

Measuring Tax Transaction Costs in Small and Medium Enterprises in Brazil

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2015

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EXECUTIVE SUMMARY

1. Tax transaction costs were equivalent to 1.72 per cent of GDP in Brazil in 2012. Of this total, the tax compliance costs incurred by taxpayers accounted for 1.54 per cent and the administrative costs of the Brazilian Federal Revenue Service (Receita Federal do Brazil, RFB) accounted for 0.19 per cent.
2. Micro, small and medium enterprises (MSMEs) comprise a significant segment of Brazilian businesses. According to the definition established by the Brazilian authorities, the large majority of businesses are micro and small enterprises. Only 2 per cent of businesses are defined as large enterprises, which have sales revenue of more than 7.2 million reais (R\$) or about US\$3.6 million.
3. The average compliance cost per business was R\$17,289 a year (US\$8,845). For microenterprises this average cost rose to R\$13,635 (US\$6,976), while for small businesses it stood at an average of R\$19,768 (US\$10,114). Since these are fixed costs, when they are analysed as a percentage of sales it is clear that in relative terms the compliance costs are regressive for microenterprises, being equivalent to 7.6 per cent of sales in contrast to 1.5 per cent for small businesses.
4. An average business in the Lucro Real (“Actual Income”) tax regime spends 652 hours a year complying with its tax obligations, and a business in the “Simples Nacional” regime spend 328 hours on average. Nonetheless, some 79 per cent of businesses in the Simples system make permanent use of external advisors to comply with their tax obligations.
5. Administrative costs account for 0.19 per cent of GDP. Staff remuneration is the most important item in the RFB’s budget. Hence the methodology of resource allocation by installed capacity is consistent with the calculations performed.
6. Finally, the present study is a first approach to the assessment of compliance costs in both the general and simplified regimes. Thus we suggest expanding the analysis in other studies that address the overall cost-benefit of the tax system for the economy as a whole, paying particular attention to efforts to simplify it.

INTRODUCTION

For several reasons, the complexity of a tax system and the level of tax transaction costs—understood as the sum of the tax administration’s costs in administering the system plus the compliance costs incurred by taxpayers—are important matters for taxpayers, governments and policymakers.

Tax administrations and experts in the tax field often remark that it is crucial to reduce tax compliance costs or improve the State’s efficiency in tax collection. This is fine in itself but it is not enough simply to establish this as a goal, inasmuch as the attainment of an objective must be demonstrably measurable.

If we have been trying for years to reduce tax transactions costs, have we done so? By how much have they been reduced? Who has benefitted the most from the reduction? Such questions oblige us not only to seek lower costs but also to be clear about the level of such costs in general terms, by regime, by taxpayer size, and so on.

The purpose of this study is to highlight some of the factors that influence the complexity of Brazil’s tax system and, using the methodology developed by CIAT/UN-DESA, to estimate the tax transaction costs. The report begins with a general explanation of economic and social conditions in Brazil, as well as its tax system and institutional apparatus. The second chapter explains in detail the estimates of tax compliance costs and the RFB’s administrative costs. Finally, the report offers some concluding reflections on the main future challenges arising from the findings.

CHAPTER 1

GENERAL ASPECTS OF BRAZIL'S TAX SYSTEM

BRAZIL'S ECONOMIC AND BUSINESS STRUCTURE

Brazil, formally known as the Federative Republic of Brazil, is the biggest country in Latin America and the fifth biggest in the world, covering an estimated 8.5 million square kilometres. It borders Argentina, Uruguay and Paraguay to the south; the Atlantic Ocean to the east; Venezuela, Colombia, Guyana, Suriname and French Guiana to the north; and Bolivia and Peru to the west.

With a population of 201 million in 2013, it is one of the world's most populous countries and has a moderate population density of 23 inhabitants per square kilometre. Its capital is Brasilia and its currency is the real (R\$).



In 2013, Brazil's human development index was 0.744 points, an improvement over 2012 when it stood at 0.742. Brazil ranks 77 on the human development index (Datos Macro, 2014).

The 2013 report of the United Nations Development Programme (UNDP) mentions that for the first time in 150 years, the combined output of the three leading

economies of the developing world—Brazil, China and India—is practically the same as the combined GDP of the strongest industrial powers in the North: Canada, France, Germany, Italy, the United Kingdom and the United States (United Nations, 2014).

In 2013, Brazil's GDP grew by 2.3 per cent over 2012, 14 tenths higher than the 2012 rate of 0.9 per cent, as Table 1 shows.

Table 1
Brazil's GDP by Sector

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Annual variation									
Total GDP	5.6	3.0	3.7	5.8	4.8	-0.3	6.9	2.7	0.9
Per capita GDP	4.3	1.8	2.6	4.8	3.8	-1.2	5.9	1.9	0.1
GDP by sector									
Agriculture, livestock, hunting, forestry and fishing	2.3	0.3	4.8	4.8	6.3	-3.1	6.3	3.9	-2.3
Mining and quarrying	4.3	9.3	4.4	3.7	3.5	-3.2	13.6	3.2	-1.1
Manufacturing industry	8.5	1.2	1.0	5.6	3.0	-8.7	10.1	0.1	-2.5
Electricity, gas and water	8.4	3.0	3.5	5.4	4.5	0.9	8.1	3.8	3.6
Construction	6.6	1.8	4.7	4.9	7.9	-0.7	11.6	3.6	1.4
Wholesale and retail trade, restaurants and hotels	7.5	3.5	6.0	8.4	6.1	-1.0	10.9	2.8	0.5
Transport, storage and communications	6.9	3.5	4.4	7.0	6.4	-2.0	10.2	3.6	1.5
Financial establishments, insurance, real estate and business services	5.4	4.8	3.2	5.7	5.9	2.4	3.7	2.3	1.1
Communal, social and personal services	3.8	4.9	4.9	8.5	5.6	4.5	4.6	2.3	2.5
GDP by type of spending									
Final consumption spending	3.9	4.1	3.9	5.8	5.1	4.1	6.3	3.6	3.1
Government consumption	4.1	2.3	2.6	5.1	3.2	3.1	4.2	1.9	3.2
Private consumption	3.8	4.7	4.3	6.1	5.7	4.4	6.9	4.1	3.1
Gross capital formation	15.3	6.4	7.0	15.2	13.0	-6.5	20.5	4.6	-3.9
Exports of goods and services	15.3	9.3	5.0	6.2	0.5	-9.1	11.5	4.5	0.5
Imports of goods and services	13.3	8.5	18.4	19.9	15.4	-7.6	35.8	9.7	0.2

Source: ECLAC/CEPAL statistics.

As regards its economic structure, Brazil has abundant natural resources and its economy is relatively diversified. It is the world's leading producer of coffee, sugarcane and oranges, and one of the leading producers of soya. The country attracts many multinational companies in the agri-food and biofuels industries. It is the world's fourth leading exporter of wood.

Brazil has the world's largest volume of commercial livestock. Even so, agriculture's contribution to GDP is relatively modest at just 6.6 per cent, but the sector accounts for 40 per cent of exports (Banesto Estudios Sectoriales, 2014).

Exploitation of its mineral wealth has made Brazil the world's second main exporter of iron and one of the leading producers of aluminium and coal. As an oil-producing country, Brazil could be self-sufficient in the short term. It is increasingly important in the textiles, aeronautics, pharmaceuticals, vehicles, iron and steel, and chemicals sectors.

Most large car manufacturers have set up production and assembly plants in Brazil. The industrial sector accounts for close to a quarter of GDP. The services sector accounts for two-thirds of GDP. In recent years the country has built up services with high value added, especially in aeronautics and telecoms.

As in the other countries of Latin America, micro, small and medium enterprises (MSMEs)¹ comprise a high percentage of the country's economic and business structure. According to CEPAL (2013), their importance is evident in various ways throughout the region, such as their share of the total number of businesses, their role in job-creation, and in some countries their share of output.

Latin American microenterprises are marked by their extreme diversity: some respond to the need for self-employment and survival, while others can take advantage of market opportunities with efficient and innovative management.

In this regard, the definition and characterisation of MSMEs is crucial for Brazil. According to Brazil's Ministry of Finance (Ministerio de Hacienda de Brasil, 2011), complementary law 1392 defines a microenterprise as one whose annual gross income is equal to or less than R\$360,000 (about US\$166,000), while a small enterprise has gross income of more than R\$360,000 and equal to or below R\$3,600,000 (about US\$1,660,000).

According to a study by the Brazilian Micro and Small Business Support Service (Serviço Brasileiro de Apoio às Micro e Pequenas Empresas, 2011), small and medium enterprises (SMEs) are concentrated in the southeast (51.5 per cent), and especially in São Paulo state (30 per cent), which is home to more than 10 per cent of the total stock of small Brazilian enterprises. Acre, Amapá and Roraima are the

¹ The present study refers to micro and small enterprises as MSMEs, and to small and medium enterprises as SMEs.

states with the lowest number of small businesses, together accounting for just 0.34 per cent of the total.

About 60 per cent of small business are engaged in activities related to commerce, industry (20 per cent), and services (19 per cent), while only 2 per cent are engaged in construction-related activities.

The abovementioned study also conveys the scale of MSMEs. On average, in 2009 a small business earned about R\$648,000. As regards jobs created, the national average for a small enterprise is 10.3 employees. Industry creates most of the jobs (16 workers on average), followed by services (14), construction (12.5) and commerce (6.9).

As to the categorisation of Brazil's MSMEs by their level of sales and number of employees, Table 2 shows the classification used in the present study.

Table 2
Classification of MSMEs in Brazil

	Sales (R\$)	Industry	Employment Commerce and Services
Micro	R\$0–360,000	Up to 19	Up to 9
Small	R\$360,000–3,600,000	20–99	10–49
Medium	R\$3,600,000–7,200,000	100–499	50–99
Large	More than R\$7,200,000	More than 499	More than 99

Source: prepared by the author on the basis of information from RFB and SEBRAE.

TAX SYSTEM AND INSTITUTIONAL SETUP

Institutional setup

In Brazil, the main tax guidelines are established by the federal constitution, which contains provisions on general principles, tax powers and limits on them, and the distribution of tax revenue.

Political-administrative autonomy is the central characteristic of the Brazilian federal system. Each sphere of government can create taxes, set rates (for the use of

public services) and levy contributions for improvements. The National Tax System establishes that the Union, the states, the federal district and the municipalities can create taxes. For the most part, only the federal government can establish social contributions (Secretaria de la Renta Federal, 2002).

Brazil has a multiplicity of organisations with functions typical of a tax administration, mainly the result of its federal structure of political organisation. The Federal Revenue Service (Receita Federal do Brasil, RFB), an agency of the Ministry of Finance, is responsible for collecting the taxes due to the federal government, including customs revenue and social contributions, including those related to payroll and self-employment.

According to the Federal Revenue Secretariat (Secretaria de la Renta Federal, 2002), the states and municipalities have their own tax administrations in the areas of the taxes they manage, and each of them performs all the functions proper to a tax administration. It is important to note that Brazil has a federal district, 26 states, and more than 5,500 municipalities.

Table 3 shows tax collection by levels of government.

Table 3
Tax Revenues in Brazil (R\$ millions)

TAX REVENUES	2010	2011	2012
National total	1,182,260.1	1,375,558.2	1,455,949.2
Collection by RFB	778,949.5	938,951.1	992,083.2
I. Taxes under the authority of the federal government			
Total collection	778,949.5	938,951.1	992,083.2
Taxes on income, profits and capital gains	254,129.6	307,945.0	321,660.0
Property taxes	526.4	602.3	677.4
General consumption taxes	180,237.4	199,923.1	220,687.0
Excise taxes	47,728.7	55,842.3	48,663.6
Taxes on financial transactions	26,720.2	31,952.5	30,965.4
Taxes on external trade	21,119.0	26,734.0	31,110.7
Others	14,879.6	21,754.1	13,020.1
Refunds			
II. Taxes under the authority of subnational governments			
II.a. States, provinces, regions, departments			
Total collected	313,699.8	357,405.4	375,903.6
Property taxes	24,057.4	27,223.1	30,275.0

General consumption taxes	270,726.4	307,397.1	327,591.1
Others	18,916.0	22,785.1	18,037.5
II.b. Municipalities			
Total collected	64,554.3	74,711.3	84,331.5
Property taxes	23,073.2	26,703.1	29,581.0
General consumption taxes	32,839.1	38,515.8	44,354.1
Others	8,642.1	9,492.5	10,396.4
III. Social contributions			
Social security contribution	233,608.6	271,587.9	302,321.0
Public Servants' Social Security Contribution (CPSS)	20,823.9	22,609.9	22,978.0
State social security contribution	13,272.9	14,325.3	16,081.2
Municipal social security contribution	5,094.5	6,023.2	6,798.8

Source: CIAT.

