



2022 Final Donor Report
Support for the Modernization Process of the Brazilian Federal Revenue
BR-T1446

Basic Information

Approval Year	: 2020	Region	: CSC
Team Leader	: Maria Cristina Mac Dowell	Country	: Brazil
Taxonomy	: Client Support	Department	: IFD
Fund	: INS,ORC-INS	Sector	: RM - Subnational And Local Governments
Approval Number	: ATN/OC-18099-BR	Sub Sector	: SUB
Execution Agency	: US-IDB		
Execution Status	: Closed		
Operation Objective	: Subsidize the process of modernization of the tax administration of the federal government of Brazil.		

Financial Information

BR-T1446

ATN/OC-18099-BR:ORC	Original	Current	% of Current Amount Financed
Amount Financed	\$300,000.00	\$291,223.68	
Disbursed Amount	N/A	\$291,223.68	100.00 %
Commitments not yet disbursed Amount	N/A	-	0.00 %
Available Amount	N/A	\$8,776.32	3.01 %
Final Disbursement Date	Oct 31, 2022		

Status Update

COMPONENT 1 -STRATEGIC MANAGEMENT IN TAX ADMINISTRATION The following consultants were hired for Risk Management in the RFB Consultant André Castro Carvalho was hired to identify the best practices in integrity, whether in public or private institutions, in addition to having a comparative study of risk situations (typologies) and possible treatments in public, national and international entities identify the best practices in integrity, whether in public or private institutions. Firm Risk Pro Treinamento Ltda: The consulting firm was hired to establish a policy for institutional risk management and human capital, develop a risk governance structure model, a manual for defining responsibilities and competencies in this management, a new institutional risk management model, a proposal to improve the risk policy in the processes and processes of existing management. It also involves creating a risk management network and training for about 120 employees. Renaud Bruno: The consultant was hired to provide inputs to improve the Brazilian Federal Revenue Integrity Program (RFB), in particular the protection of the whistleblower in good faith, by proposing changes of a normative and procedural nature to the system currently adopted by the body. Such propositions will take into account international best practices on the subject. The workplan has been delivered. Northeastern University: The consultant firm was hired to perform a comparative analysis on tax administration practices and procedures regarding the identification of transnational bribery practices. No products of this consultancy have been delivered yet. COMPONENT 2 - TAX ARREARS RECOVERY AND TAX DISPUTE RESOLUTION: TAX ARREARS: Centro Interamericano de Administraciones Tributarias – CIAT has been hired to improve the recovery results of the collection of tax credits managed by the RFB, with an analysis of the stock of current results and diagnosis of the situation, in addition to proposing a new collection model, based on risk criteria, in search of maximizing results. The consultancy has been concluded. In Behavior Lab: The consultancy objective is to create a Behavioral Economics Center at the RFB to set up experiments in the various areas of the RFB, especially collection. The consultancy also includes a benchmarking of the use of behavioral economics in national and international cases, to develop and implement a Training Trail for members of the nucleus, in addition to monthly monitoring of the experiments in the nucleus. There products were delivered and the final report is still pending conclusion. TAX DISPUTE RESOLUTION Associação Brasileira de Jurimetria – ABJ: The objective of the consultancy was to initially make a diagnosis of the main causes and factors that affect the effectiveness of decisions in tax matters. The research will also investigate the use by Brazilian tax authorities of alternatives to reduce the high number of tax conflicts, with an emphasis on jurisprudential harmonization, including through the adoption of binding administrative precedents and, also, the introduction of alternative forms of solving tax disputes, especially tax arbitration. Consultancy pending completion, contract has been extended. A Draft of the final ABJ report was delivered last year, but is still under review.

Advance in the Achievement of Outcome and Outputs

Advance in the Achievement of Outcome

1 . Improvement of the process of comprehensive risk management

The reports produced by the company "Risk Pro" were approved and incorporated into the Federal Revenue of Brazil operating plan.

