

Article

Optimizing ICMS Strategies for E-Commerce in Brazil: Tax Benefits and Profitability Insight

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ABSTRACT

This study aimed to analyze the ICMS in the interstate operations of e-commerce companies, targeting non-taxpayers. The objective was to identify more economically advantageous strategies that would remain compliant with the tax legislation. The economic implications are evident in the use of tax benefits by various states, seeking to attract large companies to their jurisdictions through these incentives. A case study was conducted at a medium-sized company that has experienced significant growth in recent years, driven by both operational expansion and the rise of e-commerce on digital platforms. To carry out this case study, information from the company's tax documents was used, including verification of files and tax ledgers, and calculation of taxes and other reports relevant to the study. The analysis revealed that ICMS has a significant effect on the company's operations, necessitating the implementation of strategies to efficiently and legally reduce the tax burden. To implement these strategies, this study analyzed the tax benefits offered by specific states within the federation to this particular industry segment. By comparing these benefits to the company's operational values, opportunities to reduce the tax burden and increase profitability can be identified. The study demonstrated the potential for substantial cost savings by considering the company's location as the primary focus. These savings could range from 41.9% to 72.5%.

Keywords: ICMS; E-Commerce; Tax Burden; Tax Benefit;

JEL Classification: D9, H2, H4

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INTRODUCTION

The Tax on the Circulation of Goods and Services (ICMS) plays a significant role in Brazil's economic landscape, particularly within the electronic market. As a state tax imposed on the movement of goods and the provision of intercity and interstate transportation and communication services, ICMS is crucial for regulating the economy and fostering e-commerce. However, it also poses substantial challenges for organizations in general, requiring a deep understanding of its complexities, variations, and implications for commercial operations (Sá, 2017). The ICMS is imposed from the moment goods begin to circulate, and the federal entities are granted taxing powers, but they must act within normative limits to preserve the rights and guarantees of all taxpayers (Campos, 2013).

With the exponential growth of e-commerce and the increasing availability of products sold through digital channels, its relevance and significance within the tax management scenario have also expanded. Since it represents a significant development in the scope of ICMS and Difal ICMS, taxes under state jurisdiction levied on these operations, despite the absence of physical interaction between buyer and seller, possess the essential factors constituting the taxable event. In this context, this study aimed to establish a case study of an individual case, through intensive exploration to deepen general knowledge about the context of the subject matter. The case study methodology allows for the organization of data while preserving the unique characteristics of the subject (Goode and Hatt, 1979). This research was categorized as instrumental, as it explores a specific case to gain insights into a broader context, providing the necessary basis for future research on similar topics (Ventura, 2007).

According to Oliveira and Botelho (2013), the increased representativeness of e-commerce has prompted states, the beneficiaries of e-commerce tax revenue, to engage in a phenomenon known as a Fiscal War. From the moment consumers purchase a product online, the convenience and ease of the transaction eliminate the need for companies to be physically located in the same state as the buyer, leading to a significant increase in interstate operations, making them a prominent feature of the national economic landscape.

The format used by the Union in interstate commercial transactions was a major driver for the states to enact policies that encouraged large companies from other regions to establish themselves within their territories in search of tax benefits, even when the consumers were located in different states, accentuating an economic dispute between the federal entities (Sá, 2017). Prior to this, Art. 155, § 2, VII, point "a" stipulated that the ICMS should only be collected in the state where the sender of the goods was situated. However, since Constitutional Amendment 87/2015, the destination of the tax has undergone significant changes, with the aim of gradually easing this Fiscal War and the states of the federation, as the destination of the goods, will begin to share in the ICMS revenue through the Difal ICMS mechanism (Neves, 2020).

