

SURVEY

STATE TAX COMPLIANCE

2022



GETAP

GRUPO DE ESTUDOS TRIBUTÁRIOS APLICADOS

A project of

GETAP - GRUPO DE ESTUDOS TRIBUTÁRIO APLICADOS

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KPMG

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1. ABOUT GETAP

Founded in 2011, the Applied Tax Studies Group (*Grupo de Estudos Tributários Aplicados* – GETAP) is a non-for-profit association engaged in contributing to the improvement of Brazilian tax legislation through studies, research, and working groups that result in technical suggestions.

Currently, GETAP has 80 member companies, operating in various sectors of the economy and throughout the national territory; all of them are large and subject to special monitoring by the Brazilian IRS. Considering its representativeness, the group acts significantly in technical collaboration in matters related to the National Tax System, within the various spheres of production of tax norms.

Within its sphere of action, GETAP aims to contribute significantly to streamlining and rationalizing the Brazilian tax system, always seeking to provide greater legal certainty in relations between tax authorities and taxpayers.

In this context, and in furtherance of research on federal and state tax compliance produced in 2014 and 2016, GETAP conducted the research presented herein in order to determine the impacts on the routine of member companies, derived from the compliance with tax obligations at the state level, as well as its related activities – the so-called state tax compliance for the year 2020/2021. To this end, the study measured the time spent and the number of people involved in the several activities in connection therewith.

2. INTRODUCTION

2.1. TAX COMPLIANCE CONTEXT IN BRAZIL

The Brazilian tax scenario has presented significant changes, especially with regard to the administration and management of taxes. It is also worth mentioning the Tax Reforms that are being discussed in the National Congress (Broad Reform on Consumption, Income Tax Reform, and PIS and COFINS Reform), as well as the draft to streamline accessory obligations (both federal and state) that has evolved in recent years.

In order to provide the federal, state and local tax authorities with greater control and agility in the inspection process, several accessory obligations were introduced, replacing other obligations. As an example, we can quote the digital files set forth under the Public System of Digital Bookkeeping (SPED), which includes Digital Accounting Bookkeeping (ECD), Tax Accounting Bookkeeping (ECF), and Digital Tax Bookkeeping (EFD), whether the EFD relating to the Tax on Circulation of Goods and Services (ICMS) and the Tax on Industrialized Products (IPI) (EFD-ICMS/IPI), or EFD Contributions.

Following the trend of digitization also in relation to tax documents, as it already occurs with some of them on a well-established basis in the corporate reality, such as the Electronic Invoice (NF-e) and Electronic Bill of Lading (CT-e), among others that are beginning to be implemented, for instance, the Electronic Invoice for Consumers (NFC-e) and the Electronic Invoice for Services (NFS-e). The fact is that the SPED, in existence since 2007, is increasingly consolidating as one of the major paradigm shifts in relations between tax authorities and taxpayers, in line with the technological progress of digitization of

processes and integration of information between the entities involved, a movement that proves to be irreversible.

However, this paradigm shift is undergoing a long transition period. Despite the effective implementation of its several modules, one of the most material negative effects of this transition to SPED is the overlap of accessory obligations and information required from taxpayers, since the replacement of existing accessory obligations for their respective SPED module often does not occur automatically. Consequently, the taxpayer is forced to live with different accessory obligations, but which have exactly the same objective or deal with the same level of information, such as the EFD-ICMS/IPI and the GIA. If, at the federal level, this situation has been mitigated in recent years – with the gradual elimination of federal accessory obligations in favor of SPED –, at the state level, this movement is still very incipient.

In this context, taxpayers have been endeavoring great efforts to fulfill the accessory obligations required by the tax authorities. This implies the allocation of people in specific training projects, adaptation and localization of information systems, even requiring the hiring of specialized service providers.

For instance, we can quote the several changes in the layout of Block K of the EFD-ICMS/IPI, which, after many extensions of the starting date for the mandatory delivery of the full version, were revoked by the tax authorities. In other words, all the hours spent on mapping, systemic implementation, HR training, in addition to the amounts invested in outside consulting firms to support the process, which could have been assigned to other projects, reflect the difficulty faced by Brazilian taxpayers.

In addition to the compliance (preparing and sending files) with the accessory obligations properly speaking, great efforts are also noted, on the part of taxpayers, in the activities of calculation of taxes. Moreover, the procedures to obtain the Debt Clearance Certificate (CND), the compliance with inspections and the administrative litigation management represent correlated activities resulting from the companies' tax compliance.

Another point worth mentioning is the difficulty taxpayers face in generating specific files to calculate tax credits, such as the ICMS accrued credit and the ICMS-ST reimbursement, as well as the time and effort spent from the request process to the effective use (monetization) of the amounts, since, besides the need to generate their own files, with specific and complicated layouts, taxpayers must often wait more than 12 months until they obtain the authorization to use such amounts.

In addition, difficulties in interpreting the legislation also delay the process of calculating taxes and fulfilling accessory obligations.

Thus, this research, which deals with state tax compliance, encompasses the activities before, after, or adjacent to the fulfillment of accessory obligations. In other words, from the calculation and fulfillment of the very accessory obligations thru obtaining the CND, meeting the inspections and handling the administrative litigation.

2.2. OBJECTIVE OF THE WORK

Given the scenario presented above, GETAP and its members prepared the Second State Tax Compliance Survey, in order to measure the average demand for the taxpayer, as a function of the number of hours per year and the number of people involved, to be able to reach tax compliance at state level. The Second State Tax Compliance Survey has as its main objective to measure the current cost of compliance before the beginning of the Tax Reforms, as well as to measure the evolution of the draft to streamline accessory obligations.

As in the First State Compliance Survey, dated 2016, this study measured not only the time spent to prepare and deliver the accessory obligations but also the number of hours spent to calculate taxes and related issues, namely, obtaining the CND, meeting the inspections, calculating the credits, and handling the administrative litigation.

To achieve the proposed objective, GETAP prepared and sent out a questionnaire to its members, according to the methodology described below. To obtain the answers, the web-based SurveyMonkey® platform, available at www.surveymonkey.com, was used.

3. METHODOLOGY

For this research, a questionnaire was prepared regarding each Federation Unit, structured in four blocks that represent major stages of state tax compliance, as follows: (I) information regarding ICMS, ICMS under the Tax Substitution regime (ICMS-ST) and the Tax Rate Differential (ICMS DIFAL); (II) information regarding accrued ICMS and ICMS-ST credits; (III) information regarding special regimes, tax incentives, and sectorial controls; and (IV) information regarding inspections, administrative litigation management, and obtaining a State Tax Debt Clearance Certificate (CND).

The quantitative questions in blocks I to IV ask for numerical answers regarding the number of annual hours needed to perform a certain activity and the number of people involved in it, not exclusively, that is, the concept of Full Time Equivalent (FTE) was not adopted.

Finally, in the last question of blocks I, II and III, seven hypotheses are presented representing the main causes that hinder the compliance process addressed in the respective block, and the interviewee is asked to rank such causes from first to seventh place. To prepare that ranking, the interviewee must assign grades from 1 to 7, with "7" being for the first place, "6" for the second place, and so on, and a grade of "1" is finally assigned for the seventh place. The result of this question is used to prepare a final ranking with the classification obtained by each hypothesis based on its average (a 1 to 7 scale).

The companies were instructed to answer the questionnaire based on information from only one establishment of the legal entity (head office or branch) per State, with the suggestion of using establishments with greater operating complexity, although it was up to the interviewee to determine the establishments submitted to the survey, both in terms of the number of establishments and their operating level. All the results obtained represent the

average demand of an establishment to fulfill the various activities that make up tax compliance at state level.

The research adopted the following definitions:

- a) **Calculation:** shall mean, including the hiring of external consultants to perform the referred work, (i) research, consulting, monitoring and interpretation of tax legislation, its implementation in a systemic environment and application to business and operations; (ii) tax calculation and tax calculation review, including bookkeeping of tax documents; (iii) management of auxiliary controls, including those related to special regimes and/or tax incentives;
- b) **Fulfillment of accessory obligations:** shall mean the generation of files, filling in, consistency analysis, validation, final review, and transmission of accessory obligations, including the hiring of external consultants to complete such tasks;
- c) **Approval and monetization:** shall mean all the procedures for the approval and effective use of accrued credits, such as: preparing, consistency analysis, validation, final review, and delivery of requests for approval, sale, transfer, offset or refund of accrued credits, whether on paper or electronically;
- d) **Inspections, administrative litigation, and CND:** shall mean the entire procedure for the completion of the activities in question, such as: production of evidence, drafting of dossiers, regularization of pending issues at the SEFAZ for issuing the CND, procedural monitoring, including hiring external consultants to support such activities.

The questionnaire was applied during the months of June/20 to March/21.

In order to broaden the scope of the results and justifications, and since they have the same database, a qualitative comparison will be made with some of the results found in the 2016 survey.

3.1. SCOPE LIMITATIONS

The research had as scope only the tax compliance analysis for the main state tax (ICMS), excluding, consequently, issues related to federal and local taxes.

Despite this scope limitation, it is possible that the result of shared accessory obligations, as is the case of EFD-ICMS/IPI, may be influenced by taxes not covered by the research, since the state tax records are inseparable from the federal ones.

With regard to the results of the analysis, the following considerations and limitations are also worth noting:

- (i) In order to avoid overlapping information, some aggregated results considered only the annual hours spent, and not the number of people involved, given that, for some situations, the same person can work in the fulfillment of more than one activity;

- (ii) Despite the information requested in the questionnaire being based on the demand necessary for the compliance by a single establishment of the company, and the results being presented based on such premise, it must be considered that the corporate structure of the surveyed companies does not always allow obtaining information at the level of detail requested by the research, given that many of them perform such activities by means of centralized departments, such as shared service centers, among other forms. Therefore, it must be recognized that the answers may often have been obtained by means of estimates, the criteria of which are not possible to evaluate. In the same way, it must be acknowledged that, in some cases, the premise of considering a single establishment of the company may not have been observed, and some answers may have been obtained considering the demand necessary to meet the compliance by a Federation Unit, regardless of the number of establishments located there;
- (iii) In order to refine the quality of the sample, reduce any discrepancies and mitigate distortions in the calculation of averages, for both hours and people, as explained in the previous item, the data were subjected to statistical analysis to eliminate data from the sample considered discrepant (outliers). The variable used for the outlier analysis was "number of hours", that is, when determining an outlier, the respective data from the variable "number of people" linked to this outlier was also eliminated from the sample, as well as the percentage of hours and the complexity level classification.

The discrepant values were evaluated by building a boxplot chart, formed by the first quartile (25%), third quartile (75%) and the median. The lower and upper rods extend, respectively, from the lower quartile to the smallest value not below the "lower limit" and from the upper quartile to the largest value not above the "upper limit". The limits are calculated by the following formulas:

$$\text{Lower limit: } Q_3 - 1,5(Q_3 - Q_1)$$

$$\text{Upper limit: } Q_3 + 1,5(Q_3 - Q_1)$$

Wherein: $Q_1 = 1st \text{ quartil}$ and $Q_3 = 3rd \text{ quartil}$

The points located beyond these limits are considered outliers for the purposes of the sample analyzed, and are disregarded for the calculation of the averages;

- (iv) Blank or zero answers were not considered in the sample for the purpose of calculating the average. The rationale applied for this disregard is to avoid distortions in the calculation of the average caused by an interviewee who does not perform a certain activity covered by the survey. As an example, one can quote the fact that a certain company trades products not subject to tax substitution and, therefore, does not calculate or collect the ICMS-ST, or the fact that a certain accessory obligation is not applicable to the taxpayer in question;
- (v) According to the assumptions of items "iii" and "iv", the overall result, that is, the result of each group, will be considered as the sum of the averages of each activity

comprised by that group, based on the exclusion of outliers and blank or zero information. For example:

ICMS calculation: 30h
ICMS-ST calculation: 15h
Accessory obligations: 20h

Group Total: 65h

- (vi) Although the survey was applied nationwide, covering 26 States and the Federal District, it was not possible to obtain individual samples from each Federation Unit considered statistically sufficient for the disclosure of all the results per Federation Unit. Therefore, with regard to the quantitative results, in addition to the nationwide results, only the detailed results of the following States will be disclosed 1: Amazonas, Bahia, Ceará, Federal District, Goiás, Mato Grosso, Mato Grosso do Sul, Maranhão, Minas Gerais, Pará, Paraná, Pernambuco, Rio de Janeiro, Rio Grande do Sul, Santa Catarina and São Paulo, totaling 16 States, which represented 80% of the interviewees. The data obtained about the other Federation Units make up the nationwide results, and will be subject to analysis and disclosure of qualitative results, when considered relevant to business activity;
- (vii) Additionally, only the results considered statistically adequate according to the sample obtained in each answer are shown for such States. That is, only questions with at least 25% of participants with valid answers were considered eligible (excluding outliers and blank answers). For example, State "A" contains 20 participants, however, for a certain question group, only 3 answers were obtained representing 15% of the total participants: in this case such analysis was considered insufficient. For such state, following the example, it was considered as eligible from at least 5 (25%) answers;
- (viii) As an example of the above premises, we will demonstrate a case below - without identifying the participants:

<i>Gross</i>	<i>Adjusted</i>	<i>Descriptive Analysis</i>	<i>Gross</i>	<i>Adjusted</i>
1,795	1,795	Minimum	-	158
158	158	1 st Quartile (25%)	219	280
-	-	Median	334	334
334	334	3 rd Quartile (75%)	1,262	1,250
600	600	Maximum	11,852	1,795
1,250	1,250	Average	1,636	692
328	328	Average without (min, max)	856	610
3,187	3,187	Standard Deviation	3,201	592
219	219	Total	21,265	6,226
-	-	Number of data	13	9
280	280	Did not answer or answered zero	1	5
11,852	11,852	Exclude => Superior:	2,827	9
1,262	1,262	Exclude =< Inferior:	(303)	-

Chart 1 - Example of Outliers Calculation

In this example, values above 2,827 hours and blank or "zero" answers were excluded. Also, in this case, the question was intended for 14 participants, but 11 answers were considered, representing a 78% participation for this question.

- (ix) In the case of accessory obligations, some States have specific tax returns that other States do not, thus, for the totals presented nationwide, only EFD-Fiscal, GIA-ST, and FCI were considered. Other accessory obligations will be computed according to the respective States.

3.2. SAMPLE CHARACTERIZATION

The questionnaire proposed by GETAP was submitted to 71 members, and 49 business groups participated, representing something like 68% of the universe of member companies in 2020/ 2021. As already mentioned in item 3 of this report, the questionnaire was designed to obtain individualized information per establishment. Answers were obtained from 326 establishments, distributed among the Brazilian States as shown in Chart 1.

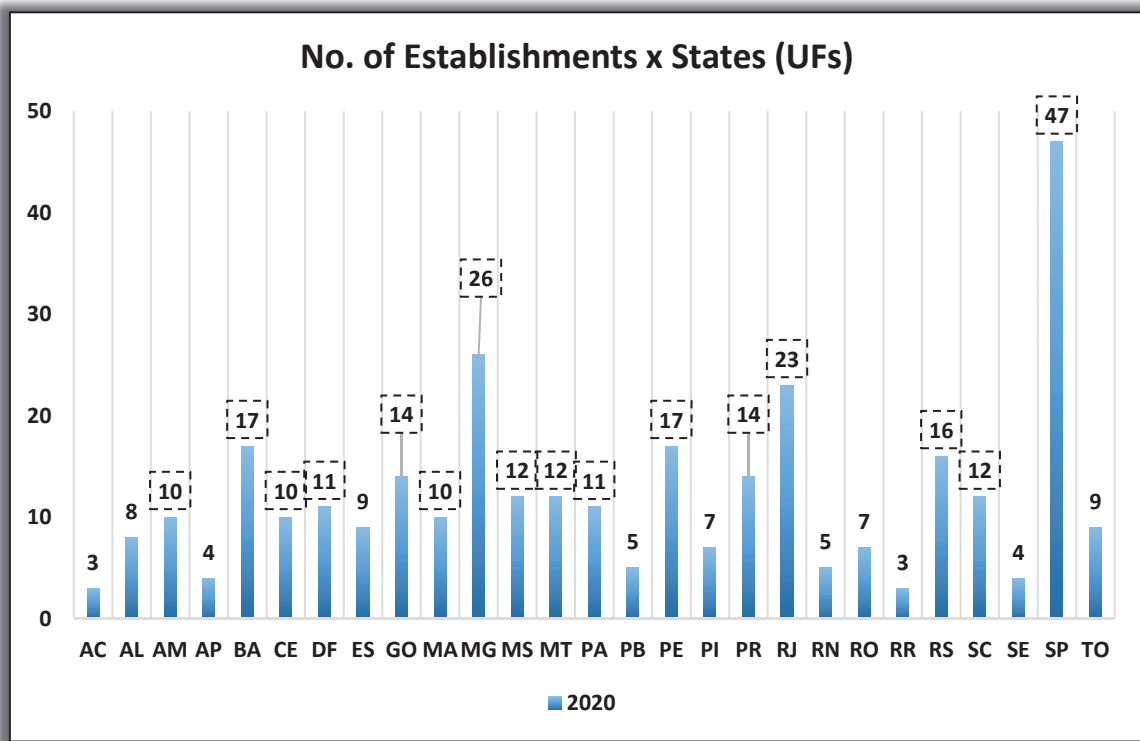


Chart 1 - Number of establishments per Federation Unit

The companies that answered the questionnaire represent several segments of economy, with a predominance of the industrial segment, as can be seen in Chart 2.

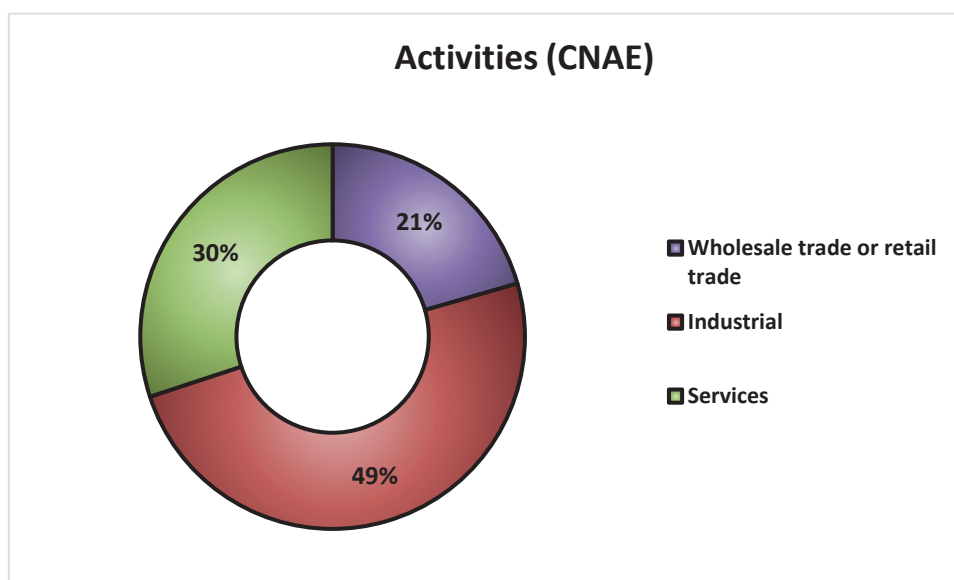


Chart 2 - Economic segment of the participating companies

It is important to mention that all the answering companies are subject to taxation by the taxable income system, as well as to special monitoring by the Brazilian IRS, and most of them have annual gross revenues exceeding BRL 1 billion¹.

From charts 3, 4, and 5 we can see the distribution of companies according to their gross revenue, the number of establishments, and the number of employees, respectively.

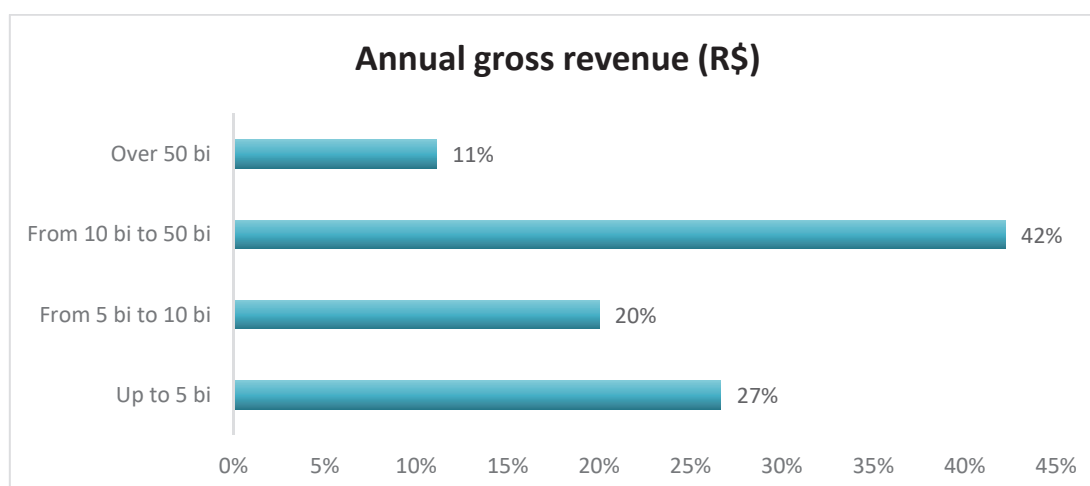


Chart 3 - Annual gross revenue of participating companies

¹ Brazilian Federal Revenue Service (RFB) ORDINANCE no. 5018, OF DECEMBER 21, 2020. "Art. 3 The legal entity that has:
I - informed annual gross revenue greater than or equal to R\$ 1,000,000,000.00 (one billion reais) in the Fiscal Accounting Bookkeeping (ECF); (...)"

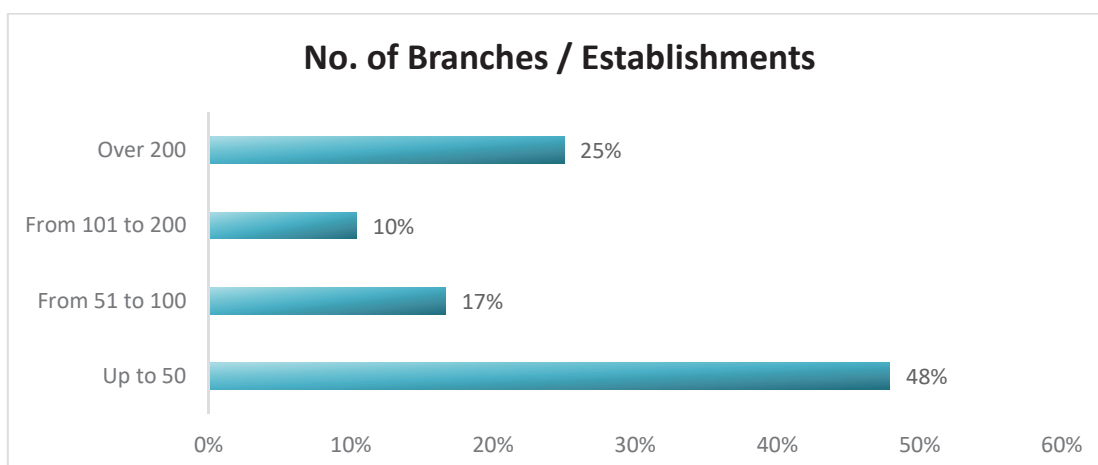


Chart 4 - Number of branches/establishments of participating companies

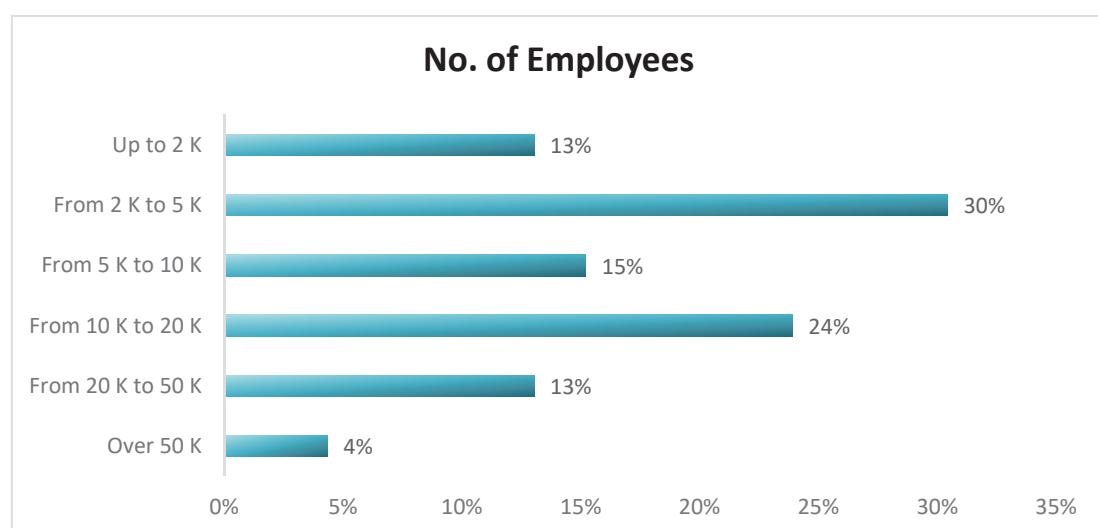


Chart 5 - Number of employees of participating companies

With regard to the people allocated to the tax area, it was found that, on average, they represent 5.8% of the total number of employees in the administrative area (Selling, General and Administrative - SG&A) and 0.4% of the total number of employees of the participating companies.

Based on the answers of the surveyed companies, and considering the methodology applied in the research to calculate the averages, we found the "average economic group", as shown in Table 1, in which, hypothetically, the average number of annual hours and people involved per establishment would apply, which will be analyzed and discussed below.

Average economic group in the survey	
Annual gross revenue (in millions of R\$)	27,268
Number of employees	13,545
Number of employees in SG&A	962
Number of employees in the tax area	56
Number of legal entities	19
Number of outlets	135

Table 1 - Average economic group

4. ANALYSIS AND DISCUSSION OF RESULTS

4.1. NATIONWIDE RESULTS

4.1.1. OVERALL RESULT

For the entire state tax compliance, an establishment devotes, on average, about 2,600 hours a year, which includes all the activity blocks.

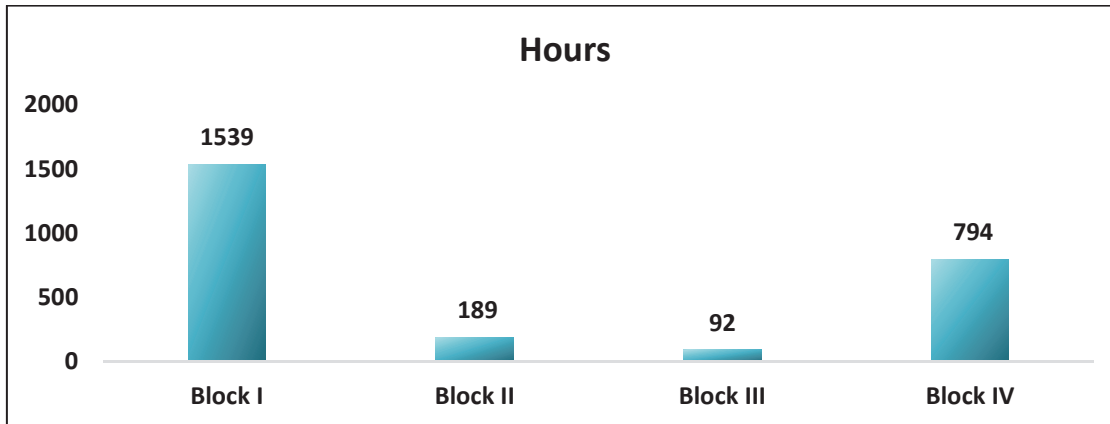


Chart 6 - Overall Result per Block - Nationwide

From the results hereinabove, it can be concluded that, for the surveyed companies, the group that demands most time is Block I, comprising the calculation and bookkeeping of the ICMS and ICMS-ST accessory obligations, standing for 60% of all other demands.

The following table shows the average number of people involved, not exclusively, per establishment, in the activities/stages specified above, on a national scale:

Activity	People involved
Block I	22.3
Block II	13.5
Block III	4
Block IV	8.1

Table 2 - Average number of people involved in the activities - Nationwide

4.1.2. ICMS AND ICMS-ST CALCULATION (BLOCK I)

Block I is divided into 3 activities, namely ICMS calculation, ICMS-ST calculation, and respective accessory obligations, totaling 1.5 thousand hours a year. Out of this total, about 907 hours are spent on ICMS calculation, 205 hours on ICMS-ST calculation, and 427 hours on accessory obligations procedures, as summarized in Chart 7.

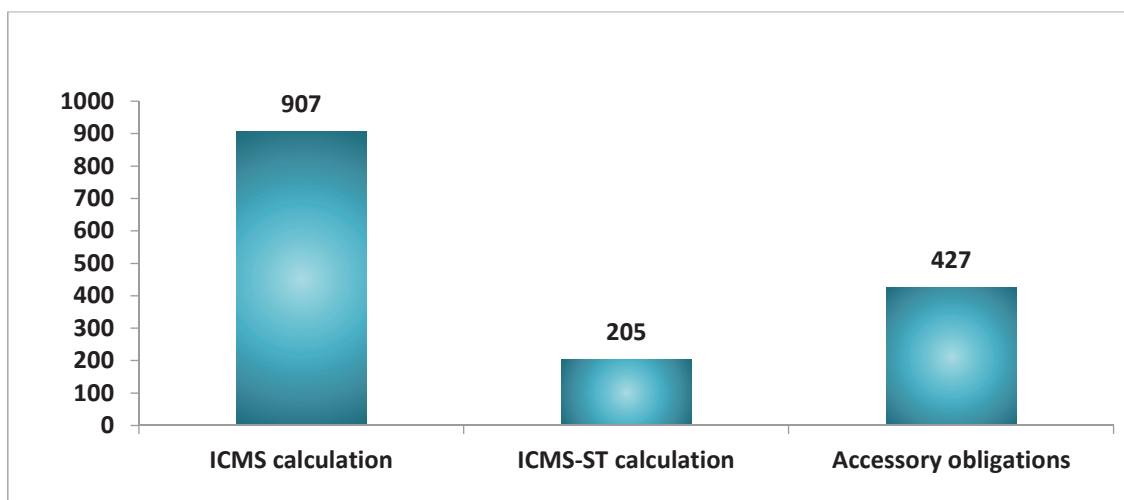


Chart 7 - Block I - Average hours - National

The result obtained confirms that the ICMS calculation stage demands more time from companies than the other tax compliance activities related to such taxes.

It is important to comment in advance that, during the last few years, some States, such as Goiás and Santa Catarina, revoked the ICMS levy by tax substitution in great part of the products, which is reflected on the low volume of hours spent on such calculation.

Calculation

Before the calculation of taxes, the taxpayer needs to perform several other activities, such as legislation monitoring, implementation in a systemic environment and impact assessment, bookkeeping of tax documents (Invoice - NF, Electronic Invoice - NF-e, in Extensible Markup Language - XML [".xml"]), management of auxiliary controls (for example, Control of Credit of Permanent Assets - CIAP, in the case of ICMS, and the National Guide of State Taxes Collection - GNRE and advanced ICMS-ST, in the case of ICMS-ST), among others. Thus, the research sought to calculate the time spent on these specific items of the calculation stage, obtaining the data that can be seen in Charts 8 and 9.

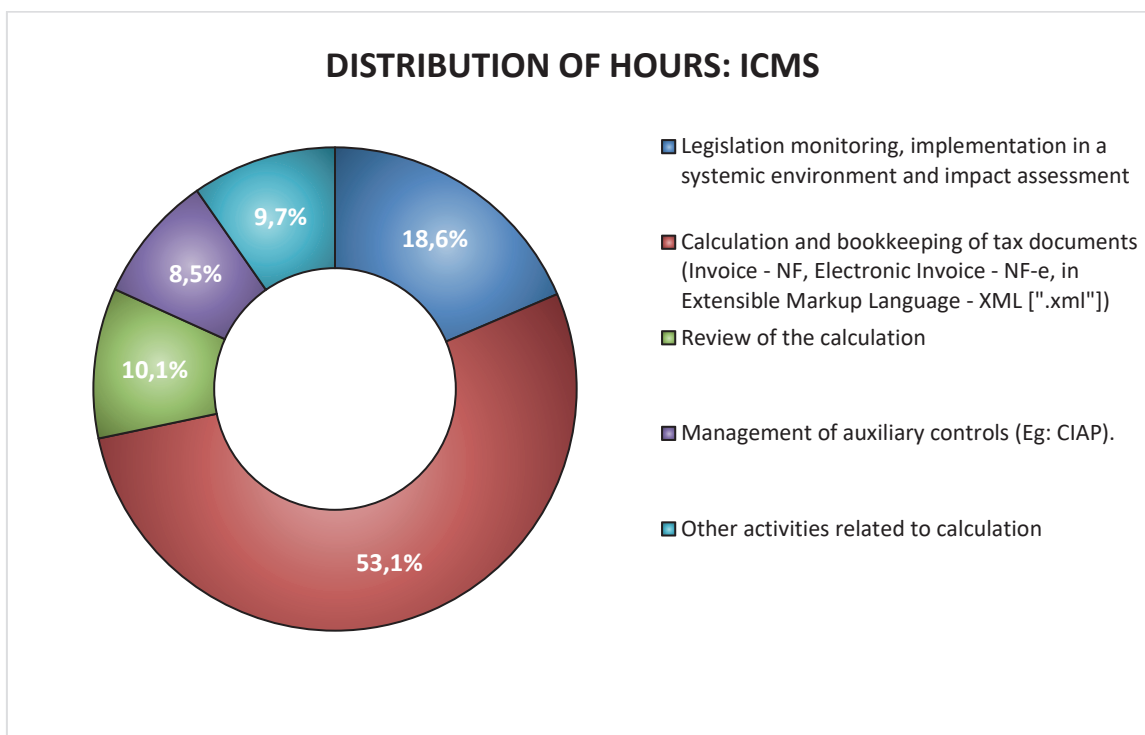


Chart 8 - ICMS: Average percentage distribution of annual hours for calculation - Nationwide

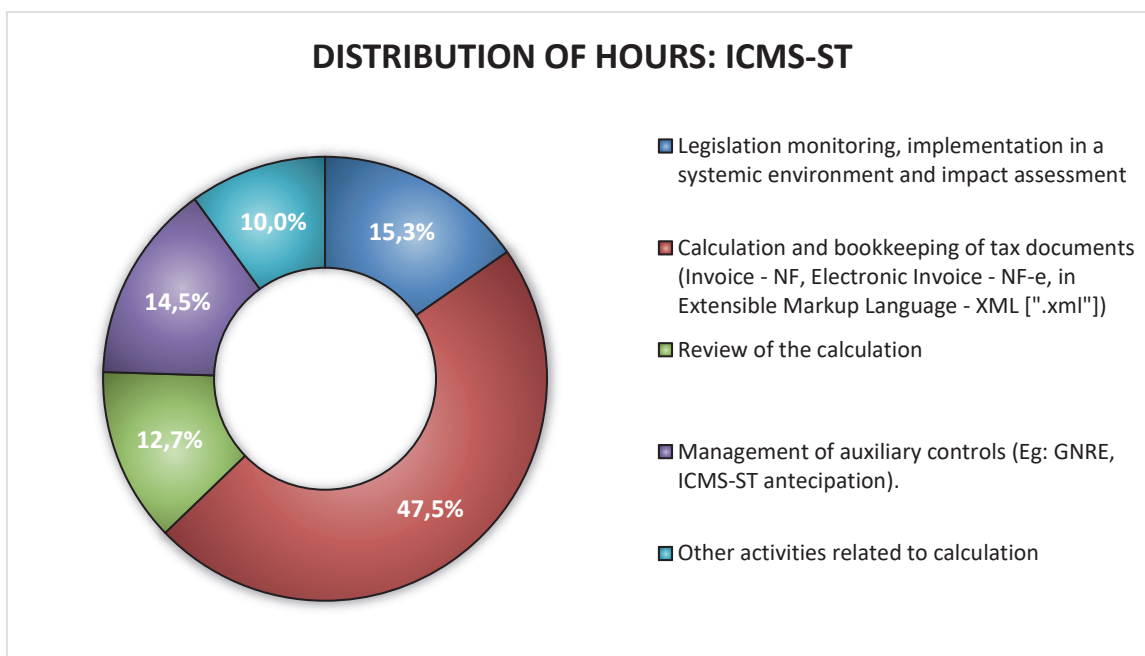


Chart 9 - ICMS-ST: Average percentage distribution of annual hours for calculation - Nationwide

Charts 8 and 9 show that the portion related to the tax calculation stood for 53.1% (ICMS) and 47.5% (ICMS-ST) of the calculation process total time. It is worth mentioning that this activity includes the capture of entry and exit tax documents (.xml); document checking; storage; bookkeeping; ICMS and ICMS-ST calculation; sample analysis based on documents, current legislation, and differentiated tax treatments; specific collections and/or adjustments in chart account, such as the tax rate differential, reversals, etc.

In addition, the research tried to identify, in a segregated manner, the impacts of the time spent on the activities of legislation monitoring and follow-up, calculation review, management of auxiliary controls, and other activities related to the calculation. The activities of monitoring the legislation, implementation of the systemic environment and evaluation of impact on business, such as the entry or exit of products from the ICMS tax substitution regime, signing of protocols between some States, reduction or increase of the tax burden, etc., demanded 18.6% (ICMS) and 15.3% (ICMS-ST) of the total hours spent, regarding the ICMS and ICMS-ST calculation, respectively. In both cases, after the calculation stage, this was the most demanded activity.

Besides the activities already listed, the survey showed that the amount of time spent on calculation review, both for ICMS (10.1%) and ICMS-ST (12.7%), is relevant, due to the complexity of the legislation and the various particularities of the sectors in which they operate, requiring additional checks to ensure an accurate tax calculation.

Accessory obligations

With regard to preparing and delivering accessory obligations related to ICMS and ICMS-ST, according to the answers provided, the surveyed companies devote an average of 427 hours a year, per establishment. Chart 10 shows the Average hours spent, on a national level, on the State accessory obligations that are applicable in all the Federation Units, namely, EFD-ICMS/IPI, the National Guide for Information and Calculation of ICMS Tax Substitution (GIA-ST) and the Import Content Form (FCI).

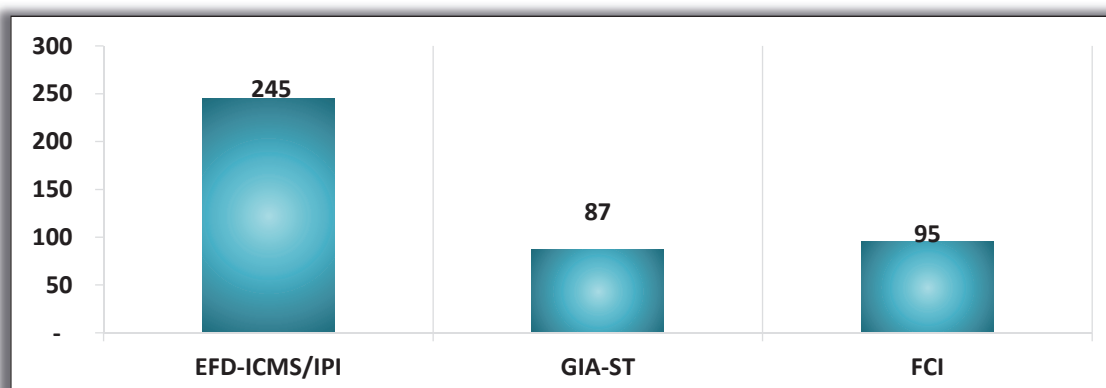


Chart 10 - Average annual hours per accessory obligation - Nationwide

As mentioned in the premises and methodology, each State has a specific list of accessory obligations, but the three above are common to all States.

It is well known that accessory obligations have a high level of complexity for accurate completion, not to mention the high number of mandatory information, or even the completion of the same information in more than one accessory obligation. All these facts faced by companies generate hindrances in the companies' routines once many systems (such as, for example, SAP) need to be localized and adapted to the tax rules of each State, which ends up implying high costs.

Number of people involved

Table 3 shows the average number of people involved, not exclusively, in some of the tax compliance activities comprised by Block I, at national level.

Activity	People involved
Calculation	
ICMS	6.7
ICMS-ST	5.3
Accessory obligations	
EFD-ICMS/IPI	4.9
GIA-ST	1.4
FCI	4

Table 3 - Block I - Average number of people involved per activity - Nationwide

Causes

According to the interviewees, the main difficulties faced by taxpayers in the whole compliance process related to ICMS and ICMS-ST at a national level is the complexity and need to maintain several internal controls to ensure the accurate fulfillment of legal obligations and, not far off, the several accessory obligations that have the same delivery date, as shown in Table 4.

Position	Causes	Average Rating
1 st	Complexity of processes and internal controls	4.87
2 nd	Number of tax returns with the same delivery date	4.59
3 rd	Short period of time between preparing and delivering	4.31
4 th	Information-intensive obligations	3.83
5 th	Adaptation and localization of systems	3.71
6 th	Complexity of legislation	3.35
7 th	Complexity of accessory obligations	3.33

Table 4 - Block I - Main Causes - Nationwide

4.1.3. ACCRUED ICMS AND ICMS-ST CREDITS (BLOCK II)

The surveyed companies devote annually, on average, per establishment, 189 hours to compliance related to accrued ICMS and ICMS-ST credits. As can be seen in Chart 11, this total is distributed among the activities of calculating accrued credits, preparing and delivering accessory obligations related to accrued credits, and approval and monetization of credits.

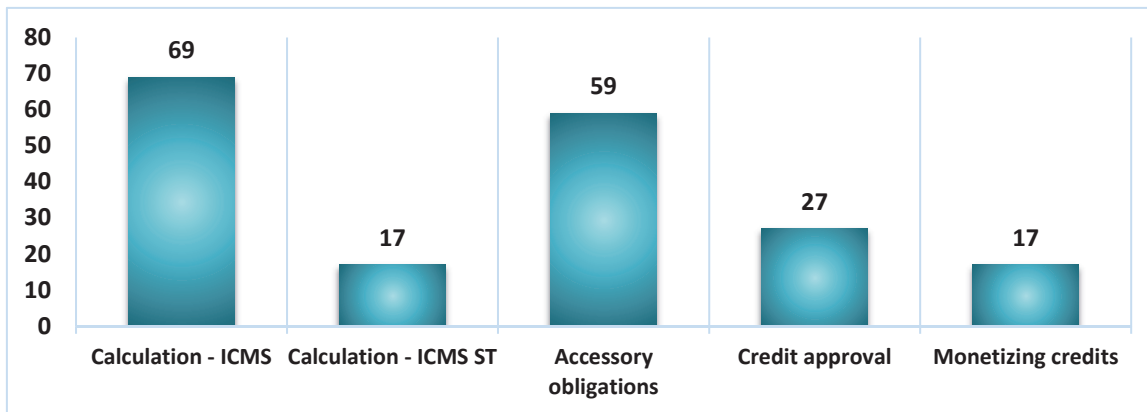


Chart 11 - Block II - Average hours - Nationwide

With regard to accrued ICMS and ICMS-ST credits, the existence of several particularities must be considered, such as (a) segregation between credit balance and accrued credit, the concept of which may vary from State to State; (b) ICMS-ST credit control by the State of destination; (c) preparing and delivering accessory obligations specific to each State, and many times there is no structured process; (d) total lack of standardization of procedures among the States, coupled with the high capillarity of local laws; (e) States that do not have specific procedures for the recovery of the tax, among others.

All this creates a great difficulty in obtaining the effective repayment of the credit. This can be seen by the fact that only 1/3 (34%) of the surveyed establishments that declared they had accrued ICMS and ICMS-ST credits were able to have them approved and monetized, which represents 12.9% of the total number of establishments answering the survey.

Discussing with the participants, it was given as a justification that most States make it difficult to effectively repay the credit through countless procedures, or even do not have a specific obligation to declare and obtain the repayment of the accrued credit, making the claim unfeasible.

Throughout this report, it will be possible to note that many of the States detailed herein have not even reached the stages (fulfillment of the accessory obligation, approval and monetization of the credit) following the calculation.

Number of people involved

Table 5 shows the average number of people involved, not exclusively, in tax compliance activities comprised by Block II, at national level.

Activity	People involved
ICMS Calculation	1.8
ICMS ST - Calculation	1.6
Accessory obligations	3.7
Credit approval	4.6
Monetizing credit	1.8

Table 5 - Block II - Average number of people involved per activity - Nationwide

Causes

Table 6 shows that the main cause of complexity concerning Block II is the number of tax returns with the same delivery date.

Position	Causes	Average Rating
1 st	Number of tax returns with the same delivery date	5.34
2 nd	Short period of time between preparing and delivering	4.73
3 rd	Complexity of processes and internal controls	4.60
4 th	Information-intensive obligations	4.41
5 th	Adaptation and localization of systems	3.75
6 th	Complexity of accessory obligations	2.89
7 th	Complexity of legislation	2.10

Table 6 - Block II - Main Causes - National

4.1.4. SPECIAL REGIMES, TAX INCENTIVES AND SECTORIAL CONTROLS (Block III)

The surveyed companies devote annually, on average, per establishment, 92 hours to compliance activities related to ICMS special regimes, tax incentives and sectorial controls. Out of this total, about 52 hours are spent on calculation, management and control procedures, and 40 hours on the fulfillment of accessory obligations, as summarized in Chart 12.

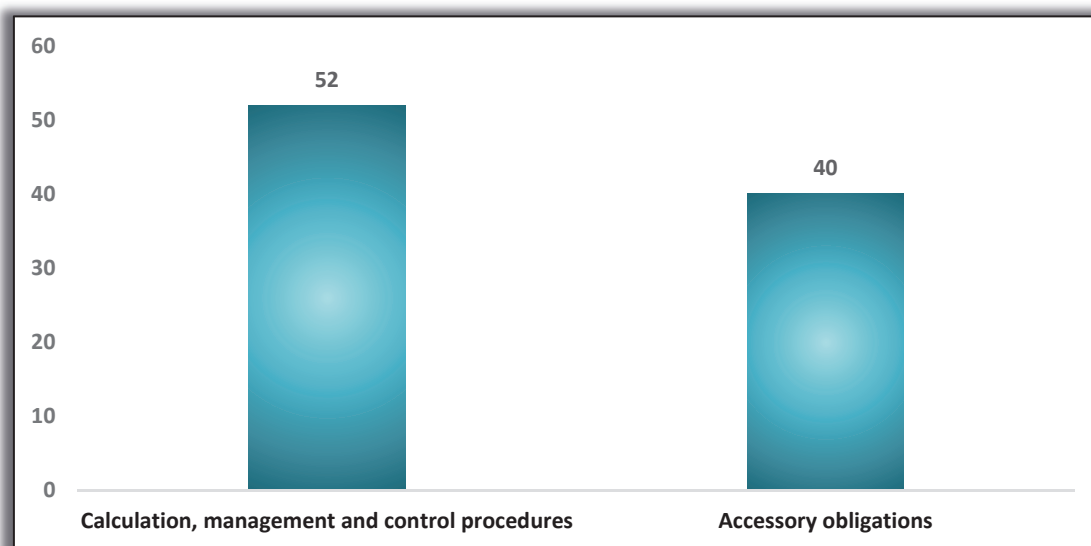


Chart 12 - Block III - Average hours - Nationwide

To enable a better operating efficiency of the companies, there is the need to obtain a variety of special regimes, in the sense of fostering a greater adherence between certain operations and the legislation. These special regimes encompass the issuing and bookkeeping of tax documents, as well as the grant of deferrals, incentives and tax benefits, differentiated forms and deadlines for the collection of the main ICMS obligations, among others. In addition, most of the special regimes require additional information and controls that go beyond tax calculation, which may explain the higher demand observed for compliance with the related accessory obligations.

It is important to mention that this Block must be analyzed together with Block I (ICMS and ICMS-ST calculation), since both the calculation of tax incentives and the respective bookkeeping in the accessory obligations are part of the tax calculation routine.

Number of people involved

Table 7 shows the average number of people involved, not exclusively, in compliance activities related to the ICMS special regimes, tax incentives and sectorial controls, at the national level.

Activity	People involved
Calculation, management and control	2.2
Accessory obligations	1.8

Table 7 - Block III - Average number of people involved per activity - Nationwide

Causes

Table 8 shows that the main cause of complexity concerning Block III is the complexity and necessity of maintaining several internal controls to ensure the accurate fulfillment of legal obligations, followed by the various accessory obligations with the same delivery date.

Position	Causes	Average Rating
1 st	Complexity of processes and internal controls	4.84
2 nd	Number of tax returns with the same delivery date	4.34
3 rd	Adaptation and localization of systems	4.13
4 th	Short period of time between preparing and delivering	4.10
5 th	Information-intensive obligations	3.81
6 th	Complexity of legislation	3.70
7 th	Complexity of accessory obligations	2.77

Table 8 - Block III - Main Causes - Nationwide

4.1.5. INSPECTIONS, ADMINISTRATIVE LITIGATION AND DEBT CLEARANCE CERTIFICATES (BLOCK IV)

The surveyed companies devote annually, on average, per establishment, 794 hours to compliance activities comprised by this block. Out of this total, a volume of 448 hours for the administrative litigation management stands out, according to the Chart below.

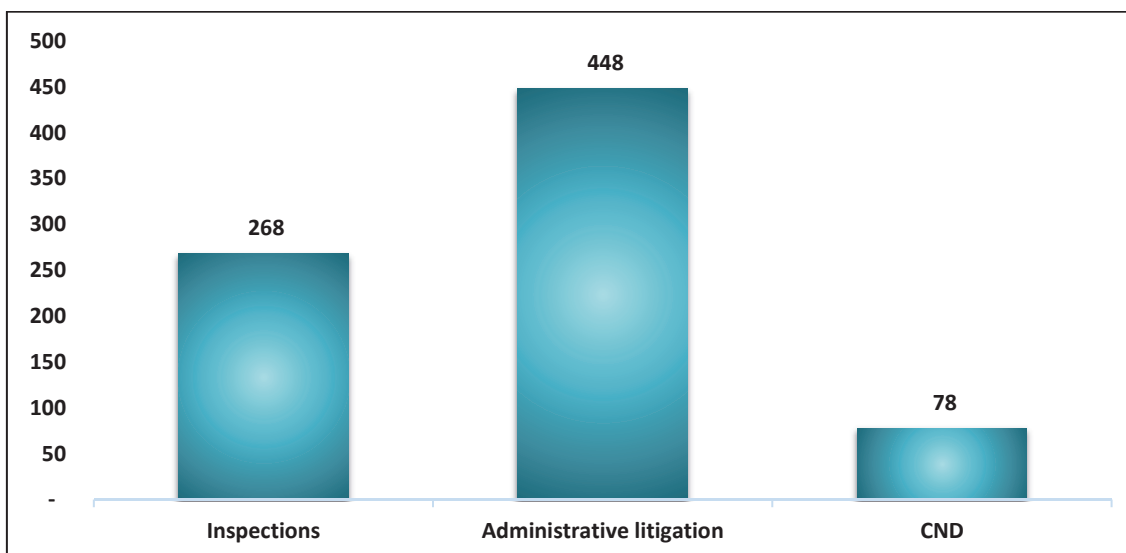


Chart 13 - Block IV - Average hours - National

The significant number of hours presented for administrative litigation management reflects the complexity of handling the tax deficiency notices, which involves hiring law firms, preparing technical reports, auxiliary controls, enclosing tax documents, and all the necessary subsidies to support the administrative defense.

Number of people involved

The following table shows the average number of people involved, not exclusively, in the compliance activities comprised by Block IV at national level.

Activity	People involved
Inspections	2.8
Administrative litigation	3.5
CND	1.8

Table 9 - Block IV - Average number of people involved per activity - Nationwide

4.2. STATEWIDE RESULTS

4.2.1. AMAZONAS

4.2.1.1 SAMPLE CHARACTERIZATION

In the State of Amazonas, answers were obtained from 10 establishments, which are distributed among the economic segments shown in Chart 14.

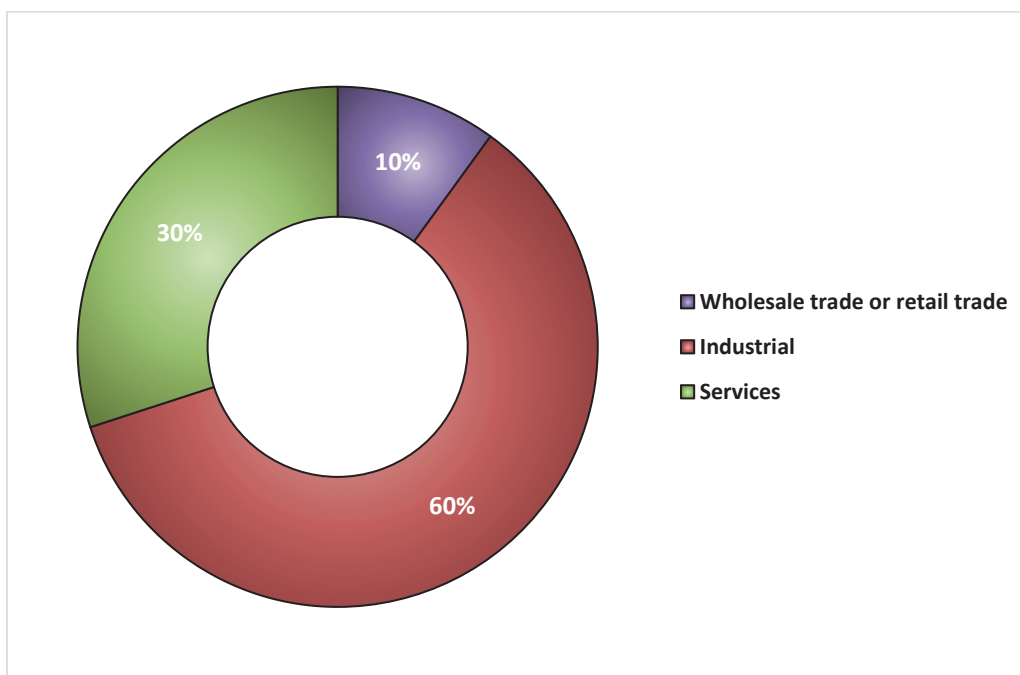


Chart 14 - Economic segment of the business groups - Amazonas

4.2.1.2 OVERALL RESULT

In order to meet the whole tax compliance in the State of Amazonas, an establishment spends, on average, approximately 3.7 thousand hours a year, with Block I being the most representative, followed by Block IV.

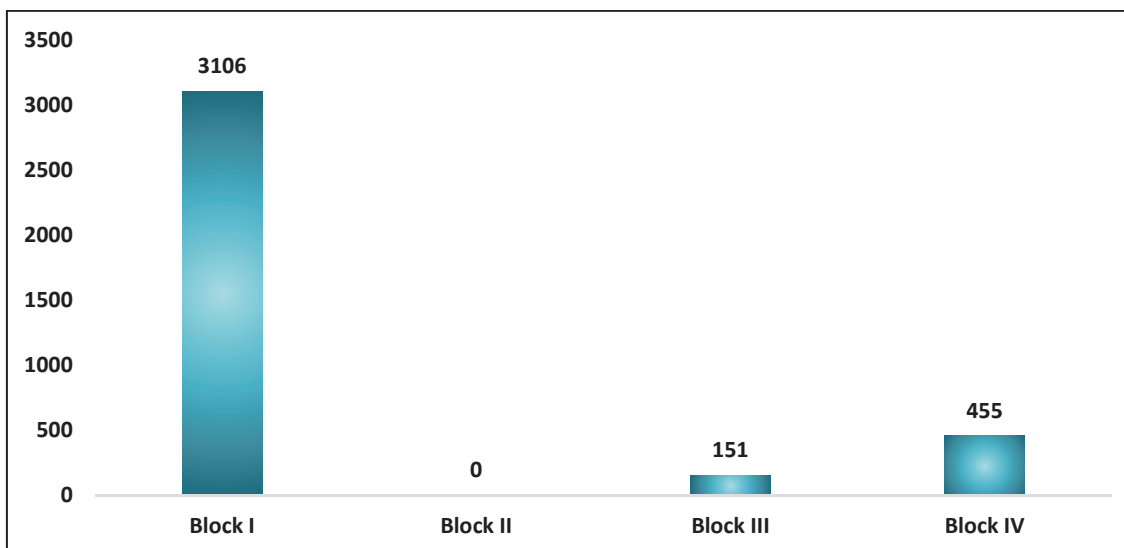


Chart 15 - General Results by Block - Amazonas

Table 10, shows the average number of people involved, not exclusively, per establishment, in the activities/stages specified above:

Activity	People involved
Block I	26.9
Block II	0
Block III	4,8
Block IV	7

Table 10 - Average number of people involved in the activities - Amazonas

4.2.1.3 ICMS AND ICMS-ST CALCULATION (Block I)

Block I is divided into 3 activities, namely ICMS calculation, ICMS-ST calculation, and respective accessory obligations, totaling 3.1 thousand hours. Out of this total, about 1.6 thousand hours are spent on ICMS calculation, 424 hours on ICMS-ST calculation and 1.1 thousand hours on accessory obligations procedures, as summarized in Chart 16.

