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# COMPARATIVE ANALYSIS OF TAX REGIMES TO STIMULATE MICRO-ENTREPRENEURSHIP IN LATIN AMERICA: THE EXPERIENCE OF ARGENTINA AND BRAZIL

## ABSTRACT

This study compares the evolution and fiscal relevance of simplified tax regimes for microentrepreneurs in Brazil (MEI) and Argentina (Monotributo) from 2018 to 2024, excluding 2020 due to data unavailability. Using official administrative data, it constructs a dual framework based on population-adjusted coverage and estimated tax revenue as a share of national GDP. This combined approach provides a consistent basis for cross-country analysis and enhances the understanding of policy outcomes in emerging economies. Brazil's MEI expanded rapidly, from 3.88% to 7.41% of the population between 2018 and 2023, before declining to 5.41% in 2024, while Argentina's Monotributo showed slower but steadier growth, rising from 4.25% to 5.73% over the full period. Despite these enrollment trends, both regimes remain fiscally marginal compared to current GDP, as in 2023, MEI revenue, collected at the municipal and state level, equaled 0.0064% of Brazil's GDP, and Monotributo revenue represented 0.034% of Argentina's GDP, excluding provincial taxes. The scientific contribution of this paper lies in its integration of demographic and fiscal dimensions into a single evaluative framework. Most prior studies address simplified tax regimes from institutional or behavioral perspectives, often limited to a single country. By contrast, this research offers a comparative and data-driven assessment that can inform broader policy debates in Latin America. Based on the findings, Brazil should revise income thresholds and employment restrictions to facilitate business growth and reduce informal substitution, while Argentina would benefit from automating inflation adjustments and coordinating national and provincial tax burdens to enhance predictability and compliance. These results reinforce the view that simplification must be accompanied by adaptive policy design and sustained administrative support to achieve lasting formalization.

**Keywords:** microentrepreneurship, Monotributo, formalization policy, Argentina, Brazil, tax regimes, MEI Brazil, simplified tax regimes, self-employed workers

**JEL Classification:** O17, J46, H26, H32

## INTRODUCTION

Microentrepreneurship has become a key strategy for promoting economic development and reducing informality in emerging economies, particularly in Latin America. Informal labor markets limit tax revenue, weaken social protection systems, and hinder productivity growth. To address these challenges, many governments have adopted simplified tax regimes aimed at integrating small-scale entrepreneurs and self-employed workers into formal systems. These regimes combine tax and social security obligations into a unified payment, lowering entry barriers and enhancing institutional coverage. As the CIAT notes, "the integration of social security resources into the specific treatment of individual taxpayers has proven to be a significant inducement factor for their formalization", reinforcing their role in fostering inclusion and compliance (González, 2024, p. 102).

In Argentina, the Monotributo regime was introduced through Law No. 24.977 in 1998 (Congreso de la Nación Argentina, 1998) as an innovative policy to integrate taxation and social security contributions into a single monthly payment. By establishing multiple

income categories with progressively higher thresholds, the Monotributo seeks to accommodate different levels of economic capacity and adjust regularly for inflation (AFIP, 2024). This system has facilitated the inclusion of millions of small taxpayers and self-employed workers, contributing to Argentina's efforts to expand the formal economy despite recurrent macroeconomic volatility.

In Brazil, the Microempreendedor Individual (MEI) program was launched in 2008 under Complementary Law No. 128/2008 to tackle persistently high rates of informality among micro-scale entrepreneurs. The MEI framework offers extremely simplified registration processes, reduced taxation, and automatic access to social security protections provided by the National Institute of Social Security (INSS) (Simples, 2024). By imposing a strict annual gross revenue ceiling and limiting each MEI to a single employee, the program ensures that only truly micro-scale businesses benefit from its advantages, thus avoiding revenue losses from larger informal enterprises seeking loopholes (IBGE, 2024).

Despite the popularity and longevity of these schemes, comparative empirical evidence examining their effectiveness remains scarce. Most existing analyses focus on individual country experiences with simplified tax regimes, often lacking a comparative perspective across macroeconomic contexts. This lack of rigorous cross-national evaluation represents a critical knowledge gap, especially given that informal employment affects 49% of the employed population in the Americas (ILO, 2023). Understanding how different policy designs perform under similar structural conditions can provide valuable lessons for policymakers across the region.

Moreover, the COVID-19 pandemic introduced unprecedented disruptions to labor markets and fiscal systems worldwide. Many microentrepreneurs faced sharp revenue declines and shifts back to informality, while governments struggled to maintain reliable administrative data (ILO, 2020). As a result, official population-adjusted figures for programs like the MEI and Monotributo were unavailable for 2020, highlighting the need for robust analytical methods to address data gaps and provide accurate comparisons (IBGE, 2024; AFIP, 2024).

