

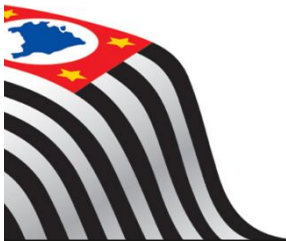
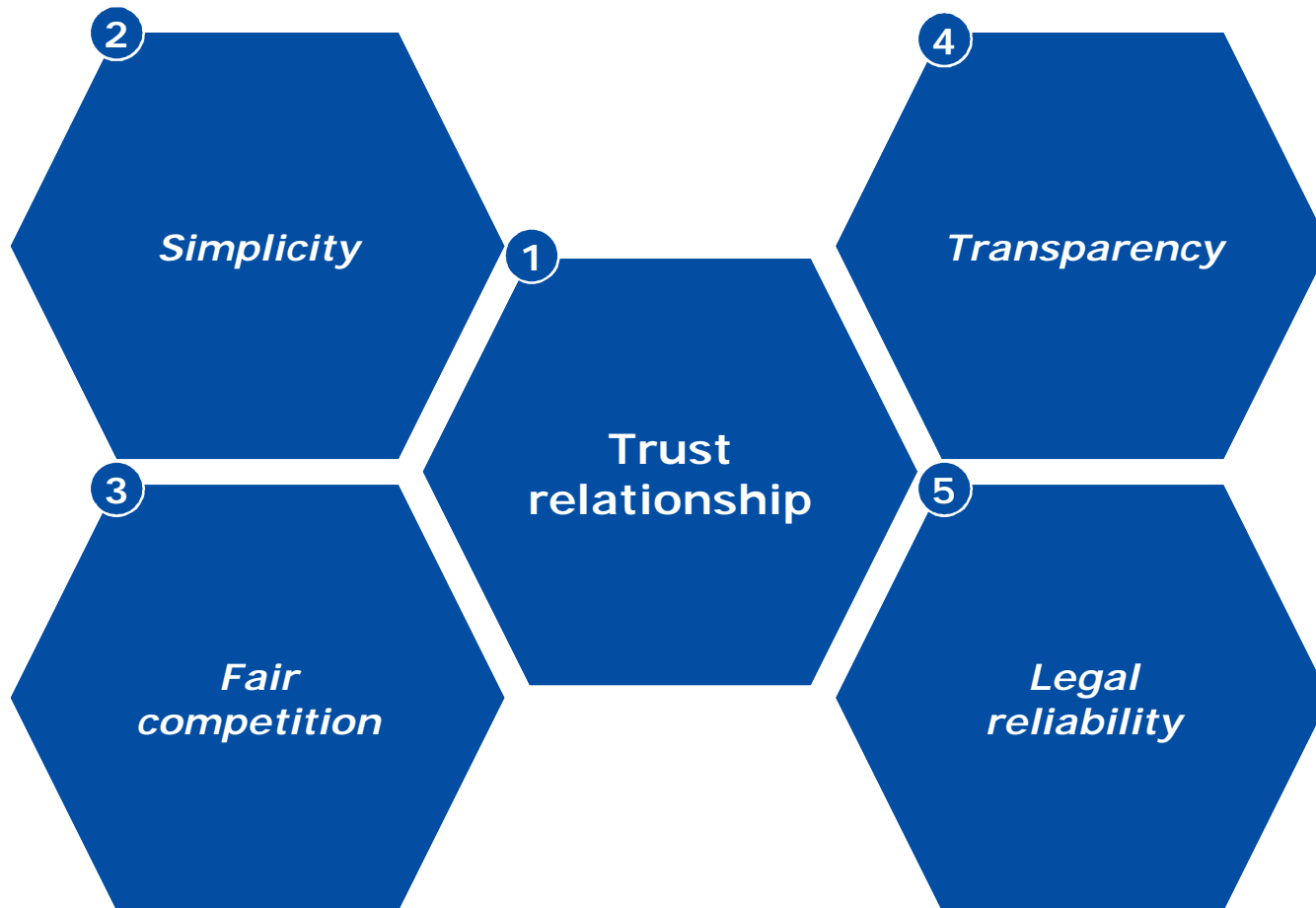


FISCAL CONFORMITY PROGRAM

Transparency of Tributary
Compliance Criteria in the
State of São Paulo

July/2017

Pillars...



