

The background is a light blue color with several overlapping geometric shapes in a slightly darker shade of blue. These shapes include a large circle on the left, a large rectangle on the right, and a large irregular polygon at the bottom. A magnifying glass icon is centered on the right side, with its lens overlapping the large rectangle and its handle extending towards the bottom left.

Doing Business in Brazil

A publication of the International Finance Corporation

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Contents

Doing Business in Brazil is the second state-level report of the Doing Business series in Latin America. The first sub-national study to stimulate internal competition was launched in Mexico in 2005. *Doing Business* investigates the scope and manner of regulations that enhance business activity and those that constrain it. In this project quantitative indicators on business regulations and their enforcement were created for 12 municipalities and states. These can now compare themselves to São Paulo or any of the 12 cities and states benchmarked in Mexico, as well as to over 150 countries around the world. The report covers five topics: starting a business, registering property, getting credit, paying taxes and enforcing contracts. The 12 states and cities are: Amazonas, Manaus; Bahia, Salvador; Ceará, Fortaleza; Federal District, Brasília; Maranhão, São Luís; Mato Grosso, Cuiabá; Mato Grosso do Sul, Campo Grande; Minas Gerais, Belo Horizonte; Rio de Janeiro, Rio de Janeiro; Rio Grande do Sul, Porto Alegre; Rondônia, Porto Velho; and Santa Catarina, Florianópolis. Comparisons with São Paulo and other countries are based on the indicators in *Doing Business in 2006: Creating Jobs*. Comparisons with the 12 cities and states of Mexico are based on *Doing Business in Mexico*.

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Overview

Starting a business
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Starting a business is a leap of faith even in the best of circumstances. Governments should encourage the daring. And many do. In 2004, 99 countries—two thirds of the global *Doing Business in 2006* sample—introduced 185 various regulatory reforms to make it easier to do business. In 2005, another 203 improvements in the environment for doing business took place in 93 countries.

In Brazil, the need for reducing the heavy burden on businesses is long recognized. “To my friends—everything; to my enemies—the law,” this Brazilian saying captures the attitude towards current business regulations. The start up procedures, for example, are confusing, time consuming and expensive. What is worse, they are so scattered that none of the involved agencies have oversight over all the necessary steps and costs. In Amazonas, the procedures to start a business involve 9 different municipal, state and federal authorities. Realizing the complexity of the start-up procedures, the authori-

ties assigned one person to answer the Doing Business questionnaires. Still, there were gaps. No wonder that many businesses decide to remain informal.

Fifteen European and six East Asian economies rank in the top 30 on the ease of doing business (table 1.1). Only one Latin American country, Chile, makes the top-30 list. Brazil, represented by São Paulo as the largest business center, ranks 119 out of 155. This is behind other major emerging markets. For example, South Africa ranks 29, Mexico 73, Russia 79, and India 116. In Latin America, only Venezuela and Haiti regulate business more heavily than Brazil.

Reforms in Brazilian states

Reforms in Brazil have concentrated on the procedures to start a business. Studies like *Doing Business* illustrate the complexity of entry regulations. As a result, officials at the federal and subnational governments are taking measures to unify procedures, share information among agencies and introduce online procedures. The federal tax authority and 18 of the 26 state boards of trade merged registration of the company’s statutes with tax registration. In Rio Grande do Sul, agreements between the board of trade, the federal tax authority and the municipality will cut the time to obtain registrations with the three bodies to ten days. A draft law in the Congress includes provisions to simplify business registration by standardizing registration requirements across Brazil and making it possible for businesses to register electronically with the boards of trade.

The higher the income, the easier it is to do business in the 12 states and the Federal District. The best per-

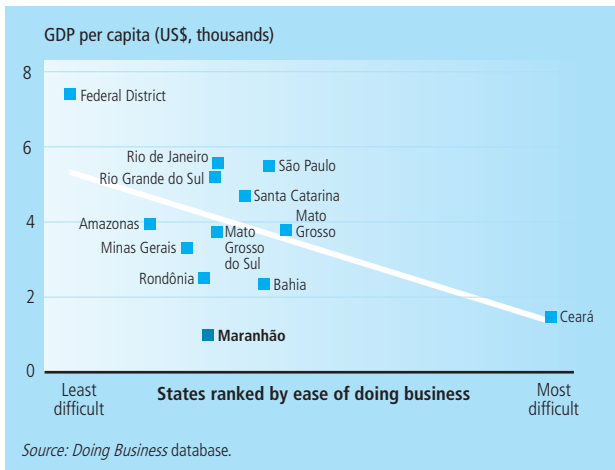
TABLE 1.1

Top 30 economies on the ease of doing business

1	New Zealand	11	Ireland	21	Malaysia
2	Singapore	12	Iceland	22	Puerto Rico
3	United States	13	Finland	23	Mauritius
4	Canada	14	Sweden	24	Netherlands
5	Norway	15	Lithuania	25	Chile
6	Australia	16	Estonia	26	Latvia
7	Hong Kong, China	17	Switzerland	27	Korea
8	Denmark	18	Belgium	28	South Africa
9	United Kingdom	19	Germany	29	Israel
10	Japan	20	Thailand	30	Spain

Note: The rankings for all economies are benchmarked to January 2005. The ease of doing business averages country rankings across the 10 topics covered in *Doing Business in 2006*. Source: *Doing Business* database.

FIGURE 1.1

Greater ease of doing business is possible at low incomes

former on the ease of doing business, the Federal District, is also the wealthiest. Ceará, the second poorest state in our sample, ranks worst (figure 1.1). Nevertheless, low income does not need to be a barrier to good regulation. Poor states can outperform others, if they introduce reforms. Maranhão, which has the lowest income per capita of the evaluated states, ranks number 5 out of 13 in the ease of doing business. This good performance is due to the fact that Maranhão uses technological advances in different areas. The registries (*cartórios*) have digitalized their records—a reform which reduces the time to 27 days and makes Maranhão the state where it takes the least time to register property.

Maranhão also introduced reforms to facilitate business start ups. Information on new applications is now shared between the board of trade, the state tax authority and the municipality, which evaluate and provide preliminary approvals. This reduces the risk of businesses starting the process of formalization at the board of trade, but not completing it with other agencies. Once the company is cleared for approval, the start up process is faster. Still, bottlenecks and delays often emerge in the pre-approval phase.

TABLE 1.2

Doing business in Brazil: where is it easiest?

1	Federal District (Easiest)	8	Rio de Janeiro
2	Amazonas	9	Santa Catarina
3	Minas Gerais	10	Bahia
4	Rondônia	11	São Paulo
5	Maranhão	12	Mato Grosso
6	Rio Grande do Sul	13	Ceará (Most difficult)
7	Mato Grosso do Sul		

Source: Doing Business database.

Reforms can raise performance, reduce informality

São Paulo and the 12 states vary dramatically on Doing Business indicators, with the Federal District outperforming the rest (table 1.2). But a big gap remains between Brazil's best and the ease of doing business in Bangkok or Johannesburg. Reform is sorely needed. States should look for best practices within Brazil—for example, by digitalizing property registry records like Maranhão—while also aiming for the pace of reforms in countries like Chile, Vietnam or Slovakia.

When ranked internationally on the time to start a business, Brazilian states vary significantly, depending on local requirements. In Mexico, opening a business in the worst performing state takes twice as long as in the best performing state. In Brazil, the gap between the best and worst performers is eight-fold—from 19 days in Minas Gerais to 152 days in São Paulo. São Paulo ranks 149 out of 155 economies on the time to start a business. Minas Gerais, the state with the shortest time to start a business in Brazil (figure 1.2), ranks 30th worldwide. Municipal requirements are the most time consuming. Some municipalities, such as Porto Alegre, have reduced the procedures necessary to obtain the municipal license (*alvará*), thereby shortening the total start-up time.

The easiest state in which to enforce a contract is São Paulo, where enforcing contracts takes 18 months. This is still 3 times slower than the fastest state in Mexico and longer than Buenos Aires, Bogotá, or Shanghai. Contract enforcement in Rio Grande do Sul takes 4 years—longer than Guatemala, the country with most delays worldwide (figure 1.3). The average time to enforce a contract across the 12 states and the Federal District is 2.5 years, longer than Venezuela.

FIGURE 1.2

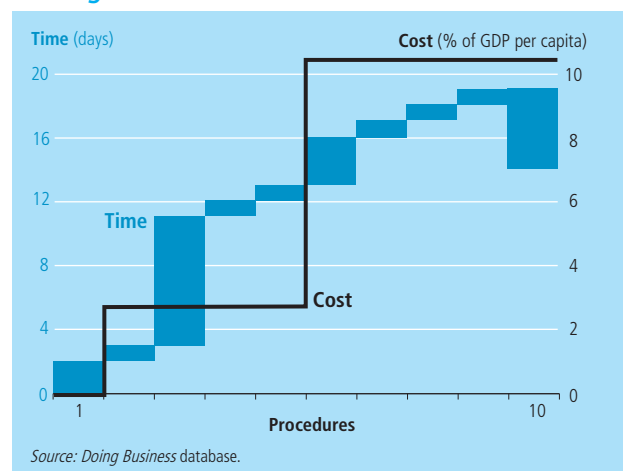
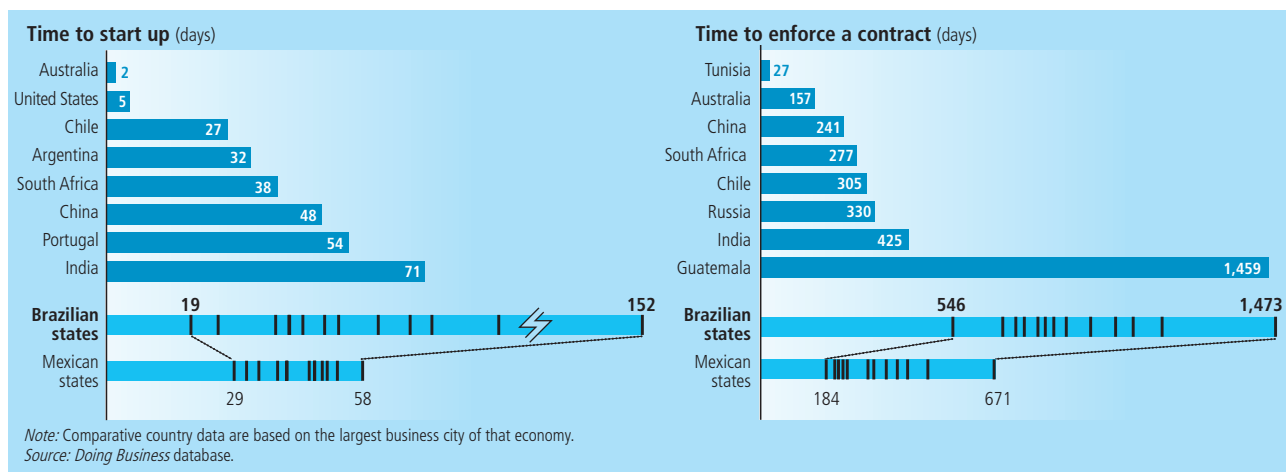
Starting a business in Minas Gerais

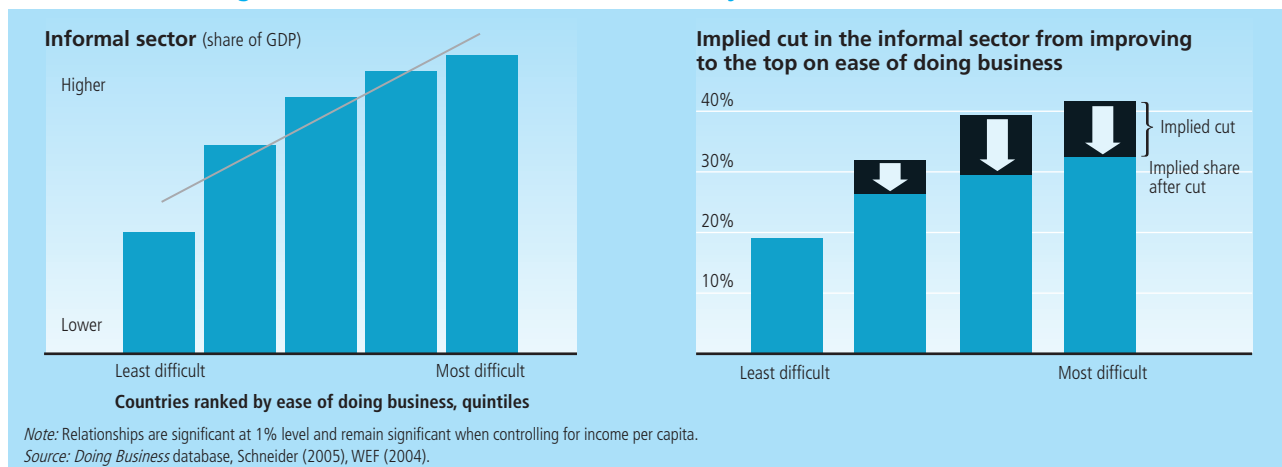
FIGURE 1.3
Time to open a business and time to enforce contracts in Brazil: comparison with Mexican states and other selected economies



The high cost of doing business fosters informality, a serious problem in Brazil. It is estimated to have accounted for 42% of Brazil’s output in 2002–03, compared with 33% of Mexico’s, 16% of China’s and 26% of India’s.¹ Why is informality a problem? Besides the forgone tax income, informal companies find it harder to get credit or have good access to utility services. These companies also tend to be less productive than formal competitors. Improving Brazil’s Doing Business indicators to the level of the top 30 countries is associated with a 9 percentage point drop in the share of GDP accounted for by informal activity (figure 1.4). In other words, reform expands the reach of regulation by bringing businesses and employees into the formal sector. Jobs will be in the formal economy because the benefits outweigh the costs (like taxes). Women, who now make up three quarters of workers in the informal sector, will be big beneficiaries. So will young and inexperienced workers looking for their first job.

Benchmarks for the time and cost to perform everyday business transactions—like the benchmarks presented here—allow reformers to focus on the main constraints to economic growth. Competition across countries to fare better on the Doing Business rankings has already led to numerous improvements, for example in Colombia and El Salvador. The pressure to reform is even larger if comparisons are made within a country, as it contrasts how different localities implement identical, national-level regulations. Studies in countries like Mexico, China and India have shown the benefits of state—and city—benchmarking. Much of the inefficiency is in local administrative procedures or the implementation of federal regulations, which can be changed by a governor or a mayor. And as the news about reforms spreads, there is increased interest to replicate success stories.

FIGURE 1.4
Greater ease of doing business is associated with less informality



Starting a business

When an entrepreneur draws up a business plan and tries to get underway, the first hurdles to be overcome are the procedures required to register the new firm. Countries differ significantly in the way they regulate the entry of new businesses. In some, the process is straightforward and affordable. In others, the procedures are so burdensome that entrepreneurs either bribe officials to speed up the process or run their business informally.

The data on starting a business are based on a survey of the required procedures for a small-medium sized company dedicated to general commercial activities and services. The steps include obtaining all necessary permits and licenses (e.g. *alvará de funcionamento*) and completing all the inscriptions, verifications and notifications with the authorities—local, state and federal—to enable the company to start operations. The survey calculates the cost and time necessary for completing each procedure under normal circumstances.

Within Brazil, starting a business is easiest in the states of Minas Gerais and Rio Grande do Sul. It is most difficult in São Paulo, Ceará, and Maranhão (table 1.3). The time to start a business varies widely across states—from 19 days in Minas Gerais to 152 days in São Paulo (figure 1.5). It takes 19 different steps to start a business in Ceará, and 18 in Maranhão and Santa Catarina.

In Minas Gerais, the introduction of a one-stop shop reduced the number of procedures to 10. The entrepreneur no longer has to visit multiple agencies; they are all located under one roof. Yet, the company still needs to get approvals from state, federal and municipal agencies, which sometimes causes delays. And the one-stop shop does not cover all federal procedures. In addition, each procedure requires multiple documents and completing long forms, further complicating the process to such an extent that applications are often rejected. For example, in Minas Gerais 76% of initial requests are turned down.

TABLE 1.3

Where is it easy to start a business—and where not?

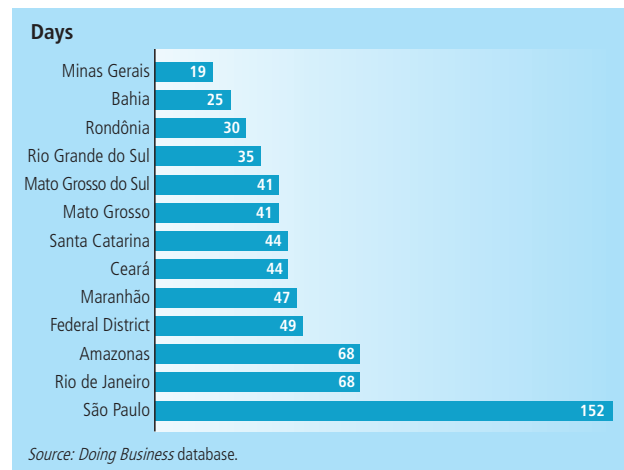
1	Minas Gerais (Easiest)	8	Rondônia
1	Rio Grande do Sul (Easiest)	9	Bahia
3	Federal District	10	Santa Catarina
4	Mato Grosso	11	São Paulo
5	Amazonas	12	Ceará
6	Mato Grosso do Sul	13	Maranhão (Most difficult)
6	Rio de Janeiro		

Note: The ease of business start-up is a simple average of the ranking of the number of procedures and the associated time and cost.

Source: Doing Business database.

FIGURE 1.5

Five months to start a business in São Paulo

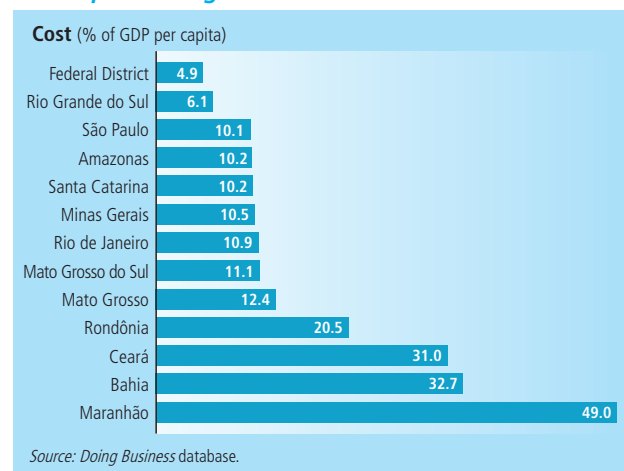


Cost ranges from 4.9% of income per capita in the Federal District, to 49% in Maranhão (figure 1.6). But costs in several states are similar to São Paulo—between 10 and 13% of income per capita. There is no minimum capital required to start a business in Brazil, which reduces the cost for the entrepreneur in comparison to Mexico. The largest determinants of total cost are the printing of receipts for tax purposes, the municipal license, and the registration fees. Registration with the board of trade is required in all states, but fees are determined locally. These start-up costs compare to 0% in Denmark (best case) or 1,442% of income per capita in Zimbabwe (worst case).