The present study aims to fill the research gap by providing a comparative analysis of Brazil's MEI and Argentina's Monotributo based on official, population-adjusted figures for the years 2018 to 2024. By focusing on two emblematic models within Latin America, this research contributes to the broader debate on how to balance administrative simplicity, tax revenue sustainability, and social protection coverage in contexts characterized by economic volatility and high informality. The findings aim to provide policymakers and scholars with empirical insights that can inform future policy design, regulatory adjustments, and efforts to strengthen the resilience and effectiveness of microentrepreneurship support schemes.

In addition, the study aims to incorporate a financial perspective by assessing the potential fiscal relevance of these simplified regimes from 2019 to 2024. Rather than evaluating their effectiveness solely through participation rates or formalization levels, the research examines whether they generate meaningful contributions to public finances. In this context, gross domestic product (GDP) is used as a reference metric to gauge the relative fiscal weight of the revenues collected under each program. This complementary analysis seeks to offer a more comprehensive understanding of the role these regimes play—not only as tools for inclusion and administrative simplification, but also in terms of their fiscal viability and long-term sustainability within national economic frameworks.

## LITERATURE REVIEW

In the case of Argentina, Garriga, Puig, and Tortarolo (2020) conducted a comprehensive study on the responses of firms and self-employed workers to the Monotributo and Gross Receipts Tax. Their research, utilizing rich administrative data, exploited revenue-dependent discontinuities in the tax schedules to estimate sales elasticities. They found substantial 'bunching' of small taxpayers below the thresholds of the Monotributo's income categories, indicating a behavioral response to avoid higher tax liabilities. This 'bunching' was more pronounced in sectors with greater flexibility for manipulation, such as service-based activities, suggesting that taxpayers actively adjust their reported revenue to remain within lower tax brackets.

The Monotributo system is structured with eleven income categories, each with different tax liabilities. The study by Garriga, Puig, and Tortarolo (2020) revealed that the intensity of bunching was stronger for higher discrete jumps in average tax rates. While bunching was less evident in the higher income notches, this could be attributed to a higher composition of taxpayers with less flexibility to adjust their reported revenue.

In the case of Brazil, Rocha, Ulysea, and Rachter (2018) further investigated the effects of reducing formality costs on firm formalization in Brazil, specifically through the IMP (Individual Micro-Entrepreneur Program), which is the MEI. They found that reducing taxes, once registration costs were eliminated, did lead to a decrease in firm informality. This effect

was primarily due to the formalization of existing informal firms, rather than the creation of new formal businesses or increased survival of existing formal firms.

The design of the MEI program, with its staggered implementation and eligibility criteria based on industry, provided a unique empirical setting for these studies. The initial phase of the program (IMP1) focused on eliminating monetary entry costs and introducing an online registration platform. The second phase (IMP2) further reduced taxes by halving monthly tax expenditures. Rocha, Ulyseia, and Rachter (2018) highlighted that the formalization effects were transitory, peaking at around six months and then reverting to zero, and were primarily driven by high-income entrepreneurs.

In Brazil, a prominent challenge within the MEI framework is the phenomenon of *pejotização*, where companies exploit the regime by misclassifying workers as independent contractors to reduce labor costs and circumvent labor protections. This misuse underscores the need for stricter oversight to ensure that simplified tax structures truly benefit microentrepreneurs rather than serve as legal loopholes for larger firms (Moura, 2024). Although the MEI was originally designed to streamline tax compliance and expand access to social security, structural weaknesses, enforcement gaps, and high tax burdens continue to limit its effectiveness and deter new entrants (Cunha, 2018). However, both systems face challenges, particularly concerning the misuse of their provisions, which can lead to precarious labor conditions and undermine the intended advantages of formalization for small businesses (Azura et al., 2019).

The experiences of Brazil and Argentina with MEI and *Monotributo*, respectively, reflect broader regional strategies aimed at improving formalization through simplified tax regimes. The Inter-American Center of Tax Administrations (CIAT) emphasizes that these programs aim to increase compliance, provide social protection, and address resource misallocation. The MEI in Brazil is cited as a successful example of increasing social protection for informal micro-business owners. However, the report also suggests that such regimes might lead to inefficiencies if not properly designed. The COVID-19 pandemic further exposed the vulnerabilities of the microenterprise sector. According to Hossain et al. (2022), SMEs in Bangladesh faced severe operational disruptions, including cash flow problems and risks of bankruptcy, underscoring the need for resilience-oriented design features in simplified tax systems. This mixed evidence reinforces the importance of comparative analysis and context-sensitive evaluation frameworks, such as the one proposed in this study.

