

Online Gambling Taxation in Brazil – What Players and iGaming Operators Need to Know

June 26, 2024 // Svilen Madjov



Gambling taxation in Brazil – both on sports betting and online casino income – follows the trajectory of **income taxes** in the country. Only recently has the real-money gaming market received special attention by authorities and legislators, taxation on gambling branches out and acquired **additional legal** and **administrative** structure.

The very concept of income tax in Brazil reflects economic and political changes – initially shaped by colonial practices, [modern Brazilian taxation](#) began with the implementation of a **National Tax Code** in the 1960's, defining **federal**, **state** and **municipal** taxes, and introducing **VAT**.

Significant reforms in the 1990's followed after the 1988 Constitution emphasized the importance of **progressive income taxation**. Technological advances improved **filing efficiency** and **facilitated tax collection** around the turn of the century.

Presently, administrative efforts have been focused on combating **tax evasion** and aligning with **international standards** – e.g., OECD guidelines for transfer pricing and the complexities of taxing cross-border and online services and sales.

Overview of Taxes in Brazil Today

Our report outlines the Brazilian taxation system in a clear and plain format. While **corporate income taxes** go as high as 46% (excluding local taxes and industry-specific levies), **progressive personal income taxes** benefit from various deductions and exemptions. Recent tax code changes aim to reduce the burden on lower-income earners and stimulate economic growth.

Corporate Income Tax on Earnings

Business taxation in Brazil involves a combination of **income tax** and **social contributions**, with additional **surcharges** for **high-profit entities**

- ✓ **Entities Subject to Tax** – Businesses as separate legal entities, even if owned and operated by an individual. The law makes no difference between **local** companies and **foreign** companies operating within Brazil.
- ✓ **Tax Rates** – The general [tax rate for businesses](#) in Brazil includes a **15% corporate income tax (IRPJ)** and a **9% social contribution** on net profit (**CSLL**). Companies with annual profits exceeding BRL 240,000 (approx. USD 48,000) are subject to an additional **10% surcharge**, taking the **compound** levy to **34%** in most scenarios. Financial institutions face a higher CSLL rate of 20%, resulting in a combined tax rate of 46% for these entities.
- ✓ **Taxation Basis and Regimes** – Corporate income is taxed based on the “Actual Profit Method,” “Presumed Profit Method,” “Arbitrated Profit Method” or the “Simples” model (a simplified tax regime for annual revenues under BRL 4.8 mln, i.e., under USD 1 mln). The [taxable base](#) is derived from the company's net income after allowable deductions and credits.

Personal Income Taxes in Brazil

Personal income taxation is **progressive** and applies to a wide range of income sources for individuals. There are several opportunities for **deductions** and **exemptions** to lower taxable income.

- ✓ **Individuals Subject to Tax** – [Personal income tax applies](#) to individuals on their earnings from various **sources**, including wages, salaries, bonuses, rental income, and capital gains.
- ✓ **Tax Rates** – The personal income tax rates are **progressive**, ranging from **0%** for **annual** income up to BRL 22,848 to **27.5%** for income above BRL 55,980 (see all taxation thresholds below).
- ✓ **Deductions and Exemptions** – Individuals can benefit from various deductions and exemptions, such as those for **education**, **healthcare** and **dependents**, which

help reduce their taxable income. There are also a number of [exceptions to the VAT](#) rates and rules, related to socially relevant consumption categories and welfare priorities.

Recent changes to the tax code, brought about by the [Provisional Measure No. 1.206](#) in February 6, 2024, adjusted income **tax rates** and **thresholds** as follows:

Monthly Income (BRL)		Tax Rate	Deduction (BRL)
from	to		
0	2,259.20	0%	0
2,259.21	2,826.65	7.5%	169.44
2,826.66	3,751.05	15%	381.44
3,751.06	4,664.68	22.5%	662.77
4,664.69	∞	27.5%	896.00

These amounts and percentages, in terms of **annual income** ([starting 2025](#)), translate to the following taxable thresholds.

