CCIA Explainer

Tax-Related Barriers to Digital Infrastructure Investments in Brazil

Introduction and Summary

While the United States has recently reduced tariffs on Brazilian imports from over 40% to 10%, Brazil is increasing tariffs on more than 1,000 capital goods, including IT equipment, and advancing measures that constrain U.S. investment in digital infrastructure. These developments contribute to a broader policy environment that is increasingly restrictive for U.S. technology providers.[1]

Most notably, Brazil's tax regime is significantly increasing the cost of deploying digital infrastructure, with data center investment costs estimated to be nearly 30% higher as a result. These cost increases directly undermine Brazil's stated ambition to attract up to US$377 billion in digital infrastructure investment over the next decade and risk weakening its competitiveness as a global AI and cloud hub.[2] These tax and tariff measures are further compounded by emerging regulatory proposals, including Bill 4675/2025, which would impose discriminatory competition obligations on a narrow set of U.S. companies, and Bill 2338/2023 on artificial intelligence (AI), which would significantly restrict AI development and deployment in Brazil.

Below are details on specific aspects of Brazil's tax regime and a set of recommended actions for policymakers.

Compounding Cost Barriers to Investment

Brazil's policy environment creates a compounded cost structure for data center investment: a high baseline tariff burden on imported equipment, limited access to existing duty relief through restrictive "ex-tarifário" decisions, and recent tariff increases on key inputs. Together, these measures significantly raise the cost of deploying advanced digital infrastructure.

- **Compounding Tax Burdens**: Imported data center equipment is subject to a combined federal tax burden of approximately 48.94%, including the Import Tax (II),

[1] CCIA. (2025, October 29). Comments of the Computer & Communications Industry Association Regarding Foreign Trade Barriers to U.S. Exports for 2026 Reporting. https://ccianet.org/wp-content/uploads/2025/10/CCIA-Comments-for-the-2026-USTR-National-Trade-Estimate-Report-1.pdf#page=34; CCIA. (2025, August 18). Comments of the Computer & Communications Industry Association Regarding the Initiation of Section 301 Investigation: Brazil's Acts, Policies, and Practices Related to Digital Trade. https://ccianet.org/wp-content/uploads/2025/08/CCIA-Comments-on-301-Investigation-into-Brazils-Digital-Trade-Barriers.pdf.

[2] Paraguassu, L. (2025, September 17). Brazil launches proposals to attract data centers, regulate digital competition. *Reuters*. https://www.reuters.com/world/americas/brazil-launches-proposals-attract-data-centers-regulate-digital-competition-2025-09-18/. The domestic market is projected to grow from roughly US$3-4 billion today to nearly US$6 billion by 2030. Research and Markets. (2026). Brazil Data Center Market - Investment Analysis & Growth Opportunities 2026-2031. https://www.researchandmarkets.com/reports/5743986/brazil-data-center-market-investment-analysis.

Industrialized Products Tax (IPI), and PIS/COFINS-Import.[3] Given that ICT equipment can account for roughly 60% of total data center costs,[4] this tax burden translates into an estimated 29% increase in overall project costs, significantly raising the upfront cost of deploying infrastructure. This applies broadly to core inputs such as servers and networking equipment, creating a substantial upfront cost for cloud providers building in Brazil.

- **Restoring Predictable Access to Ex-tarifário**: Access to relief under Brazil's ex-tarifário program has also narrowed. While the program is intended to grant duty exemptions where no domestic equivalent exists, 2023 reforms introduced more burdensome application requirements and expanded opportunities for domestic firms to challenge requests.[5] In particular, the "equivalence" standard currently used to evaluate duty exemptions is overly broad and applied at a high level of abstraction, treating any equipment used for data processing as comparable. This fails to account for the specific performance, security, and architectural requirements of technology companies and AI infrastructure, allowing local suppliers to block exemptions even when their products are not viable substitutes and creating a significant market access barrier for U.S. technology providers.[6]

- **Reversing Recent Tariff Increases**. In February 2026, Brazil's Foreign Trade Council (GECEX) raised import duties on approximately 1,200 capital goods and IT and telecommunications products, including critical components such as CPUs and GPUs.[7] These inputs are essential to cloud and AI infrastructure, and these higher tariffs directly undermine the ability of U.S. companies to deploy data centers at scale, further increasing the cost of deploying U.S. data centers in Brazil.

Urgent Policy Actions Required to Unlock Investment

To secure the projected U.S. investment and scale its data center economy, Brazil must prioritize reducing the high cost of deploying digital infrastructure. This includes:

- Advancing the Data Center Attraction legislation (ReData),[8] currently stalled in the Senate, to deliver immediate tax relief;

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[3] PIS (Programa de Integração Social) is a federal contribution used to fund benefits for workers, such as unemployment insurances. COFINS (Contribuição para Financiamento da Seguridade Social) is a federal contribution used to fund public health, social security, and welfare programs. International Trade Administration. (n.d.) Brazil Country Commercial Guide. https://www.trade.gov/country-commercial-guides/brazil-import-tariffs.

[4] Noffsinger, J., Patel, M. & Sachdeva, P. (2025, April 28). The cost of compute: A $7 trillion race to scale data centers. *McKinsey & Company*. https://www.mckinsey.com/industries/technology-media-and-telecommunications/our-insights/the-cost-of-compute-a-7-trillion-dollar-race-to-scale-data-centers. See Exhibit 2, "Capital investments to support AI-related data center capacity demand could range from $3 trillion to $8 trillion by 2030."

[5] *Resolução GECEX nº 512/2023* [Brazil]. (2023). https://www.in.gov.br/en/web/dou/-/resolucao-gecex-n-512-de-16-de-agosto-de-2023-503880256.

[6] Putnam-Ladley, L. (n.d.) Spotlight on Brazil: More Tariff Remedies and Tariffs, Fewer Tariff Exceptions. *Descartes CustomsInfo*. https://www.customsinfo.com/knowledge-center/spotlight-on-brazil-more-tariff-remedies-and-tariffs-fewer-tariff-exceptions/.

[7] *Resolução GECEX nº 852/2026* [Brazil]. (2026). https://www.in.gov.br/web/dou/-/resolucao-gecex-n-852-de-4-de-fevereiro-de-2026-685397607.

[8] ReData offers the suspension or zero-rating of key federal taxes on data center equipment without a domestic equivalent. In exchange, firms must meet defined conditions, including investing at least 2% of equipment value into domestic R&D and complying with sustainability requirements. *Presidential Provisional Measure No. 1,318* [Brail]. (2025). https://www.in.gov.br/en/web/dou/-/medida-provisoria-n-1.318-de-17-de-setembro-de-2025-656851861.

- Restoring predictable access to ex-tarifário exemptions for non-substitutable technologies, including by narrowing the "equivalence" standard to reflect differences in architecture, integration, and performance, rather than treating all data-processing equipment as comparable; and,
- Reversing recent tariff increases on critical ICT and capital goods; and
- Leveraging USTR's Section 301 investigation into Brazil's policies to address discriminatory digital policies that can also constrain AI and digital infrastructure investments, including Bill 4675/2025 on digital competition and Bill 2338/2023 on AI.

Without these reforms, the current policy framework will continue to undermine the commercial viability of U.S. operations, shifting investment toward more competitive regional markets.