## AIMS AND OBJECTIVES

The main aim of this study is to conduct a comparative quantitative analysis of the proportional uptake of microentrepreneurship regimes in Latin America, focusing on Argentina's *Monotributo* and Brazil's *Microempreendedor Individual* (MEI) programs. By examining population-adjusted figures from 2018 to 2024 (excluding 2020 due to data unavailability), the research seeks to evaluate whether these simplified tax regimes differ significantly in their evolution and performance across similar macroeconomic contexts. In addition to participation levels, the study also assesses the fiscal relevance of each regime by comparing its tax contributions relative to national GDP. This dual perspective allows us to determine whether these policies are effective financial tools for the state or function primarily as social inclusion mechanisms with limited fiscal return.

## METHODS

This study employs a quantitative comparative approach to evaluate the proportional uptake of simplified tax regimes for microentrepreneurs in Argentina and Brazil over the period 2018–2024, excluding 2020 due to the COVID-19 pandemic, during which no reliable official data were reported.

### *Data Sources*

The selection of data sources was guided by the need to ensure reliability, comparability, and official validation of figures across both countries. Official annual data on microentrepreneurs and national populations for Argentina and Brazil were collected for the years 2018 to 2024. The year 2020 was excluded due to widespread data inconsistencies and administrative disruptions during the COVID-19 pandemic, which affected statistical reporting (ILO, 2020).

For Argentina, the number of *Monotributo* payers was estimated as the arithmetic mean of monthly figures published by the Ministry of Labour's *Situación y Evolución del Trabajo Registrado*, given the absence of consolidated annual totals. This approach provides a robust approximation while avoiding reliance on unofficial estimates. For Brazil, official consolidated year-end MEI statistics were sourced from the *Receita Federal's Simples Nacional* portal, which provides uniform data across all regions.

National population estimates for both countries were sourced from their respective official statistical institutes, INDEC for Argentina and IBGE for Brazil, ensuring consistency with international reporting standards. These datasets were chosen because they are regularly used in public policy evaluation and represent the most accurate available data for analyzing formalization trends within the economically active population.

This selection of verified government sources ensures a high degree of comparability between the two tax regimes. By using only population-adjusted figures from official registries, the study maintains methodological rigor and avoids biases introduced by sample surveys, third-party estimates, or inconsistent definitions of microentrepreneurship.

In the case of Argentina, official data on Monotributo tax revenue was obtained from the Federal Administration of Public Revenues (AFIP), based on published annual figures expressed in pesos and converted to U.S. dollars using the average official exchange rate reported by the Banco de la Nación Argentina. For Brazil, since the federal government does not publish consolidated revenue figures for the MEI regime as AFIP does for Monotributo, tax collection estimates were calculated by multiplying the official number of registered MEIs by the fixed monthly contribution amounts declared by the Brazilian government. These include the 5 percent INSS payment based on the national minimum wage, as well as activity-based municipal (ISS) and state (ICMS) taxes. This estimation approach allows for a consistent comparison of the fiscal magnitude of each regime despite structural differences in reporting and collection mechanisms.

### **Variable Definition and Population Adjustment**

To ensure a fair comparison between countries with different population sizes, a standardized indicator was calculated: the proportion of microentrepreneurs relative to the total national population. This annual proportion is defined by the following formula:

$$\text{Proportion (\%)} = \frac{\text{Number of Microentrepreneurs}}{\text{Total Population}} \times 100$$

When official population data for intermediate years were unavailable, linear interpolation was applied using known population points to maintain consistency and minimize estimation bias.

In this study, a Microentrepreneur is defined as any individual formally enrolled in Argentina's Monotributo regime, which combines income tax and basic social security contributions under a unified monthly payment structure with multiple revenue categories. On the other hand, the MEI figure for Brazil refers to self-employed entrepreneurs who are officially registered under the Microempreendedor Individual status, subject to an annual gross revenue ceiling and permitted to employ at most one worker. Both figures include only active registrants reported in official statistics. By standardizing these definitions, the calculated annual proportion reflects the segment of each country's total population formally covered by each simplified regime during the observation period.

### **Statistical Test**

Due to the short time series ( $n = 6$  annual observations per country) and the potential non-normality of the data, a nonparametric approach was chosen. The Mann–Whitney U test was applied to compare the annual series of proportions (%) for MEI in Brazil and Monotributo in Argentina for the period 2018–2024, excluding 2020. The hypotheses tested were as follows:

- **Null Hypothesis ( $H_0$ ):** There is no significant difference in the proportions of microentrepreneurs between Brazil (MEI) and Argentina (Monotributo) for the period analyzed.
- **Alternative Hypothesis ( $H_1$ ):** There is a significant difference in the proportions of microentrepreneurs between Brazil (MEI) and Argentina (Monotributo) for the period analyzed.

