

# Doing Business 2008

**Brazil**

COMPARING REGULATION IN 178 ECONOMIES

Doing Business 2008 **Brazil**

A Project Benchmarking the Regulatory Cost of  
Doing Business in 178 Economies

Doing Business Project  
World Bank Group



© 2007 The International Bank for Reconstruction and Development / The World Bank

1818 H Street NW  
Washington, DC 20433  
Telephone 202-473-1000  
Internet [www.worldbank.org](http://www.worldbank.org)  
E-mail [feedback@worldbank.org](mailto:feedback@worldbank.org)

All rights reserved.  
1 2 3 4 5 09 08 07 06

A copublication of the World Bank and the International Finance Corporation.

This volume is a product of the staff of the World Bank Group. The findings, interpretations and conclusions expressed in this volume do not necessarily reflect the views of the Executive Directors of The World Bank or the governments they represent. The World Bank Group does not guarantee the accuracy of the data included in this work.

#### Rights and Permissions

The material in this publication is copyrighted. Copying and/or transmitting portions or all of this work without permission may be a violation of applicable law. The World Bank Group encourages dissemination of its work and will normally grant permission to reproduce portions of the work promptly.

For permission to photocopy or reprint any part of this work, please send a request with complete information to the Copyright Clearance Center Inc., 222 Rosewood Drive, Danvers, MA 01923, USA; telephone: 978-750-8400; fax: 978-750-4470; Internet: [www.copyright.com](http://www.copyright.com)

All other queries on rights and licenses, including subsidiary rights, should be addressed to the Office of the Publisher, The World Bank, 1818 H Street NW, Washington, DC 20433, USA; fax: 202-522-2422; e-mail: [pubrights@worldbank.org](mailto:pubrights@worldbank.org)

Copies of *Doing Business 2008*, *Doing Business 2007: How to Reform*, *Doing Business in 2006: Creating Jobs*, *Doing Business in 2005: Removing Obstacles to Growth* and *Doing Business in 2004: Understanding Regulation* may be purchased at [www.doingbusiness.org](http://www.doingbusiness.org).

# Contents

---



Introduction.....	1
Economy rankings.....	2
Reforms.....	3
Summary of indicators.....	6
Starting a business.....	8
Dealing with licenses.....	13
Employing workers.....	18
Registering property.....	22
Getting credit.....	27
Protecting investors.....	31
Paying taxes.....	35
Trading across borders.....	39
Enforcing contracts.....	43
Closing a business.....	47
Topic details.....	51

# Introduction

---

*Doing Business 2008* is the fifth in a series of annual reports investigating the regulations that enhance business activity and those that constrain it. *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 178 economies—from Afghanistan to Zimbabwe—and over time.

Regulations affecting 10 stages of a business's life are measured: starting a business, dealing with licenses, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2008* are current as of June 1, 2007. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

The *Doing Business* methodology has limitations. Other areas important to business -- such as a country's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions, and the underlying strength of institutions -- are not studied directly by *Doing Business*. To make the data comparable across countries, the indicators refer to a specific type of business -- generally a 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 policymakers in designing reform.

The data set covers 178 economies: 46 in Sub-Saharan Africa, 31 in Latin America and the Caribbean, 28 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 17 in the Middle East and North Africa and 8 in South Asia—as well as 24 OECD high-income economies as benchmarks. Some of the regions have been divided into subregions to generate a total of 13 regional profiles.

The following pages present the summary *Doing Business* indicators for Brazil along with the comparator economies selected. The data used for this country profile come from the *Doing Business* database and are summarized in graphs and tables. This report allows a comparison of the economies not only with one another but also with the “best practice” economy for each indicator.

The best-practice economies are identified by their position in each indicator as well as their overall ranking and by their capacity to provide good examples of business regulation to other economies. These best-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 5.

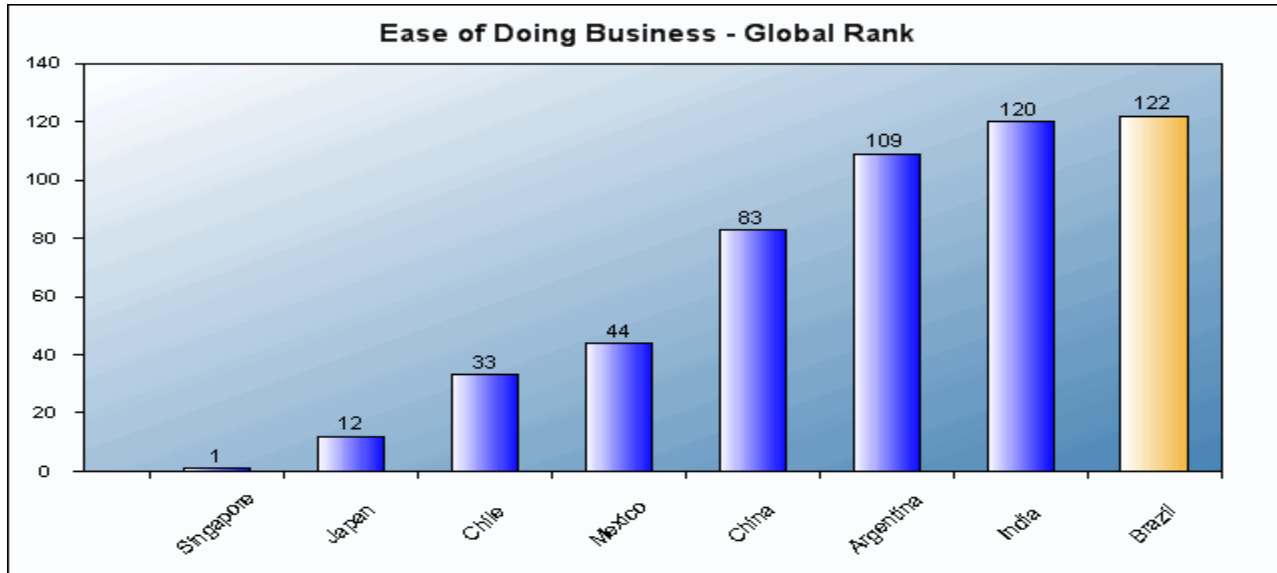
More information is available in the full report. *Doing Business 2008* presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the *Doing Business* website

<http://www.doingbusiness.org>

## Economy Rankings - Ease of Doing Business

Brazil is ranked 122 out of 178 economies. Singapore is the top ranked economy in the Ease of Doing Business.

### Brazil - Compared to Global Best / Selected Economies:



### Brazil's ranking in Doing Business 2008

Rank	Doing Business 2008
Ease of Doing Business	122
Starting a Business	122
Dealing with Licenses	107
Employing Workers	119
Registering Property	110
Getting Credit	84
Protecting Investors	64
Paying Taxes	137
Trading Across Borders	93
Enforcing Contracts	106
Closing a Business	131

## Reforms - Who is reforming?

---

This year Egypt tops the list of reformers that are making it easier to do business. Egypt's reforms went deep with reforms in 5 of the 10 areas studied by Doing Business, and it greatly improved its position in the global rankings as a result. Besides Egypt, the other top 10 reformers are, in order, Croatia, Ghana, FYR Macedonia, Georgia, Colombia, Saudi Arabia, Kenya, China, and Bulgaria.

1. **Egypt**, the top reformer in the region and worldwide, greatly improved its position in the global rankings on the ease of doing business. Its reforms went deep. Egypt cut the minimum capital required to start a business, from 50,000 Egyptian pounds to just 1,000 and halved the time and cost of start-up. It reduced fees for registering property from 3 percent of the property value to a low, fixed amount. It eased the bureaucracy that builders face in getting construction permits. It launched new one-stop shops for traders at Egyptian ports, cutting the time to import by seven days and the time to export by five. And it established a new private credit bureau that will soon be making it easier for borrowers to get credit.

2. **Croatia** reformed in four of the 10 areas studied by Doing Business. Two years ago, registering property in Croatia took 956 days. Now it takes 174. Company start-up also became faster, with procedures consolidated at a "one-stop shop" and pension and health services registration now online. Credit became easier to access: a new credit bureau was launched, and a unified registry now records charges against movable property in one place. In its first two months, €1.4 billion in credit was registered. In addition, amendments to the country's insolvency law introduced professional requirements for bankruptcy trustees and shorter timelines.

3. **Ghana**, a top 10 reformer for the second year running, continues to increase the efficiency of its public services. It cut bottlenecks in property registration, reducing delays from six months to one. Greater efficiency at the company registry and the environment agency cut the time for business start-up to 42 days. Changes in the port authority's operations sped up imports. New civil procedure rules and mandatory arbitration and mediation reduced the time it takes to enforce contracts.

4. **FYR Macedonia** eliminated the minimum capital requirement for business start-up, sped up the process for getting construction permits, lowered the corporate income tax rate to 12 percent (with another cut to 10 percent planned for 2008), and simplified tax payment procedures. Its ranking on the ease of doing business rose from 96 to 75.

5. **Georgia** reformed in six areas. It strengthened investor protections, including through amendments to its securities law that eliminate loopholes that had allowed corporate insiders to expropriate minority investors. It adopted a new insolvency law that shortens timelines for reorganization of a distressed company or disposition of a debtor's assets. Georgia sped up approvals for construction permits and simplified procedures for registering property. It made starting a business easier by eliminating the paid-in capital requirement. In addition, the country's private credit bureau added payment information from retailers, utilities, and trade creditors to the data it collects and distributes.

6. **Colombia**, the region's top reformer, has made great strides in easing trade. By extending port operating hours and adopting more selective customs inspections, it reduced the time for port and terminal handling activities by three days. The country strengthened investor protections by increasing disclosure requirements for related-party transactions. It introduced an electronic tax filing system, cutting the average time businesses must spend on tax compliance each year by 188 hours, or 41 percent. And it is progressively reducing the corporate income tax rate, from 35 to 34 percent in 2007 and 33 percent in 2008.

7. **Saudi Arabia**, the runner-up reformer in the region, eliminated the minimum capital requirement of 1,057 percent of income per capita and reduced the days needed for company start-up from 39 to 15. It launched a commercial credit bureau whose reports include the credit exposure of companies. It also sped up trade, reducing the number of documents required for importing and cutting the time needed for handling at ports and terminals by two days for both imports and exports.

8. **Kenya**, the region's other top 10 reformer, launched an ambitious licensing reform program. So far the program has eliminated 110 business licenses and simplified eight others. The changes have streamlined business start-up and cut both the time and cost of getting building permits. The program will eventually eliminate or simplify at least 900 more of the country's 1,300 licenses. Property registration is also faster now, thanks to the introduction of competition among land valuers. And the country's private credit bureau now collects a wider range of data.

9. In **China**, a new property law put private property rights on equal footing with state property rights. The law also expanded the range of assets that can be used as collateral to include inventory and accounts receivable. The new bankruptcy law gives secured creditors priority to the proceeds from their collateral. Construction also became easier, with electronic processing of building permits reducing delays by two weeks.

10. **Bulgaria** eased the tax burden on businesses and made it easier to pay taxes online. Bulgaria also introduced private bailiffs to improve efficiency in enforcing judgments. And it made building inspections less burdensome.



## Number of reforms in Doing Business 2008

Rank	Economy	Starting a Business	Dealing with Licenses	Employing Workers	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business	Total number of reforms
1	Egypt	✓	✓		✓	✓			✓			5
2	Croatia	✓			✓	✓					✓	4
3	Ghana	✓			✓	✓			✓	✓		5
4	Macedonia, FYR	✓	✓					✓				3
5	Colombia						✓	✓	✓			3
6	Georgia	✓	✓		✓	✓	✓				✓	6
7	Saudi Arabia	✓				✓			✓			3
8	Kenya	✓	✓		✓	✓						4
9	China		✓			✓					✓	3
10	Bulgaria		✓					✓		✓		3
	Brazil								✓	✓		2
	Argentina										✗	-1
	Chile											0
	India					✓			✓			2
	Japan											0
	Mexico				✓			✓				2

**Note:** Economies are ranked on the number and impact of reforms, Doing Business selects the economies that reformed in 3 or more of the Doing Business topics. Second, it ranks these economies on the increase in rank in Ease of Doing Business from the previous year. The larger the improvement, the higher the ranking as a reformer.

## Summary of Indicators - Brazil

<b>Starting a Business</b>	<b>Procedures (number)</b>	18
	<b>Duration (days)</b>	152
	<b>Cost (% GNI per capita)</b>	10.4
	<b>Paid in Min. Capital (% of GNI per capita)</b>	0.0
<b>Dealing with Licenses</b>	<b>Procedures (number)</b>	18
	<b>Duration (days)</b>	411
	<b>Cost (% of income per capita)</b>	59.4
<b>Employing Workers</b>	<b>Difficulty of Hiring Index</b>	78
	<b>Rigidity of Hours Index</b>	60
	<b>Difficulty of Firing Index</b>	0
	<b>Rigidity of Employment Index</b>	46
	<b>Nonwage labor cost (% of salary)</b>	37
	<b>Firing costs (weeks of wages)</b>	37
<b>Registering Property</b>	<b>Procedures (number)</b>	14
	<b>Duration (days)</b>	45
	<b>Cost (% of property value)</b>	2.8
<b>Getting Credit</b>	<b>Legal Rights Index</b>	2
	<b>Credit Information Index</b>	5
	<b>Public registry coverage (% adults)</b>	17.1
	<b>Private bureau coverage (% adults)</b>	46.4
<b>Protecting Investors</b>	<b>Disclosure Index</b>	6
	<b>Director Liability Index</b>	7
	<b>Shareholder Suits Index</b>	3
	<b>Investor Protection Index</b>	5.3
<b>Paying Taxes</b>	<b>Payments (number)</b>	11
	<b>Time (hours)</b>	2600
	<b>Profit tax (%)</b>	21.1
	<b>Labor tax and contributions (%)</b>	40.6
	<b>Other taxes (%)</b>	7.5
	<b>Total tax rate (% profit)</b>	69.2

<b>Trading Across Borders</b>	<b>Documents for export (number)</b>	8
	<b>Time for export (days)</b>	18
	<b>Cost to export (US\$ per container)</b>	1090
	<b>Documents for import (number)</b>	7
	<b>Time for import (days)</b>	22
	<b>Cost to import (US\$ per container)</b>	1240
<b>Enforcing Contracts</b>	<b>Procedures (number)</b>	45
	<b>Duration (days)</b>	616
	<b>Cost (% of claim)</b>	16.5
<b>Closing a Business</b>	<b>Time (years)</b>	4.0
	<b>Cost (% of estate)</b>	12
	<b>Recovery rate (cents on the dollar)</b>	14.6

## Starting a Business in Brazil: Entry Regulation

---

When entrepreneurs draw up a business plan and try to get under way, the first hurdles they face are the procedures required to incorporate and register the new firm before they can legally operate. Economies differ greatly in how they regulate the entry of new businesses. In some the process is straightforward and affordable. In others the procedures are so burdensome that entrepreneurs may have to bribe officials to speed the process—or may decide to run their business informally.

The data on starting a business are based on a survey and research investigating the procedures that a standard small to medium-size company needs to complete to start operations legally. These include obtaining all necessary permits and licenses and completing all required inscriptions, verifications and notifications with authorities to enable the company to formally operate. The time and cost required to complete each procedure under normal circumstances are calculated, as well as the minimum capital that must be paid in. It is assumed that all information is readily available to the entrepreneur, that there has been no prior contact with officials and that all government and nongovernment entities involved in the process function without corruption.

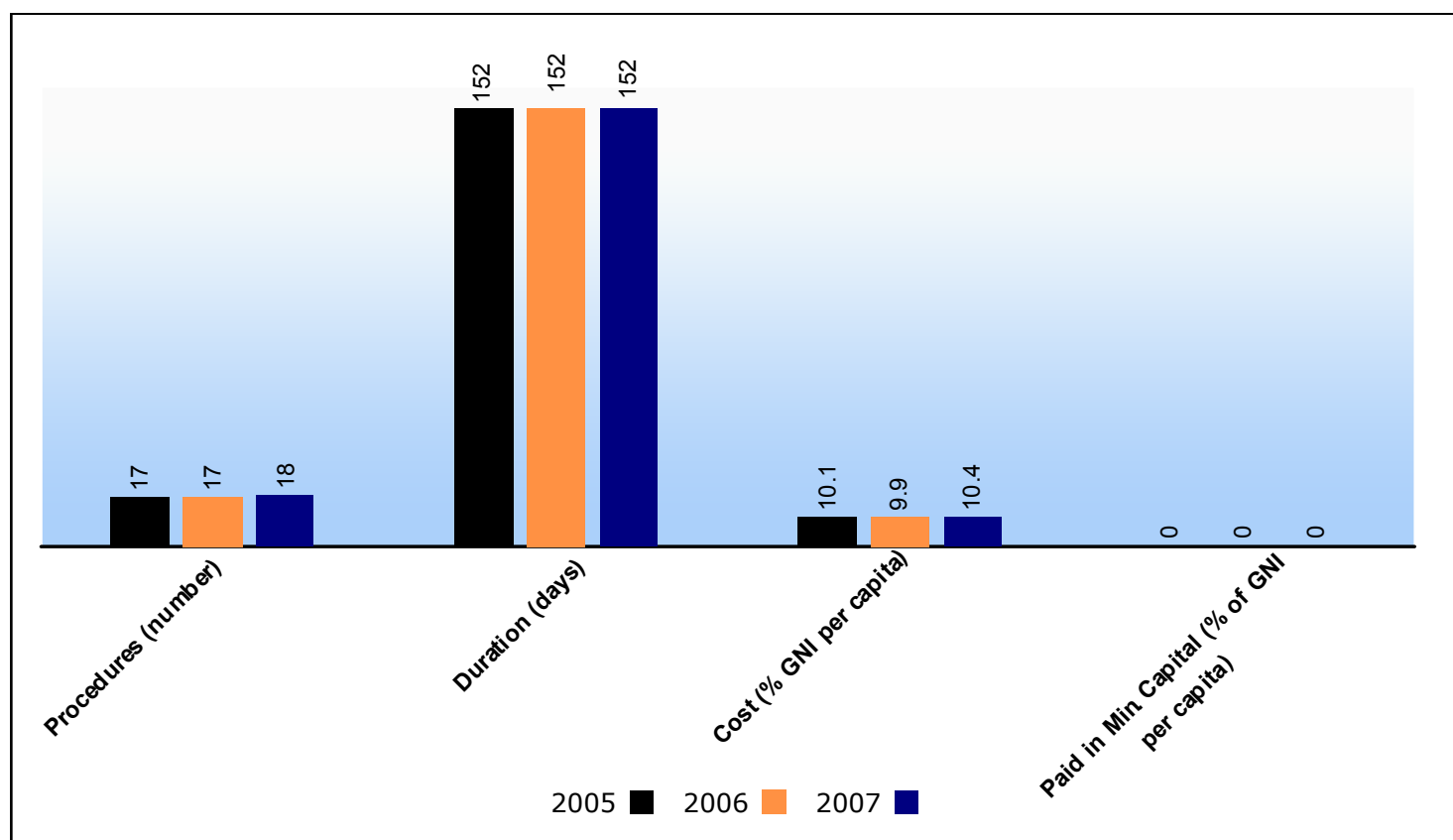
To make the data comparable across economies, detailed assumptions about the type of business are used. Among these assumptions are the following: the business is a limited liability company conducting general commercial activities in the largest business city; it is 100% domestically owned, with start-up capital of 10 times income per capita, turnover of at least 100 times income per capita and between 10 and 50 employees; and it does not qualify for any special benefits, nor does it own real estate. Procedures are recorded only where interaction is required with an external party. It is assumed that the founders complete all procedures themselves unless professional services (such as by a notary or lawyer) are required by law. Voluntary procedures are not counted, nor are industry-specific requirements and utility hook-ups. Lawful shortcuts are counted.

