

A World Bank Group Flagship Report

14TH EDITION

Doing Business 2017

Equal Opportunity for All

Economy Profile 2017

Brazil



Comparing Business Regulation
for Domestic Firms in **190** Economies

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1818 H Street NW, Washington DC 20433
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INTRODUCTION

Doing Business sheds light on how easy or difficult it is for a local entrepreneur to open and run a small to medium-size business when complying with relevant regulations. It measures and tracks changes in regulations affecting 11 areas in the life cycle of a business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and labor market regulation. *Doing Business 2017* presents the data for the labor market regulation indicators in an annex. The report does not present rankings of economies on labor market regulation indicators or include the topic in the aggregate distance to frontier score or ranking on the ease of doing business.

In a series of annual reports *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 190 economies, from Afghanistan to Zimbabwe, over time. The data set covers 48 economies in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 25 in East Asia and the Pacific, 25 in Eastern Europe and Central Asia, 20 in the Middle East and North Africa and 8 in South Asia, as well as 32 OECD high-income economies. The indicators are used to analyze economic outcomes and identify what reforms have worked, where and why.

This economy profile presents the *Doing Business* indicators for Brazil. To allow useful comparison, it also

provides data for other selected economies (comparator economies) for each indicator. The data in this report are current as of June 1, 2016 (except for the paying taxes indicators, which cover the period January–December 2015).

The *Doing Business* methodology has limitations. Other areas important to business—such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders and getting electricity), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions—are not directly studied by *Doing Business*. The indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policy makers in designing regulatory reform.

More information is available in the full report. *Doing Business 2017* presents the indicators, analyzes their relationship with economic outcomes and presents business regulatory reforms. The data, along with information on ordering *Doing Business 2017*, are available on the *Doing Business* website at <http://www.doingbusiness.org>.

CHANGES IN *DOING BUSINESS 2017*

As part of a three-year update in methodology, *Doing Business 2017* expands further by adding postfiling processes to the paying taxes indicator, including a gender component in three of the indicators and developing a new pilot indicator on selling to the government. Also, for the first time this year *Doing Business* collects data on Somalia, bringing the total number of economies covered to 190.

The paying taxes indicator is expanded this year to include postfiling processes – those processes that occur after a firm complies with its regular tax obligations. These include tax refunds, tax audits and tax appeals. In particular, *Doing Business* measures the time it takes to get a value added tax (VAT) refund, deal with a simple mistake on a corporate tax return that can potentially trigger an audit and good practices with administrative appeals process.

This year's *Doing Business* report presents a gender dimension in four of the indicator sets: starting a business, registering property, enforcing contracts and labor market regulation. Three of these areas are included in the distance to frontier score and in the ease of doing business ranking, while the fourth—labor market regulation—is not.

Doing Business has traditionally assumed that the entrepreneurs or workers discussed in the case studies were men. This was incomplete by not reflecting correctly the *Doing Business* processes as applied to women—which in some economies may be different from the processes applied to men. Starting this year, *Doing Business* measures the starting a business process for two case scenarios: one where all entrepreneurs are men and one where all entrepreneurs are women. In economies where the processes are more onerous if the entrepreneur is a woman, *Doing Business* now counts the extra procedures applied to roughly half of the population that is female (for example, obtaining a husband's consent or gender-specific requirements for opening a personal bank account when starting a business). Within the registering property indicators, a gender component has been added to the quality of land administration index. This component measures women's ability to use, own, and transfer property according to the law. Finally, within the enforcing contracts indicator set, economies will be scored on

having equal evidentiary weight of women's testimony in court.

Also for the first time this year *Doing Business* collects data on Somalia, bringing the total number of economies covered to 190.

For more details on the changes, see the "Old and new factors covered in *Doing Business*" section in the Overview chapter starting on page 1 of the *Doing Business 2017* report. For more details on the data and methodology, please see the "Data Notes" chapter starting on page 114 of the *Doing Business 2017* report. For more details on the distance to frontier metric, please see the "Distance to frontier and ease of doing business ranking" chapter in this profile.

THE BUSINESS ENVIRONMENT

For policy makers trying to improve their economy's regulatory environment for business, a good place to start is to find out how it compares with the regulatory environment in other economies. *Doing Business* provides an aggregate ranking on the ease of doing business based on indicator sets that measure and benchmark regulations applying to domestic small to medium-size businesses through their life cycle. Economies are ranked from 1 to 190 by the ease of doing business ranking. *Doing Business* presents results for 2 aggregate measures: the distance to frontier score and the ease of doing business ranking. The ranking of economies is determined by sorting the aggregate distance to frontier scores, rounded to two decimals. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. (See the chapter on the distance to frontier and ease of doing business).

The ease of doing business ranking compares economies with one another; the distance to frontier score benchmarks economies with respect to regulatory best practice, showing the absolute distance to the best performance on each *Doing Business* indicator. When compared across years, the distance to frontier score shows how much the regulatory environment for local entrepreneurs in an economy has changed over time in absolute terms, while the ease of doing business ranking can show only how much the regulatory environment has changed relative to that in other economies.

The 10 topics included in the ranking in *Doing Business 2017*: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. The labor market regulation indicators are not included in this year's aggregate ease of doing business ranking, but the data are presented in the economy profile.

ECONOMY OVERVIEW

Region: Latin America & Caribbean

Income category: Upper middle income

Population: 207,847,528

GNI per capita (US\$): 9,850

DB2017 rank: 123

DB2016 rank: 121*

Change in rank: -2

DB 2017 DTF: 56.53

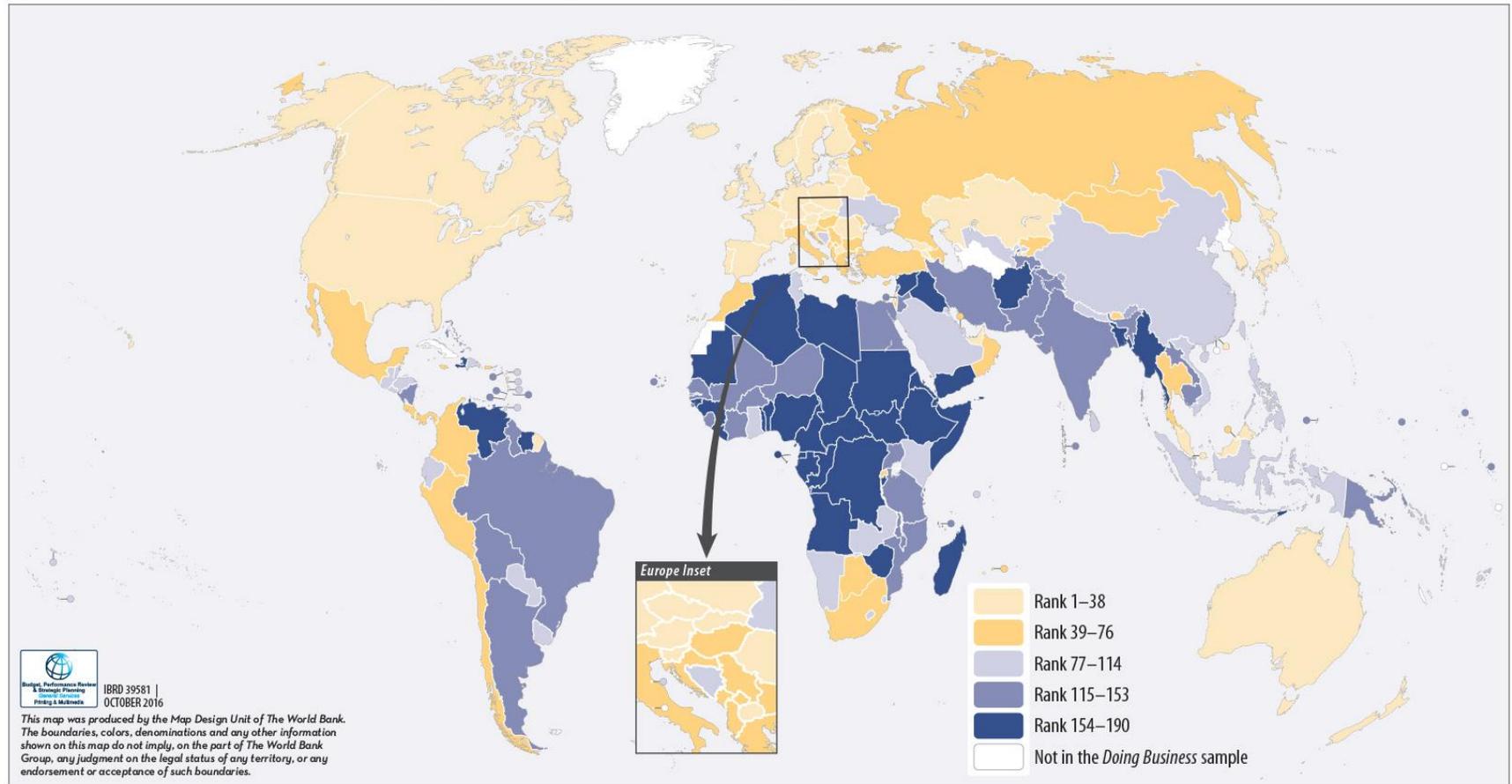
DB 2016 DTF: 56.60

Change in DTF: -0.07

* DB2016 ranking shown is not last year's published ranking but a comparable ranking for DB2016 that captures the effects of such factors as data revisions and the changes in methodology. See the data notes starting on page 114 of the *Doing Business 2017* report for sources and definitions.

THE BUSINESS ENVIRONMENT

Figure 1.1 Where economies stand in the global ranking on the ease of doing business



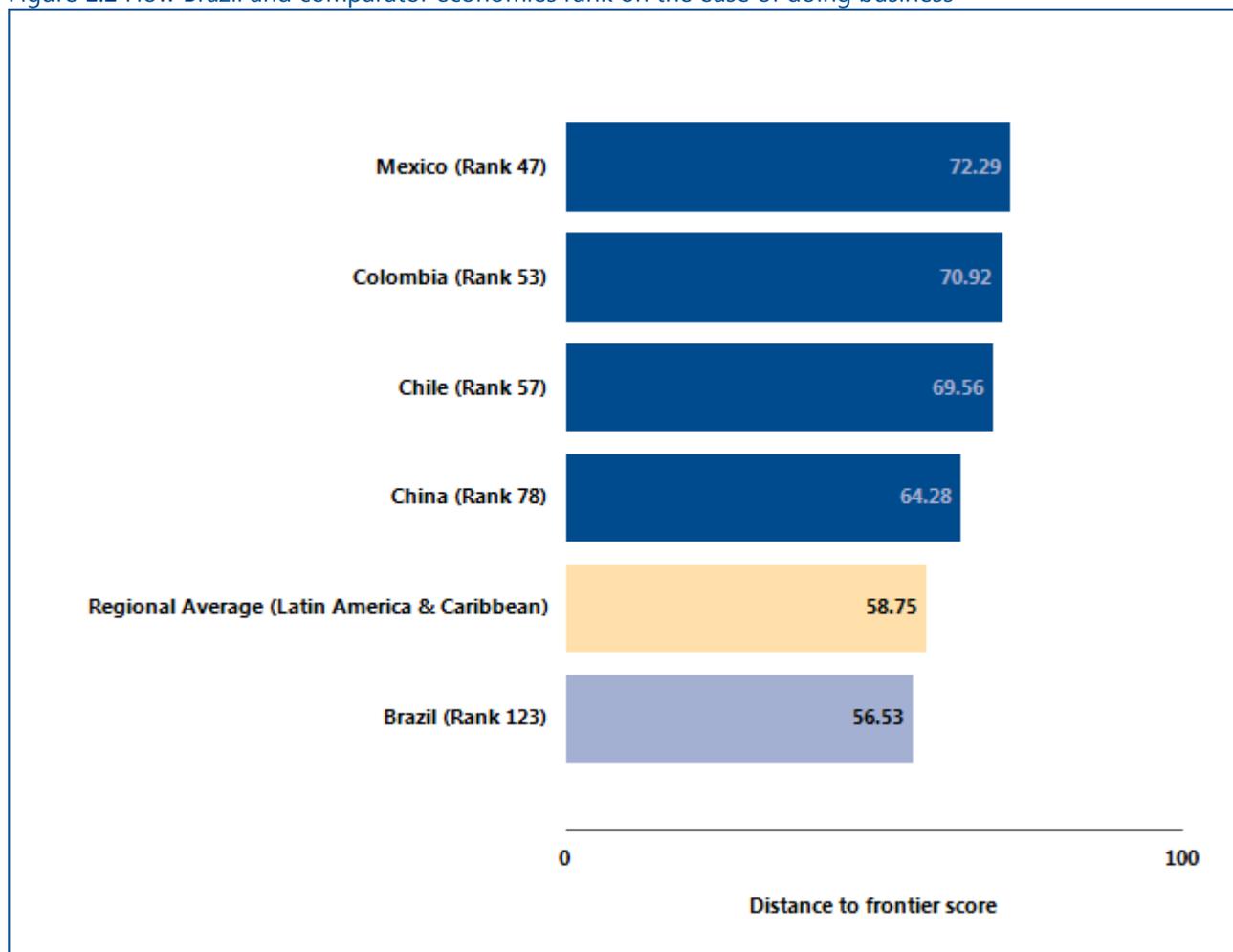
Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

For policy makers, knowing where their economy stands in the aggregate ranking on the ease of doing business is useful. Also useful is to know how it ranks relative to comparator economies and relative to the

regional average (figure 1.2). The economy's rankings (figure 1.3) and distance to frontier scores (figure 1.4) on the topics included in the ease of doing business ranking provide another perspective.

Figure 1.2 How Brazil and comparator economies rank on the ease of doing business



Note: The rankings are benchmarked to June 2016 and based on the average of each economy's distance to frontier (DTF) scores for the 10 topics included in this year's aggregate ranking. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. For the economies for which the data cover 2 cities, scores are a population-weighted average for the 2 cities.

Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

Figure 1.3 Rankings on *Doing Business* topics - Brazil
 (Scale: Rank 190 center, Rank 1 outer edge)

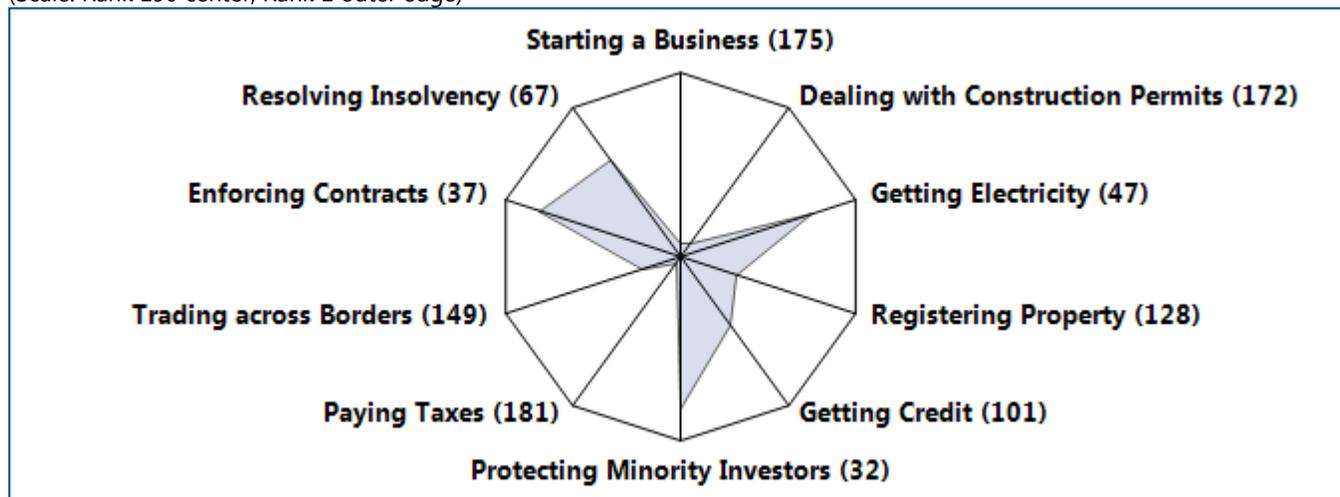
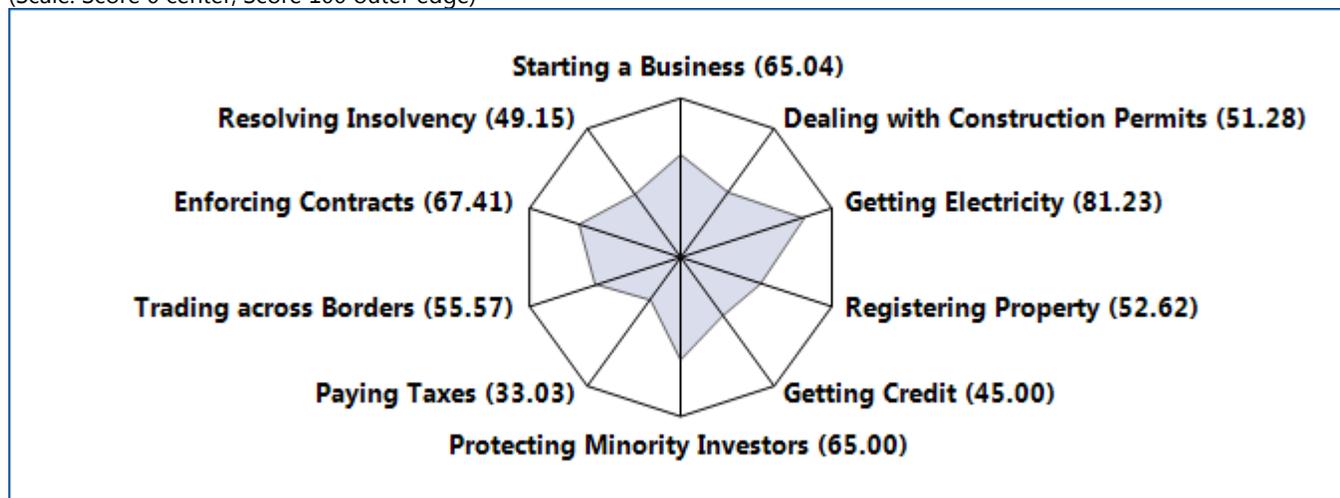


Figure 1.4 Distance to frontier scores on *Doing Business* topics - Brazil
 (Scale: Score 0 center, Score 100 outer edge)



Source: *Doing Business* database.

Note: The rankings are benchmarked to June 2016 and based on the average of each economy's distance to frontier (DTF) scores for the 10 topics included in this year's aggregate ranking. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. For the economies for which the data cover 2 cities, scores are a population-weighted average for the 2 cities.

THE BUSINESS ENVIRONMENT

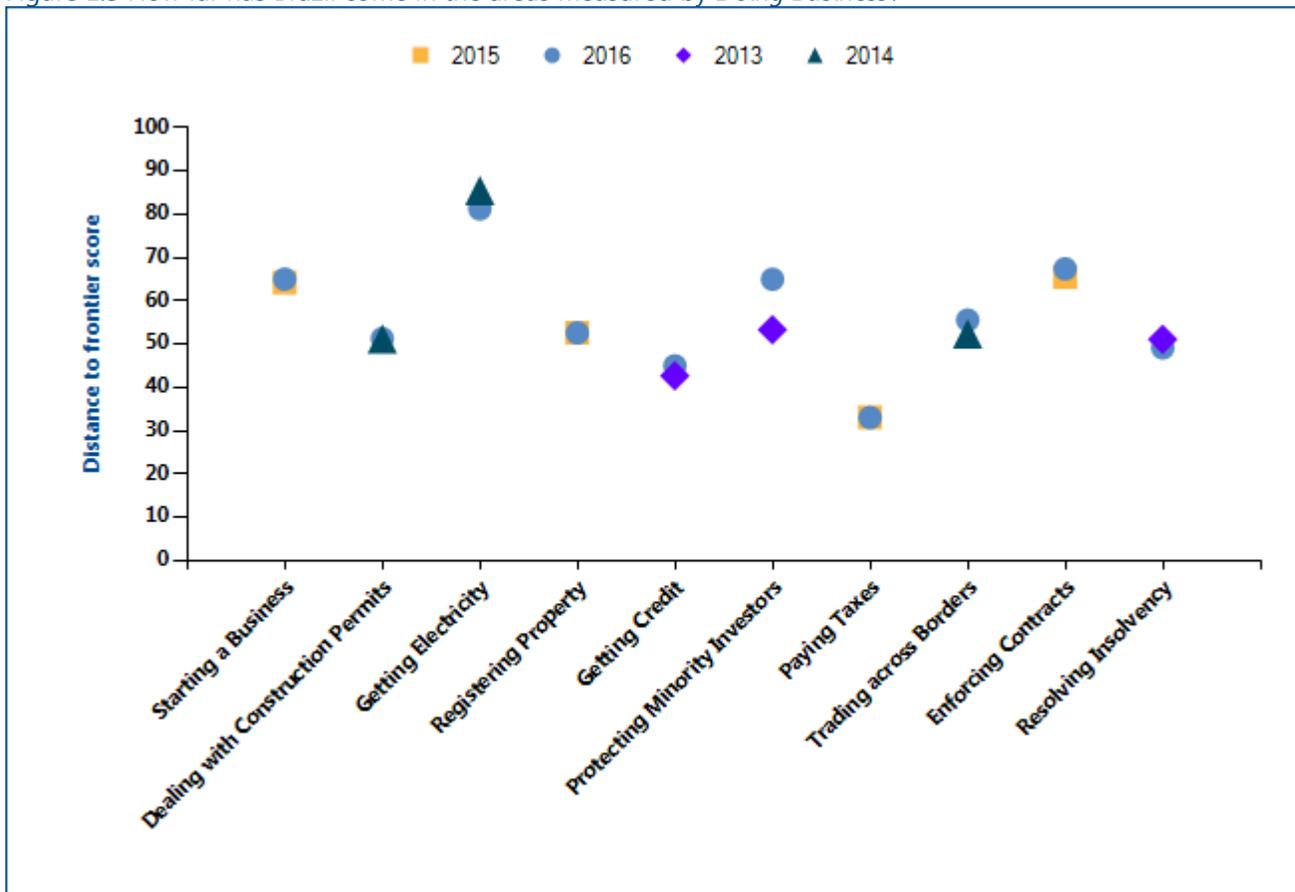
Just as the overall ranking on the ease of doing business tells only part of the story, so do changes in that ranking. Yearly movements in rankings can provide some indication of changes in an economy’s regulatory environment for firms, but they are always relative.

Moreover, year-to-year changes in the overall rankings do not reflect how the business regulatory environment in an economy has changed over time—or how it has changed in different areas. To aid in assessing such changes,

Doing Business introduced the distance to frontier score. This measure shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator.

Comparing the measure for an economy at 2 points in time allows users to assess how much the economy’s regulatory environment as measured by *Doing Business* has changed over time—how far it has moved toward (or away from) the most efficient practices and strongest regulations in areas covered by *Doing Business* (figure 1.5).

Figure 1.5 How far has Brazil come in the areas measured by *Doing Business*?



Note: The distance to frontier score shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator. Getting credit, protecting minority investors and resolving insolvency had methodology changes in 2014 and thus are only comparable to 2013. Dealing with construction permits, getting electricity and trading across borders had methodology changes in 2015 and thus are only comparable to 2014. Starting a business, registering property, paying taxes and enforcing contracts had methodology changes in 2016 and thus are only comparable to 2015. The measure is normalized to range between 0 and 100, with 100 representing the best performance (the frontier). See the data notes starting on page 114 of the *Doing Business 2017* report for more details on the distance to frontier score. Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

The absolute values of the indicators tell another part of the story (table 1.1). The indicators, on their own or in comparison with the indicators of a good practice economy or those of comparator economies in the region, may reveal bottlenecks reflected in large numbers of procedures, long delays or high costs. Or they may reveal unexpected strengths in an area of business

regulation—such as a regulatory process that can be completed with a small number of procedures in a few days and at a low cost. Comparison of the economy's indicators today with those in the previous year may show where substantial bottlenecks persist—and where they are diminishing.

Table 1.1 Summary of *Doing Business* indicators for Brazil

Indicator	Brazil DB2017	Brazil DB2016	São Paulo DB2017	Rio de Janeiro DB2017	Chile DB2017	China DB2017	Colombia DB2017	Mexico DB2017	Best performer globally DB2017
Starting a Business (Rank)	175	174	--	--	59	127	61	93	1 (New Zealand)
Starting a Business (DTF Score)	65.04	64.20	59.78	73.26	89.84	81.02	89.57	85.74	99.96 (New Zealand)
Procedure – Men (number)	11.0	11.0	11.0	11.0	7.0	9.0	6.0	7.8	1.0 (New Zealand)
Time – Men (days)	79.5	83.0	101.5	45.0	5.5	28.9	9.0	8.4	0.5 (New Zealand)
Cost – Men (% of income per capita)	5.2	4.8	4.1	6.8	0.7	0.7	7.5	17.8	0.0 (Slovenia)
Procedure – Women (number)	11.0	11.0	11.0	11.0	7.0	9.0	6.0	7.8	1.0 (New Zealand)
Time – Women (days)	79.5	83.0	101.5	45.0	5.5	28.9	9.0	8.4	0.5 (New Zealand)
Cost – Women (% of income per capita)	5.2	4.8	4.1	6.8	0.7	0.7	7.5	17.8	0.0 (Slovenia)
Paid-in min. capital (% of income per capita)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0 (127 Economies*)
Dealing with Construction Permits	172	170	--	--	26	177	34	83	1 (New Zealand)

Indicator	Brazil DB2017	Brazil DB2016	São Paulo DB2017	Rio de Janeiro DB2017	Chile DB2017	China DB2017	Colombia DB2017	Mexico DB2017	Best performer globally DB2017
(Rank)									
Dealing with Construction Permits (DTF Score)	51.28	51.27	50.44	52.59	78.83	48.52	76.54	69.79	87.40 (New Zealand)
Procedures (number)	18.2	18.2	19.0	17.0	13.0	22.0	10.0	13.0	7.0 (4 Economies*)
Time (days)	425.7	425.7	400.0	466.0	152.0	244.3	73.0	86.4	28.0 (Korea, Rep.)
Cost (% of warehouse value)	0.4	0.4	0.4	0.3	0.6	7.0	6.7	9.8	0.1 (Trinidad and Tobago)
Building quality control index (0-15)	9.0	9.0	9.0	9.0	13.0	9.0	11.0	11.7	15.0 (Luxembourg*)
Getting Electricity (Rank)	47	39	--	--	64	97	74	98	1 (Korea, Rep.)
Getting Electricity (DTF Score)	81.23	82.32	81.05	81.51	78.31	68.73	73.73	68.32	99.88 (Korea, Rep.)
Procedures (number)	4.0	4.0	4.0	4.0	6.0	5.5	5.0	6.8	3.0 (15 Economies*)
Time (days)	64.4	55.3	66.0	62.0	43.0	143.2	109.0	100.4	18.0 (Korea, Rep.*)
Cost (% of income per capita)	58.0	28.6	60.5	54.0	70.5	390.4	581.4	336.7	0.0 (Japan)
Reliability of supply and transparency of tariff index (0-8)	5.0	5.0	5.0	5.0	6.0	6.0	6.0	6.2	8.0 (26 Economies*)
Registering Property (Rank)	128	130	--	--	58	42	53	101	1 (New Zealand)
Registering Property (DTF Score)	52.62	52.64	52.86	52.25	70.89	76.15	73.29	61.05	94.46 (New Zealand)
Procedures (number)	13.6	13.6	14.0	13.0	6.0	4.0	6.0	7.7	1.0 (4 Economies*)

Indicator	Brazil DB2017	Brazil DB2016	São Paulo DB2017	Rio de Janeiro DB2017	Chile DB2017	China DB2017	Colombia DB2017	Mexico DB2017	Best performer globally DB2017
Time (days)	31.4	31.7	25.0	41.5	28.5	19.5	16.0	42.1	1.0 (3 Economies*)
Cost (% of property value)	3.1	3.1	3.6	2.5	1.2	3.4	2.0	5.2	0.0 (Saudi Arabia)
Quality of the land administration index (0-30)	13.8	13.8	14.0	13.5	14.0	18.3	16.5	16.3	29.0 (Singapore)
Getting Credit (Rank)	101	97	--	--	82	62	2	5	1 (New Zealand)
Getting Credit (DTF Score)	45.00	45.00	45.00	45.00	50.00	60.00	95.00	90.00	100.00 (New Zealand)
Strength of legal rights index (0-12)	2.0	2.0	2.0	2.0	4.0	4.0	12.0	10.0	12.0 (3 Economies*)
Depth of credit information index (0-8)	7.0	7.0	7.0	7.0	6.0	8.0	7.0	8.0	8.0 (30 Economies*)
Credit registry coverage (% of adults)	53.4	55.1	53.4	53.4	48.4	91.1	0.0	0.0	100.0 (3 Economies*)
Credit bureau coverage (% of adults)	78.9	79.0	78.9	78.9	12.4	21.3	92.1	100.0	100.0 (23 Economies*)
Protecting Minority Investors (Rank)	32	30	--	--	32	123	13	53	1 (New Zealand*)
Protecting Minority Investors (DTF Score)	65.00	65.00	65.00	65.00	65.00	45.00	73.33	60.00	83.33 (New Zealand*)
Strength of minority investor protection index (0-10)	6.5	6.5	6.5	6.5	6.5	4.5	7.3	6.0	8.3 (New Zealand*)
Extent of conflict of interest regulation index (0-10)	5.7	5.7	5.7	5.7	7.0	5.0	8.0	6.0	9.3 (New Zealand*)
Extent of shareholder governance index (0-	7.3	7.3	7.3	7.3	6.0	4.0	6.7	6.0	8.3 (Norway)

Indicator	Brazil DB2017	Brazil DB2016	São Paulo DB2017	Rio de Janeiro DB2017	Chile DB2017	China DB2017	Colombia DB2017	Mexico DB2017	Best performer globally DB2017
10)									
Paying Taxes (Rank)	181	181	--	--	120	131	139	114	1 (United Arab Emirates)
Paying Taxes (DTF Score)	33.03	33.12	33.05	32.99	63.85	60.46	58.91	65.81	99.44 (United Arab Emirates)
Payments (number per year)	9.6	9.6	10.0	9.0	7.0	9.0	12.0	6.0	3.0 (Hong Kong SAR, China*)
Time (hours per year)	2038.0	2600.0	2038.0	2038.0	291.0	259.0	239.0	286.0	55.0 (Luxembourg)
Total tax rate (% of profit)	68.4	68.1	68.0	69.0	30.5	68.0	69.8	52.0	26.1 (32 Economies*)
Postfiling index (0-100)	8.0	8.0	8.0	8.0	5.6	48.6	47.5	42.6	98.5 (Estonia)
Trading across Borders (Rank)	149	150	--	--	65	96	121	61	1 (10 Economies*)
Trading across Borders (DTF Score)	55.57	54.20	55.57	55.57	80.56	69.13	62.83	82.09	100.00 (10 Economies*)
Time to export: Border compliance (hours)	49	49	49	49	60	26	112	20	0 (18 Economies*)
Cost to export: Border compliance (USD)	959	959	959	959	290	522	545	400	0 (18 Economies*)
Time to export: Documentary compliance (hours)	18	18	18	18	24	21	60	8	1 (25 Economies*)
Cost to export: Documentary compliance (USD)	226	226	226	226	50	85	90	60	0 (19 Economies*)
Time to import: Border compliance (hours)	63	63	63	63	54	92	112	44	0 (25 Economies*)

Indicator	Brazil DB2017	Brazil DB2016	São Paulo DB2017	Rio de Janeiro DB2017	Chile DB2017	China DB2017	Colombia DB2017	Mexico DB2017	Best performer globally DB2017
Cost to import: Border compliance (USD)	970	970	970	970	290	777	545	450	0 (28 Economies*)
Time to import: Documentary compliance (hours)	120	146	120	120	36	66	64	18	1 (29 Economies*)
Cost to import: Documentary compliance (USD)	107	107	107	107	50	171	50	100	0 (30 Economies*)
Enforcing Contracts (Rank)	37	45	--	--	56	5	174	40	1 (Korea, Rep.)
Enforcing Contracts (DTF Score)	67.41	65.55	66.32	69.10	62.81	77.98	34.29	67.01	84.15 (Korea, Rep.)
Time (days)	731.0	731.0	731.0	731.0	480.0	452.8	1288.0	340.7	164.0 (Singapore)
Cost (% of claim)	20.7	20.7	20.7	20.7	28.6	16.2	45.8	33.0	9.0 (Iceland)
Quality of judicial processes index (0-18)	13.6	12.6	13.0	14.5	9.0	14.3	9.0	10.1	15.5 (Australia)
Resolving Insolvency (Rank)	67	60	--	--	55	53	33	30	1 (Finland)
Resolving Insolvency (DTF Score)	49.15	52.68	49.15	49.15	55.51	55.82	71.74	73.11	93.89 (Finland)
Recovery rate (cents on the dollar)	15.8	22.4	15.8	15.8	33.5	36.9	69.4	69.1	92.9 (Norway)
Time (years)	4.0	4.0	4.0	4.0	3.2	1.7	1.7	1.8	0.4 (22 Economies*)
Cost (% of estate)	12.0	12.0	12.0	12.0	14.5	22.0	8.5	18.0	1.0 (22 Economies*)
Strength of insolvency framework index (0-16)	13.0	13.0	13.0	13.0	12.0	11.5	11.0	11.5	15.0 (6 Economies*)

Source: Doing Business database.

Note: DB2016 rankings shown are not last year's published rankings but comparable rankings for DB2016 that capture the effects of such factors as data revisions and changes to the methodology. The global best performer on time for paying taxes is defined as the lowest

time recorded among all economies in the DB2016 sample that levy the 3 major taxes: profit tax, labor taxes and mandatory contributions, and VAT or sales tax. If an economy has no laws or regulations covering a specific area—for example, insolvency—it receives a “no practice” mark. Similarly, an economy receives a “no practice” mark if regulation exists but is never used in practice or if a competing regulation prohibits such practice. Either way, a “no practice” mark puts the economy at the bottom of the ranking on the relevant indicator. * Two or more economies share the top ranking on this indicator. A number shown in place of an economy’s name indicates the number of economies that share the top ranking on the indicator. For a list of these economies, see the *Doing Business* website (<http://www.doingbusiness.org>).

STARTING A BUSINESS

Formal registration of companies has many immediate benefits for the companies and for business owners and employees. Legal entities can outlive their founders. Resources are pooled as several shareholders join forces to start a company. Formally registered companies have access to services and institutions from courts to banks as well as to new markets. And their employees can benefit from protections provided by the law. An additional benefit comes with limited liability companies. These limit the financial liability of company owners to their investments, so personal assets of the owners are not put at risk. Where governments make registration easy, more entrepreneurs start businesses in the formal sector, creating more good jobs and generating more revenue for the government.

What do the indicators cover?

Doing Business records all procedures officially required, or commonly done in practice, for an entrepreneur to start up and formally operate an industrial or commercial business, as well as the time and cost to complete these procedures and the paid-in minimum capital requirement. These procedures include obtaining all necessary licenses and permits and completing any required notifications, verifications or inscriptions for the company and employees with relevant authorities. The ranking of economies on the ease of starting a business is determined by sorting their distance to frontier scores for starting a business. These scores are the simple average of the distance to frontier scores for each of the component indicators.

To make the data comparable across economies, several assumptions about the business and the procedures are used. It is assumed that any required information is readily available and that the entrepreneur will pay no bribes. Assumptions about the business:

- Is a limited liability company (or its legal equivalent). If there is more than one type of limited liability company in the economy, the limited liability form most common among domestic firms is chosen. Information on the most common form is obtained from incorporation lawyers or the statistical office.
- Operates in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Is 100% domestically owned and has five

WHAT THE STARTING A BUSINESS INDICATORS MEASURE

Procedures to legally start and operate a company (number)

Preregistration (for example, name verification or reservation, notarization)

Registration in the economy's largest business city¹

Postregistration (for example, social security registration, company seal)

Obtaining approval from spouse to start a business, to leave the home to register the company or open a bank account.

Obtaining any gender specific document for company registration and operation, national identification card or opening a bank account.

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day (2 procedures cannot start on the same day). Procedures that can be fully completed online are recorded as ½ day.

Procedure completed once final document is received

No prior contact with officials

Cost required to complete each procedure (% of income per capita)

Official costs only, no bribes

No professional fees unless services required by law or commonly used in practice

Paid-in minimum capital (% of income per capita)

Deposited in a bank or with a notary before registration (or within 3 months)

- The size of the entire office space is approximately 929 square meters (10,000 square feet).

owners, none of whom is a legal entity

- Has start-up capital of 10 times income per capita
- Performs general commercial or industrial activities, such as the production or sale to the public of products or services. The business does not perform foreign trade activities and does not handle products subject to a special tax regime, for example, liquor or tobacco. It is not using heavily polluting production processes.
- Leases the commercial plant or offices and is not a proprietor of real estate.
- The amount of the annual lease for the office space is equivalent to 1 times income per capita

- Does not qualify for investment incentives or any special benefits.
- Has at least 10 and up to 50 employees one month after the commencement of operations, all of them domestic nationals.
- Has a turnover of at least 100 times income per capita.
- Has a company deed 10 pages long.