The RFB, which reports directly to the Ministry of Finance, performs the basic functions of assistance, control, standardisation, collection and oversight of taxes—including customs revenue—and federal contributions.

It also serves as an advisory body in national tax policymaking and is responsible for ruling, in the first instance, on administrative-fiscal disputes through tax courts, each known as the Delegacia Regional de Julgamento (DRJ).

The Administrative Council of Tax Appeals (Conselho Administrativo de Recursos Fiscais, CARF) makes rulings on the administrative-fiscal process in the second instance. CARF, a collegiate body reporting to the Ministry of Finance, was established by Provisional Measure 449 in 2008—later transposed as Law 11941 (enacted on 27 May 2009)—to replace the Taxpayers Council of the Ministry of Finance and the Upper Chamber of Tax Appeals (Secretaria de la Renta Federal, 2002).

The RFB does not have complete administrative and financial autonomy, but its powers include hiring staff and managing its budget within the guidelines governing public policy. Its budget averaged 0.21 per cent of GDP in the period 2006–2010 (CIAT, 2012), which is a little above the average for the countries of the Organisation for Economic Cooperation and Development (OECD) in the same period (0.18 per cent). The above-cited report also mentions that in 2010 the RFB spent 72.1 per cent of its budget on staff costs, 25.7 per cent on running costs, and 2 per cent on other investments.

In 2013 the RFB's budget was R\$8,313,603,975, equivalent to 0.189 per cent of GDP or 0.84 per cent of the total tax take. Spending on remunerations remains the main budget item, accounting for 70.6 per cent of the total. This was followed by running costs (21 per cent), and investment and other spending (8.4 per cent).

Table 4 provides a detailed breakdown.

Table 4
RFB Budget in 2013 (R\$)

LEDGER ACCOUNT	2013
Current spending	
Remunerations	5,871,667,010
Administrative spending	1,798,171,083
Capital spending	643,765,882
Infrastructure spending	-
Investment in equipment	-
Other	-
Total budget	8,313,603,975
Total % of tax collection	0.838%
Total % of GDP	0.189%

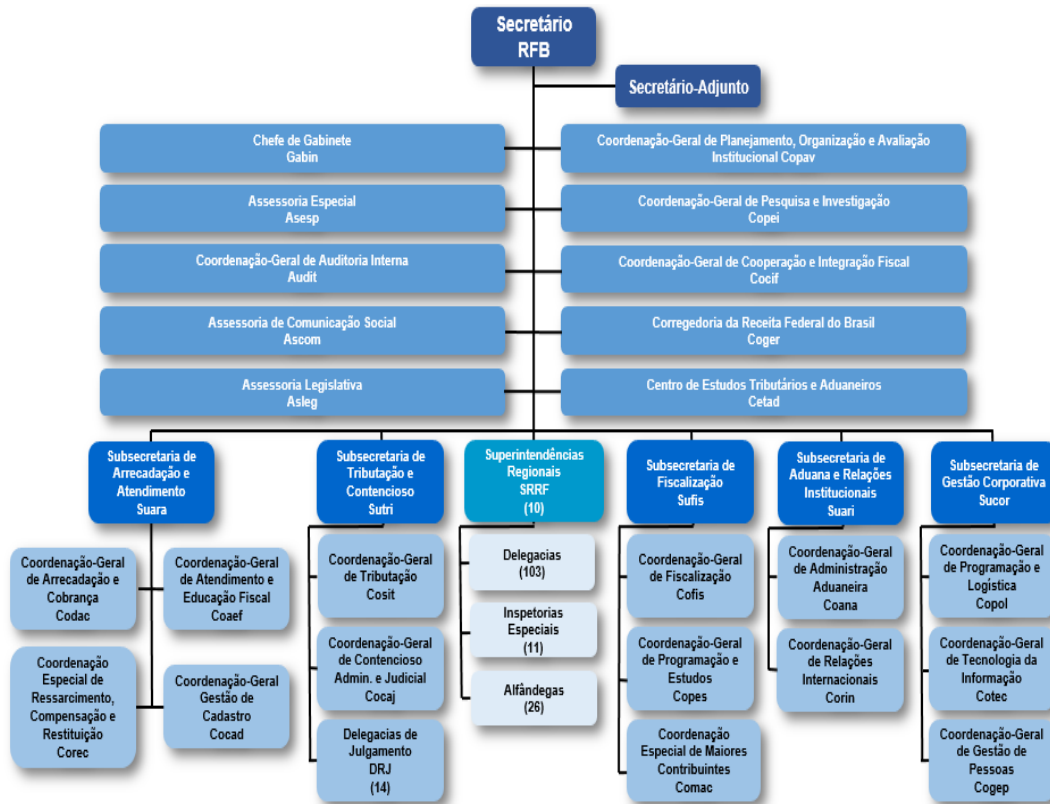
Source: RFB.

The structure of the RFB's budget is very similar to that of the other tax administrations in Latin America, although it performs additional functions such as managing social security contributions. It is therefore interesting to examine how the functions are distributed and the number of officials in each unit.

Illustration 1 shows that the RFB's organisational structure centres mainly on Revenue and Collection, Tax Disputes, Auditing, Customs and Institutional Relations, and Corporate Management. It also has 10 areas related to advice and coordination directly linked to the RFB Secretary.

The organisational structure reflects the level of the RFB's decentralisation, in line with the political organisation of the country. It has 10 regional superintendencies, which are subdivided into 103 delegations, 11 special inspectorates and 26 customs offices.

Illustration 1 Organisational Structure of the RFB, 2014



Source: RFB.

Table 5
Number of RFB Officials, 2014

Macro processes	Number	%
Institutional policies	650	2.48%
Tax credit control	5,053	19.28%
Tax and customs oversight	4,803	18.33%
Customs administration	3,303	12.60%
Legal security and disputes	826	3.15%
Relations with businesses	5,018	19.15%
Strategic, project and process management	75	0.29%
Institutional management	2,607	9.95%
Institutional control	256	0.98%
Administrative and financial management	50	0.19%
Information technology	870	3.32%
Personnel management	579	2.21%
Management of materials and logistics	2,117	8.08%
TOTAL	26,207	100.00%

Source: RFB.

In June 2014 the RFB had a total of 26,207 employees in all its units throughout the country. Some 22 per cent worked in taxpayer assistance, 21 per cent in tax control, 26 per cent in collection and claims, and 31 per cent in general administration.

In 2012 the number of taxpayers registered by the RFB (those recorded by the Natural Persons Register, CPF) stood at 5,176,194, of which 3,975,162 had incomes above zero.

Table 6
Number of Taxpayers by Regime and Size, 2012

	Simples	Presumed Income	Actual Income	Immune/Exempt	TOTAL
Micro	3,100,411.50	773,292.50	50,942.00	285,675.50	4,210,322
Small	492,922.50	173,229	41,563.00	4,100.00	711,815
Medium	91,213.00	80,711.50	9,554.00	300.00	181,779
Large	-	21,127.00	49,613.00	1,539.50	72,280
Total	3,684,547	1,048,360	151,672	291,615	5,176,194
TOTAL - Active	2,758,992	848,647	125,751	241,771	3,975,162

Source: RFB.

As mentioned earlier, the RFB is responsible for managing internal and external federal taxes, as well as social security contributions. As regards internal taxes, as

with most national tax administrations the taxpayer's tax cycle covers registration, assistance and information, returns, collection and oversight.

Taxpayer assistance is an important factor in ensuring voluntary compliance with tax payments. According to RFB reports (Receita Federal do Brasil, 2012, 2013), there has been a marked effort to make taxpayer assistance and facilitation easy, fast, secure and comfortable.

Table 7, based on the RFB reports, summarises the main indicators of tax transactions by channel.

Table 7
Tax Transactions by RFB Channel

Assistance	2012	2013
e-CAC portal	4.284.155	6.989.071
Face-to-face assistance	1,292,671 actions, 82.43% with AET* ≤ 15 minutes; 18.2% of scheduled services	1,949,434 72% with AET* ≤ 15 minutes; 18.3% of scheduled services.
Authorisations	644,536 CPFs	801,752 CPFs
Receitafone	611,803 calls received	1,168,135 calls received
Fale Conosco ("Contact Us")	8,436 messages received	11,750 calls received

Source: RFB assistance reports, 2012 and 2013.

* AET = average estimated time.

The RFB's budgets and reports indicate that there has been a significant investment in the use of information technologies and tools to facilitate the online filing of tax returns and payments. As a result, in 2012 some 60.2 per cent of tax transactions were conducted via the e-CAC portal² and in 2013 this rose to 64 per cent.

The main transactions that can be conducted through e-CAC include: tax registration, tax status, personal income tax returns (DIRPF), "Buzón", DARF and DJE payment receipts, status of social security contributions, Simples Nacional enquiries, pre-completed DIRPF tax return, inactive DSPJ, SPED, partial payments, GFIP, and DCOMP, among others.³

² The e-CAC portal (Centro Virtual de Atendimento ao Contribuinte) can be accessed via this link: <http://www.receita.fazenda.gov.br/AtendVirtual/defaultAtendCertDigital.htm>.

³ More detail on services at: <http://www.receita.fazenda.gov.br/aplicacoes/ATBHE/servicos-ecac/default.aspx>.

Apart from understanding the institutional structure and operational management of a tax administration, it is important to be familiar with the tax system and its regulations, since therein lies much of a tax system's complexity (Oliver and Bartley, 2005).

Several studies indicate that Brazil's tax system is one of the most complex in the world, not only because of the tax burden (35.85 per cent of GDP in 2012) but also because of the complexity arising from the system's structure as a result of multiple taxes, accumulative factors, the tax structure, tax powers among states and so on (Rodrigues, Morais, and Pacheco, 2013; Deloitte, 2013; Tanzi, 2013).

For policymakers in the tax field, improving the regulatory environment for business has been a priority in efforts to strengthen the economy. It is vital, therefore, to have access to measurements that allow an assessment of the improvement in regulatory conditions.

A comparative assessment is provided in the report *Doing Business*, which offers a general classification based on a series of reference indicators applied through case studies of a standard SME. The index includes: starting a business, acquiring construction permits and registering property, getting electricity, international trade and customs, protecting investment, access to credit, and paying taxes, among others.

As regards paying taxes, according to *Doing Business 2014* (PWC and World Bank, 2014), especially the section on "Paying Taxes", a Brazilian SME takes 2,600 hours to meet all of its tax obligations, and consumption taxes take the most compliance time. Note that the methodology uses case studies that are applied in a similar way across 189 countries by means of interviews.

Table 8
"Paying Taxes" Indicators for Brazil

	Brazil	South American Average
Total tax rate	68.3	52.7
Compliance time	2600	618
Number of payments	71	24.2
Ranking	159 of 189	

Source: "Paying Taxes" section of *Doing Business, 2014*.

In this context, it is important to take a closer look at the tax transaction costs generated by the tax system and how they affect the costs structure of MSMEs and the State. To that end we must undertake a general review of the Brazilian tax system and its structure.

Tax System

The first matter to consider is the political and administrative decentralisation of Brazil's tax system. As mentioned earlier, the three levels of government all perform active functions in the tax realm.

In 2012 the federal level accounted for 68.1 per cent of the tax burden, the state level for 25.8 per cent, and the municipal level for 6.05 per cent.

As regards the structure (see the information in Table 3), direct taxes account for 26 per cent, labour taxes and social security levies for 24 per cent, and indirect taxes for the bulk of the tax burden at about 50 per cent of the national total. Table 9 summarises the main taxes, their taxable event, rates, and the level of government responsible for managing them.