Municipal requirements are the most onerous—both in terms of cost and delays. The municipal license (*alvará*) takes the most time in all states and often involves obtaining the fire brigade license first (Brasília, Manaus, Porto Velho, São Luís, São Paulo and Florianópolis). Obtaining

FIGURE 1.6

Start-up cost—high in Maranhão



the municipal license often requires at least one inspection. When several municipal approvals are required, the time to start a business lengthens. For example, in Manaus, municipal procedures include separate approvals from the finance department, from urban planning, environmental permits for many businesses and the fire brigade inspection. In Porto Alegre, the operational license can now be obtained in most cases in one day. Compare that with the 120 days it takes in São Paulo, where the fire brigade license is required. Also, most municipalities charge an annual tax for the operating license, which increases the costs.

What to reform?

Issue provisional licenses and eliminate inspections before the business is opened This would require changes of the relevant regulations at the municipal level for licenses and inspections. Countries around the world with the fastest and cheapest procedures do not require licenses and inspections for new businesses before they start operations. Rather they require licenses only for sector specific activities (e.g. liquor store) once the business has started. Some municipalities in Brazil have already cut the procedures to obtain the license. Another option is to issue a provisional license that allows the entrepreneur to start operations immediately, as is the case in Rio de Janeiro and Cuiabá.

Unify start up procedures In Brazil there are too many separate procedures that make business registration long, complicated, and often duplicative. For example, a company selling goods and services must separately register for federal, municipal and state taxes. All these requirements make it difficult for an individual entrepreneur to open a business without resorting to professional advice, which increases the cost. Due to agreements between the federal tax authority and the boards of trade in most states it is now possible to obtain the federal tax number with the registration of the company's statutes at the board of trade. In Bahia and Rondônia it is also possible to register for state taxes at the board of trade. And Rio Grande do Sul has just introduced a system that links the board of trade with the municipal taxpayer's registry, re-

ducing the time to start a business by 15 days. Yet, these reforms are not enough; the company still needs to take additional steps to complete all the registrations. Linking databases and creating a single form that meets the requirements of several agencies will simplify the process and reduce delays.

Establish one-stop shops for businesses and simplify application forms Minas Gerais has introduced a one stop shop that cuts the time to register in half—if everything else goes smoothly. Several other states have introduced some elements of a single access point. However, this is only half of the story. Forms and documents need to be simplified to avoid the high number of applications that are rejected due to errors or missing information.

Introduce electronic procedures and payments The registry is a good place to start. In the Federal District, the verification of whether the company name is already in use can be done on line at no cost. Electronic records are beginning to make life easier for entrepreneurs in Maranhão, but access needs to be extended to benefit more businesses. All states use the internet to ease the registration process, for example allowing on line requests and access to forms or the possibility to check the status of the application on the web. Yet, the entrepreneur still needs to visit multiple agencies in person. Online payment is another way to facilitate procedures.

Eliminate printed receipts for tax purposes This would immediately reduce the costs to start a business in Brazil by 40 to 80%. Currently, the company needs invoices with the relevant state and municipal tax numbers to operate legally.

Across countries, cumbersome entry procedures are associated with more corruption. Each procedure is a point of contact—an opportunity to extract a bribe. Empirical analysis shows that burdensome entry regulations do not increase the quality of products, make work safer, or reduce pollution. They hold back private investment, push more people into the informal economy, and increase consumer prices.

Registering Property

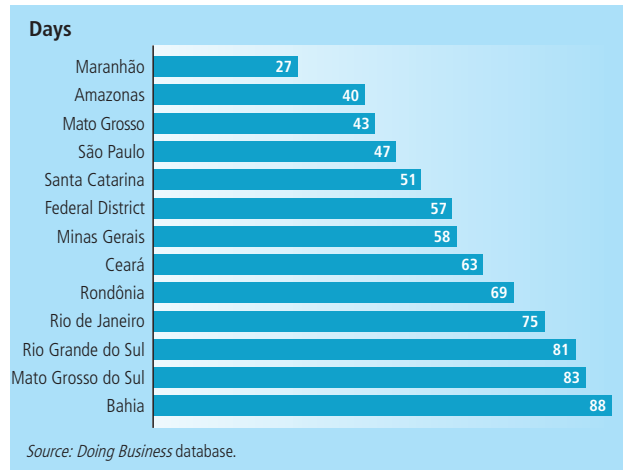
Property registries were first developed to raise tax revenue. Defining and publicizing property rights through registries has proven good for entrepreneurs as well. Land and buildings account for half to three quarters of wealth in any economy. Securing rights to property strengthens incentives to invest and facilitates trade. And with formal property titles, entrepreneurs can obtain mortgages on their homes or land and start businesses.

Registering property in many Brazilian states is difficult in comparison with the rest of Latin America. In the 12 states and the Federal District, an entrepreneur spends on average 61 days and 3.5% of the property value to register property. This ranks 17 out of 22 countries in Latin America, where the rank is an average of country rankings on number of procedures, time and cost.

Even though the 14 procedures for registering property are the same in all analyzed states, in practice different states make it easier or more difficult to register. The cost and time vary considerably. The Federal District and Santa Catarina rank first (table 1.4). Minas Gerais, São Paulo, Maranhão and Rio de Janeiro are in the middle. Registration is most difficult in Mato Grosso do Sul, where the entrepreneur spends 83 days and 4.6% of the property value.

With identical requirements to register, the wide variation in the time to transfer property is puzzling. Time is measured in calendar days, from the start of the transaction to the sale-purchase agreement and finally the registration of the new title with the public registry. In Maranhão the entrepreneur spends less than a month from start to finish—only one third of the average time needed in Latin America. But there is a big difference between Maranhão (27 days) and the rest of the states; for example, in Amazonas that ranks second, the entrepreneur spends 40 days (figure 1.7). In Ceará, Rondônia and Rio de Janeiro it takes more than two months and

FIGURE 1.7
Time to register property—nearly 3 months in Bahia



in Mato Grosso do Sul and Bahia almost three months to register property.

Though tax payments and other procedures—title search, proof of no pending taxes, valuation, sales deed (*escritura*) preparation, notice of the transfer, and registration of the new sales deed—are required across all states, the time to complete these steps varies significantly. The procedures that take most time are filing all the required documents—both property-specific and seller-specific—with the Notes Registry (*Cartório de Notas*) to obtain a sales deed; and filing the sales deed with the Real Estate Registry (*Cartório de Registro de Imóveis*) with jurisdiction over the property. With these steps registration and name change are completed. For example, when an entrepreneur in Maranhão carries out these two procedures he spends only 5 days. Compare that to Bahia, where the same procedures take about 53 days (figure 1.8).

FIGURE 1.8
Registering property in Bahia

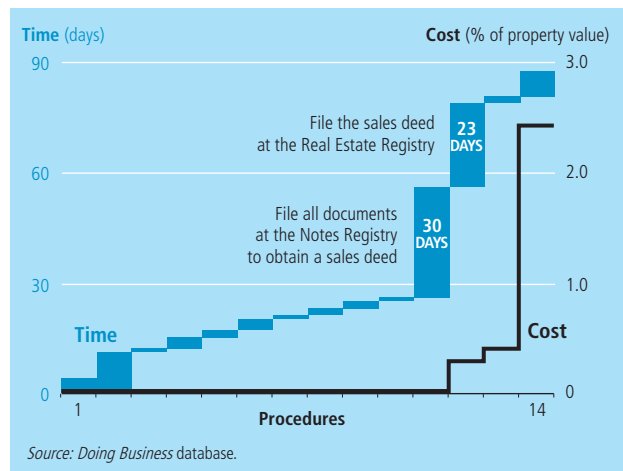
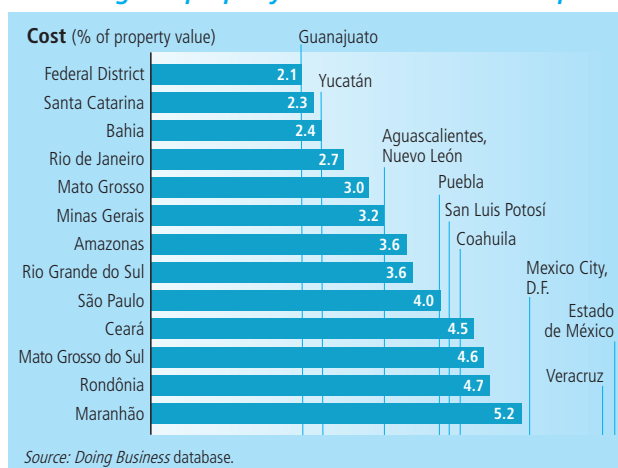


TABLE 1.4
Where is it easiest to register property—and where not?

1 Federal District (Easiest)	7 Rio de Janeiro
1 Santa Catarina (Easiest)	9 Bahia
3 Mato Grosso	10 Ceará
4 Amazonas	11 Rio Grande do Sul
5 Minas Gerais	12 Rondônia
5 São Paulo	13 Mato Grosso do Sul
7 Maranhão	(Most difficult)

Note: The ease of registering property is a simple average of the ranking of the number of procedures and the associated time and cost (as a % of property value) required to register a property.
Source: Doing Business database.

FIGURE 1.9

Cost to register property—Brazil and Mexico compared

Costs come largely from transfer taxes, registry charges and registration fees—all determined at the state or municipal level. Overall, Brazilian states perform better than Mexican states regarding the cost of registering property (figure 1.9). The Federal District in Brazil and Guanajuato in Mexico rank first in their respective countries, both with 2.1% of property value. The Brazilian state of Santa Catarina is second with 2.3%. Although Maranhão is the fastest state in Brazil for registering property, it is also most costly with 5.2%. In Mexico the most expensive state is the Estado de México where 6.1% of the value of property is charged to register property, almost 1% more than in Maranhão.

The difference between Brazilian states with lower costs—the Federal District, Santa Catarina, Bahia and Rio de Janeiro—and the most costly ones—Ceará, Mato Grosso do Sul, Rondônia and Maranhão—is that in the latter the Notes Registry charges 2% of property value to issue a sales deed. For the same procedure, the states with lower costs collect a fixed fee published in official tables. The procedure with the second highest cost—filing the sales deed with the Real Estate Registry—represents between 0.5% and 1.0% of the property value in the states that rank worst. The same procedure costs 0.15% in Bahia, 0.12% in Santa Catarina and only 0.03% in the Federal District.

In addition, entrepreneurs in all states pay a 2% real estate transfer tax (ITIV), except for Minas Gerais (2.5%) and Rio Grande do Sul (3.0%). For the same tax, in the state of Yucatán, Mexican entrepreneurs pay only 0.02% of property value. New Zealand does not collect this tax at all.

What to reform?

Simplify procedures Brazil has an unusually high number of requirements for registering property: 11 different clearance certificates (*Certidão Negativa*) are required (including certificates confirming that the company has no pending labor settlements, and that the company has funded its pension plan).

First link, and then unify the Notes and the Real Estate Registries All states currently keep the registries separate, so entrepreneurs shuttle between them to complete registration. Linking them electronically will not only reduce time, but increase the quality of information as well. Brazilian states could look to Spain or Costa Rica as recent examples of successful reform.

Provide easier access to the registry Follow the lead of Maranhão and digitalize registry records. Because the procedures are identical, states can easily replicate best practices from each other.

Establish flat fees and reduce the real estate transfer tax Notes and Real Estate Registries in the Federal District, Santa Catarina and Bahia apply fixed fees that do not represent a significant share of the property value. Regarding the real estate transfer tax, reducing or even eliminating this tax as in Yucatán (Mexico), New Zealand, Slovakia and Switzerland, would lower total costs between 40% and 96%.

Efficient property registration reduces transaction costs and keeps formal titles from slipping into informal status. Simple procedures to register property are also associated with more perceived security of property rights and less corruption. This benefits all entrepreneurs, especially women, the young and the poor. The rich have few problems protecting their property rights. They can afford the costs to invest in security systems to defend their property. But small entrepreneurs cannot. Reform can change this.

Getting Credit

Access to credit is consistently rated by firms as the greatest barrier to operation and growth in Brasil. Small businesses are constrained the most. Women, who are more likely to run small businesses, face the biggest hurdles. Doing business measures two aspects of credit availability: The first measures the quality, scope, coverage and accessibility of credit information that helps lenders better select borrowers. Brazil has a sophisticated credit information system and efforts are underway to expand the scope of information to include “positive” information, meaning information related to on-time payments and accounts in good standing. The second describes how well collateral and bankruptcy laws facilitate lending. This report covers the time and cost to create and register collateral.

To be enforceable, the collateral agreement must be registered with the Registry of Deeds and Documents in the city where the debtor lives. Each municipality has one or more registries, often privately operated by Public Notaries. These registries are not linked across regions. It is not easy for anybody to conduct a search on a security interest without prior knowledge of the location. Most registries are paper-based and the collateral agreements are manually transcribed, hindering the clear establishment of priorities among creditors and creating delays. Only a minority of registries are computerized. If lenders or others want to check for existing rights to collateral or retrieve information, they must personally visit the registry and ask for a written certificate. Such searches take days or even weeks.

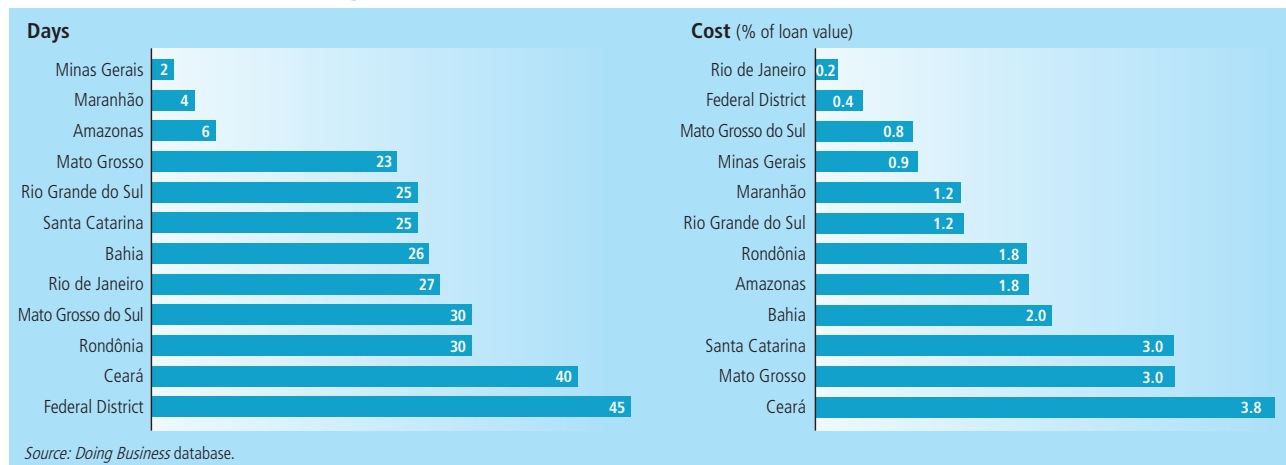
The time and cost to create and register collateral vary significantly among the 12 states in Brazil. In Minas

Gerais it takes a mere 2 days (figure 1.10), less than half the time that is necessary in the best performing state of Mexico. But it takes 45 days in the Federal District to do the same.

The taxes, official duties and notary fees to register a security right depend on the location. In Rio de Janeiro an entrepreneur spends only 0.2% of the loan value to register a security right. This cost is still more than twenty times higher than in the United Kingdom or Canada, where the same procedure can be done for a flat fee amounting to less than 0.01% of the loan. Conditions are most difficult in Ceará, where costs to register collateral are 3.8% of the value of the loan—much higher than the average across the 12 states, at approximately 1.7% (figure 1.10). Of the cost in Ceará 82% is notary fees. Notaries also make up for the lion share of costs in Amazonas (62%) and Rio Grande do Sul (58%). In contrast, in most states it is taxes and official fees at the time of creation and/or registration of the guarantee that cost the most.

Collateral registration is only part of the story. The absence of legal rights of borrowers and creditors introduces another set of risks. In Brazil, debtors may pledge assets while retaining them in their possession. In practice, however, banks are reluctant to use such security for a variety of reasons. First, collateral may not be described in general terms in the security agreement. Each asset has to be identified separately which creates uncertainty when one asset is substituted for another. Second, enforcement is lengthy and cumbersome. There is limited out-of-court enforcement. Judges may even impair the enforcement of certain guarantees, if they consider the asset to be basic working equipment or a means of livelihood, for example an

FIGURE 1.10
Time and cost to create and register collateral



automobile owned by a taxi driver.

In Brazil, creditors cannot seize and sell collateral upon default without the consent of the debtor, unless a lawsuit is filed and the court rules in favor of the plaintiff. Even though the secured credit contract may serve as the ultimate proof of the debt, the creditor still has to go through an execution action to enforce the security right (*ação de execução*). Once that procedure is concluded, the assets are sold by public auction. Taking into account the usual appeals and proceedings available to the debtor, it often takes up to 4-5 years to enforce the judgment. In the meantime, the asset remains with the debtor.

What to reform?

Establish a single national collateral registry Collateral registries are most effective when they are unified across regions and cover all types of assets. Electronic filing, online retrieval and indexation are easy reforms. Some registries require a certificate issued by the National Institute of Social Security as evidence that the debtor has no outstanding debts related to social contributions. This adds an unnecessary layer to what should be a simple administrative filing of a notice of the security right.

Paying Taxes

There is no country where businesses do not complain about taxes. But taxes are essential. Without them there would be no money to build schools, hospitals, courts, roads, airports or other infrastructure that helps business to be more productive and society to be better off. Still, there are good ways and bad ways to collect taxes. Brasil is still mostly in the latter category.

The paying taxes indicator records all the taxes paid by a medium-sized business that produces and sells consumer goods within the second year of operations. Taxes are measured at all levels of government and include corporate income tax, social security contributions paid by the company, turnover taxes, value-added taxes, property taxes, property transfer taxes, dividend tax, capital gains tax, financial transactions tax and vehicle tax.² A range of standard deductions and exemptions is considered.

The Brazilian tax system is among the most complex and burdensome in the world. To comply, a company in Rio de Janeiro would pay 2 times gross profits (defined as sales minus cost of goods sold and labor costs). Chances are that this company would close down or operate in the informal sector. Accountants estimate it would take

Allow for fast track summary proceeding and out-of-court enforcement The less courts are involved, the shorter the collection time, and the more willing creditors are to lend. Theoretically, extrajudicial collection is possible and undertaken by collection firms. This avoids court and lawyer fees. But extrajudicial collection fails if the debtor does not agree. Also, tax write-offs are an incentive to initiate judicial collection. If the case goes to court, efficiency can be improved by changing the procedural codes to speed up judgments and reduce the possibilities of postponing or appealing a decision.

