Taxes on consumption and the creation of the IBS (Brazilian VAT) shift the logic of tax collection away from the source. for the destination, which may reduce distortions, but raises concerns about the effects on Municipal fiscal autonomy. The transition, regulated by Complementary Law No. 214/2025, This will require municipalities not only to make regulatory adjustments, but also to strengthen their... administrative and oversight structures, under penalty of losing participation in revenue collection and of deepening existing weaknesses.

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3.2 Impacts of tax reform on municipal revenue

3.2.1 Paradigm shift: from the origin criterion to the destination criterion

Under the previous system, the ISS (Service Tax) was levied at the location where the service was provided, which favored...
municipalities with a higher concentration of economic activity. With the adoption of the principle of
As a result, the revenue is then allocated to the point of final consumption, which causes...
Revenue redistribution. In theory, the consuming municipalities would benefit. However,
This redistribution does not occur uniformly: it is conditioned by the local economic profile.
by the population's purchasing power and by their inclusion in regional production chains and
national.

Small municipalities with weak economic activity and a limited consumer market.
They may not achieve significant gains, remaining in a situation of fiscal dependence. A
The regulation of the IBS, through Complementary Law No. 214/2025, establishes a system of
centralized collection, with subsequent distribution among the federal government, states, and municipalities, through
from CG-IBS. This model demands a high degree of institutional coordination and
Transparency in distribution criteria is crucial, as subnational entities lose direct control.
on a significant portion of their revenues (Brazil, 2025).

3.2.2 Dependence on transfers and own fiscal capacity

The heavy reliance on intergovernmental transfers is one of the most striking characteristics.
Significant aspects of fiscal federalism, especially for small municipalities. Studies
They show that, in many cases, transfers significantly exceed revenues.
Self-imposed taxes, compromising financial autonomy and long-term planning. A
Low economic density, informality, and reduced business activity limit the
potential for ISS tax collection, while registration deficiencies and weaknesses in
Poor oversight undermines the efficiency of the IPTU (Property Tax).

This excessive dependence tends to discourage investment in improving management.
Local taxation, creating a cycle of passive revenue collection. Municipalities are highly dependent.
They prioritize attracting external resources to the detriment of building mechanisms.
efficient collection and oversight mechanisms, perpetuating dependency and compromising the
Fiscal sustainability in the medium and long term. The implementation of LC No. 214/2025 provides for
Transition mechanisms exist to mitigate abrupt losses, but such instruments do not replace the

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need to strengthen municipal fiscal capacity (Brazil, 2025).

3.3 Impacts on small municipalities.

Small municipalities are particularly vulnerable in the context of reform.
entities tend to have low economic density, limited productive diversification and
reduced administrative capacity, which makes them more exposed to changes in the system of
revenue collection. With the replacement of the ISS (Service Tax) by the IBS (Tax on Goods and Services), whose criterion is the destination of consumption,
Municipalities with weak internal consumption capacity tend not to benefit in a significant way.
expressive, remaining dependent on redistributive mechanisms.
The Brazilian reality, including in states like Tocantins — where most municipalities
It has fewer than 20,000 inhabitants and is highly dependent on the Municipal Participation Fund (FPM). —, demonstrates that many entities
They have per capita revenue significantly below the parameters.
necessary to ensure fiscal autonomy. Silva (2026) demonstrates, based on simulations
for the period 2025–2032, which municipalities located in the North and Northeast regions and with
High dependence on consumption taxes faces the most significant declines in
Investment capacity during the transition.
A key risk is the increase in fiscal inequalities between municipalities: those already weakened,
With low tax revenue and a lack of tax planning, they will face difficulties.
more pronounced; conversely, municipalities that function as regional consumption hubs.
Those that invest in administrative modernization will tend to make better use of revenues.
of IBS (Brazil, 2023; Gobetti, 2023).