The owners:

- Have reached the legal age of majority and are capable of making decisions as an adult. If there is no legal age of majority, they are assumed to be 30 years old.
- Are sane, competent, in good health and have no criminal record.
- Are married, the marriage is monogamous and registered with the authorities.
- Where the answer differs according to the legal system applicable to the woman or man in question (as may be the case in economies where there is legal plurality), the answer used will be the one that applies to the majority of the population.

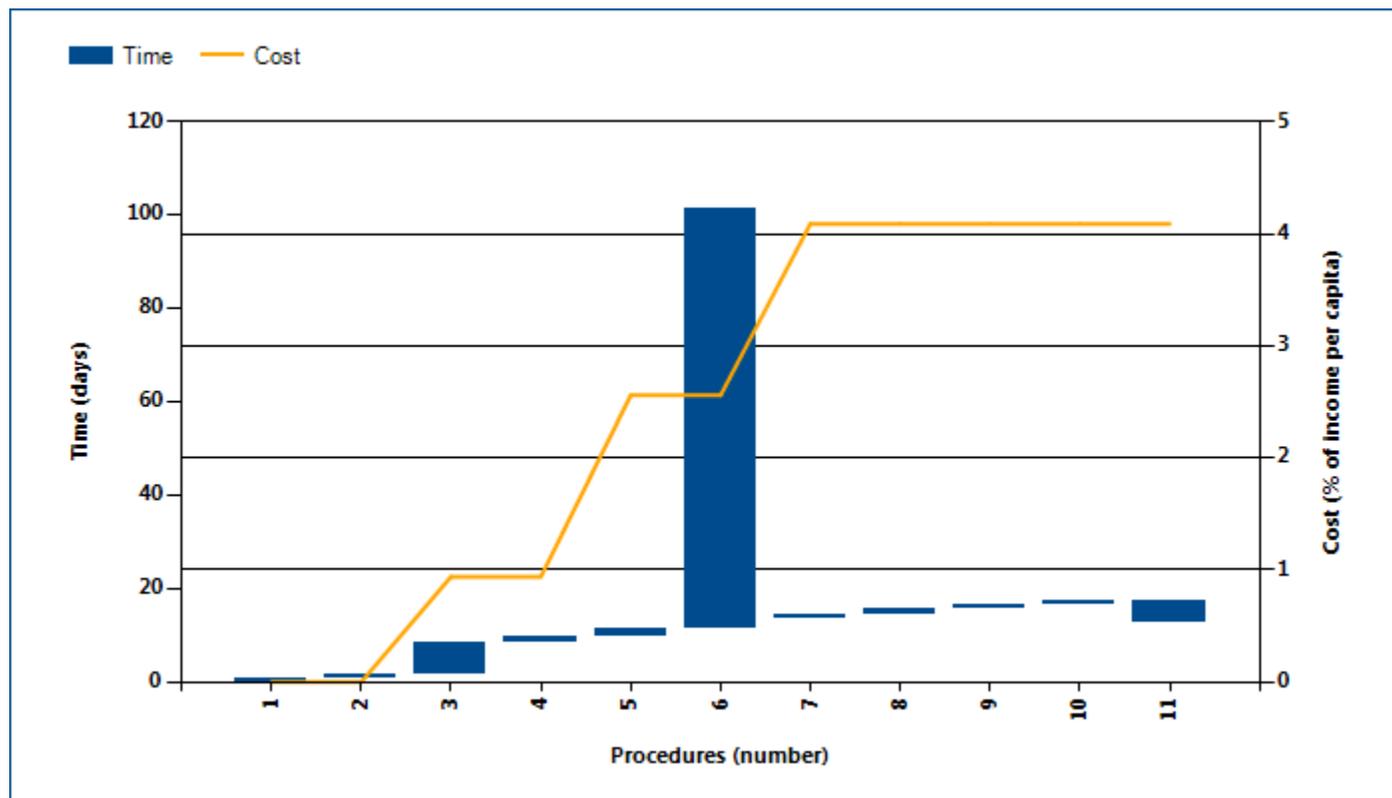
STARTING A BUSINESS

Where does the economy stand today?

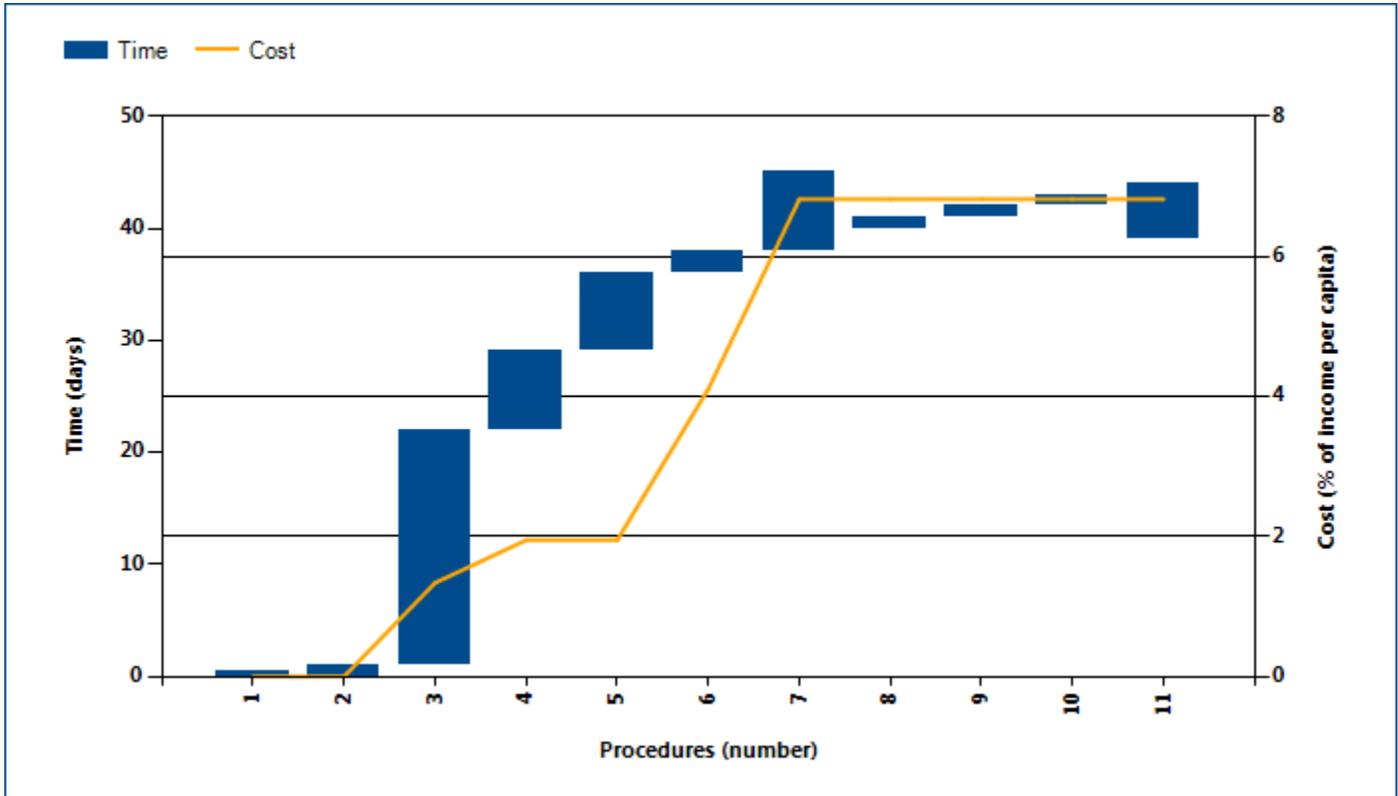
What does it take to start a business in Brazil? According to data collected by *Doing Business*, starting a business there requires 11.0 procedures, takes 79.5 days, costs 5.2% of income per capita for men, and requires 11.0 procedures, takes 79.5 days, costs 5.2% of income per capita for women. A requirement of paid-in minimum capital of 0.0% of income per capita (figure 2.1) is legally mandatory for both men and women. Most indicator sets

refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 2.1 What it takes to start a business in Brazil - São Paulo
Paid-in minimum capital (% of income per capita): 0.0



What it takes to start a business in Brazil - Rio de Janeiro



Source: *Doing Business* database.

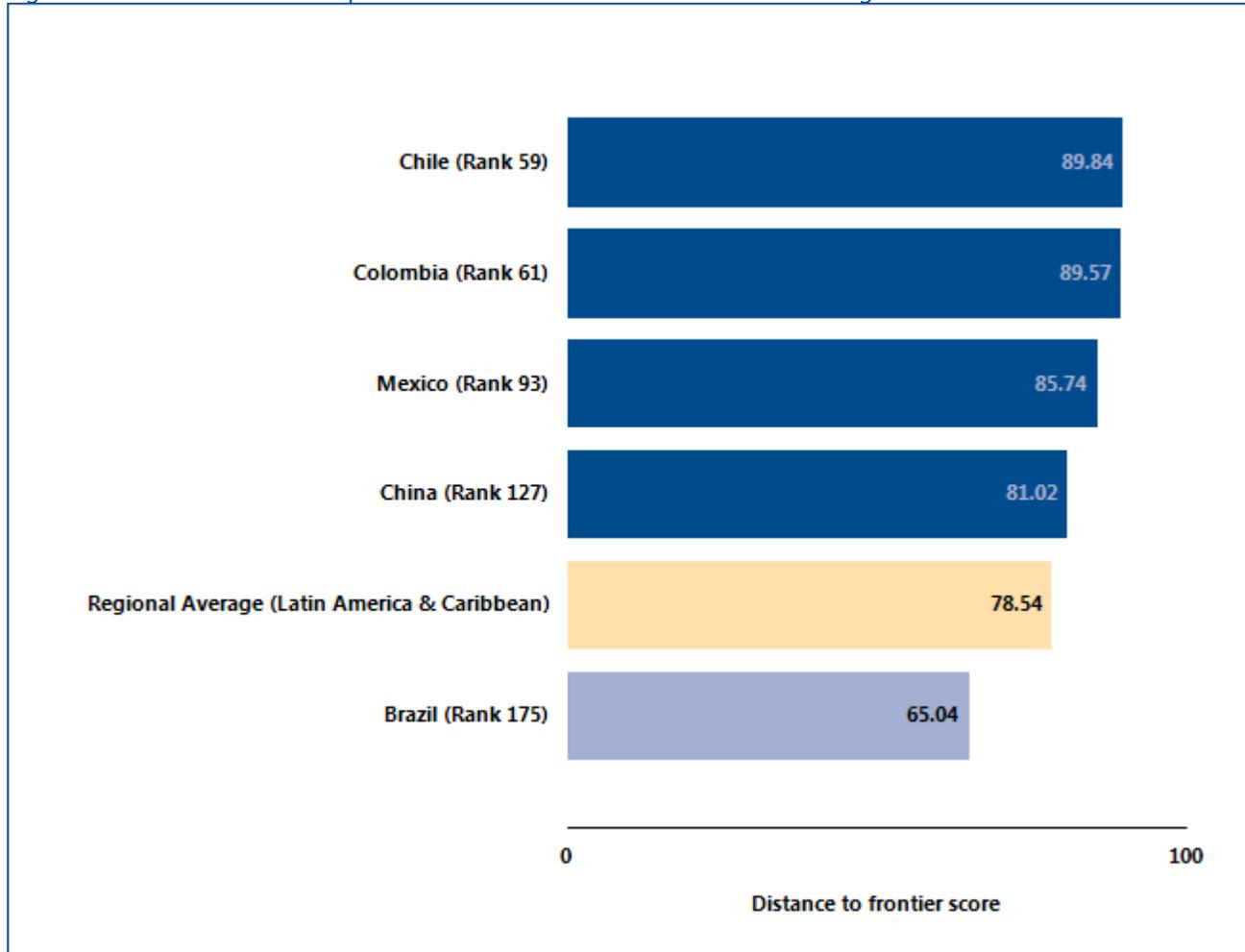
Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the starting a business indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter. Procedures in light blue are for married women only.

STARTING A BUSINESS

Globally, Brazil stands at 175 in the ranking of 190 economies on the ease of starting a business (figure 2.2). The rankings for comparator economies and the regional

average ranking provide other useful information for assessing how easy it is for an entrepreneur in Brazil to start a business.

Figure 2.2 How Brazil and comparator economies rank on the ease of starting a business



Source: Doing Business database.

STARTING A BUSINESS

Economies around the world have taken steps making it easier to start a business—streamlining procedures by setting up a one-stop shop, making procedures simpler or faster by introducing technology and reducing or eliminating minimum capital requirements. Many have undertaken business registration reforms in stages—and

they often are part of a larger regulatory reform program. Among the benefits have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities.

What business registration reforms has *Doing Business* recorded in Brazil (table 2.1)?

Table 2.1 How has Brazil made starting a business easier—or not?
By *Doing Business* report year from DB2011 to DB2017

DB year	Reform
DB2011	Brazil eased business start-up by further enhancing the electronic synchronization between federal and state tax authorities.
DB2017	Brazil reduced the time needed to start a business by implementing an online portal for business licenses in Rio de Janeiro. However, Brazil also made starting a business more difficult by shortening the opening hours of the business registry in Rio de Janeiro.

Source: *Doing Business* database.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

STARTING A BUSINESS

What are the details?

Underlying the indicators shown in this chapter for Brazil is a set of specific procedures—the bureaucratic and legal steps that an entrepreneur must complete to incorporate and register a new firm. These are identified by *Doing Business* through collaboration with relevant local professionals and the study of laws, regulations and publicly available information on business entry in that economy. Following is a detailed summary of those procedures, along with the associated time and cost. These procedures are those that apply to a company matching the standard assumptions (the “standardized company”) used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators measure).

STANDARDIZED COMPANY

Legal form: Sociedade Limitada

Paid-in minimum capital requirement: BRL 0

City: São Paulo , Rio de Janeiro

Start-up Capital: 10 times GNI per capita

Table 2.2 Summary of time, cost and procedures for starting a business in Brazil - São Paulo

No.	Procedure	Time to complete	Cost to complete
1	<p>Check company name with JUCESP</p> <p>The name can be searched online at: www.jucesponline.sp.gov.br</p> <p>Agency: Commercial Registry</p>	Less than one day (online procedure)	no charge
2	<p>Pay registration fees</p> <p>Entrepreneurs choose whether to pay at any commercial bank or at the bank window/agency located inside the commercial registry. A receipt of payment must be obtained for use in Procedure 3.</p> <p>Agency: Commercial Bank</p>	1 day	fees included in procedure 3
3	<p>Register at JUCESP to obtain CNPJ, INSS and NIRE and register with ICMS</p> <p>With the systems of the State Treasury Affairs of the State of São Paulo (SEFAZ-SP) and the Federal Revenue Department now synchronized, the issuance of the CNPJ (National Corporate Taxpayer Registry), INSS (National Institute of Social Security), the NIRE (Register of Enterprises State enrollment) and the ICMS are performed at the same time.</p> <p>With the partnership between the Federal Revenue Department and the Commercial Registry the procedures to obtain the authorization to enroll before the Treasury Affairs of the State of São Paulo (SEFAZ-SP)</p>	7 days	R\$150,36 registration + R\$110,8 (expediting fee)

No.	Procedure	Time to complete	Cost to complete
	<p>and the CNPJ are made prior to the filing of the Articles of Association with the Commercial Registry.</p> <p>For registering a company before the Institute of Social Security (INSS), it is necessary to present to the INSS the company's Articles of Association registered before the Register of Commerce of State of São Paulo and the CNPJ Certificate. After the enrollment registration, the contributor has 24 hours to make any cadastral amendment online.</p> <p>Since the enactment of Ordinance CAT 14 (2013), in São Paulo the registration through ICMS (a VAT Brazilian states on the circulation of goods and provision of interstate and inter-municipal transportations services) is made through the Data Generator Program (PGD - Programa Gerador de Dados) and simultaneously with the procedures to obtain the NIRE and CNPJ at JUCESP. This procedure may demand an inspection by the Tax Authorities to verify the conditions of the establishment.</p> <p><i>Agency: Commercial Registry, Federal Revenue and State Treasury Affairs of the State of São Paulo (SEFAZ-SP)</i></p>		
4	<p>Register with the Municipal Taxpayers' Registry (Secretaria Municipal de Finanças) of the City of São Paulo</p> <p>The municipal taxpayer enrollment is made through an electronic form that is filled online on the website of the City Hall (www.prefeitura.sp.gov.br). After filling and sending the electronic form, the registration protocol ("Protocolo de Inscrição") shall be printed, signed by the legal representative and delivered in a 30 days period at "Praça de Atendimento da Secretaria de Finanças" with the requested documents.</p> <p><i>Agency: Municipal Taxpayers' Registry</i></p>	1 day	no charge
5	<p>Apply and obtain digital certification (token) for the use of e-invoice</p> <p>The costs involved in the obtainment of digital certification may vary according to the accredited certifying chosen by the applicant. The information on how to obtain a token is available at http://www.receita.fazenda.gov.br/dvssl/atbhe/falecon/comum/asp/formulario.asp?topico=172</p> <p><i>Agency: Municipal Taxpayer's Registry (Prefeitura da Cidade de São Paulo)</i></p>	2 days	The cost may vary from R\$ 450.00 to R\$ 600.00

No.	Procedure	Time to complete	Cost to complete
6	<p>Apply to the municipality for an operations permit (auto de licença de funcionamento)</p> <p>This document authorizes the operation of commercial, industrial, institutional, service, and similar activities required by the interested.</p> <p>It is necessary to present the following documents: (i) The standardized requirement, duly filled and containing its objective identification; (ii) Operation enquiry term; (iii) A copy of the property title; (iv) A copy of the legal entity's constitutive act; (v) Specific documents according to the nature of the intended use (Article 10 of the decree 41.532/01); A copy of the Municipal Taxpayer's Registry (C.C.M.); and paid form. The online protocol has no charge.</p> <p><i>Agency: Municipality</i></p>	90 days	no charge
* 7	<p>Register and pay TFE (RegistryTaxa de Fiscalização de Estabelecimentos) to the Municipal Taxpayers' Registry</p> <p>According to the Municipality of São Paulo's rules, the annual cost of the TFE is based both on the company's activities as well as on the company's number of employees (www.prefeitura.sp.gov.br).</p> <p>Once the company has been registered with the Secretaria Municipal de Finanças, it shall pay an annual fee for the control and compliance with municipal laws. This payment is due on the tenth day of the second month following commencement of company operations. The TFE tax is related to the operations permit (alvará de funcionamento) and it is a post- incorporation procedure.</p> <p><i>Agency: Municipal Taxpayer's Registry (Prefeitura da Cidade de São Paulo)</i></p>	1 day (simultaneous with previous procedure)	R\$ 425.46 (for retailing business), may vary in accordance with the company's activities
* 8	<p>Register the employees in the social integration program (Programa de Integração Social, PIS)</p> <p>Business founders can register the employees in the social integration program (Programa de Integração Social, PIS) at the Federal Savings Bank (Caixa Econômica Federal).</p> <p><i>Agency: Federal Savings Bank (Caixa Econômica Federal)</i></p>	1 day, (simultaneous with procedure 7)	no charge
* 9	<p>Open a special fund for unemployment (FGTS) in bank</p> <p>The employer must proceed to register the employees in the social integration program (Programa de Integração Social, PIS/PASEP) at the Federal Savings Bank (Caixa Econômica Federal). The PIS/PASEP registry is intended to identify the worker in order to establish an unemployment fund (FGTS) account, to request unemployment insurance and to be entered in the National Registry of Social</p>	1 day, (simultaneous with procedure 7)	no charge

No.	Procedure	Time to complete	Cost to complete
	Information (Cadastro Nacional de Informações Sociais). The employee must thus be registered into the PIS/PASEP to not only set up an FGTS account but also to be eligible for unemployment insurance, if necessary. <i>Agency: Federal Savings Bank (Caixa Econômica Federal)</i>		
* 10	Notify the Ministry of Labor (Cadastro Geral de empregados e desempregados, CAGED) Pursuant to Law No. 4.923, dated as of December 23, 1965, the employer must inform the Ministry of Labor of any new hires or employees dismissals. The CAGED shall be transmitted only by electronic means to the Ministry of Labor and solely by exception it can be delivered in magnetic means at the Regional Agency of the Ministry of Labor (Superintendência Regional do Trabalho e Emprego). <i>Agency: Ministry of Labor (Cadastro Geral de empregados e desempregados, CAGED)</i>	1 day, (simultaneous with procedure 7)	no charge
* 11	Registration with the Patronal Union and with the Employees Union. Pursuant to labor law, registration with the employees union is mandatory and ensures that the company is obeying employee labor rights. Each municipality and state must have unions that represent the activities performed by the company. <i>Agency: Patronal Union and Employees Union</i>	5 days, (simultaneous with procedure 7)	no charge

* Takes place simultaneously with another procedure.

Source: *Doing Business* database.

Note: Online procedures account for 0.5 days in the total time calculation.

Procedures in light blue are for married women only.

Summary of time, cost and procedures for starting a business in Brazil - Rio de Janeiro

No.	Procedure	Time to complete	Cost to complete
1	Check the company name with JUCERJA Business founders can check the company name online through the REGIN (Registro Facil) at www.jucerja.rj.gov.br <i>Agency: Commercial Registry of Rio de Janeiro</i>	Less than one day (online procedure)	no charge

No.	Procedure	Time to complete	Cost to complete
2	<p>Pay registration fees</p> <p>The payment must be made with Banco Bradesco (since 2012). A receipt of payment must be obtained for use in Procedure 3.</p> <p><i>Agency: Banco Bradesco</i></p>	Less than one day (online procedure)	fees included in procedure 3
3	<p>Register at JUCERJA to obtain CNPJ, INSS and NIRE</p> <p>With the systems of the State Treasury Affairs of the State of Rio de Janeiro (SEFAZ-RJ) and the Federal Revenue Department now synchronized, the issuance of the CNPJ (National Corporate Taxpayer Registry), INSS (National Institute of Social Security) and the NIRE (Register of Enterprises State enrollment) are performed at the same time. With the partnership between the Federal Revenue Department and the Commercial Registry the procedures to obtain the authorization to enroll before the Treasury Affairs of the State of Rio de Janeiro (SEFAZ-RJ) and the CNPJ are made prior to the filing of the Articles of Association with the Commercial Registry.</p> <p>For registering a company before the Institute of Social Security (INSS), it is necessary to present to the INSS the company's Articles of Association registered before the Register of Commerce of State of Rio de Janeiro and the CNPJ Certificate. After the enrollment registration, the contributor has 24 hours to make any cadastral amendment online.</p> <p>Registration can be done through: www.jucerja.rj.gov.br</p> <p><i>Agency: Board of Trade of Rio de Janeiro and Brazilian Federal Revenue</i></p>	3 weeks	R\$ 372
4	<p>Register with ICMS</p> <p>The company must submit the following documents to the State Treasury Affairs of the State in Rio de Janeiro (Secretária de Fazenda do Estado do Rio de Janeiro):</p> <ul style="list-style-type: none"> (i) The company's articles of incorporation registered before JUCERJA (ii) The CNPJ certificate (iii) Certified copies of the Property Tax Billing (IPTU) of the Real Estate (iv) Lease agreement (v) Identification documents of the company's manager <p><i>Agency: State Treasury Affairs of the State in Rio de Janeiro (Secretária de Fazenda do Estado do Rio de Janeiro)</i></p>	7 days	R\$ 169

No.	Procedure	Time to complete	Cost to complete
5	<p>Register with the Rio de Janeiro Taxpayers' Registry at State Department of Finance</p> <p>Two days after the payment of the Taxpayers' Registry tax, the registry before the Municipal Taxpayers' Registry shall be made through an electronic form named DOCAD (Documento de Cadastro do ICMS), which must be sent to the State Department of Finance through an online procedure available on the website of such department (www.fazenda.rj.gov.br/sefaz).</p> <p><i>Agency: Municipal Taxpayers' Registry</i></p>	7 days	no charge
6	<p>Apply and obtain digital certification (token) for the use of e-invoice</p> <p>The company has a period of 2 days to schedule the withdrawal of the token, which will be activated within 24 hours.</p> <p><i>Agency: Serasa Experian</i></p>	2 days	The cost may vary from R\$ 282 to R\$ 1,890
7	<p>Apply to the municipality for an operations permit (Autorização de Licença de Estabelecimento (ALE))</p> <p>After registration with the Secretaria Municipal de Finanças, the company has 30 days to apply for the operations permit by filling out the proper forms and submitting the required documents. The operational license is a prerequisite for the company to begin operations. However, because of long processing time to obtain the license, municipalities have permitted companies to operate as soon as they pay the TFE. The municipality may conduct ex-post inspections to certain companies, based on a risk based assessment. Since December, 2015 companies can request and obtain the business license online via the Carioca digital website.</p> <p><i>Agency: Municipality of Rio de Janeiro (Carioca Digital website)</i></p>	7 days	BRL 753
* 8	<p>Register the employees in the social integration program (Programa de Integração Social, PIS)</p> <p>After duly registering the new hire in the employee registry book (livro de registro de empregados), the employer must proceed to register the employees in the social integration program (Programa de Integração Social, PIS/PASEP). The PIS/PASEP registry is intended to identify the worker in order to establish an unemployment guarantee fund (FGTS) account, to request unemployment insurance, and to be entered in the National Registry of Social Information (Cadastro Nacional de Informações Sociais). The employee must thus be registered into the PIS/PASEP to not only set up an FGTS account but also to be eligible for unemployment insurance, if necessary. To register the employee, the employer must complete a PIS/PASEP registry form (documento de</p>	1 day, (simultaneous with previous procedure)	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>cadastramento do trabalhador, DCT), to be delivered to the federal savings bank responsible for the FGTS account. The enrollment is completed in about 5 to 10 business days from application if all enrollment requirements are met. The employee is enrolled with the Social Integration Program (Programa de Integração Social, PIS) upon entry, and if the employee has already a PIS/PASEP registry, the employer must only inform the Federal Savings Bank of the new employment relationship. The employer will obtain the receipt of the application to PIS within 15 days.</p> <p><i>Agency: Federal Savings Bank (Caixa Econômica Federal)</i></p>		
* 9	<p>Open a special fund for unemployment (FGTS) in bank</p> <p>After duly registering the new employees in the social integration program (Programa de Integração Social, PIS/PASEP), the employer must open a FGTS account for each employee (Fundo de Garantia por Tempo de Serviço). To open the account, the company's representative or attorney-in-fact must go to any local branch of the federal savings bank (Caixa Econômica Federal) with a copy of: the company's taxpayer registry number (CNPJ/MF), the adhesion form issued by the Federal Saving Bank (Caixa Econômica Federal), the list of employees, and the company's articles of association or bylaws. Upon opening the employee FGTS accounts, the company will make monthly deposits equal to 8% of the total payroll. The employees are entitled to withdraw those deposits for specific events provided by law (termination without cause and serious disease or disability, among others). A new online procedure (Sistema Empresa de Recolhimento do FGTS e informações à Previdência Social, SEFIP) was developed to speed up FGTS payment and information exchange between the employer and the federal savings bank. SEFIP can be accessed through the Federal Savings Bank's Web site. This procedure permits the online transfer of data, creating a company file with all information required by the FGTS and Social Security. After the referred data transmission, the program issues a tax payment form (guia de recolhimento do FGTS) necessary for employer contribution payment.</p> <p><i>Agency: Federal Savings Bank (Caixa Econômica Federal)</i></p>	1 day, (simultaneous with previous procedure)	no charge
* 10	<p>Notify the Ministry of Labor (Cadastro Geral de empregados e desempregados, CAGED)</p> <p>Pursuant to Law No. 4.923, dated as of December 23, 1965, the employer must inform the Ministry of Labor of any new hires or employees dismissals. The CAGED shall be transmitted only by electronic means to the Ministry of Labor and solely by exception it can be delivered in magnetic means at the Regional Agency of the Ministry of Labor (Superintendência Regional do Trabalho e Emprego).</p> <p>In order to deliver the CAGED to the Ministry of Labor, the employer must download software at the website http://www.caged.gov.br.</p>	1 day, (simultaneous with previous procedure)	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>The company must inform the Ministry of Labor of any new hires and/or employees' dismissals carried out on a monthly basis, until the seventh day of the subsequent month of work.</p> <p><i>Agency: Ministry of Labor (Cadastro Geral de empregados e desempregados, CAGED)</i></p>		
<p>* 11</p>	<p>Registration with the Patronal Union and with the Employees Union.</p> <p>The procedure details for the registration of the Company with the Patronal Union and with the Employees Union vary according to the representative Unions. Generally, in order to be registered with the unions, the Company must present the following documents: company registration form, Federal Register of Corporate Taxpayers, articles of association, employee's list etc. These documents can generally be submitted to the unions through their websites.</p> <p><i>Agency: Patronal Union and Employees Union</i></p>	<p>5 days, (simultaneous with previous procedure)</p>	<p>no charge</p>

* Takes place simultaneously with another procedure.

Source: *Doing Business* database.

Note: Online procedures account for 0.5 days in the total time calculation.

Procedures in light blue are for married women only.

DEALING WITH CONSTRUCTION PERMITS

Regulation of construction is critical to protect the public. But it needs to be efficient, to avoid excessive constraints on a sector that plays an important part in every economy. Where complying with building regulations is excessively costly in time and money, many builders opt out. They may pay bribes to pass inspections or simply build illegally, leading to hazardous construction that puts public safety at risk. Where compliance is simple, straightforward and inexpensive, everyone is better off.

What do the indicators cover?

Doing Business records all procedures required for a business in the construction industry to build a warehouse along with the time and cost to complete each procedure. In addition, this year *Doing Business* introduces a new measure, the building quality control index, evaluating the quality of building regulations, the strength of quality control and safety mechanisms, liability and insurance regimes, and professional certification requirements.

The ranking of economies on the ease of dealing with construction permits is determined by sorting their distance to frontier scores for dealing with construction permits. These scores are the simple average of the distance to frontier scores for each of the component indicators.

To make the data comparable across economies, several assumptions about the construction company, the warehouse project and the utility connections are used.

Assumptions about the construction company

The construction company (BuildCo):

- Is a limited liability company (or its legal equivalent).
- Operates in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Is 100% domestically and privately owned.
- Has five owners, none of whom is a legal entity.
- Is fully licensed and insured to carry out construction projects, such as building warehouses.

The construction company (BuildCo) (*continued*):

- Has 60 builders and other employees, all of them nationals with the technical expertise and

WHAT THE DEALING WITH CONSTRUCTION PERMITS INDICATORS MEASURE

Procedures to legally build a warehouse (number)

Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates

Submitting all required notifications and receiving all necessary inspections

Obtaining utility connections for water and sewerage

Registering and selling the warehouse after its completion

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are recorded as ½ day

Procedure considered completed once final document is received

No prior contact with officials

Cost required to complete each procedure (% of warehouse value)

Official costs only, no bribes

Building quality control index (0-15)

Sum of the scores of six component indices:

Quality of building regulations (0-2)

Quality control before construction (0-1)

Quality control during construction (0-3)

Quality control after construction (0-3)

Liability and insurance regimes (0-2)

Professional certifications (0-4)

professional experience necessary to obtain construction permits and approvals.

- Has is a licensed architect and a licensed engineer, both registered with the local association of architects or engineers. BuildCo is not assumed to have any other employees who are technical or licensed experts, such as geological or topographical experts.
- Has paid all taxes and taken out all necessary insurance applicable to its general business activity (for example, accidental insurance for construction workers and third-person liability).
- Owns the land on which the warehouse will be built and will sell the warehouse upon its completion.
- Is valued at 50 times income per capita.

Assumptions about the warehouse

The warehouse:

- Will be used for general storage activities, such as storage of books or stationery. The warehouse will not be used for any goods requiring special conditions, such as food, chemicals or pharmaceuticals.
- Will have two stories, both above ground, with a total constructed area of approximately 1,300.6 square meters (14,000 square feet). Each floor will be 3 meters (9 feet, 10 inches) high.
- Will have road access and be located in the periurban area of the economy's largest business city (that is, on the fringes of the city but still within its official limits). For 11 economies the data are also collected for the second largest business city.
- Will not be located in a special economic or industrial zone. Will be located on a land plot of approximately 929 square meters (10,000 square feet) that is 100% owned by BuildCo and is accurately registered in the cadastre and land registry.

- Will be a new construction (there was no previous construction on the land), with no trees, natural water sources, natural reserves or historical monuments of any kind on the plot.
- Will have complete architectural and technical plans prepared by a licensed architect. If preparation of the plans requires such steps as obtaining further documentation or getting prior approvals from external agencies, these are counted as procedures.
- Will include all technical equipment required to be fully operational.
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

Assumptions about the utility connections

The water and sewerage connections:

- Will be 150 meters (492 feet) from the existing water source and sewer tap. If there is no water delivery infrastructure in the economy, a borehole will be dug. If there is no sewerage infrastructure, a septic tank in the smallest size available will be installed or built.
- Will not require water for fire protection reasons; a fire extinguishing system (dry system) will be used instead. If a wet fire protection system is required by law, it is assumed that the water demand specified below also covers the water needed for fire protection.
- Will have an average water use of 662 liters (175 gallons) a day and an average wastewater flow of 568 liters (150 gallons) a day. Will have a peak water use of 1,325 liters (350 gallons) a day and a peak wastewater flow of 1,136 liters (300 gallons) a day.
- Will have a constant level of water demand and wastewater flow throughout the year.
- Will be 1 inch in diameter for the water connection and 4 inches in diameter for the sewerage connection.

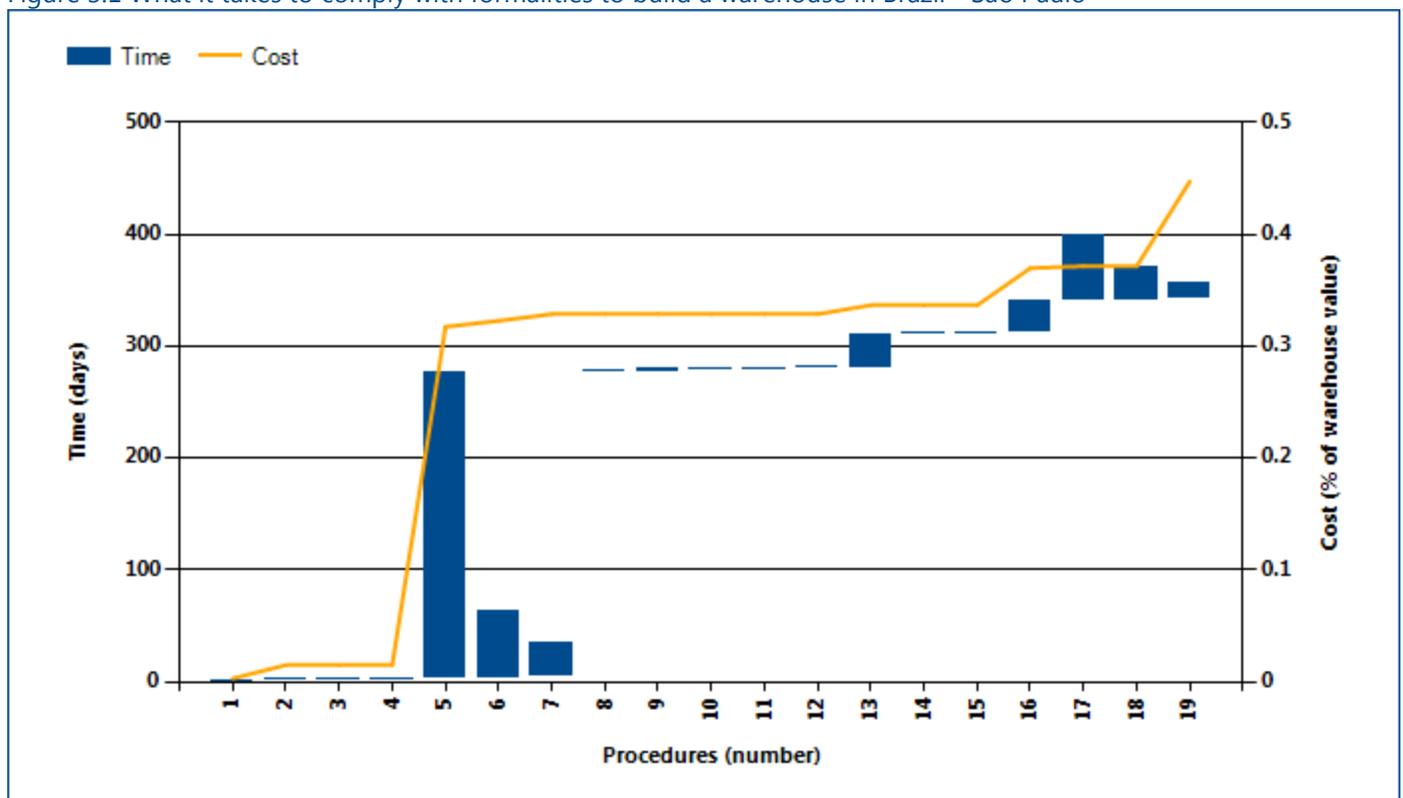
DEALING WITH CONSTRUCTION PERMITS

Where does the economy stand today?