Alligned to TADAT Standards



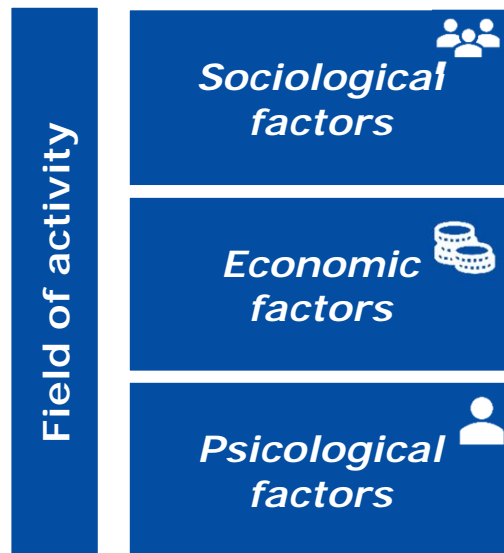
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Taxpayer's Profiles



Influential factors



Attitude towards fulfillment

Does not fulfill duties willingly

Not inclined to fulfill, but does it when controlled

Tries to fulfill, but sometimes fails

Willing to fulfill duties

Strategy of fulfillment

Uses law enforcement

Dissuades by surveillance

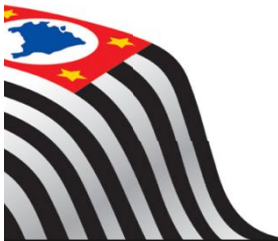
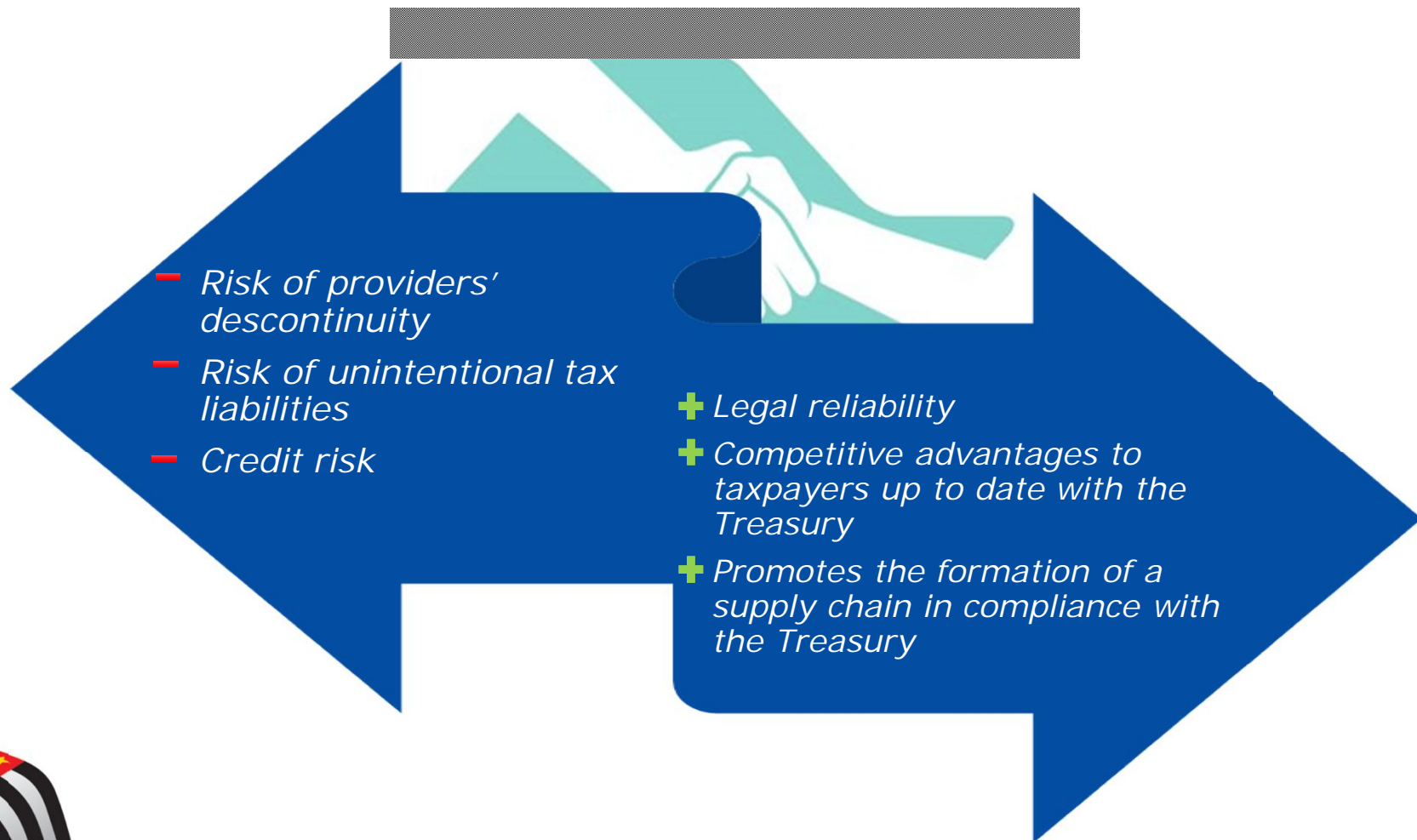
Helps the fulfillment of duties

