

# Brazil Car Rental

## Government Announces Changes to Tax For Electrified Vehicles

A Potential Head-Wind for Car Rental Short-Term Earnings

The government announced a temporary import tax exemption for electrified vehicles. Main changes were: (i) import tariffs were eliminated for six months (vs. the current 10-35% level), limited to a quota of US\$463mn (up to ~37k imported cars [XPe]); and (ii) overall maximum 35% import tariff was anticipated to Jan'27 (vs. Jul'28 before), with limited impact as most vehicle categories/types already reached 35% by Jul'26 (Figure 1). **We see it as potentially pressuring ST earnings for Car Rental players**, as, similarly to the recent IPI tax reductions, we believe this measure suggests further competition (i.e.: price pressure) in the local car market.

**A recap on the Chinese OEMs' request.** Early this year, Chinese OEMs requested a reduction in import taxes on Completely Knocked-Down (CKD) and Semi Knocked-Down (SKD) vehicles until 2028. The request involved reducing vehicle import tax rates to 5-10% for CKD-SKD for all vehicle categories, versus the previous import tax rate gradual increase timetable implying, starting in Jul'25, tariffs ranging from (i) 10-35% for CKD, and (ii) 25-35% in SKD. Full maximum tariff level of 35% for all vehicle categories/types were expected for Jul'28.

**Import taxes were fully exempted for six months (...)** The Executive Management Committee of Gecex-Camex announced zero-tariff import quotas for CKD and SKD electrified vehicles for a period of six months (from Aug'25 to Jan'26). As illustrated in Figures, 1 and 2 on the next page, the full tariff exemption for six months implies a significant tariff reduction vs. previous levels, albeit having a temporary profile. The total benefit is limited to a quota of US\$463mn, allocated as follows: (i) US\$281mn for Plug-in Hybrids; (ii) US\$97.5mn for Electric vehicles; and (iii) US\$84.5mn for Hybrids. We calculate that such quota allows for the import of up to ~37k vehicles under the incentivized tariffs (~21% of electric/hybrid cars sold in Brazil in 2024).

**(...) in contrast, maximum tariff level was anticipated.** In the same announcement, Gecex-Camex anticipated the implementation of the overall full import tariff of 35% to Jan'27 (previously scheduled for Jul'28). We note, however, that this measure in specific is limited to CKD Plug-in Hybrid and Electric vehicles which originally had a 14% tariff rate until Jul'28, all other vehicle categories/types were already expected to reach the 35% level by Jul'26. See Figures 1 and 2 for details.

**A potential head-wind for car rental names.** This announcement comes in addition to the recent IPI tax reduction, which we read as a risk to ST depreciation rates (and therefore earnings) of car rental companies (see our report on the theme [Government Announces Changes to IPI Tax For Vehicles](#)). In our view, the measure may foster intensified competitiveness (i.e.: pricing pressure) in the local car market during 2H25. Additionally, we see as a risk the possibility of the measure being extended beyond Jan'26, potentially prolonging the overhang.

### Pedro Bruno

Transportation  
 pedro.bruno@xpi.com.br

### Matheus Sant'Anna

Transportation  
 matheus.r.santanna@xpi.com.br

### João Ramiro

Transportation  
 joao.ramiro@xpi.com.br

Company	Ticker	Current Price	Target Price	Upside	Rec.	EBITDA (R\$ mn)		P/E		EV/EBITDA		Mkt. Cap (R\$ mn)
						2025E	2026E	2025E	2026E	2025E	2026E	
Localiza	RENT3	R\$ 35.59	R\$ 39.00	10%	Buy	R\$ 13,767	R\$ 14,950	12.4x	11.8x	5.3x	5.0x	R\$ 45,524
Movida	MOVI3	R\$ 6.36	R\$ 5.70	-10%	Buy	R\$ 5,280	R\$ 5,519	n.m.	11.2x	3.5x	3.5x	R\$ 2,377

## Government Announces Changes to Tax For EV

### A Potential Head-Wind for Car Rental Short-Term Earnings

Figure 01: Previous Gradual Import Tax System for CKD and SKD Vehicles

Vehicle Category	Type	Apr-25	Jul-25	Jul-26	Jul-28
Plug-in Hybrid	SKD	20%	28%	35%	35%
	CKD	7%	14%	14%	35%
Electric	SKD	18%	25%	35%	35%
	CKD	5%	10%	14%	35%
Plug-in Hybrid Pickup	SKD	35%	35%	35%	35%
	CKD	35%	35%	35%	35%

Figure 02: New Gradual Import Tax System for CKD and SKD Vehicles

Vehicle Category	Type	Apr-25	Aug-25	Feb-26	Jul-26	Jan-27
Plug-in Hybrid	SKD	20%	0%	28%	35%	35%
	CKD	7%	0%	14%	14%	35%
Electric	SKD	18%	0%	25%	35%	35%
	CKD	5%	0%	10%	14%	35%
Plug-in Hybrid Pickup	SKD	35%	0%	35%	35%	35%
	CKD	35%	0%	35%	35%	35%

Figure 03: Calculation for the Potential Number of Impacted Cars Under the Incentivized Import Tax

Vehicle Category	Hybrid Plug-in	Electric	Hybrid	Total
(a) Average FOB Price (R\$ thousand)	70	70	70	-
(b) Maximum FOB Quota (US\$ million)	281	98	85	463
(c) Maximum FOB Quota (R\$ million)	1,579	548	475	2,602
<b>(c / a) Impacted Cars (# thousand)</b>	<b>22</b>	<b>8</b>	<b>7</b>	<b>37</b>

#### Understanding the calculation:

To estimate the number of impacted vehicles, we assume: (i) an import mix of 70% SKD and 30% CKD, reflecting the industry's ongoing ramp-up in electric vehicles; (ii) an average final selling price of R\$160,000 for electric and hybrid models; (iii) FOB prices for SKD and CKD kits at 50% and 30%, respectively, of the average final selling price; and (iv) a USD/BRL exchange rate of 5.62.

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