Table 9
Summary of Brazil's Tax Regime by Level of Government

Tax	Tax Base and Taxable Event	Tax Rate	Level of Government
IRPJ. Corporate income tax	Real or estimated income	15%	Federal
IRPJ. Additional levy	Real or estimated income	10% base to income above R\$240,000	Federal
IRPF. Income and withholdings	Personal and capital income of residents and non-residents with income in Brazil	15% or 25% depending on the type of income	Federal
IPI. Tax on manufactured products	Sale price upon leaving the manufacturer or when imported	Varies by transaction type	Federal
CSLL. Social contribution on net company profit	Adjusted net profit	9%	Federal
COFINS. Contribution to social security financing	Gross income	3% or 7.6%	Federal

PIS/PASEP. Contribution to the social integration programme and contribution to the civil service asset formation programme	Gross income	0.65%–1.65%	Federal
CIDE.	Payment of royalties on technology transfer and services to non-nationals	10%	Federal
IOF. Tax on credit operations, exchange and insurance, or on transferable securities	Financial credit, exchange and insurance operations	1.5%–25% depending on the transaction	Federal
ICMS. Tax on the movement of merchandise and on inter-state and inter-municipal transport and communications services	Value of the transaction	7–25%	State
CIDE Fuel. Fuel tax	Marketing and importing fuels	Varies by type of fuel	Federal
ITCMD. Inheritance and gift tax	Value of the transfer of assets rights/gifts	2%–6% depending on the state	State
IPVA. Vehicle ownership tax	Value of the vehicle (registration)	2%–5% depending on the state	State
IPTU. Urban building and land tax	Value of urban or rural real estate	Varies by municipality	Municipal
IPBI. Real estate transfer tax	Transfer of real estate	Varies by municipality	Municipal
II. Import tax	CIF value of the product	0%–35%	Federal
IE. Export tax	When the product is made in Brazil with local content	Can vary up to 30%	Federal
ISS. Tax on services	Price of the service	2%–5%	Municipal
CPP. Social contributions	Salaries	Various values	Federal

Source: RFB, CIAT and <http://www.portaltributario.com.br/>.

Tax Spending

In Brazil, preparation of a tax spending study is a constitutional and regulatory requirement that was introduced in the 1988 federal constitution, in order to give parliamentarians a broader view of real government spending (direct and indirect).

This legal obligation was expanded in the Fiscal Responsibility Law (complementary law 101 of 4 May 2000) (Receita Federal do Brasil, 2010).

In the Brazilian approach, “tax spending” applies when a deduction or exemption meets the following criteria:

- a. It is an indirect government expenditure effected through the tax system in an effort to meet economic and social goals.
- b. It is explained in the regulation that refers to the tax, being an exception to the referenced tax system, lowering potential tax collection and therefore increasing the economic resources available to the taxpayer.
- c. It is compensatory, when the government does not properly provide the population with the services that fall under its remit.
- d. It is intended as an incentive, when the government wants to develop a particular economic sector or region.

According to the report *Demonstrativo dos Gastos Tributarios 2012* (Receita Federal do Brasil, 2011), estimated tax spending for 2012 was R\$145,977 million.

Table 10 provides the details of tax spending by sector.

Table 10
Brazil: Tax Spending by Sector (R\$)

Function	North	Centre-West	Northeast	Southwest	South	Total
Legislative						
Judiciary						
Essential to justice						
Administration						
National defence						
Public safety						
Foreign relations						
Social assistance	141.116.844	820.757.805	600.293.310	4.169.352.543	1.100.432.948	6.831.953.451
Health	581.881.319	1.805.973.944	1.755.922.482	13.594.694.737	2.113.135.398	19.851.607.880
Labour	404.719.925	2.068.736.344	1.651.806.776	10.152.092.540	2.437.884.576	16.715.240.161
Education	318.238.159	1.009.087.278	613.539.260	4.005.188.849	1.090.584.460	7.036.638.006
Culture	30.031.153	64.974.478	47.423.646	1.100.689.552	735.252.118	1.978.370.947
Citizen rights	12.991.854	67.499.404	24.673.137	705.770.764	130.315.656	941.250.815
Urban development	88.792.327	577.939.883	297.964.171	4.680.142.636	767.773.424	6.412.612.442
Housing						
Sanitation	5.979	6.104.230	3.170.166	113.917.608	4.968.442	128.166.424
Environmental management	89.356.916	218.178.039	63.933.439	4.123.141.259	765.700.021	5.260.309.674
Science and technology	1.482.863.867	1.178.262.340	818.005.612	5.324.590.441	3.418.603.670	12.222.325.930
Agriculture	1.539.833	14.939.911	551.361	4.964.795	8.011.802	30.007.701
Agricultural organization	6.856.594.621	5.258.335.167	1.029.153.285	6.488.748.329	2.547.516.237	22.180.347.639
Industry	15.942.486.316	2.821.049.881	1.875.160.932	13.349.789.515	5.516.201.597	39.504.688.241
Commerce and services	2.037.883	3.702.764	0	38.451.672	17.953.858	62.146.176
Communications	2.757.243	3.317.813.821	31.050.152	849.238.113	90.680.594	4.291.539.922
Energy	48.334.732	183.296.831	60.596.016	1.585.489.917	82.061.647	1.959.779.143
Transport	21.984.379	74.404.055	45.193.831	362.312.589	66.595.721	570.490.575
Sport and leisure						
Special spending	26.025.733.348	19.491.056.176	8.918.437.576	70.648.575.858	20.893.672.167	145.977.475.125
Expected collection	16.323.220.504	45.827.151.622	90.745.489.408	483.941.805.584	94.435.755.453	

Source: RFB.

Main reforms geared to improving tax compliance among micro and small enterprises

In an effort to improve the regulatory and tax conditions of micro and small enterprises, in 2003 the authorities approved Constitutional Amendment 42, which changed article 146 of the federal constitution.

The single paragraph of article 146 stipulated that a complementary law could institute a “single regime for the collection of the taxes and contributions of the Union, the states, the federal district and the municipalities”. It also authorised that “collection, oversight and levying could be shared among federal agencies using the single register of taxpayers” (Barreto, 2013).

Related to Constitutional Amendment 42, Law 123 of 14 December 2006 (LC 123/2006) created the Simples Nacional system (“*Regime Especial Unificado de Arrecadação de Tributos e Contribuições devidos pelas Microempresas e Empresas de*

Pequeno Porte”), which put an end to the Simples Federal system and other unified regimes in effect in the states and municipalities.

The Simples regime has the following characteristics:

1. Unified collection, oversight and recovery of the following taxes:

Six national and two subnational taxes: IRPJ, IPI, CSLL, COFINS, PIS/PASEP and the Contribuição Patronal Previdenciária (CPP), as well as the state-level ICMS and the municipal ISS.

2. Joint management by means of the Simples Nacional Steering Committee (CGSN), a collegiate body linked to the Ministry of Finance that has normative powers and eight members:

- four national representatives appointed by the RFB Secretariat, one of whom serves as the chairperson;

- two representatives of the states, appointed by the Conselho Nacional de Política Fazendária (Confaz);

- two representatives of the municipalities, appointed by the Associação Brasileira de Secretários de Finanças das Capitais (Abrasf) and the Confederação Nacional de Municípios (CNM).

3. Each of the affiliated bodies has operational autonomy, with full powers to act alongside the businesses in its jurisdiction. This autonomy includes the power to approve requests for choice of regime, engage in undertakings that include or exclude businesses, exercise control of the main or ancillary obligations, and undertake fiscal actions.

4. Joint registration in outstanding debt, except when there is an agreement with the state or municipality, in which case responsibility for recovering the outstanding debt by judicial means is transferred to the respective public prosecutor’s offices.

The Simples Nacional also envisages:

- a) maximum gross annual sales income of R\$3.6 million (US\$1.8 million);

- b) the participation of legal entities or individuals that have registered a business (individual entrepreneurs);

c) opt-in by commercial, industrial and services businesses, except for some specific sectors such as financial activities, businesses engaged in the production of and trade in beverages, cigarettes and firearms, the electricity production chain, and regulated professions such as lawyers, doctors and so on.⁴

To foster the growth of entrepreneurship and promote tax formalisation, in 2008 complementary law 128 created the figure of the Individual Microentrepreneur (MEI).

The MEI is conceived as an individual with a registered business—the individual entrepreneur with gross annual sales of no more than R\$60,000 (US\$29,776), who engages in mostly urban activities in the commerce, industry or services sectors (Barreto, 2013).

The creation of the MEI sought to meet certain objectives:

1. to reduce business informality in Brazil;
2. to include that sector of workers in the social security system.

The MEI has the following characteristics:

a) payment of a fixed monthly amount of no more than R\$42.20 (US\$18.83), which is distributed as follows:⁵

- i. R\$36.20 (5 per cent of the minimum wage) as the worker's contribution to social security;
- ii. R\$1.00 for ICMS;
- iii. R\$5.00 for ISS;

b) exemption from other federal taxes (IRPJ, IPI, CSLL, COFINS, PIS/PASEP and CPP);

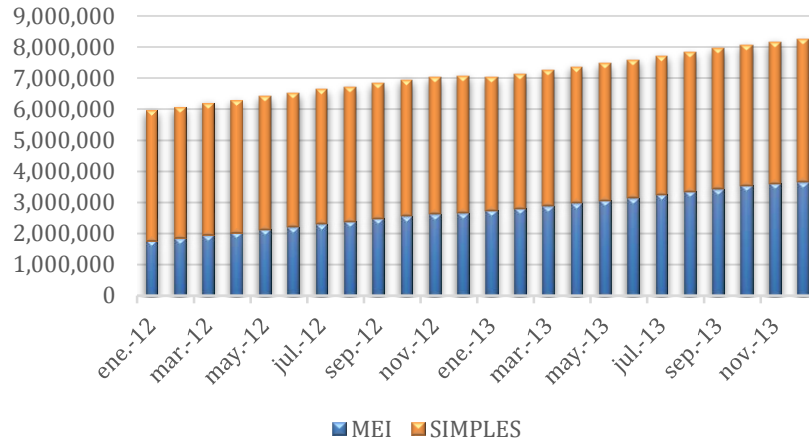
c) exceptional facilities for registering and obtaining operating licences;

d) elimination of ancillary obligations such as accounting and tax ledgers.

⁴ As of 2015, intellectual activities can opt to join the Simples Nacional regime as a result of an amendment introduced by complementary law 147 of 7 August 2014.

⁵ Values valid in 2014.

Figure 1
Number of Taxpayers in the Simples Nacional and MEI Systems



Source: RFB.

The tax simplification offered by Simples Nacional stems not only from the unification of payment of several taxes; an important element is facilitating the processes of registering, updating information and filing tax returns using the internet.

The Simples Nacional portal (www.receita.fazenda.gov.br/simplesnacional) offers several services, including:

- regime conditions;
- issuing the tax collection document;
- exclusion from the regime;
- tax return forms (DASN);
- legislative enquiries;
- manuals, tax agenda and guidelines on the Simples Nacional system;
- *Programa Gerador do Documento de Arrecadação do Simples Nacional-Declaratório* (PGDAS-D);
- *Declaração de Informações Socioeconômicas e Fiscais* (DEFIS);
- alerts, notifications and communications.

Several studies indicate that there is empirical evidence of the advantages of the Simples Nacional system, especially improvement in conditions of entrepreneurship, an increase in sales, and a higher degree of formalisation among businesses (Lima de Castro, 2011; Fajzylber, Malonet and Montes-Rojas, 2009).

CHAPTER 2

TAX TRANSACTION COSTS IN BRAZIL

METHODOLOGICAL ASPECTS OF THE CASE STUDY

The study of tax transaction costs has two components: administrative costs and compliance costs. Administrative costs are those incurred by the State to administer the tax system, while compliance costs are those incurred by taxpayers to comply with the system.

Tax transaction costs consist of:

$$\mathbf{TTC = CC + AC}$$

Where:

TTC = tax transaction costs

CC = compliance costs to the taxpayer (A)

AC = administrative costs of the RFB (B).