Firms in countries with well functioning collateral registries and strong legal rights are less likely to report obstacles in obtaining finance. Stronger legal rights are associated with deeper credit markets and lower default rates. And the overall link between the development of financial markets and economic growth is well established.

2,600 hours for that firm to comply with all tax requirements—the longest in the world. Within Brazil, filing taxes is less complicated in the states of Bahia, Rondônia and Mato Grosso do Sul. It is most difficult in Mato Grosso, São Paulo and Minas Gerais (table 1.5). While Brazil deals with more than 25 different federal, state and municipal taxes, Norway collects 60% of companies' gross profit relying on only 3 taxes filed electronically.

States have different business tax rates. Businesses in Amazonas pay 89% of gross profit—the lowest in our sample. Manaus (Amazonas) has been declared a duty free zone (*zona franca*) and is exempt from federal industrial production taxes (IPI). Ten states have a 17%

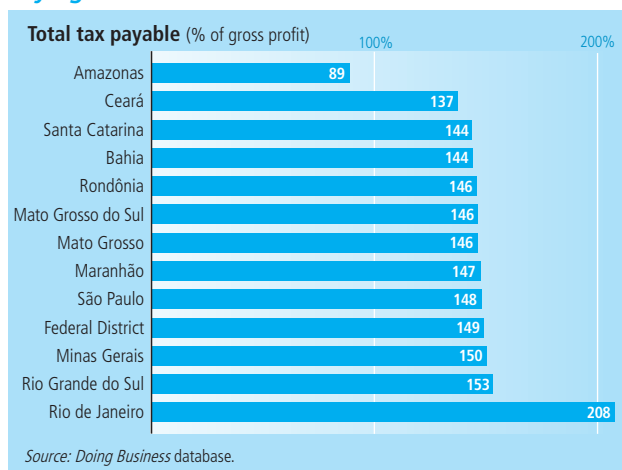
TABLE 1.5

Where is it easiest to pay taxes—and where not?

1 Bahia (Easiest)	8 Federal District
2 Rondônia	9 Rio Grande do Sul
3 Mato Grosso do Sul	10 Rio de Janeiro
4 Amazonas	11 Mato Grosso
4 Maranhão	12 São Paulo
6 Ceará	13 Minas Gerais (Most difficult)
7 Santa Catarina	

Note: Rankings on the ease of paying taxes are the averages of the state rankings on the total tax payable (% of gross profit) and the number of payments.
Source: Doing Business database.

FIGURE 1.11

Paying taxes

tax rate on the movement of goods and services (ICMS), except for Minas Gerais (18%) and Rio de Janeiro, where the state government increased the ICMS rate to 19% with the additional 1% going into a poverty fund. In the 12 states and the Federal District, the tax burden represents on average 147% of gross profits, paid out in 17 payments per year. In contrast, businesses in the 22 major cities in Latin America and the Caribbean pay 53% of gross profits and carry out 48 payments.

The tax burden is heavy in Brazil—both the administrative complexity and the rates. Businesses pay less in Amazonas, Ceará, Santa Catarina and Bahia (figure 1.11). Rio de Janeiro holds the world record for the highest taxes. Even the best performing state in Brazil is almost double the average of Latin America and the Caribbean.

What to reform?

Consolidate the tax administration Having fewer types of taxes requires less interaction between businesses and tax agencies. Brazil should rely less on turnover taxes, such as the cascading taxes which are distorting. These could be consolidated and replaced by VAT.

Simplify filing requirements Electronic filing should be available in all states and for all types of taxes. Tax forms should be more user-friendly—now some forms and instructions are over 100 pages long.

Extend the simplified tax regime which currently targets micro and small-size enterprises to other companies The Integrated System for Payment of Taxes and Contributions by Micro and Small Enterprises (SIMPLES)³ was introduced in 1997. The program shifted the tax burden away from payroll and profits towards sales. It also unified many federal taxes. SIMPLES is popular among businesses and has boosted the creation of jobs in the formal sector.⁴ A recent government initiative may extend the reach of SIMPLES to include more companies.

Expand information sharing There is no automatic system for crosschecking tax payment information across tax administrations (e.g. between federal and state). Sharing information and creating a single tax number would avoid having to submit the same information several times.

Developing countries tend to use business as a collection point, charging higher business taxes. However, this promotes tax evasion and informality. Besides the forgone tax income for public spending, informal companies find it harder to access external finance and are less likely to be publicly listed. These companies also tend to be less productive than formal competitors. In short, informality hinders private sector development by undermining investment and productivity growth.

Enforcing Contracts

Efficient contract enforcement encourages businesses to engage with new customers. The institution that enforces contracts—between debtors and creditors, suppliers and customers—is the courts. Yet in many countries around the world, courts are slow, inefficient and even corrupt. This is especially true in Latin America, where the average time spent enforcing a contract is over a year and costs amount to more than 30% of the debt. São Paulo ranks 5th out of 22 major cities in the region in the time and cost to enforce contracts but all other 12 states and the Federal District do worse.

Doing Business tracks the efficiency of contract enforcement, looking at simple transactions of relevance to the average firm in everyday business activity. Based on survey responses, three indicators are created: the complexity of procedures, the time and cost to enforce a contract.

The more complex the procedures for resolving disputes, the less likely firms are to report that judges are impartial and court decisions fair.⁵ The judicial system in Brazil is perceived as slow, time consuming and unpredictable. Most courts have little experience with commercial cases. Arbitration is supposed to expedite contract enforcement. However, because companies have traditionally been unwilling to use arbitration, firms go to court to force the other party into arbitration. This step defeats the purpose of arbitration, which is to avoid going to court. Trials can last for years; multiple appeals are common—increasing costs and uncertainty (in Brazil, 88% of commercial cases are appealed, in Argentina 13%, Peru 17%, and in Mexico 30%). As a result, small businesses avoid judicial processes as much as possible. Recent changes in the Code of Civil Procedure set time

limits on appeals and eliminate the suspension of the court process when the judicial decision is appealed before the judgment in order to introduce new evidence or call on experts (interlocutory appeals). However, the law makes an exception in cases of “irreparable damage”. Whether or not judges will enforce these amendments strictly or whether lawyers will invoke the exception widely, remains to be seen. Judicial overload is another problem. The Supreme Court in Brazil handles more than 100,000 cases a year versus approximately 200 cases handled by its counterpart in the United States.

Substantive law is similar to other French civil law countries and the Code of Civil Procedures is set at the federal level. However, the degree of formalism enforced in practice—strictly or with some flexibility—varies from state to state. The complexity index for the twelve states fluctuates between 63 and 82—with 100 indicating the greatest complexity (figure 1.12). In addition to excessive procedural formalism, judicial decision precedents play a role as important as the law itself. Frequently, judicial decisions are perceived to be pro-debtor.

Santa Catarina, Maranhão, Rio Grande do Sul and Rondônia have the most flexible procedures (low complexity indicator). Bahia and São Paulo impose the largest procedural burdens.

The range of cost and time is even wider across the states. Cost is comprised of court expenses and attorney fees. Access to justice is cheapest in São Paulo, where it costs 15.5% of the debt value to enforce a contract. The same process will cost the entrepreneur 48.3% of the debt value in Maranhão. Costs in Amazonas and Santa Catarina are around the national average at 22% (figure 1.13).

Efficient courts should not only be inexpensive, they should be fast in their proceedings and enforcement. The duration indicator measures the time necessary to file a case, obtain a ruling from the judge, and execute the decision. When an entrepreneur files a case in Minas Gerais or Mato Grosso do Sul, she will wait 30 days for a judge to be designated (figure 1.13). In Maranhao, the judge rules the case in 173 days—the fastest court ruling across the states. And in Amazonas, enforcement takes 210 days—the shortest time after São Paulo (145 days). Total time in court, including enforcement, is approximately 18 months in São Paulo. Compare that with Rio Grande do Sul, where the process to enforce a contract takes over 4 years.

Typically, court fees are approximately 30% of total cost, with the exception of Maranhão where court fees make up for more than half. Attorney charges vary widely—and increase as the case drags on. Well functioning courts are faster and reduce costs. Some states,

FIGURE 1.12

Difficulty of enforcing a contract

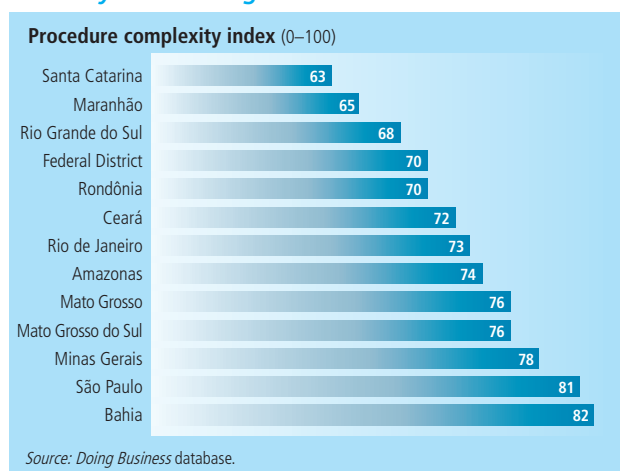
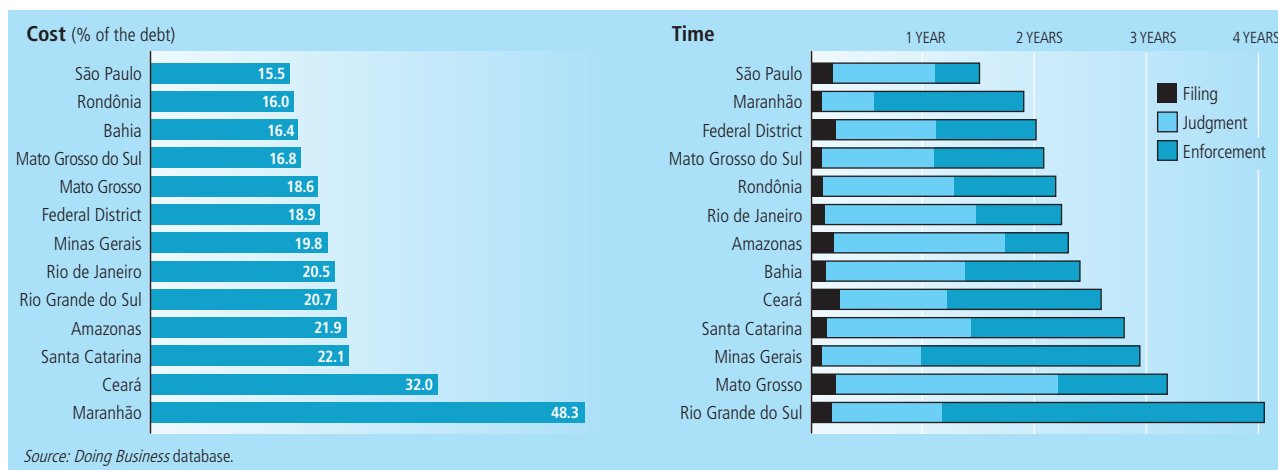


FIGURE 1.13

Cost and time to enforce a contract

like Rio de Janeiro, have set up specialized courts to handle commercial cases. But the speed with which commercial disputes are resolved in Rio de Janeiro is only slightly better than the national average—813 days in Rio compared to an average of 899 days.

What to reform?

Introduce summary proceeding Even judges agree that the slowness and procedural formalism of the judicial process are the principal problems in Brazil.⁶ In all 12 states and the Federal District procedures are rigid, placing a heavy burden on lawyers and clients alike. In addition, there are multiple delays through appeals and embargoes. This reduces the credibility of judicial action. Simplifying judicial procedures or introducing summary proceedings is associated with less time and cost to resolve disputes.

Encourage private enforcement of judgments Leaving debt collection to the courts is a generally inefficient practice, as noted in the average enforcement time across states of more than 1 year. This time could be significantly reduced if execution of judgments were left to private enforcement specialists, as in Colombia or France.

Set up specialized commercial courts Specialized courts are associated with faster and cheaper contract enforcement in industrialized and middle income countries. One reason is that judges become experts in handling commercial disputes. In addition, commercial courts often require less formal procedures resulting in faster trials.

Businesses that have little or no access to efficient courts must rely on other mechanisms—both formal

and informal, such as trade associations, social networks, credit bureaus or private information channels—to decide with whom to do business and under what conditions. Businesses may also adopt conservative business practices and deal only with a small group of people linked through kinship, ethnic origin, or previous dealings. Transactions are then structured to forestall disputes. Whichever alternative is chosen, economic and social value may be lost. The main reason to regulate procedures in commercial dispute resolution is that informal justice is vulnerable to subversion by the rich and powerful. But heavy regulation of dispute resolution has negative consequences. Across the region, the more complex the procedures, the longer the delays and the higher the cost to enforce a contract. Less wealth is created.

- 1 Schneider, Friedrich. 2005. "Shadow Economics of 145 Countries all over the World: What do we really know?" Center for Research in Economics, Management and the Arts (CREMA) Research Working Paper 2005-13, Basel.
- 2 Total tax payable does not include labor taxes (such as payroll taxes and social security contributions paid by the employee), as these taxes are captured in the Doing Business hiring cost indicator.
- 3 See <http://www.sebrae.com.br/parasuaempresa/conhecaosimples.asp>
- 4 Kenyon, Thomas and Emerson Kapaz. 2005. "The Informality Trap: Tax Evasion, Finance and Productivity in Brazil." Private Sector Development Vice Presidency Note number 301. Washington, DC: the World Bank Group.
- 5 Based on analysis of the Doing Business 2005 indicators with indicators of impartiality of the judiciary from Economic Freedom of the World and Batra, Geeta, Daniel Kaufmann and Andrew Stone. 2003. *Investment Climate around the World: Voices of the Firms from the World Business Environment Survey*. Washington, DC: World Bank. Results are significant at the 5% level, controlling for income per capita.
- 6 Pinheiro, Armando Castelar, and Celia Cabral. 2005. "Credit Markets in Brazil: The Role of the Judiciary and Other Institutions," in Anjali Kumar, ed., *Access to Financial Services in Brazil*. Washington, D.C.: World Bank. Pinheiro used a sample of 741 judges, covering the federal, labor, and state justices in the Federal District, Rio Grande do Sul, Santa Catarina, São Paulo, Rio de Janeiro, Minas Gerais, Bahia, Pernambuco, Mato Grosso, Pará, Roraima, and Goiás.

Data notes

Starting a business
Registering property
Getting credit
Paying taxes
Enforcing contracts

The indicators presented and analyzed in *Doing Business in Brazil* measure government regulation and the protection of property rights—and their effect on businesses, especially small and medium-size domestic firms. First, the indicators document the degree of regulation, such as the number of procedures to start a business or register commercial property. Second, they gauge regulatory outcomes, such as the time and cost to enforce a contract. Third, they measure the extent of legal protections of property, for example, the scope of assets that can be used as collateral according to secured transactions laws. Finally, they document the tax burden on businesses. The data for all sets of indicators in *Doing Business in Brazil* are for January 2006. In this project, Doing Business indicators have been created for major cities in 12 Brazilian states—as shown in the tables starting on 24.

Based on the study of laws and regulations—with input and verification by more than 100 government officials, lawyers and other professionals routinely administering or advising on legal and regulatory requirements—the *Doing Business* methodology offers several advantages. It uses factual information about what laws and regulations say and allows for multiple interactions with local respondents to clarify potential misinterpretations of questions. Having representative samples of respondents is not an issue, as the texts of the relevant laws and regulations are collected and answers checked for accuracy. The methodology is inexpensive, so data can be collected in a large sample of economies—155 published in the global report *Doing Business in 2006*, 12

states in Brazil for this report. Because the same standard assumptions are applied in the data collection, which is transparent and easily replicable, comparisons and benchmarks are valid across countries and states. And the data not only highlight the extent of obstacles but also help identify their source, supporting policymakers in designing reform.

The *Doing Business* methodology has 4 limitations that should be considered when interpreting the data. First, the collected data refer to businesses in the state's selected city and may not be representative of regulatory practices in other parts of the state. Second, the data often focus on a specific business form—a limited liability company of a specified size—and may not be representative of the regulation on other businesses, for example, sole proprietorships. Third, the measures of time involve an element of judgment by the expert respondents. Therefore, if sources indicate different estimates, the time indicators reported in *Doing Business* represent the median values of several responses given under the assumptions of the case study. Fourth, the methodology assumes that the business has full information on what is required and does not waste time in completing procedures. In practice, completing a procedure may take longer if the business lacks information or is unable to follow up promptly.

Questions on the methodology and challenges to data may be submitted through the “Ask a Question” function on the *Doing Business* website at <http://www.doingbusiness.org>. Updated indicators, as well as any revisions of or corrections to the printed data, are posted on the website.

Economy characteristics

Region and income group

Doing Business uses the World Bank regional and income groupings available at <http://www.worldbank.org/data/countryclass/countryclass.html>. Throughout the report the term rich economies refers to the high income group, middle income refers to the upper middle income group and poor economies refers to the lower middle and low income groups.

Income per capita

Doing Business in Brazil reports the 2003 Income per Capita (PIB) in each of the sample states (current BRL) as published by the Brazilian Institute of Geography and Statistics (IBGE)—*Produto Interno Bruto dos Municípios 1999-2003*.

Exchange rate

The exchange rate used in this report is 1USD = 2.29 BRL.

Starting a Business

Doing Business records all generic procedures that are officially required for an entrepreneur to start up an industrial or commercial business. These include obtaining all necessary licenses and permits and completing any required notifications, verifications or inscriptions with relevant authorities. After a study of laws, regulations and publicly available information on business entry, a detailed list of procedures, time, cost and paid-in minimum capital requirements is developed. Subsequently, local incorporation lawyers and government officials complete and verify the data on applicable procedures, the time and cost of complying with each procedure under normal circumstances. Information is also collected on the sequence in which procedures are to be completed and whether procedures may be carried out simultaneously. It is assumed that any required information is readily available and that all government and non-government agencies involved in the start-up process function efficiently and without corruption. If answers by local experts differ, inquiries continue until the data are reconciled.

To make the data comparable across countries, several assumptions about the business and the procedures are used.

Assumptions about the Business

The business:

- Is a limited liability company. If there is more than one type of limited liability company in the country, the most popular limited liability form among domestic firms is chosen—*Sociedade Limitada* in Brazil. Information on the most popular form is obtained from incorporation lawyers or the statistical office.
- Operates in the state's selected city.
- Is 100% domestically owned and has 5 owners, none of whom is a legal entity.
- Has start-up capital of 10 times the state's income per capita at the end of 2003, paid in cash.
- Performs general industrial or commercial activities, such

as the production or sale of products and/or services to the public. It does not perform foreign trade activities and does not handle products subject to a special tax regime, for example, liquor or tobacco. The business is not using heavily polluting production processes.

- Leases the commercial plant and offices and is not a proprietor of real estate.
- Does not qualify for investment incentives or any special benefits.
- Has up to 50 employees 1 month after the commencement of operations, all of them nationals.
- Has a turnover at least 100 times the state's income per capita.
- Has a company deed 10 pages long.

