

Integrated Approach to Enterprise Formalization – R204 Art25

1. business entry reforms;
2. simplified tax regimes;
3. access to public procurement;
4. access to inclusive financial services;
5. access to entrepreneurship training, skills development and tailored business development services; and
6. access to social security coverage.



Enterprise Formalisation

B u i l d i n g B l o c k s

- A** Sensitization and capacity development
- B** Streamline business registration, licensing and compliance
- C** Incentivize formalization
(access to markets; increased social security coverage; tax incentives)
- D** Enhance business productivity & financial inclusion
- E** Facilitate dialogue & strengthen associations
- F** Strengthen enforcement and compliance
(preventative & corrective measures)
- G** Foster linkages for external support



My learnings and points of curiosity

1. Game changers – incl. ID numbers →
2. Monotax vs GST tax reform vs BMBE Law →
3. Key drivers - why formalize? →
4. Institutional capacity first
5. Access to incentives before/after formalization?
6. Where productivity fits? →
7. Contractualization and coping strategies
8. How the reforms were made possible politically?



Tax numbers as the unique ID

CPF (CADASTRO DE PESSOAS FÍSICAS -) INDIVIDUAL TAXPAYER NUMBER

HOURS: 09:00 TO 12:30PM – MONDAY -FRIDAY

IN PERSON ONLY

Format of GSTIN



Know your GSTIN

Permanent Account Number (PAN)