The growth of the sector requires more economically advantageous solutions for calculating taxes and paying them into state coffers, particularly considering the complexities of ICMS in interstate operations and digital transactions involving goods and services. A gap in research to be explored in this study lies in how companies can use existing legal principles and tax regulations to save on paying this tax and ensure efficient tax planning for their business

needs (Oliveira and Botelho, 2013). How has the implementation of ICMS taxation on e-commerce operations affected the competitiveness, financial management and sustainability of companies, considering the complexities of state legislation across different states? And how can the rules of the ICMS legislation be utilized to address this situation?

The study aimed to explore the context of the proposed subject and evaluate the evolution of the e-commerce segment. The company as the subject of this study is widely engaged in the industrialization and marketing of nutritional foods and food supplements in general, where nearly all of its operations are carried out electronically.

After more than a decade of operations, the company referred to in this article as "Nutri Suplementos" is well structured in its technological processes across various areas, such as production, research and development and marketing, with a well-trained team of employees and constant training to improve its processes. The company has an exclusive channel for marketing its products and also partners with strategically selected marketplaces to promote its operations.

This case study examined the interstate operations of the aforementioned business organization, with the aim of demonstrating that due to an extremely competitive market segment, it is necessary to implement strategies for reducing significant expenses, such as ICMS and Interstate ICMS. These taxes have a significant impact on operations. Additionally, the study aimed to demonstrate that through tax planning based on tax incentives, it is possible to achieve more favorable conditions regarding tax contributions to the tax authorities.

Cavalcante (2019) noted that, despite the ICMS rules on interstate transactions requiring the state tax rates to be no lower than those set by

the Federal Senate, certain states have enacted their ICMS taxation rules in their legislation, while allowing companies to implement tax planning strategies through these provisions. The aim of this study was to analyze the ICMS levied on interstate transactions with non-ICMS taxpayers in e-commerce. The focus was on identifying economically advantageous alternatives, as outlined in the tax laws of states that strategically position themselves as the most attractive option for e-commerce businesses due to their tax benefits.

LITERATURE REVIEW

The evolution and consolidation of e-commerce

A survey conducted by the Brazilian Association of Electronic Commerce revealed e-commerce revenues of approximately R\$169.59 billion in 2022 in Brazil, demonstrating a significant increase compared to previous years, and also confirming the growth trend in the sector. In 2023, revenues were estimated at R\$185.7 billion, projected to reach R\$232.51 billion by 2026, representing an increase of more than R\$100 billion compared to 2020 (Neiva, 2022).

The total retail share in Brazil has also been increasing. While e-commerce accounted for only 6.2% of total retail sales in 2018, it is projected to reach 14.3% in 2022 (Neiva, 2022).

E-commerce companies are subject to the same taxes as traditional brick-and-mortar businesses, including ICMS, as the focus of this study. However, due to the prevalence of interstate operations and the involvement of non-taxpayer consumers, ICMS has a differentiated impact on this sector, resulting in a higher tax burden on the listed operations.

This study demonstrates how an e-commerce company can minimize its tax burden by analyzing its operational and tax history. By identifying legal and appropriate tax strategies,

the company can optimize its tax calculations and reduce its overall financial impact.

In this regard, it is crucial to select the most suitable tax regime among the various options available, considering their unique features and implications. The specific location where a company is incorporated can have a substantial influence on the ICMS value attributed to its e-commerce operations.

Particularities of ICMS legislation - Fiscal War

The Federal Constitution provides for ICMS tax incentives to promote balanced growth and stimulate development in economically disadvantaged regions of the country, considering both national and regional factors.

However, the situation we observe is one in which all parties suffer as a result of a dispute between the states, with the goal of increasing revenue by using tax rules to their own advantage in order to attract large companies and create jobs. Consequently, what could potentially benefit national social and economic development ultimately exacerbates inequalities, leading to unfair competition among companies (Domene and Bifano, 2018).

The ICMS is characterized as one of the largest sources of financial resources for the states and the Federal District, with the tax function as its main duty. However, Brazil's current fiscal policy situation has led this tax to become an economically attractive mechanism.

