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Designing Excise Taxation: A Functional Comparison between China and Brazil after the 2023 Brazilian Tax Reform

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Abstract

This article develops a comparative legal-institutional analysis of excise taxation on consumption in China and Brazil, examining how two large emerging economies operationalize the functional principles of excise taxation under distinct institutional conditions. Following the 2023 Brazilian tax reform, which created the Selective Tax (IS) through Constitutional Amendment 132/2023 and Complementary Law 214/2025, a productive comparison emerges with China's Consumption Tax (消费税), in operation since 1994. The analysis is organized around an analytical matrix of five interdependent design dimensions, namely selectivity, proportionality, enforcement capacity, fiscal coordination, and distributive sensitivity. The central argument is that China and Brazil should be understood not as competing models, but as distinct institutional adaptations of common functional principles. Three substantive conclusions emerge from the analysis. No model of excise taxation is universally superior. The prospective advance of the instrument in both jurisdictions depends on complementing taxation by category with taxation by attribute. The South-South dialogue between the two systems also holds analytical and public-policy value.

Keywords

Excise Taxation, Selective Consumption Tax, Externalities, Institutional Design, Tax Reform, China, Brazil

1. Introduction

When the consumption of a good produces social costs not reflected in its price, corrective taxation has offered, at least since Pigou (1920), a canonical response.

In emerging economies, the excise tax is simultaneously a health, regulatory, environmental, revenue, and distributive instrument. Its functions compete by design, rather than coexisting in automatic harmony. The question guiding this article is how two large emerging economies, China and Brazil, operationalize these competing functions under qualitatively distinct institutional conditions.

The choice of jurisdictions is not accidental. In January 2025, Brazil regulated its first national excise tax, after Constitutional Amendment 132/2023 had constitutionalized an explicitly extrafiscal federal levy, with phased implementation between 2027 and 2033. In July 2024, China reaffirmed the reform of the taxation stage of the Consumption Tax, in force since the 1994 fiscal reform, advancing the recalibration of an already operationally mature system. On one side, consolidated administrative maturity; on the other, contemporary constitutionalization. The comparison makes it possible to examine how common functional principles are operationalized under distinct architectures, and how two apparently opposite trajectories converge in a similar direction.

The central thesis is that contemporary excise taxation should be understood less as a mechanism for inducing individual consumption and more as an instrument of institutional engineering capable of aligning consumers, sectoral strategies, administrative capacities, and public-policy priorities. Its effectiveness depends less on the effect on the final consumer price than on the capacity to articulate five interdependent design dimensions in a coherent architecture. Those dimensions are selectivity, proportionality, enforcement capacity, fiscal coordination, and distributive sensitivity. The matrix organizes the comparison and grounds the article's three substantive conclusions.

The comparative literature has treated these systems in isolation. The Chinese analysis concentrates on domestic public finance; the Brazilian, on constitutional tax law. The direct comparison between the two jurisdictions, although called for by recent agendas, remains insufficiently developed in a functional register, attentive to the articulation among legal architecture, administrative capacity, and design principles. Pigou (1920) formulated the classic justification of corrective taxation, later extended in comparative register by Becker (1968), Stiglitz (2010), and Cnossen (2005). In the continental legal tradition of Vasques (1999) and Prates (2024), that justification meets the debate on extrafiscality. Less examined are the legal and institutional conditions that shape excise design in emerging economies. In these economies, fiscal coordination, enforcement capacity, technological infrastructure, federative arrangements, and distributive concerns interact in ways that models built for advanced economies do not always capture. The research gap addressed by this article lies at that intersection.

Methodologically, the article is developed as an exploratory comparative legal-institutional analysis. Four converging criteria support the case selection. Both jurisdictions are large emerging economies with complex intergovernmental fiscal coordination. Both employ, or are about to employ, excise taxation as an explicit public-policy instrument. China represents a case of consolidated operational maturity; Brazil, a case of recent constitutional design in an early implementation phase. The investigation draws on primary legal sources, official documentation, and secondary academic literature, with empirical studies used as contextual evidence of mechanisms, not as direct causal proof. The United Kingdom's Soft Drinks Industry Levy (SDIL) regime is referenced as an auxiliary technical benchmark, not as a third comparative case. The same auxiliary status applies to the Japanese experience with heated tobacco products and to China's Environmental Protection Tax, each mobilized for a distinct analytical purpose. The SDIL is invoked because its tiered structure offers the clearest available evidence that attribute-based design induces industrial reformulation through the supply channel. The Japanese case documents how new product categories test the adaptive capacity of category-based selectivity in a mature excise system. The Environmental Protection Tax provides firm-level evidence that tax inducement operates through technological adaptation, and not only through consumer prices. Each auxiliary case is therefore transferable to the argument on the design of selective taxation, not to the comparison of systems. The choice of exploratory legal-institutional analysis is deliberate. The research question addresses the articulation among legal architecture, administrative capacity, and functional principles in jurisdictions with qualitatively distinct trajectories and unsynchronized timetables, conditions under which robust causal identification is not methodologically viable.

The article is organized in four sections. Section 2 establishes the theoretical framework and presents the analytical matrix of the five dimensions. Section 3 develops the comparison between China and Brazil in three subsections, which address the institutional starting points, then scope, sectors, and the transition from category to attribute, and finally the comparative synthesis. Section 4 synthesizes the findings in three substantive conclusions, examines their analytical limits, and proposes a prospective research agenda.

Finally, the material scope of this analysis should be delimited. The Goods and Services Tax (IBS) and the Contribution on Goods and Services (CBS) are central components of the 2023 Brazilian tax reform, but this article does not examine them. They are broad taxes on consumption, with a predominantly revenue-raising function, and their comparative analysis with the Chinese Value-Added Tax constitutes a distinct research agenda. The comparison developed here is confined to the Brazilian Selective Tax and the Chinese Consumption Tax, instruments whose architecture rests explicitly on extrafiscal purposes articulated with health, environmental, and regulatory objectives.

2. Excise Taxation as a Fiscal and Regulatory Instrument

Excise taxation belongs to a well-established theoretical tradition. In the Pigouvian formulation, taxes on goods whose consumption generates negative externalities can correct the misalignment between private and social costs by internalizing into the price a portion of the harm not previously accounted for by the economic agent. Brazilian constitutional tax scholarship has one of its central references in Caliendo (2009, 2013). Reading taxation through the economic analysis of law, Caliendo treats extrafiscality as a structural dimension of the tax and recognizes in environmental extrafiscality an instrument for protecting a balanced environment. This reading, which conceives the tax as an instrument for coordinating conduct beyond revenue, sustains the functional approach adopted in this article. The consolidation of this environmental-taxation agenda in Brazil, articulated on an interinstitutional basis in the volume edited by Caliendo and Cavalcante (2016), forms part of the doctrinal basis on which this article draws. This grounding acquires renewed relevance after the elevation of environmental protection to the status of a principle of the National Tax System by Constitutional Amendment 132/2023 (Cavalcante, 2024). In tax systems of the Roman-Germanic tradition, extrafiscality designates the use of taxation to influence economic and social behavior toward legally recognized public objectives, and not only to raise revenue. That extrafiscal function does not nullify the fiscal dimension of the tax. The concept, central to this tradition, has no exact equivalent in the Anglophone literature, which usually treats it under the headings of corrective, regulatory, or Pigouvian taxation.

In Brazilian law, this extrafiscal function rests on consolidated case law of the Federal Supreme Court (STF), systematized by Couto (2025). In ADI 4,787/AP, reported by Justice Luiz Fux, the Court recognized that extrafiscality reaches financial impositions designed to steer or discourage conduct. In RE 656,089/MG, reported by Justice Dias Toffoli, it made the validity of extrafiscally grounded distinctions conditional on proportionality, reasonableness, and the prohibition of excess. ADI 1643/DF, reported by Justice Maurício Corrêa, RE 466,312 AgR/RJ, reported by Justice Joaquim Barbosa, and RE 592,145/SP settled a further point. An extrafiscal purpose authorizes tax distinctions proportionate to the magnitude of the regulatory objective invoked, provided that the criterion of differentiation remains coherent with the constitutional end pursued. This jurisprudential framework converges with the reading of Vidor and Bernardes (2024), drawn from Ávila (2009). They articulate the proportionality postulate, in its triad of suitability, necessity, and proportionality in the narrow sense, with the criterion of tax equality. At the level of ex post review, their reading is the counterpart to the doctrinal delimitation of taxing power.