4. SUPPLEMENTARY ANALYSIS AND PRACTICAL APPLICATION

4.1 Differentiated impacts according to the profile of the municipalities

The economic, demographic, and institutional diversity of municipalities demands a
Segmented analysis of the impacts of the reform. Small municipalities show greater [impacts].
Fiscal vulnerability due to limited economic diversification and reduced capacity.
Revenue collection and high dependence on transfers. The prohibition of linked tax incentives.
Taxing consumption eliminates a historical strategy for attracting investment.

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forcing managers to adopt alternative instruments that require greater capacity.
Institutional (Brazil, 2023).

Medium-sized municipalities occupy an intermediate position: although they have greater
Economic diversification, however, faces limitations in tax management. The impact of the reform.
It will depend on the institutional capacity for adaptation; whoever invests in technology and training.
Integration with national systems will provide better conditions for appropriating revenue.
from IBS. Large municipalities with high population density and dynamism
Economically, they tend to be favored by the destination criterion, given the significant base of
internal consumption. Even so, centralization and shared management redefine aspects of
local fiscal autonomy.

Orair and Gobetti (2021) argue that redistribution based on consumption logic does not eliminate the
structural asymmetries, and in the absence of effective equalization mechanisms, it can even
to deepen them. Mendes and Souza (2025) reinforce that the calibration of equalization funds is
the most decisive variable for municipal fiscal sustainability is the tax rate itself.
from IBS, a conclusion empirically corroborated by Silva (2026).

4.2 Strengths and weaknesses of the reform from the perspective of municipal revenue collection

The following table summarizes the main strengths and weaknesses of the reform.
taxation from the strict perspective of municipal revenue collection, based on normative analysis and
in the reviewed literature:

Strengths	WEAK POINTS
1. Simplification of the system and reduction of Brazil cost 2. Greater transparency of the tax burden via IBS/CBS in tax documents 3. Tax cashback for families of CadÚnico (up to half the minimum wage) 4. Possibility of federative participation in definition and management of IBS, within the limits established by complementary legislation	1. Loss of autonomy over the ISS (Service Tax). A historical instrument of local fiscal policy. 2. Uncertainty regarding definitive criteria. distribution of IBS among states and municipalities 3. High technological requirements for municipalities with low capacity technique

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	4. Coexistence of two systems Taxes between 2026 and 2033 increase complexity
Strengths	**WEAK POINTS**
5. Strengthening the IPTU and ITBI as exclusively municipal taxes 6. End of the tax war and adoption of cooperative federalism 7. Accountability solidarity of marketplaces expands control over digital economy	5. Compensation mechanisms have a character temporary and do not guarantee stability of long term 6. Municipalities with weak consumer markets tend not to benefit from the criterion of destination 7. Risk of in-depth of regional inequalities without equalization effective tax

Source: Prepared based on Brazil (2023; 2025), Silva (2026), Mendes and Souza (2025) and Ministry of Finance (2026).

Among its strengths, the simplification of the system reduces the so-called "Brazil cost" for both for taxpayers as well as for public entities. Greater transparency in the tax burden, Enabled by the display of IBS and CBS on electronic tax documents, it facilitates the Social control and auditing. The tax cashback, provided for in Supplementary Law No. 214/2025 for families registered in the Single Registry with a per capita income of up to half the minimum wage, may expand the Formal consumption and, consequently, the basis of the IBS (Brazilian VAT) in municipalities. Strengthening the IPTU (Property Tax). and the ITBI (Property Transfer Tax) as exclusively municipal taxes represents a strategic opportunity. to increase its own revenue in light of the migration from the ISS tax to the shared IBS tax. Ministry of Finance (2026) also highlights the joint liability of marketplaces and digital platforms for IBS collection expand control over the digital economy, with potential positive impact on municipal revenues, although accompanied by an increase in Complexity during the transition period.

Among the weaknesses, the loss of autonomy over the ISS eliminates a historical instrument of Local fiscal policy, while uncertainty remains regarding the definitive criteria for the distribution of the IBS (Brazilian VAT).

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This creates uncertainty for budget planning. The coexistence of two tax systems
Between 2026 and 2033, it increases operational complexity and the temporary nature of the mechanisms.
Compensation measures do not guarantee long-term stability for municipalities with a specific economic profile.
unfavorable to the destination criterion (Brazil, 2023; Brazil, 2025)
.