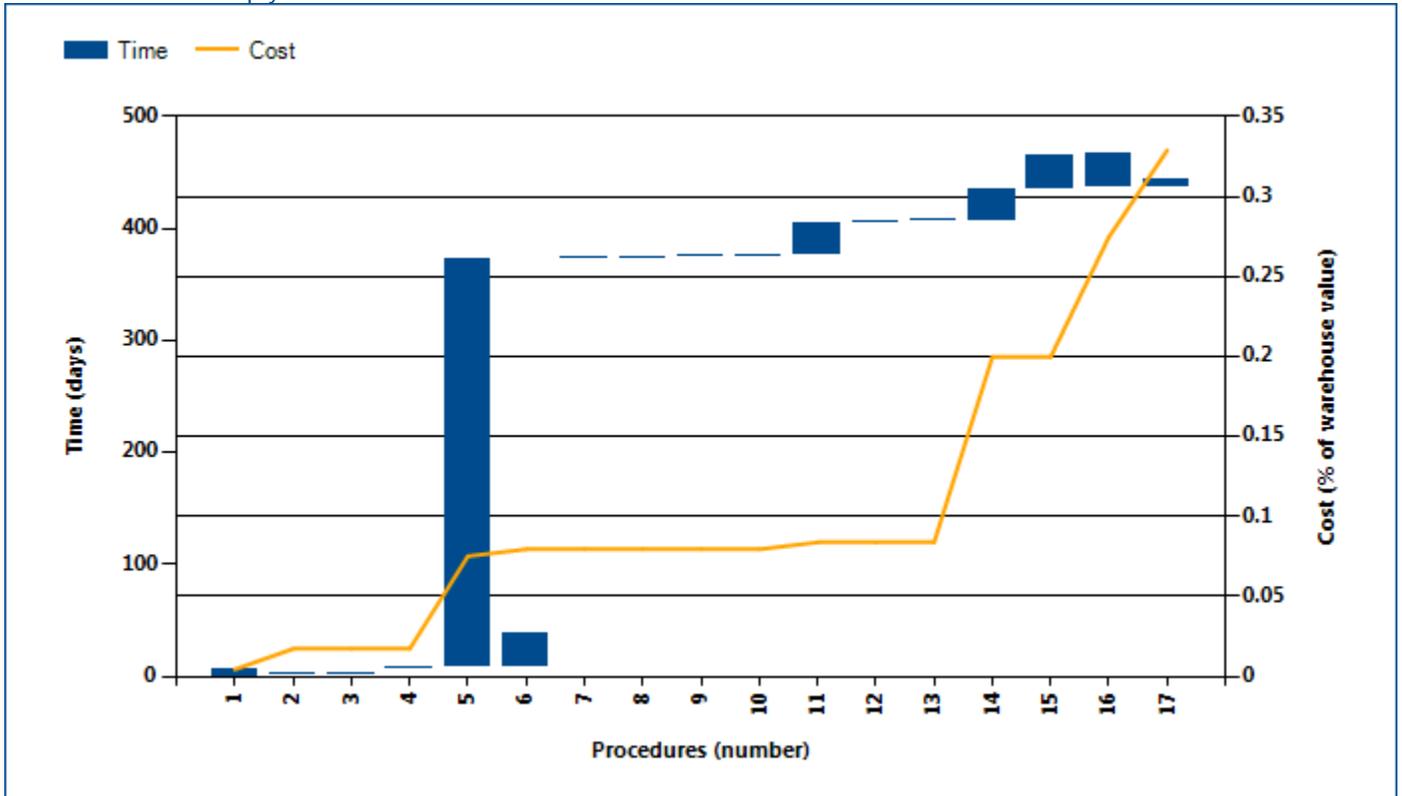
What does it take to comply with the formalities to build a warehouse in Brazil? According to data collected by *Doing Business*, dealing with construction permits there requires 18.2 procedures, takes 425.7 days and costs 0.4% of the warehouse value (figure 3.1). Most indicator sets refer to a case scenario in the largest business city of

an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 3.1 What it takes to comply with formalities to build a warehouse in Brazil - São Paulo



What it takes to comply with formalities to build a warehouse in Brazil - Rio de Janeiro



Source: *Doing Business* database.

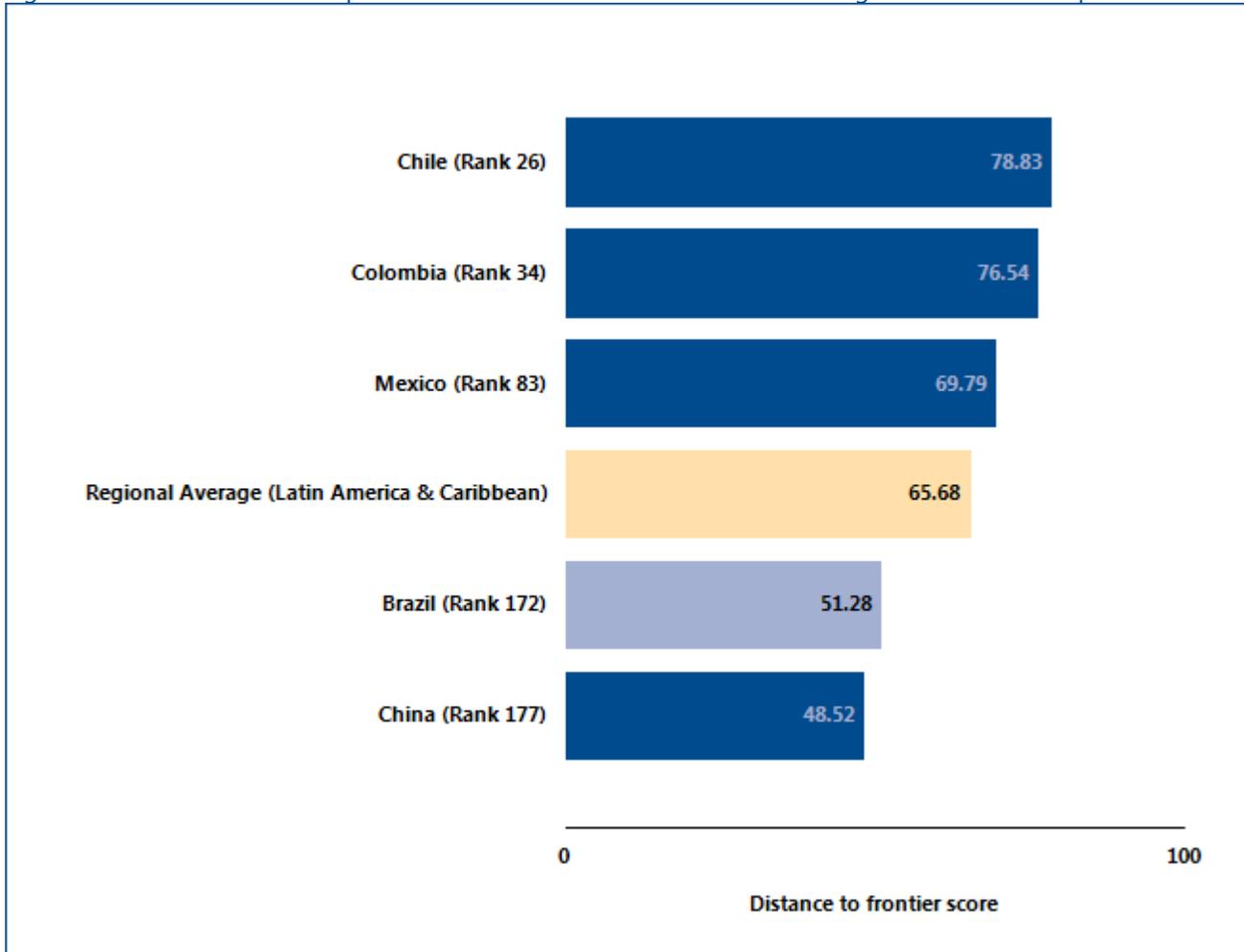
Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the dealing with construction permits indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

DEALING WITH CONSTRUCTION PERMITS

Globally, Brazil stands at 172 in the ranking of 190 economies on the ease of dealing with construction permits (figure 3.2). The rankings for comparator

economies and the regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in Brazil to legally build a warehouse.

Figure 3.2 How Brazil and comparator economies rank on the ease of dealing with construction permits



Source: Doing Business database.

DEALING WITH CONSTRUCTION PERMITS

What are the details?

The indicators reported here for Brazil are based on a set of specific procedures—the steps that a company must complete to legally build a warehouse—identified by *Doing Business* through information collected from experts in construction licensing, including architects, civil engineers, construction lawyers, construction firms, utility service providers and public officials who deal with building regulations. These procedures are those that apply to a company and structure matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover).

BUILDING A WAREHOUSE

Estimated value of warehouse : **BRL 1,389,467**

City : **São Paulo , Rio de Janeiro**

The procedures, along with the associated time and cost, are summarized below.

Table 3.2 Summary of time, cost and procedures for dealing with construction permits in Brazil - São Paulo

No.	Procedure	Time to complete	Cost to complete
1	<p>Request and obtain proof of land ownership from the Real Estate Registry</p> <p>Attesting to proof of land ownership, this certificate is valid for only 30 days.</p> <p><i>Agency: Real Estate Registry</i></p>	1 day	BRL 41
* 2	<p>Obtain Technical Term of Responsibility -ART</p> <p>Before the application process, the engineer and architect responsible for the project need to obtain an ART. An ART is a document required by the Engineers Syndicate (Crea) that defines, for legal purposes, who is responsible for the execution of works or services and provides an opportunity for professionals to register their works or services with Crea.</p> <p>The ART is required for each project according to the Federal Law N° 6.496 of 7 December 1977. It is possible to obtain it online within a couple of hours and it costs BRL 167.68. The value of the fee varies according to the value of the contract or the cost of the work:</p> <ul style="list-style-type: none"> - Contracts or works up to BRL 8,000: BRL 63.64 - Contracts or works between BRL 8,000.01 and BRL 15,000: BRL 111.37 - Contracts or works of more than BRL 15,000.00: BRL 167.68 <p>This procedure can be activated without the proof of ownership.</p> <p><i>Agency: Engineers Syndicate (Crea)</i></p>	0.5 days	BRL 168

No.	Procedure	Time to complete	Cost to complete
* 3	<p>Request and obtain proof of land tax payment from the Treasury Department of the Municipality</p> <p>Attesting to payment of land taxes, this certificate may be issued online and is valid for only 30 days. This request can be done in parallel with procedure 2.</p> <p><i>Agency: Treasury (Municipality)</i></p>	0.5 days	no charge
4	<p>Register employees with the Social Security Office</p> <p>For each construction site, BuildCo must register employees separately with the Social Security Office (Instituto Nacional de la Seguridad Social, INSS). This procedure can only be done whenever there is a proof of land tax payment, so it cannot be simultaneous with the previous one</p> <p><i>Agency: Social Security Office</i></p>	0.5 days	no charge
5	<p>Request and obtain construction approval permit and construction execution permit</p> <p>BuildCo must apply for construction approval permit and the construction execution permit with the Municipality. If the project conforms to municipal legislation, zoning laws, and the municipal building code, the Municipality will issue a document approving construction. To apply for these permits, BuildCo must submit the architectural drawings and real estate documentation (real estate title or real estate tax).</p> <p>After examining the project's architecture and engineering and issuing the permit, the Municipality examines the practical and installation aspects and begins the process of issuing an execution permit.</p> <p>BuildCo can request both permits simultaneously, but the Municipality grants the permits in a specific order.</p> <p>Valid for a year, the construction approval permit is a prerequisite for subsequent procedures. The construction execution permit is valid for 3 years. Due to backlog of projects, the time required for this procedure is at least 9 to 10 months.</p> <p><i>Agency: Municipality</i></p>	274 days	BRL 4,200
* 6	<p>Request and obtain equipment operating permit</p> <p>The permit allows the use of construction equipment. This can be done in parallel with the approval permit request, so it can be a simultaneous procedure.</p> <p><i>Agency: Municipality</i></p>	60 days	BRL 75

No.	Procedure	Time to complete	Cost to complete
* 7	<p>Submit project for analysis by Fire Department and obtain report</p> <p>Build Co must present the building project to the Fire department for approval and obtain a report which includes all the fire security measures that need to be implemented. This can be done in parallel with the approval permit request, so it can be a simultaneous procedure.</p> <p>The cost related to obtaining the fire assessment is BRL 82.91. The formula that should be used for a built area superior to 750 square meters is: $0.003 * UFESP * sqm = 0.003 * 21.25 * 1300.6 = BRL 82.91$</p> <p><i>Agency: Fire Department</i></p>	30 days	BRL 83
8	<p>Receive random inspection from Municipality</p> <p>According to Law No. 11.228, annex 1, No. 6, Municipality is legally entitled to perform inspection required during the construction. The inspections can be carried out anytime, or upon complaint of a citizen. This can only happen when the construction has been started. As a result, it cannot be a simultaneous procedure.</p> <p><i>Agency: Municipality</i></p>	1 day	no charge
9	<p>Receive labor inspection from Labor Public Attorneys' Office</p> <p>This submission happens whenever BuildCo. was granted authorization to start construction. As a result, it cannot be done simultaneously.</p> <p><i>Agency: Labor Public Attorneys' Office</i></p>	1 day	no charge
10	<p>Submit proof of payment to the Social Security Office</p> <p>At the end of construction, BuildCo must submit proof of payment to its construction workers.</p> <p><i>Agency: Social Security Office</i></p>	0.5 days	no charge
11	<p>Request inspection from Fire Department</p> <p>The fire department can receive a request from BuildCo whenever the construction of the warehouse has been finalized. This means that this procedure cannot be a simultaneous one</p>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>with the previous one.</p> <p><i>Agency: Fire Department</i></p>		
12	<p>Receive inspection from the Fire Department</p> <p>The Fire Department must approve the warehouse safety equipment. This inspection is valid for 3 years. This request is made by BuildCo. upon finalizing the construction. As a result, it cannot be a simultaneous procedure.</p> <p><i>Agency: Fire Department</i></p>	1 day	no charge
13	<p>Obtain Fire Department Certificate (Certificado de Aprovação - AVCB)</p> <p>This certificate is only given when the Fire Department has already conducted its inspection. So this cannot be a simultaneous procedure.</p> <p><i>Agency: Fire Department</i></p>	29 days	BRL 111
14	<p>Request final inspection from Municipality</p> <p>After construction is completed, BuildCo must request the certificate of occupancy ("Habite-se") from the Municipality to attest that the construction is finished and that the work was performed according to the construction approval permit and the construction execution permit. as a result, this cannot be a simultaneous procedure. The approval is valid until the first amendment of the construction project.</p> <p>To request and obtain the conclusion approval, BuildCo must submit the following documents:</p> <ul style="list-style-type: none"> • Application form, addressed to the São Paulo Municipal Secretariat of Housing and Urban Development (SEHAB) • First page of construction and territorial booklet • Construction permit • Engineering and CREA card • Receipt evidencing payment of construction work tax • Sets of approved plans (two) • Administrative tax • ART of chief engineer <p><i>Agency: Municipality</i></p>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
15	<p>Receive final inspection from Municipality</p> <p>The inspection is conducted once it has been requested by BuildCo. So this cannot be a simultaneous procedure.</p> <p><i>Agency: Municipality</i></p>	1 day	no charge
16	<p>Obtain certificate of occupancy ("Habite-se")</p> <p>In order to obtain the certificate of occupancy, the Municipality should have conducted its final inspection. So this cannot be a simultaneous procedure.</p> <p><i>Agency: Municipality</i></p>	28 days	BRL 460
17	<p>Request and obtain operation license</p> <p>Upon completing the construction and receiving the Fire Department inspection, BuildCo must apply for the relevant operation license at the Municipality and show evidence that the company can develop the specific business at the site. To obtain this license, the company must present all warehouse project documentation.</p> <p>If the warehouse is to be sold after completion, this procedure might be done by the buyer and not BuildCo. However, in order to so the occupancy permit must be issued, so this cannot be a simultaneous procedure.</p> <p><i>Agency: Municipality</i></p>	60 days	BRL 25
* 18	<p>Request and connect to water and sewage</p> <p>The connection request is filed with the Waste Management Company (SABESP), a different organization regarding the operation license. So, this can be a simultaneous procedure.</p> <p><i>Agency: Water and Sewerage Agencies (SABESP)</i></p>	30 days	no charge
* 19	<p>Register building with the Real Estate Registry</p> <p>At the end of construction, BuildCo must register the warehouse at the Real Estate Registry. BuildCo must present the title of the land and the certificate from the Social Security Office. So, this can be a simultaneous procedure.</p> <p><i>Agency: Real Estate Registry</i></p>	15 days	BRL 1,054

* Takes place simultaneously with another procedure.

Source: *Doing Business* database.

Note: Online procedures account for 0.5 days in the total time calculation.

Summary of time, cost and procedures for dealing with construction permits in Brazil - Rio de Janeiro

No.	Procedure	Time to complete	Cost to complete
1	<p>Request and obtain proof of land ownership from the Real Estate Registry</p> <p>Attesting to proof of land ownership, this certificate is valid for only 30 days. This Certificate is one of the documents to be included in the application for the construction permit. It takes 5 business days and it costs BRL 61.6 (according to PORTARIA CGJ)</p> <p><i>Agency: Real Estate Registry</i></p>	7 days	BRL 62
* 2	<p>Obtain Technical Term of Responsibility -ART</p> <p>Before the application process, the engineer and architect responsible for the project need to obtain an ART. An ART is a document required by the Engineers Syndicate (Crea) that defines, for legal purposes, who is responsible for the execution of works or services and provides an opportunity for professionals to register their works or services with Crea.</p> <p>The ART is required for each project according to the Federal Law N° 6.496 of 7 December 1977. It is possible to obtain it online within a couple of hours and it costs BRL 178.68. The value of the fee varies according to the value of the contract or the cost of the work. BRL 67,68 (contracts or works up to BRL 8,000); BRL 118,45 (contracts or works between BRL 8,000.01 and BRL 15,000); BRL 178,34 (contracts or works of more than BRL 15,000.00).</p> <p><i>Agency: Engineers Syndicate (Crea)</i></p>	0.5 days	BRL 178
* 3	<p>Request and obtain proof of land tax payment from the Treasury Department of the Municipality</p> <p>Attesting to payment of land taxes, this certificate may be issued online and is valid for only 30 days. This document needs to be included in the application sent to the municipality. The website where it can be obtained is: www.rio.rj.gov.br/smf/siam2/situacaofiscal.asp</p> <p><i>Agency: Treasury (Municipality)</i></p>	0.5 days	no charge
4	<p>Register employees with the Social Security Office</p> <p>For each construction site, BuildCo must register employees separately with the Social Security Office (Instituto Nacional de la Seguridad Social, INSS). The website to register employees is: http://www.servicos.gov.br/. If the employer does not register all workers, it can get fined during the</p>	0.5 days	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>inspection. This can only be done when the previous documents have been issued.</p> <p><i>Agency: Social Security Office</i></p>		
5	<p>Request and obtain construction approval permit and construction execution permit</p> <p>BuildCo must apply for construction approval permit and the construction execution permit with the Municipality. If the project conforms to municipal legislation, zoning laws, and the municipal building code, the Municipality will issue a document approving construction. To apply for these permits, BuildCo must submit the architectural drawings and real estate documentation (real estate title or real estate tax). After examining the project's architecture and engineering and issuing the permit, the Municipality examines the practical and installation aspects and begins the process of issuing an execution permit. BuildCo can request both permits simultaneously, but the Municipality grants the permits in a specific order. Valid for a year, the construction approval permit is a prerequisite for subsequent procedures. The construction execution permit is valid for 3 years. Due to backlog of projects, the time required for this procedure is at least 9 to 10 months. This procedure cannot be simultaneous with the previous one since BuildCo. needs to register its employees.</p> <p><i>Agency: Municipality</i></p>	365 days	BRL 805
* 6	<p>Submit project for analysis by Fire Department and obtain report</p> <p>Build Co must present the building project to the fire department for approval and obtain a report which includes all the fire security measures that need to be implemented.</p> <p>The applicant needs to send the design, the ART of the engineer, ownership ownership certificate and copy of ID to the fire department.</p> <p>It takes 1 to 2 months and it costs 60.02 BRL.</p> <p><i>Agency: Fire Department</i></p>	30 days	BRL 60
7	<p>Receive labor inspection from Labor Public Attorneys' Office</p> <p>The Labor Public Attorneys' Office does random inspections in order to check whether all employees were registered and if the security measures are being undertaken. It will happen once, but may happen more than once in case the Labor Secretary receives any complaints. This can only happen once the construction is ongoing. Therefore, it cannot be a simultaneous one.</p> <p><i>Agency: Labor Public Attorneys' Office</i></p>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
8	<p>Submit proof of payment to the Social Security Office</p> <p>At the end of construction, BuildCo must submit proof of payment to its construction workers. the company should have passed the inspections by the Labor Agency. So, it cannot be a simultaneous procedure together with the last one.</p> <p><i>Agency: Social Security Office</i></p>	0.5 days	no charge
9	<p>Request inspection from Fire Department</p> <p>Once the works have been implemented according to the report, BuildCo must request an inspection so that the fire department verifies that the works were done according to their report. The inspection usually happens after 1 month of being requested. The fire department will then issue a certificate that approves the construction called " Certificado de Aprovação". This procedure happens once the proof of payment to the builders has been handed.</p> <p>Legal basis: Decree 897 of 21 of September,1976.</p> <p><i>Agency: Fire Department</i></p>	1 day	no charge
10	<p>Receive inspection from Fire Department</p> <p>The Fire Department must approve the warehouse safety equipment. This inspection is valid for 3 years.It can only be conducted after it was requested, so there is no simultaneity.</p> <p><i>Agency: Fire Department</i></p>	1 day	no charge
11	<p>Obtain Fire Department Certificate (Certificado de Aprovação - AVCB)</p> <p>The "Certificado de Aprovação" costs 60.02 BRL and needs to be included in the application to obtain the operation License. This is issued after BuildCo. passes the inspection, so it cannot be simultaneous.</p> <p><i>Agency: Fire Department</i></p>	29 days	BRL 60
12	<p>Request final inspection from Municipality</p> <p>After construction is completed, BuildCo must request the certificate of occupancy ("Habite-se") from the Municipality to attest that the construction is finished and that the work was performed according to the construction approval permit and the construction execution permit. The approval is valid until the first amendment of the construction project.</p> <p>To request and obtain the conclusion approval, BuildCo must submit the following documents:</p>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
	<ul style="list-style-type: none"> • Application form • First page of construction and territorial booklet • Construction permit • Engineering and CREA card • Receipt evidencing payment of construction work tax • Sets of approved plans (two) • Administrative tax • ART of chief engineer <p>Since this inspection can only be requested after the certificate is handed, it cannot be a simultaneous one.</p> <p><i>Agency: Municipality</i></p>		
13	<p>Receive final inspection from Municipality</p> <p>This inspection is only possible once it has been requested, so it cannot be simultaneous.</p> <p><i>Agency: Municipality</i></p>	1 day	no charge
14	<p>Obtain certificate of occupancy ("Habite-se")</p> <p>This certificate can only be done once the occupancy certificate was granted, so no simultaneity can be done with this procedure.</p> <p><i>Agency: Municipality</i></p>	28 days	BRL 1,610
15	<p>Request and connect to water and sewage</p> <p>The connection request is filed with the Waste Management Company (CEDAE). This line can be requested once the certificate of occupancy is being issued, so this cannot be a simultaneous procedure.</p> <p><i>Agency: Water and Sewerage Agencies (CEDAE)</i></p>	30 days	no charge
* 16	<p>Register building with the Real Estate Registry</p> <p>At the end of construction, BuildCo must register the warehouse at the Real Estate Registry. BuildCo must present the habite-se (occupation permit), the ownership certificate, and the ID of the parties in order to update the title. This procedure can be done ins simultaneity with the previous one, as they respond to different institutions.</p> <p><i>Agency: Real Estate Registry</i></p>	30 days	BRL 1,041

No.	Procedure	Time to complete	Cost to complete
* 17	<p>Request and obtain operation license</p> <p>Upon completing the construction and receiving the Fire Department inspection, BuildCo must apply for the relevant operation license at the Municipality and show evidence that the company can develop the specific business at the site. To obtain this license, the company must present all warehouse project documentation.</p> <p>If the warehouse is to be sold after completion, this procedure might be done by the buyer and not BuildCo. This procedure can be done in parallel with the Real Estate registration.</p> <p><i>Agency: Municipality</i></p>	7 days	BRL 753

* Takes place simultaneously with another procedure.

Source: *Doing Business* database.

Note: Online procedures account for 0.5 days in the total time calculation.

DEALING WITH CONSTRUCTION PERMITS

Building Quality Control Index

The building quality control index is the sum of the scores on the quality of building regulations, quality control before construction, quality control during construction, quality control after construction, liability and insurance regimes, and professional certifications indices.

The index ranges from 0 to 15, with higher values indicating better quality control and safety mechanisms in the construction permitting system.

The indicator is based on the same case study assumptions as the measures of efficiency.

Table 3.3 Summary of time quality control and safety mechanisms in Brazil

	Answer (São Paulo)	Score (São Paulo)	Answer (Rio de Janeiro)	Score (Rio de Janeiro)
Building quality control index (0-15)		9.0		9.0
Quality of building regulations index (0-2)		2.0		2.0
How accessible are building laws and regulations in your economy? (0-1)	Available online; Free of charge.	1.0	Available online; Free of charge.	1.0
Which requirements for obtaining a building permit are clearly specified in the building regulations or on any accessible website, brochure or pamphlet? (0-1)	List of required documents; Fees to be paid; Required preapprovals.	1.0	List of required documents; Fees to be paid; Required preapprovals.	1.0
Quality control before construction index (0-1)		1.0		1.0
Which third-party entities are required by law to verify that the building plans are in compliance with existing building regulations? (0-1)	Licensed architect; Licensed engineer.	1.0	Licensed architect; Licensed engineer.	1.0
Quality control during construction index (0-3)		0.0		0.0
What types of inspections (if any) are required by law to be carried out during construction? (0-2)	Unscheduled inspections.	0.0	No inspections are legally required during construction.	0.0
Do legally mandated inspections occur in practice during construction? (0-1)	Mandatory inspections are not always done in practice during	0.0	Mandatory inspections are not always done in practice during	0.0

	Answer (São Paulo)	Score (São Paulo)	Answer (Rio de Janeiro)	Score (Rio de Janeiro)
	construction; Mandatory inspections are done most of the time during construction.		construction.	
Quality control after construction index (0-3)		3.0		3.0
Is there a final inspection required by law to verify that the building was built in accordance with the approved plans and regulations? (0-2)	Yes, final inspection is done by government agency.	2.0	Yes, final inspection is done by government agency.	2.0
Do legally mandated final inspections occur in practice? (0-1)	Final inspection always occurs in practice.	1.0	Final inspection always occurs in practice.	1.0
Liability and insurance regimes index (0-2)		1.0		1.0
Which parties (if any) are held liable by law for structural flaws or problems in the building once it is in use (Latent Defect Liability or Decennial Liability)? (0-1)	Architect or engineer; Professional in charge of the supervision; Construction company.	1.0	Architect or engineer; Professional in charge of the supervision; Construction company; Owner or investor.	1.0
Which parties (if any) are required by law to obtain an insurance policy to cover possible structural flaws or problems in the building once it is in use (Latent Defect Liability Insurance or Decennial Insurance)? (0-1)	No party is required by law to obtain insurance .	0.0	No party is required by law to obtain insurance .	0.0
Professional certifications index (0-4)		2.0		2.0
What are the qualification requirements for the professional responsible for verifying that the architectural plans or drawings are in compliance with existing building regulations? (0-2)	University degree in architecture or engineering ; Being a registered architect or engineer;	1.0	University degree in architecture or engineering; Being a registered architect or engineer;	1.0

	Answer (São Paulo)	Score (São Paulo)	Answer (Rio de Janeiro)	Score (Rio de Janeiro)
	Passing a certification exam.		Passing a certification exam.	
What are the qualification requirements for the professional who supervises the construction on the ground? (0-2)	University degree in engineering , construction or construction management; Being a registered architect or engineer.	1.0	University degree in engineering, construction or construction management; Being a registered architect or engineer; Passing a certification exam.	1.0

Source: Doing Business database.

GETTING ELECTRICITY

Access to reliable and affordable electricity is vital for businesses. To counter weak electricity supply, many firms in developing economies have to rely on self-supply, often at a prohibitively high cost. Whether electricity is reliably available or not, the first step for a customer is always to gain access by obtaining a connection.

What do the indicators cover?

Doing Business records all procedures required for a local business to obtain a permanent electricity connection and supply for a standardized warehouse, as well as the time and cost to complete them. These procedures include applications and contracts with electricity utilities, clearances from other agencies and the external and final connection works. In addition, this year *Doing Business* adds two new measures: the reliability of supply and transparency of tariffs index (included in the aggregate distance to frontier score and ranking on the ease of doing business) and the price of electricity (omitted from these aggregate measures). The ranking of economies on the ease of getting electricity is determined by sorting their distance to frontier scores for getting electricity. These scores are the simple average of the distance to frontier scores for each of the component indicators. To make the data comparable across economies, several assumptions are used.

Assumptions about the warehouse

The warehouse:

- Is owned by a local entrepreneur.
- Is located in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Is located in an area where similar warehouses are typically located. In this area a new electricity connection is not eligible for a special investment promotion regime (offering special subsidization or faster service, for example).
- Is located in an area with no physical constraints. For example, the property is not near a railway.
- Is a new construction and is being connected to electricity for the first time.

The warehouse (*continued*):

WHAT THE GETTING ELECTRICITY INDICATORS MEASURE

Procedures to obtain an electricity connection (number)

- Submitting all relevant documents and obtaining all necessary clearances and permits
- Completing all required notifications and receiving all necessary inspections
- Obtaining external installation works and possibly purchasing material for these works
- Concluding any necessary supply contract and obtaining final supply

Time required to complete each procedure (calendar days)

- Is at least 1 calendar day
- Each procedure starts on a separate day
- Does not include time spent gathering information
- Reflects the time spent in practice, with little follow-up and no prior contact with officials

Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- Excludes value added tax

The reliability of supply and transparency of tariffs index

- Sum of the scores of six component indices:
 - Duration and frequency of outages
 - Tools to monitor power outages
 - Tools to restore power supply
 - Regulatory monitoring of utilities' performance
 - Financial deterrents aimed at limiting outages
 - Transparency and accessibility of tariffs

Price of electricity (cents per kilowatt-hour)*

- Price based on monthly bill for commercial warehouse in case study

***Price of electricity is not included in the calculation of distance to frontier nor ease of doing business ranking**

- Has two stories, both above ground, with a total surface area of approximately 1,300.6 square meters (14,000 square feet). The plot of land on which it is built is 929 square meters (10,000 square feet).
- Is used for storage of goods.

Assumptions about the electricity connection

The electricity connection:

- Is a permanent one.
- Is a three-phase, four-wire Y connection with a subscribed capacity of 140-kilo-volt-ampere (kVA) with a power factor of 1, when 1 kVA = 1 kilowatt (kW).
- Has a length of 150 meters. The connection is to either the low- or medium-voltage distribution network and is either overhead or underground, whichever is more common in the area where the warehouse is located. Requires works that involve the crossing of a 10-meter road (such as by excavation or overhead lines) but are all carried out on public land. There is no crossing of other owners' private property because the warehouse has access to a road.
- Includes only a negligible length in the customer's private domain.
- Does not require work to install the internal wiring of the warehouse. This has already been completed up to and including the customer's service panel or switchboard and the meter base

Assumptions about the monthly consumption

- It is assumed that the warehouse operates 30 days a month from 9:00 a.m. to 5:00 p.m. (8 hours a day), with equipment utilized at 80% of capacity on average and that there are no electricity cuts (assumed for simplicity reasons).
- The monthly energy consumption is 26,880 kilowatt-hours (kWh); hourly consumption is 112 kWh.
- If multiple electricity suppliers exist, the warehouse is served by the cheapest supplier.
- Tariffs effective in March of the current year are used for calculation of the price of electricity for the warehouse. Although March has 31 days, for calculation purposes only 30 days are used.

GETTING ELECTRICITY

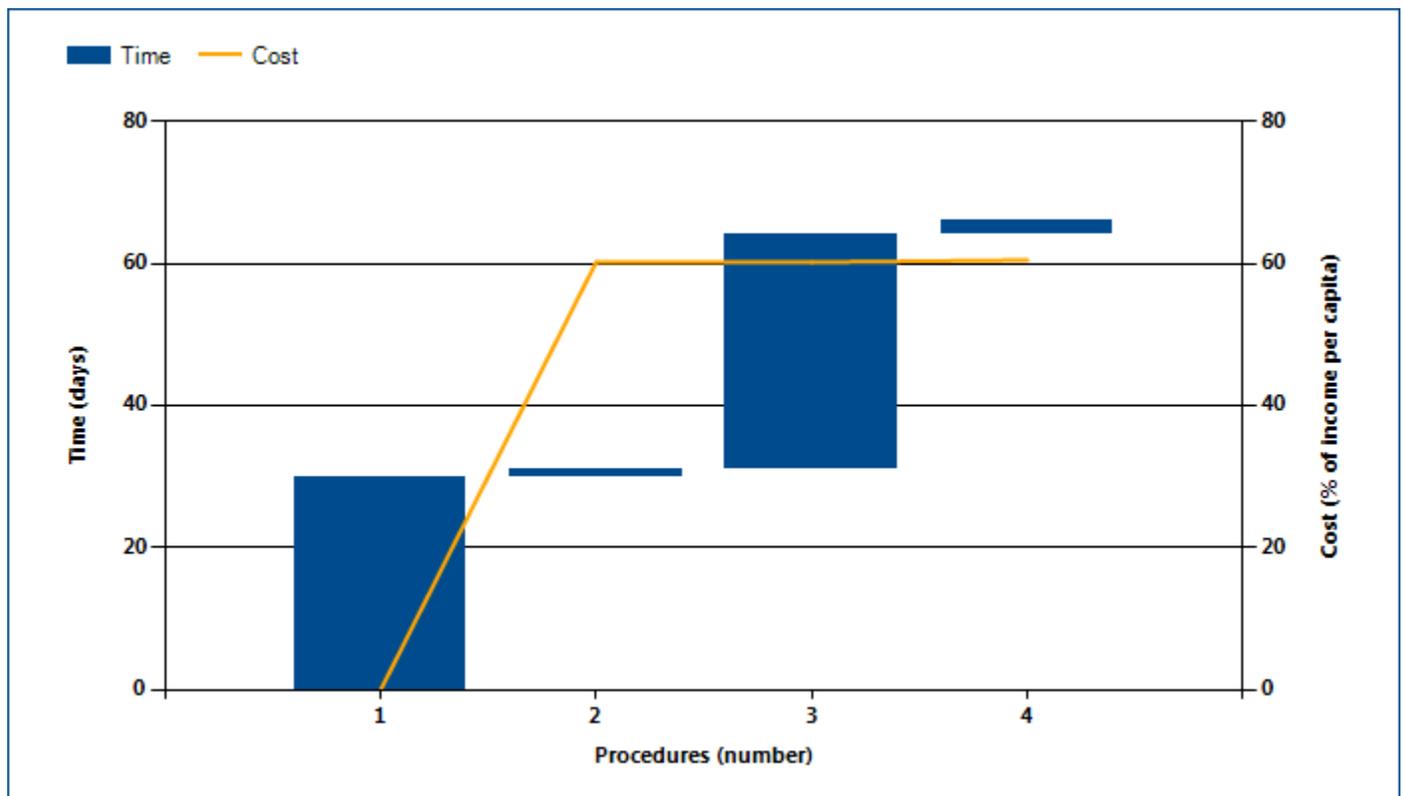
Where does the economy stand today?

What does it take to obtain a new electricity connection in Brazil? According to data collected by *Doing Business*, getting electricity there requires 4.0 procedures, takes 64.4 days and costs 58.0% of income per capita (figure 4.1).

