
Tax Reform in Brazil
Formal and informal firms

Variable	Before tax reform	After tax reform
Main tax rate	48.7%	31.5%
Indirect taxes / GDP	19.6%	19.4%
Informal GDP / GDP	11.1%	10.7%
GDP	100	102.3

Formal and informal firms, by tax rate

Industry	1.Agro	2.Manuf	3.Serv
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Tax rates

Before tax reform	4.88%	48.7%	14.3%
After tax reform	3.4%	27.2%	27.5%

Indirect taxes_j / VA_j

Before tax reform	4.9%	43.3%	11.7%
After tax reform	3.4%	26.2%	18.6%

Informal VA_j / GDP_j

Before tax reform	0%	3.72%	15.4%
After tax reform	0%	2.3%	15.4%

SIMPLES VA_j / GDP_j

Before tax reform	0%	12.5%	12.6%
After tax reform	0%	6%	27.9%

SIMPLES taxes_j / taxes_j

Before tax reform	0%	5.76%	11.3%
After tax reform	0%	4.6%	15.7%

VA_j / GDP

Before tax reform	7.5%	26.7%	65.8%
After tax reform	7.5%	26.5%	66%

 Formal and informal firms, GDP change

 Value added by j

Industry	1.Agro	2.Manuf	3.Serv
Before tax reform	0	100	100
After tax reform	100	125	94.2

 Moments: model (before tax reform) x data

Industry	1.Agro	2.Manuf	3.Serv	Total
Informal VAj / VAj				
Model	0%	3.7%	15%	11%
Data	51%	3.3%	15%	15%
Indirect taxesj / VAj				
Model	4.9%	43%	12%	20%
Data	4.9%	49%	9.4%	18%
VAj / Lj				
Model	112	135	89	100
Data	45	161	99.8	100

 Number of firms

Sector	2.Manuf	3.Serv
Formal:		
Before tax reform	57	14387
After tax reform	152	5474
Informal:		
Before tax reform	9380	65757
After tax reform	5943	59439
SIMPLES:		
Before tax reform	3548	19856
After tax reform	2055	35087

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