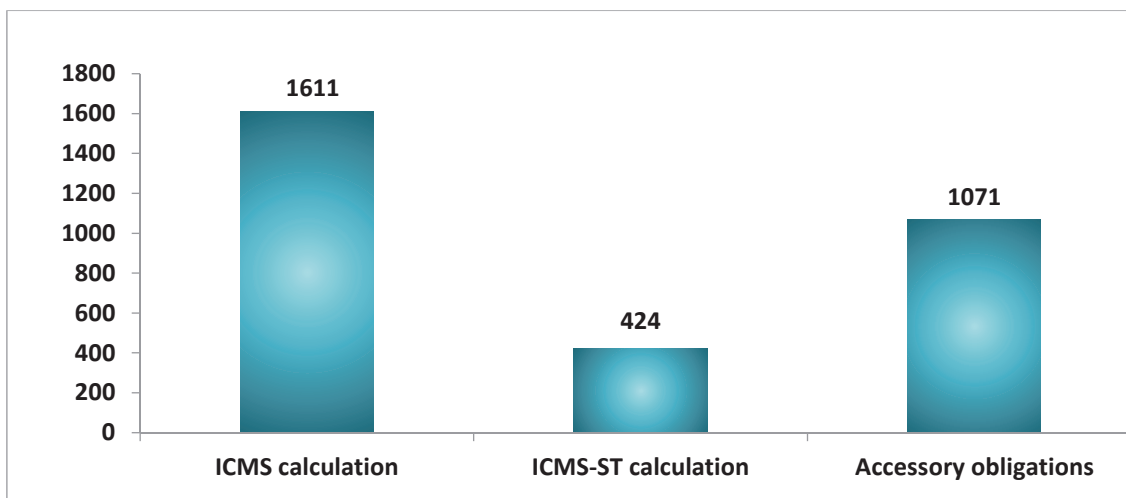


Chart 16 - Block I - Average hours - Amazonas

This result shows that, in the State of Amazonas, the ICMS calculation stage demands more time from the companies than the other activities in this block.

Calculation

Prior to the calculation of taxes, the taxpayer needs to perform several other activities, such as legislation monitoring, implementation in a systemic environment and impact assessment; bookkeeping of tax documents, management of auxiliary controls, among others. As a result, the survey sought to calculate the time spent on these specific items of the calculation stage, as shown in Charts 17 and 18.

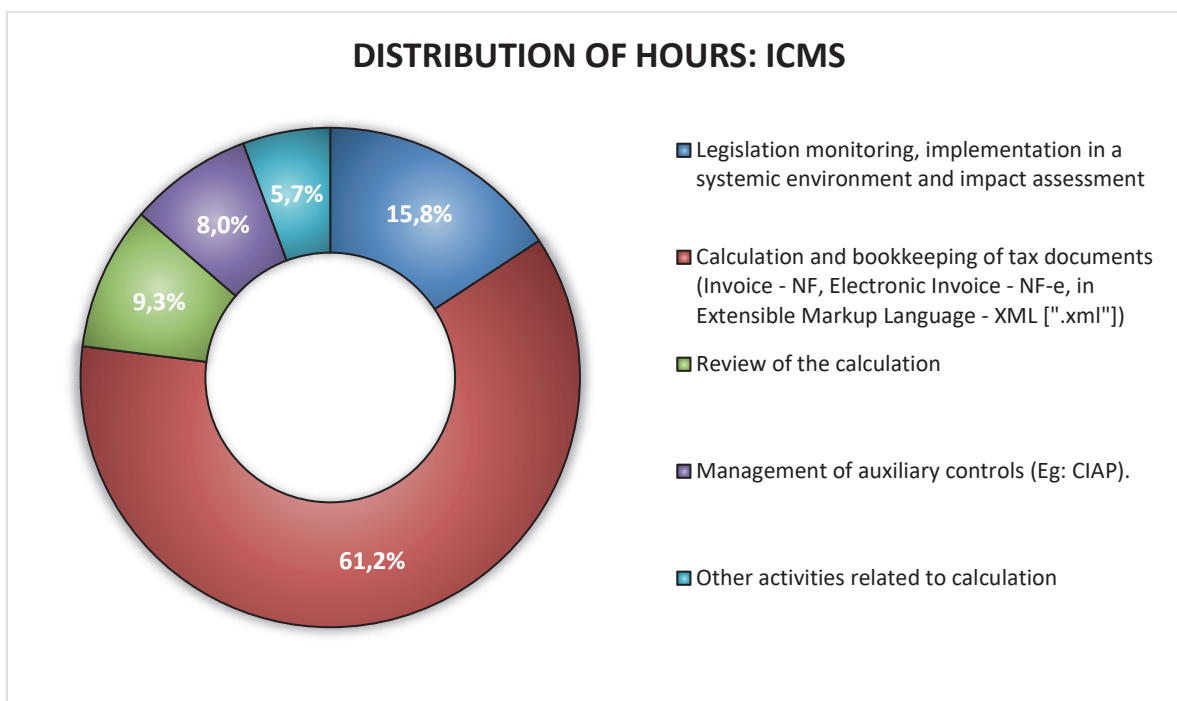


Chart 17 - ICMS: Average percentage distribution of annual hours for calculation - Amazonas

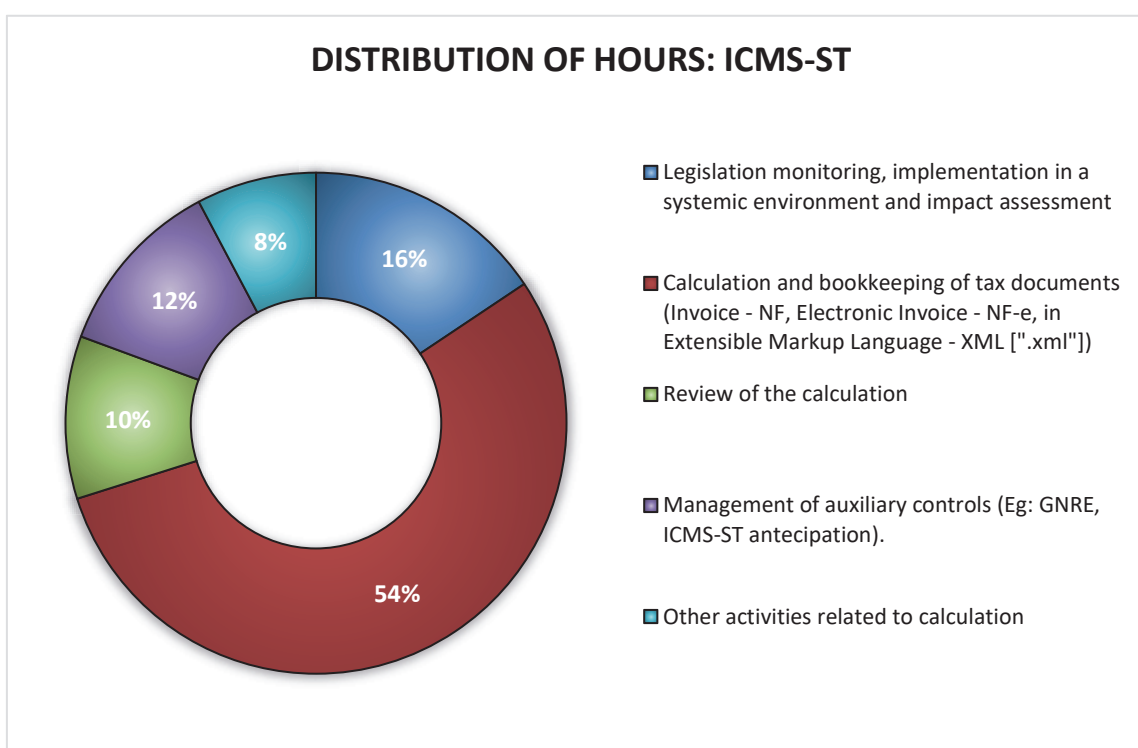


Chart 18 - ICMS-ST: Average percentage distribution of annual hours for calculation - Amazonas

Charts 17 and 18 show that the portion related to tax calculation represented 61.2% (ICMS) and 54.5% (ICMS-ST) of the calculation process total time. It is worth mentioning that this activity includes the capture of entry and exit tax documents (.xml); document checking; storage; bookkeeping; ICMS and ICMS-ST calculation; sample analysis based on documents, current legislation, and differentiated tax treatments; specific collections and/or adjustments in chart account, such as the tax rate differential, reversals, etc.

Accessory obligations

With regard to preparing and delivering accessory obligations related to ICMS and ICMS-ST in the State of Amazonas, according to the answers provided, the surveyed companies annually spend, on average, per establishment, of 1071 hours per year. Chart 19 shows the average number of annual hours spent per accessory obligation applicable in the State.

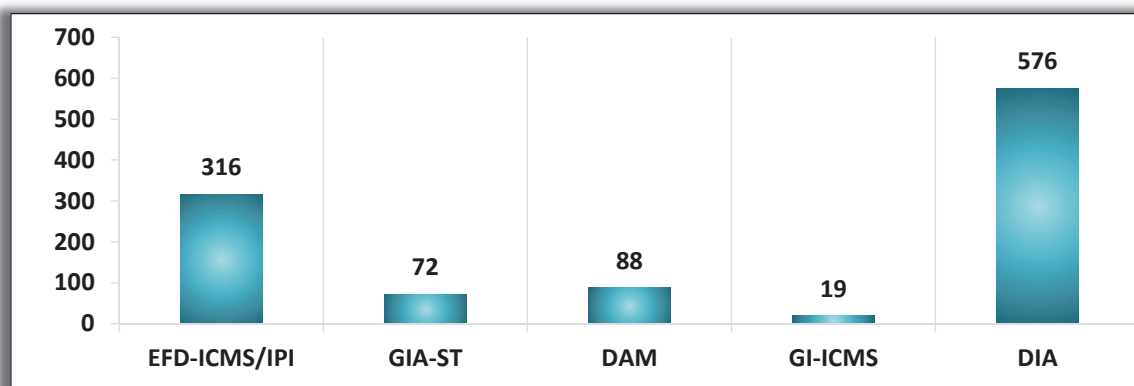


Chart 19 - Average annual hours per accessory obligation - Amazonas

With respect to the number of hours spent on the completion of the DIA (Internment Declaration in the State of AM) being higher when compared to the other accessory obligations in the State, this is due to the volume of details required for completion, as well as the volume of operations that are subject to bookkeeping under such obligation.

Number of people involved

Table 12 shows the average number of people involved, not exclusively, in some of the tax compliance activities related to ICMS and ICMS-ST in the State of Amazonas.

Activity	People involved
<i>Calculation</i>	
ICMS	7.9
ICMS-ST	6.6
<i>Accessory obligations</i>	
GIA-ST	1
DIA	1.3
EFD-ICMS/IPI	5.9
GI-ICMS	2.3
DAM	1.9

Table 12 - Block I - Average number of people involved per activity - Amazonas

Causes

Table 12 shows the average number of people involved, not exclusively, in some of the tax compliance activities related to ICMS and ICMS-ST in the State of Amazonas are the number of tax returns with the same delivery date and the large volume of information that the obligations require, as shown in Table 13.

Position	Causes	Average Rating
1 st	Number of tax returns with the same delivery date	4.78
2 nd	Information-intensive obligations	4.33
3 rd	Complexity of accessory obligations	4.00
4 th	Complexity of processes and internal controls	4.00
5 th	Short period of time between preparing and delivering	3.89
6 th	Adaptation and localization of systems	3.56
7 th	Complexity of legislation	3.44

Table 13 - Block I - Main Causes - Amazonas

4.2.1.4 ACCRUED ICMS AND ICMS-ST CREDITS (BLOCK II)

Regarding the accrued ICMS and ICMS-ST credits in the State of Amazonas, the samples were considered statistically insufficient due to the low volume of data. Therefore, it was not possible to extract quantitative results that could be disclosed.

According to the participants who answered the questionnaire, the tax incentives granted by the State do not allow generating any credit balance or accrued credit.

4.2.1.5 SPECIAL REGIMES, TAX INCENTIVES AND SECTORIAL CONTROLS (BLOCK III)

The surveyed companies devote annually, on average, per establishment, 151 hours to compliance activities related to ICMS special regimes, tax incentives and sectorial controls. Out of this total, about 118 hours are spent on calculation, management and control procedures, and 33 hours on the fulfillment of accessory obligations, as summarized in Chart 20.

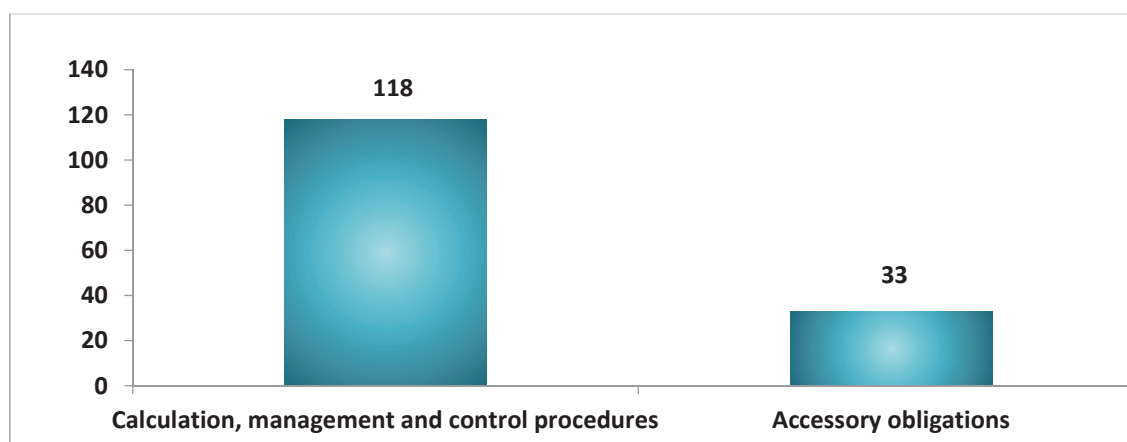


Chart 20 - Block III - Average hours - Amazonas

From the abovementioned results and the interviewees' information, it is possible to infer that, to allow a better operating efficiency of the companies, there is usually the need to obtain a variety of special regimes in the sense of fostering a greater adherence between certain operations and the legislation, which include the issuing and bookkeeping of tax documents, granting of deferrals, incentives and tax benefits, differentiated forms and deadlines for the collection of the main ICMS obligations, among others.

It is important to mention that this Block must be analyzed together with Block I (ICMS and ICMS-ST Calculation), since both the calculation of tax incentives and the respective bookkeeping in the accessory obligations are part of the tax calculation routine.

Number of people involved

Table 14 shows the average number of people involved, not exclusively, in compliance activities related to the ICMS special regimes, tax incentives and sectorial controls.

Activity	People involved
Calculation, management and control	2.3
Accessory obligations	2.5

Table 14 - Block III - Average number of people involved per activity - Amazonas

Causes

According to the interviewees, there are several causes that hinder the compliance process related to ICMS Special Regimes, Tax Incentives and Sectorial Controls in the State of Amazonas, out of which we highlight the adaptation and localization of the systems and the complexity of the processes and internal controls, as shown in Table 98.

Position	Causes	Average Rating
1 st	Adaptation and localization of systems	5.33
2 nd	Complexity of processes and internal controls	4.33
3 rd	Number of tax returns with the same delivery date	4.33
4 th	Short period of time between preparing and delivering	3.83
5 th	Complexity of legislation	3.83
6 th	Information-intensive obligations	3.50
7 th	Complexity of accessory obligations	2.83

Table 98 - Block III - Main Causes - Amazonas

4.2.1.6 INSPECTIONS, ADMINISTRATIVE LITIGATION AND DEBT CLEARANCE CERTIFICATES (BLOCK IV)

The surveyed companies devote annually, on average, per establishment, 455 hours to compliance activities comprised by this block. Out of this total, a volume of 254 for compliance with inspections stands out, as shown in Chart.

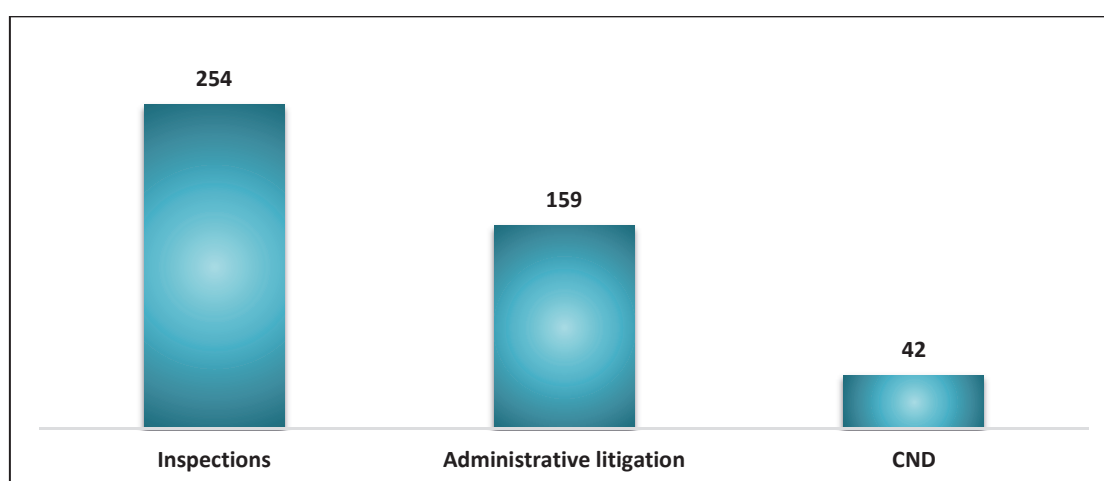


Chart 21 - Block IV - Average hours - Amazonas

The significant number of hours presented for the compliance with both own and third-party inspections is due to the fact that, although the accessory obligations have a high level of information provided substantially in electronic form, an additional effort is still required to comply with additional requests (information, calculation memories, reconciliations, specific statements, etc.) required on site by the tax auditors.

Moreover, the participants located in this State informed that the high volume of hours spent on the inspection activity is due to the procedures related to SUFRAMA (Superintendence of the Manaus Free Trade Zone), such as, for instance, release and authorization of the PIN (National Merchandise Entry Protocol), analysis and validation of the tax benefits of each taxpayer, etc.

Number of people involved

Table 15 shows the average number of people involved, not exclusively, in compliance activities comprised by Block IV in this State.

Activity	People involved
Inspections	2.8
Administrative litigation	3.2
CND	1.3

Table 15 - Block IV - Average number of people involved per activity - Amazonas

4.2.2 BAHIA

4.2.2.1 SAMPLE CHARACTERIZATION

In the State of Bahia, answers were obtained from 17 establishments, distributed among the economic segments shown in Chart 22.

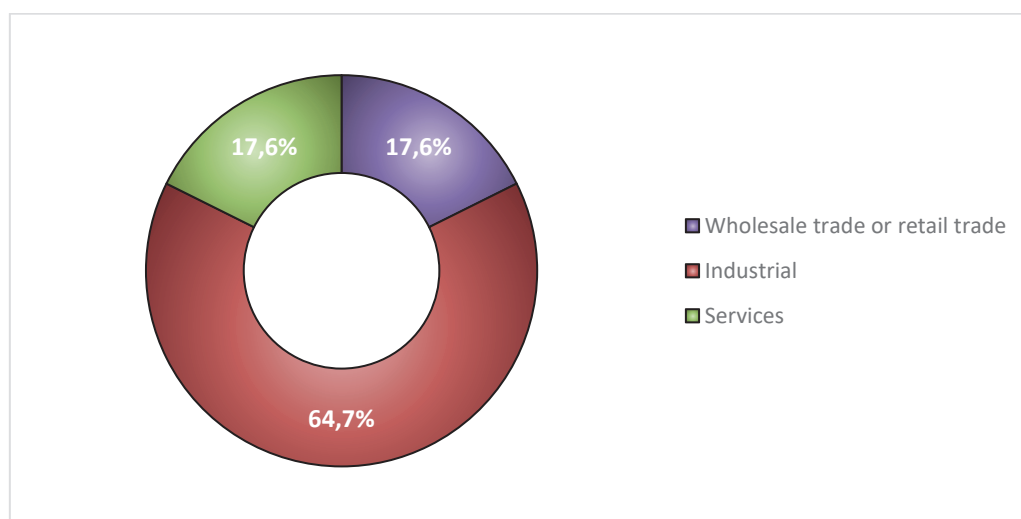


Chart 22 - Economic segment of the business groups - Bahia

4.2.2.2 OVERALL RESULT

In order to meet the whole tax compliance in the State of Bahia, an establishment of the surveyed companies devotes, on average, approximately 2.5 thousand hours a year.

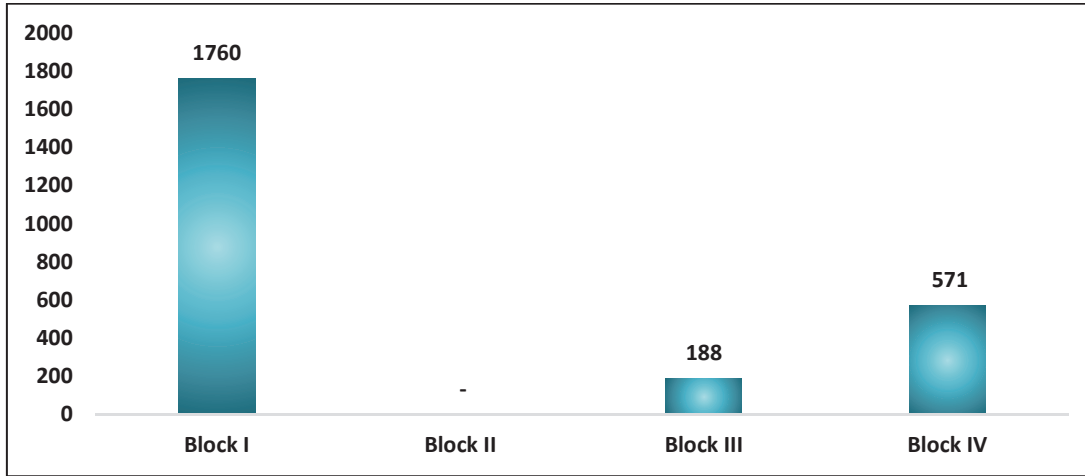


Chart 23 - General Results by Block - Bahia

Despite the existence of this possibility in the Bahia legislation, in relation to the activities for monetization of accrued credit, a minimum number of interviewees was not reached, according to the premises already described.

The following table shows the average number of people involved, not exclusively, per establishment, in the activities/stages specified above:

Activity	People involved
Block I	24.3
Block II	0
Block III	3.1
Block IV	7

Table 16 - Average number of people involved in the activities - Bahia

4.2.2.3 ICMS AND ICMS-ST CALCULATION (BLOCK I)

In the State of Bahia, the surveyed companies devote annually, on average, per establishment, about 1.7 thousand hours to compliance activities related to ICMS and ICMS-ST. Out of this total, on average, about 1.1 thousand hours are spent on ICMS calculation, 232 hours on ICMS-ST calculation, and 413 hours on the fulfillment of accessory obligations, as summarized in Chart 24.

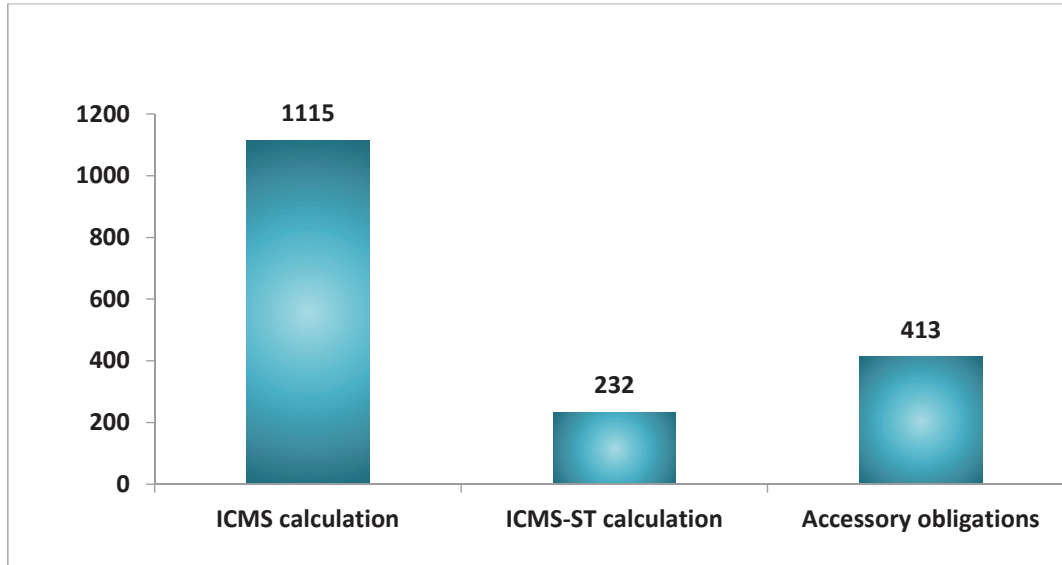


Chart 24 - Block I - Average hours - Bahia

This result shows that in the State of Bahia, the ICMS calculation stage demands more time from the companies than the other activities in this block.

Calculation

Prior to the calculation of taxes, the taxpayer needs to perform several other activities, such as legislation monitoring, implementation in a systemic environment and impact assessment; bookkeeping of tax documents, management of auxiliary controls, among others. As a result, the survey sought to calculate the time spent on these specific items of the calculation stage, as shown in Charts 25 and 26.

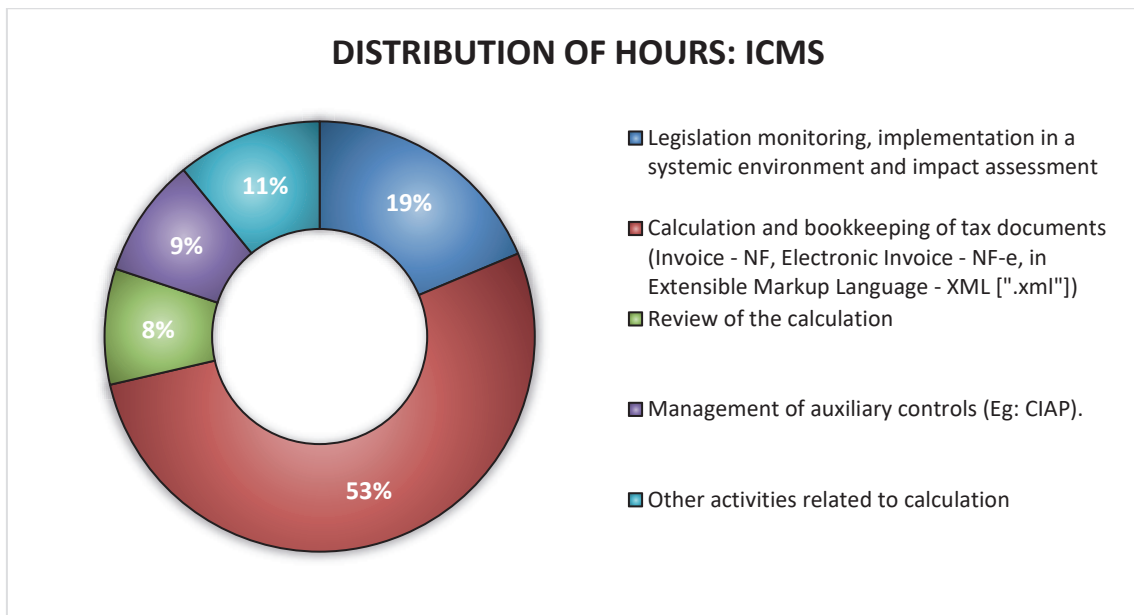


Chart 25 - ICMS: Average percentage distribution of annual hours for calculation - Bahia

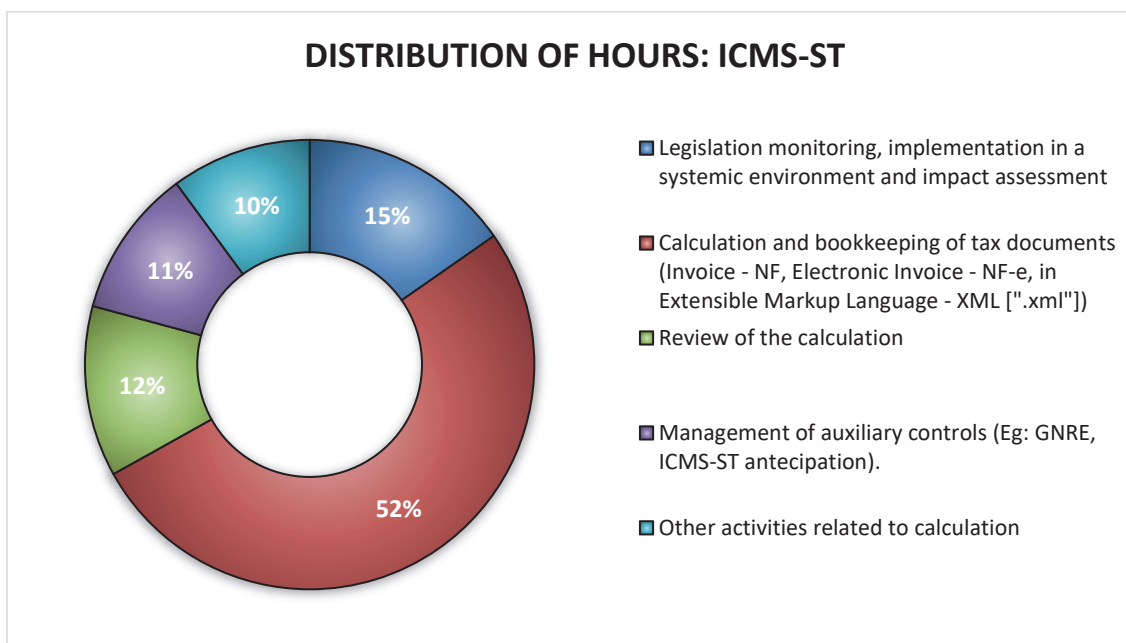


Chart 26 - ICMS-ST: Average percentage distribution of annual hours for calculation - Bahia

Chart 25 shows that the portion related to tax calculation represented 52.7% of the total time of the own ICMS calculation process. It is worth mentioning that, in this activity, it is contemplated the capture of entry and exit tax documents (.xml); document checking; storage; bookkeeping; ICMS calculation; sample analysis based on documents, current legislation, and differentiated tax treatments; adjustments and/or specific payments through a payment form or in a chart account, such as the tax rate differential, reversals, anticipated ICMS, etc. Likewise, Chart 26 shows that 51.6% of the hours are spent to calculate the ICMS - ST, which includes all the capture of the respective documents and bookkeeping.

In addition, the research tried to identify, in a segregated manner, the impacts of the time spent on activities of legislation follow-up and monitoring, implementation of the systemic environment and evaluation of the impact on business, such as the entry or exit of products from the ICMS tax substitution regime, signing of Protocols between some States, reduction or increase of the tax burden, etc. Such controls demanded 18.7% related to ICMS and 15.3% related to ICMS-ST.

Accessory obligations

With regard to preparing and delivering the accessory obligations related to ICMS and ICMS-ST in the State of Bahia, according to the answers provided. The surveyed companies devote, on average, per establishment, 413 hours a year. Chart 27 shows the average number of annual hours spent per accessory obligation applicable in the State.

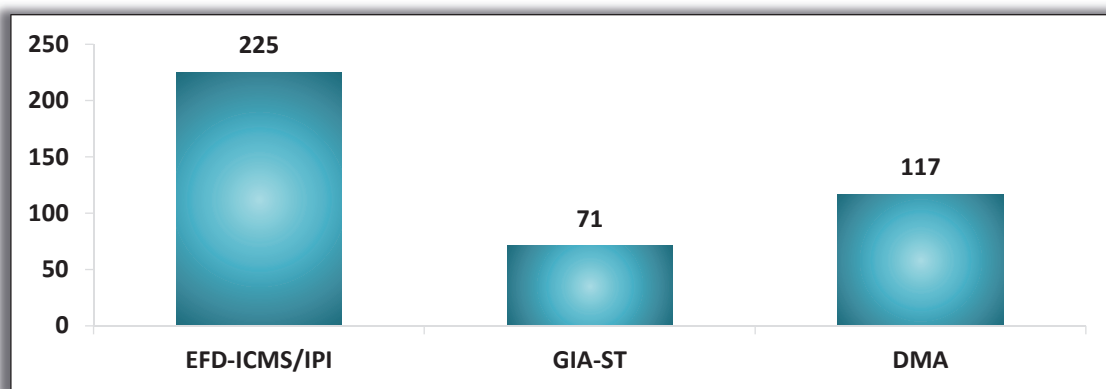


Chart 27 - Average annual hours per accessory obligation - Bahia

With regard to the EFD-ICMS/IPI, it became evident that one establishment of the surveyed companies devotes, on average, 225 hours a year to prepare it, showing a considerably higher spending of time when compared to the other accessory obligations in the State.

Number of people involved

The following table shows the average number of people involved, not exclusively, in the compliance activities comprised by Block I in the State of Bahia.

Activity	People involved
<i>Calculation</i>	
ICMS	6.6
ICMS-ST	5.5
<i>Accessory obligations</i>	
EFD-ICMS/IPI	4.9
GIA-ST	1
DMA	6.3

Table 17 - Block I - Average number of people involved per activity - Bahia

Causes

Table 18 below shows that the main difficulties concerning Block I are the complexity and the need to maintain several internal controls to ensure the accurate fulfillment of legal obligations, and then the requirement of a lot of information to meet the accessory obligations.

Position	Causes	Average Rating
1 st	Complexity of processes and internal controls	5.50
2 nd	Information-intensive obligations	4.50
3 rd	Short period of time between preparing and delivering	4.21
4 th	Number of tax returns with the same delivery date	3.79
5 th	Complexity of accessory obligations	3.57
6 th	Adaptation and localization of systems	3.50
7 th	Complexity of legislation	2.93

Table 18 - Block I - Main Causes - Bahia

4.2.2.4 ACCRUED ICMS AND ICMS-ST CREDITS (BLOCK II)

Regarding the accrued ICMS and ICMS-ST credits in the State of Bahia, the samples were considered statistically insufficient due to the low volume of data. Therefore, it was not possible to extract quantitative results that could be disclosed.

The inadequacy of the answers is due to the fact that the State does not have effective procedures for claiming the credit, making the process of repayment/reimbursement slow and bureaucratic.

4.2.2.5 SPECIAL REGIMES, TAX INCENTIVES AND SECTORIAL CONTROLS (BLOCK III)

The surveyed companies devote annually, on average, per establishment, about 188 hours to compliance activities related to ICMS special regimes, tax incentives and sectorial controls in the State of Bahia. Out of this total, about 138 hours are spent on calculation, management and control procedures, and 50 hours on the fulfillment of accessory obligations, as summarized in Chart 28.

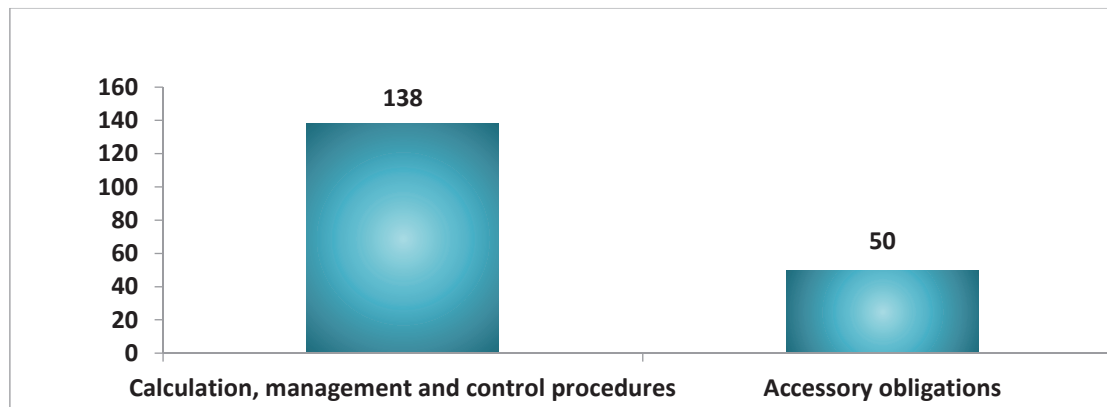


Chart 28 - Block III - Average hours - Bahia

From the abovementioned results and the interviewees' information, it is possible to infer that, to allow a better operating efficiency of the companies, there is usually the need to obtain a variety of special regimes in the sense of fostering a greater adherence between certain operations and the legislation, which include the issuing and bookkeeping of tax documents, granting of deferrals, incentives and tax benefits, differentiated forms and deadlines for the collection of the main ICMS obligations, among others.

It is important to mention that this Block must be analyzed together with Block I (ICMS and ICMS-ST calculation), since both the calculation of tax incentives and the respective bookkeeping in the accessory obligations are part of the tax calculation routine.

Number of people involved

Table 19 shows the average number of people involved, not exclusively, in compliance activities related to the ICMS special regimes, tax incentives and sectorial controls.

Activity	People involved
Calculation, management and control	1.8
Accessory obligations	1.3

Table 19 – Block III – Average number of people involved per activity – Bahia

Causes

Table 20 below shows that the main cause of complexity concerning Block III is the complexity and necessity of maintaining several internal controls to ensure the accurate fulfillment of legal obligations and, not far off, the several accessory obligations that have the same delivery date, as shown in the following table:

Position	Causes	Average Rating
1 st	Complexity of processes and internal controls	5.50
2 nd	Number of tax returns with the same delivery date	5.20
3 rd	Short period of time between preparing and delivering	4.20
4 th	Information-intensive obligations	3.80
5 th	Complexity of accessory obligations	3.80
6 th	Adaptation and localization of systems	3.70
7 th	Complexity of legislation	2.00

Table 20 – Block III – Main Causes – Bahia

4.2.2.6 INSPECTIONS, ADMINISTRATIVE LITIGATION AND DEBT CLEARANCE CERTIFICATES (BLOCK IV)

In the State of Bahia, the surveyed companies devote annually, on average, per establishment, 571 hours to compliance activities comprised by this block.

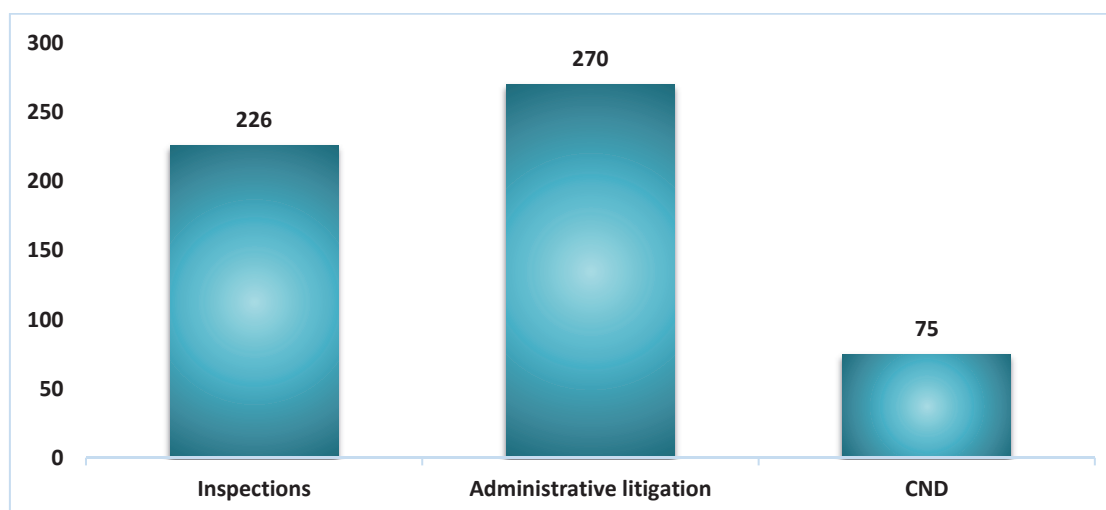


Chart 29 – Block IV – Average hours – Bahia

The high volume of hours spent on handling the administrative litigations and meeting the inspections reflects the complexity imposed by the State, as well as the slowness in the resolution of pending issues, as well as the more active performance by the tax authorities.

Number of people involved

The following table shows the average number of people involved, not exclusively, in the compliance activities comprised by Block IV:

Activity	People involved
Inspections	2.4
Administrative litigation	2.2
CND	2.4

Table 21 - Block IV - Average number of people involved per activity - Bahia

4.2.3 CEARÁ

4.2.3.1 SAMPLE CHARACTERIZATION

In the State of Ceará, answers were obtained from 10 establishments, which are distributed among the economic segments shown in Chart 30.

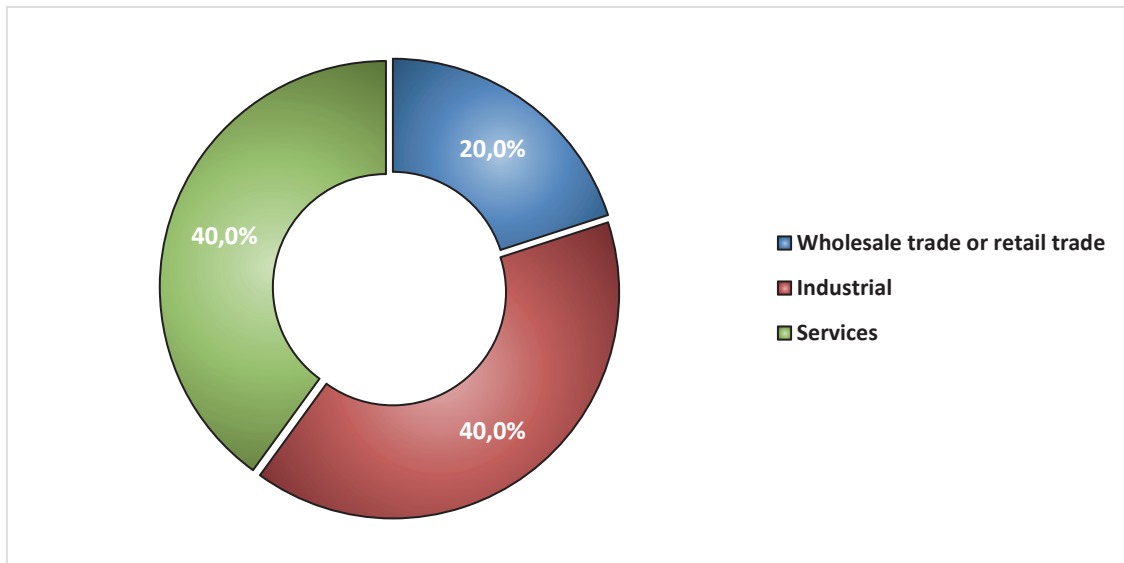


Chart 30 - Economic segment of the business groups - Ceará

4.2.3.2 OVERALL RESULT

In order to meet the whole tax compliance in the State of do Ceará, an establishment of the surveyed companies spends, on average, approximately, 2,5 thousand hours a year, with Block I being the most representative, followed by Block IV.

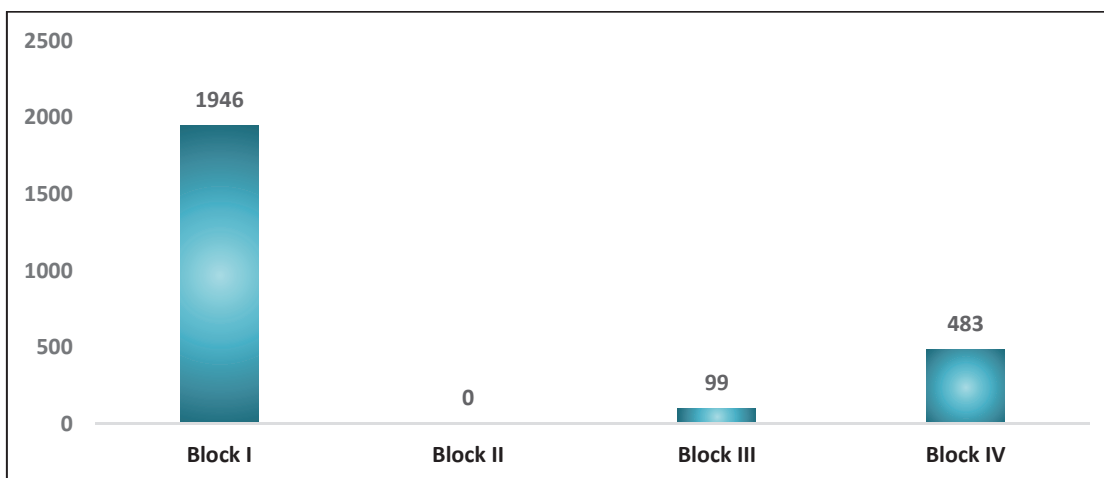


Chart 31 - General Results by Block - Ceará

Table 22, shows the average number of people involved, not exclusively, per establishment, in the activities/stages specified above:

Activity	People involved
Block I	28.2
Block II	0
Block III	4.5
Block IV	7.7

Table 22 - Average number of people involved in the activities - Ceará

4.2.3.3 ICMS AND ICMS-ST CALCULATION (BLOCK I)

○ Block I is divided into 3 activities, namely ICMS calculation, ICMS-ST calculation, and respective accessory obligations, totaling 1.9 thousand hours. Out of this total, about 1.1 thousand hours are spent on ICMS calculation, 231 hours on ICMS-ST calculation e 609 hours on accessory obligations, as summarized in Chart 32.

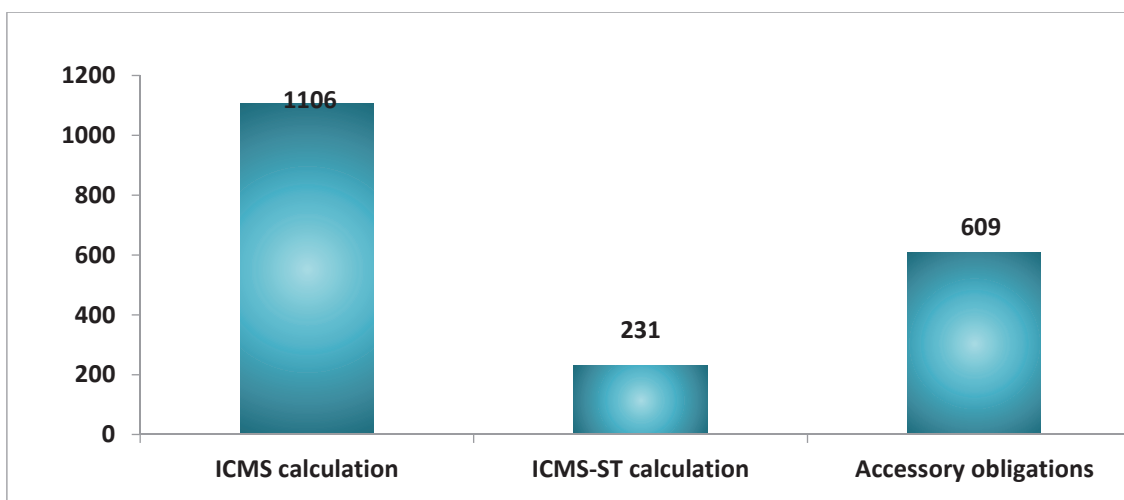


Chart 32 - Block I - Average hours - Ceará

This result shows that, in the State of Ceará, the ICMS calculation stage demands much more time from the companies than the other activities in this block.

Calculation

Prior to the calculation of taxes, the taxpayer needs to perform several other activities, such as legislation monitoring, implementation in a systemic environment and impact assessment; bookkeeping of tax documents, management of auxiliary controls, among others. As a result, the survey sought to calculate the time spent on these specific items of the calculation stage, as shown in Charts 33 and 34.

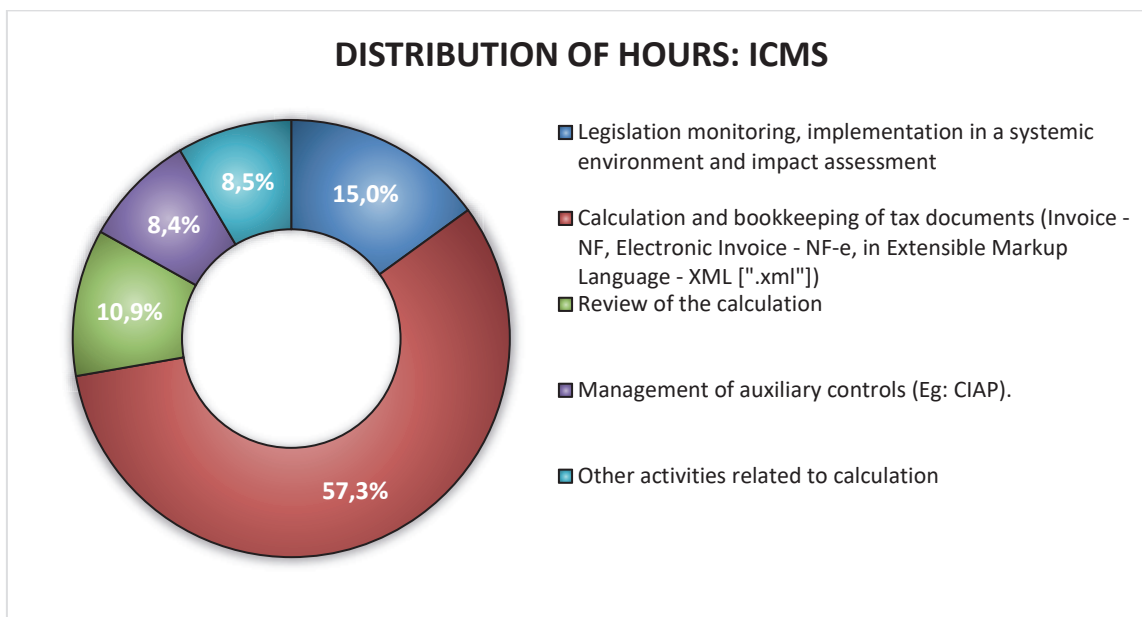


Chart 33 - ICMS: Average percentage distribution of annual hours for calculation - Ceará

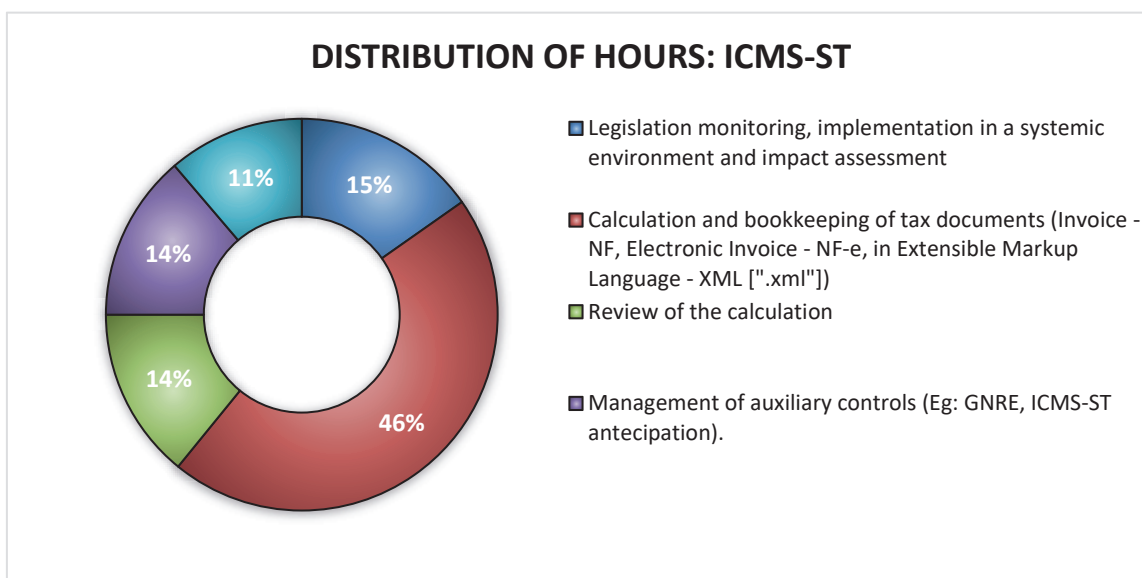


Chart 34 - ICMS-ST: Average percentage distribution of annual hours for calculation - Ceará

These Charts show that the portion related to tax calculation represented 57.3% (ICMS) and 45.6% (ICMS-ST) of the calculation process total time. It is worth mentioning that this activity includes the capture of entry and exit tax documents (.xml); document checking; storage; bookkeeping; ICMS and ICMS-ST calculation; sample analysis based on documents, current legislation, and differentiated tax treatments; specific collections and/or adjustments in chart account, such as the tax rate differential, reversals, etc.

In addition, the research tried to identify, in a segregated manner, the impacts of the time spent on activities of legislation follow-up and monitoring, implementation of the systemic environment and evaluation of the impact on business, such as the entry or exit of products from the ICMS tax substitution regime, signing of Protocols between some States, reduction or increase in the tax burden, etc. Such controls demanded 15.0% related to ICMS [and] 15.3% related to ICMS-ST.

Accessory obligations

With regard to preparing and delivering the accessory obligations related to ICMS and ICMS-ST in the State of Ceará, according to the answers provided, the surveyed companies annually spend, on average, per establishment, 609 annual hours. Chart 35 shows the average number of annual hours spent per accessory obligation applicable in the State.

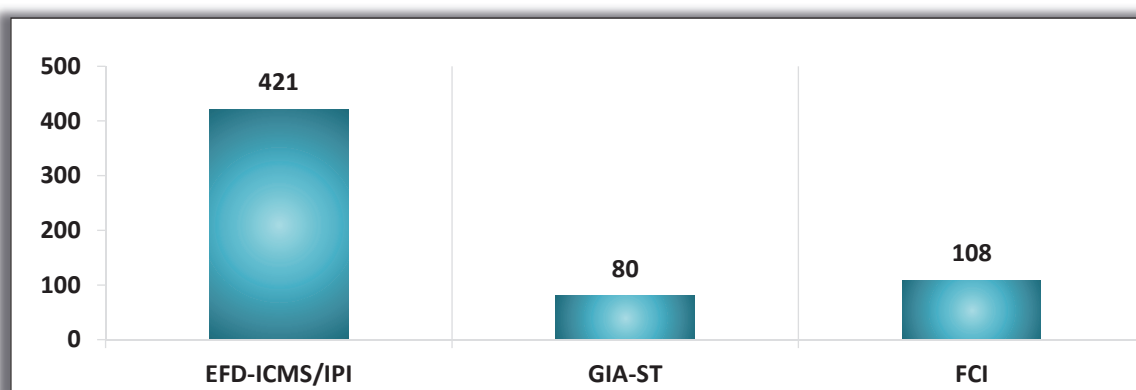


Chart 35 - Average annual hours per accessory obligation - Ceará

As for the number of hours spent on filling in the EFD-ICMS/IPI being higher when compared to the other accessory obligations in the State, this is due to the fact that the EFD-ICMS/IPI requires a higher level of detail of the information.

Number of people involved

Table 23 shows the average number of people involved, not exclusively, in some of the tax compliance activities related to ICMS and ICMS-ST in the State.

Activity	People involved
<i>Calculation</i>	
ICMS	7.3
ICMS-ST	7.1
<i>Accessory obligations</i>	
GIA-ST	5.3
FCI	1.7
EFD-ICMS/IPI	6.8

Table 23 - Block I - Average number of people involved per activity - Ceará

Causes

Table 12 shows the average number of people involved, not exclusively, in some of the tax compliance activities related to ICMS and ICMS-ST in the State of Ceará are the complexity of internal processes to support the calculations and the number of tax returns with the same delivery date, as shown in Table 24.

Position	Causes	Average Rating
1 st	Complexity of processes and internal controls	6.25
2 nd	Number of tax returns with the same delivery date	4.75
3 rd	Short period of time between preparing and delivering	3.75
4 th	Information-intensive obligations	3.50
5 th	Complexity of legislation	3.25
6 th	Adaptation and localization of systems	3.25
7 th	Complexity of accessory obligations	3.25

Table 24 - Block I - Main Causes - Ceará

4.2.3.4 ACCRUED ICMS AND ICMS-ST CREDITS (BLOCK II)

Regarding the Accrued ICMS Credits in the State of Ceará, the samples were considered statistically insufficient due to the low volume of data. Therefore, it was not possible to extract quantitative results that could be disclosed.

The insufficiency of answers is due to the fact that the State has no legislation or specific accessory obligation, making the operationalization of the credit extremely precarious so as to make the recovery of credits unfeasible.

4.2.3.5 SPECIAL REGIMES, TAX INCENTIVES AND SECTORIAL CONTROLS (BLOCK III)

The surveyed companies devote annually, on average, per establishment, 99 hours to compliance activities related to ICMS special regimes, tax incentives and sectorial controls in the State of Ceará. Out of this total, about 62 hours are spent on calculation, management and control procedures, and 37 hours on the fulfillment of accessory obligations, as summarized in Chart 36.