Cumbersome entry procedures are associated with more corruption, particularly in developing countries. Each procedure is a point of contact—an opportunity to extract a bribe. Analysis shows that burdensome entry regulations do not increase the quality of products, make work safer or reduce pollution. Instead, they constrain private investment; push more people into the informal economy; increase consumer prices; and fuel corruption.

## 1. Historical data: Starting a Business in Brazil

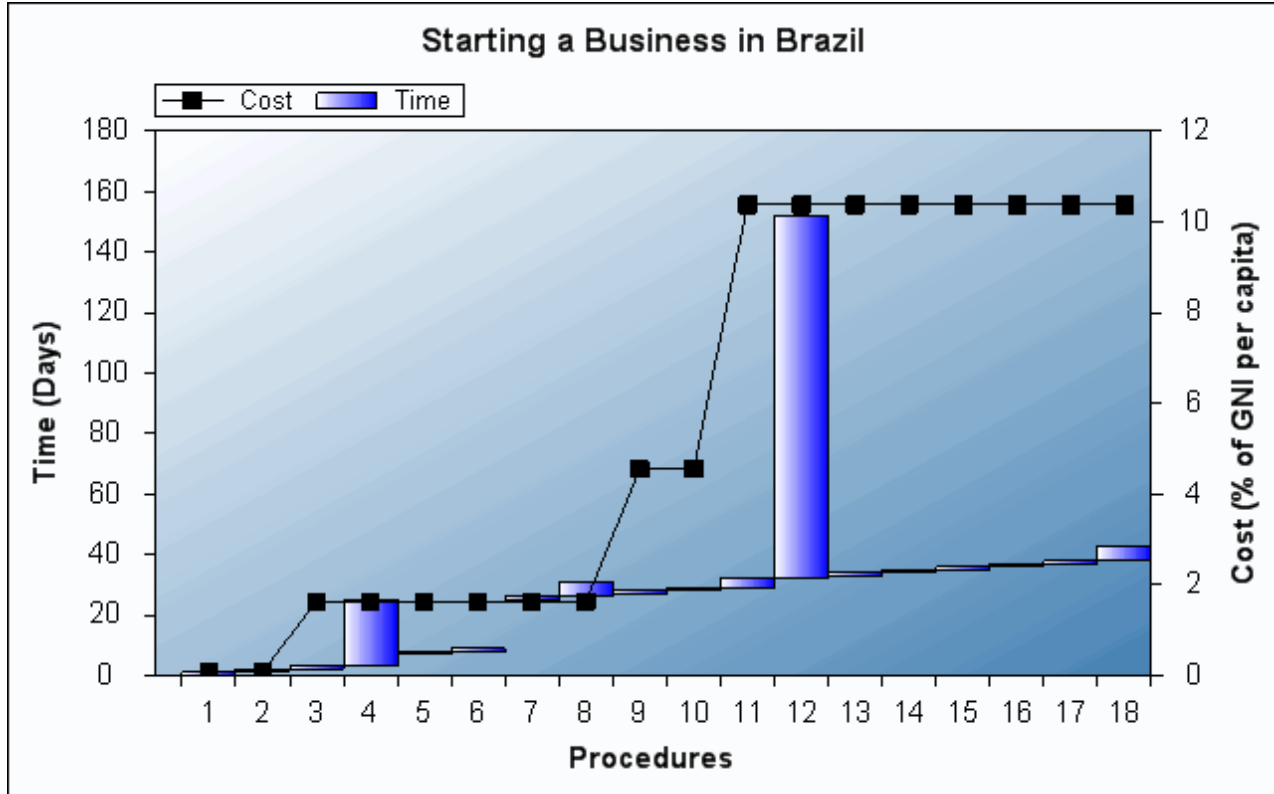
Starting a Business data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		120	122
Procedures (number)	17	17	18
Duration (days)	152	152	152
Cost (% GNI per capita)	10.1	9.9	10.4
Paid in Min. Capital (% of GNI per capita)	0.0	0.0	0.0

## 2. The following graph illustrates the Starting a Business indicators in Brazil over the past 3 years:



### 3. Steps to Starting a Business in Brazil

It requires 18 procedures, takes 152 days, and costs 10.38% GNI per capita to start a business in Brazil.



#### List of Procedures:

1. Check company name
2. Pay registration fees
3. Register with the Commercial Board
4. Register for federal and state tax
5. Confirm INSS enrollment
6. Receive state tax inspection
7. Get the authorization to print receipts from state
8. Register with the Municipal Taxpayers' Registry
9. Pay TFE to the Municipal Taxpayers' Registry
10. Get the authorization to print receipts from Municipal tax authority
11. Get company invoices
12. Obtain Fire Brigade License

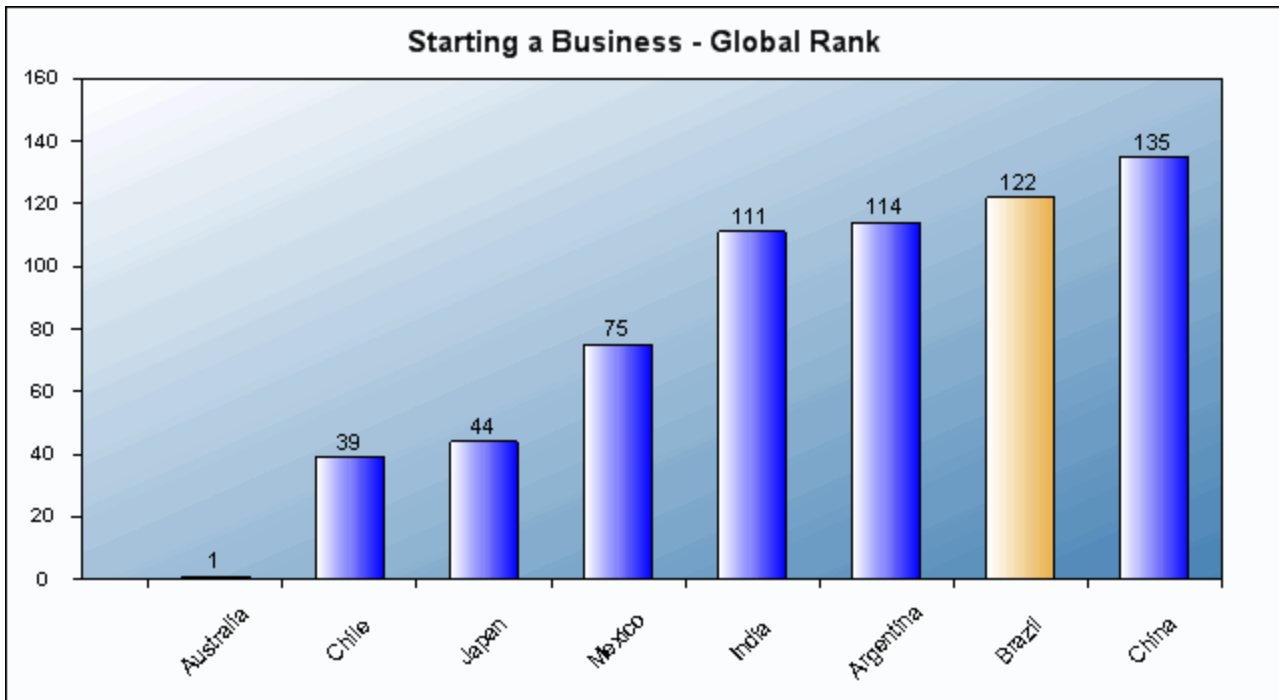
13. Receive inspection
14. Apply for operation license
15. Open a FGTS account
16. Register the employees in the social integration program
17. Notify the Ministry the employment of workers
18. Register with the Patronal Union and Employees Union

More details are available in the appendix.

#### 4. Benchmarking Starting a Business Regulations:

Brazil is ranked 122 overall for Starting a Business. Australia is the top ranked economy followed by Canada, New Zealand and United States.

Ranking of Brazil in Starting a Business - Compared to best practice and selected economies:



The following table shows Starting a Business data for Brazil compared to best practice and comparator economies:

<b>Best Practice Economies</b>	<b>Procedures (number)</b>	<b>Duration (days)</b>	<b>Cost (% GNI per capita)</b>	<b>Paid in Min. Capital (% of GNI per</b>
<b>Australia*</b>	2	2		0.0
<b>Denmark</b>			0.0	

<b>Selected Economy</b>				
<b>Brazil</b>	18	152	10.4	0.0

<b>Comparator Economies</b>				
<b>Argentina</b>	14	31	9.7	4.8
<b>Chile</b>	9	27	8.6	0.0
<b>China</b>	13	35	8.4	190.2
<b>India</b>	13	33	74.6	0.0
<b>Japan</b>	8	23	7.5	0.0
<b>Mexico</b>	8	27	13.3	11.6

\* The following economies are also best practice economies for :

**Procedures (number):** **Canada, New Zealand**

**Paid in Min. Capital (% of GNI per capita):** **Canada, Ireland, Israel, Mauritius, New Zealand, Puerto Rico, Thailand, Trinidad and Tobago, United Kingdom, United States**



## Dealing with Licenses in Brazil: Building a Warehouse

---

Once entrepreneurs have registered a business, what regulations do they face in operating it? To measure such regulation, Doing Business focuses on the construction sector. Construction companies are under constant pressure—from government to comply with inspections and with licensing and safety regulations and from customers to be quick and cost-effective. These conflicting pressures point to the tradeoff in building regulation—the tradeoff between protecting people (construction workers, tenants, passersby) and keeping the cost of building affordable.

In many countries, especially poor ones, complying with building regulations is so costly in time and money that many builders opt out. Builders may pay bribes to pass inspections or simply build illegally—leading to hazardous construction. In other countries compliance is simple, straightforward and inexpensive—yielding better results.

The indicators on dealing with licenses record all procedures officially required for an entrepreneur in the construction industry to build a warehouse. These include submitting project documents (building plans, site maps) to the authorities, obtaining all necessary licenses and permits, completing all required notifications and receiving all necessary inspections. They also include procedures for obtaining utility connections, such as electricity, telephone, water and sewerage. The time and cost to complete each procedure under normal circumstances are calculated. All official fees associated with legally completing the procedures are included. Time is recorded in calendar days. The survey assumes that the entrepreneur is aware of all existing regulations and does not use an intermediary to complete the procedures unless required to do so by law.

To make the data comparable across economies, several assumptions about the business and its operations are used. The business is a small to medium-size limited liability company, located in the most populous city, domestically owned and operated, in the construction business, with 20 qualified employees. The warehouse to be built:

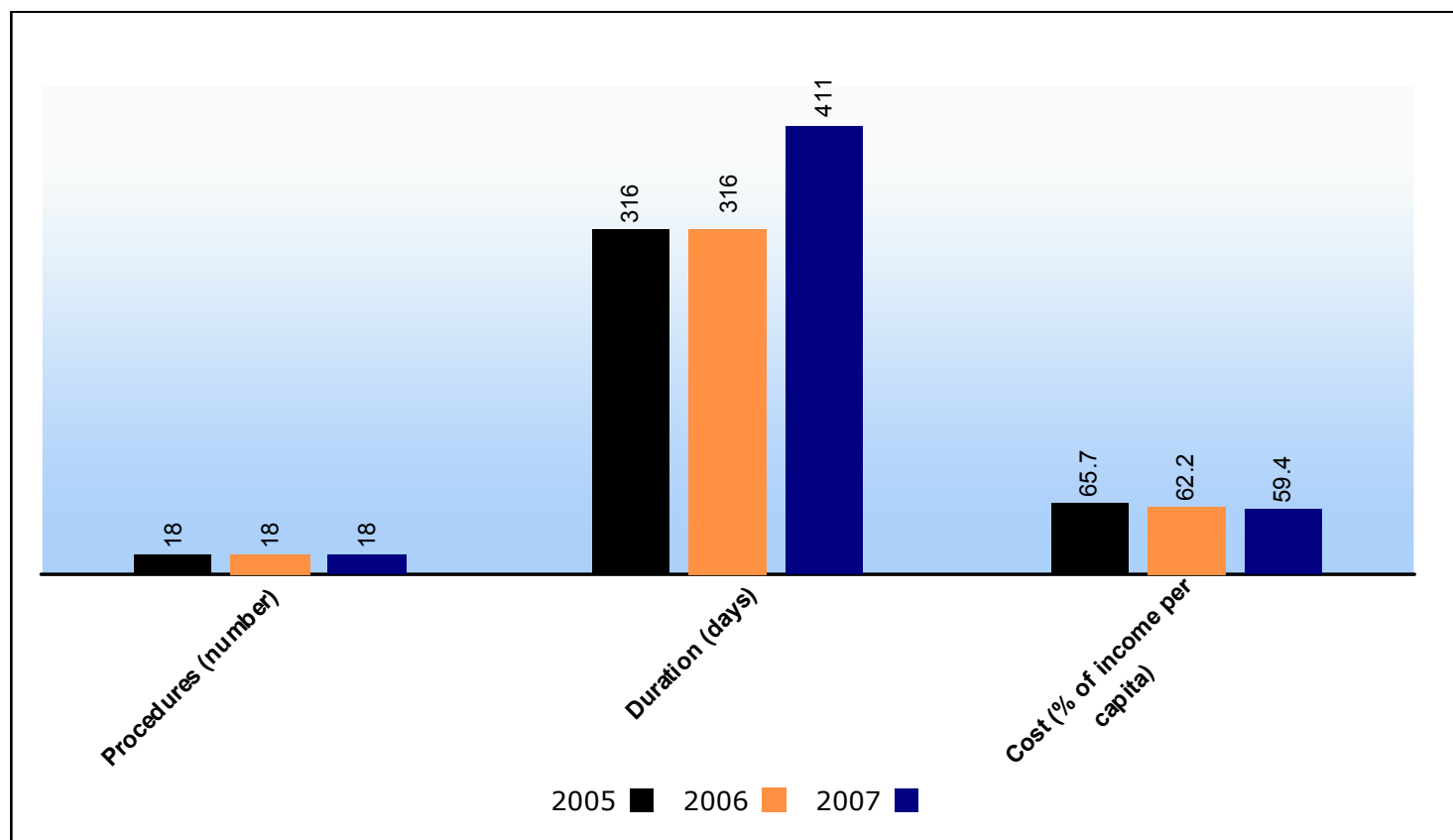
- Is a new construction (there was no previous construction on the land).
- Has complete architectural and technical plans prepared by a licensed architect.
- Will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and one land phone line. The connection to each utility network will be 32 feet, 10 inches (10 meters) long.
- Will be used for general storage, such as of books or stationery. The warehouse will not be used for any goods requiring special conditions, such as food, chemicals or pharmaceuticals.
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

Where the regulatory burden is large, entrepreneurs move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off.

## 1. Historical data: Dealing with Licenses in Brazil

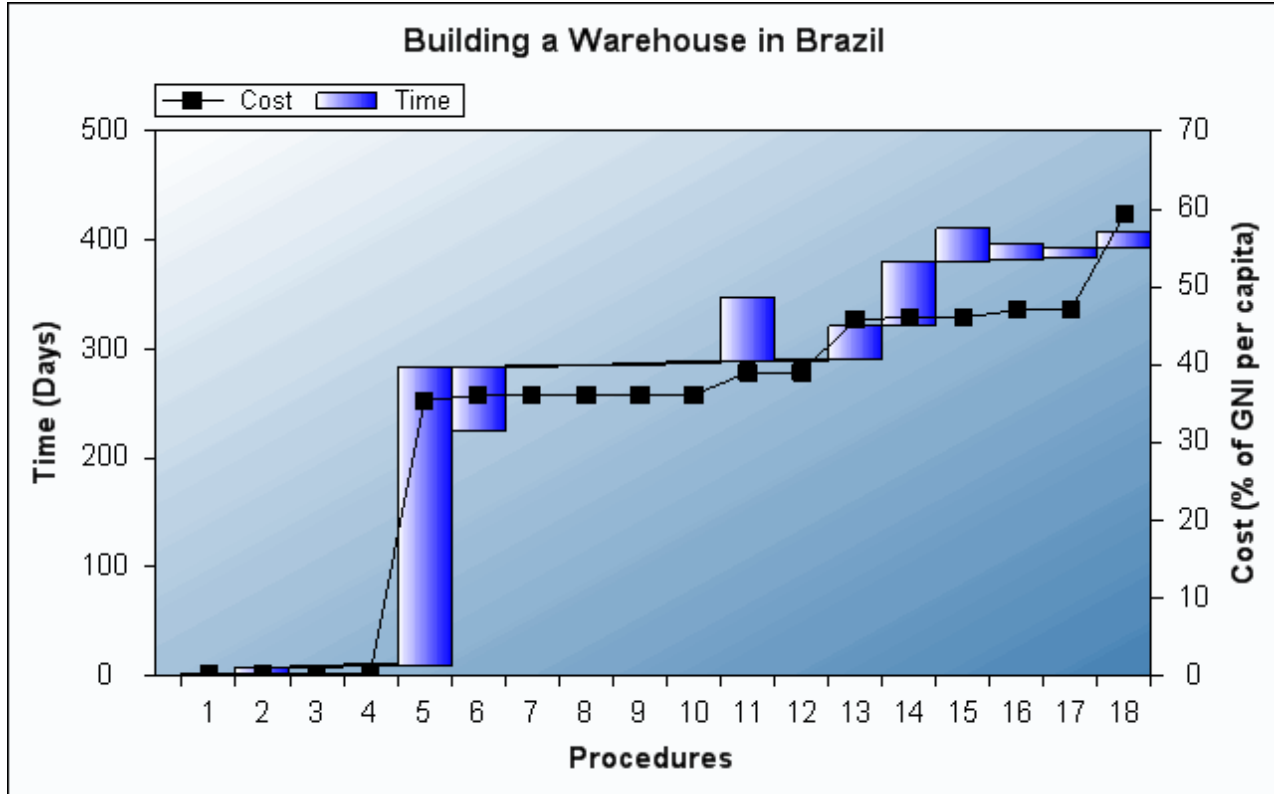
Dealing with Licenses data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		95	107
Procedures (number)	18	18	18
Duration (days)	316	316	411
Cost (% of income per capita)	65.7	62.2	59.4

2. The following graph illustrates the Dealing with Licenses indicators in Brazil over the past 3 years:



### 3. Steps to Building a Warehouse in Brazil

It requires 18 procedures, takes 411 days, and costs 59.37% GNI per capita to build a warehouse in Brazil.