2 . Improvement of the economic-fiscal projections

The input output matrix was approved and used by the Federal Revenue of Brazil to estimate the PIS and Confins tax gap and other taxes. The matrix was presented to the academic community, citizens, and officials at an international Seminar held in November 9 and 10, 2020 and March 18 and 19, 2021.

3 . Improvement of the tax arrears recovery

Report containing the proposal of the new collection management model with recommendations for improving the management model of the Federal Revenue of Brazil, was approved, and incorporated by the entity.

4 . Improvement of tax dispute resolution process

The Report on the Diagnosis of Administrative Tax Litigation was approved by the Federal Revenue of Brazil.

Advances in Execution

1. Strategic management in Tax Administration

Component Cost: \$150,000

Output Indicator	Indicator Detail	Unit Of Measure	Baseline	Baseline Year	Means Of Verification	Theme	Year	P	P(A)	A
1.1 ^s Institutional capacity analysis conducted	Input-output matrix (INS)	Assessments (#)	0	2019	Input-output matrix report	Institutional Development	Physical			
							2020	0	0	0
							2021	0	0	2
							2022	1	1	1
							EOP 2022	1	3	3
							Financial			
							2020	20000	20000	0
							2021	20000	40000	10610.19
							2022	20000	49389.81	52600
							EOP 2022	60000	60000	63210.19

Advances In Execution: This output was accomplished in advance in 2021 and 2022, with the publication of "Tax Gap Methodology of PIS and COFINS" in newspaper Valor Econômico. This output was supported by Gustavo Garcia's consultancy at the beginning of the preparation of the tax matrices, which was financed with administrative resources. In addition, consultant André Carvalho delivered a final report mapping the integrity risks inherent to the typical activities performed by the RFB and proposed the restructuring of an institutional organization compatible with good international practices. A study was carried out to identify standards of good practices and mapping of integrity risks inherent to the typical activities carried out by the Federal Revenue of Brazil. A critical analysis of existing regulations and documentation was prepared regarding the integrity of the risk management methodology, including: Suggestions for improvements; Comparative analysis of applicable international risk management methodologies, such as ISO 31000 and COSO 2017; Analysis of national and international literature on risk management. The following risks were analyzed: the taxpayer; the institution; the servers, and; Suppliers and third parties.

Output Indicator	Indicator Detail	Unit Of Measure	Baseline	Baseline Year	Means Of Verification	Theme	Year	P	P(A)	A
1.2 ^s Workshops organized	comprehensive risk management model (compliance and institutional) (INS)	Workshops (#)	0	2019	comprehensive risk management model report	Institutional Development	Physical			
							2020	0	0	2
							2021	0	1	2
							2022	2	2	2
							EOP 2022	2	6	6
							Financial			
							2020	20000	20000	0
							2021	20000	40000	50000
							2022	20000	10000	10000
							EOP 2022	60000	60000	60000

Advances In Execution: Seminar 1 "Tax Gap" - November 9 and 10, 2020 Seminar 2 "Tax Gap" - March 18 and 19, 2021 "Risks" Seminar 2020 with Spain - October 23 and November 16, 2020 Seminar Comparative analysis on tax administration practices and procedures regarding the identification of transnational bribery practices - Outubro 2022

Output Indicator	Indicator Detail	Unit Of Measure	Baseline	Baseline Year	Means Of Verification	Theme	Year	P	P(A)	A
1.3 ^s Tools designed/strengthened	Seminar on Best practice risk management for staff/officials of the RFB and dissemination of results (INS)	Tools (#)	0	2019	Seminar Information Report	Institutional Development	Physical			
							2020	0	0	0
							2021	1	1	1
							2022	1	1	1
							EOP 2022	2	2	2
							Financial			
							2020	0	0	0
							2021	15000	15000	11995.37
							2022	15000	18004.63	47000
							EOP 2022	30000	30000	58995.37

Advances In Execution: The Consultant André Carvalho was hired to develop a comprehensive risk management model (compliance and institutional). The work plan was already produced. The objective of the work is to obtain the necessary data to identify the best practices and the main integrity risks and how to manage them. This information is essential for strengthening integrity within the Federal Revenue of Brazil (RFB), increasing the efficiency and effectiveness of its actions and it's institutional mission.