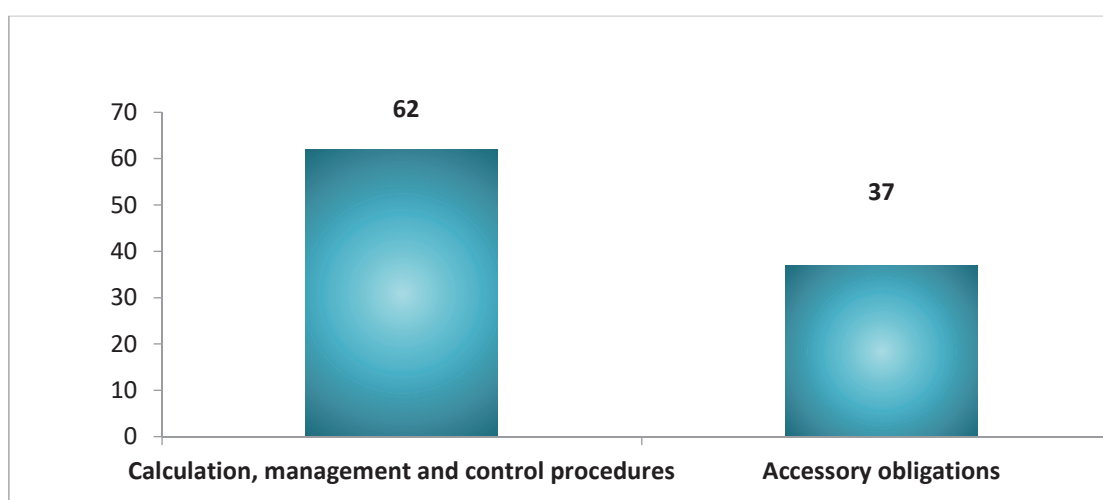


Chart 36 - Block III - Average hours - Ceará

Historically, the State of Ceará has granted tax incentives to taxpayers as a way of attracting investments, which include the issuing and bookkeeping of tax documents, grant of deferrals, tax incentives and benefits, differentiated forms and deadlines for the collection of the main ICMS obligations, among others.

From the abovementioned results and the interviewees' information, it is possible to infer that, to allow a better operating efficiency of the companies, there is usually the need to obtain a variety of special regimes. Such mechanisms require a series of additional internal controls, as a way to comply with the counterparts entered into via the Agreement.

It is important to mention that this Block must be analyzed together with Block I (Calculation of ICMS and ICMS-ST), since both the calculation of tax incentives and the respective bookkeeping in the accessory obligations are part of the tax calculation routine.

Number of people involved

Table 25 shows the average number of people involved, not exclusively, in compliance activities related to the ICMS special regimes, tax incentives and sectorial controls.

Activity	People involved
Calculation, management and control	2.3
Accessory obligations	2.2

Table 25 - Block III - Average number of people involved per activity - Ceará

Causes

According to the interviewees, there are several causes that hinder the compliance process related to ICMS Special Regimes, Tax Incentives and Sectorial Controls in the State of Ceará, dos out of which the complexity of the processes and internal controls and the short period of time between preparing and delivering the obligations stand out, as shown in Table 26.

Position	Causes	Average Rating
1 st	Complexity of processes and internal controls	6.00
2 nd	Short period of time between preparing and delivering	4.85
3 rd	Number of tax returns with the same delivery date	4.85
4 th	Complexity of legislation	3.42
5 th	Adaptation and localization of systems	3.28
6 th	Information-intensive obligations	3.14
7 th	Complexity of accessory obligations	1.71

Table 26 - Block III - Main Causes - Ceará

4.2.3.6 INSPECTIONS, ADMINISTRATIVE LITIGATION AND DEBT CLEARANCE CERTIFICATES (BLOCK IV)

The surveyed companies devote annually, on average, per establishment, 483 hours to compliance activities comprised by this block. Out of this total, a volume of 275 hours stands out for compliance with inspections, as shown in Chart 37.

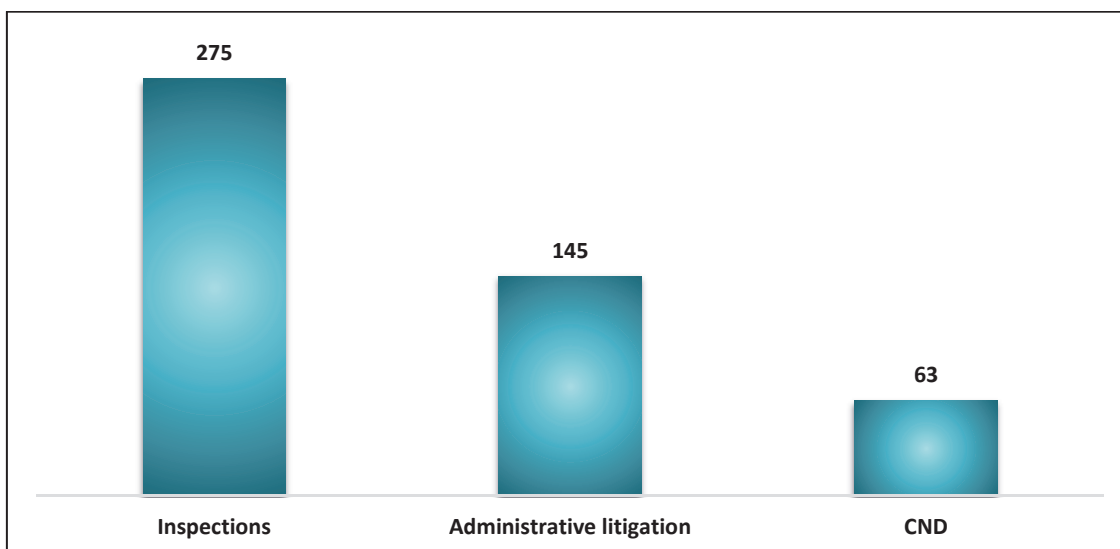


Chart 37 - Block IV - Average hours - Ceará

The significant number of hours presented for the compliance with both own and third-party inspections is due to the fact that, although the accessory obligations have a high level of information provided substantially in electronic form, an additional effort is still required to comply with additional requests (information, calculation memories, reconciliations, specific statements, etc.) required on site by the tax auditors.

According to the answers provided by the participants, most of the inspections was related to operations with inventory and tax prepayment.

Number of people involved

Table 27 below shows the average number of people involved, not exclusively, in the compliance activities comprised by Block IV.

Activity	People involved
Inspections	2.8
Administrative litigation	2.3
CND	1.7

Table 27 - Block IV - Average number of people involved per activity - Ceará

4.2.4 FEDERAL DISTRICT (DISTRITO FEDERAL))

4.2.4.1 SAMPLE CHARACTERIZATION

In the Federal District, answers were obtained from 11 establishments, distributed among the economic segments shown in Chart 38.

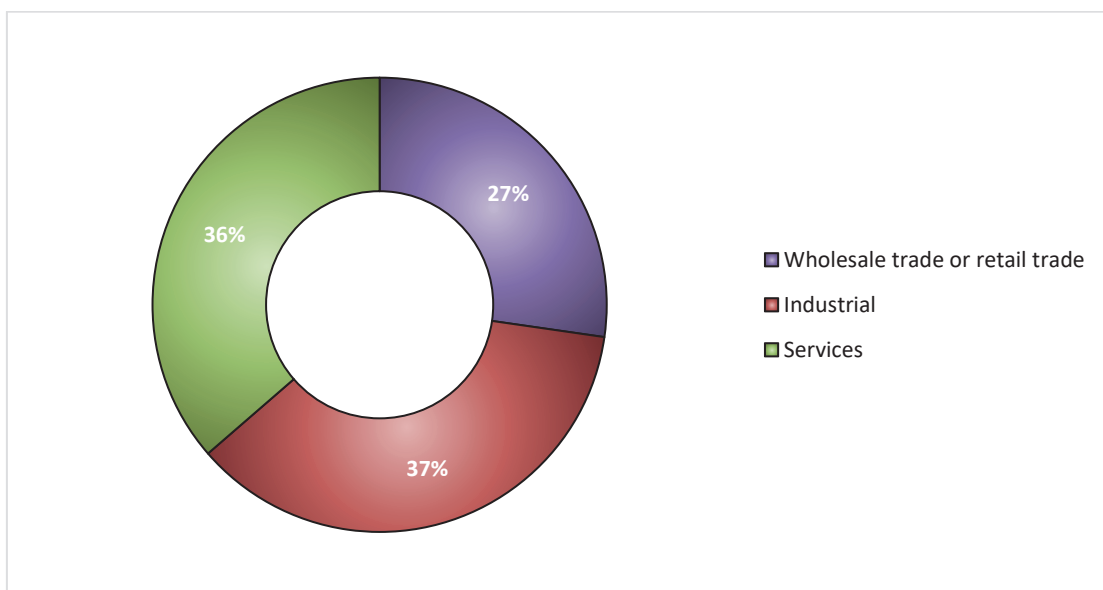


Chart 38 - Economic segment of the business groups - Federal District

4.2.4.2 OVERALL RESULT

In order to meet the whole tax compliance in the Federal District, an establishment of the surveyed companies spends, on average, approximately, 1.8 thousand hours a year, with Block I being the most representative, followed by Block IV.

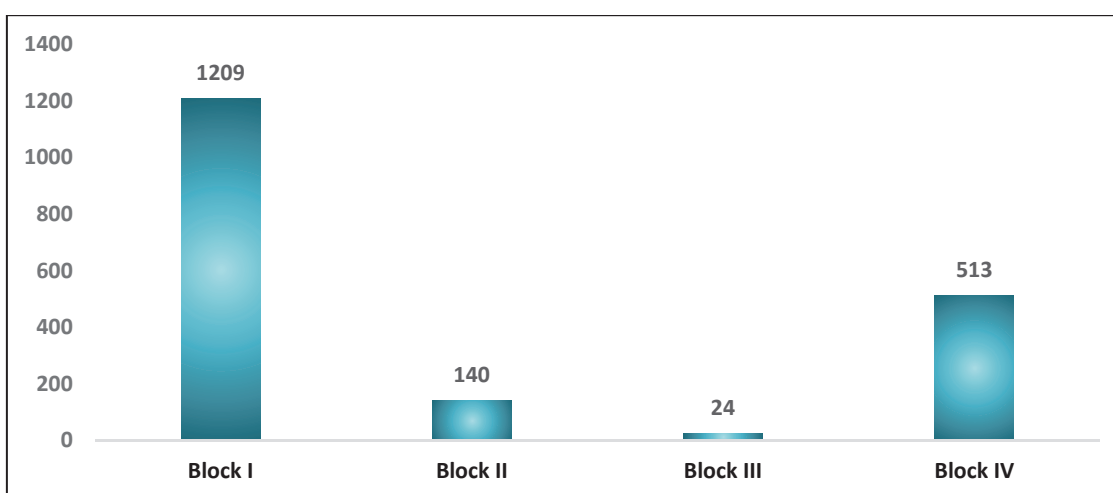


Chart 39 - General Results by Block - Federal District

Table 28, shows the average number of people involved, not exclusively, per establishment, in the activities/stages specified above:

Activity	People involved
Block I	10.6
Block II	4.0
Block III	5.5
Block IV	7.0

Table 28 - Average number of people involved in the activities - Federal District

4.2.4.3 ICMS AND ICMS-ST CALCULATION (Block I)

Block I is divided into 3 activities, namely ICMS calculation, ICMS-ST calculation, and respective accessory obligations, totaling 1.2 thousand hours. Out of this total, about 974 hours are spent on ICMS calculation, 124 hours on ICMS-ST calculation and 111 hours on accessory obligations, as summarized in Chart 40.

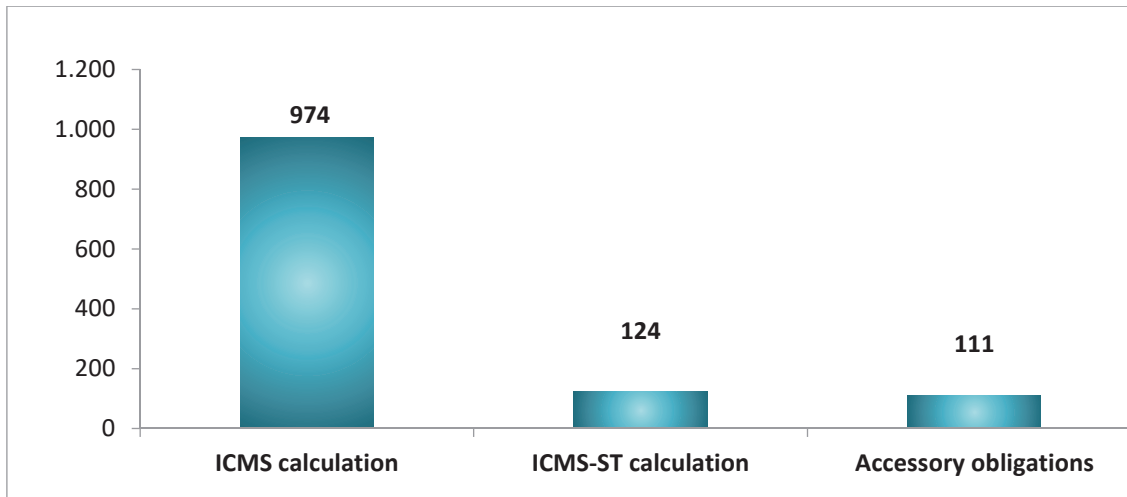


Chart 40 - Block I - Average hours - Federal District

This result shows that, in the Federal District, the ICMS calculation stage demands more time from the companies than the other activities in this block.

Calculation

Prior to the calculation of taxes, the taxpayer needs to perform several other activities, such as legislation monitoring, implementation in a systemic environment and impact assessment; bookkeeping of tax documents, management of auxiliary controls, among others. As a result, the survey sought to calculate the time spent on these specific items of the calculation stage, as shown in Charts 41 e 42.

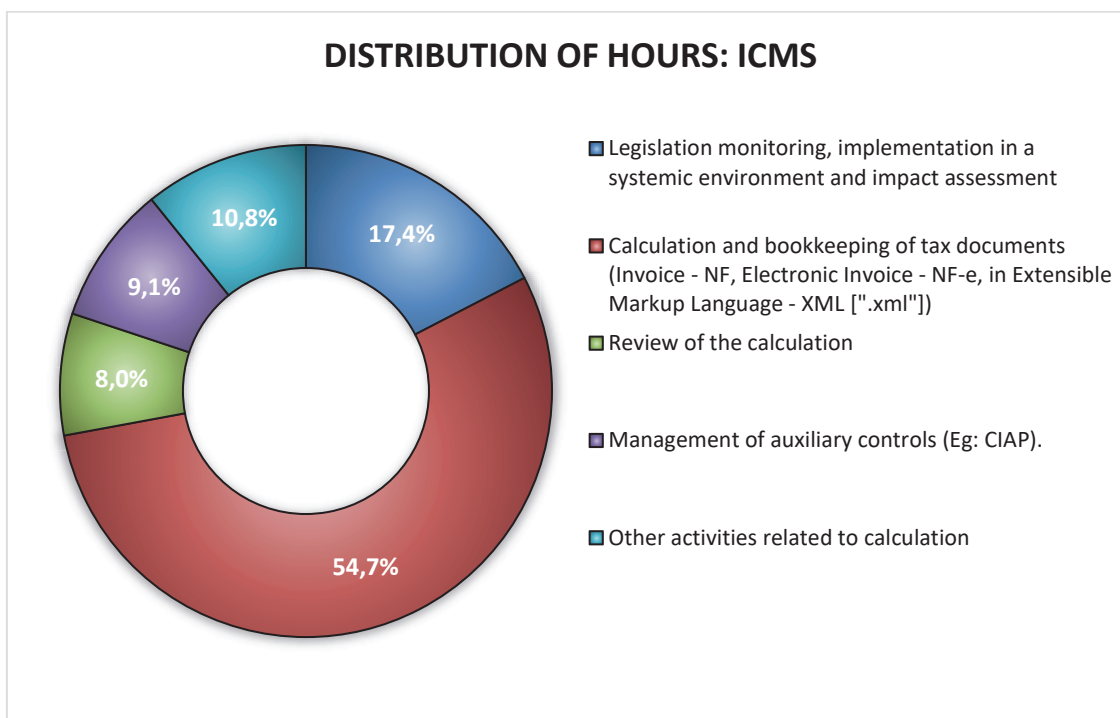


Chart 41 - ICMS: Average percentage distribution of annual hours for calculation - Federal District

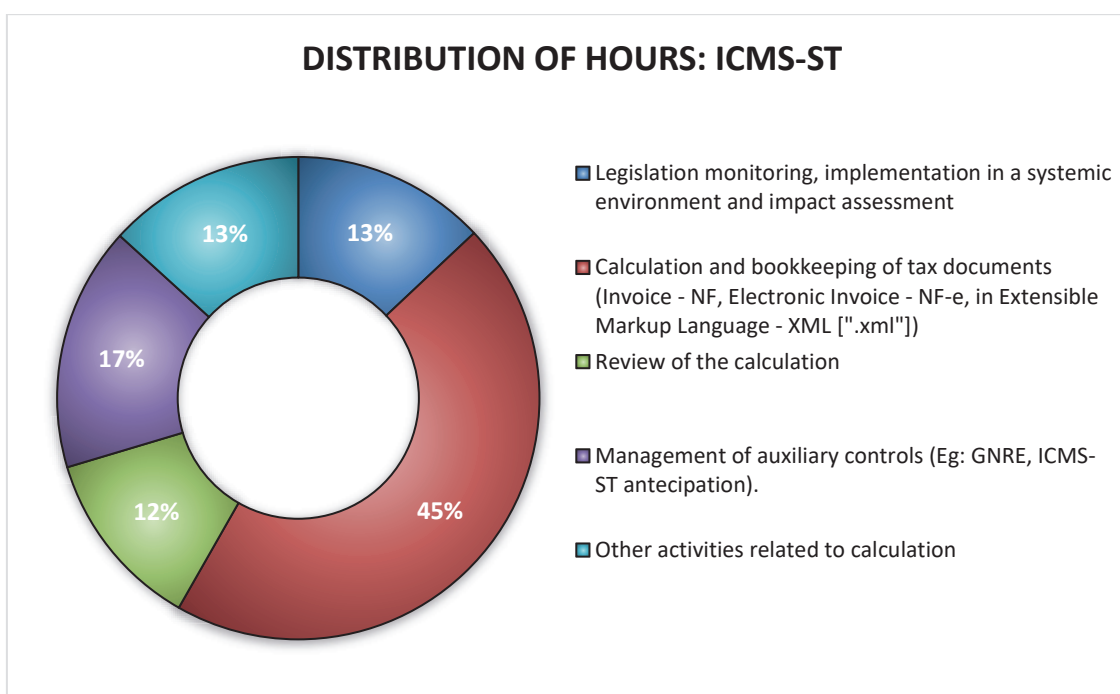


Chart 42 - ICMS-ST: Average percentage distribution of annual hours for calculation - Federal District

Charts 41 and 42 show that the portion related to tax calculation represented 54.7% (ICMS) and 45.3% (ICMS-ST) of the calculation process total time. It is worth mentioning that this activity includes the capture of entry and exit tax documents (.xml); document checking; storage; bookkeeping; ICMS and ICMS-ST calculation; sample analysis based on documents, current legislation, and differentiated tax treatments; specific collections and/or adjustments in chart account, such as the tax rate differential, reversals, etc.

In addition, it is noteworthy that, in the case of Chart 42, 16.4% of the time assigned to ICMS-ST calculation is spent on the management of auxiliary controls such as GNRE, ICMS-ST, tax substitute registration, etc.

Accessory obligations

With regard to preparing and delivering the accessory obligations related to ICMS and ICMS-ST in the Federal District, Federal District, according to the answers provided, the surveyed companies annually spend, on average, 111 hours per establishment. Chart 43 shows the average number of annual hours spent on each applicable accessory obligation.

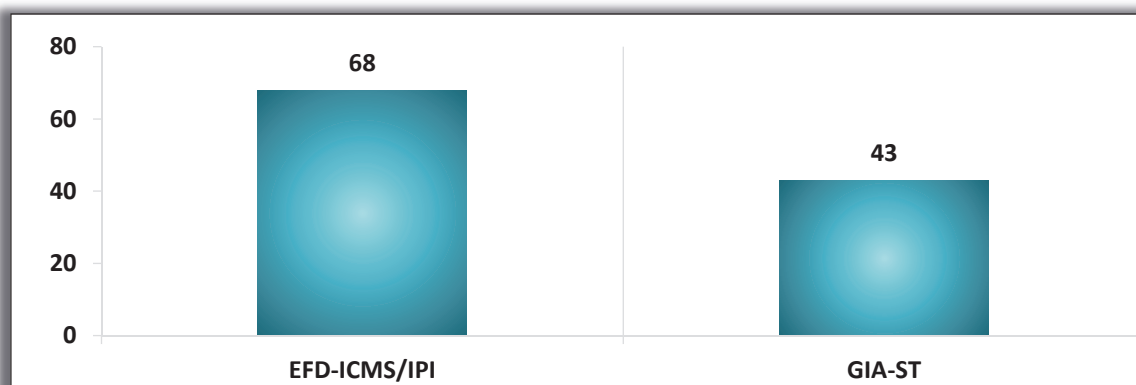


Chart 43 - Average annual hours per accessory obligation - Federal District

As for the number of hours spent on filling in the EFD-ICMS/IPI being higher when compared to the other accessory obligations, the reason is that the EFD-ICMS/IPI requires a higher level of detail of the information.

Number of people involved

Table 29 shows the average number of people involved, not exclusively, in some of the tax compliance activities related to ICMS and ICMS-ST.

Activity	People involved
<i>Calculation</i>	
ICMS	6.4
ICMS-ST	1.1
<i>Accessory obligations</i>	
GIA-ST	1
EFD-ICMS/IPI	2.1

Table 29 - Block I - Average number of people involved per activity - Federal District

Causes

According to the interviewees, the main difficulties faced by taxpayers throughout the compliance process related to ICMS and ICMS-ST in the Federal District are the complexity of internal processes to support the calculation and the short period of time between preparing and delivering the accessory obligation, as shown in Table 30.

Position	Causes	Average Rating
1 st	Complexity of processes and internal controls	5.20
2 nd	Short period of time between preparing and delivering	4.80
3 rd	Number of tax returns with the same delivery date	4.80
4 th	Information-intensive obligations	3.90
5 th	Adaptation and localization of systems	3.60
6 th	Complexity of accessory obligations	3.40
7 th	Complexity of legislation	2.30

Table 30 - Block I - Main Causes - Federal District

4.2.4.4 ACCRUED ICMS AND ICMS-ST CREDITS (BLOCK II)

The surveyed companies devote annually, on average, per establishment, 140 hours to calculation of their own accrued ICMS credit. Regarding the other activities comprised by this block, the answers were considered insufficient for analysis purposes, as shown in the table below.

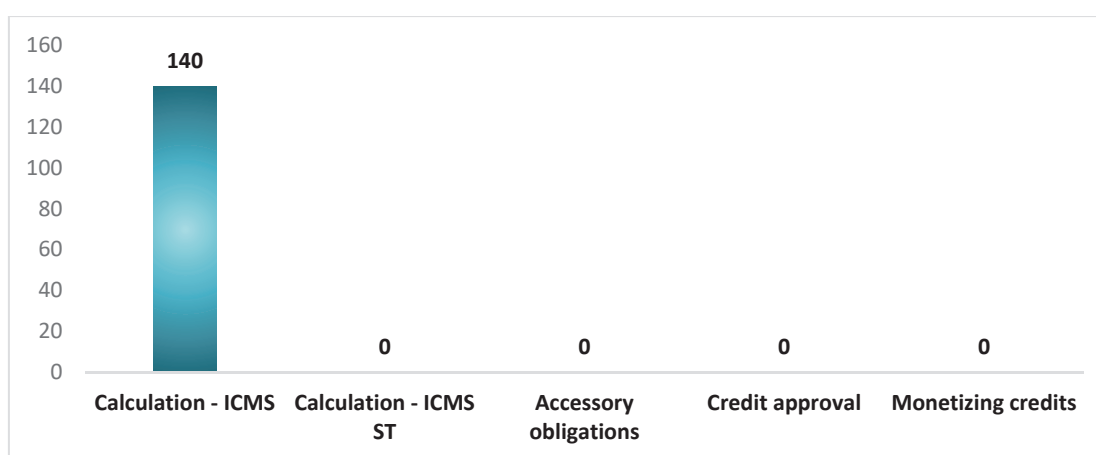


Chart 44 - Block II - Average hours - Federal District

The insufficiency of answers for the other activities is due to the fact that the State does not have effective procedures for claiming the credit, making the process of repayment/reimbursement slow and bureaucratic.

Number of people involved

Table 31 below shows the average number of people involved, not exclusively, in tax compliance activities comprised by Block II.

Activity	People involved
Calculation - ICMS	4
ICMS ST - Calculation	0
Accessory obligations	0
Credit approval	0
Monetizing credit	0

Table 31 - Block II - Average number of people involved per activity - Federal District

Causes

It was not possible to tabulate the main causes of complexity for Block II because of the insufficient number of answers for this question.

4.2.4.5 SPECIAL REGIMES, TAX INCENTIVES AND SECTORIAL CONTROLS (BLOCK III)

The surveyed companies devote annually, on average, per establishment, 24 hours to compliance activities related to ICMS special regimes, tax incentives and sectorial controls in the Federal District. Out of this total, about 16 hours are spent on calculation, management and control procedures, and 8 hours on the fulfillment of accessory obligations, as summarized in Chart 45.

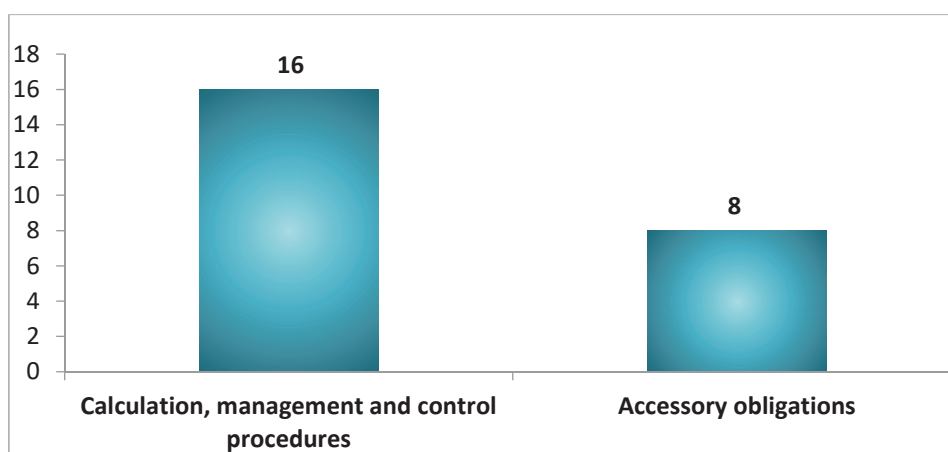


Chart 45 - Block III - Average hours - Federal District

The special regimes encompass the issuing and bookkeeping of tax documents, the grant of deferrals, tax incentives and benefits, differentiated forms and deadlines for the collection of the main ICMS obligations, among others.

It is important to mention that this Block must be analyzed together with Block I (Calculation of ICMS and ICMS-ST), since both the calculation of tax incentives and the respective bookkeeping in the accessory obligations are part of the tax calculation routine.

Number of people involved

Table 32 shows the average number of people involved, not exclusively, in compliance activities related to the ICMS special regimes, tax incentives and sectorial controls:

Activity	People involved
Calculation, management and control	3.0
Accessory obligations	2.5

Table 32 - Block III - Average number of people involved per activity - Federal District

Causes

According to the interviewees, there are several causes that hinder the compliance process related to the ICMS special regimes, tax incentives and sectorial controls in the Federal District, out of which we highlight the complexity of the processes and internal controls; the

short period of time between preparing and delivering; and the number of tax returns with the same delivery date, as shown in Table 33.

Position	Causes	Average Rating
1 st	Complexity of processes and internal controls	6.33
2 nd	Number of tax returns with the same delivery date	5.33
3 rd	Short period of time between preparing and delivering	4.33
4 th	Adaptation and localization of systems	4.33
5 th	Complexity of legislation	3.00
6 th	Information-intensive obligations	3.00
7 th	Complexity of accessory obligations	1.66

Table 33 - Block III - Main Causes - Federal District

4.2.4.6 INSPECTIONS, ADMINISTRATIVE LITIGATION AND DEBT CLEARANCE CERTIFICATES (BLOCK IV)

The surveyed companies devote annually, on average, per establishment, 513 hours to compliance activities comprised by this block. Out of this total, a volume of 227 for management of administrative litigation stand out, according to the Chart below.

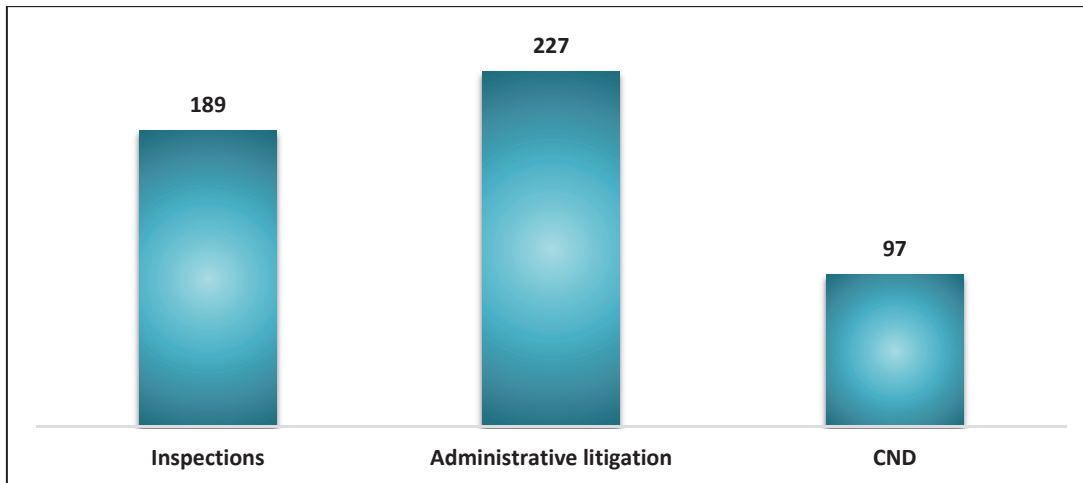


Chart 46 - Block IV - Average hours - Federal District

The significant number of hours presented for administrative litigation management reflects the complexity of handling the tax deficiency notices, which involves hiring law firms, preparing technical reports, auxiliary controls, enclosing tax documents, and all the necessary subsidies to support the administrative defense.

Number of people involved

Table 34 shows the average number of people involved, not exclusively, in compliance activities comprised by Block IV.

Activity	People involved
Inspections	2.7
Administrative litigation	2.7
CND	1.6

Table 34 - Block IV - Average number of people involved per activity - Federal District

4.2.5 GOIÁS

4.2.5.1 SAMPLE CHARACTERIZATION

In the State of Goiás, answers were obtained from 14 establishments, which are distributed among the economic segments shown in Chart 47.

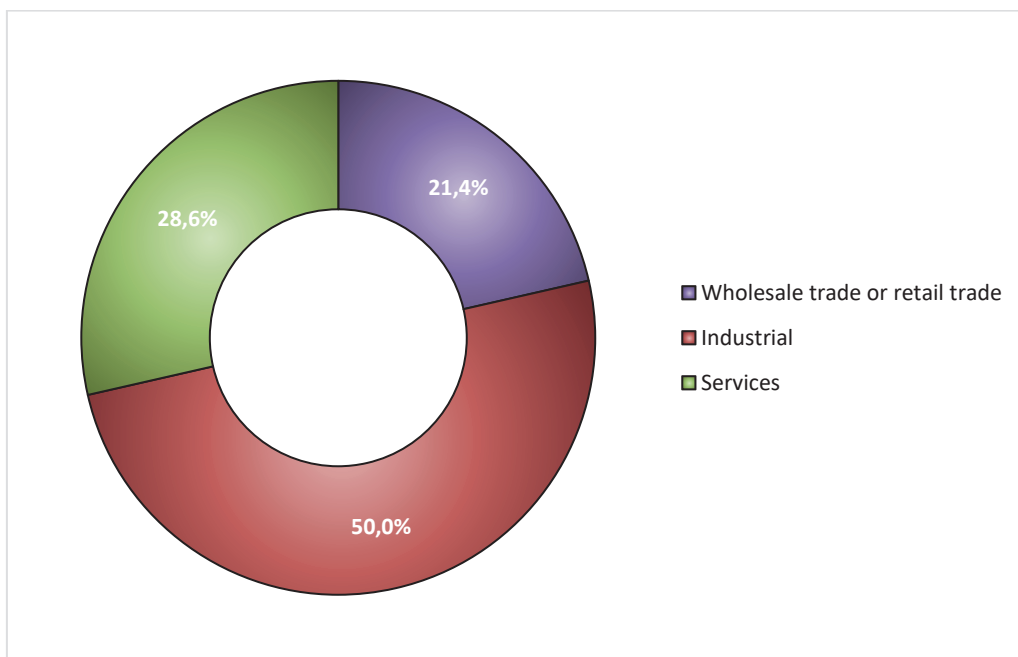


Chart 47 – Economic segment of the business groups – Goiás

4.2.5.2 OVERALL RESULT

In order to meet the whole tax compliance in the State of de Goiás, an establishment of the surveyed companies spends, on average, approximately, 2.4 thousand hours a year, with Block I being the most representative, followed by Block IV.

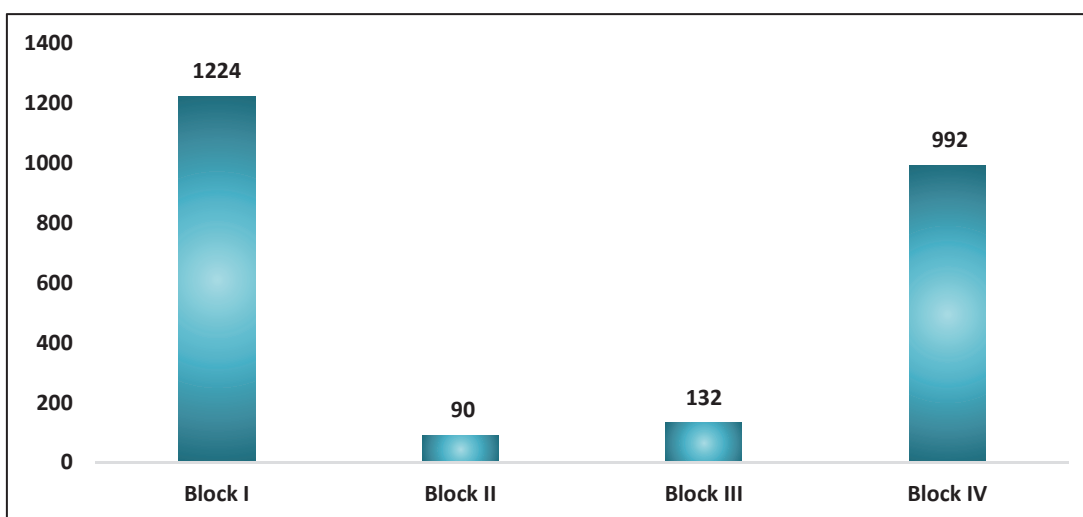


Chart 48 – Block I – Average hours – Goiás

The following table shows the average number of people involved, not exclusively, per establishment, in the activities/stages specified above.

Activity	People involved
Block I	14.4
Block II	1.7
Block III	3.7
Block IV	8.7

Table 35 - Average number of people involved in the activities - Goiás

4.2.5.3 ICMS AND ICMS-ST CALCULATION (BLOCK I)

Block I is divided into 3 activities, namely ICMS calculation, ICMS-ST calculation, and respective accessory obligations, totaling 1.2 thousand hours. Out of this total, about 797 hours are spent on ICMS calculation, 69 hours on ICMS-ST calculation e 358 hours on accessory obligations, as summarized in o Chart 49.

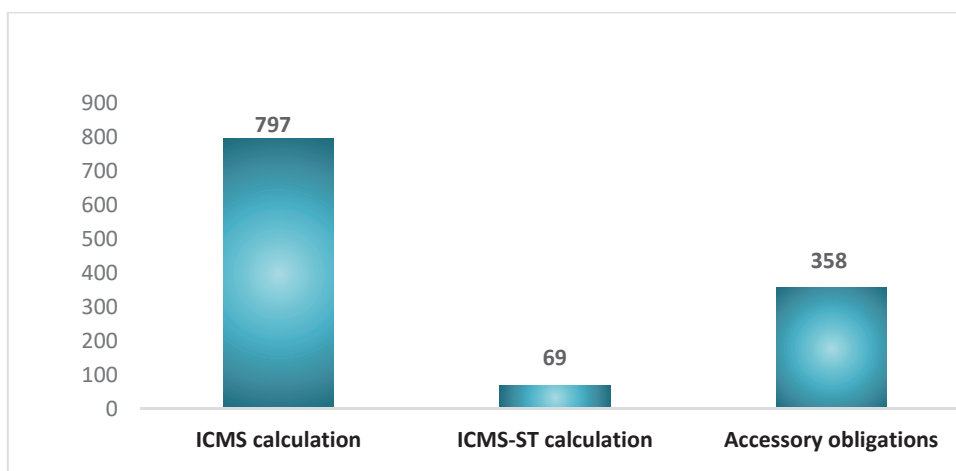


Chart 49 - Block I - Average hours - Goiás

This result shows that in the state of Goiás, the ICMS calculation stage demands more time from the companies than the other activities in this block.

It is important to comment that, during the last few years, the State of Goiás has revoked the ICMS levy by tax substitution in a large part of the products, which is reflected in the low volume of hours assigned to this calculation.

Calculation

Prior to the calculation of taxes, the taxpayer needs to perform several other activities, such as legislation monitoring, implementation in a systemic environment and impact assessment; bookkeeping of tax documents, management of auxiliary controls, among others. As a result, the survey sought to calculate the time spent on these specific items of the calculation stage, as shown in Charts 50 and 51.

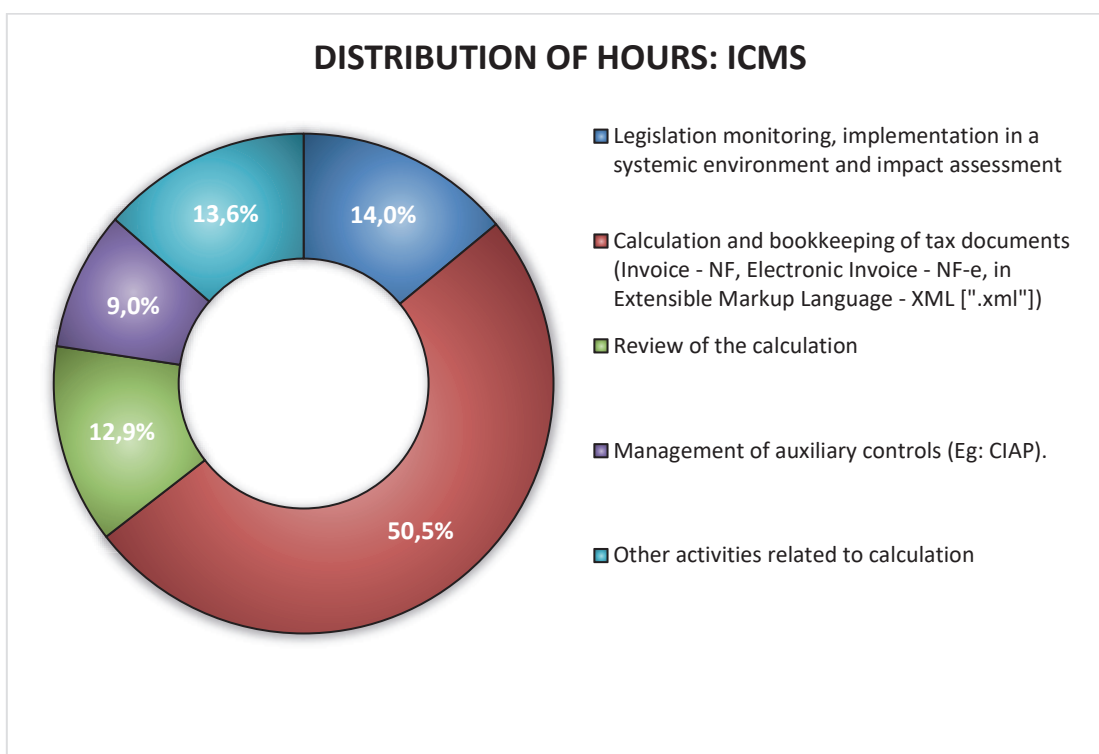


Chart 50 - ICMS: Average percentage distribution of annual hours for calculation - Goiás

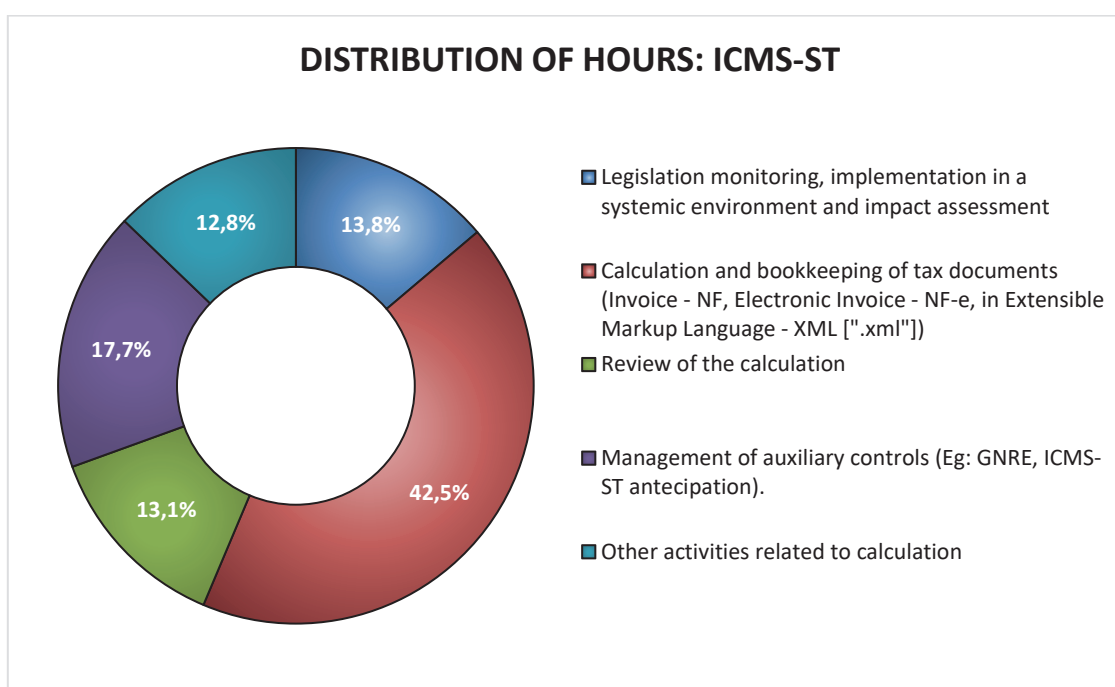


Chart 51 - ICMS-ST: Average percentage distribution of annual hours for calculation - Goiás

Charts 50 e 51 show that the portion related to tax calculation represented 50.5% (ICMS) and 42.5% (ICMS-ST) of the calculation process total time. It is worth mentioning that this activity includes the capture of entry and exit tax documents (.xml); document checking; storage; bookkeeping; ICMS and ICMS-ST calculation; sample analysis based on documents, current legislation, and differentiated tax treatments; specific collections and/or adjustments in chart account, such as the tax rate differential, reversals, etc.

In addition, the research tried to identify, in a separate way, the impacts of the time spent on activities such as legislation follow up and monitoring, implementing the systemic environment and evaluating the impact on business, such as the entry or exit of products from the ICMS tax substitution regime, signing protocols between some States, reduction or increase in the tax burden, etc. Such controls demanded 14.0% (ICMS) and 13.8% (ICMS-ST) of the total hours spent.

Furthermore, it is noteworthy that in the case of Chart 51, 17.7% of the time spent on ICMS-ST calculation is spent on the management of auxiliary controls, such as GNRE, ICMS-ST, tax substitute registration, etc.

Accessory obligations

With regard to preparing and delivering accessory obligations related to ICMS and ICMS-ST in the State of Goiás, according to the answers provided, the surveyed companies annually spend, on average, per establishment, 358 hours per year. Chart 52 shows the average number of annual hours spent per accessory obligation applicable in the State.

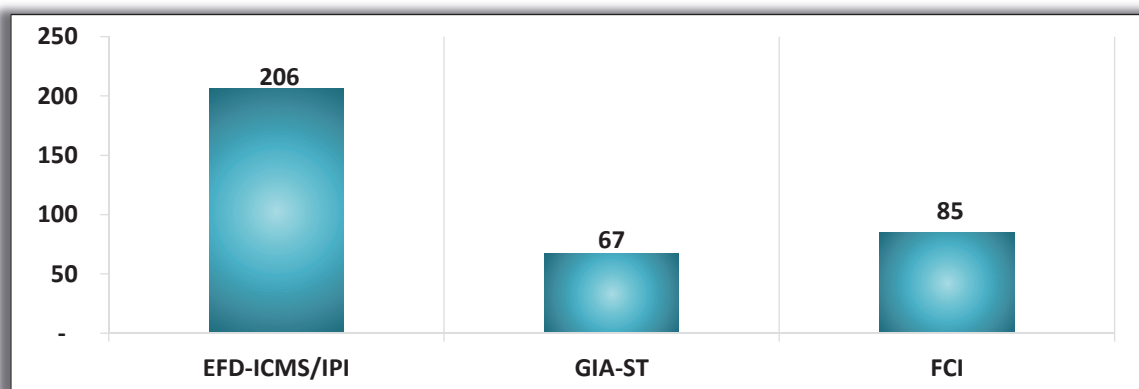


Chart 52 - Average annual hours per accessory obligation - Goiás

As for the number of hours spent on filling in the EFD-ICMS/IPI being higher when compared to the other accessory obligations do Estado, the justification is due to the fact that the EFD-ICMS/IPI requires a much higher level of detail of information.

Number of people involved

Table 36 shows the average number of people involved, not exclusively, in some of the tax compliance activities related to ICMS and ICMS-ST, in the State of Goiás.

Activity	People involved
<i>Calculation</i>	
ICMS	5.7
ICMS-ST	1.4
<i>Accessory obligations</i>	
EFD-ICMS/IPI	4.5
GIA-ST	1.0
FCI	1.8

Table 36 - Block I - Average number of people involved per activity - Goiás

Causes

Table 12 shows the average number of people involved, not exclusively, in some of the tax compliance activities related to ICMS and ICMS-ST in the State of Goiás are the large volume of information required in the accessory obligations and the adaptation and localization of systems, as shown in Table 37.

Position	Causes	Average Rating
1 st	Information-intensive obligations	3.67
2 nd	Adaptation and localization of systems	4.75
3 rd	Complexity of accessory obligations	2.67
4 th	Short period of time between preparing and delivering	4.33
5 th	Complexity of legislation	3.58
6 th	Complexity of processes and internal controls	4.83
7 th	Number of tax returns with the same delivery date	4.17

Table 37 - Block I - Main Causes - Goiás

4.2.5.4 ACCRUED ICMS AND ICMS-ST CREDITS (BLOCK II)

The surveyed companies devote annually, on average, per establishment, 90 hours to calculation of their own accrued ICMS credit. In relation to the other activities, the answers were considered insufficient for analysis purposes.

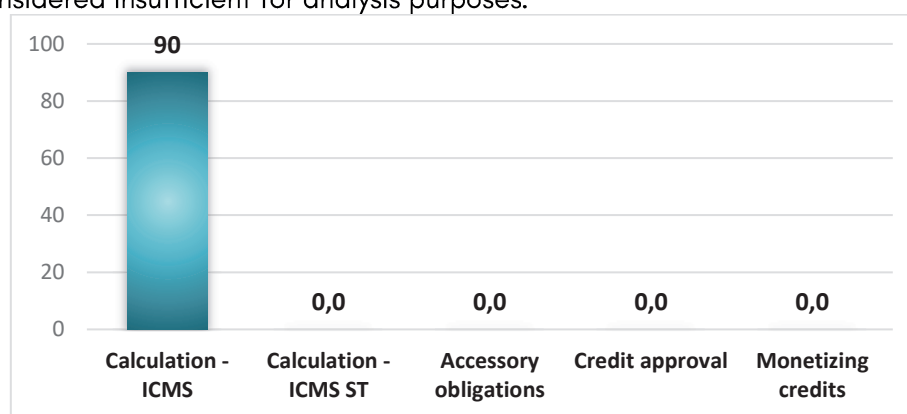


Chart 53 - Block II - Average hours - Goiás

The insufficiency of answers for the other activities is due to the fact that the State does not have effective procedures for claiming the credit, making the process of repayment/reimbursement slow and bureaucratic.

Number of people involved

Table 38 below shows the average number of people involved, not exclusively, in tax compliance activities comprised by Block II.

Activity	People involved
ICMS Calculation	1.7
ICMS ST - Calculation	0
Accessory obligations	0
Credit approval	0
Monetizing credit	0

Table 38 - Block II - Average number of people involved per activity - Goiás

Causes

According to the interviewees, the causes that most hinder the compliance process related to accrued ICMS and ICMS-ST credits in the State of Goiás are the number of tax returns with the same delivery date and the complexity of the accessory obligations, as shown in Table 39.

Position	Causes	Average Rating
1 st	Number of tax returns with the same delivery date	5.00
2 nd	Complexity of accessory obligations	4.50
3 rd	Short period of time between preparing and delivering	4.50
4 th	Information-intensive obligations	4.00
5 th	Complexity of processes and internal controls	4.00
6 th	Adaptation and localization of systems	3.50
7 th	Complexity of legislation	2.50

Table 39 - Accumulated ICMS and ICMS-ST credits in the State of GO: Main causes that hinder the compliance process

4.2.5.5 SPECIAL REGIMES, TAX INCENTIVES AND SECTORIAL CONTROLS (BLOCK III)

The surveyed companies devote annually, on average, per establishment, 132 hours to compliance activities related to ICMS special regimes, tax incentives and sectorial controls. Out of this total, about 73 hours are spent on calculation, management and control procedures, and 59 hours on the fulfillment of accessory obligations, as summarized in Chart 54.

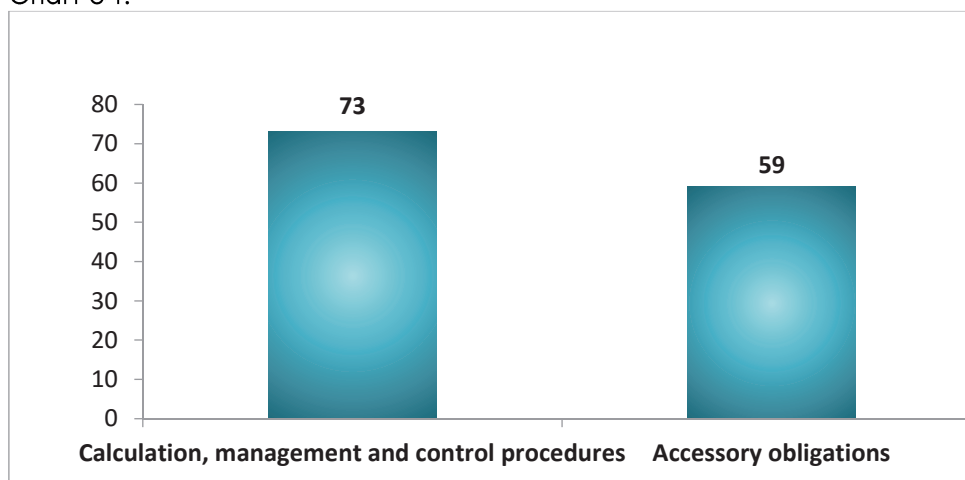


Chart 54 - Block III - Average hours - Goiás

Historically, the State of Goiás has granted tax incentives to taxpayers as a way of attracting investments, which include the issuing and bookkeeping of tax documents, the granting of deferrals, incentives and tax benefits, differentiated forms and deadlines for the collection of the main ICMS obligations, among others.

From the abovementioned results and the interviewees' information, it is possible to infer that, to allow a better operating efficiency of the companies, there is usually the need to obtain a variety of special regimes. Such mechanisms require a series of additional internal controls, as a way to comply with the counterparts entered into via the Agreement.

It is important to mention that this Block must be analyzed together with Block I (ICMS and ICMS-ST calculation), since both the calculation of tax incentives and the respective bookkeeping in the accessory obligations are part of the tax calculation routine.

Number of people involved

Table 40 shows the average number of people involved, not exclusively, in compliance activities related to the ICMS special regimes, tax incentives and sectorial controls.

Activity	People involved
Calculation, management and control	2.1
Accessory obligations	1.6

Table 40 - Block III - Average number of people involved per activity - Goiás

Causes

According to the interviewees, the causes that most hinder the compliance process related to the ICMS special regimes, tax incentives and sectorial controls in the State of Goiás are the adaptation and localization of systems and the complexity of the respective legislation, as shown in Table 41.

Position	Causes	Average Rating
1 st	Adaptation and localization of systems	4.55
2 nd	Complexity of legislation	4.00
3 rd	Information-intensive obligations	4.11
4 th	Complexity of processes and internal controls	4.22
5 th	Short period of time between preparing and delivering	3.44
6 th	Number of tax returns with the same delivery date	4.00
7 th	Complexity of accessory obligations	3.66

Table 41 - Block III - Main Causes - Goiás

4.2.5.6 INSPECTIONS, ADMINISTRATIVE LITIGATION AND DEBT CLEARANCE CERTIFICATES (BLOCK IV)

The surveyed companies devote annually, on average, per establishment, about 992 hours to compliance activities comprised by this block. Out of this total, a volume of 683 hours for administrative litigation management stands out, as shown in Chart 55.

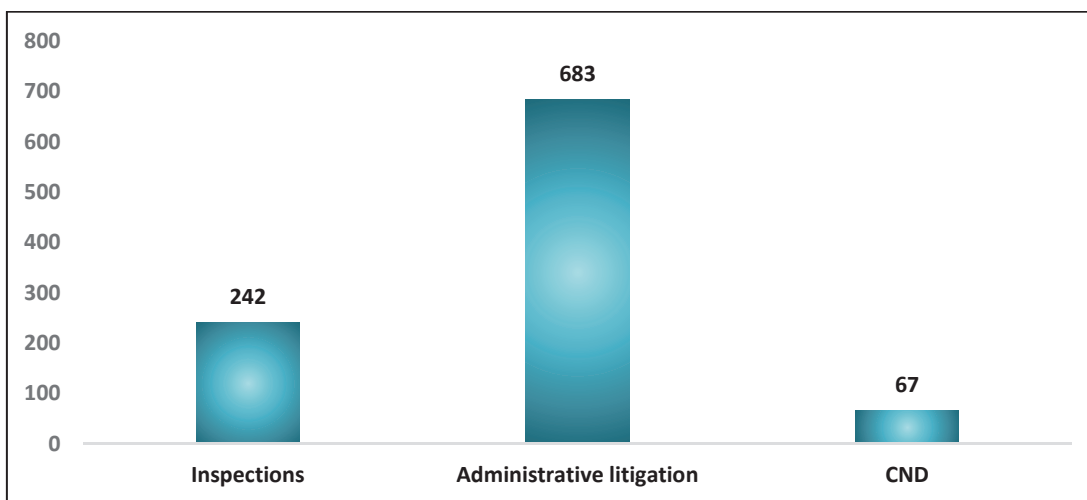


Chart 55 - Block IV - Average hours - Goiás

The significant number of hours presented for administrative litigation management reflects the complexity of handling the tax deficiency notices, which involves hiring law firms, preparing technical reports, auxiliary controls, enclosing tax documents, and all the necessary subsidies to support the administrative defense.

In addition, interviewees reported that in the years 2020 and 2021 there was significant movement in administrative cases by the State.

Number of people involved

Table 42 below shows the average number of people involved, not exclusively, in compliance activities comprised by Block IV.

Activity	People involved
Inspections	2.8
Administrative litigation	4.1
CND	1.8

Table 42 - Block IV - Average number of people involved per activity - Goiás

4.2.6 MARANHÃO

4.2.6.1 SAMPLE CHARACTERIZATION

In the state of Maranhão, answers were obtained from 10 establishments, which are distributed among the economic segments shown in Chart 56.

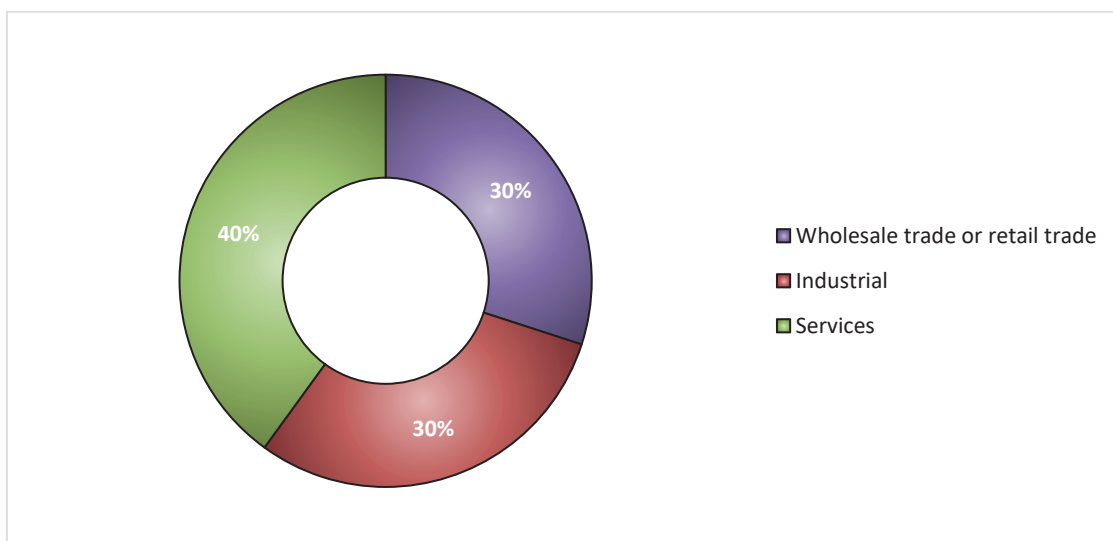


Chart 56 - Economic segment of the business groups - Maranhão

4.2.6.2 OVERALL RESULT

In order to meet the whole tax compliance in the State of do Maranhão, an establishment of the surveyed companies spends, on average, approximately, 1.4 thousand hours a year, with Block I being the most representative, followed by Block IV.