#### List of Procedures:

1. Request and obtain proof of land ownership from Real Estate Registry Office
2. Request and obtain proof of land tax payment from Treasury of the municipality
3. Register employees with the Social Security Office
4. Submit proof of payment to Social Security Office
5. Request and obtain construction approval permit and construction execution permit
6. Request and obtain equipment operating permit
7. Request and receive frame inspection from municipality
8. Request and receive inspection of the structures from municipality
9. Request and receive labor inspection from Labor Public Attorneys' Office
10. Request and receive sanitary inspection from municipality
11. Request and obtain conclusion approval
12. Receive final inspection from municipality

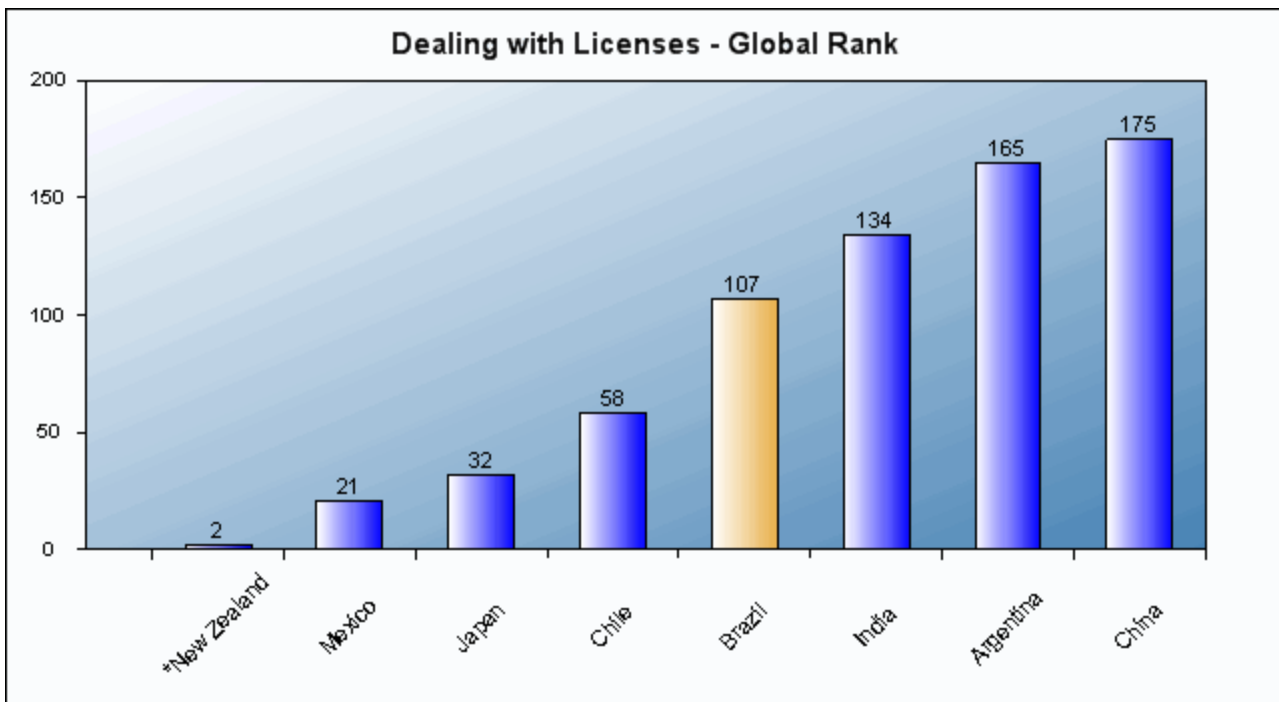
13. Request and receive Fire Department inspection
14. Request and obtain operation license
15. Request and connect to water and sewage
16. Request and connect to telephone
17. Request and connect to electricity
18. Register with the Real Estate Registry Office

More details are available in the appendix.

#### 4. Benchmarking Dealing with Licenses Regulations:

Brazil is ranked 107 overall for Dealing with Licenses. St. Vincent and the Grenadines is the top ranked economy followed by New Zealand, Belize and Marshall Islands.

Ranking of Brazil in Dealing with Licenses - Compared to best practice and selected economies:



\* The following economies are also best practice economies for Building a Warehouse: St. Vincent and the Grenadines

The following table shows Dealing with Licenses data for Brazil compared to best practice and comparator economies:

<b>Best Practice Economies</b>	<b>Procedures (number)</b>	<b>Duration (days)</b>	<b>Cost (% of income per capita)</b>
Denmark	6		
Korea		34	
United Arab Emirates			1.5

<b>Selected Economy</b>			
<b>Brazil</b>	18	411	59.4

<b>Comparator Economies</b>			
<b>Argentina</b>	28	338	234.1
<b>Chile</b>	18	155	128.1
<b>China</b>	37	336	840.2
<b>India</b>	20	224	519.4
<b>Japan</b>	15	177	17.8
<b>Mexico</b>	11	131	103.5

## Employing Workers in Brazil: Labor Regulations

---

Every economy has established a complex system of laws and institutions intended to protect workers and guarantee a minimum standard of living for its population. This system encompasses four bodies of law: employment, industrial relations, social security and occupational health and safety laws. Doing Business examines government regulation in the area of employment and social security laws.

Three measures are presented: a rigidity of employment index, a nonwage labor cost measure and a firing cost measure. The rigidity of employment index is the average of three subindices: difficulty of hiring, rigidity of hours and difficulty of firing. Each index takes values between 0 and 100, with higher values indicating more rigid regulation. The difficulty of hiring index measures the flexibility of contracts and the ratio of the minimum wage to the value added per worker. The rigidity of hours index covers restrictions on weekend and night work, requirements relating to working time and the workweek, and mandated days of annual leave with pay. The difficulty of firing index covers workers' legal protections against dismissal, including the grounds permitted for dismissal and procedures for dismissal (individual and collective).

The nonwage labor cost covers all social security payments and payroll taxes associated with hiring an employee, expressed as a percentage of the worker's salary. The firing cost indicator measures the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker, expressed in weeks of salary.

The indicators on employment regulations are based on a detailed study of employment laws. Data are also gathered on the specific constitutional provisions governing the two areas studied. To ensure accuracy, both the actual laws and the applicable collective bargaining agreements are used. Finally, all data are verified and completed by local law firms through a detailed survey of employment regulations.

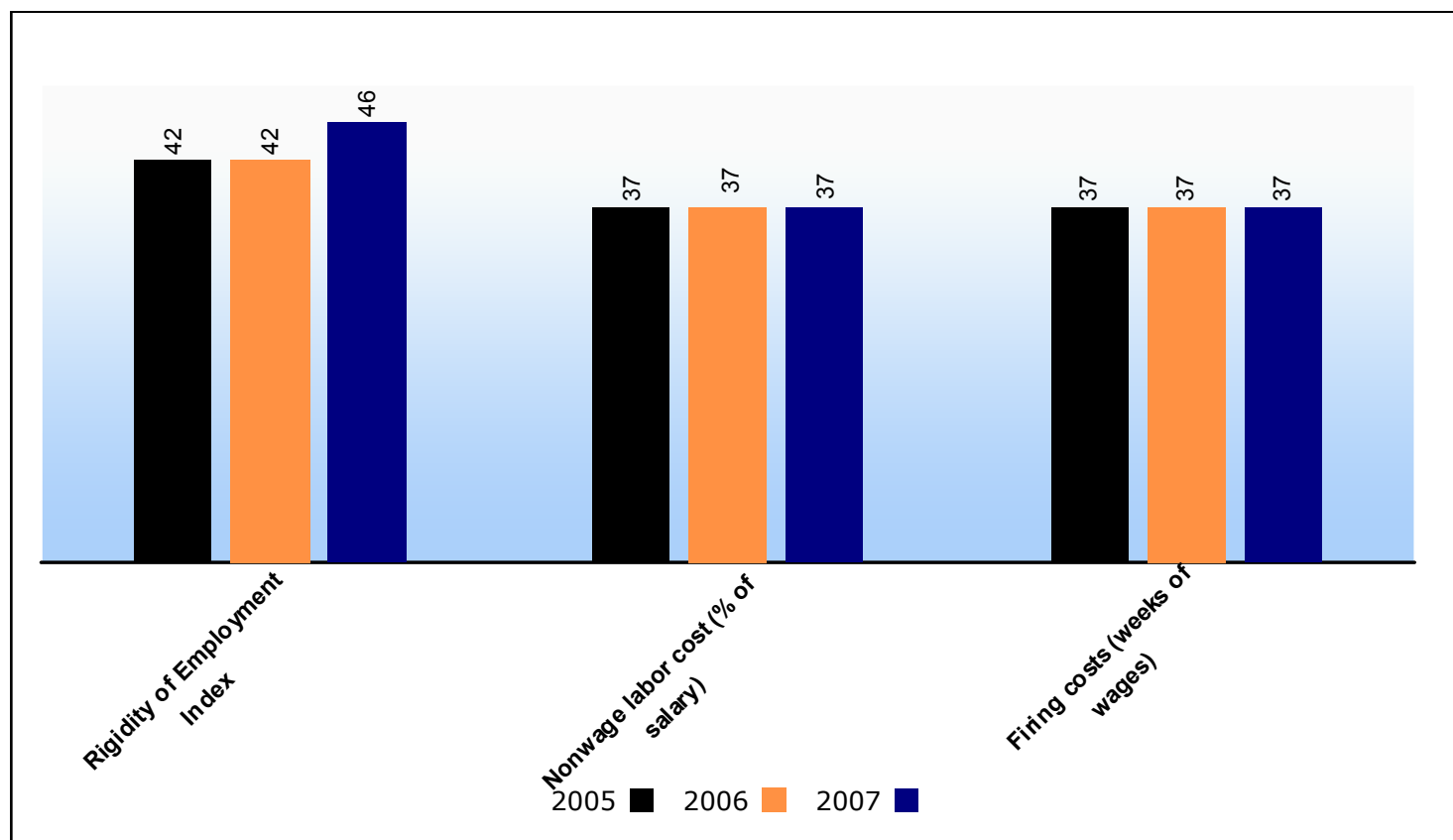
To make the data comparable across economies, a range of assumptions about the worker and the company are used. Assumptions about the worker include that he is a nonexecutive, full-time male employee who has worked in the same company for 20 years and is not a member of the labor union (unless membership is mandatory). The company is assumed to be a limited liability manufacturing corporation that operates in the country's most populous city, is 100% domestically owned and has 201 employees. The company is also assumed to be subject to collective bargaining agreements in countries where such agreements cover more than half the manufacturing sector and apply even to firms not party to them.

Most employment regulations are enacted in response to market failures. But that does not mean that today's regulations are optimal. Analysis across countries shows that while employment regulation generally increases the tenure and wages of incumbent workers, rigid regulations have many undesirable side effects. These include less job creation, smaller company size, less investment in research and development, and longer spells of unemployment and thus the obsolescence of skills—all of which may reduce productivity growth. Many countries err on the side of excessive rigidity, to the detriment of businesses and workers alike.

## 1. Historical data: Employing Workers in Brazil

Employing Workers data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		116	119
Rigidity of Employment Index	42	42	46
Nonwage labor cost (% of salary)	37	37	37
Firing costs (weeks of wages)	37	37	37

2. The following graph illustrates the Employing Workers indicators in Brazil over the past 3 years:



### 3. Benchmarking Employing Workers Regulations:

Brazil is ranked 119 overall for Employing Workers. Marshall Islands is the top ranked economy followed by Brunei, Georgia and Tonga.

Ranking of Brazil in Employing Workers - Compared to best practice and selected economies:



\* The following economies are also best practice economies for Employing Workers: Marshall Islands, Singapore



The following table shows Employing Workers data for Brazil compared to best practice and comparator economies:

<b>Best Practice Economies</b>	<b>Rigidity of Employment Index</b>	<b>Nonwage labor cost (% of salary)</b>	<b>Firing costs (weeks of wages)</b>
Bangladesh*		0	
Denmark*			0
Hong Kong, China*	0		

<b>Selected Economy</b>			
<b>Brazil</b>	46	37	37

<b>Comparator Economies</b>			
<b>Argentina</b>	41	26	139
<b>Chile</b>	24	3	52
<b>China</b>	24	44	91
<b>India</b>	30	17	56
<b>Japan</b>	17	13	4
<b>Mexico</b>	48	21	52

\* The following economies are also best practice economies for :

**Rigidity of Employment Index: Singapore, United States**

**Nonwage labor cost (% of salary): Botswana, Ethiopia, Maldives**

**Firing costs (weeks of wages): New Zealand, United States**

## Registering Property in Brazil: Regulation of Property Transfer

---

Property registries were first developed to help raise tax revenue. Defining and publicizing property rights through registries has also proved to be good for entrepreneurs. Land and buildings account for between half and three-quarters of the wealth in most economies. Securing rights to this property strengthens incentives to invest and facilitates commerce. And with formal property titles, entrepreneurs can obtain mortgages on their home or land and start businesses.

Doing Business measures the ease of registering property based on a standard case of an entrepreneur who wants to purchase land and a building in the largest business city. It is assumed that the property is already registered and free of title dispute. The data cover the full sequence of procedures necessary to transfer the property title from the seller to the buyer. Every required procedure is included, whether it is the responsibility of the seller or the buyer or must be completed by a third party on their behalf.

Local property lawyers and officials in property registries provide information on required procedures as well as the time and cost to complete each one. For most countries the data are based on responses from both. Based on the responses, three indicators are constructed:

- Number of procedures to register property.
- Time to register property (in calendar days).
- Official costs to register property (as a percentage of the property value).

A large share of the property in developing countries is not formally registered, limiting financing opportunities for businesses. Recognizing this constraint, some developing country governments have embarked on extensive property titling programs. Yet bringing assets into the formal sector is of little value unless they stay there.

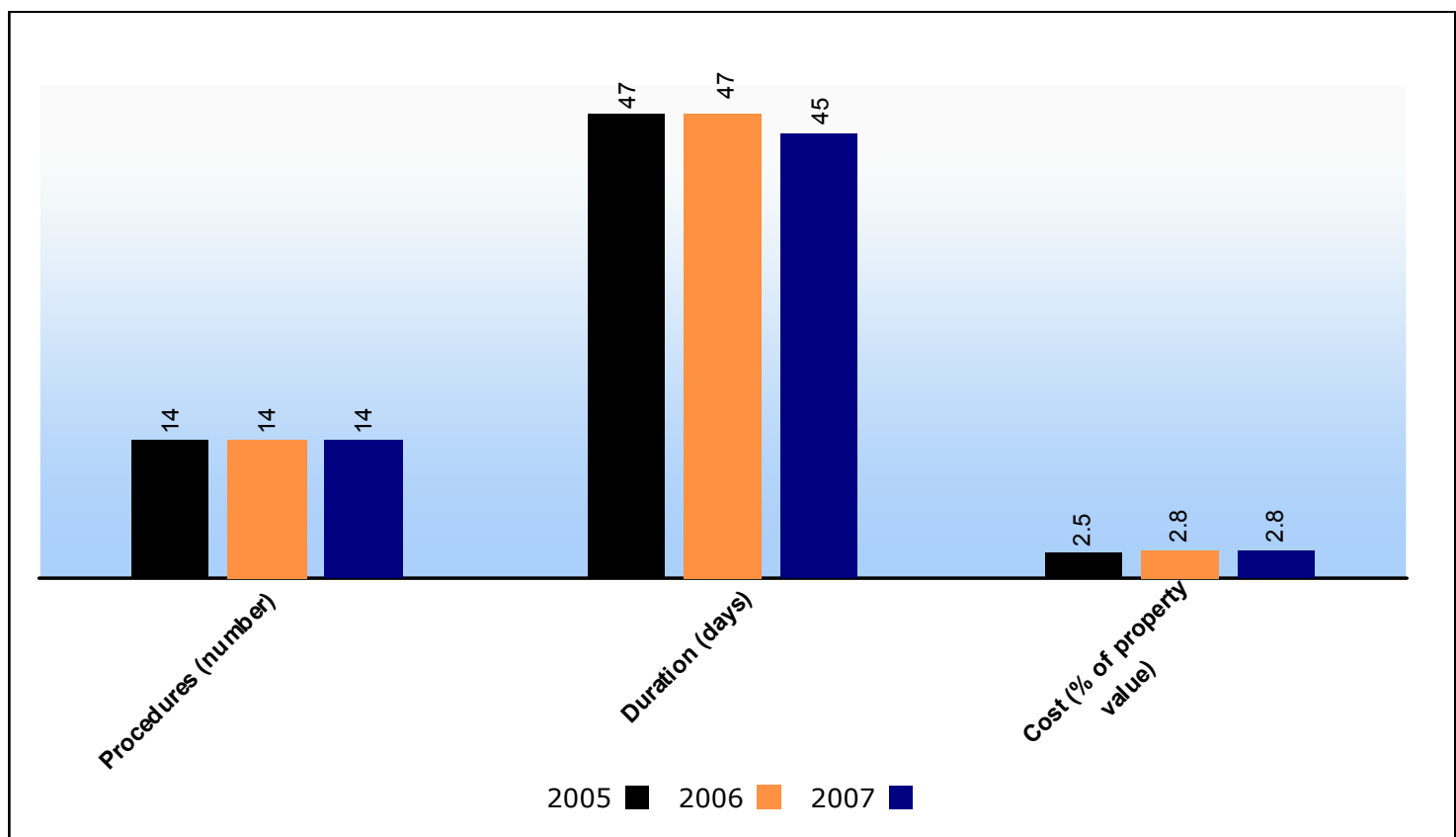
Many titling programs in Africa were futile because people bought and sold property informally—neglecting to update the title records in the property registry. Why? Doing Business shows that completing a simple formal property transfer in the largest business city of an African country costs 12% of the value of the property and takes more than 100 days on average. Worse, the property registries are so poorly organized that they provide little security of ownership. For both reasons, formalized titles quickly go informal again.

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

## 1. Historical data: Registering Property in Brazil

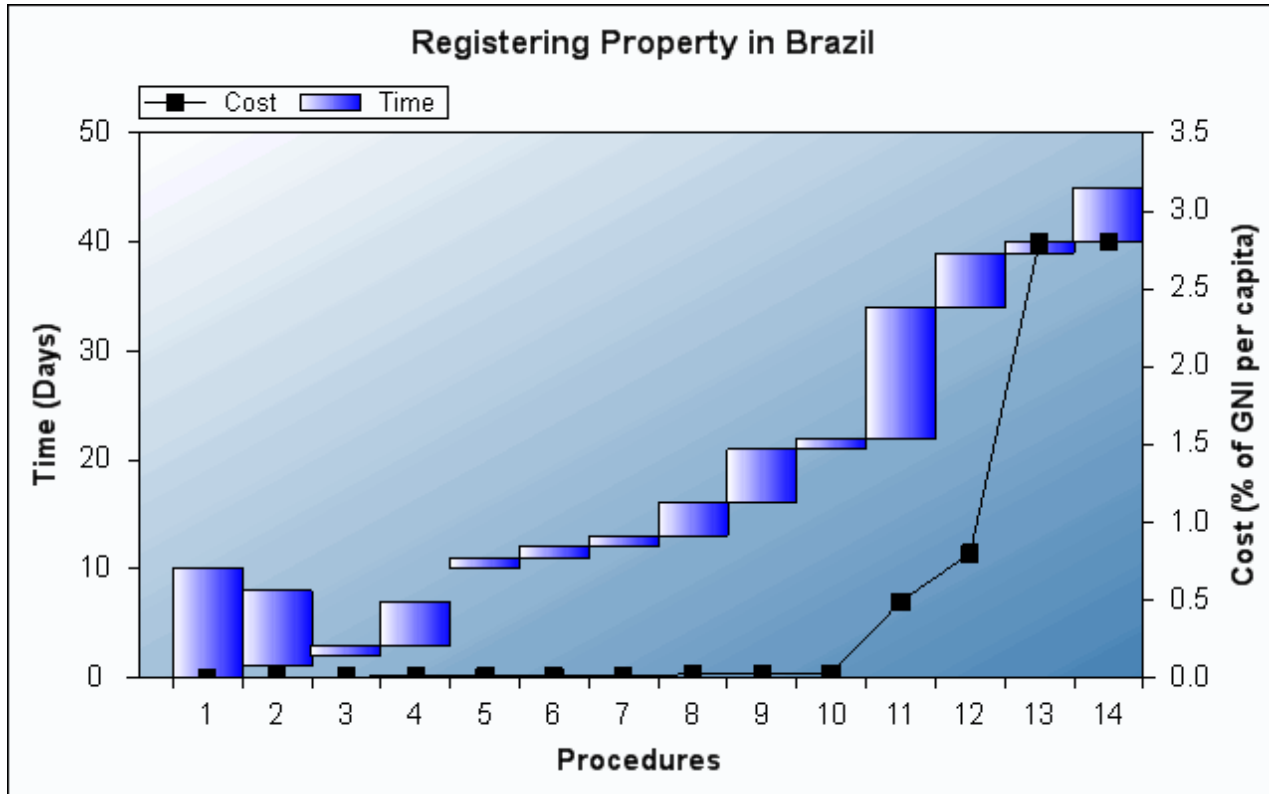
Registering Property data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		109	110
Procedures (number)	14	14	14
Duration (days)	47	47	45
Cost (% of property value)	2.5	2.8	2.8

2. The following graph illustrates the Registering Property indicators in Brazil over the past 3 years:



### 3. Steps to Registering Property in Brazil

It requires 14 procedures, takes 45 days, and costs 2.80% GNI per capita to register the property in Brazil.