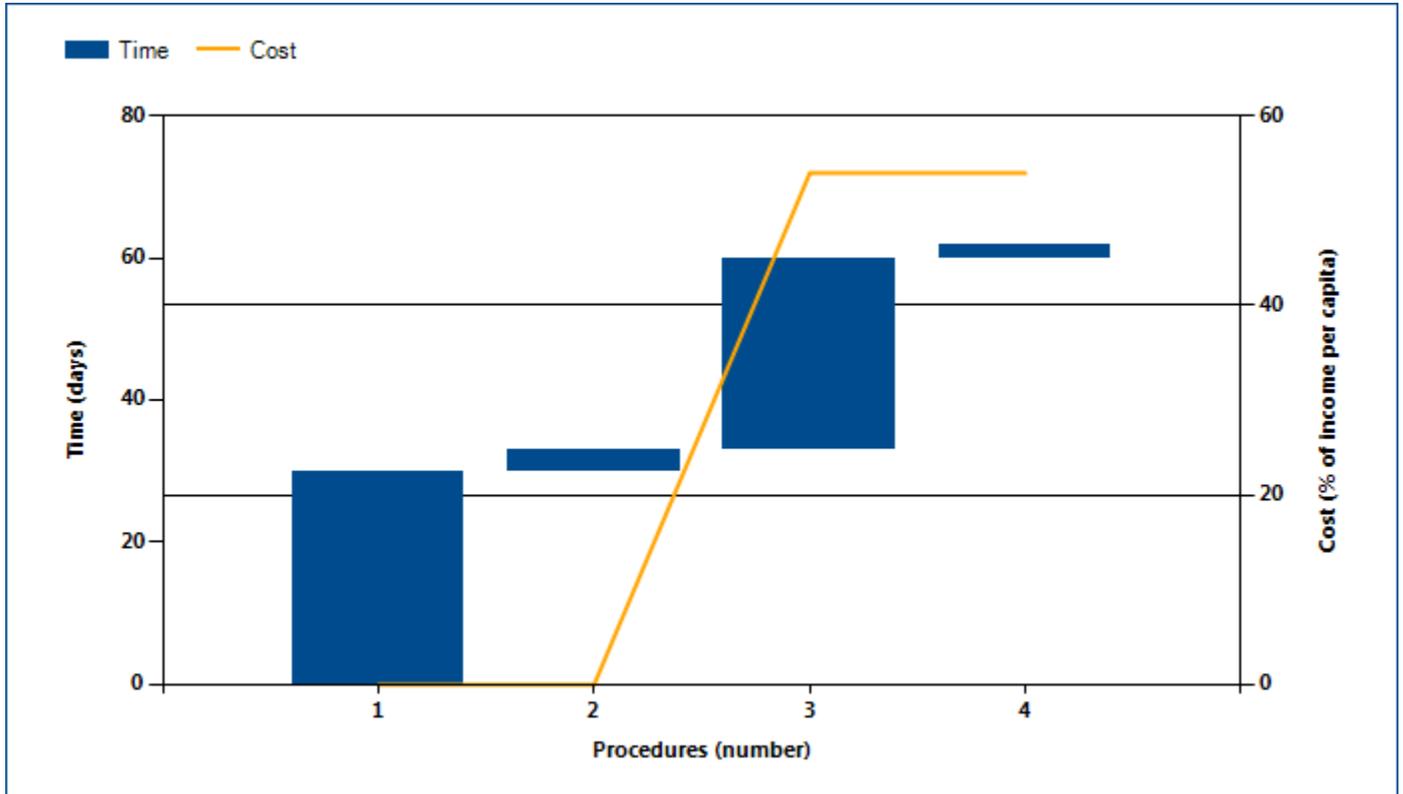
business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Most indicator sets refer to a case scenario in the largest

Figure 4.1 What it takes to obtain an electricity connection in Brazil - São Paulo



What it takes to obtain an electricity connection in Brazil - Rio de Janeiro



Source: *Doing Business* database.

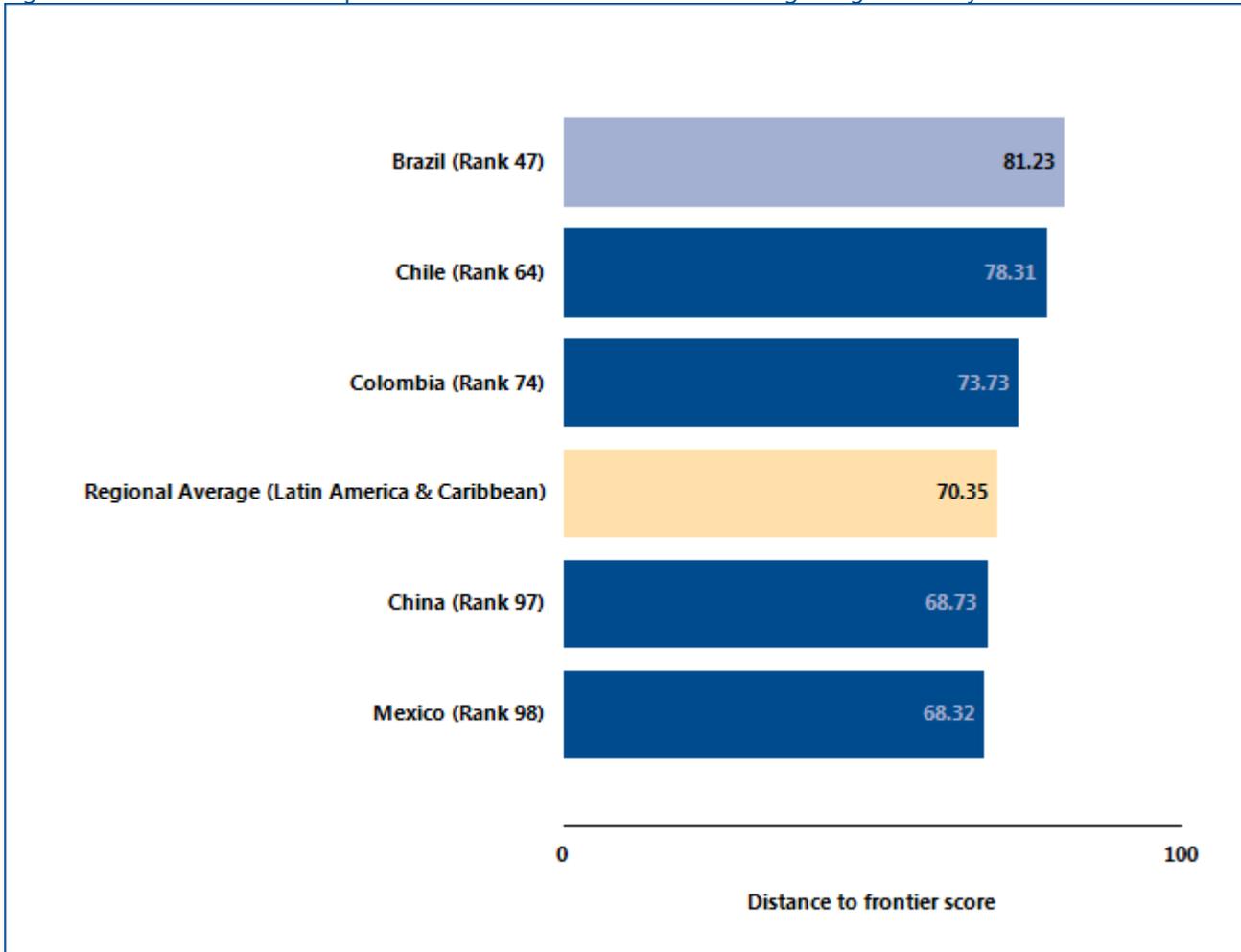
Note: Time shown in the figure above may not reflect simultaneity of procedures. For more information on the methodology of the getting electricity indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

GETTING ELECTRICITY

Globally, Brazil stands at 47 in the ranking of 190 economies on the ease of getting electricity (figure 4.2). The rankings for comparator economies and the regional

average ranking provide another perspective in assessing how easy it is for an entrepreneur in Brazil to connect a warehouse to electricity.

Figure 4.2 How Brazil and comparator economies rank on the ease of getting electricity



Source: Doing Business database.

GETTING ELECTRICITY

What are the details?

The indicators reported here for Brazil are based on a set of specific procedures—the steps that an entrepreneur must complete to get a warehouse connected to electricity by the local distribution utility—identified by *Doing Business*. Data are collected from the distribution utility, then completed and verified by electricity regulatory agencies and independent professionals such as electrical engineers, electrical contractors and construction companies. The electricity distribution utility surveyed is the one serving the area (or areas) in which warehouses are located. If there is a choice of distribution utilities, the one serving the largest number of customers is selected.

The procedures are those that apply to a warehouse and electricity connection matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). The procedures, along with the associated time and cost, are summarized below.

OBTAINING AN ELECTRICITY CONNECTION*

Name of utility - Rio de Janeiro: Light

Name of utility - São Paulo : AES Eletropaulo

Price of electricity (US cents per kWh) - Rio de Janeiro: 20.4

Price of electricity (US cents per kWh) - São Paulo : 16.9

City: São Paulo , Rio de Janeiro

*Price is calculated as a monthly consumption of 26,880 kWh for business customers, based on a standardized case study adopted by the Getting Electricity methodology. *Doing Business* measures the price of electricity but does not include these data when calculating the distance to frontier score for getting electricity or the ranking on the ease of getting electricity.

Table 4.2 Summary of time, cost and procedures for getting electricity in Brazil

No.	Procedure	Time to complete	Cost to complete
1	<p>Submit application to AES Eletropaulo and receive service layout</p> <p>The customer needs to submit, online or in person, a set of documents, including the electrical project, to AES Eletropaulo. After receiving the documents, AES Eletropaulo technicians will conduct an external site inspection and develop a work project to make the necessary adjustments in the network with estimated costs and time and send it back to the customer. The site visit is done on the outside of the property and the customer need not be present during the site visit.</p> <p><i>Agency: AES Eletropaulo</i></p>	30 calendar days	BRL 0

No.	Procedure	Time to complete	Cost to complete
2	<p>Sign energy supply agreement with utility</p> <p>The customer receives an invoice with the estimated value of the work, a contract and a service order. Once the contract and the service order are signed and the invoice is paid, AES Eletropaulo will make the necessary adjustments in its network.</p> <p><i>Agency: AES Eletropaulo</i></p>	1 calendar day	BRL 16,736.54
3	<p>Receive external works from utility</p> <p>AES Eletropaulo executes the necessary adjustments to the electricity network and informs the customer that the work is done and that a request for the external connection must be made to AES Eletropaulo</p> <p><i>Agency: AES Eletropaulo</i></p>	33 calendar days	BRL 0
4	<p>Receive meter installation and electricity flow from utility</p> <p>The customer requests the external connection to AES Eletropaulo and, after no more than two days, the electricity is available at the switchboard/meter.</p> <p><i>Agency: AES Eletropaulo</i></p>	2 calendar days	BRL 83.19

* Takes place simultaneously with previous procedure.

Source: Doing Business database.

Summary of time, cost and procedures for getting electricity in Brazil - Rio de Janeiro

No.	Procedure	Time to complete	Cost to complete
1	<p>Submit application to Light and await estimate</p> <p>The customer submits an application along with the following documentation: Sign Up Form Technical Information - Substations Simplified - duly completed and with ALL data and assessed the installed load demand; Descriptive loads (2 copies); Plant Situation / Location (4 copies) listed; Technical Responsibility - ART duly repaid (1 copies); Power of Attorney, on letterhead and notarization as attached model (1 copy) ; Charter Service Request (2 copies); Letter of no parallelism with the network of LIGHT (2 copies). Copy of the contract or bylaws in force, or the like, according to the type of legal entity, and subsequent changes, together with the election of its current directors, duly registered with the competent agency documents; Copy of card from the National Register of Legal Entities - CNPJ; Copies</p>	30 calendar days	BRL 0

No.	Procedure	Time to complete	Cost to complete
	<p>of Identity and Registration of Individuals (CPF) of the Legal Representatives; Power of Attorney with notarized, if applicable ; Copy of Lease Agreement or similar, if the customer is not the owner of the property; Copy of proof of ownership of the property (certificate of encumbrances); All documents have to be notarized. Each notarization costs BRL 10. All documents should be already in possession of the applicant except for the ART and the proof of ownership.</p> <p><i>Agency: Light</i></p>		
2	<p>Receive internal wiring inspection by utility</p> <p>This inspection happens within 3 business days after the request is made and is free of charge. It is advisable that the electric engineer responsible for the works to be present, in case the technician conducting the inspection has questions about the process. This avoids further delays.</p> <p><i>Agency: Light</i></p>	3 calendar days	BRL 0
3	<p>Receive external works from utility</p> <p>Once the internal inspection is completed, Light undertakes the necessary works to connect the warehouse to the network.</p> <p><i>Agency: Light</i></p>	27 calendar days	BRL 15,000
4	<p>Receive meter installation and electricity flow from utility</p> <p>The client or a representative has to be present for the meter to be installed. The client starts to receive energy within 1 day.</p> <p><i>Agency: Light</i></p>	2 calendar days	BRL 0

* Takes place simultaneously with previous procedure.

Source: *Doing Business* database.

GETTING ELECTRICITY

Reliability of supply and transparency of tariffs index

The reliability of supply and transparency of tariffs index encompasses quantitative data on the duration and frequency of power outages as well as qualitative information on the mechanisms put in place by the utility for monitoring power outages and restoring power supply, the reporting relationship between the utility and the regulator for power outages, the transparency and accessibility of tariffs and whether the utility faces a financial deterrent aimed at limiting outages (such as a requirement to compensate customers or pay fines when outages exceed a certain cap).

The index ranges from 0 to 8, with higher values indicating greater reliability of electricity supply and greater transparency of tariffs.

Doing Business uses the system average interruption duration index (SAIDI) and the system average interruption frequency index (SAIFI) to measure the duration and frequency of power outages in the largest business city of each economy (for 11 economies the data are also collected for the second largest business city). SAIDI is the average total duration of outages over the course of a year for each customer served, while SAIFI is the average number of service interruptions experienced by a customer in a year. Annual data (covering the calendar year) are collected from distribution utility companies and national regulators on SAIDI and SAIFI. Both SAIDI and SAIFI estimates include load shedding.

Table 4.3 Reliability of Supply and Transparency of Tariff Index in Brazil

	Answer (São Paulo)	Score (São Paulo)	Answer (Rio de Janeiro)	Score (Rio de Janeiro)
Reliability of supply and transparency of tariff index (0-8)		5.0		5.0
Total duration and frequency of outages per customer a year (0-3)		0.0		0.0
System average interruption duration index (SAIDI)	23.62		12.61	
System average interruption frequency index (SAIFI)	6.48		6.44	
Mechanisms for monitoring outages (0-1)		1.0		1.0
Does the distribution utility use automated tools to monitor outages?	Yes		Yes	
Mechanisms for restoring service (0-1)		1.0		1.0
Does the distribution utility use automated tools to restore service?	Yes		Yes	
Regulatory monitoring (0-1)		1.0		1.0
Does a regulator—that is, an entity separate from the utility—monitor the utility’s performance on reliability of supply?	Yes		Yes	
Financial deterrents aimed at limiting outages (0-1)		1.0		1.0

	Answer (São Paulo)	Score (São Paulo)	Answer (Rio de Janeiro)	Score (Rio de Janeiro)
Does the utility either pay compensation to customers or face fines by the regulator (or both) if outages exceed a certain cap?	Yes		Yes	
Communication of tariffs and tariff changes (0-1)		1.0		1.0
Are effective tariffs available online?	Yes		Yes	
Link to the website, if available online	https://www.aeseletropaulo.com.br/para-seu-negocio/prazos-e-tarifas/conteudo/tarifa-de-energia-eletrica		http://www.light.com.br/para-residencias/Sua-Conta/composicao-da-tarifa.aspx	
Are customers notified of a change in tariff ahead of the billing cycle?	Yes		Yes	

	Answer (São Paulo)	Answer (Rio de Janeiro)
Price of electricity (US cents per kWh)	16.9	20.4

Source: *Doing Business* database.

Note: If data on power outages is not collected or if the SAIFI index or SAIDI index are above the threshold of 100, the economy is not eligible to obtain a score in the Reliability of Supply and Transparency of Tariff Index. If SAIDI and SAIFI are 12 (equivalent to an outage of one hour each month) or below, a score of 1 is assigned. If SAIDI and SAIFI are 4 (equivalent to an outage of one hour each quarter) or below, 1 additional point is assigned. Finally, if SAIDI and SAIFI are 1 (equivalent to an outage of one hour per year) or below, 1 more point is assigned. *Doing Business* measures the price of electricity but does not include these data when calculating the distance to frontier score for getting electricity or the ranking on the ease of getting electricity. The price of electricity is measured in cents per kilowatt-hour. On the basis of the assumptions about monthly consumption, a monthly bill for a commercial warehouse in the largest business city of the economy is computed for the month of March (for 11 economies the data are also collected for the second largest business city). As noted, the warehouse uses electricity 30 days a month, from 9:00 a.m. to 5:00 p.m., so different tariff schedules may apply if a time-of-use tariff is available.

REGISTERING PROPERTY

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. And where property is informal or poorly administered, it has little chance of being accepted as collateral for loans—limiting access to finance.

What do the indicators cover?

Doing Business records the full sequence of procedures necessary for a business to purchase property from another business and transfer the property title to the buyer's name. The transaction is considered complete when it is opposable to third parties and when the buyer can use the property, use it as collateral for a bank loan or resell it. In addition, this year *Doing Business* adds a new measure to the set of registering property indicators, an index of the quality of the land administration system in each economy. The ranking of economies on the ease of registering property is determined by sorting their distance to frontier scores for registering property. These scores are the simple average of the distance to frontier scores for each of the component indicators. To make the data comparable across economies, several assumptions about the parties to the transaction, the property and the procedures are used.

The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned and perform general commercial activities in the economy's largest business city.
- Have 50 employees each, all of whom are nationals.

The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value and entire property will be transferred.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.

WHAT THE REGISTERING PROPERTY INDICATORS MEASURE

Procedures to legally transfer title on immovable property (number)

Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)

Registration in the economy's largest business city²

Postregistration (for example, filing title with the municipality)

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are recorded as ½ day.

Procedure considered completed once final document is received

No prior contact with officials

Cost required to complete each procedure (% of property value)

Official costs only, no bribes

No value added or capital gains taxes included

Quality of land administration index (0-30)

- Has no mortgages attached, has been under the same ownership for the past 10 years.
- Consists of 557.4 square meters (6,000 square feet) of land and a 10-year-old, 2-story warehouse of 929 square meters (10,000 square feet). The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. There is no heating system.

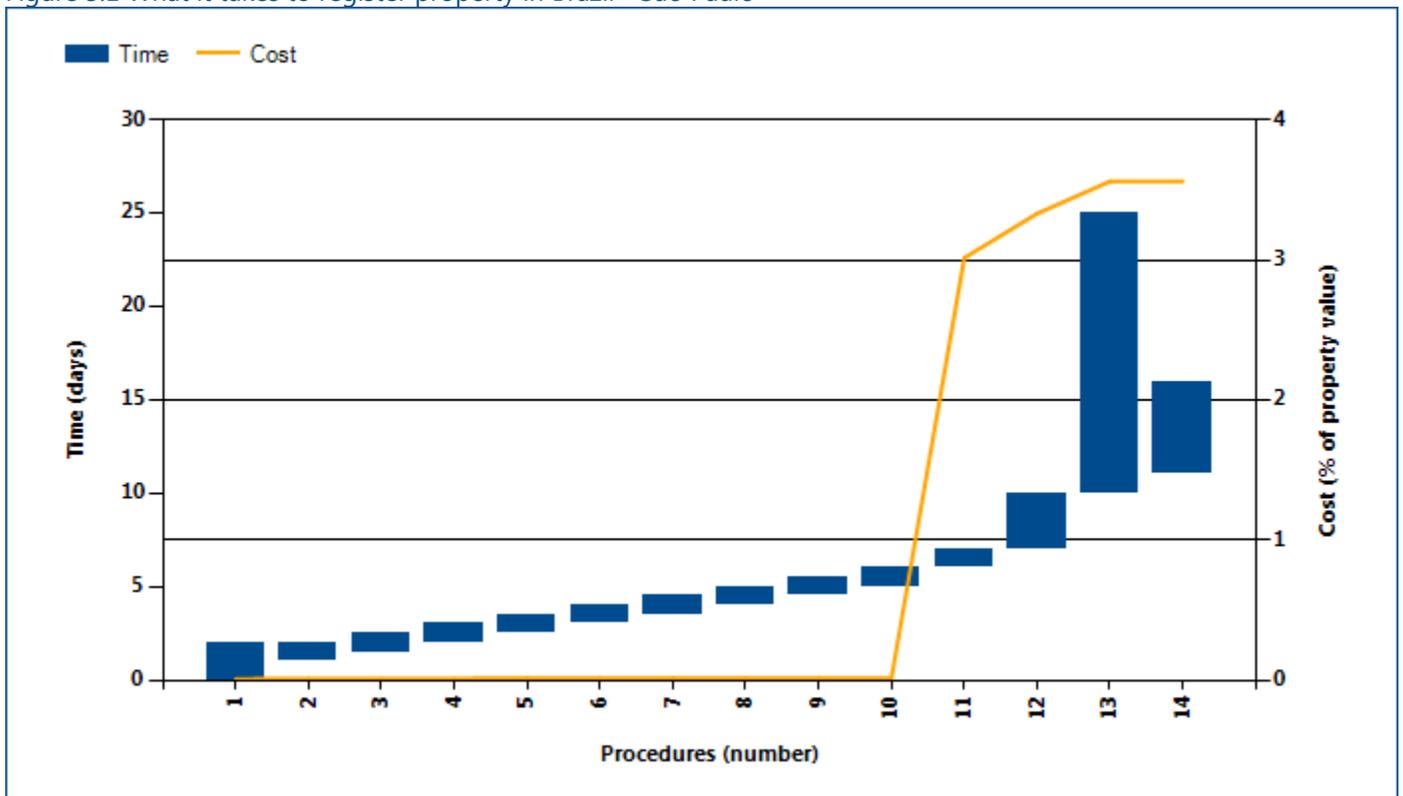
REGISTERING PROPERTY

Where does the economy stand today?

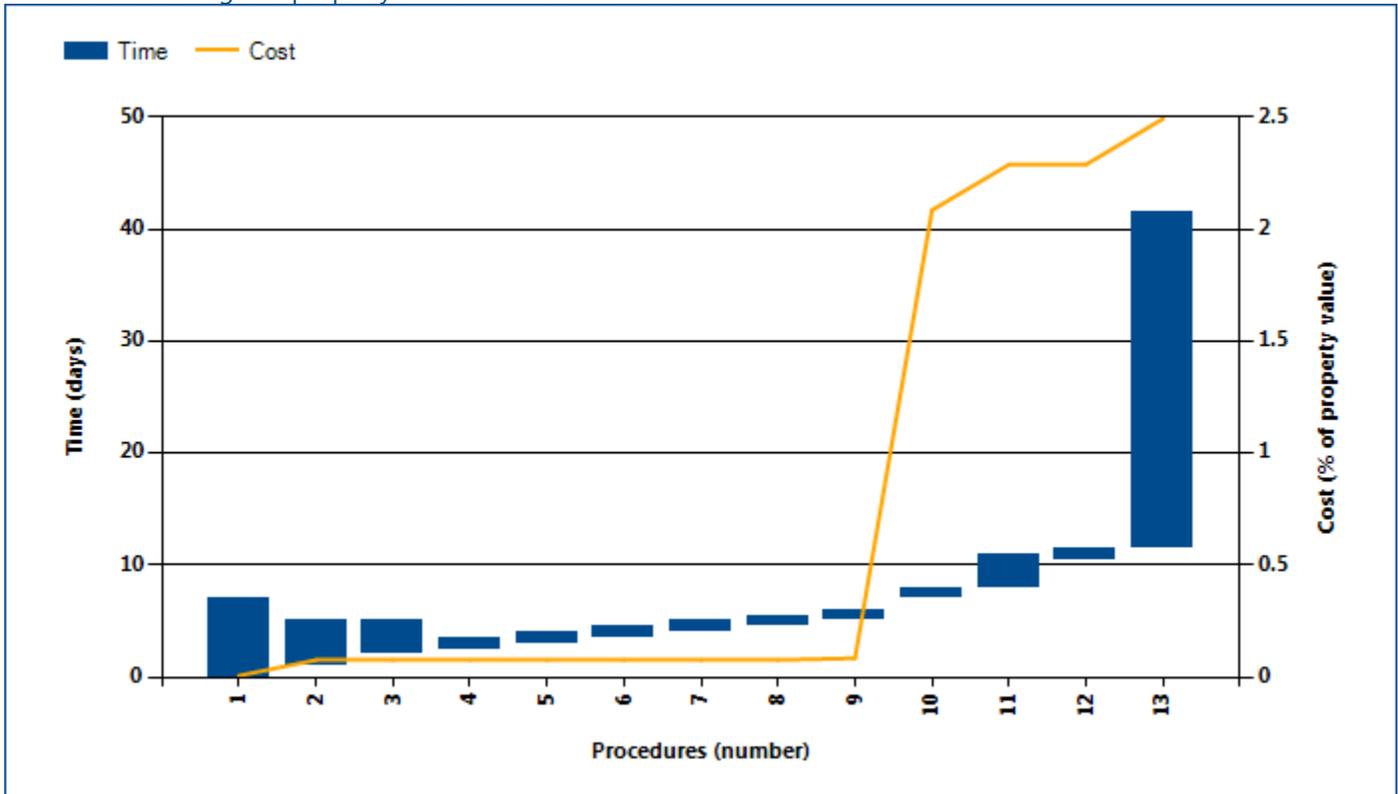
What does it take to complete a property transfer in Brazil? According to data collected by *Doing Business*, registering property there requires 13.6 procedures, takes 31.4 days and costs 3.1% of the property value (figure 5.1). The score on the quality of land administration index is 13.8

Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 5.1 What it takes to register property in Brazil - São Paulo



What it takes to register property in Brazil - Rio de Janeiro



Source: *Doing Business* database.

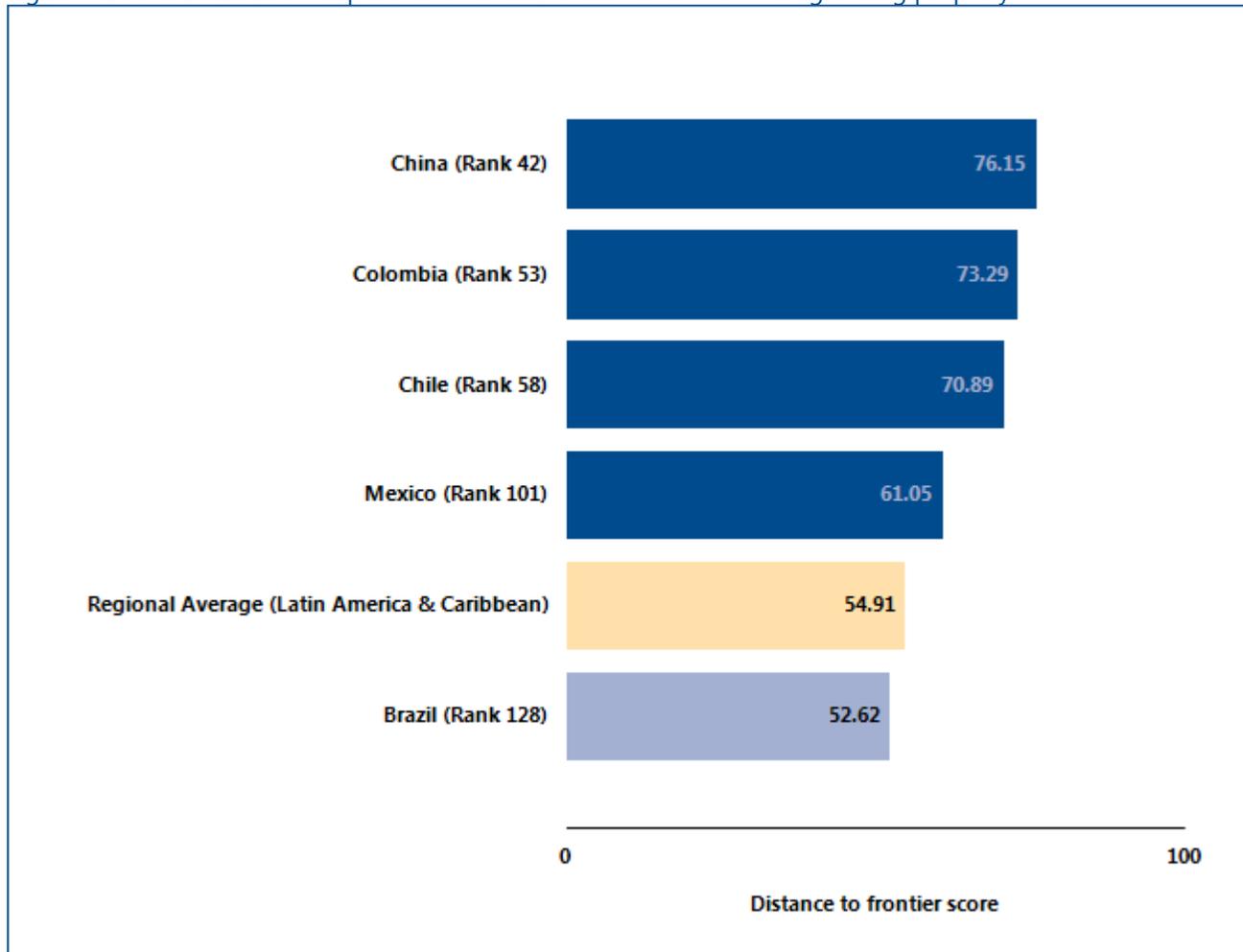
Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the registering property indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

REGISTERING PROPERTY

Globally, Brazil stands at 128 in the ranking of 190 economies on the ease of registering property (figure 5.2). The rankings for comparator economies and the

regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in Brazil to transfer property.

Figure 5.2 How Brazil and comparator economies rank on the ease of registering property



Source: Doing Business database.

REGISTERING PROPERTY

Economies worldwide have been making it easier for entrepreneurs to register and transfer property—such as by computerizing land registries, introducing time limits for procedures and setting low fixed fees. Many have cut

the time required substantially—enabling buyers to use or mortgage their property earlier. What property registration reforms has *Doing Business* recorded in Brazil (table 5.1)?

Table 5.1 How has Brazil made registering property easier—or not?

By *Doing Business* report year from DB2011 to DB2017

DB year	Reform
DB2013	Brazil made transferring property more difficult by introducing a new certificate on good standing on labor debts, adding to the number of due diligence procedures.
DB2016	Brazil made transferring property in São Paulo more expensive by increasing the property transfer tax.

Source: *Doing Business* database.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

REGISTERING PROPERTY

What are the details?

The indicators reported here are based on a set of specific procedures—the steps that a buyer and seller must complete to transfer the property to the buyer's name—identified by *Doing Business* through information collected from local property lawyers, notaries and property registries. These procedures are those that apply to a transaction matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). The procedures, along with the associated time and cost, are summarized below.

STANDARD PROPERTY TRANSFER

Property value:	BRL 1,389,467
City:	São Paulo , Rio de Janeiro

Table 5.2 Summary of time, cost and procedures for registering property in Brazil São Paulo

No.	Procedure	Time to complete	Cost to complete
1	<p>Acquire 10 Certificates of Registries and Disputes (Certidão dos Cartórios de Protestos) from the Distributor of Disputes Registry</p> <p>The buyer can request the certificates on the existence of debts on the website: https://www.protesto.net.br/index.php?act=certidao. Although this certificate is not required by law, it is common practice to request it particularly in transactions between companies that tend to be more conservative and are usually assisted by lawyers. The seller will usually request 5-year certificates. 10-year certificates are also available for higher fees. There are 10 Protest Notaries in São Paulo, and it is necessary to research them all.</p> <p><i>Agency: Disputes Registry (Cartórios de protesto)</i></p>	Two days (simultaneous with procedures 1, 3, 4, 5, 6, 7, 8, 9 and 10)	BRL 11.49 for each 5 year certificate (the total is BRL 114.90)
* 2	<p>Acquire a Civil Distributor's Certificate (Certidão dos Distribuidores Cívicos), a Fiscal Executive Certificate (Certidão de Executivos Fiscais) and a Bankruptcy Certificate (Certidão de Falencias e Concordatas) from the City Court Office</p> <p>These three certificates guarantee that the seller does not owe any payment as a result of a civil, fiscal, and commercial legal dispute. Additionally, it states that no pending sentences or legal proceedings are linked to the seller.</p> <p>These certificates can be retrieve online since August 2015 at https://esaj.tjsp.jus.br/sco/abrirCadastro.do. It takes around 1 day for the certificate to be issued if it is negative (that is, that the seller does not have any pending payment nor legal proceedings)</p>	1 day (simultaneous with procedures 1, 2, 4, 5, 6, 7, 8, 9 and 10)	BRL 19.4 (x 3 certificates) + BRL 5.6 for every additional sheet

No.	Procedure	Time to complete	Cost to complete
	<p>Certificates are issued immediately when requested in person at the Fórum do Tribunal de Justiça.</p> <p><i>Agency: Distributor of the State Courts (Tribunal de Justiça de São Paulo)</i></p>		
<p>3</p>	<p>Obtain a Labor Justice Certificate (Certidão da Justiça do Trabalho) from the Regional Labor Court</p> <p>This document is not required by law. Technically, the buyer and seller can agree to trust that all these checks are represented and warranted by the seller without needing to submit the certificate to the public notary. In practice, however, for transactions between companies, the seller will provide these documents.</p> <p>Since January 2016, the Labor Justice certificate can be retrieved online immediately according to Act GP/CR No. 1/2016. This certificate identifies all the ongoing procedures at the Regional Labor Court in which the company (buyer) is a defendant. The certificate is valid for 90 days, and its authenticity can be verified online as well.</p> <p><i>Agency: Regional Labor Court (Tribunal Regional de Trabalho No. 2)</i></p>	<p>Less than a day (online procedure simultaneous with procedures 2, 3, 4, 5, 6, 7, 8, 9 and 10)</p>	<p>No cost</p>
<p>* 4</p>	<p>Obtain a Certificate of Good Standing on Labor Debts (Certidão Negativa de Débitos Trabalhistas)</p> <p>The Certificate of Good Standing on Labor Debts is not required by law and therefore does not prevent the registration of real estate transactions. It is, however, common practice and highly recommended to check the standing on labor debts of the seller.</p> <p><i>Agency: High Labor Court (Tribunal Superior do Trabalho)</i></p>	<p>Less than a day (online procedure and simultaneous with procedures 1, 2, 3, 5, 6, 7, 8, 9 and 10)</p>	<p>no cost</p>
<p>* 5</p>	<p>Obtain a 20-year certificate (Certidão Vintenária)</p> <p>The 20-year certificate (Certidão Vintenária) needs to be obtained in order to (i) certify the successive chain of owners (and ownership titles) of the plot in the past 20 years; (ii) check if the seller is really the owner of the property; and (iii) check about any encumbrances over the land.</p> <p>The certificate might be requested online at https://www.registradores.org.br/Servicos/frmTabelaCustas.aspx. The digital certificate has the same legal validity as the one issued on paper format.</p> <p><i>Agency: Real Estate Property Registry (Cartório de Registro de Imóveis)</i></p>	<p>Less than a day (online procedure and simultaneous with procedure 1, 2, 3, 4, 6, 7, 8, 9 and 10)</p>	<p>BRL 45.55 per certificate</p>

No.	Procedure	Time to complete	Cost to complete
* 6	<p>Request a Land-Tax Certificate and a Cadastral Certificate (Certidão de Dados Cadastrais do Imovel) from City Hall</p> <p>These certificates can be obtained in the website: www.prefeitura.sp.gov.br</p> <p>They will establish if there is any pending tax debt affecting the property.</p> <p>The certificate is free if obtained online.</p> <p>The buyer can waive this certificate if he assumes the obligation to pay all pending land tax debt related to the real state according to § 2 of Art. 1 of Decree 93.240/86.</p> <p><i>Agency: Municipal Prefecture of Sao Paulo (Prefeitura Municipal de São Paulo)</i></p>	<p>Less than a day (online procedure and simultaneous with procedure 1, 2, 3, 4, 5, 7, 8, 9 and 10)</p>	<p>no cost if obtained online</p>
* 7	<p>Acquire a Clearance Certificate from Tax Agency and a Federal Tax Clearance Certificate (Certidão de Débitos Relativos a Créditos Tributários Federais e à Dívida Ativa da União)</p> <p>The joint certificate (Certidão de Débitos Relativos a Créditos Tributários Federais e à Dívida Ativa da União) can be obtained online at www.receita.fazenda.gov.br since November 2014. The joint certificate includes:</p> <p>(i) Clearance Certificate (Certidão Conjunta Negativa de Débitos relativos aos Tributos Federais e à Dívida Ativa da União emitida pelo Ministério da Fazenda – Procuradoria Geral da Fazenda Nacional – Secretaria da Receita Federal do Brasil) from the Tax Agency: this certificate includes the debts related to taxes administered by the Internal Revenue Service of Brazil (RFB) and the inscriptions on Union Debts with the General Attorney of National Treasury (PGFN). This certificate, which is issued in the name of the headquarters and applies to all its subsidiaries, refers only to the information of the taxpayer within the RFB and PGFN, and does not include social security contributions and the contributions due, by law, to third parties, including those debts enrolled in the National Social Security Institute (INSS), that are object of the second certificate.</p> <p>(ii) The Federal Tax Clearance Certificate (Certidão Negativa de Débitos relativos às Contribuições Previdenciárias e às de Terceiros emitida pelo Ministério da Fazenda, Secretaria da Receita Federal do Brasil) refers exclusively to social security contributions and the contributions owed by</p>	<p>Less than a day (online procedure and simultaneous with procedure 1, 2, 3, 4, 5, 6, 8, 9 and 10)</p>	<p>no cost</p>

No.	Procedure	Time to complete	Cost to complete
	<p>law, to third parties, including those enrolled in Union Debts (Dívida Ativa da União - DAU) and does not include other taxes administered by RFB and the remaining debts in the DAU, administered by the General Attorney of National Treasury (PGFN) object PGFN Joint Certificate / RFB.</p> <p>If one is a certified representative of the company with a passcode, one can obtain this certificate online at www.receita.fazenda.gov.br/previdencia/CND free of charge. The certificate was formerly provided by the National Social Security Institute (INSS), but is now provided by the Internal Revenue Service, after both agencies were partially unified according to Law N° 11.457/07.</p> <p><i>Agency: Federal Tax agency (Ministério da Fazenda, Procuradoria Geral da Fazenda Nacional, Secretaria da Receita Federal do Brasil - RFB)</i></p>		
* 8	<p>Acquire a Worker's Fund Certificate (Certidão de Regularidade de Situação do FGTS) at the federal bank- Caixa Economica Federal</p> <p>The Worker's Fund Certificate assures that the company has kept its pension fund plan up to date with payments. This certificate is obtained online at the site Caixa Economica (https://webp.caixa.gov.br/cidadao/Crf/FgeCfSCriteriosPesquisa.asp) free of charge. It is not required by law, but in practice it is usually requested by the buyer in transactions between companies.</p> <p><i>Agency: Federal bank (Caixa Economica Federal)</i></p>	<p>Less than a day (online procedure and simultaneous with procedure 1, 2, 3, 4, 5, 6, 7, 9 and 10)</p>	<p>no cost</p>
* 9	<p>Acquire a Federal Justice Certificate (Certidão da Justiça Federal) from the Receita Federal - (Certidão de Distribuição de Ações e Execuções Cíveis, Fiscais, Criminais e dos Juizados Especiais Federais Criminais Adjuntos junto ao Poder Judiciário – Justiça Federal de Primeiro Grau em São Paulo)</p> <p>This certificate is obtained online at (http://www.jfsp.jus.br/certidoes-emissaoonline/). The certificate will show if there are any pending cases at civil, tax, criminal and special federal criminal courts. If the company has any pending claims, the certificate will have to be picked up in person by a representative at the Justiça Federal.</p> <p><i>Agency: Justiça Federal</i></p>	<p>Less than a day (online procedure and simultaneous with procedures 1, 2, 3, 4, 5, 6, 7, 8 and 10)</p>	<p>no cost</p>
* 10	<p>Notary obtains company information</p> <p>The notary will check the website of the Company Registry (Junta Comercial) to make sure that (i) the articles of association presented by the parties and (ii) the legal representatives mentioned in the articles of association correspond with the most recent ones registered.</p>	<p>Less than a day (online procedure and simultaneous with procedures 1, 2, 3, 4, 5, 6, 7, 8 and 9)</p>	<p>no cost</p>

No.	Procedure	Time to complete	Cost to complete
	<p><i>Agency: Company Registry (Junta Comercial de Estado de São Paulo)</i></p>		
11	<p>Pay transfer tax (ITB I) and other fees at a commercial Bank</p> <p>The buyer has to pay the transfer tax before the parties can sign the transfer deed. The majority of notaries prefer to receive the tax payment themselves and then take care of transferring it to the Municipality because they are responsible for checking that the tax payment is correct. Notaries also have to file to the tax authorities a declaration of all the transactions that they were part of, given that they are jointly liable. For the ITBI, it is common practice for the notary to provide the payment form obtained online (http://www.prefeitura.sp.gov.br/cidade/secretarias/financas/servicos/itbi/) to the buyer.</p> <p><i>Agency: Municipal Prefecture of Sao Paulo (Prefeitura Municipal de São Paulo)</i></p>	1 day	3% of the property value registered with the cadastre of the Prefecture for ITBI
12	<p>Drafting of Public Deed of Purchase and Sale (Escritura Pública de Venda e Compra) by a Public Notary (Tabelião de Notas)</p> <p>The notary will review all the documents obtained in the previous Procedures and proceed to notarize the sale deed. Notary fees are incurred for the notarization of the sale and purchase agreement.</p> <p><i>Agency: Public Notary (Tabelião de Notas do Estado de São Paulo)</i></p>	3 days	BRL 4,393.16 (according to scale on http://www.cnbsp.org.br/?pG=X190YWJlbGFzX2Vtb2x1bWVudG9z)
13	<p>Register the escritura (transfer deed) at the appropriate Real Estate Registry with jurisdiction over the property to finalize registration and name change</p> <p>There are 18 Real Estate Registries in São Paulo. The registration of the deed at the corresponding Real Estate Registry is required for the transfer of ownership of the property. It can be arranged directly by the parties or by the notary if the notary offers this supplementary service. By law, the Real Estate Registry has 30 days to analyze the documents and register the transfer deed. Usually, the registry will come back with some issues that need to be fixed prior to registration.</p> <p><i>Agency: Real Estate Registry (Cartório de Registro de Imóveis)</i></p>	15 days	BRL 3,199,70 (according to the schedule in https://www.registradores.org.br/Servicos/frmTabelaCustas.aspx)

No.	Procedure	Time to complete	Cost to complete
* 14	<p>Update the land taxation records (IPTU – Imposto Predial e Territorial Urbano) to the new owner's name at City Hall</p> <p>Theoretically, the Real Estate Registry should inform the Municipality about the transfer of the real estate and the Municipality should automatically update its land taxation records. In practice, however, this automatic system does not really work. The Municipality updates the records a few times a year, sometimes even only once a year. Therefore, in practice, the parties need to go to the Municipality and request the update.</p> <p><i>Agency: Municipal Prefecture of Sao Paulo (Prefeitura Municipal de São Paulo)</i></p>	5 days (simultaneous with procedure 13)	no cost

* Takes place simultaneously with another procedure.