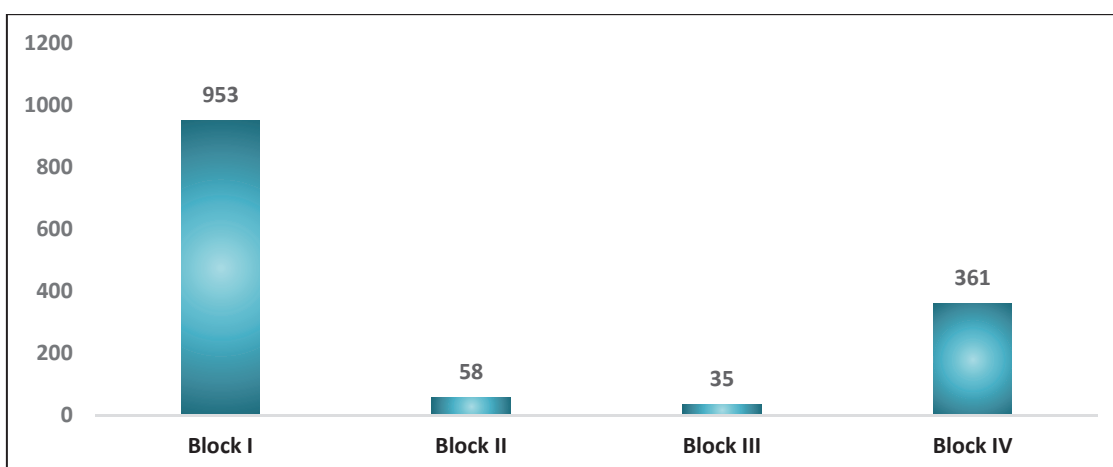


Chart 57 - General Results by Block - Maranhão

Table 43 below shows the average number of people involved, not exclusively, per establishment, in the following blocks:

Activity	People involved
Block I	20
Block II	2.6
Block III	4.3
Block IV	8.8

Chart 43 - General Results by Block - Maranhão

4.2.6.3 ICMS AND ICMS-ST CALCULATION (BLOCK I)

○ Block I is divided into 3 activities, namely ICMS calculation, ICMS-ST calculation, and respective accessory obligations, totaling 953 horas. Out of this total, about 597 hours are

spent on ICMS calculation, 203 hours on ICMS-ST calculation e 153 hours on accessory obligations, as summarized in o Chart 58.

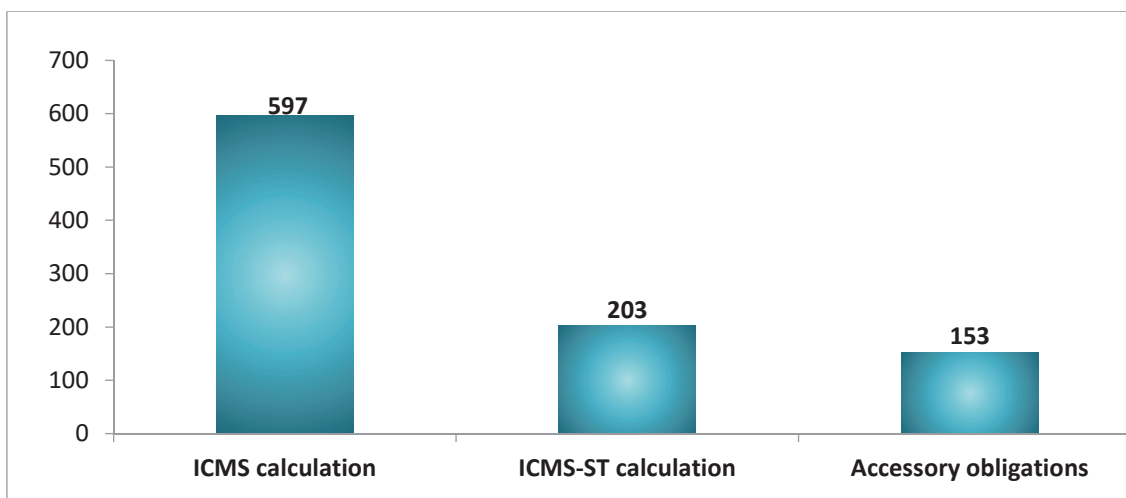


Chart 58 - Block I - Average hours - Maranhão

This result shows that, in the State of Maranhão, the ICMS calculation stage demands more time from the companies than the other activities in this block.

Calculation

Prior to the calculation of taxes, the taxpayer needs to perform several other activities, such as legislation monitoring, implementation in a systemic environment and impact assessment; bookkeeping of tax documents, management of auxiliary controls, among others. As a result, the survey sought to calculate the time spent on these specific items of the calculation stage, as shown in Charts 59 e 60.

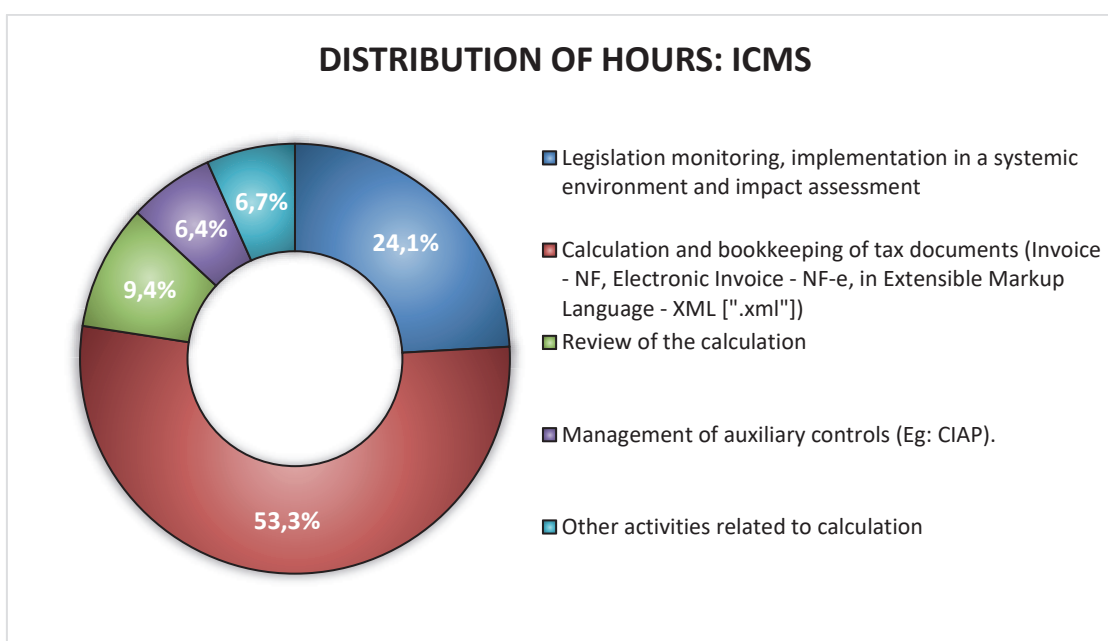


Chart 59 - ICMS: Average percentage distribution of annual hours for calculation - Maranhão

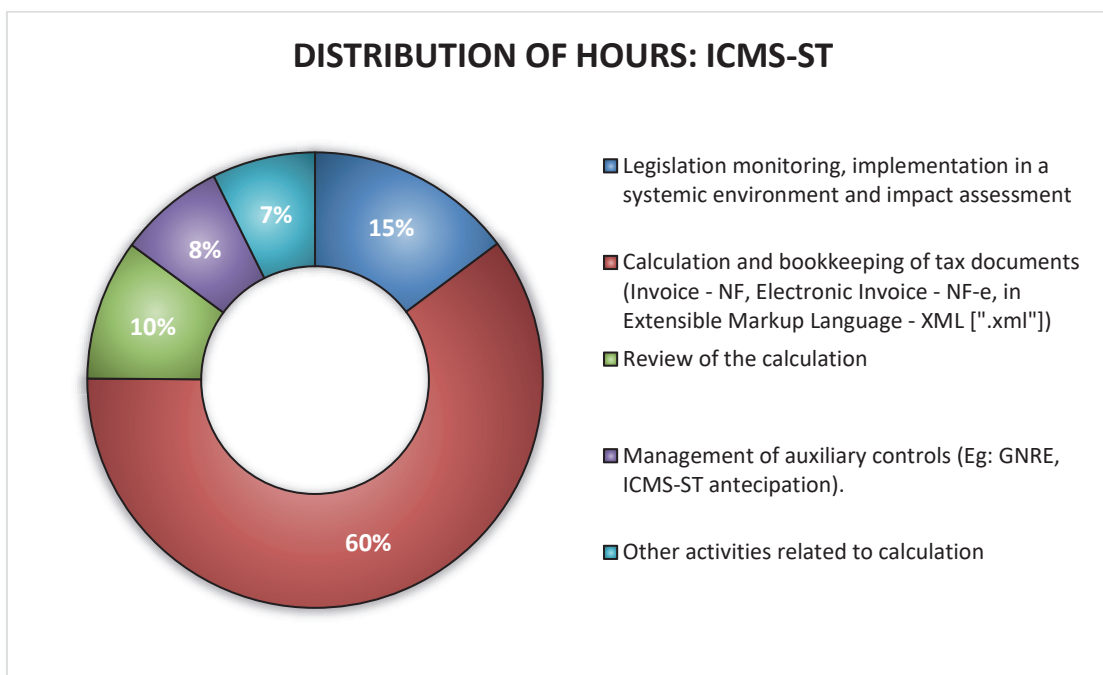


Chart 60 – ICMS-ST: Average percentage distribution of annual hours for calculation – Maranhão

Charts 59 e 60 show that the portion related to tax calculation represented 53.3% (ICMS) and 60.3% (ICMS-ST) of the calculation process total time. It is worth mentioning that this activity includes the capture of entry and exit tax documents (.xml); document checking; storage; bookkeeping; ICMS and ICMS-ST calculation; sample analysis based on documents, current legislation, and differentiated tax treatments; specific collections and/or adjustments in chart account, such as the tax rate differential, reversals, etc.

In addition, the research tried to identify, in a separate way, the impacts of the time spent on activities such as legislation follow up and monitoring, implementing the systemic environment and evaluating the impact on business, such as the entry or exit of products from the ICMS tax substitution regime, signing protocols between some States, reduction or increase in the tax burden, etc. Such controls demanded 24.1% (ICMS) and 14.8% (ICMS-ST) of the total hours spent.

Accessory obligations

With regard to preparing and delivering accessory obligations related to ICMS and ICMS-ST in the State of Maranhão, according to the answers provided, the surveyed companies annually spend, on average, per establishment, of 153 hours per year. Chart 61 shows the average number of annual hours spent per accessory obligation applicable in the State.

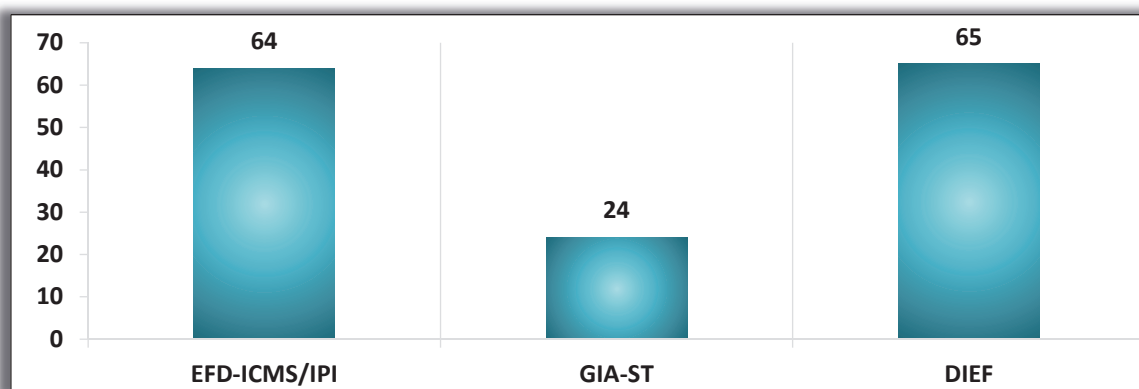


Chart 61 – Average annual hours per accessory obligation – Maranhão

With regard to the number of hours spent both in filling in the EFD-ICMS/IPI and the DIEF (Statement of Economic-Fiscal Information) presenting significant values, this is justified by the level of detailing of the information that is required.

Number of people involved

Table 44 shows the average number of people involved, not exclusively, in some of the tax compliance activities related to ICMS and ICMS-ST, in the State of Maranhão.

Activity	People involved
<i>Calculation</i>	
ICMS	7.3
ICMS-ST	6.5
<i>Accessory obligations</i>	
GIA-ST	1.0
EFD-ICMS/IPI	2.6
DIEF	2.6

Table 44 – Block I – Average number of people involved per activity – Maranhão

Causes

According to the interviewees, the main difficulties faced by taxpayers throughout the compliance process related to ICMS and ICMS-ST in the State of Maranhão are the short deadline from preparing to delivering the accessory obligation and the number of tax returns with the same delivery date, as shown in Table 45.

Position	Causes	Average Rating
1 st	Short period of time between preparing and delivering	5.11
2 nd	Number of tax returns with the same delivery date	4.78
3 rd	Complexity of processes and internal controls	4.44
4 th	Information-intensive obligations	4.00
5 th	Complexity of accessory obligations	3.44
6 th	Adaptation and localization of systems	3.22
7 th	Complexity of legislation	3.00

Table 45 – Block I – Main Causes – Maranhão

4.2.6.4 ACCRUED ICMS AND ICMS-ST CREDITS (Block II)

The surveyed companies devote annually, on average, per establishment, 58 hours to calculation of their own accrued ICMS credit. For the other activities, the answers were considered insufficient for analysis purposes.

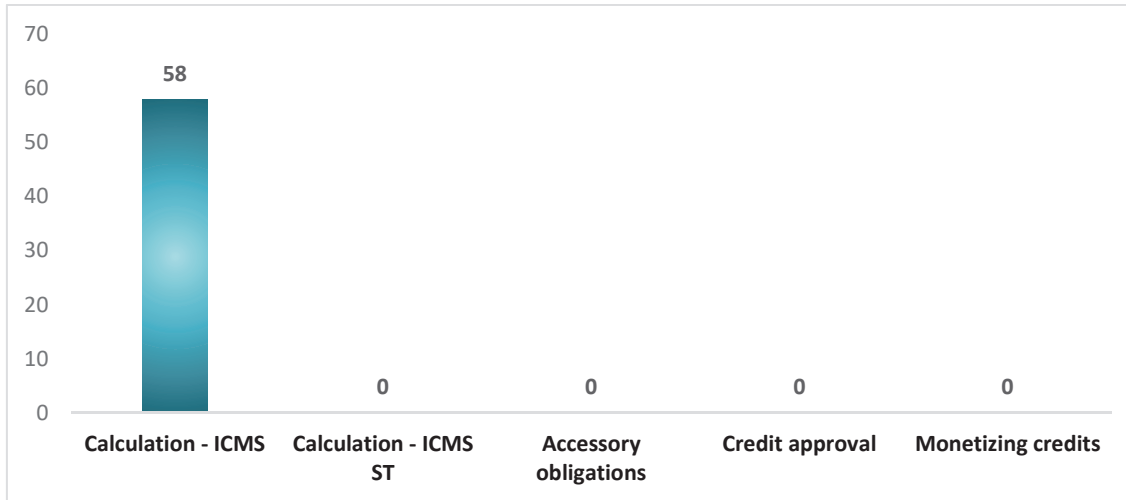


Chart 62 - Block II - Average hours - Maranhão

The insufficiency of answers for the other activities is due to the fact that the State does not have effective procedures for claiming the credit, making the process of repayment/reimbursement slow and bureaucratic.

Number of people involved

Table 46 shows the average number of people involved, not exclusively, in tax compliance activities comprised by Block II.

Activity	People involved
ICMS Calculation	2.6
ICMS ST - Calculation	0
Accessory obligations	0
Credit approval	0
Monetizing credit	0

Table 46 - Block II - Average number of people involved per activity - Maranhão

Causes

According to the interviewees, the cause that most hinders the compliance process related to the accrued ICMS and ICMS-ST credits in Maranhão are the complexity of the processes and internal controls, and the number of tax returns with the same delivery date, as shown in Table 47.

Position	Causes	Average Rating
1 st	Complexity of processes and internal controls	5.66
2 nd	Number of tax returns with the same delivery date	5.66
3 rd	Short period of time between preparing and delivering	4.66
4 th	Information-intensive obligations	4.33
5 th	Adaptation and localization of systems	3.66
6 th	Complexity of accessory obligations	2.66
7 th	Complexity of legislation	1.33

Table 47 – Block II – Main Causes – Maranhão

4.2.6.5 SPECIAL REGIMES, TAX INCENTIVES AND SECTORIAL CONTROLS (BLOCK III)

The surveyed companies devote annually, on average, per establishment, 35 hours to compliance activities related to ICMS special regimes, tax incentives and sectorial controls. Out of this total, about 22 hours are spent on calculation, management and control procedures, and 13 hours on the fulfillment of accessory obligations, as summarized in Chart 63.

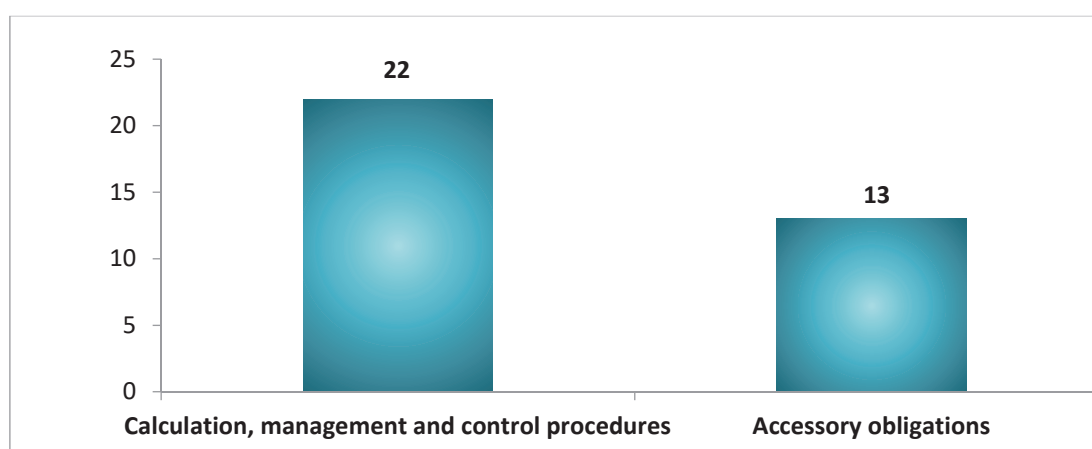


Chart 63 – Block III – Average hours – Maranhão

The special regimes encompass the issuing and bookkeeping of tax documents, the grant of deferrals, tax incentives and benefits, differentiated forms and deadlines for the collection of the main ICMS obligations, among others.

It is important to mention that this Block must be analyzed together with Block I (Calculation of ICMS and ICMS-ST), since both the calculation of tax incentives and the respective bookkeeping in the accessory obligations are part of the tax calculation routine.

Number of people involved

Table 48 shows the average number of people involved, not exclusively, in compliance activities related to the ICMS special regimes, tax incentives and sectorial controls.

Activity	People involved
Calculation, management and control	2.3
Accessory obligations	2,0

Table 48 – Block III – Average number of people involved per activity – Maranhão

Causes

According to the interviewees, there are several causes that hinder the compliance process related to ICMS Special Regimes, Tax Incentives and Sectorial Controls in the State of Maranhão, out of which we highlight the large volume of information required by the obligations and the complexity of the processes and internal controls, as shown in Table 49.

Position	Causes	Average Rating
1 st	Information-intensive obligations	5.80
2 nd	Complexity of processes and internal controls	5.20
3 rd	Complexity of legislation	3.80
4 th	Adaptation and localization of systems	3.80
5 th	Number of tax returns with the same delivery date	3.80
6 th	Short period of time between preparing and delivering	3.00
7 th	Complexity of accessory obligations	2.60

Table 49 - Block III - Main Causes - Maranhão

4.2.6.6 INSPECTIONS, ADMINISTRATIVE LITIGATION AND DEBT CLEARANCE CERTIFICATES (BLOCK IV)

The surveyed companies devote annually, on average, per establishment, 361 hours to compliance activities comprised by this block. Out of this total, a volume of 284 hours for administrative litigation management stands out, as shown in Chart 64.

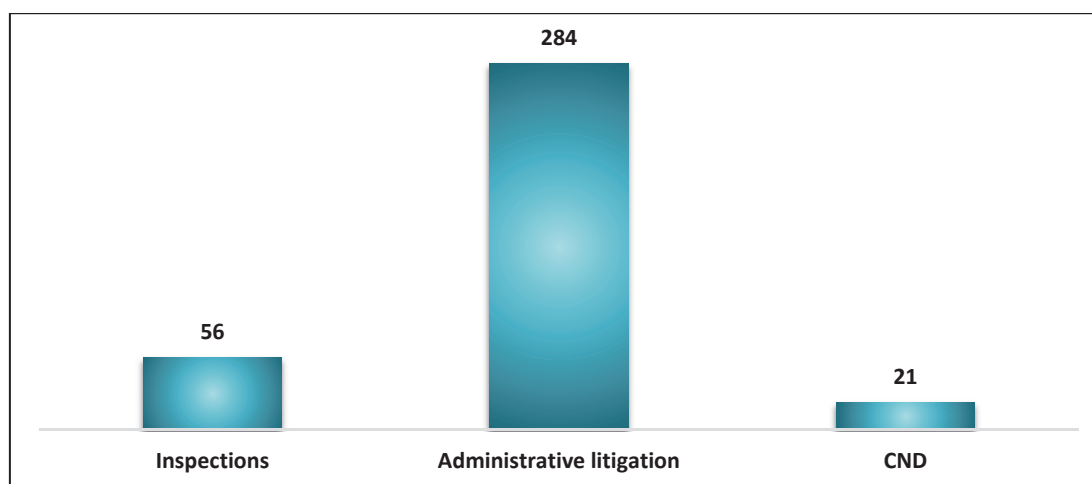


Chart 64 - Block IV - Average hours - Maranhão

The significant number of hours presented for administrative litigation management reflects the complexity of handling the tax deficiency notices, which involves hiring law firms, preparing technical reports, auxiliary controls, enclosing tax documents, and all the necessary subsidies to support the administrative defense.

Number of people involved

Table 50 shows the average number of people involved, not exclusively, in compliance activities comprised by Block IV:

Activity	People involved
Inspections	2.7
Administrative litigation	2.7
CND	1.6

Table 50 - Block IV - Average number of people involved per activity - Maranhão

4.2.7 MATO GROSSO

4.2.7.1 SAMPLE CHARACTERIZATION

In the state of Mato Grosso, answers were obtained from 12 establishments, which are distributed among the economic segments shown in Chart 65.

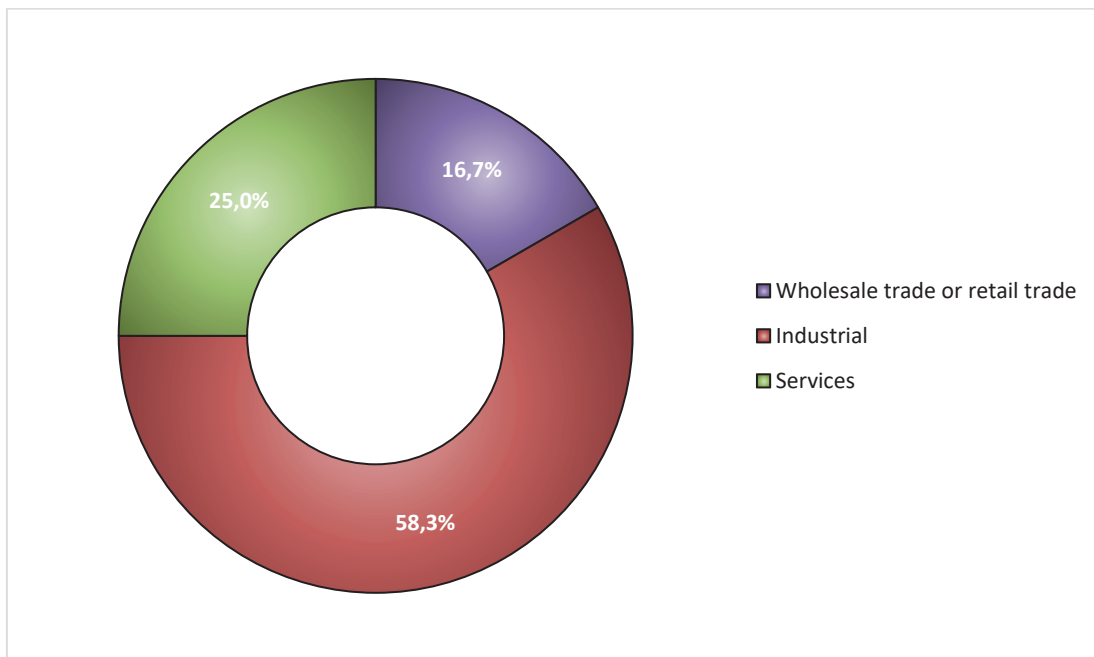


Chart 65 - Economic segment of the business groups - Mato Grosso

4.2.7.2 OVERALL RESULT

In order to meet the whole tax compliance in the State of do Mato Grosso, an establishment of the surveyed companies spends, on average, approximately, 2.3 thousand hours a year, with Block I being the most representative, followed by Block IV.

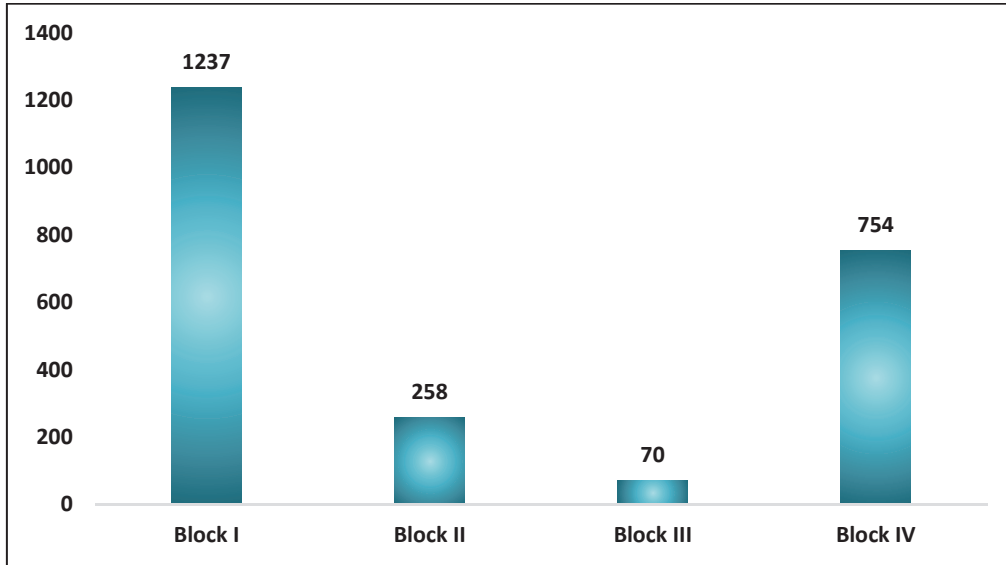


Chart 66 - General Results by Block - Mato Grosso

Table 51, shows the average number of people involved, not exclusively, per establishment, in the activities/stages specified above:

Activity	People involved
Block I	17.8
Block II	4.5
Block III	4.6
Block IV	9.0

Table 51 - Average number of people involved in the activities - Mato Grosso

4.2.7.3 ICMS AND ICMS-ST CALCULATION (Block I)

○ Block I is divided into 3 activities, namely ICMS calculation, ICMS-ST calculation, and respective accessory obligations, totaling 1237 horas. Out of this total, about 852 hours are spent on ICMS calculation, 168 hours on ICMS-ST calculation e 217 hours on accessory obligations, as summarized in o Chart 67.

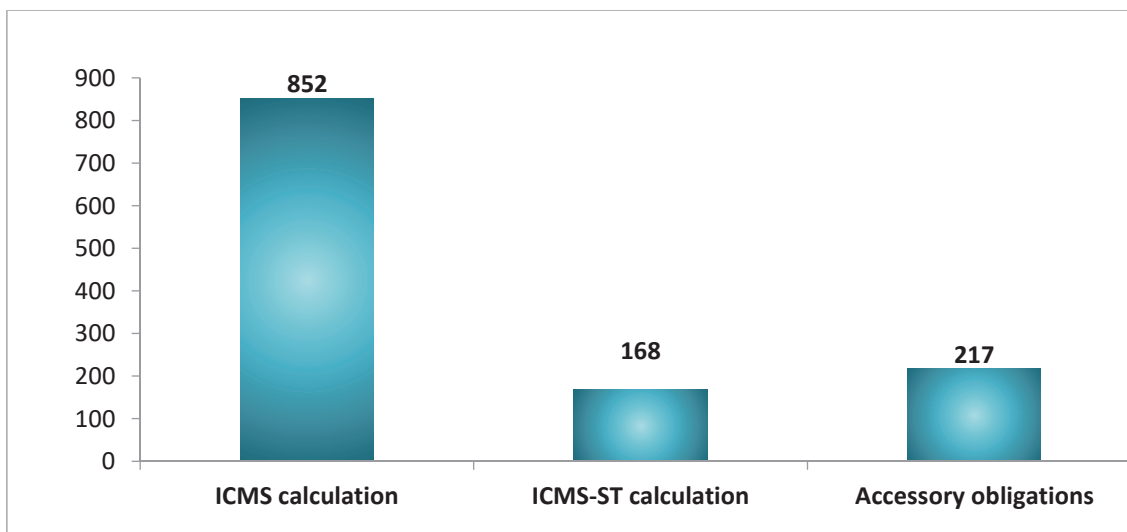


Chart 67 - Block I - Average hours - Mato Grosso

This result shows that, in the State of Mato Grosso, the ICMS calculation stage demands more time from the companies than the other activities in this block.

Calculation

Prior to the calculation of taxes, the taxpayer needs to perform several other activities, such as legislation monitoring, implementation in a systemic environment and impact assessment; bookkeeping of tax documents, management of auxiliary controls, among others. As a result, the survey sought to calculate the time spent on these specific items of the calculation stage, as shown in Charts 68 and 69.

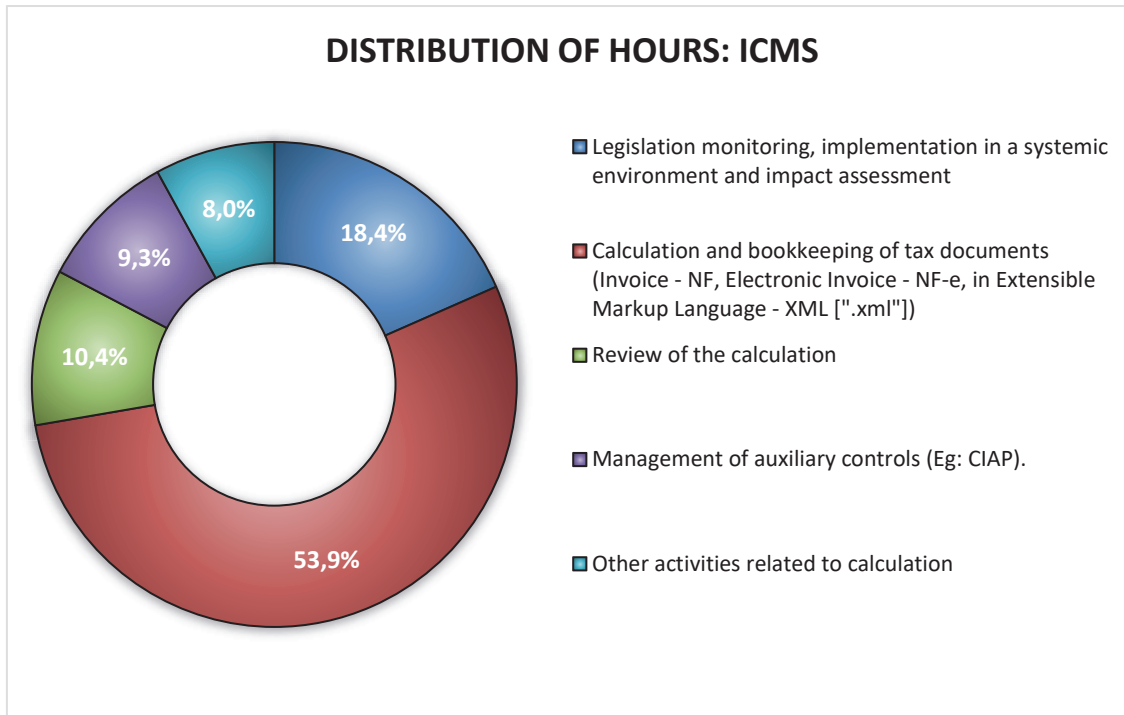


Chart 68 - ICMS: Average percentage distribution of annual hours for calculation - Mato Grosso

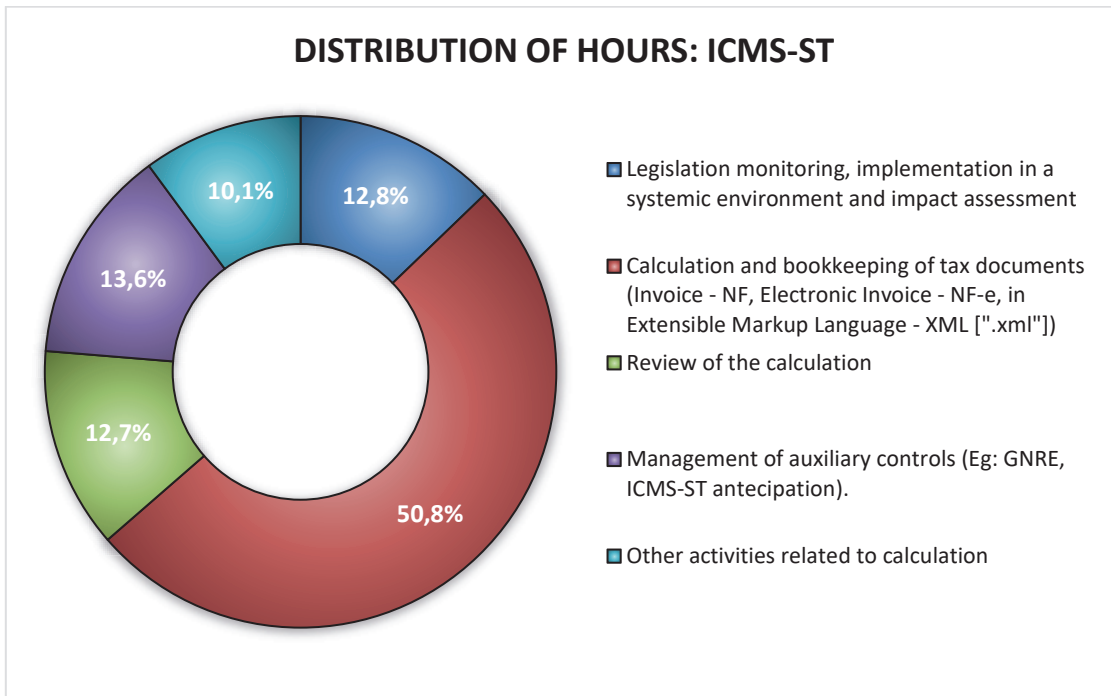


Chart 69 - ICMS-ST: Average percentage distribution of annual hours for calculation - Mato Grosso

Charts 68 e 69 show that the portion related to tax calculation represented 53,9% (ICMS) and 50,8% (ICMS-ST) of the calculation process total time. It is worth mentioning that this activity includes the capture of entry and exit tax documents (.xml); document checking; storage; bookkeeping; ICMS and ICMS-ST calculation; sample analysis based on documents, current legislation, and differentiated tax treatments; specific collections and/or adjustments in chart account, such as the tax rate differential, reversals, etc.

Accessory obligations

With regard to preparing and delivering the accessory obligations related to ICMS and ICMS-ST in the State of Mato Grosso, according to the answers provided, the surveyed companies annually spend, on average, per establishment, 217 annual hours. Chart 70 shows the average number of annual hours spent per accessory obligation applicable in the State.

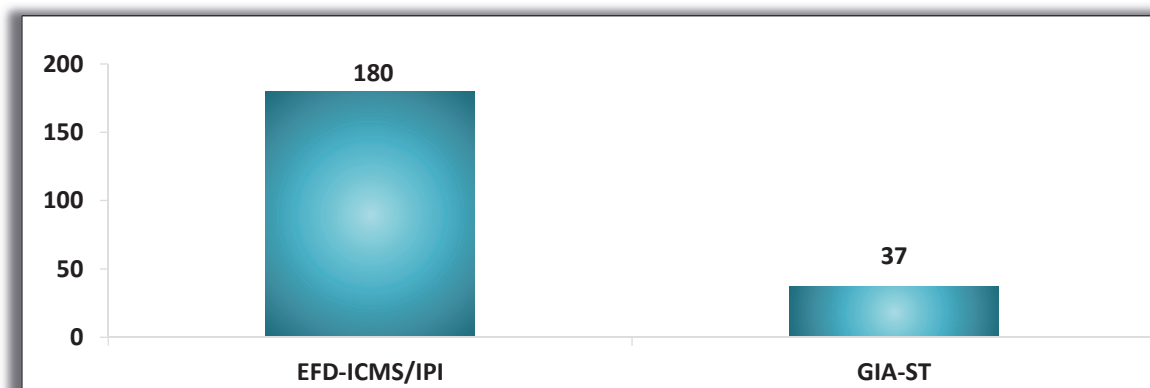


Chart 70 - Average annual hours per accessory obligation - Mato Grosso

Regarding the number of hours spent on filling in the EFD-ICMS/IPI being higher when compared to the GIA-ST, the justification is due to the fact that the EFD-ICMS/IPI requires a higher level of detail of the information.

Number of people involved

Table 52 shows the average number of people involved, not exclusively, in some of the tax compliance activities related to ICMS and ICMS-ST, in the State of Mato Grosso.

Activity	People involved
<i>Calculation</i>	
ICMS	6.3
ICMS-ST	5.4
<i>Accessory obligations</i>	
EFD-ICMS/IPI	1.0
GIA-ST	5.1

Table 52 - Block I - Average number of people involved per activity - Mato Grosso

Causes

Table 12 shows the average number of people involved, not exclusively, in some of the tax compliance activities related to ICMS and ICMS-ST in the State of Mato Grosso are the complexity of maintaining the processes and internal controls that support the calculations, as well as the difficulty in adapting the systems, as shown in Table 53.

Position	Causes	Average Rating
1 st	Complexity of processes and internal controls	5.70
2 nd	Adaptation and localization of systems	5.00
3 rd	Number of tax returns with the same delivery date	3.80
4 th	Short period of time between preparing and delivering	3.70
5 th	Information-intensive obligations	3.50
6 th	Complexity of legislation	3.40
7 th	Complexity of accessory obligations	2.90

Table 53 - Block I - Main Causes - Mato Grosso

4.2.7.4 ACCRUED ICMS AND ICMS-ST CREDITS (BLOCK II)

The surveyed companies devote annually, on average, per establishment, 258 hours to calculation of their own accrued ICMS credit. For the other activities, the answers were considered insufficient for analysis purposes.

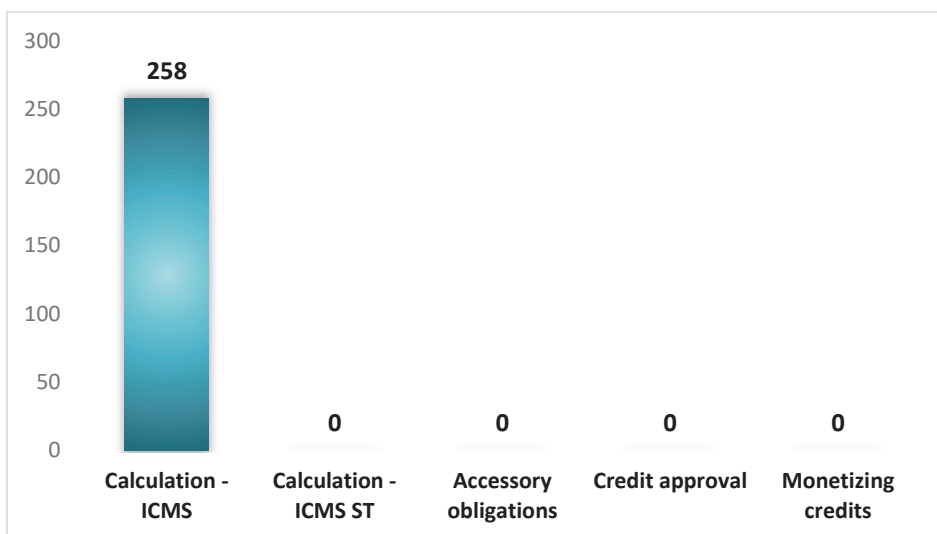


Chart 71 - Block II - Average hours - Mato Grosso

The insufficiency of answers for the other activities is due to the fact that the State does not have effective procedures for claiming the credit, making the process of repayment/reimbursement slow and bureaucratic.

Number of people involved

Table 54 below shows the average number of people involved, not exclusively, in tax compliance activities comprised by Block II:

Activity	People involved
ICMS Calculation	4.5
ICMS ST - Calculation	0
Accessory obligations	0
Credit approval	0
Monetizing credit	0

Table 54 - Block II - Average number of people involved per activity - Mato Grosso

Causes

According to the interviewees, the cause that most hinders the compliance process related to accrued ICMS and ICMS-ST credits in the State of Mato Grosso are the adaptation and localization of systems and the complexity of maintaining the processes and internal controls that support the calculations, as well as the difficulty in adapting the systems, as shown in Table 55.

Position	Causes	Average Rating
1 st	Adaptation and localization of systems	6.50
2 nd	Complexity of processes and internal controls	6.50
3 rd	Short period of time between preparing and delivering	4.50
4 th	Information-intensive obligations	4.00
5 th	Number of tax returns with the same delivery date	3.00
6 th	Complexity of legislation	2.00
7 th	Complexity of accessory obligations	1.50

Table 55 - Block II - Main Causes - Mato Grosso

4.2.7.5 SPECIAL REGIMES, TAX INCENTIVES AND SECTORIAL CONTROLS (BLOCK III)

The surveyed companies devote annually, on average, per establishment, 70 hours to compliance activities related to ICMS special regimes, tax incentives and sectorial controls. Out of this total, about 41 hours are spent on calculation, management and control procedures, and 29 hours on the fulfillment of accessory obligations, as summarized in Chart 72.

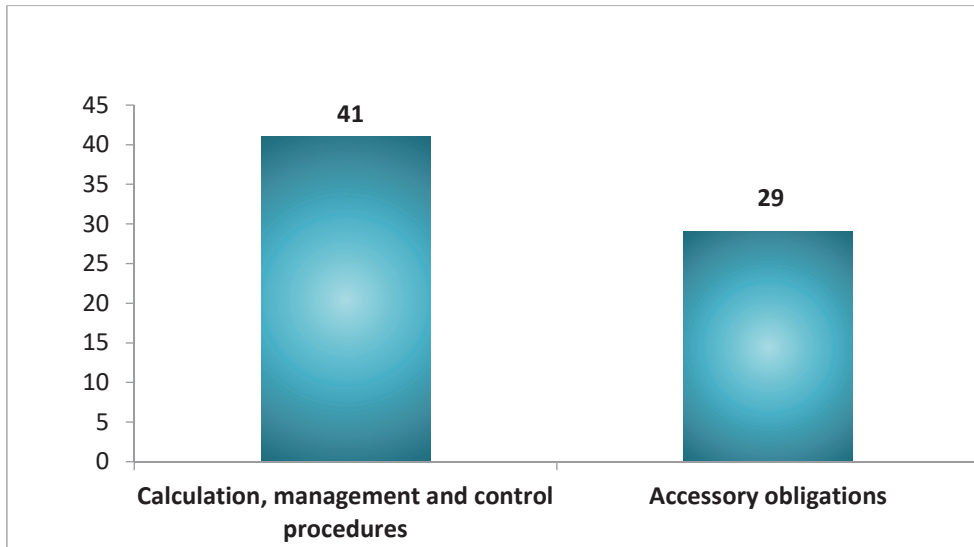


Chart 72 - Block III - Average hours - Mato Grosso

The special regimes encompass the issuing and bookkeeping of tax documents, the grant of deferrals, tax incentives and benefits, differentiated forms and deadlines for the collection of the main ICMS obligations, among others.

It is important to mention that this Block must be analyzed together with Block I (Calculation of ICMS and ICMS-ST), since both the calculation of tax incentives and the respective bookkeeping in the accessory obligations are part of the tax calculation routine.

Number of people involved

Table 56 shows the average number of people involved, not exclusively, in compliance activities related to the ICMS special regimes, tax incentives and sectorial controls.

Activity	People involved
Calculation, management and control	2.8
Accessory obligations	1.8

Table 56 - Block III - Average number of people involved per activity - Mato Grosso

Causes

According to the interviewees, there are several causes that hinder the compliance process related to ICMS Special Regimes, Tax Incentives and Sectorial Controls in the State of Mato Grosso, out of which the adaptation and localization of the systems and the complexity of the state legislation stand out, as shown in Table 57.

Position	Causes	Average Rating
1 st	Adaptation and localization of systems	5.80
2 nd	Complexity of legislation	4.66
3 rd	Complexity of processes and internal controls	4.50
4 th	Number of tax returns with the same delivery date	4.33
5 th	Short period of time between preparing and delivering	3.80
6 th	Information-intensive obligations	3.80
7 th	Complexity of accessory obligations	1.83

Table 57 - Block III - Main Causes - Mato Grosso

4.2.7.6 INSPECTIONS, ADMINISTRATIVE LITIGATION AND DEBT CLEARANCE CERTIFICATES (BLOCK IV)

The surveyed companies devote annually, on average, per establishment, 754 hours to compliance activities comprised by this block. Out of this total, the volume of 379 for administrative litigation management stands out, as shown in Chart 73.

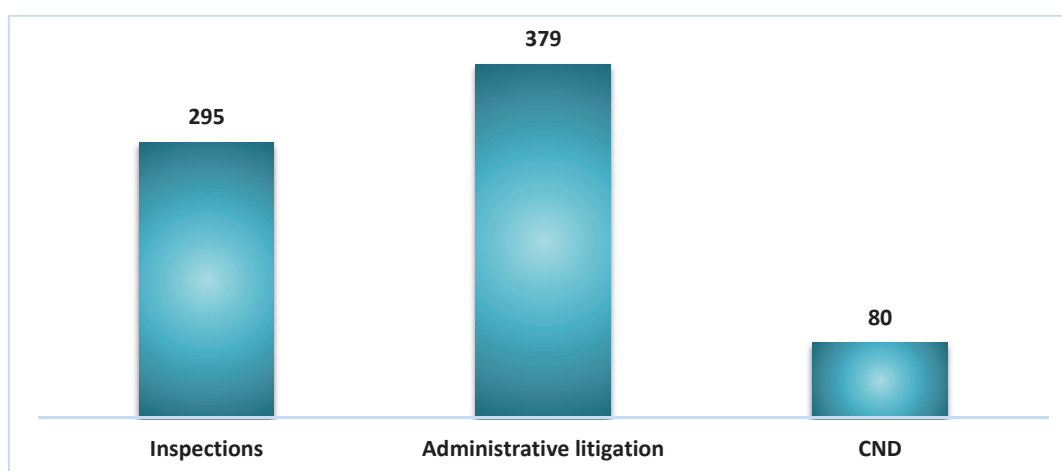


Chart 73 - Block IV - Average hours - Mato Grosso

The significant number of hours presented for administrative litigation management reflects the complexity of handling the tax deficiency notices, which involves hiring law firms, preparing technical reports, auxiliary controls, enclosing tax documents, and all the necessary subsidies to support the administrative defense.

Number of people involved

Table 58 shows the average number of people involved, not exclusively, in compliance activities comprised by Block IV.

Activity	People involved
Inspections	3.1
Administrative litigation	3.6
CND	1.9

Table 58 - Block IV - Average number of people involved per activity - Mato Grosso

4.2.8 MATO GROSSO DO SUL

4.2.8.1 SAMPLE CHARACTERIZATION

In the State of Mato Grosso do Sul, answers were obtained from 12 establishments, which are distributed among the economic segments shown in Chart 74.

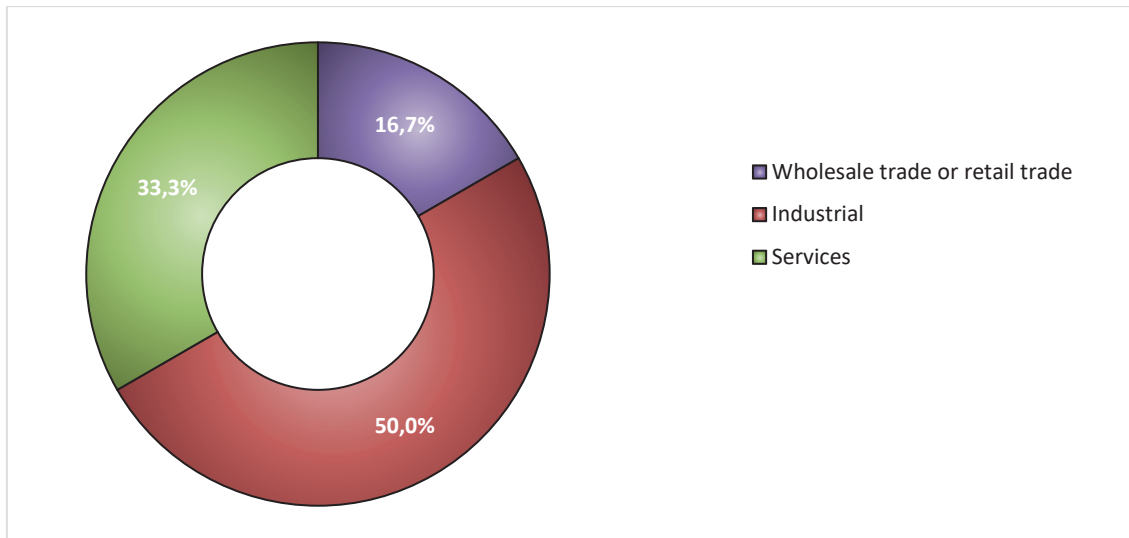


Chart 74 - Economic segment of the business groups - Mato Grosso do Sul

4.2.8.2 OVERALL RESULT

In order to meet the whole tax compliance in the State of do Mato Grosso do Sul, an establishment of the surveyed companies spends, on average, approximately, 2.1 thousand hours a year, with Block I being the most representative, followed by Block IV.

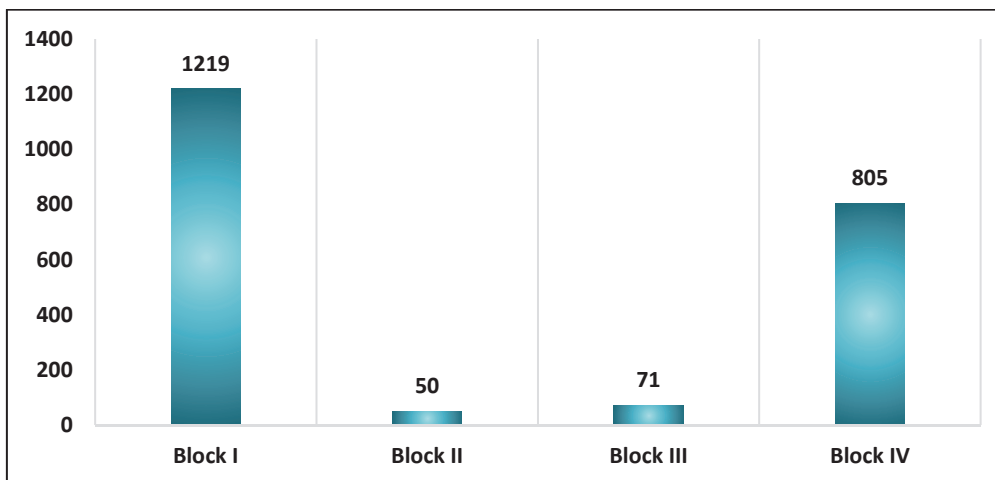


Chart 75 - General Results by Block - Mato Grosso do Sul

Table 59, shows the average number of people involved, not exclusively, per establishment, in the activities/stages specified above.

Activity	People involved
Block I	14,9
Block II	1,3
Block III	4,5
Block IV	8

Table 59 – Average number of people involved in the activities – Mato Grosso do Sul

4.2.8.3 ICMS AND ICMS-ST CALCULATION (BLOCK I)

○ Block I is divided into 3 activities, namely ICMS calculation, ICMS-ST calculation, and respective accessory obligations, totaling 1.2 thousand hours. Out of this total, about 814 hours are spent on ICMS calculation, 62 hours on ICMS-ST calculation e 343 hours on accessory obligations, as summarized in Chart 76.

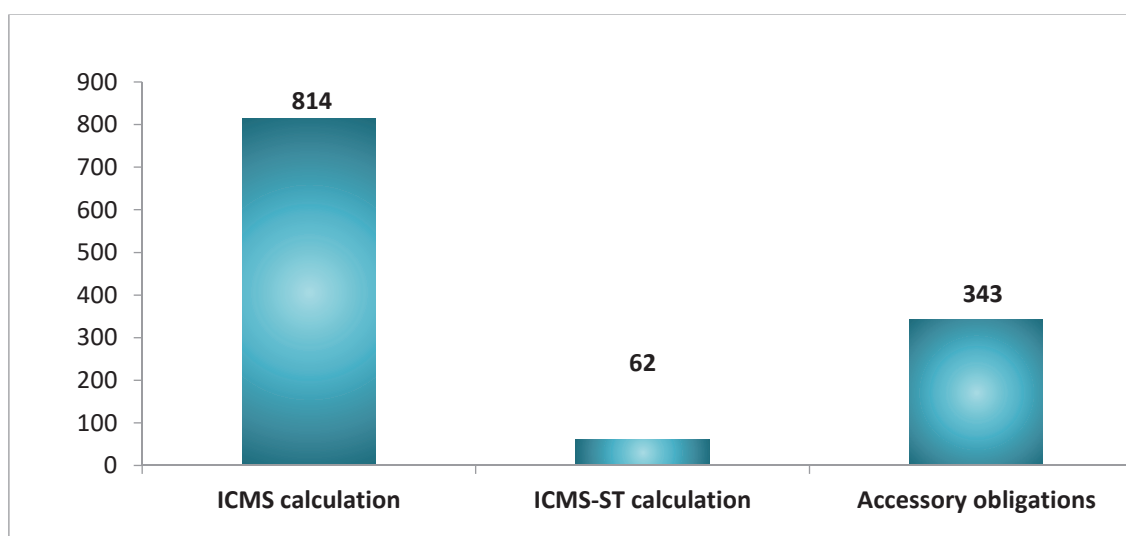


Chart 76 – Block I – Average hours – Mato Grosso do Sul

This result shows that, in the State of Mato Grosso do Sul, the ICMS calculation stage demands more time from the companies than the other activities in this block.

Calculation

Prior to the calculation of taxes, the taxpayer needs to perform several other activities, such as legislation monitoring, implementation in a systemic environment and impact assessment; bookkeeping of tax documents, management of auxiliary controls, among others. As a result, the survey sought to calculate the time spent on these specific items of the calculation stage, as shown in Charts 77 e 78.