#### List of Procedures:

1. Acquire a Labor Justice Certificate (Certidão da Justiça do Trabalho) from the Labor Justice Department
2. Request three documents on the property from the relevant jurisdictional Land Property Registry (cartório)
3. Request a Land-Tax Certificate from City Hall
4. Acquire the most recent Commercial Certificate (Junta Comercial) at the city's chamber of commerce
5. Acquire a Clearance Certificate (Certidão Negativa de Débito do INSS) from the National Social Security Institute
6. Acquire a Worker's Fund Certificate (Certidão de Regularidade de Situação do FGTS) at the federal bank- Caixa Economica Federal
7. Acquire a Federal Tax Clearance Certificate from the Ministério da Fazenda (Certidão Negativa de Tributos Federais)
8. Acquire a Certificate of Registries and Disputes (Certidão dos Cartórios de Protestos) from the Distributor of Disputes Registry
9. Acquire a Civil Distributor's Certificate (Certidão dos Distribuidores Cívies), a Fiscal Executive Certificate (Certidão de Executivos Fiscais)
10. Acquire a Federal Justice Certificate (Certidão da Justiça Federal) from the Receita Federal
11. File all the acquired documents, property-specific and vendor-specific, at the relevant General Cartório and obtain a property certificate
12. Register the escritura (transfer deed) at the appropriate Real Estate Registry with jurisdiction over the property to finalize registration

13. Pay ITBI (transfer tax) at Banco do Brasil
14. Update the land taxation records (IPTU – Imposto Predial e Territorial Urbano) to the new owner's name at City Hall

More details are available in the appendix.

#### 4. Benchmarking Registering Property Regulations:

Brazil is ranked 110 overall for Registering Property. New Zealand is the top ranked economy followed by Armenia, Saudi Arabia and Lithuania.

Ranking of Brazil in Registering Property - Compared to best practice and selected economies:



The following table shows Registering Property data for Brazil compared to best practice and comparator economies:

<b>Best Practice Economies</b>	<b>Procedures (number)</b>	<b>Duration (days)</b>	<b>Cost (% of property value)</b>
<b>New Zealand*</b>		2	
<b>Norway*</b>	1		
<b>Saudi Arabia*</b>			0.0

<b>Selected Economy</b>			
<b>Brazil</b>	14	45	2.8

<b>Comparator Economies</b>			
<b>Argentina</b>	5	65	7.6
<b>Chile</b>	6	31	1.3
<b>China</b>	4	29	3.6
<b>India</b>	6	62	7.7
<b>Japan</b>	6	14	5.0
<b>Mexico</b>	5	74	4.7

\* The following economies are also best practice economies for :

**Procedures (number): Sweden**

**Duration (days): Sweden, Thailand**

**Cost (% of property value): Bhutan**

## Getting Credit in Brazil: Legal Rights and Credit Information

---

Firms consistently rate access to credit as among the greatest barriers to their operation and growth. Doing Business constructs two sets of indicators of how well credit markets function—one on credit registries and the other on legal rights of borrowers and lenders.

Credit registries—institutions that collect and distribute credit information on borrowers—can greatly expand access to credit. By sharing credit information, they help lenders assess risk and allocate credit more efficiently. And they free entrepreneurs from having to rely on personal connections alone when trying to obtain credit. Three indicators are constructed to measure the sharing of credit information:

- Public registry coverage, which reports the number of individuals and firms covered by a public credit registry as a percentage of the adult population.
- Private bureau coverage, which reports the number of individuals and firms covered by a private credit bureau as a percentage of the adult population.
- Depth of credit information index, which measures the extent to which the rules of a credit information system facilitate lending based on the scope of information distributed, the ease of access to information and the quality of information.

The data are from surveys of public registries and the largest private credit bureau in the country.

Effective regulation of secured lending—through collateral and bankruptcy laws—can also ease credit constraints. By giving a lender the right to seize and sell a borrower's secured assets upon default, collateral limits the lender's potential losses and acts as a screening device for borrowers. The strength of legal rights index measures 10 aspects of the rights of borrowers and creditors in collateral and bankruptcy laws, including whether:

- General rather than specific description of assets and debt is permitted in collateral agreements (expanding the scope of assets and debt covered).
- Any legal or natural person may grant or take security in assets.
- A unified registry operates that includes charges over movable property.
- Secured creditors have priority both within bankruptcy and outside it.
- Parties may agree on out-of-court enforcement of collateral by contract.
- Creditors may both seize and sell collateral out of court, no automatic stay or “asset freeze” applies upon bankruptcy, and the bankrupt debtor does not retain control of the firm.

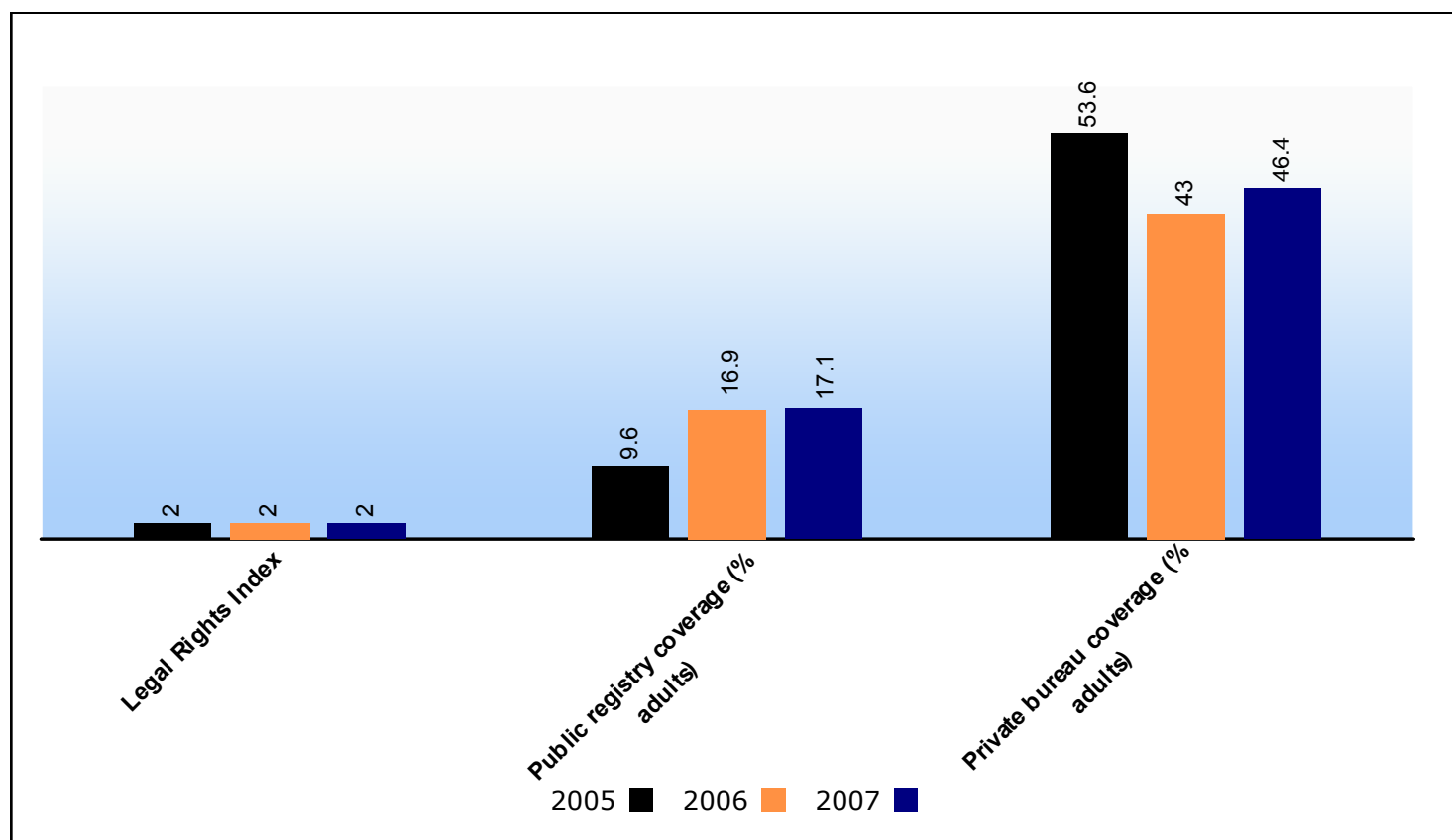
The index ranges from 0 (weak legal rights) to 10 (strong legal rights). The data were obtained by examining collateral and bankruptcy laws and legal summaries and verified through a survey of financial lawyers.

Where good-quality credit information is available and legal rights are stronger, more credit is extended. Benefits flow beyond those gaining access to credit. With better-functioning credit markets, unemployment is lower, and women and low-income people benefit the most.

## 1. Historical data: Getting Credit in Brazil

Getting Credit data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		80	84
Legal Rights Index	2	2	2
Public registry coverage (% adults)	9.6	16.9	17.1
Private bureau coverage (% adults)	53.6	43.0	46.4

## 2. The following graph illustrates the Getting Credit indicators in Brazil over the past 3 years:

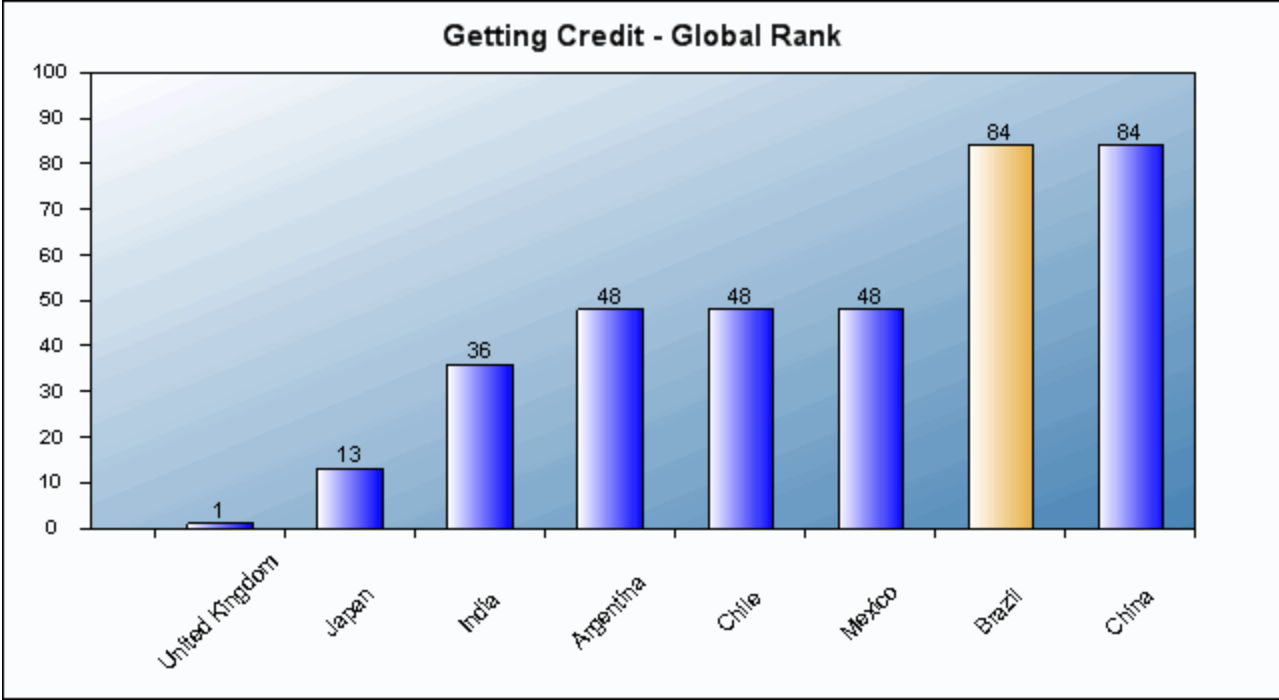




**3. Benchmarking Getting Credit Regulations:**

Brazil is ranked 84 overall for Getting Credit. United Kingdom is the top ranked economy followed by Hong Kong, China, Germany and Australia.

Ranking of Brazil in Getting Credit - Compared to best practice and selected economies:



The following table shows Getting Credit data for Brazil compared to best practice and comparator economies:

<b>Best Practice Economies</b>	<b>Legal Rights Index</b>	<b>Public registry coverage (%)</b>	<b>Private bureau coverage (%)</b>
Argentina*			100.0
Hong Kong, China*	10		
Portugal		67.1	

<b>Selected Economy</b>			
<b>Brazil</b>	<b>2</b>	<b>17.1</b>	<b>46.4</b>

<b>Comparator Economies</b>			
Argentina	3	25.5	100.0
Chile	4	26.2	33.5
China	3	49.2	0.0
India	6	0.0	10.8
Japan	6	0.0	68.3
Mexico	3	0.0	61.2

\* The following economies are also best practice economies for :

**Legal Rights Index: United Kingdom**

**Private bureau coverage (% adults): Australia, Canada, Iceland, Ireland, New Zealand, Nicaragua, Norway, Sweden, United States**

## Protecting Investors in Brazil

---

Officials at Elf Aquitaine, France's largest oil company, awarded business deals in return for large side payments. Along with the extra cash, they got seven years in jail and a €2 million fine for abuse of power. Russian oil firm Gazprom purchased materials for new pipelines through intermediaries owned by company officers. The high cost raised eyebrows, but not court battles.

Big cases make headlines. But looting by corporate insiders occurs every day on a smaller scale, and often goes unnoticed. To document the protections investors have, Doing Business measures how countries regulate a standard case of self-dealing—use of corporate assets for personal gain.

The case facts are simple. Mr. James, a director and the majority shareholder of a public company, proposes that the company purchase used trucks from another company he owns. The price is higher than the going price for used trucks. The transaction goes forward. All required approvals are obtained, and all required disclosures made, though the transaction is unfair to the purchasing company. Shareholders sue the interested parties and the members of the board of directors.

Several questions arise. Who approves the transaction? What information must be disclosed? What company documents can investors access? What do minority shareholders have to prove to get the transaction stopped or to receive compensation from Mr. James? Three indices of investor protection are constructed based on the answers to these and other questions. All indices range from 0 to 10, with higher values indicating more protections or greater disclosure.

The extent of disclosure index covers approval procedures, requirements for immediate disclosure to the public and shareholders of proposed transactions, requirements for disclosure in periodic filings and reports and the availability of external review of transactions before they take place.

The extent of director liability index covers the ability of investors to hold Mr. James and the board of directors liable for damages, the ability to rescind the transaction, the availability of fines and jail time associated with self-dealing, the availability of direct or derivative suits and the ability to require Mr. James to pay back his personal profits from the transaction.

The ease of shareholder suits index covers the availability of documents that can be used during trial, the ability of the investor to examine the defendant and other witnesses, shareholders' access to internal documents of the company, the appointment of an inspector to investigate the transaction and the standard of proof applicable to a civil suit against the directors.

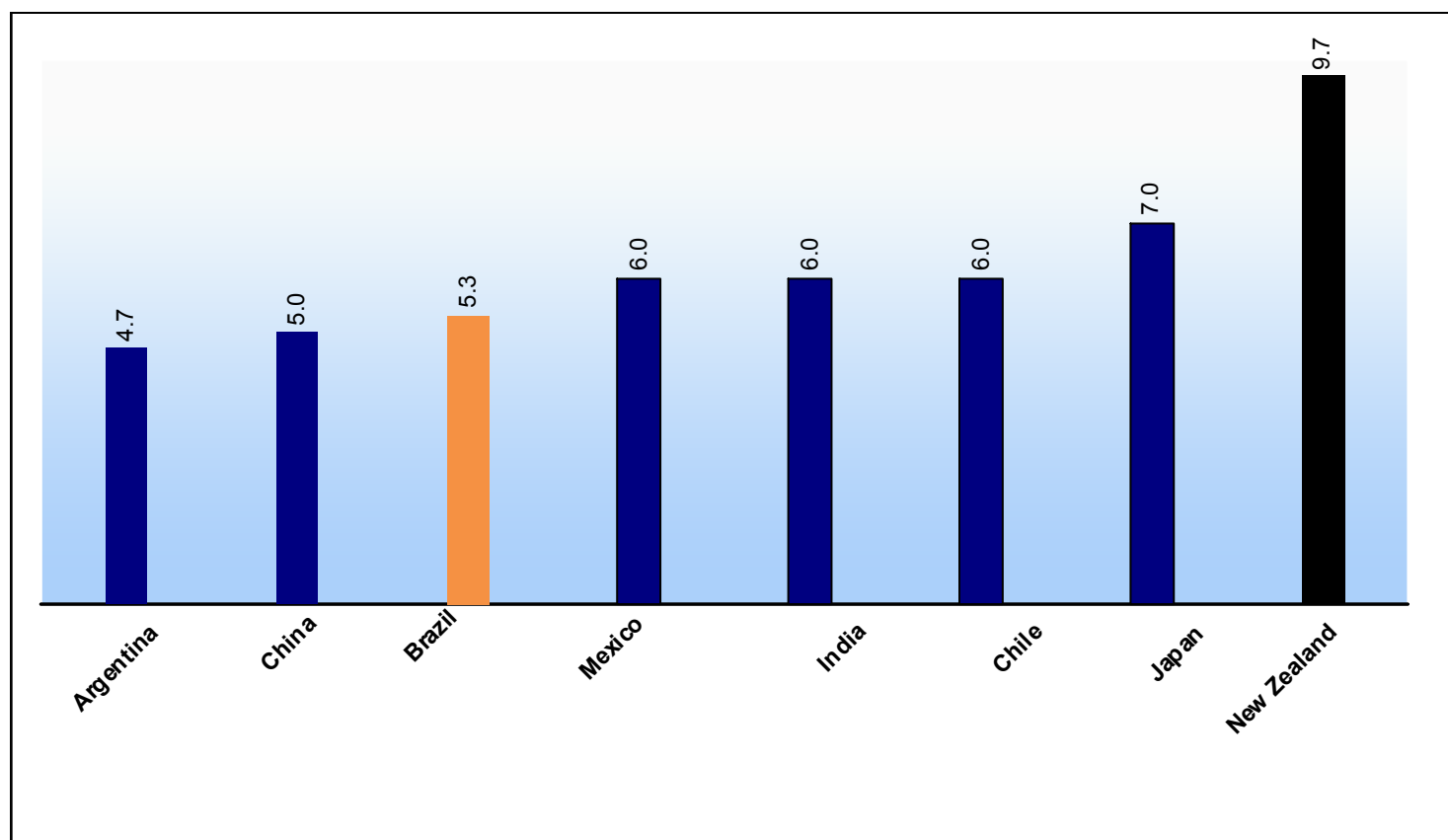
These three indices are averaged to create the strength of investor protection index. This index ranges from 0 to 10, with higher values indicating better investor protection.

If the rights of investors are not protected, majority ownership in a business is the only way to eliminate expropriation. But then investors must devote more oversight attention to fewer investments. The result: entrepreneurship is suppressed, and fewer profitable investment projects are undertaken. Where self-dealing is curbed, equity investment is higher, ownership concentration lower and trust in the business sector deeper. Investors gain portfolio diversification, and entrepreneurs gain access to cash.

