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BRAZIL – MINING INVESTMENT FACT SHEET

CRITICAL MINERALS, STRATEGIC
OPPORTUNITIES AND INVESTMENT FRAMEWORK

MAY 2026

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INTRODUCTION

Brazil is currently experiencing a particularly favorable moment for mining investment, driven by its vast mineral reserves, growing relevance in the global critical minerals supply chain, and increasing public and private support for projects linked to the energy transition.

This document provides a concise overview of Brazil’s mining landscape, highlighting the country’s key competitive advantages, regulatory framework, financing mechanisms, and main opportunities for investors in critical and strategic minerals.

In this context, our global mining team is well positioned to support companies, investors, trading houses, and lenders in navigating this evolving landscape. As part of the Mayer Brown network, Taulil & Chequer Advogados operates in a fully coordinated manner across Brazil, the United States, Europe, Asia, and the Middle East, advising on M&A transactions, joint ventures, offtake arrangements, operational contracts, sector-specific due diligence, structured finance transactions, and regulatory matters before local and international authorities.

Our multidisciplinary approach brings together experience in corporate/M&A, mining regulation, environmental law, tax, real estate, antitrust, project finance, corporate and asset-based guarantees, strategic litigation, compliance, and restructurings. This integrated structure allows us to anticipate risks, design robust legal and commercial structures, and provide comprehensive support throughout the life cycle of mining projects.

We hope this overview serves as a useful starting point for assessing Brazil’s mining opportunities and the legal, regulatory, and commercial considerations that may shape investment decisions in the sector.



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“They bring extensive market experience. Their global reach facilitates foreign contracts, and their network greatly aids in problem-solving and contract impact analysis.”

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“The practice has deep experience in mining, allowing it to deliver practical and timely solutions - especially helpful in managing uncertainty.”

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Tauil & Chequer Advogados signed an association agreement with Mayer Brown in December 2009. The firm grew quickly and is now present in 4 Brazilian states. The firm works with deep local knowledge in the offices in São Paulo, Rio de Janeiro, Brasília and Vitória. Tauil & Chequer Advogados in association with Mayer Brown have more than 180 lawyers, specialized in several areas of law, working from the simplest and most routine operations to the most complex and sophisticated, with a level of excellence unmatched in the legal market. With a genuinely full-service profile, we have experience in the most diverse economic sectors, that allows us to offer complete legal advice to national and international clients, financial institutions and government agencies in their multi-jurisdictional operations.



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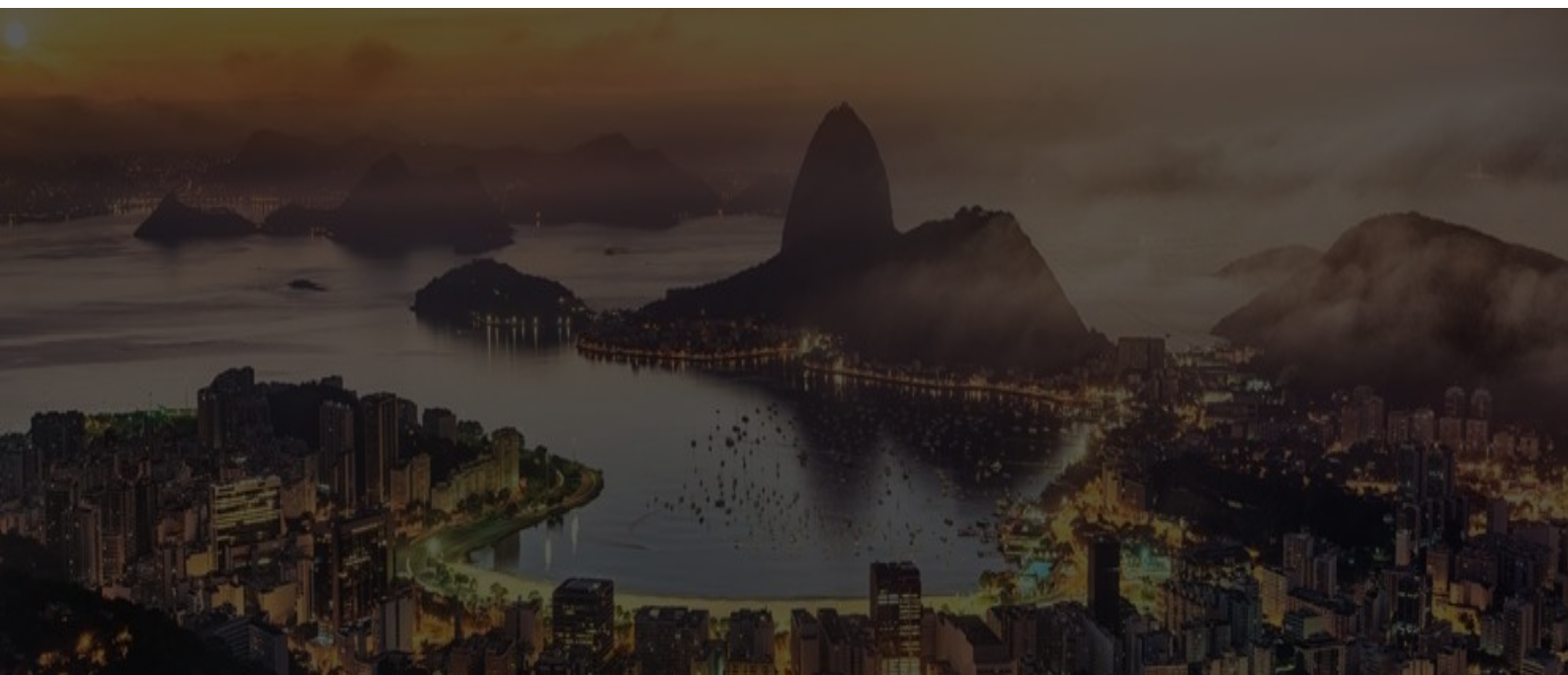
EXECUTIVE SNAPSHOT: WHY BRAZIL?

Brazil is one of the world's leading mining jurisdictions, combining geological scale, mineral diversity, large access to renewable energy, and a mature institutional framework. The country has a long-standing mining tradition and hosts some of the largest mining assets globally, operated by both domestic and international players.

Beyond its established position in traditional commodities, Brazil is increasingly recognized as a strategic supplier of critical minerals essential to the global energy transition.

