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VAT Implementation in Brazil: Analysis of the Initial Phase

The complexity of the Brazilian tax system is one of the most striking features of its institutional environment. Composed of a multiplicity of taxes on consumption, the current model is widely criticized for its high bureaucratic burden, tax cascading (cumulativity), economic distortions, and strong regressivity. Given the urgent need to modernize the system and promote greater fiscal justice, the proposal to implement a Value Added Tax (VAT) emerges as a central alternative in the debate on tax reform in Brazil.

This investigation focuses specifically on the **initial phase of this implementation**, a decisive period that will define the success of the national collection model's structural transformation. The proposal, present in legislative projects such as PEC 45/2019 and PEC 110/2019, represents a profound change aimed at unifying fragmented taxes (such as ICMS, IPI, ISS, PIS, and COFINS) into a more rational and harmonic system. However, international experience demonstrates that the success of the VAT depends critically on the clarity of transition rules and effective coordination between federative entities.

The central objective of this study is to critically analyze the challenges and perspectives of this implementation phase, investigating the history of the proposals and evaluating the potential impacts on revenue, fiscal justice, and inequality. A key point of the research is to identify the institutional and federative obstacles to the adoption of the tax in Brazil, particularly regarding the relationship between the Union, States, and Municipalities.

Methodologically, the research adopts a qualitative, exploratory, and descriptive approach. The primary investigation technique will be **documentary analysis**, focused on the interpretation of legal texts, reports from the Ministry of Finance and the Federal Revenue Service, and technical opinions from institutions such as IPEA.

To strengthen the analysis, a **systematic comparative approach** will be applied, examining VAT models adopted by other federative countries, specifically **Canada and India**. This choice is justified by the need to understand how different institutional arrangements manage tax

operations within contexts of political decentralization, offering valuable insights for the Brazilian case. Through this comparison, I intend to identify best practices and intergovernmental compensation mechanisms that can ensure federative balance during the transition.

With this investigation, I expect to contribute to the technical and academic debate by offering insights for the formulation of more effective, simplified, and socially just public policies

Keywords: Tax Reform; VAT (Value Added Tax); Fiscal Federalism; Transition Phase; Comparative Analysis; Economic Efficiency; Tax Legislation.