## 1. Historical data: Protecting Investors in Brazil

Protecting Investors data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		62	64
Investor Protection Index	5.3	5.3	5.3

2. The following graph illustrates the Protecting Investors index in Brazil compared to best practice and selected Economies:

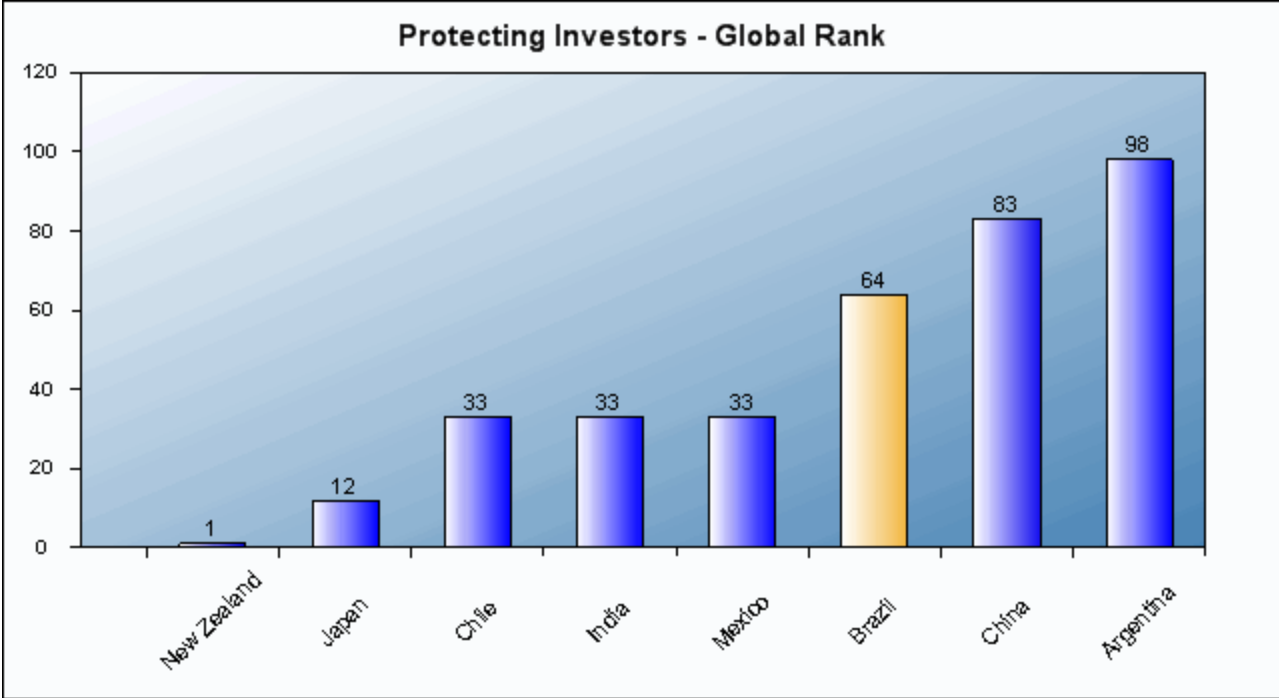


**Note:** The higher the score, the greater the investor protection.

**3. Benchmarking Protecting Investors Regulations:**

Brazil is ranked 64 overall for Protecting Investors. New Zealand is the top ranked economy followed by Singapore, Hong Kong, China and Malaysia.

Ranking of Brazil in Protecting Investors - Compared to best practice and selected economies:



The following table shows Protecting Investors data for Brazil compared to best practice and comparator economies:

<b><i>Best Practice Economies</i></b>	<b>Investor Protection Index</b>
<b>New Zealand</b>	9.7

<b><i>Selected Economy</i></b>	
<b>Brazil</b>	5.3

<b><i>Comparator Economies</i></b>	
<b>Argentina</b>	4.7
<b>Chile</b>	6.0
<b>China</b>	5.0
<b>India</b>	6.0
<b>Japan</b>	7.0
<b>Mexico</b>	6.0

## Paying Taxes: Tax Payable and Compliance in Brazil

---

Taxes are essential. Without them there would be no money to fund schools, hospitals, courts, roads, water, waste collection and other public services that help businesses to be more productive. Still, there are good ways and bad ways to collect taxes.

The Doing Business tax survey records the effective tax that a company must pay and the administrative costs of doing so. Imagine a medium-size business, TaxpayerCo, that started operations last year. Doing Business asked accountants in 178 economies to review TaxpayerCo's financial statements and a standard list of transactions the company completed during the year. Respondents were asked how much tax the business must pay and what the process is for doing so.

The business starts from the same financial position in each country. All the taxes and contributions paid during the second year of operation are recorded. Taxes and contributions are measured at all levels of government and include corporate income tax, turnover tax, all labor contributions paid by the company (including mandatory contributions paid to private pension or insurance funds), property tax, property transfer tax, dividend tax, capital gains tax, financial transactions tax, vehicle tax and other small taxes (such as fuel tax, stamp duty and local taxes). A range of standard deductions and exemptions are also recorded.

Three indicators are constructed:

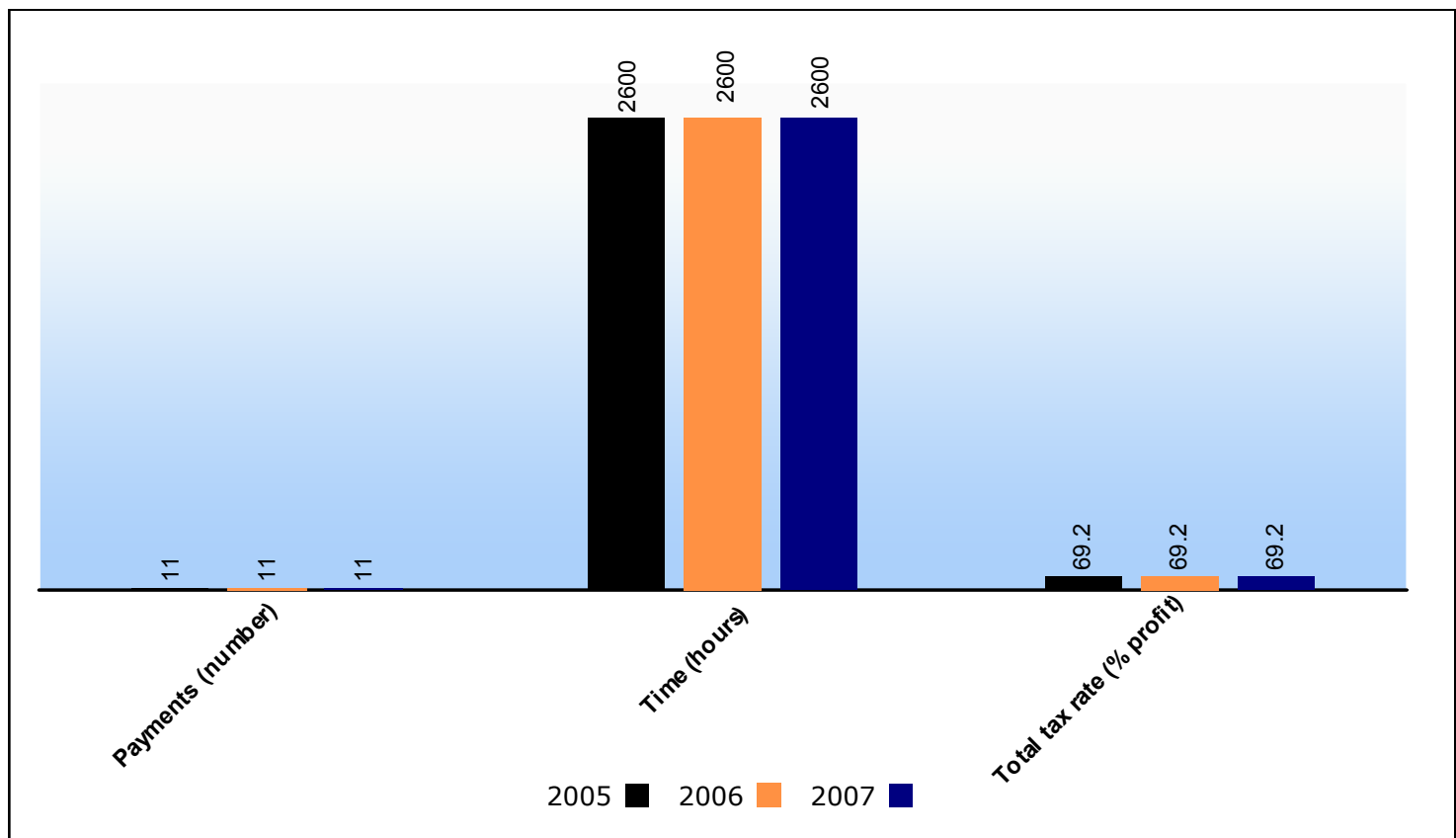
- Number of tax payments, which takes into account the method of payment or withholding, the frequency of payment or withholding and the number of agencies involved for the standard case.
- Time, which measures the hours per year necessary to prepare, file and pay the corporate income tax, value added or sales tax and labor taxes.
- Total tax rate, which measures the amount of taxes payable by the company during the second year of operation. This amount, expressed as a percentage of commercial profit, is the sum of all the different taxes payable after accounting for various deductions and exemptions.

Businesses care about what they get for their taxes and contributions, such as the quality of infrastructure and social services. Poor countries tend to use businesses as a collection point for taxes. Rich countries tend to have lower tax rates and less complex tax systems. And rich countries get more from their taxes. Simple, moderate taxes and fast, cheap administration mean less hassle for businesses—and also more revenue collected and better public services. More burdensome tax regimes create an incentive to evade taxes.

## 1. Historical data: Paying Taxes in Brazil

Paying Taxes data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		139	137
Time (hours)	2600	2600	2600
Total tax rate (% profit)	69.2	69.2	69.2
Payments (number)	11	11	11

2. The following graph illustrates the Paying Taxes indicators in Brazil over the past 3 years:

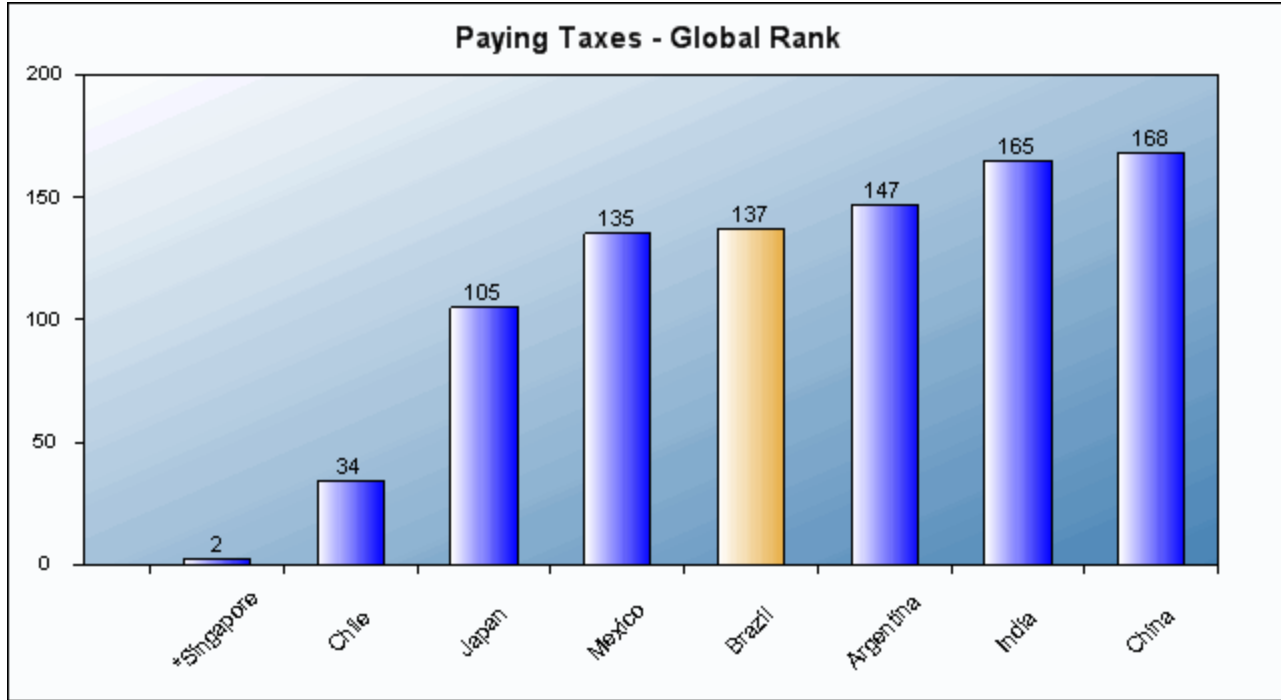




### 3. Benchmarking Paying Taxes Regulations:

Brazil is ranked 137 overall for Paying Taxes. Maldives is the top ranked economy followed by Singapore, Hong Kong, China and United Arab Emirates.

Ranking of Brazil in Paying Taxes - Compared to best practice and selected economies:



\* The following economies are also best practice economies for Paying Taxes: Maldives

The following table shows Paying Taxes data for Brazil compared to best practice and comparator economies:

<i>Best Practice Economies</i>	<b>Payments (number)</b>	<b>Time (hours)</b>	<b>Total tax rate (% profit)</b>
Sweden*	2		
United Arab Emirates*		12	
Vanuatu			8.4

<i>Selected Economy</i>			
<b>Brazil</b>	11	2600	69.2

<i>Comparator Economies</i>			
<b>Argentina</b>	19	615	112.9
<b>Chile</b>	10	316	25.9
<b>China</b>	35	872	73.9
<b>India</b>	60	271	70.6
<b>Japan</b>	13	350	52.0
<b>Mexico</b>	27	552	51.2

\* The following economies are also best practice economies for :

**Payments (number): Maldives**

**Time (hours): Maldives**

## Trading Across Borders: Importing and Exporting from Brazil

---

The benefits of trade are well documented—as are the obstacles to trade. Tariffs, quotas and distance from large markets greatly increase the cost of goods or prevent trading altogether. But with faster ships and bigger planes, the world is shrinking. Global and regional agreements have brought down trade barriers. Yet Africa's share of global trade is smaller today than it was 25 years ago. So is the Middle East's, excluding oil exports. The reason is simple: many entrepreneurs face numerous hurdles to exporting or importing goods. They often give up. Others never try.

Doing Business compiles procedural requirements for trading a standard shipment of goods by ocean transport. Every official procedure—and the associated documents, time and cost—for importing and exporting the goods is recorded, starting with the contractual agreement between the two parties and ending with delivery of the goods. For importing the goods, the procedures measured range from the vessel's arrival at the port of entry to the shipment's delivery at the factory warehouse. For exporting the goods, the procedures measured range from the packing of the goods at the factory to their departure from the port of exit.

To make the data comparable across countries, several assumptions about the business and the traded goods are used. The business is of medium size, with 100 or more employees, and is located in the periurban area of the country's most populous city. It is a private, limited liability company, domestically owned, formally registered and operating under commercial laws and regulations of the country. The traded goods are ordinary, legally manufactured products, and they travel in a dry-cargo, 20-foot FCL (full container load) container.

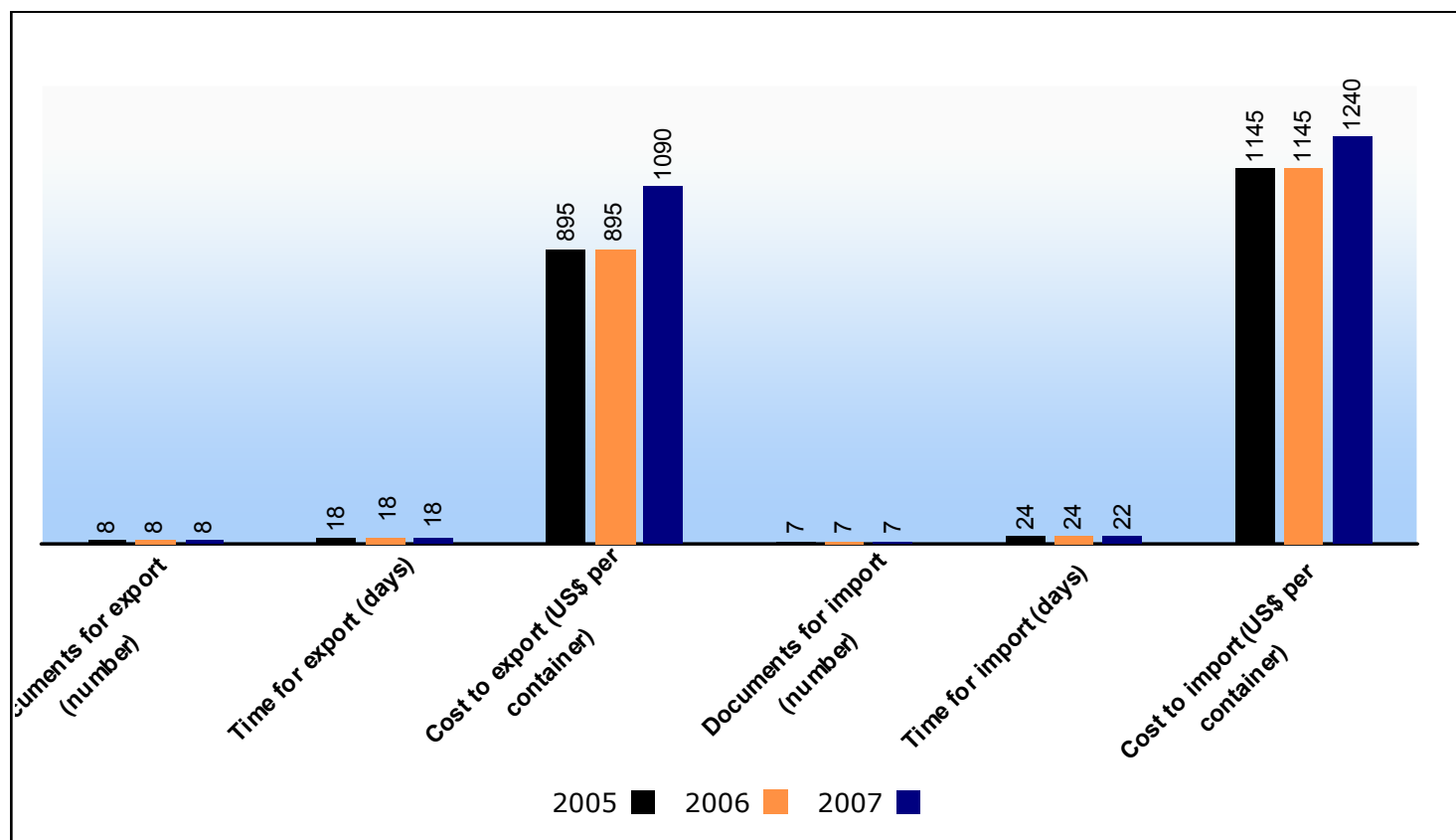
Documents recorded include port filing documents, customs declaration and clearance documents, and official documents exchanged between the concerned parties. Time is recorded in calendar days, from start to finish of each procedure. Cost measures the fees levied on a 20-foot container in U.S. dollars. All the fees associated with completing the procedures to export or import the goods are included, such as costs for documents, administrative fees for customs clearance and technical control, terminal handling charges and inland transport. The cost measure does not include tariffs or trade taxes.

Countries that have efficient customs, good transport networks and fewer document requirements—making compliance with export and import procedures faster and cheaper—are more competitive globally. That leads to more exports—and exports are associated with faster growth and more jobs. Conversely, a need to file many documents is associated with more corruption in customs. Faced with long delays and frequent demands for bribes, many traders avoid customs altogether. Instead, they smuggle goods across the border. That defeats the very purpose in having border control of trade—to levy taxes and ensure high quality of goods.

