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The design of presumptive tax regimes in selected countries

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Abstract / Résumé

Presumptive tax regimes (also known as simplified tax regimes) intend to reduce tax compliance costs for micro and small businesses (and enforcement costs for the tax administration) while levying a lower tax burden as compared to the standard tax system.

This working paper compiles detailed information on the presumptive tax regimes existing in a selection of OECD and non-OECD countries, identifies common practices adopted across the countries examined and provides multiple examples of best practices observed in these regimes. These examples can serve as guidance to policy makers and tax administrations to strengthen particular features of the presumptive tax regimes implemented in their jurisdictions. Lastly, the paper highlights the main challenges generally observed in the presumptive tax regimes under study, which might undermine the role of these regimes in incentivising business formalisation and strengthening tax compliance over time.

Les régimes d'imposition forfaitaire (aussi appelés régimes simplifiés d'imposition) visent à réduire les coûts de mise en conformité fiscale pour les micro et petites entreprises (et les coûts de mise en conformité pour l'administration fiscale) tout en imposant une charge fiscale inférieure à celle du régime réel d'imposition.

Ce document de travail rassemble des informations détaillées sur les régimes d'imposition forfaitaire existant dans une sélection de pays membres et non-membres de l'OCDE, identifie les pratiques communes adoptées dans les pays examinés et fournit de nombreux exemples de meilleures pratiques observées dans ces régimes. Ces exemples peuvent servir d'orientation aux décideurs politiques et aux administrations fiscales pour renforcer les régimes d'imposition forfaitaire mis en œuvre dans leurs juridictions. Enfin, le document met en évidence les principaux défis généralement observés dans les régimes d'imposition forfaitaire étudiés, qui peuvent compromettre le rôle de ces régimes dans l'incitation à la formalisation et le renforcement de la conformité fiscale dans le temps.

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1 Introduction

This working paper builds on a recently published OECD Taxation working paper on the design of presumptive tax regimes. The earlier working paper, “The design of presumptive tax regimes” (Mas-Montserrat et al., 2023^[1]) describes presumptive tax regimes, discusses their advantages, shortcomings and documented impacts, and develops an analytical framework that allows to characterize in a systematic way country-specific and widely differing presumptive tax regimes. It also highlights key design aspects that deserve further consideration and lists a series of best practices on the design and administration of these regimes.

Presumptive tax regimes (also known as simplified tax regimes) aim at encouraging tax compliance and business formalisation by reducing tax compliance costs and by levying lower tax rates as compared to the standard tax system. These regimes usually target micro and small businesses and levy tax on a presumed tax base that intends to approximate taxable income by indirect means. Hence, they can be particularly relevant where actual taxable income is difficult or costly to assess accurately.¹

The analytical framework developed in “The design of presumptive tax regimes” covers several dimensions that characterise the design and administration of presumptive tax regimes. Although these regimes exist in many tax systems, they vary greatly in their design and administration features. The analytical framework developed in “The design of presumptive tax regimes” provides structure to different dimensions that are relevant to characterise presumptive tax regimes: the target group, the eligibility criteria, the type of the regime, the tax liability, the taxes covered by the regime, the regime’s administration, the provision of non-tax support instruments and interactions with the standard tax system. This structure and categorization allows for cross-country comparison and the identification of opportunities for improved tax design and administration of presumptive tax regimes.

This follow-up working paper applies the analytical framework to the presumptive tax regimes currently legislated in a selection of countries. Information on presumptive tax regimes from eleven different countries has been collected by the OECD secretariat and this information has been validated by the relevant authorities of each jurisdiction.² This results in twenty different regimes. The information collected for every regime has been organised following the analytical framework. This information and its corresponding sources are presented in Annex B, grouped by country. Table A1 in Annex A presents a summary of key design features of the regimes examined.

This paper is the first attempt to compile extensive information on multiple presumptive tax regimes and present it in a systematic and comparable way. Other existing studies have focused on a subset of design features and have compiled such information for multiple presumptive tax regimes (i.e., (Azuara et al., 2019^[2]), (Bucci, 2020^[3]), (Engelschalk and

¹ A more exhaustive description of presumptive tax regimes can be found in Mas-Montserrat et al., 2023^[1].

² The countries covered are Argentina, Brazil, Colombia, Costa Rica, France, Hungary, Italy, Mexico, South Africa, Tunisia and Uruguay.

Loeprick, 2015^[4]), or (ILO, 2021^[5]), among others). Hence, this paper provides a novel resource of information on the design of presumptive tax regimes in OECD and non-OECD member countries.

The paper identifies common and diverging features, and strengths and challenges in the current design and administration of presumptive tax regimes. The paper brings together the multiple presumptive tax regimes examined and assesses them from different perspectives. First, it identifies and provides descriptive evidence on common practices observed. Where these common practices are implemented through alternative tax designs and administration policies, these different approaches are also described. Second, the paper identifies design and administration features that align with best practices discussed in Mas-Montserrat et al., 2023^[1], and can serve as guidance to policy makers and tax administrations to strengthen particular features of the presumptive tax regimes implemented in their jurisdictions. Third, the paper highlights the main challenges generally observed in the presumptive tax regimes covered.

The remainder of this working paper proceeds as follows. Section 2 describes common practices observed across the different regimes covered in this paper. Section 3 takes as its reference point the best practices listed in Mas-Montserrat et al., 2023^[1], and provides concrete examples of their materialization in practice. Section 4 provides a broader perspective beyond individual practices and identifies the main challenges in the design and administration of presumptive tax regimes. Section 5 concludes.

2 Common practices among country presumptive tax regimes

This section describes common practices observed across the presumptive tax regimes examined. Detailed information on each presumptive tax regime and its corresponding sources can be found in Annex B. Additionally, Table A1 in Annex A presents a summary of key design features of the regimes analysed.

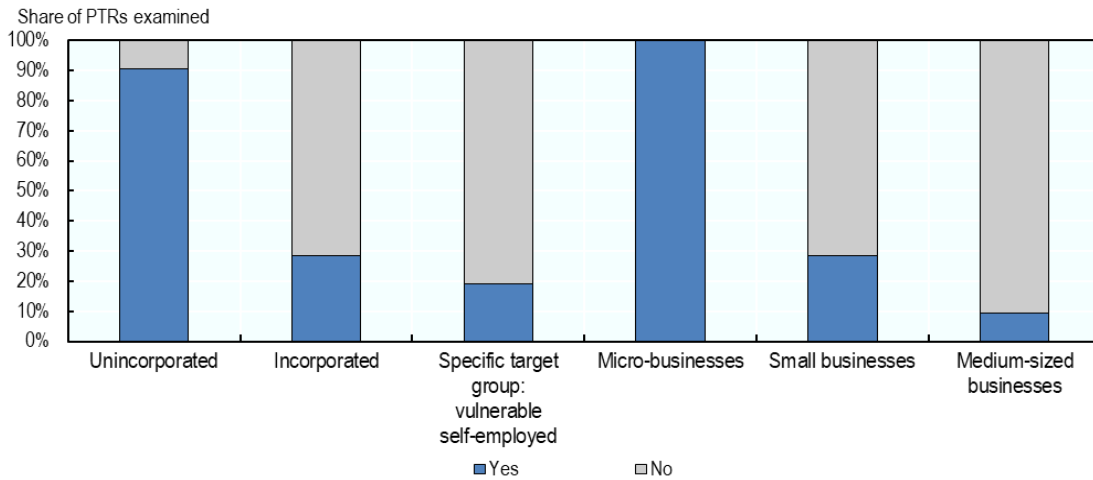
Almost all regimes target unincorporated micro-businesses, although they differ widely in the turnover eligibility threshold established (see Figure 1 and Figure 2). With some exceptions, it is common practice that each regime targets a different type and size of business (e.g. unincorporated vs. incorporated, micro vs. small businesses). Five of the nineteen regimes that target unincorporated businesses also target incorporated companies, although their design might vary between the two business types (as is the case with the new Mexican presumptive tax regime RESICO). Additionally, Brazil regulates the Simples regime that targets incorporated businesses only.

Argentina, Tunisia and Uruguay have, or used to have, in place specific presumptive tax regimes that target economically vulnerable own-account workers.³ Usually, these regimes do not allow the hiring of employees and establish more restrictive eligibility criteria, compared to other presumptive tax regimes, to ensure that businesses outside the scope of this target group do not benefit from the regime.

Most of the regimes allow the hiring of employees. With the general exception of the regimes that target economically vulnerable own-account workers, the majority of the regimes allow for the hiring of employees, although with some limitations. Three regimes establish a limit on the number of employees that can be hired, while another establishes a limit on the annual personnel-related expenditures. Setting tight limits on employment might have undesirable effects as it might encourage the hiring of workers with no formal arrangements (Mas-Montserrat et al., 2023^[1]).

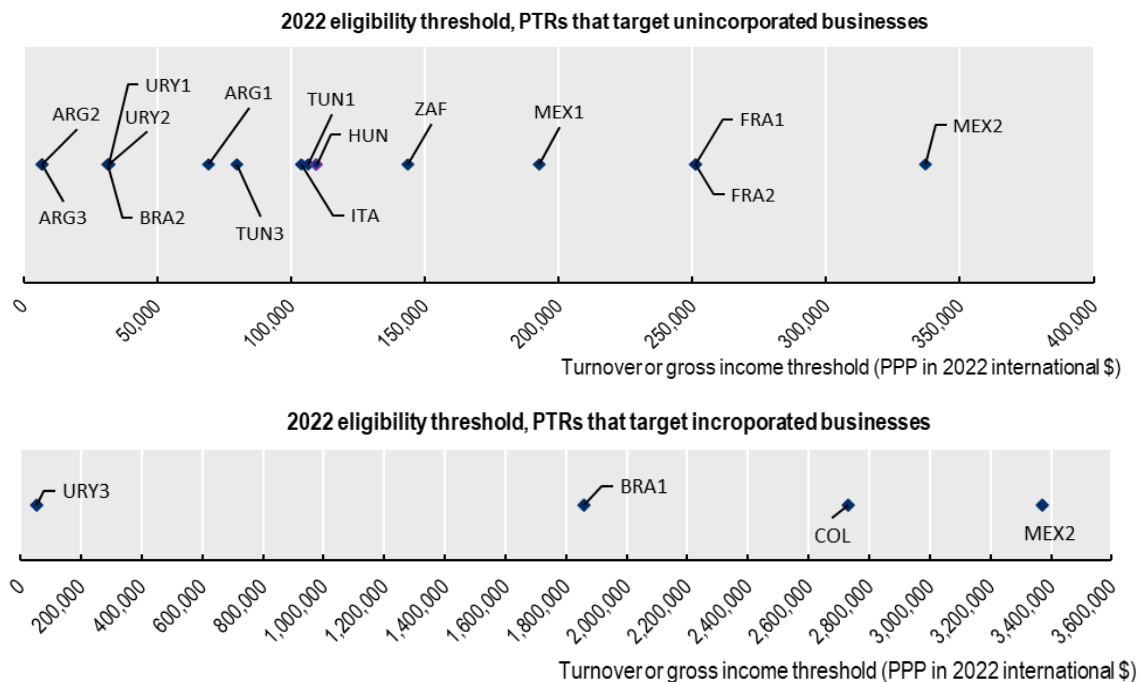
³ The 2023 Tunisian Budget Law has abolished the Tunisian Regime for micro-entrepreneurs with non-regular income.

Figure 1 Target group: typology of businesses targeted by the presumptive tax regimes



Source: OECD calculations based on presumptive tax regime (PTR) country tables provided in Annex B.

Figure 2 Eligibility criteria: turnover eligibility thresholds set by the presumptive tax regimes



Notes: The turnover eligibility threshold indicates the turnover level above which businesses are no longer eligible for the presumptive tax regime. Where a regime establishes multiple turnover eligibility thresholds but some of them are restricted to specific circumstances, the threshold more generally applied is considered in this graph. Where multiple turnover eligibility thresholds are generally applied (e.g., sector-differentiated thresholds), the largest threshold is considered. ARG1 – Monotax; ARG2 – Social Monotax; ARG3 – Regime of social inclusion and promotion of independent work; BRA1 – Simples National; BRA2 – SIMEI; COL – Simple; FRA1 – Micro-tax regime; FRA2 – Micro-entrepreneur regime; HUN – KATA; ITA – Flat-tax regime; MEX1 – RIF; MEX2 – RESICO; ZAF – Turnover tax regime; TUN1 – Forfaitaire; TUN3 – Auto-entrepreneur regime; URY1 – Monotax; URY2 – Social Monotax; URY3 – Minimum VAT regime. The Costa Rican Simplified taxation regime and the Tunisian Regime for micro-entrepreneurs with non-regular income are not represented in this Figure as they do not establish a turnover eligibility threshold. The Mexican RESICO (MEX2) is included both in the upper and lower panels as the regime’s eligibility threshold differs between unincorporated and incorporated businesses.

Source: OECD calculations based on presumptive tax regime (PTR) country tables provided in Annex B.

Most of the regimes are based on turnover or lump-sum taxation methods (see Figure 3). The most common type of design varies according to the target group. The presumptive tax regimes targeting economically vulnerable own-account workers are more commonly based on lump-sum taxation methods, which are simple, transparent and do not heavily rely on book-keeping. Conversely, the other regimes targeting unincorporated and incorporated businesses are more predominantly based on turnover, with some specificities. Some regimes define the tax base according to business gross income rather than turnover (i.e. including rental or financial income and any extraordinary income businesses might earn), other regimes adjust turnover with sectoral coefficients to account for different business profitability across sectors or economic activities, and some regimes combine lump-sum and turnover based-methods. There are only four regimes that diverge from these two common designs: the Argentinian Monotax relies on alternative indicators of economic activities besides turnover, the Costa Rican Simplified taxation regime uses business inputs and personnel expenditures to define the tax base, and the two Mexican regimes are partly based on net income measured on a cash basis.

Figure 3 Type of regime: general design of presumptive tax regimes grouped by businesses within scope



Source: OECD calculations based on presumptive tax regime (PTR) country tables provided in Annex B.

Most of the regimes are a substitute for, or exempt taxpayers from, the standard income tax (either the corporate or personal income tax, CIT or PIT, respectively, depending on whether the business is incorporated or not; see Figure 4). Three of the four regimes that target economically vulnerable own-account workers exempt registered taxpayers from the personal income tax. In the other regimes that target a broader category of unincorporated and incorporated businesses, the exemption from income tax is not common. In these cases, the presumptive regimes usually substitute the standard (personal or corporate) income tax by defining an alternative tax base and rates or by setting lump-sum payments. The only regime that does not substitute for, nor exempt from, the personal income tax is the default option of the French Micro-tax regime, where a presumed tax base (i.e., turnover adjusted with presumed cost rates) is integrated in the standard personal income tax.

Preferential treatment to self-employed social security contributions is commonly observed (see Figure 4). The regimes targeting economically vulnerable own-account workers substitute the standard social security contributions (SSCs) faced by the self-employed. These regimes foresee lower contributions or exempt the payment of specific contributions such as the retirement contribution (this is

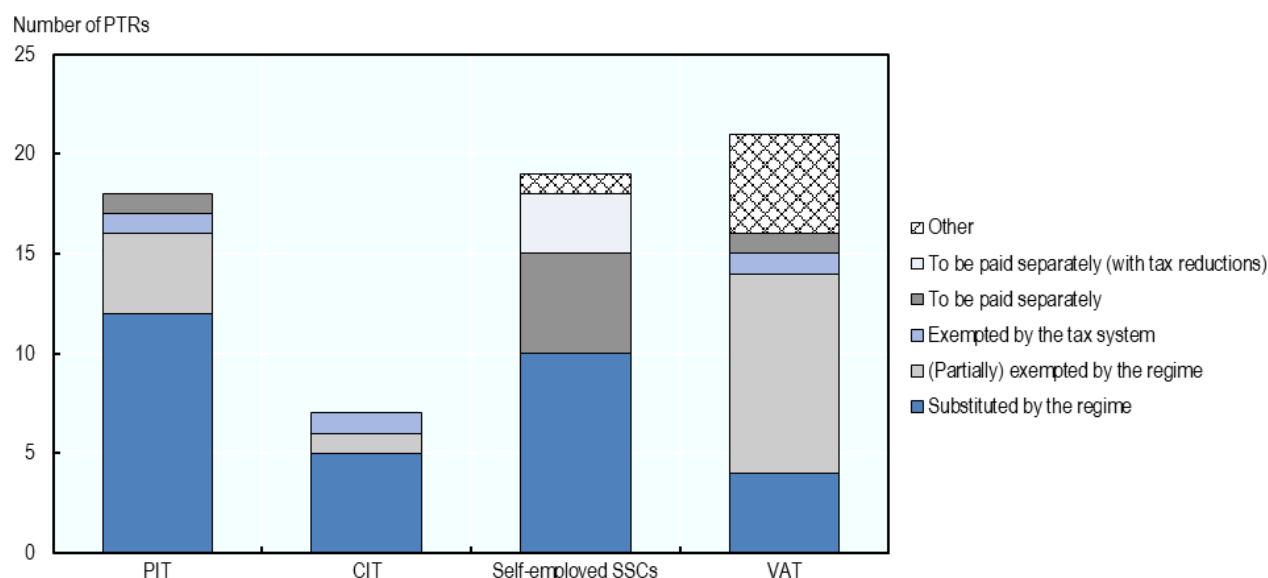
the case in the Argentinian Social Monotax) or the health insurance contribution (being voluntary in the Uruguayan Social Monotax). These lower contributions grant access to specific social benefits such as minimum retirement pensions, sickness benefits or health insurance (if the corresponding voluntary contributions are made). Among those regimes that target unincorporated businesses more broadly, it is common to grant preferential treatment to self-employed SSCs as well, although not necessarily by substituting the standard SSCs within the regime's contribution. While the provision of regime-specific or minimum SSCs included in the regime's tax liability are the most common approach, some other regimes grant reductions to the standard SSCs. In this latter case, SSCs are filed and paid independently from the regime (e.g. this approach is followed by the Minimum VAT regime in Uruguay, the Flat-tax regime in Italy and the Mexican RIF regime). Voluntary contributions for family members are also sometimes allowed by some regimes (e.g., the Uruguayan and Argentinian Monotaxes).

Exemption from standard VAT collection is commonly observed (see Figure 4), although this treatment is granted through alternative tax policy options. Four tax policy options are observed:

- the regime's regulation exempts all registered taxpayers from VAT compliance (this is the case in Argentina – regimes for economically-vulnerable own-account workers, Italy, Uruguay – Monotax and Social Monotax, and Tunisia);
- the regime's regulation exempts registered taxpayers from VAT compliance if their turnover remains lower than a specific threshold or they undertake specific activities (this is the case in Colombia and France);
- the regime levies a presumed VAT contribution that substitutes the standard VAT invoicing and collection method (this is the case in Argentina – Monotax, Brazil, Costa Rica, Mexico – RIF, South Africa, and Uruguay – Minimum VAT);
- the regime does not foresee any specific rules with respect to the VAT (i.e. the VAT is not covered nor regulated by the regime) because the tax system establishes a VAT registration threshold that releases businesses with turnover levels below this threshold from VAT compliance. Hence, taxpayers registered in the regime are exempt from VAT collection if their turnover is lower than the VAT registration threshold (this is the case in Hungary).

Besides the exemption from standard VAT collection, all these options also involve the non-deductibility of the input VAT paid by the business when purchasing from a business that is VAT liable.

Figure 4 Taxes covered: tax treatment of the PIT, CIT, SSCs and VAT



Notes: The “Substituted by the regime” category indicates that the standard tax compliance is substituted by the regime’s contribution and tax filing. The “(Partially) exempted by the regime” category indicates that the regime’s regulation (partially) exempts the registered taxpayer from a particular tax, without including a substitute tax payment in the regime’s contribution. The “Exempted by the tax system” category indicates that the general tax system exempts the registered taxpayer from tax compliance. The “To be paid separately” category indicates that the standard tax compliance is foreseen for a particular tax; it remains outside the scope of the presumptive tax regime. The “To be paid separately (with tax reductions)” category indicates that while a particular tax is filed independently from the regime, registered taxpayers can benefit from tax reductions. The “Other” category might refer to taxes partially substituted by the regime or to tax payments that are (partially) integrated in the regime’s tax filing but they are determined by standard tax rules. PIT refers to personal income taxes, CIT refers to corporate income taxes, SSCs refers to social security contributions and VAT refers to value added taxes. Regimes that target both unincorporated and incorporated businesses and foresee different tax treatments for the two groups are treated as separate regimes in this Figure.

Source: OECD calculations based on presumptive tax regime (PTR) country tables provided in Annex B.

Online registration, tax filing and tax payments are commonly available. Most of the regimes examined provide the option to register with the tax administration and to register in the regime via online procedures. It is also common practice that the regime’s tax filing, if any, and the regime’s tax payments can be made electronically. The provision of these digitized services is aligned with best practice as they simplify business tax compliance (Mas-Montserrat et al., 2023^[11]).

Simplified book-keeping and tax filing requirements are common practice. Particularly among the regimes that target economically vulnerable workers, it is common practice to exempt registered taxpayers from book-keeping and tax filing. Where this type of regime does request book-keeping and tax filing, the requirements are usually simpler than those established by regimes targeting a broader group of unincorporated businesses. Some examples include the filing of a simplified annual gross income tax return or the possibility to register transactions in aggregated terms rather than each transaction individually when they do not exceed a specific amount. More demanding book-keeping requirements involve the registration of both business expenses and revenues, and sometimes keeping additional books related to business assets or inventory. Cash-based accounting methods are commonly allowed.

Most of the regimes are managed and monitored by the central administration, normally with the key involvement of the Ministry of Finance and the tax authorities. The only exceptions to this common practice are the Uruguayan Monotax and Social Monotax, the Brazilian regimes and the Tunisian Auto-entrepreneur regime. In the former case, the responsibility for the design, revision and

monitoring of the regime is shared between different institutions: the Ministry of Finance, the Social Security Institution, and the Ministry of Social Development (regarding the monitoring of the eligibility criteria of the Social Monotax). The Brazilian regimes are managed by the Simples National Management Committee, which consists of members of the three levels of government (Union, states and municipalities). And as for the Tunisian Auto-entrepreneur regime, the institutions in charge of its design and supervision are the Ministry of Vocational Training and Employment and the Ministry of Finance.

Tax payments are collected by a single institution in all the regimes that have been examined. In most of the cases the collecting body is the tax administration, although in some regimes the Social Security Institution is in charge of this responsibility (e.g. the French Micro-entrepreneur regime or the Uruguayan Monotax and Social Monotax). Where some of the taxes covered by the regime are managed by other institutions under the standard tax system (such as social security contributions or local taxes), the collecting body redistributes the funds to the corresponding institutions on a regular basis (this is the case of the Brazilian regimes, the Colombian Simple, the Uruguayan and Argentinian Monotax or the Tunisian Regimes for auto-entrepreneurs or micro-entrepreneurs with non-regular income, among others).

Most of the regimes allow businesses to be registered under the regime for an unlimited period, as long as eligibility criteria are satisfied. Some regimes establish a period of exclusion when exiting the presumptive tax regime; for example, the Italian Flat-tax regime and the Uruguayan Monotax and Minimum VAT regimes foresee a three-year exclusion period under which deregistered businesses are not allowed to re-enter the regime. Other regimes suspend the registration if the business becomes inactive (i.e. Uruguayan Monotaxes and Hungarian KATA regime). There are only three regimes that foresee a non-renewable eligibility period:

- The old Mexican RIF regime (being replaced by the new RESICO regime, with no eligibility period) establishes a ten-year eligibility period.
- The expiring Tunisian Regime for micro-entrepreneurs with non-regular income foresees a non-renewable three-year period.
- The forthcoming Tunisian Auto-entrepreneur regime establishes a four-year eligibility period with an ability to extend for three additional years only.

3 Best practices

This section provides specific examples of how best practices discussed in Mas-Montserrat et al., 2023^[1], are observed in practice. While the previous section focused on identifying common practices among the presumptive tax regimes examined, this section aims at identifying illustrations of best practices that are currently in place, although not necessarily commonly implemented. These concrete examples can serve as guidance to Ministries of Finance and tax administrations on how to strengthen particular features of the design and administration of the presumptive tax regimes implemented in their jurisdictions.

For a correct interpretation of these examples, it is worth warning that the concrete threshold levels or other amounts provided in this section should not be taken as a best practice, because they are country-specific and should be aligned with the characteristics of the businesses targeted by the regime. These concrete values are rather included to illustrate the use of alternative measures and provide complete examples.

The information collected for each presumptive tax regime does not allow for an assessment of the full fifty best practices listed in Mas-Montserrat et al., 2023^[1], thus the best practices included in this document have been selected based on information availability and not all the best practices are covered. With the aim of facilitating the tracking of best practices, each paragraph contains in brackets the number of the best practice discussed in Mas-Montserrat et al., 2023^[1] (e.g. BP1).

In terms of design

The target group is not limited to specific activities, it includes a broad definition of economic activities, excluding only those sectors that are likely to generate high revenues or that involve high managerial skills (BP1). Implementing a list of eligible activities increases the complexity of the regime and might give rise to horizontal inequities if businesses with similar characteristics and abilities to pay are taxed under different tax schedules. Some regimes overcome these issues by specifying in their eligibility criteria the activities that are excluded rather than providing an extensive list of eligible activities. In most of the cases, excluded activities relate to highly profitable businesses, highly qualified professions or those that require a high level of managerial skills. Different approaches are followed:

- The Argentinian Monotax, the South African Turnover tax regime, the Hungarian KATA and the Mexican regimes foresee few exclusions: importers (Monotax); liberal professions and the leasing of workers (Turnover tax); real estate property rentals or transactions (KATA); self-employed developing property-investment or financial activities (RIF) or operating through digital platforms (RESICO)⁴.
- Other regimes such as the Brazilian Simples, the Colombian Simple, the French Micro-tax and Micro-entrepreneur regimes or the Italian Flat-tax regime establish a longer list of excluded activities.

⁴ The Mexican RESICO also excludes companies developing agricultural activities.

- Most of the activities excluded by these regimes are among the following: financial and lending activities; real estate operations; production, imports or commercialisation of vehicles and motorcycles; fuel imports; activities related to electrical power generation, distribution or commercialisation; production and wholesale of cigarettes, firearms, gunpowder, explosives and non-artisanal alcoholic drinks and non-alcoholic beer; production, storage or wholesale of other excisable goods; certain interurban passenger services; activities that require licensing (with some exceptions); liberal professions; auctioning activities; publishing; entertainment; reselling of second-hand objects such as art pieces and antiques.

The eligibility criteria include specific provisions to prevent business splitting (BP3). Setting a turnover eligibility threshold might induce businesses to split their activity in order to remain eligible for the regime. To avoid this tax avoidance opportunity, some regimes set limits on the number of businesses or operational units a registered taxpayer can own or manage. Other regimes define the turnover threshold more broadly to cover the overall income earned by all the businesses owned or managed by the registered taxpayer. Some examples are the following:

- Requirement to own or manage a single business, operational unit or company exclusively, with no branches. This is the case in the Uruguayan Monotax and Social Monotax, the Turnover tax regime in South Africa, the Mexican RIF and RESICO regimes and the Brazilian SIMEI.
- The Flat-tax regime in Italy does not allow registered taxpayers (i.e., unincorporated micro-businesses) to own nor manage, directly or indirectly, a company operating in the same sector of activity. Similarly, simultaneous engagement in cooperatives, professional associations or other family businesses is not allowed.
- The Argentinian Monotax allows the management of up to three business units.
- The Brazilian Simples and the Colombian Simple establish a set of provisions to ensure that the income eligibility threshold is applied globally when a business holder owns or manages other companies, besides the one registered or applying for registration in the regime. In addition, companies derived from a company split that occurred in the last five years are not eligible.
- In the case of partnerships, partnership members are only allowed to register in the regime if the turnover of the partnership is lower than the eligibility threshold. This is the case for the Turnover tax regime in South Africa, the Mexican RIF or the Uruguayan Monotax and Social Monotax.