The classic formulation of this perspective in Brazilian law is owed to Schoueri (2005), in critical dialogue with contemporary German scholarship. The author draws, in particular, on the functional classification of tax norms developed by Klaus Vogel, which distinguishes norms for distributing the tax burden (Lastenausteilungsnormen), norms of direction or inducement (Lenkungsnormen), and norms of simplification (Vereinfachungsnormen). On this basis, Schoueri holds that so-called inducing tax norms do not constitute an autonomous gnoseological category, but an identifiable aspect of tax norms themselves, which arises from one of their functions, the inducing function. This function coexists, without structural opposition, with the revenue, burden-distributing (Lastenausteilungsfunktion, in

Vogel's vocabulary), and simplifying functions. The methodological consequence is twofold. The search for the subjective purpose of the legislator gives way to the objective analysis of the inducing effects of the law. The opposition between inducing and revenue-raising norms is also an artificial dichotomy, since a single norm may perform several functions at once, in varying degrees of intensity. The inducing function of contemporary excise regimes does not exclude, but rather presupposes, the generation of revenue. This functional perspective is adopted in this article to examine the Selective Tax as a public-policy instrument capable of articulating health, environmental, and regulatory purposes, rather than as a revenue technique alone. The same interpretive key appears in the OECD comparative literature, which treats excise taxes as mechanisms for coordinating among different public objectives, without a necessary hierarchy among them (OECD, 2022).

Schoueri (2005) distinguishes state intervention in the economic domain, exercised through direct action, from intervention upon the economic domain, exercised through indirect action, whether by direction or by inducement. That distinction provides the analytical register in which the excise tax is inscribed. The excise tax is an instrument of indirect intervention by inducement. It works through incentives and disincentives without suppressing the freedom of decision of the economic agent, who remains formally free to bear the burden even while receiving a price signal that makes such a choice more costly. This characterization distinguishes the excise tax from direct regulatory prohibitions and locates the inducing effectiveness in the tax architecture, not in state coercion, with decisive implications for the technical calibration of the design examined here.

Contemporary excise systems exhibit functional overlaps that shift the analytical focus from the function of the tax to its institutional engineering. Institutional engineering here means the articulated set of normative, administrative, federative, and technological choices that make the instrument operationally coherent. The comparative literature documents that the effectiveness of excise regimes depends less on the formal magnitude of the rate than on the consistency among four elements. These are the taxed good, the stated objective, enforcement capacity, and the associated compensatory mechanisms (Cnossen, 2005; OECD, 2022). The tax operates not only on the final consumer, through the effect on price, but also on industries, sectors, and productive trajectories. Instruments with a coherent architecture induce product reformulation, investment redirection, technological choices, and supply-chain adaptation. This channel is especially relevant in emerging economies, where productive transformation runs concurrently with fiscal redesign. Tan et al. (2025), in a difference-in-differences analysis of 5907 firm-year observations from 965 listed Chinese firms in pollution-intensive sectors, document that China's Environmental Protection Tax Law, in force since 2018, raised corporate green innovation by approximately 7.3% relative to the pre-reform period. The effect was more pronounced in private firms, in smaller firms, and in more developed provinces. Environmental tax inducement can therefore operate through technological adaptation at the firm level, and not only through price signals directed at the final consumer.

Shifting the analysis from demand to supply requires redefining the criterion of incidence. Taxation by category applies uniform incidence to all goods within a formally delimited set. It increasingly coexists with taxation by attribute, in which incidence is graduated by a measurable characteristic of the product, such as sugar content, carbon emissions, nicotine content, or energy efficiency. The distinction, developed in the literature on the design of corrective taxes (Chaloupka et al., 2015; DeCicca et al., 2022), constitutes a decisive analytical axis. Taxation by attribute aligns the tax signal more closely with the actual harm and encourages product reformulation by industry. Taxation by category is administratively simpler, but it may treat as equivalent products whose risk profiles are heterogeneous. This axis is not merely descriptive. It condenses the framework of harm-based design criteria that underlies this article and the author's broader research on the Brazilian Selective Tax. On that framework, a tax that presents itself as corrective only performs the function it invokes when its architecture is organized around the concrete, measurable harm it is meant to reduce. The question is developed in Subsection 3.2.

The comparison developed in this article is organized around five analytical dimensions. Selectivity refers to the choice of goods, attributes, or sectors subjected to differentiated taxation and to the criterion that justifies their inclusion in the tax's scope. Proportionality examines the relationship between the tax burden and the magnitude of the harm or policy objective invoked, with particular attention to the coherence between the fiscal means and the health, environmental, or regulatory ends pursued. Enforcement capacity assesses the institutional and technological conditions that make the tax applicable in practice. Among them are product classification, the digital integration of the tax administration, such as the Chinese Golden Tax IV and the Brazilian split payment, and the control of illicit markets. Fiscal coordination observes how the tax articulates with the federative or intergovernmental organization of revenue, considering the taxation stage, the allocation of revenue, and the relationship between the central government and subnational governments. Distributive sensitivity, finally, analyzes how each system recognizes and mitigates the social effects of excise taxation on vulnerable groups, through compensatory mechanisms (such as the cashback), differentiated regimes, exemptions, or integration with redistributive policies.

Together, these five dimensions compose the analytical matrix that organizes the comparison and make it possible to assess, beyond the formal scope of each tax, the coherence among its design choices.

3. China and Brazil in Comparison: Institutional Design, Selectivity, and the Transition from Category to Attribute

3.1. Two Institutional Starting Points: Chinese Operational Maturity and Brazilian Constitutionalization

China and Brazil face the same institutional problem along distinct paths. The problem is to convert excise taxation into a regulatory instrument without compromising fiscal control, administrative capacity, and extrafiscal coherence. China starts from a mature tax, now undergoing a gradual process of decentralization. Brazil starts from a recently constitutionalized taxing power that must still preserve its extrafiscal purpose in the face of revenue pressure. The Chinese case is examined first because it challenges the reading, still frequent in the comparative literature, of static operational centralization.

The Consumption Tax of the People's Republic of China was established by the Provisional Regulations promulgated by the State Council on December 13, 1993, and effective as of January 1, 1994. A national, selective, and multifunctional tax, it accrues entirely to the central government and ranks among the main sources of federal revenue. In 2023, it accounted for 8.9% of national tax revenue, roughly RMB 1.6 trillion, behind only the VAT and the corporate income tax (PwC, 2024). The regime covers fifteen categories of goods (Han et al., 2021). As of 2026, it still operates under administrative regulation by the State Council rather than under formal legislation enacted by the National People's Congress. For more than two decades, this peculiarity has fueled the Chinese debate on the principle of tax legality (税收法定原则), developed by Liu Jianwen (2018). That debate brought the tax onto the legislative agenda of 2025 and 2026 (Caixin Global, 2026; Yicai Global, 2025). Mao, Lv, and Chen (2019) examine the articulation between legality and operational design in this elevation to a formal legislative regime. Over three decades, change has proceeded through incremental calibration. Yang (2020) and Gao (2019) describe this model of fiscal adaptation as distinct from the rupture-driven reforms observed in other transition economies.

Since 2019, this incremental logic has been redesigning the allocation of revenue. The ongoing reform qualifies the reading, common in the comparative literature, of an operationally static system. That year, a State Council plan authorized shifting the taxation stage of part of the categories from the production level to the wholesale and retail stages. The corresponding revenue passed to local governments without loss of control by the tax administration (Han et al., 2021; State Council of the People's Republic of China, 2019). The Resolution adopted at the Third Plenary Session of the 20th Central Committee, on July 18, 2024, reaffirmed this vector. It linked the vector to the broader objective of expanding the own revenue of local governments and rationalizing the central-local fiscal relationship (Central Committee of the Communist Party of China, 2024; PwC, 2024). Implementation advances category by category, on a sequential timetable, to avoid a sudden fiscal shock to producing regions (Yunnan in the case of tobacco; the refining provinces in the case of fuels) and to allow local administrations to build capacity gradually.