BRAZIL OFFERS:

- Significant reserves of critical minerals in addition to vast territory and geological diversity, Brazil has great potential for new mineral reserve discoveries;
- Low-emission energy matrix, therefore attracting investments that focus on "green" products;
- A stable legal framework with constitutional protection of mining rights;
- Safe and war-free jurisdiction with a large coast providing easiness to export production;
- Openness to foreign investment in the mining sector;
- Alternative supply sources and partnerships for countries that have been suffering with the increase in trade restrictions on strategic minerals; and
- Significant greenfield and brownfield opportunities, particularly in critical minerals.



BRAZIL AT A GLANCE MACROECONOMIC & INSTITUTIONAL CONTEXT

Brazil has currently over 213 million inhabitants with a robust internal market and spans a vast territorial area of over 8.5 million km², with about 10 thousand km² coastline, being the world's 5th largest country and by far the largest in Latin America.

MACROECONOMIC OVERVIEW

According to estimates by the International Monetary Fund (IMF) in 2025, Brazil is the largest economy in Latin America. We have a diversified economic structure, with strong industrial, agribusiness, energy, and mining sectors, reducing exposure to single-commodity cycles.

According to the World Economic Outlook 2025 report, which analyzes the Gross Domestic Product (GDP) projections for countries in the region, Brazil is projected to have a GDP of **US\$ 2.26 trillion**.

Mining plays a central role in Brazil's economy, contributing materially to exports, foreign exchange inflows, and regional development. The country has a long track record of hosting foreign capital in extractive industries, including mining, oil & gas, infrastructure, and power generation.

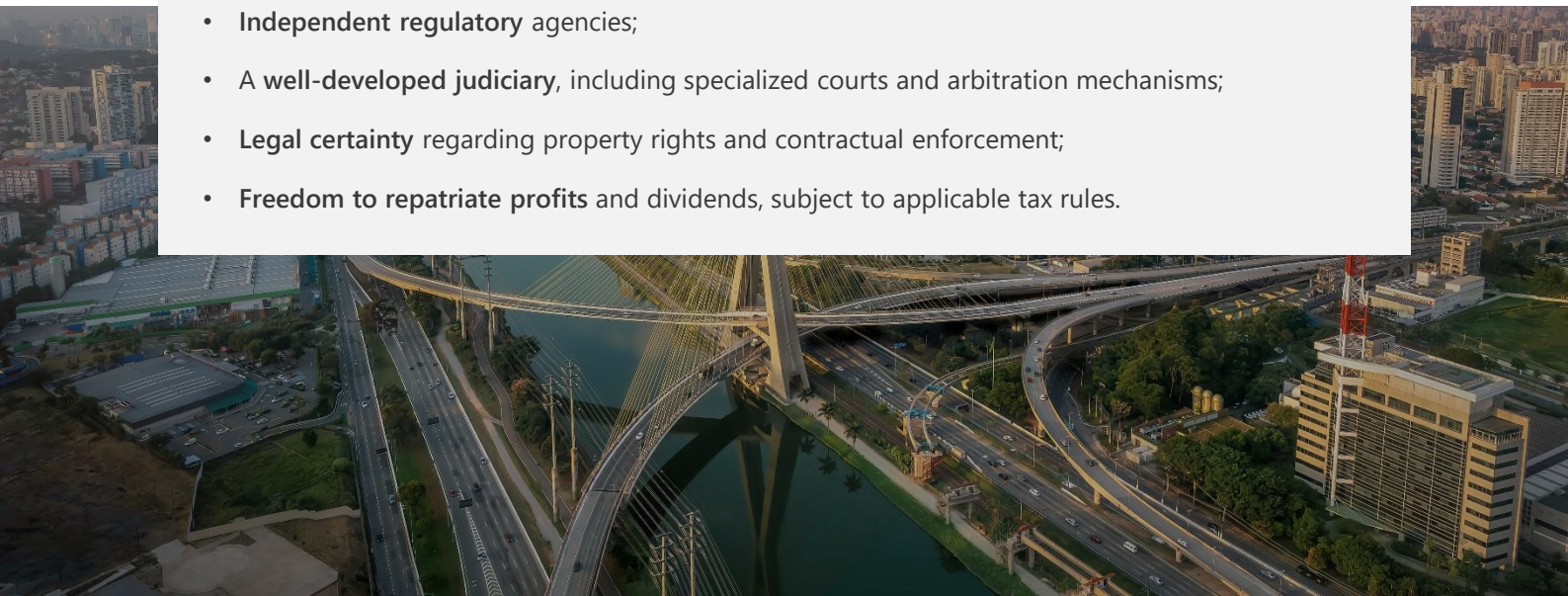
According to OECD, Brazil was the **4th largest destination for global FDI with a FDI of Stock USD 1.141 trillion** in 2024, with the USA being the country that concentrates the largest share of investments.

POLITICAL AND INSTITUTIONAL STRUCTURE

Brazil is a democracy with competitive elections, organized as a federative republic, consisting of the union of States, Municipalities, and the Federal District. Moreover, the 1988 Federal Constitution provides for a presidential type of government with three independent branches: the Executive, the Legislative and the Judiciary.

FOREIGN INVESTORS BENEFIT FROM:

- **Federal and centralized** rules related to mining rights;
- **Independent regulatory** agencies;
- A **well-developed judiciary**, including specialized courts and arbitration mechanisms;
- **Legal certainty** regarding property rights and contractual enforcement;
- **Freedom to repatriate profits** and dividends, subject to applicable tax rules.