The significance level adopted was  $\alpha = 0.05$ .

### **Software and Tools**

All statistical analyses were conducted using Jamovi version 2.3.28 for statistical testing, and Microsoft Excel 16 for data cleaning, population interpolation, and auxiliary calculations.

### ***Empirical fiscal analysis method***

In addition to the population-adjusted comparison of microentrepreneurship regimes, this study incorporates an empirical fiscal analysis to evaluate the real financial weight and contribution of each tax regime. This second analytical component includes:

1. **Currency-adjusted payment analysis:** Monthly payment amounts for each taxpayer category under Argentina's Monotributo regime and Brazil's MEI were converted into U.S. dollars using the annual average official exchange rates published by the Banco de la Nación Argentina and the Central Bank of Brazil, respectively. Payments were categorized according to goods or services and segmented by income brackets.
2. **Gross income thresholds:** Maximum allowable gross incomes for each Monotributo category were similarly converted into USD to allow for comparative fiscal relevance with Brazil's MEI fixed annual ceiling (BRL 81,000).

*National revenue impact:* Officially reported data about each regime was compiled from Argentina's AFIP and Brazil's Receita Federal and SEBRAE publications. For Argentina, the national tax component of Monotributo was compared to the country's GDP (sourced from the World Bank) to calculate its relative fiscal impact. For Brazil, MEI contributions were separated and also compared to the GDP (current); GDP at current prices in USD was used solely as a comparative indicator.

Argentina officially reports Monotributo revenue as federal tax income; on the other hand, Brazil does not report MEI tax revenue in aggregate form but does provide the official distribution scheme, which was used to estimate tax flows.

The analysis of Brazil was based on the official division of MEI contributions between:

1. INSS (5% of the minimum wage): Allocated strictly to social protection, not federal revenue.
2. ISS and ICMS taxes: Estimated by applying activity-type proportions to the number of MEIs and then calculating the corresponding fixed monthly rates. These revenues were attributed to municipal (ISS) and state (ICMS) governments.

### ***Limitations***

This study is based on official administrative data from government sources in both Argentina and Brazil. Nonetheless, certain limitations must be acknowledged.

In the case of Brazil, detailed microdata on MEI taxpayers disaggregated by economic activity are not publicly available. Accordingly, the estimates were based on the official proportions published by IBGE, Brazil's national statistics agency. According to this 2023 report, 50.2% of MEIs were engaged in services, 29.3% in commerce, 15.5% in mixed activities, and 5% in freight transport. These ratios were considered to approximate activity-specific tax contributions.

In the case of Argentina, it is important to note that government public sources may occasionally undergo methodological revisions, silent updates, or retroactive corrections. As such, figures retrieved at different times may present minor discrepancies. While this is a known limitation when working with administrative data, all values included in this study were extracted directly from official platforms on the same day and reflect the most accurate and reliable information available at the time of analysis.

Additionally, there is a scarcity of academic literature that provides comparative, data-driven analyses of simplified tax regimes in Latin America. This limitation restricted the number of peer-reviewed sources available for benchmarking and highlights the need for further empirical research on the topic.

Despite these limitations, the study maintains methodological rigor by relying solely on official statistics and transparent estimation procedures, ensuring the robustness and comparability of the cross-country analysis.

## **RESULTS**

### **Annual number of MEIs and Monotributistas compared to the country population.**

Table 1 reports the annual values for the total number of microentrepreneurs and national populations in Brazil and Argentina from 2018 to 2024, with 2020 excluded due to missing data during the COVID-19 pandemic. The table includes both absolute figures (in millions) and the population-adjusted proportions (%) used as the main variable of comparison in this study. This descriptive summary provides the basis for the subsequent statistical test and highlights the observable trends in each regime over the analyzed period.

**Table 1. Annual number of microentrepreneurs and population-adjusted proportions in Brazil and Argentina (2018–2024, excluding 2020).** (Source: Prepared by the authors based on data from the *Situación y Evolución del Trabajo Registrado* (Ministry of Labour, Employment and Social Security of the Argentine Republic), *Simples Portal* from *Receita Federal* (Brazilian Government), *INDEC* (Argentina), and *IBGE* (Brazil))

Year	MEIs (millions)	Monotributistas (millions)	Population Brazil	Population Argentina	MEI (%)	Monotributo (%)
2018.0	8.1	1.9	208494900.0	44694198.0	3.88	4.25
2019.0	9.4	1.9	209312670.0	45175358.0	4.49	4.21
2021.0	13.2	2.0	210130440.0	45656518.0	6.28	4.38
2022.0	14.6	2.3	210948210.0	46137679.0	6.92	4.99
2023.0	15.7	2.5	211765980.0	46618839.0	7.41	5.36
2024.0	11.5	2.7	212583750.0	47100000.0	5.41	5.73