Facilitates

Strategies create top-to-bottom pressure

Source: **Compliance Risk Management: Managing and Improving Tax Compliance**. Forum on Tax Administration Compliance Sub-group – Organization for Economic Co-operation and Development – OECD – October of 2004, pg 41.

Transparency of Tributary Compliance Criteria in the State of São Paulo

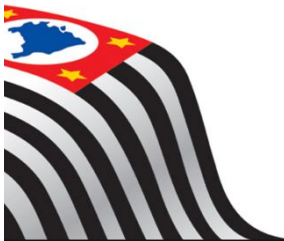


Criteria



Classification addresses 3 types of information on the taxpayer

- 1 **Compliance:** whether tax collections fully correspond to what was declared (check any pending debts).
- 2 **Consistency:** whether the fiscal receipts emitted match what was declared to the Revenue Office (look for indications of tax evasion).
- 3 **Compliance of suppliers:** whether the acquisitions are made from suppliers in compliance with the criteria above (compliant and without accounting inconsistencies).



Classification According to the Exposure to Risks of Tax Liabilities



A⁺ A B C D E

	A ⁺	A	B	C	D	E
1 Compliance	✓	✓	✓	✓	⊘	Derogated, cancelled registrations, unfit
2 Consistency	✓	✓	✓	✓	⊘	
3 Suppliers' compliance	<i>Mostly from groups A⁺ and A</i>	<i>Mostly from groups A⁺, A e B</i>	<i>Mostly from groups A⁺, A and B, to a lesser extent than from group A</i>	<i>Chain of suppliers doesn't qualify as B</i>	<i>Other cases</i>	



Prototype



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Transparency of Tributary Compliance Criteria

The Transparency of Tributary Compliance Criteria of the State of São Paulo represents a milestone in the Treasury-society relationship. Through an initiative such as this one, the State's Treasury adds value to regular taxpayers, promoting tributary compliance, fair competition and improving the business environment, which will lead to higher levels of investment, production, employment and income.

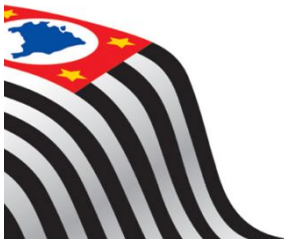
CNPJ: 99.999.999/0001-XX **Razão Social:** CLEANER INDUSTRIA QUIMICA LTDA **Data da Inscrição Estadual:** 09/06/2005
Grupo Atual: A+ **Descrição do Grupo:** XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

Histórico

Data Processamento	Classificação	Tendência de Reclassificação
Maio/2017	A+	Neutro
Abril/2017	A+	Negativo
Março/2017	A+	Neutro

NEUTRO = Sem intercorrências negativas que possam afetar a classificação no próximo ciclo