In line with the model proposed by CIAT and United Nations-DESA, the measurement was carried out as follows:

Phases of the Study on Measuring TTCs in Brazilian MSMEs	
Phase 0: Start-up	
Identifying the general context, detailed understanding of the regulatory and administrative framework of the tax(es) to be analysed. It is important to understand the institutional framework, procedural maturity and political support for a possible reform geared to tax simplification.	
Phase 1: Preparatory	
Defining the undertaking's financial resources and training the local technical team. In this phase it is important to analyse the financial viability of hiring an external organisation to conduct the survey, as well as the quality of the internal information that will allow the TTCs to be determined.	
Phase 2: Analysis	
Step 1	Identifying the information obligations, requirements and tax transactions, as well as the RFB's main internal indicators on the tax cycle.
Step 2	Identifying the regulations relating to taxes and procedures.
Step 3	Identifying the segments of businesses relevant to the study.
Step 4	Identifying the target group and transaction frequency.
Step 5	Identifying related regulations.
Phase 3: Measurement	
Step 6	Measuring compliance costs.
Step 7	Measuring administrative costs.
Phase 4: Reports	
Step 8	National-level extrapolation of the data obtained.
Step 9	Final results report and determination of the simplification plan.

Source: United Nations and CIAT (2014).

Definition of MSMEs

For the purposes of this study, MSMEs are defined using the criteria applied by the RFB in identifying microenterprises and small enterprises.

Table 11
Business Size by Sales

	Sales (R\$)	Sales (US\$)
Microenterprise	R\$0–360,000	US\$0–184,237
Small	R\$360,000–3,600,000	US\$184,237–1,842,374
Medium	R\$3,600,000–7,200,000	US\$1,842,374–3,684,749
Large	More than R\$7,200,000	More than US\$3,684,749

Note: The exchange rate used is R\$1.95: US\$1.00 as in December 2012.

Given that Brazil has a simplified tax regime for filing returns and payment (Simples Nacional), this study distinguishes businesses covered by that regime so as to assess the tax transactions costs in each. Hence a distinction is made between businesses subject to the general “Actual” or “Presumed” income regimes and those in the simplified Simples Nacional system.

The source information is based on 2012 annual income tax returns as well as data from filed returns recording income above zero. Information from the RFB was used to determine the study’s target group. This only includes data on active taxpayers, and thus is was adjusted in calculating the size of the sample. Hence the target group does not include those businesses that recorded no tax activity or that filed information on activities equal to zero, but that still have to file an annual informative tax return.

This assessment revealed that there is a low incidence of taxpayers deregistering or recording a cessation of activity.

Thus the population subject to the study was defined as follows:

Table 12
Taxpayers by Regime and Size, 2012

Regime	Active Taxpayers (*)	Total Taxpayers
Simples Nacional	2,758,992	3,684,551
Presumed Income	848,647	1,048,360
Actual Income	125,751	151,672
Exempt/immune	241,771	291,607
TOTAL	3,975,162	5,176,190
Size		
Microenterprise	3,152,838	4,210,522
Small	430,233	531,481
Medium	282,011	348,377
Large	71,146	85,812
TOTAL	3,936,229	5,176,190

Source: RFB.

(*) those filing returns recording income above zero.

Collection of Information

In line with the CIAT/UN-DESA methodology, the administrative cost was estimated using budgetary information provided by the RFB. For compliance costs, the estimate required information from taxpayers; this was obtained through a survey.

Taxpayer Survey

The survey design took into consideration the methodology for measuring transaction costs in micro and small enterprises proposed by CIAT/UN-DESA. That survey was taken as a starting point and adapted to the particular characteristics of the Brazilian tax system.

Adaptation of the survey was carried out by RFB officials and received technical and financial support from SEBRAE, a non-profit organisation that supports the development and growth of micro and small enterprises in Brazil.⁶

With the support of SEBRAE, the collection of the information was entrusted to the market research firm WHO, located in Brasilia. The methodology used was internet

⁶ For more information, see <http://www.sebrae.com.br/>.

surveys, taking the taxpayers registered in the SEBRAE database as the sample framework. The survey is presented in an annex to this report.

Sample Selection Criteria

The study considered the following criteria:

- active taxpayers (non-delinquent filers in the 2012 tax period) in the Actual Income, Presumed Income, and Simples Nacional systems;
- the scope was all those businesses engaged in economic activity in Brazil.

Simple random sampling was used, with the following results:

$$N = \frac{P \cdot \alpha^2 \cdot Z^2}{(P - 1) \cdot e^2 + \alpha^2 \cdot Z^2}$$

Where:

N = sample value

P = number of taxpayers among MSMEs

α = standard deviation of the population

Z = confidence level (95.5%)

e = acceptable limit of error (3%)

P = 3,975,162

α = 0.5

Z = 95.5%

e = +/- 3.0%

N = 1.137

Hence the sample yielded at least **1,137 valid surveys**, which were also grouped into proportions for the general and simplified regimes, as well as by size.

A. COMPLIANCE COSTS

The tax compliance cost component can be expressed as follows:

$$CC = IC + EC$$

Where:

CC = compliance costs to the taxpayer

IC = internal costs

EC = external costs.

The compliance cost is the sum of internal and external costs. Internal costs include labour costs and non-labour costs. Labour costs are understood as the economic compensation provided to an enterprise's personnel engaged in activities related to compliance with tax obligations. Internal costs also include additional non-labour costs incurred by the company.

We define external costs as those paid by a business to third parties in order to comply with its tax obligations, the service rendered by the third party requiring payment by the business.

Calculating Internal Costs

One of the main difficulties in measuring compliance costs is determining the time (hours per month) that taxpayers spend on complying with their tax obligations. The task of converting time into monetary values depends on the accurate estimate of the number of hours worked and the value assigned to each hour.

Internal costs, being a result of work undertaken by a business's internal staff, are calculated according to the time that those staff members spend on tasks required for tax compliance.

Thus internal costs are expressed as follows:

$$IC = T_A * V_A + AS$$

Where:

IC = taxpayer's internal costs

T_A = time (hours per year)

V_A = economic value of time

AS = administrative spending.

Calculating the Number of Hours

To calculate the number of hours per year that an average taxpayer spends on complying with tax obligations, a tax cycle was defined with the following steps:

- tax information
- updating information and registering with the system
- registering and maintaining accounting and billing ledgers⁷
- completing forms, filing returns and making payments
- tax control and oversight
- tax rebates
- requests and enquiries at the RFB.

Each of these processes was included in the questionnaire, which asked about timeframes, frequency and additional costs. The questionnaire also asked the taxpayer how much time was needed for each of these activities. The details of the questionnaire for each phase of the cycle are presented in an annex to this report.

To distinguish between the obligations to complete forms, prepare and file returns, and make payments, the survey asked taxpayers how much time they took to register and complete each monthly, quarterly or annual form.

Table 13 provides further details of the forms and their frequency.

⁷ It is important to note that the CIAT-UN methodology for measuring transaction costs does not distinguish between direct and indirect costs. An example is the salary of the person responsible for accounting whose main functions include bookkeeping for the business, but who devotes only a part of his or her time to tax-related tasks.

Most studies and methodologies do not make this distinction, but some studies use interviews with experts in an effort to identify and distinguish between these kinds of common costs. For more information on these methodologies, see European Commission (2013).

Table 13
Tax Return Forms by Tax and Frequency

Form	Description	Goes to	Tax	Frequency	Informativ e	Declara tive	Those obliged
DIPJ	Declaração de Informações Econômico-Fiscais da Pessoa Jurídica	RFB	IRPJ	Annual	Yes	No	All businesses, except those in the Simples Nacional system
PGDAS-D	Programa Gerador do Documento de Arrecadação do Simples Nacional	RFB	Simples Nacional	Monthly	Yes	Yes	Those opting for Simples Nacional
GFIP-D	Guia de Recolhimento do Fundo de Garantia e Informações à Previdência Social	RFB	CPP	Monthly	Yes	Yes	All businesses
DCTF	Declaração de Débitos e Créditos Tributários Federais	RFB	Imposto de Renda, CSLL, Pis/Pasep, Cofins and IPI	Monthly	No	Yes	All businesses, except those in the Simples Nacional system
DIRF	Declaração do Imposto sobre a Renda Retido na Fonte	RFB	Retenção de Imposto de Renda	Annual	Yes	No	All business that pay withholding on income tax
DACON	Demonstrativo de Apuração de Contribuições Sociais	RFB	Pis/Pasep and Cofins	Monthly	Yes	No	All businesses except those in the Simples Nacional system
Sped Contábil	Escrituração Contábil Digital – ECD	RFB	Imposto de Renda, IPI and ICMS	Annual	Yes	No	Business that make IRPJ returns in the Actual Income system Not applied to Simples Nacional
Sped Fiscal	Escrituração Fiscal Digital - EFD	RFB	Imposto de Renda, IPI and ICMS	Monthly	Yes	Yes	ICMS IPI taxpayers except those in the Simples Nacional system

SINTEGRA	Sistema Integrado de Informações sobre Operações Interestaduais com Mercadorias e Serviços	States	ICMS	Monthly	Yes	No	ICMS taxpayers
							Some states require SINTEGRA as well as Simples Nacional
GUIA ICMS	Guia de apuração do ICMS	States	ICMS	Monthly	Yes	Yes	Normal mechanism of ICMS
							In general, does not cover business that opt for Simples Nacional, but could affect those that exceed the sublimit adopted by the state
GUIA ICMS-ST	Guia de apuração do ICMS – Substituição tributária	States	ICMS-ST	Monthly	Yes	Yes	Taxpayers that must return ICMS through the tax substitution mechanism, including those in the Simples Nacional system
							In general, does not cover business that opt for Simples Nacional, but could affect those that exceed the sublimit adopted by the state
GUIA ISS	Guia de apuração do ISS	Municipalities	ISS	Monthly	Yes	Yes	Taxpayers that must record ISS by the normal mechanism
DECLARAÇÃO DE SERVIÇOS PRESTADOS	Livro eletrônico de serviços prestados	Municipalities	ISS	Monthly	Yes	No	All service providers, including those that opt for Simples Nacional
DECLARAÇÃO DE SERVIÇOS TOMADOS	Livro eletrônico de serviços tomados	Municipalities	ISS	Monthly	Yes	No	All payers of ISS that provide services, including those that opt for Simples Nacional

Source: RFB.

If a taxpayer mentioned that the process of completing a return takes a number of hours a month, this was multiplied by 12 to obtain the annual data.

These times were accumulated and expanded using the expansion factor for each kind of taxpayer and tax regime. The expansion factor is interpreted as the number of companies in the population under study, which represents a business in the sample.

Table 14
Calculating the Expansion Factor

Regime	Sample	Active Taxpayers (*)	Expansion Factor
Simples Nacional	799	2,758,992	3,453.06
Presumed Income	201	848,647	4,222.13
Actual Income	99	125,751	1,270.21
Exempt/immune	27	241,771	8,954.49
Size			
Microenterprise	574	3,152,838	5,492.75
Small	439	430,233	980.03
Medium	35	282,011	8,057.45
Large	74	71,146	961.44

Source: calculated by the author on the basis of the survey.

The estimate of the total is obtained by weighting the value of the variable by its expansion factor and then adding all the businesses in the sample.

To calculate the costs to the taxpayer, this study took as an average salary the cost of a tax analyst working in a small company.⁸ To calculate the hourly value we took the salary of R\$6,575 (US\$3,044) a month, which is equivalent to R\$27.4 per hour (US\$12.68).

It is important to note that nominal salaries in Brazil tend to be much higher than the Latin American average and in some cases or in certain professions they are close to OECD levels. Nonetheless, Brazil also has a high degree of wage asymmetry since the minimum wage is somewhat higher than the general average (Organizacion Internacional del Trabajo, 2013).

⁸ To make this calculation, the sources were <http://exame.abril.com.br/carreira/ferramentas/tabela-de-salarios-rh/?empresa=financeiro-contabil>, <http://www.guiarh.com.br/tabeladesalarios.htm>, Fenacom, accessed in August 2014.

Calculating Administrative Costs and Spending

In complying with their tax obligations, taxpayers substantiate expenditures with printed invoices, documents, purchase ledgers, authentications and accounting registers. The survey required that the taxpayer estimate these expenses on a monthly or annual basis and include them in the calculation of compliance costs.

There are five elements in this calculation:

1. External expenses incurred in registering, issuing invoices, completing forms, keeping accounting ledgers, authentications and so on.
2. Other expenses caused by the tax control actions of the tax administration and exceptionally using an accounting advisor.
3. Other expenses from a refund request and exceptionally using an accounting advisor.
4. Other expenses arising from a claim and exceptionally using an accounting advisor.
5. Spending on the permanent use of an external advisor.