Examining the trends, Brazil’s MEI showed a substantial increase in its proportion relative to the population, rising from 3.88% in 2018 to a peak of 7.41% in 2023, before declining to 5.41% in 2024. This sharp growth, especially between 2019 and 2023, suggests higher adherence and perhaps greater effectiveness of Brazil’s formalization policies during this period. In contrast, Argentina’s Monotributo exhibited more gradual and consistent growth, moving from 4.25% in 2018 to 5.73% in 2024, without the pronounced fluctuations observed in the MEI. Although the Monotributo initially had a slightly higher proportion, the Brazilian MEI quickly surpassed it and maintained that lead until 2024, when the MEI proportion felt closer to the Monotributo’s level.

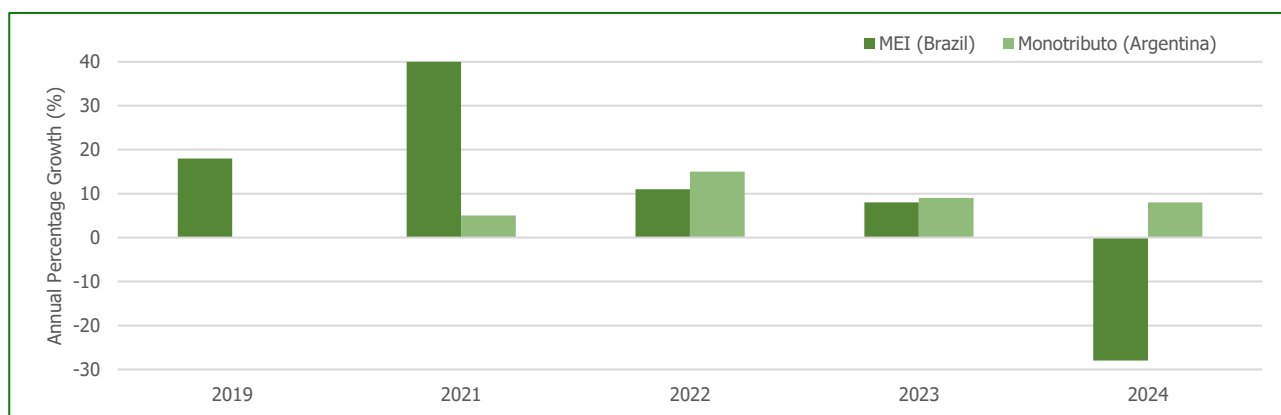
### Annual growth of MEIs and Monotributistas

Table 2 presents the annual percentage growth rates for the MEI in Brazil and the Monotributo in Argentina from 2018 to 2024, excluding 2020. These rates were calculated using the year-over-year change in the absolute number of registered contributors for each regime. The data show the variation in annual growth without providing further interpretation, which is discussed in the next section.

**Table 2. Annual Percentage Growth of MEI and Monotributo (2018–2024).** (Source: Calculated by the authors based on official data from the *Ministry of Labour* (Argentina), *Simples Portal* from *Receita Federal* (Brazilian Government), *INDEC*, and *IBGE*)

Year	MEIs (millions)	Monotributistas (millions)	MEI Growth (%)	Monotributo Growth (%)
2018	8.1	1.9	-	-
2019	9.4	1.9	16.05%	0.00%
2021	13.2	2.0	40.43%	5.26%
2022	14.6	2.3	10.61%	15.00%
2023	15.7	2.5	7.53%	8.70%
2024	11.5	2.7	-26.75%	8.00%

Figure 1 illustrates the annual percentage growth rates for Brazil’s MEI and Argentina’s Monotributo over the period 2018–2024, as detailed in Table 2. The bar chart provides a visual comparison of the year-over-year changes, emphasizing the differences in growth volatility and consistency between the two regimes.



**Figure 1. Annual percentage growth rates for Brazil’s MEI and Argentina’s Monotributo over the period 2018–2024.** (Source: Authors’ own calculation based on official data from the *Ministry of Labour* (Argentina), *Simples Portal* from *Receita Federal* (Brazilian Government), *INDEC*, and *IBGE*)

### Mann-Whitney correlation between the tax regimes

Table 3 presents the results of the Mann–Whitney U test applied to the annual proportions of MEI and Monotributo. The test yielded a U statistic of 0 and a p-value of 0.0043, confirming that the difference between the two groups is statistically significant at the 5% level.