The granting of tax incentives with unilateral benefits offered by the states is the primary factor demonstrating this adverse use of the ICMS because this practice contravenes the established rules stipulating that incentives to reduce the tax can only be granted or revoked through agreements signed and ratified by the states and the Federal District. Responsibility for approving tax benefits relating to the ICMS was

delegated to the Finance Council (Confaz) (Art. 155, § 2, item XII, point "g" of the Federal Constitution Complementary Law 24/1975).

As a result, these incentives have become an instrument of the states, enacting ICMS rules in diverse circumstances. One of the primary reasons for their creation is to attract companies from various economic sectors in order to achieve regional development through these benefits.

The Federal Supreme Court has previously addressed this issue, concluding that these practices are inconsistent with constitutional norms. Several decisions have already been incorporated into the legislation of various states.

Regulation with penalties for taxpayers and the attempt at a legislative solution

Complementary Law 24/1975 stipulates the implementation of agreements to grant ICMS exemptions, in addition to other measures, such as the establishment of penalties for taxpayers.

However, penalties may be imposed on taxpayers receiving goods incentivized by the undue benefits, even in simple purchase scenarios where the recipient has a commercial relationship, but is unaware of the tax situation of its supplier. Article 8 of Complementary Law No. 24/1975 demonstrates that the legislature has established penalties for scenarios where the states fail to comply with the normative requirements for granting tax benefits, specifically when there is no agreement among all the states with due ratification by Confaz.

However, the provision of Article 8 of Complementary Law 24/1975 should not mitigate a principle of non-cumulativeness, a principle determined by the federal constitution, since only two exceptions to this principle are accepted: exemption and non-incidence. In other words, only these two scenarios can justify a tax credit for a taxpayer receiving goods from a supplier located

in another unit of the federation, without knowledge of the supplier's fiscal and tax status.

From this, it can be concluded that the ICMS tax credit prerogative arises from the application of the tax rate on a calculated tax base, with the amount of tax duly calculated and indicated in a suitable tax document. In this manner, it becomes evident that a benefit instituted by the state of origin, even if unilaterally implemented, should not be rejected by the tax authorities of the destination state, as it was duly indicated on the invoice (Domene and Bifano, 2018).

Aiming to find a viable alternative to this scenario, Complementary Law 160/2017 was enacted on August 7, 2017. This law waived the tax credits, whether constituted or not, associated with tax incentives granted without the approval of the Confaz. Additionally, it reinstated tax incentives previously provided under state legislation.

The legislator drafted this rule with the primary objective of resolving the nationwide tax war, ratifying previously granted, irregular tax incentives and preventing states from introducing similar new incentives.

Why did Espírito Santo, Bahia and Santa Catarina select these benefits?

Given the diverse range of tax benefits offered by different states, this study aimed to identify those states whose tax legislation includes specific tax incentives for ICMS, particularly for e-commerce, within their internal regulations.

In the course of this study, the states with laws or decrees on ICMS benefits are presented. These laws and decrees, among their characteristics and rules, stipulate that they apply to interstate transactions and are non-face-to-face, attributes commonly associated with e-commerce.

In the academic papers used as a reference for this study, a number of federal units were identified for their proactive approach in attracting e-commerce companies in order to achieve economic and social growth, receiving investments, driving their economy, and attracting jobs, among other benefits. In this regard, the states included in this study were selected solely and exclusively because they possess the above tax benefits. Other federative units were not identified as possessing similar provisions and rules, and were therefore not included in this analysis.

Types of ICMS tax benefits for e-commerce

Taxing entities' pursuit of investment attraction and economic and social progress is a major reason for the expansion of the fiscal war in Brazil. In addition, the complexities of the tax legal system at a national level and federal responses to the tax benefits and incentives offered by different states continually exacerbate this trend (Carvalho, 2012).