BRAZIL AT A GLANCE MACROECONOMIC & INSTITUTIONAL CONTEXT

RISK PERCEPTION

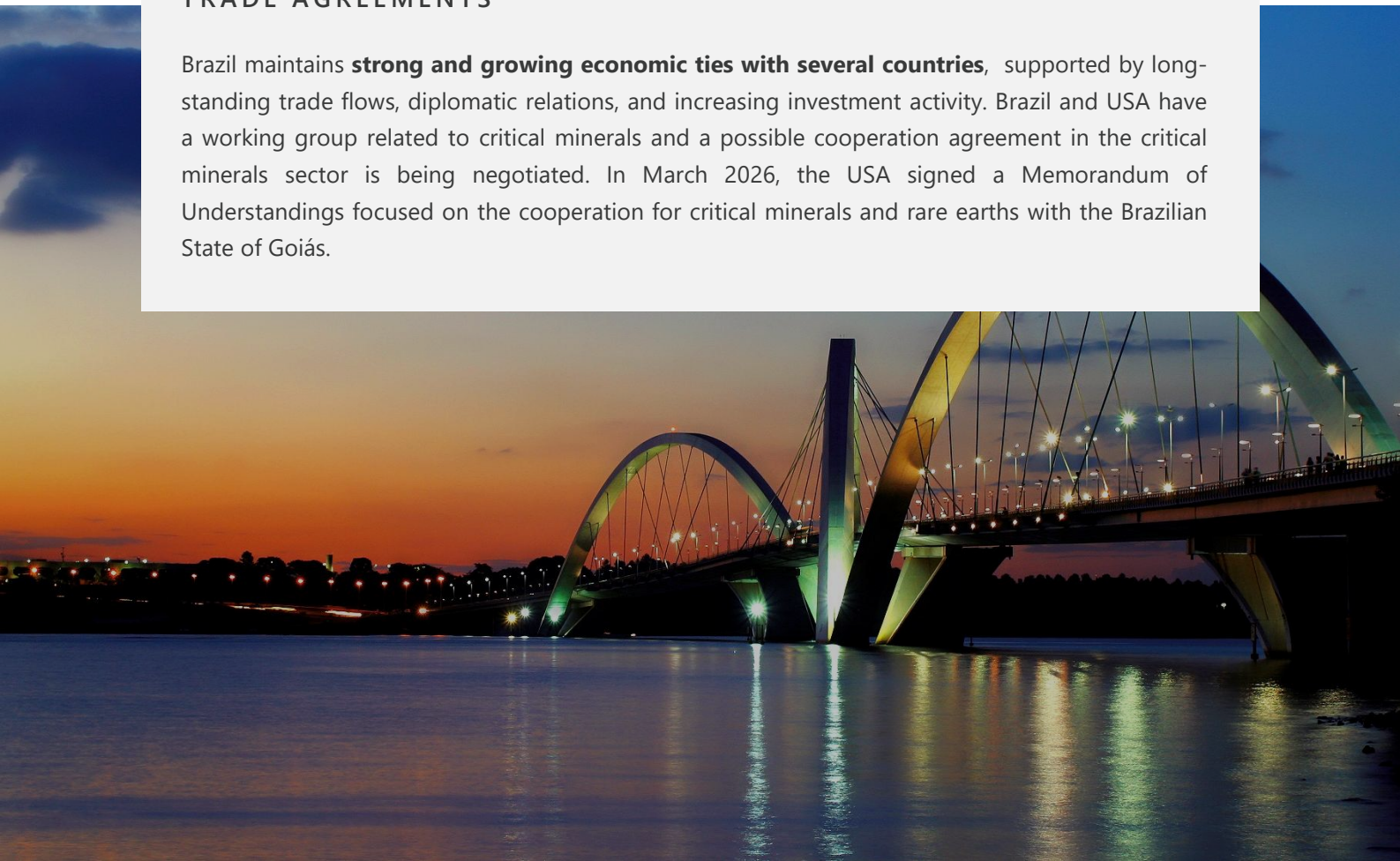
Brazil is located far from major geopolitical hotspots, without border disputes.

At the same time, Brazil’s overall risk perception has improved significantly: the Credit Default Swap (CDS) dropped from 310 basis points in 2022 to 205.02 in December 2024. In September 2025, the CDS reached 125.89 basis-points, signaling greater investor confidence. This trend supported upgrades by international credit rating agencies:

CREDIT RATING AGENCY	BRAZIL SOVEREIGN RATING	LATEST UPDATE
Moody’s Investors Service	Ba1	October 2024
S&P Global Ratings	BB	June 2025
Fitch Ratings	BB	June 2025

TRADE AGREEMENTS

Brazil maintains **strong and growing economic ties with several countries**, supported by long-standing trade flows, diplomatic relations, and increasing investment activity. Brazil and USA have a working group related to critical minerals and a possible cooperation agreement in the critical minerals sector is being negotiated. In March 2026, the USA signed a Memorandum of Understandings focused on the cooperation for critical minerals and rare earths with the Brazilian State of Goiás.



BRAZIL'S MINING SECTOR SCALE, DIVERSITY AND TRACK RECORD

The estimated investment in mining sector projects for the 2026–2030 period is US\$76.9 billion; a 12.5% increase compared to the previous period. The forecast is US\$21.3 billion (+15.2%) by 2030 for critical minerals (graphite, vanadium, niobium, copper, nickel, rare earth elements, bauxite, lithium, titanium, and zinc).

Brazil holds the world's largest niobium reserves, the second-largest graphite and rare earth minerals reserves, and the third-largest reserves of iron ore and nickel. A significant increase in these figures is expected as geological knowledge expands and, most importantly, as ongoing mineral exploration projects achieve success.

MINERAL	RESERVES 2025 (T)	WORLD SHARE (%)	RANKING
RARE EARTHS ELEMENTS	21,000,000	24.7%	2°
LITHIUM	1,840,000*	5%	7°
COPPER	79,000,000**	8%	6°
NICKEL	16,000,000	11.4%	3°
NIOBIUM	14,000,000	66.7%	1°
VANADIUM	94,000	0.45%	5°
GRAPHITE	74,000,000	23.9%	2°
MANGANESE	300,000,000	16.7%	4°
ALUMINUM (BAUXITE)	1,700,000,000	5.9%	5°
IRON ORE	34,000,000,000	17%	3°

Source: USGS 2026 and MME 2026. (*) Estimated lithium reserves of 540,000 metric tons (official) + 1,300,000 metric tons from Sigma Lithium Resources – certified on the Toronto and Nasdaq stock exchanges. (**) Copper: Reserves – as of 2024. Source: International Copper Study Group (ICSG).

In 2023, Brazil produced approximately 436 million tons of iron ore, reflecting the scale and maturity of its mining sector.