4.3 New developments in the tax reform in 2025 and 2026

Since the reform was regulated by Complementary Law No. 214/2025, there have been important
institutional advances.
The year 2026 was structured as an adaptation and testing phase for the new model: IBS and CBS.
These amounts must be highlighted in tax documents, with rates of 0.1% and 0.9%, respectively.
without generating an actual obligation to collect, which allows companies, accountants and
Public administrations should test processes and systems. According to Joint Act RFB/CGIBS
No. 1/2025, the effective collection of CBS begins in 2027, and that of IBS only from 2029 onwards.
with a gradual transition until 2033, when the ISS and ICMS taxes will be phased out (Brazil, 2025).
In this context, more than the nominal setting of rates or the enumeration of milestones
Regarding the regulations of the transition, it is important for small municipalities to understand the effects.
Administrative and fiscal aspects of the new model. The implementation of IBS and CBS will require adjustments.
Progressive improvements in systems, registries, inspection routines, and information control.
fiscal matters and the capacity for integration with the IBS Management Committee. Thus, the central point for
These entities will not only oversee the formal replacement of the ISS (Service Tax) with the IBS (Integrated Sales Tax), but also...
develop minimum institutional conditions to monitor the distribution of revenues,
To qualify their databases and plan the transition without compromising fiscal sustainability.
local.

Secondly, the CG-IBS was formally constituted with 54 full members, 27 of whom were...
representatives from the states and 27 from the municipalities, which guarantees equal representation in
Governance of the new tax. The publication of the IBS Regulation, with 617 articles, approved.
Unanimously approved by the Superior Council of CG-IBS in April 2026, this represents progress.
decisive in operationalizing the reform (Brazil, 2026). Thirdly, the Law
Complementary Law No. 227/2026 regulated the CG-IBS and introduced relevant changes to it.
Complementary legislation regulating the tax reform, consolidating the structure.
transition regulations.
Additionally, PLP 108/2024, approved at the end of 2025, brought relevant definitions for

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the municipalities: regulation of ITBI (Property Transfer Tax) based on the market value, possibility of Reduction of municipal tax rate when the taxpayer makes an advance payment, and exemption from IBS (Brazilian VAT). and CBS for Real Estate and Agribusiness Investment Funds. The table below summarizes The transition timeline and its main impacts on municipalities:

YEAR	EVENT	IMPACT ON MUNICIPALITIES
2025	Publication LC 214/2025 and establishment of CGIBS (technological LC) 227/2026)	Beginning of administrative preparation and
2026	Adaptation and testing phase: IBS (0.1%) and CBS (0.9%) with character informative	Adaptation of systems, no obligation of effective collection
2027	CBS with full rate; IBS at 0.5% (state) + 0.5% (municipality)	Start of actual billing; termination of PIS/COFINS
2029–2032	Gradual implementation of IBS with progressive increase in tax rate	Gradual elimination of the ISS; transition of revenue stream
2033	Complete elimination of ISS and ICMS taxes; full IBS rate, according defined in the applicable legislation	New fully operational system; FPM and IPTU gain centrality.

Source: Prepared based on Brazil (2023, 2025 and 2026) and Joint Act RFB/ CGIBS No. 1/2025.

These developments reinforce the idea that the success of the transition to municipalities of small scale will depend on the administrative and technological adaptability to a system. progressively more complex, even though it was designed to be simpler in its initial state. definitive.