Besides setting an income threshold, the eligibility criteria include additional provisions to exclude individuals with high abilities to pay or high managerial capacities (BP3). Businesses remaining indefinitely below the turnover eligibility threshold as a result of tax evasion are a risk if opportunities for turnover under-reporting are high. To avoid this risk, other indicators that correlate with income and that are difficult to falsify can be used to complement eligibility criteria. The regimes examined provide alternative examples of complementary indicators that can be used to determine the eligibility criteria:⁵

- Argentinian Monotax: the surface area of the business premises cannot exceed 200m², electricity consumption cannot exceed 20,000 KW per year, and there is also a limit on the annual rent paid.
- Costa Rican Simplified taxation regime: the activity registered cannot be related to the operation of a franchise or a trademark; only one establishment open to the public is allowed; the asset value cannot exceed 350 basic salaries (CRC 161,770,000 or USD 250,000 in 2022); and taxi drivers must have one business vehicle only, among other criteria.

⁵ The specific values provided in these examples have been included for illustrative purposes and should not be interpreted as a general best practice, because they are country specific.

- Uruguayan Monotax: conditions on the surface area (limited to 15m²) and location of the business premises (locations within shopping malls are not allowed); limit on the value of the assets involved in the economic activity (UYU 787,083 or USD 20,000 in 2022); additional conditions if the taxpayer or his/her spouse earns a pension.
- Common conditions on shareholders: self-employed workers who hold company shares are not eligible in some regimes (e.g., South African Turnover tax regime, Brazilian SIMEI, Uruguayan Monotax, Mexican RIF and RESICO, Colombian Simple). Moreover, most of the regimes targeting incorporated businesses exclude companies whose holders are not natural persons.
- The regimes targeting economically vulnerable workers foresee more restrictive eligibility criteria to prevent businesses outside the scope of the target group from benefiting from these regimes. Examples of eligibility criteria include:
 - No business premises (Argentinian Regime of social inclusion and promotion of independent work).
 - Development of a single economic activity (Argentinian Social Monotax and Regime of social inclusion and promotion of independent work).
 - No involvement in other economic activities outside the scope of the regime nor in other companies (Uruguayan Social Monotax).
 - Restrictions on other sources of income earned (Argentinian Social Monotax and Regime of social inclusion and promotion of independent work).
 - Living in a household considered socio-economically vulnerable. In the case of the Uruguayan Social Monotax, this definition takes into account the income of the household, living conditions, household composition and characteristics, health conditions and the area of residence. In the case of the Argentinian Social Monotax, alternative conditions are required: income earnings below the eligibility threshold; owning no more than two properties, being one of them used to develop the economic activity; owning no more than three movable and registrable items of property such as vehicles; not owning company shares; not holding a university degree related to the economic activity.

The eligibility criteria include specific provisions to prevent artificial self-employment arrangements (BP42). Some regimes establish specific provisions to avoid workers with a subordinate employment relationship (albeit not necessarily formalized) registering in the regime as if they were self-employed. This is the case of the Brazilian SIMEI, the Colombian Simple, the French Micro-tax and Micro-entrepreneur regimes, the Tunisian Auto-entrepreneur regime, the Italian Flat-tax regime and the Mexican RESICO. Examples of these provisions include the following:

- The Italian Flat-tax regime does not allow the taxpayer to have as their main client a current or former employer (or someone directly or indirectly related to this employer).
- The Mexican RESICO excludes self-employed workers who earn income which can be categorized as “assimilated labour income” (e.g. board remuneration, fees recurrently received from a company, etc.).
- The pre-reform legislation of the Hungarian KATA provides several examples of requirements to avoid self-employment arrangements, such as conditions on the number of clients and the share of income received from a particular client, or on the ownership and use of the business premises, devices and tools. However, all these regulations made the regime very complex. The 2022 reform eliminated them and established the requirement to operate with households as customers to be eligible for the regime, operating with companies is no longer allowed.

The regime is simple and transparent (BP11). Simplicity in the design is needed to guarantee that own-account workers with very limited managerial capacities are able to comply with the regime. The Argentinian Social Monotax, the Brazilian SIMEI, the new Hungarian KATA, and the Uruguayan Monotax

and Social Monotax illustrate simple designs. All of them are based on lump-sum taxation methods, with no or very simple book-keeping and tax-filing requirements.

The regime uses other indicators of economic activity besides turnover to define the tax payments (BP45). Where opportunities for turnover under-reporting are high, relying on additional indicators of economic activity that are more difficult to falsify might allow for the better approximation of the regime's design to actual business profitability. The Argentinian Monotax provides a good example of how to integrate several indicators of economic activity into the design of the regime. The regime defines eleven categories which depend on annual turnover, the surface area of the business premises, annual electricity consumption, annual rent paid and the sector of activity (sale of goods vs. other activities). Tax payments are set according to these eleven categories. Every six months registered taxpayers must review these parameters and proceed with their re-categorization if needed.

The regime foresees a sectoral differentiation to account for variation in profitability across business sectors (BP31). Where different sectors or type of activities are covered by the regime, applying sectoral coefficients to define the regime's tax base or establishing sectoral-differentiated tax schedules allows to better align the regime's tax burden with the different average profitability of each sector. The regimes examined follow alternative approaches which are summarized in Table 1.

Table 1 Sectoral differentiation observed in the design of presumptive tax regimes

Regime	Type of sectoral differentiation	Number of groups of economic activity used in the sectoral differentiation
Argentinian Monotax	Differentiated lump-sum payments. Differentiated turnover eligibility thresholds.	2 (sale of goods and remaining activities including services and rentals).
Brazilian Simples	Differentiated tax schedules.	5
Colombian Simple	Differentiated tax rates. Differentiated turnover eligibility thresholds.	6 for the tax rates (4 before the 2022 reform) 2 for eligibility thresholds
Costa Rican Simplified taxation regime	Differentiated tax rates.	22 (specific tax rates for each economic activity eligible in the regime)
French Micro-entrepreneur regime (voluntary liberating payment regime)	Differentiated tax rates. Differentiated turnover eligibility thresholds.	3 (sales of goods and property rentals, services, and non-commercial profits).
French Micro-tax regime (default option)	Differentiation in the tax base: differentiated presumed flat-rate allowances for business expenses (sectoral coefficients applied to turnover). Differentiated turnover eligibility thresholds.	4 (the same 3 sectors mentioned above and agricultural activities).

Italian Flat-tax regime	Differentiation in the tax base: sectoral coefficients applied to turnover	9
Mexican RIF	Differentiated tax rates used to determine presumptive VAT liability only.	4

Source: Presumptive tax regime country tables provided in Annex B.

The regime incentivises business registration by initially setting a reduced tax liability under the regime that gradually increases over time (BP23). Setting a very low tax burden when a taxpayer joins the regime and gradually increasing it over time to reach the desired level of taxation under the presumptive tax regime might foster business registration. This type of design is followed by the Italian Flat-tax regime, the Mexican RIF and the Uruguayan regimes. The Italian regime sets a 5% rate during the first five years of activity and it increases to 15% later on. Several conditions are foreseen by the regime to ensure that taxpayers do not continuously benefit from this reduced rate. In the case of the Mexican RIF, during the first year of registration in the regime the taxpayer benefits from a 100% reduction in the tax liability of the taxes covered by the regime. This reduction decreases by 10 percentage points every year until no reduction is granted. The Uruguayan regimes foresee a 75% tax reduction at the start of the economic activity that gradually phases out until the third year of activity (fourth in the case of Social Monotax), when the full payment is due.

The regime levies progressive tax rates rather than differentiated rates across turnover brackets (BP32, BP33). Where the regime is turnover based and the target group is large (i.e., the regime's eligibility threshold is set at a high level), it might be preferable to include some kind of progressivity to better align the regime's design with vertical equity principles and do not deter businesses from transitioning to the standard tax system as they approach the regime's eligibility threshold. Some regimes (e.g., the Colombian Simple and the Mexican RESICO) introduce progressivity by levying differentiated tax rates across turnover brackets. This implies that the corresponding rate applies to the overall business turnover and moving from one bracket to the other will impact average and marginal tax rates equally. In other words, marginal changes in the tax base that involve a tax bracket reclassification will generate disproportionate increases in the tax liability. This distortive effect could be avoided by levying progressive tax rates instead, as is the case for the South African Turnover tax regime.

The regime includes employer social security contributions (BP13). Including employer SSCs within the scope of the regime simplifies business tax compliance and might incentivise the formal hiring of employees, which would in turn support the expansion of social protection coverage. Brazilian Simples provides an example of employer SSCs integration within the regime, although the integration is not complete as specific unemployment-related contributions need to be paid separately. Other regimes do not integrate employer SSCs but registered taxpayers can benefit from reduced employee-related contributions. This is the case for the Brazilian SIMEI, the Colombian Simple, the Mexican RIF and the Uruguayan Minimum VAT regime.

The regime substitutes or exempts regional and local taxes (BP14). Exemption from local tax filing, either because these taxes are substituted or exempted by the regime, reduces business tax compliance costs. Some of the regimes examined grant one of these two tax treatments to a subset of subnational taxes or fees, such as:

- The Colombian Simple integrates the consolidated local tax on income from economic activities (ICAC). This is a particular case because it provides an example of how the regulatory capacity of regional governments can be preserved while integrating a decentralized tax in the

presumptive regime. Local entities have the regulatory capacity to legislate ICAC's rates and, therefore, at the beginning of every year they shall communicate the updated rates to the national tax administration so that they can be integrated in the Simple's schedule.

- The Argentinian Monotax integrates – in the provinces adhering to the regime – a regional business tax on gross income and a local fee on commercial, industrial and service activities. Taxpayers established in the provinces that have not adhered to Monotax must proceed with the standard regional and local tax filing.
- The Brazilian Simples substitutes the municipal tax on services and the state tax on the sale of goods, interstate and inter-municipal transportation services and communication services. However, these two taxes are only substituted for taxpayers whose turnover remains below specific sub-thresholds foreseen by the regime.
- The Italian Flat-tax regime substitutes the regional tax on productive activities.
- The Tunisian regimes substitute the local tax on industrial, commercial or professional establishments.

The regime allows for voluntary registration to the standard VAT (BP25). Even if registered taxpayers are exempt from standard VAT collection in most of the regimes examined, some of these regimes give taxpayers the option to register and comply with the standard VAT system. This is the case of the French Micro-tax and Micro-entrepreneur regimes, the Hungarian KATA regime, the Italian Flat-tax regime, the Mexican RIF and the South African Turnover tax regime. Allowing businesses to comply with the standard VAT incentivises business formalisation and might facilitate the transition into the standard tax system.

The regime incentivizes businesses to issue electronic invoices and receive their remuneration by electronic payments (BP44, BP35). The issuing of electronic invoices and the use of electronic payment methods mitigates turnover under-reporting and might help businesses comply with the procedures required under the standard tax system once they outgrow the presumptive tax regime. Some regimes include specific provisions to incentivise electronic invoicing or payments:

- The Argentinian Monotax permits electronic invoices to be issued online or via the Monotax mobile App (electronic invoicing is mandatory in this regime).
- The Colombian Simples foresees a tax credit on the regime's tax liability equivalent to 0.5% of the turnover received by electronic payment instruments. In addition, and similar to the case of the Mexican RESICO, the tax administration provides free access to e-invoicing systems (electronic invoicing is mandatory in these regimes).
- The Italian Flat-tax regime foresees an incentive for taxpayers who exclusively issue electronic invoices: the period for initiating auditing procedures by the tax administration is reduced from five to four years. Since July 2022, electronic invoicing is mandatory for registered taxpayers whose last year's turnover exceeded EUR 25,000. From January 2024, electronic invoicing will be mandatory for all registered taxpayers.
- In the Uruguayan Minimum VAT regime two different tax designs coexist for businesses operating exclusively with electronic invoices. These businesses have the option to determine their tax liability by the lower amount between the regime's lump-sum predetermined payment and a proportional rate (3.3%) on monthly turnover.

Registration in the regime provides access to non-tax related support measures (BP22). These support instruments might promote business development and hence contribute to business survival and growth. At the same time, providing access to these non-tax measures might incentivise business registration in the regime. Concrete examples of non-tax support instruments include:

- The Argentinian regimes provide access to interest-free bank credits; state credits to promote access to housing; free training; support programmes for entrepreneurs with employees.

- The Brazilian regimes provide access to bank accounts and loans with a reduced interest rate and access to public procurement opportunities. Additionally, the Simples National Law created different institutions to support micro and small enterprises (in relation to administrative procedures such as openings and closing of companies, licenses, government procurement or labour and social security issues, access to finance, training, development and advocacy of MSEs).
- The Mexican RIF provides access to loan facilities and financial aid granted by the development bank *Nacional Financiera*; registered taxpayers and their employees have access to housing opportunities (federal agency for workers' housing) and consumer credit (federal agency for workers' consumption); training offered by the tax authority.

The regime allows for a smooth transition into the standard tax system (BP35). Some regimes foresee a sudden withdrawal of the regime once the eligibility criteria are no longer satisfied (e.g., in the Costa Rican Simplified taxation regime the exclusion takes effect at the end of the same trimester where eligibility criteria are no longer met). This sudden exclusion might hinder the transition to and compliance with the standard tax system. Alternatively, other regimes foresee a smoother transition by allowing taxpayers to remain in the regime for an extended period even if the regime's eligibility threshold has been exceeded. For example, the French Micro-entrepreneur and Micro-tax regimes only enforce the regime's exclusion if the income eligibility threshold is exceeded for two consecutive years.

The taxpayers exiting the regime can benefit from specific tax provisions that facilitate the transition into the standard tax system (BP34). This is the case for taxpayers exiting the Argentinian Monotax or the Costa Rican Simplified taxation regime. The specific tax provisions are the following:

- The Argentinian tax system establishes a VAT reduction that gradually phases out during the first three years after the voluntary transition into the standard tax system. Additionally, taxpayers excluded from Monotax or who voluntarily transition into the standard tax system can benefit from a special PIT and VAT treatment during the transition year. The business expenses faced during that year while registered in Monotax can be deducted when computing the taxable income of the standard PIT. Similarly, taxpayers can deduct the input VAT paid under Monotax when computing the VAT credit to remit to the tax authorities.
- The Costa Rican tax system establishes reduced rates up to 20% for small enterprises with gross income lower than CRC 112,070,000 (USD 173,000 in 2022). Under the standard tax system, taxpayers also have the option to compute taxable income by using a presumed cost rule (25% of turnover) rather than by reporting actual costs. Similar to the case of the Argentinian Monotax, taxpayers voluntarily transitioning to the standard tax system are allowed to deduct the input VAT paid while they were registered in the presumptive regime, as long as these inputs still remain in the inventory of the business.

In terms of administration

The regime provides tax payment facilitation procedures (BP17). For example, the Brazilian regimes allow for the payment in instalments of tax liabilities due. Taxpayers registered in the South African Turnover tax regime are allowed to file the taxes that remain outside the scope of the regime every six months, instead of the more recurrent frequency foreseen by the standard tax system. Taxpayers registered in the Uruguayan Monotax and Social Monotax are not necessarily excluded from the regime when no tax payments are made: if the regime's contributions are not paid for two consecutive months, the regime's registration will become inactive and taxpayers will be able to reactivate it by paying the corresponding contributions that are due.

Online Apps are available to comply with the regime (BP19). Some regimes have implemented online Apps that allow taxpayers to register in the regime, to pay the regime's contribution, to file the corresponding tax returns, to issue e-invoices and to keep track of business receipts and expenses, among other functionalities. This is the case for the French Micro-entrepreneur and Micro-tax regimes, the Mexican RIF, the Argentinian regimes and the forthcoming Tunisian Auto-entrepreneur regime.

One-stop shops facilitate business creation and administration (BP18). In Costa Rica there is a one-stop shop (*Ventanilla Única de Inversión*) that centralizes the administrative procedures required to start a business. Procedures can be made online, which allow a business to register with the Tax Administration; however, registration in the Simplified taxation regime is not integrated within the one-stop shop, which has to be done separately.

Additional tax compliance facilitation is provided by the tax authorities or the institution in charge of the regime's administration (BP16, BP17). The Mexican and Uruguayan tax administrations offer registered taxpayers the option to chat online with tax officers to ask questions. Additionally, the Mexican tax administration provided free training courses and information sessions on the functionality of the online App created for the RIF regime. On the other hand, RIF taxpayers living in rural areas are exempt from electronic payments and online filing obligations. The Mexican tax administration also provides REISCO taxpayers with pre-filled online tax returns according to the information available to the tax authorities. In the case of the French Micro-entrepreneur and Micro-tax regimes, templates of simplified accounting books are available online. In the case of the Uruguayan Social Monotax, the Ministry of Social Development assumes the cost of printing the first one hundred receipts for each taxpayer. Finally, in order to incentivise tax compliance and promote electronic tax payments, the tax administration reimburses a monthly contribution to taxpayers registered in the Argentinian Monotax if they pay the regime's contribution on time and via direct debit or credit card during the entire year.

The regime's compliance is regularly monitored by the tax administration (BP40). Some concrete examples of the monitoring activities of regimes include: the Argentinian tax administration implements systematic controls to verify the compliance of Monotax's eligibility criteria; the Colombian tax administration is allowed to automatically register to Simple a business that does not file any of the taxes covered by the regime; the Mexican tax administration had a specific unit for the control of RIF taxpayers until 2021.

There is ongoing cooperation with regional authorities (BP48). This cooperation takes different forms: in the Argentinian Monotax there has been a progressive engagement of regional governments, a growing number of provinces have decided to integrate the provincial tax on business gross income and the local fee on economic activities within the regime's scope. The Brazilian Simples is managed by a committee which is integrated by members of the three levels of government (Union, states and municipalities). In the case of Colombian Simple, information exchange and joint tax audits with local authorities are implemented.

4 Observed challenges

This section goes beyond the concrete practices on the design and administration of presumptive tax regimes described in the previous sections and makes a broader assessment. This broader approach is taken with a view to identifying the main challenges to the regimes' effectiveness.

Considering specific best practices in isolation does not provide a comprehensive view on the coherence in the design of a presumptive tax regime. The assessment of best practices provided in the previous section can be useful to guide countries in their efforts to strengthen particular features of the design and administration of presumptive tax regimes implemented in their country. However, they do not allow for a more comprehensive assessment of whether these regimes are coherent with the overall tax system and with the typology of businesses operating in the country.

When taking a broader perspective and analysing the presumptive tax regimes from a particular country as a whole, several challenges are frequently identified:

- **Complexity:** although presumptive tax regimes seek to establish simplified rules compared to a country's standard tax system, they frequently are quite complex in themselves. This complexity takes different forms across regimes and countries and tends to limit the capacity of the regimes to reach low-income own-account workers with strongly limited managerial capacities and, therefore, limits the regime's ability to effectively bring workers into the formal economy. Such complexity also complicates the monitoring of the regime, which can have the unintended consequence of making it more difficult to detect tax evasion. Common sources of complexity are:
 - The rules to compute the tax base or the tax liability are not straightforward;
 - The eligibility criteria are highly specific and can be distorting or difficult to verify;
 - There are multiple presumptive tax regimes with target groups that partly overlap.

Complexity tends to result in unclear communication about the design and functioning of presumptive tax regimes, which will reduce their effectiveness.

- **Tax uncertainty:** in some cases, the rules of the regime change frequently and significantly, creating tax uncertainty and rendering tax compliance more difficult. As an example, the extreme case would be where governments implement new regimes that replace short-lived pre-existing ones and that operate very differently from these preceding regimes.
- **The scope is too broad or too narrow:** some regimes target different types of businesses with very different compliance capacities. This is the case for example where micro-businesses, low-income own-account workers, incorporated businesses and liberal professionals are taxed (or could be taxed) under the same regime. Identical treatment of these different business types, not only in terms of the tax burden faced but also in terms of tax filing and administrative procedures, might result in vertical inequities and could undermine the role of the standard tax system, as a large number of businesses may fall within the regime's scope. On the other hand, some regimes are narrowly restricted to a specific list of economics activities, which can result in horizontal inequity as similar businesses might be differently taxed depending on whether they fall within the regime's scope or not.

- **Lack of data and analysis.** The public availability of indicators that allow for the performance of presumptive tax regimes to be tracked in terms of tax compliance and business formalisation is scarce. Even simple indicators, such as the number of registered businesses per year and average registration period, would provide insights on the effectiveness of the regime. The regime's effectiveness could be further assessed by categorising registered businesses and validating whether they align with the intended target group (e.g. in terms of type of activity, levels of income reported, location, previous registration with the tax administration, etc.). There is also a lack of studies on the impacts of the implementation of presumptive tax regimes (on informal businesses and workers, on social protection coverage, on employment, etc.) and their interactions with the standard tax system.

Data and analysis are crucial for ensuring the appropriate design and monitoring of presumptive tax regimes. In the design phase, evidence-based analysis will allow for a detailed understanding of the characteristics of the businesses operating in the country and to ensure that the features of the regime are aligned with the profile of local businesses and the particularities of the tax system. Once the regime is implemented, analysis will allow compliance to be monitored and for an assessment to be made on whether the regime effectively incentivises business formalisation and strengthens tax compliance. The information available to the Ministry of Finance and the tax administration might change over time, as well as their administrative capacities, the overall design and functioning of the tax system and the typology of businesses operating in a country. Hence, a recurrent evaluation that incorporates new or improved sources of information and capacities will ensure that the coherence and effectiveness of the regime can be regularly assessed and any need for adjustments identified.

Survey data from businesses operating in the informal sector is particularly valuable to support the design of a presumptive tax regime. A recent working paper exploits survey data to study tax payments faced by own-account workers operating in the informal sector in Accra and shows that these workers pay a wide range of taxes and fees, in addition to the tax derived from the Tax Stamp, a Ghanaian presumptive tax regime (Anyidoho et al., 2022^[6]). Moreover, these tax payments are regressive. This indicates that the design of the presumptive tax regime could be enhanced by integrating multiple local taxes and fees currently levied independently from the regime and by improving its equity component. Similar surveys implemented elsewhere would provide for information to be obtained on the types of businesses operating in the informal sector of a particular country, the taxes and fees they face, the average income they earn, and the extent of social protection coverage, etc. All these indicators are relevant to the design and evaluation of a presumptive tax regime.

5 Conclusions

Practical information on presumptive tax regimes is often scarce and difficult to compare, as these regimes differ widely in their design. This paper builds on a recently published OECD Taxation working paper on the design of presumptive tax regimes (Mas-Montserrat et al., 2023^[11]) by adopting a practical perspective.

This paper provides a novel source of information on presumptive tax regimes. It compiles detailed information on multiple design and administration features of country-specific presumptive tax regimes and presents them in a systematic way by following the analytical framework developed in Mas-Montserrat et al. (2023).

The paper also identifies common and diverging features, as well as strengths and challenges in the current design and administration of the presumptive tax regimes examined. This paper brings the presumptive tax regimes examined together and develops a descriptive analysis of relevant design and administration features. It does not evaluate the actual effectiveness of these regimes; doing so goes beyond the scope of this paper and would require data availability.

Well designed and administered presumptive tax regimes can play an important role in business formalisation, the strengthening of tax compliance and the expansion of social protection coverage. This requires, among other features, that regimes are simple, predictable, affordable and well communicated. These key features are sometimes not observed in practice, resulting in complex and unstable designs that might undermine the regime's effectiveness.

The optimal design and administration of a presumptive tax regime requires a regular and evidence-based evaluation. Evaluation is needed to verify the regime's coherence and whether its objectives have been fulfilled (i.e. alignment of the regime with the overall tax system and typology of businesses operating in the country, regime's performance in terms of business formalisation and compliance, extension of social protection coverage, etc.). In turn, such an assessment will help justify the preferential treatment provided under these regimes or will highlight the need for adjustments or reform.

Presumptive tax regimes require further attention from tax policy makers and tax administrations. The lack of evaluation and monitoring often results in regimes that are poorly aligned with the population of micro-businesses and the tax system of a country. This misalignment can undermine the regime's potential to integrate businesses into the formal sector and provide them with social protection and improved opportunities for development. Moreover, it can reduce the incentives for businesses to transition into the standard tax system as they grow.

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Annex A. Summary of key design features

Table A1 Summary of presumptive tax regimes' key design features

Presumptive tax regime	Country code	Target group: vulnerable own-account workers	Target group: broader category of unincorporated micro and small businesses	Target group: incorporated businesses	Restricted to specific activities	Possibility to hire employees	Lump-sum taxation method	Turnover-based	Regime based on other indicators	Income tax		Self-employed SSCs		VAT		Other taxes	
										Substituted	Exempt	Substituted or preferential treatment	Exempt	Substituted	Exempt	Substituted	Exempt
Monotax	ARG		✓			✓			✓	✓	✓		✓		✓		
Social Monotax	ARG	✓			✓		✓				✓	✓		✓			
Regime of social inclusion and promotion of independent work	ARG	✓			✓			✓			✓	✓		✓			

Presumptive tax regime	Country code	Target group: vulnerable own-account workers	Target group: broader category of unincorporated micro and small businesses	Target group: incorporated businesses	Restricted to specific activities	Possibility to hire employees	Lump-sum taxation method	Turnover-based	Regime based on other indicators	Income tax		Self-employed SSCs		VAT		Other taxes	
										Substituted	Exempt	Substituted or preferential treatment	Exempt	Substituted	Exempt	Substituted	Exempt
Simples national	BRA			✓		✓		✓		✓			✓		✓		
Simples - SIMEI (Individual micro-entrepreneur regime)	BRA		✓		✓	✓	✓				✓	✓	✓ (ICMS)	✓ (IPI)	✓	✓	
Simple Tax Regime	COL		✓	✓		✓		✓		✓					✓		
Simplified taxation regime	CRI		✓	✓	✓	✓			✓	✓			✓				
Micro-tax regime (default option)	FRA		✓			✓		✓			✓			✓			
Micro-entrepreneur regime (voluntary liberating payment regime)	FRA		✓			✓		✓		✓	✓			✓			

Presumptive tax regime	Country code	Target group: vulnerable own-account workers	Target group: broader category of unincorporated micro and small businesses	Target group: incorporated businesses	Restricted to specific activities	Possibility to hire employees	Lump-sum taxation method	Turnover-based	Regime based on other indicators	Income tax		Self-employed SSCs		VAT		Other taxes	
										Substituted	Exempt	Substituted or preferential treatment	Exempt	Substituted	Exempt	Substituted	Exempt
Itemised tax for small taxpayers (KATA)	HUN		✓			✓	✓			✓		✓		✓			
Flat-tax regime	ITA		✓			✓		✓		✓		✓		✓	✓		
Fiscal Integration Regime (RIF)	MEX		✓		✓	✓		✓	✓	✓		✓		✓		✓	
Simplified Trust Regime (RESICO)	MEX		✓	✓		✓		✓	✓	✓							
Turnover tax regime	ZAF		✓	✓		✓		✓		✓				✓		✓	
Forfaitaire	TUN		✓		✓	✓	✓	✓		✓					✓	✓	

Presumptive tax regime	Country code	Target group: vulnerable own-account workers	Target group: broader category of unincorporated micro and small businesses	Target group: incorporated businesses	Restricted to specific activities	Possibility to hire employees	Lump-sum taxation method	Turnover-based	Regime based on other indicators	Income tax		Self-employed SSCs		VAT		Other taxes	
										Substituted	Exempt	Substituted or preferential treatment	Exempt	Substituted	Exempt	Substituted	Exempt
Regime for micro-entrepreneurs with non-regular income	TUN	✓			✓	✓	✓			✓		✓		✓	✓	✓	
Auto-entrepreneur regime	TUN		✓				✓			✓		✓		✓	✓		
Monotax	URY		✓		✓	✓	✓				✓	✓		✓			✓
Social Monotax	URY	✓					✓				✓	✓		✓			✓
Minimum VAT	URY		✓	✓		✓	✓	✓			✓	✓		✓			

Source: Presumptive tax regime country tables provided in Annex B.