**Table 3. Summary of Mann–Whitney U Test.** (Source: Authors' computation based on official data and Jamovi outputs)

Test	U Statistic	p-value	Significance ( $\alpha = 0.05$ )
Mann–Whitney U	0	0.0043	Significant

The comparative analysis between Brazil's Microempreendedor Individual (MEI) and Argentina's Monotributo, using the Mann–Whitney U test on the population-adjusted series from 2018 to 2024, revealed a statistically significant difference. With a p-value of 0.0043, below the significance level of 0.05, the null hypothesis of no significant difference in proportions was rejected. This result indicates that the formalization regimes for microentrepreneurs in Brazil and Argentina do not behave identically in terms of their proportional coverage of the national population throughout the analyzed period.

The annual percentage growth rates reveal distinct dynamics. Brazil's MEI displayed volatile annual growth, with significant peaks between 2019 and 2023 but also a notable contraction in 2024 (–26.75%). This volatility may reflect factors such as legislative changes, economic downturns, or the lingering effects of the COVID-19 pandemic, which temporarily boosted formalization as a coping mechanism. In contrast, Argentina's Monotributo demonstrated more stable and positive year-over-year growth with smaller percentage variations, indicating greater resilience or lower sensitivity to external shocks. The observed correlation of 0.539 between the MEI and Monotributo proportions suggests a moderate positive relationship, implying that despite differing internal dynamics, both systems are influenced to some extent by regional or global macroeconomic trends.

The inherent advantages and drawbacks of each regime help explain these patterns. The administrative simplicity and low tax burden of the MEI in Brazil, coupled with access to social security benefits, likely contributed to its rapid expansion. However, the strict revenue ceiling and hiring restriction may explain the sharp decline in 2024 as entrepreneurs with higher turnover or greater labor needs transitioned to other forms of registration. In Argentina, the progressive structure of the Monotributo, which covers a broad segment of the population and consolidates taxes, underpins its more stable growth trajectory. Nevertheless, its reliance on frequent inflation adjustments and the risk of precarious employment conditions poses ongoing challenges that may limit more explosive growth.

In summary, the statistically significant difference in proportions suggests that although both countries aim to formalize small businesses, their approaches and outcomes differ considerably. Brazil's MEI appears to promote faster but more volatile growth, while Argentina's Monotributo shows more moderate and consistent expansion. This analysis reinforces the notion that public policy design and each nation's socio-economic context play a decisive role in shaping the effectiveness and dynamics of microentrepreneur formalization.

### Argentinian Monotributo empirical analysis

To assess the effectiveness of these tax regimes, we begin by analyzing the Monotributo system in Argentina.

In Argentina, microentrepreneurs registered under the Monotributo regime may engage in a variety of economic activities, classified into two main categories: the sale of tangible goods (movable property) and the provision of services. These classifications are relevant for determining their applicable category within the simplified tax structure. While both groups contribute to the tax system through a unified monthly payment, the maximum income thresholds and regulatory treatment may differ depending on whether the taxpayer sells goods or provides services. The regime is organized into categories ranging from A to K, where higher invoicing corresponds to higher monthly payments and different compliance obligations. (Administración Federal de Ingresos Públicos [AFIP], 2024).

Based on the available information, we elaborated a table to show how much, in USD, Monotributo taxpayers are paying per month depending on how much money they are making. Table 4 is based on the Monthly Payment Amounts by Category for Services (2019–2024). Categories I to K were unavailable until 2024 S2.

**Table 4. Monthly Contribution Amounts under the Monotributo Regime for Service Categories, 2019–2024 (USD).** (Source: Authors' calculations based on historical Monotributo quota data published by the Federal Administration of Public Revenues (AFIP), converted to U.S. dollars using average annual exchange rates from the Banco de la Nación Argentina)

Category	2019	2020	2021 S1	2021 S2	2022 S1	2022 S2	2023 S1	2023 S2	2024 S1	2024 S2
A	27.01	28.79	21.43	33.84	29.50	22.04	26.49	14.01	14.32	27.72
B	30.20	32.20	23.96	37.84	32.98	24.65	29.62	15.67	16.01	31.55
C	34.53	36.81	27.40	43.25	37.70	28.18	33.86	17.91	18.30	36.95
D	40.72	43.40	32.31	51.00	44.46	33.23	42.59	22.53	23.02	47.35
E	53.48	57.01	42.43	67.00	58.40	43.65	58.86	31.13	31.81	67.05
F	64.02	68.24	50.79	80.19	69.90	52.25	72.38	38.29	39.12	84.38
G	74.67	79.59	59.24	93.53	81.54	60.94	84.52	44.71	45.68	128.88
H	130.55	139.16	103.58	163.53	142.56	106.54	144.40	76.39	78.04	292.51
I										539.32
J										653.22
K										903.45

As we explained, there are 2 categories: services and movable goods. Table 5 presents the monthly payment, in USD, for the goods category. Table 5 is based on the Monthly Payment Amounts by Category for goods (2019–2024).