Taxpayers estimated each of these costs on a monthly basis and they were extrapolated to annual data, finally expanding the cases to the level of the population under study as with the calculation of compliance time.

Tax Compliance Costs

On the basis of the data collected, each element per tax process was assessed, including registration, filing returns and making payments, tax control, and refunds and claims. All the hours were consolidated (in line with the profile), multiplied by the corresponding salary, and adding the administrative and external costs for the taxpayers in the sample.

The calculations were made for each population subset in line with the business size thresholds mentioned earlier, as summarised in Table 15.

Table 15
Tax Compliance Costs (TCC) 2012, by Size

Size	Annual TCC (R\$ per Business)	Annual TCC (US\$ per Business)	% Sales
Microenterprise	13,635	10,221	7.6%
Small	19,768	25,670	1.5%
Medium	49,216	19,600	0.9%
Large	37,661	8,899	0.5%
Average	17,289	10,221	

Source: author's calculations.

These findings are significant, since they indicate that a microenterprise faces a compliance cost that is about three times lower than that of a medium or large business. In terms of sales, however (that is, in relative terms), it is 14 times more costly for a microenterprise than for a large businesses. This finding is similar to that for the other Latin American countries subject to this study of compliance costs, confirming that such costs are regressive.

It is also possible to provide details of compliance costs by type of tax regime, in order to show if there is a cost difference depending on the regime type.

Table 16
Tax Compliance Costs (TCC) 2012, by Regime

Regime	Annual TCC in R\$ (by business)	Hours/year
Simple Nacional	7,563	328
Presumed Income	13,143	494
Actual Income	19,770	652

Source: author's calculations.

Table 16 confirms that the Simple Nacional system has a lower compliance cost for taxpayers, indicating that this type of regime has been very beneficial from the viewpoint of its original objective: tax simplification.⁹

⁹ The CIAT-UN methodology does not separate tax costs from total costs charged by accounting firms. According to estimates by Fenacom (a federation of firms involved in accounting services in Brazil), only 25 per cent of the amount charged is related to strictly fiscal tax compliance. If the methodology were to concede this valuation, it is estimated that the tax compliance costs incurred by businesses would be equivalent to 1.43 per cent of GDP, with an average cost per business of R\$12,018. For microenterprises, these costs are equivalent to 0.6 per cent of GDP and 4.64 per cent of sales. For small enterprises, they are equivalent to 0.12 per cent of GDP and 0.93 per cent of sales.

This fact is also evident in an analysis of the compliance time among different regimes. For example, taxpayers under the Simples Nacional system take 328 hours a year to comply with their tax obligations; taxpayers in the Presumed Income regime spend 494 hours; and those in the Actual Income regime spend 652 hours a year.

The total compliance cost in Brazil in 2012 is estimated at R\$68,051 million (US\$35,027 million), or the equivalent of 1.54 per cent of the country's GDP.

Table 17
Compliance Costs, 2012 (% of GDP)

% of GDP	
Regime	
Simples Nacional	0.9%
Presumed Income	0.5%
Actual Income	0.1%
Size	
Microenterprise	1.0%
Small	0.2%
Medium	0.3%
Large	0.1%

Source: author's calculations.

Analysis of the data by type of business shows that microenterprises, given their number and degree of concentration, accounted for 1 per cent of GDP. Small businesses accounted for 0.2 per cent, and medium and large enterprises for 0.3 per cent of GDP.

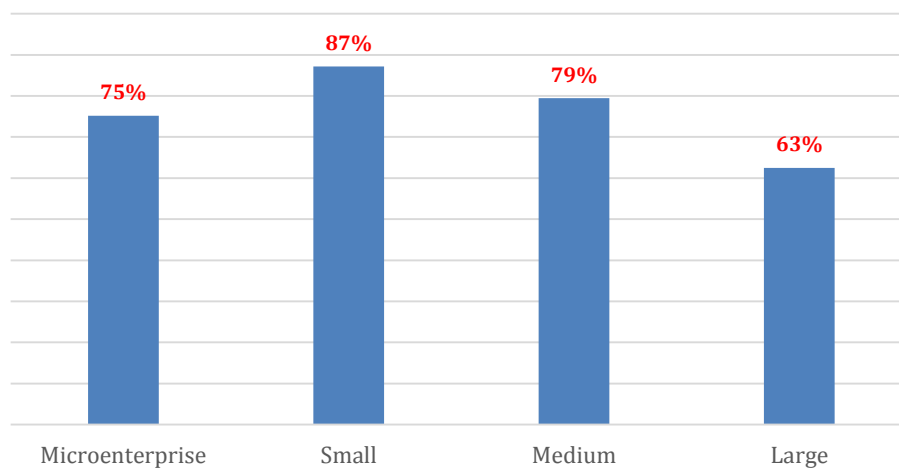
We can also see compliance costs by type of regime. Taxpayers registered with Simples Nacional accounted for 0.9 per cent of GDP, those in the Presumed Income regime for 0.5 per cent, and those in the Actual Income system for 0.1 per cent. This significant gap does not stem from differences in average costs per business, but from the number of taxpayers registered in each regime: in the Simples Nacional system in 2012 there were 2.7 million active taxpayers of the 3.9 million total active taxpayers.

To gain a better understanding of the nature of compliance costs, we have to look at their sources. To that end we can distinguish between two matters: the first is whether the impact of the time to file returns entails an internal or external cost; the

second is to understand in which process of the tax cycle such costs are concentrated, which in turn would facilitate any action plan to lower those costs.

To understand the first issue we should refer to the taxpayer survey's question about use of an external accountant (F1). Most taxpayers use an external accountant. Figure 2 shows that 75 per cent of microenterprises and 87 per cent of small enterprises use an external accountant or tax advisor.

Figure 2
Use of an External Tax Advisor



Source: calculated by the author on the basis of the survey.

Note that of those registered with Simples Nacional, some 79 per cent of the total in the sample use an external accountant; for those in the Actual Income regime the figure is 64 per cent; and in the presumed income regime no less than 87 per cent of taxpayers use an external accountant.

Asked why they use external advisors, 47.3 per cent said that the advisor provides more information than the tax administration; 12.3 per cent cited a lack of time to go to the tax administration; and 12 per cent said that officials at the tax administration did not respond adequately to queries.

Some 12.2 per cent regarded it as cheaper to hire a tax advisor. Members of this group believe that the opportunity cost of the compliance work is high, and thus they prefer to hire someone to do it.

Table 18
Reasons for Hiring an External Advisor

	%
The tax advisor provides more detailed information than the tax administration	47.3%
Lack of time to go to the tax administration to request information	12.3%
Officials at the tax administration do not respond adequately to queries	12.0%
There was little information at the windows of the tax administration or on the RFB website	9.4%
It is cheaper to hire an external tax advisor	12.2%
Other	6.9%

Source: taxpayer survey.

This high value placed on using an external accountant in businesses is a phenomenon common to several countries of Latin America, a circumstance that raises two important issues:

- a) Compliance costs entail a high fixed cost, and thus it is complicated to reduce them further if they involve the salaries of unregulated external advisors.
- b) Given that the relationship with the taxpayer is not direct, tax administrations should consider the relationship between them and external tax advisors as part of an effort to improve taxpayer compliance.

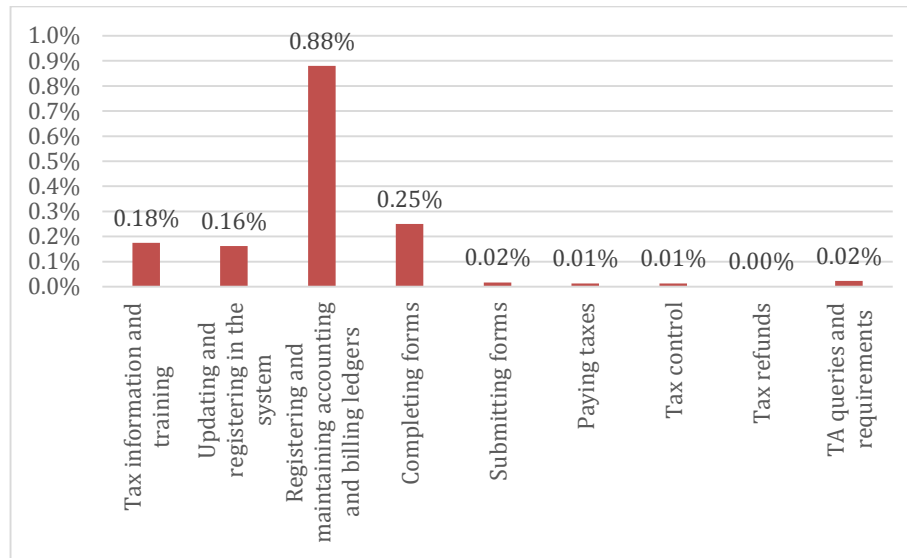
It is interesting to note that a tax advisor fills a gap that taxpayers encounter because of what they regard as limitations on the information provided by the tax administration. That circumstance could prompt consideration of ways of improving procedures and reducing the external costs incurred by taxpayers. More effective training and deployment within the tax system could forge a direct link between improved learning and lower compliance costs, since taxpayers would have less need to resort to external advisors.

Moreover, it is also possible to regulate the role of external advisors, who have a greater capacity than the taxpayer to deal with the tax system, either because of training (in tax accounting) or experience in the field. Hence the tax administration should strike a balance in offsetting the taxpayer's opportunity cost.

The second important matter in understanding the sources of compliance costs is to analyse such costs in the chain of key processes in the taxpayer's cycle.

Figure 3 divides the cost (relative to GDP) by process. In general we can see that most of the costs are concentrated in the early processes of the cycle, especially registration and accounting and invoicing, and completing forms. These two processes account for 1.13 per cent of GDP of the 1.54 per cent of GDP accounted for by the total.

Figure 3
Compliance Costs by Tax Cycle



Source: author's calculations on the basis of the survey.

Information and Registration

In obtaining information and registering, the taxpayer has to face three sub-processes: registering or updating data; learning about tax issues; and accounting records. The survey asked taxpayers how many hours they spend on these activities.

Table 19
Hours per Year for Registration and Bookkeeping

	Information and Learning	Updating and Registering in the System	Registering and Maintaining Accounting And Billing Ledgers
Microenterprise	32	4	47
Small	29	4	58
Medium	41	4	71
Large	52	4	68

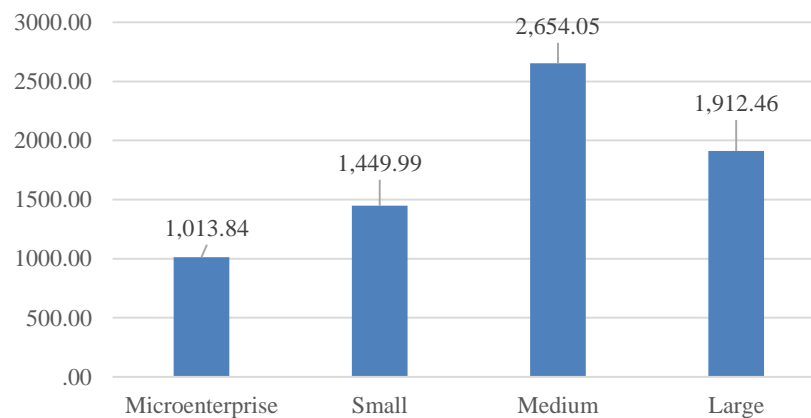
Source: author's calculations.

It is estimated that businesses spend an average of 85 hours a year on these three processes. The time is slightly longer for medium sized firms than for micro and small enterprises. This is because of the time spent on completing the accounting record: the bigger the company, the greater the complexity in the tax system, and thus more time spent on bookkeeping.

Asked about their use of the internet, taxpayers responded very positively. With regard to the use of the internet for federal taxes, 93 per cent of taxpayers mention that they file tax returns online; this percentage is very similar for all regimes and all taxes (federal, ICMS and ISS). This is important in conjunction with the place from which taxpayers access the internet, since 99 per cent connect using their own equipment.

Despite this marked advantage in filing tax returns online, detailed analysis of internal costs (hours per year) shows that internal compliance costs also include other administrative or management costs that are fixed.

Figure 4
Monthly Spending on Additional Administrative Costs (R\$)¹⁰



Source: author's calculations.

The survey confirms that a business spends an average of R\$1,263 (US\$647) on costs such as tax notes, accounting ledgers, forms, authentications, software and other expenses related to normal operations. It is interesting to note that these costs vary according to the size of the business.

