

## Editors' Note

BILL 125/2015 HAS BEEN IN LINE for a vote in the Senate since the Congressional recess ended. The bill grants benefits to and simplifies the administrative burden on small businesses opting for the national Simple tax system. For instance, it doubles the annual gross revenue ceiling from R\$3.6 million to R\$7.2 million in 2017, and doubles it again to R\$14.4 million in 2018. For individual microentrepreneurs, the ceiling rises from R\$60,000 to R\$90,000 a year. But according to Brazil's federal revenue service, approval of the bill will slice tax revenues by R\$12.7 billion in 2017 and R\$16.1 billion in 2018 (the Brazilian Micro and Small Enterprises Support Service contests those numbers). Considering the country's current severe fiscal crisis, some experts believe that tax waivers of this magnitude would be simply disastrous. They also believe the bill would have little impact on persuading small businesses to become formalized and heighten their productivity.

To study the informality issue in more depth, this month the Brazilian Institute of Economics (IBRE) of FGV is publishing *Causes and Consequences of Informality in Brazil*. The

book, edited by IBRE researchers Fernando de Holanda Barbosa Filho and Fernando Veloso and by Gabriel Ulyssea of Catholic University, looks at the question from a variety of angles, analyzing, for instance, why informality in Brazil is so high, and what the consequences are for the economy. The contributors suggest that low education and productivity and high taxes are among the main factors that drive low-wage earners and small companies into the informal economy. Policies to reduce taxes and bureaucratic requirements to incentivize participation in the formal economy are not sufficient to ensure that businesses will be more efficient and profitable and worker incomes higher—policies to boost productivity are also necessary.

With the threat of power rationing hanging over Brazilians for much of the past year, the need to expand the share of other sources of energy in our energy matrix, together with the fall in oil prices, could give new impetus to ethanol production as sugar mills become sugar-energy complexes, driven by technological advances from the production of sugar cane ultimately to power generation.



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