Annex B. Country information on presumptive tax regimes

Argentina

Country: Argentina		Monotax (<i>Monotributo</i>)	Social Monotax (<i>Monotributo Social</i>)	Regime of social inclusion and promotion of independent work (<i>Régimen de inclusión social y promoción del trabajo independiente</i>)
Year of introduction		1998	2004	2010
Dates of main tax design changes		The <i>Monotributo</i> regime was established by Law 24977. This Law has been changed or complemented by several regulations afterwards. The last reforms proposals are from 2022. Other main reforms took place in 2000, 2004, 2010, 2017, 2018 and 2021.	2010, 2018, 2020	2018
1. Target group	Number of taxpayers	4.6 million (July 2022)	919,000 (July 2022)	N/A
	Business type	Unincorporated	Yes	Yes
		Incorporated	No, except for members of cooperatives	No, except for members of cooperatives or members of “Productive or associative Projects”

	Business size	In terms of employment	<ul style="list-style-type: none"> No limit on employment 	<ul style="list-style-type: none"> Self-employed with no employees (or members of cooperatives or “Productive or associative Projects”). 	<ul style="list-style-type: none"> Self-employed with no employees (or cooperative members).
		In terms of turnover	<ul style="list-style-type: none"> Micro-businesses 	<ul style="list-style-type: none"> Micro-businesses 	<ul style="list-style-type: none"> Micro-businesses
	Type of activity	Liberal professions	Yes	No	Yes, under certain conditions
		Specific sectors	No	Yes	Yes
2. Eligibility criteria	Turnover threshold		<p>Threshold on annual gross income:</p> <ul style="list-style-type: none"> For sale of movable property: ARS 8,040,721.19 (January 2023; the threshold was set at ARS 4,662,015 in January 2022). Rest of activities: ARS 5,650,236.51 (January 2023; the threshold was set at ARS 3,276,011 in January 2022). 	<p>Threshold on annual gross income: ARS 999,657.23 (January 2023; the threshold was set at ARS 466,201.59 in January 2022).</p>	<p>Threshold on annual gross income: ARS 999,657.23 (January 2023; the threshold was set at ARS 466,201.59 in January 2022).</p>
	Type of activity / sector		<p>Eligible activities:</p> <ul style="list-style-type: none"> Sale of movable property Rental activities, provision of services, construction, primary sector activities. <p>Importers are excluded from the regime as long as they resell the imported goods or services.</p>	<ul style="list-style-type: none"> Eligible activities: activities which are considered relevant for the local development and the social economy (e.g. those related to employment creation, community’s identity and promotion, environment protection and tourism promotion). Activities specifically excluded: sales through catalogues, betting sales, car components sales, taxi service, vehicle care service on 	<p>Extended list of approximately 100 occupations.</p>

		public roads.	
Possibility to hire employees	Yes	No	No
Other	<ul style="list-style-type: none"> • The surface area of the business premises cannot exceed 200 m2. • Electricity consumption cannot exceed 20,000 KW per year. • Where business premises are rented, annual rent must not exceed ARS 920,713.84 (<i>threshold valid in January 2023</i>). • The taxpayer must not have imported goods or services for re-sale in the last 12 months. • The taxpayer must not develop more than 3 activities. • Up to three locations or business units. • In the case of sale of movable property, the selling price per unit cannot exceed ARS 85,627.66 (<i>threshold valid in January 2023</i>). 	<ul style="list-style-type: none"> • Developing only 1 economic activity. • Older than 18. • If partially employed or obtaining incomes from social security (e.g. pension benefits), the monthly gross income cannot exceed the minimum contribution base (ARS 50,124.26 in January 2023). • Satisfying the criteria to be categorized as socially vulnerable and being registered in the specific register («Registro Nacional de Efectores de Desarrollo Local y Economía Social»). These criteria are: <ul style="list-style-type: none"> ○ Income earnings below the eligibility threshold. ○ Owning no more than 2 properties, where one of them is used to develop the economic activity. ○ Owning no more than 3 movable properties which should be registered (e.g. vehicles). ○ Not owning business shares. ○ Not holding a university degree related to the 	<ul style="list-style-type: none"> • Developing only 1 economic activity. • Older than 18. • Being self-employed without a permanent working place (outside own home). • No imports of goods or services. • Self-employment income must be the only source of income. • No more than one business unit. • For the provision of services, less than 7 transactions with the same individual per year. • For the provision of services to recurrent clients, the price of each transaction cannot exceed ARS 22,832.02 (January 2023). • Not subject to the Personal Assets Tax. • When holding a university degree: less than two years since the issuing of the degree and exemption from mandatory tuition fees.

			<p>economic activity.</p> <ul style="list-style-type: none"> ○ Not liable to the personal income tax nor the personal assets tax. ● In the case of cooperatives: minimum of 6 members. ● In the case of “Productive or associative Projects”: maximum of 20 members. 	
3. Type of regime	<p>Regime based on indicators of economic activity: turnover + other indicators.</p> <p>Each taxpayer is placed in a particular category of the regime (A-K) which depends on annual turnover, the surface area of the business premises, annual electricity consumption, annual rent paid and the sector of activity.</p>	Lump-sum taxation method	Regime based on an indicator of economic activity: turnover	
4. Tax liability	<p>Differentiated lump-sum amounts.</p> <p>The monthly lump-sum amounts vary according to 11 categories, based on the annual turnover, the surface area of the business premises, the annual electricity consumption and the rent paid. The lump-sums also differ between the type of activity developed: the sale of movable property and the rest of activities (the latter includes the</p>	<p>Fixed lump-sum: ARS 1,530.87 per month (January 2023; the contribution was set at ARS 887.59 per month in January 2022).</p>	Proportional tax rate: 5%	

		<p>provision of services and rentals, among others).</p> <p>The tax liability for cooperative members is based solely on turnover brackets.</p>		
5. Taxes covered	Taxes substituted by the regime's contribution	<ul style="list-style-type: none"> • PIT • Self-employed SSCs • VAT • Local taxes: for some provinces (Entre Ríos, Mendoza, Córdoba, San Juan, Jujuy, Salta, Río Negro, Buenos Aires, Neuquén, Santa Cruz, Chaco, Catamarca and Tierra del Fuego), the regime integrates the regional business tax on turnover (<i>Impuesto sobre los Ingresos Brutos del Régimen Simplificado Provincial</i>) and the local fee on commercial, industrial and service activities. 	<ul style="list-style-type: none"> • Self-employed SSCs (health insurance contribution) 	<ul style="list-style-type: none"> • Self-employed SSCs
	Taxes to be paid separately as a result of the business activity	<ul style="list-style-type: none"> • Employer/employee SSCs • Personal Assets Tax • Local taxes not covered by the regime 	<ul style="list-style-type: none"> • Local taxes not covered by the regime 	<ul style="list-style-type: none"> • Local taxes not covered by the regime
	Taxes exempted by the regime's rules	<p>PIT and VAT under certain conditions: The "tax component" of the regime's contribution (substituting the standard PIT and VAT) is exempted if taxpayers'</p>	<ul style="list-style-type: none"> • PIT and VAT: the "tax component" of the regime's contribution (substituting the standard PIT and VAT) is exempted. 	<ul style="list-style-type: none"> • PIT and VAT: the "tax component" of the regime's contribution (substituting the standard PIT and VAT) is exempted.

			<p>annual gross income is lower than ARS 1,485,976.96 (<i>income threshold valid in January 2023</i>) and they do not obtain incomes from certain sources (such as income from public employment, wages, pensions, the management of companies, or the rental of movable or immovable property). Additionally, for this exemption to apply, taxpayer's financial or investment income cannot exceed ARS 999,657.23 (<i>threshold valid in January 2023</i>).</p>	<ul style="list-style-type: none"> Self-employed SSCs (retirement component of the regime's contribution). 	<ul style="list-style-type: none"> Self-employed SSCs (health insurance component of the regime's contribution is optional).
	Taxes exempted by the tax system (rules enforced independently from the regime's scope)		Tax on bank credit and debit accounts and other transactions.	Tax on bank credit and debit accounts and other transactions.	Tax on bank credit and debit accounts and other transactions.
5.1 Social security contributions	Contribution	Computation	<p>SSCs of the self-employed have two components: the health insurance contribution (<i>aportes obra social</i>) and the retirement contribution (<i>aportes al Sistema Integrado Previsional Argentino</i>).</p> <ul style="list-style-type: none"> The health insurance contribution is a lump-sum that since 2023 differs across the regime's categories. The retirement contribution is a differentiated lump-sum across the 11 categories of the regime based on the annual turnover, the surface area of the business 	<p>SSCs of the self-employed have two components: the health insurance contribution and the retirement contribution (the latter being exempt in <i>Monotributo social</i>).</p> <ul style="list-style-type: none"> The health insurance contribution is a lump-sum, and it is reduced by 50% compared to <i>Monotributo</i>. This lump-sum contribution was set at ARS 1,530.87 per month in January 2023. 	<p>SSCs of the self-employed have two components: the health insurance contribution, which is voluntary, and a social inclusion contribution which substitutes the retirement contribution.</p> <ul style="list-style-type: none"> The health insurance contribution is a lump-sum. The mandatory monthly social inclusion contribution corresponds to 5% of monthly turnover. If the social inclusion contribution is lower than the minimum "retirement contribution" required

		premises, the annual electricity consumption and the rent paid.		to access retirement benefits, a supplementary contribution can be made to reach this minimum contribution.
	Scalable over time	No (except if the contributions are updated –there is an annual update mechanism).	No (except if the contributions are updated –there is an annual update mechanism).	No (but will depend on the evolution of turnover).
Social benefits		<p>Specific:</p> <ul style="list-style-type: none"> • Health insurance. • Minimum retirement pension. • Health insurance during retirement. • Disability or death-related pensions. Taxpayers who belong to the regime’s categories A, B, C, D, E, F, G and H may receive family allowances for pregnancy, children, children with disabilities and school aid. • Taxpayers who belong to the regime’s categories I, J and K (applicable to sellers of movable property) can receive only family allowances for children with disabilities. 	<p>Specific:</p> <ul style="list-style-type: none"> • Health insurance. • Minimum retirement pension. • Health insurance during retirement. • Disability or death-related pensions. • Family allowances available for <i>Monotributo</i>. 	<p>Specific:</p> <ul style="list-style-type: none"> • Health insurance (only if the voluntary contributions are made). <p>Only if the minimum “retirement contribution” is reached:</p> <ul style="list-style-type: none"> • Minimum retirement pension • Health insurance during retirement. • Disability or death-related pensions. • Family allowances available for <i>Monotributo</i>.
Payment		Mandatory (additionally, voluntary health care contributions for family members are allowed).	Mandatory (additionally, voluntary health care contributions for family members are allowed).	Partially mandatory
Single collecting body		Yes, tax administration (AFIP).	Yes, tax administration (AFIP).	Yes, tax administration (AFIP).

				However, registration in the regime must be made in the National Social Security Administration (ANSES).	
	Co-financing from the general budget	Yes	Yes	Yes	Yes
6. Regime administration	Facilitation of taxpayer's procedures	Digital services	<ul style="list-style-type: none"> • Online registration. • Different electronic payment methods are available: electronic transfer, automatic debit, credit card or via online platforms. • Only electronic payments of the regime's contribution are accepted. • Possibility to manage the regime's procedures through a Mobile App. 	<ul style="list-style-type: none"> • Same options available for <i>Monotributo</i>. • Electronic payments of the regime's contribution are not mandatory for taxpayers registered in this regime. 	<ul style="list-style-type: none"> • Same options available for <i>Monotributo</i>. • Electronic payments of the regime's contribution are not mandatory for taxpayers registered in this regime.
		Simplified accounting procedures	Taxpayers in the regime are exempt from general obligation to register transactions.	Taxpayers in the regime are exempt from general obligation to register transactions.	Taxpayers in the regime are exempt from general obligation to register transactions.
		Reduced frequency of tax filing and payments	Monthly payment	Monthly payment	<ul style="list-style-type: none"> • Monthly payment. • If the social inclusion contributions are lower than the minimum "retirement contribution", a supplementary contribution can be made within the first 20 days of the following year to achieve the minimum contribution required for retirement benefits.

	Other	<ul style="list-style-type: none"> • It is mandatory to issue electronic invoices. Invoices can be issued online or via the Mobile App. • If the taxpayer complies on time during the entire year with the regime's contributions via direct debit or automatic debit by credit card, a monthly contribution will be reimbursed. 	<ul style="list-style-type: none"> • Electronic invoices are not mandatory for taxpayers registered in this regime. They can opt to issue paper receipts. 	<ul style="list-style-type: none"> • Electronic invoices are not mandatory for taxpayers registered in this regime. They can opt to issue paper receipts.
Institution responsible for the design/revision of the regime		<p>Central administration (Ministry of Economy and tax administration (AFIP)) and Parliament.</p> <p>Nonetheless, there is a progressive engagement of regional/local governments.</p>	<p>Central administration (Ministry of Economy, tax administration (AFIP) and Ministry of Social Development) and Parliament.</p>	<p>Central administration (Ministry of Economy and tax administration (AFIP)) and Parliament.</p>
Institution responsible for the monitoring/control of the regime		<p>Central administration: tax administration (AFIP).</p> <ul style="list-style-type: none"> • The (re)classification of taxpayers into the 11 categories of the regime is made every 6 months (in January and July). The (re)classification must be done by taxpayers and might be validated by the tax administration. The tax administration may proceed to reclassify taxpayers when they do not comply with categorization rules. • The tax administration implements systematic controls 	<p>Central administration: tax administration (AFIP) and Ministry of Social Development.</p>	<p>Central administration: tax administration (AFIP).</p>

			to monitor eligibility criteria compliance.		
		Specialized unit or staff within the tax administration to monitor the target group	N/A	N/A	N/A
7. Non-tax support instruments			<ul style="list-style-type: none"> Bank credits: interest-free credits; state credits to promote access to housing. Capacity building for the self-employed: access to free training; support programmes for entrepreneurs with employees. 	Same as <i>Monotributo</i> .	Same as <i>Monotributo</i> .
8. Interaction with the standard tax system	Facilitating the transition: specific tax provisions and procedures in the standard tax system	Reduced rates	A tax provision is in place for taxpayers who voluntarily transition into the standard tax system if their annual gross income does not exceed certain thresholds. The Voluntary tax promotion regime provides a VAT reduction that gradually phases out during the first three calendar years since the voluntary transition into the standard tax system. This VAT reduction is 50% for the first year, 30% for the second year and 10% for third year.	No	No
		Simplified accounting procedures	No	No	No
		Reduced frequency of tax	Micro, small and medium-sized businesses are allowed to file VAT	No	No

	filing and payments	returns and make VAT payments on a quarterly basis.		
	Other	Taxpayers excluded from the regime or who voluntarily transition into the standard tax system can benefit from a special treatment in the PIT and VAT during the transition year if their annual gross income does not exceed certain thresholds. The expenses and business costs faced during that year while registered in <i>Monotributo</i> can be deducted when computing the taxable income of the standard PIT. Similarly, taxpayers can deduct the input VAT paid under <i>Monotributo</i> when computing the VAT credit to remit to the tax authorities.	This regime is designed as an entrance regime to the formal economy for the most vulnerable and not as a bridge to the standard tax system.	This regime is designed as an entrance regime to the formal economy for vulnerable self-employed and not as a bridge to the standard tax system.
Existence of several presumptive tax regimes		Yes: <ul style="list-style-type: none"> • <i>Monotributo</i>. • <i>Monotributo social</i> for economically vulnerable own-account workers and cooperative members. • Regime of social inclusion and promotion of independent work. • Special regime for small tobacco, sugar cane, yerba mate and tea farmers. 	See previous column.	See previous column.
Registration in the presumptive		Voluntary	Voluntary	Voluntary

tax regime				
Permanence in the presumptive tax regime		Unlimited, as long as eligibility criteria are satisfied.	Unlimited, as long as eligibility criteria are satisfied.	Unlimited, as long as eligibility criteria are satisfied.
VAT	Eligibility threshold aligned with the VAT registration threshold	No, there is no VAT registration threshold.	Same as <i>Monotributo</i> .	Same as <i>Monotributo</i> .
	Option to register to VAT and remain in the regime	No	Same as <i>Monotributo</i> .	Same as <i>Monotributo</i> .
Existence of studies on the interaction between the presumptive tax regime and the standard tax system		(Cetrángolo et al., 2013 ^[71]) (Cetrángolo et al., 2018 ^[8])	Same as <i>Monotributo</i> .	Same as <i>Monotributo</i> .

Sources:

For Monotributo: (ILO, 2014^[9]); <https://www.afip.gob.ar/monotributo/Ley-de-sostenimiento/normativa.asp> ; file "Argentina_mteyss-sss-bess-202109-activos-actualizado-220302.xlsx". Downloaded from Social Security statistics Boletín Estadístico de la Seguridad Social | Argentina.gob.ar ; (Dirección Nacional de Investigaciones y Análisis Fiscal, 2021^[10]) - page 116, 118, 124; <https://monotributo.afip.gob.ar/Public/Ayuda/Index.aspx>; <https://www.argentina.gob.ar/produccion/registrar-una-pyme/que-es-una-pyme#2>; IBFD; <https://www.argentina.gob.ar/tema/trabajar/monotributo/preguntas-frecuentes>; <https://www.afip.gob.ar/monotributo/categorias.asp> ; (IDB, 2009^[11]); (Cetrángolo, 2017^[12]); <https://monotributo.afip.gob.ar/Public/Ayuda/Alta/Paso1.aspx> ; (Azua et al., 2019^[2]); <https://www.cronista.com/economia-politica/que-es-el-monotributo-cuales-son-los-requisitos-y-cuanto-se-abona-segun-la-categoria/>; (ILO, 2021^[13]); <https://monotributo.afip.gob.ar/Public/Ayuda/Sitio/Pagos.aspx> ; <https://monotributo.afip.gob.ar/Public/Ayuda/Sitio/Facturacion.aspx> ; <https://cpceba.org.ar/noticias/laciudad-de-cordoba-se-suma-al-monotributo-unificado/14951/> ; <https://serviciosweb.afip.gob.ar/genericos/quiasPasoPaso/VerGuia.aspx?id=99>; <https://www.afip.gob.ar/educacionTributaria/programas/documentos/I-Trabajadores-independientes-Monotributo.pdf> ; <https://www.ciat.org/ciatblog-monotributo-puente-a-la-formalidad-y-la-inclusion-social/?lang=en> ; <https://www.afip.gob.ar/monotributo/Ley-de-sostenimiento/procedimiento-permanente-al-regimen-general.asp> ; (Aditya, 2020^[14]) ; <https://www.afip.gob.ar/monotributo/Ley-de-sostenimiento/regimen-voluntario.asp> ; <https://casasparticulares.afip.gob.ar/default.aspx> ; <https://www.pwc.com/gx/en/tax/pdf/a-guide-to-vat-gst-sut-in-the-americas-2020.pdf> ;

For Monotributo social: excel file "Argentina_mteyss-sss-bess-202109-activos-actualizado-220302.xlsx". Downloaded from Social Security statistics Boletín Estadístico de la Seguridad Social | Argentina.gob.ar ; <https://www.afip.gob.ar/educacionTributaria/programas/documentos/I-Trabajadores-independientes-Monotributo-Social.pdf> ; <https://www.argentina.gob.ar/servicio/adherir-al-monotributo-social> ; <https://www.argentina.gob.ar/tema/trabajar/monotributo/preguntas-frecuentes> ; <https://monotributo.afip.gob.ar/Public/Ayuda/Index.aspx> ; <https://www.argentina.gob.ar/servicio/adherir->

[al-monotributo-social](https://www.argentina.gob.ar/normativa/nacional/resoluci%C3%B3n-157-2020-338123/texto) ; <https://www.argentina.gob.ar/normativa/nacional/resoluci%C3%B3n-157-2020-338123/texto>
<https://www.afip.gob.ar/educacionTributaria/programas/documentos/II-Trabajadores-independientes-Monotributo-Social.pdf>

For the regime of social inclusion and promotion of independent work:

https://servicioscf.afip.gob.ar/publico/abc/ABCpaso2.aspx?id_nivel1=1395&id_nivel2=2520&id_nivel3=2524&p=R%C3%A9gimen%20de%20inclusi%C3%B3n%20social%20y%20promoci%C3%B3n%20del%20trabajo%20independiente ;

https://www.argentina.gob.ar/sites/default/files/lista_detallada_de_actividades_comprendidas_dentro_del_regimen_de_inclusion_social_y_promocion_del_trabajo_independiente.pdf ;

<https://servicioscf.afip.gob.ar/publico/abc/ABCpaso2.aspx?id=11902689> ; <https://monotributo.afip.gob.ar/Public/Ayuda/Index.aspx> ; <https://monotributo.afip.gob.ar/Public/Ayuda/Sitio/Facturacion.aspx>

Brazil

Country: Brazil		Simples nacional (<i>Simples nacional</i>)		Individual micro-entrepreneur regime (<i>Simples - SIMEI</i>)
Year of introduction		1996		2009
Dates of main tax design changes		2003, 2006 (unification to Simples nacional), 2008, 2011, 2014, 2016 2018		2011, 2016
1. Target group	Number of taxpayers		5.7 M (Jan 2022)	13.4 M (Jan 2022)
	Business type	Unincorporated	No	Yes
		Incorporated	Yes	No
	Business size	In terms of employment	<ul style="list-style-type: none"> No limit on employment 	<ul style="list-style-type: none"> Self-employed with no employees Micro-businesses
		In terms of turnover	<ul style="list-style-type: none"> Micro-businesses Small businesses Medium-sized businesses (only if the business carries out both domestic economic activity and exports). 	<ul style="list-style-type: none"> Micro-businesses
	Type of activity	Liberal professions	Yes	No
Specific sectors		No, with few exceptions	Yes	
2. Eligibility criteria	Turnover threshold		<p>According to the definition of micro and small enterprises (<i>empresas de pequeno porte</i>):</p> <ul style="list-style-type: none"> microenterprises: turnover below BRL 360,000. small enterprises: turnover between BRL 360,000 and BRL 4,800,000. <p>The turnover threshold is applied separately to</p>	<p>Turnover from previous and current year cannot exceed BRL 81,000.</p> <p>In the case of cargo transportation activities, the turnover threshold is set at BRL 251,600.</p> <p>In contrast to Simples, this threshold includes both turnover from domestic operations and turnover from</p>

	<p>domestic operations and exports: limit of BRL 4,800,000 on turnover from domestic operations and limit of BRL 4,800,000 on turnover from exports.</p> <p>When the economic activity starts throughout the year, thresholds must be weighted accordingly. When opting to the regime, thresholds refer to previous year turnover, and when checking the continuity in the regime, thresholds refer to current calendar year (accumulated turnover from January to the revision month).</p> <p>Sub-thresholds on turnover are applied with respect to regional taxes contributions (<i>ICMS</i> and <i>ISS</i>). Small states (those that represent less than 1% of national GDP) might set a lower sub-threshold on turnover at BRL 1,800,000. For larger states, the sub-threshold on turnover is set at BRL 3,600,000.</p>	exports.
Type of activity / sector	<p>Most commercial, industrial and service activities are eligible for the regime, with some exceptions: financial and lending activities, real estate operations, staff leasing, certain interurban passenger services, production and imports of vehicles and motorcycles, fuel imports, activities related to electrical power generation, production and wholesale of cigarettes, firearms, gunpowder, explosives and non-alcoholic beer and alcoholic drinks (with respect to the latter, these activities are excluded when the beverages are not produced or sold by micro or small specialised enterprises).</p>	<p>There is a long list of eligible economic activities (approximately 400). Besides this long list, the following activities are allowed: commercialization and processing of extractive industry products; services, industrial and commercial activities developed in rural areas.</p>
Possibility to hire employees	Yes, with no limits.	One employee at most, who can only earn the minimum salary.
Other	<ul style="list-style-type: none"> All types of corporations are eligible except 	<ul style="list-style-type: none"> Being registered to Simples and satisfying the

	<p>limited companies and cooperatives.</p> <p>Companies are not allowed to register when:</p> <ul style="list-style-type: none"> • government or public companies are directly or indirectly involved in the business ownership or management. • an individual partner owns several companies registered under Simples, and the gross annual income earned by all the companies exceeds the eligibility threshold. • an individual partner holds a share higher than 10% of another company not registered in Simples, and the gross annual income earned by all the companies (weighted by the partner's shares) exceeds the eligibility threshold. • an individual partner manages another company not registered in the regime, and the gross annual income earned by all the companies exceeds the eligibility threshold. • they are non-tax residents in Brazil or are affiliated with foreign companies. • they are owned by other companies. • they are a result of company splits occurred in the last 5 years. • their partners have a related party relationship with the company's clients. • they owe unpaid tax amounts or are not properly registered with the tax administration. 	<p>eligibility criteria.</p> <p>Additionally:</p> <ul style="list-style-type: none"> • Single establishment with no branches. • Individuals cannot register if: they are a company holder or manager; they have a personal, frequent, and subordinate relation with their clients; their business is constituted as a start-up; they lease workers.
3. Type of regime	Regime based on an indicator of economic activity: turnover.	Lump-sum taxation method.
4. Tax liability	Differentiated rates. Differentiation across sectors of	Differentiated lump-sum amounts.

	<p>economic activity and income brackets.</p> <p>Monthly payment = computed tax rate * monthly turnover</p> <p>Computed tax rate= (Accumulated turnover during last 12 months * nominal tax rate - deductible amount) / Accumulated turnover during last 12 months</p> <p>Precisions:</p> <ul style="list-style-type: none"> • Nominal tax rates and deductible amounts can be found in the appendixes of Simples' Law and vary according to economic activities and 6 turnover brackets. • Nominal tax rates range between: <ol style="list-style-type: none"> i) 4 – 19% for retail activities. ii) 4.5 – 30% for manufacturing activities. iii) 6 – 33% for general services, educational services and services related to qualified professions whose ratio of personnel expenses/turnover $\geq 28\%$ iv) 15.5 – 30.5% for services related to qualified professions when the ratio of personnel expenses/turnover $< 28\%$ v) 4.5 – 33% for construction services, building maintenance services (cleaning, vigilance, etc.) and legal services. • Taxpayers can choose to compute the monthly turnover according to accrual or cash-based methods. Annual turnover must be computed according to accrual criteria. • Computations need to be done separately for 	<p>Monthly contributions are computed as follows:</p> <ul style="list-style-type: none"> • 5% of the SSCs minimum base (12% for cargo transportation activities) in substitution for the SSCs of the entrepreneur. This resulted in BRL 60.6 during 2022 (BRL 145.4 for cargo transportation activities). • + BRL 1 in substitution for the ICMS (state tax on the sale of goods, interstate and inter-municipal transportation services and communication services) if the registered taxpayer carries out the activities levied by this tax. • + BRL 5 in substitution for the ISS (municipal tax on services) if the registered taxpayer carries out the activities levied by this tax. <p>While registered at SIMEI, this fixed contribution must be paid every month, even when there are no business earnings.</p>
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		domestic operations and exports.	
5. Taxes covered	Taxes substituted by the regime's contribution	<ul style="list-style-type: none"> • CIT (<i>Imposto de Renda das Pessoas Jurídicas, IRPJ</i>) • Other taxes on corporate income: <ul style="list-style-type: none"> ○ Contributions to the social integration program and the public service employee fund (<i>Programas de Integração Social e de Formação do Patrimônio do Servidor Público, PIS/PASEP</i>). ○ Contribution for the financing of social security (<i>Contribuição para Financiamento da Seguridade Social, COFINS</i>). ○ Social contributions on net income (<i>Contribuição Social sobre o Lucro Líquido, CSLL</i>). • Payroll tax to finance social security (<i>Contribuição Patronal Previdenciária para a Seguridade Social, CPP</i>). <ul style="list-style-type: none"> ○ Exception: this payroll tax is not covered in the case of construction services, building maintenance services (cleaning, vigilance, etc.) and legal services. In these cases, taxpayers will have to satisfy the contributions following the standard regime. • Consumption/sales taxes: <ul style="list-style-type: none"> ○ State tax on the sale of goods, interstate and inter-municipal transportation services and communication services (<i>Imposto sobre Operações Relativas à Circulação de Mercadorias e Sobre Prestações de Serviços de Transporte Interestadual e Intermunicipal</i> 	<ul style="list-style-type: none"> • SSC: entrepreneur's social security contributions. • State tax on the sale of goods, interstate and inter-municipal transportation services and communication services (ICMS). • Municipal tax on services (ISS).