Source: Doing Business database.

Note: Online procedures account for 0.5 days in the total time calculation.

Summary of time, cost and procedures for registering property in Brazil Rio de Janeiro

No.	Procedure	Time to complete	Cost to complete
1	<p>Obtain a 20-year certificate (Certidão Vintenária)</p> <p>The 20-year certificate (Certidão Vintenária) needs to be obtained in order to (i) certify the successive chain of owners (and ownership titles) of the plot in the past 20 years; (ii) check if the seller is really the owner of the property; and (iii) check about any encumbrances over the land.</p> <p>It is only possible to complete this procedure online in the 1st, 8th and 9th Real Estate Registry (http://www.1sri-rj.com.br/; https://www.certidaori.com.br/; http://www.9rgirj.com.br/, respectively).</p> <p><i>Agency: Real Estate Registry (Cartório de Registro de Imóveis)</i></p>	7 calendar days (simultaneous with procedures 2, 3, 4, 5, 6, 7, 8, and 9)	BRL 90.96
* 2	<p>Obtain the certificates of Certificates of Registries and Disputes (Certidão dos Cartórios de Protestos), Acquire a Civil Distributor's Certificate (Certidão dos Distribuidores Cívies), a Fiscal Executive Certificate (Certidão de Executivos Fiscais) and a Bankruptcy Certificate (Certidão de Falencias e Concordatas) from the City Court Office</p> <p>These certificates guarantee that all civil, fiscal, and commercial legal settlements have been finalized and no pending sentences or legal proceedings are linked to the seller. In Rio de Janeiro, it is possible to request these certificates online via a centralized certification office named "Rio Rapido". Although they can be requested online, they need to be picked up personally.</p>	3 to 5 days (simultaneous with procedures 1, 3, 4, 5, 6, 7, 8, 9)	BRL 99.54 for each Civil Distributor's Certificate (Certidão dos Distribuidores Cívies): 4 certificates are needed, BRL 104.25 for the Fiscal Executive Certificate (Certidão de Executivos Fiscais),

No.	Procedure	Time to complete	Cost to complete
	<p><i>Agency: Rio Rapido</i></p>		<p>BRL 99.54 for each Bankruptcy Certificate (Certidão de Falencias e Concordatas): 4 certificates are needed; and BRL 74.60 for the Certificate of Registries and Disputes (Certidão dos Cartórios de Protestos) from the Distributor of Disputes Registry amounting to 975.17</p>
<p>* 3</p>	<p>Obtain a Labor Justice Certificate (Certidão da Justiça do Trabalho) from the Regional Labor Court</p> <p>This document is not required by law. Technically, the buyer and seller can agree to trust that all these checks are represented and warranted by the seller without needing to submit the certificate to the public notary. In practice, however, for transactions between companies, the seller will provide these documents.</p> <p>The Labor Justice Certificate (Certidão de Feitos Trabalhistas) may have one or several sheets. It will depend on the quantity of suits against the company under analysis. The cost for a one page certificate is BRL 5.53 and for each additional page BRL 5.53.</p> <p><i>Agency: Regional Labor Court (Tribunal Regional do Trabalho No. 1)</i></p>	<p>3 days (simultaneous with procedures 1, 2, 4, 5, 6, 7, 8, 9)</p>	<p>Obtain a Labor Justice Certificate (Certidão da Justiça do Trabalho) from the Regional Labor Court</p>
<p>* 4</p>	<p>Obtain a Certificate of Good Standing on Labor Debts (Certidão Negativa de Débitos Trabalhistas)</p> <p>The Certificate of Good Standing on Labor Debts is not required by law and therefore does not prevent the registration of real estate transactions. It is, however, common practice and highly recommended to check the standing on labor debts of the seller.</p> <p><i>Agency: High Labor Court (Tribunal Superior do Trabalho)</i></p>	<p>Less than a day (online procedure and simultaneous with procedures 1, 2, 3, 5, 6, 7, 8 and 9)</p>	<p>no cost</p>

No.	Procedure	Time to complete	Cost to complete
* 5	<p>Request a Land-Tax Certificate and a Cadastral Certificate (Certidão de Dados Cadastrais do Imovel) from City Hall</p> <p>These certificates will establish if there is any pending tax debt affecting the property.</p> <p>The certificate is free if obtained online, or BRL 11.85 if obtained in person.</p> <p>The buyer can waive this certificate if he assumes the obligation to pay all pending land tax debt related to the real state according to § 2 of Art. 1 of Decree 93.240/86.</p> <p><i>Agency: Municipality of Rio de Janeiro (Prefeitura do Rio de Janeiro)</i></p>	<p>Less than a day (online procedure and simultaneous with procedures 1, 2, 3, 4, 6, 7, 8 and 9)</p>	<p>no cost</p>
* 6	<p>Acquire a Clearance Certificate from Tax Agency and a Federal Tax Clearance Certificate</p> <p>The joint certificate (Certidão de Débitos Relativos a Créditos Tributários Federais e à Dívida Ativa da União) can be obtained online at www.receita.fazenda.gov.br since November 2014. The joint certificate includes:</p> <p>(i) Clearance Certificate (Certidão Conjunta Negativa de Débitos relativos aos Tributos Federais e à Dívida Ativa da União emitida pelo Ministério da Fazenda – Procuradoria Geral da Fazenda Nacional – Secretaria da Receita Federal do Brasil) from the Tax Agency: this certificate includes the debts related to taxes administered by the Internal Revenue Service of Brazil (RFB) and the inscriptions on Union Debts with the General Attorney of National Treasury (PGFN). This certificate, which is issued in the name of the headquarters and applies to all its subsidiaries, refers only to the information of the taxpayer within the RFB and PGFN, and does not include social security contributions and the contributions due, by law, to third parties, including those debts enrolled in the National Social Security Institute (INSS), that are object of the second certificate.</p> <p>(ii) The Federal Tax Clearance Certificate (Certidão Negativa de Débitos relativos às Contribuições Previdenciárias e às de Terceiros emitida pelo Ministério da Fazenda, Secretaria da Receita Federal do Brasil) refers exclusively to social security contributions and the contributions owed by law, to third parties, including those enrolled in Union Debts (Dívida Ativa da União - DAU) and does not include other taxes administered by RFB and the remaining debts in the DAU, administered by the General Attorney of National Treasury (PGFN) object PGFN Joint Certificate / RFB.</p> <p>If one is a certified representative of the company with a passcode, one can obtain this certificate online at www.receita.fazenda.gov.br/previdencia/CND free of charge. The certificate was formerly provided by the National Social Security Institute</p>	<p>Less than a day (online procedure and simultaneous with procedures 1, 2, 3, 4, 5, 7, 8 and 9)</p>	<p>no cost</p>

No.	Procedure	Time to complete	Cost to complete
	<p>(INSS), but is now provided by the Internal Revenue Service, after both agencies were partially unified according to Law N° 11.457/07.</p> <p><i>Agency: Federal Tax agency (Ministério da Fazenda, Procuradoria Geral da Fazenda Nacional, Secretaria da Receita Federal do Brasil - RFB)</i></p>		
* 7	<p>Acquire a Worker's Fund Certificate (Certidão de Regularidade de Situação do FGTS) at the federal bank- Caixa Economica Federal</p> <p>The Worker's Fund Certificate assures that the company has kept its pension fund plan up to date with payments. This certificate is obtained online at the site Caixa Economica (https://webp.caixa.gov.br/cidadao/Crf/FgeCfSCriteriosPesquisa.asp) free of charge. It is not required by law, but in practice it is usually requested by the buyer in transactions between companies.</p> <p><i>Agency: Federal bank (Caixa Economica Federal)</i></p>	<p>Less than a day (online procedure and simultaneous with procedure 1, 2, 3, 4, 5, 6, 8 and 9)</p>	<p>no cost</p>
* 8	<p>Acquire a Federal Justice Certificate (Certidão da Justiça Federal) from the Receita Federal - (Certidão de Distribuição de Ações e Execuções Cíveis, Fiscais, Criminais e dos Juizados Especiais Federais Criminais Adjuntos junto ao Poder Judiciário – Justiça Federal de Primeiro Grau no Rio de Janeiro</p> <p>This certificate is obtained online at (http://www.jfsp.jus.br/certidoes-emissaoonline/). The certificate will show if there are any pending cases at civil, tax, criminal and special federal criminal courts. If the company has any pending claims, the certificate will have to be picked up in person by a representative at the Justiça Federal.</p> <p><i>Agency: Justiça Federal</i></p>	<p>Less than a day (online procedure and simultaneous with procedures 1, 2, 3, 4, 5, 6, 7 and 9)</p>	<p>no cost</p>
* 9	<p>Obtain company name certificate</p> <p>The notary will check the website of the Company Registry (Junta Comercial) to make sure that (i) the articles of association presented by the parties and (ii) the legal representatives mentioned in the articles of association correspond with the most recent ones registered.</p> <p><i>Agency: Company Registry (Junta Comercial do Estado do Rio de Janeiro)</i></p>	<p>Less than a day (online procedure and simultaneous with procedures 1, 2, 3, 4, 5, 6, 7, 8 and 9)</p>	<p>BRL 108</p>

No.	Procedure	Time to complete	Cost to complete
10	<p>Pay transfer tax (ITB I) at the Bank</p> <p>The buyer has to pay the transfer tax before the parties can sign the transfer deed. The majority of notaries prefer to receive the tax payment themselves and then take care of transferring it to the Municipality because they are responsible for checking that the tax payment is correct. Notaries also have to file to the tax authorities a declaration of all the transactions that they were part of, given that they are jointly liable. Therefore, the notary provides the payment on behalf of the buyer and the parties pay at the notary. The payment needs to be done in person at any of the Banco Santander agencies in Rio de Janeiro.</p> <p><i>Agency: Commercial bank</i></p>	1 day	2% of the property value
11	<p>Drafting of Public Deed of Purchase and Sale (Escritura Pública de Venda e Compra) by a Public Notary (Tabelião de Notas)</p> <p>The notary will review all the documents obtained in the previous Procedures and proceed to notarize the sale deed. Notary fees are incurred for the notarization of the sale and purchase agreement.</p> <p><i>Agency: Notary's office (Tabelião de Notas)</i></p>	3 days	<p>BRL 2,829.30 based on the following fee schedule:</p> <p>Public deed with a declared amount up to BRL 15,000.00 costs BRL 174.45. From BRL 15,000.01 to BRL 30,000.00 - BRL 288.24/ From BRL 30,000.01 to BRL 45,000.00- BRL 402.05/ From BRL 45,000.01 to BRL 60,000.00 - BRL 493.07 / From BRL 60,000.001 to BRL 80,000.00 - BRL 873.82 / From BRL 80,000.01 to BRL 100,000.00 - BRL 1031.73 / From BRL 100,000.01 to BRL 200,000.00 - BRL 1,395.85 / From BRL 200,000.01 to BRL 400,000.00 - BRL 1,497.77. For properties valued</p>

No.	Procedure	Time to complete	Cost to complete
			at BRL 400,000.01 and higher - BRL 134.57 for each additional BRL 100,000.00.
12	<p>Update the land taxation records (IPTU – Imposto Predial e Territorial Urbano) to the new owner's name at City Hall</p> <p>Before presenting the title to the Real Estate Registry Office, the new owner needs to update his name on the municipality's records. The information is submitted online to the Municipality. Once the information is submitted, a protocol number for the name change request is issued, which needs to be informed to the registrar. The registrar will verify the information submitted and attach the number of registration of the property (numero de matricula) and then sends the information to the municipality via the internet portal (https://dief.rio.rj.gov.br/dief/asp/mcriweb/login_usuri.asp)</p> <p><i>Agency: Tax Department of the Municipality of Rio de Janeiro (Secretaria municipal da fazenda)</i></p>	Less than a day (online procedure)	no cost
13	<p>Register the escritura (transfer deed) at the appropriate Real Estate Registry with jurisdiction over the property to finalize registration and name change</p> <p>There are 12 Real Estate Registries in Rio de Janeiro. The registration of the deed at the competent Real Estate Registry is required for the transfer of ownership of the property. It can be arranged directly by the parties or by the notary if the notary offers this supplementary service. By law, the Real Estate Registry has 30 days to analyze the documents and register the transfer deed. Usually, the registry will come back with some issues that need to be fixed prior to registration.</p> <p><i>Agency: Real Estate Registry (Cartório de Registro de Imóveis)</i></p>	30 days	<p>BRL 2,833.62 based on the following fee schedule:</p> <p>Registration of economic content to BRL 15,000.00 costs BRL 174.45.</p> <p>From BRL 15,000.01 to BRL 30,000.00 - BRL 288.24 / From BRL 30,000.01 to R\$ 45,000.00- BRL 402.05 / From 45,000.01 to BRL 60,000.00 - BRL 493.07 / From BRL 60,000.001 to BRL 80,000.00 - BRL 873.92 / From BRL 80,000.01 to BRL 100,000.00 - BRL 1,031.73 / From BRL 100,000.01 to</p>

No.	Procedure	Time to complete	Cost to complete
			BRL 200,000.00 - BRL 1,395.85 / From BRL 200,000.01 to BRL 400,000.00 - BRL 1,502.09. For properties valued at BRL 400,000.01 and higher - BRL 134.57 for each additional BRL 100,000.00.

* Takes place simultaneously with another procedure.

Note: Online procedures account for 0.5 days in the total time calculation.

Source: *Doing Business* database.

REGISTERING PROPERTY

Quality of land administration

The quality of land administration index is the sum of the scores on the reliability of infrastructure, transparency of information, geographic coverage and land dispute resolution indices.

The index ranges from 0 to 30, with higher values indicating better quality of the land administration system.

If private sector entities were unable to register property transfers in an economy between June 2014 and June 2015, the economy receives a “no practice” mark on the procedures, time and cost indicators. A “no practice” economy receives a score of 0 on the quality of land administration index even if its legal framework includes provisions related to land administration.

Table 5.3 Summary of quality of land administration in Brazil

	Answer (São Paulo)	Score (São Paulo)	Answer (Rio de Janeiro)	Score (Rio de Janeiro)
Quality of the land administration index (0-30)		14.0		13.5
Reliability of infrastructure index (0-8)		5.0		4.0
What is the institution in charge of immovable property registration?	Cartórios de Registro de Imóveis de São Paulo		Cartórios de Registro de Imóveis do Rio de Janeiro (Real Estate Registry Office)	
In what format are the majority of title or deed records kept in the largest business city—in a paper format or in a computerized format (scanned or fully digital)?	Computer/Scanned	1.0	Computer/Scanned	1.0
Is there an electronic database for checking for encumbrances (liens, mortgages, restrictions and the like)?	Yes	1.0	No	0.0
In what format are the majority of maps of land plots kept in the largest business city—in a paper format or in a computerized format (scanned or fully digital)?	Computer/Fully digital	2.0	Computer/Fully digital	2.0
Is there an electronic database for recording boundaries, checking plans and providing cadastral information (geographic information system)?	Yes	1.0	Yes	1.0
Is the information recorded by the immovable property registration agency and the cadastral or mapping agency kept in a single database, in different but linked databases or in separate databases?	Separate databases	0.0	Separate databases	0.0
Do the immovable property registration agency and	No	0.0	No	0.0

	Answer (São Paulo)	Score (São Paulo)	Answer (Rio de Janeiro)	Score (Rio de Janeiro)
cadastral or mapping agency use the same identification number for properties?				
Transparency of information index (0–6)		3.5		4.0
Who is able to obtain information on land ownership at the agency in charge of immovable property registration in the largest business city?	Anyone who pays the official fee	1.0	Anyone who pays the official fee	1.0
Is the list of documents that are required to complete any type of property transaction made publicly available—and if so, how?	Yes, online	0.5	Yes, online	0.5
Link for online access:	http://www.cnbsp.org.br/index.php?pG=X19wYWdpbmFz&idPagina=6009		http://www.1sri-rj.com.br/Comprouevento.pdf	
Is the applicable fee schedule for any property transaction at the agency in charge of immovable property registration in the largest business city made publicly available—and if so, how?	Yes, online	0.5	Yes, online	0.5
Link for online access:	For Notaries fees: http://www.cnbsp.org.br/index.php?pG=X190YWJlbGFzX2Vtb2x1bWVudG9z For Land Registry fees: https://www.registradores.org.br/Servicos/frmTabelaCustas.aspx		http://cgj.tjrj.jus.br/documentos/1017893/1614047/custas-extraj-2015.pdf	
Does the agency in charge of immovable property registration commit to delivering a legally binding document that proves property ownership within a specific time frame—and if so, how does it communicate the service standard?	Yes, online	0.5	Yes, online	0.5

	Answer (São Paulo)	Score (São Paulo)	Answer (Rio de Janeiro)	Score (Rio de Janeiro)
Link for online access:	http://www.planalto.gov.br/CCIVIL_03/leis/L6015compilada.htm (capitulo III law 6015)		http://www.planalto.gov.br/CCIVIL_03/leis/L6015compilada.htm	
Is there a specific and separate mechanism for filing complaints about a problem that occurred at the agency in charge of immovable property registration?	No	0.0	No	0.0
Are there publicly available official statistics tracking the number of transactions at the immovable property registration agency?	No	0.0	No	0.0
Number of property transfers in the largest business city in 2015:				
Who is able to consult maps of land plots in the largest business city?	Freely accessible by anyone	0.5	Freely accessible by anyone	0.5
Is the applicable fee schedule for accessing maps of land plots made publicly available—and if so, how?	Yes, online	0.5	No cost	0.5
Link for online access:	Free of charge (http://www.prefeitura.sp.gov.br/cidade/secretarias/financas/servicos/certidoes/index.php?p=2404)		http://www2.rio.rj.gov.br/smu/acevoimagens/principal.asp http://www.rio.rj.gov.br/web/ipp/siurb	
Does the cadastral or mapping agency commit to delivering an updated map within a specific time frame—and if so, how does it communicate the service standard?	No	0.0	Yes, online	0.5
Link for online access:	http://www.prefeitura.sp.gov.br/cidade/secretarias/fin		http://www.rio.rj.gov.br/web/smf/exibeconteu	

	Answer (São Paulo)	Score (São Paulo)	Answer (Rio de Janeiro)	Score (Rio de Janeiro)
	ancas/servicos/certidoes/index.php?p=2404		do?id=142219 http://www2.rio.rj.gov.br/smu/acevvoimagens/ principal.asp	
Is there a specific and separate mechanism for filing complaints about a problem that occurred at the cadastral or mapping agency?	No	0.0	No	0.0
Geographic coverage index (0–8)		2.0		2.0
Are all privately held land plots in the economy formally registered at the immovable property registry?	No	0.0	No	0.0
Are all privately held land plots in the largest business city formally registered at the immovable property registry?	No	0.0	No	0.0
Are all privately held land plots in the economy mapped?	No	0.0	No	0.0
Are all privately held land plots in the largest business city mapped?	Yes	2.0	Yes	2.0
Land dispute resolution index (0–8)		3.5		3.5
Does the law require that all property sale transactions be registered at the immovable property registry to make them opposable to third parties?	Yes	1.5	Yes	1.5
Is the system of immovable property registration subject to a state or private guarantee?	No	0.0	No	0.0
Is there a specific compensation mechanism to cover for losses incurred by parties who engaged in good faith in a property transaction based on erroneous information certified by the immovable property registry?	No	0.0	No	0.0
Does the legal system require a control of legality of the documents necessary for a property transaction (e.g., checking the compliance of contracts with requirements of the law)?	Yes	0.5	Yes	0.5

	Answer (São Paulo)	Score (São Paulo)	Answer (Rio de Janeiro)	Score (Rio de Janeiro)
If yes, who is responsible for checking the legality of the documents?	Registrar; Notary.		Registrar; Notary.	
Does the legal system require verification of the identity of the parties to a property transaction?	Yes	0.5	Yes	0.5
If yes, who is responsible for verifying the identity of the parties?	Registrar; Notary.		Registrar; Notary.	
Is there a national database to verify the accuracy of identity documents?	No	0.0	No	0.0
For a standard land dispute between two local businesses over tenure rights of a property worth 50 times gross national income (GNI) per capita and located in the largest business city, what court would be in charge of the case in the first instance?	Tribunal de justica do estado de Sao Paulo		Tribunal de Justiça do Estado do Rio de Janeiro	
How long does it take on average to obtain a decision from the first-instance court for such a case (without appeal)?	Between 2 and 3 years	1.0	Between 2 and 3 years	1.0
Are there any statistics on the number of land disputes in the first instance?	No	0.0	No	0.0
Number of land disputes in the largest business city in 2015:				
Equal access to property rights index (-2-0)		0.0		0.0
Do unmarried men and unmarried women have equal ownership rights to property?	Yes	0.0	Yes	0.0
Do married men and married women have equal ownership rights to property?	Yes	0.0	Yes	0.0

Source: Doing Business database.

GETTING CREDIT

Two types of frameworks can facilitate access to credit and improve its allocation: credit information systems and borrowers and lenders in collateral and bankruptcy laws. Credit information systems enable lenders to view and consider a potential borrower's financial history (positive or negative) when assessing risk and they allow borrowers to establish a good credit history that will facilitate their access to credit. Sound collateral laws enable businesses to use their assets, especially movable property, as security to generate capital—while strong creditors' rights have been associated with higher ratios of private sector credit to GDP.

What do the indicators cover?

Doing Business assesses the sharing of credit information and the legal rights of borrowers and lenders with respect to secured transactions through 2 sets of indicators. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through a credit registry or a credit bureau. The strength of legal rights index measures whether certain features that facilitate lending exist within the applicable collateral and bankruptcy laws. *Doing Business* uses two case scenarios, Case A and Case B, to determine the scope of the secured transactions system, involving a secured borrower and a secured lender and examining legal restrictions on the use of movable collateral (for more details on each case, see the Data Notes section of the *Doing Business 2017* report). These scenarios assume that the borrower:

- Is a domestic limited liability company.
- Has its headquarters and only base of operations in the largest business city. For the 11 economies with a population of more than 100 million, data for a second city have been added.

WHAT THE GETTING CREDIT INDICATORS MEASURE

Strength of legal rights index (0–12)

Rights of borrowers and lenders through collateral laws

Protection of secured creditors' rights through bankruptcy laws

Depth of credit information index (0–8)

Scope and accessibility of credit information distributed by credit bureaus and credit registries

Credit bureau coverage (% of adults)

Number of individuals and firms listed in largest credit bureau as percentage of adult population

Credit registry coverage (% of adults)

Number of individuals and firms listed in credit registry as percentage of adult population

- Has up to 50 employees.
- Is 100% domestically owned, as is the lender.

The ranking of economies on the ease of getting credit is determined by sorting their distance to frontier scores for getting credit. These scores are the distance to frontier score for the strength of legal rights index and the depth of credit information index.

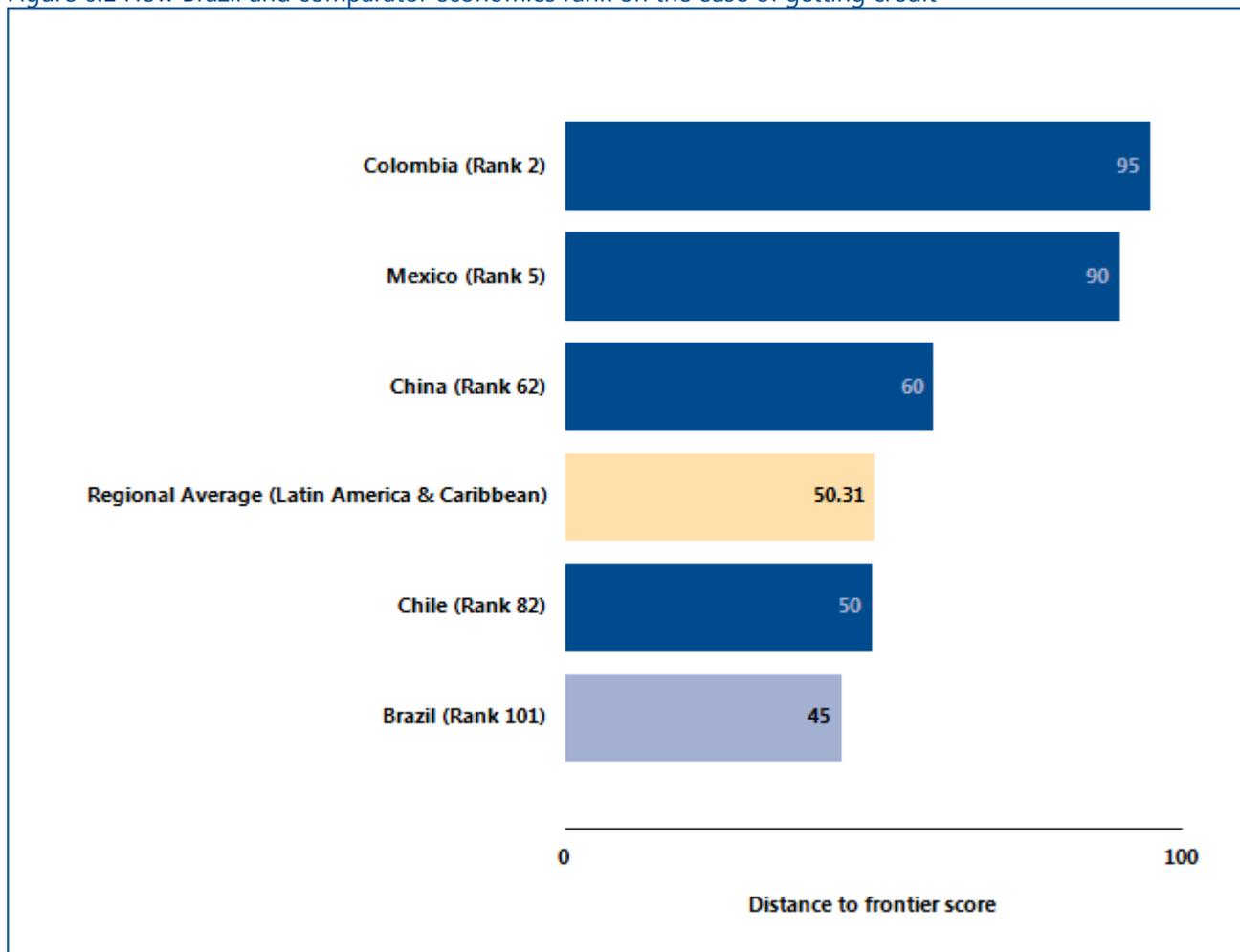
GETTING CREDIT

Where does the economy stand today?

How well do the credit information system and collateral and bankruptcy laws in Brazil facilitate access to credit? The economy has a score of 7.0 on the depth of credit information index and a score of 2.0 on the strength of legal rights index (see the summary of scoring at the end of this chapter for details). Higher scores indicate more credit information and stronger legal rights for borrowers and lenders.

Globally, Brazil stands at 101 in the ranking of 190 economies on the ease of getting credit (figure 6.1). The rankings for comparator economies provide useful information for assessing how well regulations and institutions in Brazil support lending and borrowing.

Figure 6.1 How Brazil and comparator economies rank on the ease of getting credit



Source: Doing Business database.

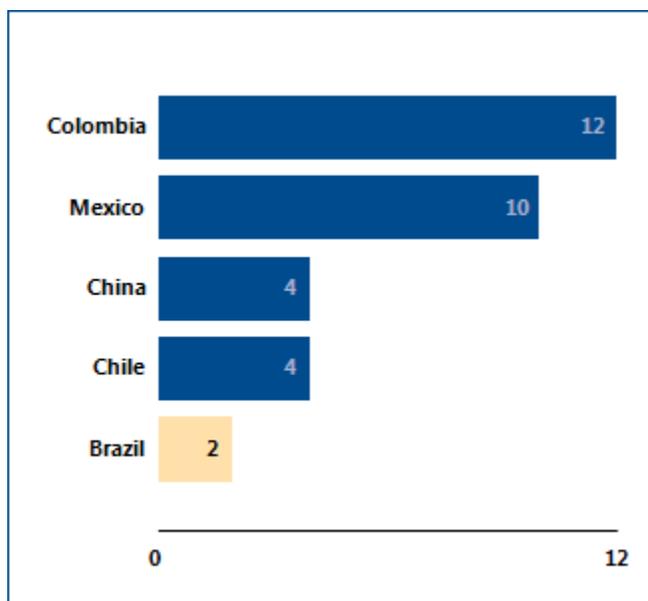
GETTING CREDIT

One way to put an economy’s score on the getting credit indicators into context is to see where the economy stands in the distribution of scores across economies. Figure 6.2 highlights the score on the strength of legal

rights index for Brazil and shows the scores for comparator economies as well as the regional average score. Figure 6.3 shows the same for the depth of credit information index.

Figure 6.2 How strong are legal rights for borrowers and lenders?

Economy scores on strength of legal rights index

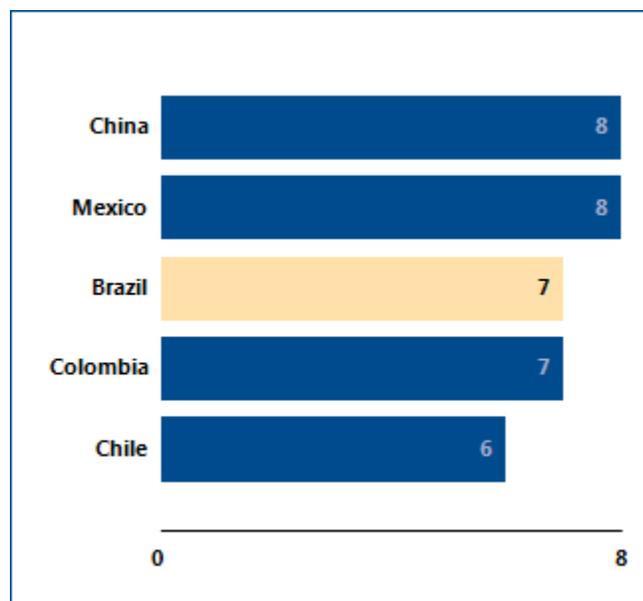


Source: Doing Business database.

Note: Higher scores indicate that collateral and bankruptcy laws are better designed to facilitate access to credit.

Figure 6.3 How much credit information is shared—and how widely?

Economy scores on depth of credit information index



Source: Doing Business database.

Note: Higher scores indicate the availability of more credit information, from either a credit registry or a credit bureau, to facilitate lending decisions. If the credit bureau or registry is not operational or covers less than 5% of the adult population, the total score on the depth of credit information index is 0.

GETTING CREDIT

When economies strengthen the legal rights of lenders and borrowers under collateral and bankruptcy laws, and increase the scope, coverage and accessibility of credit

information, they can increase entrepreneurs' access to credit. What credit reforms has *Doing Business* recorded in Brazil (table 6.1)?

Table 6.1 How has Brazil made getting credit easier—or not?
By *Doing Business* report year from DB2011 to DB2017

DB year	Reform
DB2012	Brazil improved its credit information system by allowing private credit bureaus to collect and share positive information.

Source: *Doing Business* database.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

GETTING CREDIT

What are the details?

The getting credit indicators reported here for Brazil are based on detailed information collected in that economy. The data on credit information sharing are collected through a survey of a credit registry and/or credit bureau (if one exists). To construct the depth of credit information index, a score of 1 is assigned for each of 8 features of the credit registry or credit bureau (see summary of scoring below).

The data on the legal rights of borrowers and lenders are gathered through a survey of financial lawyers and verified through analysis of laws and regulations as well as public sources of information on collateral and bankruptcy laws. For the strength of legal rights index, a score of 1 is assigned for each of 10 aspects related to legal rights in collateral law and 2 aspects in bankruptcy law.