The decisive effect of this reform falls on fiscal coordination, one of the five dimensions of the matrix. The centralization of revenue, which distinguished the Chinese regime for three decades, gives way to a hybrid arrangement. Strategic categories, above all cigarettes, tied to the State Tobacco Monopoly, remain with the central government; the less sensitive ones come to be shared with local entities. It is here that the Chinese case meets the Brazilian one. This movement brings China closer to the federative design of the Selective Tax. Under that design, the federal revenue of the tax will be shared with states and municipalities through the constitutional channel of transfers (Article 159(I) of the Federal Constitution, as amended by Constitutional Amendment 132/2023). The logic, however, runs in the opposite direction. Brazil begins with automatic revenue sharing and calibrates the regulatory function within it; China, starting from a centralized and mature operation, introduces decentralization through administrative stages. The two countries reach a similar result by opposite paths, which confirms the thesis that shared functional principles can be operationalized through diverse institutional arrangements.

This centralization has precise historical roots. Wong and Bird (2008) show that assigning excise revenue to the central government was part of the 1994 Tax Sharing System reform. That reform aimed to raise revenue-to-GDP ratios and to rebuild the national tax administration after a decade of fiscal decline. The contemporary centralization of the tax is therefore a legacy of this broad recalibration of relations between the center and localities. This historical embedding makes Brazil's 2023 effort to reconcile a federal Selective Tax with the IBS shared among states and municipalities all the more significant.

In Brazil, the starting point is the reverse. The scholarly debate over the new tax is organized around a decisive question. Will the Selective Tax manage to remain extrafiscal, or will it be progressively absorbed by the revenue logic? Five contributions make it possible to decompose this tension into successive planes.

Before Constitutional Amendment 132/2023, Brazilian excise taxation did not present itself as a unified national instrument for correcting externalities. It was distributed across heterogeneous mechanisms, such as the federal tax on manufactured products (IPI), the state value-added tax applying selectivity by essentiality (ICMS), and the municipal green urban property tax (green IPTU). In this context, Correia Neto's (2016) reading is particularly relevant in showing that the pre-reform Brazilian tax architecture operated, to a large extent, through the dispersed granting of tax incentives and waivers. The author calls this configuration the reverse of the tax, in which inducement was exercised through selective tax relief. This reading converses with the OECD tradition on tax expenditures, which treats tax benefits as functional equivalents of direct public spending. In later work, Correia Neto (2017) maps the fiscal instruments of environmental protection in Brazilian law, among them environmental taxing power, the polluter-pays principle, tax surcharges, revenue earmarking on the model of the ecological ICMS, and incentives lato sensu and stricto sensu. That map traces the doctrinal horizon within which the taxing power of Article 153(VIII) is inscribed. With Constitutional Amendment 132/2023, this historical logic is reversed. The incentive ceases to be the predominant vector of extrafiscality and gives way to selective burdening as an explicit mechanism for correcting externalities. Complementary

Law 214/2025, of January 16, 2025, regulated the tax and defined six material categories (Alexandre & Arruda, 2025). It deferred the specific rates to ordinary legislation, to be enacted before the tax takes effect in 2027, within a phased schedule extending to 2033.

The first plane of the Brazilian debate is the delimitation of the taxing power, developed by Folloni (2024). In a semantic and contextual reading of Article 153 (VIII), the author maintains that the taxing power does not authorize a broad-based revenue tax. The final text of Constitutional Amendment 132/2023 dropped the phrase "shall have an extrafiscal purpose," but the conclusion holds. Three arguments support this restriction. First, harmfulness to health or to the environment is not a sign of ability to pay. Using it as a criterion in a revenue tax would violate tax equality (Article 150 (II)) and the ability-to-pay principle (Article 145, §1), guarantees protected as entrenched clauses (Article 60, §4 (IV)). Second, the regressivity-mitigation clause, inserted by Article 145, §4, is incompatible with reading the Selective Tax as merely one more broad tax on consumption. Third, the legislative history of the reform, from the justification of Constitutional Amendment Bill 45/2019 to the Explanatory Memorandum of the implementing bill, is unequivocal as to the extrafiscal purpose and the restricted incidence. The taxing power of Article 153 (VIII) admits only of a reading as authorization for an extrafiscal and selective tax, restricted to a few goods and services that are demonstrably and especially harmful.

With the taxing power delimited in theory, it remains to be seen whether the constitutional text sustains it in practice. Vidor and Bernardes (2024) introduce here the problem of indeterminacy. Drawing on the distinction between generality and genericity in Ávila (2023), they observe that the formula "goods and services harmful to health or to the environment" is generic to a fault. It gives the interpreter no technical criterion capable of constraining the infraconstitutional legislator. This indeterminacy combines with the position of the Selective Tax within the transfer architecture. Its revenue is tied to the State and Municipal Participation Funds, to Pasep, and to Fundeb, and it is combined with the compensation mechanism provided in the implementing legislation. The result is structural pressure for the tax to take on a revenue-raising character, in tension with its original extrafiscal purpose.

Santos and Ponzilacqua (2025) give normative precision to this pressure. They identify three provisions responsible for imparting a fiscal character to the new tax. Article 159 (I) of the Constitution extends to the Selective Tax the revenue-sharing scheme of the former IPI (50% to the Union, 24.5% to the FPE, 22.5% to the FPM, and 3% to the regional financing funds of the North, Northeast, and Center-West). Article 7 of Constitutional Amendment 132/2023 obliges the Union to compensate for any reduction in subnational transfers. Article 130 (I) of the ADCT (Transitional Constitutional Provisions Act) sets a revenue-equivalence parameter between the CBS-plus-Selective-Tax set and the federal taxes abolished by the reform. The authors see here a case of fiscal illusion, in the sense proposed by D'Araújo (2022), in which the social perception of the tax's function becomes detached from the functions that its financial design actually assigns to it. Andrade (2024) reaches a similar conclusion, noting that the Selective Tax's inductive aim is partly contaminated by the revenue sharing inherited from the revenue tax it replaces. The reading of Folloni and that of Santos and Ponzilacqua complement each other. Folloni supplies the validity criteria for containing the scope of the tax. Santos and Ponzilacqua identify the forces that, in the absence of those criteria, tend to push it toward the revenue-raising pole.

The critique of the transfer architecture must, however, be weighed against its coordinating function within Brazilian fiscal federalism. The sharing of Selective Tax revenue through the FPE and the FPM, in the position formerly occupied by the IPI, is not only a source of revenue pressure. It secures subnational participation in the proceeds of a federal regulatory instrument and thereby underwrites the political viability of the reform, in a federation in which states and municipalities were decisive veto players throughout the constitutional negotiation. The Chinese trajectory examined above illuminates the point from the opposite direction. It is precisely in order to secure local-government support that the Consumption Tax reform introduces progressive subnational sharing. The Brazilian arrangement therefore performs ex ante the coordinating function that China is constructing ex post. The risk is symmetric rather than one-sided. Subnational dependence on Selective Tax revenue creates a constituency with a fiscal interest in the persistence of the very consumption the tax is designed to reduce, potentially distorting local incentives against effective harm reduction. The evaluation of the sharing mechanism must therefore hold both effects in view. The same arrangement that stabilizes federative support for the reform is the one that institutionalizes the pressure toward the revenue-raising pole.

The environmental dimension of the Selective Tax appears most directly in the reading offered by Cavalcante (2024). Constitutional Amendment 132/2023 included environmental protection among the principles of the National Tax System (Article 145, §3). The Selective Tax thus appears as a possible fiscal embodiment of the constitutionalized environmental agenda, and Brazil joins the Latin American jurisdictions that inscribe the environmental criterion in the constitutional design of the tax system itself. This reading brings the instrument close to the foreign figures of excise taxes, sin taxes, sugar taxes, and Pigouvian taxes, but it also counsels caution. The extrafiscal purpose holds only when validity criteria contain a risk recurrent in comparative experience, that of the tax degenerating into a false green tax. Cavalcante (2019) reserves the term for formally environmental taxes whose effective architecture erases their inductive function. The category completes the fiscal-illusion diagnosis from another angle. Fiscal illusion observes revenue drift through the lens of revenue sharing, while the false green tax focuses on the mismatch between the environmental label and the technical architecture of the tax.