DISTRIBUTION OF HOURS: ICMS

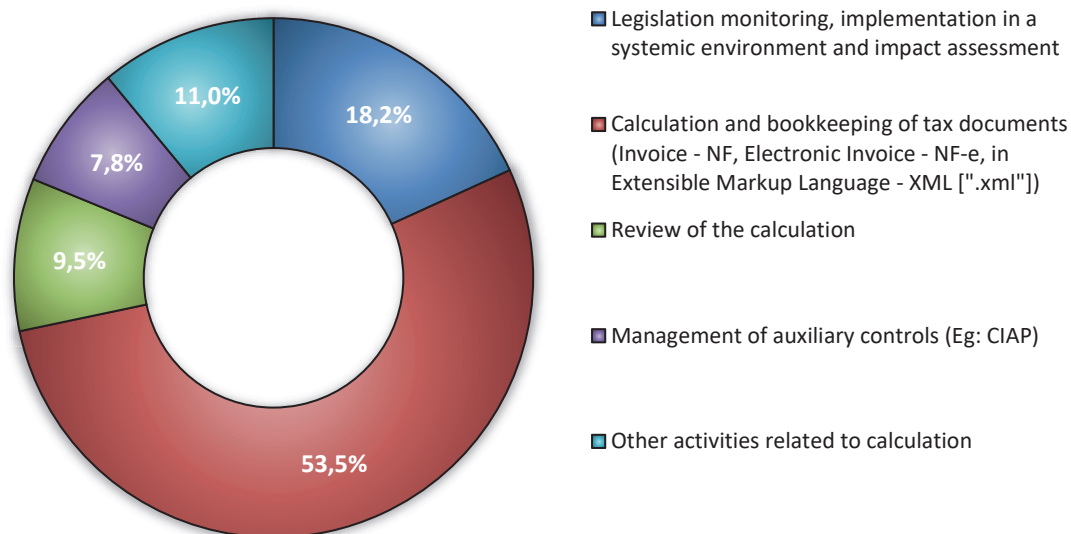


Chart 77 - ICMS: Average percentage distribution of annual hours for calculation - Mato Grosso do Sul

DISTRIBUTION OF HOURS: ICMS-ST

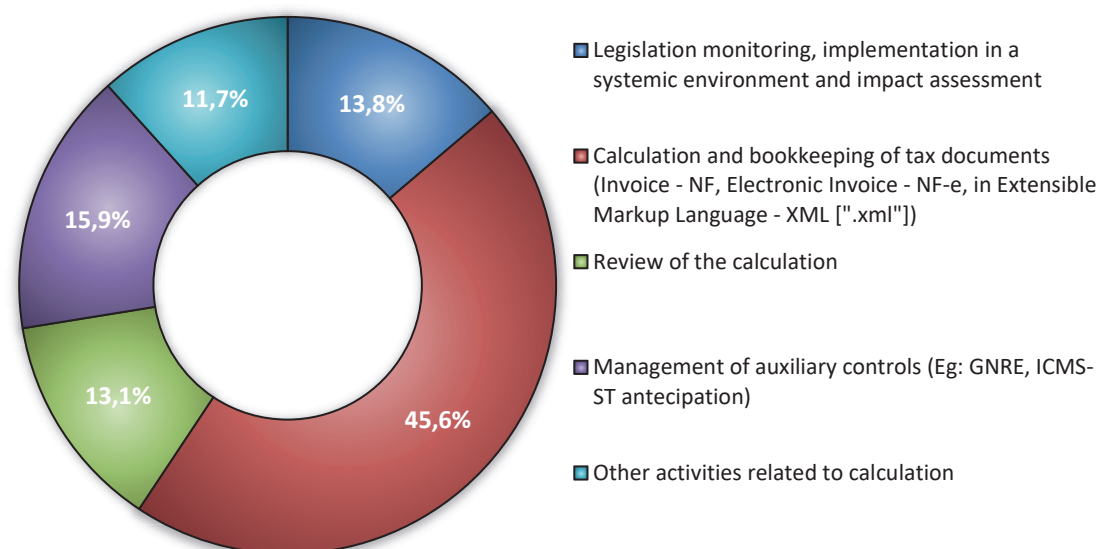


Chart 78 - ICMS-ST: Average percentage distribution of annual hours for calculation - Mato Grosso do Sul

Charts 77 e 78 show that the portion related to tax calculation represented 53.5% (ICMS) and 45.6% (ICMS-ST) of the calculation process total time. It is worth mentioning that this activity includes the capture of entry and exit tax documents (.xml); document checking; storage; bookkeeping; ICMS and ICMS-ST calculation; sample analysis based on documents, current legislation, and differentiated tax treatments; specific collections and/or adjustments in chart account, such as the tax rate differential, reversals, etc.

Accessory obligations

With regard to preparing and delivering accessory obligations related to ICMS and ICMS-ST in the State of Mato Grosso do Sul, according to the answers provided, the surveyed companies annually spend, on average, per establishment, of 343 hours per year. Chart 79 shows the average number of annual hours spent per accessory obligation applicable in the State.

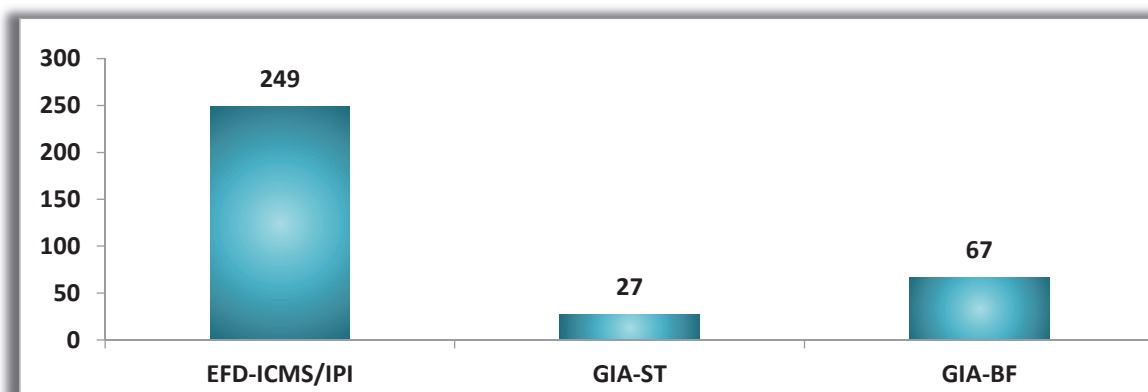


Chart 79 - Average annual hours per accessory obligation - Mato Grosso do Sul

As for the number of hours spent on filling in the EFD-ICMS/IPI being higher when compared to the other accessory obligations do Estado, the reason is that the EFD-ICMS/IPI requires a higher level of detail of the information.

Number of people involved

Table 60 shows the average number of people involved, not exclusively, in some of the tax compliance activities related to ICMS and ICMS-ST.

Activity	People involved
<i>Calculation</i>	
ICMS	6.5
ICMS-ST	1.3
<i>Accessory obligations</i>	
EFD-ICMS/IPI	5.1
GIA-ST	1
GIA-BF	1

Table 60 - Block I - Average number of people involved per activity - Mato Grosso do Sul

Causes

Table 12 shows the average number of people involved, not exclusively, in some of the tax compliance activities related to ICMS and ICMS-ST in the State of Mato Grosso do Sul are the number of tax returns with the same delivery date and the complexity of maintaining the processes and internal controls that support the calculations, as shown in Table 61.

Position	Causes	Average Rating
1 st	Number of tax returns with the same delivery date	4.91
2 nd	Complexity of processes and internal controls	4.09
3 rd	Information-intensive obligations	4.00
4 th	Short period of time between preparing and delivering	4.00
5 th	Adaptation and localization of systems	3.73
6 th	Complexity of legislation	3.70
7 th	Complexity of accessory obligations	3.55

Table 61 - Block I - Main Causes - Mato Grosso do Sul

4.2.8.4 ACCRUED ICMS AND ICMS-ST CREDITS (Block II)

The surveyed companies devote annually, on average, per establishment, 50 hours to calculation of their own accrued ICMS credit. For the other activities, the answers were considered insufficient for analysis purposes.

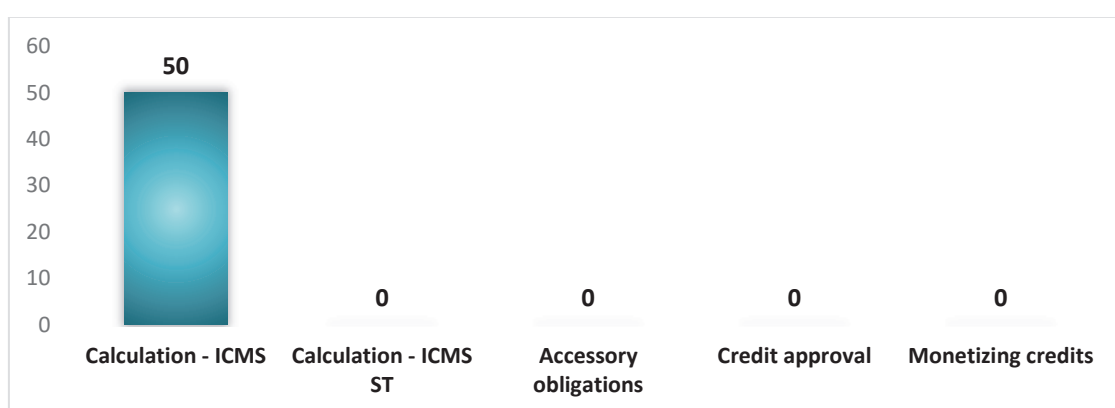


Chart 80 - Block II - Average hours - Mato Grosso do Sul

The insufficiency of answers for the other activities is due to the fact that the State does not have effective procedures for claiming the credit, making the process of repayment/reimbursement slow and bureaucratic.

Number of people involved

Table 62 shows the average number of people involved, not exclusively, in tax compliance activities comprised by Block.

Activity	People involved
ICMS Calculation	1.3
ICMS ST - Calculation	0
Accessory obligations	0
Credit approval	0
Monetizing credit	0

Table 62 - Block II - Average number of people involved per activity - Mato Grosso do Sul

Causes

According to the interviewees, the cause that most hinders the compliance process related to accrued ICMS and ICMS-ST credits in the State of Mato Grosso do Sul is the number of tax returns with the same delivery date and the complexity of the accessory obligations to perform this activity, as shown in Table 63.

Position	Causes	Average Rating
1 st	Number of tax returns with the same delivery date	6.66
2 nd	Complexity of accessory obligations	4.33
3 rd	Short period of time between preparing and delivering	4.33
4 th	Information-intensive obligations	3.66
5 th	Adaptation and localization of systems	3.33
6 th	Complexity of processes and internal controls	3.00
7 th	Complexity of legislation	2.66

Table 63 - Block II - Main Causes - Mato Grosso do Sul

4.2.8.5 SPECIAL REGIMES, TAX INCENTIVES AND SECTORIAL CONTROLS (BLOCK III)

The surveyed companies devote annually, on average, per establishment, 71 hours to compliance activities related to ICMS special regimes, tax incentives and sectorial controls. Out of this total, about 40 hours are spent on calculation, management and control procedures, and 31 hours on the fulfillment of accessory obligations, as summarized in Chart 81.

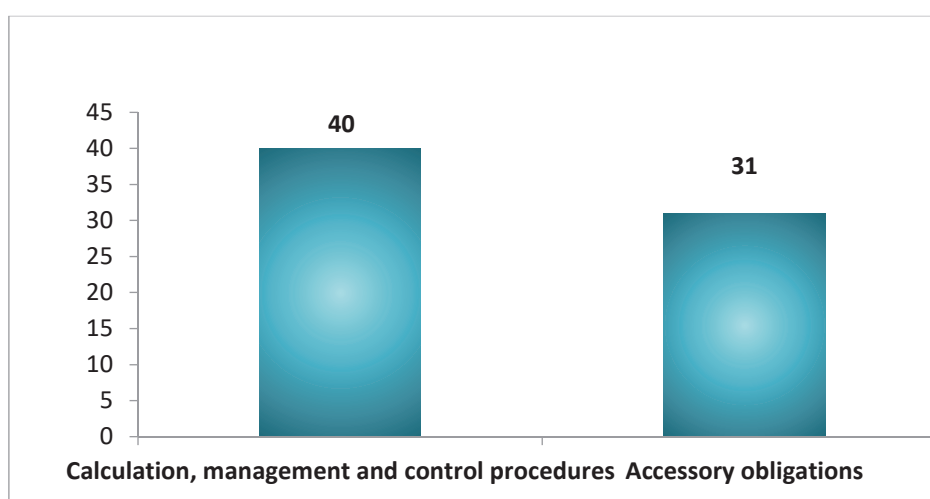


Chart 81 - Block III - Average hours - Mato Grosso do Sul

The special regimes encompass the issuing and bookkeeping of tax documents, the grant of deferrals, tax incentives and benefits, differentiated forms and deadlines for the collection of the main ICMS obligations, among others.

It is important to mention that this Block must be analyzed together with Block I (Calculation of ICMS and ICMS-ST), since both the calculation of tax incentives and the respective bookkeeping in the accessory obligations are part of the tax calculation routine.

Number of people involved

Table 64 shows the average number of people involved, not exclusively, in compliance activities related to the ICMS special regimes, tax incentives and sectorial controls.

Activity	People involved
Calculation, management and control	2.7
Accessory obligations	1.8

Table 64 - Block III - Average number of people involved per activity - Mato Grosso do Sul

Causes

According to the interviewees, there are several causes that hinder the compliance process related to ICMS Special Regimes, Tax Incentives and Sectorial Controls in the State of Mato Grosso do Sul, of which the complexity of the systems integration and the complexity of the state legislation stand out, as shown in Table 65.

Position	Causes	Average Rating
1 st	Adaptation and localization of systems	5.28
2 nd	Complexity of processes and internal controls	4.42
3 rd	Number of tax returns with the same delivery date	4.29
4 th	Complexity of legislation	4.14
5 th	Information-intensive obligations	3.87
6 th	Short period of time between preparing and delivering	3.28
7 th	Complexity of accessory obligations	2.57

Table 65 - Block III - Main Causes - Mato Grosso do Sul

4.2.8.6 INSPECTIONS, ADMINISTRATIVE LITIGATION AND DEBT CLEARANCE CERTIFICATES (BLOCK IV)

The surveyed companies devote annually, on average, per establishment, 805 hours to compliance activities comprised by this block. Out of this total, a volume of 522 hours for administrative litigation management stands out, as shown in Chart 82.

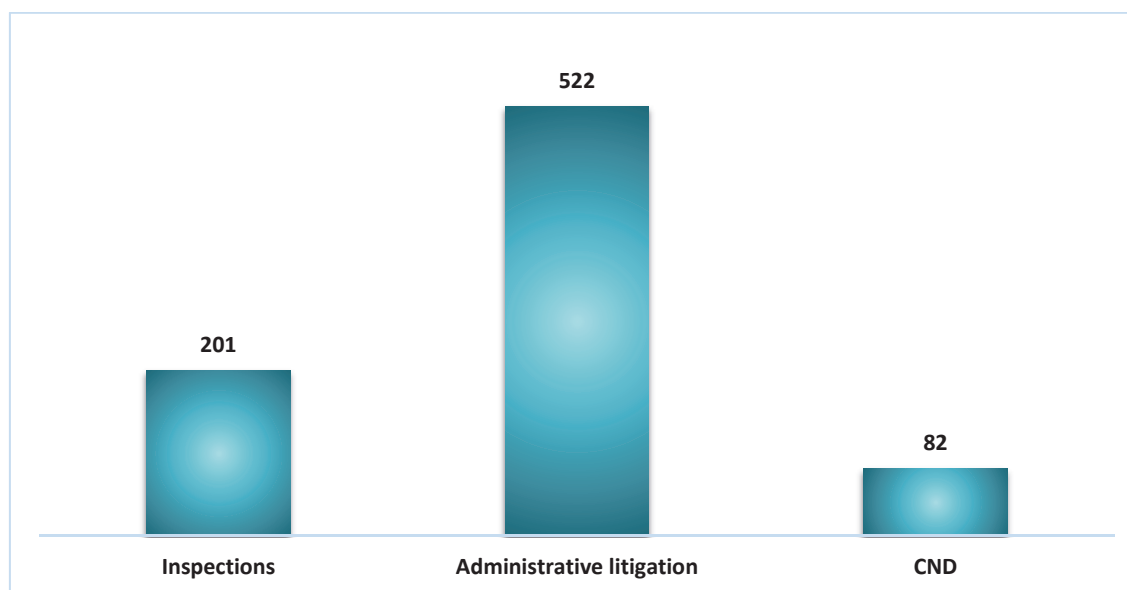


Chart 82 - Block IV - Average hours - Mato Grosso do Sul

The significant number of hours presented for administrative litigation management reflects the complexity of handling the tax deficiency notices, which involves hiring law firms,

preparing technical reports, auxiliary controls, enclosing tax documents, and all the necessary subsidies to support the administrative defense.

Number of people involved

Table 66 shows the average number of people involved, not exclusively, in compliance activities comprised by Block IV.

Activity	People involved
Inspections	2.8
Administrative litigation	3.3
CND	1.7

Table 66 - Block IV - Average number of people involved per activity - Mato Grosso do Sul

4.2.9 MINAS GERAIS

4.2.9.1 SAMPLE CHARACTERIZATION

In the State of Minas Gerais, answers were obtained from 26 establishments, distributed among the economic segments shown in Chart 83.

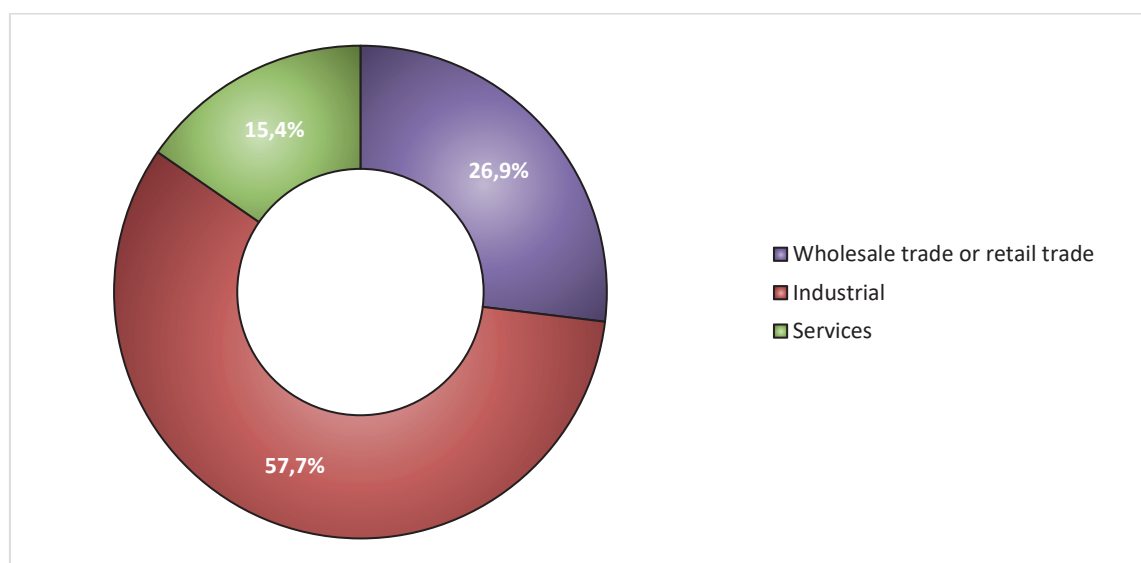


Chart 83 - Economic segment of the business groups - Minas Gerais

4.2.9.2 OVERALL RESULT

In order to meet the whole tax compliance in the State of de Minas Gerais, an establishment of the surveyed companies spends, on average, approximately, 3.7 thousand hours a year, with Block I being the most representative, followed by Block IV.

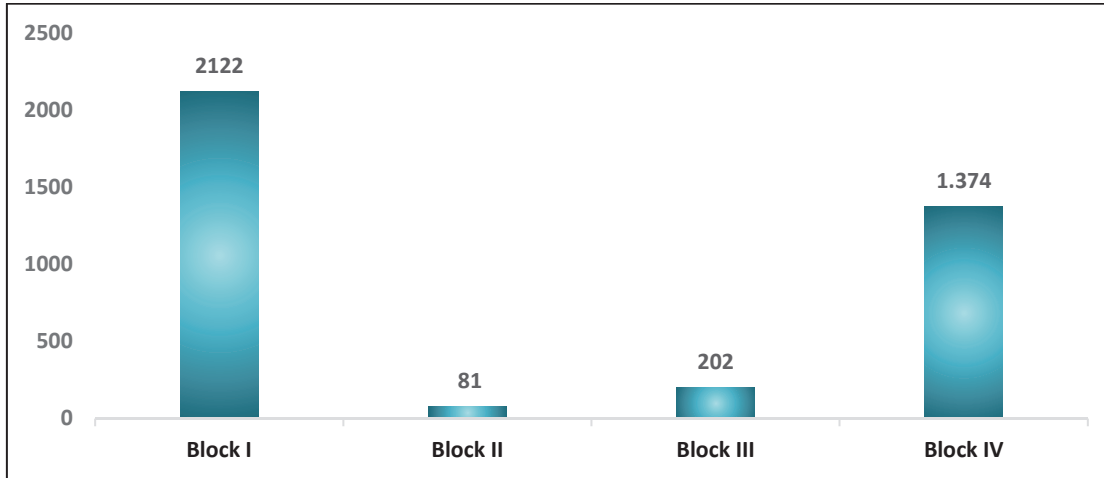


Chart 84 – General Results by Block – Minas Gerais

Table 67, shows the average number of people involved, not exclusively, per establishment, in the activities/stages specified above:

Activity	People involved
Block I	24.3
Block II	1.7
Block III	4.5
Block IV	7.8

Table 67 – Average number of people involved in the activities – Minas Gerais

4.2.9.3 ICMS AND ICMS-ST CALCULATION (BLOCK I)

○ Block I is divided into 3 activities, namely ICMS calculation, ICMS-ST calculation, and respective accessory obligations, totaling 2.1 thousand hours. Out of this total, about 1.1 thousand hours are spent on ICMS calculation, 233 hours on ICMS-ST calculation e 729 hours on accessory obligations, as summarized in o Chart 85.

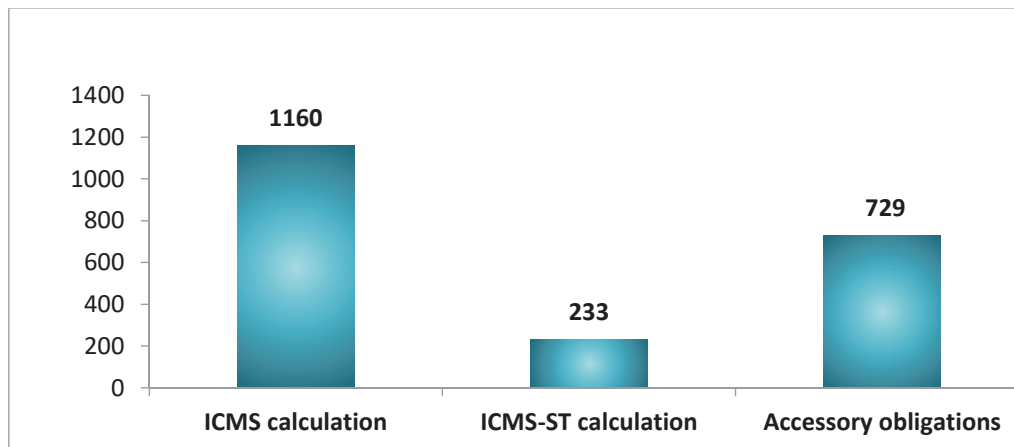


Chart 85 – Block I – Average hours – Minas Gerais

This result shows that in the state of Minas Gerais, the ICMS calculation stage demands more time from the companies than the other activities in this block.

Calculation

Prior to the calculation of taxes, the taxpayer needs to perform several other activities, such as legislation monitoring, implementation in a systemic environment and impact assessment; bookkeeping of tax documents, management of auxiliary controls, among others. As a result, the survey sought to calculate the time spent on these specific items of the calculation stage, as shown in Charts 86 and 87.

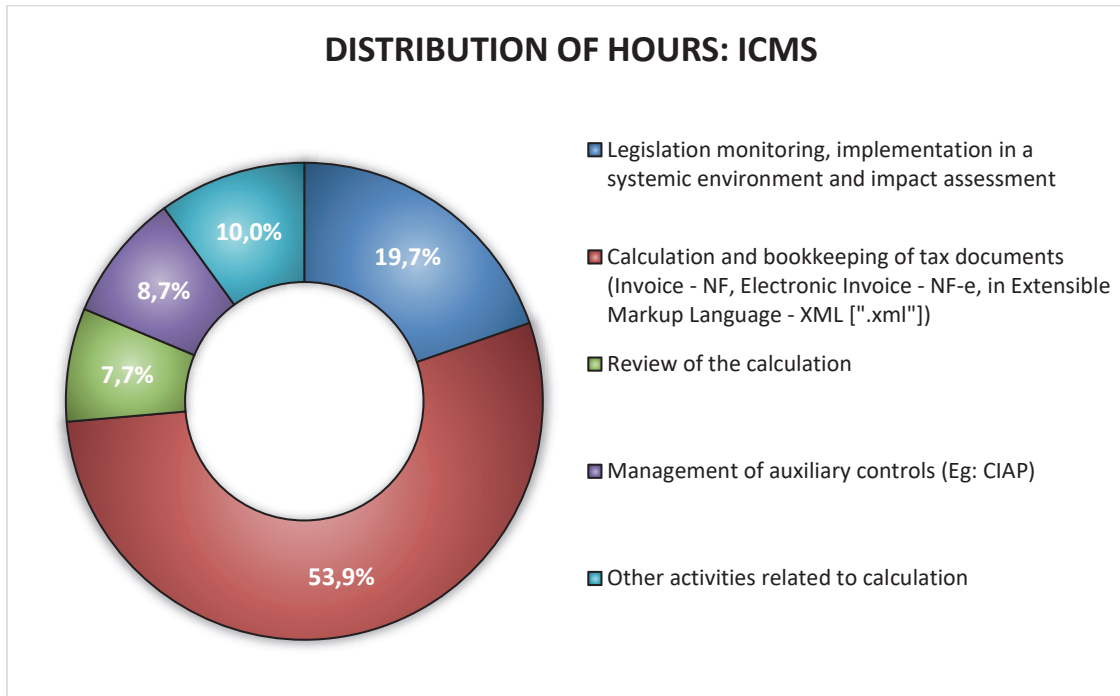


Chart 86 - ICMS: Average percentage distribution of annual hours for calculation - Minas Gerais

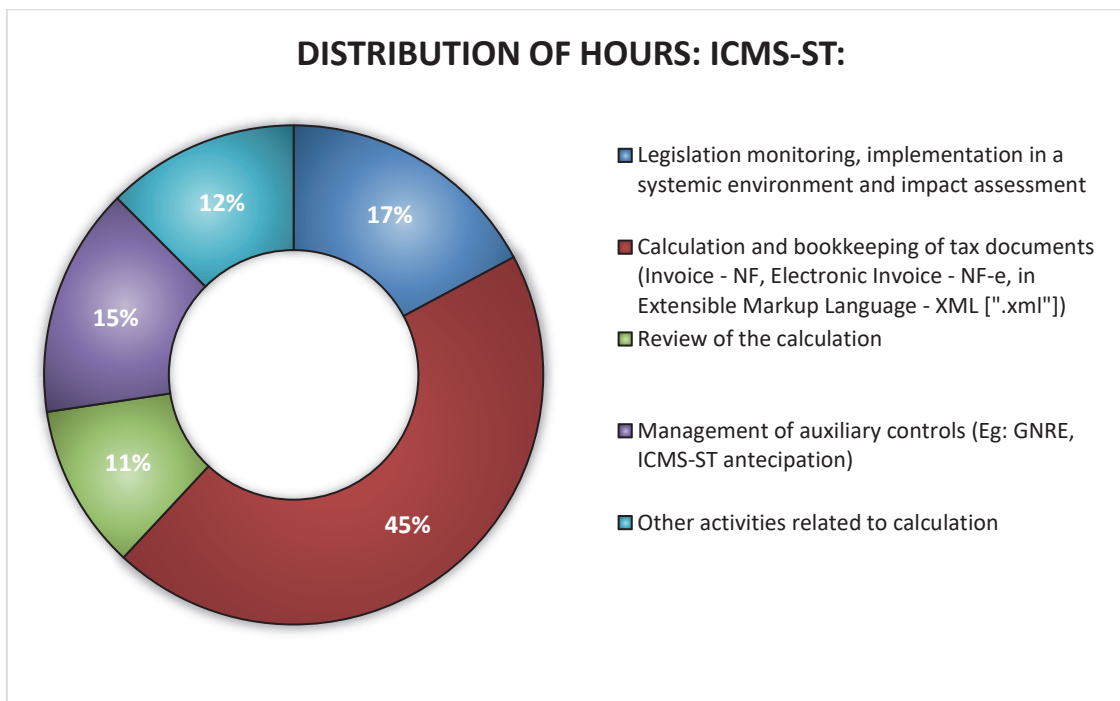


Chart 87 - ICMS-ST: Average percentage distribution of annual hours for calculation - Minas Gerais

Charts 86 e 87 show that the portion related to tax calculation represented 54.0% (ICMS) and 44.8% (ICMS-ST) of the calculation process total time. It is worth mentioning that this activity includes the capture of entry and exit tax documents (.xml); document checking; storage; bookkeeping; ICMS and ICMS-ST calculation; sample analysis based on documents, current legislation, and differentiated tax treatments; specific collections and/or adjustments in chart account, such as the tax rate differential, reversals, etc.

In addition, the research tried to identify, in a separate way, the impacts of the time spent on activities such as legislation follow up, and monitoring, implementing the systemic environment and evaluating the impact on business, such as the entry or exit of products from the ICMS tax substitution regime, signing of Protocols between some States, reduction or increase in the tax burden, etc. Such controls demanded 19.7% (ICMS) and 17.2% (ICMS-ST) of the total hours spent.

Accessory obligations

With regard to preparing and delivering accessory obligations related to ICMS and ICMS-ST in the State of Minas Gerais, according to the answers provided, the surveyed companies annually spend, on average, per establishment, of 729 hours per year. Chart 88 shows the average number of annual hours spent per accessory obligation applicable in the State of Minas Gerais.

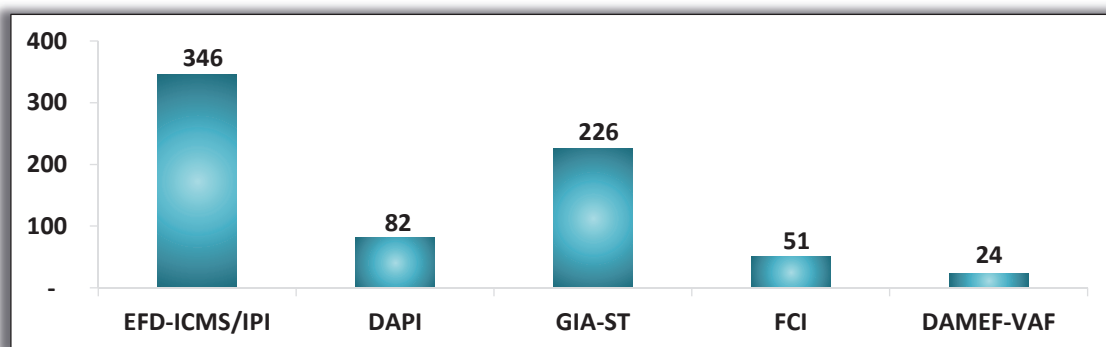


Chart 88 - Average annual hours per accessory obligation - Minas Gerais

As for the number of hours spent on filling in the EFD-ICMS/IPI being higher when compared to the other accessory obligations the State, the justification is due to the fact that the EFD-ICMS/IPI requires a much higher level of detail of information.

Number of people involved

Table 68 shows the average number of people involved, not exclusively, in some of the tax compliance activities related to ICMS and ICMS-ST, in the State of Minas Gerais.

Activity	People involved
<i>Calculation</i>	
ICMS	5.7
ICMS-ST	1.4
<i>Accessory obligations</i>	
EFD-ICMS/IPI	4.2
DAPI	4.1
GIA-ST	4.2
FCI	1.6
DAMEF-VAF	2.1

Table 68 - Block I - Average number of people involved per activity - Minas Gerais

Causes

Table 12 shows the average number of people involved, not exclusively, in some of the tax compliance activities related to ICMS and ICMS-ST in the State of Minas Gerais are the complexity of internal processes and controls, as well as the high number of accessory obligations with the same delivery date, as shown in Table 69.

Position	Causes	Average Rating
1 st	Complexity of processes and internal controls	4.64
2 nd	Number of tax returns with the same delivery date	4.50
3 rd	Short period of time between preparing and delivering	4.05
4 th	Adaptation and localization of systems	3.86
5 th	Complexity of legislation	3.77
6 th	Information-intensive obligations	3.77
7 th	Complexity of accessory obligations	3.41

Table 69 - Block I - Main Causes - Minas Gerais

4.2.9.4 ACCRUED ICMS AND ICMS-ST CREDITS (BLOCK II)

The surveyed companies devote annually, on average, per establishment, 81 hours to calculation of their own accrued ICMS credit. For the other activities, the answers were considered insufficient for analysis purposes.

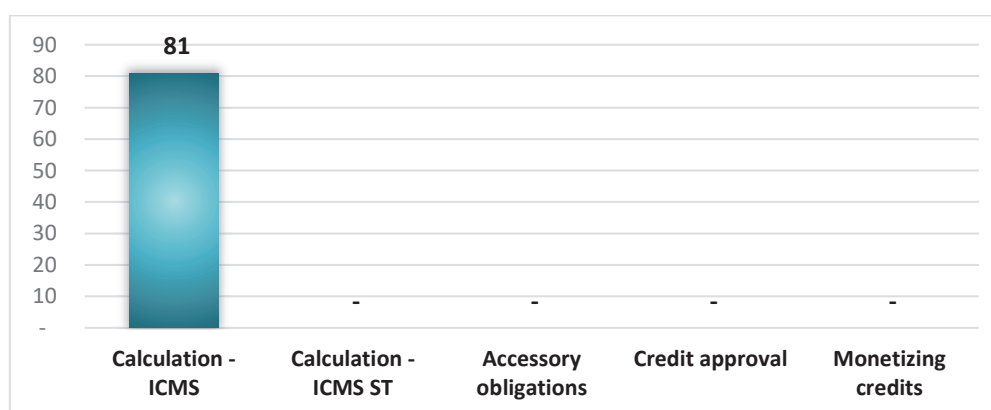


Chart 89 - Block II - Average hours - Minas Gerais

The insufficient answers for the other activities, according to the interviewees, is due to the fact that many companies in the State of Minas Gerais have special regimes, which prevent the generation of accrued credit.

Number of people involved

Table 70 shows the average number of people involved, not exclusively, in tax compliance activities comprised by Block.

Activity	People involved
ICMS Calculation	1.7
ICMS ST - Calculation	0
Accessory obligations	0
Credit approval	0
Monetizing credit	0

Table 70 - Block II - Average number of people involved per activity - Minas Gerais

Causes

According to the interviewees, the cause that most hinders the compliance process related to accrued ICMS and ICMS-ST credits in the State of Minas Gerais is the number of tax returns with the same delivery date, as shown in Table 71.

Position	Causes	Average Rating
1 st	Number of tax returns with the same delivery date	5.00
2 nd	Information-intensive obligations	4.20
3 rd	Short period of time between preparing and delivering	3.80
4 th	Adaptation and localization of systems	3.66
5 th	Complexity of processes and internal controls	3.66
6 th	Complexity of accessory obligations	3.60
7 th	Complexity of legislation	3.16

Table 71 - Block II - Main Causes - Minas Gerais

4.2.9.5 SPECIAL REGIMES, TAX INCENTIVES AND SECTORIAL CONTROLS (Block III)

The surveyed companies devote annually, on average, per establishment, 202 hours to compliance activities related to ICMS special regimes, tax incentives and sectorial controls. Out of this total, about 109 hours are spent on calculation, management and control procedures, and 93 hours on the fulfillment of accessory obligations, as summarized in Chart 90.

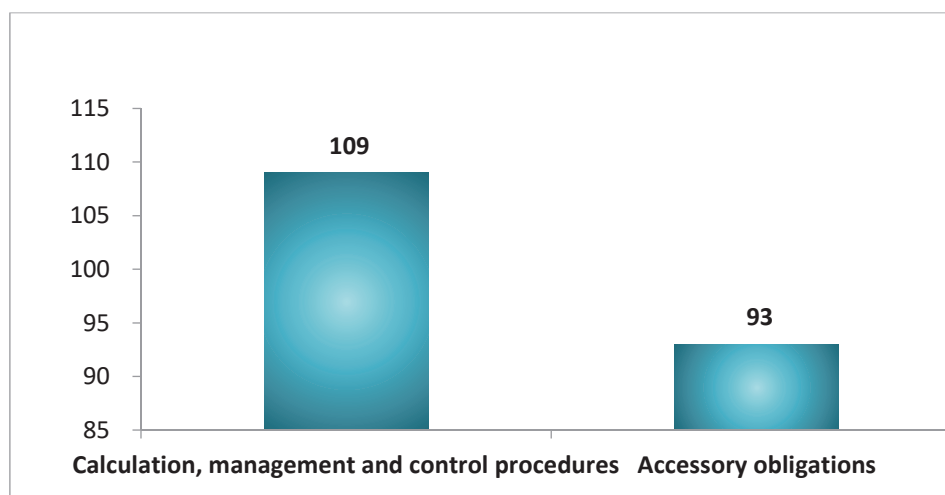


Chart 90 - Block III - Average hours - Minas Gerais

From the abovementioned results and the interviewees' information, it is possible to infer that, to allow a better operating efficiency of the companies, there is usually the need to obtain a variety of special regimes in the sense of fostering a greater adherence between certain operations and the legislation, which include the issuing and bookkeeping of tax documents, granting of deferrals, incentives and tax benefits, differentiated forms and deadlines for the collection of the main ICMS obligations, among others.

It is important to mention that this Block must be analyzed together with Block I (ICMS and ICMS-ST calculation), since both the calculation of tax incentives and the respective bookkeeping in the accessory obligations are part of the tax calculation routine.

Number of people involved

Table 72 shows the average number of people involved, not exclusively, in compliance activities related to the ICMS special regimes, tax incentives and sectorial controls:

Activity	People involved
Calculation, management and control	2.5
Accessory obligations	2

Table 72 - Block III - Average number of people involved per activity - Minas Gerais

Causes

According to the interviewees, the causes that most hinder the compliance process related to the ICMS special regimes, tax incentives and sectorial controls in the State of Minas Gerais are the number of tax returns with the same delivery date and the short period of time between preparing and delivering, as shown in Table 73.

Position	Causes	Average Rating
1 st	Number of tax returns with the same delivery date	5.00
2 nd	Short period of time between preparing and delivering	4.47
3 rd	Adaptation and localization of systems	4.25
4 th	Complexity of processes and internal controls	4.05
5 th	Information-intensive obligations	3.64
6 th	Complexity of accessory obligations	3.29
7 th	Complexity of legislation	3.29

Table 73 - Block III - Main Causes - Minas Gerais

4.2.9.6 INSPECTIONS, ADMINISTRATIVE LITIGATION AND DEBT CLEARANCE CERTIFICATES (BLOCK IV)

The surveyed companies devote annually, on average, per establishment, 1,3 mil hours to compliance activities comprised by this block. Out of this total, a volume of 742 hours for compliance with inspections stands out, as shown in Chart 91.

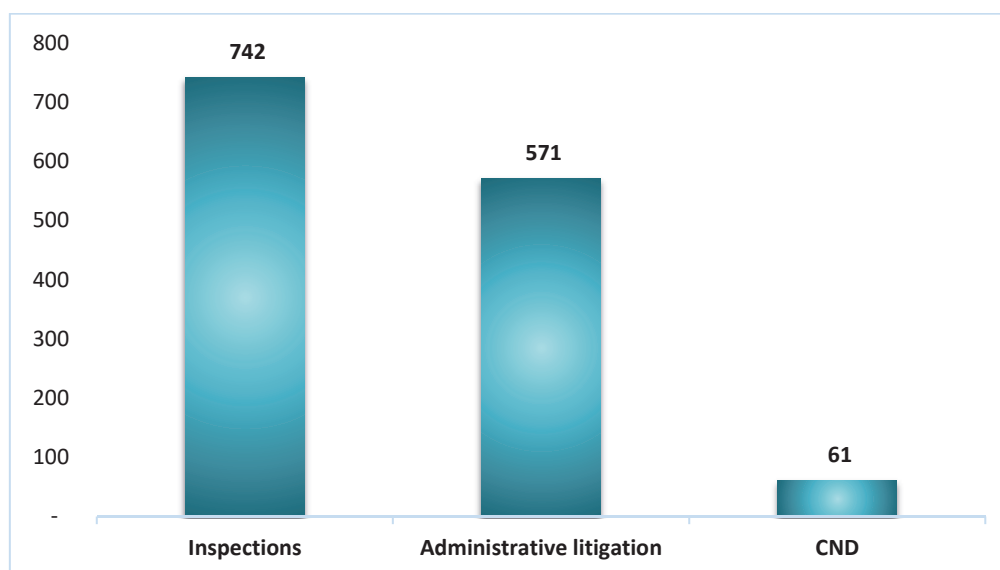


Chart 91 - Block IV - Average hours - Minas Gerais

The significant number of hours presented for the compliance with both own and third-party inspections is due to the fact that, although the accessory obligations have a high level of information provided substantially in electronic form, an additional effort is still required to comply with additional requests (information, calculation memories, reconciliations, specific statements, etc.) required on site by the tax auditors.

Number of people involved

Table 74 shows the average number of people involved, not exclusively, in compliance activities comprised by Block IV.

Activity	People involved
Inspections	3
Administrative litigation	3.1
CND	1.7

Table 74 - Block IV - Average number of people involved per activity - Minas Gerais

4.2.10 PARÁ

4.2.10.1 SAMPLE CHARACTERIZATION

In the State of Pará, answers were obtained from 11 establishments, distributed among the economic segments shown in Chart 92.

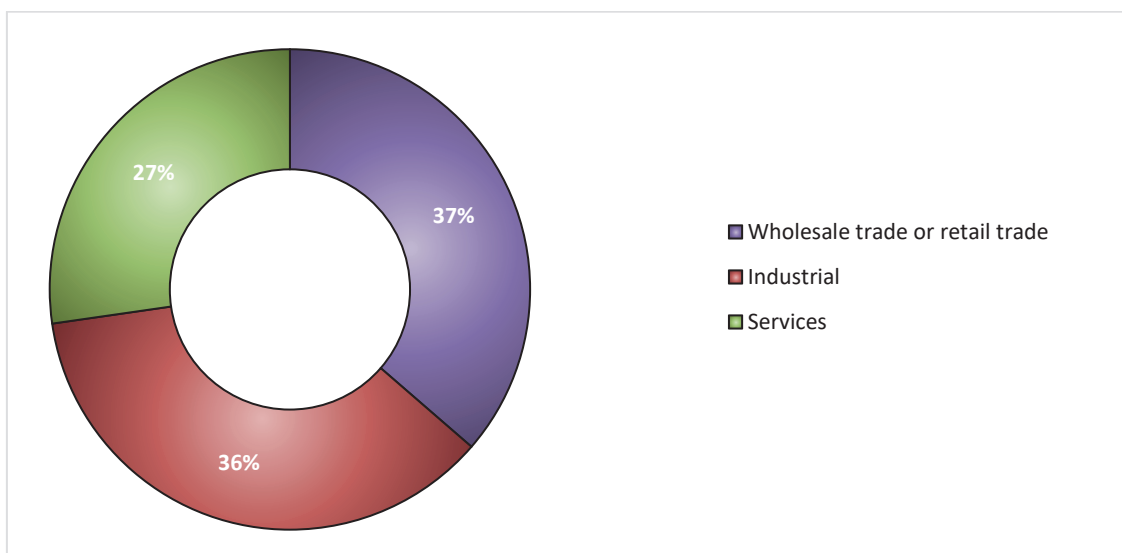


Chart 92 – Economic segment of the business groups – Pará

4.2.10.2 OVERALL RESULT

In order to meet the whole tax compliance in the State of do Pará, an establishment of the surveyed companies spends, on average, approximately, 1.7 thousand hours a year, with Block I being the most representative, followed by Block IV.

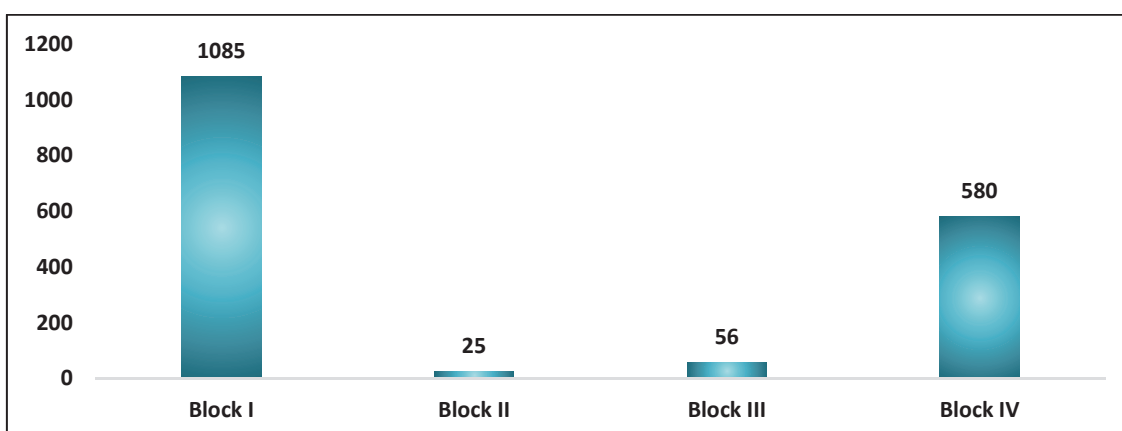


Chart 93 – General Results by Block – Pará

Table 75, shows the average number of people involved, not exclusively, per establishment, in the activities/stages specified above:

Activity	People involved
Block I	30.5
Block II	1.3
Block III	4
Block IV	8.5

Table 75 – Average number of people involved in the activities – Pará

4.2.10.3 ICMS AND ICMS-ST CALCULATION (BLOCK I)

○ Block I is divided into 3 activities, namely ICMS calculation, ICMS-ST calculation, and respective accessory obligations, totaling 1.1 thousand hours. Out of this total, about 628

hours are spent on ICMS calculation, 145 hours on ICMS-ST calculation e 312 hours on accessory obligations, as summarized in o Chart 94.

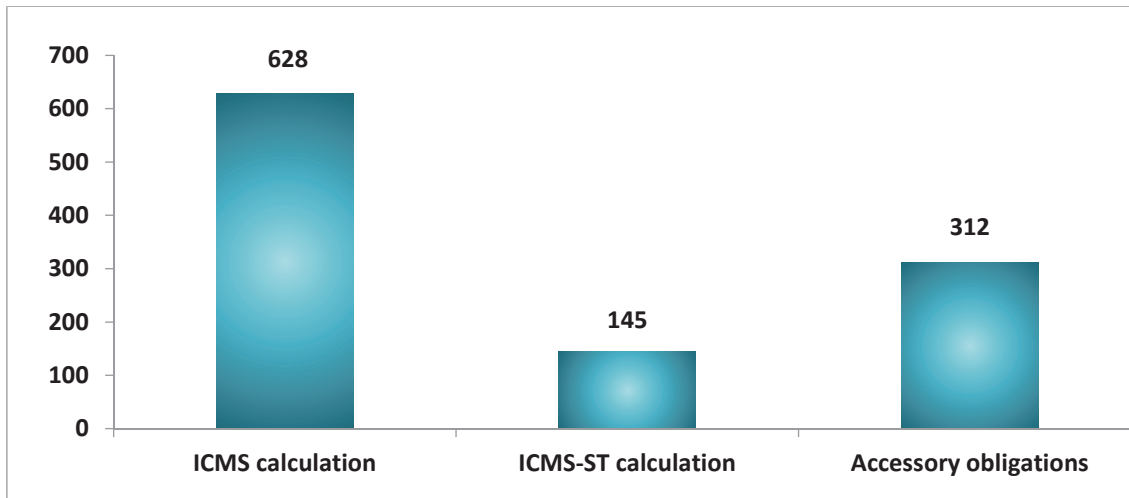


Chart 94 - Block I - Average hours - Pará

This result shows that, in the State of Pará, the ICMS calculation stage demands more time from the companies than the other activities in this block.

Calculation

Prior to the calculation of taxes, the taxpayer needs to perform several other activities, such as legislation monitoring, implementation in a systemic environment and impact assessment; bookkeeping of tax documents, management of auxiliary controls, among others. As a result, the survey sought to calculate the time spent on these specific items of the calculation stage, as shown in Charts 95 and 96.

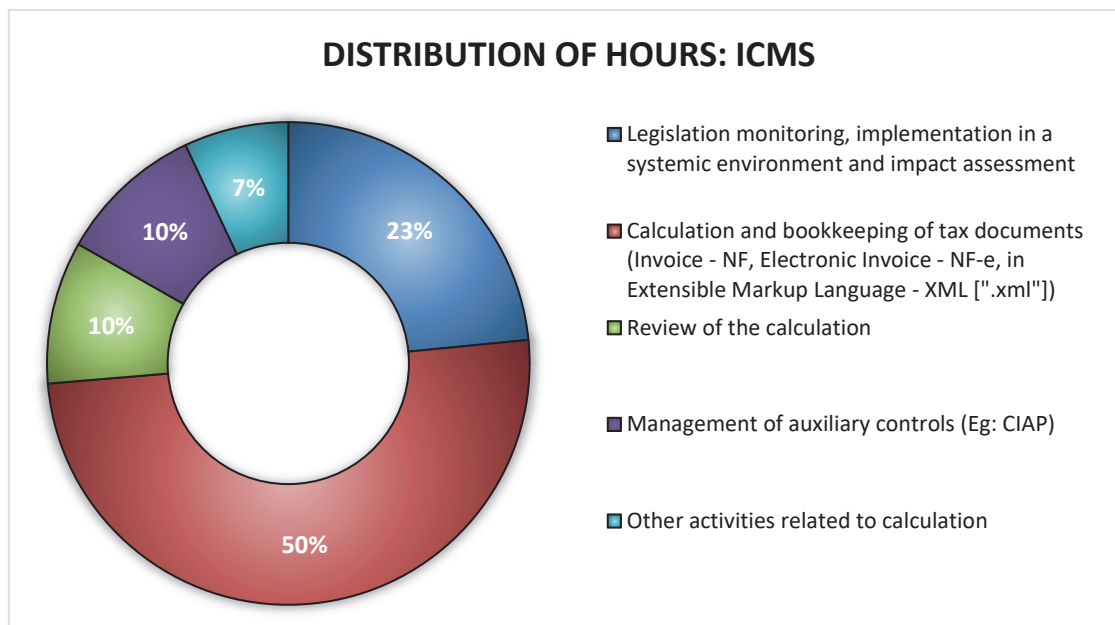


Chart 95 - ICMS: Average percentage distribution of annual hours for calculation - Pará

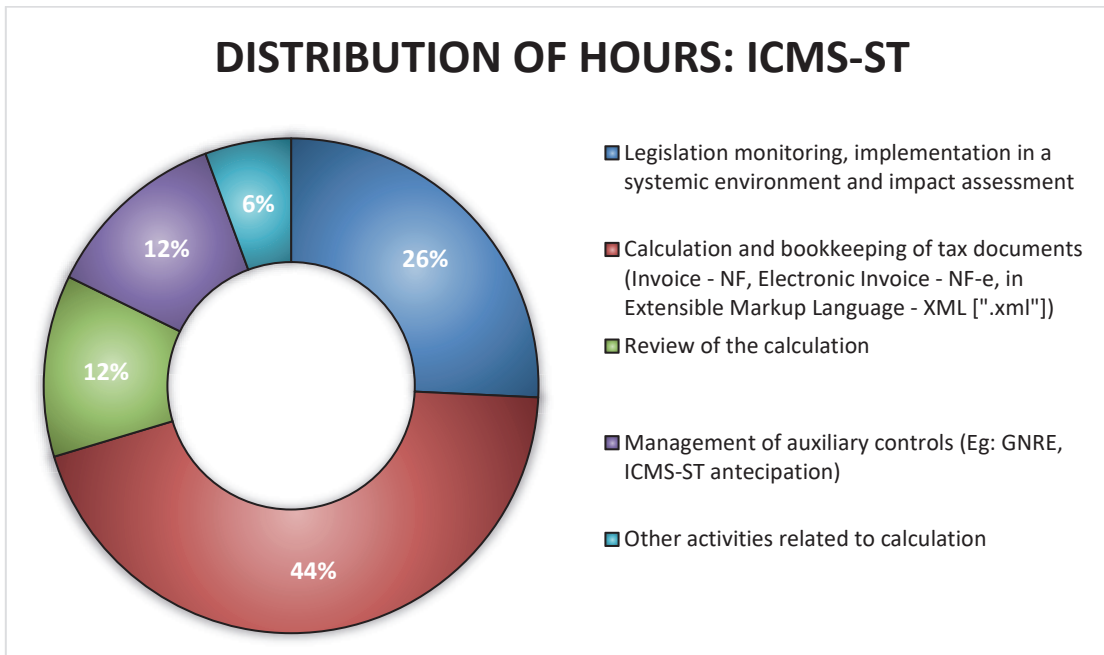


Chart 96 - ICMS-ST: Average percentage distribution of annual hours for calculation - Pará

Charts 95 e 96 show that the portion related to tax calculation represented 50.2% (ICMS) and 44.6% (ICMS-ST) of the calculation process total time. It is worth mentioning that this activity includes the capture of entry and exit tax documents (.xml); document checking; storage; bookkeeping; ICMS and ICMS-ST calculation; sample analysis based on documents, current legislation, and differentiated tax treatments; specific collections and/or adjustments in chart account, such as the tax rate differential, reversals, etc.

In addition, the research tried to identify, in a separate way, the impacts of the time spent on activities such as legislation follow up, and monitoring, implementing the systemic environment and evaluating the impact on business, such as the entry or exit of products from the ICMS tax substitution regime, signing of Protocols between some States, reduction or increase in the tax burden, etc. Such controls demanded 23.4% (ICMS) and 25.8% (ICMS-ST) of the total hours spent.

Accessory obligations

With regard to preparing and delivering the accessory obligations related to ICMS and ICMS-ST in the State of Pará, according to the answers provided, the surveyed companies annually spend, on average, 312 hours per establishment. Chart 97 shows the average number of annual hours spent per accessory obligation applicable in the State.

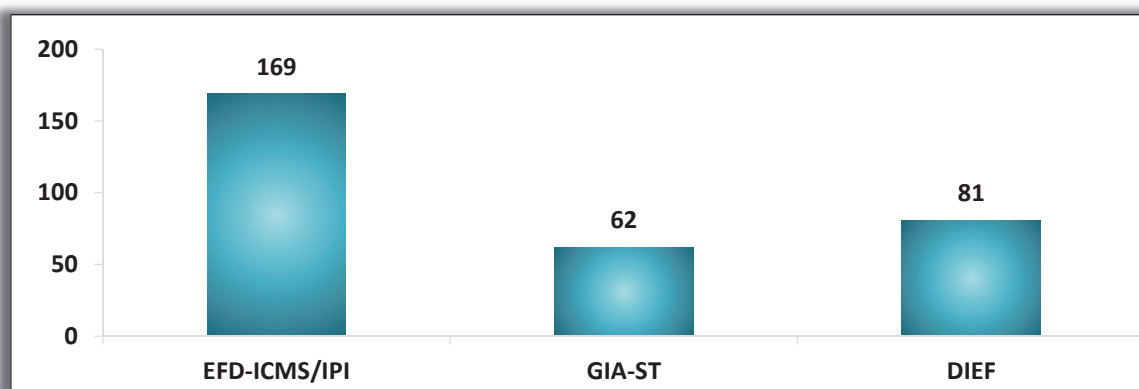


Chart 97 - Average annual hours per accessory obligation - Pará

As for the number of hours spent on filling in the EFD-ICMS/IPI being higher when compared to the other accessory obligations do Estado, the reason is that the EFD-ICMS/IPI requires a higher level of detail of the information.

Number of people involved

Table 76 shows the average number of people involved, not exclusively, in some of the tax compliance activities related to ICMS and ICMS-ST.

Activity	People involved
<i>Calculation</i>	
ICMS	8.4
ICMS-ST	7.3
<i>Accessory obligations</i>	
GIA-ST	1.0
EFD-ICMS/IPI	5.9
DIEF	7.9

Table 76 - Block I - Average number of people involved per activity - Pará

Causes

Table 12 shows the average number of people involved, not exclusively, in some of the tax compliance activities related to ICMS and ICMS-ST in the State of Pará are the complexity of the processes and internal controls, and the number of tax returns with the same due date, as shown in Table 77.

Position	Causes	Average Rating
1 st	Complexity of processes and internal controls	4.78
2 nd	Number of tax returns with the same delivery date	4.56
3 rd	Short period of time between preparing and delivering	4.22
4 th	Information-intensive obligations	3.89
5 th	Complexity of accessory obligations	3.78
6 th	Complexity of legislation	3.67
7 th	Adaptation and localization of systems	3.10

Table 77 - Block I - Main Causes - Pará

4.2.10.4 ACCRUED ICMS AND ICMS-ST CREDITS (BLOCK II)

The surveyed companies devote annually, on average, per establishment, 25 hours to calculation of their own accrued ICMS credit. For the other activities, the answers were considered insufficient for analysis purposes.

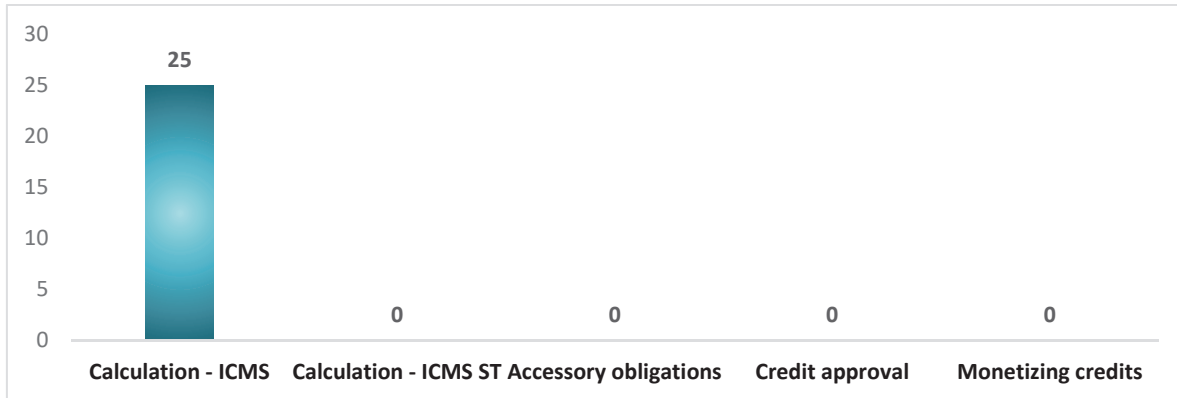


Chart 98 - Block II - Average hours - Pará

The insufficiency of answers for the other activities is due to the fact that the State does not have effective procedures for claiming the credit, making the process of repayment/reimbursement slow and bureaucratic.