Strength of legal rights index (0–12)	São Paulo Index score: 2.0	Rio de Janeiro Index score: 2.0
Does an integrated or unified legal framework for secured transactions that extends to the creation, publicity and enforcement of functional equivalents to security interests in movable assets exist in the economy?	0	0
Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?	0	0
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?	0	0
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets?	0	0
Is a general description of debts and obligations permitted in collateral agreements; can all types of debts and obligations be secured between parties; and can the collateral agreement include a maximum amount for which the assets are encumbered?	0	0
Is a collateral registry in operation for both incorporated and non-incorporated entities, that is unified geographically and by asset type, with an electronic database indexed by debtor's name?	0	0
Does a notice-based collateral registry exist in which all functional equivalents can be registered?	0	0
Does a modern collateral registry exist in which registrations, amendments, cancellations and searches can be performed online by any interested third party?	0	0
Are secured creditors paid first (i.e. before tax claims and employee claims) when a debtor defaults outside an insolvency procedure?	0	0

Strength of legal rights index (0–12)	São Paulo Index score: 2.0	Rio de Janeiro Index score: 2.0
Are secured creditors paid first (i.e. before tax claims and employee claims) when a business is liquidated?	0	0
Are secured creditors subject to an automatic stay on enforcement when a debtor enters a court-supervised reorganization procedure? Does the law protect secured creditors' rights by providing clear grounds for relief from the stay and/or sets a time limit for it?	1	1
Does the law allow parties to agree on out of court enforcement at the time a security interest is created? Does the law allow the secured creditor to sell the collateral through public auction and private tender, as well as, for the secured creditor to keep the asset in satisfaction of the debt?	1	1

Depth of credit information index (0–8)	Credit bureau	Credit registry	Index score: 7.0
Are data on both firms and individuals distributed?	Yes	Yes	1
Are both positive and negative credit data distributed?	No	Yes	1
Are data from retailers or utility companies - in addition to data from banks and financial institutions - distributed?	Yes	No	1
Are at least 2 years of historical data distributed? (Credit bureaus and registries that erase data on defaults as soon as they are repaid or distribute negative information more than 10 years after defaults are repaid receive a score of 0 for this component.)	No	No	0
Are data on loan amounts below 1% of income per capita distributed?	Yes	Yes	1
By law, do borrowers have the right to access their data in the credit bureau or credit registry?	Yes	Yes	1
Can banks and financial institutions access borrowers' credit information online (for example, through an online platform, a system-to-system connection or both)?	Yes	Yes	1
Are bureau or registry credit scores offered as a value-added service to help banks and financial institutions assess the creditworthiness of borrowers?	Yes	No	1

Note: An economy receives a score of 1 if there is a "yes" to either bureau or registry. If the credit bureau or registry is not operational or covers less than 5% of the adult population, the total score on the depth of credit information index is 0.

Coverage	Credit bureau	Credit registry
Number of individuals	104,516,808	72,574,445
Number of firms	8,814,926	4,180,402
Total	113,331,734	76,754,847
Total percentage of adult population	78.9	53.4

Source: *Doing Business* database.

PROTECTING MINORITY INVESTORS

Protecting minority investors matters for the ability of companies to raise the capital they need to grow, innovate, diversify and compete. Effective regulations define related-party transactions precisely, promote clear and efficient disclosure requirements, require shareholder participation in major decisions of the company and set detailed standards of accountability for company insiders.

What do the indicators cover?

Doing Business measures the protection of minority investors from conflicts of interest through one set of indicators and shareholders' rights in corporate governance through another. The ranking of economies on the strength of minority investor protections is determined by sorting their distance to frontier scores for protecting minority investors. These scores are the simple average of the distance to frontier scores for the extent of conflict of interest regulation index and the extent of shareholder governance index. To make the data comparable across economies, a case study uses several assumptions about the business and the transaction.

The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange. If the number of publicly traded companies listed on that exchange is less than 10, or if there is no stock exchange in the economy, it is assumed that Buyer is a large private company with multiple shareholders.
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.
- Has a supervisory board (applicable to economies with a two-tier board system) on which 60% of the shareholder-elected members have been appointed by Mr. James, who is Buyer's controlling shareholder and a member of Buyer's board of directors.
- Has not adopted any bylaws or articles of association that differ from default minimum standards and does not follow any nonmandatory codes, principles, recommendations or guidelines relating to corporate governance.

WHAT THE PROTECTING MINORITY INVESTORS INDICATORS MEASURE

Extent of disclosure index (0–10)

Review and approval requirements for related-party transactions; Disclosure requirements for related-party transactions

Extent of director liability index (0–10)

Ability of minority shareholders to sue and hold interested directors liable for prejudicial related-party transactions; Available legal remedies (damages, disgorgement of profits, fines, imprisonment, rescission of the transaction)

Ease of shareholder suits index (0–10)

Access to internal corporate documents; Evidence obtainable during trial and allocation of legal expenses

Extent of conflict of interest regulation index (0–10)

Simple average of the extent of disclosure, extent of director liability and ease of shareholder indices

Extent of shareholder rights index (0–10)

Shareholders' rights and role in major corporate decisions

Extent of ownership and control index (0–10)

Governance safeguards protecting shareholders from undue board control and entrenchment

Extent of corporate transparency index (0–10)

Corporate transparency on ownership stakes, compensation, audits and financial prospects

Extent of shareholder governance index (0–10)

Simple average of the extent of shareholders rights, extent of ownership and control and extent of corporate transparency indices

Strength of minority investor protection index (0–10)

Simple average of the extent of conflict of interest regulation and extent of shareholder governance indices

- Is a manufacturing company with its own distribution network.

The transaction involves the following details:

- Mr. James owns 60% of Buyer and elected two directors to Buyer's five-member board.
- Mr. James also owns 90% of Seller, a company that operates a chain of retail hardware stores. Seller recently closed a large number of its stores. Mr. James proposes that Buyer purchase Seller's unused fleet of trucks to expand Buyer's distribution of its food products, a proposal to which Buyer agrees. The price is equal to 10% of Buyer's assets and is higher than the market value.
- The proposed transaction is part of the company's ordinary course of business and is not outside the authority of the company.
- Buyer enters into the transaction. All required approvals are obtained, and all required disclosures made (that is, the transaction is not fraudulent).
- The transaction causes damages to Buyer. Shareholders sue Mr. James and the other parties that approved the transaction.

PROTECTING MINORITY INVESTORS

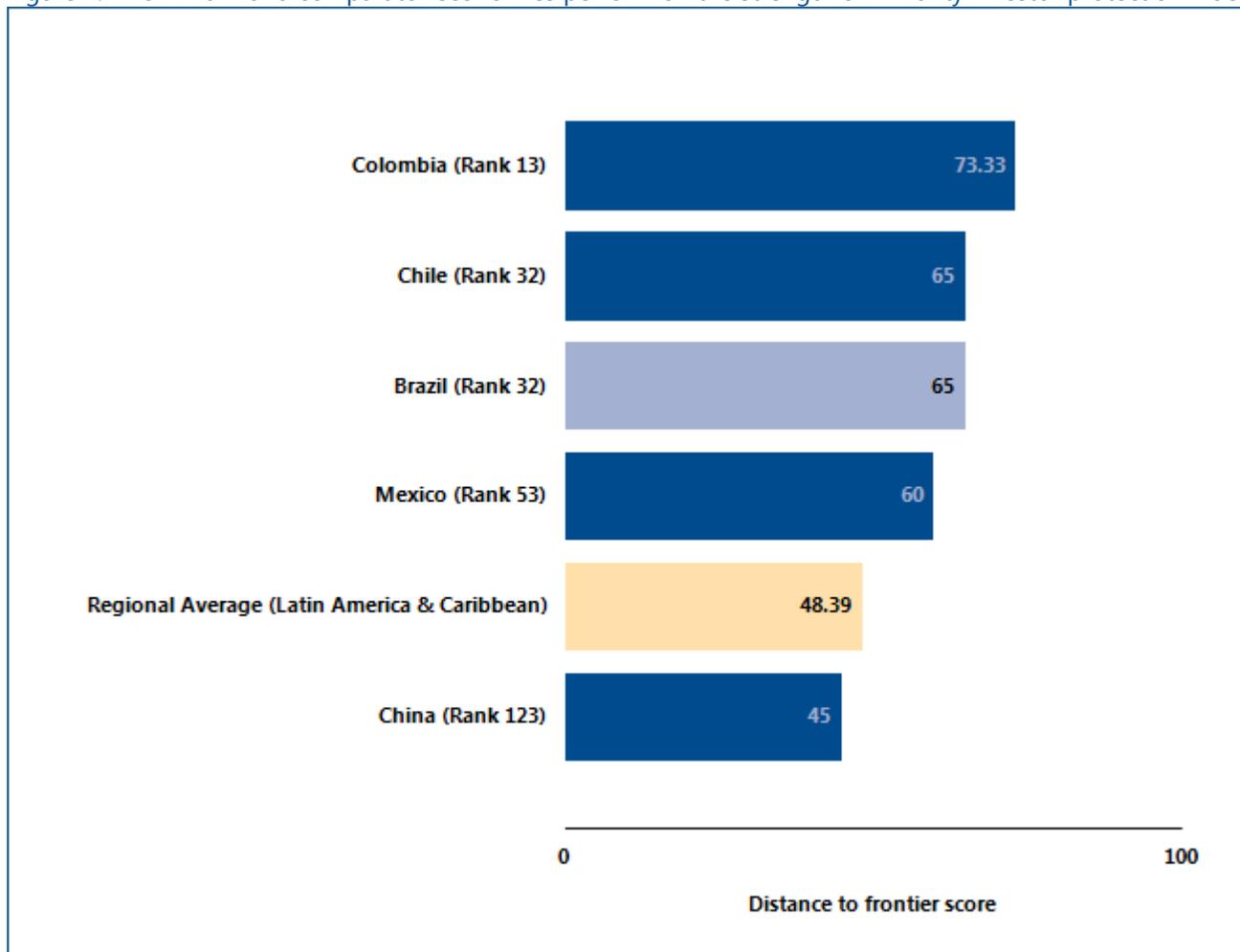
Where does the economy stand today?

How strong are minority investor protections against self-dealing in Brazil? The economy has a score of 6.5 on the strength of minority investor protection index, with a higher score indicating stronger protections.

Globally, Brazil stands at 32 in the ranking of 190 economies on the strength of minority investor

protection index (figure 7.1). While the indicator does not measure all aspects related to the protection of minority investors, a higher ranking does indicate that an economy's regulations offer stronger minority investor protections against self-dealing in the areas measured.

Figure 7.1 How Brazil and comparator economies perform on the strength of minority investor protection index



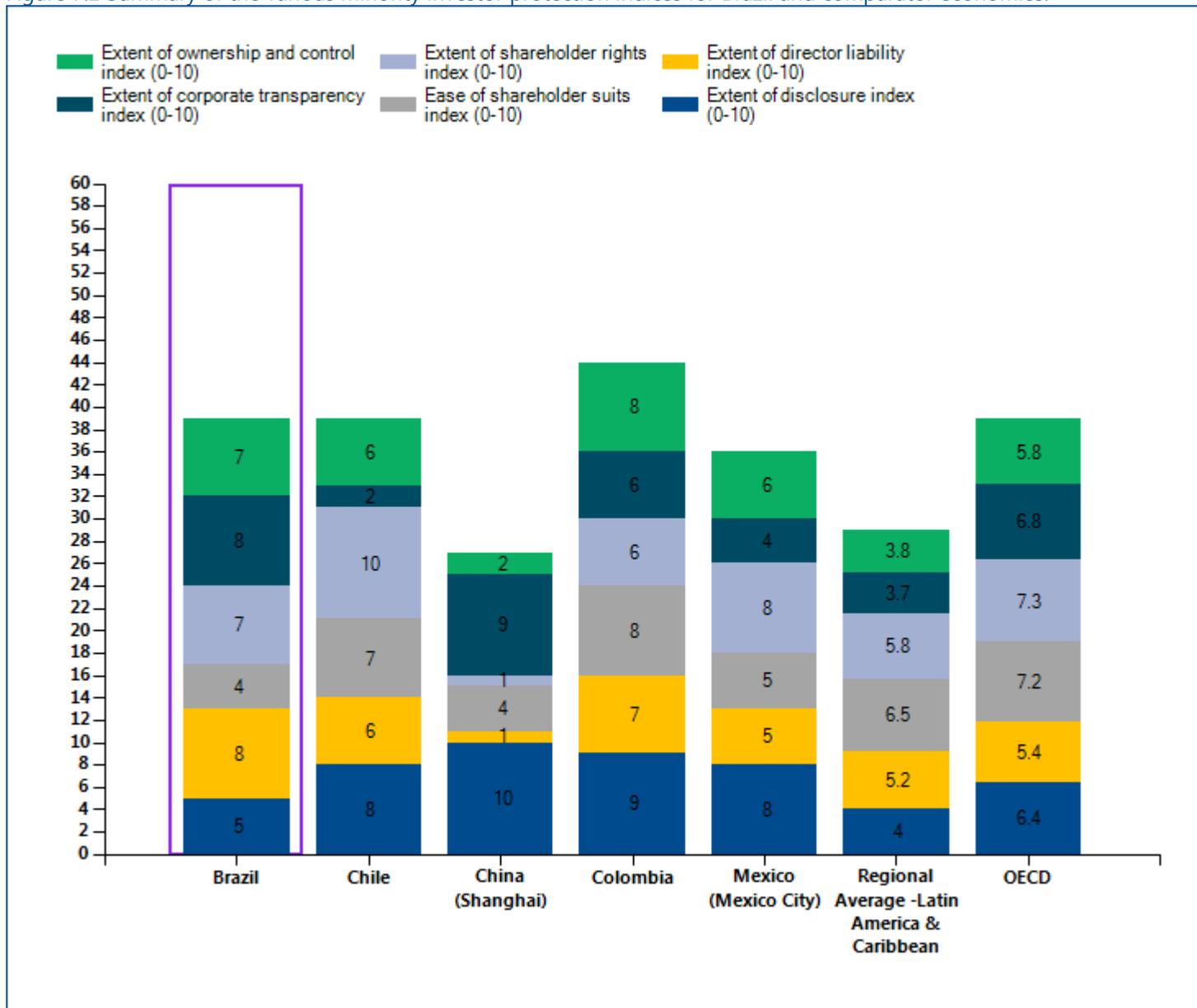
Source: Doing Business database.

PROTECTING MINORITY INVESTORS

One way to put an economy's scores on the protecting minority investors indicators into context is to see where the economy stands in the distribution of scores across comparator economies. Figure 7.2 highlights the scores on the various minority investor protection indices for Brazil.

A summary of scoring for the protecting minority investors indicators at the end of this chapter provides details on how the indices were calculated.

Figure 7.2 Summary of the various minority investor protection indices for Brazil and comparator economies.



Source: Doing Business database.

PROTECTING MINORITY INVESTORS

What are the details?

The protecting minority investors indicators reported here for Brazil are based on detailed information collected through a survey of corporate and securities lawyers about securities regulations, company laws and court rules of evidence and procedure. To construct the six indicators on minority investor protection, scores are assigned to each based on a range of conditions relating

to disclosure, director liability, shareholder suits, shareholder rights, ownership and control and corporate transparency in a standard case study (for more details, see the Data Notes section of the *Doing Business 2017* report). The summary below shows the details underlying the scores for Brazil.

Table 7.2 Summary of scoring for the protecting minority investors indicators in Brazil

	Answer (São Paulo)	Score (São Paulo)	Answer (Rio de Janeiro)	Score (Rio de Janeiro)
Strength of minority investor protection index (0-10)		6.5		6.5
Extent of conflict of interest regulation index (0-10)		5.7		5.7
Extent of disclosure index (0-10)		5.0		5.0
Which corporate body is legally sufficient to approve the Buyer-Seller transaction? (0-3)	CEO alone	0.0	CEO alone	0.0
Must Mr. James disclose his conflict of interest to the board of directors? (0-2)	Full disclosure of all material facts	2.0	Full disclosure of all material facts	2.0
Must Buyer disclose the transaction in published periodic filings (annual reports)? (0-2)	Disclosure on the transaction and on the conflict of interest	2.0	Disclosure on the transaction and on the conflict of interest	2.0
Must Buyer immediately disclose the transaction to the public and/or shareholders? (0-2)	Disclosure on the transaction only	1.0	Disclosure on the transaction only	1.0
Must an external body review the terms of the transaction before it takes place? (0-1)	No	0.0	No	0.0
Extent of director liability index (0-10)		8.0		8.0
Can shareholders representing 10% of Buyer's share capital sue directly or derivatively for the damage the transaction caused to Buyer? (0-1)	Yes	1.0	Yes	1.0
Can shareholders hold the interested director liable for the damage the transaction caused to Buyer? (0-2)	Liable if unfair or prejudicial	2.0	Liable if unfair or prejudicial	2.0
Can shareholders hold the other directors liable for the damage the transaction caused to Buyer (0-2)	Liable if negligent	1.0	Liable if negligent	1.0
Must Mr. James pay damages for the harm caused to Buyer upon a successful claim by shareholders? (0-1)	Yes	1.0	Yes	1.0
Must Mr. James repay profits made from the transaction upon a successful claim by shareholders? (0-1)	Yes	1.0	Yes	1.0
Is Mr. James disqualified or fined and imprisoned upon a successful claim by shareholders? (0-1)	No	0.0	No	0.0
Can a court void the transaction upon a successful claim by shareholders? (0-2)	Voidable if unfair or prejudicial	2.0	Voidable if unfair or prejudicial	2.0

Ease of shareholder suits index (0-10)		4.0		4.0
Before suing can shareholders representing 10% of Buyer's share capital inspect the transaction documents? (0-1)	No	0.0	No	0.0
Can the plaintiff obtain any documents from the defendant and witnesses at trial? (0-3)	Any relevant document	3.0	Any relevant document	3.0
Can the plaintiff request categories of documents from the defendant without identifying specific ones? (0-1)	No	0.0	No	0.0
Can the plaintiff directly question the defendant and witnesses at trial? (0-2)	No	0.0	No	0.0
Is the level of proof required for civil suits lower than that of criminal cases? (0-1)	No	0.0	No	0.0
Can shareholder plaintiffs recover their legal expenses from the company? (0-2)	Yes if successful	1.0	Yes if successful	1.0
Extent of shareholder governance index (0-10)		7.3		7.3
Extent of shareholder rights index (0-10)		7.0		7.0
Does the sale of 51% of Buyer's assets require shareholder approval?	No	0.0	No	0.0
Can shareholders representing 10% of Buyer's share capital call for an extraordinary meeting of shareholders?	Yes	1.0	Yes	1.0
Must Buyer obtain its shareholders' approval every time it issues new shares?	Yes	1.0	Yes	1.0
Do shareholders automatically receive preemption rights every time Buyer issues new shares?	Yes	1.0	Yes	1.0
Must shareholders approve the election and dismissal of the external auditor?	No	0.0	No	0.0
Are changes to the rights of a class of shares only possible if the holders of the affected shares approve?	Yes	1.0	Yes	1.0
Assuming that Buyer is a limited company, does the sale of 51% of its assets require member approval?	No	0.0	No	0.0
Assuming that Buyer is a limited company, can members representing 10% call for an extraordinary meeting of members?	Yes	1.0	Yes	1.0
Assuming that Buyer is a limited company, must all members consent to add a new member?	Yes	1.0	Yes	1.0
Assuming that Buyer is a limited company, must a member first offer to sell his interest to the existing members before selling to a non-member?	Yes	1.0	Yes	1.0
Extent of ownership and control index (0-10)		7.0		7.0
Is it forbidden to appoint the same individual as CEO and chair of the board of directors?	No	0.0	No	0.0
Must the board of directors include independent and nonexecutive board members?	No	0.0	No	0.0
Can shareholders remove members of the board of directors without cause before the end of their term?	Yes	1.0	Yes	1.0
Must the board of directors include a separate audit committee exclusively comprising board members?	Yes	1.0	Yes	1.0
Must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of Buyer?	Yes	1.0	Yes	1.0
Must Buyer pay dividends within a maximum period set by law after the declaration date?	Yes	1.0	Yes	1.0
Is a subsidiary prohibited from acquiring shares issued by its parent company?	Yes	1.0	Yes	1.0

Assuming that Buyer is a limited company, is there a management deadlock breaking mechanism?	Yes	1.0	Yes	1.0
Assuming that Buyer is a limited company, must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of Buyer?	No	0.0	No	0.0
Assuming that Buyer is a limited company, must Buyer distribute profits within a maximum period set by law after the declaration date?	Yes	1.0	Yes	1.0
Extent of corporate transparency index (0-10)		8.0		8.0
Must Buyer disclose direct and indirect beneficial ownership stakes representing 5%?	Yes	1.0	Yes	1.0
Must Buyer disclose information about board members' other directorships as well as basic information on their primary employment?	Yes	1.0	Yes	1.0
Must Buyer disclose the compensation of individual managers?	Yes	1.0	Yes	1.0
Must a detailed notice of general meeting be sent 21 days before the meeting?	No	0.0	No	0.0
Can shareholders representing 5% of Buyer's share capital put items on the agenda for the general meeting?	Yes	1.0	Yes	1.0
Must Buyer's annual financial statements be audited by an external auditor?	Yes	1.0	Yes	1.0
Must Buyer disclose its audit reports to the public?	Yes	1.0	Yes	1.0
Assuming that Buyer is a limited company, must members meet at least once a year?	No	0.0	No	0.0
Assuming that Buyer is a limited company, can members representing 5% put items on the meeting agenda?	Yes	1.0	Yes	1.0
Assuming that Buyer is a limited company, must Buyer's annual financial statements be audited by an external auditor?	Yes	1.0	Yes	1.0

Source: Doing Business database.

PAYING TAXES

Taxes are essential. The level of tax rates needs to be carefully chosen—and needless complexity in tax rules avoided. Firms in economies that rank better on the ease of paying taxes in the *Doing Business* study tend to perceive both tax rates and tax administration as less of an obstacle to business according to the World Bank Enterprise Survey research.

What do the indicators cover?

Using a case scenario, *Doing Business* records the taxes and mandatory contributions that a medium-size company must pay in a given year as well as measures of the administrative burden of paying taxes and contributions and dealing with postfiling processes. This case scenario uses a set of financial statements and assumptions about transactions made over the year. Information is also compiled on the frequency of filing and payments, time taken to comply with tax laws, time taken to comply with the requirements of postfiling processes and time waiting for these processes to be completed. The ranking of economies on the ease of paying taxes is determined by sorting their distance to frontier scores on the ease of paying taxes. These scores are the simple average of the distance to frontier scores for each of the four component indicators – number of tax payments, time, total tax rate and postfiling index – with a threshold and a nonlinear transformation applied to one of the component indicators, the total tax rate¹. If both VAT (or GST) and corporate income tax apply, the postfiling index is the simple average of the distance to frontier scores for each of the four components: the time to comply with a VAT or GST refund, the time to obtain a VAT or GST refund, the time to comply with a corporate income tax audit and the time to complete a corporate income tax audit. If only VAT (or GST) or corporate income tax applies, the postfiling index is the simple average of the scores for only the two components pertaining to the applicable tax. If neither VAT (or GST) nor corporate income tax

WHAT THE PAYING TAXES INDICATORS MEASURE

Tax payments for a manufacturing company in 2015 (number per year adjusted for electronic and joint filing and payment)

Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)

Method and frequency of filing and payment

Time required to comply with 3 major taxes (hours per year)

Collecting information and computing the tax payable

Completing tax return forms, filing with proper agencies

Arranging payment or withholding

Preparing separate tax accounting books, if required

Total tax rate (% of profit before all taxes)

Profit or corporate income tax

Social contributions and labor taxes paid by the employer

Property and property transfer taxes

Dividend, capital gains and financial transactions taxes

Waste collection, vehicle, road and other taxes

Postfiling Index

The time to comply with a VAT or GST refund

The time to receive a VAT or GST refund

The time to comply with a corporate income tax audit

The time to complete a corporate income tax audit

¹ The nonlinear distance to frontier for the total tax rate is equal to the distance to frontier for the total tax rate to the power of 0.8. The threshold is defined as the total tax rate at the 15th percentile of the overall distribution for all years included in the analysis up to and including *Doing Business 2015*, which is 26.1%. All economies with a total tax rate below this threshold receive the same score as the economy at the threshold.

applies, the postfiling index is not included in the ranking of the ease of paying taxes.

Taxes and mandatory contributions include corporate income tax, turnover tax and all labor taxes and contributions paid by the company. A range of standard deductions and exemptions are also recorded.

All financial statement variables are proportional to 2012 income per capita. To make the data comparable across economies, several assumptions are used.

TaxpayerCo is a medium-size business that started operations on January 1, 2014.

The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.

Taxes and mandatory contributions are measured at all levels of government.

Assumptions about the VAT refund process:

- In June 2015, TaxpayerCo. makes a large capital purchase: one additional machine for manufacturing pots.
- The value of the machine is 65 times income per capita of the economy.
- Sales are equally spread per month (that is, 1,050 times income per capita divided by 12).
- Cost of goods sold are equally expensed per month (that is, 875 times income per capita divided by 12).
- The seller of the machinery is registered for VAT or general sales tax (GST).
- Excess input VAT incurred in June will be fully recovered after four consecutive months if the VAT or GST rate is the same for inputs, sales and the machine and the tax reporting period is every month.

Assumptions about the corporate income tax audit process:

- An error in the calculation of the income tax liability (for example, use of incorrect tax depreciation rates, or incorrectly treating an expense as tax deductible) leads to an incorrect income tax return and consequently an underpayment of corporate income tax.
- TaxpayerCo. discovered the error and voluntarily notified the tax authority of the error in the corporate income tax return.

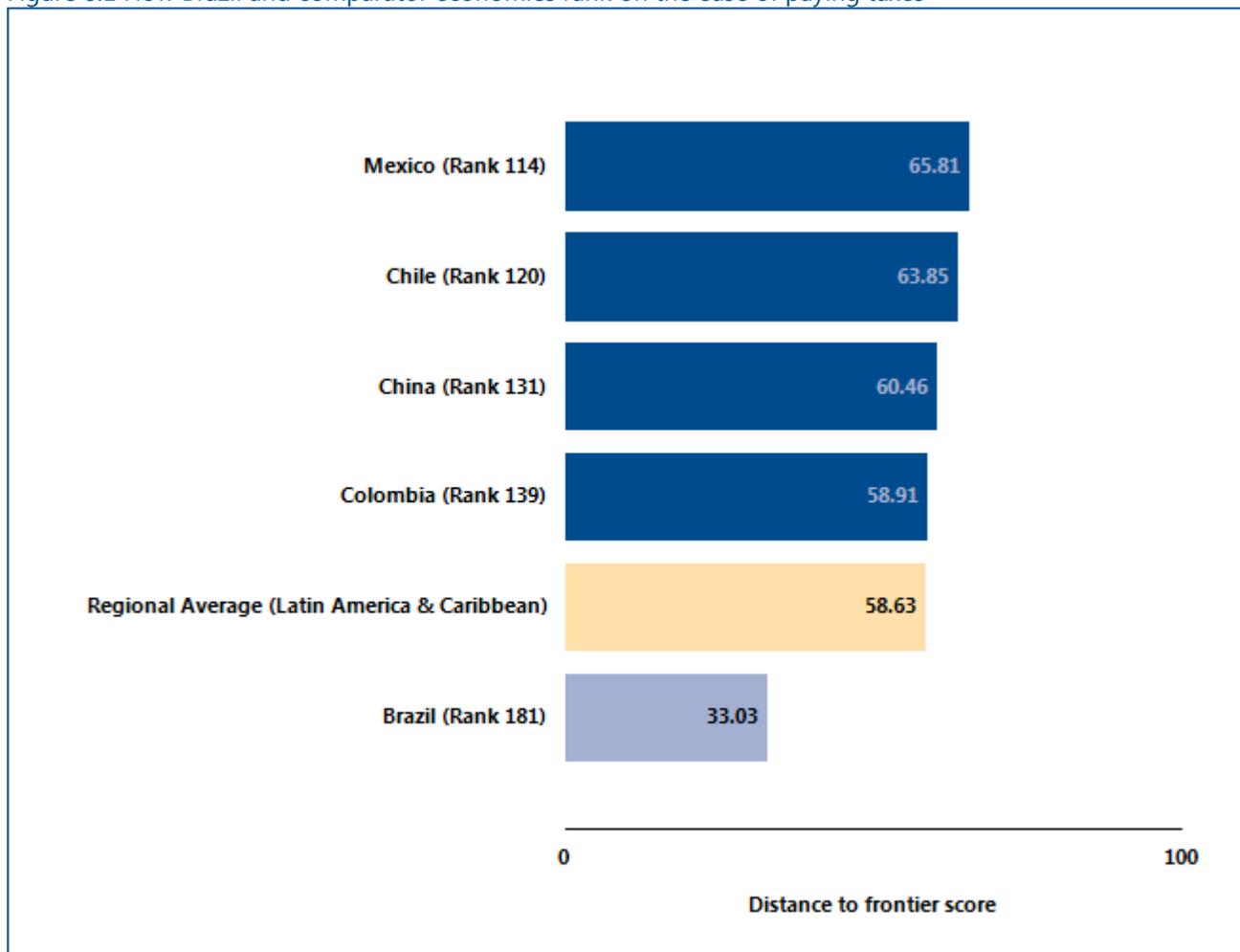
PAYING TAXES

Where does the economy stand today?

What is the administrative burden of complying with tax obligations and postfiling processes in Brazil—and how much do firms pay in taxes? Globally, Brazil stands at in the ranking of 190 economies on the ease of paying taxes (figure 8.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing the tax compliance burden for businesses in (see table 8.2 and table 8.3 at

the end of this chapter for details). Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 8.1 How Brazil and comparator economies rank on the ease of paying taxes



Source: *Doing Business* database.

PAYING TAXES

What are the details?

The indicators reported here for Brazil are based on the taxes and contributions that would be paid by a standardized case study company used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). Tax practitioners are asked to review a set of financial statements as well as a standardized list of assumptions and transactions that the company completed during its 2nd year of operation. Respondents are asked how much taxes and mandatory contributions the business must pay how these taxes are filed and paid, how much time taxpayers spend preparing, filing and paying three major taxes (profit taxes, labor taxes including mandatory contributions and consumption taxes) and how much time taxpayers spend complying with postfiling processes and waiting for these processes to be completed.

LOCATION OF STANDARDIZED COMPANY

City: São Paulo , Rio de Janeiro

The taxes and contributions paid are listed in table 8.2 below, along with the associated number of payments, time and tax rate.

The postfiling index is based on four components—the time to comply with a VAT or GST refund, the time to obtain a VAT or GST refund, the time to comply with a corporate income tax audit and the time to complete a corporate income tax audit (table 8.3). These components are based on expanded case study assumptions. If only VAT (or GST) or corporate income tax applies for an economy, the postfiling index is the simple average of the scores for only the two components pertaining to the applicable tax. If neither VAT (or GST) nor corporate income tax applies, the postfiling index is not included in the ranking of the ease of paying taxes.

Table 8.2 Summary of tax rates and administration

São Paulo : Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Employer paid - Payroll tax	1	online		8.8%	net salaries	9.22	
Employer paid - Severance contribution (FGTS)	0	online and jointly		8%	net salaries	8.38	
Social contribution (CSLL)	1	online		9%	taxable profit	6.66	
Employer paid - Social security contributions (INSS)	1	online	363	20%	gross salaries	22.56	

São Paulo : Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Property tax	1			1.9%	Market value of property, with additions and discounts defined by bands of market value (for São Paulo).	2.47	
Corporate income tax (IRPJ)	1	online	486	15%+10% (surcharge applies on annual taxable income exceeding R\$ 240,000)	taxable profit	18.49	
Tax on interest	0	withheld		20%	interest income	0.51	not included
Vehicle tax	1			1.5%	market value of vehicle	0.13	
Establishment inspection fee (TFE)	1			fee schedule	type of activity	0.06	
Employee paid - Social security contributions (INSS)	0	online and jointly		11%	gross salaries	0.00	withheld
ICMS (similar to VAT)	1	online	1189	18%	value added (including taxes)		not included
PIS/COFINS (similar to VAT)	1	online		9.25%	value added		not included
IPI (similar to VAT)	1	online		20%	value added (including taxes)		not included
Totals	10.0		2038.0			68.0	

Rio de Janeiro: Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Employer paid - Payroll tax	1	online		8.8%	net salaries	9.22	
Employer paid - Severance contribution (FGTS)	0	online and jointly		8%	net salaries	8.38	
Social contribution (CSLL)	1	online		9%	taxable profit	6.51	
Property tax	1			2.8%	market value of property	4.15	
Employer paid - Social security contributions (INSS)	1	online	363	20%	gross salaries	22.56	
Corporate income tax (IRPJ)	1	online	486	15%+10% (surcharge applies on annual taxable income exceeding R\$ 240,000)	taxable profit	18.09	
Tax on interest	0	withheld		20%	interest income	0.51	not included
Vehicle tax	1			1%	market value of vehicle	0.08	
ICMS (similar to VAT)	1	online	1189	19%	value added (including taxes)	0.00	not included
PIS/COFINS (similar to VAT)	1	online		9.25%	value added	0.00	not included
IPI (similar to VAT)	1	online		20%	value added (including taxes)	0.00	not included
Employee paid - Social security contributions (INSS)	0	online and jointly		11%	gross salaries	0.00	withheld
Totals	9.0		2038.0			69.0	

Source: Doing Business database.

Table 8.3 Summary of details of postfiling index in Brazil

	Answer (São Paulo)	Score (São Paulo)	Answer (Rio de Janeiro)	Score (Rio de Janeiro)
Postfiling index (0-100)		8.0		8.0
VAT refunds		0.0		0.0
Does VAT/GST exist?	Yes		Yes	
Frequency of VAT/GST refund submission	monthly		monthly	
Does a VAT/GST refund process exist per the case study?	No		No	
Restrictions on VAT refund process	ICIMS: in case of overpayment due to a mistake in the calculation of taxes due IPI: no IPI VAT credit on capital purchase is allowed PIS and COFINS: restricted international traders and others		ICIMS: in case of overpayment due to a mistake in the calculation of taxes due IPI: no IPI VAT credit on capital purchase is allowed PIS and COFINS: restricted international traders and others	
Likelihood of VAT audit	N/A		N/A	
Time to comply with VAT refund (hours)	N/A	0.0	N/A	0.0
Time to obtain a VAT refund (weeks)	N/A	0.0	N/A	0.0
Corporate income tax audits		32.1		32.1
Does corporate income tax exist?	Yes		Yes	
Likelihood of corporate income tax audit	Highly likely		Highly likely	
Time to comply with a corporate income tax audit (hours)	38.5	32.1	38.5	32.1
Time to complete a corporate income tax audit (weeks)	35.1	0.0	35.1	0.0

	Answer (São Paulo)	Score (São Paulo)	Answer (Rio de Janeiro)	Score (Rio de Janeiro)
Administrative appeal process				
First level administrative appeal authority	Tax Inspection Office of the Brazilian Revenue Service and Tax Inspection Office of the State Treasury		Tax Inspection Office of the Brazilian Revenue Service and Tax Inspection Office of the State Treasury	
Is the appeal authority independent?	Independent Department within tax office		Independent Department within tax office	
Are appeal guidelines accessible to the public?	Yes		Yes	
Source of appeal guidelines	online/in printed publication		online/in printed publication	
Is there a legal time limit for the appeal authority to issue a decision on the tax appeal?	Yes		Yes	
Legal time limit	360 days		360 days	

Source: *Doing Business*

Note:

The postfiling index is the average of the scores on time to comply with VAT refund, time to obtain a VAT refund, time to comply with a corporate income tax audit and time to complete a corporate income tax audit.

N/A = Not applicable.

TRADING ACROSS BORDERS

In today's globalized world, making trade between economies easier is increasingly important for business. Excessive use of paper documents, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential.

What do the indicators cover?

Doing Business records the time and cost associated with the logistical process of exporting and importing goods. Under the new methodology introduced this year, *Doing Business* measures the time and cost (excluding tariffs) associated with three sets of procedures—documentary compliance, border compliance and domestic transport—within the overall process of exporting or importing a shipment of goods. The ranking of economies on the ease of trading across borders is determined by sorting their distance to frontier scores for trading across borders. These scores are the simple average of the distance to frontier scores for the time and cost for documentary compliance and border compliance to export and import (domestic transport is not used for calculating the ranking).

To make the data comparable across economies, a few assumptions are made about the traded goods and the transactions:

Time

- Time is measured in hours, and 1 day is 24 hours (for example, 22 days are recorded as $22 \times 24 = 528$ hours). If customs clearance takes 7.5 hours, the data are recorded as is. Alternatively, suppose that documents are submitted to a customs agency at 8:00 a.m., are processed overnight and can be picked up at 8:00 a.m. the next day. In this case the time for customs clearance would be recorded as 24 hours because the actual procedure took 24 hours.

WHAT THE TRADING ACROSS BORDERS

INDICATORS MEASURE FOR IMPORT & EXPORT

Documentary compliance – cost & time

Obtain, prepare and submit documents:

-During transport, clearance, inspections and port or border handling in origin economy

-Required by origin, destination and transit economies

Covers all documents by law and in practice

Border compliance – cost & time

Customs clearance and inspections

Inspections by other agencies if applied to more than 10% of shipments)

Port or border handling

Processing documents during clearance, inspections and port or border handling

Domestic transport*

Loading and unloading of shipment

Transport between warehouse and terminal/port

Transport between terminal/port and border

Traffic delays and road police checks while shipment is en route

* Although *Doing Business* collects and publishes data on the time and cost for domestic transport, it does not use these data in calculating the distance to frontier score for trading across borders or the ranking on the ease of trading across borders.

Cost

- Insurance cost and informal payments for which no receipt is issued are excluded from the costs recorded. Costs are reported in U.S. dollars. Contributors are asked to convert local currency into U.S. dollars based on the exchange rate prevailing on the day they answer the questionnaire.