Assumptions about Procedures

- A procedure is defined as any interaction of the company founder with external parties (government agencies, lawyers, auditors, notaries). Interactions between company founders or company officers and employees are not considered separate procedures.
- The founders complete all procedures themselves, without middlemen, facilitators, accountants or lawyers, unless the use of such a third party is mandated by law.
- Procedures that are not required by law for starting a business are ignored. For example, obtaining exclusive rights over the company name is not counted in a country where businesses may use a number as identification.
- Shortcuts are counted only if they fulfill 3 criteria: they are legal, they are available to the general public, and avoiding them causes substantial delays.
- Only procedures required of all businesses are covered. Industry-specific procedures are excluded. For example, procedures to comply with environmental regulations are included only when they apply to all businesses.
- Procedures that the company undergoes to connect to electricity, water, gas and waste disposal services are not included unless they entail inspections required before starting operations.

Time Measure

Time is recorded in calendar days. It is assumed that the minimum time required for each procedure is 1 day. Time captures the median duration that incorporation lawyers indicate is necessary to complete a procedure. If a procedure can be accelerated for an additional cost, the fastest procedure is chosen. It is assumed that the entrepreneur does not waste time and commits to completing each remaining procedure without delay. The time that the entrepreneur spends on gathering information is ignored. It is assumed that the entrepreneur is aware of all entry regulations and their sequence from the beginning.

Cost Measure

The text of the company law, the commercial code and specific regulations and fee schedules are used as sources for calculating the cost of start-up. If there are conflicting sources and the laws are not clear, the most authoritative source is used. The constitution supersedes the company law, and the law prevails over regulations and decrees. If conflicting sources are of the same rank, the source indicating the most

costly procedure is used, since an entrepreneur never second-guesses a government official. In the absence of fee schedules, a government officer's estimate is taken as an official source. In the absence of a government officer's estimate, estimates of incorporation lawyers are used. If several incorporation lawyers provide different estimates, the median reported value is applied. In all cases the cost excludes bribes.

Paid-in Minimum Capital Requirement

The paid-in minimum capital requirement reflects the amount that the entrepreneur needs to deposit in a bank before registration starts. This amount is typically specified in the commercial code or the company law. Many countries require paid-in capital but allow businesses to pay only a part of it before registration, with the rest to be paid after the first year of operation.

This methodology is originally developed by Simeon Djankov, Rafael La Porta, Florencio Lopez-de-Silanes and Andrei Shleifer in "The Regulation of Entry", Quarterly Journal of Economics, 117, 1-37, Feb. 2002 and adopted with minor changes here.

Registering Property

Doing Business records the full sequence of procedures necessary when a business purchases land and a building to transfer the property title from the seller to the buyer. Every required procedure is included, whether it is the responsibility of the seller or the buyer or required to be completed by a third party on their behalf. Local property lawyers and property registries provide information on required procedures as well as the time and cost to complete each of them. To make the data comparable across countries, several assumptions about the business, the property and the procedures are used.

Assumptions about the Business

The business:

- Is a limited liability company.
- Is located in a peri-urban area of the state's selected city.
- Is 100% domestically and privately owned (no foreign or state ownership).
- Has 50 employees, all of whom are nationals.
- Performs general commercial activities.

Assumptions about the Property

The property:

- Has a value of 50 times the state's income per capita.
- Is fully owned by another domestic limited liability company.
- Has no mortgages attached and has been under the same ownership for the past 10 years.

- Is adequately measured and filed in the cadastre, registered in the land register and free of title disputes.
- Is located in a peri-urban commercial zone, and no rezoning is required.
- Consists of land and a building. The land area is 6,000 square feet (557.4 square meters). A warehouse of 10,000 square feet (929 square meters) is located on the land. The warehouse is 10 years old, is in good condition and complies with all safety standards, building codes and other legal requirements.
- Will not be subject to renovations or additional building following the purchase.
- Has no trees, natural water sources, natural reserves or historical monuments of any kind.
- Will not be used for special purposes, and no special permits, such as for residential use, industrial plants, waste storage or certain types of agricultural activities, are required.
- Has no occupants (legal or illegal), and no other party holds a legal interest in it.

Procedures

A procedure is defined as any interaction of the buyer or the seller, their agents (if the agent is required by law) or the property with external parties, including government agencies, inspectors, notaries and lawyers. Interactions between company officers and employees are not considered. All procedures that are legally required for registering property are recorded, even if they may be avoided in exceptional cases. It is assumed that the buyer follows the fastest legal option available. Although the business may use lawyers or other

professionals where necessary in the registration process, it is assumed that it does not employ an outside facilitator in the registration process unless required to by law.

Time Measure

Time is recorded in calendar days. It is assumed that the minimum time required for each procedure is 1 day. Time captures the median duration that property lawyers or registry officials indicate is necessary to complete a procedure. It is assumed that the buyer does not waste time and commits to completing each remaining procedure without delay. If a procedure can be accelerated for an additional cost, the fastest procedure is chosen. If procedures may be undertaken simultaneously, it is assumed that they are. It is assumed that

the parties involved are aware of all regulations and their sequence from the beginning. Time spent on gathering information is not considered.

Cost Measure

Only official costs are recorded. These include fees, transfer taxes, stamp duties and any other payment to the property registry, notaries, public agencies or lawyers, if required by law. Other taxes, such as capital gains tax or value added tax, are excluded from the cost measure. If cost estimates differ among sources, the median reported value is used. Costs are expressed as a percentage of the property value, assumed to be equivalent to 50 times income per capita.

Getting Credit

Doing Business constructs measures on the legal rights of lenders. This set of indicators describes how well collateral and bankruptcy laws facilitate lending.

Time and cost to create and register collateral

The indicator assesses the ease of creating and registering collateral. The data are based on research of collateral and insolvency laws and responses to a survey on secured transactions laws, developed with input and comments from a range of experts including those from the Center for Economic Analysis of Law, the International Bar Association Committee on Financial Law, and the European Bank for Reconstruction and Development.

Participating lawyers estimate the costs, based on the following standardized case: An entrepreneur with a medium size (100 employees) textile business located in the selected city seeks a loan from a local bank. The loan would finance the purchase of industrial sewing machines worth 10 times income per capita. The entrepreneur secures the loan by pledging the industrial sewing machines as collateral while keeping both possession and ownership title (non-possessory security right).

Costs include taxes, notary fees and duties associated with creating the security right and registering it in the collateral registry, where such a registry operates. Countries without a registry usually have lower costs, although the secured creditor is disadvantaged elsewhere because they are unable to notify other creditors of their right to the collateral through a registry. The cost measure is presented as a percentage of income per capita.

Strength of legal rights index

This index, reflecting the legal rights of borrowers and lenders, measures the degree to which collateral and bankruptcy laws facilitate lending. It is based on data collected through study of collateral and insolvency laws, supported by the responses to the survey on secured transactions laws. The index includes 3 aspects related to legal rights in bankruptcy and 7 aspects found in collateral law. A score of 1 is assigned for each of the following features of the laws:

- Secured creditors are able to seize their collateral when a debtor enters reorganization -- there is no “automatic stay” or “asset freeze” imposed by the court.
- Secured creditors, rather than other parties such as government or workers, are paid first out of the proceeds from liquidating a bankrupt firm.
- Management does not stay during reorganization. An administrator is responsible for managing the business during reorganization.
- General, rather than specific, description of assets is permitted in collateral agreements.
- General, rather than specific, description of debt is permitted in collateral agreements.
- Any legal or natural person may grant or take security in the property.
- A unified registry that includes charges over movable property operates.
- Secured creditors have priority outside of bankruptcy.
- Parties may agree on enforcement procedures by contract.
- Creditors may both seize and sell collateral out of court.

The index ranges from 0 to 10, with higher scores indicating that collateral and bankruptcy laws are better designed to expand access to credit.

This methodology is developed in “Private Credit in 129 Countries”, a working paper by Simeon Djankov and Caralee McLiesh

of the World Bank, and Andrei Shleifer, Department of Economics, Harvard University, June 2005; and adapted from “Law and Finance”, by Rafael La Porta, Florencio Lopez-de-Silanes, Andrei Shleifer, and Robert Vishny, Journal of Political Economy, 106, 1113-55, 1998.

Paying Taxes

Doing Business records the tax that a medium-sized company must pay or withhold in a given year, as well as measures of the administrative burden in paying taxes. Taxes are measured at all levels of government and include the corporate income tax, the personal income tax withheld by the company, the value added tax or sales tax, property taxes, property transfer taxes, the dividend tax, the capital gains tax, the financial transaction tax, waste collection taxes and vehicle and road taxes.

To measure the tax paid by a standardized business and the complexity of a country’s tax law, a case study is prepared with a set of financial statements and assumptions about transactions made over the year. Experts in each country compute the taxes owed for their jurisdiction based on the standardized case facts. Information on the frequency of filing, audits and other costs of compliance is also compiled. Transactions are made over one year.

Assumptions about the business:

- Is a limited liability, taxable company.
- Started operations on January, 2003. At that time the company purchased all assets shown in its balance sheet and hired all its workers.
- Operates in the selected city.
- Is 100% domestically owned and has 5 owners, all of whom are natural persons.
- Has a start-up capital of 102 times the municipal income per capita in 2002 as published by the Brazilian Institute of Geography and Statistics (IBGE)—*Produto Interno Bruto dos Municípios 1999-2003*.
- Performs general industrial or commercial activities. Specifically, it produces ceramic flowerpots and sells them at retail. It does not participate in foreign trade (no import or export) and does not handle products subject to a special tax regime, for example, liquor or tobacco.
- Owns 2 plots of land, 1 building, machinery, office equipment, computers and 1 truck and leases another truck.
- Does not qualify for investment incentives or any special benefits apart from those related to the age or size of the company.
- Has 60 employees—4 managers, 8 assistants and 48 workers. All are nationals, and one of the managers is also an owner.
- Has a turnover of 1,050 times income per capita.

- Makes a loss in the first year of operation.
- Distributes 50% of its profits as dividends to the owners at the end of the second year.
- Sells one of its plots of land at a profit during the second year.
- Is subject to a series of detailed assumptions on expenses and transactions to further standardize the case.

Assumptions about the taxes

All the taxes paid or withheld in the second year of operation are recorded. A tax is considered distinct if it has a different name or is collected by a different agency. Taxes with the same name and agency, but charged at different rates depending on the business, are counted as the same tax.

The number of times the company pays or withholds taxes in a year is the number of different taxes multiplied by the frequency of payment (or withholding) for each tax. The frequency of payment includes advance payments (or withholding) as well as regular payments (or withholding).

Tax payments

This indicator measures the total number of taxes paid and withheld, the method of payment or withholding, the frequency of payment of withholding and the number of agencies involved for this standardized case during the second year of operation. It takes into account electronic filing. Where electronic filing is allowed, the tax is counted as paid once a year even if the payment is more frequent.

Time

This indicator measures the time, in hours per year, it takes to prepare, file and pay (or withhold) three major types of taxes: the corporate income tax; the value added tax or sales tax; and labor taxes, including payroll taxes and social security contribution.

Total tax payable

This indicator measures the total amount of taxes payable by the business in the second year of operation except for labor taxes. The total amount of taxes is the sum of all the different taxes payable after accounting for deductions and exemptions. The taxes withheld but not paid by the company are not included. Payable taxes are presented as a share of gross profit (defined as sales minus cost of goods sold and labor costs).

A common method for assessing tax rates is the marginal effective tax rate (METR) method, which estimates the tax payable resulting from investing one more unit of capital, or hiring one more worker, or producing one more unit of output. According to this method each input or output has a separate METR. The *Doing Business* measure differs from the METR in several ways: First, it estimates the total tax that a standardized company has to pay, while the METR is the incremental tax. Second, the *Doing Business* method aggregates all different tax rates into one. Third, the METR of capital takes into account the life of the asset by computing the present discounted value of the future taxes associated with investing one more unit of capital today, while the

Doing Business measure is built on one fiscal year only. Forth, the METRs can be positive, negative or zero because they measure if an activity (e.g., buy a new piece of machinery) is encouraged, discouraged, or unaffected by the tax system. The *Doing Business* tax measure is always positive unless the company pays no tax at all. Finally, the METR method normally looks at the effect of depreciation in corporate income tax only. It generally ignores small taxes such as property tax, which are included in the *Doing Business* measure.

This methodology was developed in “Tax Burdens around the World”, an ongoing research project by Mihir Desai, Caralee McLiesh, Rita Ramalho and Andrei Shleifer.

Enforcing contracts

The data are derived from questionnaires answered by attorneys at private law firms and judicial personnel at local courts. The questionnaire covers the step-by-step evolution of a debt recovery case before local courts in the state’s largest city. The respondent firms were provided with significant detail, including the amount of the claim, the location and main characteristics of the litigants, the presence of city regulations, the nature of the remedy requested by the plaintiff, the merit of the plaintiff’s and the defendant’s claims, and the social implications of the judicial outcomes. These standardized details enabled the respondent law firms to describe the procedures explicitly and in full detail.

Assumptions about the case:

- Debt value equals 200% of state’s income per capita.
- The plaintiff has fully complied with the contract (plaintiff is 100% right)
- Case presents a lawful transaction between residents of the selected city.
- The bank refuses payment for lack of funds in the borrower’s account.
- The plaintiff files a lawsuit to collect the check.
- The debtor attempts to delay service of process but it is finally accomplished.
- The debtor raises some opposition to the complaint (default judgment is not an option).
- The judge decides every motion for the plaintiff.
- The plaintiff attempts to introduce documentary evidence and to call one witness. Debtor attempts to call one witness. Neither party presents objections.
- The judgment is in favor of the plaintiff.
- No appeals or post-judgment motions are filed by either party to the case.
- Debt is successfully collected.

The study develops three indicators of the efficiency of the judicial system as regards the enforcement of commercial

contracts. The first indicator is the cost of going through court procedures, including court costs and attorney fees where the use of attorneys is mandatory or common, or the costs of an administrative debt recovery procedure, expressed as a percentage of the debt value.

The second indicator of efficiency is an estimate — in calendar days — of duration of the process of dispute resolution by the lawyers who completed the questionnaires. Duration is measured as the number of calendar days counted from the moment the plaintiff files the lawsuit in court, until the moment of actual payment. This measure includes both the days where actions take place and waiting periods between actions. The participating firms make separate estimates of the average duration until the completion of service of process, the issuance of judgment (duration of trial), and the moment of payment or repossession (duration of enforcement). To the extent that database users are interested in the ability of an ordinary person to use the legal system, these estimates of duration are highly relevant for efficiency.

The third indicator is an index of the degree of formalism, or complexity, in the procedures to resolve disputes. This index measures substantive and procedural statutory intervention in judicial cases at lower level civil trial courts, and is formed by adding the following sub-indices:

1. Professionals or laymen: This sub-index measures whether the resolution of the case provided would rely mostly in the intervention of professional judges and attorneys, as opposed to the intervention of other types of adjudicators and lay people.
2. Written or oral: This sub-index measures the written or oral nature of the actions involved in the procedure, from the filing of the complaint, until the actual enforcement.
3. Legal justification: This sub-index measures the level of legal justification required in the process of dispute resolution.
4. Statutory regulation of evidence: This sub-index measures the level of statutory control or intervention of the administration, admissibility, evaluation and recording of evidence.

5. Control of superior review: This sub-index measures the level of control or intervention of the appellate court's review of the first instance judgment.
6. Other statutory interventions: This sub-index measures the formalities required to engage someone into the procedure or to hold him/her accountable for the judgment.

For each sub-index, higher values indicate more formalism in

the contract enforcement process. (See background paper for further detail on the construction of the sub-indices).

For a detailed description of the methodology, see Djankov, Simeon, Rafael La Porta, Florencio Lopez-de-Silanes, and Andrei Shleifer, 2002, "Courts: The Lex Mundi project", NBER working paper 8890.

Ease of doing business

The ease of doing business is the simple average of state rankings in each of the five topics covered in *Doing Business in Brazil* in 2006. The ranking for each topic is the simple average of rankings for each of the indicators. The starting a business ranking averages the state rankings on the procedures, days, cost and minimum capital requirement to register a business. The property ranking averages the state rankings on the procedures, time and cost to register property. The credit ranking is based on the state rankings on the time and cost to register collateral. The paying taxes ranking is the average of the state rankings on the total tax payable (% of gross profit) and the number of payments. And the enforcing contracts ranking averages the state rankings on the complexity of procedures, time and cost to enforce contracts. The ease of doing business measure ranges from 1 to 13, with higher ranking indicating more efficient regulation and stronger protections of property rights.

This methodology is developed by Simeon Djankov, Caralee McLiesh, and Rita Ramalho in "Growth and the Ease of Doing Business," working paper, World Bank, August 2004.