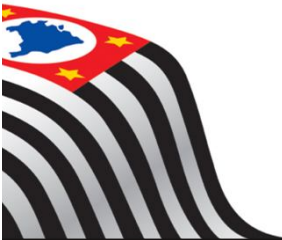
NEGATIVO = Com intercorrências negativas que possam afetar a classificação no próximo ciclo



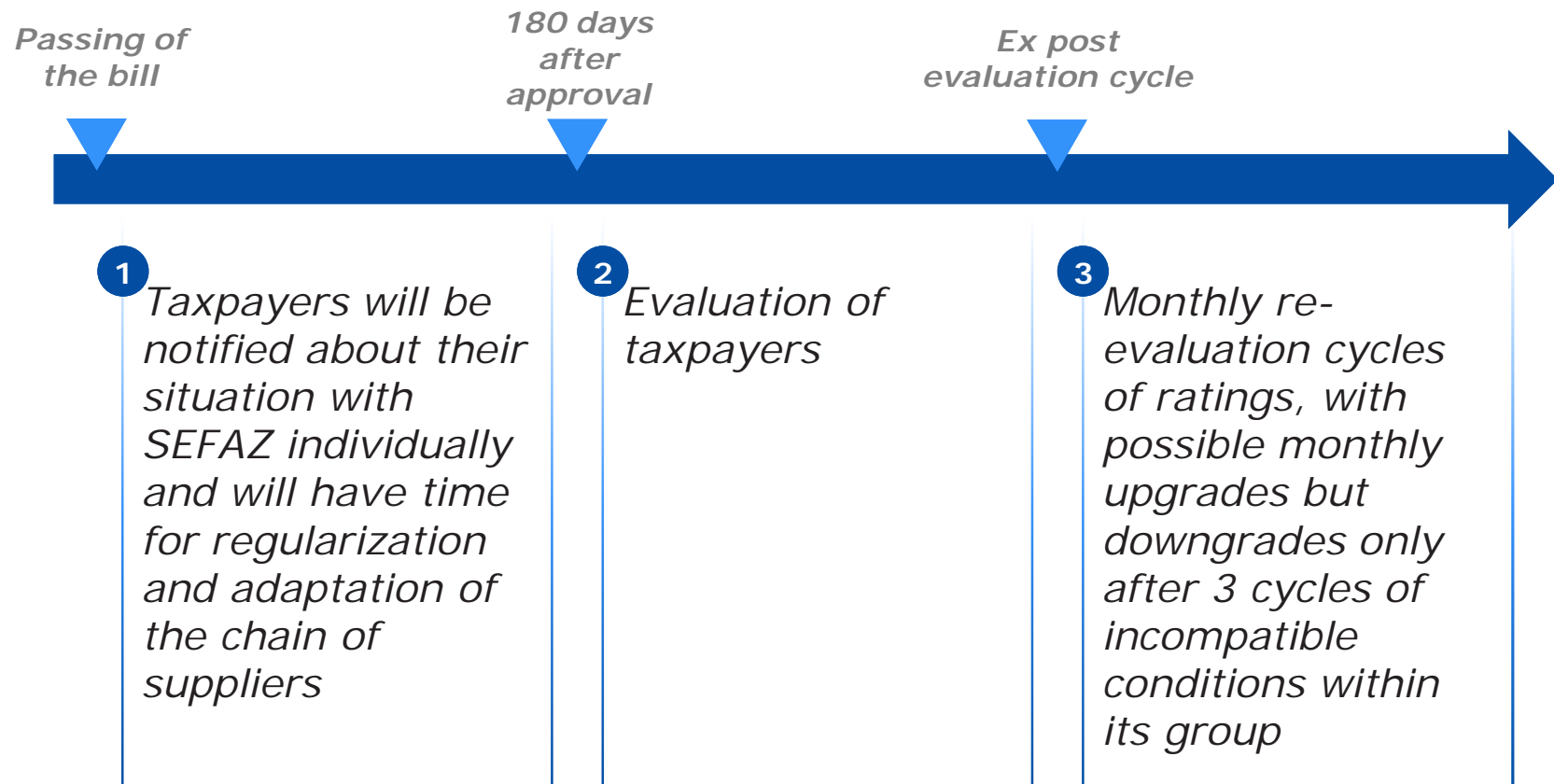
Possibilities of Using the Register



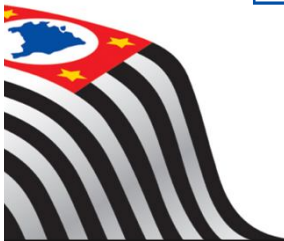
- I **Promotes the evaluation of suppliers' discontinuity risk** in contracts
- II **Promotes the evaluation credit risk** for financial institutions and suppliers
- III **Adds value** to fiscally accountable companies
- IV **Creates incentives** to integrate the A group, both for market visibility, access to simplified procedures to fulfill ancillary obligations and other benefits that have a financial impact on the company