## 1. Historical data: Trading Across Borders in Brazil

Trading Across Borders data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		70	93
Documents for export (number)	8	8	8
Time for export (days)	18	18	18
Cost to export (US\$ per container)	895	895	1090
Documents for import (number)	7	7	7
Time for import (days)	24	24	22
Cost to import (US\$ per container)	1145	1145	1240

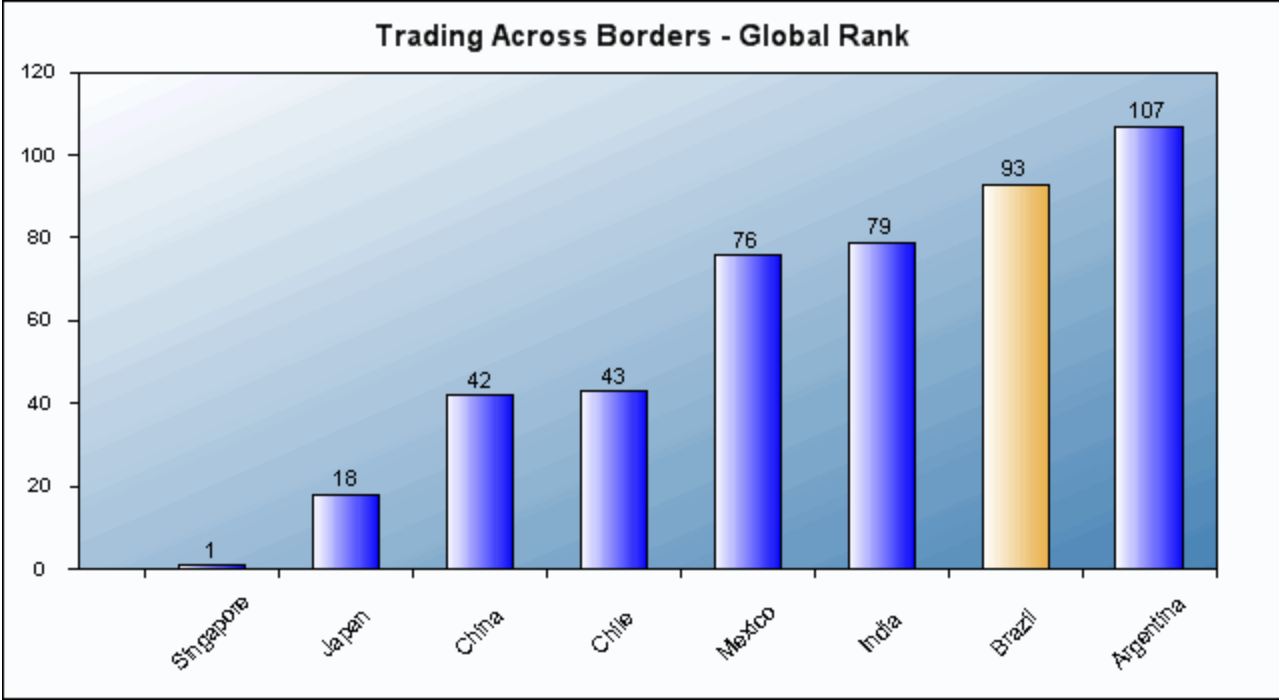
## 2. The following graph illustrates the Trading Across Borders indicators in Brazil over the past 3 years:



**3. Benchmarking Trading Across Borders Regulations:**

Brazil is ranked 93 overall for Trading Across Borders. Singapore is the top ranked economy followed by Denmark, Hong Kong, China and Norway.

Ranking of Brazil in Trading Across Borders - Compared to best practice and selected economies:



The following table shows Trading Across Borders data for Brazil compared to best practice and comparator economies:

<b>Best Practice Economies</b>	<b>Documents for export (number)</b>	<b>Time for export (days)</b>	<b>Cost to export (US\$ per)</b>	<b>Documents for import (number)</b>	<b>Time for import (days)</b>	<b>Cost to import (US\$ per)</b>
Canada*	3					
China			390			
Denmark*		5		3		
Singapore					3	367

<b>Selected Economy</b>						
<b>Brazil</b>	<b>8</b>	<b>18</b>	<b>1090</b>	<b>7</b>	<b>22</b>	<b>1240</b>

<b>Comparator Economies</b>						
<b>Argentina</b>	9	16	1325	7	20	1825
<b>Chile</b>	6	21	645	7	21	685
<b>China</b>	7	21	390	6	24	430
<b>India</b>	8	18	820	9	21	910
<b>Japan</b>	4	10	989	5	11	1047
<b>Mexico</b>	5	17	1302	5	23	2411

\* The following economies are also best practice economies for :

Documents for export (number): **Estonia, Micronesia, Panama**

Time for export (days): **Estonia, Singapore**

Documents for import (number): **Sweden**

## Enforcing Contracts: Court Efficiency in Brazil

---

Where contract enforcement is efficient, businesses are more likely to engage with new borrowers or customers. Doing Business tracks the efficiency of the judicial system in resolving a commercial dispute, following the step-by-step evolution of a commercial sale dispute before local courts. The data are collected through study of the codes of civil procedure and other court regulations as well as surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

The dispute, between two businesses (the Seller and the Buyer) located in the country's most populous city, concerns a contract for the sale of goods. The Seller agrees to deliver the goods, worth 200% of the country's income per capita, to the Buyer.

After receiving and inspecting the goods, the Buyer concludes that their quality is inadequate. The Buyer sends the goods back without paying for them. The Seller disagrees and argues that their quality is adequate. The Seller seeks full payment from the Buyer, arguing that the goods cannot be sold to a third party because they were custom-made for the Buyer. The Seller sues the Buyer before the court in the most populous city to recover the amount due under the sales agreement (200% of the country's income per capita).

Three indicators of the efficiency of commercial contract enforcement are developed:

- Number of procedures, which includes all those that demand interaction between the parties or between them and the judge or court officer.
- Time, which counts the number of days from the moment the plaintiff files the lawsuit in court until the moment of payment. This measure includes both the days on which actions take place and the waiting periods between actions.
- Cost, which measures the official cost of going through court procedures, expressed as a percentage of the claim (assumed to be equivalent to 200% of income per capita). The cost includes court costs, enforcement costs and attorney fees where the use of attorneys is mandatory or common.

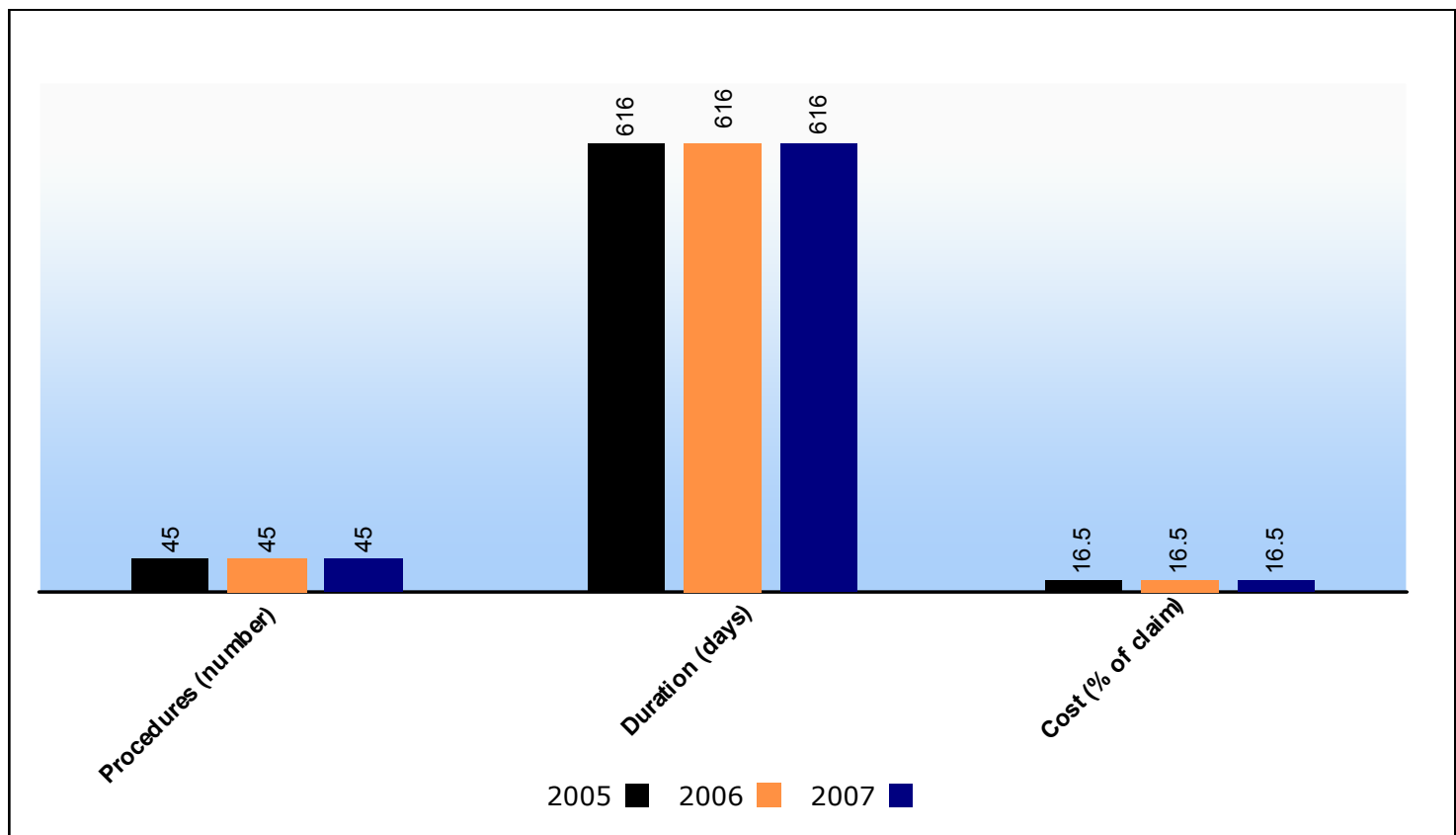
Businesses that have little or no access to efficient courts must rely on other mechanisms, both formal and informal—such as trade associations, social networks, credit bureaus or private information channels—to decide whom to do business with and under what conditions. Or they might adopt a conservative approach to business, dealing only with a small group of people linked through kinship, ethnic origin or previous dealings and structuring transactions to forestall disputes. In either case economic and social value may be lost.

The main reason to regulate procedures in commercial dispute resolution is that informal justice is vulnerable to subversion by the rich and powerful. But heavy regulation of dispute resolution backfires. Across countries, the more procedures it takes to enforce a contract, the longer the delays and the higher the cost. The result: less wealth is created.

## 1. Historical data: Enforcing Contracts in Brazil

Enforcing Contracts data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		112	106
Procedures (number)	45	45	45
Duration (days)	616	616	616
Cost (% of claim)	16.5	16.5	16.5

2. The following graph illustrates the Enforcing Contracts indicators in Brazil over the past 3 years:

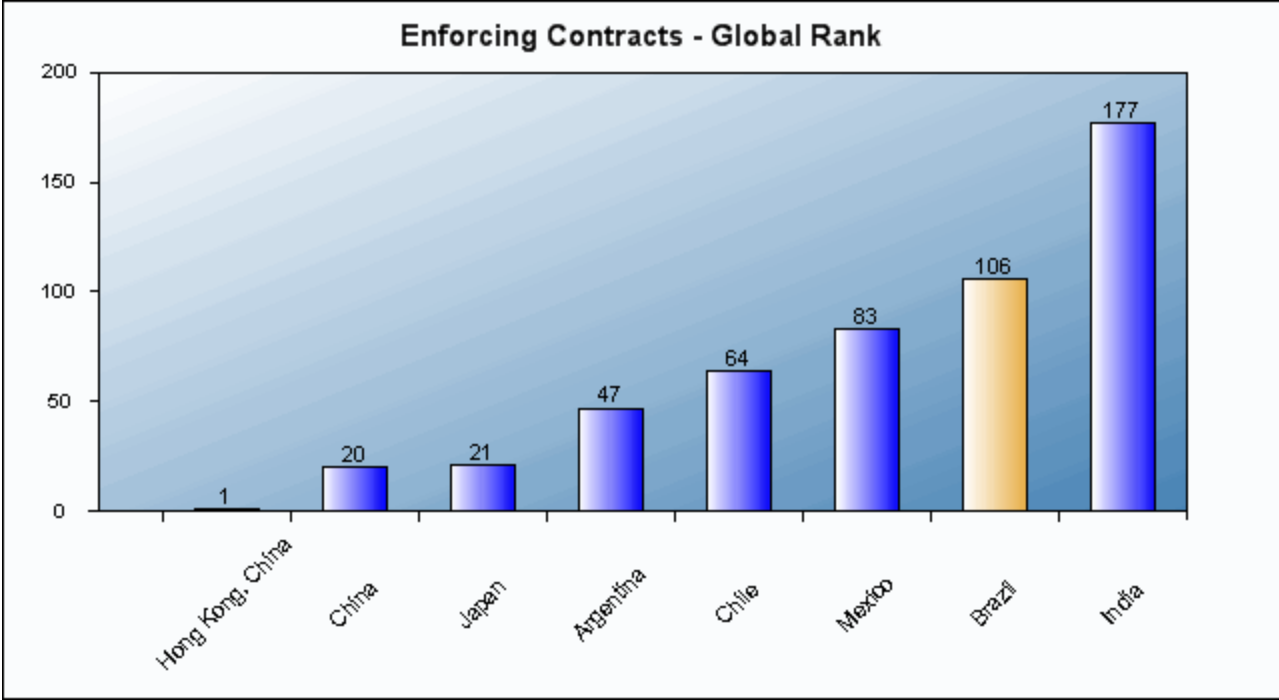




**3. Benchmarking Enforcing Contracts Regulations:**

Brazil is ranked 106 overall for Enforcing Contracts. Hong Kong, China is the top ranked economy followed by Luxembourg, Latvia and Singapore.

Ranking of Brazil in Enforcing Contracts - Compared to best practice and selected economies:



The following table shows Enforcing Contracts data for Brazil compared to best practice and comparator economies:

<b>Best Practice Economies</b>	<b>Procedures (number)</b>	<b>Duration (days)</b>	<b>Cost (% of claim)</b>
<b>Bhutan</b>			0.1
<b>Ireland</b>	20		
<b>Singapore</b>		120	

<b>Selected Economy</b>			
<b>Brazil</b>	45	616	16.5

<b>Comparator Economies</b>			
<b>Argentina</b>	36	590	16.5
<b>Chile</b>	36	480	28.6
<b>China</b>	35	406	8.8
<b>India</b>	46	1420	39.6
<b>Japan</b>	30	316	22.7
<b>Mexico</b>	38	415	32.0

## Closing Business in Brazil: Bankruptcy

---

The economic crises of the 1990s in emerging markets—from East Asia to Latin America, from Russia to Mexico—raised concerns about the design of bankruptcy systems and the ability of such systems to help reorganize viable companies and close down unviable ones. In countries where bankruptcy is inefficient, unviable businesses linger for years, keeping assets and human capital from being reallocated to more productive uses.

The Doing Business indicators identify weaknesses in the bankruptcy law as well as the main procedural and administrative bottlenecks in the bankruptcy process. In many developing countries bankruptcy is so inefficient that creditors hardly ever use it. In countries such as these, reform would best focus on improving contract enforcement outside bankruptcy.

The data on closing a business are developed using a standard set of case assumptions to track a company going through the step-by-step procedures of the bankruptcy process. It is assumed that the company is a domestically owned, limited liability corporation operating a hotel in the country's most populous city. The company has 201 employees, 1 main secured creditor and 50 unsecured creditors. Assumptions are also made about the debt structure and future cash flows. The case is designed so that the company has a higher value as a going concern—that is, the efficient outcome is either reorganization or sale as a going concern, not piecemeal liquidation. The data are derived from questionnaires answered by attorneys at private law firms.

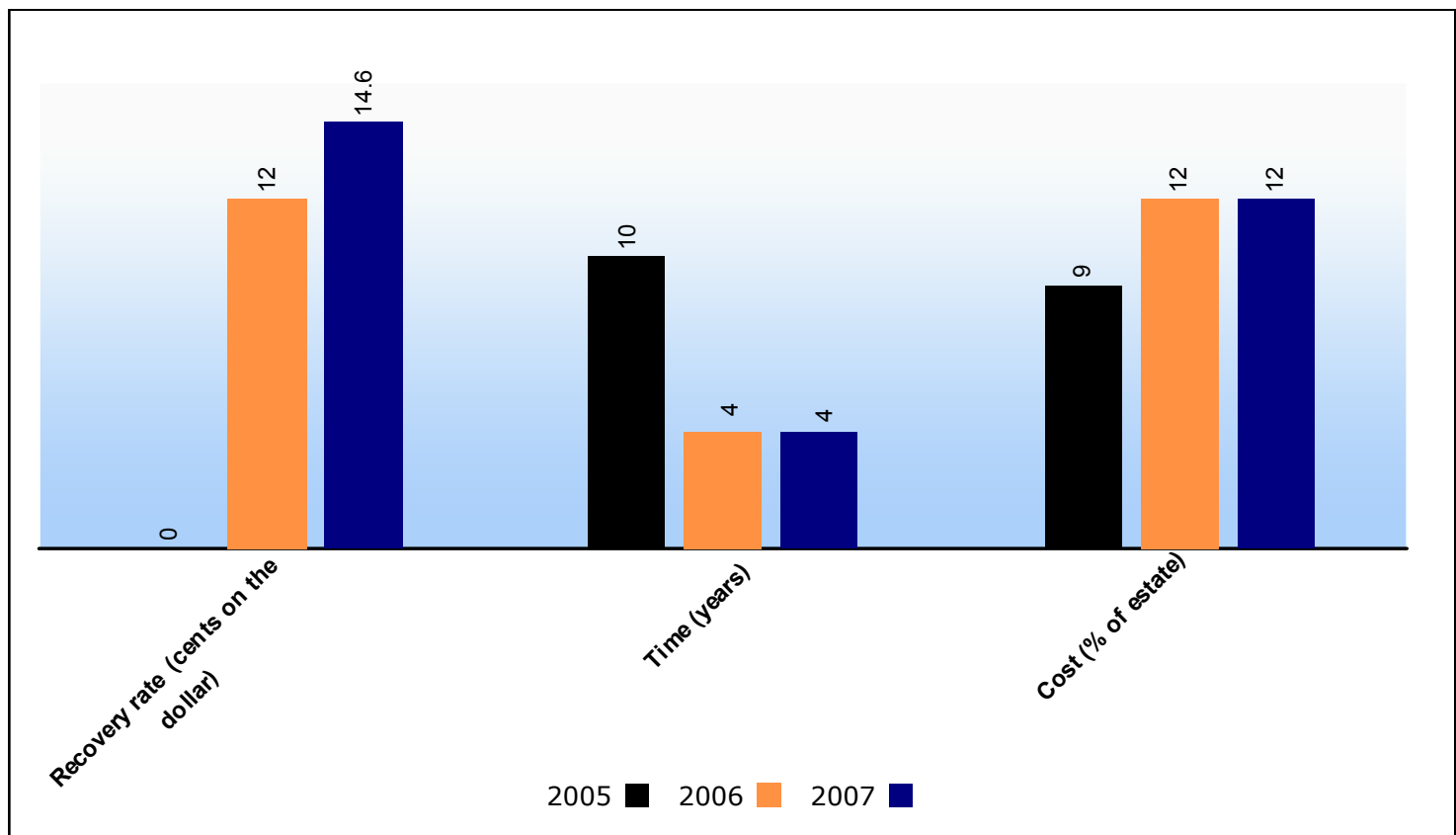
Three measures are constructed from the survey responses: the time to go through the insolvency process, the cost to go through the process and the recovery rate—how much of the insolvency estate is recovered by stakeholders, taking into account the time, cost, depreciation of assets and the outcome of the insolvency proceeding.

Bottlenecks in bankruptcy cut into the amount claimants can recover. In countries where bankruptcy is used, this is a strong deterrent to investment. Access to credit shrinks, and nonperforming loans and financial risk grow because creditors cannot recover overdue loans. Conversely, efficient bankruptcy laws can encourage entrepreneurs. The freedom to fail, and to do so through an efficient process, puts people and capital to their most effective use. The result is more productive businesses and more jobs.

## 1. Historical data: Closing Business in Brazil

Closing a Business data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		136	131
Time (years)	10.0	4.0	4.0
Cost (% of estate)	9	12	12
Recovery rate (cents on the dollar)	0	12	14.6

## 2. The following graph illustrates the Closing Business indicators in Brazil over the past 3 years:



**3. Benchmarking Closing Business Regulations:**

Brazil is ranked 131 overall for Closing a Business. Japan is the top ranked economy followed by Singapore, Norway and Canada.