The two trajectories answer the same question in opposite ways. China starts from a mature instrument, settled over three decades of practice and successive adjustments, and moves it toward decentralization by shifting the taxation stage and gradually sharing revenue with local governments. Brazil starts from a broad and recent constitutionalization, with an explicit extrafiscal purpose integrated into the new taxation of consumption. It must nonetheless defend that purpose against the revenue pressure that the Constitution itself embedded in the architecture of the instrument. One country pursues regulatory capacity without losing federative coordination; the other pursues extrafiscal coherence without losing revenue. The following subsections track this dilemma across concrete design choices, along three axes of analysis, namely material scope, sectoral reorganization, and the transition from category to attribute.

3.2. Scope, Sectors, and the Transition from Category to Attribute

The material scope of the Chinese Consumption Tax is organized into three non-exclusive functional groupings. The first brings together categories related to public health and the environment, namely tobacco, alcohol, fireworks, disposable wooden chopsticks, solid wood flooring, batteries, and coatings. The second covers goods of indirect environmental impact, such as automobiles, motorcycles, and refined fuels (gasoline, diesel, naphtha, kerosene, and fuel oils). The third addresses the regulation of high-income consumption, including jewelry and precious stones, luxury watches, golf equipment, yachts, and premium cosmetics. Revenue is concentrated in four of these categories, cigarettes, refined fuels, motor vehicles, and alcoholic beverages, which together account for more than 96% of the total (Han et al., 2021). The scope of the Brazilian Selective Tax, set out in Annex XVII of Complementary Law 214/2025, is more concise. It comprises six categories. Three relate to health, namely tobacco products, alcoholic beverages, and sugar-sweetened beverages. Two relate to the environment. These are motor vehicles, vessels, and aircraft, graduated by engine power, energy efficiency, carbon footprint, and fuel type, and mineral goods subject to a cap of 0.25% on extraction, except for coal. One is a category of social regulation, lotteries and fantasy sports. Ultra-processed foods and disposable plastics, debated during the legislative process, were left out of the final scope. Incidence is single-stage, at a moment that varies with the transaction.

The restrictive delimitation of the Brazilian scope aligns with the doctrinal criterion of Folloni (2024). For him, the Selective Tax may fall only on a few goods and services that are especially and gravely harmful to health and the environment, of notorious or scientifically incontrovertible harmfulness. Two choices in the final scope put this criterion to the test. The first is the exclusion of ultra-processed foods. Drawing on comparative evidence, Cavalcante and Corrêa (2024) observe that this exclusion rests on the regressivity argument and overlooks the experience of Mexico and the United States. There, the effectiveness of sin food taxes depends above all on their articulation with substitution policies.

The second choice is the cap of 0.25% on the extraction of mineral goods, set by the implementing legislation below the constitutional ceiling of 1% (Article 153, §6 (VII), of the Federal Constitution). Cavalcante and Corrêa (2024) note that rates so modest are unlikely to alter the economic calculus of the targeted activities, which casts doubt on the tax's inductive effectiveness. This observation points to a prior question that the current design does not address, namely what the Selective Tax aims to induce in mineral extraction. For tobacco and alcohol, the tax discourages demonstrably harmful consumption, and the criterion of incidence can be tied to the harm. In mining, incidence falls on the gross value of the extracted product, without a direct link to attributes of harm, such as carbon intensity, local environmental impact, or depletion of the deposit.

The legislative debate, moreover, points to an objective distinct from the corrective one. Incidence on iron ore, oil, and gas was defended in the Senate as a means of retaining domestically the revenue that carbon border adjustment mechanisms would otherwise capture. The mechanism at issue is the Carbon Border Adjustment Mechanism (CBAM) of the European Union, to which carbon-intensive Brazilian sectors are exposed (Perdana et al., 2023). The legal design confirms this reading. The general rule is export immunity (Article 153, §6 (I), of the Federal Constitution). In mineral extraction, however, the taxable event occurs at the moment of extraction and the tax is charged "regardless of destination" (Article 153, §6 (VII)), so as to reach the mineral even when destined abroad. Complementary Law 214/2025 fixed the taxable event at extraction, and the Executive vetoed the provision that would have extended export immunity to mineral goods, with the purpose of preserving incidence on the exported product. Part of the scholarship contests this reading, understanding "destination" as economic use rather than geographic destination, so that the immunity would prevail. In any case, it is mineral exports, precisely the flows that CBAM reaches, that incidence on extraction seeks to capture.

There is, however, a possible inconsistency between this border objective and the chosen instrument. CBAM credits only explicit carbon prices, such as carbon taxes and emissions trading systems, and excludes indirect taxation, within which excise taxes fall (Boute, 2024). An ad valorem tax on the value of the mineral does not qualify as an explicit carbon price and, for that reason, would be unlikely to reduce the exporter's CBAM obligation. Falcão (2020) examines the tension between the European mechanism and developing countries' right to retain the revenue from their own carbon taxation, a recognition that depends on the design of the domestic instrument. The question, then, is whether incidence on extraction pursues the correction of a harm intrinsic to extraction or an objective of border competitiveness. In the latter case, it must also be asked whether an ad valorem tax on the value of the mineral serves that objective.

The literature on the taxation of extraction offers a key for situating the problem, though not for resolving it. It distinguishes the severance tax, ad valorem or by volume, aimed at compensating for resource depletion and raising revenue, from the corrective tax. The corrective tax is calibrated to track the harm and tends to combine a neutral component with a dynamic element tied to cumulative externalities (Muzondo, 1993). Seen through this key, the extraction setting reproduces the same distinction between taxation by category and taxation by attribute that organizes this section. The pole at which the mineral Selective Tax will come to sit depends on how the implementing legislation develops.

On the evidence assembled here, the article takes a position within that key. As enacted, the mineral component of the Selective Tax operates neither as a corrective excise nor as a pure severance tax. It is a hybrid whose effective architecture leans decisively toward the pole of border competitiveness. A modest ad valorem rate on gross value, detached from any attribute of harm and charged at extraction precisely so as to reach exports, is the signature of an instrument designed to retain revenue exposed to the European border mechanism, and not to internalize an externality intrinsic to extraction. This characterization bears directly on the proportionality analysis developed in Section 3.3. The constitutional legitimacy of the extrafiscal instrument rests on the congruence between burden and purpose, and that congruence cannot be established where the criterion of incidence has no demonstrable relation to the harm invoked. The corrective label then risks providing rhetorical cover for a competitiveness device of doubtful efficacy under the crediting rules of CBAM. The qualification remains that ordinary legislation may still displace the instrument toward the corrective pole, by graduating incidence according to carbon intensity or local environmental impact; the diagnosis offered here describes the design as it stands.

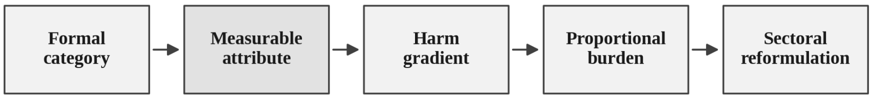
In comparative terms, neither the Chinese Consumption Tax nor the Brazilian Selective Tax fits the strict category of a sin tax, historically limited to goods associated with direct harm to health, such as tobacco and alcohol. Both are multifunctional selective regimes that bring together, within a single architecture, health, environmental, regulatory, and distributive objectives. This observation dispels the simplifying reading of the Chinese tax as a mere tax on vices, which erases the centrality of environmental regulation and of the control of luxury consumption in its scope. It also reveals in the Brazilian Selective Tax an instrument of broader regulatory reach than its colloquial label of sin tax suggests. Multifunctionality reflects the tax's simultaneous operation across multiple dimensions of collective welfare, and not a design weakness (Cnossen, 2005; OECD, 2022).