¹⁰ A statistical analysis of the differences in average costs between taxpayers that use an external accounting advisor and those that do not shows that the two values are similar. This confirms that these costs are consistent irrespective of how the accounting is carried out.

For microenterprises, for example, the cost is less than half of that for a medium or large enterprise. It is clear that these kinds of costs are the main source of compliance costs, and thus it is important that the RFB explore them more fully.

Tax Returns and Payment

The returns and payment process includes completing forms, submitting them (in person, online, and so on) and finally payment (at a cashier's window, online and so forth). On average a business spends 214 hours a year on activities related to completing forms, filing returns and payment. This amounts to 54 per cent of the total hours (398).

When considering the returns and payment processes it is important to distinguish between the different tax regimes, because it is within these processes that substantial reforms geared to simplification have taken place.

A taxpayer in the Simples Nacional system spends 163 hours a year, much less than businesses in the Presumed or Actual Income regimes. For businesses in the Simples Nacional system, the time taken to file returns has fallen to less than half of what it would be if they were still within the normal regime.¹¹

Table 20
Hours per Year to File Returns and Pay Taxes

	Completing Forms	Submitting Forms	Paying Taxes
Simples Nacional	163	41	29
Presumed Income	297	49	36
Actual Income	415	57	45

Source: author's calculations.

Some 51 per cent of respondents said that they pay their taxes by direct debit, 33 per cent pay in cash, and 14 per cent pay by cheque.

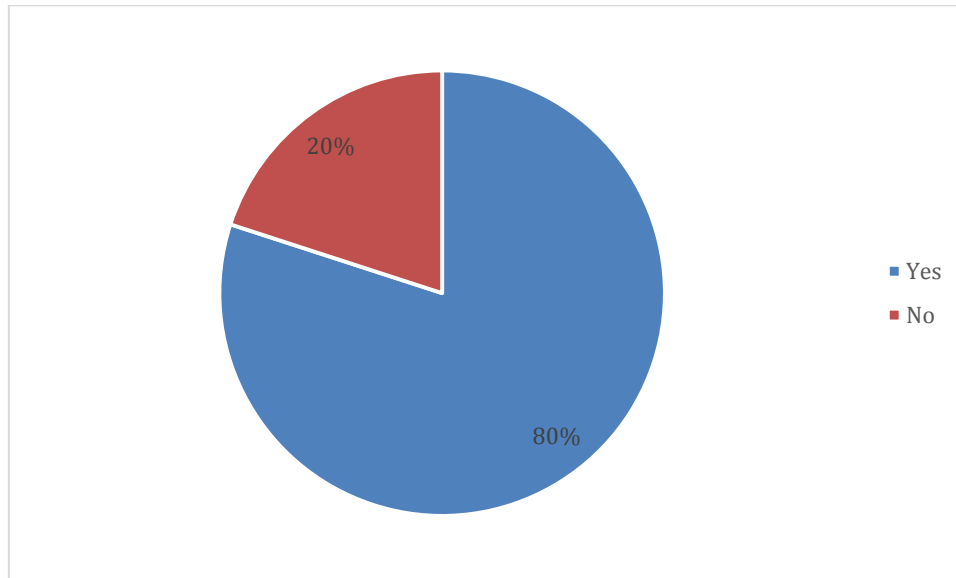
Tax Control

Tax control is related to the need for information about a business, verification of discrepancies, auditing of accounting records, and other factors. Some 20 per cent of respondents said that they had been subject to some action or requirement by the

¹¹ For more information on the forms used, the frequency of filing and taxpayers, see Table 13.

tax administration in the previous 12 months. These findings illustrate the presence and coverage of the tax administration in the period of analysis.

Figure 5
Taxpayers Subject to Some Form of Tax Control



Source: author's calculations on the basis of the survey.

Some 40 per cent indicated that their contact with the tax administration was related to an oversight procedure; 24.7 per cent that it was a matter of substantiating information; 20 per cent that it was a question of verifying discrepancies in returns or payments; and the remainder said it was because of some other control or oversight processes. Note that the question did not specify the level of tax administration (federal, state or municipal) to which it was referring.

Refunds and Claims

Some 13 per cent of respondents said that they had requested a refund in the period of study. It is important to point out that this procedure takes more than three hours to carry out and that usually it entails an additional cost when it involves an external tax advisor.

Of all the businesses that requested a tax refund, 62 per cent used the services of an external advisor and in the other cases the task was performed by the owner or an employee. The refund process, because of its very function of returning cash to the taxpayer, is very attractive to external agents. Because of that circumstance, and the complexities of the refund system itself, the transaction cost for this process is high.

As regards the time taken to refund taxes, 60 per cent said that it took less than a year but 56 per cent of taxpayers said that they have not yet received a reply to their request.

External Costs and Spending

External costs and spending are a significant element of tax compliance costs in Brazilian businesses.

A central issue of compliance costs, one that underpins the goals of the study of tax transaction costs, is that 80 per cent of taxpayers say that they make permanent use of an external tax advisor to help them meet their tax obligations.

With regard to the item “external advisors” alone, businesses spent an average of R\$11,604 a year (US\$5,937) on such advisors. The taxpayer survey findings, corroborated by information from Fenacom, make it possible to distinguish between these monthly costs by business size, as shown in Table 21.

Table 21
Monthly Salaries of External Tax Advisors

Business Size	Salary (R\$)	Salary (US\$)
Microenterprise (*)	580	297
Small (*)	787.9	403
Medium	3,000	1,535
Large	5,000	2,558

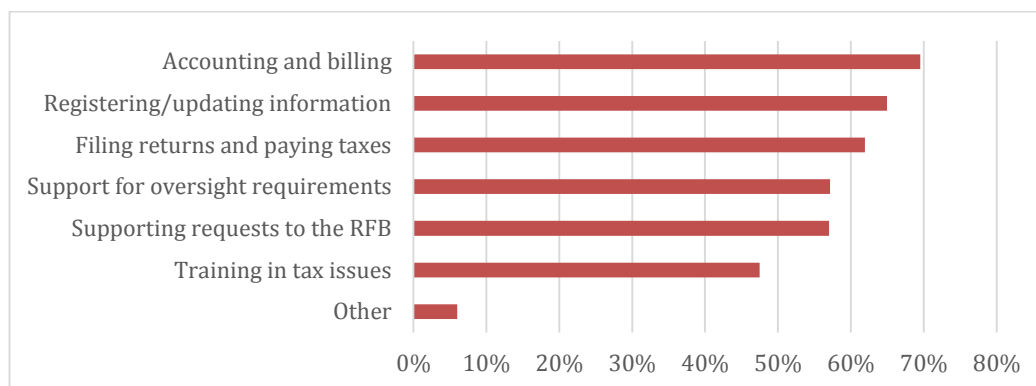
Source: taxpayer survey and (*) Fenacom-RFB.

The activities for which taxpayers required help from an external advisor were: completing and registering accounting ledgers (70 per cent); standard bureaucratic formalities in the tax administration (57 per cent); updating and registering information (65 per cent); and submitting sworn statements (the tax returns) (62 per cent).

These findings indicate that it is quite common for MSMEs to use external advisors in filling out accounting records, possibly because of the complexity of the tax system and also because in-house salaries are higher than the costs of outsourcing accounting and tax services.

It can be inferred that the taxpayer pays a high opportunity cost for this activity and thus it is assigned to a third party, who surely understands the procedures and has the necessary tools and software, and can undertake this task for a reasonable amount. External advice is not confined to a single activity; it can include several, though this might raise the cost.

Figure 6
Activities Undertaken by an External Advisor



Source: taxpayer survey.

Asked if they have any other costs not covered by the survey, 21 per cent of respondents said that they did have such costs. These averaged R\$1,165 (US\$596) a year, suggesting that there are some kinds of hidden costs that should be researched in detail.

B. ADMINISTRATIVE COSTS

Administrative costs comprise State spending to administer the tax system. According to information from the executed budget, in 2012 this stood at R\$8,313 million, equivalent to 0.19 per cent of GDP. In relative terms we can see how many taxpayers the RFB manages with its budget, and the level of tax collection per employee.

Table 22
Budgetary Indicators, 2012

	R\$	US\$
Population per employee	7,603	3,890
RFB collection per taxpayer	191,663	98,067
RFB budget per employee	317,228	162,315

Source: RFB and other macro data.

The purpose of this section is to show how this expenditure is distributed among the tax sub-processes/cost centres. To help us calculate these costs the RFB provided information on the budget and human resources.

The RFB operates with a “functional structure” based essentially on a group of directorates at the core level with national-level functional authority over operational tasks, and decentralised territorial operations assigned to regional superintendencies, inspectorates and customs controls. The central areas include regulatory activities that, for the purposes of this methodology, were assigned to their sub-processes. Thus activities of the sections responsible for control, collection and taxpayer services were distributed among their respective sub-processes.

The operational units have a departmental structure with profiles assigned to each of the areas, allowing each of them be assigned to each of the sub-processes.

Each step proposed in the methodology was followed, as described below.

Executed Budget

The executed budget for 2012 was R\$8,313 million (US\$4,253 million). Almost 71 per cent of the budget is spent on remuneration, followed by services at 25 per cent. The budget is equivalent to 0.19 per cent of GDP.

Table 23
RFB Budget, 2012

Type of Spending	R\$	US\$
Remuneration	5,871,667,010	3,004,332,281
Administrative spending	1,798,171,083	920,062,977
Capital spending	643,765,882	329,393,104
Total budget	8,313,603,975	4,253,788,362
Total % of collection	0.838%	0.838%
Total % of GDP	0.189%	0.189%

Source: RFB.

Spending by Function

In this step we allocated the budget for remuneration in line with the proportion of officials in each area in 2012. Thus we had to effect the allocation on the basis of the officials' functions in each area, which the human resources section disaggregated by profiles for each of the tax sub-processes.

In General Administration the officials were disaggregated among the following processes:¹²

Table 24
Number of RFB Officials by Process, 2014

Expenditures by Major Functions	Spending on Remuneration	Number of Staff	% of Total Staff
Assistance and services	1,286,413,947.69	5,018	22%
Information and training		5,018	22%
Registration and authorisation			0%
Returns and payment			0%
Control and refunds	1,231,296,570.50	4,803	21%
Mass control and auditing		4,803	21%
Refunds			0%
Collection and claims	1,295,386,543.98	5,053	22%
Collection		5,053	22%
Claims and requests			0%
General administration	2,058,569,948.18	8,030	35%
Administration and finance		2,746	12%
Systems and information technology		870	4%
Legal counsel and institutional management		3,433	15%
Planning and evaluation		981	4%
TOTAL	5,871,667,010	22,904	100%

Source: RFB.

Hence general administration is the area that receives the greatest share of budgetary allocations (35 per cent), given the number of staff involved in this process.

¹² It is important to note that 3,303 officers of the customs administration were excluded.

Installed Capacity by Key Process

In this phase we calculated the installed capacity for each sub-process or cost centre. For that purpose we considered there to be 240 working days in a year, which serves as a reference for the distribution of resources in later sections of the methodology. General administrative costs are not taken into account here because they must be distributed in each of the tax sub-processes.

Table 25
Estimate of Costs by Process

Costs centre	% Installed Capacity	Total Administrative Costs (AC = b + c)	Total Direct Current Costs (b)	Total Indirect Costs (c)	Current Spending on Remuneration in General Administration	Investment in Infrastructure and Equipment	Other Costs
I. Assistance and services	34%	2,804,737,444	1,286,413,948	1,518,323,497	694,494,016	217,185,505	606,643,976
II. Control and refunds	32%	2,684,566,350	1,231,296,571	1,453,269,780	664,737,896	207,880,028	580,651,856
III. Collection and claims	34%	2,824,300,181	1,295,386,544	1,528,913,637	699,338,036	218,700,350	610,875,251
TOTAL	100%	8,313,603,975	3,813,097,062	4,500,506,913	2,058,569,948	643,765,882	1,798,171,083

Source: RFB.

Calculating Administrative Costs by Key Process

In this step we have to distribute the administrative costs to each of the tax sub-processes. Hence we accumulate remunerations from the general administration process, spending on goods, services and common materials, current transfers and special accounts. These costs, together with investment and infrastructure spending, were distributed in each of the tax sub-processes. For this we used the distribution ratio of installed capacity, which distributes the total expenditure on each of the sub-processes.