Gradual Transition



The guideline is that the downgrade occurs solely if the incompatibility with the group persists



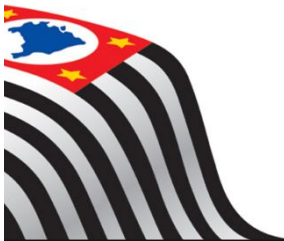
Expected Results



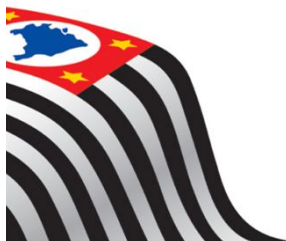
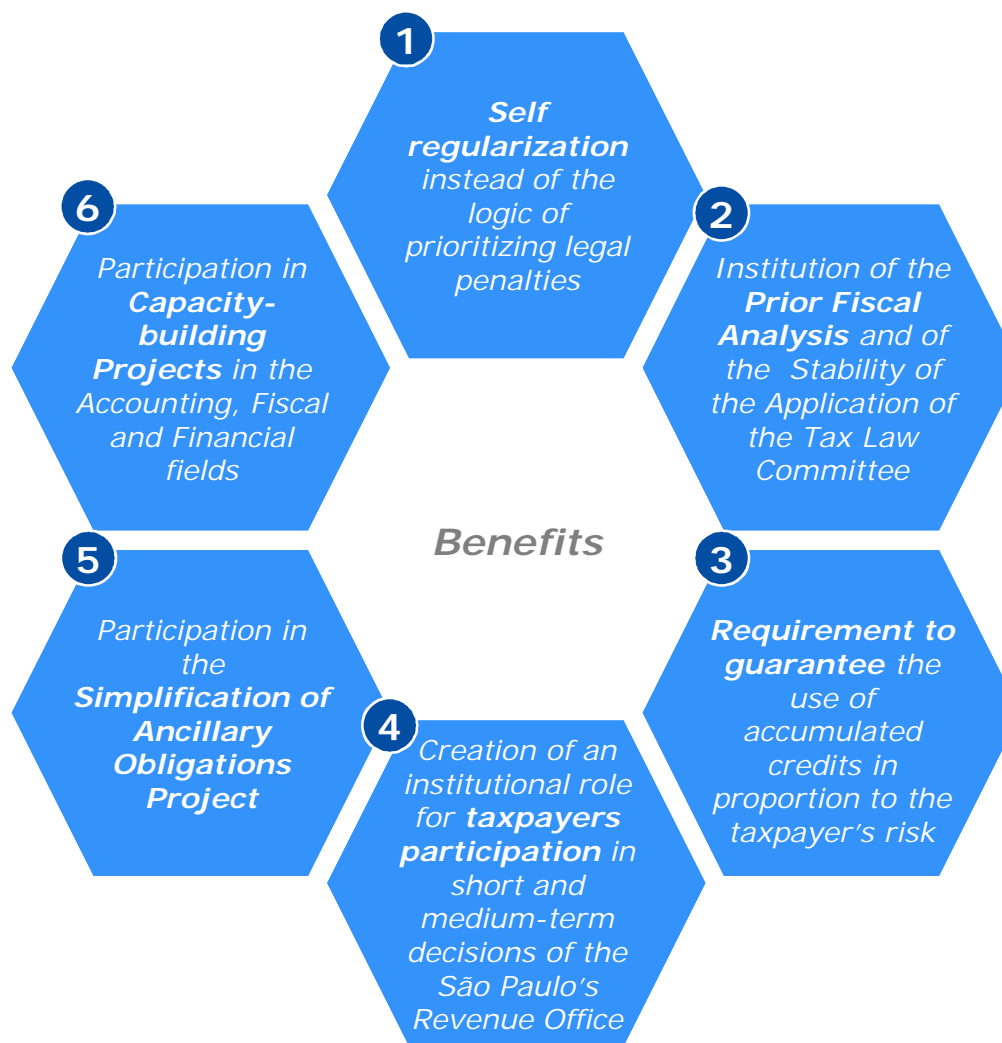
*Considering the current
compliance levels*