Currently, e-commerce operational centers have been established in specific states to attract businesses that sell goods through digital platforms. In this context, certain tax incentives have been implemented for companies engaged in digital sales (Moreti, 2022).

Several examples of these benefits and incentives can be highlighted, such as those directly targeting non-face-to-face commerce, specifically related to the ICMS tax. For instance, the state of Espírito Santo, through Law No. 10.568/2016, offers a fiscal incentive providing a deemed credit on interstate sales to the final consumer when the purchase is made remotely. This benefit results in a tax burden reduction of 1.10%.

In the state of Bahia, Decree 7.799/2000 regulates a tax benefit that grants a presumed

credit on non-face-to-face transactions to non-taxpaying consumers, resulting in an ICMS tax burden reduction of 3%.

In addition, the state of Santa Catarina, through Art. 43 of Law no. 10.297/1996, as regulated by Annex II of the RICMS/SC, Art. 21, item XV, allows for the use of presumed credit in interstate transactions involving non-taxpayers conducted via technological means such as the internet or telemarketing services. In transactions subject to a 4% rate, the credit is applied to reduce the ICMS tax burden to 1%, while in transactions with a 7% or 12% rate, the credit provides a tax burden reduction of 2%.

Espírito Santo

Espírito Santo State Law No. 10,568/2016 established parameters aimed at protecting the state's economy by supporting the various economic segments, to ensure the competitiveness of this federal unit in the face of tax incentives granted by other jurisdictions.

Given the specific segment and operations of the company in this case study, involving a food supplement seller operating through e-commerce channels, this study analyzes Article 23 of Law 10,568/2016 and Article 530-L-R-I of the RICMS-ES/2002. The latter article outlines a tax incentive in the form of a presumed credit. This incentive applies specifically to interstate transactions with final consumers, provided that the business operates exclusively through non-face-to-face sales.

Bahia

Through the enactment of Decree 7.799/2000, the state of Bahia aimed to stimulate the establishment of new and diverse national retail brands within its territory. In addition to distribution centers, logistics operators, and other entities involved in the e-commerce segment, the

decree sought to promote the expansion of these activities and job creation.

By making the state more attractive, the benefits are not just limited to economic growth, but are also intended to encourage consumption in the north and northeast regions. The goal was to position the state of Bahia as a supplier of goods and services to these regions.

Santa Catarina

In accordance with Art. 43 of Law No. 10.297/1996, the State of Santa Catarina authorizes the implementation of tax benefits across various segments through the State's ICMS Regulation, in its Annex II, Art. 21, XV, which also establishes the use of presumed credit when the applicable interstate rate is verified.

To qualify for this benefit, the taxpayer must forego the use of tax credits when making purchases that would normally be eligible for such credits.

Based on these rules and regulations of each state's legislation, Nutri Suplementos was eligible to join the program as long as it was located within one of these states. This has emerged as a legally recognized tax planning strategy to significantly reduce the tax burden associated with ICMS and Difal ICMS. This is possible because the operations are conducted remotely, primarily involving interstate transactions that adhere to the specific requirements of these incentives.

METHODOLOGY

This study employed a quantitative research approach. In terms of its nature, applied research was used, and in terms of objectives, an exploratory study was conducted. Regarding procedures, bibliographical research was utilized.

Through bibliographical research, it was possible to establish knowledge and formulate

hypotheses related to e-commerce companies. Theoretical proposals were developed to demonstrate potential tax planning strategies for companies in the food supplement distribution segment, referencing relevant legislative provisions.

This study employed a case study methodology to formulate relevant questions, collect relevant data, and provide explanations based on real-world information by comparing the taxes levied on operations with those that could have been imposed under an alternative legislative scenario within a federative entity. The case study is a widely recognized research method for its ability to explore complex phenomena in specific contexts. According to Gil (2017), the case study is characterized by its flexibility and the possibility of incorporating diverse methods and data sources.

