

Fiscal Tracker

Higher revenue led central government to a surplus in July

- **Tax collection grew 8.5 % YoY in real terms in July.** The result was driven by other revenue administered by RFB (reflecting the taxation on crude oil exports), withholding income tax on capital gains and social security contribution
- **Tax collection was below budget estimates.** The deviations were concentrated IRPJ/CSLL and import tax;
- **Net revenue rose by 7.7% YoY in July.** All revenue categories increased, with administered revenues rising by 6.4%, social security contributions by 7.3%, and non-administered revenues by 18.9%;
- **Total spending fell sharply by 20.6%.** The variation is explained by the payment of court-ordered debts in July last year, whereas this year the payment was concentrated in March,
- **The primary balance reached a surplus of BRL 10.4 billion in July, much better than last year's.** Off-target expenditure in July was minimal and did not change substantially this result;
- **Year-to-date, the central government has a deficit of BRL 81.0 billion** versus a deficit of BRL 71.9 billion in the same period of the last year. Excluding off-target expenditures, the primary balance stands at a BRL 22.7 billion deficit.
- **We forecast a deficit of BRL 40.4 billion (0.3% of GDP) this year,** or BRL 19.5 billion (0.1% of GDP) excluding off-target expenditures, within the target range.

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Another monthly record for tax revenue collection in July

Another monthly record for tax revenue in July. According to data from Siga Brazil, federal tax revenues increased by 8.5% year-on-year in real terms last month (the same growth seen in June).. The change was driven by i) a sharp increase in **other revenue administered by RFB (78.1%)**, mostly due to the collection of the export tax on crude oil (+ BRL 3.2 bn); ii) **withholding income tax on capital gains (29.3%)**, which was supported by the high yields from fixed income funds; iii) **social security contribution (4.6%)**, on the back of the solid labor market. On the negative side, **withholding income tax on labor earnings** fell by 4.7%, reflecting the effects of the tax income exemption for individuals earning up to BRL 5k per month. In all, the positive trend for tax collection continued in July.

BRL Mn, constant prices

GROSS REVENUES	Jul/26			
	2025	2026	Change (BRL)	Change (YoY%)
TOTAL REVENUE	265,922	288,565	22,643	8.5
REVENUE ADMINISTERED BY RFB	189,041	203,755	14,714	7.8
Import tax	7,878	8,578	701	8.9
Industrialized Products Tax (IPI)	7,416	8,227	811	10.9
Income Tax (IR)	85,774	90,262	4,488	5.2
Individual (IRPF)	6,473	7,112	640	9.9
Corporate (IRPJ)	40,784	41,985	1,201	2.9
Withheld at source (IRRF)	38,517	41,165	2,648	6.9
Labor earnings	18,897	18,011	-886	-4.7
Capital gains	10,404	13,449	3,045	29.3
Remittances abroad	7,219	7,855	636	8.8
Other earnings	1,997	1,849	-147	-7.4
Financial transactions tax (IOF)	6,855	8,169	1,314	19.2
Social security financing(Cofins)	40,449	42,338	1,889	4.7
Social security funds (PIS/Pasep)	10,809	11,355	546	5.1
Social contribution on net earnings (CSLL)	21,425	22,902	1,477	6.9
Other administered by RFB	4,457	7,939	3,482	78.1
SOCIAL SECURITY CONTRIBUTION	60,960	63,747	2,787	4.6
COLLECTED BY OTHER AGENCIES	15,921	21,063	5,142	32.3

Source: RFB, Siga Brasil, XP

Tax collection was approximately BRL 3.3 billion below what was forecasted in the latest bimonthly report. The largest deviations came from **IRPJ/CSLL (BRL 2.8 billion)**, followed by **import tax (BRL 1.9 billion)** and **social security contribution (BRL 1.5 billion)**. On the other hand, there were positive surprises in **PIS/Cofins (BRL 1.3 billion)** and in **withholding income on labor earnings (BRL 1.3 billion)**.