BRAZIL'S MINING SECTOR SCALE, DIVERSITY AND TRACK RECORD

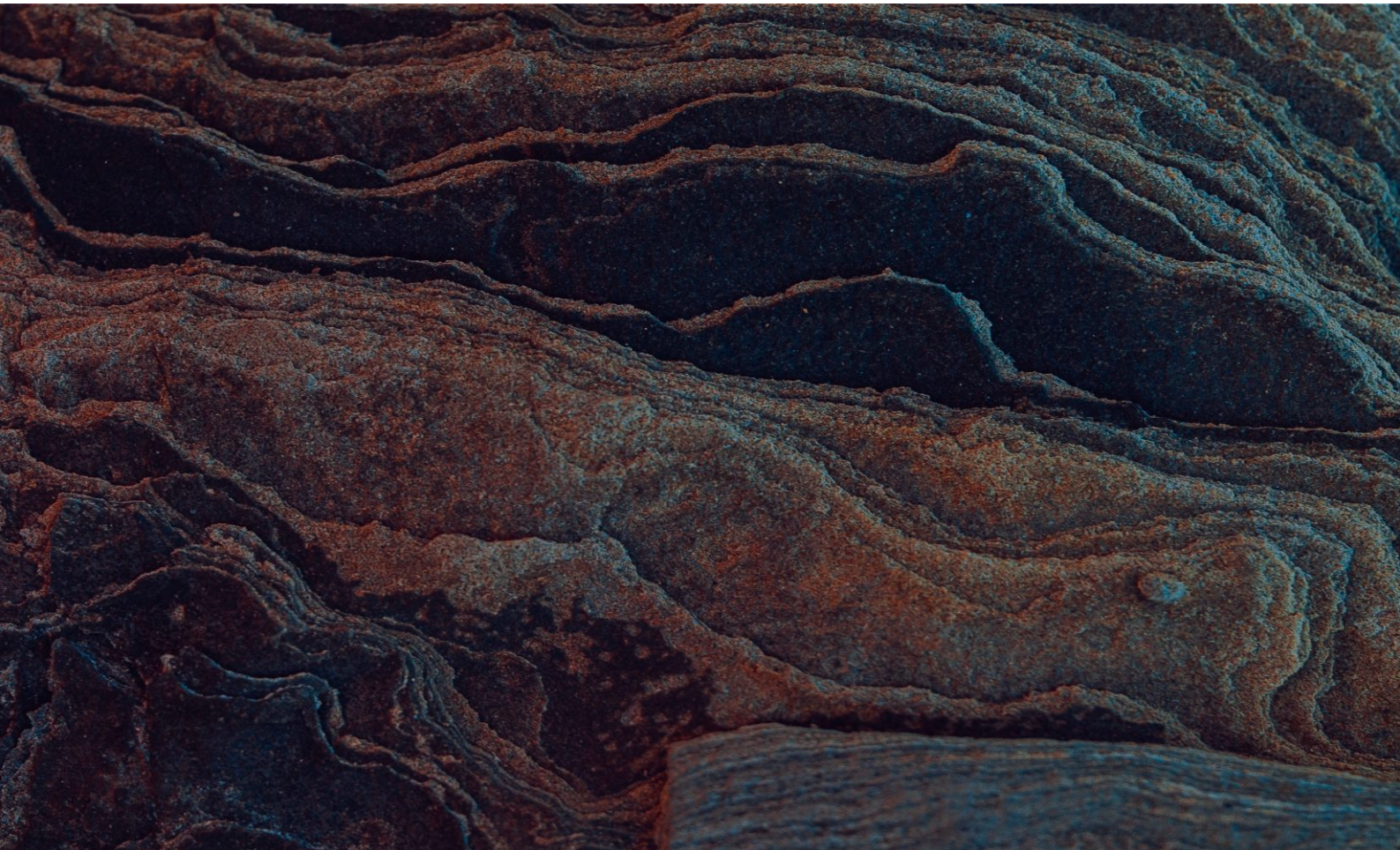
Below a list of critical minerals on going projects, as per Brazilian Ministry of Mines and Energy:

MINERAL	PROJECT	CITY	STATE
Cobalt	Projeto Piauí Níquel	Capitão Gervásio Oliveira	PI
	Vermelho	Carajás	PA
Litium	Projeto Neves	Itinga	MG
	Colina/Salinas	Salinas	MG
	Projeto Bandeira	Itinga	MG
	Plantas de concentrado / expansion	Nazareno	MG
	Complexo Grotta do Cirilo	Vale do Jequitinhonha	MG
	Barreiro	Vale do Jequitinhonha	MG
Copper	Pantera	Ourilândia do Norte	PA
	Projeto Furnas	Carajás	PA
	Luanga	Curionópolis	PA
	Pilar e Vermelhos	Jaguarari/Juazeiro	BA
	Salobo III	Marabá	PA
	Cristalino/Extension Hub	-	PA
	Expansão	Alto Horizonte	GO
	Projeto Bacaba	Canaã dos Carajás	PA
	Cabaçal	Cabaçal	MT
	Alemão	Parauapebas	PA
Nickel	Projeto Níquel Sulfeto Jaguar	Carajás	PA
	Onça Puma	Ourilândia do Norte	PA
	Projeto Piauí Níquel	Capitão Gervásio Oliveira	PI
	Vermelho	Carajás	PA
	Projeto Santa Rita	Itagibá	BA
	Araguaia	Conceição do Araguaia	PA
Rare Earth Elements	Araxá	Araxá	MG
	Produção de concentrado de óxidos	Ubaira e Jequiriçá	BA
	Projeto Argila Iônica PCH	Iporá	GO
	Aproveitamento de rejeitos de Bom Futuro	Ariquemes	RO
	Colossus	Poços de Caldas	MG
	Argilas Iônicas Módulo Carina	Nova Roma	GO
	Projeto de extração de argila iônica	Poços de Caldas	MG
	Depósito Pela Ema	Minaçu	GO
Titanium	Terras raras e titânio	Tiros	MG
	Projeto titânio - ilmenita	Maracás	BA
	Retiro	São José do Norte	RS
Graphite	Expansion - Mina Boa Sorte	Itagimirim	BA
Vanadium	Expansion - planta/mina	Maracás	BA
Niobium	Expansion- Bateria Fabric	Araxá	MG

BRAZIL'S MINING SECTOR SCALE, DIVERSITY AND TRACK RECORD

Recently the only operating rare earths' mine (project Pela Ema owned by Serra Verde) was sold to an American company – USA Rare Earth. However, there are over 1,400 authorizations issued by Brazilian Mining Agency for research related to rare earths. Amongst the current initiatives, there are mining companies listed abroad, as well as Brazilian companies both listed locally and with closed capital. Below are the most relevant rare earths projects in Brazil:

COMPANY	STATUS	MAIN PROJECTS
Serra Verde (sold to USA Rare Earth)	Commercial Production	RARE EARTH AND IONIC CLAY: Pela Ema, Minaçu (GO)
Aclara Resources	Installation	RARE EARTH: Nova Roma (GO)
Appia Rare Earths & Uranium	Advanced research	RARE EARTH: Iporá, Diorama, Israelândia (GO)
Viridis Mining & Minerals	Viability studies	RARE EARTH: Poços de Caldas (MG)
Meteoric Resources	Advanced studies	VULCANIC: Poços de Caldas (MG)
St George Mining	Research	RARE EARTHS, NIOBIUM: Araxá (MG)
Atlas Critical Minerals	Research	RARE EARTHS, GRAFITE: Projetos em MG e GO



MINING REGULATORY FRAMEWORK

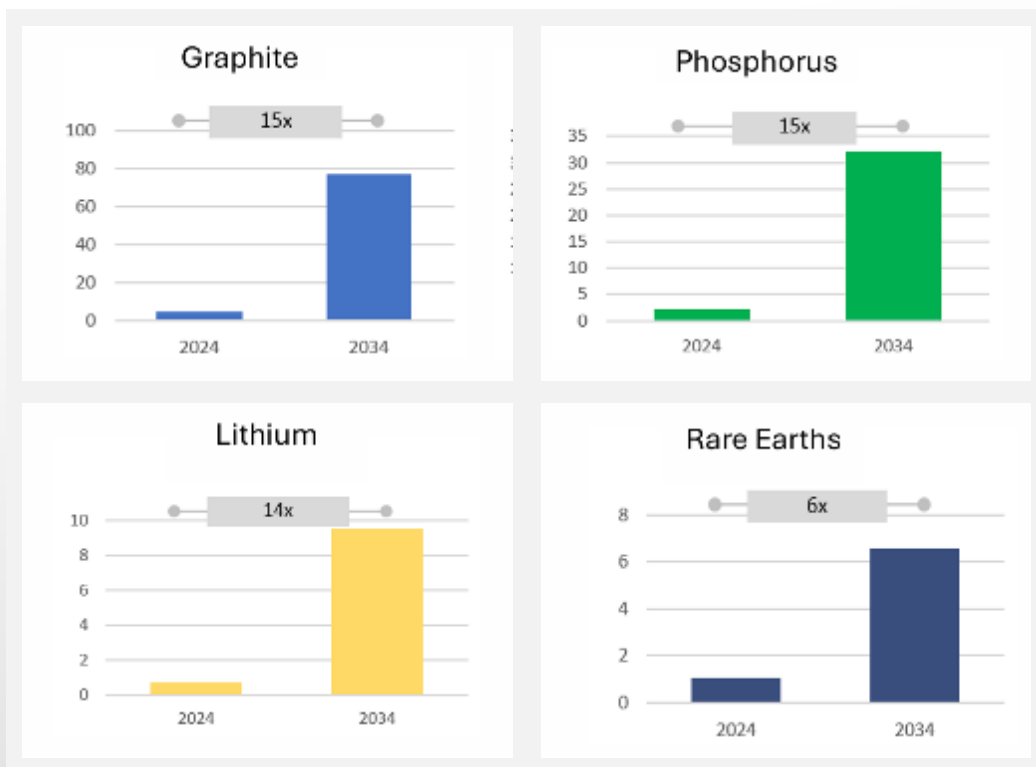
PRESENCE OF INTERNATIONAL INVESTORS

Brazil hosts a broad base of international mining companies, many with decades-long operating histories in the country. This sustained presence reflects confidence in the regulatory framework, availability of skilled labor, and alignment with international operational, governance, and ESG standards.

- Mubadala Capital and Trafigura – Iron ore
- Anglo American PLC, the holding company of the Anglo-American Group – Iron ore
- ArcelorMittal (multinational steel group) – Iron ore
- Eurasian Resources Group – ERG – Iron ore
- AngloGold Ashanti Group – Gold ore
- Kinross Gold Corporation – Gold ore
- CMOG – China Molybdenum Co. – Niobium and Phosphates
- Norsk Hydro – Bauxite

GROWTH IN DEMAND

The local demand for critical minerals is expected to grow significantly by 2034, driven by the expansion of the power grid and the electrification of vehicles. The values reflect the total accumulated in kton and the proportional increase in minerals demanded for the power grid and vehicle batteries by 2024 and 2034. The minerals with the highest proportional increases are graphite, phosphorus, lithium, and rare earth elements, with this growth mainly driven by the electrification of the fleet and their use in batteries.



Source: EPE, 2025

MINING REGULATORY FRAMEWORK

The Brazilian mining sector is supported by a robust regulatory framework, which is fundamental for attracting foreign investments.

OWNERSHIP OF MINERAL RESOURCES AND MINING RIGHTS

Under Brazilian law, mineral resources belong to the Federal State and mining activities are carried out through authorizations or concessions granted by the federal government. The legislation guarantees title holders the right to the products of mining and establishes that States, Municipalities, and the Federal Government are entitled to a share of the royalties from the exploration (usually ranging from 1-3,5% of the gross revenues of the sale of the minerals).

Concessions and authorizations are held by Brazilian incorporated companies, which serve as the operational and legal vehicles for mining projects. These companies may be fully or partially owned by foreign shareholders, allowing international investors full economic participation and strategic involvement through locally incorporated entities.

Concessions or authorizations confer exclusive rights to explore and exploit specific mineral resources in specific areas, subject to compliance with applicable legal, environmental, and technical requirements. Brazilian law clearly distinguishes between:

- Ownership of surface land; and
- Rights over mineral resources.

Under the relevant regulatory framework, mining concessions may be used as collateral in financing operations for mineral projects. The guarantee is formalized through an agreement and must be registered with the National Mining Agency (ANM), which maintains a public record.

REGULATORY AUTHORITIES

Mining activities in Brazil are regulated by the National Mining Agency (ANM), an independent federal regulator linked to the Ministry of Mines and Energy (MME). The ANM is responsible for granting and supervising mining titles, overseeing compliance with mining legislation, and regulating the use of mineral resources nationwide.

In recent years, the ANM has advanced a regulatory agenda aimed at strengthening transparency, governance, and legal certainty in the mining sector. The agency has actively engaged with market participants through public consultations and open board meetings, fostering regulatory predictability and stakeholder participation.

TAXES

In addition to the payment of royalties to Federal Government provided for above, other taxes apply to the sector and there are state programs that offer local benefits. However, the ongoing tax reform may impact the overall taxation applicable to the projects and specific analysis is required for each project.