22 AAAAA0000A 1 Z 5

State Code

Entity number of the same PAN holder in a state

Alphabet 'Z' by default

Check sum digit

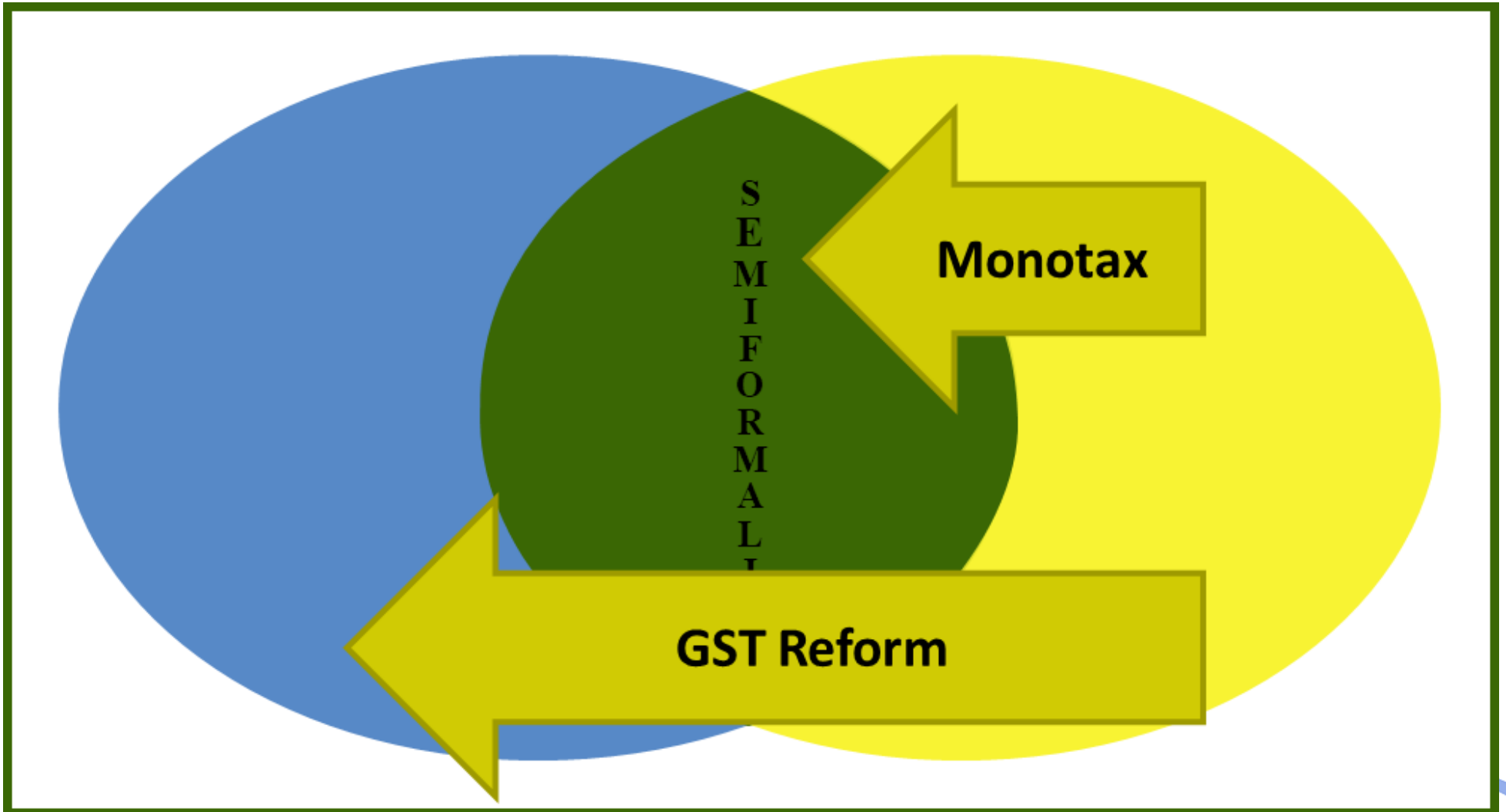


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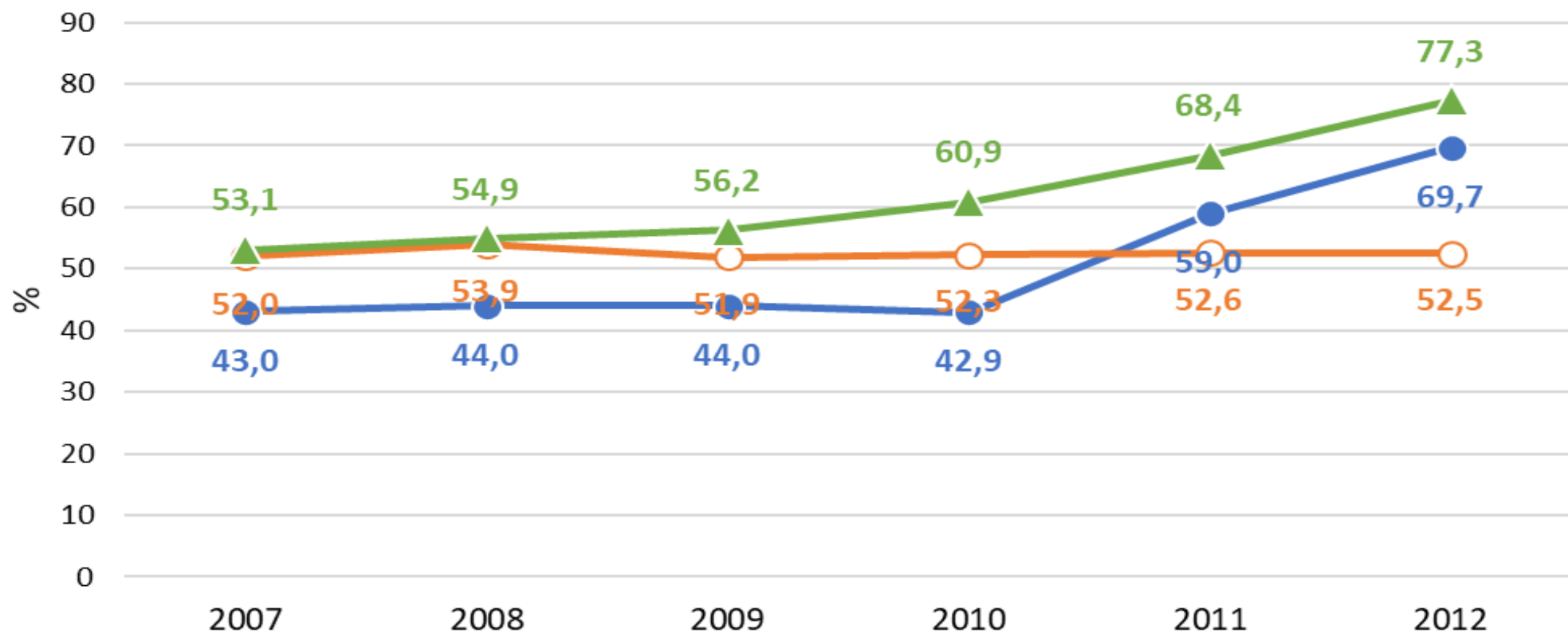
RUT and RUN : two ID numbers to know