Tax collection was above our expectation. The difference between our forecast and the preview was BRL 4.8 billion. The main deviation was **PIS/Cofins (BRL 3.3 bn)** and **other administered by RFB (BRL 1.7 billion)**. The main negative differences were in withholding **IRPJ (- BRL 4.1 bn)** and **social security contribution (BRL -0.8 billion)**. Our forecast for tax collection this year is BRL 3,179.7 bn, representing an increase of 5.4% in real terms.

BRL Mn

GROSS REVENUE	Jul/26				
	Budget	XP	Preview	Preview - Budget	Preview - XP
TOTAL REVENUE	291,936	283,773	288,565	-3,371	4,792
REVENUE ADMINISTERED BY RFB	205,626	198,126	203,755	-1,871	5,629
Import tax	10,483	9,310	8,578	-1,905	-732
Industrialized Products Tax (IPI)	8,357	6,946	8,227	-130	1,281
Income Tax (IR)	90,559	92,378	90,262	-297	-2,116
Individual (IRPF)	6,758	6,451	7,112	355	662
Corporate (IRPJ)	44,495	46,103	41,985	-2,510	-4,118
Withheld at source (IRRF)	39,306	39,824	41,165	1,859	1,340
Labor earnings	16,732	17,500	18,011	1,279	511
Capital gains	13,204	13,329	13,449	244	120
Remittances abroad	7,309	6,938	7,855	547	918
Other earnings	2,061	2,058	1,849	-212	-208
Financial transactions tax (IOF)	8,954	8,468	8,169	-786	-299
Social security financing(Cofins)	41,376	40,620	42,338	962	1,718
Social security funds (PIS/Pasep)	11,053	10,729	11,355	302	626
Social contribution on net earnings (CSLL)	23,223	19,929	22,902	-321	2,973
Other administered by RFB	8,071	6,200	7,939	-132	1,739
SOCIAL SECURITY CONTRIBUTION	65,247	64,584	63,747	-1,500	-837

Source: Budget bill, RFB, XP.

Higher revenue led central government to a surplus in July

Net revenue rose in July, driven by higher tax revenue and oil production shares. Net revenue increased by 7.7% YoY last month after growing 10.3% in June. Revenues administered by RFB grew by 6.4% YoY, pushed by **Income tax, IOF and IPI**. Social security contribution rose by 7.3%, supported by the solid labor market and, probably, a change in tax compensations. Revenue not administered by RFB (non-tax revenue) rose by 18.2%, driven by higher gains from the **exploitation of natural resources**, namely royalties and special shares from oil production. Finally, transfers by revenue sharing rose, pushed by higher income tax and oil revenues.

Total spending fell by 20.6%. There were reductions in social security benefits (-17.8%), personnel (-9.1%) and court-ordered debts (-98.8%) – most of it was due to **court-ordered payments**, which was executed in July last year and in March this year. Excluding this effect, we would have an increase of 3.5% YoY in total spending. Of high relevance, extraordinary credits grew by 314% due to the payment of subsidies to mitigate the impacts of the oil prices shock on fuels. Finally, there was a reduction in expenditures as **mandatory with flow control** (-4.0%) and **discretionary** (-2.9%).

Primary balance reached a surplus of BRL 10.4 bn, much better than last year's. Off-target expenditures were minimal in July, so the result was not significantly affected.

July's balance was better than our expectation. The BRL 4.5 billion difference was concentrated in revenue (BRL 3.9 bn), and most of it was due to deviations in exploitation of natural resources (BRL 2.9 billion).