The company as the subject of this study, "Nutri Suplementos", has been operating since 2006 in the food supplement industry and trade in the Ribeirão Preto region. The article aimed to delineate the case's elements, focusing on an in-depth analysis of a single, real, and representative scenario of the e-commerce sector for food supplements.

The company comprises professionals specializing in nutrition, food technology, and pharmaceutical chemistry, in addition to a robust sales team. With the constant evolution of electronic media, the prevalence of internet sales, among other communication channels, has been enhanced, allowing the company to expand its business nationally, effectively operating in all states.

This e-commerce activity led the company to pay closer attention to tax issues, particularly regarding ICMS taxes due to the state of São Paulo, where it is headquartered, as well as to the destination states of its sales since 2016.

The proposed script for the case study stages is more flexible, with each stage influencing changes in subsequent ones. However, some stages are followed regardless of their order (Gil, 2017). Once again, the research was conducted in stages representing the typical analytical process of an applied case study: the company was selected due to its relevance in the e-commerce sector for food supplements and the tax complexity faced in its operations. The definition of the study elements included a historical analysis of the company's operations since 2006 and its national expansion.

In his study, the design process involved these steps: first, delimiting the elements of the case; second, collecting data through document analysis to obtain information on debit and credit amounts arising from tax document bookkeeping and the subsequent calculation of these taxes; and lastly, after selecting relevant information, conducting a comprehensive analysis of both quantitative and qualitative data, culminating in the drafting of partial and final reports. Additionally, a rigorous analysis of fiscal documents, tax calculations, and financial information was conducted to validate the presented results. Bibliographical research was employed to explore hypotheses and theoretical proposals, enabling the development of tax planning hypotheses and proposals, strengthening the connection between theory and practice.

To analyze the information on the tax amounts calculated by the company, the monthly invoices issued and received were organized into spreadsheets, recording ICMS credits and debits, as well as the balance to be collected in the same periods. The tax benefits identified in the study were used to demonstrate a potentially more advantageous ICMS calculation scenario. As the presumed credit tax benefit was utilized in each of the three federative units, the primary rule

requiring taxpayers to waive any tax credit utilization was observed.

In this study, we focus on the Differential Tax Rate (DIFAL) because the company "Nutri Suplementos" operates with interstate sales. The analysis of tax benefits and the impact of DIFAL on ICMS is crucial for calculating tax amounts in various scenarios and assessing the efficiency of tax planning. DIFAL is a tax mechanism that adjusts interstate transactions subject to ICMS to ensure a fair distribution of revenue between the state of origin (where the supplier is located) and the state of destination (where the final consumer is located). This adjustment is particularly relevant for sales to non-ICMS taxpayers, such as final consumers in e-commerce operations.

Thus, to present the company's results when calculating presumed credit, information regarding sales subject to the ICMS tax rules as defined by state legislation was used. By identifying the invoice amounts for interstate operations involving non-taxpayers and referencing operation tax codes, the tax rates defined in each of the studied scenarios in the different states were applied. These values were added to other taxable operations that did not qualify for the benefit to determine the tax amount in each state for a scenario where the company was located in each territory.

In this manner, the presented case study employs a detailed and structured methodological approach that combines quantitative analysis with applied and exploratory objectives, using bibliographical research as the primary tool. Data analysis was performed quantitatively through spreadsheets detailing ICMS values in specific scenarios, considering the destination states and the use of tax benefits. Additionally, a comparative analysis with an emphasis on calculations of alternative scenarios for the company's location was also conducted to assess

the financial feasibility of operating under different tax regimes.

The results collected through the reports demonstrate the advantages and disadvantages of the evaluated tax scenarios. The case study illustrates the direct application of theoretical concepts to solve real-world problems faced by companies in the market.

The use of simulated scenarios with different tax benefits allowed the company to evaluate strategies to minimize the tax burden while complying with existing legislation. The analysis of presumed credit exemplifies how waiving tax credits can, in some cases, result in a more advantageous tax burden.