		<p><i>e de Comunicação, ICMS</i>). Exception: this tax is not substituted by the regime for taxpayers who exceed the turnover sub-threshold mentioned in section 2 (BRL 1,800,000 or BRL 3,600,000).</p> <ul style="list-style-type: none"> ○ Tax on manufactured goods (<i>Imposto sobre Produtos Industrializados, IPI</i>). ● Municipal tax on services (<i>Imposto sobre Serviços de Qualquer Natureza, ISS</i>). Exception: this tax is not substituted by the regime for taxpayers who exceed the turnover sub-threshold mentioned in section 2 (BRL 1,800,000 or BRL 3,600,000). 	
	Taxes to be paid separately as a result of the business activity	<ul style="list-style-type: none"> ● Employer's contribution to the unemployment severance fund (<i>Fundo de Garantia do Tempo de Serviço, FGTS</i>). ● Employee SSCs (withholdings). ● Income tax on capital gains. ● Other taxes levied in the tax system (e.g. import and export duties). 	<ul style="list-style-type: none"> ● Employer and employee SSCs. ● Income tax on capital gains. ● Other taxes levied in the tax system (e.g. import and export duties).
	Taxes exempted by the regime's rules		<ul style="list-style-type: none"> ● Income tax (<i>IRPJ</i>; for income tax purposes, natural persons characterized as "individual enterprise" (<i>empresa individual</i>) are assimilated to legal entities and are levied under the corporate income tax if they are not registered in Simples SIMEI; if the individual entrepreneurs are registered in Simples SIMEI they are exempt). ● Social contributions on net income (<i>CSLL</i>). ● Contributions to the social integration program and the public service employee fund (<i>PIS/PASEP</i>).

			<ul style="list-style-type: none"> • Income tax to finance social security (<i>COFINS</i>). • Tax on manufactured goods (<i>IP</i>). 	
	Taxes exempted by the tax system (rules enforced independently from the regime's scope)			
5.1 Social security contributions	Contribution	Computation	<ul style="list-style-type: none"> • With some exceptions, employer SSCs are covered by the regime. The Simples' legislation provides different shares which indicate how the Simples' monthly tax liability will be allocated to the different taxes covered by the regime. Hence, the funds assigned to SSCs are computed by applying these shares to the tax liability. The shares vary across the economic activity group and the turnover bracket. • Additionally, outside the scope of the regime, the employer must pay the 8% of the monthly payroll as a contribution to the unemployment severance fund (FGTS). • The employee SSCs (to be paid through salary withholdings) are not covered by the regime either. The contribution base is a "contribution salary" which includes the employee's salary and benefits in-kind. The contribution rates are progressive and range between 7.5% and 14%. 	<ul style="list-style-type: none"> • Self-employed SSCs: This contribution is covered by the regime. It amounts to 5% of the SSC minimum base (12% for cargo transportation activities), in comparison with a 20% contribution rate in the standard regime. The SSC minimum base is the minimum salary, which was set at BRL 1,212 for 2022. • Employee SSCs: not covered by the regime but individual micro-entrepreneurs (MEI) have reductions in the employer contribution rates. <ul style="list-style-type: none"> ○ Paid by the employer: 3% on the monthly payroll (in contrast to the 20% contribution rate in the standard regime). ○ Paid by the employee (through salary withholdings): The contribution rate applicable to the minimum salary is 7.5%. • Additionally, outside the scope of the regime, the employer must pay the 8% of the monthly payroll as a contribution to the unemployment severance fund (FGTS).
		Scalable over time	No	No (except for the self-employed if the minimum monthly salary changes).
	Social benefits		Same as the standard regime:	For micro-entrepreneurs: specific

		<ul style="list-style-type: none"> • Old age pension • Invalidity and survivor benefits • Health care and maternity benefits • Family allowances in case of imprisonment or death of the household's main income-earner 	<ul style="list-style-type: none"> • Minimum pension • Invalidity and survivor benefits • Health care and maternity benefits • Family allowances in case of imprisonment or death of the household's main income-earner <p>Micro-entrepreneurs can access additional benefits provided under the standard regime, such as old age pensions based on individual contributions, by opting to pay the standard 20% contribution rate.</p> <p>For the employee: same as the standard regime.</p>
	Payment	Mandatory	Mandatory
	Single collecting body	Yes (for the contributions included in the regime)	Yes (for the contributions included in the regime)
	Co-financing from the general budget	No	No
6. Regime administration	Facilitation of taxpayer's procedures	Digital services	<p>Online software that computes and processes the monthly payments to be made. When the taxpayer makes the tax payment, the amounts are allocated to each tax, and the transfer of the tax amounts is automatically made to each respective tax administration.</p> <ul style="list-style-type: none"> • Simplified online registration through a portal that allows to register the economic activity and also to register with the tax administration and the social security institution. • Notifications and administrative procedures are also made through this electronic portal of the tax administration. • Payments can be made online or through direct debit, through banks or through <i>casas lotéricas</i> (type of franchise of the <i>Caixa Econômica Federal</i>, a state-owned Brazilian financial services company). • Accounting firms support micro-entrepreneurs

				with the first tax return free of charge.
	Simplified accounting procedures	<ul style="list-style-type: none"> • Simplified book-keeping requirements (cash-based methods rather than standard accounting methods, although the latter are also allowed). Alternative books are required depending on the economic activity (e.g. inventory book, registry of commodity entrances, registry of services received, registry of vehicles for vehicle intermediaries, specific books for fuel sellers). • Monthly electronic record of sales and purchases (this is not necessary if the taxpayer uses electronic invoices). 	<ul style="list-style-type: none"> • Taxpayers are exempt from book-keeping requirements, except for a monthly register of gross income. They are also exempt from issuing electronic invoices. • Obligation to keep input and issued invoices. 	
	Reduced frequency of tax filing and payments	<ul style="list-style-type: none"> • Monthly payment. • Annual tax filing of a simplified tax return that substitutes federal, state, and municipal tax returns. 	<ul style="list-style-type: none"> • Monthly payment. • Annual tax filing. The tax return has to be filed by May of the following year and only requires information on annual gross income and employee's information, if any. None or incomplete filing will imply a sanction. • No obligation to file Social Security annual forms if registered taxpayers do not have employees. 	
	Other	Due payments can be paid in instalments (general rules apply).	<ul style="list-style-type: none"> • No obligation to issue invoices when providing goods or services to individual consumers (invoicing is mandatory when operating with companies). • Due payments can be paid in instalments (general rules apply). 	
Institution responsible for the design/revision of the regime		Central and local administrations. The regime is managed by the Simples National Management Committee, which is integrated by		Central and local administrations (see Simple's explanation).

			members of the three levels of government (Union, states and municipalities).	
		Institution responsible for the monitoring/control of the regime	Central and local administrations.	Central and local administrations.
		Specialized unit or staff within the tax administration to monitor the target group	No	No
7. Non-tax support instruments			<ul style="list-style-type: none"> • Access to bank accounts and loans with a reduced interest rate. • Access to public procurement opportunities. • The Simples National Law established the following entities: <ul style="list-style-type: none"> ○ Registration Management Committee, which handles openings, licenses, modifications and closings of companies. ○ Permanent Forum of Micro and Small Companies, created to deal with non-tax issues such as government procurement, enterprise development, access to finance, labour and social security issues. ○ The Brazilian Autonomous Service of Support to MSEs (<i>SEBRAE</i>), which engages in training, development and advocacy of MSEs. 	See Simple's explanation.
8. Interaction with the standard tax system	Facilitating the transition: specific tax provisions and procedures	Reduced rates	N/A	N/A
		Simplified accounting procedures	N/A	N/A
		Reduced frequency of tax	N/A	N/A

	in the standard tax system	filing and payments		
		Other	N/A	N/A
	Existence of several presumptive tax regimes		Yes, 2: Simples and SIMEI. Besides the presumptive tax regimes, it's worth noting that within the standard corporate income tax exists a presumed income rule to determine the tax base (<i>Lucro presumido</i>).	See Simple's explanation.
	Registration in the presumptive tax regime		Voluntary. Registration to be made during January or up to 30 days after the start of activity. Once registration is made it is binding for the entire year. No need to renew the registration yearly, except for the request to apply a cash-based accounting method. To be able to exit the regime in the current fiscal year, taxpayers must communicate the exit before the end of January, otherwise the exclusion will be effective the following year.	Voluntary. Registration to be made during January. Once registration is made it is binding for the entire year. To be able to exit the regime in the current fiscal year, taxpayers must communicate the exit before the end of January, otherwise the exclusion will be effective the following year.
	Permanence in the presumptive tax regime		Unlimited, as long as the eligibility criteria are met. If the accumulated turnover throughout the year exceeds the specified thresholds by less than 20%, the exclusion from the regime will take effect on January of the following year. If the excess is above 20%, the exclusion will take effect in the subsequent month. If other eligibility criteria are no longer satisfied, it must be communicated to tax authorities during the following month and the exclusion will take effect that same month. When this communication is not done, taxpayers will be automatically excluded from the regime and fined.	Unlimited (see Simple's explanation).
	VAT	Eligibility	No. There are two consumption taxes in Brazil: the	No (see Simple's explanation).

Colombia

Country: Colombia		Simple Tax Regime (<i>Régimen Simple de Tributación</i>)	
Year of introduction		2019	
Dates of main tax design changes		2020, 2022	
1. Target group	Number of taxpayers		Total registered taxpayers at December 31st, 2022: 76,277 Total active taxpayers at December 31st, 2022: 69,140
	Business type	Unincorporated	Yes
		Incorporated	Yes
	Business size	In terms of employment	<ul style="list-style-type: none"> No limit on employment
		In terms of turnover	<ul style="list-style-type: none"> Micro-businesses Small businesses
	Type of activity	Liberal professions	Yes
Specific sectors		No, with few exceptions	
2. Eligibility criteria	Turnover threshold		Gross annual income from previous year (current year for starting activities) below 100,000 UVT (tax value units). In 2022, this threshold was equivalent to COP 3,800.4 million. In the case of liberal/scientific professions, the gross income threshold is set at 12,000 UVT (this rule is in place from January 1st, 2023).
	Type of activity / sector		Some activities are excluded from the regime: <ul style="list-style-type: none"> Financial sector (financial entities, asset management activities, financial advisory providers, factoring activities, microcredit lending). Electrical energy generation, transmission, distribution or commercialisation.

	<ul style="list-style-type: none"> • Fuel imports. • Automobile manufacturing, importing or commercialisation. • Production or commercialisation of weapons and explosives. • Wholesale trade of waste, scrap and scrap metal, recovery of materials and collection of non-hazardous waste (if the individuals or legal entities engaged in these activities obtain net profits exceeding 3% of gross income).
Possibility to hire employees	Yes, with no limit.
Other	<ul style="list-style-type: none"> • The owners of the business are natural persons (Colombian or foreign) who are Colombian tax residents. • If an individual partner owns several companies registered under the Simple regime, the annual income threshold will be computed considering the gross income of all the companies, weighted by the partner's shares. • If an individual partner of a company registered in Simple holds a share higher than 10% of a company not registered in the regime, the annual income threshold will be computed considering the gross income of all the companies, weighted by the partner's shares. • If an individual partner of a company registered in Simple manages a company not registered in the regime, the annual income threshold will be computed considering the gross income of all the companies managed by this partner. • Businesses must be properly registered with the tax administration (through the Unique tax register RUT) and have electronic signature and electronic invoicing mechanisms. • Foreign companies and their permanent establishments cannot register in the regime. Permanent establishments of non-tax resident individuals cannot register either. • Employed individuals cannot register in the regime. • Individuals whose economic activity could be characterized as an employment relationship cannot register in the regime. • Companies whose partners or managers hold a labour relation –although not necessarily formalized – with a client cannot register in the regime. • Companies who own or are owned by other companies cannot register in the regime. • Enterprises resulting from company splits occurred in the last 5 years cannot register in the

	regime.
3. Type of regime	Regime based on an indicator of economic activity: ordinary and extraordinary gross income.
4. Tax liability	<p>Differentiated rates.</p> <p>Tax rates differ across economic sectors and 4 gross income brackets. They used to range between 1.8% and 14.5%, but after the 2022 reform they range between 1.2% and 8.3%. Tax rates are differentiated according to 6 groups of economic activity (4 before the reform): i) small shops, markets and hairdressing; ii) broad category of commerce and services; iii) retail sale of food and beverages, and transport activities; iv) educational, health care and social assistance activities; v) liberal/scientific professions; and vi) waste collection and management and recycling activities.</p> <p>When registered taxpayers carry out more than one activity subject to different rates, they will be levied by the highest rates.</p> <p>These tax rates substitute the income tax and integrate the consolidated local tax on income from economic activities (<i>impuesto de industria y comercio consolidado</i> –ICAC, see section 5 for further information on this tax).</p> <p>Local entities have the regulatory capacity to legislate the rates of the local tax ICAC. At the beginning of the year local entities have to communicate to the national tax agency the updated rates, so that they can be integrated in the regime’s schedule.</p> <p>The Law foresees a tax credit on the Simple’s tax liability for the turnover received by electronic payment instruments. The tax credit amounts to 0.5% of this turnover. It cannot exceed the tax liability and it cannot cover the part of the contribution which is related to the local tax ICAC. Alternatively to this tax credit, the 2022 tax reform established another tax credit equivalent to the financial transactions tax paid by the taxpayer during the year. Some conditions are set on this new tax credit and cannot be applied together with the tax credit on electronic payments; the taxpayer will have to choose between the two.</p> <p>The Law also foresees a discount on the Simple’s tax liability for the employee retirement</p>

	<p>contributions made by the employer (12% of the employee's monthly salary). This tax credit cannot exceed the tax liability and cannot cover the part of the contribution that is related to the local tax ICAC.</p> <p>Therefore, the Simple's tax liability is computed as follows: Simple's initial tax liability = (Gross income – non-taxable income) * tax rate, according to the activity category and the income band. Gross income excludes occasional gains. This initial tax liability is split into a local amount and a national amount: <i>Local amount</i> = Gross income * ICAC tax rates, defined by the local entities. <i>National amount</i> = Simple's initial tax liability - Local amount. On the national amount two tax credits can be applied: <i>Reduced national amount</i> = national amount – (electronic payments discount or financial transactions tax) – employee retirement contributions paid by the employer. (The <i>reduced national amount</i> cannot be negative). Hence, the final Simple's tax liability is: Simple's final tax liability = Reduced national amount + Local amount.</p> <p>Additional to the Simple's tax liability, taxpayers have to file in the Simple tax return, when liable, the capital gains tax (15% or 20% tax rate depending on the type of capital gain – these rates include the approved increase in the 2022 tax reform –) and the national consumption tax on food and beverages (8% tax rate).</p> <p>Therefore, the final annual tax liability to be paid through the Simple regime is Simple's tax liability + Capital gains tax liability + Consumption tax liability.</p> <p>Taxpayers whose gross income exceeds 3,500 UVT have to make Simple's pre-payments every two months based on the gross income earned during that period. Tax rates do not vary from the annual payment. Employee retirement contributions paid by the employer are credited from the bimonthly pre-payments following the procedure described above. The national consumption tax on food and beverages is also pre-paid through Simple's tax filing.</p>	
5. Taxes covered	Taxes substituted by the regime's contribution	Taxes substituted by Simple's contribution: <ul style="list-style-type: none"> • PIT and CIT (in Colombia there is a unique Income Tax Law that is applied to individuals and

	<p>corporations).</p> <p>Taxes integrated in Simple's contribution:</p> <ul style="list-style-type: none"> • Consolidated local tax on income from economic activities (<i>Impuesto de industria y comercio consolidado –ICAC–</i>). <p>This consolidated tax includes a turnover tax and two surtaxes (on advertisements placed on public spaces and to finance firefighting).</p> <p>Taxpayers have to declare the municipalities where they perform their activities and the income earned in each of them. The MoF redistributes then the funds of the consolidated local tax to the corresponding local institutions every two months.</p> <p>Taxes included in the Simple's tax return but not substituted nor integrated in the Simple's contribution:</p> <ul style="list-style-type: none"> • Capital gains tax. • National consumption tax on food and beverages (exceptionally for 2022 taxpayers registered in Simple who served food or beverages were exempt from this tax, as a business support measure).
Taxes to be paid separately as a result of the business activity	<ul style="list-style-type: none"> • Social security contributions (there are some contributions which are exempted, see below). • VAT. VAT pre-payments can be filed through Simple's pre-payment form, but it is not substituted by Simple's regime. An annual VAT return must be filed separately.
Taxes exempted by the regime's rules	<ul style="list-style-type: none"> • Taxpayers registered in the regime are exempted both to withhold and from income taxes withholding, except for payroll taxes. • Small shops and markets and hair salons registered in Simple are exempt from VAT (and exceptionally for 2022 businesses which serve food and beverages as well).
Taxes exempted by the tax system (rules enforced independently from the regime's scope)	<p>Registered companies (self-employed) are exempt from the following contributions if they have at least one (more than one) employee and these employees individually earn less than 10 times the minimum salary (COP 10 million per worker and month in 2022):</p> <ul style="list-style-type: none"> • 3% payroll tax to finance the Colombian Institute for Family Welfare (<i>ICBF</i>).

		<ul style="list-style-type: none"> • 2% payroll tax to finance the National Apprenticeship Service (<i>SENA</i>). • Employee healthcare contributions paid by the employer. 	
5.1 Social security contributions	Contribution	Computation	<p>Proportional tax</p> <ul style="list-style-type: none"> • Self-employed: mandatory contributions if monthly net income exceeds the monthly minimum salary (COP 1 million in 2022). The contribution base is 40% of monthly net income. Presumed costs are foreseen to compute the monthly net income. <ul style="list-style-type: none"> ○ Retirement contribution: 16% of the contribution base. ○ Healthcare contribution: 12.5% of the contribution base. ○ Contributions for occupational risks: between 0.522% and 6.960% of the contribution base depending on the risk profile of the occupation. • Employees: <ul style="list-style-type: none"> ○ Mandatory retirement contribution: 16% of the employee's monthly salary; 4% is paid by the employee and 12% is paid by the employer. ○ Healthcare contribution: 12.5% of the employee's monthly salary; 4% is paid by the employee and 8.5% is paid by the employer (in many cases the employer contribution will be exempt, see the previous section). ○ Contributions for occupational risks: between 0.522% and 6.960% of the employee's monthly salary depending on the risk profile of the occupation. This contribution is paid by the employer. ○ Family compensation funds: 4% of the employee's monthly salary. This contribution is paid by the employer.
		Scalable over time	No
	Social benefits		Same as the standard regime (health care, retirement pensions, unemployment insurance, occupational risks insurance and services provided by the Family compensation funds such as housing, education or training programmes).
	Payment		Mandatory

	Single collecting body	No (SSCs are not included in the presumptive tax regime).
	Co-financing from the general budget	N/A
6. Regime administration	Facilitation of taxpayer's procedures	Digital services <ul style="list-style-type: none"> • Online registration with the tax administration through the mobile phone. • Online filing and tax payments. • The issuing of electronic invoices is mandatory. The tax administration distributes devices to issue electronic invoices for free.
		Simplified accounting procedures <p>No. In general, commercial activities (in contrast to liberal professions) are required to keep accounting records regardless of the legal form of the business (incorporated or unincorporated). No specific rules are foreseen for taxpayers registered in Simple.</p>
		Reduced frequency of tax filing and payments <ul style="list-style-type: none"> • Yes, bimonthly tax filing and pre-payments and an annual tax return and final payment. • The 2022 tax reform introduced an exemption on bimonthly tax filing and pre-payments for individuals whose gross income is below 3,500 UVT (COP 133,014,000 in 2022, or COP 148,442,000 in 2023).
		Other <p>Promoting electronic payments by allowing a tax credit equivalent to 0.5% of the turnover received by electronic payment instruments.</p>
	Institution responsible for the design/revision of the regime	Central administration
	Institution responsible for the monitoring/control of the regime	Central and local administration (information exchange, joint tax audits).
	Specialized unit or staff within the tax administration to monitor the target group	N/A
	7. Non-tax support instruments	

8. Interaction with the standard tax system	Facilitating the transition: specific tax provisions and procedures in the standard tax system	Reduced rates	No
		Simplified accounting procedures	No
		Reduced frequency of tax filing and payments	No
		Other	No
	Existence of several presumptive tax regimes		No
	Registration in the presumptive tax regime		<p>Voluntary. However, the tax administration (DIAN) can automatically register taxpayers who do not file any of the taxes covered by the regime.</p> <p>Taxpayers who already run a business and it's registered with the tax administration can voluntarily register in the Simple regime until the end of February of every year.</p> <p>Taxpayers who are registering a business with the tax administration can simultaneously register in the Simple regime at any time of the year.</p>
	Permanence in the presumptive tax regime		<p>Unlimited. Once taxpayers register in Simple they have to remain in the regime for the entire fiscal year. To be able to return to the standard tax system in a particular year, taxpayers have to request it before the end of January of that year.</p> <p>Taxpayers will be automatically excluded from the regime if they don't satisfy the eligibility criteria or they are more than one month due with the regime contributions. In this latter case, they will have to wait until the following second fiscal year to be able to register in Simple again.</p>
	VAT	Eligibility threshold aligned with the VAT registration threshold	No. The VAT registration threshold is set at 3,500 UVT (COP 133,014,000 in 2022, or COP 148,442,000 in 2023).

	Option to register to VAT and remain in the regime	Not applicable (VAT is not included in the Simple regime).
	Existence of studies on the interaction between the presumptive tax regime and the standard tax system	https://www.dian.gov.co/impuestos/Regimen-Simple-de-Tributacion-RST/Paginas/RST-en-cifras.aspx

Sources: <https://www.dian.gov.co/impuestos/Regimen-Simple-de-Tributacion-RST/Paginas/default.aspx> ; <https://www.dian.gov.co/impuestos/Regimen-Simple-de-Tributacion-RST/Documents/Obligaciones-RST.pdf> ; Simple Regulation (Libro octavo del Estatuto Tributario): http://www.secretariasenado.gov.co/senado/basedoc/estatuto_tributario_pr035.html#LIBRO%20OCTAVO ; <https://www.camara.gov.co/reforma-tributaria-8> ; VAT regulation, Art 437 Estatuto tributario: <https://estatuto.co/437> ; MoF official youtube channel: <https://www.youtube.com/watch?v=hBUz-tMn7A> , <https://www.youtube.com/watch?v=cls9MEazgwE> and <https://www.youtube.com/watch?v=kQwdkTloQaM> ; (OECD, 2022^[22]).

Costa Rica

Country: Costa Rica		Simplified taxation regime (<i>Régimen de Tributación Simplificada</i>)		
Year of introduction		1996		
Dates of main tax design changes		1997, 2001, 2002, 2005, 2008, 2019, 2023		
1. Target group	Number of taxpayers	80,000 on average		
	Business type	Unincorporated	Yes	
		Incorporated	Yes	
	Business size	In terms of employment	<ul style="list-style-type: none"> • Self-employed with no employees • Micro-businesses 	
		In terms of turnover	<ul style="list-style-type: none"> • Micro-businesses • Small businesses 	
	Type of activity	Liberal professions	No	
Specific sectors		Yes		
2. Eligibility criteria	Turnover threshold	No limit on turnover		
	Type of activity / sector	a) Retail trade; b) Bars, canteens, taverns or similar establishments; c) Preparation and sale of food and beverages; d) Preparation and sale of all kinds of confectionery and pastry; e) Bakeries; f) Small agricultural producers that sell their products exclusively to the final consumer through farmer fairs;		

	<p>g) Nurseries for ornamental plants, succulents, garden plants and terrarium production, except the production of seedlings;</p> <p>h) Handmade manufacture of footwear, suitcases, handbags and similar articles, as well as their repair;</p> <p>i) Artisan manufacture of furniture, as well as its repair;</p> <p>j) Manufacture of structural metallic products, as well as their repair;</p> <p>k) Elaboration of all kinds of jewellery, as well as its repair;</p> <p>l) Elaboration of crafts and art works, as well as their restoration;</p> <p>m) Manufacture of clay, earthenware, ceramic and porcelain objects, as well as their restoration;</p> <p>n) Manufacture of clothing products, as well as their repair;</p> <p>o) Manufacture of textile products and accessories for pets, as well as their repair;</p> <p>p) Florists;</p> <p>q) Photographic studies;</p> <p>r) Printing services;</p> <p>s) Dye-sublimation services;</p> <p>t) Small-scale artisanal fishing;</p> <p>u) Medium-scale artisanal fishing;</p> <p>v) Transport services provided by taxi drivers.</p>
Possibility to hire employees	Yes, up to 5.
Other	<ul style="list-style-type: none"> • The annual business expenses (inputs, investments and other expenditures, including the VAT paid) cannot exceed 186 basic salaries (threshold increased in 2023, it was previously set at 150 basic salaries). In 2023 this threshold amounts to CRC 85,969,200. • The activity cannot be related to the operation of a franchise or a trademark. • Only one establishment open to the public. • Not possible to register if the taxpayer simultaneously carries out other activities excluded from the regime. • Asset value cannot exceed 350 basic salaries. In 2023 this threshold amounts to CRC 161,770,000. • Taxi drivers must have a business vehicle only. • In the case of small and medium-scale fishermen, fuel spending cannot exceed CRC 3,697,600.
3. Type of regime	Regime based on other indicators of economic activity: Business inputs (VAT included) + personnel expenditures per trimester.