Number of people involved

Table 78 below shows the average number of people involved, not exclusively, in tax compliance activities comprised by Block II.

Activity	People involved
ICMS Calculation	1.3
ICMS ST - Calculation	0
Accessory obligations	0
Credit approval	0
Monetizing credit	0

Table 78 - Block II - Average number of people involved per activity - Pará

Causes

According to the interviewees, the causes that most hinder the compliance process related to the accrued ICMS and ICMS-ST credits in Pará are the complexity of accessory obligations and the adaptation and localization of systems, as shown in Table 79.

Position	Causes	Average Rating
1 st	Complexity of accessory obligations	5.33
2 nd	Adaptation and localization of systems	5.00
3 rd	Information-intensive obligations	4.66
4 th	Number of tax returns with the same delivery date	4.33
5 th	Complexity of processes and internal controls	3.33
6 th	Complexity of legislation	2.67
7 th	Short period of time between preparing and delivering	2.66

Table 79 - Block II - Main Causes - Pará

4.2.10.5 SPECIAL REGIMES, TAX INCENTIVES AND SECTORIAL CONTROLS (Block III)

The surveyed companies devote annually, on average, per establishment, 56 hours to compliance activities related to ICMS special regimes, tax incentives and sectorial controls. Out of this total, about 33 hours are spent on calculation, management and control procedures, and 23 hours on the fulfillment of accessory obligations, as summarized in Chart 99.

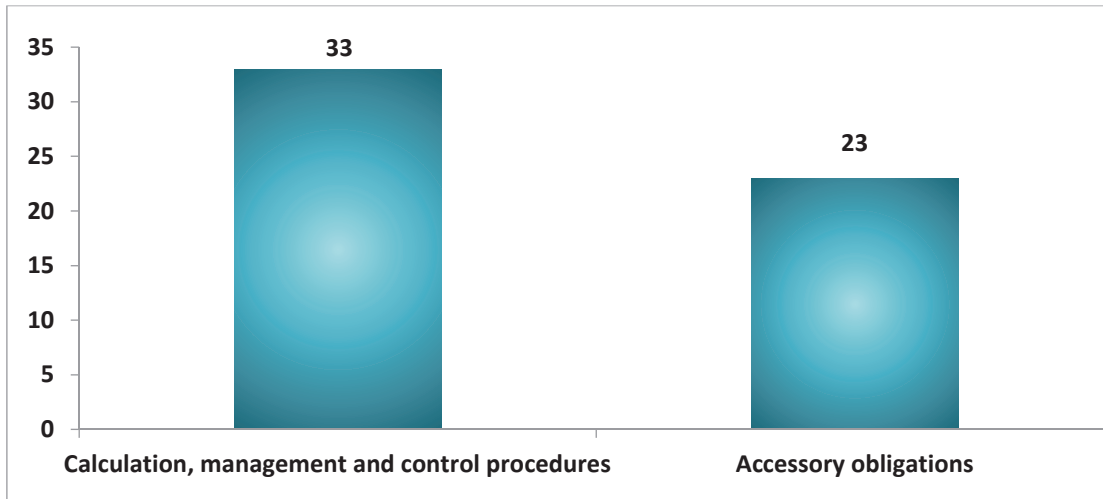


Chart 99 - Block III - Average hours - Pará

The special regimes encompass the issuing and bookkeeping of tax documents, the grant of deferrals, tax incentives and benefits, differentiated forms and deadlines for the collection of the main ICMS obligations, among others.

It is important to mention that this Block must be analyzed together with Block I (Calculation of ICMS and ICMS-ST), since both the calculation of tax incentives and the respective bookkeeping in the accessory obligations are part of the tax calculation routine.

Number of people involved

Table 80 shows the average number of people involved, not exclusively, in compliance activities related to the ICMS special regimes, tax incentives and sectorial controls.

Activity	People involved
Calculation, management and control	2
Accessory obligations	2

Table 80 - Block III - Average number of people involved per activity - Pará

Causes

According to the interviewees, there are several causes that hinder the compliance process related to the ICMS special regimes, tax incentives and sectorial controls in the State of Pará, of which the complexity of the processes and internal controls and the complexity of the legislation stand out, as can be seen in Table 81.

Position	Causes	Average Rating
1 st	Complexity of processes and internal controls	5.50
2 nd	Complexity of legislation	5.00
3 rd	Number of tax returns with the same delivery date	4.83
4 th	Short period of time between preparing and delivering	4.16
5 th	Complexity of accessory obligations	2.83
6 th	Information-intensive obligations	2.83
7 th	Adaptation and localization of systems	2.83

Table 81 - Block III - Main Causes - Pará

4.2.10.6 INSPECTIONS, ADMINISTRATIVE LITIGATION AND DEBT CLEARANCE CERTIFICATES (BLOCK IV)

The surveyed companies devote annually, on average, per establishment, 580 hours to compliance activities comprised by this block. Out of this total, a volume of 277 hours for administrative litigation management stands out, as shown in Chart 100.

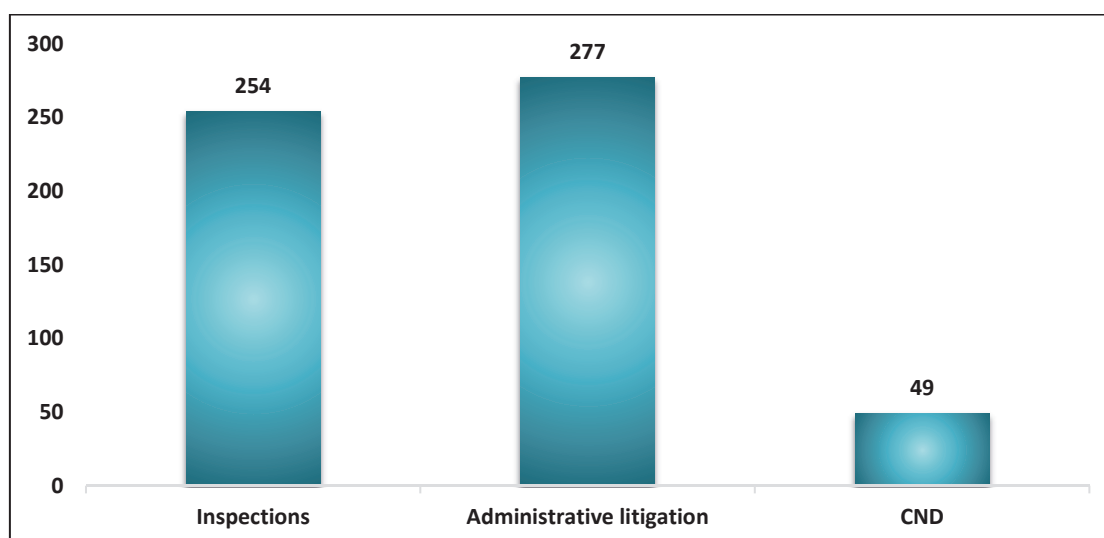


Chart 100 - Block IV - Average hours - Pará

The significant number of hours presented for administrative litigation management reflects the complexity of handling the tax deficiency notices, which involves hiring law firms, preparing technical reports, auxiliary controls, enclosing tax documents, and all the necessary subsidies to support the administrative defense.

Number of people involved

Table 82 shows the average number of people involved, not exclusively, in compliance activities comprised by Block IV.

Activity	People involved
Inspections	2.5
Administrative litigation	4
CND	2

Table 82 - Block IV - Average number of people involved per activity - Pará

4.2.11 PARANÁ

4.2.11.1 SAMPLE CHARACTERIZATION

In the state of Paraná, answers were obtained from 14 establishments, which are distributed among the economic segments shown in Chart 101.

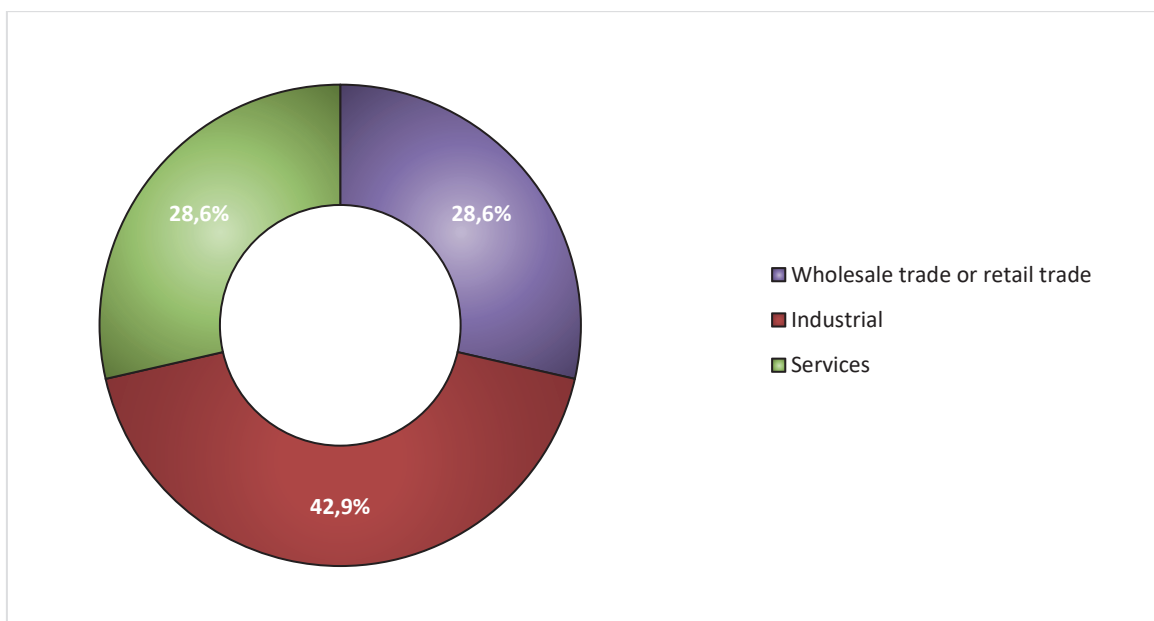


Chart 101 - Economic segment of the business groups - Paraná

4.2.11.2 OVERALL RESULT

In order to meet the whole tax compliance in the State of do Paraná, an establishment of the surveyed companies spends, on average, approximately, 1.7 thousand hours a year, with Block I being the most representative, followed by Block IV.

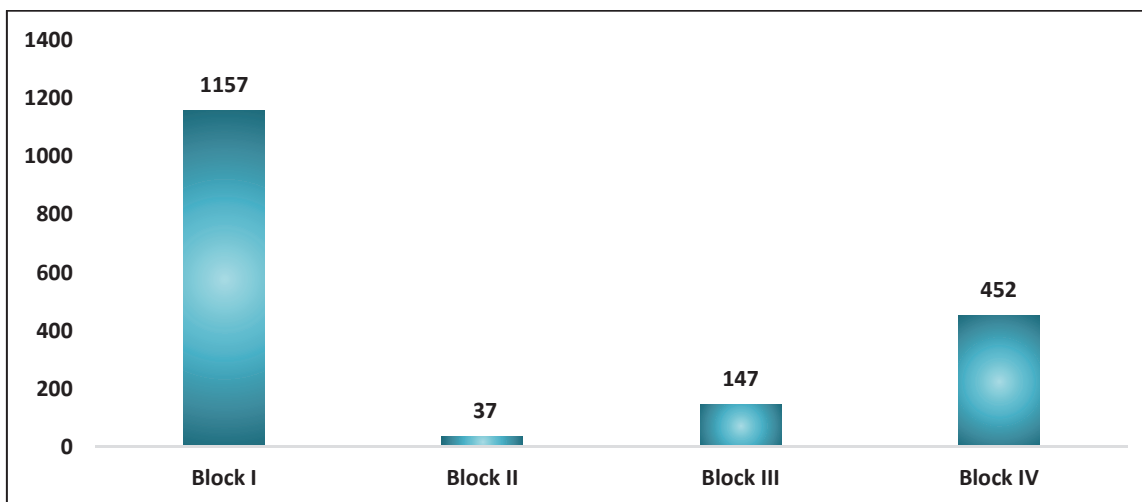


Chart 102 - General Results by Block - Paraná

The following table shows the average number of people involved, not exclusively, per establishment, in the activities/stages specified above:

Activity	People involved
Block I	20.4
Block II	1.3
Block III	4.0
Block IV	6.6

Table 83 - Average number of people involved in the activities - Paraná

4.2.11.3 ICMS AND ICMS-ST CALCULATION (BLOCK I)

○ Block I is divided into 3 activities, namely ICMS calculation, ICMS-ST calculation, and respective accessory obligations, totaling 1.1 thousand hours. Out of this total, about 673 hours are spent on ICMS calculation, 100 hours on ICMS-ST calculation and 384 hours on accessory obligations, as summarized in Chart 103.

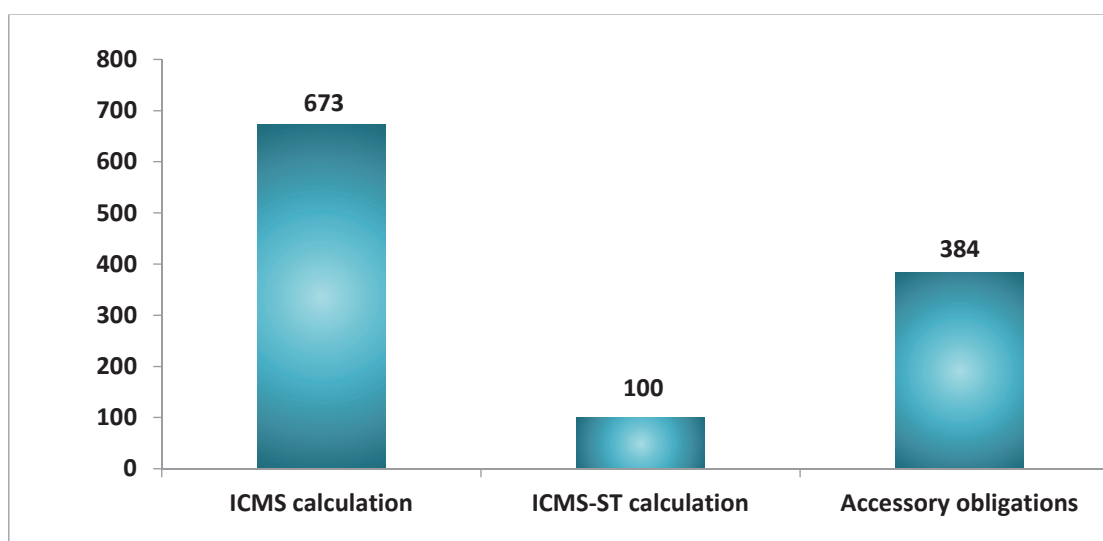


Chart 103 - Block I - Average hours - Paraná

This result shows that, in the State of Paraná, the ICMS calculation stage demands more time from the companies than the other activities in this block.

Calculation

Prior to the calculation of taxes, the taxpayer needs to perform several other activities, such as legislation monitoring, implementation in a systemic environment and impact assessment; bookkeeping of tax documents, management of auxiliary controls, among others. As a result, the survey sought to calculate the time spent on these specific items of the calculation stage, as shown in Charts 104 and 105.

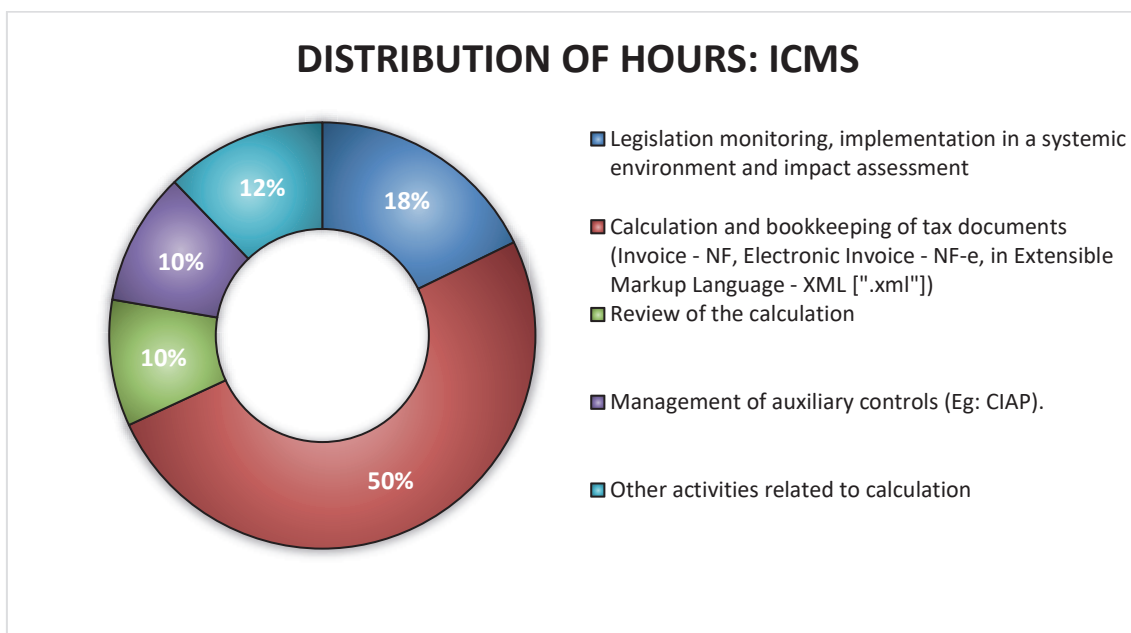


Chart 104 - ICMS: Average percentage distribution of annual hours for calculation - Paraná

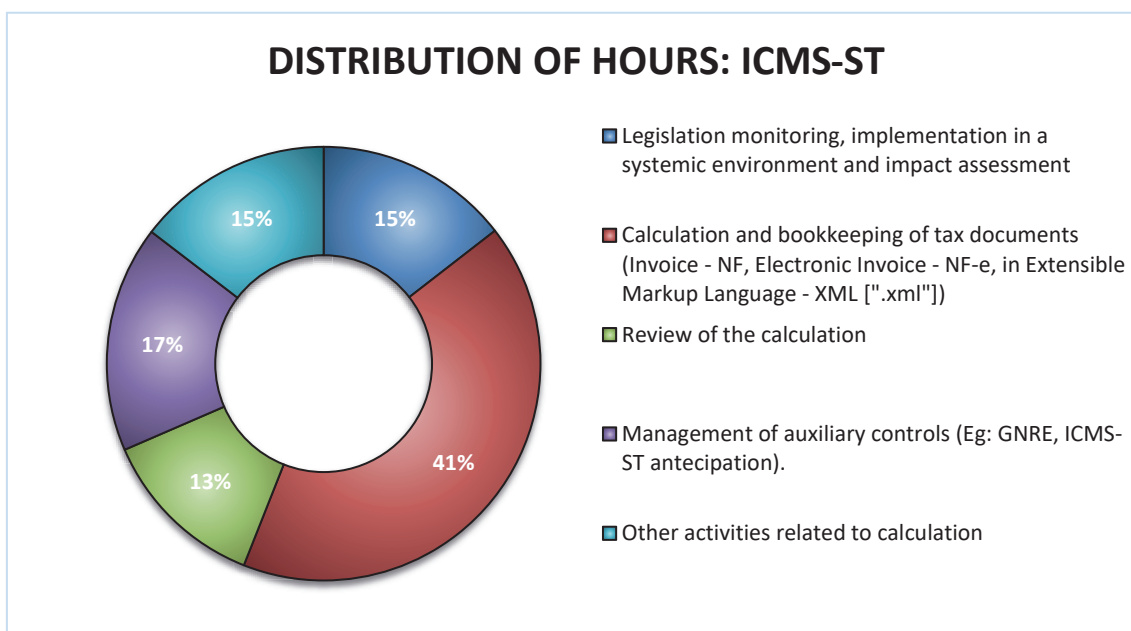


Chart 105 - ICMS-ST: Average percentage distribution of annual hours for calculation - Paraná

Charts 104 e 105 show that the portion related to tax calculation represented 50.3% (ICMS) and 41.5% (ICMS-ST) of the calculation process total time. It is worth mentioning that this activity includes the capture of entry and exit tax documents (.xml); document checking; storage; bookkeeping; ICMS and ICMS-ST calculation; sample analysis based on documents, current legislation, and differentiated tax treatments; specific collections and/or adjustments in chart account, such as the tax rate differential, reversals, etc.

Accessory obligations

With regard to preparing and delivering accessory obligations related to ICMS and ICMS-ST in the State of Paraná, according to the answers provided, the surveyed companies

annually spend, on average, per establishment, of 384 hours per year. shows the average number of annual hours spent per accessory obligation applicable in the State.

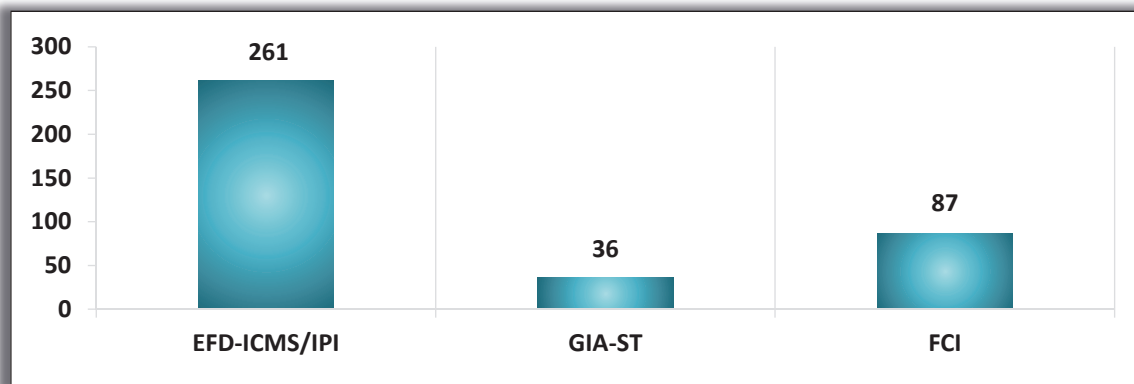


Chart 106 - Average annual hours per accessory obligation - Paraná

As for the number of hours spent on filling in the EFD-ICMS/IPI being higher when compared to the other accessory obligations do Estado, the reason is that the EFD-ICMS/IPI requires a higher level of detail of the information.

Number of people involved

Table 84 shows the average number of people involved, not exclusively, in some of the tax compliance activities related to ICMS and ICMS-ST.

Activity	People involved
<i>Calculation</i>	
ICMS	2.3
ICMS-ST	1.7
<i>Accessory obligations</i>	
GIA-ST	1.0
EFD-ICMS/IPI	2.1
FCI	13.3

Table 84 - Block I - Average number of people involved per activity - Paraná

Causes

According to the interviewees, the main difficulties faced by taxpayers throughout the compliance process related to ICMS and ICMS-ST in the State of Paraná are the complexity of the processes and internal controls that support the calculation of the tax, as well as the excess of accessory obligations with the same delivery date, as shown in Table 85.

Position	Causes	Average Rating
1 st	Complexity of processes and internal controls	5.00
2 nd	Number of tax returns with the same delivery date	4.58
3 rd	Short period of time between preparing and delivering	4.50
4 th	Adaptation and localization of systems	3.58
5 th	Information-intensive obligations	3.58
6 th	Complexity of legislation	3.42
7 th	Complexity of accessory obligations	3.33

Table 85 - Block I - Main Causes - Paraná

4.2.11.4 ACCRUED ICMS AND ICMS-ST CREDITS (Block II)

The surveyed companies devote annually, on average, per establishment, 37 hours to calculation of their own accrued ICMS credit. For the other activities, the answers were considered insufficient for analysis purposes.

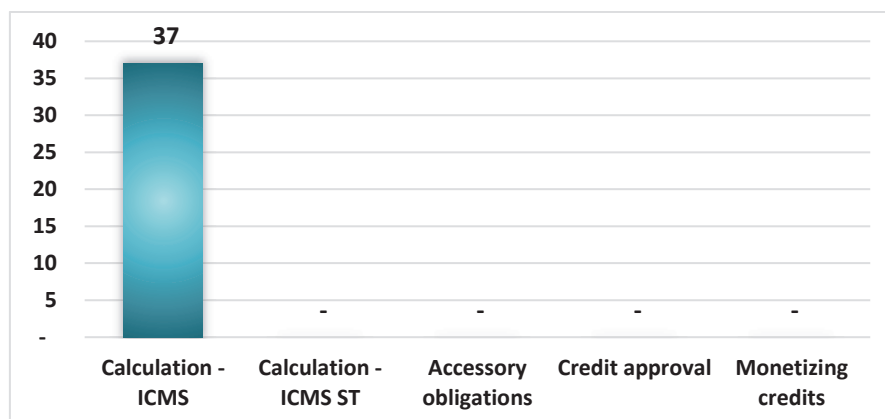


Chart 107 - Block II - Average hours - Paraná

Even with the insufficient number of respondents, it is possible to affirm that there is a structured process in the State of Paraná for the calculation of the accumulated credit, through its own system called SISCREC.

Number of people involved

Table 86 shows the average number of people involved, not exclusively, in tax compliance activities comprised by Block.

Activity	People involved
ICMS Calculation	1.3
ICMS ST - Calculation	0
Accessory obligations	0
Credit approval	0
Monetizing credit	0

Table 86 - Block II - Average number of people involved per activity - Paraná

Causes

According to the interviewees, the cause that most hinders the compliance process related to accrued ICMS and ICMS-ST credits in the State of Paraná is the complexity of the processes and internal controls to support the calculation, as well as the need to adapt the systems, as shown in Table 87.

Position	Causes	Average Rating
1 st	Complexity of processes and internal controls	7.00
2 nd	Adaptation and localization of systems	5.00
3 rd	Short period of time between preparing and delivering	5.00
4 th	Number of tax returns with the same delivery date	5.00
5 th	Information-intensive obligations	3.00
6 th	Complexity of legislation	1.50
7 th	Complexity of accessory obligations	1.50

Table 87 - Block II - Main Causes - Paraná

4.2.11.5 SPECIAL REGIMES, TAX INCENTIVES AND SECTORIAL CONTROLS (BLOCK III)

The surveyed companies devote annually, on average, per establishment, 147 hours to compliance activities related to ICMS special regimes, tax incentives and sectorial controls. Out of this total, about 64 hours are spent on calculation, management and control procedures, and 83 hours on the fulfillment of accessory obligations, as summarized in Chart 108.

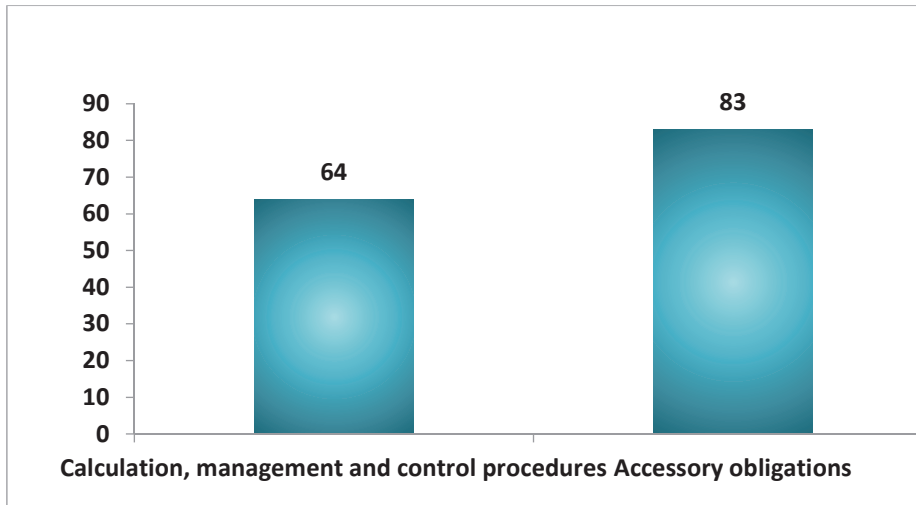


Chart 108 - Block III - Average hours - Paraná

From the abovementioned results and the interviewees' information, it is possible to infer that, to allow a better operating efficiency of the companies, there is usually the need to obtain a variety of special regimes in the sense of fostering a greater adherence between certain operations and the legislation, which include the issuing and bookkeeping of tax documents, granting of deferrals, incentives and tax benefits, differentiated forms and deadlines for the collection of the main ICMS obligations, among others.

It is important to mention that this Block must be analyzed together with Block I (ICMS and ICMS-ST calculation), since both the calculation of tax incentives and the respective bookkeeping in the accessory obligations are part of the tax calculation routine.

Number of people involved

Table 88 shows the average number of people involved, not exclusively, in compliance activities related to the ICMS special regimes, tax incentives and sectorial controls.

Activity	People involved
Calculation, management and control	2
Accessory obligations	2

Table 88 - Block III - Average number of people involved per activity - Paraná

Causes

According to the interviewees, there are several causes that hinder the compliance process related to the ICMS special regimes, tax incentives and sectorial controls in the State of

Paraná, of which the complexity of the legislation stands out, as well as the short period of time between preparing and delivering the information, as shown in Table 89.

Position	Causes	Average Rating
1 st	Complexity of legislation	4.75
2 nd	Short period of time between preparing and delivering	4.50
3 rd	Complexity of processes and internal controls	4.37
4 th	Adaptation and localization of systems	4.37
5 th	Information-intensive obligations	3.75
6 th	Number of tax returns with the same delivery date	3.62
7 th	Complexity of accessory obligations	2.62

Table 89 - Block III - Main Causes - Paraná

4.2.11.6 INSPECTIONS, ADMINISTRATIVE LITIGATION AND DEBT CLEARANCE CERTIFICATES (BLOCK IV)

The surveyed companies devote annually, on average, per establishment, 452 hours to compliance activities comprised by this block. Out of this total, a volume of 203 hours for compliance with inspections stands out, as shown in Chart 109.

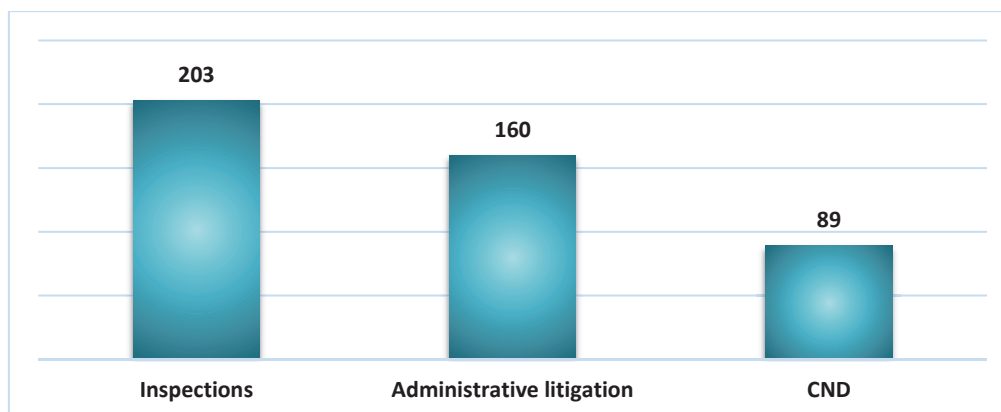


Chart 109 - Block IV - Average hours - Paraná

The significant number of hours presented for the compliance with both own and third-party inspections is due to the fact that although the accessory obligations have a high level of information provided substantially in electronic form, an additional effort is still required to comply with additional requests (information, calculation memories, reconciliations, specific statements, etc.) required on site by the tax auditors.

Number of people involved

Table 90 shows the average number of people involved, not exclusively, in compliance activities comprised by Block IV.

Activity	People involved
Inspections	2.5
Administrative litigation	2.6
CND	1.5

Table 90 - Block IV - Average number of people involved per activity - Paraná

4.2.12 PERNAMBUCO

4.2.12.1 SAMPLE CHARACTERIZATION

In the State of Pernambuco, answers were obtained from 17 establishments, which are distributed among the economic segments shown in Chart 110.

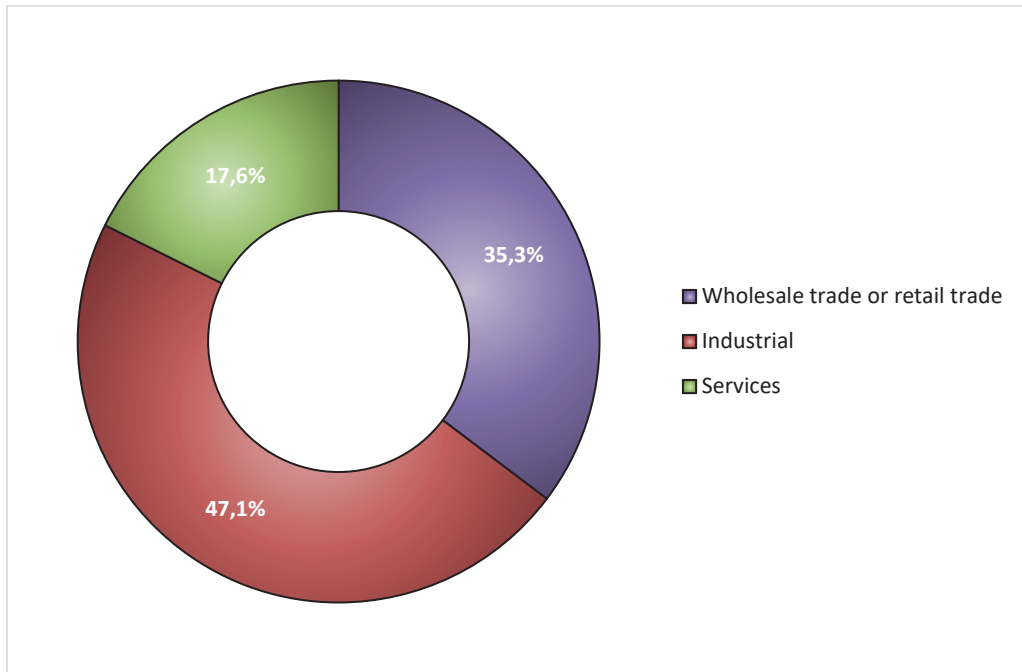


Chart 110 - Economic segment of the business groups - Pernambuco

4.2.12.2 OVERALL RESULT

In order to meet the whole tax compliance in the State of Pernambuco, an establishment of the surveyed companies spends, on average, approximately, 3.2 thousand hours a year, with Block IV being the most representative, followed by Block I.

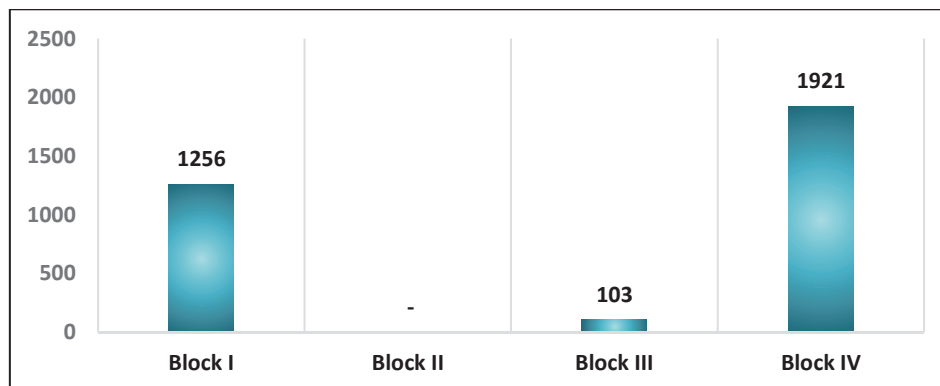


Chart 111 - General Results by Block - Pernambuco

Table 91, shows the average number of people involved, not exclusively, per establishment, in the activities/stages specified above:

Activity	People involved
Block I	17
Block II	0.0
Block III	3.50
Block IV	9.9

Table 91 - Average number of people involved in the activities - Pernambuco

4.2.12.3 ICMS AND ICMS-ST CALCULATION (BLOCK I)

○ Block I is divided into 3 activities, namely ICMS calculation, ICMS-ST calculation, and respective accessory obligations, totaling 1.2 thousand hours. Out of this total, about 671 hours are spent on ICMS calculation, 101 hours on ICMS-ST calculation e 484 hours on accessory obligations, as summarized in o Chart 112.

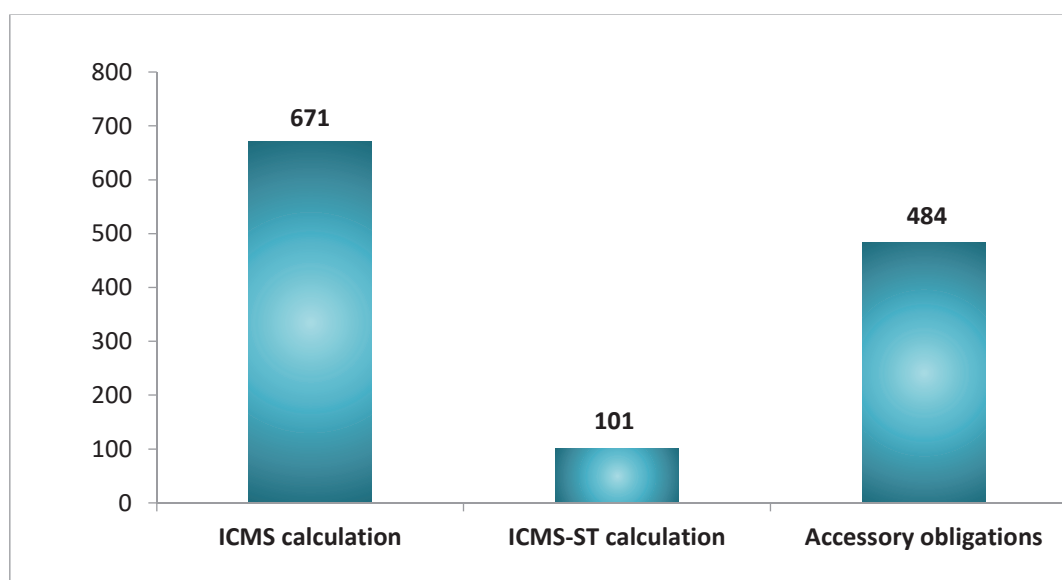


Chart 112 - Block I - Average hours - Pernambuco

This result shows that in the state of Pernambuco, the ICMS calculation stage demands more time from the companies than the other activities in this block.

Calculation

Prior to the calculation of taxes, the taxpayer needs to perform several other activities, such as legislation monitoring, implementation in a systemic environment and impact assessment; bookkeeping of tax documents, management of auxiliary controls, among others. As a result, the survey sought to calculate the time spent on these specific items of the calculation stage, as shown in Charts 113 and 114.

DISTRIBUTION OF HOURS: ICMS

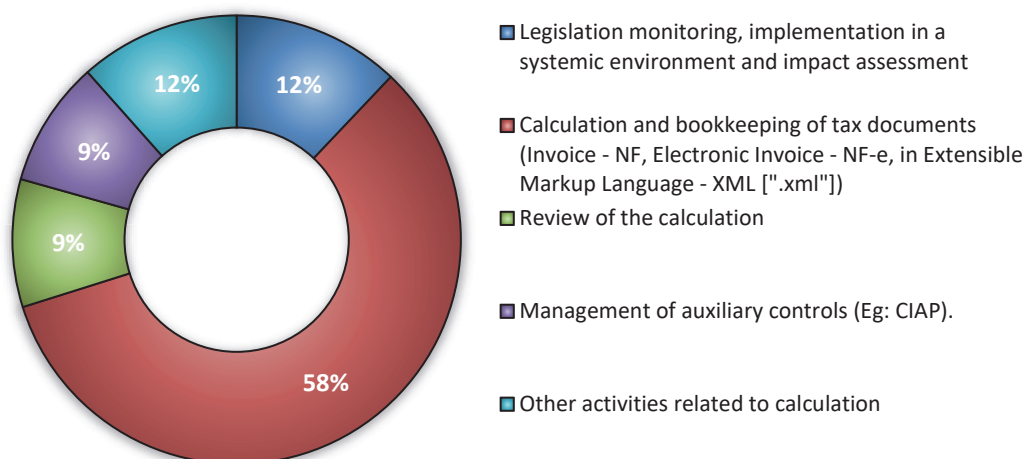


Chart 113 - ICMS: Average percentage distribution of annual hours for calculation - Pernambuco

DISTRIBUTION OF HOURS: ICMS-ST

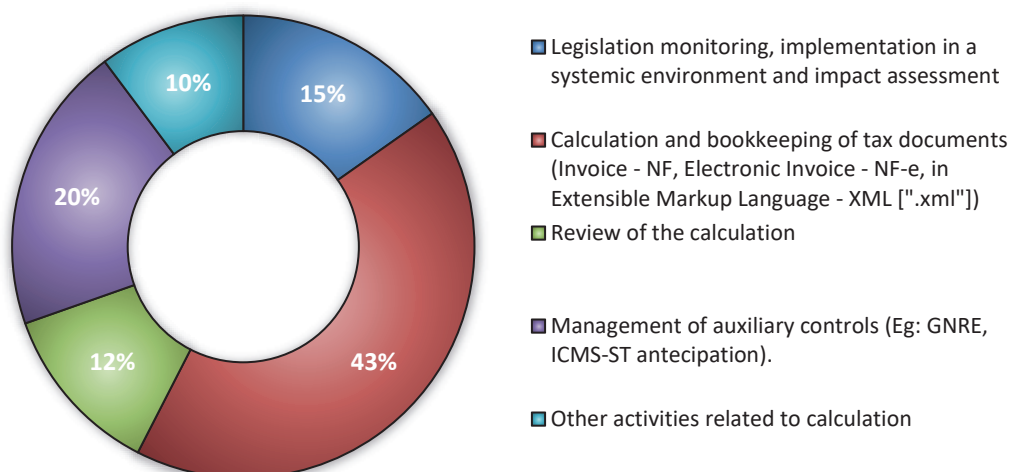


Chart 114 - ICMS-ST: Average percentage distribution of annual hours for calculation - Pernambuco

Charts 113 e 114 show that the portion related to tax calculation represented 58.1% (ICMS) and 42.3% (ICMS-ST) of the calculation process total time. It is worth mentioning that this activity includes the capture of entry and exit tax documents (.xml); document checking; storage; bookkeeping; ICMS and ICMS-ST calculation; sample analysis based on documents, current legislation, and differentiated tax treatments; specific collections and/or adjustments in chart account, such as the tax rate differential, reversals, etc.

Accessory obligations

With regard to preparing and delivering accessory obligations related to ICMS and ICMS-ST in the State of Pernambuco, according to the answers provided, the surveyed companies annually spend, on average, per establishment, of 484 hours per year. Chart 115 shows the average number of annual hours spent per accessory obligation applicable in the State.

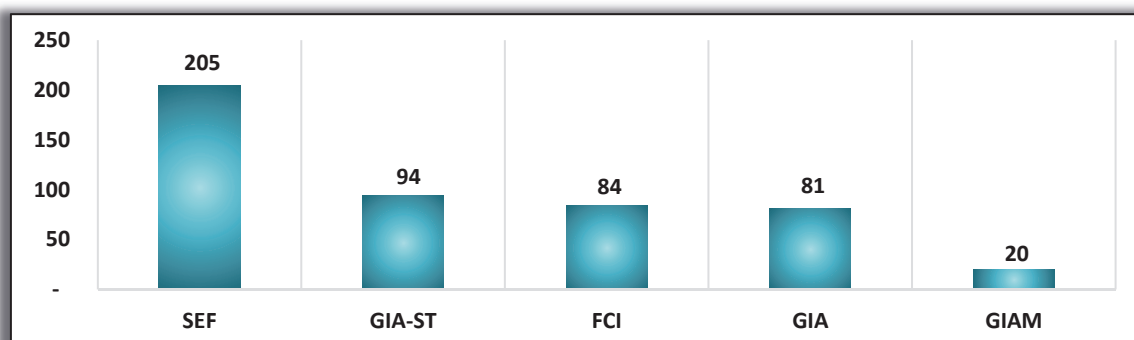


Chart 115 – Average annual hours per accessory obligation – Pernambuco

The number of hours spent on filling in the SEF is justified due to its complexity, which implies many hours to fill it out.

Number of people involved

Table 92 shows the average number of people involved, not exclusively, in some of the tax compliance activities related to ICMS and ICMS-ST.

Activity	People involved
<i>Calculation</i>	
ICMS	4.7
ICMS-ST	1.3
<i>Accessory obligations</i>	
SEF	1.3
GIA	5.9
GIAM	1.2
GIA-ST	1
FCI	1.6

Table 92 – Block I – Average number of people involved per activity – Pernambuco

Causes

Table 12 shows the average number of people involved, not exclusively, in some of the tax compliance activities related to ICMS and ICMS-ST in the State of Pernambuco are the complexity of the processes and internal controls, and the number of tax returns with the same due date, as shown in Table 93.

Position	Causes	Average Rating
1 st	Complexity of processes and internal controls	5.21
2 nd	Number of tax returns with the same delivery date	4.71
3 rd	Adaptation and localization of systems	4.43
4 th	Complexity of legislation	4.07
5 th	Information-intensive obligations	3.50
6 th	Short period of time between preparing and delivering	3.21
7 th	Complexity of accessory obligations	2.86

Table 93 – Block I – Main Causes – Pernambuco

4.2.12.4 ACCRUED ICMS AND ICMS-ST CREDITS (BLOCK II)

Regarding the Accrued ICMS Credits in the State of Pernambuco, the samples were considered statistically insufficient due to the low volume of data. Therefore, it was not possible to extract quantitative results that could be disclosed.

In addition, we know that some companies do not seek to take advantage of the credit accrued in Pernambuco due to the complexity of the legislation or processes.

4.2.12.5 SPECIAL REGIMES, TAX INCENTIVES AND SECTORIAL CONTROLS (BLOCK III)

The surveyed companies devote annually, on average, per establishment, 103 hours to compliance activities related to ICMS special regimes, tax incentives and sectorial controls. Out of this total, about 49 hours are spent on calculation, management and control procedures, and 54 hours on the fulfillment of accessory obligations, as summarized in Chart 116.

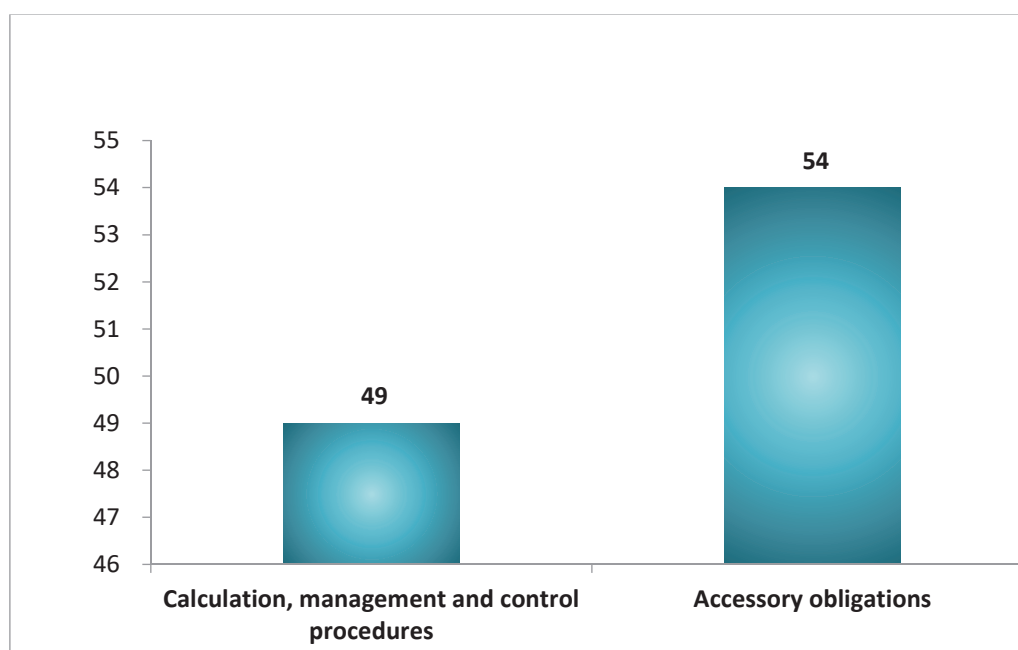


Chart 116 – Block III – Average hours – Pernambuco

From the abovementioned results and the interviewees' information, it is possible to infer that, to allow a better operating efficiency of the companies, there is usually the need to obtain a variety of special regimes in the sense of fostering a greater adherence between certain operations and the legislation, which include the issuing and bookkeeping of tax

documents, granting of deferrals, incentives and tax benefits, differentiated forms and deadlines for the collection of the main ICMS obligations, among others.

It is important to mention that this Block must be analyzed together with Block I (ICMS and ICMS-ST calculation), since both the calculation of tax incentives and the respective bookkeeping in the accessory obligations are part of the tax calculation routine.

Number of people involved

Table 94 shows the average number of people involved, not exclusively, in compliance activities related to the ICMS special regimes, tax incentives and sectorial controls:

Activity	People involved
Calculation, management and control	1.8
Accessory obligations	1.7

Table 94 - Block III - Average number of people involved per activity - Pernambuco

Causes

According to the interviewees, there are several causes that hinder the compliance process related to the ICMS special regimes, tax incentives and sectorial controls in the State of Pernambuco, of which we highlight the complexity of the internal controls to support the accessory and calculation obligations, as well as the complexity of the legislation, as shown in Table 95.

Position	Causes	Average Rating
1 st	Complexity of processes and internal controls	5.00
2 nd	Complexity of legislation	4.56
3 rd	Information-intensive obligations	4.11
4 th	Short period of time between preparing and delivering	4.00
5 th	Adaptation and localization of systems	3.89
6 th	Complexity of accessory obligations	3.44
7 th	Number of tax returns with the same delivery date	3.00

Table 95 - Block III - Main Causes - Pernambuco

4.2.12.6 INSPECTIONS, ADMINISTRATIVE LITIGATION AND DEBT CLEARANCE CERTIFICATES (BLOCK IV)

The surveyed companies devote annually, on average, per establishment, 1,9 mil hours to compliance activities comprised by this block. Out of this total, a volume of 939 hours for compliance with inspections stands out, as shown in Chart 117.

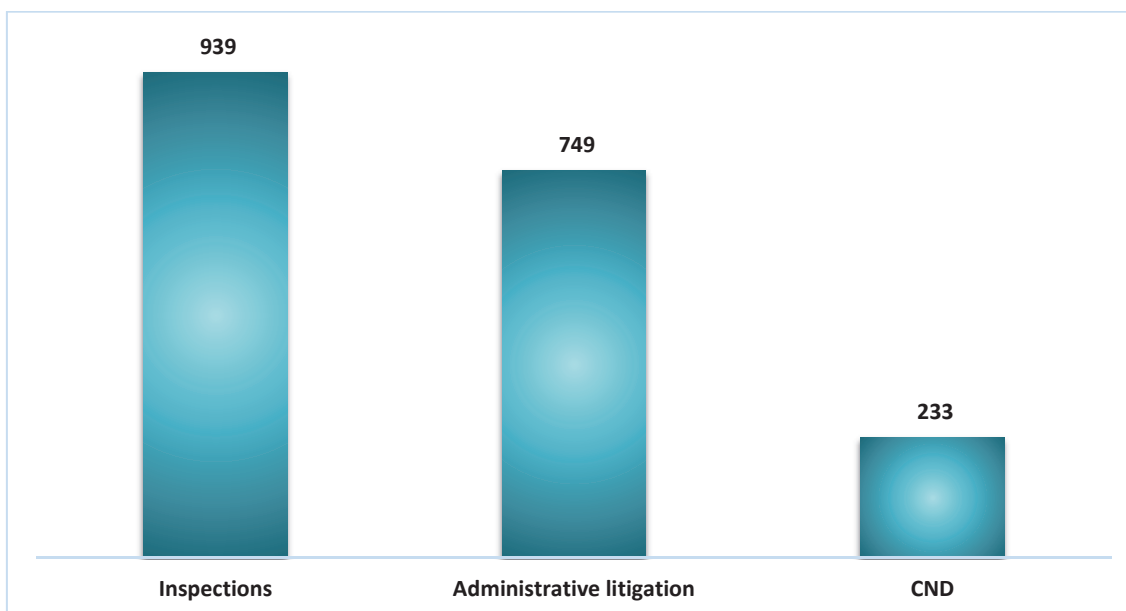


Chart 117 - Block IV - Average hours - Pernambuco

The significant number of hours presented for the compliance with both own and third-party inspections is due to the fact that although the accessory obligations have a high level of information provided substantially in electronic form, an additional effort is still required to comply with additional requests (information, calculation memories, reconciliations, specific statements, etc.) required on site by the tax auditors.

Number of people involved

Table 96 shows the average number of people involved, not exclusively, in compliance activities comprised by Block IV:

Activity	People involved
Inspections	3.2
Administrative litigation	4.3
CND	2.4

Table 96 - Block IV - Average number of people involved per activity - Pernambuco

4.2.13 RIO DE JANEIRO

4.2.13.1 SAMPLE CHARACTERIZATION

In the state of Rio de Janeiro, answers were obtained from 23 establishments, distributed among the economic segments shown in Chart 118.

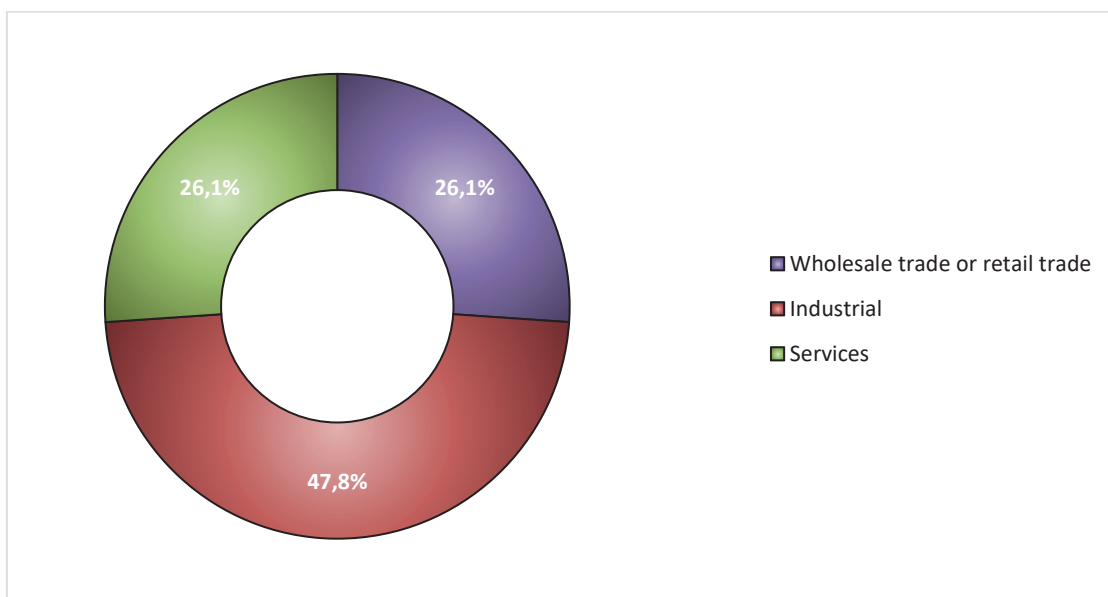


Chart 118 - Economic segment of the business groups - Rio de Janeiro

4.2.13.2 OVERALL RESULT

In order to meet the whole tax compliance in the State of do Rio de Janeiro, an establishment of the surveyed companies spends, on average, approximately, 3.4 thousand hours a year, with Block I being the most representative, followed by Block IV.

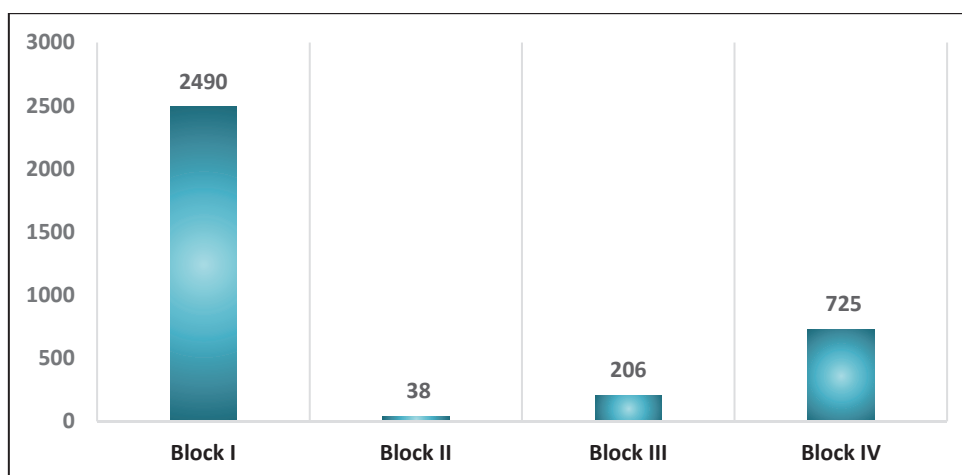


Chart 119 - General Results by Block - Rio de Janeiro

Table 97, shows the average number of people involved, not exclusively, per establishment, in the activities/stages specified above:

Activity	People involved
Block I	28.1
Block II	1.0
Block III	3.9
Block IV	8.1

Table 97 - Average number of people involved in the activities - Rio de Janeiro

4.2.13.3 ICMS AND ICMS-ST CALCULATION (Block I)

○ Block I is divided into 3 activities, namely ICMS calculation, ICMS-ST calculation, and respective accessory obligations, totaling 2490 horas. Out of this total, about 1255 hours are spent on ICMS calculation, 738 hours on ICMS-ST calculation and 497 hours on accessory obligations, as summarized in Chart 120.