July		BRL Mn, constant prices	
BREAKDOWN	2025	2026 (Preview)	Change (BRL) Change (YoY%)
TOTAL REVENUE	255,229	275,788	20,559 8.1
Revenue Administered by RFB	168,209	179,032	10,823 6.4
Import tax	7,852	8,511	659 8.4
Industrialized Products Tax (IPI)	7,375	8,330	955 13.0
Income Tax (IR)	76,625	83,481	6,856 8.9
Financial transactions tax (IOF)	6,802	8,280	1,478 21.7
Social security financing(Cofins)	33,434	30,367	-3,066 -9.2
Social security funds (PIS/Pasep)	9,436	8,394	-1,041 -11.0
Social contribution on net earnings (CSLL)	22,331	23,620	1,288 5.8
Social security contributions	57,756	61,960	4,203 7.3
Revenue Not Administered by the RFB	29,265	34,796	5,532 18.9
Dividends and Shareholdings	0	8	8 7,845.1
Exploitation of natural resources	17,141	22,262	5,121 29.9
Other Revenue Not Adm. by the RFB	4,957	5,116	159 3.2
TRANSFERS BY REVENUE SHARING	44,722	49,141	4,419 9.9
NET REVENUE	210,507	226,647	16,140 7.7
TOTAL SPENDING	272,297	216,200	-56,097 -20.6
Social Security Benefits	102,405	84,143	-18,262 -17.8
Personnel and Charges	47,510	43,200	-4,310 -9.1
Other Mandatory	71,239	39,544	-31,695 -44.5
Salary bonus and unemployment insurance	9,771	10,696	925 9.5
BPC/LOAS	11,497	11,890	393 3.4
Extraordinary credits	1,352	5,598	4,245 314.0
Court-ordered debts (funding and capital)	37,581	458	-37,123 -98.8
Subsidies and Grants	2,587	2,571	-16 -0.6
Expenditure Subject to Fin. Programming	51,142	49,313	-1,829 -3.6
Mandatory with Flow Control	32,787	31,492	-1,295 -4.0
Discretionary expenditures	18,355	17,821	-534 -2.9
CENTRAL GOVT PRIMARY BALANCE	-61,789	10,447	72,236 -116.9
SPENDING NOT INCLUDED IN TARGET	40,290	3	-40,287 -100.0
PRIM. BAL. FOR TARGET CALCULATION	-21,499	10,450	31,949 -148.6

Source: STN, Siga Brasil, XP

July		BRL Mn	
BREAKDOWN	XP	Preview	Difference (BRL Mn) Difference (%)
TOTAL REVENUE	272,035	275,788	3,753 1.4
Revenue Administered by RFB	178,482	179,032	550 0.3
Import tax	9,285	8,511	-774 -8.3
Industrialized Products Tax (IPI)	7,506	8,330	824 11.0
Income Tax (IR)	83,674	83,481	-193 -0.2
Financial transactions tax (IOF)	8,383	8,280	-103 -1.2
Social security financing(Cofins)	33,913	30,367	-3,546 -10.5
Social security funds (PIS/Pasep)	8,866	8,394	-472 -5.3
Social contribution on net earnings (CSLL)	20,796	23,620	2,824 13.6
Social security contributions	62,364	61,960	-405 -0.6
Revenue not Administered by RFB	31,189	34,796	3,608 11.6
Dividends and Shareholdings	267	8	-259 -96.9
Exploitation of natural resources	19,393	22,262	2,868 14.8
Other Revenue Not Adm. by the RFB	4,851	5,116	265 5.5
TRANSFERS BY REVENUE SHARING	49,260	49,141	-119 -0.2
NET REVENUE	222,775	226,647	3,872 1.7
TOTAL SPENDING	216,858	216,200	-658 -0.3
Social Security Benefits	86,584	84,143	-2,441 -2.8
Personnel and Charges	38,493	43,200	4,707 12.2
Other Mandatory	36,390	39,544	3,154 8.7
Salary bonus and unemployment insurance	11,031	10,696	-335 -3.0
Extraordinary credits	2,036	5,598	3,561 174.9
Basic education fund (Union complementation)	5,197	5,197	0 0.0
Court-ordered debts (funding and capital)	271	458	186 68.6
Subsidies and Grants	2,101	2,571	470 22.4
Exp. Subject to Financial Programming	55,391	49,313	-6,078 -11.0
Mandatory with Flow Control	31,859	31,492	-366 -1.1
Discretionary expenditures	23,533	17,821	-5,712 -24.3
PRIMARY BALANCE	5,917	10,447	4,530 76.6
SPENDING NOT INCLUDED IN TARGET	3	3	0 0
PRIMARY BALANCE FOR TARGET	5,920	10,450	4,530 76.5

Source: STN, Siga Brasil, XP

The government now accumulates a deficit of BRL 81.0 billion in 2026. The result is worse than the one verified in the same period last year, when a deficit of BRL 71.9 billion was recorded. However, considering the result for target-compliance purposes, we have a deficit of BRL 22.7 billion this year, above the reading for the same period last year. We notice that a large part of the difference between this year and last year can be attributed to the stronger execution of discretionary expenditures in the first half of this year.