	<p>Specific rules: i) For retailers, only the value for business inputs is considered. ii) For taxis, the tax base is defined by the number of kilometres travelled per trimester.</p>								
<p>4. Tax liability</p>	<p>Differentiated rates.</p> <p>Tax rates vary by type of economic activity (specific rates are set for the 22 activities eligible for the regime) and by tax substituted (income tax / VAT). Income tax presumptive rates vary between 1% and 3.3% depending on the economic activity. VAT presumptive rates vary between 0.125% and 6.5%.</p> <p>Specific rules: a) In the case of retailers and small-scale agricultural producers, VAT presumptive tax rates also vary by VAT category of the purchases (e.g. purchases levied at a 1% VAT rate are subject to a presumptive VAT rate of 0.125%, whereas purchases levied at a 13% VAT rate are subject to a presumptive VAT rate of 2%). b) In the case of taxis, the presumed income tax liability is defined as: tax base (km per trimester) * CRC 0.50. This activity is exempt from presumptive VAT.</p> <p>The presumed income and VAT tax liabilities need to be computed separately in the tax return.</p>								
<p>5. Taxes covered</p>	<table border="1"> <tr> <td data-bbox="510 906 833 1054"> <p>Taxes substituted by the regime's contribution</p> </td> <td data-bbox="833 906 1888 1054"> <ul style="list-style-type: none"> • PIT and CIT (the income from economic activities carried out by companies and individuals is levied by a single tax: <i>impuesto sobre la renta</i>). • VAT </td> </tr> <tr> <td data-bbox="510 1054 833 1166"> <p>Taxes to be paid separately as a result of the business activity</p> </td> <td data-bbox="833 1054 1888 1166"> <ul style="list-style-type: none"> • SSCs and all the other taxes enforced in the tax system. </td> </tr> <tr> <td data-bbox="510 1166 833 1251"> <p>Taxes exempted by the regime's rules</p> </td> <td data-bbox="833 1166 1888 1251"></td> </tr> <tr> <td data-bbox="510 1251 833 1332"> <p>Taxes exempted by the tax system (rules enforced)</p> </td> <td data-bbox="833 1251 1888 1332"></td> </tr> </table>	<p>Taxes substituted by the regime's contribution</p>	<ul style="list-style-type: none"> • PIT and CIT (the income from economic activities carried out by companies and individuals is levied by a single tax: <i>impuesto sobre la renta</i>). • VAT 	<p>Taxes to be paid separately as a result of the business activity</p>	<ul style="list-style-type: none"> • SSCs and all the other taxes enforced in the tax system. 	<p>Taxes exempted by the regime's rules</p>		<p>Taxes exempted by the tax system (rules enforced)</p>	
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<p>Taxes exempted by the tax system (rules enforced)</p>									

	independently from the regime's scope)		
5.1 Social security contributions	Contribution	Computation	<ul style="list-style-type: none"> • For the self-employed: the contribution base is the income reported in the previous tax return. If no tax return was filed, or there is no proof of actual income, the contribution base is the basic salary. The contribution rates range between 11.5% and 18.75%, depending on the income level. • For the employees: the contribution base is the monthly gross wage. The contribution rates are 10.5% (employee SSC) and 26.5% (employer SSC).
		Scalable over time	No
	Social benefits		Same as the standard regime
	Payment		Mandatory
	Single collecting body		No (SSCs are not included in the presumptive tax regime).
	Co-financing from the general budget		No (standard social security payments are made).
	6. Regime administration	Facilitation of taxpayer's procedures	Digital services
Simplified accounting procedures			There are no book-keeping requirements except for the registration and documentation of the inputs/purchases made every trimester.
Reduced frequency of tax filing and payments			<ul style="list-style-type: none"> • Tax returns are filed every trimester (instead of monthly filing in the standard regime).

		Other	<ul style="list-style-type: none"> • No obligation to issue invoices, except if clients request it. • No obligation to issue electronic invoices. • One-stop shop (<i>Ventanilla Única de Inversión</i>) that centralizes the administrative procedures required to start a business. Procedures can be made online and allow to register with the Tax Administration. However, this one-stop shop is not linked to the regime's registration, the latter has to be done separately.
	Institution responsible for the design/revision of the regime		Central administration: the Ministry of Finance.
	Institution responsible for the monitoring/control of the regime		Central administration: the Tax Administration.
	Specialized unit or staff within the tax administration to monitor the target group		N/A
7. Non-tax support instruments			N/A
8. Interaction with the standard tax system	Facilitating the transition: specific tax provisions and procedures in the standard tax system	Reduced rates	Reduced rates up to 20% for small enterprises with gross income lower than 112,070,000 CRC.
		Simplified accounting procedures	Option to compute taxable income by using a presumed cost rule (25% of turnover) rather than by reporting actual costs (standard method).
		Reduced frequency of tax filing and payments	N/A
		Other	When taxpayers voluntarily transition into the standard tax system, they are allowed to deduct the VAT paid for the inputs previously purchased while registered in the presumptive regime, as long as these inputs still remain in the inventory of the business.
	Existence of several		No (but it is worth noting that within the standard income tax exists a presumed income rule for liberal

	presumptive tax regimes	professionals).
	Registration in the presumptive tax regime	Voluntary. Taxpayers can opt to transition into the standard tax system during the year. The transition will take effect at the end of the trimester.
	Permanence in the presumptive tax regime	Unlimited, as long as the eligibility criteria are satisfied. When these conditions are no longer met, taxpayers have to notify it to the tax administration and the consequent transition into the standard tax system will take effect at the end of the trimester. Automatic exclusion from the regime will be implemented by the tax administration when it detects that the eligibility criteria are not satisfied.
VAT	Eligibility threshold aligned with the VAT registration threshold	No, there is no VAT threshold.
	Option to register to VAT and remain in the regime	No. Taxpayers can register to the standard tax system and comply with the standard VAT at any time, but this will imply the exclusion from the presumptive tax regime.
	Existence of studies on the interaction between the presumptive tax regime and the standard tax system	(Azuara et al., 2019 ^[2]) (UN and CIAT, 2014 ^[23])

Sources: Regime's regulation [Decreto Ejecutivo 43881 of 10/01/2023](#) and previous regulation [Decreto 25514-H](#) ;
 MoF official youtube channel: <https://www.youtube.com/watch?v=pwwkiLDw3xM> and <https://www.youtube.com/watch?v=uLSNpwf1uWw> ;
 Tax rates: <https://www.hacienda.go.cr/docs/TarifasRegimenSimplificado.pdf> ;
 IBFD; (IDB, 2009^[11]); (Azuara et al., 2019^[2]).

France

Country: France		Micro-tax regime; default option (<i>Régime du micro-fiscal: régime fiscal de droit commun, option par défaut</i>)	Micro-entrepreneur regime – voluntary liberating payment regime; optional flat-rate income tax payment regime. (<i>Régime du micro-entrepreneur: régime optionnel du versement forfaitaire libératoire de l'impôt sur le revenu</i>)	
Year of introduction		1991	2009	
Dates of main tax design changes		2016 (the Micro-enterprise regime and the Auto-entrepreneur regime were unified). 2018 (increase in eligibility turnover threshold regarding commercial activities).	2016 (the Micro-enterprise regime and the Auto-entrepreneur regime were unified). 2018 (increase in eligibility turnover threshold regarding commercial activities).	
1. Target group	Number of taxpayers	1.9 million at the end of 2020.	Included in the previous column figure.	
	Business type	Unincorporated	Yes	
		Incorporated	No (except for limited liability companies with a single shareholder).	
	Business size	In terms of employment	<ul style="list-style-type: none"> No limit on employment 	<ul style="list-style-type: none"> No limit on employment
		In terms of turnover	<ul style="list-style-type: none"> Micro-businesses 	<ul style="list-style-type: none"> Micro-businesses
Type of activity	Liberal professions	Yes, with limited exceptions.	Yes, with exceptions.	

		Specific sectors	Yes. The regime is eligible for commercial, craft, agricultural and service activities. However, some specific activities are excluded.	Yes, the regime is eligible for commercial, craft, and service activities. Agricultural activities are excluded.
2. Eligibility criteria	Turnover threshold		<ul style="list-style-type: none"> • For purchase-resale activities, the provision of food to be taken away or consumed on the premises, and the provision of non-furnished accommodation: maximum annual turnover of EUR 188,700 (excluding VAT) in 2023-2024-2025. The turnover to take as a reference is the turnover from the previous two calendar years. This turnover threshold was set at EUR 176,200 in 2022. • For other activities classified as “industrial and commercial profits” (BIC) or “non-commercial profits” (BNC), in particular service activities: maximum annual turnover of EUR 77,700 (excluding VAT) in 2023-2024-2025. The turnover to take as a reference is the turnover from the previous two calendar years. This turnover threshold was set at EUR 72,600 in 2022. • For agricultural activities: maximum annual turnover of EUR 91,900 (excluding VAT) in 2023-2024-2025. The turnover to be taken as a reference is the average turnover of the three preceding calendar years. This turnover threshold was set at 85,800 euros in 2022. • In the case of a mixed activity (commerce and services): Maximum annual turnover of EUR 188,700 (excluding VAT) in 2023-2024-2025. In turn, the turnover related to the provision of services cannot exceed EUR 77,700 in 2023-2024-2025. The turnover to take as a reference is the turnover from 	Same as the micro tax regime (previous column), excluding agricultural activities.

		the previous two calendar years as well.	
Type of activity / sector	The Micro-tax regime is incompatible with some specific activities. The main excluded activities are the following: <ul style="list-style-type: none"> • Real estate transactions; • Public and ministerial officers; • Some financial activities; • Some artistic activities. 	Same as the micro tax regime (previous column). In addition, the following activities are also excluded: regulated liberal professions that are not affiliated to CIPAV (such as lawyers, doctors, notaries, midwives, architects, etc.), agricultural activities.	
Possibility to hire employees	Yes	Yes	
Other	<ul style="list-style-type: none"> • French tax residence or income from France. • Not having a partner (only self-employed workers and limited liability companies with a single shareholder are eligible). • The Micro-tax regime is not eligible when the activity is carried out in a context of a subordinate relationship. • The Micro-tax regime is compatible with other occupational status (student, employee, pensioner, etc.). 	<ul style="list-style-type: none"> • Additional threshold on taxable income: The micro-entrepreneur may be eligible for the optional regime if his/her reference taxable income is lower than the upper limit of the second PIT bracket. The period to take as a reference point is two years ago (i.e. income from N-2). For example, in 2022, it was not possible to benefit from this regime if the 2020 reference taxable income exceeded EUR 25,710 (for a single person) or EUR 77,130 (for a couple with two children). • Application of the micro-social regime for SSCs. • Same criteria set in the Micro-tax regime (previous column). 	
3. Type of regime	Regime based on an indicator of economic activity: turnover	Same as the Micro-tax regime (previous column).	
4. Tax liability	Differentiated tax rates (SSCs) Differentiated rates that vary according to the sector of	Differentiated tax rates (SSCs and PIT) With respect to SSCs: Differentiated rates that vary	

	<p>activity are applied to monthly or quarterly turnover to determine the regime's SSCs (see section 5.1. Social security contributions below).</p> <p>To determine the PIT of the taxpayer, his/her professional or business income is included in the overall taxpayer's taxable income, along with other income received by the tax household, and is subject to the standard progressive PIT rates. Business/professional income is determined by applying a presumed flat-rate deduction to turnover. This flat-rate deduction intends to account for business expenses. The presumed expenses rates vary according to the type of activity:</p> <ul style="list-style-type: none"> • 71% for purchase-resale activities or the provision of accommodation; • 50% for commercial and artisanal services; • 34% for other services and liberal professions. • In all cases, there is a minimum deduction of EUR 305. 	<p>according to the sector of activity are applied to monthly or quarterly turnover to determine the regime's SSCs (see section 5.1. Social security contributions below).</p> <p>With respect to PIT: The regime's income tax is calculated as follows:</p> <ul style="list-style-type: none"> • 1% of monthly or quarterly turnover for purchase-resale activities, the provision of food to be taken away or consumed on the premises, and the provision of non-furnished accommodation. • 1.7% of monthly or quarterly turnover for other activities included in the "Industrial and commercial profits" category (including the provision of furnished accommodation). • 2.2% of monthly or quarterly turnover for services and professions included in the "non-commercial profits" category. <p>When combining the PIT and SSCs rates, they generally range between 13.9% and 24.6%.</p>	
5. Taxes covered	Taxes substituted by the regime's contribution	<ul style="list-style-type: none"> • Self-employed SSCs 	<ul style="list-style-type: none"> • PIT • Self-employed SSCs
	Taxes to be paid separately as a result of the business activity	<ul style="list-style-type: none"> • PIT • Employer SSCs • Local taxes <ul style="list-style-type: none"> ○ For commercial or craft activities: chamber fees, which are based either on the same basis as the business property tax or on a percentage of the annual social security ceiling. Micro-entrepreneurs 	<ul style="list-style-type: none"> • Employer SSCs • Local taxes <ul style="list-style-type: none"> ○ For commercial or craft activities: chamber fees, which are based either on the same basis as the business property tax or on a percentage of the annual social security ceiling. Micro-entrepreneurs with a turnover lower than EUR

	<p>with a turnover lower than EUR 5,000 are exempt.</p> <ul style="list-style-type: none"> ○ Business property tax (CFE). This tax is exempt during the calendar year in which the business starts its activity. Micro-entrepreneurs with a turnover lower than EUR 5,000 are also exempt. 	<p>5,000 are exempt.</p> <ul style="list-style-type: none"> ○ Business property tax (CFE). This tax is exempt during the calendar year in which the business starts its activity. Micro-entrepreneurs with a turnover lower than EUR 5,000 are also exempt.
Taxes exempted by the regime's rules	<p>VAT: taxpayers are exempt from VAT compliance if their turnover remains below certain sub-thresholds. There are two thresholds to take into account: the basic threshold and the increased threshold.</p> <p>Taxpayers become liable to VAT if their turnover exceeds the basic threshold for two consecutive years or if it exceeds the increased threshold once.</p> <p>The basic threshold for years 2023, 2024 and 2025 is set at:</p> <ul style="list-style-type: none"> • EUR 91,900 for purchase-resale activities, the provision of food to be taken away or consumed on the premises, and the provision of accommodation; • EUR 36,800 for the provision of services. <p>The increased threshold for years 2023, 2024 and 2025 is set at:</p> <ul style="list-style-type: none"> • EUR 101,000 for purchase-resale activities, the provision of food to be taken away or consumed on the premises, and the provision of accommodation (compared to EUR 94,300 for the years 2020 to 2022); • EUR 39,100 for the provision of services (compared to EUR 36,500 for the years 2020 to 2022). 	<ul style="list-style-type: none"> • VAT: same as the default option (previous column). • Withholding tax (PAS).
Taxes exempted by the tax system (rules enforced)		

	independently from the regime's scope)			
5.1 Social security contributions	Contribution	Computation	<p>Proportional rate</p> <p>SSCs are based on turnover from the previous month or quarter. SSCs are only paid if a turnover is earned.</p> <p>SSC rates vary with the type of activity:</p> <ul style="list-style-type: none"> • 12.3% (from 1 October 2022, previously 12.80%) for purchase-resale activities, the provision of food to be taken away or consumed on the premises, and the provision of accommodation (with the exception of tourist accommodation). • 21.2% (from 1 October 2022, previously 22.00%) for commercial and craft services and liberal professions not covered by the CIPAV. • 21.1% for other services (from 1 October 2022, previously 22.00%). • 21.2% (from 1 October 2022, previously 22.2%) for liberal professions covered by the CIPAV. • 6% for the rental of tourist accommodation. <p>In addition to these rates, there is a contribution for professional training:</p> <ul style="list-style-type: none"> • 0.10% for commercial activities; • 0.20% for liberal professions; • 0.30% for craft activities. <p>If turnover is low, it is still possible to pay minimum contributions to lengthen the pension contribution period and to benefit from coverage in case of illness.</p>	Same as the default option (previous column).

	Scalable over time	No, but micro-entrepreneurs can have exemptions in SSCs if they benefit from the Acre program (support to business creation by exempting SSCs for the first 12 months of activity).	Same as the default option (previous column).
	Social benefits	<p>Same as the standard regime (regime for own-account workers), which grants minimum social protection coverage.</p> <p>Social protection coverage includes the following:</p> <ul style="list-style-type: none"> • sickness and maternity (under certain conditions) • disability and death-related benefits • basic pension (under certain conditions) • compulsory supplementary pension (under certain conditions) • family allowances. <p>Family dependants (children, spouse) might also be covered. If necessary, private supplementary health insurance can be subscribed.</p> <p>The taxpayer does not contribute to unemployment insurance. However, a special self-employed unemployment regime (ATI) has been set up and is granted under certain conditions.</p>	Same as the default option (previous column).
	Payment	Mandatory, but the contribution is paid only if turnover is earned.	Same as the default option (previous column).
	Single collecting body	No	Yes (Social Security Institute <i>Urssaf</i>)
	Co-financing from the general budget	N/A	N/A

6. Regime administration	Facilitation of taxpayer's procedures	Digital services	<ul style="list-style-type: none"> • Possibility to register the business online. • Online tax filing. • Official website (www.autoentrepreneur.urssaf.fr) dedicated to micro-enterprises that allows to file the tax returns, make the tax payments and access different sources of information. • Mobile application "Autoentrepreneur Urssaf" offered free of charge to taxpayers. It allows them to declare their turnover and pay their SSCs in a simple, fast and secure way, by credit card or other online payment methods. 	Same as the default option (previous column).
		Simplified accounting procedures	<p>The accounting is simplified, with a requirement to track business income and expenses (book-keeping templates are available online). This includes:</p> <ul style="list-style-type: none"> • Register of business receipts. • Register of business purchases and expenses. • Keeping of supporting accounting documents. • Regular invoice issuing if subject to VAT. • Exemption from submitting annual financial statements. 	Same as the default option (previous column)
		Reduced frequency of tax filing and payments	<p>Social security contributions are paid monthly (by default) or quarterly (by option). The micro-entrepreneur must declare the turnover earned, either monthly or quarterly depending on the option chosen, even if it is zero for a given period. If turnover is not declared on time, a penalty will be applied (i.e. 1.5% of the monthly social security ceiling; 51.42 in 2021).</p>	<p>The payment of SSCs and the PIT component of the regime is made in year N, monthly or quarterly, by electronic methods or by cheque.</p> <p>The micro-entrepreneur must declare the turnover earned, either monthly or quarterly depending on the option chosen, even if it is zero for a given period (penalties are foreseen if the declaration is not</p>

		<p>The PIT is paid in year N by withholding at source, monthly or quarterly. Tax withholdings are calculated by the tax authorities based on the last turnover reported. In the year where the business is created, the taxpayer can choose between waiting until September N+1 to make the corresponding tax payment, or having monthly/quarterly withholding payments computed from a turnover estimation (this option might help avoiding a large tax payment in N+1).</p> <p>In year N+1, the annual income tax return for year N is submitted.</p>	<p>submitted by the due date, see the previous column). The tax return must be filed at the Social Security Institute or online at https://www.autoentrepreneur.urssaf.fr. The tax payment is made simultaneously to the same institution.</p> <p>In year N+1, the micro-entrepreneur must submit his/her annual income tax return for year N. Although the taxpayer is exempt from the standard PIT with respect to business income because it makes the PIT payments through the regime, it must report the business turnover earned during year N. This turnover is then turned into net income by applying presumed expenses deductions (specified in section 4, left column). This net income, if any, is integrated to the overall household's income to determine the effective tax rate, the household's "reference taxable income" and the limit to pension savings tax credit. This effective tax rate is then applied to the remaining sources of taxable income (but not to business income).</p>
	Other	Free registration of the business (except for commercial agents).	Same as the default option (previous column).
	Institution responsible for the design/revision of the regime	Central administration	Central administration
	Institution responsible for the monitoring/control of the regime	Central administration	Central administration

	Specialized unit or staff within the tax administration to monitor the target group		N/A	N/A
7. Non-tax support instruments			No	No
8. Interaction with the standard tax system	Facilitating the transition: specific tax provisions and procedures in the standard tax system	Reduced rates	N/A	N/A
		Simplified accounting procedures	N/A	N/A
		Reduced frequency of tax filing and payments	N/A	N/A
		Other	N/A	N/A
	Existence of several presumptive tax regimes		No	No
	Registration in the presumptive tax regime		Voluntary	Voluntary
	Permanence in the presumptive tax regime		Unlimited, as long as eligibility criteria are met. <ul style="list-style-type: none"> • If the turnover eligibility threshold is exceeded for a single year, the self-employed can remain in the regime during that year and the following year. • If the turnover eligibility threshold is exceeded for two consecutive years (N-1 and N), the taxpayer is no 	Same as the default option (previous column).

		longer eligible and will be excluded from the regime since the beginning of the following year (N+1).	
VAT	Eligibility threshold aligned with the VAT registration threshold	No. VAT exemption thresholds are defined in section 5.	Same as the default option (previous column).
	Option to register to VAT and remain in the regime	Yes, without conditions. Taxpayers can choose to comply with the standard VAT regime at any time, even if they fall below the VAT exemption thresholds, by sending a letter to the Business Tax Department.	Same as the default option (previous column).
	Existence of studies on the interaction between the presumptive tax regime and the standard tax system	<ul style="list-style-type: none"> • Micro-entrepreneurs monitoring survey (INSEE): https://www.insee.fr/fr/statistiques/6041208 • Auto-entrepreneur regime's evaluation: https://www.vie-publique.fr/sites/default/files/rapport/pdf/134000225.pdf 	Same as the default option (previous column).

Sources : BPI France; CCI; INSEE; <https://www.autoentrepreneur.urssaf.fr/portail/accueil/sinformer-sur-le-statut/lessentiel-du-statut.html> ; Le versement libérateur | impots.gouv.fr ; <https://www.federation-auto-entrepreneur.fr/actualites/barometre-urssaf-pres-2-millions-d-auto-entrepreneurs-france>; <https://www.previsissima.fr/question-pratique/quelle-protection-sociale-pour-lautoentrepreneur.html#:~:text=Si%20le%20revenu%20d'activit%C3%A9,324%2C65%20%E2%82%AC%20en%202022.> https://www.cleiss.fr/docs/regimes/regime_france_independants.html

Hungary

Country: Hungary		Itemised tax for small taxpayers (KATA)		
Year of introduction		2013		
Dates of main tax design changes		2022		
1. Target group	Number of taxpayers		133,000 in 2023.	
	Business type	Unincorporated	Yes	
		Incorporated	No	
	Business size	In terms of employment	No limit on employment	
		In terms of turnover	<ul style="list-style-type: none"> • Micro-businesses 	
	Type of activity	Liberal professions	Yes	
Specific sectors		No		
2. Eligibility criteria	Turnover threshold		Annual turnover below HUF 18 million. <i>[Before 2022, the turnover threshold was set at HUF 12 million].</i>	
	Type of activity / sector		No specific eligible activities are established, as long as they do not consist in providing goods or services to companies. Property rental is an excluded activity.	
	Possibility to hire employees		Yes	
	Other		Full-time self-employed providing services or products to individuals (operating with companies is not allowed). No specific conditions with respect to the amounts invoiced to the same individual. Registration or continuity in the regime is not possible if:	

	<ul style="list-style-type: none"> • The business tax number has been cancelled or suspended within the last two years by the tax administration. • Tax debts exceed HUF 100,000 by the end of the year. • The business rents or manages real estate properties. <p><i>[Before 1 September 2022, registration or continuity in the regime was not possible if the employment relationship between the self-employed and the client was proved to be an artificial self-employment arrangement. To disregard an artificial self-employment arrangement, and hence being eligible for the regime, 2 of the following 7 eligibility criteria had to be met:</i></p> <ol style="list-style-type: none"> 1. <i>Not working alone.</i> 2. <i>Income received from one client does not exceed the 50% of total business income.</i> 3. <i>Clients do not give instructions to the self-employed worker on how to carry out the business activity.</i> 4. <i>The premises where the business is operated are owned by the self-employed (or alternatively, the self-employed has a statement from the owner authorising the use of the property as business facilities).</i> 5. <i>The tools and devices for the management of the business are owned by the self-employed.</i> 6. <i>The working hours are defined by the self-employed and not by the client.</i> 7. <i>Invoicing to more than one client.</i> <p><i>For example, an own-account worker (who does not meet condition 1) could be eligible for KATA if 2 of the other 6 criteria were met.</i></p> <p><i>In order to discourage artificial self-employment arrangements, a tax was levied if the self-employed operated only with one company as a client. The tax was computed as the 40% of the self-employed gross income exceeding HUF 3 million, and it was levied on the client. Similarly, if the self-employed operated with related-party businesses, the 40% tax was levied on these businesses.]</i></p>
3. Type of regime	Lump-sum taxation method.
4. Tax liability	<p>Fixed lump-sum: HUF 50,000/month. Additionally, a 40% rate is applied on annual turnover exceeding the eligibility threshold (HUF 18 million).</p> <p><i>[Before 1 September 2022, lump-sum amounts were differentiated:</i></p> <ul style="list-style-type: none"> • <i>HUF 25,000/month for part-time work (if the self-employed has another job of more than 36 hours per week, is retired, is a full-time student or is disabled and receives a public pension).</i> • <i>HUF 50,000/month for full-time self-employment.</i> • <i>HUF 75,000/month to opt for larger social benefits.</i>

			<i>Additionally, a 40% rate was applied on annual turnover exceeding the eligibility threshold (HUF 12 million).]</i>
5. Taxes covered	Taxes substituted by the regime's contribution		<ul style="list-style-type: none"> • PIT • Self-employed SSCs
	Taxes to be paid separately as a result of the business activity		<ul style="list-style-type: none"> • Employer SSCs • Tax on business cars • Local business tax
	Taxes exempted by the regime's rules		
	Taxes exempted by the tax system (rules enforced independently from the regime's scope)		VAT (if annual turnover does not exceed HUF 12 million).
5.1 Social security contributions	Contribution	Computation	Lump-sum
		Scalable over time	No
	Social benefits		Specific. The basis for calculating the social benefits to which the taxpayer is entitled (e.g. pension, health care, family allowances, etc.) is defined by law.
	Payment		Mandatory
	Single collecting body		Yes
	Co-financing from the general budget		N/A
6. Regime administration	Facilitation of taxpayer's procedures	Digital services	<ul style="list-style-type: none"> • Online registration is possible. • Payment of the regime's contribution by bank transfer. • It is compulsory to use an invoice software to transmit invoices electronically to the tax authorities.

		Simplified accounting procedures	Only the revenue has to be recorded.
		Reduced frequency of tax filing and payments	<ul style="list-style-type: none"> • Monthly payments. • No monthly reporting obligation. • Only the annual revenue has to be reported by 25 February of the year following the tax year.
		Other	N/A
	Institution responsible for the design/revision of the regime	Central administration: Ministry of Finance	
	Institution responsible for the monitoring/control of the regime	Central administration	
	Specialized unit or staff within the tax administration to monitor the target group	N/A	
7. Non-tax support instruments			N/A
8. Interaction with the standard tax system	Facilitating the transition: specific tax provisions and procedures in the standard tax system	Reduced rates	N/A
		Simplified accounting procedures	N/A
		Reduced frequency of tax filing and payments	N/A
		Other	N/A

Existence of several presumptive tax regimes		<p>Yes</p> <ul style="list-style-type: none"> • KATA • Regime for tourism activities • EKHO: Regime for professionals of certain sectors (e.g. culture, art, sports). • Besides the presumptive tax regimes, there is also a flat-rate taxation rule that establishes presumed cost deductions to determine taxable income of small businesses.
Registration in the presumptive tax regime		Voluntary
Permanence in the presumptive tax regime		<p>Unlimited, as long as the eligibility criteria are satisfied.</p> <p>Taxpayers can suspend their activity (and therefore the KATA payment) at least for one month and for a maximum of three years, and then resume the activity and suspend it again if they wish.</p>
VAT	Eligibility threshold aligned with the VAT registration threshold	No, the VAT registration threshold is set at HUF 12 million.
	Option to register to VAT and remain in the regime	<p>Yes. A VAT number is automatically granted upon registration. Taxpayers can opt to be exempt from the VAT if their annual turnover does not exceed HUF 12 million. Above this turnover threshold, taxpayers have to comply with the VAT.</p> <p>If taxpayers in the KATA regime do not wish to be registered for VAT, they need to communicate it to the tax authorities and follow this decision for at least one year (except if they exceed the VAT registration threshold later on).</p>
Existence of studies on the interaction between the presumptive tax regime and the standard tax system		N/A

Sources: <https://www.thatbudapest.life/kata-tax-in-hungary-explained> ; IBFD ; <https://helpersfinance.hu/kata-and-flat-rate-taxation-in-hungary-in-2022/> ; <https://contractortaxation.com/kata-small-business-tax-hungary/> ; <https://www.whisperingtree.hu/blog/kata-in-hungary/> ; <https://kataonline.hu/blog/en/small-business-tax-kata/> ; <https://hungarytoday.hu/kata-temized-tax-for-small-businesses-change-taxes-hungary-orban-government/>.

