

Recovery of Tax Credits and Cash Management: Fiscal Efficiency Strategies for the Corporate Sector

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Abstract- This paper presents a practical and analytical study on the recovery of tax credits and its strategic role in cash management within Brazilian corporations. The research examines the main opportunities arising from the restitution of ICMS, ICMS-ST, PIS, and COFINS credits and their measurable impacts on corporate liquidity and profitability. Based on recent judicial precedents—especially the Supreme Federal Court (STF) ruling that excluded ICMS from the PIS/COFINS calculation base—the study demonstrates how proper credit identification, recognition, and monetization can generate tangible improvements in companies' financial performance. By reviewing empirical evidence from publicly traded firms and technical analyses of accounting standards, the article highlights that systematic credit recovery strengthens fiscal efficiency, reduces the effective tax burden, and supports sustainable business growth. The findings reinforce that tax credit recovery is not merely a compliance mechanism but a key financial management tool that integrates taxation, accounting, and treasury strategy to enhance overall economic resilience.

Keywords: Tax Credit Recovery; ICMS; PIS/COFINS; Cash Management; Fiscal Efficiency; Brazil; Tax Reform; Corporate Liquidity; Accounting Recognition; Supreme Federal Court.

I. INTRODUCTION

In the Brazilian corporate environment, recovering tax credits has become an essential instrument for optimizing liquidity and strengthening fiscal efficiency. The recovery of credits related to ICMS, ICMS-ST, PIS, and COFINS is not merely an accounting adjustment but a strategic financial management action capable of significantly improving

cash flow and profitability indicators. Recent judicial precedents, such as the decision of the Brazilian Supreme Federal Court (STF) in RE 574.706/PR, confirmed in 2021, excluded ICMS from the calculation base of PIS and COFINS, generating substantial opportunities for the restitution of unduly paid taxes and the recognition of relevant credits (Machado Meyer, 2018; BDO, 2021).

In practice, the recovery process begins with an analytical and documentary review of past tax operations, identifying calculation errors, overpayments, or undue inclusions in the tax base. A study by Schmidt et al. (2025) analyzing 34 publicly traded Brazilian companies demonstrated that 97% recognized the right to such credits as recoverable assets, recording a measurable positive impact on their financial statements between 2018 and 2021. These findings confirm that the adequate recognition and monetization of tax credits not only correct past distortions but also reinforce cash flow and corporate liquidity positions.

The management of such credits also requires a strong integration between tax, accounting, and treasury departments. The correct classification of recoverable amounts, following the CPC 25 and IAS 37 standards regarding contingencies and assets, determines whether credits can be recorded immediately or should remain as contingent rights (Schmidt et al., 2025). Once recognized, these credits reduce the company's tax exposure, improve short-term liquidity, and allow better planning of working capital needs. However, the procedural path to recovery—through administrative restitution, offsetting, or judicial claim—demands careful documentation and adherence to procedural standards established by the Federal Revenue Service and state tax authorities (PwC Brazil, 2023).

The strategic impact of tax credit recovery extends beyond accounting adjustments. For companies with

high operational turnover and significant tax incidence, recovered credits can finance expansion projects, repay short-term debts, or reinforce investment in innovation without new borrowing. Roedl & Partners (2021) note that companies that regularly perform fiscal reviews and implement continuous compliance systems tend to experience more stable cash flow and reduced effective tax rates. Moreover, by integrating credit recovery forecasts into financial planning models, firms can reallocate capital more efficiently, decreasing the opportunity cost of idle resources.

In the case of ICMS-ST and its interactions with PIS and COFINS, the Superior Court of Justice (STJ) issued a decisive judgment in 2023 (REsp 1.896.678 and REsp 1.958.265), affirming that the ICMS-ST component cannot be included in the PIS/COFINS base, further expanding the spectrum of recoverable credits (VatUpdate, 2023). This reinforces the importance of ongoing legal monitoring and rapid adaptation to jurisprudential changes. Fiscal managers must anticipate such shifts, update calculation systems, and reassess historical tax bases to prevent future accumulation of unclaimed credits.

The growing digitalization of fiscal processes has also improved the ability to identify credit opportunities. Data analytics tools and electronic invoicing (NF-e) systems allow high-volume auditing of operations, detecting inconsistencies that previously went unnoticed. According to the analysis by Pessoa (2011), the effective management of ICMS credits can alter the financial viability of investment projects by reducing the overall cost of capital allocation. When applied systematically, this practice converts tax compliance into a competitive advantage.

From a governance perspective, the success of tax credit recovery initiatives depends on multidisciplinary coordination. PwC Brazil (2023) highlights that leading corporations establish internal committees joining tax, legal, and finance experts to validate recoverable amounts and authorize judicial proceedings. This structured governance minimizes legal risks and ensures that recoveries are aligned with the company's broader fiscal strategy and risk appetite. Transparency in reporting—especially for

publicly traded firms—is also essential, as credit recognition can materially affect earnings and should therefore be disclosed consistently with accounting and securities regulations.

Looking forward, Brazil's proposed tax reform, which seeks to consolidate PIS, COFINS, and ICMS into a unified consumption tax model (CBS/IBS), presents both opportunities and uncertainties. The transition to this model could affect how accumulated credits are offset or reimbursed in the future. Maintaining robust records and documenting recovery claims will be crucial to securing rights in this evolving environment. According to Miranda (2024), the dynamics of tax incentives and credit mechanisms have direct effects on municipal finances and private investment capacity, indicating that credit management will remain central to sustainable fiscal planning.

The flowchart illustrates the structured process of tax credit recovery and its integration into corporate cash management. It begins with tax data collection and compliance review, where companies identify potential credits related to ICMS, ICMS-ST, PIS, and COFINS. Next, credit validation and documentation ensure the legal and accounting accuracy of recoverable amounts, followed by submission for restitution or compensation through administrative or judicial channels. Once approved, credit monetization directly improves cash flow and liquidity, enabling reinvestment or debt reduction. The cycle concludes with financial analysis and strategic reporting, where the organization assesses the fiscal efficiency achieved and updates its tax management policies for continuous improvement.

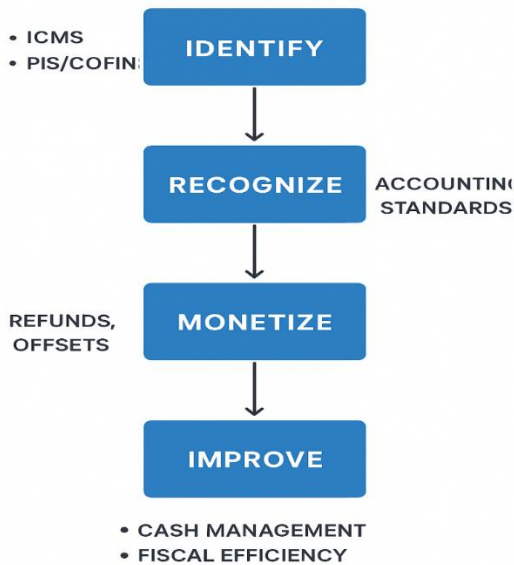


Figure 1. Tax Credit Recovery and Cash Management Efficiency Process.

Source: Created by author.

Ultimately, the recovery of tax credits represents a tangible form of value creation through compliance and fiscal intelligence. By uniting technical accuracy, legal knowledge, and strategic financial management, organizations transform what would otherwise be sunk tax costs into productive liquidity. As Brazil's fiscal landscape continues to evolve through judicial and legislative reform, companies that proactively institutionalize credit recovery as part of their treasury strategy will consolidate not only financial stability but also reputational strength in the marketplace.

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