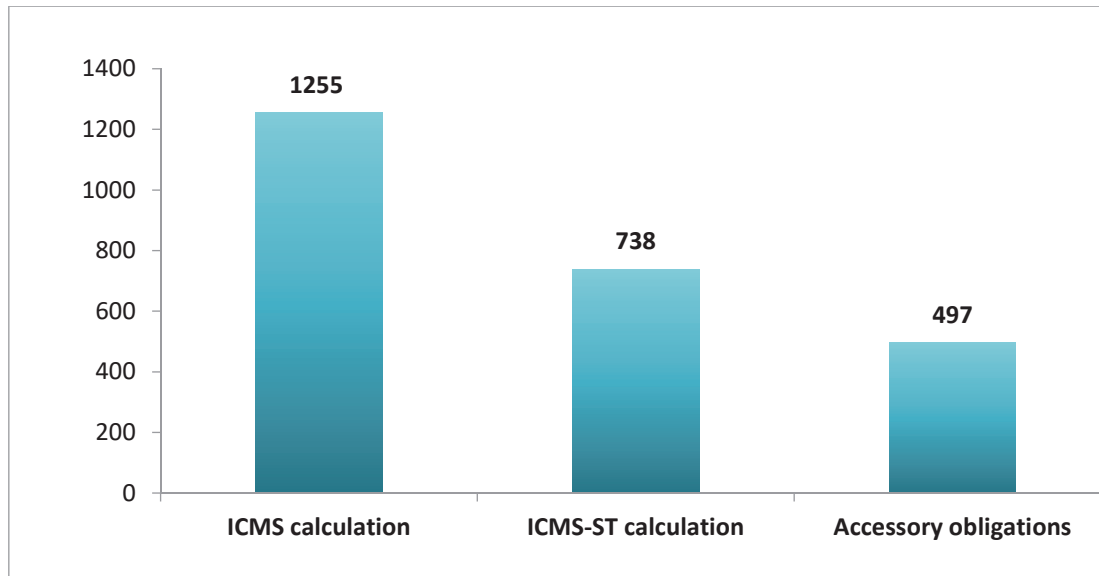


Chart 120 - Block I - Average hours - Rio de Janeiro

This result shows that, in the State of Rio de Janeiro, the ICMS calculation stage demands more time from the companies than the other activities in this block.

Calculation

Prior to the calculation of taxes, the taxpayer needs to perform several other activities, such as legislation monitoring, implementation in a systemic environment and impact assessment; bookkeeping of tax documents, management of auxiliary controls, among others. As a result, the survey sought to calculate the time spent on these specific items of the calculation stage, as shown in Charts 121 and 122.

DISTRIBUTION OF HOURS: ICMS

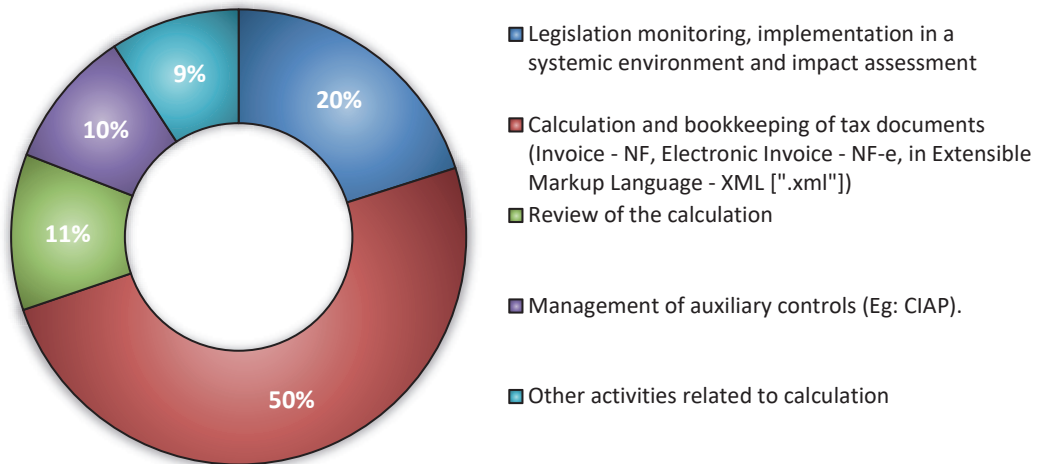


Chart 121 - ICMS: Average percentage distribution of annual hours for calculation - Rio de Janeiro

DISTRIBUTION OF HOURS: ICMS-ST

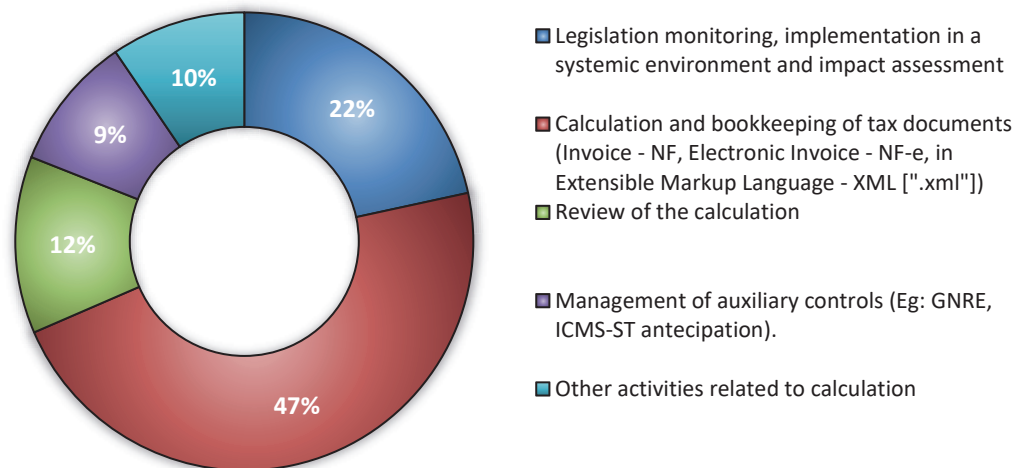


Chart 122 - ICMS-ST: Average percentage distribution of annual hours for calculation - Rio de Janeiro

Charts 121 and 122 show that the portion related to tax calculation represented 49.7% (ICMS) and 46.9% (ICMS-ST) of the calculation process total time. It is worth mentioning that this activity includes the capture of entry and exit tax documents (.xml); document checking; storage; bookkeeping; ICMS and ICMS-ST calculation; sample analysis based on documents, current legislation, and differentiated tax treatments; specific collections and/or adjustments in chart account, such as the tax rate differential, reversals, etc.

In addition, the research tried to identify, in a separate way, the impacts of the time spent on the activities of legislation follow up and monitoring, implementing the systemic environment and evaluating the impact on business, such as the entry or exit of products in the ICMS tax substitution regime, signing of Protocols between some States, reduction or

increase in the tax burden, etc. Such controls demanded 20.1% (ICMS) and 21.6% (ICMS-ST) of the total hours spent.

Accessory obligations

With regard to preparing and delivering the accessory obligations related to ICMS and ICMS-ST in the State of Rio de Janeiro, according to the answers provided, the surveyed companies annually spend, on average, per establishment, 497 hours a year. Chart 123 shows the average number of annual hours spent per accessory obligation applicable in the State.

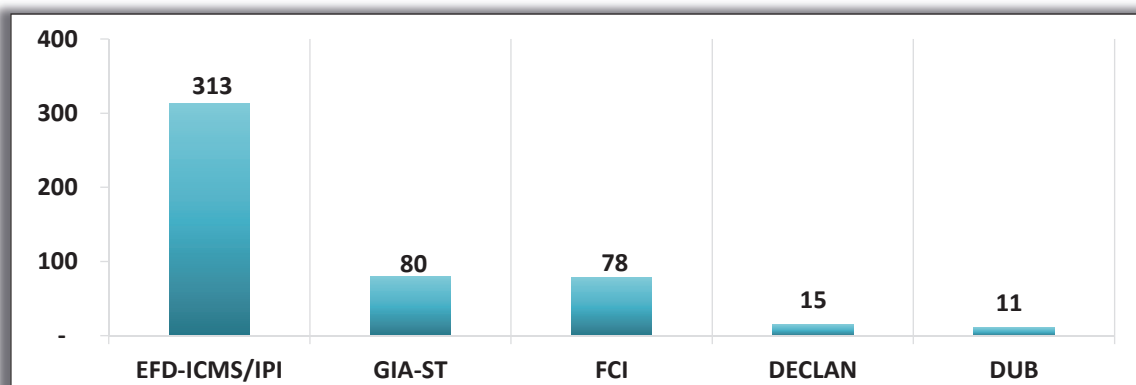


Chart 123 - Average annual hours per accessory obligation - Rio de Janeiro

As for the number of hours spent on filling in the EFD-ICMS/IPI being higher when compared to the other accessory obligations do Estado, the reason is that the EFD-ICMS/IPI requires a higher level of detail of the information.

Number of people involved

Table 98 shows the average number of people involved, not exclusively, in some of the tax compliance activities related to ICMS and ICMS-ST, in the State of Rio de Janeiro.

Activity	People involved
<i>Calculation</i>	
ICMS	5.3
ICMS-ST	4.9
<i>Accessory obligations</i>	
DECLAN	2.1
DUB	2.3
EFD-ICMS/IPI	4.0
FCI	8.3
GIA-ST	1.2

Table 98 - Block I - Average number of people involved per activity - Rio de Janeiro

Causes

Table 12 shows the average number of people involved, not exclusively, in some of the tax compliance activities related to ICMS and ICMS-ST in the State of Rio de Janeiro are the complexity of the processes and internal controls that support the calculation of the tax, as well as the short period of time between the preparation of the declaration and the delivery date, as shown in Table 99.

Position	Causes	Average Rating
1 st	Complexity of processes and internal controls	5.20
2 nd	Short period of time between preparing and delivering	5.15
3 rd	Number of tax returns with the same delivery date	5.10
4 th	Information-intensive obligations	3.95
5 th	Adaptation and localization of systems	3.20
6 th	Complexity of legislation	2.90
7 th	Complexity of accessory obligations	2.50

Table 99 - Block I - Main Causes - Rio de Janeiro

4.2.13.4 ACCRUED ICMS AND ICMS-ST CREDITS (BLOCK II)

The surveyed companies devote annually, on average, per establishment, 38 hours to calculation of their own accrued ICMS credit. For the other activities, the answers were considered insufficient for analysis purposes.

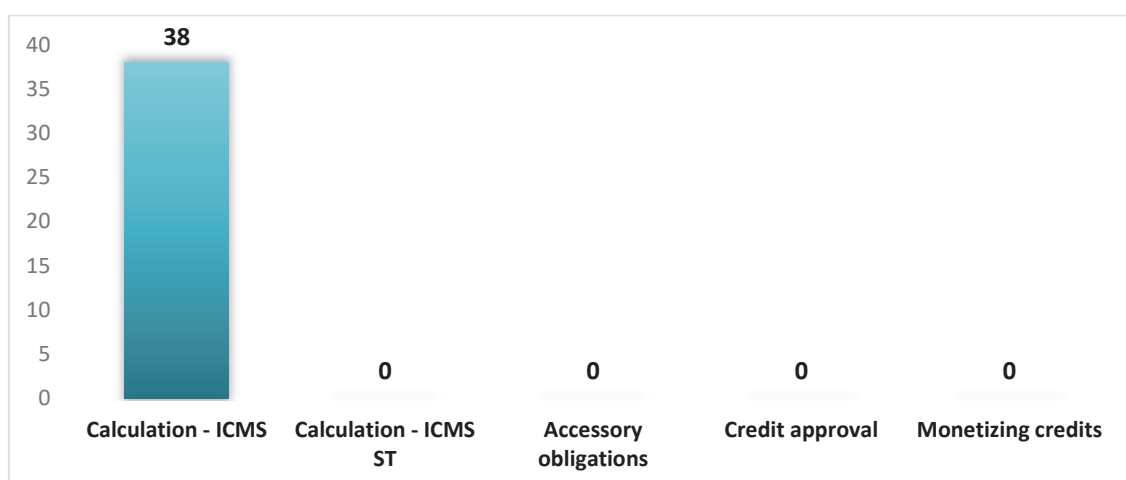


Chart 124 - Block II - Average hours - Rio de Janeiro

The insufficiency of answers for the other activities is due to the fact that the State does not have effective procedures for claiming the credit, making the process of repayment/reimbursement slow and bureaucratic.

Number of people involved

Table 100 shows the average number of people involved, not exclusively, in tax compliance activities comprised by Block.

Activity	People involved
ICMS Calculation	1.0
ICMS ST - Calculation	0
Accessory obligations	0
Credit approval	0
Monetizing credit	0

Table 100 - Block II - Average number of people involved per activity - Rio de Janeiro

Causes

According to the interviewees, the cause that most hinders the compliance process related to accrued ICMS and ICMS-ST credits in the State of Rio de Janeiro is the number of tax returns with the same delivery date, and also the excess of information that is necessary for bookkeeping, as shown in Table 101.

Position	Causes	Average Rating
1 st	Number of tax returns with the same delivery date	6.33
2 nd	Information-intensive obligations	5.33
3 rd	Short period of time between preparing and delivering	5.33
4 th	Complexity of processes and internal controls	4.00
5 th	Adaptation and localization of systems	2.66
6 th	Complexity of accessory obligations	2.33
7 th	Complexity of legislation	2.00

Table 101 - Block II - Main Causes - Rio de Janeiro

4.2.13.5 SPECIAL REGIMES, TAX INCENTIVES AND SECTORIAL CONTROLS (BLOCK III)

The surveyed companies devote annually, on average, per establishment, 206 hours to compliance activities related to ICMS special regimes, tax incentives and sectorial controls. Out of this total, about 118 hours are spent on calculation, management and control procedures, and 88 hours on the fulfillment of accessory obligations, as summarized in Chart 125.

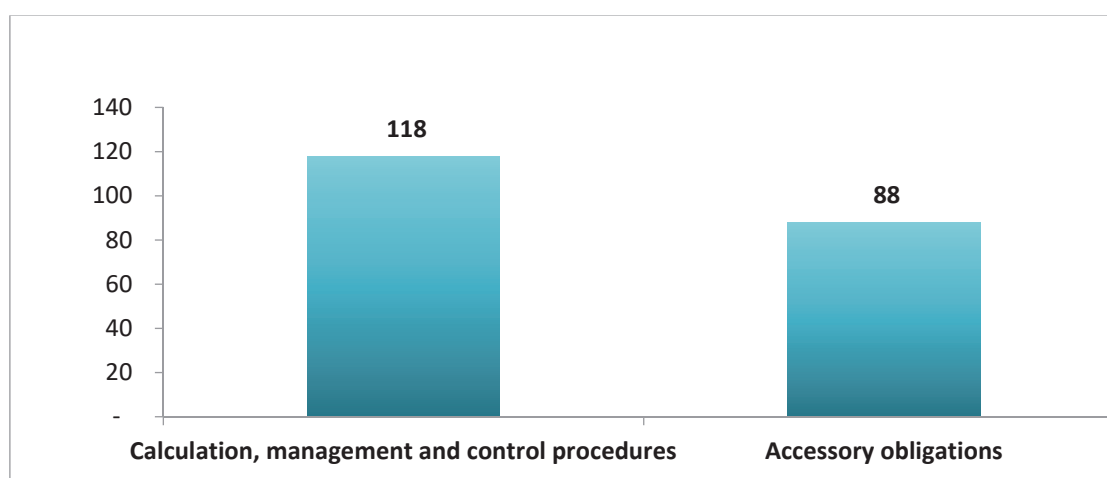


Chart 125 - Block III - Average hours - Rio de Janeiro

From the abovementioned results and the interviewees' information, it is possible to infer that, to allow a better operating efficiency of the companies, there is usually the need to obtain a variety of special regimes in the sense of fostering a greater adherence between certain operations and the legislation, which include the issuing and bookkeeping of tax documents, granting of deferrals, incentives and tax benefits, differentiated forms and deadlines for the collection of the main ICMS obligations, among others.

It is important to mention that this Block must be analyzed together with Block I (ICMS and ICMS-ST calculation), since both the calculation of tax incentives and the respective bookkeeping in the accessory obligations are part of the tax calculation routine.

Number of people involved

Table 102 shows the average number of people involved, not exclusively, in compliance activities related to the ICMS special regimes, tax incentives and sectorial controls.

Activity	People involved
Calculation, management and control	2
Accessory obligations	1.9

Table 102 - Block III - Average number of people involved per activity - Rio de Janeiro

Causes

According to the interviewees, there are several causes that hinder the compliance process related to the ICMS special regimes, tax incentives and sectorial controls in the State of Rio de Janeiro, out of which we highlight the complexity of maintaining internal controls to support the calculation, as well as the number of tax returns with the same delivery date, as shown in Table 103.

Position	Causes	Average Rating
1 st	Complexity of processes and internal controls	5.18
2 nd	Number of tax returns with the same delivery date	4.45
3 rd	Short period of time between preparing and delivering	4.09
4 th	Adaptation and localization of systems	3.81
5 th	Information-intensive obligations	3.18
6 th	Complexity of legislation	2.81
7 th	Complexity of accessory obligations	1.90

Table 103 - Block III - Main Causes - Rio de Janeiro

4.2.13.6 INSPECTIONS, ADMINISTRATIVE LITIGATION AND DEBT CLEARANCE CERTIFICATES (BLOCK IV)

The surveyed companies devote annually, on average, per establishment, about 725 hours to compliance activities comprised by this block. Out of this total, we highlight 297 hours for the administrative litigation management and 295 hours spent on the stage of inspections, as shown in Chart 126.

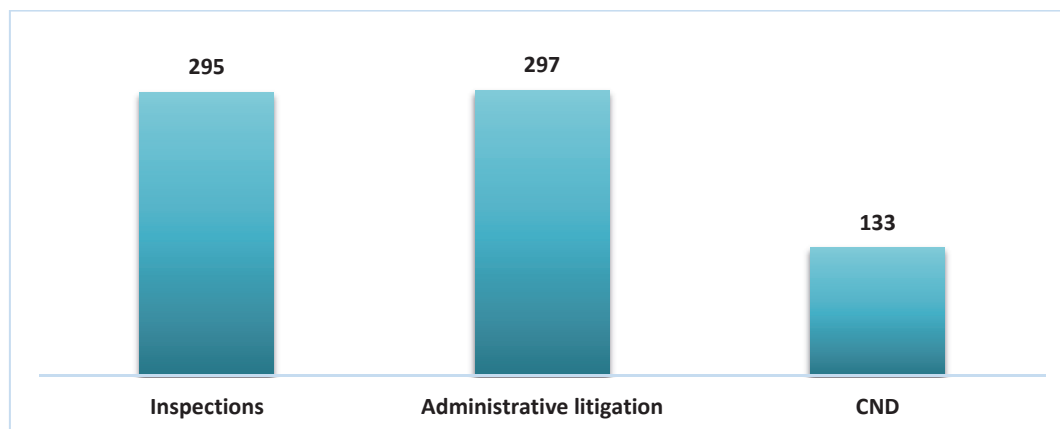


Chart 126 - Block IV - Average hours - Rio de Janeiro

The significant number of hours presented for administrative litigation management reflects the complexity of handling the tax deficiency notices, which involves hiring law firms, preparing technical reports, auxiliary controls, enclosing tax documents, and all the necessary subsidies to support the administrative defense.

In addition, the number of hours spent on inspections was close to the total hours for managing administrative litigation, which is also a relevant activity.

According to the interviewees' report, the State of Rio de Janeiro has shown itself, between the years 2020 and 2021, to be active with regard to inspection procedures, especially with regard to the bookkeeping of accessory obligations.

It should be noted, finally, that the State of Rio de Janeiro is currently in the middle of a fiscal and economic crisis and, for this reason, has reduced the granting of tax benefits, which may reflect in the low volume of hours involved in this process.

Number of people involved

Table 104 shows the average number of people involved, not exclusively, in compliance activities comprised by Block IV.

Activity	People involved
Inspections	2.8
Administrative litigation	3.5
CND	1.8

Table 104 - Block IV - Average number of people involved per activity - Rio de Janeiro

4.2.14 RIO GRANDE DO SUL

4.2.14.1 SAMPLE CHARACTERIZATION

In the state of Rio Grande do Sul, answers were obtained from 16 establishments, which are distributed among the economic segments shown in Chart 127.

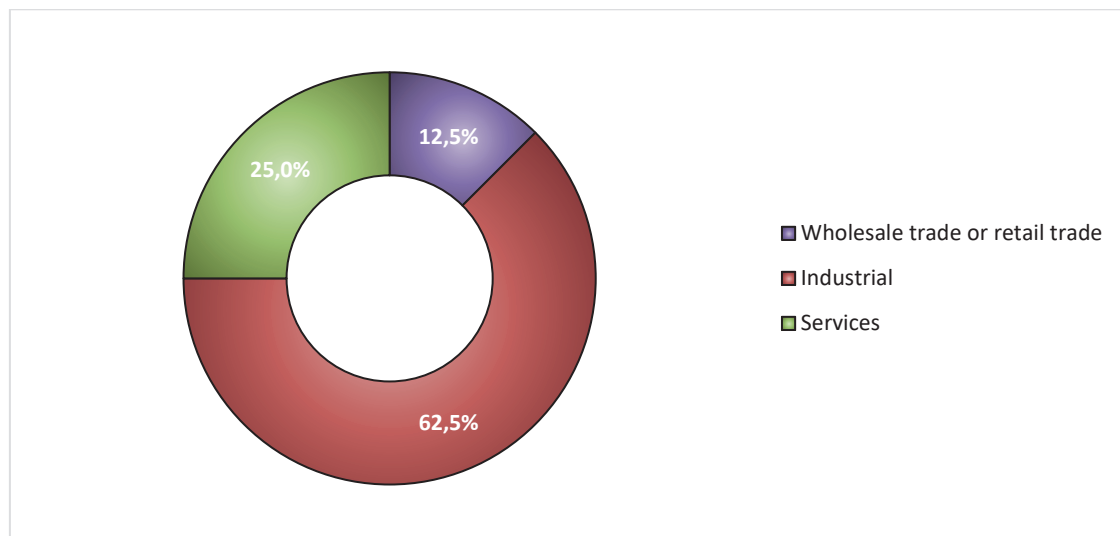


Chart 127 - Economic segment of the business groups - Rio Grande do Sul

4.2.14.2 OVERALL RESULT

In order to meet the whole tax compliance in the State of do Rio Grande do Sul, an establishment of the surveyed companies spends, on average, approximately, 4,1 thousand hours a year, with Block I being the most representative, followed by Block IV.

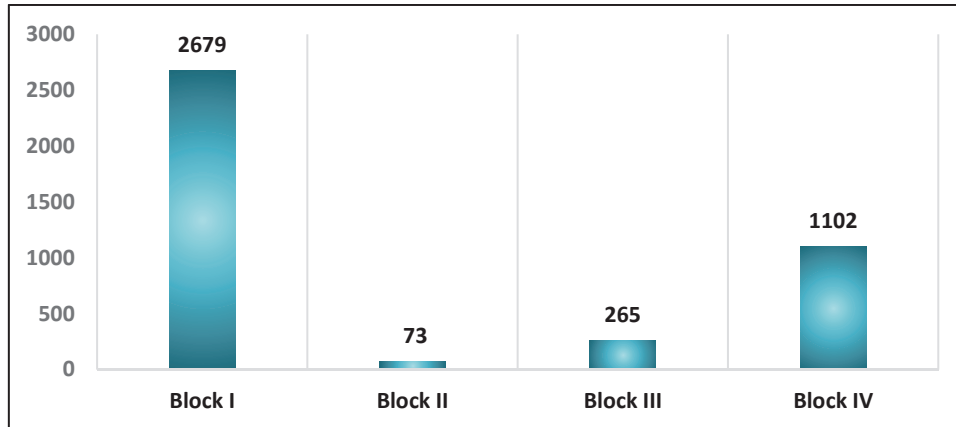


Chart 128 - General Results by Block - Rio Grande do Sul

Table 105, shows the average number of people involved, not exclusively, per establishment, in the activities/stages specified above:

Activity	People involved
Block I	31.7
Block II	2.0
Block III	4.1
Block IV	7.5

Table 105 - Average number of people involved in the activities - Rio Grande do Sul

4.2.14.3 ICMS AND ICMS-ST CALCULATION (BLOCK I)

Block I is divided into 3 activities, namely ICMS calculation, ICMS-ST calculation, and respective accessory obligations, totaling 2.6 thousand hours. Out of this total, about 1.4 thousand hours are spent on ICMS calculation, 378 hours on ICMS-ST calculation and 830 hours on accessory obligations, as summarized in Chart 129.

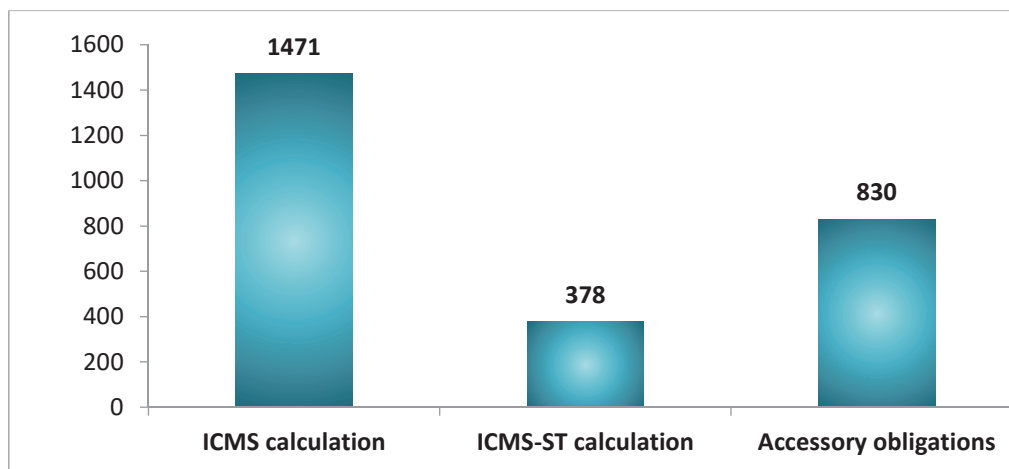


Chart 129 - Block I - Average hours - Rio Grande do Sul

This result shows that, in the State of Rio Grande do Sul, the ICMS calculation stage demands more time from the companies than the other activities in this block.

Calculation

Prior to the calculation of taxes, the taxpayer needs to perform several other activities, such as legislation monitoring, implementation in a systemic environment and impact assessment; bookkeeping of tax documents, management of auxiliary controls, among others.

As a result, the survey sought to calculate the time spent on these specific items in the verification stage, as shown in Charts 130 and 131.

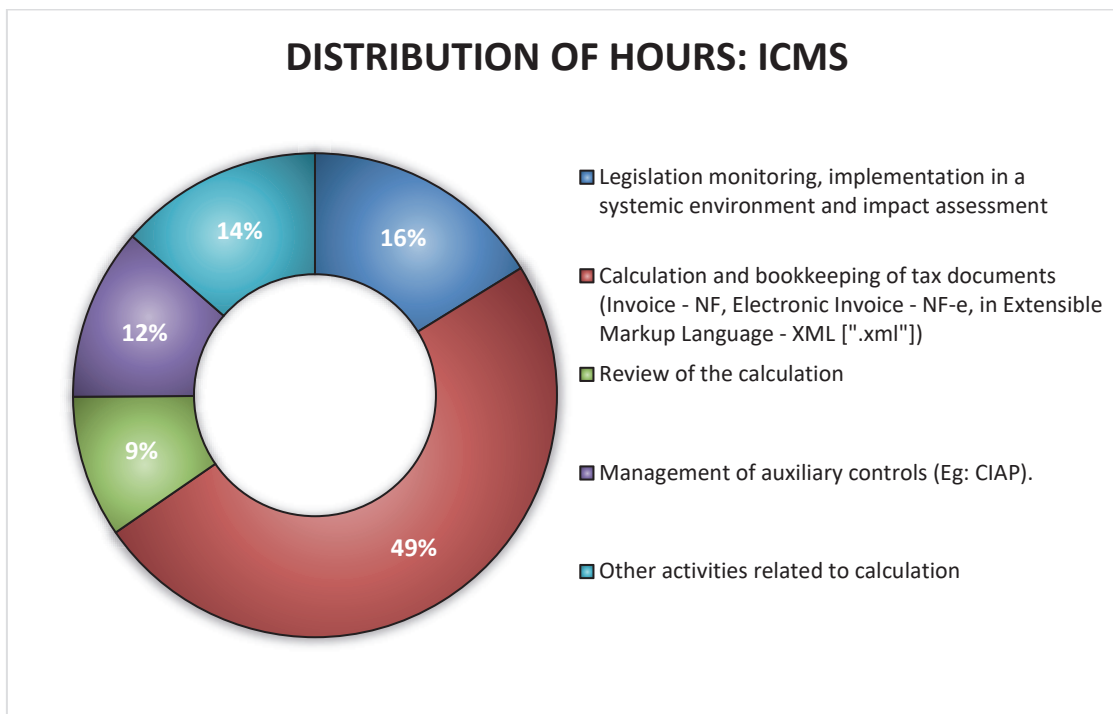


Chart 130 - ICMS: Average percentage distribution of annual hours for calculation - Rio Grande do Sul

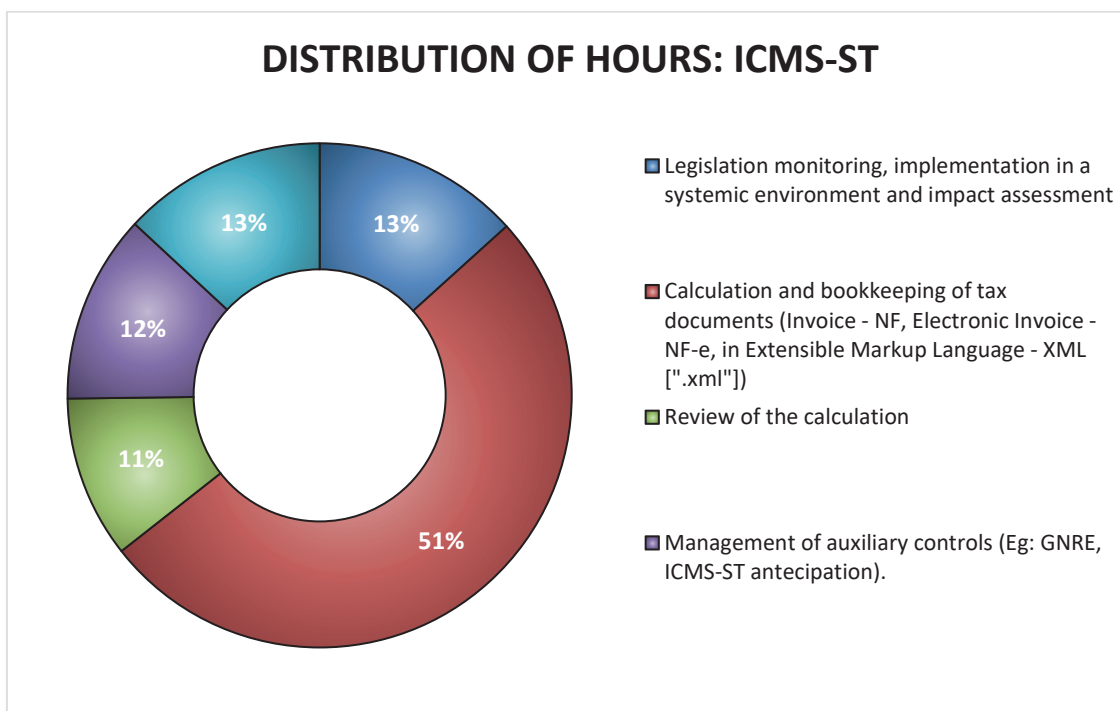


Chart 131 - ICMS-ST: Average percentage distribution of annual hours for calculation - Rio Grande do Sul

Charts 130 e 131 show that the portion related to tax calculation represented 49.2% (ICMS) and 51.1% (ICMS-ST) of the calculation process total time. It is worth mentioning that this activity includes the capture of entry and exit tax documents (.xml); document checking; storage; bookkeeping; ICMS and ICMS-ST calculation; sample analysis based on documents, current legislation, and differentiated tax treatments; specific collections and/or adjustments in chart account, such as the tax rate differential, reversals, etc.

In addition, the research tried to identify, in a separate way, the impacts of the time spent on the follow-up and monitoring of legislation, implementation of the systemic environment and evaluation of the impact on business, such as the entry or exit of products under the ICMS tax substitution regime, signing of Protocols between some States, reduction or increase in the tax burden, etc. Such controls demanded 16.2% (ICMS) and 13.3% (ICMS-ST) of the total hours spent.

Accessory obligations

With regard to preparing and delivering accessory obligations related to ICMS and ICMS-ST in the State of Rio Grande do Sul, according to the answers provided, the surveyed companies annually spend, on average, per establishment, of 830 hours per year. Chart 132 shows the average amount of annual hours spent per accessory obligation applicable in the state.

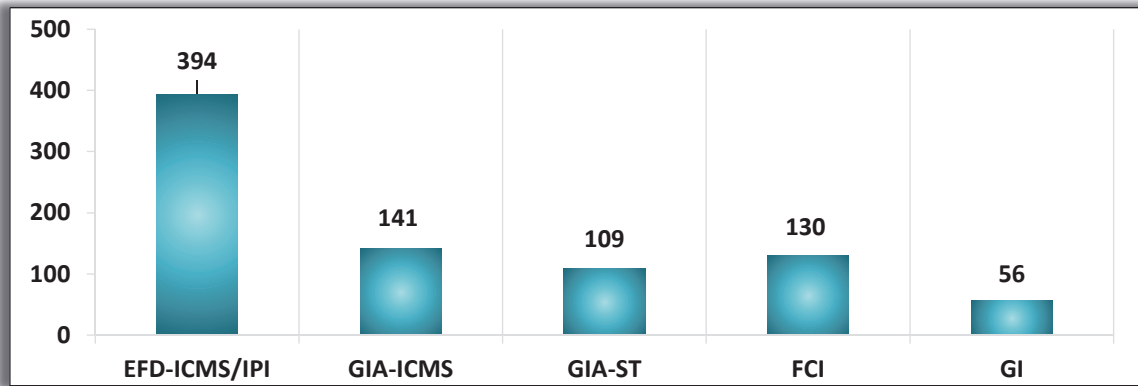


Chart 132 - Average annual hours per accessory obligation - Rio Grande do Sul

As for the number of hours spent on filling in the EFD-ICMS/IPI being higher when compared to the other accessory obligations do Estado, the justification is due to the fact that the EFD-ICMS/IPI requires a much higher level of detail of information.

In addition, the interviewees informed that at the moment of transmission of the accessory obligations there is a validation of the balances between them, on the part of the Treasury, which generates more hours for this step.

Number of people involved

Table 106 shows the average number of people involved, not exclusively, in some of the tax compliance activities related to ICMS and ICMS-ST.

Activity	People involved
<i>Calculation</i>	
ICMS	8.1
ICMS-ST	8.6
<i>Accessory obligations</i>	
EFD-ICMS/IPI	4.4
GIA-ST	2.0
FCI	1.7
GI	1.4
GIA-ICMS	5.5

Table 106 - Block I - Average number of people involved per activity - Rio Grande do Sul

Causes

According to the interviewees, the main difficulties faced by taxpayers throughout the compliance process related to ICMS and ICMS-ST in the State of Rio Grande do Sul are the number of tax returns with the same delivery date, as well as the short period of time between preparing and delivering the tax returns, as shown in Table 107.

Position	Causes	Average Rating
1 st	Number of tax returns with the same delivery date	4.80
2 nd	Short period of time between preparing and delivering	4.67
3 rd	Complexity of processes and internal controls	4.60
4 th	Adaptation and localization of systems	3.80
5 th	Complexity of legislation	3.73
6 th	Information-intensive obligations	3.47
7 th	Complexity of accessory obligations	2.93

Table 107 – Block I – Main Causes – Rio Grande do Sul

4.2.14.4 ACCRUED ICMS AND ICMS-ST CREDITS (BLOCK II)

The surveyed companies devote an average of 73 hours per establishment per year just for the calculation of their own ICMS accrued credit, while for the other activities, according to the table below, the answers were considered insufficient for analysis purposes.

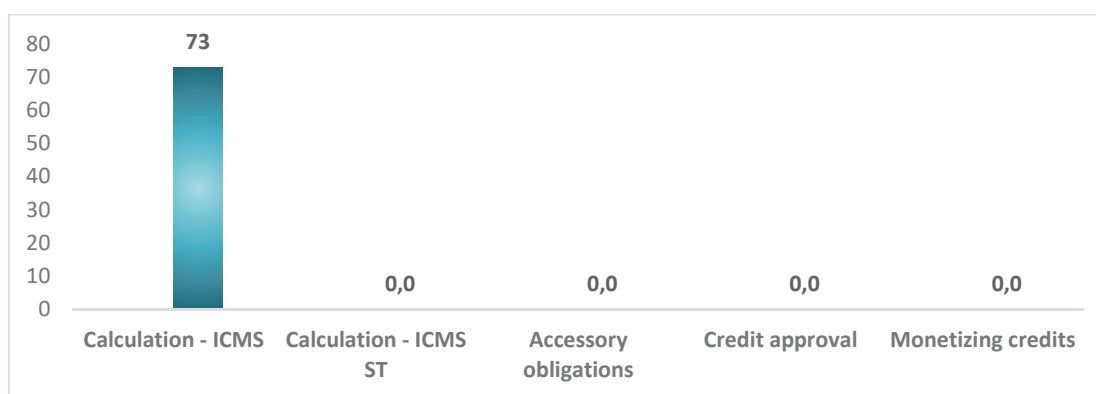


Chart 133 – Block II – Average hours – Rio Grande do Sul

The lack of answers for the other activities is due to the fact that the state does not have specific procedures for claiming the credit, making the refund process lengthy and bureaucratic.

Number of people involved

Table 108 shows the average number of people involved, not exclusively, in tax compliance activities comprised by Block.

Activity	People involved
ICMS Calculation	2
ICMS ST - Calculation	0
Accessory obligations	0
Credit approval	0
Monetizing credit	0

Table 108 – Block II – Average number of people involved per activity – Rio Grande do Sul

Causes

According to the interviewees, the causes that most hinder the compliance process related to Accrued ICMS and ICMS-ST credits in the State of Rio Grande do Sul are the complexity of internal processes and controls, and the short deadline for delivery of the obligations, as shown in Table 109.

Position	Causes	Average Rating
1 st	Complexity of processes and internal controls	5.66
2 nd	Short period of time between preparing and delivering	5.33
3 rd	Number of tax returns with the same delivery date	5.00
4 th	Information-intensive obligations	3.66
5 th	Adaptation and localization of systems	3.00
6 th	Complexity of accessory obligations	2.66
7 th	Complexity of legislation	2.66

Table 109 - Block II - Main Causes - Rio Grande do Sul

4.2.14.5 SPECIAL REGIMES, TAX INCENTIVES AND SECTORIAL CONTROLS (Block III)

The surveyed companies devote annually, on average, per establishment, 265 hours to compliance activities related to ICMS special regimes, tax incentives and sectorial controls. Out of this total, about 158 hours are spent on calculation, management and control procedures, and 88 hours on the fulfillment of accessory obligations, as summarized in Chart 134.

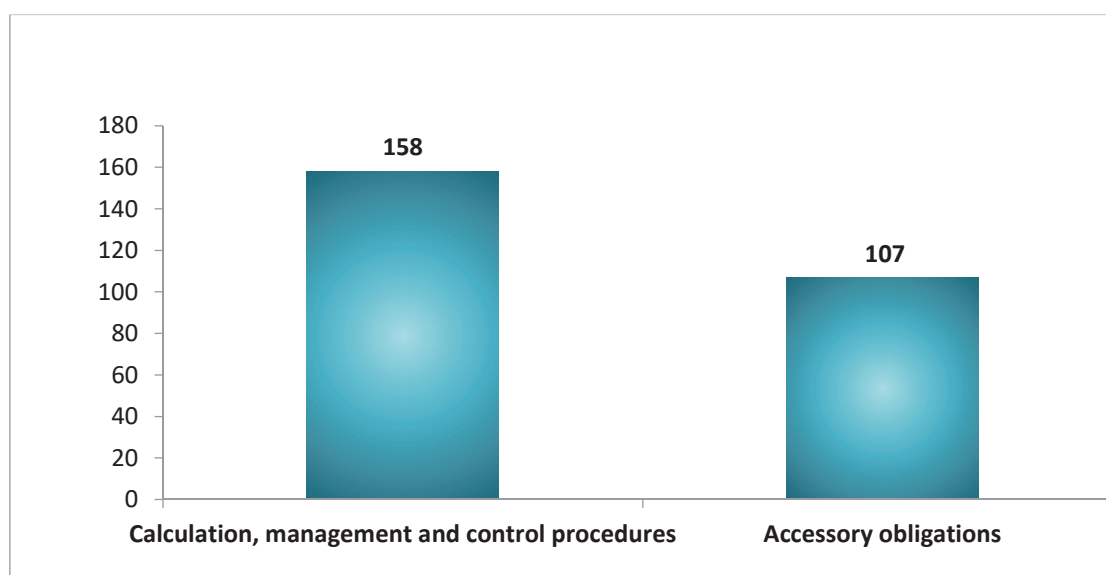


Chart 134 - Block III - Average hours - Rio Grande do Sul

From the abovementioned results and the interviewees' information, it is possible to infer that, to allow a better operating efficiency of the companies, there is usually the need to obtain a variety of special regimes in the sense of fostering a greater adherence between certain operations and the legislation, which include the issuing and bookkeeping of tax documents, granting of deferrals, incentives and tax benefits, differentiated forms and deadlines for the collection of the main ICMS obligations, among others.

It is important to mention that this Block must be analyzed together with Block I (ICMS and ICMS-ST calculation), since both the calculation of tax incentives and the respective bookkeeping in the accessory obligations are part of the tax calculation routine.

Number of people involved

Table 110 shows the average number of people involved, not exclusively, in compliance activities related to the ICMS special regimes, tax incentives and sectorial controls.

Activity	People involved
Calculation, management and control	2.4
Accessory obligations	1.7

Table 110 - Block III - Average number of people involved per activity - Rio Grande do Sul

Causes

According to the interviewees, there are several causes that hinder the compliance process related to the ICMS special regimes, tax incentives and sectorial controls in the State of Rio Grande do Sul, of which we highlight the complexity of maintaining internal controls to support the calculation and, consequently, the need to adapt the systems, as shown in Table 111.

Position	Causes	Average Rating
1 st	Complexity of processes and internal controls	5.37
2 nd	Adaptation and localization of systems	4.62
3 rd	Short period of time between preparing and delivering	4.25
4 th	Number of tax returns with the same delivery date	4.12
5 th	Information-intensive obligations	3.75
6 th	Complexity of accessory obligations	3.37
7 th	Complexity of legislation	2.50

Table 111 - Block III - Main Causes - Rio Grande do Sul

4.2.14.6 INSPECTIONS, ADMINISTRATIVE LITIGATION AND DEBT CLEARANCE CERTIFICATES (BLOCK IV)

The surveyed companies devote annually, on average, per establishment, 1.1 mil hours to compliance activities comprised by this block. Out of this total, a volume of 666 for the management of administrative litigation, as per Chart 135.



Chart 135 - Block IV - Average hours - Rio Grande do Sul

The significant number of hours presented for administrative litigation management reflects the complexity of handling the tax deficiency notices, which involves hiring law firms, preparing technical reports, auxiliary controls, enclosing tax documents, and all the necessary subsidies to support the administrative defense.

Number of people involved

Table 112 shows the average number of people involved, not exclusively, in compliance activities comprised by Block IV.

Activity	People involved
Inspections	2.9
Administrative litigation	2.9
CND	1.7

Table 112 - Block IV - Average number of people involved per activity - Rio Grande do Sul

4.2.15 SANTA CATARINA

4.2.15.1 SAMPLE CHARACTERIZATION

In the State of Santa Catarina, answers were obtained from 12 establishments, which are distributed among the economic segments shown in Chart 136.

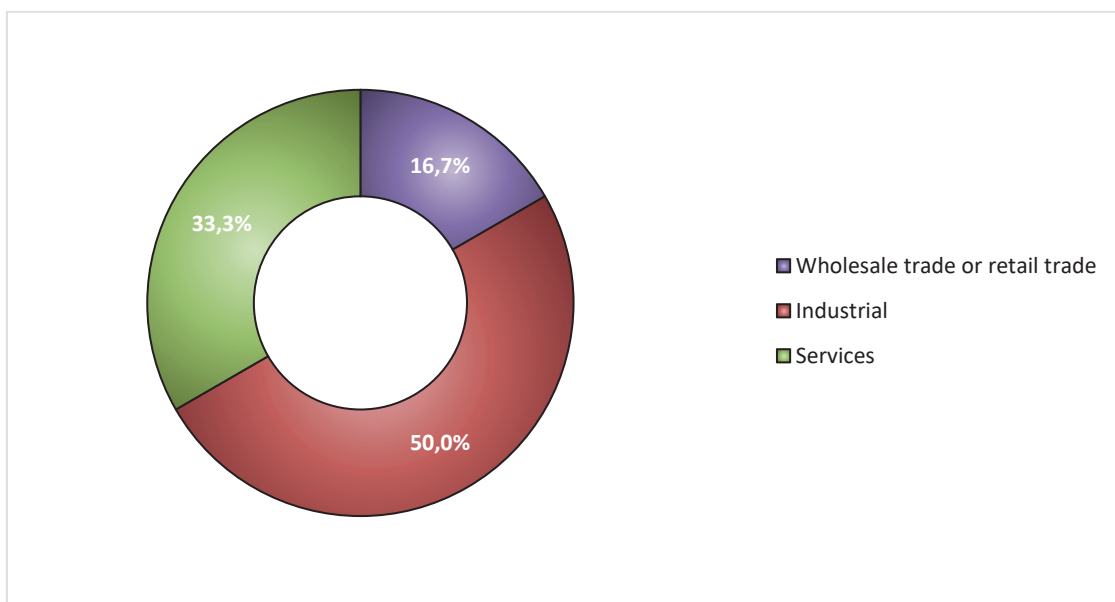


Chart 136 – Economic segment of the business groups – Santa Catarina

4.2.15.2 OVERALL RESULT

In order to meet the whole tax compliance in the State of de Santa Catarina, an establishment of the surveyed companies spends, on average, approximately, 1.7 thousand hours a year, with Block I being the most representative, followed by Block IV.

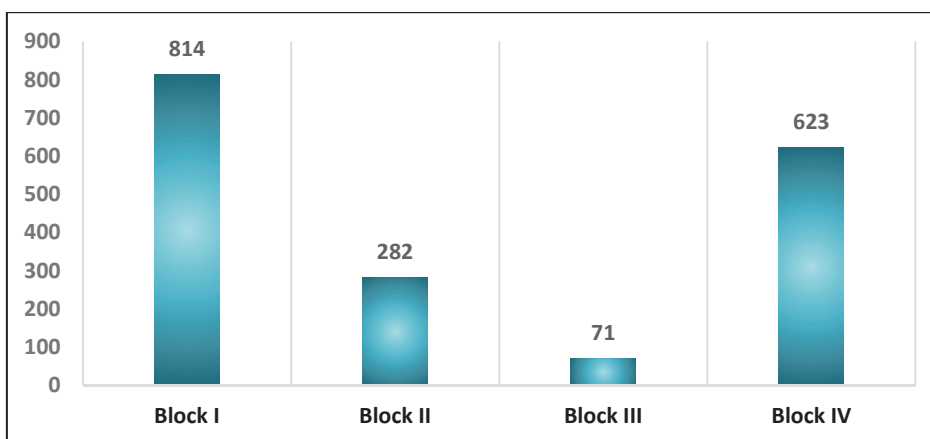


Chart 137 – General Results by Block – Santa Catarina

The following table shows the average number of people involved, not exclusively, per establishment, in the activities/stages specified above:

Activity	People involved
Block I	13.8
Block II	6.4
Block III	3.5
Block IV	7.0

Table 113 – Average number of people involved in the activities – Santa Catarina

4.2.15.3 ICMS AND ICMS-ST CALCULATION (BLOCK I)

Block I is divided into 3 activities, namely ICMS calculation, ICMS-ST calculation, and respective accessory obligations, totaling 814 horas. Out of this total, about 419 hours are spent on ICMS calculation, 117 hours on ICMS-ST calculation e 278 hours on accessory obligations, as summarized in Chart 138.

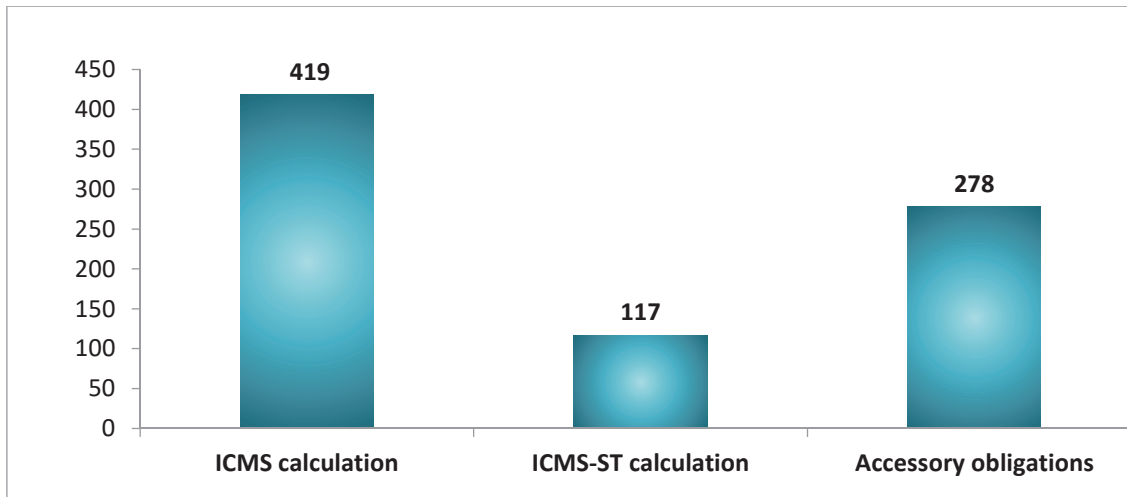


Chart 138 - Block I - Average hours - Santa Catarina

This result shows that in the state of Santa Catarina, the ICMS calculation stage demands more time from the companies than the other activities in this block.

It is important to comment that, during the last few years, the State of Santa Catarina has revoked the ICMS levy by tax substitution in a large part of the products, which is reflected in the low volume of hours assigned to this calculation.

Calculation

Prior to the calculation of taxes, the taxpayer needs to perform several other activities, such as legislation monitoring, implementation in a systemic environment and impact assessment; bookkeeping of tax documents, management of auxiliary controls, among others. As a result, the survey sought to calculate the time spent on these specific items of the calculation stage, as shown in Charts 139 and 140.

DISTRIBUTION OF HOURS: ICMS

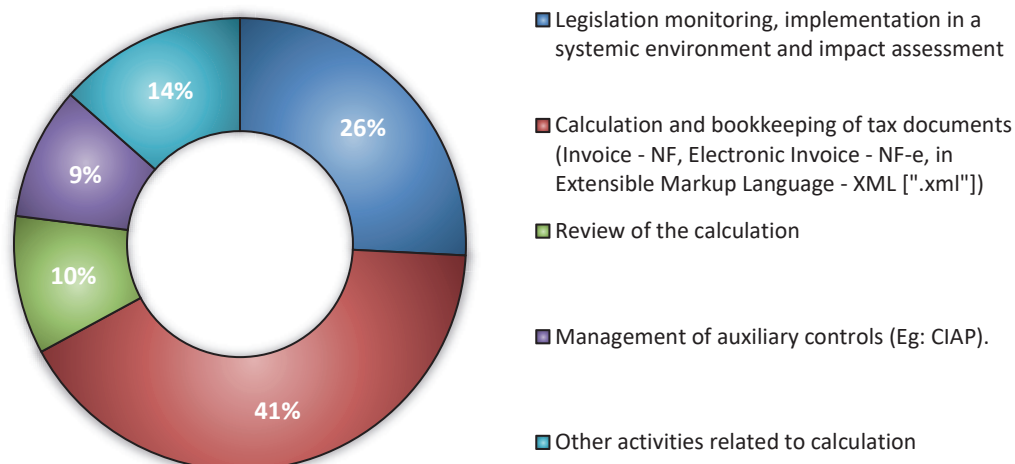


Chart 139 - ICMS: Average percentage distribution of annual hours for calculation - Santa Catarina

DISTRIBUTION OF HOURS: ICMS-ST

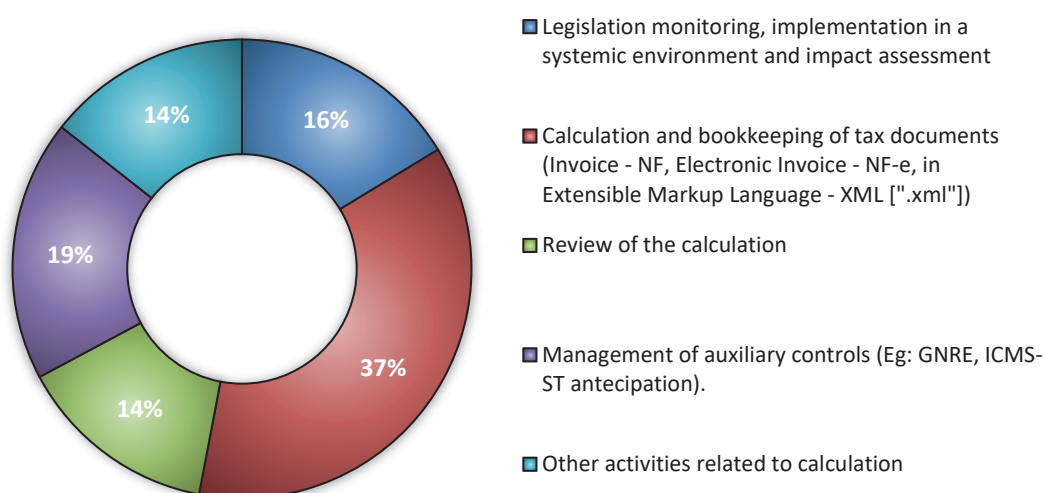


Chart 140 - ICMS-ST: Average percentage distribution of annual hours for calculation - Santa Catarina

Charts 139 e 140 show that the portion related to tax calculation represented 41.3% (ICMS) and 36.7% (ICMS-ST) of the calculation process total time. It is worth mentioning that this activity includes the capture of entry and exit tax documents (.xml); document checking; storage; bookkeeping; ICMS and ICMS-ST calculation; sample analysis based on documents, current legislation, and differentiated tax treatments; specific collections and/or adjustments in chart account, such as the tax rate differential, reversals, etc.

Accessory obligations

With regard to preparing and delivering accessory obligations related to ICMS and ICMS-ST in the State of Santa Catarina, according to the answers provided, the surveyed companies annually spend, on average, per establishment, of 278 hours per year. Chart 141 shows the average number of annual hours spent per accessory obligation applicable in the State.

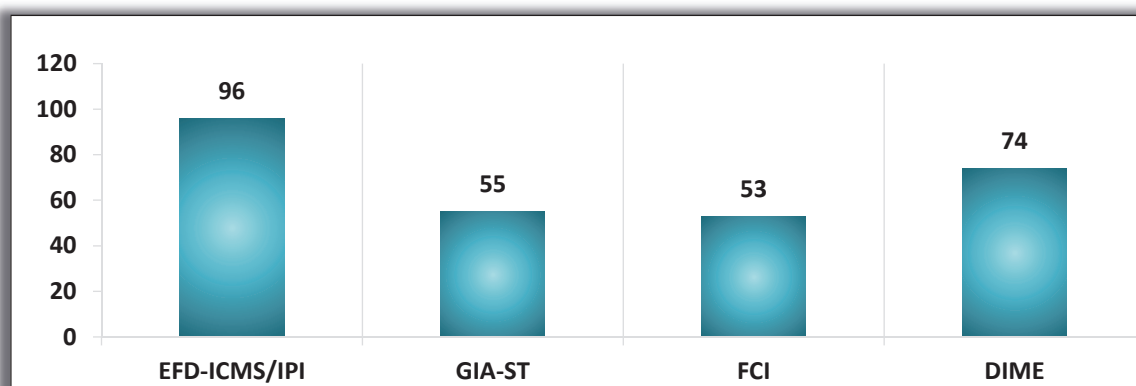


Chart 141 - Average annual hours per accessory obligation - Santa Catarina

Regarding the number of hours spent on filling out the EFD-ICMS/IPI being higher when compared to the other accessory obligations in the State, the justification is due to the fact that the EFD-ICMS/IPI requires a much higher level of detail of information.