Indicators

Indicator tables

State tables

	Starting a business				Registering property				Getting credit		
	JANUARY 2006				JANUARY 2006				JANUARY 2006		
	Number of procedures	Time (days)	Cost (% of income per capita)	Ease of starting a business (rank)	Number of procedures	Time (days)	Cost (% of property value)	Ease of registering property (rank)	Time to create collateral (days)	Cost to create collateral (% loan value)	Ease of creating collateral (rank)
Amazonas	15	68	10.20	5	14	40	3.55	4	6	1.78	4
Bahia	17	25	32.67	9	14	88	2.41	9	26	1.97	10
Ceará	19	44	31.01	12	14	63	4.49	10	40	3.83	12
Federal District	15	49	4.93	3	14	57	2.08	1	45	0.39	7
Maranhão	18	47	48.98	13	14	27	5.15	7	4	1.21	2
Mato Grosso	15	41	12.42	4	14	43	3.02	3	23	3.00	8
Mato Grosso do Sul	16	41	11.06	6	14	83	4.63	13	30	0.81	6
Minas Gerais	10	19	10.48	1	14	58	3.23	5	2	0.85	1
Rio de Janeiro	15	68	10.89	6	14	75	2.68	7	27	0.18	3
Rio Grande do Sul	15	35	6.07	1	14	81	3.64	11	25	1.23	4
Rondônia	17	30	20.47	8	14	69	4.71	12	30	1.76	10
Santa Catarina	18	44	10.24	10	14	51	2.25	1	25	2.99	8
São Paulo	17	152	10.10	11	14	47	4.03	5	NO DATA	NO DATA	NO DATA

	Paying taxes			Enforcing contracts			
	JANUARY 2006			JANUARY 2006			
	Total tax payable (% gross profit)	Number of payments	Ease of paying taxes (rank)	Time (days)	Cost (% of debt)	Complexity index (0-100)	Ease of enforcing a contract (rank)
Amazonas	89.10	23	4	835	21.87	74	10
Bahia	143.85	12	1	873	16.44	82	8
Ceará	137.14	23	6	942	31.96	72	11
Federal District	149.19	12	8	730	18.85	70	2
Maranhão	147.45	12	4	690	48.32	65	4
Mato Grosso	146.28	23	11	1,157	18.61	76	12
Mato Grosso do Sul	146.15	12	3	755	16.79	76	4
Minas Gerais	150.37	23	13	1,068	19.77	78	13
Rio de Janeiro	207.59	12	10	813	20.51	73	6
Rio Grande do Sul	152.75	12	9	1,473	20.71	68	9
Rondônia	145.68	12	2	794	15.99	70	1
Santa Catarina	143.80	23	7	1,017	22.14	63	7
São Paulo	147.90	23	12	546	15.50	81	3

AMAZONAS		GDP per capita (BRL)	9,100
City: Manaus		Ease of doing business (rank)	2
Starting a business			
Number of procedures	15		
Time (days)	68		
Cost (% of income per capita)	10.20		
Ease of starting a business (rank)	5		
Credit—creating collateral			
Cost to create collateral (% of loan value)	1.78		
Time (days)	6		
Ease of creating collateral (rank)	4		
Paying taxes			
Total tax payable (% gross profit)	89.10		
Number of payments	23		
Ease of paying taxes (rank)	4		
BAHIA		GDP per capita (BRL)	5,402
City: Salvador		Ease of doing business (rank)	10
Starting a business			
Number of procedures	17		
Time (days)	25		
Cost (% of income per capita)	32.67		
Ease of starting a business (rank)	9		
Credit—creating collateral			
Cost to create collateral (% of loan value)	1.97		
Time (days)	26		
Ease of creating collateral (rank)	10		
Paying taxes			
Total tax payable (% gross profit)	143.85		
Number of payments	12		
Ease of paying taxes (rank)	1		
CEARÁ		GDP per capita (BRL)	3,618
City: Fortaleza		Ease of doing business (rank)	13
Starting a business			
Number of procedures	19		
Time (days)	44		
Cost (% of income per capita)	31.01		
Ease of starting a business (rank)	12		
Credit—creating collateral			
Cost to create collateral (% loan value)	3.83		
Time (days)	40		
Ease of creating collateral (rank)	12		
Paying taxes			
Total tax payable (% gross profit)	137.14		
Number of payments	23		
Ease of paying taxes (rank)	6		
Registering property			
Number of procedures	14		
Time (days)	40		
Cost (% of property value)	3.55		
Ease of registering property (rank)	4		
Enforcing a contract			
Complexity index	74		
Time (days)	835		
Cost (% of debt)	21.87		
Ease of enforcing a contract (rank)	10		
Registering property			
Number of procedures	14		
Time (days)	88		
Cost (% of property value)	2.41		
Ease of registering property (rank)	9		
Enforcing a contract			
Complexity index	82		
Time (days)	873		
Cost (% of debt)	16.44		
Ease of enforcing a contract (rank)	8		
Registering property			
Number of procedures	14		
Time (days)	63		
Cost (% of property value)	4.49		
Ease of registering property (rank)	10		
Enforcing a contract			
Complexity index (number)	72		
Time (days)	942		
Cost (% of debt)	31.96		
Ease of enforcing a contract (rank)	11		

FEDERAL DISTRICT		GDP per capita (BRL)	16,920
City: Brasília		Ease of doing business (rank)	1
Starting a business			
Number of procedures	15		
Time (days)	49		
Cost (% of income per capita)	4.93		
Ease of starting a business (rank)	3		
Credit—creating collateral			
Cost to create collateral (% of loan value)	0.39		
Time (days)	45		
Ease of creating collateral (rank)	7		
Paying taxes			
Total tax payable (% gross profit)	149.19		
Number of payments	12		
Ease of paying taxes (rank)	8		
MARANHÃO		GDP per capita (BRL)	2,354
City: São Luís		Ease of doing business (rank)	5
Starting a business			
Number of procedures	18		
Time (days)	47		
Cost (% of income per capita)	48.98		
Ease of starting a business (rank)	13		
Credit—creating collateral			
Cost to create collateral (% of loan value)	1.21		
Time (days)	4		
Ease of creating collateral (rank)	2		
Paying taxes			
Total tax payable (% gross profit)	147.45		
Number of payments	12		
Ease of paying taxes (rank)	4		
MATO GROSSO		GDP per capita (BRL)	8,391
City: Cuiabá		Ease of doing business (rank)	12
Starting a business			
Number of procedures	15		
Time (days)	41		
Cost (% of income per capita)	12.42		
Ease of starting a business (rank)	4		
Credit—creating collateral			
Cost to create collateral (% of loan value)	3.00		
Time (days)	23		
Ease of creating collateral (rank)	8		
Paying taxes			
Total tax payable (% gross profit)	146.28		
Number of payments	23		
Ease of paying taxes (rank)	11		
Registering property			
Number of procedures		14	
Time (days)		57	
Cost (% of property value)		2.08	
Ease of registering property (rank)		1	
Enforcing a contract			
Complexity index		70	
Time (days)		730	
Cost (% of debt)		18.85	
Ease of enforcing a contract (rank)		2	
Registering property			
Number of procedures		14	
Time (days)		27	
Cost (% of property value)		5.15	
Ease of registering property (rank)		7	
Enforcing a contract			
Complexity index		65	
Time (days)		690	
Cost (% of debt)		48.32	
Ease of enforcing a contract (rank)		4	
Registering property			
Number of procedures		14	
Time (days)		43	
Cost (% of property value)		3.02	
Ease of registering property (rank)		3	
Enforcing a contract			
Complexity index		76	
Time (days)		1,157	
Cost (% of debt)		18.61	
Ease of enforcing a contract (rank)		12	

MATO GROSSO DO SUL		GDP per capita (BRL)	8,634
City: Campo Grande		Ease of doing business (rank)	7
Starting a business			
Number of procedures	16		
Time (days)	41		
Cost (% of income per capita)	11.06		
Ease of starting a business (rank)	6		
Credit—creating collateral			
Cost to create collateral (% of loan value)	0.81		
Time (days)	30		
Ease of creating collateral (rank)	6		
Paying taxes			
Total tax payable (% gross profit)	146.15		
Number of payments	12		
Ease of Paying taxes (rank)	3		
MINAS GERAIS		GDP per capita (BRL)	7,709
City: Belo Horizonte		Ease of doing business (rank)	3
Starting a business			
Number of procedures	10		
Time (days)	19		
Cost (% of income per capita)	10.48		
Ease of starting a business (rank)	1		
Credit—creating collateral			
Cost to create collateral (% of loan value)	0.85		
Time (days)	2		
Ease of creating collateral (rank)	1		
Paying taxes			
Total tax payable (% gross profit)	150.37		
Number of payments	23		
Ease of Paying taxes (rank)	13		
RIO DE JANEIRO		GDP per capita (BRL)	12,671
City: Rio de Janeiro		Ease of doing business (rank)	8
Starting a business			
Number of procedures	15		
Time (days)	68		
Cost (% of income per capita)	10.89		
Ease of starting a business (rank)	6		
Credit—creating collateral			
Cost to create collateral (% of loan value)	0.18		
Time (days)	27		
Ease of creating collateral (rank)	3		
Paying taxes			
Total tax payable (% gross profit)	207.59		
Number of payments	12		
Ease of Paying taxes (rank)	10		
Registering property			
Number of procedures	14		
Time (days)	83		
Cost (% of property value)	4.63		
Ease of registering property (rank)	13		
Enforcing a contract			
Complexity index	76		
Time (days)	755		
Cost (% of debt)	16.79		
Ease of enforcing a contract (rank)	4		
Registering property			
Number of procedures	14		
Time (days)	58		
Cost (% of property value)	3.23		
Ease of registering property (rank)	5		
Enforcing a contract			
Complexity index	78		
Time (days)	1,068		
Cost (% of debt)	19.77		
Ease of enforcing a contract (rank)	13		
Registering property			
Number of procedures	14		
Time (days)	75		
Cost (% of property value)	2.68		
Ease of registering property (rank)	7		
Enforcing a contract			
Complexity index	73		
Time (days)	813		
Cost (% of debt)	20.51		
Ease of enforcing a contract (rank)	6		

RIO GRANDE DO SUL		GDP per capita (BRL)	12,071
City: Porto Alegre		Ease of doing business (rank)	6
Starting a business			
Number of procedures	15		
Time (days)	35		
Cost (% of income per capita)	6.07		
Ease of starting a business (rank)	1		
Credit—creating collateral			
Cost to create collateral (% of loan value)	1.23		
Time (days)	25		
Ease of creating collateral (rank)	4		
Paying taxes			
Total tax payable (% gross profit)	152.75		
Number of payments	12		
Ease of Paying taxes (rank)	9		
RONDÔNIA		GDP per capita (BRL)	5,743
City: Porto Velho		Ease of doing business (rank)	4
Starting a business			
Number of procedures	17		
Time (days)	30		
Cost (% of income per capita)	20.47		
Ease of starting a business (rank)	8		
Credit—creating collateral			
Cost to create collateral (% of loan value)	1.76		
Time (days)	30		
Ease of creating collateral (rank)	10		
Paying taxes			
Total tax payable (% gross profit)	145.68		
Number of payments	12		
Ease of Paying taxes (rank)	2		
Registering property			
Number of procedures	14		
Time (days)	81		
Cost (% of property value)	3.64		
Ease of registering property (rank)	11		
Enforcing a contract			
Complexity index	68		
Time (days)	1,473		
Cost (% of debt)	20.71		
Ease of enforcing a contract (rank)	9		
Registering property			
Number of procedures	14		
Time (days)	69		
Cost (% of property value)	4.71		
Ease of registering property (rank)	12		
Enforcing a contract			
Complexity index	70		
Time (days)	794		
Cost (% of debt)	15.99		
Ease of enforcing a contract (rank)	1		

SANTA CATARINA		GDP per capita (BRL)	10,949
City: Florianópolis		Ease of doing business (rank)	9
Starting a business			
Number of procedures	18		
Time (days)	44		
Cost (% of income per capita)	10.24		
Ease of starting a business (rank)	10		
Credit—creating collateral			
Cost to create collateral (% of loan value)	2.99		
Time (days)	25		
Ease of creating collateral (rank)	8		
Paying taxes			
Total tax payable (% gross profit)	143.80		
Number of payments	23		
Ease of Paying taxes (rank)	7		

Registering property	
Number of procedures	14
Time (days)	51
Cost (% of property value)	2.25
Ease of registering property (rank)	1
Enforcing a contract	
Complexity index	63
Time (days)	1,017
Cost (% of debt)	22.14
Ease of enforcing a contract (rank)	7

SÃO PAULO		GDP per capita (BRL)	12,619
City: São Paulo		Ease of doing business (rank)	11
Starting a business			
Number of procedures	17		
Time (days)	152		
Cost (% of income per capita)	10.10		
Ease of starting a business (rank)	11		
Credit—creating collateral			
Cost to create collateral (% of loan value)	NO DATA		
Time (days)	NO DATA		
Ease of creating collateral (rank)	NO DATA		
Paying taxes			
Total tax payable (% gross profit)	147.90		
Number of payments	23		
Ease of Paying taxes (rank)	12		

Registering property	
Number of procedures	14
Time (days)	47
Cost (% of property value)	4.03
Ease of registering property (rank)	5
Enforcing a contract	
Complexity index	81
Time (days)	546
Cost (% of debt)	15.50
Ease of enforcing a contract (rank)	3

Case studies

Starting a business

STARTING A BUSINESS

Amazonas

Standard company legal form: *Sociedade Limitada*

City: *Manaus*

Data as of: *January 2006*

Procedure 1. Check company name with the Board of Trade of the state of Amazonas (JUCEA)

Time: 1 day

Cost: BRL 18

Procedure 2. Request the registration number for federal taxes—National Registry of Legal Entities (CNPJ)

Time: 1 day

Cost: No cost

Comments: This is an on line request. The taxpayer accesses the web site of the federal tax authority (*Receita Federal*) and downloads the program *Receitanet*. At the site, she must fill in the registration forms—*Ficha Cadastral da Pessoa Jurídica* and *Quadro de Sócios e Administradores*—save them in a disk, send it to the federal tax authority via *Receitanet* and print the entry form—*Documento Básico de Entrada (DBE)*. The DBE and the disk will be added to the registration procedures at the Board of Trade. The enrollment at the *National Institute of Social Security (INSS)* is automatic with the issuance of the CNPJ.

Procedure 3. Pay the Board of Trade's registration fees

Time: 1 day

Cost: See procedure 4

Procedure 4. Register with the Board of Trade

Time: 15 days

Cost: BRL 242.06

Comments: The time and cost depends on the type of company and the difficulty to describe correctly the firm's activity according to the official catalog (CNAE). Often, there are mistakes in the forms completed by the entrepreneur and the documentation is returned for corrections.

Procedure 5. Register company for state taxes at *Secretaria de Estado da Fazenda*

Time: 15 days

Cost: BRL 2.50

Procedure 6. Obtain authorization to print receipts/invoices (AIDF) from the state's tax authority

Time: 1 day

Cost: No cost

Procedure 7. Request fire brigade license

Time: Procedures 7 to 9 take 45 days, simultaneous with procedure 5

Cost: BRL 60.21

Comments: The license is obtained at the Fire Brigade of the State of Amazonas. The license is required in the capital by municipal law.

Procedure 8. Inspection by the fire brigade

Time: Included in previous procedure

Cost: No cost

Procedure 9. Obtain an operations license from the municipality

Time: Included in previous procedure

Cost: BRL 5.21

Comments: The request is simultaneous with the registration at the municipal taxpayer's registry (*Cadastro Municipal*).

The following approvals are required:

- Zoning:—IMPLURB: depends on the city's master plan;
- Security:—Secretaria de Segurança Pública: for certain activities of risk the approval is granted by the Civil Police;
- Sanitary:—the inspection or necessary permit may be obtained at the department of sanitary oversight (*Vigilância Sanitária*), which in general works in association with the department of the environment at the state and/or municipality.
- Environment:—similar to the previous license with the following modalities: license previous to installation (*Licença Prévia para Instalação*), or provisional operational license (*Licença de Operação Provisória*) and definitive operational license (*Licença de Operação Definitiva*). Depends on the impact on the environment and the time required to fix the problem. If everything is correct, the licenses can be ready in 5 business days, but in case of bottlenecks the time may increase to 15 days, for example due to insufficient number of inspectors, lack of vehicles or time for inspection.
- Fire

Procedure 10. Obtain the authorization to print receipts/invoices (AIDF) from the municipal department of finance

Time: 1 day

Cost: No cost

Procedure 11. Order receipts/invoices (*notas fiscais*) with tax numbers from authorized printing companies

Time: 3 days

Cost: BRL 600

Comments: BRL 600 (BRL 0.6 per page, assuming a total of 1000 pages).

Procedure 12. Open a FGTS account at the federal savings bank (*Caixa Econômica Federal*)

Time: 1 day, simultaneous with procedure 7

Cost: No cost

Comments: In order to open the account, the entrepreneur must go to any local branch of the federal savings bank (*Caixa Econômica Federal*) with a copy of its tax number (CNPJ) and either an individual firm declaration or a partnership contract.

Procedure 13. Register employees with the social integration program (PIS)

Time: 1 day, simultaneous with procedure 7

Cost: No cost

Comments: The enrollment of a company's employees with the social integration program (PIS) is obtained by filing a form, signed by the company's legal representatives, with the *Caixa Econômica Federal*.

Procedure 14. Notify the employment of workers to the Ministry of Labor

Time: 1 day, simultaneous with procedure 7

Cost: No cost

Comments: The employer is obliged to inform the hiring or dismissal of any employee to the local department of the Ministry of Labor (*Delegacia Regional do Trabalho*) until the 15th day of the month subsequent to the month of the event, upon delivery of written notice by post or via internet.

Procedure 15. Registration with the patronal union and with the employees union

Time: 5 days, simultaneous with procedure 7

Cost: Annual fee to be paid depending on the union

Comments: The company will have to register at the patronal union corresponding to the firm's activity and will have to pay the contribution to the patronal union. Each municipality and state shall have their Unions as to the activity rendered by the company.

STARTING A BUSINESS

Bahia

Standard company legal form: *Sociedade Limitada*
 City: Salvador
 Data as of: January 2006

Procedure 1. Check company name with the Board of Trade of the state of Bahia (JUCEB)

Time: 1 day
Cost: BRL 7

Procedure 2. Request the registration number for federal taxes—National Registry of Legal Entities (CNPJ)

Time: 1 day
Cost: No cost

Comments: This is an on line request. The taxpayer accesses the web site of the federal tax authority (*Receita Federal*) and downloads the program *Receitanet*. At the site, she must fill in the registration forms—*Ficha Cadastral da Pessoa Jurídica* and *Quadro de Sócios e Administradores*—save them in a disk, send it to the federal tax authority via *Receitanet* and print the entry form—*Documento Básico de Entrada (DBE)*. The DBE and the disk will be added to the registration process at the Board of Trade. The enrollment at the National Institute of Social Security (INSS) is automatic with the issuance of the CNPJ.

Procedure 3. Obtain documentation to register for state taxes at *Secretaria da Fazenda do Estado de Bahia*

Time: 1 day
Cost: No cost

Procedure 4. Pay the Board of Trade's registration fees

Time: 1 day
Cost: See procedure 5

Procedure 5. Register with the Board of Trade

Time: 3 days
Cost: BRL 101.06

Comments: The integrated registry (*cadastro integrado*) is a pioneering initiative that allows obtaining the CNPJ and the registration for state taxes simultaneously with the registration at the Board of Trade of Bahia.

Procedure 6. Obtain the authorization to print receipts/invoices (AIDF) from the state's tax authority

Time: 1 day
Cost: No cost

Procedure 7. Request the declaration of location feasibility (*Termo de Viabilidade de Localização*)

Time: Procedures 7 to 10 take 12 days
Cost: BRL 7.06

Comments: In order to obtain the operational license the commercial or industrial firm needs to obtain the declaration of location feasibility—*Termo de Viabilidade de Localização (TVL)* issued by the department of control and land use (SUCOM). After obtaining the TVL, the firm must proceed to the municipal finance department—*Secretaria da Fazenda Municipal (SEFAZ)* to obtain the operational license.

Procedure 8. Inspection by the municipality

Time: Included in previous procedure
Cost: BRL 28.92

Procedure 9. Payment of the municipal *Taxa de Licença de Localização*

Time: Included in previous procedure
Cost: BRL 367

Comments: The cost is an average, and varies between BRL 170.80 and BRL 848.28 depending on the activity of the firm, according to the annex table to Law 4.279/90, updated by Law 6.453/03 and updated for fiscal year 2006 by Portaria SEFAZ 145/05.

Procedure 10. Request the operational license (*alvará de localização e funcionamento*)

Time: Included in previous procedure
Cost: BRL 18

Comments: This procedure registers the company with the general registry of activities of the municipality and issues the operational license. The fees to obtain the license include BRL 12 for the delivery of the license by mail, and BRL 6 issuance fee.