Ranking of Brazil in Closing Business - Compared to best practice and selected economies:



The following table shows Closing Business data for Brazil compared to best practice and comparator economies:

<b>Best Practice Economies</b>	<b>Recovery rate (cents on the</b>	<b>Time (years)</b>	<b>Cost (% of estate)</b>
Colombia			1
Ireland		0.4	
Japan	92.6		

<b>Selected Economy</b>			
<b>Brazil</b>	14.6	4.0	12

<b>Comparator Economies</b>			
Argentina	34.4	2.8	12
Chile	23.8	4.5	15
China	35.9	1.7	22
India	11.6	10.0	9
Japan	92.6	0.6	4
Mexico	63.9	1.8	18

## Starting a Business in Brazil

This table summarizes the procedures and costs associated with setting up a business in Brazil.

### STANDARDIZED COMPANY

Legal Form: Sociedade Limitada

Minimum Capital Requirement: None

City: São Paulo

### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Check company name with State Commercial Registry Office	1 day (1 hour)	R\$ 9
2	Pay registration fees	1 day	see following procedures
3	Register with the commercial board of the state where the main office is located and obtain identification number (NIRE)	1 day	R\$59.06 registration + \$100 (expediting fee)
4	Register for federal and state tax (Secretaria da Receita Federal do Ministério da Fazenda, SRF/MF), obtain the CNPJ number, which also registers employees with the National Institute of Social Security (Instituto Nacional da Seguridade Social, INSS)	about 1 month (including inspection visit)	no charge
5 *	Confirm INSS enrollment	1 day (simultaneous with previous procedure)	no charge
6 *	Receive state tax inspection	1 day (simultaneous with previous procedure)	no charge
7	Get the authorization to print receipts/invoices from the Secretaria da Fazenda Estadual	1 day	no charge
8 *	Register with the Municipal Taxpayers' Registry (Secretaria de Finanças e Desenvolvimento Econômico) of the City of São Paulo	5 days	no charge
9 *	Pay TFE to the Municipal Taxpayers' Registry	1 day (simultaneous with Procedure 5)	R\$ 300 (for retailing business), may vary in accordance with the company's activities
10	Get the authorization to print receipts/invoices from the Secretaria de Finanças e Desenvolvimento Econômico	1 day	no charge
11	Order receipts/invoices (notas fiscais) with CNPJ numbers from authorized printing companies	3 days	R\$ 600 (R\$0.6 per page, assume printing 1000)

12	Obtain fire brigade license from the State of São Paulo	procedure 11-13 takes 120 days	no charge
13 *	Inspection from the Fire Brigade	included in the previous procedure	no charge
14 *	Apply to the municipality for an operations permit (Alvará de Funcionamiento)	included in the previous procedure	no charge
15 *	Register the employees in the social integration program (Programa de Integração Social, PIS)	1 day, simultaneous with Procedure 13	no charge
16 *	Open a special fund for unemployment (FGTS) account in bank	1 day, simultaneous with Procedure 13	no charge
17 *	Notify the Ministry of Labor (Cadastro Geral de empregados e desempregados, CAGED)	1 day (trivial) , simultaneous with Procedure 13	no charge
18 *	Registration with the Patronal Union and with the Employees Union.	5 days, simultaneous with Procedure 13	Annual fee to be paid depending on the Union.

\* Takes place simultaneously with another procedure.



**Procedure 1 Check company name with State Commercial Registry Office**

**Time to complete:** 1 day (1 hour)

**Cost to complete:** R\$ 9

**Comment:** The entrepreneur checks whether the company name exists in the state of São Paulo, a process that takes an hour to complete on average. For a federal check, a request for extension must be submitted to the Board of Trade (Junta Comercial).

**Procedure 2 Pay registration fees**

**Time to complete:** 1 day

**Cost to complete:** see following procedures

**Comment:** A receipt of payment must be obtained for use in the Procedure 3.

**Procedure 3 Register with the commercial board of the state where the main office is located and obtain identification number (NIRE)**

**Time to complete:** 1 day

**Cost to complete:** R\$59.06 registration + \$100 (expediting fee)

**Comment:** Depending on the company activities (business or civil), its corporate acts (articles of association and amendments) should be registered either with the Board of Trade (Junta Comercial) or with the Registry of Civil Companies. The registration cost for a limited liability company before the Board of Trade of the state of São Paulo is about BRL 60,000. The cost for registration of a limited liability company before the Registry of Civil Companies depends on the amount of corporate capital of the company to be incorporated. Only for "civil companies" must signatures on articles of incorporation be authenticated before a notary public before registration and filling with a registry of civil companies.

To take advantage of expedited registration of the company's articles of association and amendments with the Board of Trade of the State of São Paulo, most entrepreneurs choose to register either with Sindicato da Micro e Pequena Indústria de São Paulo (SIMPI) at [www.simpi.com.br](http://www.simpi.com.br) or with Associação Comercial de São Paulo (ACSP) at [www.jucespacsp.com.br](http://www.jucespacsp.com.br). An additional fee of BRL 100 applies for expedited service. In this case, the registration will be completed within 24 hours.

The entrepreneur completes the form online (at [www.jucesp.sp.gov.br](http://www.jucesp.sp.gov.br)) and takes it with the corporate acts (articles of association and amendments) to be registered with the Board of Trade (Junta Comercial). For a limited liability company, registering before the Board of Trade of the state of São Paulo costs about BRL 60,000.

To accelerate document registration, the Board of Trade of the state of São Paulo is implementing an electronic system that accepts both electronic and physical forms (so far, however, this has not reduced registration time).

**Procedure 4 Register for federal and state tax (Secretaria da Receita Federal do Ministério da Fazenda, SRF/MF), obtain the CNPJ number, which also registers employees with the National Institute of Social Security (Instituto Nacional da Seguridade Social, INSS)**

**Time to complete:** about 1 month (including inspection visit)

**Cost to complete:** no charge

**Comment:** One of the company managers will be accountable to the Office of Federal Revenue of the Finance Ministry (Secretaria da Receita Federal do Ministério da Fazenda, [SRF/MF]) an entity similar to the IRS. Employer enrollment with the Institute of Social Security (Instituto Nacional da Seguridade Social, INSS) is automatically completed by the Office of the Federal Revenue and the National Registry of Legal Entities (Cadastro Nacional de Pessoas Jurídicas [CNPJ], formerly Cadastro Geral de Contribuintes [CGC]).

The Normative Rule, IN 568, issued on September 8, 2005 by the Office of Federal Revenue, requires that the relevant company obtain licenses from Companhia de Tecnologia de Saneamento Ambiental (CETESB) and/or from the Sanitary Surveillance Department (depending on its main activities). Licenses must be issued before registration in the CNPJ is granted (enrollment for the taxpayer's tax). For example, industrial and pharmaceutical companies are required to obtain a previous license from the CETESB before applying with the CNPJ. The process at the CETESB, however, will be completed only by obtaining the installation permit and operating license from the CNPJ. The licenses from CETESB and/or the Sanitary Surveillance Department are necessary to complete the state regular process. Normative Rule IN 568 regulates only the CNPJ registration process and not the licenses from CETESB and the Sanitary Surveillance Department.

After the Office of Federal Revenue issued Administrative Regulation No. 632/06 to implement the Programa Gerador de Dados (PGD), which is an administrative project in development, the registration process was synchronized across the federal revenue and tax authorities of both the state and the city of São Paulo, which allows the sharing of company registry data. When the company requests the CNPJ number, the SRF/MF, via an internal system, informs the tax authorities of São Paulo of that request. Once the company obtains registration in the CNPJ registration, its legal representative visits the Office of Federal Revenue to confirm the information contained in the forms presented to Secretaria da Receita Federal do Ministério da Fazenda (SRF/MF1).

State tax authorities schedule an official inspection of the company's head office before approving its registration. Registration of businesses before the SRF/MF (to obtain the CNPJ number) and before the tax authorities of the state of São Paulo is done simultaneously.

#### **Procedure 5 Confirm INSS enrollment**

**Time to complete:** 1 day (simultaneous with previous procedure)

**Cost to complete:** no charge

**Comment:** The company information must be entered on forms available on the Internet. After about 4 days, the company's legal representative will go to the Office of Federal Revenue to confirm the information in the forms. Only firms that purchase or sell goods must register with the state tax authority. The state registration is done before the Secretaria da Fazenda Estadual of the State of São Paulo, and the municipal registration, before the Municipality of São Paulo at the Secretaria de Finanças e Desenvolvimento Econômico.

#### **Procedure 6 Receive state tax inspection**

**Time to complete:** 1 day (simultaneous with previous procedure)

**Cost to complete:** no charge

**Comment:**

**Procedure 7 Get the authorization to print receipts/invoices from the Secretaria da Fazenda Estadual**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:** Once the company is registered with the Secretaria da Fazenda Estadual, a specific form (known as the AIDF) must be presented to that authority.

**Procedure 8 Register with the Municipal Taxpayers' Registry (Secretaria de Finanças e Desenvolvimento Econômico) of the City of São Paulo**

**Time to complete:** 5 days

**Cost to complete:** no charge

**Comment:** An enrollment form must be delivered to the municipality.

**Procedure 9 Pay TFE to the Municipal Taxpayers' Registry**

**Time to complete:** 1 day (simultaneous with Procedure 5)

**Cost to complete:** R\$ 300 (for retailing business), may vary in accordance with the company's activities

**Comment:** The proof of payment of the location, installation, and operation tax (TLIF) has been replaced by a new tax, the taxa de fiscalização de estabelecimento (TFE). The main difference between the TLIF tax and the TFE tax is the basis for the annual rate: The TLIF is based on the company's number of employees, and the TFE is based on the company's corporate purpose. The annual rate of the TFE may vary from BRL 100,000 to BRL 12 million. Once the company has been registered with the Secretaria de Finanças e Desenvolvimento Econômico, it shall pay an annual fee for the control and fiscalization of the 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).

**Procedure 10 Get the authorization to print receipts/invoices from the Secretaria de Finanças e Desenvolvimento Econômico**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:** Upon registering the company at the Secretaria de Finanças e Desenvolvimento Econômico, the company must file a specific form (known as the AIDF) and present it to that authority, along with Book No. 51 and Book No. 57.

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

**Time to complete:** 3 days

**Cost to complete:** R\$ 600 (R\$0.6 per page, assume printing 1000)

**Comment:**

**Procedure 12 Obtain fire brigade license from the State of São Paulo**

**Time to complete:** procedure 11-13 takes 120 days

**Cost to complete:** no charge

**Comment:** To obtain the operational license, the company must first obtain the fire brigade license and, if necessary, the sanitation license, the CETESB license, and the police license. All licenses are requested at the same time, though such requests must precede that for the operational license.

### **Procedure 13 Inspection from the Fire Brigade**

**Time to complete:** included in the previous procedure

**Cost to complete:** no charge

**Comment:**

### **Procedure 14 Apply to the municipality for an operations permit (Alvará de Funcionamiento)**

**Time to complete:** included in the previous procedure

**Cost to complete:** no charge

**Comment:** After registration with the Secretaria de Finanças e Desenvolvimento Econômico, the company has 30 days to apply for the operations permit (alvará de funcionamento) 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 practicalities and the long processing time to obtain the license, municipalities have permitted companies to operate provided that they pay the TFE. An inspection to obtain the municipal license is necessary but not mandatory. The inspector shall verify whether the company is respecting such municipal laws as zoning laws.

### **Procedure 15 Register the employees in the social integration program (Programa de Integração Social, PIS)**

**Time to complete:** 1 day, simultaneous with Procedure 13

**Cost to complete:** no charge

**Comment:** After duly registering the new employees in the social integration program (Programa de Integração Social, PIS/PASEP), the employer must open an Fundo de Garantia por Tempo de Serviço (FGTS account for each employee). To open the account, the company's representative or attorney-in-fact must go to any local branch of the federal savings bank (Caixa Economica Federal) with a copy of the company's taxpayer registry number (CNPJ/MF), the adherence form issued by the Federal Saving Bank (Caixa Economica 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 8.5% of the total payroll, of which 8% is allocated for the employees and 0.5% for the government. 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.

### **Procedure 16 Open a special fund for unemployment (FGTS) account in bank**

**Time to complete:** 1 day, simultaneous with Procedure 13

**Cost to complete:** no charge

**Comment:** 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 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.

**Procedure 17      Notify the Ministry of Labor (Cadastro Geral de empregados e desempregados, CAGED)**

**Time to complete:** 1 day (trivial) , simultaneous with Procedure 13

**Cost to complete:** no charge

**Comment:** Pursuant to applicable legislation, the employer must inform the Ministry of Labor of any new hires or employee dismissals, as well as any transfer to another locality. The employer must make that notice to the local department of the Ministry of Labor (Delegacia Regional do Trabalho) by the seventh day of the month subsequent to the month of the event, through delivery of a written notice by postal mail or the Internet. Delay in delivering that information makes the company liable for a fine calculated according to the number of employees in question and the duration of delay. In addition, the company must submit annually to the Labor Ministry the “annual report of social information” (relação anual de informações sociais, RAIS), which contains information on company employees (name, salary, admission date, and employment booklet number, among others).

**Procedure 18      Registration with the Patronal Union and with the Employees Union.**

**Time to complete:** 5 days, simultaneous with Procedure 13

**Cost to complete:** Annual fee to be paid depending on the Union.

**Comment:** 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. Once a year, employees and employers must contribute to their representative employee unions and employer associations an amount equivalent to one day's salary (regardless of whether they are affiliated to the union or association). The employer must withhold this amount from the employee's pay and send it to the respective union by March of each contribution year or upon hiring the employee. As a result, the company must check each new employee's employment booklet to verify whether any union contributions have been recorded for the year of hire. If not, the company must discount the union contribution from the employee's pay at the end of the first month after hire and must forward the contribution to the employee's union.

The payment of the company's contribution to the employer's association shall be

proportional to the company's corporate capital. Payment is due every January, except for the first payment, which is due in the month of the company's registration. The time may vary for each employers union and employees union.

## Dealing with Licenses in Brazil

The table below summarizes the procedures, time, and costs to build a warehouse in Brazil.

### BUILDING A WAREHOUSE

Date as of: January 2, 2007

Estimated Warehouse Value:

City: São Paulo

#### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Request and obtain proof of land ownership from Real Estate Registry Office	2 days	BRL 15
2 *	Request and obtain proof of land tax payment from Treasury of the municipality	7 days	BRL 15
3	Register employees with the Social Security Office	1 day	no charge
4	Submit proof of payment to Social Security Office	1 day	no charge
5	Request and obtain construction approval permit and construction execution permit	275 days	BRL 3,606
6 *	Request and obtain equipment operating permit	60 days	BRL 75
7	Request and receive frame inspection from municipality	1 day	no charge
8	Request and receive inspection of the structures from municipality	1 day	no charge
9	Request and receive labor inspection from Labor Public Attorneys' Office	1 day	no charge
10	Request and receive sanitary inspection from municipality	1 day	no charge
11	Request and obtain conclusion approval	60 days	BRL 300
12 *	Receive final inspection from municipality	1 day	no charge
13	Request and receive Fire Department inspection	31 days	BRL 700
14	Request and obtain operation license	60 days	BRL 25
15	Request and connect to water and sewage	30 days	no charge
16 *	Request and connect to telephone	15 days	BRL 100

---

17 *	Request and connect to electricity	10 days	no charge
------	------------------------------------	---------	-----------

---

18	Register with the Real Estate Registry Office	15 days	BRL 1,272
----	---	---------	-----------

---

\* Takes place simultaneously with another procedure.



<b>Procedure</b>	<b>1</b>	<b>Request and obtain proof of land ownership from Real Estate Registry Office</b>
<b>Time to complete:</b>		2 days
<b>Cost to complete:</b>		BRL 15
<b>Comment:</b>		Attesting to proof of land ownership, this certificate is valid for only 30 days. Procedures 1 and 2 can run in parallel.
<b>Procedure</b>	<b>2</b>	<b>Request and obtain proof of land tax payment from Treasury of the municipality</b>
<b>Time to complete:</b>		7 days
<b>Cost to complete:</b>		BRL 15
<b>Comment:</b>		Attesting to payment of land taxes, this certificate is valid for only 30 days. Procedures 1 and 2 can run in parallel.
<b>Procedure</b>	<b>3</b>	<b>Register employees with the Social Security Office</b>
<b>Time to complete:</b>		1 day
<b>Cost to complete:</b>		no charge
<b>Comment:</b>		For each construction site, BuildCo must register employees separately with social security (Instituto Nacional de la Seguridad Social, INSS).
<b>Procedure</b>	<b>4</b>	<b>Submit proof of payment to Social Security Office</b>
<b>Time to complete:</b>		1 day
<b>Cost to complete:</b>		no charge
<b>Comment:</b>		At the end of construction, BuildCo must submit proof of payment to its construction workers and file a request with the Social Security Office to obtain a clearance certificate.
<b>Procedure</b>	<b>5</b>	<b>Request and obtain construction approval permit and construction execution permit</b>
<b>Time to complete:</b>		275 days
<b>Cost to complete:</b>		BRL 3,606
<b>Comment:</b>		<p>To obtain the construction approval permit and the construction execution permit on the warehouse project, BuildCo must apply for them with the municipality. If the project conforms to municipal legislation, zoning law, and the municipal building code, the municipality would 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>

The permit fee can vary drastically, depending on the project size and location. However, the basic fee for this size of project is BRL 3,252 plus BRL 354.

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.

**Procedure 6 Request and obtain equipment operating permit**

**Time to complete:** 60 days

**Cost to complete:** BRL 75

**Comment:** The permit allows the use of construction equipment.

**Procedure 7 Request and receive frame inspection from municipality**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:** The inspection is carried out 2 weeks after it is requested.

**Procedure 8 Request and receive inspection of the structures from municipality**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:**

**Procedure 9 Request and receive labor inspection from Labor Public Attorneys' Office**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:**

**Procedure 10 Request and receive sanitary inspection from municipality**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:**

**Procedure 11 Request and obtain conclusion approval**

**Time to complete:** 60 days

**Cost to complete:** BRL 300

**Comment:** After construction is completed, BuildCo must request this approval from the municipality to attest that the construction is finished and work performed according to the construction approval permit and the construction execution permit. The approval is valid until the first amendment of the construction project. To request and obtain conclusion approval, BuildCo must submit the following documents:

- 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.

#### **Procedure 12 Receive final inspection from municipality**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:** The final inspection applies to larger scale projects. However, small-scale projects may receive random inspections.

#### **Procedure 13 Request and receive Fire Department inspection**

**Time to complete:** 31 days

**Cost to complete:** BRL 700

**Comment:** The fire department must approve the warehouse safety equipment. This inspection is valid for 3 years.

#### **Procedure 14 Request and obtain operation license**

**Time to complete:** 60 days

**Cost to complete:** BRL 25

**Comment:** Upon completing the construction procedure and the fire department inspection, BuildCo must apply for the relevant operation license before 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.

If the warehouse is to be sold after completion, this procedure might be done by the buyer and not BuildCo.

#### **Procedure 15 Request and connect to water and sewage**

**Time to complete:** 30 days

**Cost to complete:** no charge

**Comment:** This procedure can begin after Procedure 14 has been completed. The connection request is filed with the Water Agency and Sewerage Agency.

**Procedure 16 Request and connect to telephone**

**Time to complete:** 15 days

**Cost to complete:** BRL 100

**Comment:** The company must file a request with the Local Concessionary of Telecommunications to obtain the telecommunications connection.

**Procedure 17 Request and connect to electricity**

**Time to complete:** 10 days

**Cost to complete:** no charge

**Comment:** The company must file a request before the Concessionary of Electric Energy to connect the warehouse to the distribution lines of electric energy by submitting the warehouse address and the General Taxpayers' Registry.

**Procedure 18 Register with the Real Estate Registry Office**

**Time to complete:** 15 days

**Cost to complete:** BRL 1,272

**Comment:** At the end of construction, BuildCo must register the facility at the Real Estate Registry. BuildCo must present the title of the land and certificate from the Social Security Office.

## Employing Workers in Brazil

Employing workers indices are based on responses to survey questions. The table below shows these responses in Brazil.

