Methodology: Registering as an Individual Microbusiness Owner (MEI)

Additional Research: Pilot Studies

Registering as an Individual Microbusiness Owner ('Microempreendedor Individual', MEI)

Subnational Doing Business in Brazil 2021 includes a pilot study designed to analyze the process of registering as an Individual Microbusiness Owner ('Microempreendedor Individual', MEI), the most common business type in Brazil. This pilot study covered five locations in Brazil: Amazonas, Ceará, the Federal District, Minas Gerais, and Rio Grande do Sul. These locations were selected in collaboration with the Brazilian Service of Support for Micro and Small Enterprises (Sebrae) to represent each of Brazil’s five administrative regions. This section describes the case study assumptions and methodology used to collect these data. Scores are not calculated for this pilot study. The data were not included in the aggregate ease of doing business score for the five topics covered in this report.

This pilot study records all procedures officially required, or commonly done in practice, for an entrepreneur to start and formally operate a MEI. The study also records the time and any costs to complete these procedures and the paid-in minimum capital requirement, if any. These may include obtaining all necessary approvals, licenses, and permits and completing any required notifications, verifications, or inscriptions for the company with relevant authorities.

After a study of laws, regulations, and publicly available information on business entry for MEI, a detailed list of procedures was developed, along with the time and any costs to comply with each procedure under normal circumstances and the paid-in minimum capital requirement, if any. Subsequently, local incorporation lawyers, accountants, and government officials reviewed and verified the data. Information was also collected on the sequence in which procedures are to be completed and whether procedures may be carried out simultaneously. It is assumed that any required information is readily available and that the entrepreneur will pay no bribes. If answers by local experts differ, inquiries continue until the data are reconciled.

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

Assumptions about the business

The business:

- Is an Individual Microbusiness Owner ('Microempreendedor Individual', MEI).
- Operates in the capital city of each of the five locations covered in this pilot study.
- Is an independent trader of nonhazardous products such as clothes, books or shoes. The business does not perform foreign trade activities and does not handle products subject to a special tax regime, for example, liquor or tobacco.
- Does not qualify for investment incentives or any special benefits, other than those provided to MEI in general.
- Is owned by a Brazilian citizen.
- Does not hire an employee.
- Has start-up capital of 20% the income per capita ($1,826 or R$6,696).
- Has an estimated turnover of 2 times the income per capita ($18,260 or R$66,965).
- Leases an office space and is not a proprietor of real estate.
- Has an annual lease for the office space equivalent to 50% of the income per capita ($4,565 or R$16,741).
- Occupies an office space of approximately 92.9 square meters.

The owner:

- Has reached the legal age of majority and is capable of making decisions as an adult.
- Is in good health and has no criminal record.

Procedures

A procedure is defined as any interaction of the business founder with external parties (for example, government agencies, lawyers, auditors, or notaries). Procedures that must be completed in the same building but in different offices or at different counters are counted as separate procedures. If the founder has to visit the same office several times for different sequential procedures, each is counted separately. The founder is assumed to complete all procedures alone, without middlemen, facilitators, accountants, or lawyers, unless the use of such a third party is mandated by law or solicited by the majority of entrepreneurs. If the services of professionals are required, procedures conducted by such professionals on behalf of the company are counted as separate procedures. Similarly, each electronic procedure is counted as a separate procedure.

Procedures required for official correspondence or transactions with public agencies are also included. For example, if a company seal or stamp is required on official documents, such as tax declarations, obtaining the seal or stamp is counted. Similarly, if a company
must open a bank account in order to complete any subsequent procedure—such as registering for value added tax (VAT) or showing proof of minimum capital deposit—this transaction is included as a procedure. Shortcuts are counted only if they fulfill four criteria: they are legal, they are available to the general public, they are used by the majority of companies, and avoiding them causes delays.

Only procedures required for all businesses are included. Industry-specific procedures are excluded. For example, procedures to comply with environmental regulations are included only when they apply to all businesses owners who are independent traders of products such as clothes, books or shoes. Procedures that the business undergoes to connect to electricity, water, gas, and waste disposal services are not included.

**Time**

Time is recorded in calendar days. The measure captures the median duration that incorporation lawyers or accountants indicate is necessary in practice to complete a procedure with minimum follow-up with government agencies and no unofficial payments. It is assumed that the minimum time required for each procedure is one day, except for procedures that can be fully completed online, for which the minimum time required is recorded as half a day. Although procedures may take place simultaneously, they cannot start on the same day (that is, simultaneous procedures start on consecutive days). For online cases, each simultaneous procedure starts half a day after the previous one. A registration process is considered completed once the business has received the final incorporation document or can officially commence business operations.

It is assumed that the entrepreneur does not waste time and commits to completing each remaining procedure without delay. The time spent by the entrepreneur preparing information to fill in forms is not measured. It is assumed that the entrepreneur is aware of all entry requirements and their sequence from the beginning but has had no prior contact with any of the officials involved.

**Cost**

Cost is recorded as a percentage of the income per capita. It includes all official fees and fees for legal or professional services if such services are required by law or commonly used in practice. Fees for purchasing and legalizing company books are included if these transactions are required by law. Although VAT registration can be counted as a separate procedure, VAT is not part of the incorporation cost.

The company law, the commercial code, and specific regulations and fee schedules are used as sources for calculating costs. In the absence of fee schedules, a government officer’s estimate is taken as an official source. In the absence of a government officer’s estimate, estimates by incorporation experts are used. If several incorporation experts provide different estimates, the median reported value is used. In all cases the cost excludes bribes.

**Paid-in minimum capital**

The paid-in minimum capital requirement reflects the amount that the entrepreneur needs to deposit in a bank or with a third party (for example, a notary) before registration or up to three months after incorporation. It is recorded as a percentage of the income per capita. The amount is typically specified in the commercial code or the company law.

### Notes