Annual Income (BRL)		Tax Rate	Deduction (BRL)
from	to		
0	27,110.40	0%	0
27,110.41	33,919.80	7.5%	2,033.28
33,919.81	45,012.60	15%	4,577.27
45,012.61	55,976.16	22.5%	7,953.21
55,976.17	∞	27.5%	10,752.02

N.B. Brazil does not impose a wealth tax but taxes capital gains, dividends, and rental income based on income type and duration.

According to the [Federal Revenue](#) service agency (under the Ministry of Economy), the latest updates aim to “reduce the tax burden on lower-income earners” and increase disposable income. That effect is arguably achievable mostly through discounted VAT rates for a wider range of products and services, rather than by raising the taxable income thresholds.

Online Casino Taxation in the Context of Recent Brazilian Gambling Regulation

When [in 2018](#) Brazil took a major step by **legalizing fixed-quota** sports betting, it [lacked detailed rules](#) and **taxation guidelines** – initially and for the following 5 years. This gap was addressed when President Luiz Inacio Lula da Silva promoted the adoption of [18% tax](#) on sports betting based on Gross Gaming Revenues (**GGR**). By December 2023, [comprehensive legislation was in place](#), establishing the legal framework for both physical persons and online gambling operations in Brazil.

Current Taxation for Online Casinos and Sports Betting in Brazil

Taxation has always been the **starting point** and **main focus** of online casino regulation and sports betting legalization in Brazil, regardless of what politicians and legislators might like to claim. (The **other key benefit** of gambling regulation is achieving and improving [market transparency and fairness](#)).

The latest version of the gambling law prioritizes **clear tax brackets** for the gambling sector in Brazil, namely to ensure said transparency and compliance. **iGaming operators** now face a **12%** tax on their earnings, while **players** are subjected to a **15%** tax on their winnings. Notably, this taxation framework also covers **fantasy games** and **virtual events**, ensuring a much broader application than traditional real-money games.

The key takeaway: The **12%** tax for gambling **companies** is an **additional charge** on their earnings.

On the other hand, the **15%** tax on **player winnings** is a **standalone** tax, not combined with other personal income for annual taxable revenue calculations. On the consumer side, this separation helps streamline the taxation process and ensures a **focused approach** to gambling winnings.

Gambling Tax Revenue Redistribution

For the general public, allocation of gambling tax revenues is crucial and is therefore actively [promoted](#) by the Brazilian authorities.

The **12% tax** levied on **gaming companies** will be allocated to various public sectors, divided as follows:

- 10% for **education** funding for all grades from early childhood to technical schools.
- 14% for **public security** (National Public Security Fund and Integrated Border Monitoring System).
- 36% for **sports** contributions to the Ministry of Sport, athletes and sports organizations, Olympic and Paralympic Committees.
- 28% for **tourism** designated for the Ministry of Tourism and the Brazilian Agency for International Tourism Promotion.

- 10% to **social security** funds.
- 1% for **health** programs aimed mostly at gaming-related issues and their prevention.
- 1% to NGOs and **non-profit** causes, including organizations like the Red Cross and those supporting **special needs**.

As for the **15% tax** on **player winnings**, those will be [divided between](#) the **Student Financing** Fund (Fies) and the National Fund for **Public Calamities**.

Thus structured, the redistribution of gambling taxation revenues in Brazil ensures support to key social priorities, promoting **public welfare** and ultimately a **sustainable gambling** industry in the eyes of the public.

Implications for the Online Casino and Sports Betting Industry

To combat black market gambling websites and [achieve high channelization rates](#) to licensed casino platforms, Brazil needs to ensure that taxation and financial controls are clear and coherent but do not stifle **sustainable betting** operations.

What Is the Actual Applicable Tax Rate for Casino Operators in Brazil?

To calculate taxation for betting operators we need to take into account the fact that the **12% levy** is imposed on **Gross Gaming Revenues (GGR)**. As per the legal definition, it is an **additional tax** – calculated **before** and owed **on top** of all other federal and local taxes, contributions and service fees.