<b>Employing Workers Indicators (2007)</b>	<b>Answer</b>	<b>Score</b>
<b>Rigidity of Employment Index</b>		<b>45.9</b>
<b>Difficulty of Hiring Index</b>		<b>77.8</b>
Are fixed-term contracts prohibited for permanent tasks?	Yes	1
What is the maximum duration of fixed-term contracts (including renewals)? (in months)	24	1.0
What is the ratio of mandated minimum wage to the average value added per worker?	0.27	0.33
<b>Rigidity of Hours Index</b>		<b>60.0</b>
Can the workweek extend to 50 hours (including overtime) for 2 months per year to respond to a seasonal increase in production?	Yes	0
What is the maximum number of working days per week?	6	0
Are there restrictions on night work?	Yes	1
Are there restrictions on "weekly holiday" work?	Yes	1
What is the paid annual vacation (in working days) for an employee with 20 years of service?	30	1
<b>Difficulty of Firing Index</b>		<b>0.0</b>
Is the termination of workers due to redundancy legally authorized?	Yes	0
Must the employer notify a third party before terminating one redundant worker?	No	0
Does the employer need the approval of a third party to terminate one redundant worker?	No	0
Must the employer notify a third party before terminating a group of 25 redundant workers?	No	0
Does the employer need the approval of a third party to terminate a group of 25 redundant workers?	No	0
Can an employer make redundant a worker only if the worker could not have been reassigned or retrained?	No	0
Are there priority rules applying to redundancies?	No	0
Are there priority rules applying to re-employment?	No	0
<b>Firing costs (weeks of wages)</b>		<b>36.8</b>
What is the notice period for redundancy dismissal after 20 years of continuous employment? (weeks of salary)		4.3

What is the severance pay for redundancy dismissal after 20 years of employment? (weeks of salary)	26.0
--	------

---

What is the legally mandated penalty for redundancy dismissal? (weeks of salary)	6.5
--	-----

<b>Nonwage labor cost (% of salary)</b>	<b>37.3</b>
---	-------------

Note: The first three indices measure how difficult it is to hire a new worker, how rigid the regulations are on working hours, and how difficult it is to dismiss a redundant worker. Each index assigns values between 0 and 100, with higher values representing more rigid regulations. The overall Rigidity of Employment Index is an average of the three indices.

## Registering Property in Brazil

This topic examines the steps, time, and cost involved in registering property in Brazil.

### STANDARDIZED PROPERTY

Property Value: 236,500.00

City: São Paulo

#### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1 *	Acquire a Labor Justice Certificate (Certidão da Justiça do Trabalho) from the Labor Justice Department	7 – 10 days (simultaneous with procedures 2, 3, and 4)	R\$ 5,54
2 *	Request three documents on the property from the relevant jurisdictional Land Property Registry (cartório)	7 days (simultaneous with procedures 1, 3, and 4)	R\$ 27,35
3 *	Request a Land-Tax Certificate from City Hall	1 day (simultaneous with procedures 1, 2, and 4)	no cost
4 *	Acquire the most recent Commercial Certificate (Junta Comercial) at the city's chamber of commerce	4 days (simultaneous with procedures 1, 2, and 3)	R\$ 9,00
5	Acquire a Clearance Certificate (Certidão Negativa de Débito do INSS) from the National Social Security Institute	1 day	no cost
6	Acquire a Worker's Fund Certificate (Certidão de Regularidade de Situação do FGTS) at the federal bank- Caixa Economica Federal	1 day	no cost
7	Acquire a Federal Tax Clearance Certificate from the Ministério da Fazenda (Certidão Negativa de Tributos Federais)	1 day	no cost
8	Acquire a Certificate of Registries and Disputes (Certidão dos Cartórios de Protestos) from the Distributor of Disputes Registry	2-3 days	R\$ 68,50
9	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	5 days	R\$ 9 (x 3 certificates)
10	Acquire a Federal Justice Certificate (Certidão da Justiça Federal) from the Receita Federal	1 day	no cost

11	File all the acquired documents, property-specific and vendor-specific, at the relevant General Cartório and obtain a certificate for the property (escritura) from the notary	12 days	R\$2372.90 (according to scale on <a href="http://www.anoregsp.org.br">www.anoregsp.org.br</a> )
12	Register the escritura (transfer deed) at the appropriate Real Estate Registry with jurisdiction over the property to finalize registration and name change	5 days	R\$1592.20 (according to scale on <a href="http://www.anoregsp.org.br">www.anoregsp.org.br</a> )
13	Pay ITBI (transfer tax) at Banco do Brasil	1 day	2% of property value
14	Update the land taxation records (IPTU – Imposto Predial e Territorial Urbano) to the new owner's name at City Hall	5 days	R\$ 21,00

\* Takes place simultaneously with another procedure.



<b>Procedure 1</b>	<b>Acquire a Labor Justice Certificate (Certidão da Justiça do Trabalho) from the Labor Justice Department</b>
<b>Time to complete:</b>	7 – 10 days (simultaneous with procedures 2, 3, and 4)
<b>Cost to complete:</b>	R\$ 5,54
<b>Comment:</b>	The Labor Justice Certificate assures that the company has no labor settlements pending. This procedure overlaps with other documents' issuance; therefore, it is placed at the top.
<b>Procedure 2</b>	<b>Request three documents on the property from the relevant jurisdictional Land Property Registry (cartório)</b>
<b>Time to complete:</b>	7 days (simultaneous with procedures 1, 3, and 4)
<b>Cost to complete:</b>	R\$ 27,35
<b>Comment:</b>	The documentation shall include: 1. 20-year certificate (Certidão Vintenária); 2. Up-to-date Certificate (Certidão Atualizada); 3. Cadastral Certificate (Certidão de Dados e Dimensões). The three documents are needed in order to verify the status of the property. The first two certificates are used to verify past and present owners and past and present liens on the property. The third is used as a guarantee of the boundaries of the property.
<b>Procedure 3</b>	<b>Request a Land-Tax Certificate from City Hall</b>
<b>Time to complete:</b>	1 day (simultaneous with procedures 1, 2, and 4)
<b>Cost to complete:</b>	no cost
<b>Comment:</b>	In the cities of São Paulo and Brasília one may obtain this certificate on line at <a href="http://www.prefeitura.sp.gov.br">www.prefeitura.sp.gov.br</a> . The certificate is free if obtained online, or R\$ 11.85 if obtained in person. The documentation shall include the Land-Tax Certificate (Certidão Negativa de Imposto Municipal) which reflects if any pending tax debt remains on the property, issued by city hall.
<b>Procedure 4</b>	<b>Acquire the most recent Commercial Certificate (Junta Comercial) at the city's chamber of commerce</b>
<b>Time to complete:</b>	4 days (simultaneous with procedures 1, 2, and 3)
<b>Cost to complete:</b>	R\$ 9,00
<b>Comment:</b>	The Commercial Certificate is used to outline the legal establishment of the company as well as its functions and performance.
<b>Procedure 5</b>	<b>Acquire a Clearance Certificate (Certidão Negativa de Débito do INSS) from the National Social Security Institute</b>
<b>Time to complete:</b>	1 day
<b>Cost to complete:</b>	no cost
<b>Comment:</b>	The Debt Certificate from INSS serves as a guarantee that the company has been up to date in its social security payments. If one is a certified representative of the company with a passcode, one can obtain this certificate online at <a href="http://www.dataprev.gov.br/servicos">www.dataprev.gov.br/servicos</a> free of charge.

<b>Procedure</b>	<b>6</b>	<b>Acquire a Worker's Fund Certificate (Certidão de Regularidade de Situação do FGTS) at the federal bank- Caixa Economica Federal</b>
<b>Time to complete:</b>		1 day
<b>Cost to complete:</b>		no cost
<b>Comment:</b>		The Worker's Fund Certificate assures that the company has kept its pension fund plan up to date with payments. This certificate can be obtained online at the site Caixa Economica ( <a href="https://webp.caixa.gov.br/cidadao/Crf/FgeCfSCriteriosPesquisa.asp">https://webp.caixa.gov.br/cidadao/Crf/FgeCfSCriteriosPesquisa.asp</a> ) free of charge.
<b>Procedure</b>	<b>7</b>	<b>Acquire a Federal Tax Clearance Certificate from the Ministério da Fazenda (Certidão Negativa de Tributos Federais)</b>
<b>Time to complete:</b>		1 day
<b>Cost to complete:</b>		no cost
<b>Comment:</b>		The Federal Tax Certificate assures that the company has been paying its taxes accordingly. This certificate can be obtained online at <a href="http://www.receita.fazenda.gov.br/aplicacoes/ATSP0/certidao">www.receita.fazenda.gov.br/aplicacoes/ATSP0/certidao</a> , <a href="http://CertInter/NICertidao.asp">CertInter/NICertidao.asp</a> at no cost.
<b>Procedure</b>	<b>8</b>	<b>Acquire a Certificate of Registries and Disputes (Certidão dos Cartórios de Protestos) from the Distributor of Disputes Registry</b>
<b>Time to complete:</b>		2-3 days
<b>Cost to complete:</b>		R\$ 68,50
<b>Comment:</b>		The Certificate of Registries and Disputes is not actually issued from a cartório per se, but it is issued by the Distributor of Disputes, where all labor, debt and commercial disputes are filed and later distributed to the relevant cartórios.
<b>Procedure</b>	<b>9</b>	<b>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</b>
<b>Time to complete:</b>		5 days
<b>Cost to complete:</b>		R\$ 9 (x 3 certificates)
<b>Comment:</b>		These three 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.
<b>Procedure</b>	<b>10</b>	<b>Acquire a Federal Justice Certificate (Certidão da Justiça Federal) from the Receita Federal</b>
<b>Time to complete:</b>		1 day
<b>Cost to complete:</b>		no cost
<b>Comment:</b>		The Federal Justice Certificate assures that the company has no pending federal settlements. It can now be obtained online, at no cost.
<b>Procedure</b>	<b>11</b>	<b>File all the acquired documents, property-specific and vendor-specific, at the relevant General Cartório and obtain a certificate for the property (escritura) from the notary</b>
<b>Time to complete:</b>		12 days

**Cost to complete:** R\$2372.90 (according to scale on [www.anoregsp.org.br](http://www.anoregsp.org.br))

**Comment:** This procedure yields the completed deed of sale and the name change to still be filed at the Real Estate Registry. Pay DARF (registration tax) at Caixa Economica.

**Procedure 12 Register the escritura (transfer deed) at the appropriate Real Estate Registry with jurisdiction over the property to finalize registration and name change**

**Time to complete:** 5 days

**Cost to complete:** R\$1592.20 (according to scale on [www.anoregsp.org.br](http://www.anoregsp.org.br))

**Comment:**

**Procedure 13 Pay ITBI (transfer tax) at Banco do Brasil**

**Time to complete:** 1 day

**Cost to complete:** 2% of property value

**Comment:** This tax can also be paid online.

**Procedure 14 Update the land taxation records (IPTU – Imposto Predial e Territorial Urbano) to the new owner's name at City Hall**

**Time to complete:** 5 days

**Cost to complete:** R\$ 21,00

**Comment:** After the new owner has cleared all documentation and has possession of the property title, the same has to file for a name change on the relevant property at the City Hall in order to update the land taxation records (IPTU – Imposto Predial e Territorial Urbano) to the new owner's name. File on first day, then wait and go back on fifth day to collect the new documentation.

## Getting Credit in Brazil

The following table summarize legal rights of borrowers and lenders, and the availability and legal framework of credit registries in Brazil.

Getting Credit Indicators (2007)			Indicator
<b>Private bureau coverage (% adults)</b>	<b>Private credit bureau</b>	<b>Public credit registry</b>	<b>5</b>
Are data on both firms and individuals distributed?	Yes	Yes	1
Are both positive and negative data distributed?	No	Yes	1
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	Yes	No	1
Are more than 2 years of historical credit information distributed?	No	No	0
Is data on all loans below 1% of income per capita distributed?	Yes	No	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	Yes	Yes	1
<b>Coverage</b>	<b>46.4</b>	<b>17.1</b>	
Number of individuals	59,000,000	21,080,600	
Number of firms	4,000,000	2,196,620	
<b>Legal Rights Index</b>			<b>2</b>
Does the law allow all natural and legal persons to be party to collateral agreements?			No
Does the law allow for general descriptions of assets, so that all types of assets can be used as collateral?			No
Does the law allow for general descriptions of debt, so that all types of obligations can be secured?			Yes
Does a unified registry exist for all security rights in movable property?			No
Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?			No
Do secured creditors have absolute priority to their collateral in bankruptcy procedures?			No
During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement?			No
During reorganization, is management's control of the company's assets suspended?			No
Does the law authorize parties to agree on out of court enforcement?			Yes
May parties have recourse to out of court enforcement without restrictions?			No

## Protecting Investors in Brazil

The table below provides a full breakdown of how the disclosure, director liability, and shareholder suits indexes are calculated in Brazil.

<b>Protecting Investors Data (2007)</b>	<b>Indicator</b>
<b>Disclosure Index</b>	<b>6</b>
What corporate body provides legally sufficient approval for the transaction? (0-3; see notes)	2
Immediate disclosure to the public and/or shareholders (0-2; see notes)	1
Disclosures in published periodic filings (0-2; see notes)	1
Disclosures by Mr. James to board of directors (0-2; see notes)	2
Requirement that an external body review the transaction before it takes place (0=no, 1=yes)	0
<b>Director Liability Index</b>	<b>7</b>
Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company. (0-2; see notes)	1
Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for for damage to the company. (0-2; see notes)	1
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff (0-2; see notes)	2
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff (0=no, 1=yes)	1
Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff (0=no, 1=yes)	1
Whether fines and imprisonment can be applied against Mr. James (0=no, 1=yes)	0
Shareholder plaintiff's ability to sue directly or derivatively for damage the transaction causes to the company (0-1; see notes)	1
<b>Shareholder Suits Index</b>	<b>3</b>
Documents available to the plaintiff from the defendant and witnesses during trial (0-4; see notes)	3
Ability of plaintiffs to directly question the defendant and witnesses during trial (0-2; see notes)	0
Plaintiff can request categories of documents from the defendant without identifying specific ones (0=no, 1=yes)	0
Shareholders owning 10% or less of Buyer's shares can request an inspector investigate the transaction (0=no, 1=yes)	0
Level of proof required for civil suits is lower than that for criminal cases (0=no, 1=yes)	0
Shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit (0=no, 1=yes)	0

**Notes:****Extent of Disclosure Index**

*What corporate body provides legally sufficient approval for the transaction?*

0=CEO or managing director alone; 1=shareholders or board of directors vote and Mr. James can vote; 2=board of directors votes and Mr. James cannot vote; 3 = shareholders vote and Mr. James cannot vote

*Immediate disclosure to the public and/or shareholders*

0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

*Disclosures in published periodic filings*

0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

*Disclosures by Mr. James to board of directors*

0=none; 1=existence of a conflict without any specifics; 2= full disclosure of all material facts

**Director Liability Index**

*Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company*

0= Mr. James is not liable or liable only if he acted fraudulently or in bad faith; 1= Mr. James is liable if he influenced the approval or was negligent; 2= Mr. James is liable if the transaction was unfair, oppressive or prejudicial to minority shareholders

*Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for damage to the company*

0=members of the approving body are either not liable or liable only if they acted fraudulently or in bad faith; 1=liable for negligence in the approval of the transaction; 2=liable if the transaction is unfair, oppressive, or prejudicial to minority shareholders

*Whether a court can void the transaction upon a successful claim by a shareholder plaintiff*

0=rescission is unavailable or available only in case of Seller's fraud or bad faith; 1=available when the transaction is oppressive or prejudicial to minority shareholders; 2=available when the transaction is unfair or entails a conflict of interest

*Shareholder plaintiffs' ability to sue directly or derivatively for damage the transaction causes to the company*

0=not available; 1=direct or derivative suit available for shareholders holding 10% of share capital or less

**Shareholder Suits Index**

*Documents available to the plaintiff from the defendant and witnesses during trial*

Score 1 each for (1) information that the defendant has indicated he intends to rely on for his defense; (2) information that directly proves specific facts in the plaintiff's claim; (3) any information that is relevant to the subject matter of the claim; and (4) any information that may lead to the discovery of relevant information.

*Ability of plaintiffs to directly question the defendant and witnesses during trial*

0=no; 1=yes, with prior approval by the court of the questions posed; 2=yes, without prior approval

## Paying Taxes in Brazil

The table below addresses the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year in Brazil, as well as measures of administrative burden in paying taxes.

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)	Notes on TTR
PIS/COFINS (similar to VAT)	1	online filing		9.3%	value added		not included
ICMS (similar to VAT)	1	online filing	1373	18.0%	value added (including taxes)		not included
IPI (similar to VAT)	1	online filing		20.0%	value added (including taxes)		not included
Vehicle tax	1			1.5%	vehicle weight	0.13	
Tax on interest	0	withheld		20.0%	interest income	0.51	included in other taxes
Municipal services tax	1			5.0%	price of service	0.88	
Financial transactions tax (CPMF)	1			0.4%	bank transactions	2.80	
Property tax	1			2.5%	value of property	3.70	
Social contribution (CSLL)	1	online filing		9.0%	taxable profits	5.58	
Severance contribution (FGTS)	0	paid jointly		8.5%	gross salaries	8.86	
Payroll tax	1	online filing		8.8%	gross salaries	9.18	
Corporate income tax (IRPJ)	1	online filing	735	15%+10% (surcharge applies on annual taxable income exceeding R\$ 240 thousand)	taxable profits	15.51	
Social security contributions (INSS)	1	online filing	490	20.0%	gross salaries	22.56	
<b>Totals</b>	<b>11</b>		<b>2600</b>			<b>69.2</b>	

**Notes:**

- a) data not collected
- b) VAT is not included in the total tax rate because it is a tax levied on consumers
- c) very small amount
- d) included in other taxes
- e) Withheld tax
- f) electronic filing available
- g) paid jointly with another tax

Name of taxes have been standardized. For instance income tax, profit tax, tax on company's income are all named corporate income tax in this table.

When there is more than one statutory tax rate, the one applicable to TaxpayerCo is reported.

The hours for VAT include all the VAT and sales taxes applicable.

The hours for Social Security include all the hours for labor taxes and mandatory contributions in general.



## Trading Across Borders in Brazil

These tables list the procedures necessary to import and exports a standardized cargo of goods in Brazil. The documents required to export and import the goods are also shown.

Nature of Export Procedures (2007)	Duration (days)	US\$ Cost
Documents preparation	12	400
Customs clearance and technical control	2	100
Ports and terminal handling	3	190
Inland transportation and handling	1	400
Totals	18	1090

Nature of Import Procedures (2007)	Duration (days)	US\$ Cost
Documents preparation	13	400
Customs clearance and technical control	2	150
Ports and terminal handling	5	190
Inland transportation and handling	2	500
Totals	22	1240

### Export

Bill of lading

Cargo release order

Certificate of origin

Commercial invoice

Customs export declaration

Foreign exchange authorization

Packing list

Technical standard/health certificate

### Import

Bill of lading

Cargo release order

Commercial invoice

Customs import declaration

Foreign exchange authorization

Packing list

---

Technical standard/health certificate

---

## Enforcing Contracts in Brazil

---

This topic looks at the efficiency of contract enforcement in Brazil.

<b>Nature of Procedure (2007)</b>	<b>Indicator</b>
<b>Procedures (number)</b>	45.00
<b>Duration (days)</b>	616.00
Filing and service	66.0
Trial and judgment	340.0
Enforcement of judgment	210.0
<b>Cost (% of claim)*</b>	16.54
Attorney cost (% of claim)	12.6
Court cost (% of claim)	2.8
Enforcement Cost (% of claim)	1.1

**Court information:** São Paulo Civil Court ("Vara Cível da Comarca de Sao Paulo")

[www.tj.sp.gov.br](http://www.tj.sp.gov.br)

\* Claim assumed to be equivalent to 200% of income per capita.