*Considering the fiscal
network*

*It's very likely that at least
80% of taxpayers
Will qualify minimally as a C group
member – which shows that most
taxpayers are in conformity with the
Treasury*



Appropriate Treatment According to the Exposure to Risks of Tributary Liabilities



Mitigating Risks in Fiscal Operations

A+

Rule of monitoring and self-regularization, entitled to Prior Fiscal Analysis without loss of spontaneity (fiscal inspections as last resource).

A

Rule of monitoring and self-regularization, with occasional fiscal inspections.

B

Rule of monitoring and still out of the priority group for surveillance, but priority fiscal inspections are mandatory for the last two fiscal year

C

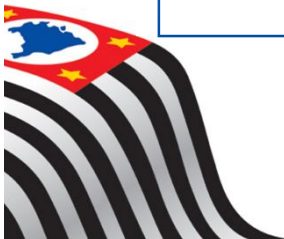
Fiscal inspections with greater intensity

D

Focus of inspections, alongside group E, consuming most of the available supervisory capacity (fiscal inspections in rule for 5 fiscal years)

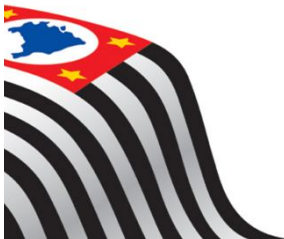
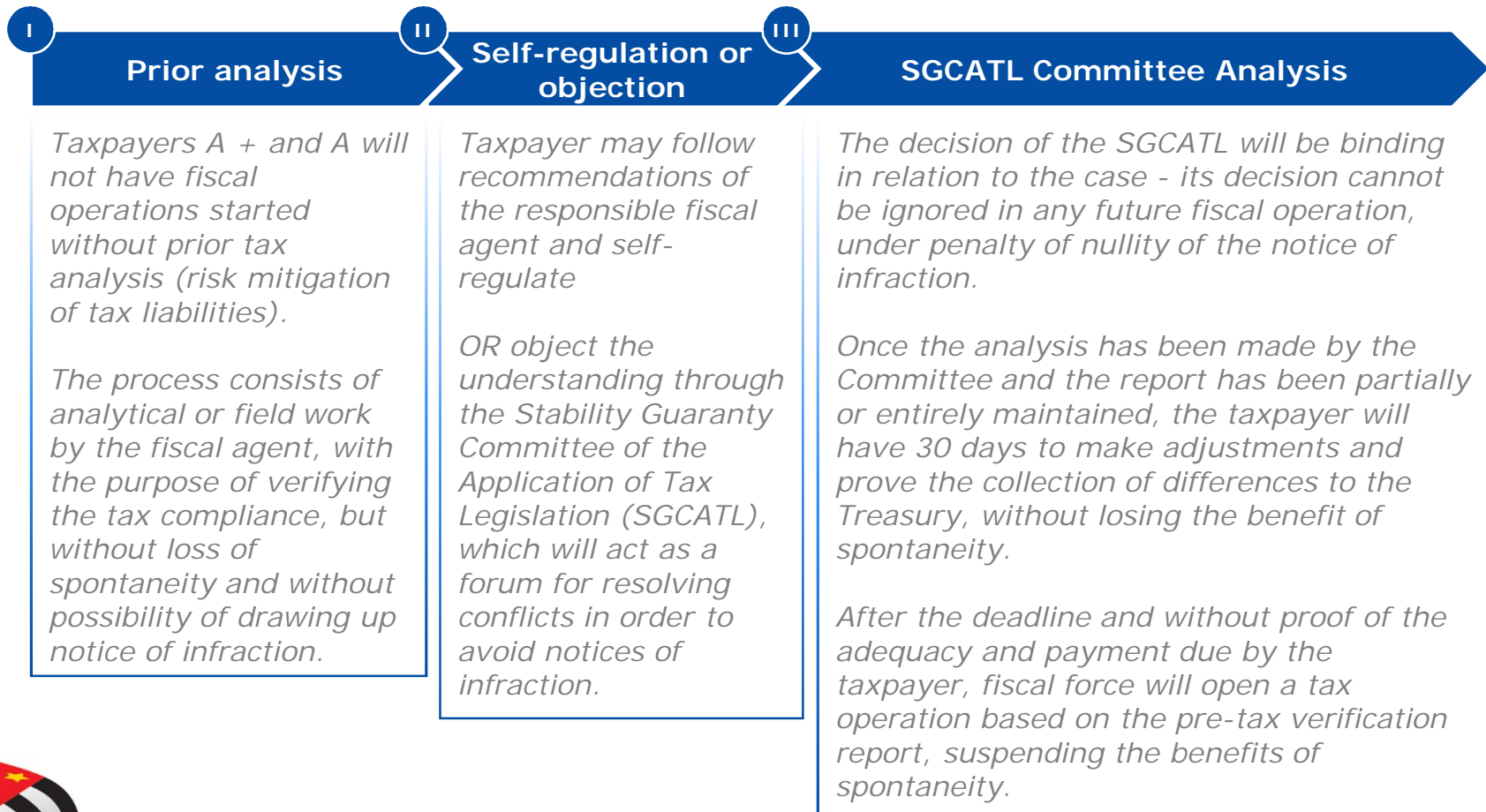
E