This contrast makes it possible to advance the article's central thesis. Contemporary excise taxation functions as an instrument of institutional coordination among consumers, productive sectors, administrative capacities, and public-policy priorities, and not merely as a mechanism for inducing individual consumption. Its effectiveness derives, in good measure, from the capacity to induce sectoral reorganization, that is, product reformulation, adjustment of production processes, redirection of investment, and technological adaptation by suppliers. This channel weighs more than the immediate effect on the final consumer price. The dynamic appears clearly in four sectors. In sugar-sweetened beverages, taxation by sugar content, adopted in several jurisdictions, is associated with industrial reformulation, with documented reductions in the average sugar content of commercial formulations. In the automotive sector, environmental criteria such as energy efficiency, emissions intensity, and fuel type progressively guide the calibration of the burden. This occurs both in the Chinese graduation by engine displacement and fuel type and in the Brazilian provision for graduation by attributes in Complementary Law 214/2025. In fuels, taxation by volume without full adjustment for carbon intensity produces a persistent pattern of climate underpricing across the jurisdictions analyzed, as the OECD documents in its work on carbon pricing and energy taxation (OECD, 2022). The Chinese evidence refines the diagnosis. Sun et al. (2022) analyze the transmission of the adjustments to the special tax on diesel implemented between November 2014 and January 2015 in China. They document a pass-through rate to retail prices of approximately 0.49 and an estimated reduction of 0.096% in annual carbon emissions attributable to diesel consumption. The magnitude is modest but statistically significant. It exposes the limit of enforcement capacity when transmission to prices is partial and the concentrated industrial structure allows the large state-owned oil companies to absorb the tax. In the tobacco sector, examined below, the Japanese experience with heated tobacco products shows the same tension under accelerated technological innovation.

In all of these cases, the excise tax acts at once on the consumer, through price, and on the productive sector, through the incentive to reformulate. The relative weight of each channel varies with the elasticity of demand, the industrial structure, and, above all, the specificity of the criterion of incidence. When the base is defined by a broad category, the price signal reaches all products in the class uniformly, with limited effect on the internal structure of supply. When it is defined by a measurable attribute, the price signal replicates the gradient of harm and creates a permanent incentive for intra-sectoral substitution toward lower-impact products. This distinction, decisive both for the theoretical analysis and for the empirical comparison, is developed below.

Before proceeding, two senses of selectivity must be distinguished. The adjective "selective," in the Brazilian Selective Tax, has a sense distinct from the one consecrated by constitutional tradition with respect to the IPI and the ICMS. As Folloni (2024) observes, drawing on Nogueira (1981), in those classic taxes selectivity designates a technique of graduating rates by essentiality in prevailing interpretive practice. The constitutional text, however, qualifies the tax as selective, and not its rates. In the Selective Tax, selectivity designates a material restriction of incidence. The tax may reach only certain selected goods and services, and not all goods in the economy, even if at differentiated rates. This is qualitative selection, and not quantitative graduation. The doctrinal distinction is compatible with the technical discussion that follows, without being confused with it. The opposition between taxation by category and taxation by attribute operates within the scope already delimited by restrictive selectivity, refining the tax signal on each class of goods admitted to incidence.

Taxation by category applies a uniform rate to all products belonging to a formal class, regardless of the variations in risk among them. Taxation by attribute ties the burden to a measurable characteristic of the product, in proportion to the harm it represents. In the first case, all products in the class receive the same price signal, with little internal differentiation by risk profile. In the second, the price signal tracks the gradient of harm and induces the consumer to migrate toward less harmful products and the producer to reformulate its goods so as to reduce the burden. Figure 1 schematizes this refinement of the tax signal, with the measurable attributes at stake in each sector examined in this subsection.



Sugar-sweetened beverages	*sugar content per volume*
Alcoholic beverages	*alcohol content vs. aggregate consumption*
Vehicles	*emissions, energy efficiency, fuel type*
Mineral extraction	*carbon intensity, local impact, depletion*
Tobacco products	*composition, risk profile, mode of consumption*

Figure 1. From category to attribute, refining the tax signal. Prepared by the author.

The United Kingdom's Soft Drinks Industry Levy, in force since April 2018, is the paradigmatic example of taxation by attribute, with incidence that varies according to sugar content per 100 ml. The lower rate applies to beverages with a content between 5 g and less than 8 g per 100 ml, and the higher rate to those with 8 g or more per 100 ml. Below the lower threshold, the beverage falls outside the scope (HM Revenue and Customs, 2024). In 2025, the United Kingdom announced a reduction of the lower threshold to 4.5 g per 100 ml. It also extended the scope to milk-based beverages and dairy substitutes with added sugar, with effect scheduled for January 1, 2028 (HM Treasury & HMRC, 2025). The comparative literature associates this design with reductions in the sugar content of commercial formulations, a sign that the mechanism acts with particular intensity on industrial strategy, over and above the final price. The SDIL does not displace the China-Brazil axis of the comparison. It serves as a technical reference for testing the precision of design by attribute, and not as a third case.

Applied to the two cases, the distinction reveals positions that are in part convergent and in part divergent. The Chinese Consumption Tax operates predominantly by category, with relevant sectoral differentiation and limited modulation by attribute within each category. The graduation by engine displacement in the automotive sector and the differentiation by fuel type in the energy sector are approximations of the logic of attribute, but the system, in its overall architecture, remains a tax by category. The Brazilian Selective Tax follows an analogous pattern. Complementary Law 214/2025 organizes incidence by product category and provides, in the automotive sector, for graduation by environmental attributes (engine power, energy efficiency, carbon footprint, fuel type, and recyclability), whose effectiveness will depend on subsequent ordinary legislation. In alcoholic beverages, the hybrid model, with a specific component on ethanol content, approaches the logic of attribute and signals a trajectory of refinement. In sugar-sweetened beverages, however, incidence remains organized by category, without graduation by sugar content, a gap that distances the Brazilian design from the corrective models consolidated internationally.

Brazilian scholarship already offers a consistent technical basis for this diagnosis. In a study dedicated to the taxation of sugar-sweetened beverages, Correia Neto (2020) reviews the comparative international experience of Mexico, Chile, Hungary, France, Belgium, Norway, and South Africa. Drawing on World Health Organization guidelines, he recommends instituting a specific excise tax on consumption, with rates calculated as a function of the quantity of the product or its nutritional content. He offers two formulations, R$1.00 per 200 ml of beverage or R$1.00 per 10 g of sugar. The second format corresponds to the paradigm of taxation by attribute defended here and converges with the architecture operated by the British SDIL. The author also systematizes a historical paradox of the pre-reform fiscal system. The regime of the Manaus Free Trade Zone combined full crediting on the purchase of syrups and concentrates dispatched with full exemption with the difference between the rates applicable to the input and the final product. That combination produced in the sugar-sweetened beverage sector an effect of net tax relief, the opposite of corrective taxation. Complementary Law 214/2025 chose uniform incidence by category, without graduation by sugar content. That choice departs from the recommendations of the author and from consolidated international experience, and it points to a technical dimension that the implementing legislation still has the opportunity to address. In a converging vein, the OECD has repeatedly identified graduation by sugar content as the reference design for the taxation of sugar-sweetened beverages (OECD, 2022).

Reading the Brazilian design through the lens of the review of extrafiscal norms reinforces the thesis. Drawing on the tripartite structure of tax equality proposed by Ávila (2009), Vidor and Bernardes (2024) decompose the equality judgment into three internal elements, namely the subjects compared, the measure of comparison, and the indicative element. Congruence among them is a necessary condition for the validity of any differentiated treatment introduced by an extrafiscal norm. Applied to Article 406, §1 (II), of Complementary Law 214/2025, which adopts as the distinguishing criterion for alcoholic beverages “the product of the alcohol content by the volume of the products,” the structure reveals an internally congruent design. Taking the purpose of health protection, the differentiation between alcoholic and non-alcoholic beverages is a legally justified measure of comparison. The intensity of alcohol graduation then functions as an indicative element with a technically recognizable connection to the harm invoked. Criteria based on the formal type of beverage, the volume of the container, or the value of the merchandise, the authors observe, would lack this link to the health purpose. The example of alcoholic beverages thus demonstrates an effective approximation of the logic of attribute within a regime predominantly organized by category.