Table 26
Total Administrative Costs and by Process

Cost Centre	Administrative Costs	I. Assistance and Services	II. Control and Refunds	III. Collection and Claims
Total	8,313,603,975	2,804,737,444	2,684,566,350	2,824,300,181
% of GDP (2012)	0.19%	0.06%	0.06%	0.06%
% total RFB collection (2012)	0.84%	0.28%	0.27%	0.28%

Source: RFB.

In sum, it is evident that the cost of running Brazil's tax system at the federal level is equivalent to 0.19 per cent of GDP.¹³ It is apparent that there is a similar distribution among all the processes that comprise the tax cycle, although the general administration areas are prominent in the budgetary allocations.

TAX TRANSACTION COSTS

As mentioned earlier, tax transaction costs are the costs of managing and complying with a tax system—that is, the sum of administrative costs and compliance costs.

Tax transaction costs are a necessary part of a country's means of obtaining tax revenue. At issue is the question of determining the appropriate level of transaction costs in an economy, especially in emerging or less competitive countries where such costs can create other kinds of distortions.

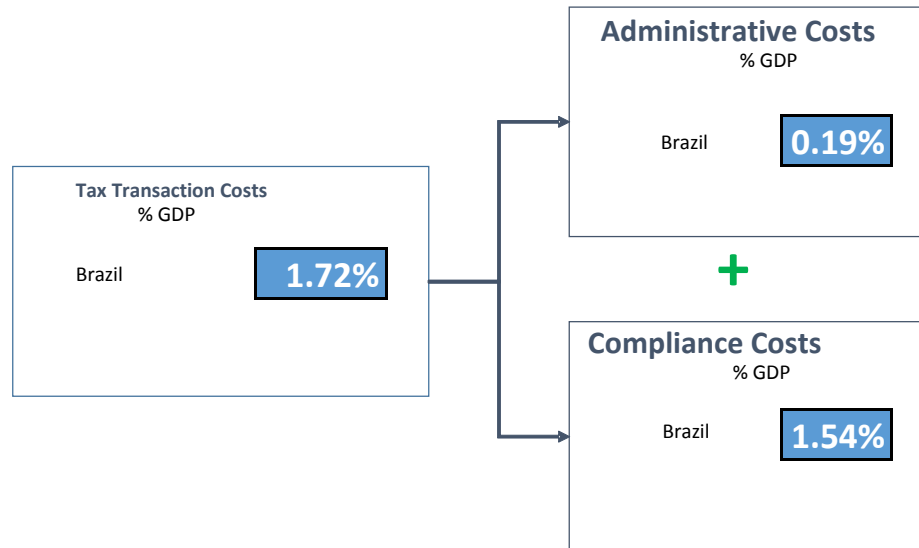
In this regard, tax costs are justified when the costs of managing and complying with each tax is offset by the net benefits of those taxes (Oliver and Bartley, 2005).

In that context, we can present the findings for Brazil: the tax transaction cost was equivalent to 1.72 per cent of GDP in 2012. That consists of the administrative costs—the RFB's budget—and the compliance costs incurred by taxpayers, which is equivalent to 1.54 per cent of GDP.

Illustration 2 summarises these indicators.

¹³ The study does not include the budget of other state and municipal tax administrations.

Illustration 2 Tax Transaction Costs in Brazil, 2012

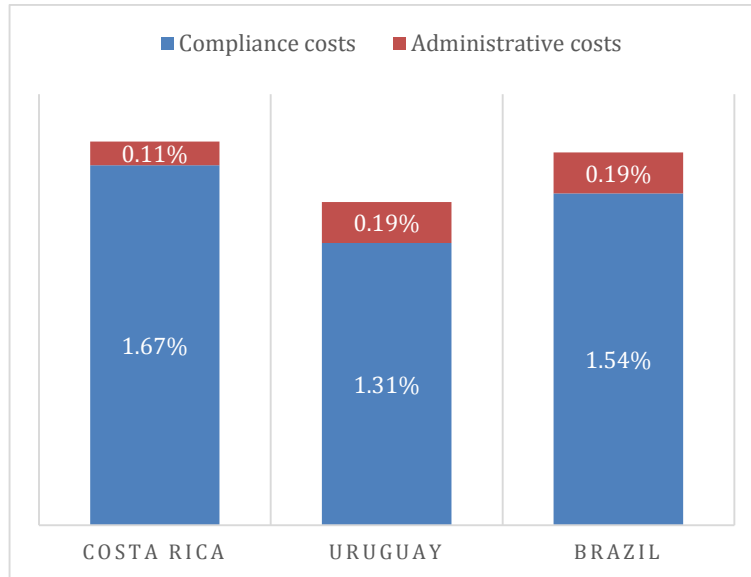


Source: author's calculations.

As indicated in United Nations and CIAT (2014), there have been few studies of tax transactions costs at the international level. One reason for this is that inter-country comparisons are difficult to undertake and have to be treated with caution. That circumstance justifies the production of case studies for each Latin American country. The aim is not to make comparisons, but to offer a measurement tool that is adapted to national circumstances in each country.

Nonetheless, other countries in the region have applied a similar methodology and thus a comparison can be made with Costa Rica and Uruguay, as in Figure 7.

Figure 7
Comparison of Tax Transaction Costs (% of GDP, 2012)



Source: author's calculations for Brazil, and United Nations and CIAT (2014).

FINAL CONSIDERATIONS

- Application of the methodology for measuring compliance costs is the starting point for raising awareness of costs incurred by the taxpayer.
- In Brazil, historically the State has made a constant effort to increase tax collection with a view to recovering what was lost to state and local governments, and to ensure the capacity to properly finance its growing responsibilities of tax spending. This, however, gave rise to many regulatory changes, indirect taxes shared among the various levels of government, and a multiplicity of other taxes that are complex to manage.
- In this regard Brazil has undertaken several reforms to improve the tax system. A significant step forward was the implementation of the Simples Nacional system as an example of simplification and federal integration. In its little more than eight years, Simples Nacional has yielded substantial benefits, such as the creation of a legal basis for the system, the shared management mechanism, respect for the autonomy of the affiliated bodies, and the widespread use of information technology that has given all stakeholders, citizens and levels of government simultaneous, swift and safe access to the same functionalities (Barreto, 2013).
- This study is an important reference, in line with the policy of constant improvement and optimisation of the Brazilian tax system. Of its main findings, note the following four important matters.
- The first is that the introduction of the Simples Nacional system has reduced compliance times for taxpayers registered with this regime. This is evident in the compliance costs detailed in Tables 15 and 16, which show that the costs and hours for Simples Nacional taxpayers and those defined as microenterprises are less than for other taxpayers.
- The second is the use of external tax advisors as a common practice among micro and small enterprises in Brazil (80 per cent on average). The tax administration should therefore consider instituting some kind of linkage to this practice—not with the intention of limiting it but in an effort to ensure that the taxpayer makes efficient use of resources and uses effective intermediaries to tax advisors, so as to improve tax compliance. If taxpayers

outsource activities that generate more value, this improves the system's efficiency. If outsourcing causes an additional cost, however, there is a need to address the processes and simplify procedures.

- The third is that a very substantial share of taxpayers' compliance costs are "other costs" that differ from monthly payments to an external advisor. This category includes such things as tax notes, authentications, bookkeeping, documentation and so on. A significant advance in lowering these costs has been the increase in filing returns online and electronic invoicing (electronic tax notes) among all segments of taxpayers. Nonetheless, the survey indicates that certain costs persist. These were not identified in detail but they are real costs and thus the sources of these hidden costs should be researched.
- The final matter concerns the RFB's budget, which is equivalent to 0.19 per cent of GDP and 0.84 per cent of the yearly tax take. These findings are in line with the tax administration's implementation capacity relative to its institutional goals, given that the RFB has authority in the areas of internal taxes, foreign trade and social security.
- Staff remuneration is the most important item in the RFB's budget, and is in line with the average of other tax administrations. An important challenge for the RFB in this regard is to start to disaggregate the budgetary elements by causal factors or activities. This would later help to improve the management of the budget and could justify an increase or decrease according to the goals of tax collection and narrowing tax gaps.

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ANNEXES

ANNEX 1. Abbreviations

CIAT	Inter-American Center of Tax Administrations
DEFIS	<i>Declaração de Informações Socioeconômicas e Fiscais (DEFIS)</i>
DESA	Department of Economic and Social Affairs (United Nations)
FENACOM	Federação Nacional das Empresas de Serviços Contábeis e das Empresas de Assessoramento, Perícias, Informações e Pesquisas
GDP	Gross domestic product
ICMS	Imposto Sobre Circulação De Mercadorias E Prestação De Serviços
ISS	Imposto sobre Serviço
MEI	Microempreendedor individual
MSMEs	Micro, small and medium enterprises
OECD	Organisation for Economic Cooperation and Development
PGDAS-D	<i>Programa Gerador do Documento de Arrecadação do Simples Nacional– Declaratório (PGDAS-D)</i>
R\$	Reales Brasileños
RFB	Receita Federal do Brasil
SEBRAE	Serviço Brasileiro de Apoio às Micro e Pequenas Empresas
TTC	Tax transaction costs
UN	United Nations

ANNEX 2. Technical data



UN - DESA



TECHNICAL SPECIFICATIONS OF SAMPLE DESIGN

COMPLIANCE COSTS SURVEY

BRAZIL

SAMPLE DESIGN

1. Population and coverage

The group under study comprises active taxpayers (non-delinquent in the 2012 tax period) in the tax regime managed by the RFB.

The group includes all taxpayers defined as MSMEs, and identified as taxpayers in the Simples Nacional, Presumed Income and Actual Income systems, as well as those exempt or immune.

2. Sampling framework

The sampling framework that determines the size of the sample consists of active taxpayers (those who filed their income tax returns for fiscal year 2012) in the Single Tax Register. SEBRAE provided the database for the study.

3. Coverage and domain

National domain

4. Unit of analysis

This is the productive unit that is registered as an active taxpayer. Within the unit, the respondent may be the manager, accountant or owner.

In line with the recommendation, an MSME can be defined as such according to its volume of sales or, secondly, number of employees. The informal sector (unregistered) is not included.

The survey can be completed by the external accountant, but with reference to the business that is under study.

1. Sample size

Simple random sampling was used to choose the sample size.

Previous analysis indicates that in 2012 about 3,975,162 taxpayers filed returns The chosen sample size was 1,137 surveys.

2. Expansion factor

The inverse probability of inclusion in the sample, as detailed in this study.

3. Standard sampling error

A sampling error of 3 per cent at 95.5 per cent reliability was suggested.

4. Data collection strategy

Collection, inputting and analysis of data was entrusted to the WHO firm, with financial support from SEBRAE. The consultancy includes a final report in MS Word format and a database in SPSS format.

ANNEX 3. Survey on tax compliance costs in Brazil

Pesquisa para medição de custos do cumprimento tributário no Brasil

24. (B8) Por qual meio a empresa se conecta à Internet para cumprir com as obrigações tributárias?

Equipamento próprio / Contador Externo
 Lam House
 Não usa Internet
 Outro (especifique) _____

25. (B9) Quanto tempo foi gasto para a empresa registrar-se no CNPJ ou para fazer a última atualização dos dados da empresa nesse cadastro? (Considere apenas o tempo gasto pela empresa nos procedimentos para a obtenção do CNPJ).

Menos de 1/2 hora
 Mais de 1/2 hora e Menos de 1 hora
 1 hora
 Entre 1 e 2 horas
 Entre 2 e 3 horas
 Entre 3 e 5 horas
 Mais de 5 horas

26. (B10) Qual é o principal canal que você utiliza habitualmente para realizar o cadastro tributário ou para a atualização de dados da empresa?

Unidades das AT's*
 Junta Comercial
 Outro (especifique) _____

(*) AT = Administração Tributária + Receita Federal, Secretarias de Fazenda ou Finanças de Estados, Distrito Federal e Municípios

27. (B11) Qual é o meio utilizado para o registro contábil das operações da empresa?

Registros ou Livros Fiscais (Papel)
 Registros em Programas computadorizados próprios / do Contador Externo
 Registros em Programas computadorizados providos pelas AT's
 Outro _____

Page 5

Pesquisa para medição de custos do cumprimento tributário no Brasil

28. (B12) Quanto tempo é gasto MENSALMENTE apenas com o registro contábil e/ou fiscal das transações comerciais e financeiras da empresa?