Assumptions of the case study

- For each of the 190 economies covered by *Doing Business*, it is assumed that a shipment travels from a warehouse in the largest business city of the exporting economy to a warehouse in the largest business city of the importing economy. For 11 economies the data are also collected, under the same case study assumptions, for the second largest business city.
- The import and export case studies assume different traded products. It is assumed that each economy imports a standardized shipment of 15 metric tons of containerized auto parts (HS 8708) from its natural import partner—the economy from which it imports the largest value (price times quantity) of auto parts. It is assumed that each economy exports the product of its comparative advantage (defined by the largest export value) to its natural export partner—the economy that is the largest purchaser of this product. Special products such as precious metal and gems, live animals and pharmaceuticals are excluded from the list of possible export products. However, the second largest product category is considered as needed.
- A shipment is a unit of trade. Export shipments do not necessarily need to be containerized, while import shipments of auto parts are assumed to be containerized.
- If government fees are determined by the value of the shipment, the value is assumed to be \$50,000.
- The product is new, not secondhand or used merchandise.
- The exporting firm is responsible for hiring and paying for a freight forwarder or customs broker (or both) and pays for all costs related to international shipping, domestic transport, clearance and mandatory inspections by customs and other government agencies, port or border handling, documentary compliance fees and the like for exports. The importing firm is responsible for the above costs for imports.
- The mode of transport is the one most widely used for the chosen export or import product and the trading partner, as is the seaport, airport or land border crossing.
- All electronic submissions of information requested by any government agency in connection with the shipment are considered to be documents obtained, prepared and submitted during the export or import process.
- A port or border is defined as a place (seaport, airport or land border crossing) where merchandise can enter or leave an economy.
- Government agencies considered relevant are agencies such as customs, port authorities, road police, border guards, standardization agencies, ministries or departments of agriculture or industry, national security agencies and any other government authorities.

TRADING ACROSS BORDERS

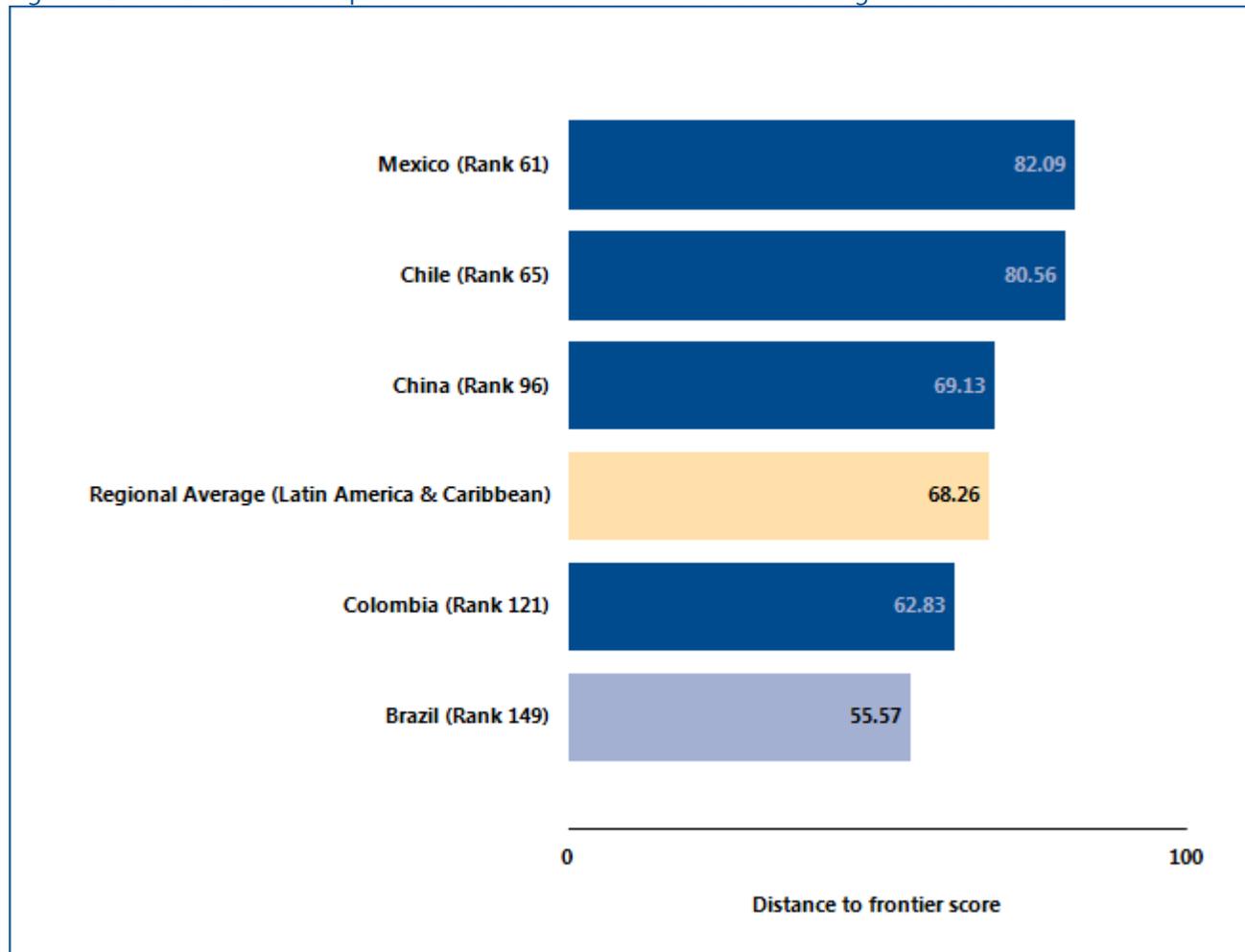
Where does the economy stand today?

The Trading across Borders indicator refers to a case study scenario of a warehouse in the largest business city of an economy (except for 11 economies for which the data are a population-weighted average of the 2 largest business cities) trading with the main import and export partner through the economy’s main border crossing.

Globally, Brazil stands at 149 in the ranking of 190 economies on the ease of trading across borders (figure 9.1).

While not included in the distance to frontier or ease of doing business ranking, data on domestic transportation is also recorded for all economies and provided in Table 9.3.

Figure 9.1 How Brazil and comparator economies rank on the ease of trading across borders



Source: Doing Business database.

TRADING ACROSS BORDERS

In economies around the world, trading across borders as measured by *Doing Business* has become faster and easier over the years. Governments have introduced tools to facilitate trade—including single windows, risk-based inspections and electronic data interchange

systems. These changes help improve the trading environment and boost firms' international competitiveness. What trade reforms has *Doing Business* recorded in Brazil (table 9.1)?

Table 9.1 How has Brazil made trading across borders easier—or not?
By *Doing Business* report year from DB2011 to DB2017

DB year	Reform
DB2016	Brazil reduced the time for documentary and border compliance for exporting by implementing the electronic SISCOMEX Portal system. This reform applies to both Rio de Janeiro and São Paulo.
DB2017	Brazil made trading across borders easier by implementing an electronic system for importing, which reduced the time required for documentary compliance. This reform applies to both Rio de Janeiro and São Paulo.

Source: *Doing Business* database.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

TRADING ACROSS BORDERS

What are the details?

The indicators reported here for Brazil are based on a set of specific predefined procedures for trading a shipment of goods by the most widely used mode of transport (whether sea or land). The information on the time and cost to complete export and import is collected from local freight forwarders, customs brokers and traders.

LOCATION OF STANDARDIZED COMPANY

City: São Paulo , Rio de Janeiro

The details on the predefined set of procedures, and the associated time and cost, for exporting and importing a shipment of goods are listed in the summary below, along with the required documents.

Table 9.2 Summary of export and import time and cost for trading across borders in Brazil

	São Paulo	Rio de Janeiro	Latin America & Caribbean
Time to export: Border compliance (hours)	49	49	63
Cost to export: Border compliance (USD)	959	959	527
Time to export: Documentary compliance (hours)	18	18	56
Cost to export: Documentary compliance (USD)	226	226	111
Time to import: Border compliance (hours)	63	63	65
Cost to import: Border compliance (USD)	970	970	685
Time to import: Documentary compliance (hours)	120	120	83
Cost to import: Documentary compliance (USD)	107	107	120

Source: Doing Business database.

Table 9.3 Summary of trading details, transport time and documents for trading across borders in Brazil

	São Paulo		Rio de Janeiro	
	Export	Import	Export	Import
Product	HS 12 : Oil seeds and oleaginous	HS 8708: Parts and accessories of	HS 12 : Oil seeds and oleaginous	HS 8708: Parts and accessories of

	São Paulo		Rio de Janeiro	
	Export	Import	Export	Import
	fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder	motor vehicles	fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder	motor vehicles
Trade partner	China	Argentina	China	Argentina
Border	Santos port	Santos port	Santos port	Santos port
Distance (km)	84	84	513	513
Domestic transport time (hours)	9	11	16	18
Domestic transport cost (USD)	763	763	1779	1779

Source: Doing Business database.

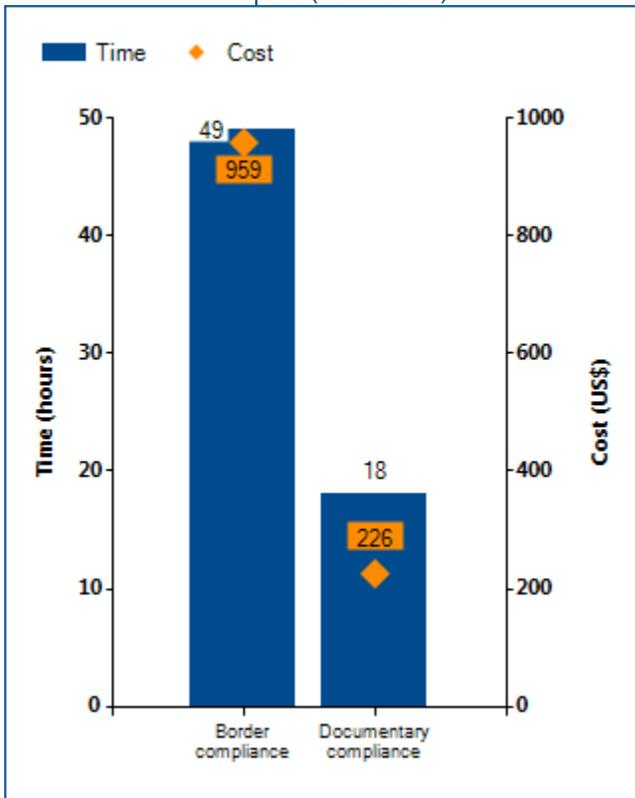
Documents used to export
Bill of lading
Commercial invoice
Customs export declaration
Export Invoice (Nota Fiscal)
Packing list
Health certificate
Documents used to import
Bank document
Bill of lading
Cargo release order
Commercial Invoice
Customs import declaration
Nota fiscal
Packing list

Technical standard certificate

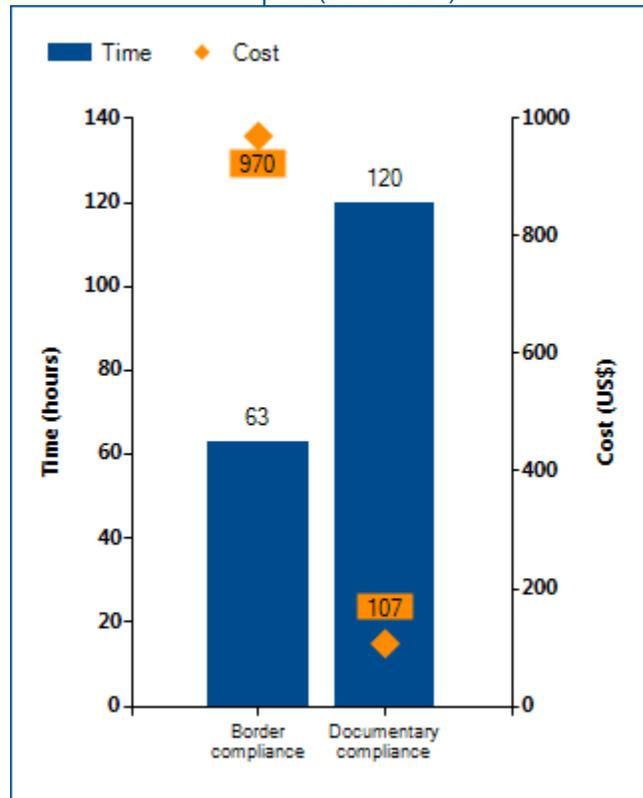
Source: Doing Business database.

Note: Doing Business continues to collect data on the number of documents needed to trade internationally. Unlike in previous years, however, these data are excluded from the calculation of the distance to frontier score and ranking. The time and cost for documentary compliance serve as better measures of the overall cost and complexity of compliance with documentary requirements than does the number of documents required.

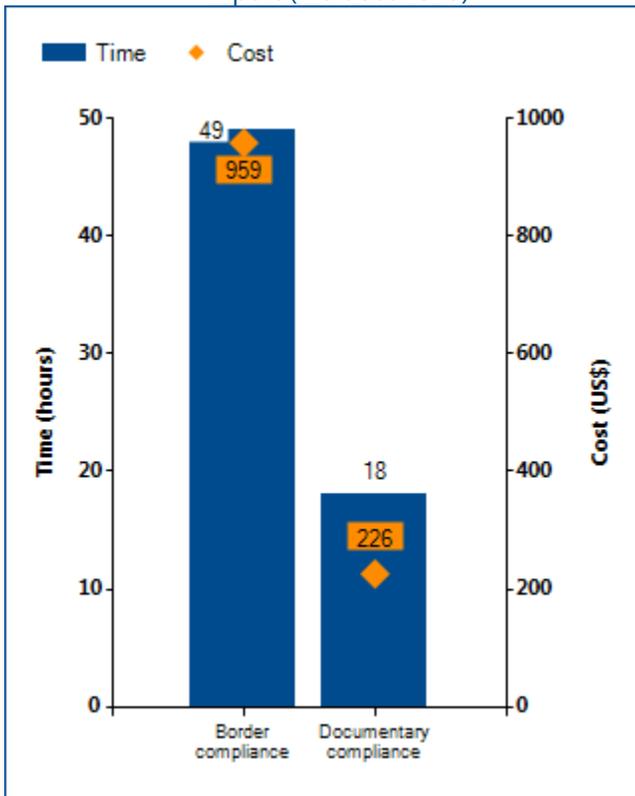
Figure 9.2 Summary of Brazil on the ease of trading across borders
Export (São Paulo)



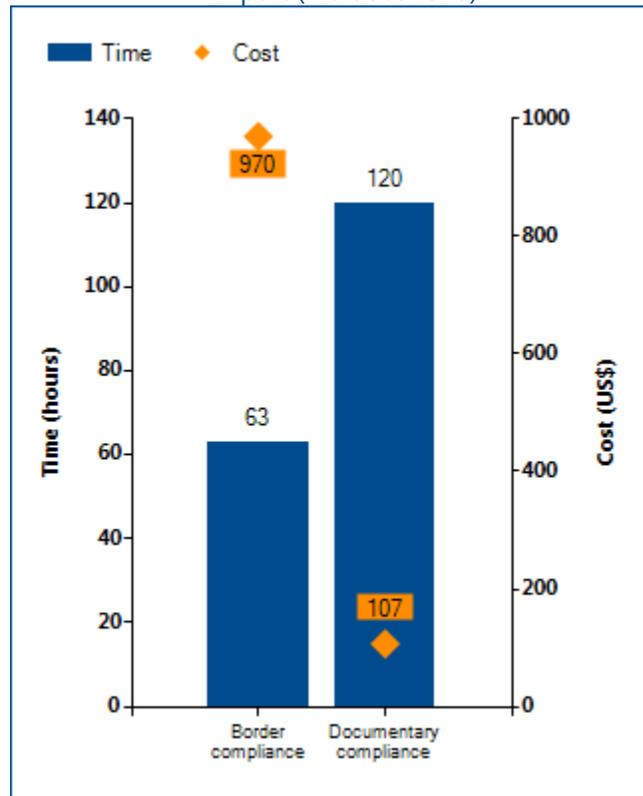
Import (São Paulo)



Export (Rio de Janeiro)



Import (Rio de Janeiro)



Source: Doing Business database.

ENFORCING CONTRACTS

Effective commercial dispute resolution has many benefits. Courts are essential for entrepreneurs because they interpret the rules of the market and protect economic rights. Efficient and transparent courts encourage new business relationships because businesses know they can rely on the courts if a new customer fails to pay. Speedy trials are essential for small enterprises, which may lack the resources to stay in business while awaiting the outcome of a long court dispute.

What do the indicators cover?

Doing Business measures the time and cost for resolving a standardized commercial dispute through a local first-instance court. In addition, this year it introduces a new measure, the quality of judicial processes index, evaluating whether each economy has adopted a series of good practices that promote quality and efficiency in the court system. This new index replaces the indicator on procedures, which was eliminated this year. The ranking of economies on the ease of enforcing contracts is determined by sorting their distance to frontier scores. These scores are the simple average of the distance to frontier scores for each of the component indicators.

The dispute in the case study involves the breach of a sales contract between 2 domestic businesses. The case study assumes that the court hears an expert on the quality of the goods in dispute. This distinguishes the case from simple debt enforcement. To make the data comparable across economies, *Doing Business* uses several assumptions about the case:

- The dispute concerns a lawful transaction between two businesses (Seller and Buyer), both located in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- The buyer orders custom-made goods, then fails to pay.
- The value of the dispute is 200% of the income per capita or the equivalent in local currency of USD 5,000, whichever is greater.
- The seller sues the buyer before the court with jurisdiction over commercial cases worth 200% of income per capita or \$5,000.

WHAT THE ENFORCING CONTRACTS

INDICATORS MEASURE

Time required to enforce a contract through the courts (calendar days)

- Time to file and serve the case
- Time for trial and to obtain the judgment
- Time to enforce the judgment

Cost required to enforce a contract through the courts (% of claim)

- Attorney fees
- Court fees
- Enforcement fees

Quality of judicial processes index (0-18)

- Court structure and proceedings (0-6)
- Case management (0-6)
- Court automation (0-4)
- Alternative dispute resolution (0-3)

- The seller requests a pretrial attachment to secure the claim.
- The dispute on the quality of the goods requires an expert opinion.
- The judge decides in favor of the seller; there is no appeal.
- The seller enforces the judgment through a public sale of the buyer's movable assets.

ENFORCING CONTRACTS

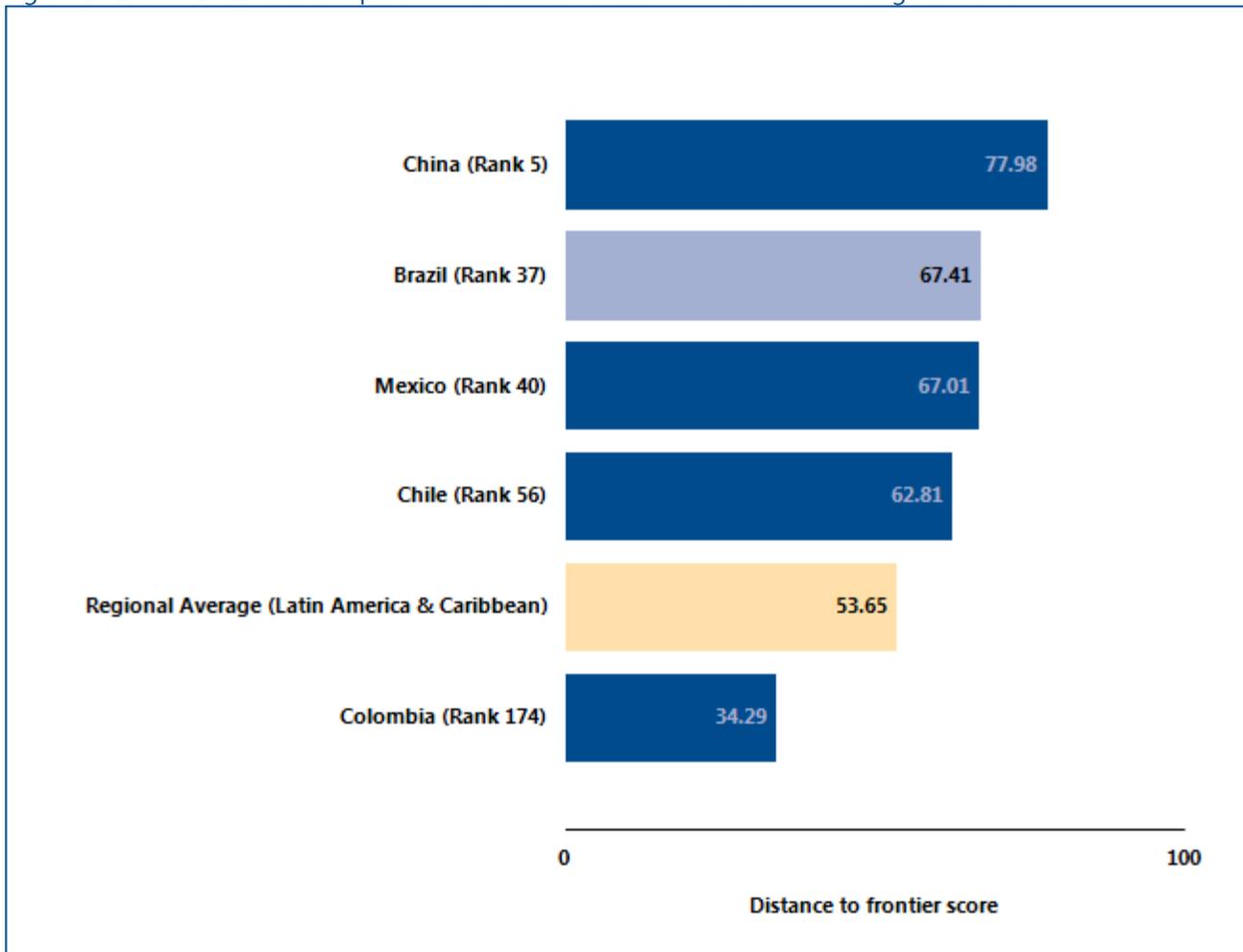
Where does the economy stand today?

How efficient is the process of resolving a commercial dispute through the courts in Brazil? According to data collected by *Doing Business*, contract enforcement takes 731.0 days and costs 20.7% of the value of the claim. Most indicator sets refer to the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier

and ease of doing business ranking at the end of this profile for more details.

Globally, Brazil stands at 37 in the ranking of 190 economies on the ease of enforcing contracts (figure 10.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of contract enforcement in Brazil.

Figure 10.1 How Brazil and comparator economies rank on the ease of enforcing contracts



Source: *Doing Business* database.

ENFORCING CONTRACTS

Economies in all regions have improved contract enforcement in recent years. A judiciary can be improved in different ways. Higher-income economies tend to look for ways to enhance efficiency by introducing new technology. Lower-income economies often work on

reducing backlogs by introducing periodic reviews to clear inactive cases from the docket and by making contract enforcement faster. What reforms making it easier (or more difficult) to enforce contracts has *Doing Business* recorded in Brazil (table 10.1)?

Table 10.1 How has Brazil made enforcing contracts easier—or not?
By *Doing Business* report year from DB2011 to DB2017

DB year	Reform
DB2013	Brazil made enforcing contracts easier by implementing an electronic system for filing initial complaints at the São Paulo civil district court.
DB2017	Brazil made enforcing contracts easier through a new mediation law—that includes financial incentives for parties to attempt mediation—and a new code of civil procedure. These reforms apply to both Rio de Janeiro and São Paulo.

Source: *Doing Business* database.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

ENFORCING CONTRACTS

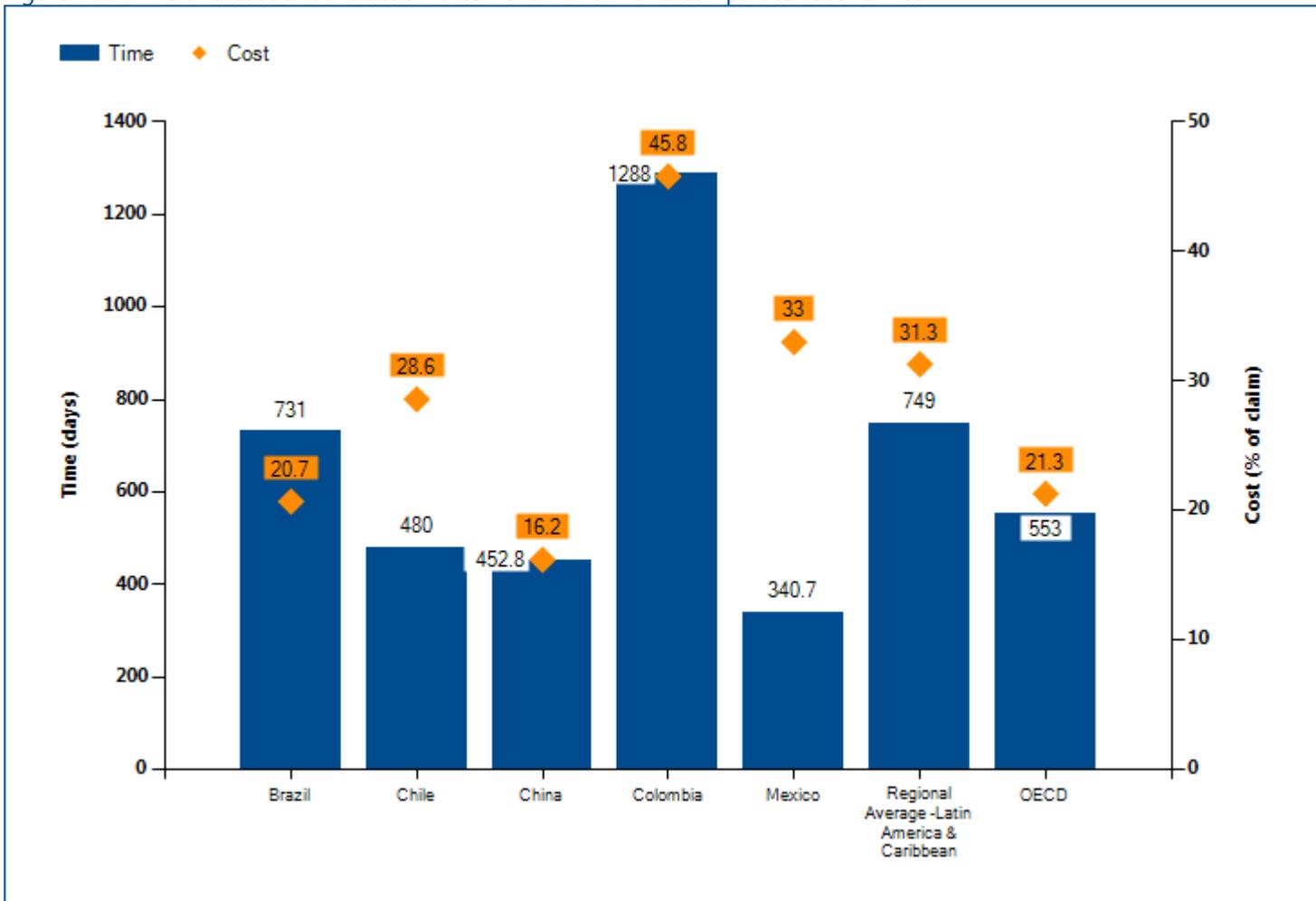
What are the details?

The data on time and cost reported here for Brazil are built by following the step-by-step evolution of a commercial sale dispute within the court, under the assumptions about the case described above (figure 10.2). The time and cost of resolving the standardized dispute are identified through study of the codes of civil procedure and other court regulations, as well as through questionnaires completed by local litigation lawyers (and, in a quarter of the economies covered by *Doing Business*, by judges as well).

ECONOMY DETAILS

Claim value - Rio de Janeiro:	BRL 53,815
Claim value - São Paulo :	BRL 53,815
Court name - Rio de Janeiro:	Rio de Janeiro Civil Court (Vara Cível)
Court name - São Paulo :	São Paulo Civil District Court
City:	São Paulo , Rio de Janeiro

Figure 10.2 Time and cost of contract enforcement in Brazil and comparator economies



Source: Doing Business database.

Table 10.2 Details on time and cost for enforcing contracts in Brazil

Indicator	São Paulo	Rio de Janeiro	Latin America & Caribbean average
Time (days)	731.0	731.0	749
Attorney fees	12.6	12.6	20
Filing and service	41	41	47
Cost (% of claim)	20.7	20.7	31.3
Court fees	7.0	7.0	5
Trial and judgment	480	480	503
Enforcement fees	1.1	1.1	6
Enforcement of judgment	210	210	213
Court structure and proceedings (0-5)	3.5	5.0	3
Case management (0-6)	3.5	3.5	2
Court automation (0-4)	3.0	3.0	1
Alternative dispute resolution (0-3)	3.0	3.0	2

Source: Doing Business database.

ENFORCING CONTRACTS

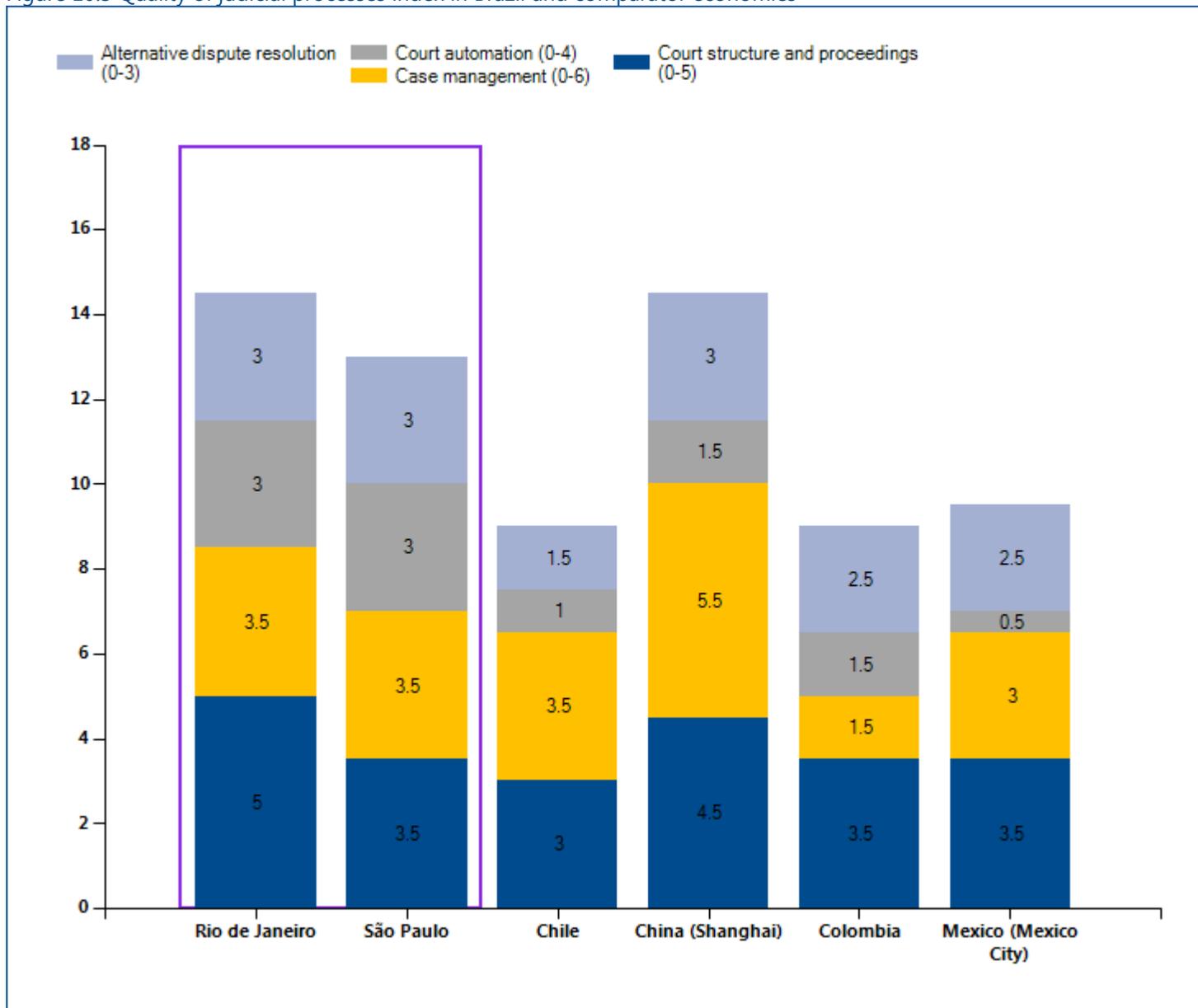
Quality of judicial processes index

The quality of judicial processes index measures whether each economy has adopted a series of good practices in its court system in four areas: court structure and proceedings, case management, court automation and alternative dispute resolution. The score on the quality of judicial processes index is the sum of the scores on these 4 sub-components. The index ranges from 0 to 18, with higher values indicating better, more efficient judicial processes.

The scores reported here show which of these good practices are available in Brazil (figure 10.3).

This methodology was initially developed by Djankov and others (2003) and is adopted here with several changes. The quality of judicial processes index was introduced in *Doing Business 2016*. The good practices tested in this index were developed on the basis of internationally recognized good practices promoting judicial efficiency.

Figure 10.3 Quality of judicial processes index in Brazil and comparator economies



Source: Doing Business database.

Table 10.3 Details of the quality of judicial processes index in Brazil

	Answer (São Paulo)	Score (São Paulo)	Answer (Rio de Janeiro)	Score (Rio de Janeiro)
Quality of judicial processes index (0-18)		13.0		14.5
Court structure and proceedings (0-5)		3.5		5.0
1. Is there a court or division of a court dedicated solely to hearing commercial cases?	No	0.0	Yes	1.5
2. Small claims court		1.5		1.5
2.a. Is there a small claims court or a fast-track procedure for small claims?	Yes		Yes	
2.b. If yes, is self-representation allowed?	Yes		Yes	
3. Is pretrial attachment available?	Yes	1.0	Yes	1.0
4. Are new cases assigned randomly to judges?	Yes, automatic	1.0	Yes, automatic	1.0
5. Does a woman's testimony carry the same evidentiary weight in court as a man's?	Yes	0.0	Yes	0.0
Case management (0-6)		3.5		3.5
1. Time standards		0.0		0.0
1.a. Are there laws setting overall time standards for key court events in a civil case?	Yes		Yes	
1.b. If yes, are the time standards set for at least three court events?	No		No	
1.c. Are these time standards respected in more than 50% of cases?	No		No	
2. Adjournments		0.5		0.5
2.a. Does the law regulate the maximum number of adjournments that can be granted?	No		No	
2.b. Are adjournments limited to unforeseen and exceptional circumstances?	Yes		Yes	
2.c. If rules on adjournments exist, are they respected in more than 50% of cases?	Yes		Yes	
3. Can two of the following four reports be generated about the competent court: (i) time to disposition report; (ii) clearance rate report; (iii) age of pending cases report; and (iv) single case progress report?	Yes	1.0	Yes	1.0
4. Is a pretrial conference among the case	No	0.0	No	0.0

	Answer (São Paulo)	Score (São Paulo)	Answer (Rio de Janeiro)	Score (Rio de Janeiro)
management techniques used before the competent court?				
5. Are there any electronic case management tools in place within the competent court for use by judges?	Yes	1.0	Yes	1.0
6. Are there any electronic case management tools in place within the competent court for use by lawyers?	Yes	1.0	Yes	1.0
Court automation (0-4)		3.0		3.0
1. Can the initial complaint be filed electronically through a dedicated platform within the competent court?	Yes	1.0	Yes	1.0
2. Is it possible to carry out service of process electronically for claims filed before the competent court?	No	0.0	No	0.0
3. Can court fees be paid electronically within the competent court?	Yes	1.0	Yes	1.0
4. Publication of judgments		1.0		1.0
4.a Are judgments rendered in commercial cases at all levels made available to the general public through publication in official gazettes, in newspapers or on the internet or court website?	Yes		Yes	
4.b. Are judgments rendered in commercial cases at the appellate and supreme court level made available to the general public through publication in official gazettes, in newspapers or on the internet or court website?	Yes		Yes	
Alternative dispute resolution (0-3)		3.0		3.0
1. Arbitration		1.5		1.5
1.a. Is domestic commercial arbitration governed by a consolidated law or consolidated chapter or section of the applicable code of civil procedure encompassing substantially all its aspects?	Yes		Yes	
1.b. Are there any commercial disputes—aside from those that deal with public order or public policy—that cannot be submitted to arbitration?	No		No	
1.c. Are valid arbitration clauses or agreements usually enforced by the courts?	Yes		Yes	
2. Mediation/Conciliation		1.5		1.5

	Answer (São Paulo)	Score (São Paulo)	Answer (Rio de Janeiro)	Score (Rio de Janeiro)
2.a. Is voluntary mediation or conciliation available?	Yes		Yes	
2.b. Are mediation, conciliation or both governed by a consolidated law or consolidated chapter or section of the applicable code of civil procedure encompassing substantially all their aspects?	Yes		Yes	
2.c. Are there financial incentives for parties to attempt mediation or conciliation (i.e., if mediation or conciliation is successful, a refund of court filing fees, income tax credits or the like)?	Yes		Yes	

Source: *Doing Business* database.

RESOLVING INSOLVENCY

A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in the speedy return of businesses to normal operation and increase returns to creditors. By clarifying the expectations of creditors and debtors about the outcome of insolvency proceedings, well-functioning insolvency systems can facilitate access to finance, save more viable businesses and sustainably grow the economy.

What do the indicators cover?

Doing Business studies the time, cost and outcome of insolvency proceedings involving domestic legal entities. These variables are used to calculate the recovery rate, which is recorded as cents on the dollar recovered by secured creditors through reorganization, liquidation or debt enforcement (foreclosure or receivership) proceedings. To determine the present value of the amount recovered by creditors, *Doing Business* uses the lending rates from the International Monetary Fund, supplemented with data from central banks and the Economist Intelligence Unit.