**Table 5. Monthly Contribution Amounts under the Monotributo Regime for Goods Categories, 2019–2024 (USD).** (Source: Authors' calculations based on historical Monotributo quota data published by the Federal Administration of Public Revenues (AFIP), converted to U.S. dollars using average annual exchange rates from the Banco de la Nación Argentina)

Category	2019	2020	2021 S1	2021 S2	2022 S1	2022 S2	2023 S1	2023 S2	2024 S1	2024 S2
A	27.01	28.79	21.43	26.85	29.50	22.04	26.49	14.01	14.32	27.72
B	30.20	32.20	23.96	30.03	32.98	24.65	29.62	15.67	16.01	31.55
C	33.94	36.18	26.93	33.75	37.07	27.70	33.29	17.61	17.99	36.11
D	39.76	42.38	31.54	39.52	43.41	32.45	41.65	22.03	22.51	46.20
E	48.09	51.27	38.16	47.81	52.52	39.25	53.57	28.34	28.95	60.59
F	55.30	58.95	43.88	54.98	60.38	45.13	63.83	33.76	34.49	72.71
G	62.96	67.12	49.96	62.60	68.75	51.39	73.04	38.64	39.47	88.87
H	108.93	116.11	86.43	108.29	118.95	88.90	123.20	65.17	66.58	177.89
I	156.58	166.91	124.24	155.67	170.98	127.79	177.19	93.73	95.76	265.81
J	179.83	191.69	142.68	178.78	196.37	146.76	204.49	108.17	110.51	325.01
K	203.26	216.67	161.28	202.08	221.96	165.89	233.64	123.59	126.26	392.90

The Monotributo regime in Argentina establishes two different monthly payment amounts for each category from A to K, depending on whether the taxpayer provides goods or services. However, the maximum gross income threshold is the same regardless of the type of activity. This means that the income limit is determined solely by the category and not by whether the taxpayer sells goods or provides services. Table 6 presents the maximum annual gross income caps.

**Table 6. Annual Gross Income Limits for Monotributo Categories, 2019–2024 (USD).** (Source: Elaborated by the authors based on data from Argentina's national tax authority (AFIP) and Banco Nación USD exchange rates)

Category	2019	2020	2021 S1	2021 S2	2022 S1	2022 S2	2023 S1	2023 S2	2024 S1	2024 S2
A	2883.07	3073.31	3095.28	3754.82	4124.22	4947.98	4605.02	3447.45	7613.58	6720.50
B	4324.61	4609.97	4642.93	5581.49	6130.59	7355.11	6845.30	5124.58	11154.79	9846.31
C	5766.14	6146.62	6190.57	7814.09	8582.83	10297.15	9583.42	7174.41	15640.31	13805.68
D	8649.22	9219.93	9285.85	10757.05	11815.33	12788.58	11902.16	8910.29	19417.59	17139.88
E	11532.29	12293.24	12381.14	14207.43	15605.15	15059.07	14015.27	10492.22	22840.75	20161.50
F	14415.36	15366.55	15476.42	17759.29	19506.44	18823.84	17519.09	13115.28	28624.72	25267.00
G	17298.43	18439.86	18571.71	21311.14	23407.72	22588.61	21022.91	15738.34	34231.62	30216.20
H	24025.60	25610.92	25794.04	26385.22	28980.99	27966.85	26028.36	19485.56	51937.63	45845.27
I	28230.08	30092.83	30307.99	29531.15	32436.42	31301.36	29131.74	21808.84	58134.73	51315.45
J	32434.56	34574.74	34821.95	33844.12	37173.69	35872.86	33386.38	24993.98	66574.60	58765.30
K	36038.40	38416.38	38691.05	37548.20	41242.18	39798.97	37040.36	27729.45	80267.24	70851.78

### Argentinian Monotributo effectiveness

To determine if the tax regime is effective, we calculated the portion of each Monotributo payment that effectively constitutes tax revenue for the national government. We need to consider that it's a very complex system that varies significantly depending on the taxpayer's category and activity type. In the lowest category, Category A, the tax component represents, depending on the year, approximately 11.3 percent of the total monthly payment. In the highest categories, such as Category K for the sale of goods or Category H for services, the tax share can reach over 85 percent of the amount paid. These differences are determined by both the level of gross income and whether the taxpayer is engaged in providing services or selling goods. As the category increases, so does the proportion of the payment that is allocated to taxes. (Administración Federal de Ingresos Públicos [AFIP], 2024).