Thus, based on the data collected, the company can adopt strategies that enhance its performance, such as financial sustainability. As e-commerce continues to grow, companies like Nutri Suplementos face additional challenges related to interstate taxation. Applying the described methodology helps them adapt to a dynamic tax landscape. Lastly, by adopting an exploratory and applied approach, the study advances theoretical understanding of tax planning and commercial operations in the food supplement sector while also providing practical insights for managers and professionals. The combination of document analysis, quantitative calculations, and normative comparisons showcases the effectiveness of case studies as a tool for solving real-world problems.

RESULT AND DISCUSSION

Based on the collection of data and information, as well as the analysis of the relevant tax documents for the period 2017 to 2022, the relevance of the calculated ICMS and Difal ICMS Non-Contributor values was verified, as shown in Tables 1 and 2 below:

Table 1.
Current scenario with taxation rules in the state of São Paulo - Nutri Supplements - ICMS Calculation
Debit/Credit - Year 2017 to 2022

Year	Billing	ICMS debit	ICMS credit	Balance collected
2017	3,067,624.90	396,643.90	216,267.56	180,376.34
2018	3,373,613.92	437,895.09	237,839.78	200,055.31
2019	3,839,574.30	502,984.23	270,689.99	232,294.24
2020	5,259,239.49	678,441.89	370,776.38	307,665.51
2021	16,631,565.81	2,183,724.59	1,172,525.39	1,011,199.20
2022	18,462,473.90	2,424,122.82	1,301,604.41	1,122,518.41

Source: Original research results

Between 2017 and 2022, the company demonstrated consistent performance and significant growth, both in supplement sales and through the advancement of e-commerce as a facilitating and enhancing factor.

Despite facing numerous challenges, including a tax burden, as has been shown, the ICMS alone accounted for 5.5% to 6% of turnover.

Table 2.
Current scenario with taxation rules in the state of São Paulo - Nutri Supplements - Difal ICMS due to
other states - Year 2017 to 2022

Year	Billing	Difal ICMS due
2017	3,067,624.90	47,681.25
2018	3,373,613.92	49,549.58
2019	3,839,574.30	57,593.61
2020	5,259,239.49	70,473.80
2021	16,631,565.81	243,822.76
2022	18,462,473.90	286,796.35

Source: Original research results

Due to interstate operations, primarily targeting non-ICMS taxpayers, the company's ICMS Difal, resulting from various destination states, was found to be consistently between 1.5% and 2% of turnover.

The ICMS amounts presented thus far are in accordance with the company's current tax assessment system, which operates on a debit-credit basis. This system taxes sales and allows

for tax credits on purchases, as stipulated by the relevant regulations.

Leveraging available tax incentives offers an alternative method for calculating ICMS, distinct from the current debit-credit system.

As a result of the application of these benefits, the transactions conducted with the company under this study were adjusted to comply with the regulations established in each of the mentioned federation units.

Table 3.
Simulation of ICMS values - Espírito Santo tax rules - Nutri Supplements - ICMS with presumed credit - Year 2017 to 2022

Year	Billing	ICMS debit	Presumptive credit	Balance to be collected
2017	3,067,624.90	372,114.99	325,651.12	46,463.87
2018	3,373,613.92	409,083.67	358,458.92	50,624.75
2019	3,839,574.30	465,188.92	408,961.60	56,227.32
2020	5,259,239.49	636,358.74	561,812.11	74,546.63
2021	16,631,565.81	2,003,037.90	1,797,035.68	206,002.22
2022	18,462,473.90	2,223,996.87	1,993,879.66	230,117.21

Source: Original research results

Table 4.
Simulation of ICMS values - Bahia taxation rules - Nutri Supplements - ICMS with presumed credit – Year 2017 to 2022