The contemporary debate registers, on this same provision, a doctrinal position that productively tensions the preceding reading. Cavalcante and Corrêa (2024) argue that graduation by alcohol content may underweight the criterion most relevant from a health standpoint, the aggregate magnitude of consumption, if the declared objective is to reduce harmful alcohol consumption. Lower-concentration products, such as beer, account for the largest share of the alcohol consumed in the country. The objection does not deny the approximation of the logic of attribute present in Complementary Law 214/2025. It locates the challenge in the choice of the attribute most congruent with the extrafiscal purpose. The controversy shows the substantive nature of the calibration decisions that taxation by attribute requires. Moving from category to attribute is to decide which attribute, among those measurable, best replicates the gradient of harm that the tax seeks to correct.

The category of tobacco products exposes an additional challenge. The comparative literature indicates that calibration should operate not only by the formal category of the product, but by differentiated profiles of risk, composition, and mode of consumption (Chaloupka et al., 2015). The Chinese experience is particularly informative here. The market has more than 300 million adult smokers, about one-third of world cigarette consumption (Verguet et al., 2015), and the distributive challenges resemble those that Brazilian tax policy faces. Goodchild and Zheng (2018), in an assessment published in the Bulletin of the World Health Organization, provide one of the most detailed empirical records. The increase in the special tax on cigarettes adopted by the Chinese government in May 2015 was the first adjustment since 2009 and was accompanied by a simultaneous rise in factory prices by the State Tobacco Monopoly Administration. Between 2014 and 2016, the retail price rose, on average, 11%, and 20% for the cheapest brands, and the tax's share in the final price moved from 51.7% to 55.7%. On the consumption side, annual sales fell 7.8%, from 127 to 117 billion packs, and the prevalence of adult smokers declined between 0.2% and 0.6%, the equivalent of somewhere between 2.2 and 6.5 million fewer smokers. The corresponding revenue, over the same period, grew 14%, with an additional 101 billion yuan for the central government. What matters for the matrix is the simultaneity. When rate, taxation stage, and industry structure are well adjusted, the health function and the revenue function cease to compete, and enforcement capacity and extrafiscal coherence move together.

The distributive dimension gains precision in the study by Verguet et al. (2015), an extended cost-effectiveness analysis published in The Lancet Global Health. The authors modeled a 50% increase in the price of the Chinese cigarette through a specific tax, and the result tensions the diagnosis of regressivity usually associated with tobacco taxation. Total household expenditures on tobacco would rise by US$376 billion, but in the lowest-income quintile they would fall by US$21 billion. Price elasticity is much higher in the poorer strata (−0.64 in the bottom quintile against −0.12 in the top). The gains, moreover, concentrate where need is greatest. Of the avoided expenditures on tobacco-related diseases, US$24 billion, 28% fall in the poorest quintile. Of the protection against financial risk, US$1.8 billion, 74% benefit that same stratum. One-third of the 231 million life-years gained accrues to the poorest. The reading that the matrix draws from this is that distributive sensitivity is not measured by immediate monetary incidence. The apparent regressivity coexists with effective progressivity once the health gains, the reduction in catastrophic medical expenses, and the protection against impoverishment through illness are incorporated. This effective progressivity is conditional. It results from the higher price elasticity of the poorer strata and from a specific-tax design that curbs switching down to cheaper brands, in a market where cigarette prices vary more than tenfold. Under a uniform elasticity across strata, the same taxation proves more regressive. This is the empirical counterpoint to the regressivity argument that, in the Brazilian debate, sustains the exclusion of ultra-processed foods.

China's trajectory of tobacco taxation is tensioned by the position of the State Tobacco Monopoly Administration, vertically integrated with the China National Tobacco Corporation, in relation to health objectives. This tension appears in the historical choice to keep tax increases below the levels recommended by the WHO Framework Convention on Tobacco Control. Even after the 2015 increase, the tax's share in the retail price, 55.7%, remained well below the international benchmark of 75% recommended by the WHO (Goodchild & Zheng, 2018). This is a point that separates the Chinese case from the Brazilian one. In Brazil, the Selective Tax operates in an environment in which the State holds no direct ownership position over the tobacco industry. In China, the state monopoly is at once regulator, producer, and taxpayer of the excise tax. That configuration multiplies the channels of political influence over rate calibration and raises the importance of institutional design as an antidote to regulatory capture.

The Japanese experience with heated tobacco products (HTPs) adds to this picture the problem of technological innovation, in a register complementary to the Chinese case. Tabuchi et al. (2016), in a nationwide longitudinal study, showed that the 2010 price increase raised the price of a pack of Mild Seven by about 37%. Smoking cessation increased across all sociodemographic strata, with a stronger effect among heavy smokers. The entry of HTPs, from 2015, changed the structure of the market. Stoklosa et al. (2020) and Cummings et al. (2020) associated this entry with the accelerated decline in sales of combustible cigarettes, and Cummings et al. (2026), through joinpoint regression on national sales data, quantified a per capita decline of 52.6% in cigarette sales between 2011 and 2023. The most intense phase, −10.5% per year, fell in the period 2015-2018, immediately after the national diffusion of HTPs. The central point, however, lies in the design of the tax. The reform begun in 2018 raised the burden on HTPs year by year toward parity with combustible cigarettes, and Matsuyama and Tabuchi (2023), with the JASTIS longitudinal panel, measured its effects. The increases of 2018 and 2020 reduced relapse among former smokers (adjusted odds ratio of 0.54 and 0.59) and raised cessation among current smokers (adjusted odds ratio of 1.20 and 1.45). The 2019 increase, transmitted only indirectly through the rise in the general consumption tax, had no significant effect, which suggests that the direct channel of the excise tax weighs more than the indirect adjustment. Convergence continued in the following years. In December 2024, the government brought forward the increase on HTPs (Bloomberg Tax, 2024). Through staged increases in April and October 2026, it moved the rates toward parity at JPY 15,244 per 1000 sticks (The Japan Times, 2026; Tobacco Journal International, 2026). The Japanese case illustrates the dimension of proportionality under innovation. Graduating the burden by risk, as an instrument of harm reduction, may compete with preserving the revenue base in the face of inter-product substitution. The accommodation of the two objectives is still under construction even where excise taxation is mature.

The analysis suggests an implication common to the two cases. The advance of excise taxation, in both China and Brazil, depends on deepening the logic of attribute in the sectors where the internal heterogeneity of products is high and the harm profiles are technically measurable. The trajectory does not require breaking with taxation by category, often preserved for reasons of administrative feasibility and political legitimacy. It requires complementing that basis progressively through mechanisms of modulation that bring the burden closer to the harm associated with each good. For Brazil, still at the start of implementation, the finding points to the incorporation of the logic of attribute in the setting of rates through ordinary legislation, especially where this is technically and administratively feasible. For China, in transition toward legislative formalization and toward progressive subnational sharing of excise revenue, the opportunity lies in taking advantage of the ongoing reform to refine the technical structure of incidence. This requires articulating the change in the collection stage with the adjustment of material criteria and the calibration of rates toward the international health benchmarks identified by Chen et al. (2025).

3.3. Comparative Synthesis of the Five Design Dimensions

The comparison between China and Brazil makes it possible to bring the five dimensions of the matrix onto a single analytical plane. Selectivity, first, reveals two distinct modes of constructing scope. The Chinese Consumption Tax operates with fifteen categories consolidated through incremental adjustments over three decades. The Brazilian Selective Tax begins with six categories constitutionalized and regulated by Complementary Law 214/2025. In both cases, the decisive dimension is the capacity to combine normative clarity, adaptability, and updating in the face of new products, new risks, and new forms of harm. The extent of the list of goods and services reached does not, by itself, determine the effectiveness of the regime.