Therefore, Brazilian online casino and sportsbook companies face:

1. **Specific gambling tax** – **12%** imposed on **GGR** i.e., total turnover minus player winnings, leaving the remaining **88%** of GGR for facing operational **expenses** and paying corporate **taxation** (*see Taxable Base below*).
2. **Corporate Income Tax (IRPJ)** – **15%** with a **10% surcharge** on profits over BRL 240,000 (USD 48,000), raising the IRPJ to **25%** for practically all national operators.
3. **Social Contribution on Net Profits (CSLL)** – **9%**.
4. **Social Assistance Contribution** – known as **COFINS** and **PIS**, these combine for **9.25%**.

5. **Service Tax (ISS)** – a **municipal** monthly tax ranging from **2%** to **5%**, depending on **service type** and **municipality** of registration.

*N.B. A [consumption tax reform](#) approved the new **VAT-Dual** (made up of a Federal CBS component and a municipal IBS) which will integrate and replace PIS, COFINS and ISS. The “IVA dual” scheme will be effective from **January 2026**.*

6. **Monthly Inspection Fee** – applied to federal gambling license holders, on a sliding scale ranging from **0.17%** to **0.30%**, again based on GGR. The inspection fee calculation thresholds are shown in the table below.

Monthly GGR calculation basis (BRL)		Monthly Inspection Fee (BRL)
from	to	
0	30,837,749.76	54,419.56
30,837,749.77	51,396,249.60	90,699.26
51,396,249.61	85,660,416.00	151,165.44
85,660,416.01	142,767,360.00	251,942.40
142,767,360.01	237,945,600.00	419,904.00
237,945,600.01	396,576,000.00	699,840.00
396,576,000.01	660,960,000.00	1,166,400.00
660,960,000.01	∞	1,944,000.00

Taxable Base

For corporations (items 2-3-4-5), online casino taxation is applied on the remaining **88% balance** of operator GGR (income minus winnings). Therefore, the **basis for calculating corporate taxes** is the adjusted GGR.

GGR also impacts the **tax regime** that gambling and betting companies in Brazil may or must use for their annual tax contributions. Operators with annual GGR **over BRL 78 million** (USD 15.6 million at current exchange rates) must use the “**actual profit**” tax regime (*lucro real*).

The latter accounting model allows certain **deductions** for necessary expenses like **payroll, marketing and rent** which are **not authorized** under the “**presumed profit**” regime (*lucro presumido*).

Sustainability of Online Gambling Taxation in Brazil

A careful and complete analysis of the taxation structure for the Brazilian casino market reveals a **significant fiscal burden** for most licensed operators. This raises concerns about the ability of online gambling companies to **compete legitimately** in Brazil against **offshore** and **unlicensed** sites.

Indeed, considering all of the above-listed taxes and fees, the **total tax load** far surpasses **by far 50%**. On one hand it is understandable that real-money gaming might be subjected to an **additional tax**, as the sector relies on **premium consumption** (not indispensable), and evokes a series of social and political implications.

On the other hand, imposing those 12% on **gross income** practically **doubles** their weight. The remaining 88% of revenues must suffice to cover:

- **Marketing** costs – the **single biggest expense** for operators, essential for business acquisition and retention and often [between 25% and 34%](#) of total revenues;
- **Operational** costs – between **20%** and **25%** for the likes of software licensing, game provider fees, website maintenance, staff costs and legal compliance.

This leaves **less than 40%** of GGR, subjected to an **additional combined** tax burden of **45%-48%**, depending on place of registration.

The above expenses and ~~taxes~~ do not include the **licensing costs**. Currently, the cost of a gambling license is **BRL 30 million** (USD 6.1 million) for a **five-year** period. It includes the rights to exploit up to **3 gaming brands**.

These figures highlight the **slim margins** left to operate **sustainably** in Brazil. Naturally, the biggest business threat legitimate online casinos and [sports betting platforms](#) face is the competition from **offshore** and **black-market** gambling websites that **avoid** most of these expenses. Clearly, however, the high tax rates and supplementary costs do not make things easier for those registered in Brazil.