Same as D, with possible operations alongside the Public Prosecutor's Office





Prior Fiscal Analysis and “Arbitration”





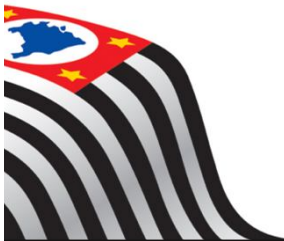
Accumulated Credit

Current model

Taxpayer's application for accumulated credit must present a 150% guarantee of the amount claimed

Suggested model

Taxpayers of A +, A, B and C groups will not need to provide guarantees or will do so to a lesser extent

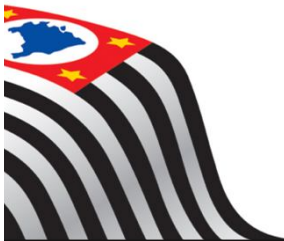


Current financial cost will shrink for many taxpayers



Treasury-Taxpayer Relationship

- Taxpayers of the A + Group will be able to participate in an institutional channel of dialogue with the Treasury, directly collaborating in the definition of priorities for actions to simplify ancillary obligations, automation of systems, procedures, etc.
- Creates an institutional forum and opens dialogue as a way to improve the relationship channels and to enable a more transparent relationship between tax authorities and taxpayers (radical change in Treasury-taxpayer relationship culture).





Investments in Simplification Projects

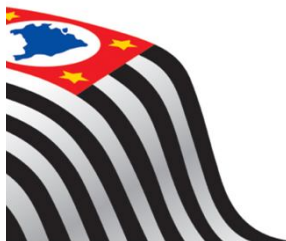
- Group A taxpayers will be able to participate in the selection of projects, together with the State Universities and Research Centers, public or private, to receive funding from the State.
- The projects should focus on solving problems identified by the taxpayers as being priority issues faced by the Treasury, in the following lines:
 - I Simplification of ancillary obligations through automation and integration of systems
 - II Development of solutions related to means of payment
 - III Tax Compliance through technological innovations





Investments in Capacity Building

- The contributors of Group A will participate every six months in the selection of projects with Universities and Education Centers, public or private, to receive resources in order to carry out training programs.
- The projects should be aimed at accounting, tax or financial professionals, focusing at qualification and certification in the area of Tax Compliance.
- The certification will follow the methodology and rules stipulated by SEFAZ, in conjunction with the class entities representing the different segments of São Paulo's taxpayers and the Universities and Research Centers.



Next Steps



- *Start Public Inquiry*
- *Receive suggestions for improvement*
- *Obtain institutional support from different segments of society.*