Proportionality exposes the tension between regulatory purpose and revenue function. In China, excise taxation has coexisted, from the outset, with a substantial fiscal purpose, sensitive above all in the tobacco sector, still taxed below the international health benchmarks. In Brazil, the extrafiscal purpose is more explicitly constitutionalized. Its effectiveness will depend on the calibration of rates through ordinary legislation and on demonstrating a connection among the tax burden, the harm invoked, and the criterion of incidence. The legitimacy of the tax, in both systems, depends on the coherence between the harm that justifies incidence and the measure of the burden imposed, and not on the choice of the taxed good alone.

Enforcement capacity constitutes the third axis. The Chinese case demonstrates the importance of an administrative infrastructure built incrementally, with digital integration, advanced analytical systems, and a gradual transition of the taxation stage since 2019. The Brazilian case incorporates digitalization into the broader reform of consumption taxation, but will still face practical challenges of classification, monitoring, enforcement, and coordination among databases. The effectiveness of excise taxation depends, accordingly, on the state's capacity to correctly identify products, attributes, transactions, and taxpayers, and not on the formal rate in isolation.

Fiscal coordination is the dimension in which the functional convergence between the two models appears most clearly. China starts from a historically centralized revenue, a legacy of the 1994 Tax Sharing System reform, and moves toward a hybrid architecture, with progressive subnational sharing. Brazil follows the inverse path. It institutes a federal tax whose revenue is shared with states and municipalities through the constitutional transfer scheme of Article 159, I, in the position formerly held by the IPI, alongside the new dual VAT formed by the federal CBS and the shared IBS. Excise taxation, in these terms, also functions as a mechanism for accommodating national regulatory objectives and subnational fiscal impacts, beyond being a technique for correcting externalities.

Distributive sensitivity, finally, moves the analysis beyond immediate monetary incidence. In China, distributive mitigation operates both through the Consumption Tax itself and through instruments external to it. The empirical evidence on tobacco indicates that taxation can produce effective progressivity once health gains, the reduction in medical expenses, and protection against impoverishment through illness are incorporated. Recent modeling extends this reading to alcohol and sugar-sweetened beverages, with health gains concentrated in the lowest-income quintiles and improved equity over the 2026-2050 horizon. The distributive outcomes vary by product and by rate level (Chen et al., 2025). In Brazil, the most robust distributive instruments belong to the consumption reform as a whole, and not specifically to the Selective Tax. This difference reinforces the need to assess the distributive effects of the tax on three simultaneous planes, namely the immediate financial burden, the expected health or environmental benefits, and the existence of compensatory policies capable of protecting the most vulnerable groups.

The five axes converge on a systemic finding. The effectiveness of excise taxation in emerging economies derives from the coherence among the five dimensions, and not from the isolated strength of any one of them. Broad selectivity with low enforcement capacity tends toward suboptimal performance; technological sophistication without distributive sensitivity erodes political legitimacy; proportionality that is technically well resolved but poorly coordinated at the federative level produces institutional instability. The institutional design of the tax weighs, therefore, as much as its legal architecture. Table 1 maps the principal risks to which this coherence is exposed in each system, by reference to the dimension primarily affected.

Table 1. Comparative risk map of the two excise regimes.

Risk	Expression in China	Expression in Brazil	Dimension affected
Revenue drift	Substantial revenue role since 1994; rates held below health benchmarks.	Federative sharing (Art. 159, I) and the revenue-equivalence parameter (Art. 130, ADCT).	Proportionality; fiscal coordination
Weak inductive effect	Partial pass-through absorbed by state-owned producers (diesel 0.49).	Mineral rate of 0.25%, far below the 1% ceiling, with no link to harm attributes.	Proportionality
Regulatory capture	State Tobacco Monopoly as regulator, producer, and taxpayer at once.	Sectoral pressure in rate-setting deferred to ordinary legislation.	Enforcement capacity; proportionality
Apparent regressivity	Immediate monetary burden on poor smokers, offset by higher price elasticity.	Regressivity argument used to exclude ultra-processed foods from the scope.	Distributive sensitivity
Opaque burden	Tax embedded in monopoly-administered prices.	Selective Tax composing the base of the ICMS, the ISS, the IBS, and the CBS.	Transparency; enforcement capacity
Scope obsolescence	New products (HTPs) pending the transition to formal legislation.	Ultra-processed foods and disposable plastics outside the final scope.	Selectivity

The final column of Table 1 records the dimension primarily affected as an anchoring criterion, not as an exclusive assignment. The risks are transversal by construction. Regulatory capture, listed under enforcement capacity and proportionality, weakens the ability of the state to monitor the sector and distorts the calibration of rates at the same time. Revenue drift, anchored in proportionality, propagates to fiscal coordination, because the transfer architecture converts subnational governments into stakeholders in the very revenue the tax is meant to erode. Scope obsolescence, entered under selectivity, degrades enforcement capacity as untaxed substitutes migrate outside the monitored perimeter. This cross-cutting logic is not a defect of the matrix but its point. Because the five dimensions are interdependent, a risk that materializes in one dimension rarely remains confined to it, which is precisely what the systemic finding stated above predicts.

The recurrent warning against revenue drift requires, in addition, an operational criterion, without which it remains a rhetorical caution. Three prudential indicators can be derived from the literature on corrective taxation. The first is ex ante and concerns the calibration criterion. If rates come to be set by reference to the revenue-equivalence parameter of Article 130 of the ADCT rather than anchored in measurable attributes of harm, drift is inscribed in the calibration itself. The second is dynamic. In a functioning corrective tax, revenue and consumption should decline together, since the doctrine of extrafiscality describes the success of such an instrument precisely as the progressive erosion of its own base (Vasques, 1999). Revenue that remains stable or grows across the implementation horizon of 2027-2033, while consumption of the taxed goods does not fall, is the operational signature of drift. The third is comparative. External anchors tied to harm rather than to revenue needs allow rate levels to be assessed against health objectives instead of fiscal targets. The clearest example is the WHO benchmark of a tax share of at least 75% of the retail price of tobacco. None of these indicators yields a mechanical threshold, and the international experience of corrective taxation offers no single quantitative parameter. Taken together, however, they convert the diagnosis of drift into a verifiable prudential judgment. Drift is present when calibration criterion, revenue trajectory, and external benchmarks jointly indicate that the fiscal function has displaced the corrective one.

In the Brazilian case, this conclusion gains relevance in light of a technical friction inscribed in the tax's own constitutional architecture. Under Article 153, §6 (IV), of the Federal Constitution, the Selective Tax is included in the calculation base of the ICMS, the ISS, the IBS, and the CBS. The configuration is compatible with the constitutional prohibition on including the Selective Tax in its own base, but it produces a form of vertical cumulativity (tax cascading) among consumption taxes. In practice, the excise burden on goods harmful to health or the environment carries over into the taxable base of the general taxes, increasing the final effective burden and reducing the transparency of the tax structure.

This tension does not invalidate the constitutional design. The extrafiscal purpose of the Selective Tax may justify raising the effective burden on demonstrably harmful goods. It does, however, reinforce the need to monitor the cumulative effects of incidence on the final price structure and on the behavioral incentives the tax seeks to produce. Brazilian selectivity, having been born integrated into a broad consumption reform, will require continuous monitoring of the relationship among extrafiscal purpose, fiscal coordination, and transparency of the tax burden.

Table 2 brings together, in summary form, the configuration observed in China and Brazil for each of the five analytical dimensions and the corresponding comparative implication.

Table 2. Comparative synthesis of the five design dimensions.