At the least, authorities need to simplify the submission, compliance and accounting processes for licensed gambling operators in Brazil. Nurturing a **competitive** and **sustainable gaming sector** means ensuring legitimate businesses are treated **fairly** and **transparently**.

Regulating, monitoring and taxing real-money games benefits both the industry and the public at large. It has always been the **only right move** for Brazil. Yet, all stakeholders need time to lead the market to its **maturity** stage, making it essential to **fine-tune fiscal** and **administrative** aspects at an early stage.

Upcoming Updates to Land-Based Casino Gambling and Sports Betting Taxation

As of mid-2024, the Brazilian Senate still debates (and [postpones voting](#)) on a proposed law **regulating physical gambling** locations. **PL 2.234/2022** would allow casinos in tourist centers and integrated complexes, within preset **limitations** per state.

The proposed legislation would see most states be allowed up to one casino, while **São Paulo** may have up to **three** locations, and Minas Gerais, Rio de Janeiro, Amazonas, and Pará – up to **two**. These land-based gambling operators must have at least BRL 100 million in paid-up share capital, and will be accredited for up to **30 years**.

There are new taxes on these gaming activities, which would involve **all gambling**, including casino, sports, **bingo**, **Jogo do Bicho** and **turf betting**:

- **Businesses** will be subjected to an additional tax rate of **17% on GGR**.
- The tax on **net prizes** of **players** (over BRL 10,000) will be **20%**, to be **withheld** by the operating company.

Therefore, tax rates and even compliance roles will be **different** from what has been approved for online gambling platforms and their customers. This makes the framework only more **complicated** for gambling businesses that intend to maintain both **online** and **land-based** operations.

In pragmatic terms, we expect to see a net division between those operating (only) online and those running brick-and-mortar gambling facilities.

Simplifying Tax Reports and Online Casino Services to Players

Going back to iGaming operations, an important breakthrough came when the Brazilian Congress [overturned several vetoes](#) on legal provisions simplifying **income taxation** of player **winnings**.

For consumers, Law 14,790/2023 already ensured fair (**annual**) taxation that aligned with industry expectations. Blocking that model – and promoting **monthly** or **instant** taxation on winnings and withdrawals – would have complicated operations significantly.

Industry leaders, including the [National Association of Games and Lotteries](#) (ANJL), have already approved of the move, highlighting the positive impact on legitimate operators. Adopting easy annual taxation and exempting lower prizes **prevents player migration** to **unregulated** sites and ensures a better controlled gambling environment.

The Federal Revenue Secretariat of the Ministry of Finance **had already issued** a Normative Instruction ([2.191/2024](#)), exempting prizes from taxes up to the first IRPF progressive table band. However, this instruction will now need a revision.

*"The gambling sector's **expectations** for the new regulation is that **operators** will have to **provide bettors** with an **annual report** evidencing all bets placed, winnings received and losses incurred. Additionally, the new regulation should indicate the way in which **losses will be deducted** from winnings for the purposes of calculating income tax."*

[Renan Castro](#), Tax and Customs Director, [Montgomery](#)

Social Reception and Perceived Impact of Proper Gambling Taxation in Brazil

In our [recent study](#) we have highlighted the **strong public support** for **clear regulation** that ensures betting and casino platforms pay **taxes in Brazil**.

For **87%** of adult respondents, the **registration** and **licensing** of gambling businesses is considered **important** for effective taxation and **public benefits**.

High general **acceptance** of **government oversight** is considered as necessary for achieving the most out of the **socio-economic spillovers** of gambling regulation. Besides significant **tax revenues** (total estimates of up to USD 4.5 billion annually), users point out the **job creation** potential of a legitimate and transparent gaming sector. Three out of four respondents (**76%**) believe iGaming can boost national finances and create jobs.

More than half (**57%**) see **high gaming taxes** as **positive** for national welfare. Nevertheless, nearly a quarter (**24%**) fear that **excessive** taxes might **deter investment**, leading to a rise in **unlicensed** or **offshore** gambling.