Monotax vs GST Reform



How to combine ENT formalization w/ JOBS formalization?



—●— Porcentaje de microempresas con registro mercantil

—○— Porcentaje de trabajadores cubiertos por salud o pensiones en establecimientos con menos de 5 trabajadores

—▲— Porcentaje de microempresas que lleva contabilidad

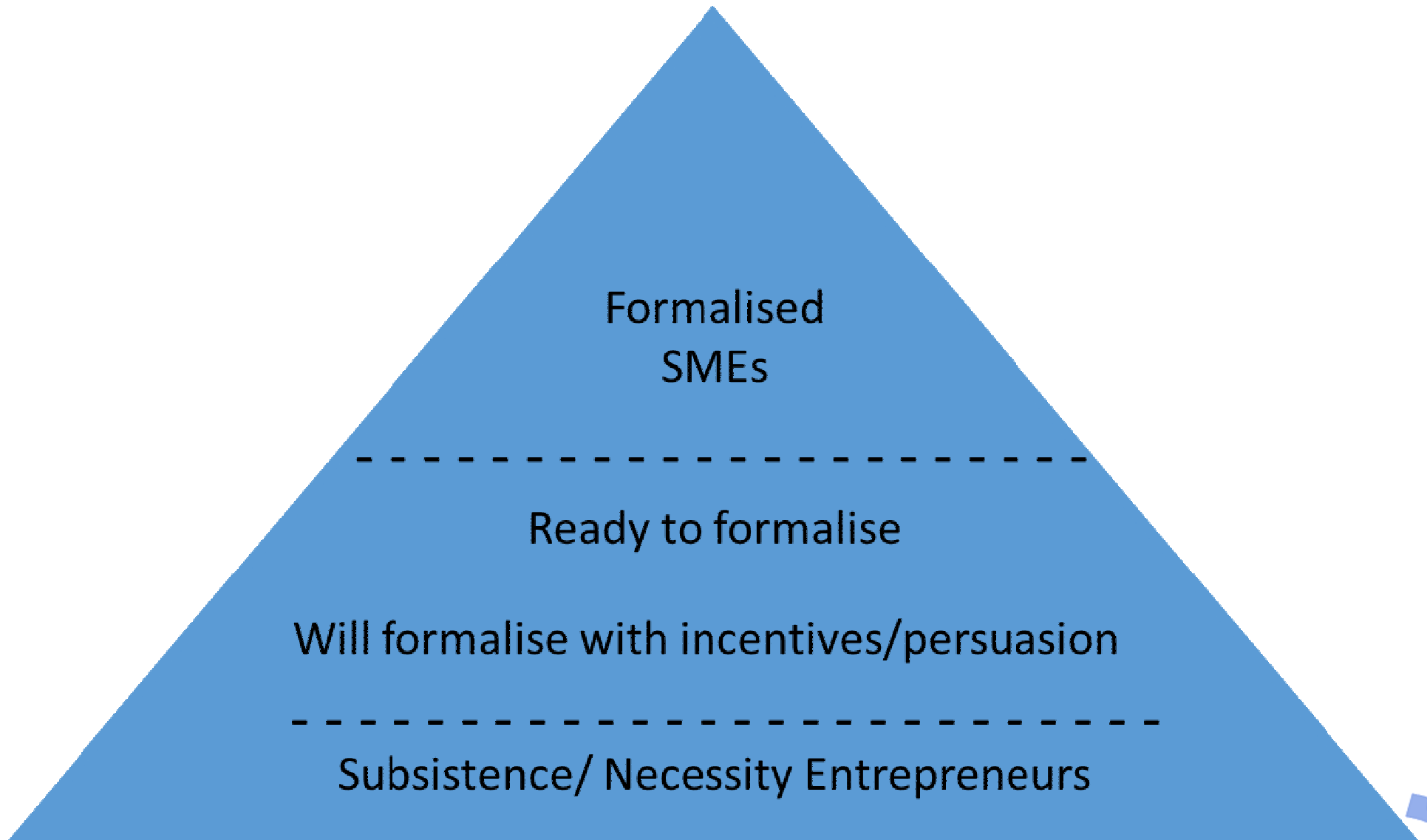


Reasons for registration – counterintuitive?

	Motivation	%
★	Social security	32,2
	Company formalization	22,4
	Permission for issuing invoices	10,3
	Growth possibilities	8,7
★	Avoid problems with State inspection	6,7
	Facility to create a company	5,9