To make the data on the time, cost and outcome comparable across economies, several assumptions about the business and the case are used:

- A hotel located in the largest city (or cities) has 201 employees and 50 suppliers. The hotel experiences financial difficulties.
- The value of the hotel is 100% of the income per capita or the equivalent in local currency of USD 200,000, whichever is greater.
- The hotel has a loan from a domestic bank, secured by a mortgage over the hotel's real estate. The hotel cannot pay back the loan, but makes enough money to operate otherwise.

In addition, *Doing Business* evaluates the adequacy and integrity of the existing legal framework applicable to liquidation and reorganization proceedings through the strength of insolvency framework index. The index tests whether economies adopted internationally accepted good practices in four areas: commencement of proceedings, management of debtor's assets, reorganization proceedings and creditor participation.

WHAT THE RESOLVING INSOLVENCY INDICATORS MEASURE

Time required to recover debt (years)

Measured in calendar years

Appeals and requests for extension are included

Cost required to recover debt (% of debtor's estate)

Measured as percentage of estate value

Court fees

Fees of insolvency administrators

Lawyers' fees

Assessors' and auctioneers' fees

Other related fees

Outcome

Whether business continues operating as a going concern or business assets are sold piecemeal

Recovery rate for creditors

Measures the cents on the dollar recovered by secured creditors

Outcome for the business (survival or not) determines the maximum value that can be recovered

Official costs of the insolvency proceedings are deducted

Depreciation of furniture is taken into account

Present value of debt recovered

Strength of insolvency framework index (0-16)

Sum of the scores of four component indices:

Commencement of proceedings index (0-3)

Management of debtor's assets index (0-6)

Reorganization proceedings index (0-3)

Creditor participation index (0-4)

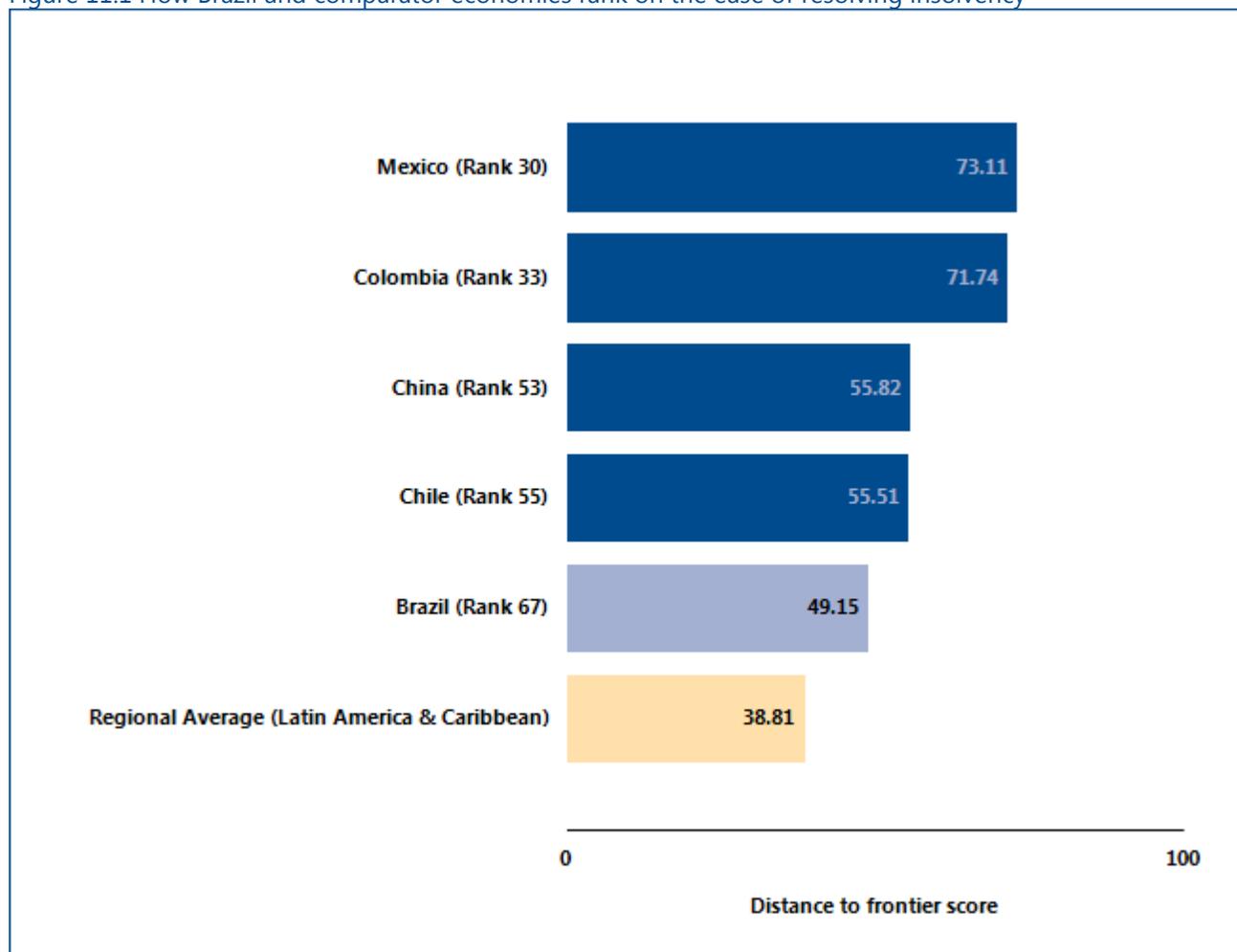
RESOLVING INSOLVENCY

Where does the economy stand today?

Globally, Brazil stands at 67 in the ranking of 190 economies on the ease of resolving insolvency (figure 11.1). The ranking of economies on the ease of resolving insolvency is determined by sorting their distance to frontier scores for resolving insolvency. These scores are the simple average of the distance to frontier scores for the recovery rate and the strength of insolvency

framework index. The Resolving Insolvency indicator does not measure insolvency proceedings of individuals and financial institutions. The data are derived from questionnaire responses by local insolvency practitioners and verified through a study of laws and regulations as well as public information on bankruptcy systems.

Figure 11.1 How Brazil and comparator economies rank on the ease of resolving insolvency



Source: Doing Business database.

RESOLVING INSOLVENCY

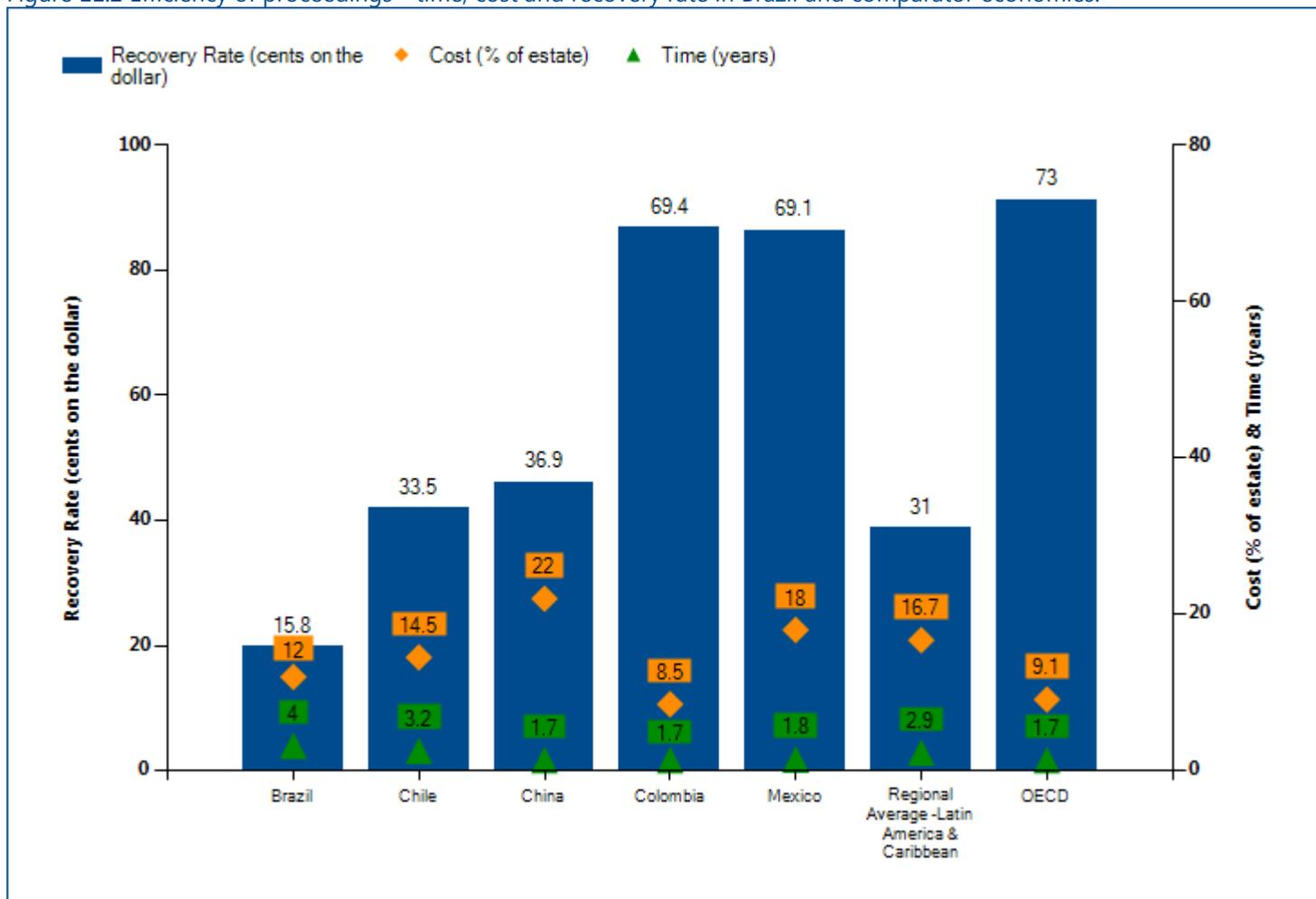
Recovery of debt in insolvency

Data on the time, cost and outcome refer to the most likely in-court insolvency procedure applicable under specific case study assumptions.

According to data collected by *Doing Business*, resolving insolvency takes 4.0 years on average and costs 12.0% of the debtor’s estate. The average recovery rate is 15.8 cents on the dollar. Most indicator sets refer to a case

scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities.

Figure 11.2 Efficiency of proceedings - time, cost and recovery rate in Brazil and comparator economies.



Source: *Doing Business* database.

Note: The recovery rate is calculated based on the time, cost and outcome of insolvency proceedings involving domestic legal entities and is recorded as cents on the dollar recovered by secured creditors. The calculation takes into account the outcome: whether the business emerges from the proceedings as a going concern or the assets are sold piecemeal. Then the costs of the proceedings are deducted. Finally, the value lost as a result of the time the money remains tied up in insolvency proceedings is taken into account. The recovery rate is the present value of the remaining proceeds, based on end-2015 lending rates.

Table 11.1 Summary of data for the strength of insolvency framework index Brazil

		Answer	Explanation
Proceeding	São Paulo , Rio de Janeiro	liquidation (after an attempt at reorganization)	The most likely procedure applicable to our case study would be a reorganization, which will then be converted into a liquidation. Mirage may use the reorganization proceeding to gain time, find a new investor, or renegotiate its debt. Insolvency proceedings will therefore start with Mirage (debtor) filing for court-supervised reorganization (recuperação judicial) with the Bankruptcy Court of the District of São Paulo. Mirage will benefit from the automatic stay / moratorium (article 6 of the Bankruptcy Law) and Mirage's managers will draft a plan that foresees the continuation of Mirage's operations as a going concern, where Mirage's management will stay in control. However, it is very likely that this plan is not approved, and that the case will be converted into liquidation, for the following reasons: (i) BizBank will most likely vote against the plan, since for BizBank the most efficient outcome is the sale of the business as a going concern, free and clear of labor and tax claims (which cannot be achieved through a reorganization), and (ii) no plan can be approved without Mirage's consent, as it is the only creditor holding secured debt (class II claims), and holds 70% of Mirage's total debt.
Outcome	São Paulo , Rio de Janeiro	going concern	Yes, the hotel will continue operating as a going concern, since as a result of liquidation proceedings, Mirage is likely to be sold as a going concern, free and clear of labor and tax claims, according to article 141.II.
Time (in years)	São Paulo , Rio de Janeiro	4.0	A reorganization procedure that is then converted into liquidation will approximately take 4 years in total. According to the Bankruptcy Law, the reorganization plan must be approved by the creditors within 180 days from commencement of reorganization proceedings (this is the maximum period for which the individual actions are stayed). However, this time will probably be extended several times, because the creditors are not likely to approve the reorganization plan during the first meeting. In practice, it will take almost 2 years to prepare the creditors list, draft and vote the plan, which would be rejected under our case study assumptions. The case will then be converted into liquidation (where the assets would be sold as a going concern), taking the formal conversion and the organization and execution of the sale 2 additional years (until the proceeds of the sale are finally distributed among creditors).
Cost (% of estate)	São Paulo , Rio de Janeiro	12.0	The costs associated with the case would amount to approximately 12% of the value of the debtor's estate (323,000 BRL). The main components of this total cost would be the attorney's fees, which would amount to 6% of the value of the estate (160,000 BRL), and the insolvency administrator fees, which would amount to 4% (around 100,000 BRL), plus 2% related to court fees (53,000 BRL).

		Answer	Explanation
Recovery rate: 15.8			

Source: Doing Business database.

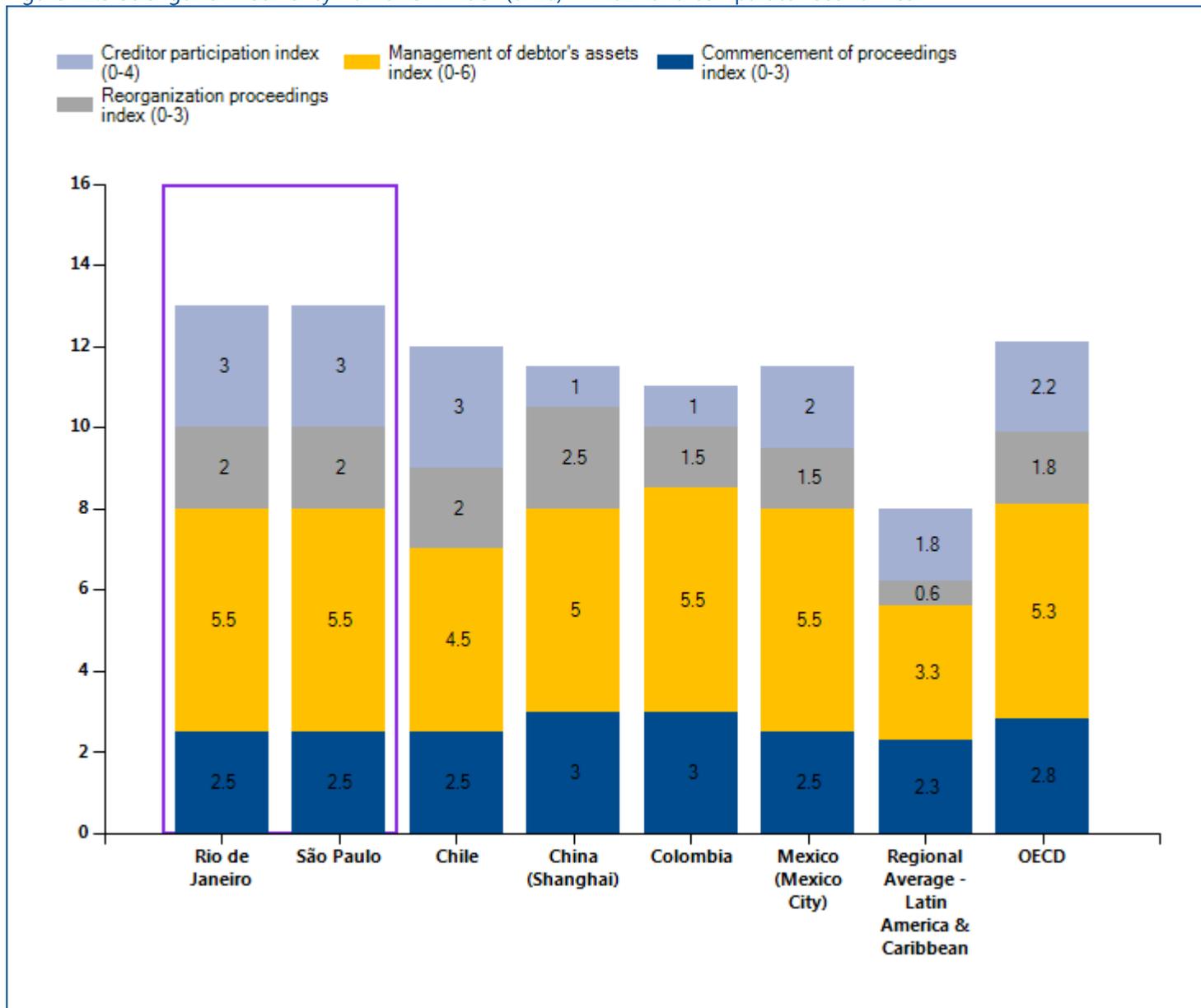
RESOLVING INSOLVENCY

Strength of resolving insolvency index

The strength of insolvency framework index is the sum of the scores on the commencement of proceedings index, management of debtor's assets index, reorganization proceedings index and creditor participation index. The index ranges from 0 to 16,

with higher values indicating insolvency legislation that is better designed for rehabilitating viable firms and liquidating nonviable ones. Brazil scores 13.0 out of 16 on the strength of resolving insolvency index.

Figure 11.3 Strength of insolvency framework index (0-16) in Brazil and comparator economies



Source: Doing Business database.

Note: Even if the economy's legal framework includes provisions related to insolvency proceedings (liquidation or reorganization), the economy receives 0 points for the strength of insolvency framework index, if time, cost and outcome indicators are recorded as "no practice".

Table 11.2 Summary of data for the strength of insolvency framework index Brazil

	Answer (São Paulo)	Score (São Paulo)	Answer (Rio de Janeiro)	Score (Rio de Janeiro)
Strength of insolvency framework index (0-16)		13.0		13.0
Commencement of proceedings index (0-3)		2.5		2.5
What procedures are available to a DEBTOR when commencing insolvency proceedings?	(a) Debtor may file for both liquidation and reorganization	1.0	(a) Debtor may file for both liquidation and reorganization	1.0
Does the insolvency framework allow a CREDITOR to file for insolvency of the debtor?	(b) Yes, but a creditor may file for liquidation only	0.5	(b) Yes, but a creditor may file for liquidation only	0.5
What basis for commencement of the insolvency proceedings is allowed under the insolvency framework?	(c) Both (a) and (b) options are available, but only one of them needs to be complied with	1.0	(c) Both (a) and (b) options are available, but only one of them needs to be complied with	1.0
Management of debtor's assets index (0-6)		5.5		5.5
Does the insolvency framework allow the continuation of contracts supplying essential goods and services to the debtor?	Yes	1.0	Yes	1.0
Does the insolvency framework allow the rejection by the debtor of overly burdensome contracts?	Yes	1.0	Yes	1.0
Does the insolvency framework allow avoidance of preferential transactions?	Yes	1.0	Yes	1.0
Does the insolvency framework allow avoidance of undervalued transactions?	Yes	1.0	Yes	1.0
Does the insolvency framework provide for the possibility of the debtor obtaining credit after commencement of insolvency proceedings?	Yes	1.0	Yes	1.0

	Answer (São Paulo)	Score (São Paulo)	Answer (Rio de Janeiro)	Score (Rio de Janeiro)
Does the insolvency framework assign priority to post-commencement credit?	(a) Yes over all pre-commencement creditors, secured or unsecured	0.5	(a) Yes over all pre-commencement creditors, secured or unsecured	0.5
Reorganization proceedings index (0-3)		2.0		2.0
Which creditors vote on the proposed reorganization plan?	(b) Only creditors whose rights are affected by the proposed plan	1.0	(b) Only creditors whose rights are affected by the proposed plan	1.0
Does the insolvency framework require that dissenting creditors in reorganization receive at least as much as what they would obtain in a liquidation?	No	0.0	No	0.0
Are the creditors divided into classes for the purposes of voting on the reorganization plan, does each class vote separately and are creditors in the same class treated equally?	Yes	1.0	Yes	1.0
Creditor participation index (0-4)		3.0		3.0
Does the insolvency framework require approval by the creditors for selection or appointment of the insolvency representative?	Yes	1.0	Yes	1.0
Does the insolvency framework require approval by the creditors for sale of substantial assets of the debtor?	No	0.0	No	0.0
Does the insolvency framework provide that a creditor has the right to request information from the insolvency representative?	Yes	1.0	Yes	1.0
Does the insolvency framework provide that a creditor has the right to object to decisions accepting or rejecting creditors' claims?	Yes	1.0	Yes	1.0

Source: Doing Business database.

LABOR MARKET REGULATION

Doing Business studies the flexibility of regulation of employment, specifically as it relates to the areas of hiring, working hours and redundancy. *Doing Business* also measures several aspects of job quality such as the availability of maternity leave, paid sick leave and the equal treatment of men and women at the workplace.

Doing Business 2017 presents the data for the labor market regulation indicators in an annex. The report does not present rankings of economies on these indicators or include the topic in the aggregate distance to frontier score or ranking on the ease of doing business. Detailed data collected on labor market regulation are available on the *Doing Business* website (<http://www.doingbusiness.org>). The data on labor market regulation are based on a detailed questionnaire on employment regulations that is completed by local lawyers and public officials. Employment laws and regulations as well as secondary sources are reviewed to ensure accuracy.

To make the data comparable across economies, several assumptions about the worker and the business are used.

The worker:

- Is a cashier in a supermarket or grocery store, age 19, with one year of work experience.
- Is a full-time employee.
- Is not a member of the labor union, unless membership is mandatory.

The business:

- Is a limited liability company (or the equivalent in the economy).

- Operates a supermarket or grocery store in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Has 60 employees.
- Is subject to collective bargaining agreements if such agreements cover more than 50% of the food retail sector and they apply even to firms that are not party to them.
- Abides by every law and regulation but does not grant workers more benefits than those mandated by law, regulation or (if applicable) collective bargaining agreements.

LABOR MARKET REGULATION

Employment laws are needed to protect workers from arbitrary or unfair treatment and to ensure efficient contracting between employers and workers. What

changes did Brazil adopt that affected the *Doing Business* indicators on labor market regulation (table 12.1)?

Table 12.1 What changes did Brazil make in terms of labor market regulation?

DB year	Reform
DB2013	Brazil increased the notice period applicable in cases of redundancy dismissal of employees.
DB2017	Brazil expanded eligibility for unemployment benefits to employees with one year of continuous work experience. This reform applies to both Rio de Janeiro and São Paulo.

Source: *Doing Business* database.

LABOR MARKET REGULATION

What are the details?

The data reported here for Brazil are based on a detailed survey of labor market regulation that is completed by local lawyers and public officials. Employment laws and

regulations as well as secondary sources are reviewed to ensure accuracy.

Hiring

Data on hiring cover five areas: (i) whether fixed-term contracts are prohibited for permanent tasks; (ii) the maximum cumulative duration of fixed-term contracts; (iii) the minimum wage for a cashier, age 19, with one year of work experience; and (iv) the ratio of the

minimum wage to the average value added per worker (the ratio of an economy's GNI per capita to the working-age population as a percentage of the total population).

Hiring	São Paulo Data	Rio de Janeiro Data
Fixed-term contracts prohibited for permanent tasks?	Yes	Yes
Maximum length of a single fixed-term contract (months)	24 months	24 months
Maximum length of fixed-term contracts, including renewals (months)	24.0	24.0
Minimum wage applicable to the worker assumed in the case study (US\$/month)	384.0	419.0
Ratio of minimum wage to value added per worker	0.3	0.4

Source: *Doing Business* database.

LABOR MARKET REGULATION

Working hours

Data on working hours cover nine areas: (i) the maximum number of working days allowed per week; (ii) the premium for night work (as a percentage of hourly pay); (iii) the premium for work on a weekly rest day (as a percentage of hourly pay); (iv) the premium for overtime work (as a percentage of hourly pay); (v) whether there are restrictions on night work; (vi) whether nonpregnant

and nonnursing women can work the same night hours as men; (vii) whether there are restrictions on weekly holiday work; (viii) whether there are restrictions on overtime work; and (ix) the average paid annual leave for workers with 1 year of tenure, 5 years of tenure, and 10 years of tenure.

Working Hours	São Paulo Data	Rio de Janeiro Data
Maximum number of working days per week	6.0	6.0
Premium for night work (% of hourly pay)	20.0	20.0
Premium for work on weekly rest day (% of hourly pay)	100.0	100.0
Premium for overtime work (% of hourly pay)	50.0	50.0
Restrictions on night work?	Yes	Yes
Whether nonpregnant and nonnursing women can work the same night hours as men	Yes	Yes
Restrictions on weekly holiday?	No	No
Restrictions on overtime work?	No	No
Paid annual leave for a worker with 1 year of tenure (working days)	26.0	26.0
Paid annual leave for a worker with 5 years of tenure (working days)	26.0	26.0
Paid annual leave for a worker with 10 years of tenure (working days)	26.0	26.0
Paid annual leave (average for workers with 1, 5 and 10 years of tenure, in working days)	26.0	26.0

Source: Doing Business database.

LABOR MARKET REGULATION

Redundancy rules

Data on redundancy cover nine areas: (i) the length of the maximum probationary period (in months) for permanent employees; (ii) whether redundancy is allowed as a basis for terminating workers; (iii) whether the employer needs to notify a third party (such as a government agency) to terminate one redundant worker; (iv) whether the employer needs to notify a third party to terminate a group of nine redundant workers; (v)

whether the employer needs approval from a third party to terminate one redundant worker; (vi) whether the employer needs approval from a third party to terminate a group of nine redundant workers; (vii) whether the law requires the employer to reassign or retrain a worker before making the worker redundant; (viii) whether priority rules apply for redundancies; and (ix) whether priority rules apply for reemployment.

Difficulty of redundancy index	São Paulo Data	Rio de Janeiro Data
Maximum length of probationary period (months)	3.0	3.0
Dismissal due to redundancy allowed by law?	Yes	Yes
Third-party notification if one worker is dismissed?	No	No
Third-party approval if one worker is dismissed?	No	No
Third-party notification if nine workers are dismissed?	No	No
Third-party approval if nine workers are dismissed?	No	No
Retraining or reassignment obligation before redundancy?	No	No
Priority rules for redundancies?	No	No
Priority rules for reemployment?	No	No

Source: Doing Business database.

LABOR MARKET REGULATION

Redundancy cost

Redundancy cost measures the cost of advance notice requirements and severance payments due when terminating a redundant worker, expressed in weeks of salary. The average value of notice requirements and

severance payments applicable to a worker with 1 year of tenure, a worker with 5 years and a worker with 10 years is considered. One month is recorded as 4 and 1/3 weeks.

Redundancy cost indicator (in salary weeks)	São Paulo Data	Rio de Janeiro Data
Notice period for redundancy dismissal for a worker with 1 year of tenure	4.7	4.7
Notice period for redundancy dismissal for a worker with 5 years of tenure	6.4	6.4
Notice period for redundancy dismissal for a worker with 10 years of tenure	8.6	8.6
Notice period for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	6.6	6.6
Severance pay for redundancy dismissal for a worker with 1 year of tenure	1.7	1.7
Severance pay for redundancy dismissal for a worker with 5 years of tenure	8.3	8.3
Severance pay for redundancy dismissal for a worker with 10 years of tenure	16.6	16.6
Severance pay for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	8.9	8.9

Source: Doing Business database.

LABOR MARKET REGULATION

Job quality

Doing Business introduced new data on job quality in 2015. Doing Business 2017 covers eight questions on job quality (i) whether the law mandates equal remuneration for work of equal value; (ii) whether the law mandates nondiscrimination based on gender in hiring; (iii) whether the law mandates paid or unpaid maternity leave; (iv) the minimum length of paid maternity leave (in calendar days); (v) whether employees on maternity leave receive 100% of wages; (vi) the availability of five fully paid days of sick leave a year; (vii) whether a worker is eligible for an unemployment protection scheme after one year of service; and (viii) the minimum duration of the contribution period (in months) required for unemployment.

Job Quality	São Paulo Data	Rio de Janeiro Data
Equal remuneration for work of equal value?	No	No
Gender nondiscrimination in hiring?	Yes	Yes
Paid or unpaid maternity leave mandated by law?	Yes	Yes
Minimum length of maternity leave (calendar days)?	120.0	120.0
Receive 100% of wages on maternity leave?	Yes	Yes
Five fully paid days of sick leave a year?	Yes	Yes
Unemployment protection after one year of employment?	Yes	Yes
Minimum contribution period for unemployment protection (months)?	12.0	12.0

Source: Doing Business database.

DISTANCE TO FRONTIER AND EASE OF DOING BUSINESS RANKING

Doing Business presents results for two aggregate measures: the distance to frontier score and the ease of doing business ranking, which is based on the distance to frontier score. The ease of doing business ranking compares economies with one another; the distance to frontier score benchmarks economies with respect to regulatory best practice, showing the absolute distance to the best performance on each *Doing Business* indicator. When compared across years, the distance to frontier score shows how much the regulatory environment for local entrepreneurs in an economy has changed over time in absolute terms, while the ease of doing business ranking can show only how much the regulatory environment has changed relative to that in other economies.

Distance to Frontier

The distance to frontier score captures the gap between an economy's performance and a measure of best practice across the entire sample of 36 indicators for 10 *Doing Business* topics (the labor market regulation indicators are excluded). For starting a business, for example, the former Yugoslav Republic of Macedonia and New Zealand have the smallest number of procedures required (1), and New Zealand the shortest time to fulfill them (0.5 days). Slovenia has the lowest cost (0.0), and Australia, Colombia and 103 other economies have no paid-in minimum capital requirement (table 14.1 in the *Doing Business 2016* report).

Calculation of the distance to frontier score

Calculating the distance to frontier score for each economy involves two main steps. In the first step individual component indicators are normalized to a common unit where each of the 36 component indicators y (except for the total tax rate) is rescaled using the linear transformation $(\text{worst} - y)/(\text{worst} - \text{frontier})$. In this formulation the frontier represents the best performance on the indicator across all economies since 2005 or the third year in which data for the indicator were collected. Both the best performance and the worst performance are established every five years based on the *Doing Business* data for the year in which they are established, and remain at that level for the five years regardless of any changes in data in interim years. Thus an economy may set the frontier for an indicator

even though it is no longer at the frontier in a subsequent year.

For scores such as those on the strength of legal rights index or the quality of land administration index, the frontier is set at the highest possible value. For the total tax rate, consistent with the use of a threshold in calculating the rankings on this indicator, the frontier is defined as the total tax rate at the 15th percentile of the overall distribution for all years included in the analysis up to and including *Doing Business 2015*. For the time to pay taxes the frontier is defined as the lowest time recorded among all economies that levy the three major taxes: profit tax, labor taxes and mandatory contributions, and value added tax (VAT) or sales tax. For the different times to trade across borders, the frontier is defined as 1 hour even though in many economies the time is less than that.

In the same formulation, to mitigate the effects of extreme outliers in the distributions of the rescaled data for most component indicators (very few economies need 700 days to complete the procedures to start a business, but many need 9 days), the worst performance is calculated after the removal of outliers. The definition of outliers is based on the distribution for each component indicator. To simplify the process two rules were defined: the 95th percentile is used for the indicators with the most dispersed distributions (including minimum capital, number of payments to pay taxes, and the time and cost indicators), and the 99th percentile is used for number of procedures. No outlier is removed for component indicators bound by definition or construction, including legal index scores (such as the depth of credit information index, extent of conflict of interest regulation index and strength of insolvency framework index) and the recovery rate.

In the second step for calculating the distance to frontier score, the scores obtained for individual indicators for each economy are aggregated through simple averaging into one distance to frontier score, first for each topic and then across all 10 topics: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. More complex aggregation methods—such as principal components and unobserved components—yield a ranking nearly

identical to the simple average used by *Doing Business*². Thus *Doing Business* uses the simplest method: weighting all topics equally and, within each topic, giving equal weight to each of the topic components³.

An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. All distance to frontier calculations are based on a maximum of five decimals. However, indicator ranking calculations and the ease of doing business ranking calculations are based on two decimals.

The difference between an economy's distance to frontier score in any previous year and its score in 2015 illustrates the extent to which the economy has closed the gap to the regulatory frontier over time. And in any given year the score measures how far an economy is from the best performance at that time.

Treatment of the total tax rate

The total tax rate component of the paying taxes indicator set enters the distance to frontier calculation in a different way than any other indicator. The distance to frontier score obtained for the total tax rate is transformed in a nonlinear fashion before it enters the distance to frontier score for paying taxes. As a result of the nonlinear transformation, an increase in the total tax rate has a smaller impact on the distance to frontier score for the total tax rate—and therefore on the distance to frontier score for paying taxes—for economies with a below-average total tax rate than it would have had before this approach was adopted in *Doing Business 2015* (line B is smaller than line A in figure 14.2 in the *Doing Business 2016* report). And for economies with an extreme total tax rate (a rate that is very high relative to the average), an increase has a greater impact on both these distance to frontier scores than it would have had before (line D is bigger than line C in figure 14.2 in the *Doing Business 2016* report).

² See Djankov, Manraj and others (2005). Principal components and unobserved components methods yield a ranking nearly identical to that from the simple average method because both these methods assign roughly equal weights to the topics, since the pairwise correlations among indicators do not differ much. An alternative to the simple average method is to give different weights to the topics, depending on which are considered of more or less importance in the context of a specific economy.

³ For getting credit, indicators are weighted proportionally, according to their contribution to the total score, with a weight of 60% assigned to the strength of legal rights index and 40% to the depth of credit information index. Indicators for all other topics are assigned equal weights

The nonlinear transformation is not based on any economic theory of an "optimal tax rate" that minimizes distortions or maximizes efficiency in an economy's overall tax system. Instead, it is mainly empirical in nature. The nonlinear transformation along with the threshold reduces the bias in the indicator toward economies that do not need to levy significant taxes on companies like the *Doing Business* standardized case study company because they raise public revenue in other ways—for example, through taxes on foreign companies, through taxes on sectors other than manufacturing or from natural resources (all of which are outside the scope of the methodology). In addition, it acknowledges the need of economies to collect taxes from firms.

Calculation of scores for economies with 2 cities covered

For each of the 11 economies in which *Doing Business* collects data for the second largest business city as well as the largest one, the distance to frontier score is calculated as the population-weighted average of the distance to frontier scores for these two cities (table 13.1). This is done for the aggregate score, the scores for each topic and the scores for all the component indicators for each topic.

Table 13.1 Weights used in calculating the distance to frontier scores for economies with 2 cities covered

Economy	City	Weight (%)
Bangladesh	Dhaka	78
	Chittagong	22
Brazil	São Paulo	61
	Rio de Janeiro	39
China	Shanghai	55
	Beijing	45
India	Mumbai	47
	Delhi	53
Indonesia	Jakarta	78
	Surabaya	22
Japan	Tokyo	65
	Osaka	35
Mexico	Mexico City	83
	Monterrey	17
Nigeria	Lagos	77
	Kano	23
Pakistan	Karachi	65
	Lahore	35
Russian Federation	Moscow	70
	St. Petersburg	30
United States	New York	60
	Los Angeles	40

Source: United Nations, Department of Economic and Social Affairs, Population Division, World Urbanization Prospects, 2014 Revision. <http://esa.un.org/unpd/wup/CD-ROM/Default.aspx>.

Economies that improved the most across 3 or more *Doing Business* topics in 2014/15

Doing Business 2016 uses a simple method to calculate which economies improved the ease of doing business the most. First, it selects the economies that in 2014/15

implemented regulatory reforms making it easier to do business in 3 or more of the 10 topics included in this year's aggregate distance to frontier score. Changes making it more difficult to do business are subtracted from the total number of those making it easier to do business. Twenty-four economies meet this criterion: Armenia; Azerbaijan; Benin; Costa Rica; Côte d'Ivoire; Cyprus; Hong Kong SAR, China; Indonesia; Jamaica; Kazakhstan; Kenya; Lithuania; Madagascar; Mauritania; Morocco; Romania; the Russian Federation; Rwanda; Senegal; Togo; Uganda; the United Arab Emirates; Uzbekistan; and Vietnam. Second, *Doing Business* sorts these economies on the increase in their distance to frontier score from the previous year using comparable data.

Selecting the economies that implemented regulatory reforms in at least three topics and had the biggest improvements in their distance to frontier scores is intended to highlight economies with ongoing, broad-based reform programs. The improvement in the distance to frontier score is used to identify the top improvers because this allows a focus on the absolute improvement—in contrast with the relative improvement shown by a change in rankings—that economies have made in their regulatory environment for business.

Ease of *Doing Business* ranking

The ease of doing business ranking ranges from 1 to 190. The ranking of economies is determined by sorting the aggregate distance to frontier scores, rounded to 2 decimals.

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Doing Business 2017 is the 14th in a series of annual reports investigating the regulations that enhance business activity and those that constrain it. The report provides quantitative indicators covering 11 areas of the business environment in 190 economies. The goal of the *Doing Business* series is to provide objective data for use by governments in designing sound business regulatory policies and to encourage research on the important dimensions of the regulatory environment for firms.



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