Menos de 1/2 hora
 Mais de 1/2 hora e Menos de 1 hora
 1 hora
 Entre 1 e 2 horas
 Entre 2 e 3 horas
 Entre 3 e 5 horas
 Mais de 5 horas

29. (B13) Qual é o valor gasto (R\$) usualmente por MÊS (estimativa) com Notas Fiscais, formulários, livros contábeis, softwares, legalizações, e outros gastos relacionados ao Registro Contábil e/ou Fiscal da empresa?

DECLARAÇÃO E PAGAMENTO DE IMPOSTOS

30. (C1) Qual é o principal meio utilizado para o preenchimento das declarações da empresa entregues às ATs?

Formulários Fiscais (Papel)
 Formulários eletrônicos carregados em meio magnético (CD, USB, Disquete, etc)
 Formulários eletrônicos virtuais na página web das AT's*
 Outro _____

31. (C2.1) Quantas horas são gastas para preencher o formulário de DIPJ - Declaração de Rendimentos da Pessoa Jurídica, cada vez que é preciso apresentá-lo.
 Horas gastas: _____

ATENÇÃO: Somente responde a questão se a empresa tem regime tributário de LUCRO PRESUMIDO ou LUCRO REAL.

32. (C2.2) Quantas horas são gastas para preencher o formulário de PGDAS-D- Programa Gerador do Documento de Arrecadação do Simples Nacional - Declaratório, cada vez que é preciso apresentá-lo.
 Horas gastas: _____

ATENÇÃO: Somente responde a questão se a empresa tem regime tributário do SIMPLES NACIONAL.

33. (C2.3) Quantas horas são gastas para preencher o formulário de GFIP - Guia de Recolhimento do FGTS e de Informações à Previdência Social, cada vez que é preciso apresentá-lo.
 Horas gastas: _____

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34. (C2.4) Quantas horas são gastas para preencher o formulário de DCTF - Declaração de Débitos e Créditos Tributários Federais, cada vez que é preciso apresentá-lo.
 Horas gastas: _____

ATENÇÃO: Somente responde a questão se a empresa tem regime tributário de LUCRO PRESUMIDO ou LUCRO REAL.

35. (C2.5) Quantas horas são gastas para preencher o formulário de DIRF - Declaração do Imposto de Renda Retido na Fonte, cada vez que é preciso apresentá-lo.
 Horas gastas: _____

36. (C2.6) Quantas horas são gastas para preencher o formulário de Dacon - Demonstrativo de Apuração de Contribuições Sociais, cada vez que é preciso apresentá-lo.
 Horas gastas: _____

ATENÇÃO: Somente responde a questão se a empresa tem regime tributário de LUCRO PRESUMIDO ou LUCRO REAL.

37. (C2.7) Quantas horas são gastas para preencher o formulário de Documento / Declaração / Guia de Apuração do ICMS, cada vez que é preciso apresentá-lo.
 Horas gastas: _____

ATENÇÃO: Somente responde a questão se a empresa for do setor de COMÉRCIO ou INDÚSTRIA.

38. (C2.8) Quantas horas são gastas para preencher o formulário de Documento / Declaração / Guia de Apuração do ISS, cada vez que é preciso apresentá-lo.
 Horas gastas: _____

ATENÇÃO: Somente responde a questão se a empresa for do setor de SERVIÇOS.

39. (C2.9) Quantas horas são gastas para preencher o formulário de Declaração do SINTEGRA, cada vez que é preciso apresentá-lo.
 Horas gastas: _____

ATENÇÃO: Somente responde a questão se a empresa for do setor de COMÉRCIO ou INDÚSTRIA.

40. (C2.10) Quantas horas são gastas para preencher o formulário de SPED Contábil, cada vez que é preciso apresentá-lo.
 Horas gastas: _____

ATENÇÃO: Somente responde a questão se a empresa for do setor de COMÉRCIO ou INDÚSTRIA.

41. (C2.11) Quantas horas são gastas para preencher o formulário de SPED Fiscal, cada vez que é preciso apresentá-lo.
 Horas gastas: _____

ATENÇÃO: Somente responde a questão se a empresa for do setor de COMÉRCIO ou INDÚSTRIA.

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42. (C2.12) Quantas horas são gastas para preencher o formulário de Declaração de Serviços Prestados, cada vez que é preciso apresentá-lo.
 Horas gastas: _____

ATENÇÃO: Somente responde a questão se a empresa for do setor de SERVIÇOS.

43. (C2.13) Quantas horas são gastas para preencher o formulário de Declaração de Serviços Tomados, cada vez que é preciso apresentá-lo.
 Horas gastas: _____

ATENÇÃO: Somente responde a questão se a empresa for do setor de SERVIÇOS.

44. (C3.1) A empresa utiliza o Documento / Declaração / Guia de Apuração do ICMS - Substituição Tributária?

Sim
 Não

ATENÇÃO: Somente responde a questão se a empresa for do SETOR INDUSTRIAL.

45. (C3.2) Com que frequência a empresa costuma apresentar o Documento / Declaração / Guia de Apuração do ICMS - Substituição Tributária e Quantas horas são gastas para PREENCHER o documento CADA VEZ que é preciso apresentá-lo?

Frequência	Uma vez	Dois	Três	Quatro	Cinco	Seis	Sete	Oito	Nove	Dez	Outro	Doze
	VEZES	VEZES	VEZES	VEZES	VEZES	VEZES	VEZES	VEZES	VEZES	VEZES	VEZES	VEZES
Horas gastas para preencher	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

46. (C4) Quantas horas são gastas por MÊS apenas para APRESENTAR, perante às ATs, todos os formulários da empresa que você indicou nas questões anteriores?

Menos de 1/2 hora
 Mais de 1/2 hora e Menos de 1 hora
 1 hora
 Entre 1 e 2 horas
 Entre 2 e 3 horas
 Mais de 3 horas

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47. (C5) Que meio(s) são utilizados para PAGAR as obrigações tributárias da empresa? (marque as opções correspondentes)

Em dinheiro (espécie)
 Cheque
 Débito automático do banco

48. (C6) De onde são provenientes os recursos para pagamento das obrigações tributárias da empresa?

Poupança de empresa
 Conta Corrente da empresa
 Conta Passivo (proprietário)
 Outros

49. (C7) Quantas horas são gastas, MENSALMENTE, apenas com o PAGAMENTO de todas as obrigações tributárias das ATs?

Menos de 1/2 hora
 Mais de 1/2 hora e Menos de 1 hora
 1 hora
 Entre 1 e 2 horas
 Entre 2 e 3 horas
 Mais de 3 horas

CONTROLE TRIBUTÁRIO

***50. (D1) Houve alguma ação de fiscalização ou controle da empresa por parte da das ATs tributária em 2012?**

Sim
 Não

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51. (D2) Que tipo de ação ou fiscalização houve (em 2012) na empresa por parte das ATs? (Marcar as opções que sejam aplicáveis)

Verificação de Informação de Empresa
 Verificação de Divergências nas Declarações ou nos Pagamentos
 Requerimento de Informação Contábil de Terceiros
 Fiscalização
 Outro

52. (D3) Em função da ação / fiscalização, quanto tempo foi gasto pela empresa para cumprir as exigências das ATs?

Menos de 1/2 hora
 Mais de 1/2 hora e Menos de 1 hora
 1 hora
 Entre 1 e 2 horas
 Entre 2 e 3 horas
 Mais de 3 horas

***53. (D4) Em função da ação / fiscalização, houve algum custo extra com contador externo? Qual foi o custo aproximado? (Informe apenas números inteiros)**

Não
 Sim. (Valores em Reais)

RESTITUIÇÕES DE IMPOSTOS E RECLAMAÇÕES

***54. (E1) Foi feita solicitação de restituição de tributos da empresa nos últimos 12 meses?**

Sim
 Não

55. (E2) Quem habitualmente prepara e solicita a restituição de impostos na empresa?

O proprietário, pessoalmente Funcionário da empresa Contador externo

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56. (E3) Qual o tempo gasto para preparar e solicitar a restituição?

Menos de 1/2 hora
 Mais de 1/2 hora e Menos de 1 hora
 1 hora
 Entre 1 e 2 horas
 Entre 2 e 3 horas
 Mais de 3 horas

57. (E4) Houve custo extra para solicitar a restituição? Se sim, Quanto foi aproximadamente? (Informe apenas números inteiros)

Valores em Reais

58. (E5) Caso a solicitação tenha sido atendida, que tempo levou até a restituição, depois que a solicitação foi feita?

1 mês
 2 a 3 meses
 3 a 6 meses
 6 meses a 1 ano
 Mais de 1 ano
 Ainda não houve restituição

***59. (E6) Foi apresentada alguma defesa ou impugnação pela empresa às Administrações Tributárias nos últimos 12 meses?**

Sim
 Não

Exemplos: defesas e impugnações e lançamentos fiscais, exclusão do Simples Nacional ou indeferimento de pedidos de opção pelo Simples Nacional.

60. (E7) Na empresa, quem usualmente prepara e efetua a defesa ou impugnação tributária ante as AT?

O proprietário, pessoalmente
 Funcionário da empresa
 Contador externo

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61. (E8) Quanto tempo foi gasto para preparar e efetuar a defesa ou impugnação tributária ante as ATs?

Menos de 1/2 hora
 Mais de 1/2 hora e Menos de 1 hora
 1 hora
 Entre 1 e 2 horas
 Entre 2 e 3 horas
 Mais de 3 horas

62. (E9) Houve algum custo extra para preparar e efetuar a defesa ou impugnação tributária ante as ATs? Se sim, quanto foi, aproximadamente? (Informe apenas números inteiros)

Valores em Reais

63. (E10) Em caso de ter havido resposta à defesa ou impugnação, em quanto tempo foi dada a resposta depois de ter sido protocolada?

1 mês
 2 a 3 meses
 3 a 6 meses
 6 meses a 1 ano
 Mais de 1 ano
 Ainda não houve resposta

CUSTOS EXTERNOS

***64. (F1) Nos últimos 12 meses a empresa teve que pagar pelos serviços permanentes de algum contador externo?**

Sim
 Não

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65. (F2) Para qual transação/atividade usualmente é requerido um contador externo. (marcar todos os que sejam aplicáveis)

- Registro e Atualização Cadastral nas ATs*
- Registro e Manutenção de Livros Contábeis e Fiscais
- Declaração e/ou Pagamento de Tributos
- Capacitação em matéria tributária
- Apoio em requerimentos de Fiscalização e Controle por parte das ATs*
- Apoio em solicitações e requerimentos ante as ATs*
- Outro (especifique)

(*) AT = Administração Tributária = Receita Federal, Secretarias de Fazenda ou Finanças de Estados, Distrito Federal e Municípios

66. (F3) No ano de 2012, qual foi o custo MENSAL aproximado pago ao contador externo pelos serviços detalhados na pergunta anterior? (Informe apenas números inteiros)

Valores em Reais

***67. (F4) Durante o ano de 2012, houve algum outro custo de cumprimento tributário federal, estadual ou municipal da empresa que não tenha sido mencionado na presente pesquisa? Qual foi o custo aproximado da transação? Excluindo-se o montante do Imposto, especifique o valor aproximado. (Informe apenas números inteiros).**

- Não
- Sim. (Valores em Reais)

FINAL DO QUESTIONÁRIO

Obrigado pela sua participação!

ANNEX 5. The Study's economic information

	R\$	US\$
Nominal GDP 2012 (millions)	4,392,094.00	2,247,285.1
Nominal GDP 2013 (millions)	4,844,815.08	2,243,073.8
Exchange rate 2012		1.95
Exchange rate 2013		2.2
Population 2012 (millions)		199,242.5
Population 2013 (millions)		201,032.7
Total RFB collection (millions)	992,083.19	507,615.22
Simples collection (millions)	46,500.74	23,792.85

Salaries		
(2012 data)	R\$	US\$
Minimum salary	622.0	318.3
Hourly salary	2.8	1.4
Internal accountant salary (average)	6,575	3,044
Hourly salary	27.4	12.7

Sources: CIAT, IMF, CEPAL, RFB, Fenacom, various websites.