Year	Billing	ICMS debit	Presumptive credit	Balance to be collected
2017	3.067.624,90	377.114,99	262.586,24	114.528,75
2018	3.373.613,92	414.553,67	289.045,25	125.508,42
2019	3.839.574,30	471.368,92	329.631,69	141.737,23
2020	5.259.239,49	643.708,74	454.431,56	189.277,18
2021	16.631.565,81	2.012.587,90	1.471.640,93	540.946,97
2022	18.462.473,90	2.233.496,87	1.634.622,65	598.874,22

Source: Original research results

Table 5.
Simulation of ICMS values - Santa Catarina taxation rules - Nutri Supplements - ICMS with presumed credit - Year 2017 to 2022

Year	Billing	ICMS debit	Presumptive credit	Balance to be collected
2017	3,067,624.90	348,404.93	249,452.43	98,952.50
2018	3,373,613.92	384,597.53	276,625.25	107,972.28
2019	3,839,574.30	436,253.17	317,761.68	118,491.49
2020	5,259,239.49	601,275.58	443,590.79	157,684.79
2021	16,631,565.81	1,890,419.59	1,449,788.27	440,631.32
2022	18,462,473.90	2,099,565.84	1,607,316.36	492,249.48

Source: Original research results

Based on the simulation results and the ICMS tax rules applicable to the states previously stated during the study, the financial difference in

the tax to be paid on the company's operations is shown below, along with the comparison between the states.

Table 6.
Comparison between the states of São Paulo, Espírito Santo, Bahia and Santa Catarina - Nutri Supplements - ICMS to be collected - Year 2017 to 2022

<i>Year</i>	São Paulo	Espírito Santo	Bahia	Santa Catarina
2017	180,376.34	46,463.87	114,528.75	98,952.50
2018	200,055.31	50,624.75	125,508.42	1 07,972.28
2019	232,294.24	56,227.32	141,737.23	118,491.49
2020	307,665.51	74,546.63	189,277.18	157,684.79
2021	1,044,199.20	206,002.22	540,946.97	440,631.32
2022	1,122,518.41	230,117.21	598,874.22	492,249.48
Total	3,054,109.01	663,982.00	1,710,872.77	1,415,981.86

Source: Original research results

The information and data collected, when used to simulate the possible ICMS values based on the rules of each tax benefit, demonstrate the possibility of reducing the ICMS payable on the operations of the company under this study.

In all the aforementioned states, this tax benefit or incentive is granted through a presumed credit system. The credit percentage varies by state and is applied within a specialized tax assessment regime. In all cases, the projection proves to be economically viable when comparing the ICMS paid to the state of São Paulo with the potential ICMS payable in the other states, considering the aforementioned benefits.

With the lowest percentage of tax burden after applying the benefit rules, Espírito Santo had the lowest value of ICMS in the simulation carried out with the values used, where the total value of ICMS was 21.74% of that paid in São Paulo. Subsequently, the state of Santa Catarina projected tax savings of 46.36% of the savings projected for São Paulo. Lastly, in this simulation, the projected tax savings for the state of Bahia, when compared to the payments made to the state of São Paulo, was 56.02%.

Unlike ICMS levied on operations, commonly known as Normal ICMS, Difal ICMS has a different impact on the state tax revenue compared to ICMS paid on operations within the company's home state.

Difal must be paid when a significant disparity exists between the internal rate of the receiving states and the interstate rate applied to the sale, in this case, benefiting the destination states.

At this point, a discrepancy exists between the states analyzed, specifically Espírito Santo and Bahia. While Espírito Santo and Bahia apply a 12% interstate tax rate to all interstate transactions, regardless of destination state, Santa Catarina must apply a 12% ICMS rate only for transactions destined to the federative units in the South and Southeast regions, excluding Espírito Santo. For transactions destined to other states, including Espírito Santo, Santa Catarina is obligated to use the 7% interstate tax rate.

