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Brazil's spirits industry accepts the government's provisional sin tax measure

ABBD said the plan preserves a 2027 transition at current IPI rates, leaving producers awaiting the 2028 tax bill

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Brazil’s distilled spirits industry said it does not oppose the Brazilian government’s provisional measure regulating the new Selective Tax, widely known as the “sin tax,” but it is pressing for early clarity on the rates that will apply from 2028.

The position was laid out by the Brazilian Distilled Beverages Association, known as ABBD, in comments reported by Folha de S.Paulo on Nov. 22. The group said the government’s text respected an understanding previously reached between industry representatives and the economic team, and it chose not to propose amendments to the measure now before Congress.

ABBD president Eduardo Cidade said the association accepted the proposal because it preserves the agreed transition for 2027. Under that arrangement, the “sin tax” will carry the same rate as the current federal industrial products tax, or IPI, during that year. But he said the sector wants predictability before the new permanent rates take effect.

“The proposal was validated by the sector, since it was built on an agreement and the provisional measure only guarantees the maintenance of tax collection in 2027. But we demand predictability so we have time to discuss the new rates,” Cidade said, according to Folha.

The Selective Tax is part of Brazil’s broader tax overhaul and is meant to be charged on goods considered harmful to health or the environment. The tax is expected to cover products including tobacco and alcoholic beverages, as well as some minerals and polluting engines.

According to the report, the Finance Ministry and other members of the federal economic team met with several industries before sending the provisional measure to Congress in an effort to build consensus around the rules for the new tax. Those talks produced an understanding that 2027 would serve as a transition year, with the tax burden aligned to the IPI already in force.

Even so, support for the framework has not stopped other industries from seeking changes. Folha reported that 179 amendments were submitted to the provisional measure, with most of them coming from the beverage sector, including interests

linked to wine and beer. ABBD, by contrast, did not submit amendments and said it intends to enter the debate after the government presents the bill that will define the future rates.

That next step is now central for producers. The economic team must send Congress a bill by May 2027 setting the new Selective Tax rates that will take effect in 2028. For the distilled spirits industry, the concern is less about the legal structure of the provisional measure and more about the lack of detail on what the tax burden will be once the transition ends.

That uncertainty matters across the beverage market because tax rates can shape production plans, pricing, distribution contracts and import decisions. Spirits makers, brewers, wineries and importers may need long lead times to adjust portfolios, renegotiate supply terms and estimate consumer demand under a new tax regime. A delayed definition of the 2028 rates could make those decisions harder, especially in a market where taxes already play a large role in final shelf prices.

The government has framed the Selective Tax as a policy tool aimed at discouraging consumption of products with negative health or environmental effects while preserving revenue during the transition to the new system. For industries covered by the tax, however, the political debate is now moving from the broad framework to the specific rates that will determine how strongly the measure affects each category.

ABBD’s stance suggests at least part of the spirits industry is willing to live with the transition path set by the government, provided it gets enough advance notice to prepare for 2028. The larger dispute in Congress may therefore center less on whether the tax should exist and more on how heavily different beverage categories will be taxed once the permanent rules are set.