2. Tax arrears recovery and tax dispute resolution										
Component Cost: \$150,000										
Output Indicator	Indicator Detail	Unit Of Measure	Baseline	Baseline Year	Means Of Verification	Theme	Year	P	P(A)	A
2.1 ^s Diagnostics and assessments completed	study of tax arrears recovery management using risk methods (INS)	Diagnostics (#)	0	2019	tax arrears recovery study Report	Institutional Development	Physical			
							2020	0	0	0
							2021	1	1	1
							2022	1	1	1
							EOP 2022	2	2	2
							Financial			
							2020	10000	10000	0
							2021	10000	20000	47880
							2022	10000	0	503.73
							EOP 2022	30000	47880	48383.73
Advances In Execution: This report comprises the proposal for a new collection management model that allows the Federal Revenue of Brazil to make better use of the information available in the systems, effectively measure the results and provide better feedback on the operational work carried out by the regions, as well as better directing its efforts in order to obtain higher quality results.The report provided recommendations for improving the Federal Revenue's management model. The document contains 3 Chapters: • Overview of the New Billing Management Model; • Proposal for the Structure of the New Billing Management Model; • Detail of Actions and Conditions for Implementing the New Model.										

Component Cost: \$150,000

Output Indicator	Indicator Detail	Unit Of Measure	Baseline	Baseline Year	Means Of Verification	Theme	Year	P	P(A)	A
2.1 * Diagnostics and assessments completed	study of tax arrears recovery management using risk methods (INS)	Diagnostics (#)	0	2019	tax arrears recovery study Report	Institutional Development	Physical			
							2020	0	0	0
							2021	1	1	1
							2022	1	1	1
							EOP 2022	2	2	2
							Financial			
							2020	10000	10000	0
							2021	10000	20000	47880
							2022	10000	0	503.73
							EOP 2022	30000	47880	48383.73

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Output Indicator	Indicator Detail	Unit Of Measure	Baseline	Baseline Year	Means Of Verification	Theme	Year	P	P(A)	A
2.2 ^s Seminars organized	Analisis of international experience tax arrears recovery (INS)	Seminars (#)	0	2019	international experience in tax arrears recovery Report	Institutional Development	Physical			
							2020	0	0	1
							2021	1	0	1
							2022	1	1	1
							EOP 2022	2	3	3
							Financial			
							2020	10000	10000	982.79
							2021	10000	19017.21	4000
							2022	10000	7137.21	0
							EOP 2022	30000	12120	4982.79

Advances In Execution: A Webinar was held on October 07, 2020 with RFB and AEAT (Spain) officials. The objective of the event was to exchange experiences on tax arrears recovery. Seminar "Litigation" - 25 November 2020
"Cooperative Compliance" Seminar - 04/20/2021 Seminar of CONFIA – 20 April 2022

Output Indicator	Indicator Detail	Unit Of Measure	Baseline	Baseline Year	Means Of Verification	Theme	Year	P	P(A)	A
2.3 ^s Feasibility study completed	Study on tax dispute resolution for improvement of RFB process (INS)	Studies (#)	0	2019	tax dispute resolution model Report	Institutional Development	Physical			
							2020	0	0	0
							2021	1	1	1
							2022	1	1	1
							EOP 2022	2	2	2
							Financial			
							2020	10000	10000	0
							2021	10000	20000	15000
							2022	10000	15000	15000
							EOP 2022	30000	30000	30000