Procedure 11. Payment of the municipal *Taxa de Fiscalização e Funcionamento*

Time: 1 day
Cost: BRL 636

Comments: Fee to be paid annually. The fee varies between BRL 318.32 and BRL 953.88 depending on the firm's activity, according to annex table IV to Law 4.279/90, modified by Law 6.453/03 and updated for fiscal year 2006 by Decree 15.471/05.

Procedure 12. Obtain the authorization to print receipts/invoices (AIDF) from the municipal department of finance

Time: 1 day
Cost: No cost

Procedure 13. Order receipts/invoices (*notas fiscais*) with tax numbers from authorized printing companies

Time: 3 days
Cost: BRL 600

Comments: BRL 600 (BRL 0.6 per page, assuming a total of 1000 pages).

Procedure 14. Open a FGTS account at the federal savings bank (*Caixa Econômica Federal*)

Time: 1 day, simultaneous with procedure 7
Cost: No cost

Comments: In order to open the account, the entrepreneur must go to any local branch of the federal savings bank (*Caixa Econômica Federal*) with a copy of its tax number (CNPJ) and either an individual firm declaration or a partnership contract.

Procedure 15. Register employees with the social integration program (PIS)

Time: 1 day, simultaneous with procedure 7
Cost: No cost

Comments: The enrollment of a company's employees with the social integration program (PIS) is obtained by filing a form, signed by the company's legal representatives, with the *Caixa Econômica Federal*.

Procedure 16. Notify the employment of workers to the Ministry of Labor

Time: 1 day, simultaneous with procedure 7
Cost: No cost

Comments: The employer is obliged to inform the hiring or dismissal of any employee to the local department of the Ministry of Labor (*Delegacia Regional do Trabalho*) until the 15th day of the month subsequent to the month of the event, upon delivery of written notice by post or via internet.

Procedure 17. Registration with the patronal union and with the employees union

Time: 5 days, simultaneous with procedure 7
Cost: Annual fee to be paid depending on the union

Comments: The company registers at the patronal union corresponding to the firm's activity and pays the contribution to the patronal union. Each municipality and state shall have their Unions as to the activity rendered by the company.

STARTING A BUSINESS

Ceará

Standard company legal form: *Sociedade Limitada*

City: Fortaleza

Data as of: January 2006

Procedure 1. Check company name with the Board of Trade of the state of Ceará (JUCEC)

Time: 1 day

Cost: BRL 6

Procedure 2. Pay the Board of Trade's registration fees

Time: 1 day

Cost: See procedure 3

Comments: The payment of the registration taxes can be done at the bank, located in the same building as the Board of Trade.

Procedure 3. Register with the Board of Trade

Time: 2 days

Cost: BRL 97.06

Procedure 4. Request the registration number for federal taxes—National Registry of Legal Entities (CNPJ)

Time: 5 days

Cost: no cost

Comments: All firms need to register at the National Registry of Legal Entities (CNPJ) to be able to operate in Brazil. The request is done via internet, with the subsequent obligation of sending the original documents to the federal tax authority (*Receita Federal*). The enrollment at the National Institute of Social Security (INSS) is automatic with the issuance of the CNPJ.

Procedure 5. Register company for state taxes at the *Secretaria da Fazenda do Estado do Ceará*

Time: 5 days

Cost: No cost

Comments: The request is done via internet. Once the required documents have been presented, the completion of the registration can be verified on line, following the visit of the fiscal inspector.

Procedure 6. Inspection by the state's tax official

Time: 1 day, simultaneous with procedure 5

Cost: No cost

Procedure 7. Obtain the authorization to print receipts/invoices (AIDF) from the state's tax authority

Time: 1 day

Cost: No cost

Procedure 8. Request operational license (*alvará de funcionamento*)

Time: Procedures 8 to 13 take 30 days, simultaneous with procedure 5

Cost: No cost

Comments: This procedure registers the company at the municipal finance department (*Secretaria de Finanças do Município*).

Procedure 9. Inspection by the municipality

Time: Included in previous procedure

Cost: No cost

Procedure 10. Payment of the municipal *Taxa de Licença de Localização*

Time: Included in previous procedure

Cost: BRL 215

Comments: The amount varies according to the built area of the firm's premises. We assume an area of 200 M².

Procedure 11. Request sanitary registration (*Registro Sanitário*)

Time: Included in previous procedure

Cost: See procedure 13

Comments: Regardless of the firm's activity, it is required to obtain the operational license and the sanitary registration. In Fortaleza, both are requested at the area's executive department (*Secretarias Executivas Regionais*) with jurisdiction over the company according to its location. The cost depends on the area (square meters) occupied by the firm. Although it takes 3 days to obtain the registration record, the final documents are sent by mail in up to 30 days. Yet, the company can already operate with the registration record.

Procedure 12. Sanitary inspection

Time: Included in previous procedure

Cost: see procedure 13

Procedure 13. Payment of *Taxa de Registro e Inspeção sanitária*

Time: Included in previous procedure

Cost: BRL 203.89

Comments: The fee is due at the time of the initial registration and its renewal, which is required annually. The rate depends on the built area of the firm's premises. We assume an area of 200 M².

Procedure 14. Obtain the authorization to print receipts/invoices (AIDF) from the municipal department of finance

Time: 1 day

Cost: No cost

Procedure 15. Order receipts/invoices (*notas fiscais*) with tax numbers from authorized printing companies

Time: 3 days

Cost: BRL 600

Comments: BRL 600 (BRL 0.6 per page, assuming a total of 1000 pages).

Procedure 16. Open a FGTS account at the federal savings bank (*Caixa Econômica Federal*)

Time: 1 day, simultaneous with procedure 8

Cost: No cost

Comments: In order to open the account, the entrepreneur must go to any local branch of the federal savings bank (*Caixa Econômica Federal*) with a copy of its tax number (CNPJ) and either an individual firm declaration or a partnership contract.

Procedure 17. Register employees with the social integration program (PIS)

Time: 1 day, simultaneous with procedure 8

Cost: No cost

Comments: The enrollment of a company's employees with the social integration program (PIS) is obtained by filing a form, signed by the company's legal representatives, with the *Caixa Econômica Federal*.

Procedure 18. Notify the employment of workers to the Ministry of Labor

Time: 1 day, simultaneous with procedure 8

Cost: No cost

Comments: The employer must inform the local department of the Ministry of Labor (*Delegacia Regional do Trabalho*) of any hiring or dismissal by the 15th day of the month subsequent to the month of the event, via written notice by post or via internet.

Procedure 19. Registration with the patronal union and with the employees union

Time: 5 days, simultaneous with procedure 8

Cost: Annual fee to be paid depending on the union

Comments: The company will have to register at the patronal union corresponding to the firm's activity and will have to pay the contribution to the patronal union. Each municipality and state shall have their Unions as to the activity rendered by the company.

STARTING A BUSINESS

Federal District

Standard company legal form: Sociedade Limitada

City: Brasília

Data as of: January 2006

Procedure 1. Conduct preliminary consultation of location

Time: 1 day

Cost: No cost

Comments: The preliminary consultation has to be requested at the area administration (*Administração Regional*) with jurisdiction over the firm's location. Its issuance has the purpose of: a) confirming the address; b) confirming if the premises are adequate for the company's activity, and c) obtaining the operational license.

Procedure 2. Check company name with the Board of Trade of the Federal District (JCDF)

Time: 1 day

Cost: no cost

Comments: The search is conducted via internet.

Procedure 3. Pay the Board of Trade's registration fees

Time: 1 day

Cost: See procedure 4

Comments: At the business service center (*Na Hora*) there is a branch of a bank for the payment of registration fees.

Procedure 4. Register with the Board of Trade

Time: 10 days

Cost: BRL 22.10

Procedure 5. Request the registration number for federal taxes—National Registry of Legal Entities (CNPJ)

Time: 10 days

Cost: No cost

Comments: After the approval by the Board of Trade, the request for registration with the CNPJ is done via internet, using the program of the federal tax authority (*Receita Federal*). Once the request is approved, it is necessary to print the *Documento Básico do CNPJ*, sign it, authenticate the signature at the notary, attach a copy of the company's statutes (*contrato social*) approved by the Board of Trade and send it by courier to the *Receita Federal*. The enrollment at the National Institute of Social Security (INSS) is automatic with the issuance of the CNPJ.

Procedure 6. Register company for taxes at the *Secretaria de Fazenda* of the Federal District

Time: 7 days

Cost: No cost

Comments: After obtaining the registration at the CNPJ, the firm has to visit the supervision division (*Divisão de Fiscalização*) to obtain the DIF (*Documento de Inscrição do Governo do DF*).

Procedure 7. Obtain the authorization to print receipts/invoices (AIDF) from the *Secretaria de Fazenda*

Time: 1 day

Cost: No cost

Procedure 8. Order receipts/invoices (*notas fiscais*) with tax numbers from authorized printing companies

Time: 3 days

Cost: BRL 600

Comments: BRL 600 (BRL 0.6 per page, assuming a total of 1000 pages).

Procedure 9. Request the operational license (*alvará de funcionamento*)

Time: Procedures 9 to 11 take 11 days

Cost: See procedure 11

Comments: Required documentation includes:

- Lease of the premises or deed of the property with the name of one of the owners;
- Preliminary consultation of location conducted at the area administration;
- CNPJ—*Cadastro Nacional de Pessoa Jurídica*;
- DIF—*Documento de Identificação Fiscal do Governo do Distrito Federal*;
- Declaration of acknowledgement of requirements (*Declaração de Conhecimento de Exigências*) from the municipality;
- Declaration of the area of the premises from the municipality;
- Request of the operational license, in three copies:
 - One copy for the sanitary inspection - *Inspetoria de Saúde*
 - One copy for the Fire Brigade of the Federal District
 - One copy for the supervision division of the area administration (municipality);
- Social contract and amendments;
- Document showing payment of the *Taxa de Fiscalização*.

Procedure 10. Inspections by the relevant agencies (fire brigade, health, SEMARH, etc.)

Time: Included in previous procedure

Cost: See procedure 11

Comments: The number of required inspections depends on the activity of the firm.

Procedure 11. Payment of the *Taxa de Fiscalização Localização e Instalação*

Time: Included in previous procedure

Cost: BRL 212.04

Comments: The amount of the fee varies as follows: up to an area of 50 M² the value is BRL 52.93, from 51 to 100 M²—BRL 106.02, from 101 to 1000 M²—BRL 106.02, for each additional 100 M² and BRL 10.61 for each additional 10 M². Over 1000 M²—BRL 1.376.31. We assume an area of 200 M².

Procedure 12. Open a FGTS account at the federal savings bank (*Caixa Econômica Federal*)

Time: 1 day, simultaneous with procedure 9

Cost: No cost

Comments: In order to open the account, the entrepreneur must go to any local branch of the federal savings bank (*Caixa Econômica Federal*) with a copy of its tax number (CNPJ) and either an individual firm declaration or a partnership contract.

Procedure 13. Register employees with the social integration program (PIS)

Time: 1 day, simultaneous with procedure 9

Cost: No cost

Comments: The enrollment of a company's employees with the social integration program (PIS) is obtained by filing a form, signed by the company's legal representatives, with the *Caixa Econômica Federal*.

Procedure 14. Notify the employment of workers to the Ministry of Labor

Time: 1 day, simultaneous with procedure 9

Cost: No cost

Comments: The employer is obliged to inform the hiring or dismissal of any employee to the local department of the Ministry of Labor (*Delegacia Regional do Trabalho*) until the 15th day of the month subsequent to the month of the event, upon delivery of written notice by post or via internet.

Procedure 15. Registration with the patronal union and with the employees union

Time: 5 days, simultaneous with procedure 9

Cost: Annual fee to be paid depending on the union

Comments: The company will have to register at the patronal union corresponding to the firm's activity and will have to pay the contribution to the patronal union. Each municipality and state shall have their Unions as to the activity rendered by the company.

STARTING A BUSINESS

Maranhão

Standard company legal form: Sociedade Limitada

City: São Luís

Data as of: January 2006

Procedure 1. Request preliminary consultation and obtain the *Guia de Localização e Atividade*

Time: Procedures 1 to 4 take 30 days

Cost: No cost

Comments: The preliminary consultation is done via internet. If there are no additional requirements, it is approved in 3 to 5 days.

Procedure 2. Inspection by the municipal department of land (*Secretaria Municipal de Terras, Habitação e Urbanismo*)

Time: Included in previous procedure

Cost: Not available

Procedure 3. Obtain sanitary certificate (*Vigilância Sanitária*)

Time: Included in previous procedure

Cost: Not available

Procedure 4. Obtain fire brigade license

Time: Included in previous procedure

Cost: Not available

Procedure 5. Request the registration number for federal taxes—National Registry of Legal Entities (CNPJ)

Time: 1 day

Cost: No cost

Comments: This is an on line request. The taxpayer accesses the web site of the federal tax authority (*Receita Federal*) and downloads the program *Receitanet*. At the site, she must fill in the registration forms—*Ficha Cadastral da Pessoa Jurídica* and *Quadro de Sócios e Administradores*—save them in a disk, send it to the federal tax authority via *Receitanet* and print the entry form—*Documento Básico de Entrada (DBE)*. The DBE and the disk will be added to the registration process followed at the Board of Trade. The enrollment at the National Institute of Social Security (INSS) is automatic with the issuance of the CNPJ.

Procedure 6. Pay the registration fees at the Board of Trade of the state of Maranhão (JUCEMA)

Time: 1 day

Cost: See procedure 7

Procedure 7. Register with the Board of Trade

Time: 4 days

Cost: BRL 199.06

Comments: In Maranhão the request to register at CNPJ takes place simultaneously with the filing of incorporation documents at the Board of Trade (JUCEMA).

Procedure 8. Register company for state taxes at *Secretaria de Estado da Fazenda*

Time: 1 day

Cost: BRL 4

Comments: This period is for the state and municipality which have signed an agreement that created a shared registry. The registration form must include the accountant's stamp, with the exception of small enterprises from Maranhão.

Procedure 9. Obtain the authorization to print receipts/invoices (AIDF) from the state's tax authority

Time: 1 day

Cost: No cost

Procedure 10. Request operational license (*alvará de funcionamento*)

Time: Procedures 10 to 12 take 5 days

Cost: See procedure 12

Comments: The operational license is the proof of the legality of the firm with respect to the municipal finance department (*Secretaria da Fazenda Municipal*).

Procedure 11. Inspection by the municipality

Time: Included in previous procedure

Cost: No cost

Procedure 12. Payment of the municipal *Taxa de Licença de Localização*

Time: Included in previous procedure

Cost: BRL 350

Comments: Between BRL 100 and BRL 500 according to the activity of the firm.

Procedure 13. Obtain the authorization to print receipts/invoices (AIDF) from the municipal department of finance

Time: 1 day

Cost: No cost

Procedure 14. Order receipts/invoices (*notas fiscais*) with tax numbers from authorized printing companies

Time: 3 days

Cost: BRL 600

Comments: BRL 600 (BRL 0.6 per page, assuming a total of 1000 pages).

Procedure 15. Open a FGTS account at the federal savings bank (*Caixa Econômica Federal*)

Time: 1 day, simultaneous with procedure 10

Cost: No cost

Comments: In order to open the account, the entrepreneur must go to any local branch of the federal savings bank (*Caixa Econômica Federal*) with a copy of its tax number (CNPJ) and either an individual firm declaration or a partnership contract.

Procedure 16. Register employees with the social integration program (PIS)

Time: 1 day, simultaneous with procedure 10

Cost: No cost

Comments: The enrollment of a company's employees with the social integration program (PIS) is obtained by filing a form, signed by the company's legal representatives, with the *Caixa Econômica Federal*.

Procedure 17. Notify the employment of workers to the Ministry of Labor

Time: 1 day, simultaneous with procedure 10

Cost: No cost

Comments: The employer is obliged to inform the hiring or dismissal of any employee to the local department of the Ministry of Labor (*Delegacia Regional do Trabalho*) until the 15th day of the month subsequent to the month of the event, upon delivery of written notice by post or via internet.

Procedure 18. Registration with the patronal union and with the employees union

Time: 5 days, simultaneous with procedure 10

Cost: Annual fee to be paid depending on the union

Comments: The company will have to register at the patronal union corresponding to the firm's activity and will have to pay the contribution to the patronal union. Each municipality and state shall have their Unions as to the activity rendered by the company.

STARTING A BUSINESS

Mato Grosso

Standard company legal form: Sociedade Limitada

City: Cuiabá

Data as of: January 2006

Procedure 1. Check company name with the Board of Trade of the state of Mato Grosso (JUCEMAT)

Time: 1 day

Cost: No cost

Comments: Internet requests are processed in 24 hours, in person it takes one hour.

Procedure 2. Request the registration number for federal taxes—National Registry of Legal Entities (CNPJ)

Time: 1 day

Cost: No cost

Comments: This is an on line request. The taxpayer accesses the web site of the federal tax authority (*Receita Federal*) and downloads the program *Receitanet*. At the site, she must fill in the registration forms—*Ficha Cadastral da Pessoa Jurídica* and *Quadro de Sócios e Administradores*—save them in a disk, send it to the federal tax authority via *Receitanet* and print the entry form—*Documento Básico de Entrada (DBE)*. The DBE and the disk will be added to the registration procedures at the Board of Trade. The enrollment at the National Institute of Social Security (INSS) is automatic with the issuance of the CNPJ.

Procedure 3. Pay the Board of Trade's registration fees

Time: 1 day

Cost: See procedure 4

Procedure 4. Register with the Board of Trade

Time: 3 days

Cost: BRL 155.06

Procedure 5. Register company for state taxes at *Secretaria da Fazenda do Estado*

Time: 5 days

Cost: BRL 26.27

Comments: The request is done via internet. The state of Mato Grosso adopted the following reforms in the last two years: a) *Secretaria de Fazenda* eliminated requirements for information on the firm and its owners, relying instead on registration information provided by the Board of Trade. b) It eliminated the requirement for certificates confirming the lack of pending state taxes by the owners. c) It eliminated the preliminary inspection of the establishment to obtain the registration for state taxes.

Procedure 6. Obtain the authorization to print receipts/invoices (AIDF) from the state's tax authority

Time: 1 day

Cost: No cost

Procedure 7. Request documentation to register at the municipality and obtain the operational license (*alvará*)

Time: Procedures 7 to 9 take 30 days, simultaneous with procedure 5

Cost: BRL 33

Comments: A preliminary registration will be provided after the formal registration request, valid for 90 days. The required documents to obtain the license are the following: social contract and amendments; copy of the CNPJ; copy of the owners' personal identification documents (RG, CPF); certificate confirming lack of pending municipal taxes by the owners; complete registration form (BCE) which can be bought at stationery shops; and the cadastre number (IPTU) of the plot where the firm will be located.

Procedure 8. Inspection by the municipal department of environment and urban development (*Secretaria de Meio Ambiente e Desenvolvimento Urbano - SMADES*)

Time: Included in previous procedure

Cost: No cost

Comments: Once the registration at the municipal department of finance is complete, the application is sent to the municipal department of environment and urban development for an inspection of the premises. This procedure takes 8 days on average. After the inspection, the application returns to the department of finance, which clears the registration and issues the operational license (*alvará de funcionamento*).