PUBLIC SUPPORT AND FINANCING

The public financing ecosystem for the Brazilian mineral sector brings together institutions with complementary mandates:

- **BNDES:** the main development finance institution, with specific credit lines for mining and mineral processing projects, including CAPEX financing and working capital;
- **Financier of Studies and Projects (FINEP):** supports Research, Development, and Innovation (RD&I) projects;
- **Brazilian Enterprise for Industrial Research and Innovation (Embrapii):** promotes industrial research and development by providing non-reimbursable funding for RD&I projects, often in partnership with educational institutions and private companies.

RD&I investments may benefit from the tax incentives under the *Lei do Bem* (Law for Good), which allows deductions from corporate income tax (IRPJ), social contribution on net profit (CSLL), and the tax on industrialized products (IPI) for companies that invest in technological innovation.

- **Call for Projects.** In January 2025, BNDES and FINEP launched a Public Call to promote investments in productive capacity and RD&I for the processing of strategic minerals (aluminum, cobalt, copper, lithium, niobium, nickel, rare earth elements, among others). Of the 124 proposals submitted, 56 plans were selected, forming a pipeline of R\$45.8 billion in investments. In May 2026, the BNDES stated that it is exploring the potential to reach R\$ 50 billion in investment and credit in the sector.
- **Private Equity Fund (FIP) in Strategic Minerals.** The Private Equity Investment Fund (FIP) in Strategic Minerals is a partnership launched between BNDES and the Ministry of Mines and Energy (MME) to mobilize over R\$1 billion in business projects focused on the energy transition, decarbonization, and sustainable food production. Management will be handled by Ore Investments and JGP BB Asset, with contributions expected in the first half of 2026. BNDES will contribute up to R\$250 million (up to 25% of the total), covering 15 to 20 companies.
- **BNDESPAR Direct Investments.** In 2025, BNDESPAR resumed direct equity investments, with a focus on the energy transition and critical minerals. BNDESPAR supports greenfield projects (new mines) and brownfield projects (expansions), acquiring minority and transitional stakes through primary offerings.
- **Tax-Incentivized Debentures for Mineral Processing.** Decree No. 11,964/2024 authorized debentures with tax incentives for projects involving the processing of strategic minerals for the energy transition (batteries, wind turbines, electric motors). The incentive applies only to processing, not to mining. Eligible processing projects are permitted to allocate funds raised through the debentures to mining and mine development expenses, within the limits established by MME ordinance. Depending on the type of debenture issued (infrastructure debenture or incentivized debenture), the income and revenues tax reduction benefit is enjoyed either by the issuing company or by the investor holding the instrument.

Further there are other programs aimed at the development of Brazilian industry that may apply to the mining sector, especially due to its relevance to the energy transition.

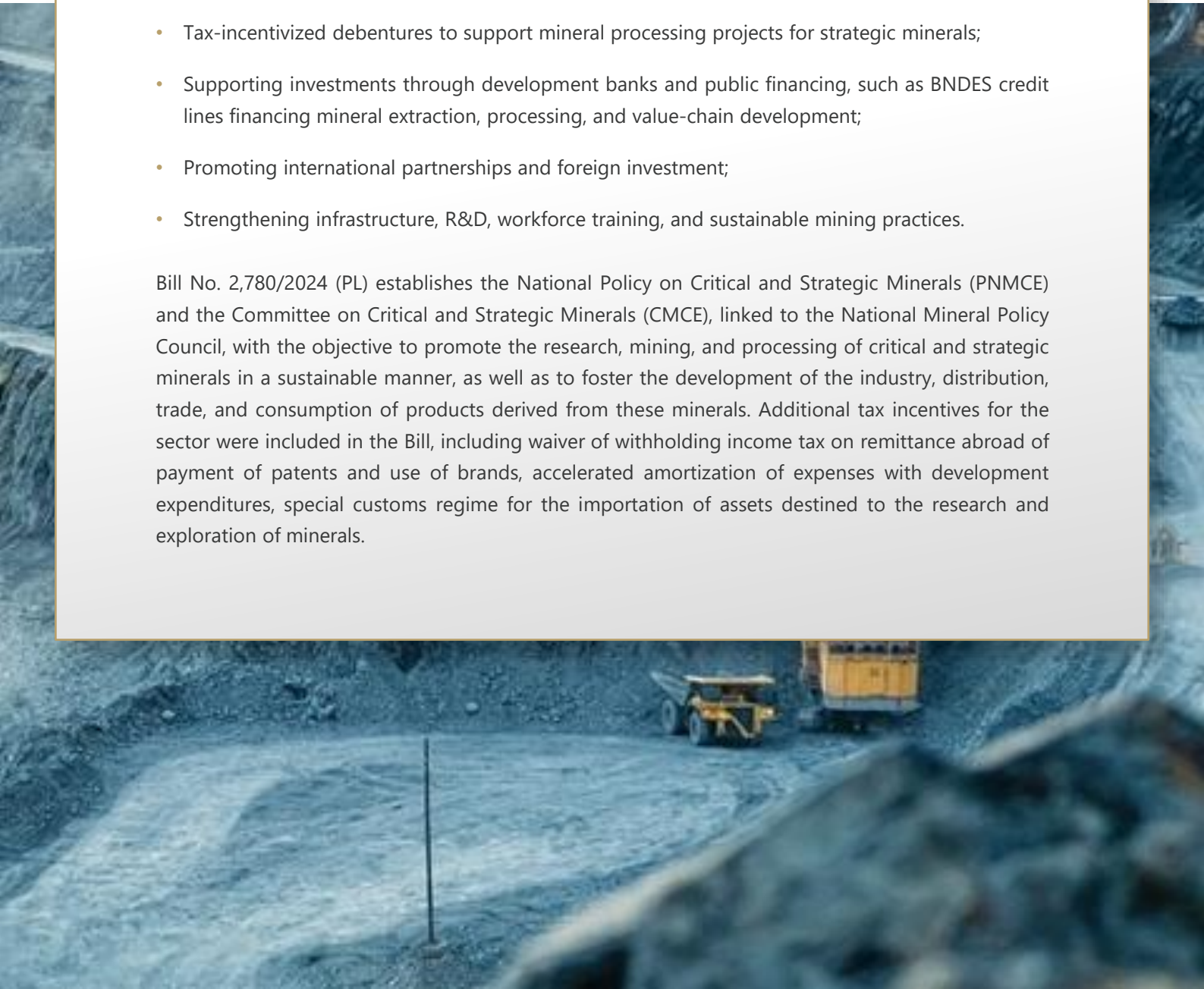
CRITICAL AND STRATEGIC MINERALS

Brazil has placed critical minerals at the center of its energy transition strategy. Through the Ministry of Mines and Energy (MME), the government is advancing policies to expand geological knowledge, mineral exploration, production, and domestic mineral processing of strategic minerals essential to decarbonization and electrification. As mentioned, Brazilian Law allows for the exploration and exportation of minerals, however, government is currently focusing on developing a local processing capacity.