Advances In Execution: This unprecedented study on Brazilian tax litigation, involving the three levels of government, originated from a request by the Federal Revenue Service of Brazil (RFB) to the Inter-American Development Bank (IDB), with the aim of understanding the causes of excessive tax litigation existing in the country and envision alternatives for overcoming it. Reliable statistics already pointed, in 2018, to a federal tax litigation (administrative and judicial) that surpassed the level of 3.4 trillion Brazilian Reais, corresponding to 50.4% of the national GDP. In addition to demonstrating the inefficiency of the resolution system of conflicts, these values showed that the exacerbated Brazilian tax litigation was faced with dilemmas of difficult theoretical and factual resolution. ABJ's research covered Brazilian tax administrative litigation, focusing on the scientific verification of its effectiveness. The ability to resolve the demands presented by taxpayers in a reasonable time was examined; the outcome of decisions rendered; the required socioeconomic effect; the repercussions for the parties involved (taxpayer and tax authorities); its contribution to the improvement of tax legislation; and other conditions required by the constitutional and legal precepts, among which i) the guarantee of the legality of the administrative act of tax assessment; ii) the reasonable time for resolving the dispute; iii) the contradictory and full defense.

Output Indicator	Indicator Detail	Unit Of Measure	Baseline	Baseline Year	Means Of Verification	Theme	Year	P	P(A)	A
2.4 * Feasibility study completed	Analysis of international experience of tax dispute resolution (INS)	Studies (#)	0	2019	International experience in tax dispute resolution Report	Institutional Development	Physical			
							2020	0	0	0
							2021	1	1	1
							2022	1	1	1
							EOP 2022	2	2	2
							Financial			
							2020	10000	10000	0
							2021	10000	20000	15000
							2022	10000	15000	400
							EOP 2022	30000	30000	15400

Advances In Execution: Based on the Diagnosis of Tax Administrative Litigation, a survey of international experiences in administrative litigation was carried out. This unprecedented study on Brazilian tax litigation, involving the three levels of government, originated from a request by the Federal Revenue Service of Brazil (RFB) to the Inter-American Development Bank (IDB), with the aim of understanding the causes of excessive tax litigation existing in the country and envision alternatives for overcoming it. Reliable statistics already pointed, in 2018, to a federal tax litigation (administrative and judicial) that surpassed the level of 3.4 trillion Brazilian Reais, corresponding to 50.4% of the national GDP. In addition to demonstrating the inefficiency of the resolution system of conflicts, these values showed that the exacerbated Brazilian tax litigation was faced with dilemmas of difficult theoretical and factual resolution. ABJ's research covered Brazilian tax administrative litigation, focusing on the scientific verification of its effectiveness. The ability to resolve the demands presented by taxpayers in a reasonable time was examined; the outcome of decisions rendered; the required socioeconomic effect; the repercussions for the parties involved (taxpayer and tax authorities); its contribution to the improvement of tax legislation; and other conditions required by the constitutional and legal precepts, among which i) the guarantee of the legality of the administrative act of tax assessment; ii) the reasonable time for resolving the dispute; iii) the contradictory and full defense.

Output Indicator	Indicator Detail	Unit Of Measure	Baseline	Baseline Year	Means Of Verification	Theme	Year	P	P(A)	A
2.5 * Seminars organized	Seminar to dissemination of studies on dispute resolution for official of the RFB (INS)	Seminars (#)	0	2019	Seminar Information Report	Institutional Development	Physical			
							2020	0	0	1
							2021	1	1	1
							2022	1	1	1
							EOP 2022	2	3	3
							Financial			
							2020	0	0	982.79
							2021	15000	14017.21	4268.81
							2022	15000	24748.4	5000
							EOP 2022	30000	30000	10251.6
Advances In Execution: A Webinar was held on 25 November 2020 for officials of the RFB. The objective of the event was to exchange experiences with AEAT/Spain on tax dispute resolution. The Webinar " Tax Litigation Diagnosis, was held on April, 2022. The objective of the seminars was to disseminate the research carried out by the RFB and the IDB on administrative tax litigation and discuss the it's main results.The event aimed to institutionally strengthen tax administrations and all areas of government involved in the subject and, through the adoption of measures that promote greater cooperation, trust and transparency in relations between the tax authorities, taxpayers and citizens, contribute to the reduction of litigation tax with a view to reducing litigation, increasing legal certainty and reducing the costs of doing business in the country.										