Italy

Country: Italy		Flat-tax regime (<i>Regime forfetario</i>)	
Year of introduction		2015	
Dates of main tax design changes		2023	
1. Target group	Number of taxpayers		1.6 million (in 2020)
	Business type	Unincorporated	Yes
		Incorporated	No
	Business size	In terms of employment	<ul style="list-style-type: none"> Self-employed with no employees Micro-businesses
		In terms of turnover	<ul style="list-style-type: none"> Micro-businesses
	Type of activity	Liberal professions	Yes
Specific sectors		No, with few exceptions.	
2. Eligibility criteria	Turnover threshold		Annual turnover from the previous year below EUR 85,000 (until 2022 the threshold was set at EUR 65,000). If the self-employed carries out different activities, the threshold refers to the overall turnover earned in the previous year.
	Type of activity / sector		Most business, professional and artistic activities are allowed. Exceptions: real estate transactions, sale of new vehicles and activities levied under special VAT or PIT regimes (e.g., agricultural and fishing activities, sale of salt and tobacco, public telephone services, publishing, entertainment, tourism-related or auctioning activities, reselling of second-hand objects, art pieces and antiques, etc.).
	Possibility to hire employees		Yes
	Other		<ul style="list-style-type: none"> Overall expenses incurred during the previous year for ancillary work, wages and remunerations

		<p>paid to collaborators, including those hired for the execution of specific tasks or projects, cannot exceed EUR 20,000.</p> <ul style="list-style-type: none"> • Not registered in a special VAT or PIT regime that uses a presumptive method to determine taxable income (find some examples of activities levied under these regimes above). • Being an Italian tax resident. Exception: tax residents in other EU or EEA countries that ensure an adequate exchange of information are also eligible in the regime if more than 75% of their income is earned in Italy. • Not having a current or former employer (during the previous two years) as the main client (or someone directly or indirectly related to this employer). • Employment income from the previous year below EUR 30,000. Exception: higher wage income from previous year is allowed when the employment relationship is terminated and no other salaries or pension income are earned. • Not owning nor managing, directly or indirectly, a company operating in the same sector of activity. Similarly, simultaneous engagement in cooperatives, professional associations or other family businesses is not allowed.
3. Type of regime		<p>Regime based on an indicator of economic activity: turnover.</p> <p>The tax base is determined by:</p> <ul style="list-style-type: none"> • adjusting turnover with a sectoral coefficient. This profitability coefficient ranges between 40% and 86% depending on the economic activity (the Law foresees 9 different groups of economic activity, see Annex 2 from Law 145/2018). • Deducting mandatory SSCs, including those paid on behalf of the employees of a family business who are tax dependant. (Other specific rules exist with respect to family businesses).
4. Tax liability		<p>Proportional tax rate that increases over time:</p> <ul style="list-style-type: none"> • 5% during the first 5 years of activity (several conditions are foreseen to make sure that taxpayers do not continuously benefit from this reduced rate). • 15% later on.
5. Taxes covered	Taxes substituted by the regime's contribution	<ul style="list-style-type: none"> • PIT • Regional and local PIT surtaxes • Regional tax on productive activities (<i>Imposta Regionale sulle Attività Produttive, IRAP</i>)

	Taxes to be paid separately as a result of the business activity	<ul style="list-style-type: none"> • SSCs • Income tax withholdings on employees or collaborators. 	
	Taxes exempted by the regime's rules	<ul style="list-style-type: none"> • VAT 	
	Taxes exempted by the tax system (rules enforced independently from the regime's scope)		
5.1 Social security contributions	Contribution	Computation	Proportional rates applied to the tax base defined in section 3 (turnover*sectoral coefficient). Contribution rates vary depending on the type of activity and minimum contribution floors apply. Self-employed registered in the regime that carry out commercial or artisan activities have a 35% reduction in their SSCs.
		Scalable over time	No
	Social benefits	N/A	
	Payment	Mandatory	
	Single collecting body	No	
	Co-financing from the general budget	N/A	
	6. Regime administration	Facilitation of taxpayer's procedures	Digital services
Simplified accounting procedures			<ul style="list-style-type: none"> • No book-keeping requirements (except if non-tax Laws require it). • Invoices and customs receipts must be kept.
Reduced frequency of			<ul style="list-style-type: none"> • Annual income tax filing.

		tax filing and payments	
		Other	<p>Electronic invoices are mandatory from 1st July 2022 if the previous year's turnover exceeds EUR 25,000. Electronic invoicing is also mandatory when operating with the public administration. From 1st January 2024, the issuing of electronic invoices will be mandatory for all taxpayers.</p> <p>The regime currently foresees an incentive for taxpayers who exclusively issue electronic invoices: the period for initiating auditing procedures by the tax administration gets reduced from 5 to 4 years.</p>
	Institution responsible for the design/revision of the regime		Central administration
	Institution responsible for the monitoring/control of the regime		Central administration
	Specialized unit or staff within the tax administration to monitor the target group		N/A
7. Non-tax support instruments			N/A
8. Interaction with the standard tax system	Facilitating the transition: specific tax provisions and procedures in the standard tax system	Reduced rates	N/A
		Simplified accounting procedures	N/A
		Reduced frequency of tax filing and payments	N/A
		Other	N/A
	Existence of several		No. There is a simplified regime with respect to accounting procedures, but it does not substitute any tax

	presumptive tax regimes	and does not foresee reduced tax rates, hence it should not be considered as a presumptive tax regime. On the other hand, there are sector-specific presumptive rules to determine taxable income within the PIT.
	Registration in the presumptive tax regime	Voluntary. If taxpayers opt to comply with the standard tax system, they have to follow this option for at least 3 consecutive years.
	Permanence in the presumptive tax regime	Unlimited, as long as the eligibility criteria are satisfied. If any eligibility criterion is no longer satisfied, exclusion from the regime will take place the following year. If the turnover exceeds EUR 100,000, the exclusion from the regime takes place the same year, and the VAT is due on the operations made after exceeding the threshold.
VAT	Eligibility threshold aligned with the VAT registration threshold	No, there is no VAT registration threshold.
	Option to register to VAT and remain in the regime	Yes
	Existence of studies on the interaction between the presumptive tax regime and the standard tax system	Report on tax evasion (in Italian) containing information also on the presumptive tax regime, available at the following link: https://www.finanze.it/export/sites/finanze/.galleries/Documenti/Varie/Relazione-sulleconomia-non-osservata-e-sullevasione-fiscale-e-contributiva-anno-2022.pdf

Sources: <https://www.agenziaentrate.gov.it/portale/web/guest/regime-forfettario-le-regole-2020-infogen-regime-forfettario-le-regole-2020->; <https://www.mef.gov.it/ufficio-stampa/comunicati/2021/Analisi-e-statistiche-sulle-dichiarazioni-fiscali-2020-Indici-Sintetici-di-Affidabilita-fiscale-Irpef-titolari-di-partita-lva-e-per-reddito-prevalente/>; IBFD; <https://taxing.it/small-taxpayers-flat-rate-tax-regime/>; <https://fiscomania.com/contributi-inps-regime-forfettario/>; <https://www.oecd-ilibrary.org/docserver/9789264243507-en.pdf?expires=1643797088&id=id&accname=ocid84004878&checksum=59F0D39684681C45501B4029B2B1A6DD>

Mexico

Country: Mexico		Fiscal Integration Regime (<i>Régimen de Incorporación Fiscal, RIF</i>)	Simplified Trust Regime (<i>Régimen simplificado de confianza, RESICO</i>)	
Year of introduction		2014	2022	
Dates of main tax design changes		2015, 2017, 2020, 2021 In 2021 the RIF was repealed from the Law, prevailing only for those taxpayers already registered that chose to remain in the regime until the 10-year eligibility period is completed.		
1. Target group	Number of taxpayers	4.30 million (in December 2014, introduction year) 3.48 million (in December 2021, last year fully in place) 1.052 million (in December 2022, transitional period).	Unincorporated businesses: 2,631,381 (December 2022) Incorporated businesses: 186,348 (December 2022)	
	Business type	Unincorporated	Yes	
		Incorporated	No	
	Business size	In terms of employment	<ul style="list-style-type: none"> No limit on employment. 	<ul style="list-style-type: none"> No limit on employment.
		In terms of turnover	<ul style="list-style-type: none"> Micro-businesses 	<ul style="list-style-type: none"> Micro-businesses Small businesses (only if incorporated) Medium-sized businesses (only if incorporated)
	Type of activity	Liberal professions	No	Yes
Specific sectors		Yes	Yes	
2. Eligibility criteria	Turnover threshold	Gross annual income below MXN 2 million. Besides business earnings, this income might include labour income, property rents, interests and, until 2019, income earned through digital platforms by the business owner.	Unincorporated businesses: gross annual income from the previous year below MXN 3.5 million. Besides business earnings, this income might include labour income and interests earned by the business owner.	

			Incorporated businesses: gross annual income from the previous year below MXN 35 million (current year for starting activities).
Type of activity / sector	<ul style="list-style-type: none"> • Retail sales (grocery, bakery, stationery, butchery, market vendor, take-away food, etc.). • Services that do not require qualification. • Construction and mining. 		<p>Unincorporated businesses All business and professional activities are allowed, including agricultural, livestock, forestry and fishing activities and property rental activities. However, individuals carrying out activities with the intermediation of digital platforms are excluded.</p> <p>Incorporated businesses The regime excludes the primary sector.</p>
Possibility to hire employees	Yes, with no limit		Yes, with no limit
Other	<ul style="list-style-type: none"> • Individuals with co-ownership activities can register if the aggregated business income of all members does not exceed MXN 2 million. • If individuals earn income through digital platforms, they can register in the regime but they cannot use it to declare this source of income. • Individuals cannot register in the regime if: <ul style="list-style-type: none"> ○ They are shareholders, business associates or other company-related parties (except if they are partners of non-profit entities and do not receive residual retained earnings or they are members of savings funds, savings banks, cooperative savings or loan societies). ○ They develop property-investment or financial activities. ○ They obtain income from mediation, agency, representation, brokerage, consignment, or distribution activities and more than 30% of their 		<p>Taxpayers willing to register must be up to date with tax payments, cannot appear in the “invoice or activity falsification” list published by the tax administration, have to issue electronic invoices and hold an electronic signature and have to enable the online notification and communication channel with the tax administration.</p> <p>Incorporated entities:</p> <ul style="list-style-type: none"> • Can only register in the regime if they are tax residents in Mexico and their partners or shareholders are natural persons. • Cannot register in the regime if: <ul style="list-style-type: none"> ○ One of the shareholders or business associates holds or is involved in the management of other companies. ○ Operate through trusts or joint venture partnership. ○ They are producer cooperatives or non-profit entities. ○ They are levied under special regimes (e.g. regime for corporate groups, for agricultural, livestock and fishing

		<p>income comes from commissions.</p> <ul style="list-style-type: none"> ○ They carry out activities related to public shows or franchises. ○ They operate through trusts. 	<p>activities, for financial companies).</p> <p>Natural persons:</p> <ul style="list-style-type: none"> ● Cannot register in the regime if they: <ul style="list-style-type: none"> ○ Are shareholders, business associates or other company-related parties (except if they are partners of non-profit entities and do not receive residual retained earnings, or they are members of savings funds, savings banks, cooperative savings or loan societies, or they are members of agricultural, farming or fishing cooperatives). ○ Are non-tax residents with one or more establishments in the country. ○ Earn income taxed in preferential regimes (for instance, non-taxed foreign income or tax incentives applied in border zones). Unincorporated businesses taxed under RESICO cannot simultaneously apply other tax benefits or incentives. ○ Earn the following types of income (which are categorized as “assimilated labour income”): board remuneration, fees recurrently received from a company for services provided in the company’s premises, business fees received from a company or a self-employed when there is a written statement to be levied as a labour income earner.
<p>3. Type of regime</p>		<p>Regime based on indicators of economic activity. The indicator differs depending on the tax substituted by the regime.</p> <ul style="list-style-type: none"> ● For the income tax (<i>Impuesto sobre la Renta</i>): <ul style="list-style-type: none"> ○ The tax base is the net income computed on a cash basis. ○ This net income is computed as: Earnings effectively received – deductible costs foreseen in the legislation needed to obtain the 	<p>Unincorporated businesses: Regime based on turnover effectively collected, without including value-added tax.</p> <p>Incorporated businesses: Regime based on an approximated net income.</p> <ul style="list-style-type: none"> ● This net income is computed as: Turnover effectively earned – deductible costs – statutory employees’ profit sharing – carried-forward losses. ● This regime considers a cash basis accounting method instead of the accrual basis considered in the standard

	<p>earnings – asset acquisitions – statutory employees' profit sharing – carried-forward losses.</p> <ul style="list-style-type: none"> • For the VAT and the excise tax (<i>Impuesto Especial sobre Producción y Servicios, IEPS</i>): the tax base is turnover computed on a cash basis. 	<p>regime.</p> <ul style="list-style-type: none"> • Deductible costs are: <ul style="list-style-type: none"> i) Inputs, commodity purchases and other business expenditures. ii) Sales returns or discounts applied by the taxpayer to issued invoices previously considered as income. iii) Investment depreciation. The depreciation allowance can be computed with accelerated depreciation rates, compared to the standard regime, if the annual investment costs do not exceed MXN 3 million. The investment exceeding this threshold is depreciated by applying the standard depreciation rate according to the type of asset under consideration. iv) Interests paid, as long as they are related to the economic activity. iv) Employer social security contributions. v) Employee voluntary retirement contributions and seniority premiums paid by the employer. 																					
<p>4. Tax liability</p>	<p>For the income tax: progressive rates.</p> <p>For the VAT and the excise tax IEPS: Differentiated rates depending on the type of activities or products.</p> <p>Detailed information:</p> <p>Income tax: The standard progressive tax rates are applied to bimonthly net income. There are 11 tax brackets and tax rates range between 1.92% and 35%. The taxpayer benefits from a 100% reduction in the tax liability during the first year of registration in the regime. This reduction decreases by 10 percentage points every year until no</p>	<p>Unincorporated businesses: differentiated rates. Tax rates vary according to 5 turnover brackets and range between 1% and 2.5%. The corresponding rate is levied on total income, not on marginal income.</p> <table border="1" data-bbox="1361 1070 1877 1297"> <thead> <tr> <th colspan="2">Amount of income (without including VAT) MXN\$</th> <th>Rate</th> </tr> <tr> <th>Monthly</th> <th>Annual</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Up to 25,000</td> <td>Up to 300,000</td> <td>1.0</td> </tr> <tr> <td>Up to 50,000</td> <td>Up to 600,000</td> <td>1.1</td> </tr> <tr> <td>Up to 83,333</td> <td>Up to 1,000,000</td> <td>1.5</td> </tr> <tr> <td>Up to 25,000</td> <td>Up to 2,500,000</td> <td>2.0</td> </tr> <tr> <td>Up to 3,500,000</td> <td></td> <td>2.5</td> </tr> </tbody> </table>	Amount of income (without including VAT) MXN\$		Rate	Monthly	Annual	%	Up to 25,000	Up to 300,000	1.0	Up to 50,000	Up to 600,000	1.1	Up to 83,333	Up to 1,000,000	1.5	Up to 25,000	Up to 2,500,000	2.0	Up to 3,500,000		2.5
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	<p>reduction is granted. (Exceptionally there was a 100% reduction both in 2014 and 2015 for taxpayers that registered in 2014 when the regime was implemented).</p> <p>Since 2017 taxpayers can choose between two alternatives on how to proceed with bimonthly payments for the income tax: a) computing the bimonthly net income as detailed above and applying the corresponding rates and reductions; b) applying the corresponding rates and reductions to a provisional tax base, which is computed by applying a “profit” factor based on last year income to the accumulated earnings of the current year. In this case, the payments made will not be final, but just pre-payments, and an annual tax return will have to be filed to compute the final tax liability.</p> <p>VAT: There is a distinction depending on whether standard invoices have been issued. Special rules only apply for simplified invoice issuing situations (case 1 below).</p> <p><u>Case 1:</u> sales or services provided to final consumers with simplified invoicing (aggregate rather than individual VAT invoicing and collection).</p> <p>The tax base is turnover effectively received every two months.</p> <p>The tax rate depends on the activity developed: 8% for services, restaurants and mining activities; 2% for retailing and the rental of movable assets; 6% for industry and construction; and 0% for activities exclusively related to food or medicine sales. If the taxpayer carries out activities from different categories, the tax rates of the predominant activity will be applied.</p>	<p>The income invoiced to incorporated businesses is subject to a withholding tax of 1.25%.</p> <p>With the exception of 2022, taxpayers have to make monthly pre-payments based on the turnover received during that period.</p> <p>Incorporated businesses: proportional rate (30%, same as the standard regime).</p> <p>There are some tax credits that can be applied to the annual tax liability:</p> <ul style="list-style-type: none"> - Monthly pre-payments (see below). - Tax credits on foreign income taxes foreseen in the Income Tax Law. - Tax credits for dividend distributions foreseen in the Income Tax Law. <p>Incorporated businesses have to make monthly pre-payments based on the net income received since the beginning of the year. A 30% rate is applied. The net income is defined as detailed in the preceding box. Previous pre-payments made during the year and income tax withholdings can be credited from the pre-payment amount.</p>
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On the presumed VAT payment, the taxpayer benefits from a 100% reduction in the tax liability during the first year of registration in the regime. This reduction decreases by 10 percentage points every year until no reduction is granted. (Exceptionally there was a 100% reduction both in 2014 and 2015 for taxpayers that registered in 2014 when the regime was implemented).

The reduction will be of 100% during the 10-year period for taxpayers whose annual turnover has not exceeded MXN 300,000.

Case 2: sales and services with standard invoice issuing (individual and separate VAT invoicing and collection). The standard VAT rules apply. The right to credit the input VAT paid by the taxpayer will be proportional to the following share: standard issued invoices over total turnover.

The VAT tax liability to be paid to the tax administration will be the sum of the amounts resulting from cases 1 and 2.

Excise tax IEPS:

There is a distinction depending on whether standard invoices have been issued. Special rules only apply for simplified invoice issuing situations (case 1 below).

Case 1: sales or services provided to final consumers with simplified invoicing (aggregate rather than individual IEPS invoicing and collection).

The tax base is bimonthly turnover effectively received from sales to final consumers of the following products: high caloric food, alcoholic beverages, flavoured beverages, tobacco, cigars and pesticides.

		<p>Tax rates vary depending on the type of product and range between 1% (high caloric food) and 120% (tobacco).</p> <p>On the presumed excise payment, the taxpayer benefits from a 100% reduction in the tax liability during the first year of registration in the regime. This reduction decreases by 10 percentage points every year until no reduction is granted. (Exceptionally there was a 100% reduction both in 2014 and 2015 for taxpayers that registered in 2014 when the regime was implemented).</p> <p>The reduction will be of 100% during the 10-year period for taxpayers whose annual turnover has not exceeded MXN 300,000.</p> <p><u>Case 2:</u> sales with standard invoice issuing (individual and separate IEPS invoicing and collection). The standard excise tax rules apply. The right to credit the input excise tax paid by the taxpayer will be proportional to the following share: standard issued invoices over total excisable turnover.</p> <p>The excise tax liability to be paid to the tax administration will be the sum of the amounts resulting from cases 1 and 2.</p>	
<p>5. Taxes covered</p>	<p>Taxes substituted by the regime's contribution</p>	<ul style="list-style-type: none"> • PIT • VAT (although it is not fully substituted as explained above). • Excise tax IEPS (although it is not fully substituted as explained above). 	<p>Taxes substituted by the regime:</p> <ul style="list-style-type: none"> • CIT and PIT with respect to business income (in Mexico there is a unique Income Tax Law that is applied to individuals and corporations). <p>Taxes included in the regime's tax filing but not substituted by the regime:</p> <ul style="list-style-type: none"> • VAT: VAT returns are filed monthly through the regime's application and they involve final tax payments, i.e. there is

			no annual return. VAT is calculated in accordance with standard VAT rules.
	Taxes to be paid separately as a result of the business activity	<ul style="list-style-type: none"> • SSCs, with reduced rates if the employee/employer had not made social security contributions during the 24 months preceding the regime's registration. See section 5.1 for further information. • PIT for the income sources not included in the regime (e.g. labour income, property rents, interests or income obtained through digital platforms). • Remaining taxes levied in the tax system. 	<ul style="list-style-type: none"> • SSCs. • PIT with respect to labour income and interests earned, if any. (Registered individuals are allowed to receive these other two types of income besides business income). • Excise taxes. • Remaining taxes levied in the tax system.
	Taxes exempted by the regime's rules	Registered taxpayers are exempt from the VAT and excise tax payments as long as they only provide goods or services to final consumers with simplified invoicing and the annual turnover from the previous year does not exceed MXN 300,000.	Individuals who are dedicated exclusively to agricultural, livestock, forestry, or fishing activities are exempted from the income tax if the annual turnover does not exceed MXN 900,000. When the income exceeds MXN 900,000, the exemption is lost.
	Taxes exempted by the tax system (rules enforced independently from the regime's scope)		
5.1 Social security contributions	Contribution	<p>Proportional rate.</p> <p>The legislation foresees reductions on the employer and employee contributions to the Social security mandatory regime for taxpayers registered in RIF and their employees (see next column for further information on Social security contributions of the mandatory regime). The reductions decrease over time and are limited to a maximum contribution base (up to 3 times the minimum wage).</p>	<p>Social security in Mexico comprises a mandatory and a voluntary regime.</p> <p>The mandatory regime is applicable to employed individuals as well as to self-employed workers who voluntarily choose to join the mandatory regime and comply with certain conditions.</p> <p>Employees (mandatory regime): Proportional rates The base is the employee's earnings (daily salary increased by any additional payment in cash or in kind). The base is lower- and upper-bounded.</p>

			<p>The contribution rates are the following:</p> <ul style="list-style-type: none"> • Disability and life insurance contributions: 1.75 % (0.625 %) paid by the employer (employee). • Occupational risk, health and maternity contributions: up to 22.2 % (0.65 %) paid by the employer (employee). • Pension fund contributions: 1.05 % (0.375 %) paid by the employer (employee). • Unemployment and old age contributions: 3.15 % (1.125 %) paid by the employer (employee). • Retirement contributions: 2% paid by the employer. • Day care: 1% paid by the employer. • Additionally, employers have to pay a payroll tax levied by Mexican States that ranges between 1% and 3%, and a 5% payroll contribution to the National Employee's Housing Fund Institute to finance the construction of low-cost housing units. <p>Self-employed: Lump-sum amount</p> <p>Self-employed individuals can voluntarily opt to contribute to the mandatory regime (detailed above) if some conditions are met. Alternatively, they can register to the voluntary regime, which grants health and maternity insurance. The voluntary regime is applicable to the nuclear family and the contributions depend on the number of household members to be insured and the age of each member.</p>
	Scalable over time	Yes. There is a 50% reduction on the SSCs during the first two years of registration in the regime. This reduction decreases by 10 percentage points every two years until no reduction is granted. (Exceptionally there was a 50% reduction in 2014, 2015 and 2016 for taxpayers that registered in 2014 when the regime was implemented).	<p>Not generally (for the mandatory regime).</p> <p>However, in January 2021 a reform of the pension system came into effect, with a transition period of 10 years. The Social Security Law was amended to increase the percentage of employer contributions to the Severance at Advanced Age and Old Age Insurance (SCV) fund.</p>

			<p>The employer SCV contribution will gradually increase in 2023 and for 7 additional years. The contribution rate increases with the base contribution salary and over the transition period (see table below). In 2030 the employer SCV contribution rate will range from 3.150% to 11.875%.</p> <table border="1"> <thead> <tr> <th>Base salary of contribution</th> <th>2023</th> <th>2024</th> <th>2025</th> <th>2026</th> <th>2027</th> <th>2028</th> <th>2029</th> <th>2030</th> </tr> </thead> <tbody> <tr> <td>1.0 minimum wage (MG)</td> <td>3.150%</td> <td>3.150%</td> <td>3.150%</td> <td>3.150%</td> <td>3.150%</td> <td>3.150%</td> <td>3.150%</td> <td>3.150%</td> </tr> <tr> <td>From 1.01 (MW) to 1.5 Units of measurement and update (UMA)</td> <td>3.281%</td> <td>3.431%</td> <td>3.544%</td> <td>3.676%</td> <td>3.807%</td> <td>3.939%</td> <td>4.070%</td> <td>4.202%</td> </tr> <tr> <td>From 1.51 to 2.00 (UMA)</td> <td>3.575%</td> <td>4.000%</td> <td>4.426%</td> <td>4.851%</td> <td>5.276%</td> <td>5.701%</td> <td>6.126%</td> <td>6.552%</td> </tr> <tr> <td>From 2.01 to 2.50 (UMA)</td> <td>3.751%</td> <td>4.353%</td> <td>4.954%</td> <td>5.556%</td> <td>6.157%</td> <td>6.759%</td> <td>7.360%</td> <td>7.962%</td> </tr> <tr> <td>From 2.51 to 3.00 (UMA)</td> <td>3.869%</td> <td>4.588%</td> <td>5.307%</td> <td>6.026%</td> <td>6.745%</td> <td>7.464%</td> <td>8.183%</td> <td>8.902%</td> </tr> <tr> <td>From 3.01 to 3.50 (UMA)</td> <td>3.953%</td> <td>4.756%</td> <td>5.559%</td> <td>6.361%</td> <td>7.164%</td> <td>7.967%</td> <td>8.770%</td> <td>9.573%</td> </tr> <tr> <td>From 3.51 to 4.00 (UMA)</td> <td>4.016%</td> <td>4.882%</td> <td>5.747%</td> <td>6.613%</td> <td>7.479%</td> <td>8.345%</td> <td>9.211%</td> <td>10.077%</td> </tr> <tr> <td>From 4.01 (UMA) onwards</td> <td>4.241%</td> <td>5.331%</td> <td>6.422%</td> <td>7.513%</td> <td>8.603%</td> <td>9.694%</td> <td>10.784%</td> <td>11.875%</td> </tr> </tbody> </table> <p>The voluntary regime contributions increase with age.</p>	Base salary of contribution	2023	2024	2025	2026	2027	2028	2029	2030	1.0 minimum wage (MG)	3.150%	3.150%	3.150%	3.150%	3.150%	3.150%	3.150%	3.150%	From 1.01 (MW) to 1.5 Units of measurement and update (UMA)	3.281%	3.431%	3.544%	3.676%	3.807%	3.939%	4.070%	4.202%	From 1.51 to 2.00 (UMA)	3.575%	4.000%	4.426%	4.851%	5.276%	5.701%	6.126%	6.552%	From 2.01 to 2.50 (UMA)	3.751%	4.353%	4.954%	5.556%	6.157%	6.759%	7.360%	7.962%	From 2.51 to 3.00 (UMA)	3.869%	4.588%	5.307%	6.026%	6.745%	7.464%	8.183%	8.902%	From 3.01 to 3.50 (UMA)	3.953%	4.756%	5.559%	6.361%	7.164%	7.967%	8.770%	9.573%	From 3.51 to 4.00 (UMA)	4.016%	4.882%	5.747%	6.613%	7.479%	8.345%	9.211%	10.077%	From 4.01 (UMA) onwards	4.241%	5.331%	6.422%	7.513%	8.603%	9.694%	10.784%	11.875%
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Social benefits	Same as the standard regime	<p>Depend on the social security regime chosen:</p> <ul style="list-style-type: none"> • Mandatory regime: standard social benefits. • Voluntary regime (available to self-employed): health and maternity insurance. 																																																																																		
Payment	<p>Partially mandatory:</p> <ul style="list-style-type: none"> • The contribution is optional for the self-employed. • The contribution is mandatory with respect to employees. 	<p>Partially mandatory:</p> <ul style="list-style-type: none"> • The contribution is optional for the self-employed. • The contribution is mandatory with respect to employees. 																																																																																		
Single collecting body	No	No																																																																																		
Co-financing from the general budget	Compulsory Social Security contributions are financed on a tripartite basis. A percentage is paid by the employer, another percentage is covered by the worker, and the government makes a contribution from the budget.	Compulsory Social Security contributions are financed on a tripartite basis. A percentage is paid by the employer, another percentage is covered by the worker, and the government makes a contribution from the budget.																																																																																		

6. Regime administration	Facilitation of taxpayer's procedures	Digital services	<p>An application named <i>Mis cuentas</i> was developed for the regime. This App allows the taxpayer to:</p> <ul style="list-style-type: none"> • Issue and submit electronic invoices. • Keep accounting records of receipts and expenses. • Use the information registered in the App to file and submit the tax returns. <p>The tax administration provided training courses and informative sessions about the functioning of « <i>mis cuentas</i> ».</p>	<ul style="list-style-type: none"> • Pre-filled online tax returns with the information available to the tax administration: both issued and paid electronic invoices, payrolls, tax features from previous tax returns (e.g. carryover of losses or tax incentives) and income tax pre-payments. • Possibility to make online payments. • The issuing of electronic invoices is mandatory. The tax administration provides free access to systems for issuing e-invoices. • Possibility to chat online with the tax administration to ask questions.
		Simplified accounting procedures	<ul style="list-style-type: none"> • Simplified cash-based accounting is allowed. • Taxpayers have to provide to the tax administration simplified information on the income received and the expenditures and costs paid every two months. This information can be provided through the App « <i>mis cuentas</i> ». 	<ul style="list-style-type: none"> • Unincorporated businesses do not have to keep book records, except for those required when liable to VAT. • Incorporated businesses do not have to submit electronic book records nor monthly accounting records.
		Reduced frequency of tax filing and payments	<p>Bimonthly tax filing and payments (for the presumed income tax, the VAT and the excise tax). These bimonthly tax payments are definitive, except for the income tax if taxpayers choose to pay pre-payments according to a profit factor and then submit an annual income tax return. (In contrast, under the standard tax system tax payments are made monthly and are treated as pre-payments).</p>	<p>Unincorporated and incorporated businesses:</p> <ul style="list-style-type: none"> • Monthly payments and an annual income tax return to be submitted in March (for incorporated businesses) or April (for unincorporated businesses) of the following year. Exceptionally for 2022, monthly pre-payments were not compulsory for unincorporated businesses. • Registered taxpayers are exempted from filing an informative form on third-party transactions.