4.4 The role of the courts of accounts in the transition to the IBS model.

The implementation of the reform constitutes more than a regulatory change: it is a institutional transformation that demands constant monitoring and strategic action from external control bodies. In this scenario, the Courts of Auditors play a role. central not only in oversight, but also in guidance and the promotion of good practices. management, especially regarding the adaptation of municipalities to the IBS model. The performance

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The traditional approach, centered on legality and compliance, proves insufficient in the face of...
complexity of the new system; it is necessary to broaden the scope of the evaluation to include the
municipal institutional capacity, encompassing fiscal governance, structures
administrative and revenue management efficiency (Brazil, 2023).
Operational auditing stands out as a tool for evaluating municipal tax management.
When examining the efficiency, effectiveness, and efficacy of public policies, this type of audit
It identifies weaknesses, assesses the quality of tax administration, and proposes measures.
Corrective measures must be taken before dysfunctions compromise fiscal sustainability. The analysis should...
considering the ability to integrate with the national tax collection systems of the IBS, the
The existence of strategic planning for the transition and the quality of tax information.
(INTOSAI, 2019).
At the same time, it is essential to strengthen the guiding and educational role of the Courts of
Accounts. In processes of structural change, the emphasis on sanctions should give way to...
Preventive approaches, aimed at training managers and disseminating best practices.
The development of technical guides, training programs, and preventive alerts is an instrument.
effective in reducing institutional asymmetries and expanding the adaptive capacity of
smaller municipalities. The effectiveness of this action depends on the integration between the control
Internal and external factors ensure early risk identification and timely adoption of measures.
corrective measures.

In monitoring fiscal risks, the Courts of Auditors must develop instruments.
continuous and specific measures to monitor the sustainability of municipal revenues during the
Transition. Indicators on dependence on transfers, changes in revenue, and...
Investment capacity is fundamental to identifying vulnerabilities. Furthermore, the
Courts can promote best practices in tax governance by establishing standards.
based on planning, transparency, use of technology and staff qualifications,
contributing to increased revenue and strengthened municipal finances.

CONCLUSION

The Tax Reform instituted by Constitutional Amendment No. 132/2023 represents a
Structural transformation in the Brazilian tax system, with direct impacts on federalism.
fiscal policy and the financial autonomy of municipalities. By replacing historically existing taxes.
relevant taxes, such as the ISS (Service Tax) and the ICMS (State Sales Tax) quota share, through a model based on destination-based taxation.

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And in the shared management of the IBS, the reform inaugurates a new logic of collection and of distribution of public revenues.

The analysis shows that the effects of the reform are profoundly asymmetrical.

Larger municipalities with high consumption levels tend to benefit from the new model.

while small businesses face concrete risks of worsening fiscal fragility,

due to the combination of high dependence on transfers, administrative capacity

limited and insufficient consumer market to capture revenue through the criterion of

destination. Silva (2026) and Mendes and Souza (2025) unanimously affirm that the calibration of

Equalization mechanisms are the most determining variable for preserving equilibrium.

federalism, more than the IBS rate itself.

The ban on tax incentives linked to consumption requires a reconfiguration of strategies.

local development, replacing traditional instruments of extra-fiscality with

indirect mechanisms that require greater planning and governance capacity, the

which represents a considerable challenge for entities with limited administrative structures.

From the perspective of fiscal federalism, the reform highlights a tension between economic efficiency

and federal autonomy: simplification and the reduction of distortions are undeniable advances.

However, centralizing tax collection can, in practice, reduce municipal financial autonomy.

an essential element for fulfilling local constitutional responsibilities.

An analysis of the regulatory changes for 2025 and 2026, with emphasis on the establishment of the CG-

IBS, the gradual transition schedule until 2033, and the accountability of marketplaces.

digital, reinforces that the new system tends to be simpler in its final state, but

This imposes significant operational complexity during the transition period. This interval is

This is precisely where the greatest risk lies for municipalities with less institutional capacity.

The strategic role of the Courts of Auditors is indispensable in this process. In addition to...

In addition to traditional oversight, these bodies should act in a guiding and incentive-based manner, strengthening

Municipal tax governance, empowering managers and continuously monitoring risks.

Fiscal. The combination of effective external control and well-calibrated equalization mechanisms.

A proactive stance from municipal managers constitutes the necessary triad for the reform.

meet your economic efficiency goals without compromising the sustainability of

local finances. Success will ultimately depend on the Brazilian state's ability to

To reconcile efficiency with federal equity, preventing the gains of the new model from occurring

at the cost of weakening the financial foundations of the most vulnerable municipalities.

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