Procedure 9. Payment of the municipal *Taxa de Licença para Localização de Estabelecimentos ou Atividades*

Time: Included in previous procedure

Cost: BRL 228

Comments: The fee of the *Taxa de Licença para localização* amounts BRL 1.14 per M² of built area. The total amount varies depending on the firm activity and the area. We assume an area of 200 M².

Procedure 10. Obtain the authorization to print receipts/invoices (AIDF) from the municipal department of finance

Time: 1 day

Cost: No cost

Procedure 11. Order receipts/invoices (*notas fiscais*) with tax numbers from authorized printing companies

Time: 3 days

Cost: BRL 600

Comments: BRL 600 (BRL 0.6 per page, assuming a total of 1000 pages).

Procedure 12. Open a FGTS account at the federal savings bank (*Caixa Econômica Federal*)

Time: 1 day, simultaneous with procedure 7

Cost: No cost

Comments: In order to open the account, the entrepreneur must go to any local branch of the federal savings bank (*Caixa Econômica Federal*) with a copy of its tax number (CNPJ) and either an individual firm declaration or a partnership contract.

Procedure 13. Register employees with the social integration program (PIS)

Time: 1 day, simultaneous with procedure 7

Cost: No cost

Comments: The enrollment of a company's employees with the social integration program (PIS) is obtained by filing a form, signed by the company's legal representatives, with the *Caixa Econômica Federal*.

Procedure 14. Notify the employment of workers to the Ministry of Labor

Time: 1 day, simultaneous with procedure 7

Cost: No cost

Comments: The employer is obliged to inform the hiring or dismissal of any employee to the local department of the Ministry of Labor (*Delegacia Regional do Trabalho*) until the 15th day of the month subsequent to the month of the event, upon delivery of written notice by post or via internet.

Procedure 15. Registration with the patronal union and with the employees union

Time: 5 days, simultaneous with procedure 7

Cost: Annual fee to be paid depending on the union

Comments: The company will have to register at the patronal union corresponding to the firm's activity and will have to pay the contribution to the patronal union. Each municipality and state shall have their Unions as to the activity rendered by the company.

STARTING A BUSINESS

Mato Grosso do Sul

Standard company legal form: *Sociedade Limitada*

City: *Campo Grande*

Data as of: *January 2006*

Procedure 1. Check company name with the Board of Trade of the state of Mato Grosso do Sul (JUCEMS)

Time: 1 day

Cost: BRL 10

Procedure 2. Request the registration number for federal taxes—National Registry of Legal Entities (CNPJ)

Time: 1 day

Cost: No cost

Comments: This is an on-line request. The taxpayer accesses the web site of the federal tax authority (*Receita Federal*) and downloads the program *Receitanet*. At the site, she must fill in the registration forms—*Ficha Cadastral da Pessoa Jurídica* and *Quadro de Sócios e Administradores*—save them in a disk, send it to the federal tax authority via *Receitanet* and print the entry form—*Documento Básico de Entrada (DBE)*. The DBE and the disk will be added to the registration procedures at the Board of Trade. The enrollment at the National Institute of Social Security (INSS) is automatic with the issuance of the CNPJ.

Procedure 3. Pay the Board of Trade's registration fees

Time: 1 day

Cost: See procedure 4

Comments: The Board of Trade has an office for the payment of taxes in the same building. It also has agreements with two banks.

Procedure 4. Register with the Board of Trade

Time: 3 days

Cost: BRL 201.06

Procedure 5. Register company for state taxes at *Secretaria da Receita e Controle*

Time: 5 days

Cost: BRL 120

Comments: The request is done via internet at the site of the *Secretaria da Receita e Controle*, which is connected to the system of the Board of Trade (JUCEMS) and transfers the information. Progress of the procedure can be followed on line. The accountant brings the additional documents required to complete the registration in person. There is always an inspection to verify the location. One of the documents required is a declaration of responsibility (*Termo de Responsabilidade*) between the taxpayer and the accountant.

Procedure 6. Inspection by the state's tax officials

Time: 1 day, simultaneous with procedure 5

Cost: No cost

Procedure 7. Obtain the authorization to print receipts/invoices (AIDF) from the state's tax authority

Time: 1 day

Cost: No cost

Procedure 8. Preliminary consultation at the *Secretaria Municipal de Control Urbanístico*

Time: Procedures 8 to 10 take 30 days, simultaneous with procedure 5

Cost: No cost

Comments: In case the property where the firm is located is regularized and there is no requirement for environmental license, this procedure can be completed in two days.

Procedure 9. Obtain the operational license (*alvará de funcionamento*)

Time: Included in previous procedure

Cost: See procedure 10

Comments: It is possible to obtain a preliminary license in 5 days, for some commercial activities the definitive license can be obtained in this period. Obtaining the license registers the firm for municipal taxes at the *Divisão de Cadastro Econômico-DCE*.

Procedure 10. Payment of the municipal *Taxa de Licença de Localização*

Time: Included in previous procedure

Cost: BRL 24.22

Comments: In addition, the company has to pay an annual fee called “*Taxa de Fiscalização*”, which is in practice a renovation of this license. The total amount of this fee varies according to the location of the company. For companies located in downtown Campo Grande the amount is BRL 139.70. For companies located outside this area, the amount is BRL 67.87.

Procedure 11. Obtain the authorization to print receipts/invoices (AIDF) from the municipal department of finance

Time: 1 day

Cost: No cost

Procedure 12. Order receipts/invoices (*notas fiscais*) with tax numbers from authorized printing companies

Time: 3 days

Cost: BRL 600

Comments: BRL 600 (BRL 0.6 per page, assuming a total of 1000 pages).

Procedure 13. Open a FGTS account at the federal savings bank (*Caixa Econômica Federal*)

Time: 1 day, simultaneous with procedure 8

Cost: No cost

Comments: In order to open the account, the entrepreneur must go to any local branch of the federal savings bank (*Caixa Econômica Federal*) with a copy of its tax number (CNPJ) and either an individual firm declaration or a partnership contract.

Procedure 14. Register employees with the social integration program (PIS)

Time: 1 day, simultaneous with procedure 8

Cost: No cost

Comments: The enrollment of a company's employees with the social integration program (PIS) is obtained by filing a form, signed by the company's legal representatives, with the *Caixa Econômica Federal*.

Procedure 15. Notify the employment of workers to the Ministry of Labor

Time: 1 day, simultaneous with procedure 8

Cost: No cost

Comments: The employer is obliged to inform the hiring or dismissal of any employee to the local department of the Ministry of Labor (*Delegacia Regional do Trabalho*) until the 15th day of the month subsequent to the month of the event, upon delivery of written notice by post or via internet.

Procedure 16. Registration with the patronal union and with the employees union

Time: 5 days, simultaneous with procedure 8

Cost: Annual fee to be paid depending on the union

Comments: The company will have to register at the patronal union corresponding to the firm's activity and will have to pay the contribution to the patronal union. Each municipality and state shall have their Unions as to the activity rendered by the company.

STARTING A BUSINESS

Minas Gerais

Standard company legal form: Sociedade Limitada

City: Belo Horizonte

Data as of: January 2006

Procedure 1. On line preliminary consultation at *Minas Fácil*

Time: 2 days

Cost: No cost

Comments: The entrepreneur or her legal representative access the web site of *Minas Fácil*, the one-stop-shop to start a business and completes a form providing information on the new venture. In two days, she receives detailed instructions with the required documentation and the fees that she needs to pay.

Procedure 2. Payment of fees and provision of required documentation

Time: 1 day

Cost: BRL 208.09

Comments: The entrepreneur has a maximum of 15 days to visit the office of *Minas Fácil* to present the documentation and the receipts of the payment of fees. The fees include: Verification of company's name at the Board of Trade = BRL 5.50; Registration fees of the Board of Trade = BRL 115; Registration for state taxes = BRL 33.06; Issuance of the operational license (*alvará de localização e funcionamento*) = BRL 54.53.

Procedure 3. Complete registration at the Board of Trade of Minas Gerais (JCMG), federal, state and municipal taxes and operational license after verification of the documentation by *Minas Fácil*

Time: 8 days

Cost: No cost

Comments: The documentation is verified to confirm that it corresponds to the information provided during the preliminary consultation and ensure that all payment receipts are correct. At the appointed date, the entrepreneur or her legal representative returns to the office of *Minas Fácil* to sign the final documentation and receives the company's registration, including the social contract registered at the Board of Trade, the registration number for federal taxes (CNPJ), the state and municipal registration for taxes and, for most activities, the operational license.

Procedure 4. Obtain the authorization to print receipts/invoices (AIDF) from the state's tax authority

Time: 1 day

Cost: No cost

Procedure 5. Obtain the authorization to print receipts/invoices from the municipal department of finance (AIDF)

Time: 1 day

Cost: No cost

Procedure 6. Order receipts/invoices (*notas fiscais*) with tax numbers from authorized printing companies

Time: 3 days

Cost: BRL 600

Comments: BRL 600 (BRL 0.6 per page, assuming a total of 1000 pages).

Procedure 7. Open a FGTS account at the federal savings bank (*Caixa Econômica Federal*)

Time: 1 day

Cost: No cost

Comments: In order to open the account, the entrepreneur must go to any local branch of the federal savings bank (*Caixa Econômica Federal*) with a copy of its tax number (CNPJ) and either an individual firm declaration or a partnership contract.

Procedure 8. Register employees with the social integration program (PIS)

Time: 1 day

Cost: No cost

Comments: The enrollment of a company's employees with the social integration program (PIS) is obtained by filing a form, signed by the company's legal representatives, with the *Caixa Econômica Federal*.

Procedure 9. Notify the employment of workers to the Ministry of Labor

Time: 1 day

Cost: No cost

Comments: The employer is obliged to inform the hiring or dismissal of any employee to the local department of the Ministry of Labor (*Delegacia Regional do Trabalho*) until the 15th day of the month subsequent to the month of the event, upon delivery of written notice by post or via internet.

Procedure 10. Registration with the patronal union and with the employees union

Time: 5 days, simultaneous with procedure 6

Cost: Annual fee to be paid depending on the union

Comments: The company will have to register at the patronal union corresponding to the firm's activity and will have to pay the contribution to the patronal union. Each municipality and state shall have their Unions as to the activity rendered by the company.

STARTING A BUSINESS

Rio de Janeiro

Standard company legal form: Sociedade Limitada

City: Rio de Janeiro

Data as of: January 2006

Procedure 1. Check company name with the Board of Trade of the state of Rio de Janeiro (JUCERJA)

Time: 1 day

Cost: BRL 11

Procedure 2. Request the registration number for federal taxes—National Registry of Legal Entities (CNPJ)

Time: 1 day

Cost: No cost

Comments: The request is done on line. The taxpayer accesses the web site of the federal tax authority (*Receita Federal*) and downloads the program *Receitanet*. At the site, she must fill in the registration forms—*Ficha Cadastral da Pessoa Jurídica* and *Quadro de Sócios e Administradores*—save them in a disk, send it to the federal tax authority via *Receitanet* and print the entry form—*Documento Básico de Entrada (DBE)*. The DBE and the disk will be added to the registration procedures at the Board of Trade. The enrollment at the National Institute of Social Security (INSS) is automatic with the issuance of the CNPJ.

Procedure 3. Pay the Board of Trade's registration fees

Time: 1 day

Cost: See procedure 4

Procedure 4. Register with the Board of Trade

Time: 30 days

Cost: BRL 172.06

Procedure 5. Register company for state taxes at *Secretaria de Estado da Receita*

Time: 15 days

Cost: BRL 95.81

Procedure 6. Obtain the authorization to print receipts/invoices (AIDF) from the state's tax authority

Time: 1 day

Cost: No cost

Procedure 7. Preliminary consultation with the municipality

Time: Procedures 7 to 9 take 30 days, simultaneous with procedure 5

Cost: No cost

Comments: During this procedure the municipality checks if the proposed activity can be undertaken in the designated premises. In most cases the request is approved instantly, based on the data of the cadastre for the IPTU (*Imposto sobre a Propriedade Predial e Territorial Urbana*). In case of missing information, there will be an inspection of the proposed premises.

Procedure 8. Obtain operational license (*alvará de licença*)

Time: Included in previous procedure

Cost: No cost

Comments: The request is simultaneous with the registration for municipal taxes. It is possible to obtain a provisional operational license (*alvará de autorização provisória*), valid for 180 days.

Other special licenses (municipal, state and federal) are necessary in case the activity has environmental impact or involves food, chemicals or fuels.

Procedure 9. Pay the municipal *Taxa de Licença para Estabelecimento*

Time: Included in previous procedure
Cost: BRL 500

Procedure 10. Obtain the authorization to print receipts/invoices (AIDF) from the municipal department of finance

Time: 1 day
Cost: No cost

Procedure 11. Order receipts/invoices (*notas fiscais*) with tax numbers from authorized printing companies

Time: 3 days
Cost: BRL 600
Comments: BRL 600 (BRL 0.6 per page, assuming a total of 1000 pages).

Procedure 12. Open a FGTS account at the federal savings bank (*Caixa Econômica Federal*)

Time: 1 day, simultaneous with procedure 7
Cost: No cost

Comments: In order to open the account, the entrepreneur must go to any local branch of the federal savings bank (*Caixa Econômica Federal*) with a copy of its tax number (CNPJ) and either an individual firm declaration or a partnership contract.

Procedure 13. Register employees with the social integration program (PIS)

Time: 1 day, simultaneous with procedure 7
Cost: No cost

Comments: The enrollment of a company's employees with the social integration program (PIS) is obtained by filing a form, signed by the company's legal representatives, with the *Caixa Econômica Federal*.

Procedure 14. Notify the employment of workers to the Ministry of Labor

Time: 1 day, simultaneous with procedure 7
Cost: No cost

Comments: The employer is obliged to inform the hiring or dismissal of any employee to the local department of the Ministry of Labor (*Delegacia Regional do Trabalho*) until the 15th day of the month subsequent to the month of the event, upon delivery of written notice by post or via internet.

Procedure 15. Registration with the patronal union and with the employees union

Time: 5 days, simultaneous with procedure 7
Cost: Annual fee to be paid depending on the union

Comments: The company will have to register at the patronal union corresponding to the firm's activity and will have to pay the contribution to the patronal union. Each municipality and state shall have their Unions as to the activity rendered by the company.

STARTING A BUSINESS

Rio Grande do Sul

Standard company legal form: Sociedade Limitada
City: Porto Alegre
Data as of: January 2006

Procedure 1. Check company name with the Board of Trade of the state of Rio Grande do Sul (JUCERGS)

Time: 2 days
Cost: BRL 20

Procedure 2. Request the registration number for federal taxes—National Registry of Legal Entities (CNPJ)

Time: 1 day
Cost: No cost

Comments: The initial registration at the CNPJ and subsequent modifications can now be obtained at the Board of Trade following an agreement by the state body and the *Receita Federal*. The request is done on line. The taxpayer accesses the web site of the federal tax authority (*Receita Federal*) and downloads the program *Receitnet*. At the site, she must fill in the registration forms—*Ficha Cadastral da Pessoa Jurídica* and *Quadro de Sócios e Administradores*—save them in a disk, send it to the federal tax authority via *Receitnet* and print the entry form—*Documento Básico de Entrada (DBE)*. The DBE and the disk will be added to the registration procedures at the Board of Trade. The enrollment at the National Institute of Social Security (INSS) is automatic with the issuance of the CNPJ.

Procedure 3. Pay the Board of Trade's registration fees

Time: 1 day
Cost: See procedure 4

Procedure 4. Register with the Board of Trade

Time: 10 days
Cost: BRL 65.06

Procedure 5. Register company for state taxes at *Secretaria da Fazenda do Estado*

Time: 3 days
Cost: No cost

Procedure 6. Obtain the authorization to print receipts/invoices (AIDF) from the state's tax authority

Time: 1 day
Cost: No cost

Procedure 7. Register company for municipal taxes at the *Secretaria Municipal de Finanças*

Time: 15 days
Cost: No cost

Comments: Starting in May 2006, the registration at the Board of Trade, registration for federal taxes (CNPJ) and the registration for municipal taxes (ISSQN) is simultaneous, provided the entrepreneur completes the forms correctly and provides the necessary validated signatures. Although the agreement between the municipality and the Board of Trade was operational in January, in practice, until this month the entrepreneur had to bring the documentation for verification at the municipality after completing the registration at the Board of Trade.

Procedure 8. Pay the municipal *Taxa de Licença de Localização*

Time: 1 day, simultaneous with procedure 7
Cost: BRL 47.65

Procedure 9. Obtain operational license (*alvará de localização*)**Time:** 1 day**Cost:** See procedure 8**Comments:** The company must request the operational license (*alvará de localização*) at the municipal department of industry and commerce (*Secretaria Municipal da Indústria e Comércio*).**Procedure 10. Obtain the authorization to print receipts/invoices (AIDF) from the municipal department of finance****Time:** 1 day**Cost:** No cost**Procedure 11. Order receipts/invoices (*notas fiscais*) with tax numbers from authorized printing companies****Time:** 3 days**Cost:** BRL 600**Comments:** BRL 600 (BRL 0.6 per page, assuming a total of 1000 pages).**Procedure 12. Open a FGTS account at the federal savings bank (*Caixa Econômica Federal*)****Time:** 1 day, simultaneous with procedure 7**Cost:** No cost**Comments:** In order to open the account, the entrepreneur must go to any local branch of the federal savings bank (*Caixa Econômica Federal*) with a copy of its tax number (CNPJ) and either an individual firm declaration or a partnership contract.**Procedure 13. Register employees with the social integration program (PIS)****Time:** 1 day, simultaneous with procedure 7**Cost:** No cost**Comments:** The enrollment of a company's employees with the social integration program (PIS) is obtained by filing a form, signed by the company's legal representatives, with the *Caixa Econômica Federal*.**Procedure 14. Notify the employment of workers to the Ministry of Labor****Time:** 1 day, simultaneous with procedure 7**Cost:** No cost**Comments:** The employer is obliged to inform the hiring or dismissal of any employee to the local department of the Ministry of Labor (*Delegacia Regional do Trabalho*) until the 15th day of the month subsequent to the month of the event, upon delivery of written notice by post or via internet.**Procedure 15. Registration with the patronal union and with the employees union****Time:** 5 days, simultaneous with procedure 7**Cost:** Annual fee to be paid depending on the union**Comments:** The company will have to register at the patronal union corresponding to the firm's activity and will have to pay the contribution to the patronal union. Each municipality and state shall have their Unions as to the activity rendered by the company.