Year-to-date			BRL Mn, constant prices	
BREAKDOWN	2025	2026	Difference (BRL Mn)	Difference (%)
TOTAL REVENUE	1,764,435	1,863,712	99,277	5.6
<i>Revenue Administered by RFB</i>	<i>1,157,337</i>	<i>1,235,656</i>	<i>78,318</i>	<i>6.8</i>
Import tax	55,971	61,806	5,835	10.4
Industrialized Products Tax (IPI)	52,421	57,048	4,626	8.8
Income Tax (IR)	558,272	578,920	20,649	3.7
Financial transactions tax (IOF)	45,786	58,933	13,147	28.7
Social security financing(Cofins)	226,276	238,543	12,267	5.4
Social security funds (PIS/Pasep)	64,274	62,036	-2,238	-3.5
Social contribution on net earnings (CSLL)	124,616	133,121	8,504	6.8
Other administered by RFB	27,828	43,361	15,532	55.8
<i>Social security contributions</i>	<i>406,134</i>	<i>431,438</i>	<i>25,304</i>	<i>6.2</i>
<i>Revenue Not Administered by the RFB</i>	<i>200,964</i>	<i>196,619</i>	<i>-4,345</i>	<i>-2.2</i>
Dividends and Shareholdings	25,004	10,502	-14,501	-58.0
Exploitation of natural resources	86,587	101,616	15,029	17.4
Other Revenue Not Administered by the RFB	40,025	35,950	-4,075	-10.2
TRANSFERS BY REVENUE SHARING	346,793	362,032	15,239	4.4
NET REVENUE	1,417,642	1,501,681	84,039	5.9
TOTAL SPENDING	1,489,223	1,582,660	93,438	6.3
<i>Social Security Benefits</i>	<i>665,844</i>	<i>692,507</i>	<i>26,664</i>	<i>4.0</i>
<i>Personnel and Charges</i>	<i>241,866</i>	<i>258,107</i>	<i>16,241</i>	<i>6.7</i>
<i>Other Mandatory</i>	<i>262,582</i>	<i>273,587</i>	<i>11,005</i>	<i>4.2</i>
Salary bonus and unemployment insurance	64,154	64,906	752	1.2
BPC/LOAS	77,865	81,799	3,934	5.1
Extraordinary credits	3,039	12,346	9,307	306.2
Court-ordered debts (funding and capital)	39,671	38,251	-1,420	-3.6
Subsidies and Grants	16,160	14,218	-1,942	-12.0
<i>Exp. Subject to Financial Programming</i>	<i>318,930</i>	<i>358,458</i>	<i>39,528</i>	<i>12.4</i>
Mandatory with Flow Control	225,786	223,839	-1,947	-0.9
Discretionary expenditures	93,144	134,619	41,475	44.5
PRIMARY BALANCE	-71,580	-80,979	-9,399	13.1
SPENDING NOT INCLUDED IN TARGET	40,290	58,249	17,959	
PRIMARY BALANCE FOR TARGET	-31,290	-22,730	8,560	-27.4

Source: STN, Siga Brasil, XP

We forecast the total deficit to reach BRL 40.4 billion (0.3% of GDP) this year. Excluding off-target expenditure, we project a primary surplus of BRL 19.5 billion (0.1% of GDP), within the target range. We expect the primary balance to improve due to the higher oil prices, which should boost royalties and other oil production shares. We do not expect spending cuts ("contingenciamento", in Portuguese) this year, but we see room for a BRL 7.6 billion reduction in spending block ("bloqueio"; currently at BRL 17.9 billion).

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