★	Low (or none) formalization cost	3,7
	Possibility to cheaper/better purchases	1,7
	Possibility to sell with credit/debit cards	1,3
★	Getting loans as a company	1,2
★	Possibility to sell to other companies	1,1
	Possibility to sell to the government	0,3
	Others	4,5

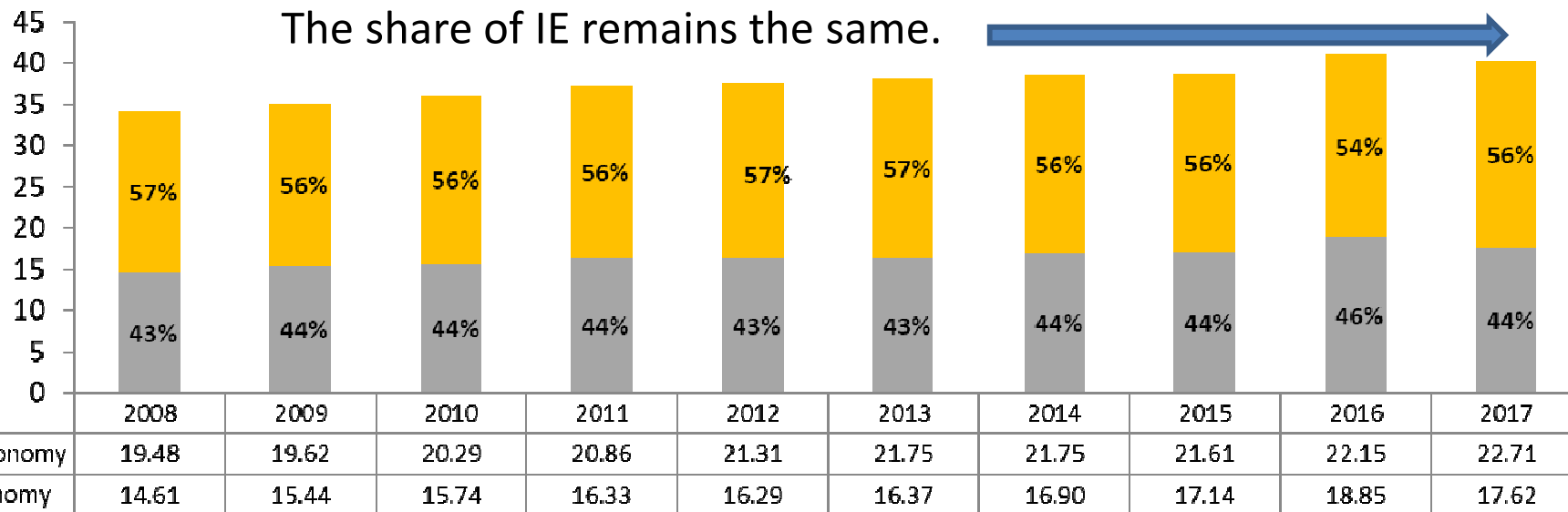


Should we support entrepreneurship and enterprise formalization to all?



Percentage Distribution of Workers in Total Employment Y2008-2017, In Million

Why “informalization” is
a concern & an opportunity



■ Formal Economy ■ Informal Economy
Workers in the Informal Economy
(In Millions)