	Other	<ul style="list-style-type: none"> • Taxpayers do not have to issue electronic invoices when final consumers do not request them (printed receipts should be issued still). In these cases, they are allowed to issue a single electronic invoice that reflects the 2-month global sales amount. This global electronic invoice has then to be submitted to the tax administration (it is possible to do it through the App « mis cuentas »). The global invoice has to include the amounts corresponding to the VAT and the excise tax separately, computed following the <i>case 1</i> procedures described in section 4. • There is no obligation for RIF taxpayers to issue printed receipts if clients do not request them and the price does not exceed MXN 250. • Purchases exceeding MXN 5,000 need to be paid electronically or by cheque. • Registered taxpayers living in rural areas might be exempt from electronic payments and online filing obligations. 	<ul style="list-style-type: none"> • In the case of unincorporated businesses, they are exempt from issuing electronic invoices to final consumers if clients do not request them (printed receipts should be issued still). In these cases, unincorporated businesses are allowed to issue a single electronic invoice that reflects the global sales amount per day, week or month (they can choose the frequency). This global electronic invoice has then to be submitted to the tax administration. The global invoice has to include the amounts corresponding to the VAT and the excise tax separately. • There is no obligation for unincorporated businesses to issue printed receipts if clients do not request them and the price does not exceed MXN 100.
	Institution responsible for the design/revision of the regime	Central administration	Central administration
	Institution responsible for the monitoring/control of the regime	Central administration	Central administration
	Specialized unit or staff within the tax administration to monitor the target group	Until 2021, SAT had a specific area for the control of the RIF.	N/A
7. Non-tax support instruments		<ul style="list-style-type: none"> • Loan facilities from the development bank for registered taxpayers. • Registered entrepreneurs and their employees have access to housing (federal agency for workers' housing 	Individuals who are dedicated exclusively to agricultural, livestock, forestry, or fishing activities are allowed to receive financial support from central, regional or local governments and associations (although the support is not provided through

			<p>(<i>INFONAVIT</i>) and consumer credits (federal agency for workers' consumption (<i>INFONACOT</i>)).</p> <ul style="list-style-type: none"> • Trainings offered by the tax authority. • Financial aid granted by the development bank <i>Nacional Financiera</i>. 	the regime). The financial support received will be excluded from the MXN 3.5 million income eligibility threshold.
8. Interaction with the standard tax system	Facilitating the transition: specific tax provisions and procedures in the standard tax system	Reduced rates	N/A	No
		Simplified accounting procedures	N/A	No
		Reduced frequency of tax filing and payments	N/A	No
		Other	N/A	No
	Existence of several presumptive tax regimes	<p>RIF and RESICO.</p> <p>Simultaneous registration to RIF and RESICO is not possible.</p> <p>Transition to RESICO: Registered taxpayers can remain in the RIF regime until expiring the eligibility period (generally 10 years). If taxpayers did not express their will to remain in the RIF regime before February 2022, they have been automatically registered to RESICO regime (or the standard regime if they do not satisfy RESICO's eligibility criteria).</p>	<p>RIF and RESICO.</p> <p>Simultaneous registration to RIF and RESICO is not possible.</p> <p>Transition from RIF:</p> <ul style="list-style-type: none"> • RIF taxpayers transitioning to RESICO are allowed to carry forward tax credits and losses generated under the RIF regime. These pending amounts need to be applied in the 2022 tax return; they expire afterwards. • Taxpayers registered in RIF who exceed the regime's income eligibility threshold will be able to register to RESICO. 	
Registration in the presumptive tax regime	<p>Voluntary.</p> <p>When taxpayers exit the regime they cannot return.</p>	<p>For unincorporated businesses: voluntary.</p> <p>Taxpayers levied under the standard regime willing to register to the simplified regime should notify it to the tax administration before January 31st.</p>		

			<p>In the absence of a notification, the tax administration might automatically register those taxpayers whose 2021 turnover was below the eligibility threshold.</p> <p>For incorporated businesses (that satisfy the eligibility criteria): mandatory.</p>
	Permanence in the presumptive tax regime	Limited: 10 years.	<p>Unlimited, as long as the eligibility criteria are satisfied.</p> <p>Taxpayers who no longer meet the eligibility criteria will be levied under the standard tax system in the following fiscal year.</p> <p>Unincorporated businesses:</p> <p>When excluded from the regime due to the surpass of the income eligibility threshold or due to taxpayer's choice, it is possible to return to the simplified regime if the eligibility criteria are satisfied again. On the contrary, if registered taxpayers do not fulfil the regime's obligations, they will be excluded from the simplified regime and levied under the standard tax system without the possibility to return to the simplified regime.</p> <p>Incorporated businesses:</p> <p>Entities that no longer satisfy the eligibility criteria and exit the RESICO regime are not allowed to return to this simplified regime.</p>
VAT	Eligibility threshold aligned with the VAT registration threshold	There is no general VAT registration threshold. However, the RIF eligibility threshold (MXN 2 million) acts as an implicit VAT threshold, as RIF taxpayers might be exempt from standard VAT compliance.	No, there is no VAT threshold.

	Option to register to VAT and remain in the regime	Yes Taxpayers might opt to register in the RIF regime for income tax purposes only. In this case, they must file bimonthly VAT returns applying the standard procedure.	Not applicable, registered taxpayers are liable to the VAT.
	Existence of studies on the interaction between the presumptive tax regime and the standard tax system	Yes: (Azuara et al., 2019 ^[21]) (Hsieh and Olken, 2014 ^[24])	No

Note: The Mexican Ministry of Finance considers that the *Régimen Simplificado de Confianza* (RESICO) that applies to incorporated businesses is not a presumptive regime, since its main objective is to simplify the Income tax compliance by defining a tax base determined according to cash-basis instead of accrual accounting methods, as well as to encourage investment by setting higher depreciation rates than those foreseen under the standard income tax regime. However, this simplified tax regime has been included in this working paper to provide a comprehensive overview of the new RESICO regime enforced in Mexico since 2022, which focuses on two groups of taxpayers: 1) unincorporated businesses and 2) incorporated businesses.

Sources:

- **For the RIF (Régimen de Incorporación Fiscal):** (OECD, 2015^[25]) ; (ILO, 2021^[5]) ; (IDB, 2009^[11]) ; (Azuara et al., 2019^[21]) ; (Dougherty, 2015^[26]) ; [Régimen de Incorporación Fiscal - Consultas de orientación - Portal de trámites y servicios - SAT](#) ; https://www.dof.gob.mx/nota_detalle.php?codigo=5415876&fecha=18/11/2015#gsc.tab=0 ; https://www.diputados.gob.mx/LeyesBiblio/ref/lisr/LISR_orig_11dic13.pdf ; https://www.diputados.gob.mx/LeyesBiblio/ref/lisr/LISR_ref01_18nov15.pdf ; https://www.diputados.gob.mx/LeyesBiblio/ref/lisr/LISR_ref02_30nov16.pdf ; https://www.diputados.gob.mx/LeyesBiblio/ref/lisr/LISR_ref03_09dic19.pdf ; [Régimen de Incorporación Fiscal - Consultas de orientación - Portal de trámites y servicios - SAT](#) ; https://dof.gob.mx/nota_detalle.php?codigo=5339725&fecha=08/04/2014#gsc.tab=0 ; https://dof.gob.mx/nota_detalle.php?codigo=5385026&fecha=11/03/2015#gsc.tab=0 ; <https://www.cefp.gob.mx/publicaciones/documento/2015/mayo/cefp0102015.pdf> ; <http://www.finanzas.gob.mx/contenido/2020/Tramites/RIF.pdf> ; Rule 2.7.1.21 in https://www.dof.gob.mx/nota_detalle.php?codigo=5639466&fecha=27/12/2021#gsc.tab=0 ; http://omawww.sat.gob.mx/RegimenSimplificadodeConfianza/Paginas/documentos/Preguntas_frecuentes_RSC_PF.pdf ; <https://losimpuestos.com.mx/regimen-de-incorporacion-fiscal/#/Infografia-Resumen-del-Regimen-de-Incorporacion-Fiscal> ; IBFD.
- **For the RESICO (Régimen simplificado de confianza):** <http://omawww.sat.gob.mx/RegimenSimplificadodeConfianza/Paginas/index.html> ; http://omawww.sat.gob.mx/RegimenSimplificadodeConfianza/Paginas/documentos/Preguntas_frecuentes_RSC_PF.pdf ; http://omawww.sat.gob.mx/RegimenSimplificadodeConfianza/Paginas/documentos/Preguntas_frecuentes_RSC_PM.pdf ; <https://www.diputados.gob.mx/LeyesBiblio/pdf/LISR.pdf> ; <https://www.youtube.com/watch?v=uVvhRmSh4L8> ; Rules 2.7.1.21 and 3.13.19 in https://www.dof.gob.mx/nota_detalle.php?codigo=5639466&fecha=27/12/2021#gsc.tab=0 ; SAT Tax and Management Report for the fourth quarter of 2022; IBFD.

South Africa

Country: South Africa		Turnover tax regime	
Year of introduction		2009	
Dates of main tax design changes		2014	
1. Target group	Number of taxpayers		N/A
	Business type	Unincorporated	Yes
		Incorporated	Yes (companies and cooperatives)
	Business size	In terms of employment	<ul style="list-style-type: none"> No limit on employment
		In terms of turnover	<ul style="list-style-type: none"> Micro-businesses
	Type of activity	Liberal professions	No
		Specific sectors	No
2. Eligibility criteria	Turnover threshold		Annual turnover below ZAR 1 million.
	Type of activity / sector		The regime is not limited to specific sectors.
	Possibility to hire employees		Yes
	Other		Registration in the regime is not allowed if: <ul style="list-style-type: none"> A person holds any shares or has any interest in the equity of a company (some exceptions apply). More than 20% of a natural person's turnover comes from rendering a professional service. More than 20% of a company's turnover comes from investment income and income from rendering a professional service.

		<ul style="list-style-type: none"> • The business is qualified as a personal service provider or a labour broker (i.e. employee leasing). • Income received from capital mainly used for business purposes, other than financial instruments, exceeds ZAR 1.5 million over a 3-year period (current and the two preceding years). • In the case of a company: <ul style="list-style-type: none"> ○ Its year of assessment ends on a date other than the last day of February. ○ Any of its holders is not a natural person. ○ Any of its holders hold other shares or have any interest in the equity of another company (some exceptions apply). ○ It has the following form: public benefit organisation, recreational club, association, small business funding entity. • In the case of partnership members: <ul style="list-style-type: none"> ○ Any of the partners in that partnership is not a natural person. ○ They are a partner in more than one partnership. ○ The turnover of the partnership exceeds the eligibility threshold.
3. Type of regime		Regime based on an indicator of economic activity: taxable turnover (when computing taxable turnover, specific rules are foreseen with respect to particular sources of income such as investment income or income received by a “connected person”).
4. Tax liability		Progressive tax rates applied on turnover: <ul style="list-style-type: none"> • From 0 to ZAR 335,000: 0% • From ZAR 335,001 to ZAR 500,000: 1% on turnover exceeding ZAR 335,000. • From ZAR 500,001 to ZAR 750,000: ZAR 1,650 + 2% on turnover exceeding ZAR 500,000. • Over ZAR 750,000: ZAR 6,650 + 3% on turnover exceeding ZAR 750,000.
5. Taxes covered	Taxes substituted by the regime’s contribution	<ul style="list-style-type: none"> • Income Tax (PIT/CIT) • Income tax pre-payments (provisional tax) • Capital Gains Tax • Dividends Tax • VAT

		<ul style="list-style-type: none"> • Skills development tax (payroll tax). • Unemployment Insurance Fund (UIF) contributions. • Withholding tax on employees (PAYE). • VAT if voluntary registration in the standard VAT regime is made. <p>Businesses registered in the regime have the possibility to pay these taxes every 6 months.</p>	
	Taxes to be paid separately as a result of the business activity		
	Taxes exempted by the regime's rules		
	Taxes exempted by the tax system (rules enforced independently from the regime's scope)		
5.1 Social security contributions	Contribution	Computation	UIF contributions: 1% of monthly gross salary paid by the employer and another 1% paid by the employee.
		Scalable over time	No
	Social benefits		<p>Same as the standard regime (for employees):</p> <ul style="list-style-type: none"> • Short-term unemployment insurance. • Illness and maternity/parental benefits. • Access to public health care. <p>N/A for the self-employed.</p>
	Payment		Mandatory
	Single collecting body		No
	Co-financing from the general budget		N/A
	Facilitation	Digital	<ul style="list-style-type: none"> • Online registration and tax filing is possible (registration and tax return forms available online to be sent by

6. Regime administration	of taxpayer's procedures	services	email). • Online payment.
		Simplified accounting procedures	Simplified book-keeping requirements. A registered micro-business must only retain a record of: • Amounts received. • Dividends. • Assets whose cost value exceeds ZAR 10,000. • Liabilities exceeding ZAR 10,000.
		Reduced frequency of tax filing and payments	There are two half-year pre-payments within the year of assessment (a year of assessment runs from 1 March to 28 February). These pre-payments are provisional based on an estimation of turnover for the current year of assessment. At the end of the fiscal year, a turnover tax return must be filed between July and January of the following year. This tax return is used to calculate the actual taxable turnover and the final tax liability. Any shortfalls or overpayments then become payable or refundable. Penalties might be imposed when turnover estimations are deliberately understated and are lower than 80% of actual turnover.
		Other	The submission of the registration form and tax returns can also be made in person through an appointment with the tax authorities.
	Institution responsible for the design/revision of the regime		Central tax administration
	Institution responsible for the monitoring/control of the regime		Central tax administration
	Specialized unit or staff within the tax administration to monitor the target group		N/A
7. Non-tax support instruments			N/A
	Facilitating	Reduced	N/A

8. Interaction with the standard tax system	the transition: specific tax provisions and procedures in the standard tax system	rates	
		Simplified accounting procedures	N/A
		Reduced frequency of tax filing and payments	N/A
		Other	N/A
	Existence of several presumptive tax regimes		Yes. Besides the Turnover tax regime, sector-specific regimes exist (e.g., mining, exploration and production of oil and gas, agriculture). Additionally, the tax system foresees a small corporation regime for entities with an annual turnover between ZAR 1 million and ZAR 20 million. IBFD and the Davis Tax Committee do not consider these provisions as a presumptive tax regime.
	Registration in the presumptive tax regime		Voluntary
	Permanence in the presumptive tax regime		Unlimited, as long as the eligibility criteria are satisfied (in the past, once registered, the taxpayer had to remain in the regime for at least three years). When the taxpayer is deregistered from the regime, it may not be registered again. When taxpayers exceed the turnover eligibility threshold, but this excess has a nominal and temporary nature, they can request the Commissioner to issue a decision on whether the continuity in the regime is allowed.
	VAT	Eligibility threshold aligned with the VAT registration threshold	Yes
Option to register to		Yes, as long as the conditions for VAT voluntary registration are met. In this case, it is possible to make the VAT filing and payments every 6 months.	

	VAT and remain in the regime	
	Existence of studies on the interaction between the presumptive tax regime and the standard tax system	Yes, see the report from the Davis Tax Committee (2014): https://www.freemarketfoundation.com/article-view/submission-on-small-business-to-davis-tax-committee

Sources: (OECD, 2020_[27]); IBFD ; <https://www.sars.gov.za/wp-content/uploads/Ops/Guides/LAPD-Gen-G01-Taxation-in-South-Africa.pdf> ; <https://www.sars.gov.za/wp-content/uploads/Ops/Guides/LAPD-Gen-G09-Tax-Guide-for-Small-Businesses.pdf> ; <https://www.sars.gov.za/wp-content/uploads/Turnover-Tax-Leaflet.pdf> ; <https://www.sars.gov.za/types-of-tax/turnover-tax/> ; Sixth Schedule to the Income Tax Act - <https://sars.mylexisnexis.co.za/#> ; <https://www.sars.gov.za/wp-content/uploads/Ops/Guides/LAPD-TT-G01-Tax-Guide-for-Micro-Businesses.pdf> ; Unemployment Insurance Fund | South African Revenue Service (sars.gov.za) ; <https://www.freemarketfoundation.com/article-view/submission-on-small-business-to-davis-tax-committee> ; <https://www.taxcom.org.za/docs/20160414%20DTC%20Final%20SME%20Report.pdf> ; https://www.oecd-ilibrary.org/docserver/eco_surveys-zaf-2017-en.pdf?expires=1651135116&id=id&accname=ocid84004878&checksum=348D9C9EDE6EB93ECAFFD5E9A2FD1C58

Tunisia

Country: Tunisia		Forfaitaire regime (<i>Régime d'imposition forfaitaire</i>)	Regime for micro-entrepreneurs with non-regular income (<i>Régime des petits exploitants ayant des revenus non stables</i>)	Auto-entrepreneur regime (<i>Régime de l'autoentrepreneur</i>)	
Year of introduction		1990	2019	Not in place yet	
Dates of main tax design changes		2011, 2014, 2015, 2016, 2018, 2020, 2021, 2023	2023 (this regime has been abolished by the 2023 Budget Law).	2020, 2023	
1. Target group	Number of taxpayers	427,000 in 2018	N/A	-	
	Business type	Unincorporated	Yes	Yes	
		Incorporated	No	No	
	Business size	In terms of employment	<ul style="list-style-type: none"> No limit on employment 	<ul style="list-style-type: none"> No limit on employment 	<ul style="list-style-type: none"> Self-employed with no employees
		In terms of turnover	<ul style="list-style-type: none"> Micro-businesses Small businesses 	<ul style="list-style-type: none"> No limit on turnover 	<ul style="list-style-type: none"> Micro-businesses Small businesses
	Type of activity	Liberal professions	No	No	No
		Specific sectors	Yes	Yes	Yes
Turnover threshold		TND 100,000	None	TND 75,000	

2. Eligibility criteria	Type of activity / sector	<p>In general, industry, trade and service activities are eligible. However, certain activities are excluded from the regime, such as manufacturing of alcoholic products, wholesale trade or transport services (if the business owns more than one vehicle or the payload exceeds 3.5 tonnes).</p> <p>In communal (urban) areas, certain industrial, commercial and service activities are additionally excluded, such as retail sale of clothes and textile products, telephones and accessories or household appliances; transport and storage activities; or businesses involved in the construction industry. (The list of excluded activities is regulated in Decree no. 2022-802, 9 November 2022, and Decree no. 2014-2939, 1 August 2014).</p>	<ul style="list-style-type: none"> • Small-sized trades (manual production, processing, repair or service activities). • Handicrafts (manual production, transformation or repair activities that meet utilitarian or decorative needs with an artistic and cultural component inspired by the national identity and heritage). • Itinerant traders (any natural person who does not have permanent business premises and develops trading activities in spaces reserved for this purpose using demountable or transportable equipment). 	<p>Industry, crafting, trade and retail activities and services (excluding liberal professions). The initial legislation of the regime foresaw the approval of a Decree to determine the eligible activities, but the new text of the regime amended by the 2023 Budget Law does no longer foresee the approval of such a Decree.</p>
	Possibility to hire employees	Yes	Yes	No
	Other	<ul style="list-style-type: none"> • Own-account workers with a single establishment that earn income categorized as industrial and commercial revenues. • Importing businesses or those that earn commissions are not 	<ul style="list-style-type: none"> • No regular income nor business premises where to develop the activity. • With no declaration of existence filed to the tax administration before January 2019. Taxpayers registered 	<ul style="list-style-type: none"> • The self-employed worker must not operate with a company that previously hired him/her as an employee. • No previous declaration of existence filed to the tax administration.

		<p>eligible (with the exception of authorised distributors of telecommunication networks).</p> <ul style="list-style-type: none"> • Not liable to the standard VAT. • Not liable to the standard PIT as a result of a tax audit. 	<p>with the tax administration before January 2019 who have ceased their activity since then are not eligible for the regime.</p>	<ul style="list-style-type: none"> • Tunisian nationality. • Individuals who do not meet the eligibility criteria of the Forfaitaire regime cannot benefit from the Auto-entrepreneur regime.
3. Type of regime	Combination of a turnover-based and a lump-sum taxation method	Lump-sum taxation method	Lump-sum taxation method	
4. Tax liability	<ul style="list-style-type: none"> • Differentiated lump-sum amounts: For an annual turnover below TND 10,000: TND 400 per year for taxpayers operating in communal (urban) areas and TND 200 per year for taxpayers operating elsewhere (amounts applicable in 2023; previous lump-sum payments amounted to TND 200 and 100, respectively). • Proportional rate: For an annual turnover between TND 10,000 and TND 100,000: 3% of turnover. <p>One fifth of the contribution is allocated to the tax on industrial,</p>	<p>Differentiated lump-sum amounts.</p> <p>The regime's contribution includes:</p> <ul style="list-style-type: none"> • In substitution of the PIT, TND 200 per year for taxpayers operating in communal (urban) areas and TND 100 per year for taxpayers operating elsewhere. • The health insurance component of the self-employed SSCs. This contribution is computed by applying a 6.75% rate to the minimum wage (SMIG). The 2021 SMIG was TND 1,238.4 per quarter (TND 4,953.6 per year). The health insurance contribution therefore amounted to TND 334.4 per year. 	<p>Differentiated lump-sum amounts.</p> <p>The regime's contribution includes:</p> <ul style="list-style-type: none"> • In substitution of the PIT, TND 200 per year for taxpayers operating in communal (urban) areas and TND 100 per year for taxpayers operating elsewhere. • The contribution integrates the 20% tax on industrial, commercial or professional establishments (TCL). • The self-employed SSCs, which are computed according to one of the following two standard SSCs regimes: <ul style="list-style-type: none"> ○ Special regime for craft activities (Law No 2002-32, 12 March 2002, and Order of the Ministers of Social 	

		<p>commercial or professional establishments (TCL) and transferred to local authorities.</p> <p>The tax is increased by 50% if the annual tax return is filed with a delay of more than 30 days since the end of the voluntary period.</p>	<ul style="list-style-type: none"> • One fifth of the contribution is allocated to the tax on industrial, commercial or professional establishments (TCL) and transferred to local authorities. 	<p>Affairs and Tourism, Leisure and Crafts of 23 July 2002).</p> <ul style="list-style-type: none"> ○ Regime for independent workers in the agricultural and non-agricultural sectors. The SSC integrated in the regime's payment is the one corresponding to the lowest bracket (TND 194.9 per quarter in 2023). The taxpayer can also opt to make a larger contribution by joining a higher bracket. <p>The regime's contribution may be exempted during the first calendar year in which the start of the activity takes place. The National Employment Fund will assume the cost of these first-year contributions.</p> <p>In the event of non-payment of the contribution on time, an administrative fine will be applied.</p>
5. Taxes covered	Taxes substituted by the regime's contribution	<ul style="list-style-type: none"> • PIT • Local tax: tax on industrial, commercial or professional establishments (TCL) 	<ul style="list-style-type: none"> • PIT • Local tax: tax on industrial, commercial or professional establishments (TCL) • Self-employed health insurance contributions 	<ul style="list-style-type: none"> • PIT • Local tax: tax on industrial, commercial or professional establishments (TCL) • Self-employed SSCs

			<ul style="list-style-type: none"> • SSCs (self-employed and employer SSCs). • Payroll tax: tax for the Social Housing Promotion Fund (Foprolos). 	<ul style="list-style-type: none"> • Employer SSCs. • Other self-employed SSCs. The payment of these contributions is deferred until the taxpayer exits the regime. 	
			<ul style="list-style-type: none"> • VAT • Payroll tax: vocational training tax (TFP) • Solidarity contribution (progressive contribution levied on income - similar to the PIT - to finance the social protection system). 	<ul style="list-style-type: none"> • VAT • Payroll taxes: <i>Foprolos</i> and <i>TFP</i> • Solidarity contribution 	<ul style="list-style-type: none"> • VAT • Solidarity contribution • All taxes levied on turnover
5.1 Social security contributions	Contribution	Computation	<p>Proportional rate applied to a fixed base (resulting in a lump-sum amount):</p> <ul style="list-style-type: none"> • If eligible for the Low-income workers' regime (<i>RTFR</i>), two alternative contributions are possible: <ul style="list-style-type: none"> ○ 7.5% of 2/3 of the Interprofessional Minimum Wage (SMIG) or the Agricultural Minimum Wage (SMAG). This contribution 	<p>Proportional rate applied to a fixed base (resulting in a lump-sum amount):</p> <p>6.75% of the minimum wage (regime of 48 hours per week). The SMIG for 2021 was TND 1,238.4 per quarter (TND 4,953.6 per year). The health insurance contribution therefore amounted to TND 334.4 per year.</p>	<p>Proportional rate applied to a fixed base (resulting in a lump-sum amount).</p> <p>Self-employed SSCs are computed according to one of the following two standard SSCs regimes:</p> <ul style="list-style-type: none"> • Special regime for craft activities (Law No 2002-32, 12 March 2002, and Order of the Ministers of Social Affairs and Tourism, Leisure and Crafts of 23 July 2002).