A significant advantage arises when interstate operations are subject to a 12% interstate tax rate. In such cases, the ICMS Difal will be levied at a lower rate of 5-6%, as most states impose an internal ICMS rate of 17-18%. Therefore, in cases where the interstate rate is 7%, Difal ICMS will have a greater economic tax burden on the sender, estimated to be 10 to 11%.

Based on this information and the data collected, analyzed and used in the tax simulation, the following table presents the comparison results and ICMS Difal values calculated according to the rules of each state analyzed.

Table 7.
Comparison of ICMS Difal values - Nutri Supplements - Years 2017 to 2022

Year	São Paulo	Espírito Santo	Bahia	Santa Catarina
2017	47,681.25	23,125.48	22,568.25	52,984.78
2018	49,549.58	25,869.31	24,651.28	55,147.25
2019	57,593.61	29,258.90	28,749.66	63,258.79
2020	70,473.80	36,401.79	35,201.27	78,145.99
2021	243,822.76	123,168.55	121,998.25	253,406.14
2022	286,796.35	144,254.20	143,874.30	294,815.26
Total	755,917.35	382,078.23	377,043.01	797,758.21

Source: Original research results

Table 8.
Comparison between State of ICMS Amount Paid/Payable – Year 2017 to 2022

Ano	ICMS Tax Base (Goods Subject to Tax)	São Paulo (ICMS Paid)	Espírito Santo - Carga de ICMS "1,1%" (ICMS Payable Simulation)	Bahia - Carga de ICMS "3%" (ICMS Payable Simulation)	Santa Catarina - Carga de ICMS "2%" (ICMS Payable Simulation)
2017	R\$ 3,817,625.00	R\$ 180,376.34	R\$ 46,463.87	R\$ 14,528.75	R\$ 98.952.50
2018	R\$ 4,183,614.00	R\$ 200,055.31	R\$ 50,624.75	R\$ 125,508.42	R\$ 107.972.28
2019	R\$ 4,724,574.33	R\$ 232,294.24	R\$ 56,227.32	R\$ 141,737.23	R\$ 118.491.49
2020	R\$ 6,309,239.33	R\$ 307,665.51	R\$ 74,546.63	R\$ 189,277.18	R\$ 157.684.79
2021	R\$ 18,031,565.67	R\$ 1,011,199.20	R\$ 206,002.22	R\$ 540,946.97	R\$ 440.631.32
2022	R\$ 19,962,474.00	R\$ 1,122,518.41	R\$ 230,117.21	R\$ 598,874.22	R\$ 492.249.48
	Total	R\$ 3,054,109.01	R\$ 663,982.00	R\$ 1,710,872.77	R\$ 1,415,981.86

Source: Original research results

In general, ICMS (Tax on the Circulation of Goods and Services) operates under a non-cumulative system, considering tax debits and credits in purchase and sales transactions, as shown in the spreadsheet through the column labeled "São Paulo (ICMS Paid)." The proposal of this study, however, is a modality of ICMS calculation that involves using a fictitious or "presumed" credit to offset the amount payable to the Treasury. This type of credit is primarily applied to beneficiaries in specific economic sectors to reduce the tax burden or stimulate certain activities.

The values shown in the other columns, as simulations, provide approximate calculations applying the tax rate defined by the legislation of each state for the ICMS payment method with the benefit of presumed credit.

CONCLUSION AND RECOMMENDATION

Conclusions

In recent years, Nutri Suplementos has experienced significant growth and evolution, primarily driven by the expanding market segment it serves and its own optimized processes and competitive commitment. This study indicates that

the company can further optimize its operations by redefining certain practices to reduce costs. A primary area for potential cost reduction lies in taxation, specifically the ICMS and Difal ICMS taxes, which have the greatest impact on its operations.

The highlighted information and supporting data present remarkably viable alternatives for reducing the tax burden, and even if a potential relocation or opening of a branch in another federative unit is necessary, the economic projections are promising for the potential increase in business profitability.

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