Tax Compliance Challenges for the Online Gambling Industry in Brazil

Understanding Brazil's gambling tax system involves managing various tax allocations and staying updated on regulatory changes. Gambling operators must meet and maintain strict licensing standards, and adapt to Normative Instructions for accurate tax reporting and compliance.

*"Since **service tax** is paid **once a month**, our suggestion is that operators negotiate a special tax regime with the local City Hall, aiming to issue only **one invoice for each client (bettor) per month**, listing all the bets placed by the player."*

[Renan Castro](#), Tax and Customs Director, [Montgomery](#)

➤ Multi-Tiered Taxation and Allocation

We now know that Brazil's elaborate taxation structure on legitimate gambling outlets involves a 12% GGR tax destined for sectors like education and public security. However, precise GGR determination, expense subtraction and complete tax allocation are administratively challenging and costly errors seem likely.

➤ **Frequent Regulatory Changes and Updates**

iGaming regulations often evolve through Provisional Measures and Normative Instructions which are rendered obsolete or updated within the year. Continuous monitoring and adaptation are crucial for compliance, requiring operators to update tax reporting and payment systems.

➤ **Licensing and Registration Challenges**

Gambling regulations require online operators to register and license within Brazil, involving complex legal and procedural standards, demanding substantial resources, particularly for foreign companies. Inability to follow through and comply with tax calculations and submission can lead to severe consequences and hurt their chances to maintain a Brazilian gambling license.

Compliance Challenges for Players Paying Taxes on Online Casino Winnings in Brazil

The challenges that players face when paying taxes on their online gambling winnings are more limited, at this point.

➤ **Understanding and complying with tax obligations**

As emphasized, players face a flat 15% tax on winnings above the exemption band. Personal income tax on online gambling winnings in Brazil must now be calculated and paid annually by the bettor. This shift means that gambling operators are no longer required to withhold income tax at the source, as previously planned.

Despite awaiting new regulatory instructions, it is crucial to recognize that Article 31 of Law No. 14,790/23, which imposes personal income tax on fixed-odds betting lotteries, is already in effect. As a result, bettors' net winnings in 2024 will be subject to personal income tax, which must be calculated and paid in 2025.

Unawareness may lead to unintentional non-compliance and penalties. This is mostly related to the fact that gambling taxation is different from the rest of their personal income taxation.

➤ **New Annual Taxation on Online Gambling Winnings in Brazil**

On the other hand, annual tax obligation currently affects bettors with state-licensed operators, which is uncommon for online gambling platforms in Brazil. Federal licenses for online gambling operators will become effective on January 1, 2025, making the personal income tax on net winnings applicable to these operators from 2026 onwards.

For the purpose of calculating the 15% income tax on sports betting and online casino winnings over the exemption band, operators will likely need to provide players with annual reports on their bets, winnings, and losses for tax purposes.

*After Congress overthrew the Presidential veto and restored the effects of the original paragraphs, we consider that withholding taxes determined by Normative Instruction No. 2.191/2024 is **no longer valid**, thereby triggering a **new Normative Instruction** regulating these paragraphs.*

[Renan Castro](#), Tax and Customs Director, [Montgomery](#)

➤ **Impact on winnings, disposable income and consumer protection**

The 15% tax reduces net winnings (and residual disposable liquidity), potentially pushing players towards unregulated platforms. This reduction may discourage players from participating in legal online gambling, tempted by the possibility of avoiding such taxes. It is critical to raise awareness that on unregulated or illegal platforms they face higher risks of fraud and lack of consumer protections.

Final Considerations

The still developing framework of online gambling taxation in Brazil requires both players and operators to **stay informed** and **compliant**. Through comprehensive regulation and multi-tiered taxation, Brazil aims to provide market transparency and fair play.

Above all, authorities seek to reap significant **benefits** and maximize **public contributions** from the iGaming industry, hoping to leave active **only legitimate operators** and websites.