			<p>entitles health care and pension benefits.</p> <ul style="list-style-type: none"> ○ 11% of the SMIG or the SMAG. This contribution provides access to health care, pension, sickness and maternity benefits, death-related benefits. ● If not eligible for RTFR (or eligible but the taxpayer opts not to join it), the standard regime for independent workers in the agricultural and non-agricultural sectors applies. Taxpayers registered under the Forfataire regime are assigned to the first bracket of this SSC regime. The 2023 SSCs correspond to TND 194.9 per quarter. 		<ul style="list-style-type: none"> ● Regime for independent workers in the agricultural and non-agricultural sectors. The SSC integrated in the regime's payment is the one corresponding to the lowest bracket (TND 194.9 per quarter in 2023). The taxpayer can also opt to make a larger contribution by joining a higher bracket.
	Scalable over time	Not unless the minimum wage is increased.	<p>Not unless the minimum wage is increased.</p> <p>Clarification: the payment of SSCs other than the health insurance component is deferred until the taxpayer exits the regime. At the end of the eligibility period (three years), the retroactive payment is made in instalments over a maximum period of three years.</p>	Not unless the minimum wage is increased.	

	Social benefits		<p>Vary according to the social security regime chosen:</p> <ul style="list-style-type: none"> • Lowest contribution within the Low-income workers' regime: health care and pension benefits. • Other contributions: health care, pension, sickness and maternity benefits, death-related benefits. 	Health care, pension, sickness and maternity benefits, death-related benefits.	<p>Vary according to the social security regime chosen.</p> <p>The regime for independent workers in the agricultural and non-agricultural sectors provides access to health care, pension, sickness and maternity benefits, death-related benefits.</p>
	Payment		Mandatory	Mandatory	Mandatory
	Single collecting body		No	Yes. The Ministry of Finance transfers the SSCs to the National social security fund every trimester, within 15 days after the regime's contributions have been made.	Yes. The Ministry of Finance transfers the SSCs to the National social security fund every trimester, within 5 days after the regime's contributions have been made.
	Co-financing from the general budget		N/A	N/A	N/A
6. Regime administration	Facilitation of taxpayer's procedures	Digital services	No. The registration of a business and the payment of taxes and SSCs cannot be made online (unless this is explicitly requested by the taxpayer).	No. The regime's tax payment cannot be made online.	<p>Yes. An online service platform will be implemented. This platform will allow to report turnover, to pay the regime's contributions and to apply for a renewal of the regime's registration. Tax payments through reliable electronic means will be available.</p> <p>Once the self-employed worker has been registered to the National</p>

					Register of Auto-entrepreneurs, a unique identifier will be assigned to him/her and will be automatically affiliated to the Social Security Institute. All procedures and obligations related to this regime, including registration, renewal and deregistration decisions, will be managed via the online platform.
	Simplified accounting procedures	<p>Simplified or “super-simplified” cash accounting:</p> <ul style="list-style-type: none"> • Simplified cash accounting: register of daily income and business expenses, and annual inventory book which incorporates fixed assets and stocks. These registers are issued by the competent tax authorities. • “Super-simplified” cash accounting: register of daily income and business expenses. This register is issued by the competent tax authorities. 	There is no book-keeping requirement.		Super-simplified cash accounting: register of daily income and business expenses. This register is issued by the competent tax authorities and is downloadable.
	Reduced frequency of tax filing and payments	<p>Yes, annual payment and an annual Forfaitaire regime’s tax return must be filed.</p> <p>Before the start of the activity a</p>	<p>Yes, the contribution is paid quarterly in equal instalments.</p> <p>A specific tax return needs to be filed quarterly and submitted to the</p>		Yes, quarterly tax filing and payment. At the end of every trimester, the turnover of the period and the accumulated turnover over the calendar year needs to be

		<p>declaration of existence must be filed to the tax authority.</p> <p>Individuals subject to the Forfaitaire regime are required to attach additional information concerning their activity to their annual tax declaration (value of business purchases, value of stock, financing methods, surface area of the business premises and rents paid, if any).</p> <p>The declaration of withholding taxes on salaries made by the individuals subject to Forfaitaire regime are: every semester for individuals working in the passenger transport sector (taxis), rentals, or rural transport; every quarter for other individuals.</p>	<p>territorially competent authorities.</p> <p>Obligation to file the declaration of existence since January 2019 according to the model established by the administration.</p>	<p>reported.</p>
	Other			<p>A communication strategy has been planned to accompany the implementation of the regime.</p>
	Institution responsible for the design/revision of the regime	Central administration: Ministry of Finance	Central administration: Ministry of Finance	Central administration: Ministry of Finance and Ministry of Employment.
	Institution responsible for the monitoring/control of the regime	Central administration: Ministry of Finance	Central administration: Ministry of Finance	Central administration The online platform will be accessed by the different

					stakeholders involved (Ministry of Employment, Ministry of Finance, Social Security and health insurance funds) with different information access. A committee composed of various government agencies (i.e., the Ministry of Finance (Tax General Directorate - DGI- and Public accounting and collection General Directorate - DG CPR-), the Ministry of Employment, the Ministry of Communication technologies, the National business register, and the Presidency of the government) will be in charge of the implementation of the platform.
	Specialized unit or staff within the tax administration to monitor the target group		N/A	N/A	N/A
7. Non-tax support instruments			No	No	The National Agency for Employment and Self-Employment (ANETI) provides financial support to auto-entrepreneurs once their project is launched. They can also benefit from additional training.
8. Interaction with the standard tax system	Facilitating the transition: specific tax provisions	Reduced rates	No	No	No
		Simplified accounting procedures	No	No	No

and procedures in the standard tax system	Reduced frequency of tax filing and payments	No	No	No
	Other	No	No	No
Existence of several presumptive tax regimes		Yes (2). The Auto-entrepreneur regime has been partially legislated but has not been yet implemented.	This regime has been abolished by the 2023 Budget Law.	See previous columns
Registration in the presumptive tax regime		Voluntary	Voluntary	Voluntary
Permanence in the presumptive tax regime		Limited (6 years; previously 4 years), with the possibility of renewal. The renewal is automatic for businesses operating outside the communal (urban) areas. The renewal of businesses operating within these areas is conditional on satisfying the eligibility criteria. When eligibility criteria are no longer satisfied, the taxpayer must comply with the standard tax system at the beginning of the following year.	Limited (3 years) and non-renewable.	Limited (4 years), with the possibility of a unique renewal for a 3-year period, as long as the eligibility criteria are met. An "auto-entrepreneur card", renewable once, will be issued to the self-employed who meets the eligibility criteria within 15 days since the registration date. The self-employed will be excluded from the National Register of Auto-entrepreneurs if one of the following situations arises: <ul style="list-style-type: none"> • At the request of the taxpayer; • Non-payment of the regime's contribution during four consecutive trimesters;

				<ul style="list-style-type: none"> • The submission of tax returns with no information on turnover for five consecutive trimesters; • Non-compliance with eligibility criteria; • The prohibition to exercise the activity by virtue of a final court decision.
VAT	Eligibility threshold aligned with the VAT registration threshold	No, except for retailers. There is no general VAT registration threshold. Retailers are liable to VAT if their turnover exceeds TND 100,000.	No	No
	Option to register to VAT and remain in the regime	No	No	No
Existence of studies on the interaction between the presumptive tax regime and the standard tax system		OCDE (2021, non publié) : <i>Soutenir la Tunisie dans la mise en œuvre de mesures fiscales</i>	OCDE (2021, non publié) : <i>Soutenir la Tunisie dans la mise en œuvre de mesures fiscales</i>	OCDE (2021, non publié) : <i>Soutenir la Tunisie dans la mise en œuvre de mesures fiscales</i>

Sources: OCDE (2021, non publié) : *Soutenir la Tunisie dans la mise en œuvre de mesures fiscales* ; OCDE (2022, non publié) : *Note sur les régimes d'imposition forfaitaire* ; Réglementation du Régime forfaitaire de l'impôt sur le revenu : Section IV, articles 44 bis à 44 sexies, Code de l'impôt sur le Revenu des Personnes Physiques et de l'impôt sur les Sociétés 2022; Réglementation du Régime des petits exploitants ayant des revenus non stables : Décret gouvernemental n° 2020-19 du 9 janvier 2020, Code de l'impôt sur le Revenu des Personnes Physiques et de l'impôt sur les Sociétés 2022; Réglementation du Régime de l'autoentrepreneur : Décret-loi du Chef du Gouvernement n° 2020-33 du 10 juin 2020, relatif au régime de l'auto-entrepreneur, and Décret-loi n° 79-2022 du 22 décembre 2022 relative à la loi de finances pour l'année 2023.

Uruguay

Country: Uruguay		Monotax (<i>Monotributo</i>)	Social Monotax (<i>Monotributo Social Mides</i>)	Minimum VAT regime (<i>IVA mínimo</i>)	
Year of introduction		2001	2012	2007	
Dates of main tax design changes		2007, 2011, 2021	N/A	2021	
1. Target group	Number of taxpayers	38,744 in 2022	27,443 in 2022	40,065 in 2022	
	Business type	Unincorporated	Yes	Yes	Yes
		Incorporated	No	No	Yes
	Business size	In terms of employment	<ul style="list-style-type: none"> Self-employed with no employees Micro-businesses 	<ul style="list-style-type: none"> Self-employed with no employees 	<ul style="list-style-type: none"> No limit on employment
		In terms of turnover	<ul style="list-style-type: none"> Micro-businesses 	<ul style="list-style-type: none"> Micro-businesses 	<ul style="list-style-type: none"> Micro-businesses
	Type of activity	Liberal professions	No	Yes	Yes
Specific sectors		Yes	No	No	
2. Eligibility criteria	Turnover threshold	Limit on gross business income updated yearly. In 2022: For one-person businesses: UYU 944,500. For partnerships: UYU 1,574,166.	Limit on gross business income updated yearly. In 2022: For one-person businesses: UYU 944,500. For partnerships: UYU 1,574,166.	Limit on gross business income updated yearly. In 2022: UYU 1,574,166.	
	Type of activity / sector	Services addressed to final consumers and artisanal production: Handicraft, complementary education activities (languages, music, etc.), cosmetic, massage and tattoo services, artisanal food and fishing, vehicles maintenance and repair, fair activities, tourism,	All production, commercial and service activities are eligible, except domestic services and the construction industry (although small housing repair and maintenance works are allowed in the regime).	All commercial and industrial activities are eligible, except the following: freight transport, optician shops, bookstores and activities related to livestock or agriculture.	

	gardening, courier services, pets caring and training, cleaning services, housing-related work (carpenter, locksmith, maintenance work, etc.), radio services, sexual services, knitting, vending.		
Possibility to hire employees	<ul style="list-style-type: none"> • Yes for one-person businesses: up to one employee (three during peak season or harvest periods). • Not possible for partnerships, except during the harvest periods (up to 3 employees allowed then). 	No	Yes, with no limit
Other	<ul style="list-style-type: none"> • A single operational unit. Maximum surface area is 15 square meters, except for some activities. Business premises inside shopping malls are not allowed. • No involvement in other companies. • The value of the assets involved in the economic activity cannot exceed UYU 787,083. • If the taxpayer or the spouse (the latter in the case of one-person businesses only) earn a pension benefit, the following conditions must be met: (i) the pension must not exceed UYU 15,492 per month; (ii) the average income of each household member should not exceed UYU 15,492 per month; and (iii) the activity registered in the regime differs from the one linked to the pension benefits. • In the case of partnerships, there is a limit on the number of partners: two for non- 	<ul style="list-style-type: none"> • No other economic activities outside the regime (within the regime several activities can be registered). • No involvement in other companies. • Being in a vulnerable situation, which requires one of the following conditions: <ul style="list-style-type: none"> i) Living in a household whose monthly income per capita is below the poverty line according to the definition given by the National Statistics Institute (INE). The values which define the poverty line are updated monthly and depend on the place of residence and the number of members of the household. The poverty line for a one-member household residing in Montevideo was set at UYU 18,211.32 in January 2022. ii) Living in a household considered socio-economically vulnerable. This situation is defined by the Social Security Institution (BPS) and takes into account the income of the household, living conditions, household 	<ul style="list-style-type: none"> • Earning non-business income is not allowed. • Businesses which opt to comply with the Tax on income from economic activities (IRAE) cannot register to <i>IVA mínimo</i> regime.

		family members and three for family members.	composition and characteristics, health conditions and the area of residence. • In the case of partnerships, the number of partners is limited to five.	
3. Type of regime		Lump-sum taxation method	Lump-sum taxation method	Two different designs coexist: • Predetermined option: Lump-sum taxation method. • Businesses fully operating with electronic invoices: regime based on turnover.
4. Tax liability		Fixed lump-sum amount (The tax payment increases over time due to reductions in the tax liability that gradually phase out, further information in section 5.1).	Fixed lump-sum amount (The tax payment increases over time due to reductions in the tax liability that gradually phase out, further information in section 5.1).	Two different designs coexist: • Predetermined option: Fixed lump-sum amount. The monthly payment to be made during 2022 was UYU 4,720 (it is updated yearly). Reductions in the tax liability are foreseen for the first two operational years of the business. Therefore, the contribution increases over time: ○ First 12 months: 25% of the fixed amount. ○ Months 13-24: 50% of the fixed amount. ○ 3 rd year and on: 100% of the fixed amount. ○ Some businesses such as listed companies cannot benefit from the 1 st and 2 nd year reductions.

				<ul style="list-style-type: none"> • Businesses fully operating with electronic invoices will pay the lower amount between the predetermined option and a proportional rate (3.3%) on monthly turnover. 	
5. Taxes covered	Taxes substituted by the regime's contribution		<ul style="list-style-type: none"> • SSCs of the self-employed (and the spouse in some cases). 	<ul style="list-style-type: none"> • SSCs of the self-employed • VAT 	
	Taxes to be paid separately as a result of the business activity		<ul style="list-style-type: none"> • Employer SSCs if there is any employee (contributions computed according to the standard regime). • Import duties. 	<ul style="list-style-type: none"> • Import duties. • SSCs: Businesses registered in <i>IVA mínimo</i> have reductions in the standard SSCs, but these contributions are not included within the regime, they are paid separately through standard procedures. • Wealth tax • Import duties 	
	Taxes exempted by the regime's rules		<ul style="list-style-type: none"> • Tax on income from economic activities (<i>Impuesto a las rentas de las actividades económicas, IRAE</i>) • VAT • Wealth tax 	<ul style="list-style-type: none"> • Tax on income from economic activities (<i>IRAE</i>) • VAT • Wealth tax 	
	Taxes exempted by the tax system (rules enforced independently from the regime's scope)				<ul style="list-style-type: none"> • Tax on income from economic activities (<i>IRAE</i>)
5.1 Social security contributions	Contribution	Computation	Lump-sum amounts. The amounts are computed applying SSC rates to a presumed base (equal for everyone).	Lump-sum amounts. The amounts are computed applying SSC rates to a presumed base (equal for everyone).	Computations according to the standard Social Security System. In general, proportional rates are applied with the existence of

		<ul style="list-style-type: none"> • Mandatory contributions (retirement and unemployment SSC): UYU 1,548. Spouses of the self-employed also have the option to pay the contribution. • Voluntary contribution (health insurance): UYU 3,188 – UYU 4,363 depending on the existence of dependants (descendants, spouse). Spouses of the self-employed also have the option to pay the contribution. <p>If registered taxpayers opt not to pay the health insurance contribution, they must pay an additional SSC of UYU 413 for illness insurance.</p> <p>In the case of partnerships, partners only pay the mandatory SSC (UYU 1,548).</p> <p><i>(Contributions amounts applicable in January 2022).</i></p>	<ul style="list-style-type: none"> • Mandatory contributions (retirement and unemployment SSC): UYU 1,548. • Voluntary contribution (health insurance): UYU 3,188 – UYU 4,363 depending on the existence of dependants (descendants, spouse). <p>If registered taxpayers opt not to pay the health insurance contribution, they must pay an additional SSC of UYU 413 for illness insurance.</p> <p>In the case of partnerships, partners might choose to pay the voluntary contribution as well.</p> <p><i>(Contributions applicable in January 2022).</i></p>	minimum contributions.
	Scalable over time	<p>Yes</p> <p>The mandatory contribution increases over time since the start of the activity:</p> <ul style="list-style-type: none"> • First 12 months: 25% of the amount detailed above. • Months 13-24: 50% of the amount detailed above. • 3rd year and on: 100% of the amount detailed above. 	<p>Yes</p> <p>The mandatory contribution increases over time since the start of the activity:</p> <ul style="list-style-type: none"> • First 12 months: 25% of the amount detailed above. • Months 13-24: 50% of the amount detailed above. • Months 25-36: 75% of the amount detailed above. 	<p>Yes</p> <p>Retirement contributions are reduced during the first 3 years of the economic activity: by 75% the first 12 months, by 50% during months 13-24 and by 25% during months 25-48.</p>

				<ul style="list-style-type: none"> 4th year and on: 100% of the amount detailed above. 	
	Social benefits	Retirement pension, paid leave due to illness or disability, health insurance (if the corresponding contributions are made).	Retirement pension, paid leave due to illness or disability, glasses and prostheses, eye surgery, health insurance (if the corresponding contributions are made).	Same as the standard regime	
	Payment	Partially mandatory (there is a mandatory and a voluntary contribution).	Partially mandatory (there is a mandatory and a voluntary contribution).	Mandatory	
	Single collecting body	Yes (The Social Security Institution: <i>Banco de Previsión Social (BPS)</i>)	Yes (The Social Security Institution: <i>Banco de Previsión Social (BPS)</i>)	No	
	Co-financing from the general budget	N/A	N/A	N/A	
6. Regime administration	Facilitation of taxpayer's procedures	Digital services	Yes, online registration and online payments are possible. Possibility to chat via <i>messenger</i> to ask questions.	Yes, online registration and online payments are possible. Possibility to chat via <i>messenger</i> to ask questions.	Yes, online registration and online payments are possible. Electronic invoices are incentivized.
		Simplified accounting procedures	Yes; transactions below UYU 160 do not need to be registered individually (except if the costumer requires a receipt), but globally at the end of the day.	Yes; transactions below UYU 160 do not need to be registered individually (except if the costumer requires a receipt), but globally at the end of the day.	Taxpayers have to register their transactions and issue invoices (with no VAT, just stating their belonging to this regime).
		Reduced frequency of tax filing and payments	Yes; monthly payment and no need to file a tax return.	Yes; monthly payment and no need to file a tax return.	Yes; monthly payment. Within the <i>IVA mínimo</i> regime, businesses do not have to file any specific tax return. Companies will have to file the wealth tax return (except one-person businesses), which is not covered by the regime.

	Other	N/A	The cost of printing the first 100 receipts will be assumed by the Ministry of Social Development.	N/A
	Institution responsible for the design/revision of the regime	Central administration. This responsibility is shared between the Social Security Institution and the Ministry of Finance.	Central administration. This responsibility is shared between the Social Security Institution, the Ministry of Finance and the Ministry of Social Development (regarding the definition of the eligibility criteria).	Central administration.
	Institution responsible for the monitoring/control of the regime	Central administration. This responsibility is shared between the Social Security Institution and the Ministry of Finance.	Central administration. This responsibility is shared between the Social Security Institution, the Ministry of Finance and the Ministry of Social Development (regarding the monitoring of the eligibility criteria compliance).	Central administration.
	Specialized unit or staff within the tax administration to monitor the target group	N/A	N/A	N/A
7. Non-tax support instruments		SMEs can access public loan guarantees provided by the National Guarantee System (SiGa for its acronym in Spanish), in order to facilitate access to loans from banks or microfinance institutions.	Granting of credits to retired people (<i>préstamos sociales</i>). SMEs can access public loan guarantees provided by the National Guarantee System (SiGa for its acronym in Spanish), in order to facilitate access to loans from banks or microfinance institutions.	SMEs can apply for credits through the National Development Agency (ANDE), subject to its approval. SMEs can access public loan guarantees provided by the National Guarantee System (SiGa for its acronym in Spanish), in order to facilitate access to loans from banks or microfinance institutions.
	Facilitating	Reduced rates	N/A	N/A

8. Interaction with the standard tax system	the transition: specific tax provisions and procedures in the standard tax system	Simplified accounting procedures	N/A	N/A	N/A
		Reduced frequency of tax filing and payments	N/A	N/A	N/A
		Other	See <i>IVA mínimo</i> regime. It can operate as a bridge between <i>Monotributo</i> and the standard tax system.	See <i>IVA mínimo</i> regime. It can operate as a bridge between <i>Monotributo</i> and the standard tax system.	N/A
	Existence of several presumptive tax regimes		Yes, 3.	Yes, 3.	Yes, 3.
	Registration in the presumptive tax regime		Voluntary. Registration should be made before the start of the economic activity.	Voluntary	Voluntary
	Permanence in the presumptive tax regime		Unlimited, as long as the eligibility criteria are satisfied. If payments are not made for two consecutive months, the regime's registration will be qualified as "inactive" and taxpayers will need to reactivate the registration if their activity resumes, and pay the corresponding debts, if any. When taxpayers exit the regime, they need to wait for 3 years to be able to register again.	Unlimited, as long as the eligibility criteria are satisfied. If payments are not made for two consecutive months, the regime's registration will be qualified as "inactive" and taxpayers will need to reactivate the registration if their activity resumes, and pay the corresponding debts, if any.	Unlimited, as long as the eligibility criteria are satisfied. When taxpayers exit the regime, they need to wait for 3 years to be able to register again.
	VAT	Eligibility threshold aligned with the VAT registration threshold	<ul style="list-style-type: none"> No for one-person businesses. Yes for partnerships (their income eligibility threshold is aligned with the eligibility threshold established in the <i>IVA mínimo</i> regime, and above this 	<ul style="list-style-type: none"> No for one-person businesses. Yes for partnerships (their income eligibility threshold is aligned with the eligibility threshold established in the <i>IVA mínimo</i> regime, and above this 	Yes

		threshold companies must comply with the standard VAT regime).	threshold companies must comply with the standard VAT regime).	
	Option to register to VAT and remain in the regime	No Taxpayers can choose at any time to register to the standard VAT regime, but they will then exit the <i>Monotributo</i> regime.	No Taxpayers can choose at any time to register to the standard VAT regime, but they will then exit the <i>Monotributo social</i> regime.	No Taxpayers can choose at any time to register to the standard VAT regime, but they will then exit the <i>IVA Mínimo</i> regime.
	Existence of studies on the interaction between the presumptive tax regime and the standard tax system	(Teixeira, 2021 ^[28]) (Cetrangolo et al., 2014 ^[29]) (Amarante and Perazzo, 2013 ^[30]) (Lanzilotta, 2009 ^[31])	(Teixeira, 2021 ^[28]) (Cetrangolo et al., 2014 ^[29])	(Teixeira, 2021 ^[28]) (Cetrangolo et al., 2014 ^[29]) (UN and CIAT, 2014 ^[23])

Sources:

For Monotributo : <https://www.bps.gub.uy/4659/monotributo.html> ; <https://www.bps.gub.uy/10442/actividades-incluidas.html>; <https://www.bps.gub.uy/10444/aportacion-de-monotributo.html> ; <https://www.bps.gub.uy/11337/inscripcion-de-contribuyente-monotributo-unipersonal.html>; DGI · Ampliación · Herramientas - Tope de ingresos y activos anuales - Artículos 3 y 4 del Decreto N° 199/007 - Monotributo ; <https://www.bps.gub.uy/10111/> ; <https://www.bps.gub.uy/bps/file/4918/1/folletomonotributo.pdf>; ¿Qué es una "empresa de reducida dimensión económica"? (dgi.gub.uy) ; ¿Qué es un "pequeño local"? (dgi.gub.uy) ; ¿Qué pasa si la empresa deja de cumplir las condiciones para ser monotributista? (dgi.gub.uy); ¿Si la empresa deja el régimen de Monotributo, luego puede volver a ser monotributista? (dgi.gub.uy) ; https://www.bps.gub.uy/bps/file/10448/1/ley_18083_de_27-12-2006_art_70_al_84_.pdf; <https://www.bps.gub.uy/bps/file/6668/17/monotributo-ley-18.083---2022.pdf>; <https://www.bps.gub.uy/bps/file/18051/4/monotributo-ley-19.942---2022.pdf> ; https://www.bps.gub.uy/bps/file/3761/2/d0199-007_monotributo_aportacion.pdf ; DGI · Empresas · Trámites · Contribuyentes de pequeña dimensión económica · Monotributo · Información General ; (BPS, 2021^[32]) ; (Teixeira, 2021^[28]); <https://www.bps.gub.uy/10442/actividades-incluidas.html>; <https://www.bps.gub.uy/10444/aportacion-de-monotributo.html>; <http://www.adau.com.uy/innovaportal/file/17468/1/resol..pdf>; <https://www.bps.gub.uy/18106/suspension-del-registro.html>

For Monotributo Social Mides : ¿Qué pasa si la empresa deja de cumplir las condiciones para ser monotributista? (dgi.gub.uy); <https://www.bps.gub.uy/10450/informacion-general.html>; [https://www.dgi.gub.uy/wdqi/page?2.principal.Ampliacion-Normativa_O.es_0.PAG:%20CONC:837.4:D:informacion-general-monotributo-social-mides;4:PAG](https://www.dgi.gub.uy/wdqi/page?2.principal.Ampliacion-Normativa_O.es_0.PAG:%20CONC:837.4:D:informacion-general-monotributo-social-mides;4:PAG;); https://www.bps.gub.uy/bps/file/7072/1/ley_18.874_de_23-11-2011_monotributo_social_mides.pdf; Poverty line >> See "Series históricas > Línea de pobreza" in [Pobreza - Instituto Nacional de Estadística \(ine.gub.uy\)](https://www.bps.gub.uy/3540/plan-de-equidad.html); [tapa publicacion.cdr \(ine.gub.uy\)](https://www.bps.gub.uy/3540/plan-de-equidad.html) ; Households in situation of socio-economic vulnerability >> See "Normativa asociada" in <https://www.bps.gub.uy/3540/plan-de-equidad.html>; <https://www.bps.gub.uy/6667/monotributo-social-mides-18874.html>; [ley 18.874 de 23-11-2011 monotributo social mides.pdf \(bps.gub.uy\)](https://www.bps.gub.uy/6667/monotributo-social-mides-18874.html); <https://www.bps.gub.uy/11410/inscripcion-de-monotributo-social-mides-unipersonal.html>; <http://www.adau.com.uy/innovaportal/file/17468/1/resol..pdf>; <https://www.bps.gub.uy/3490/prestamos-sociales.html>

For IVA Mínimo : DGI · Ampliación · Herramientas - Tope de ingresos anuales; DGI · Ampliación · Pequeños 2017 - Pequeños Contribuyentes - IVA Mínimo; DGI · Ampliación · Herramientas - Monto a pagar; <https://gpa.uy/posts/informes/6490-bps-reduccion-de-aportes-para-micro-y-pequenas-empresas-que-inician-actividad/>; <https://www.bps.gub.uy/10304/tributacion-regimen-general.html>; DGI · Ampliación · Pequeños 2017 - Comparación de Pequeña Empresa y Monotributo; <https://www.impo.com.uy/bases/decretos/220-1998/10> ; (Teixeira, 2021^[28]) ; <https://www.bps.gub.uy/10357/pago-de-aportes.html>