Number of people involved

Table 114 shows the average number of people involved, not exclusively, in some of the tax compliance activities related to ICMS and ICMS-ST.

Activity	People involved
<i>Calculation</i>	
ICMS	2.2
ICMS-ST	1.1
<i>Accessory obligations</i>	
GIA-ST	1
EFD-ICMS/IPI	1.9
FCI	1.0
DIME	6.6

Table 114 - Block I - Average number of people involved per activity - Santa Catarina

Causes

According to the interviewees, the main difficulties faced by taxpayers throughout the compliance process related to ICMS and ICMS-ST in the State of Santa Catarina are the complexity of maintaining the processes and internal controls that support the calculations, as well as the adaptation and localization of the systems, as shown in Table 115.

Position	Causes	Average Rating
1 st	Complexity of processes and internal controls	4.90
2 nd	Adaptation and localization of systems	4.40
3 rd	Information-intensive obligations	4.40
4 th	Short period of time between preparing and delivering	4.40
5 th	Number of tax returns with the same delivery date	3.90
6 th	Complexity of legislation	3.30
7 th	Complexity of accessory obligations	2.70

Table 115 - Block I - Main Causes - Santa Catarina

4.2.15.4 ACCRUED ICMS AND ICMS-ST CREDITS (BLOCK II)

The surveyed companies devote annually, on average, per establishment, 282 hours to compliance activities related to accrued ICMS and ICMS-ST credits. As can be seen in Chart 142, this total is distributed among the activities of calculation of accrued credits, preparing and delivering the accessory obligations related to the accrued credits, and credit approval and monetization.

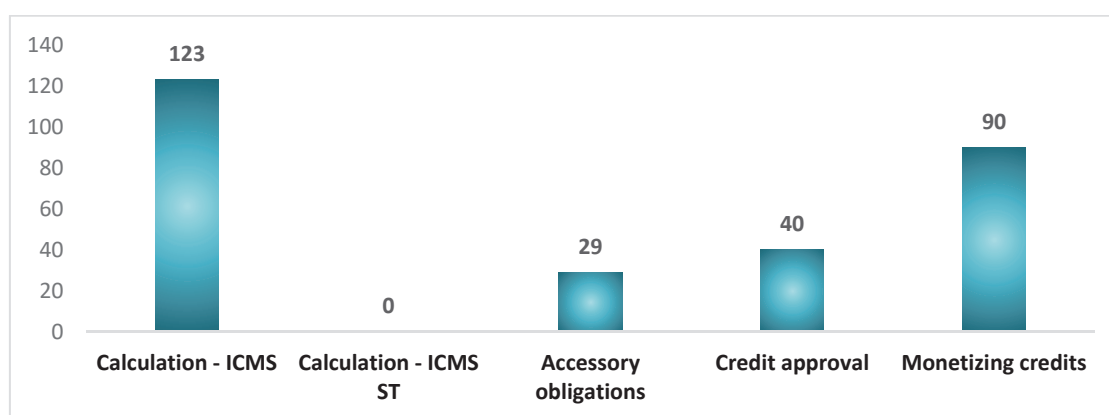


Chart 142 - Block II - Average hours - Santa Catarina

According to the answers that originated the above figures, 8 out of the 12 interviewees from Santa Catarina have accrued ICMS credit, while only 3 interviewees have reached the monetization stage.

Also, the interviewees said that the state facilitates the trading of the accrued credit.

Finally, the insufficiency of interviewees for the ICMS-ST activity is also justified by the amendments to laws in the State that removed several products from the scope of tax substitution.

Number of people involved

Table 116 shows the average number of people involved, not exclusively, in tax compliance activities comprised by Block.

Activity	People involved
ICMS Calculation	2.3
ICMS ST - Calculation	0
Accessory obligations	1.3
Credit approval	1.3
Monetizing credit	1.5

Table 116 – Block II – Average number of people involved per activity – Santa Catarina

Causes

According to the interviewees, the cause that most hinders the compliance process related to the accrued ICMS and ICMS-ST credits in Santa Catarina are the complexity of internal processes and controls, and the number of tax returns with the same delivery date, as shown in Table 117.

Position	Causes	Average Rating
1 st	Complexity of processes and internal controls	6.40
2 nd	Number of tax returns with the same delivery date	5.80
3 rd	Information-intensive obligations	4.60
4 th	Short period of time between preparing and delivering	4.40
5 th	Adaptation and localization of systems	3.20
6 th	Complexity of legislation	1.80
7 th	Complexity of accessory obligations	1.80

Table 117 – Block II – Main Causes – Santa Catarina

4.2.15.5 SPECIAL REGIMES, TAX INCENTIVES AND SECTORIAL CONTROLS (BLOCK III)

The surveyed companies devote annually, on average, per establishment, 71 hours to compliance activities related to ICMS special regimes, tax incentives and sectorial controls. Out of this total, about 28 hours are spent on calculation, management and control procedures, and 43 hours on the fulfillment of accessory obligations, as summarized in Chart 143.

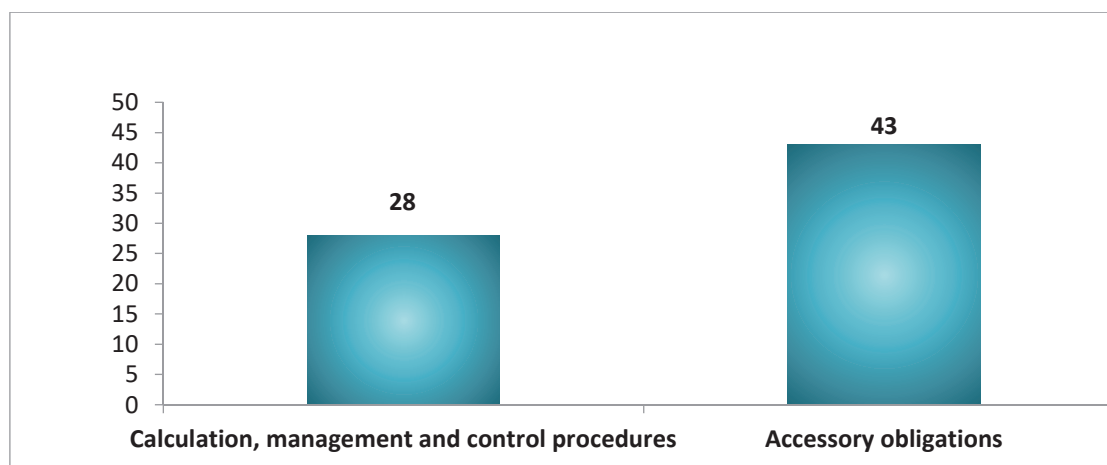


Chart 143 – Block III – Average hours – Santa Catarina

The special regimes encompass the issuing and bookkeeping of tax documents, the grant of deferrals, tax incentives and benefits, differentiated forms and deadlines for the collection of the main ICMS obligations, among others.

It is important to mention that this Block must be analyzed together with Block I (Calculation of ICMS and ICMS-ST), since both the calculation of tax incentives and the respective bookkeeping in the accessory obligations are part of the tax calculation routine.

Number of people involved

Table 118 shows the average number of people involved, not exclusively, in compliance activities related to the ICMS special regimes, tax incentives and sectorial controls.

Activity	People involved
Calculation, management and control	1.9
Accessory obligations	1.6

Table 118 - Block III - Average number of people involved per activity - Santa Catarina

Causes

According to the interviewees, there are several causes that hinder the compliance process related to ICMS Special Regimes, Tax Incentives and Sectorial Controls in the State of Santa Catarina, dos out of which the complexity of the processes and internal controls and the short period of time between preparing and delivering the obligations stand out, as shown in Table Table 119.

Position	Causes	Average Rating
1 st	Complexity of processes and internal controls	4.00
2 nd	Short period of time between preparing and delivering	3.77
3 rd	Adaptation and localization of systems	3.77
4 th	Number of tax returns with the same delivery date	3.77
5 th	Complexity of legislation	3.55
6 th	Information-intensive obligations	3.55
7 th	Complexity of accessory obligations	2.44

Table 119 - Block III - Main Causes - Santa Catarina

4.2.15.6 INSPECTIONS, ADMINISTRATIVE LITIGATION AND DEBT CLEARANCE CERTIFICATES (Block IV)

The surveyed companies devote annually, on average, per establishment, 623 hours to compliance activities comprised by this block. Out of this total, a volume of 287 hours for administrative litigation management stands out, as shown in Chart 144.

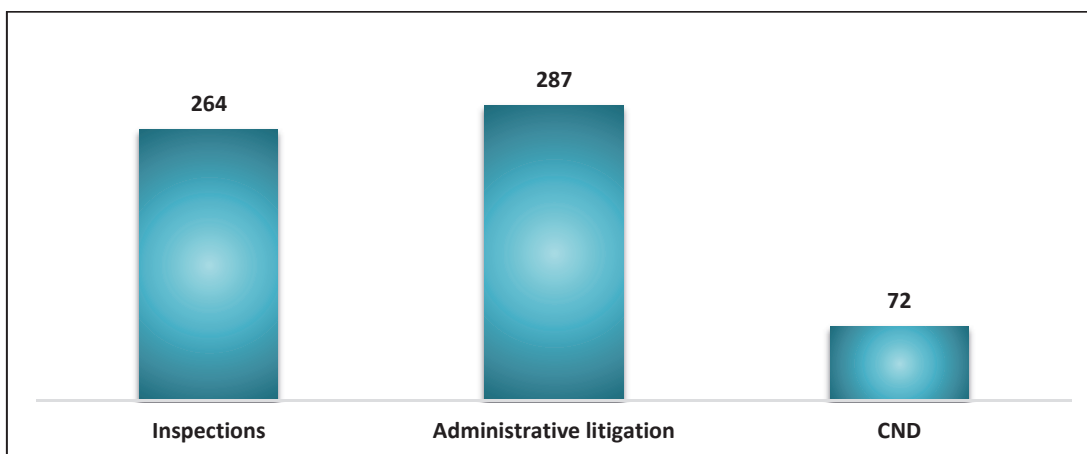


Chart 144 - Block IV - Average hours - Santa Catarina

The significant number of hours presented for administrative litigation management reflects the complexity of handling the tax deficiency notices, which involves hiring law firms, preparing technical reports, auxiliary controls, enclosing tax documents, and all the necessary subsidies to support the administrative defense.

Number of people involved

Table 120 shows the average number of people involved, not exclusively, in compliance activities comprised by Block IV.

Activity	People involved
Inspections	2.8
Administrative litigation	2.3
CND	1.7

Table 120 - Block IV - Average number of people involved per activity - Santa Catarina

4.2.16 SÃO PAULO

4.2.16.1 SAMPLE CHARACTERIZATION

In the State of São Paulo, answers were obtained from 47 establishments, distributed among the economic segments shown in Chart 145.

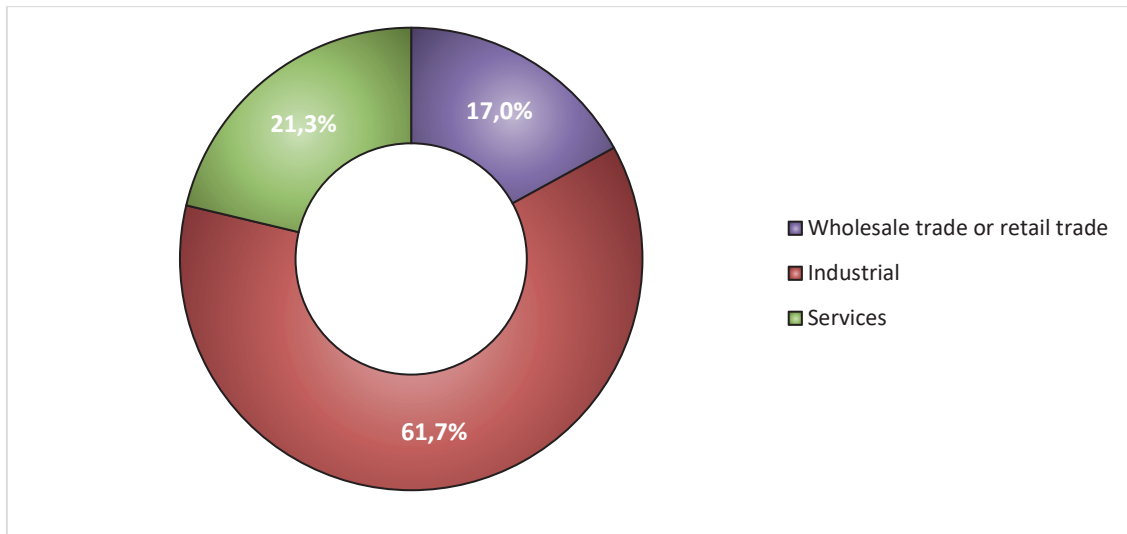


Chart 145 - Economic segment of the business groups - São Paulo

4.2.16.2 OVERALL RESULT

In order to meet the whole tax compliance in the State of do São Paulo, an establishment of the surveyed companies spends, on average, approximately, 5.1 thousand hours a year, with Block I being the most representative, followed by Block IV.

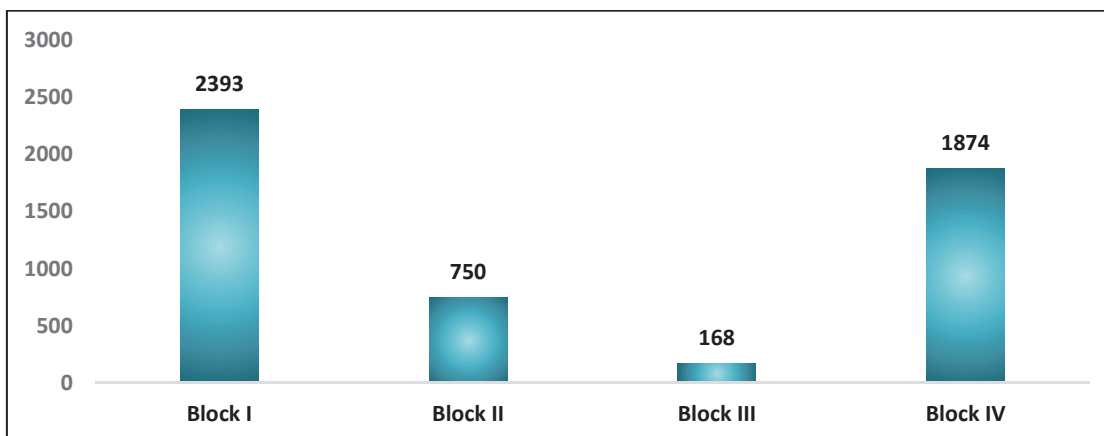


Chart 146 - General Results by Block - São Paulo

Table 121, shows the average number of people involved, not exclusively, per establishment, in the activities/stages specified above:

Activity	People involved
Block I	55.5
Block II	7.0
Block III	3.0
Block IV	9.2

Table 121 - Average number of people involved in the activities - São Paulo

4.2.16.3 ICMS AND ICMS-ST CALCULATION (BLOCK I)

○ Block I is divided into 3 activities, namely ICMS calculation, ICMS-ST calculation, and respective accessory obligations, totaling 2393 horas. Out of this total, about 949 hours are spent on ICMS calculation, 336 hours on ICMS-ST calculation e 1.1 thousand hours on accessory obligations procedures, as summarized in o Chart 147.

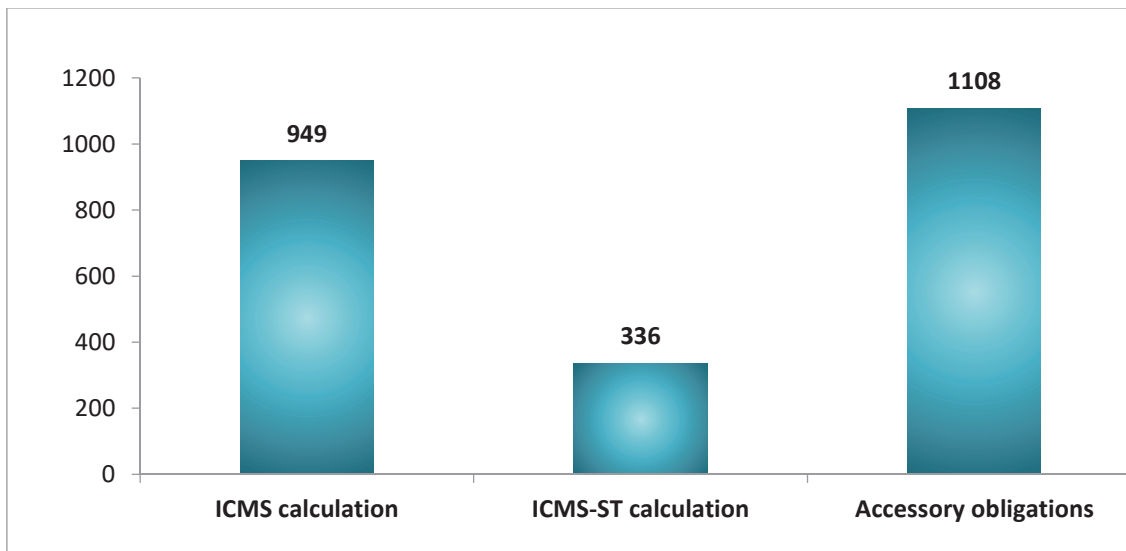


Chart 147 - Block I - Average hours - São Paulo

This result shows that, in the State of São Paulo, interviewees spent more time to meet the accessory obligation than the other activities in this block.

Calculation

Prior to the calculation of taxes, the taxpayer needs to perform several other activities, such as legislation monitoring, implementation in a systemic environment and impact assessment; bookkeeping of tax documents, management of auxiliary controls, among others. As a result, the survey sought to calculate the time spent on these specific items of the calculation stage, as shown in Charts 148 and 149.

DISTRIBUTION OF HOURS: ICMS

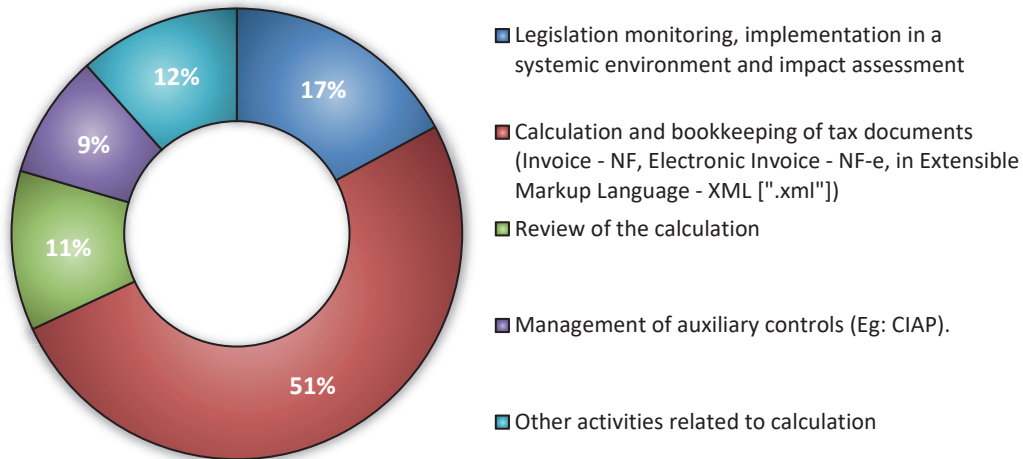


Chart 148 - ICMS: Average percentage distribution of annual hours for calculation - São Paulo

DISTRIBUTION OF HOURS: ICMS-ST

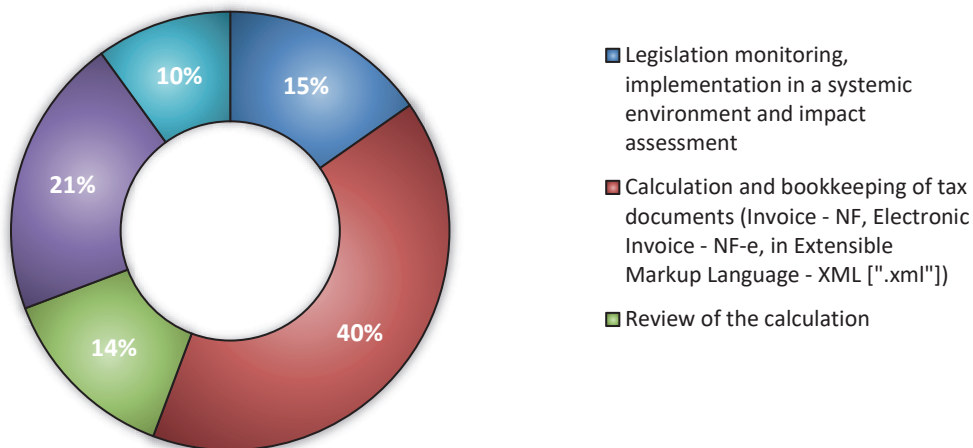


Chart 149 - ICMS-ST: Average percentage distribution of annual hours for calculation - São Paulo

Charts 148 e 149 show that the portion related to tax calculation represented 50.9% (ICMS) and 40.4% (ICMS-ST) of the calculation process total time. It is worth mentioning that this activity includes the capture of entry and exit tax documents (.xml); document checking; storage; bookkeeping; ICMS and ICMS-ST calculation; sample analysis based on documents, current legislation, and differentiated tax treatments; specific collections and/or adjustments in chart account, such as the tax rate differential, reversals, etc.

Accessory obligations

With regard to preparing and delivering accessory obligations related to ICMS and ICMS-ST in the State of São Paulo, according to the answers provided, the surveyed companies annually spend, on average, per establishment, of 1.1 mil hours per year. Chart 150 shows the average number of annual hours spent per accessory obligation applicable in the State of São Paulo.

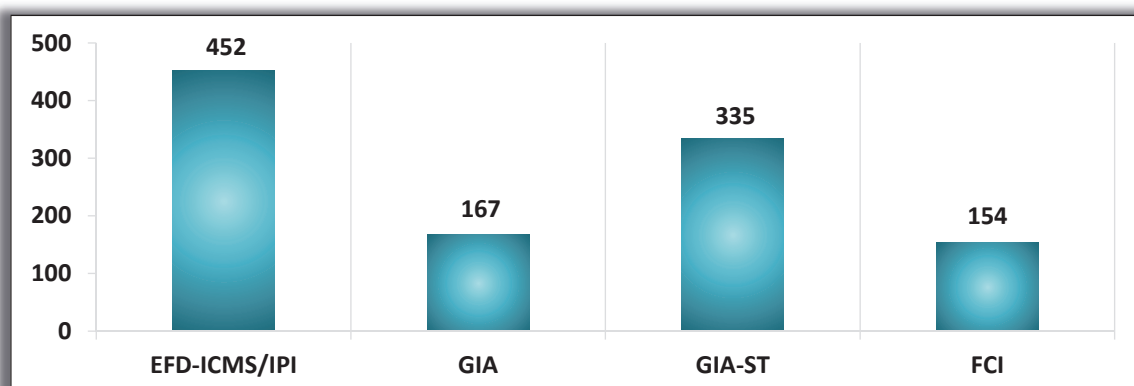


Chart 150 – Average annual hours per accessory obligation – São Paulo

Regarding the number of hours spent on filling in the EFD-ICMS/IPI being higher when compared to the other accessory obligations in the State, the justification is due to the fact that the EFD-ICMS/IPI requires a much higher level of detail of information.

Number of people involved

Table 122 shows the average number of people involved, not exclusively, in some of the tax compliance activities related to ICMS and ICMS-ST.

Activity	People involved
<i>Calculation</i>	
ICMS	3.0
ICMS-ST	2.5
<i>Accessory obligations</i>	
EFD-ICMS/IPI	2.4
GIA	2.5
GIA-ST	2.8
FCI	1.4

Table 122 – Block I – Average number of people involved per activity – São Paulo

Causes

According to the interviewees, the main difficulties faced by taxpayers throughout the compliance process related to ICMS and ICMS-ST in the State of São Paulo are the number of tax returns with the same delivery date, as well as the short period of time between preparing the tax return and the delivery date thereof, as shown in Table 123.

Position	Causes	Average Rating
1 st	Number of tax returns with the same delivery date	4.51
2 nd	Short period of time between preparing and delivering	4.46
3 rd	Complexity of processes and internal controls	4.22
4 th	Information-intensive obligations	4.03
5 th	Adaptation and localization of systems	3.68
6 th	Complexity of accessory obligations	3.57
7 th	Complexity of legislation	3.54

Table 123 – Block I – Main Causes – São Paulo

4.2.16.4 ACCRUED ICMS AND ICMS-ST CREDITS (BLOCK II)

The surveyed companies devote annually, on average, per establishment, 750 hours to compliance related to accrued ICMS and ICMS-ST credits. As can be seen in Chart 151, this total is distributed among the activities of accrued credits calculation, preparing and delivering the accessory obligations related to the accrued credits, and credit approval and monetization.

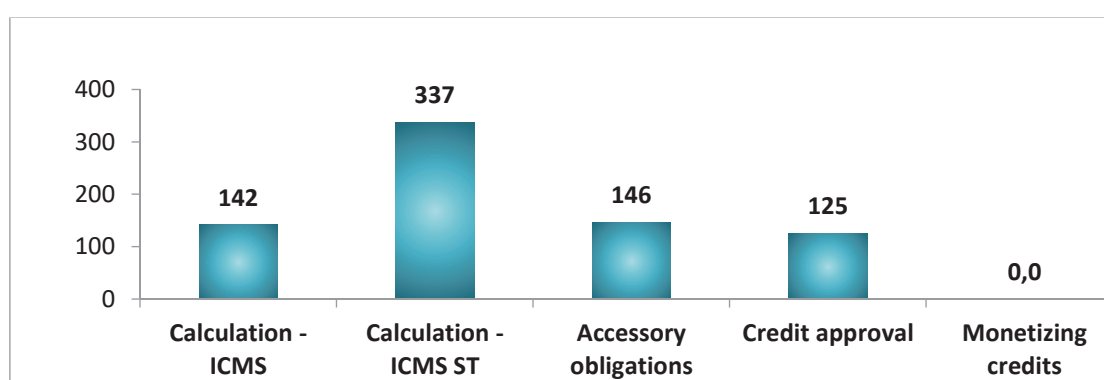


Chart 151 – Block II – Average hours – São Paulo

According to the answers that originated the above figures, only 20 out of the 47 interviewees from São Paulo have accrued ICMS credit, while only 8 (a number below the minimum sample) interviewees have reached the monetization stage.

Furthermore, it can be seen that the volume of hours spent on the bookkeeping of accessory obligations is as high as the calculation of the main value (ICMS).

Number of people involved

Table 124 shows the average number of people involved, not exclusively, in tax compliance activities comprised by Block II.

Activity	People involved
ICMS Calculation	1.4
ICMS ST – Calculation	1.7
Accessory obligations	1.6
Credit approval	2.3
Monetizing credit	0

Table 124 – Block II – Average number of people involved per activity – São Paulo

Causes

According to the interviewees, the causes that most hinder the compliance process related to accrued ICMS and ICMS-ST credits in the State of São Paulo are the short period of time between preparing and delivering and the number of obligations with the same delivery date, as shown in Table 125.

Position	Causes	Average Rating
1 st	Short period of time between preparing and delivering	5.72
2 nd	Number of tax returns with the same delivery date	5.33
3 rd	Information-intensive obligations	4.58
4 th	Adaptation and localization of systems	3.41
5 th	Complexity of processes and internal controls	3.33
6 th	Complexity of accessory obligations	3.16
7 th	Complexity of legislation	2.33

Table 125 - Block II - Main Causes - São Paulo

4.2.16.5 SPECIAL REGIMES, TAX INCENTIVES AND SECTORIAL CONTROLS (BLOCK III)

The surveyed companies devote annually, on average, per establishment, 168 hours to compliance activities related to ICMS special regimes, tax incentives and sectorial controls. Out of this total, about 113 hours are spent on calculation, management and control procedures, and 55 hours on the fulfillment of accessory obligations, as summarized in Chart 152.

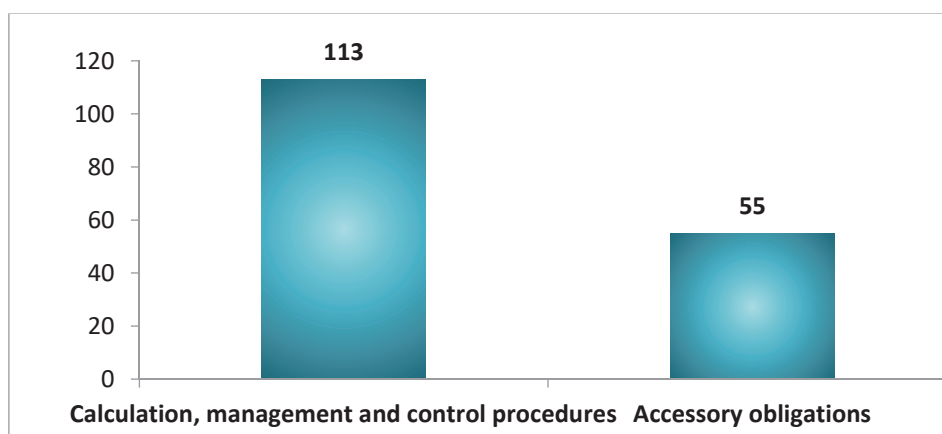


Chart 152 - Block III - Average hours - São Paulo

From the abovementioned results and the interviewees' information, it is possible to infer that, to allow a better operating efficiency of the companies, there is usually the need to obtain a variety of special regimes in the sense of fostering a greater adherence between certain operations and the legislation, which include the issuing and bookkeeping of tax documents, granting of deferrals, incentives and tax benefits, differentiated forms and deadlines for the collection of the main ICMS obligations, among others.

It is important to mention that this Block must be analyzed together with Block I (ICMS and ICMS-ST calculation), since both the calculation of tax incentives and the respective bookkeeping in the accessory obligations are part of the tax calculation routine.

Number of people involved

Table 126 shows the average number of people involved, not exclusively, in compliance activities related to the ICMS special regimes, tax incentives and sectorial controls.

Activity	People involved
Calculation, management and control	1.7
Accessory obligations	1.3

Table 126 – Block III – Average number of people involved per activity – São Paulo

Causes

According to the interviewees, there are several causes that hinder the compliance process related to the ICMS special regimes, tax incentives and sectorial controls in the State of São Paulo, out of which we highlight the short period of time between preparing and delivering and the number of obligations with the same delivery date, as shown in Table 127.

Position	Causes	Average Rating
1 st	Short period of time between preparing and delivering	5.25
2 nd	Number of tax returns with the same delivery date	4.45
3 rd	Information-intensive obligations	4.00
4 th	Adaptation and localization of systems	3.95
5 th	Complexity of accessory obligations	3.50
6 th	Complexity of processes and internal controls	3.45
7 th	Complexity of legislation	3.40

Table 127 – Block III – Main Causes – São Paulo

4.2.16.6 INSPECTIONS, ADMINISTRATIVE LITIGATION AND DEBT CLEARANCE CERTIFICATES (BLOCK IV)

The surveyed companies devote annually, on average, per establishment, about 1.9 thousand hours to compliance activities comprised by this block. Out of this total, a volume of 919 hours for compliance with inspections stands out, as shown in Chart 153.

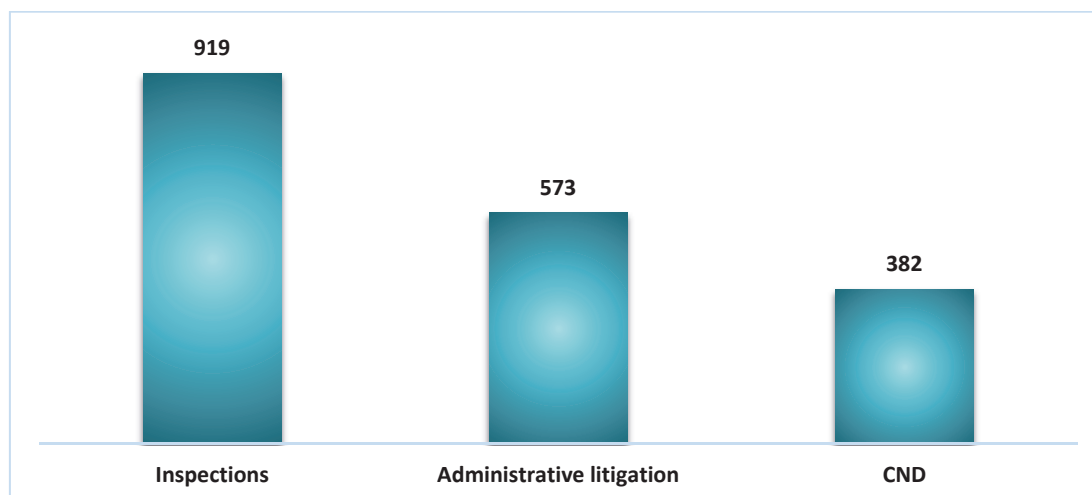


Chart 153 – Block IV – Average hours – São Paulo

The significant number of hours presented for the compliance with both own and third-party inspections is due to the fact that although the accessory obligations have a high level of information provided substantially in electronic form, an additional effort is still required to comply with additional requests (information, calculation memories, reconciliations, specific statements, etc.) required on site by the tax auditors.

Number of people involved

Table 128 shows the average number of people involved, not exclusively, in compliance activities comprised by Block IV.

Activity	People involved
Inspections	3.3
Administrative litigation	3.5
CND	2.4

Table 128 - Block IV - Average number of people involved per activity - São Paulo

4.3 NATIONWIDE RESULTS - BY BUSINESS ACTIVITY (NATIONAL ANALYSIS)

In order to broaden the analysis of the hours spent per activity, we segregated the results at the national level, by business activity (e.g., industry, trade, service, etc.), totaling the following results, grouped by blocks:

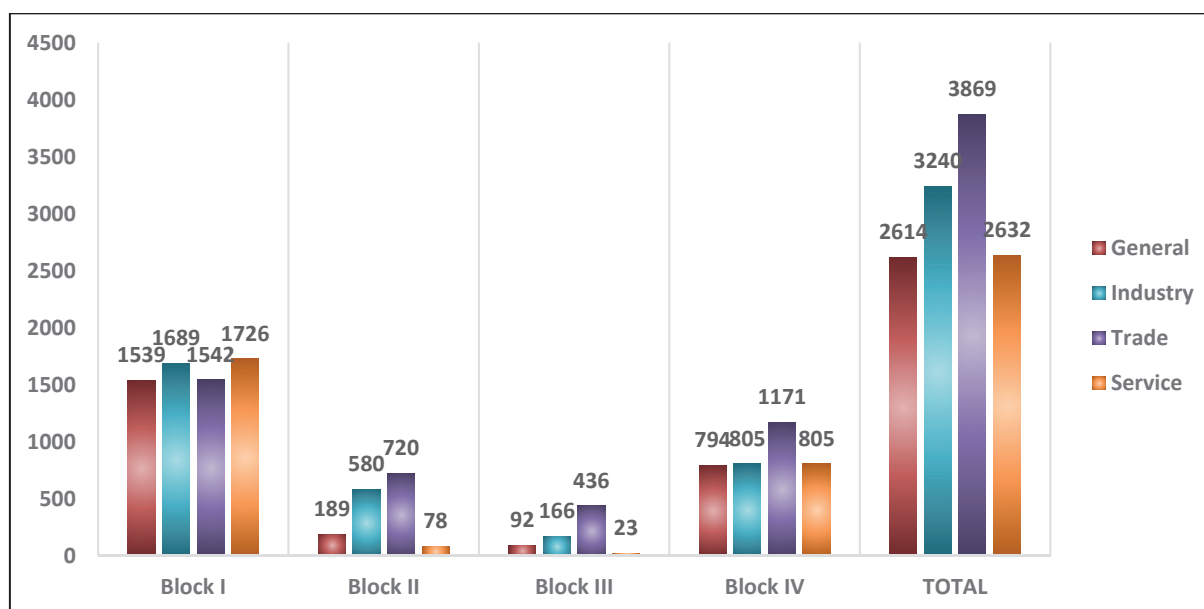


Chart 154 - General Results by Block - Nationwide - Business activity

They are considerate:

- a) **General:** The same results presented in topics 4.1.1 to 4.1.5, that is, without any segregation by business activity.
- b) **Industrial:** The activities of extraction of vegetable origin, food, chemical, electronic components, automobile, etc.
- c) **Trade:** This item includes all companies that classified their business activity as wholesale trade or retail trade.
- d) **Services:** The activities of service provision of transportation of goods or persons, communication and telecommunication service, warehouse and telephony service, therefore, activities subject to ICMS.

Based on the results in Chart 154, the Trade sector stands out among the others, considering the number of hours devoted to compliance as a whole. This occurs due to the large volume of operations with suppliers, clients and companies of the same group.

Besides this, the business establishment, depending on the variety of products, is subject to the most varied hypotheses of taxation (exemption, reduction of the tax basis, deferment, etc.), and subject to several hypotheses that accrue credit, such as, for example, difference in rates at entry and exit, new ICMS-ST withholding, price practices and presumed margin (MVA), among others.

In advance, it is observed that in each Block a sector stands out with more hours spent, which shows that the same activity impacts each sector differently. Next, we will detail it per Block, following these criteria.

4.3.1 ICMS AND ICMS-ST CALCULATION (BLOCK I)

Block I is divided into 3 activities, namely ICMS calculation, ICMS-ST calculation, and respective accessory obligations.

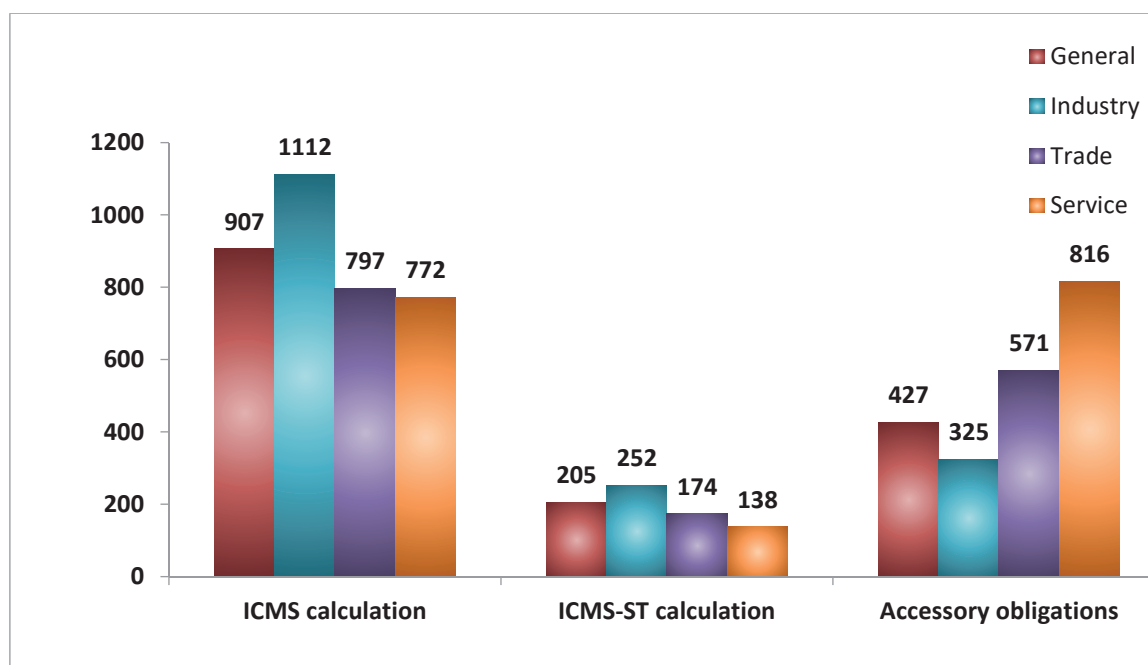


Chart 155 - Block I - Average hours - Nationwide - Business activity

Based on chart 155, it is possible to verify that in the ICMS and ICMS-ST collection activities, the Industrial sector stands out from the other sectors, even being above the general average.

In a different sense is the result of the bookkeeping of accessory obligations, in which the Industrial sector was in last place and the Service sector appears as the sector that spent the most hours, even above the national average.

Deepening the analysis of the accessory obligations, it can be seen in Chart 156 that the Service sector spent more than 400% more hours than the national average, only regarding the GIA-ST.

Not far off, the Service sector also ranked as the sector that spent the most hours for filling in the EFD-Fiscal.

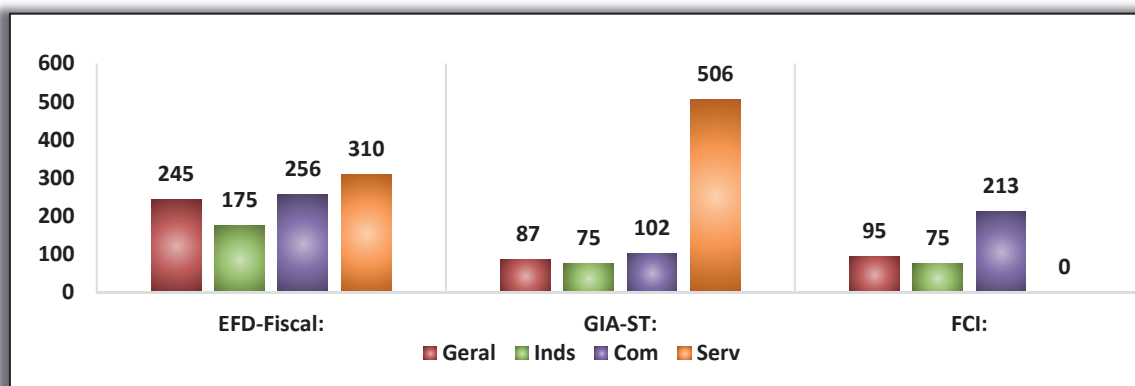


Chart 156 - Average annual hours per accessory obligation - Nationwide - Business activity

4.3.2 ACCRUED ICMS AND ICMS-ST CREDITS (BLOCK II)

Chart 157 shows the activities of accrued credit calculation, preparing and delivering the accessory obligations related to accrued credit, and credit approval and monetization.

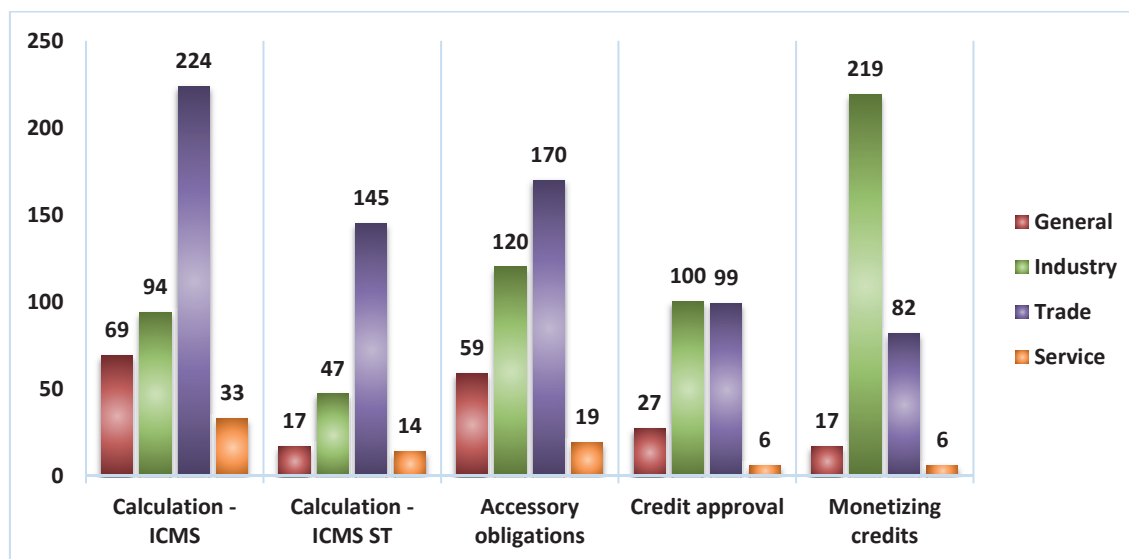


Chart 157 - Block II - Average hours - Nationwide - Business activity

Reading the chart above, the Trade sector stands out from the others, representing in some cases more than 100% more hours, considering the other sectors. On the other hand, it can

be observed that, in the credit monetization stage, the Industrial sector spends many more hours than the other sectors.

As described at the beginning of this topic, the Trade sector, depending on the variety of products, is subject to several hypothesis of credit accrual, such as, for example, difference in rates at entry and exit, new ICMS-ST withholding, pricing at the presumed margin (MVA), among others.

4.3.3 SPECIAL REGIMES, TAX INCENTIVES AND SECTORIAL CONTROLS (Block III)

Chart 158 shows the relevance and presence of the special regimes by sector.

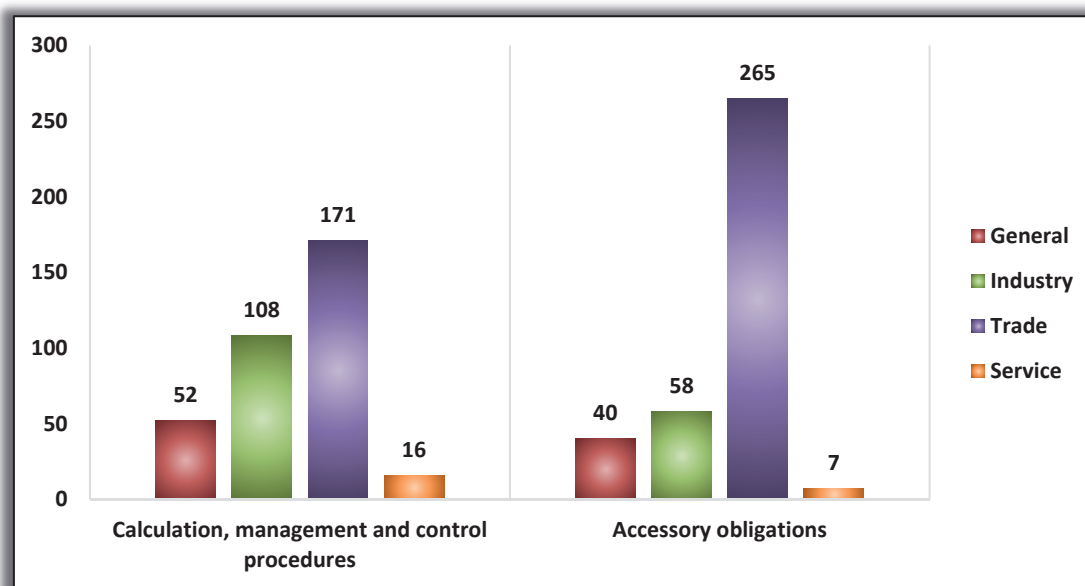


Chart 158 - Block III - Average hours - Nationwide - Business activity

Based on the results, it can be seen that the Trade sector, as in Block II, stands out by spending more hours for this group of activities.

As with other chapters, we emphasize that this Block should be interpreted in conjunction with Block I.

The prominence of the Trade sector is justified by the variety and volume of operations carried out and consequently the various hypotheses of taxation.

4.3.4 INSPECTIONS, ADMINISTRATIVE LITIGATION AND DEBT CLEARANCE CERTIFICATES (Block IV)

Chart 159 shows that the total hours spent on the activities of complying with inspections, administrative litigation management, and obtaining debt clearance certificates.

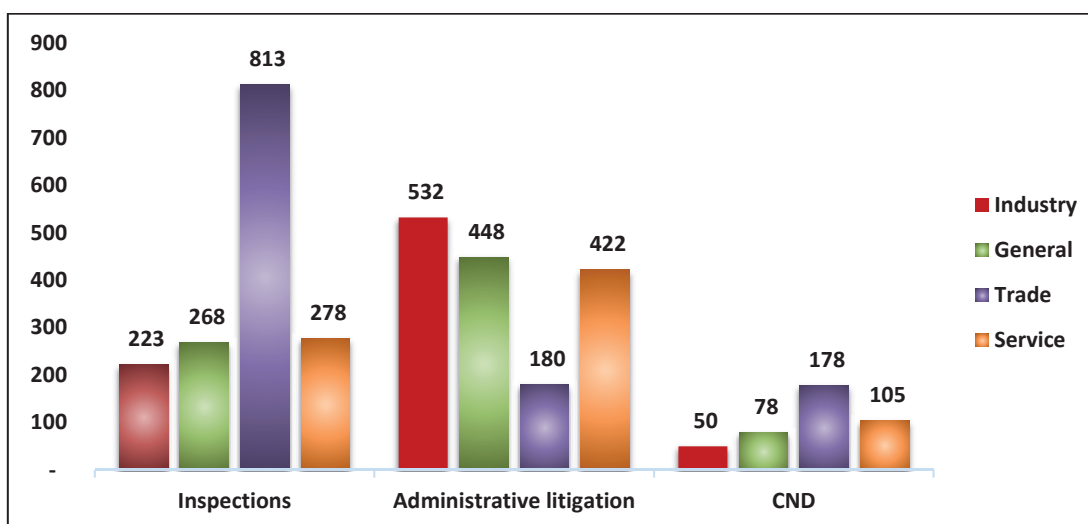


Chart 159 - Block IV - Average hours - Nationwide - Business activity

Unlike the other blocks shown above, for each activity, one sector shows itself with more hours than the others.

Especially with regard to inspections, the members reported that, for the Trade sector, the number of inspections inherent to bookkeeping procedures has increased considerably, with inventory control and the fulfillment of accessory obligations being the most relevant and constant issues.

5 CONCLUSION

In view of all the above, the following conclusions can be drawn, according to the blocks proposed in this research:

i. Sample Characterization

The survey included the participation of 49 business groups, representing 326 establishments from all over the country (27 Federation Units), and the results from 16 States, totaling approximately 80% of the participants, were detailed in the survey.

The 16 States detailed were those with at least 10 interviewees (Amazonas, Bahia, Ceará, the Federal District, Goiás, Maranhão, Mato Grosso, Mato Grosso do Sul, Minas Gerais, Pará, Paraná, Pernambuco, Rio de Janeiro, Rio Grande do Sul, Santa Catarina, and São Paulo).

Industrial activity is still predominant in terms of the number of participants, accounting for at least 45%, both nationally and in the States detailed in this survey.

ii. Block I – Calculation and accessory obligations as to ICMS and ICMS under the regime of Tax Substitution (ICMS-ST)

It was found that the ICMS calculation is the stage that demands the most hours for compliance in all the analyzed States, especially in relation to the activities of calculation, ascertainment and monitoring of the legislation, which represent more than 60% of the time spent. It is worth pointing out that these activities include the capture of entry and exit tax documents (files of the ".xml" type), sample checking of documents, storage, bookkeeping, ICMS and ICMS-ST calculation, qualitative analysis based on documents, current legislation and differentiated tax treatments, specific collections and/or adjustments in chart account, such as the tax rate differential, reversals, etc., besides the implementation in the systemic environment and evaluation of the impact on the business resulting from amendments to laws.

It is also worth mentioning that the volume of hours spent on 2020, compared to the number of hours in the 2016 survey, was around 15% lower. According to the participants, this reduction is due to the high investment made in optimization and robotization of the procedures related to ICMS calculation and fulfillment of accessory obligations. Because of this investment, the number of hours to fulfill the accessory obligations increased, in 2020, by approximately 40%, since it takes interaction between calculation and bookkeeping.

With respect to preparing and delivering the accessory obligations, in addition to the effects on optimization, the excessive number of information that is required for completion was also given as a cause of the increase in hours. It was also reported

that each State has a table of ICMS and ICMS-ST calculation adjustment codes, resulting in a considerable number of hours for system parameterization.

It can also be observed that the inspection profile is changing, focusing on the accessory obligation and no longer on the main obligation, which justifies the effort and attention of the taxpayer, reflecting directly on the number of hours spent on fulfilling the accessory obligations according to the legal requirements.

Taking advantage of the additional analysis of topic 4.17, the Services sector proved to be the sector with the most hours spent on the bookkeeping of accessory obligations, especially to fill in the GIA-ST.

The high volume of hours spent on compliance with accessory obligations could be significantly reduced by eliminating accessory obligations with redundant information, such as the GIAs or equivalents, the information in which is already required or can be included in the EFD-ICMS/IPI.

Therefore, in order to have nationwide uniformity in the provision of such information, it is recommended that these States adopt the EFD-ICMS/IPI as the only accessory obligation instrument for ICMS and ICMS-ST calculation purposes.

Even with the reduction in hours, the result in turn reflects the complexity and diversity of the ICMS rules, insofar as its regulation and many of its amendments are issued by regulatory acts, such as Decrees, Ordinances, Resolutions, Decisions, Announcements, Normative Instructions, Protocols, etc. Therefore, it is extremely necessary to review the ICMS regulatory environment, aiming at simplifying and standardizing state laws, including by updating the nationwide rules, such as the SINIEF Adjustments that date back to the 1970's, so that they may reflect the procedures adopted in the current business environment.

When it comes to the complexity and diversity of laws, monitoring has proved relevant in most states, especially with products subject to the tax substitution regime, given the high volume of constant amendments to laws and the absence of structured sources that can facilitate quick and safe access for consultation by taxpayers.

Even with the execution of Agreement 92/2015, which sought to standardize and limit the products subject to the tax substitution regime, companies still spend significant hours to search for the necessary information related to their operations, including high expenses with specialized consulting firms to keep up with the legislation enacted by all the 27 federation units.

In this context, in order to avoid spending unnecessary hours on legislative research, as well as to increase legal certainty in the tax authorities-taxpayers relationship, it could be evaluated the opportunity and convenience of the tax authorities forwarding to taxpayers, individually, the amendments to laws that have occurred,

preventing taxpayers from continuing to conduct unnecessary research and optimizing the time to analyze only those that have an impact on their business.

iii. Block II - Accrued ICMS and ICMS-ST credits calculation, approval, accessory obligations and monetization

With regard to Block II, the results were insufficient or, in the majority, with the number of hours greatly reduced. This is shown by the fact that only 3 States (São Paulo, Minas Gerais and Santa Catarina) had enough answers for the whole process.

According to information from the participants, the States still have many bureaucratic procedures for the actual use of the credit, which often forces taxpayers to give up the recovery of such amounts. Moreover, the lack of answers for other activities, besides the calculation, is due to the fact that the States do not have effective procedures to claim the credit, making the process of refund/reimbursement slow and bureaucratic.

On the other hand, some states such as São Paulo and Paraná have structured processes, such as e-CredAc and SISCREC respectively. And, especially the State of Santa Catarina, facilitates the trading of balances.

Among those establishments that have managed to monetize it, the Trade sector and the variety of products that are marketed stand out, because the variety of products brings several hypotheses of taxation (exemption, tax substitution, reduction of the calculation basis, etc.), leading to the hypotheses of credit accrual, such as, for example, difference in rates at entry and exit, new ICMS-ST withholding, price practices [and] the presumed margin (MVA), among others.

Moreover, other States, such as Minas Gerais and Amazonas, commonly celebrate special regimes with taxpayers with conditions not to accrue ICMS credits.

Considering that most of the required information is already contained in the EFD-ICMS/IPI, we see a great opportunity to encourage and optimize the demand of hours in these processes by adopting the EFD-ICMS/IPI as a form of calculation. Through the implementation of this system, other states that do not have structured calculation processes would also benefit, providing taxpayers, in addition to reducing compliance time, with greater legal certainty and improvement of the business environment.

iv. Block III - Special regimes, tax incentives and sectorial controls

With regard to the results of this Block, as in Block I when compared to the result calculated in 2016, the values were also lower, representing more than 35% difference.

It is worth mentioning, at first, that the results of Block III must be analyzed in conjunction with Block I (ICMS and ICMS-ST calculation), since both the calculation of tax incentives and the respective bookkeeping in the accessory obligations are part of the assessment routine.

Just as the entire ICMS calculation process (Block I) was optimized and robotized, this investment also generated positive effects on the calculation of the special regimes and tax incentives.

It is worth noting that the dynamics of the business environment requires, in many cases, the need for the taxpayer to enter into Special Regimes that facilitate some operating procedures related to accessory obligations and, consequently, eliminate unnecessary costs for the business.

Thus, it would be worth evaluating which of these regimes are more recurrent so that they can be incorporated into the legislation.

v. Block IV - Inspections, Administrative Litigation and Debt Clearance Certificates

Unlike the other Blocks, Block IV presented adverse situations, sometimes resulting in lower hours and in other cases higher hours, when compared to the results calculated in 2016.

However, the demand for the activities contemplated in this Block are still significant within the entire state compliance process, since, for the most part, it was the second Block that demanded the most hours.

The significant demand of hours to attend the Inspections, own and of third parties, and for the administrative litigation management indicates the legislative complexity, difficulty of interpretation and application of tax rules. Moreover, it is also evident that much detailed information provided electronically is required again on the occasion of inspections, demonstrating that the potential gains from technological advances (especially with the advent of the SPED environment) are still being underutilized by some States.

Especially with regard to inspections for the Trade sector, the members reported that the number of inspections inherent to bookkeeping procedures has increased considerably, with the most relevant and constant issues being inventory control and the fulfillment of accessory obligations.

With regard to obtaining the CND, it can be seen that the lack of integration of information between the State Treasury Attorney Offices and the Finance Departments still requires an additional effort on the part of taxpayers in relation to proving tax regularity or even the provision of guarantees to suspend the enforceability of the tax credit, in addition to the need to allocate professionals for

constant monitoring of tax compliance. Sometimes, there are situations in which the company needs to resort to legal proceedings to obtain the certificate. Therefore, there is a need for greater integration of information between the Public Prosecutors' Offices and the Treasury Offices.