GOVERNMENT ACTION FOCUSES ON:

- Accelerating permitting and approvals for strategic minerals;
- Expanding geological surveys and resource mapping (including Plan Geo 2025–2034, mapping priority mining areas across Brazil);
- Tax-incentivized debentures to support mineral processing projects for strategic minerals;
- Supporting investments through development banks and public financing, such as BNDES credit lines financing mineral extraction, processing, and value-chain development;
- Promoting international partnerships and foreign investment;
- Strengthening infrastructure, R&D, workforce training, and sustainable mining practices.

Bill No. 2,780/2024 (PL) establishes the National Policy on Critical and Strategic Minerals (PNMCE) and the Committee on Critical and Strategic Minerals (CMCE), linked to the National Mineral Policy Council, with the objective to promote the research, mining, and processing of critical and strategic minerals in a sustainable manner, as well as to foster the development of the industry, distribution, trade, and consumption of products derived from these minerals. Additional tax incentives for the sector were included in the Bill, including waiver of withholding income tax on remittance abroad of payment of patents and use of brands, accelerated amortization of expenses with development expenditures, special customs regime for the importation of assets destined to the research and exploration of minerals.



CRITICAL AND STRATEGIC MINERALS

Bill No. 2,780/2024 introduces a comprehensive framework to foster the critical and strategic minerals industry in Brazil. Among its key provisions, three mechanisms stand out:

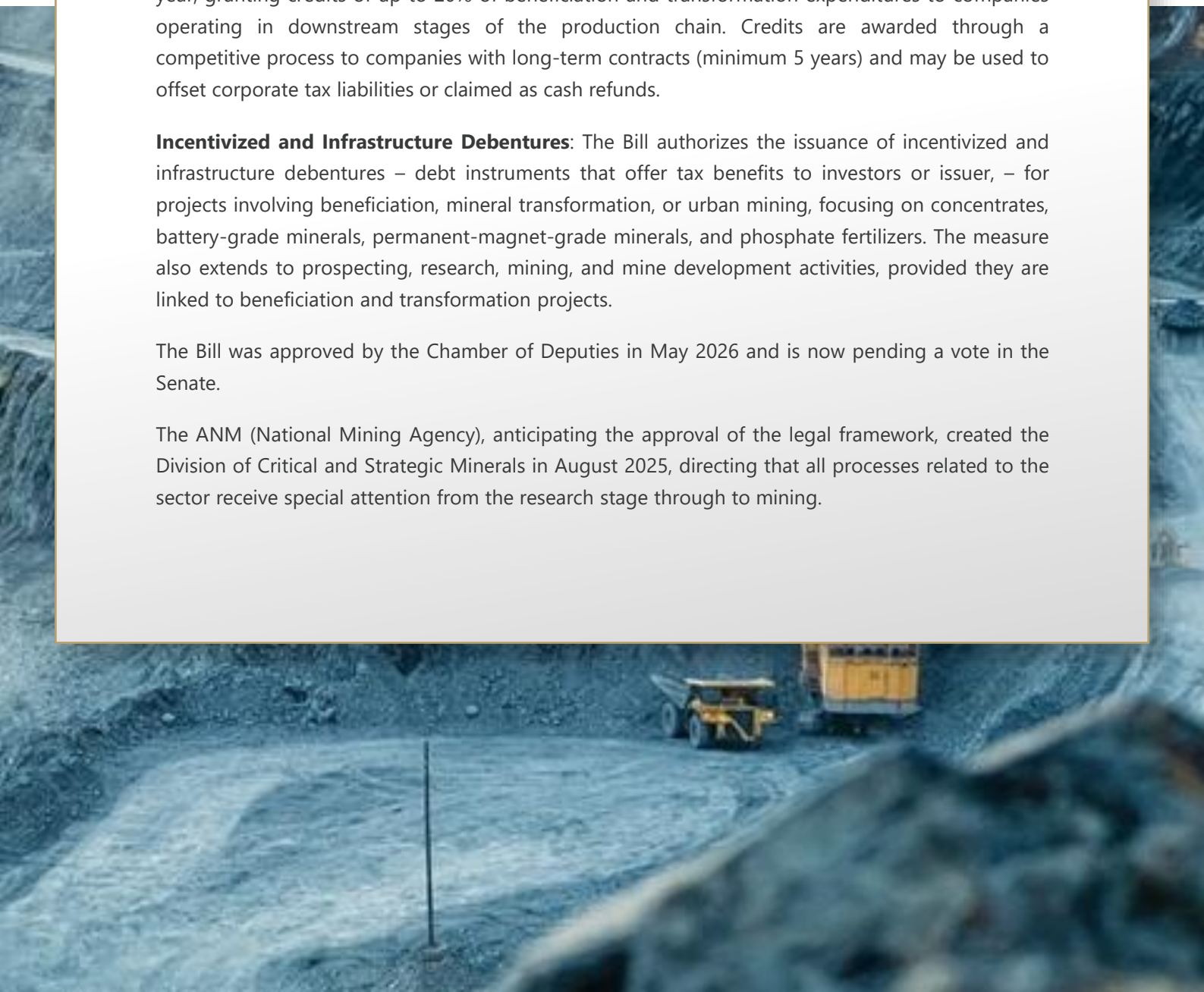
Mining Activity Guarantee Fund (FGAM): A private-nature guarantee fund with a BRL 5 billion limit, designed to provide credit risk guarantees for priority projects in the critical and strategic minerals sector. The fund's assets will be entirely separate from the managing federal institution, and it may receive contributions from states, municipalities, foreign governments, and multilateral organizations, in addition to federal resources and signature bonuses from exploration area auctions

Federal Program for Beneficiation and Transformation of Critical and Strategic Minerals (PFMCE): A tax credit program totaling BRL 5 billion over five years (2030–2034), at BRL 1 billion per year, granting credits of up to 20% of beneficiation and transformation expenditures to companies operating in downstream stages of the production chain. Credits are awarded through a competitive process to companies with long-term contracts (minimum 5 years) and may be used to offset corporate tax liabilities or claimed as cash refunds.