STARTING A BUSINESS

Rondônia*Standard company legal form: Sociedade Limitada**City: Porto Velho**Data as of: January 2006***Procedure 1. Check company name with the state's Board of Trade of the state of Rondônia (JUCER)****Time:** 1 day**Cost:** BRL 25**Procedure 2. Request the registration number for federal taxes—National Registry of Legal Entities (CNPJ)****Time:** 1 day**Cost:** No cost**Comments:** The request is done on line. The taxpayer accesses the web site of the federal tax authority (*Receita Federal*) and downloads the program *Receitanet*. At the site, she must fill in the registration forms—*Ficha Cadastral da Pessoa Jurídica e/ou Quadro de Sócios e Administradores*—save them in a disk, send it to the federal tax authority via *Receitanet* and print the entry form—*Documento Básico de Entrada (DBE)*. The DBE and the disk will be added to the registration procedures at the Board of Trade. The enrollment at the National Institute of Social Security (INSS) is automatic with the issuance of the CNPJ.**Procedure 3. Pay the Board of Trade's registration fees****Time:** 1 day**Cost:** See procedure 4**Procedure 4. Register with the Board of Trade****Time:** 2 days**Cost:** BRL 275.06**Comments:** The time is estimated in 3 days in case there are additional requirements in the registration process. If everything is correct, the process can be completed in one day. At the same time, the company also requests the registration for federal taxes (CNPJ) and for state taxes. This is possible thanks to the shared registry implemented by the Government of the state of Rondônia.**Procedure 5. Complete the registration for state taxes at the *Secretaria de Estado de Finanças*****Time:** 4 days**Cost:** BRL 12.34**Comments:** The form to request the inscription is created on line. It can only be created if the mandatory fields have been completed and the accountant is registered in the "network of partners" (*Rede de Parceiros*). Once the document has been created and printed it is presented at the Board of Trade (JUCER) with the signatures of the managing partner and the accountant. The request is done at the Board of Trade, but it takes 4 to 5 days until the registration is complete. Progress can be followed on line.**Procedure 6. Obtain the authorization to print receipts/invoices (AIDF) from the state's tax authority****Time:** 1 day**Cost:** No cost**Procedure 7. Request fire brigade license****Time:** Procedures 7 to 9 take 20 days, simultaneous with procedure 5**Cost:** BRL 32.11**Procedure 8. Inspection by the fire brigade****Time:** Included in previous procedure**Cost:** No cost

Procedure 9. Request location and operational licenses (*alvará de licença de localização e funcionamento*)

Time: Included in previous procedure

Cost: BRL 30.90

Comments: It is necessary to present a validated copy of the Security Certificate by the fire brigade. The license of location (*alvará de localização*) has indefinite validity, but the operational license (*alvará de funcionamento*) must be renewed every year.

Procedure 10. Inspection by the officials from the municipal department of finance (*Secretaria Municipal de Fazenda*)

Time: Included in previous procedure

Cost: Not available

Procedure 11. Payment of the municipal *Taxa de Funcionamento*

Time: Included in previous procedure

Cost: BRL 200

Comments: The value of the fee varies according to the size of the premises. The cost is an estimate.

Procedure 12. Obtain the authorization to print receipts/invoices (AIDF) from the municipal department of finance

Time: 1 day

Cost: No cost

Procedure 13. Order receipts/invoices (*notas fiscais*) with tax numbers from authorized printing companies

Time: 3 days

Cost: BRL 600

Comments: BRL 600 (BRL 0.6 per page, assuming a total of 1000 pages).

Procedure 14. Open a FGTS account at the federal savings bank (*Caixa Econômica Federal*)

Time: 1 day, simultaneous with procedure 7

Cost: No cost

Comments: In order to open the account, the entrepreneur must go to any local branch of the federal savings bank (*Caixa Econômica Federal*) with a copy of its tax number (CNPJ) and either an individual firm declaration or a partnership contract.

Procedure 15. Register employees with the social integration program (PIS)

Time: 1 day, simultaneous with procedure 7

Cost: No cost

Comments: The enrollment of a company's employees with the social integration program (PIS) is obtained by filing a form, signed by the company's legal representatives, with the *Caixa Econômica Federal*.

Procedure 16. Notify the employment of workers to the Ministry of Labor

Time: 1 day, simultaneous with procedure 7

Cost: No cost

Comments: The employer is obliged to inform the hiring or dismissal of any employee to the local department of the Ministry of Labor (*Delegacia Regional do Trabalho*) until the 15th day of the month subsequent to the month of the event, upon delivery of written notice by post or via internet.

Procedure 17. Registration with the patronal union and with the employees union

Time: 5 days, simultaneous with procedure 7

Cost: Annual fee to be paid depending on the union

Comments: The company must register at the patronal union corresponding to the firm's activity and pay the contribution to the patronal union. Each municipality and state shall have their Unions as to the activity rendered by the company.

STARTING A BUSINESS

Santa Catarina

Standard company legal form: Sociedade Limitada

City: Florianópolis

Data as of: January 2006

Procedure 1. Check company name with the Board of Trade of the state of Santa Catarina (JUCESC)

Time: 1 day

Cost: BRL 5

Procedure 2. Pay the Board of Trade's registration fees

Time: 1 day

Cost: See procedure 4

Procedure 3. Register with the Board of Trade

Time: 10 days

Cost: BRL 55.06

Comments: The Board of Trade of the state of Santa Catarina (JUCESC) introduced on January 25, 2006 a new system in the city of Jaraguá do Sul. The system, which has been in development since 2003, is called REGIM (*Projeto Registro Mercantil Integrado*) and aims at facilitating the process to start a business in Santa Catarina. With this system, together with the registration at the Board of Trade, the entrepreneur will be able to obtain the CNPJ, the registration for state taxes, the request for the operational license at the municipality, for the fire brigade inspection and for the sanitary license. The pilot project is initially available in the cities of Jaraguá do Sul and Guarimirim, but the system is expected to be expanded throughout the state by March.

Procedure 4. Request the registration number for federal taxes—National Registry of Legal Entities (CNPJ)

Time: 5 day

Cost: No cost

Comments: All firms need to register at the National Registry of Legal Entities (CNPJ) to be able to operate in Brazil. The request is done via internet, with the subsequent obligation of sending the original documents to the federal tax authority (*Receita Federal*). The enrollment at the National Institute of Social Security (INSS) is automatic with the issuance of the CNPJ.

Procedure 5. Register company for state taxes at the *Secretaria de Estado da Fazenda*

Time: 8 days

Cost: BRL 50

Comments: The participation of an accountant is required. The name and registration number of the company's accountant must be provided at the time of registration.

Procedure 6. Obtain the authorization to print receipts/invoices (AIDF) from the state's tax authority

Time: 1 day

Cost: No cost

Procedure 7. Conduct consultation of the feasibility of the activity at the municipality (*viabilidade de funcionamento*)

Time: procedures 7 to 9 take 30 days, simultaneous with procedure 1

Cost: No cost

Comments: This procedure takes 30 days. A sketch is required with the dimensions and location of the premises, together with the *Habite-se* (only for new buildings) and the fire brigade license. The department of urban planning and public services (*Secretaria de Urbanismo e Serviços Públicos*) is in charge of the feasibility confirmation.

Procedure 8. Request fire brigade license

Time: Included in previous procedure

Cost: BRL 23

Procedure 9. Inspection by the fire brigade**Time:** Included in previous procedure**Cost:** See procedure 8**Procedure 10. Request the operational license (*alvará de licença e funcionamento*)****Time:** Procedures 10 to 12 take 10 days**Cost:** BRL 11.22**Comments:** Obtaining the license registers the company with the municipal taxpayers' registry. The required documentation includes the social contract, CNPJ, feasibility consultation or Habite-se, certificate of inspection by the fire brigade, sanitary license (only for activities related to health, education and food), and application form completed and signed. The processing fee to obtain the license is BRL 11.22.**Procedure 11. Inspection by municipal tax officials****Time:** Included in previous procedure**Cost:** No cost**Procedure 12. Payment of the municipal *Taxa de Licença de Localização*****Time:** Included in previous procedure**Cost:** BRL 400**Comments:** The fee depends on the activity and the number of employees.**Procedure 13. Obtain the authorization to print receipts/invoices (AIDF) from the municipal department of finance****Time:** 1 day**Cost:** No cost**Procedure 14. Order receipts/invoices (*notas fiscais*) with tax numbers from authorized printing companies****Time:** 3 days**Cost:** BRL 600**Comments:** BRL 600 (BRL 0.6 per page, assuming a total of 1000 pages).**Procedure 15. Open a FGTS account at the federal savings bank (*Caixa Econômica Federal*)****Time:** 1 day, simultaneous with procedure 10**Cost:** No cost**Comments:** In order to open the account, the entrepreneur must go to any local branch of the federal savings bank (*Caixa Econômica Federal*) with a copy of its tax number (CNPJ) and either an individual firm declaration or a partnership contract.**Procedure 16. Register employees with the social integration program (PIS)****Time:** 1 day, simultaneous with procedure 10**Cost:** No cost**Comments:** The enrollment of a company's employees with the social integration program (PIS) is obtained by filing a form, signed by the company's legal representatives, with the *Caixa Econômica Federal*.**Procedure 17. Notify the employment of workers to the Ministry of Labor****Time:** 1 day, simultaneous with procedure 10**Cost:** No cost**Comments:** The employer is obliged to inform the hiring or dismissal of any employee to the local department of the Ministry of Labor (*Delegacia Regional do Trabalho*) until the 15th day of the month subsequent to the month of the event, upon delivery of written notice by post or via internet.**Procedure 18. Registration with the patronal union and with the employees union****Time:** 5 days, simultaneous with procedure 10**Cost:** Annual fee to be paid depending on the union**Comments:** The company will have to register at the patronal union corresponding to the firm's activity and will have to pay the contribution to the patronal union. Each municipality and state shall have their Unions as to the activity rendered by the company.

Case studies

Registering property

REGISTERING PROPERTY

Requirements	Amazonas Manaus		Bahia Salvador		Ceará Fortaleza		Federal District Brasília		Maranhão São Luís	
	Time (days)	Cost (BRL)	Time (days)	Cost (BRL)	Time (days)	Cost (BRL)	Time (days)	Cost (BRL)	Time (days)	Cost (BRL)
1 Obtain a Certificate from the Labor Justice Department assuring that the company has no pending settlements.	10*	13.00	4*	8.50	3*	15.00	1*	0.00	3*	5.53
2 Request three documents from the Real Estate Registry with jurisdiction on the property to verify past and present owners, absence of liens and current boundaries of the property.	2	27.50	11	10.17	8	25.00	4	32.00	5	80.00
3 Request a Debt Clearance Certificate from the City Hall regarding any pending municipal tax on the property.	1	15.00	1	0.00	5	0.00	3	0.00	5	0.00
4 Obtain the most recent Trade Certificate from the Board of Trade describing the company.	2	15.00	3	13.00	3	25.00	1	1.51	2	32.00
5 Obtain a Debt Clearance Certificate at the National Institute of Social Security ensuring that the company is current on social security payments.	1	0.00	2	0.00	3	1.80	4	0.00	1	0.00
6 Obtain a Certificate regarding the status of payments to the mandatory worker's compensation fund – FGTS at the federal savings bank (Caixa Econômica Federal).	1	0.00	3	0.00	3	6.00	1	0.00	1	0.00
7 Obtain a Certificate showing timely payment of federal taxes from the Ministry of Finance.	1	0.00	1	0.42	3	1.20	1	0.00	1	0.00
8 Obtain a Certificate by the Registries of Disputes from the Disputes-Assigning Registry, where all commercial disputes are filed and then assigned to the competent registries.	1	100.00	2	2.00	5	12.00	2	8.77	2	15.00
9 Obtain a Certificate from the Civil Assigning Registries, a Certificate of Tax Enforcement and a Certificate of Bankruptcy and Compositions with Creditors (Concordata) from the Municipal Court to guarantee that no pending legal settlements are linked to the seller.	10	30.00	2	2.57	5	21.00	6	26.31	2	28.00
10 Obtain a Federal Justice Certificate at the Federal Internal Revenue Service.	1	0.40	1	0.27	1	0.00	1	0.00	1	0.00
11 Register all real estate-specific documents and seller-specific documents at the relevant Registry and obtain the deed of the sale.	3	5,544.00	30	661.00	10	2,713.56	2	302.00	2	2,366.14
12 Register the deed with the Real State Registry with jurisdiction over the property to conclude registration and change of the owner's name.	13	1,300.00	23	404.65	13	1,675.00	30	295.00	3	1,177.07
13 Pay the real estate transfer tax (ITIV) at Banco do Brasil.	2	9,100.31	2	5,402.00	3	3,618.08	1	16,920.04	1	2,354.14
14 Update the property registration at the City Hall for land taxation purposes (IPTU—Municipal Real Estate Tax) providing the new owner's name.	2	15.00	7	3.00	1	0.00	1	0.00	1	0.00
Total	40	21,952.91	88	6,507.58	63	8,113.63	57	17,585.63	27	6,057.89

*Simultaneous with the issue of other documents; therefore, it was placed on top.

REGISTERING PROPERTY

Requirements	Mato Grosso Cuiabá		Mato Grosso Do Sul Campo Grande		Minas Gerais Belo Horizonte		Rio de Janeiro Rio de Janeiro	
	Time (days)	Cost (BRL)	Time (days)	Cost (BRL)	Time (days)	Cost (BRL)	Time (days)	Cost (BRL)
1 Obtain a Certificate from the Labor Justice Department assuring that the company has no pending settlements.	3*	5.50	5*	20.00	2*	5.53	5*	6.00
2 Request three documents from the Real Estate Registry with jurisdiction on the property to verify past and present owners, absence of liens and current boundaries of the property.	3	50.00	10	100.00	5	60.00	7	35.00
3 Request a Debt Clearance Certificate from the City Hall regarding any pending municipal tax on the property.	2	50.00	3	0.00	1	0.00	1	0.00
4 Obtain the most recent Trade Certificate from the Board of Trade describing the company.	2	15.00	5	20.00	4	20.00	5	122.00
5 Obtain a Debt Clearance Certificate at the National Institute of Social Security ensuring that the company is current on social security payments.	1	0.00	1	0.00	1	0.00	1	0.00
6 Obtain a Certificate regarding the status of payments to the mandatory worker's compensation fund – FGTS at the federal savings bank (Caixa Econômica Federal).	1	0.00	1	0.00	1	0.00	1	0.00
7 Obtain a Certificate showing timely payment of federal taxes from the Ministry of Finance.	2	10.00	1	0.00	1	0.00	1	0.00
8 Obtain a Certificate by the Registries of Disputes from the Disputes-Assigning Registry, where all commercial disputes are filed and then assigned to the competent registries.	2	14.00	10	50.00	5	18.23	10	100.00
9 Obtain a Certificate from the Civil Assigning Registries, a Certificate of Tax Enforcement and a Certificate of Bankruptcy and Compositions with Creditors (Concordata) from the Municipal Court to guarantee that no pending legal settlements are linked to the seller.	2	61.40	10	60.00	2	3.97	7	140.00
10 Obtain a Federal Justice Certificate at the Federal Internal Revenue Service.	2	50.00	3	5.00	1	0.00	1	0.00
11 Register all real estate-specific documents and seller-specific documents at the relevant Registry and obtain the deed of the sale.	5	2,097.66	20	8,633.88	1	1,362.25	15	2,000.00
12 Register the deed with the Real State Registry with jurisdiction over the property to conclude registration and change of the owner's name.	15	1,893.10	8	2,440.00	30	1,362.25	15	1,900.68
13 Pay the real estate transfer tax (ITIV) at Banco do Brasil.	1	8,390.65	1	8,633.88	1	9,635.72	1	12,671.21
14 Update the property registration at the City Hall for land taxation purposes (IPTU—Municipal Real Estate Tax) providing the new owner's name.	5	46.42	10	20.00	5	0.00	10	0.00
Total	43	12,683.73	83	19,982.77	58	12,467.95	75	16,974.89

*Simultaneous with the issue of other documents; therefore, it was placed on top.

REGISTERING PROPERTY

Requirements	Rio Grande do Sul Porto Alegre PROPERTY VALUE BRL 603,527.00 USD 263,548		Rondônia Manaus PROPERTY VALUE BRL 287,150.00 USD 125,393		Santa Catarina Florianópolis PROPERTY VALUE BRL 547,439.00 USD 239,056	
	Time (days)	Cost (BRL)	Time (days)	Cost (BRL)	Time (days)	Cost (BRL)
1 Obtain a Certificate from the Labor Justice Department assuring that the company has no pending settlements.	2*	4.15	5*	1.94	3*	10.00
2 Request three documents from the Real Estate Registry with jurisdiction on the property to verify past and present owners, absence of liens and current boundaries of the property.	4	26.67	5	12.98	2	15.00
3 Request a Debt Clearance Certificate from the City Hall regarding any pending municipal tax on the property.	3	4.50	8	20.00	1	5.00
4 Obtain the most recent Trade Certificate from the Board of Trade describing the company.	2	20.00	8	35.00	2	0.00
5 Obtain a Debt Clearance Certificate at the National Institute of Social Security ensuring that the company is current on social security payments.	5	2.50	1	0.00	1	0.00
6 Obtain a Certificate regarding the status of payments to the mandatory worker's compensation fund – FGTS at the federal savings bank (Caixa Econômica Federal).	4	0.00	1	0.00	2	5.00
7 Obtain a Certificate showing timely payment of federal taxes from the Ministry of Finance.	1	0.00	1	0.00	1	0.00
8 Obtain a Certificate by the Registries of Disputes from the Disputes-Assigning Registry, where all commercial disputes are filed and then assigned to the competent registries.	2	21.00	5	60.00	2	10.00
9 Obtain a Certificate from the Civil Assigning Registries, a Certificate of Tax Enforcement and a Certificate of Bankruptcy and Compositions with Creditors (Concordata) from the Municipal Court to guarantee that no pending legal settlements are linked to the seller.	1	3.00	1	0.00	3	5.00
10 Obtain a Federal Justice Certificate at the Federal Internal Revenue Service.	1	1.63	1	0.00	1	0.00
11 Register all real estate-specific documents and seller-specific documents at the relevant Registry and obtain the deed of the sale.	12	1,878.08	30	5,743.01	2	660.00
12 Register the deed with the Real State Registry with jurisdiction over the property to conclude registration and change of the owner's name.	23	1,878.08	1	1,878.00	20	660.00
13 Pay the real estate transfer tax (ITIV) at Banco do Brasil.	6	18,105.80	2	5,743.01	11	10,948.78
14 Update the property registration at the City Hall for land taxation purposes (IPTU—Municipal Real Estate Tax) providing the new owner's name.	17	7.50	5	18.32	3	20.00
Total	81	21,952.91	69	13,512.25	51	12,338.78

*Simultaneous with the issue of other documents; therefore, it was placed on top.

Acknowledgments

Contact details of local partners are available
on the Doing Business website at
<http://rru.worldbank.org/doingbusiness>

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PUBLIC OFFICIALS

AMAZONAS, MANAUS

Eraldo Boéchart Leal
SECRETÁRIO DE ESTADO DE PLANEJAMENTO
E DESENVOLVIMENTO ECONÔMICO

Francisco Cloacir
BANCO DO BRASIL

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