Dimension	China	Brazil	Comparative implication
Selectivity	Fifteen categories; incremental consolidation over three decades.	Six categories; constitutionalized and regulated by Complementary Law 214/2025.	Scope depends on normative clarity and the capacity to update, not on the length of the list.
Proportionality	Regulatory aim alongside a substantial revenue role; tobacco still below the WHO benchmark.	Explicit extrafiscal purpose; rate calibration deferred to ordinary legislation.	Legitimacy rests on a demonstrable link among burden, harm, and incidence criterion.
Enforcement capacity	Mature digital administration (Golden Tax IV); staged shift of the collection point since 2019.	Digitalization embedded in the wider reform; classification and monitoring still to be built.	Effectiveness turns on classification, monitoring, and enforcement, not on the nominal rate.
Fiscal coordination	Historically centralized revenue (1994 reform legacy); deliberate transition toward a hybrid design with progressive subnational sharing.	Federal tax shared via the Article 159, I, scheme, in the position formerly held by the IPI; coexists with the dual VAT (CBS/IBS).	Convergence by inverse trajectories, in which national regulatory objectives must be reconciled with subnational fiscal impacts.
Distributive sensitivity	Health gains concentrated in low-income quintiles (tobacco; extended to alcohol and sugar-sweetened beverages to 2050); external mitigation instruments.	Distributive instruments lodged in the broader reform, not in the Selective Tax itself.	Assessment must weigh monetary burden, health or environmental gains, and compensatory policy.

Note. Sources for the underlying claims (Wong & Bird, 2008; Verguet et al., 2015; State Council, 2019; Central Committee, 2024; Chen et al., 2025; Bloomberg Tax, 2026) are cited in the body text; the table reports configuration only.

4. Concluding Remarks

This article compared the Chinese Consumption Tax and the Brazilian Selective Tax, examining how two emerging economies operationalize the functional principles of excise taxation under distinct institutional conditions. Three substantive conclusions follow from the analysis.

The first is that excise taxation is organized as a family of adaptive designs, without a universally superior model. These designs share common functional principles, such as selectivity, proportionality, enforcement capacity, fiscal coordination, and distributive sensitivity, but express them in diverse legal and administrative forms. The divergences between the two systems reflect adaptive responses to specific institutional contexts, and not signs of institutional deficiency. The traditional centralization of excise revenue in China is itself in deliberate inflection, through the progressive shift of the taxation stage and the introduction of gradual subnational sharing. That trajectory brings the Chinese architecture functionally closer to the Brazilian model of constitutional revenue sharing, along an inverse institutional path.

The second conclusion concerns the distinction between taxation by category and taxation by attribute, the central axis of the analysis. Both systems operate predominantly by category, with isolated approximations to the logic of attribute in specific sectors. The observed tendency, however, is one of refinement toward the logic of attribute in sectors where harm is measurable. For Brazil, the comparison points to the incorporation of this logic by infraconstitutional regulation wherever it is technically and administratively viable. The conditions are incidence restricted to few goods, gravity and notoriety of the harm, demonstrable inhibitory efficacy, and periodic reassessment. The institutional design of the tax, when coherent, aligns its technical architecture with the imperatives of constitutionality. China is in transition from the Consumption Tax to formal legislation and in the redesign of the taxation stage. The analogous implication is that the ongoing normative transformation opens an opportunity to refine the technical structure of incidence, in particular through the progressive increase of tobacco rates toward international health benchmarks.

The viability of the Brazilian Selective Tax as a coherent extrafiscal instrument depends on four conditions. They are rigor in the selection of taxed goods, technical calibration of rates, permanent judicial review of the congruence between means and ends, and periodic evaluation capable of neutralizing the revenue drift inscribed in the architecture of federative transfers. The pattern that the Brazilian diagnosis reveals may be named the subordination of function to form. Lodged in the statute of the new value-added taxes, shared according to revenue criteria, and calibrated under a revenue-equivalence parameter, the corrective instrument risks being treated as one more piece of the fiscal engineering of the reform, rather than as a regulatory device with a logic of its own. Averting that subordination is precisely what the combination of measures just described is meant to secure. The international experience examined throughout the article suggests that technically well-designed and periodically reassessed arrangements can produce significant health, environmental, and fiscal effects, whereas poorly calibrated designs expose themselves to a loss of legitimacy. The Brazilian case, still in an early implementation phase, has an institutional opportunity to incorporate these lessons before the instrument is operationally consolidated.

The third conclusion concerns the analytical value of South-South dialogue. China offers Brazil relevant references for the system under construction, drawn from its institutional continuity, its incremental calibration, and its ongoing structural reform. The clearest lie in the articulation between national excise taxation and integrated digital infrastructure, and in the administrative transition toward hybrid architectures of revenue sharing among levels of government. Brazil, conversely, may offer China references drawn from the explicit constitutionalization of the extrafiscal purpose, from systemic integration with redistributive mechanisms, and from the test of an intermediate federative model. They bear on deepening the extrafiscal function of the Consumption Tax during its transition to formal legislation and to progressive subnational revenue sharing. This dialogue finds fertile ground in Brazil, where academic communities devoted to environmental taxation and extrafiscality have consolidated and where technical production supports the legislative process. The conditions are functionally analogous to those that sustain, in the Chinese tradition, the debate on tax legality and the reform of the Consumption Tax.

The 2025-2050 time window adds a singular prospective dimension to this dialogue. The phased implementation of the Brazilian Selective Tax, between 2027 and 2033, corresponds on the Chinese side to the advance of the taxation-stage reform and of the subnational sharing of the Consumption Tax. That advance is articulated with a horizon for calibrating rates on tobacco, alcohol, and sugar-sweetened beverages that extends to 2050, precisely the three core health categories of the Brazilian Selective Tax. The window is at once operational and analytical. It offers policymakers the opportunity to incorporate lessons from international experience before the new instruments are consolidated. It also offers the academic community the uncommon opportunity to observe, in real time, two large emerging economies redesigning consumption-tax architectures according to common functional principles and distinct operationalizations.

The main comparative lesson lies in the coherence that excise taxation requires, when taken seriously as a public-policy instrument, among the taxed good, the harm invoked, enforcement capacity, distributive effects, and the expected response of economic sectors. It does not lie in Brazil replicating the Chinese model or in China constitutionalizing its instrument in the Brazilian manner. In emerging economies, this coherence is a condition of legitimacy rather than a mere technical detail. It is on this plane, and not on that of model convergence, that the comparison between China and Brazil reveals its most enduring analytical value.

Before turning to the limits of the analysis, the findings can be condensed into distinct policy implications for each jurisdiction. For Brazil, three follow directly from the comparison. Rate calibration in ordinary legislation should be anchored in measurable attributes of harm wherever technically and administratively viable, rather than in the revenue-equivalence parameter of Article 130 of the ADCT. The prudential indicators of revenue drift proposed in Section 3.3 should be incorporated into the periodic evaluation of the tax. The material scope, finally, should remain subject to structured review, with ultra-processed foods and disposable plastics as the first candidates for reassessment. For China, three implications correspond. Tobacco rates should rise progressively toward the WHO benchmark within the calibration horizon extending to 2050. Heated tobacco products should be incorporated into the formal Consumption Tax legislation now in preparation, closing the gap of scope obsolescence identified above. Subnational revenue sharing should be calibrated so that local fiscal interests reinforce, rather than blunt, the regulatory signal of the tax.

Finally, the analytical limitations of the study should be noted. First, the methodological choice of exploratory legal-institutional analysis entails a deliberate renunciation of causal identification. The article documents functional articulations among normative architecture, administrative capacity, and design principles, without estimating average treatment effects. Second, the binary comparison between China and Brazil does not exhaust the universe of relevant experiences in emerging economies. Jurisdictions such as South Africa, Mexico, and Thailand would offer institutional variations capable of broadening the generality of the findings. Third, the phased implementation schedule of the Brazilian Selective Tax, between 2027 and 2033, keeps a substantive portion of the effective architecture of the tax dependent on subsequent ordinary legislation. Definitive conclusions about the final design will therefore require revision in light of the normative acts progressively enacted.

These limitations outline a prospective research agenda along three fronts. The first is the ex post evaluation of the effects of the Brazilian Selective Tax on prices, consumption, industrial reformulation, and revenue, through quasi-experimental designs that exploit the phased implementation as a source of exogenous variation. The second is the longitudinal observation of the Chinese reform of the taxation stage and of progressive subnational sharing, in particular of its effects on center-local fiscal coordination. The third is the expansion of the comparative universe to include other emerging economies in an active phase of redesigning excise taxation, testing the generality of the functional principles identified here.

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Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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