Incentivized and Infrastructure Debentures: The Bill authorizes the issuance of incentivized and infrastructure debentures – debt instruments that offer tax benefits to investors or issuer, – for projects involving beneficiation, mineral transformation, or urban mining, focusing on concentrates, battery-grade minerals, permanent-magnet-grade minerals, and phosphate fertilizers. The measure also extends to prospecting, research, mining, and mine development activities, provided they are linked to beneficiation and transformation projects.

The Bill was approved by the Chamber of Deputies in May 2026 and is now pending a vote in the Senate.

The ANM (National Mining Agency), anticipating the approval of the legal framework, created the Division of Critical and Strategic Minerals in August 2025, directing that all processes related to the sector receive special attention from the research stage through to mining.



TAX FRAMEWORK

Brazil's tax system is organized across three levels of government – federal, state, and municipal – each with constitutionally defined taxing powers. This multi-layered structure means that mining projects may be subject to taxes, contributions, and fees imposed by all three levels, making early tax planning an essential component of any investment decision.

CORPORATE TAXES (FEDERAL)

General Aspects: Brazilian companies are subject to Corporate Income Tax (IRPJ) at a rate of 15%, plus a 10% surtax on annual taxable income exceeding BRL 240,000, and the Social Contribution on Net Profits (CSLL) at 9%, resulting in a combined corporate income tax rate of 34%. The taxable basis takes as its starting point the company's accounting net income, which follows IFRS standards as adopted in Brazil, adjusted by additions, exclusions, and deductions established under tax laws.

Dividends and Cross-Border Payments. Following the enactment of Law No. 15,270/2025, profits and dividends distributed to non-resident investors as of January 2026 are subject to a 10% WHT. Cross-border payments of interest, royalties, service fees, and capital gains are subject to WHT at rates generally ranging from 15% to 25%, depending on the nature of the payment and the residence of the beneficiary. Payments to recipients located in low tax jurisdictions are subject to a 25% WHT rate. In addition, remittances of royalties and technical service fees may be subject to the Contribution on Economic Activities (CIDE) at a rate of up to 10%.

Double Taxation Treaties. Brazil has signed and ratified double taxation treaties with 35 jurisdictions, including major trade and investment partners such as China, Japan, South Korea, the United Arab Emirates, Canada, South Africa, and several European countries. These treaties establish maximum withholding rates on dividends, interest, and royalties, providing an additional layer of tax efficiency and legal certainty for cross-border investment structures. Notably, Brazil does not currently have a double taxation treaty with the United States.

International Tax Alignment. Brazil's transfer pricing rules have been fully aligned with OECD standards since 2024, through Law No. 14,596/2023. The new framework adopts the arm's length principle, comparability analysis, and the "best method" approach, replacing the previous system of fixed margins. In addition, Brazil has enacted Pillar Two global minimum tax rules (GloBE) through Law No. 15,079/2024, establishing a Qualified Domestic Minimum Top-up Tax (QDMTT) at a 15% minimum effective tax rate for multinational groups with consolidated revenues exceeding EUR 750 million, effective as of January 1, 2025.

Tax Incentives. The Brazilian government offers targeted tax incentives that are particularly relevant to the mining sector. Companies investing in technological innovation may benefit from the Lei do Bem (Law for Good), which allows deductions from IRPJ, CSLL, and IPI for qualifying R&D expenditures — an important tool for mining companies developing new extraction technologies or processing methods. Additionally, companies undertaking approved investment projects in the areas covered by the Amazon Development Superintendence (SUDAM) and the Northeast Development Superintendence (SUDENE) may be granted a reduction of up to 75% of IRPJ. Notably, SUDENE's coverage extends beyond the Northeast to include certain municipalities in the states of Minas Gerais and Espírito Santo.

TAX FRAMEWORK

CONSUMPTION TAX REFORM (FEDERAL, STATE AND MUNICIPAL)

Brazil is undergoing the most significant overhaul of its consumption tax system in decades. Enacted through Constitutional Amendment No. 132/2023 and regulated by Complementary Law No. 214/2025, the reform replaces five existing taxes with a dual Value Added Tax (VAT) model and introduces an additional excise-type tax:

- The Contribution on Goods and Services (CBS), a federal tax replacing PIS and COFINS;
- The Tax on Goods and Services (IBS), a subnational tax replacing ICMS (state-level) and ISS (municipal-level); and
- The Selective Tax (*Imposto Seletivo* – IS), a federal excise-type levy designed to discourage the consumption of goods and services considered harmful to health or the environment.

The combined reference rate for CBS and IBS is estimated at approximately 26.5%, though sector-specific reduced rates and exemptions may apply. The new system will be phased in gradually: CBS begins in 2027, IBS is introduced in 2029, and both will fully replace ICMS and ISS by 2033. During the transition period (2029–2032), the current and new regimes will coexist. The reform aims to simplify the tax system, eliminate cumulative taxation, and reduce compliance complexity for foreign investors.

Implications for the Critical Minerals Mining Sector

Key points of attention include:

- **State and Municipal Inspection Fees.** The reform preserves the authority of States and Municipalities to levy inspection and oversight fees (*taxas de fiscalização*) related to mining activities. These charges, which are separate from the new IBS, will continue to apply.
- **Selective Tax (*Imposto Seletivo*).** Mining activities involving the extraction of mineral resources have been included within the scope of the Selective Tax. Under Constitutional Amendment No. 132/2023, the IS rate on mineral extraction is capped at 1% of the gross revenue from the extracted resource. For the critical minerals sector, the potential impact on production costs and project economics requires careful assessment as further regulations are developed.
- **Reduction of State Tax Incentives.** Under the current system, Brazilian States have broad authority to grant ICMS-based tax incentives to attract foreign investment. With the gradual replacement of ICMS by IBS — a tax governed by uniform national rules — the scope for state-level fiscal incentives is expected to be significantly reduced compared to the current scenario. In response, States have been exploring alternative mechanisms to remain competitive, such as financial subsidies (*subvenções financeiras*) and subsidized financing programs.

These new elements will add to the sector's existing tax framework — including CFEM royalties, income taxes, and applicable incentive regimes — and will demand project-specific analysis to evaluate the combined tax burden under the reformed system.

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