Table 7 presents the amount of tax revenue collected and declared by the Argentine government through the Monotributo regime, expressed in U.S. dollars and compared to the country's current GDP for each year. This comparison provides insight into the fiscal significance of the regime relative to the overall size of the national economy. However, it is important to note that current GDP data for 2024 is not yet available from the World Bank, which limits direct comparison for that year. Additionally, no official Monotributo tax revenue data was published by Argentina for 2019, making it impossible to include that year in the analysis.

**Table 7. Monotributo Tax Revenue in Argentina Compared to Current GDP (2019–2024).** (Source: Elaborated by the authors based on data from Argentina's national tax authority (AFIP) and World Bank current GDP figures)

Year	Tax collection (USD)	GDP Current (USD)	% of the GDP
2019	Not available	447,750,000,000.00	
2021	331,674,923.00	486,560,000,000.00	0.0682%
2022	300,589,018.00	632,771,943,131.00	0.0475%
2023	219,341,012.00	646,080,000,000.00	0.0340%
2024	248,816,539.51	Not available	

As presented, Table 7 summarizes Argentina's annual tax revenue from the Monotributo regime between 2019 and 2024, presented in U.S. dollars and as a percentage of the country's current GDP. The data reveal a declining trend in the relative fiscal contribution of Monotributo over time. In 2021, tax collection from this regime accounted for approximately 0.0682% of Argentina's GDP, decreasing to 0.0475% in 2022 and 0.0340% in 2023.

In addition to the national Monotributo payment, Argentina's system requires Monotributistas who sell goods to pay a monthly provincial tax known as *Ingresos Brutos* (AFIP, n.d.), while those in the services category are exempt.

However, the specific amount of this tax is not officially disclosed and varies depending on both the taxpayer's category and the province of registration. In some cases, certain provinces may even exempt Monotributo taxpayers from this obligation. Although the data is not precise due to limitations, the findings suggest that some provinces in Argentina may benefit from collecting this separate tax, which, depending on the province, can range from 0% (in provinces that do not charge it) to as much as 50% of the total Monotributo payment (AFIP, n.d).

As shown in Table 7, only the values for taxes received by the national government are disclosed. There is no publicly available data on the monthly amounts paid toward social security or medical coverage, and such figures cannot be reliably estimated, as they vary by Monotributo category. Additionally, there is no disaggregated information on how many Monotributistas are registered in each category, and these numbers fluctuate throughout the year.

While it is relevant to mention these aspects for context, they do not constitute a fiscal finding in the scope of this study. However, it is important to note that Monotributistas who contributed more are entitled to better retirement benefits in the future, according to AFIP (AFIP, 2024). Nonetheless, these higher contributions do not translate into better health coverage conditions, as the medical services provided remain the same regardless of the amount contributed.

The Monotributo system in Argentina is efficient in ensuring that individual taxpayers contribute progressively. As their income increases, they pay higher monthly amounts, and a larger portion of that payment is allocated to taxes. This design promotes fairness and administrative simplicity.

However, when total Monotributo revenue is compared to Argentina's current GDP to see if the national government is benefiting from it, it becomes clear that the amounts collected still represent a relatively small share of the national

economy. Even so, the system should not be dismissed, as it offers a scalable structure that could be used to increase government revenue in the future.

### Brazilian MEI empirical analysis

In Brazil, individual microentrepreneurs (MEI) are required to contribute 5 percent of the current monthly minimum wage to the National Institute of Social Security (INSS). This fixed-rate contribution is intended to simplify access to the public social protection system for low-income entrepreneurs. The 5 percent rate is calculated based on the official national minimum wage in effect each year, ensuring that the amount adjusts automatically with inflation and wage policy. The gross income cap for each MEI in Brazil is limited to 81,000 Brazilian reais per year. Meaning that no matter what the taxpayer's income is, he will always be limited to make 81,000 Brazilian reais or less, and also, to pay 5% of the official minimum salary declared that year. Using the official exchange rate of the Central Bank of Brazil, this amount corresponded to only USD 14,624.49 in 2024.

Although this contribution is collected by the federal government, it does not contribute to the national government's revenue. Instead, it is fully earmarked to finance the entrepreneur's access to social security benefits, as a type of fund. These benefits include retirement by age or disability, maternity leave, sick pay, and survivor pensions for dependents. Additionally, MEI contributors are entitled to public healthcare through the Unified Health System (SUS). According to the Brazilian government, this structure ensures that even the smallest business owners can be formally integrated into the welfare state at a very low cost, fostering inclusion without burdening the federal budget (Governo Federal do Brasil, 2024). Table 8 presents the INSS values from 2018 to 2024.

**Table 8. Social security values per year for the Brazilian MEI tax regime.** (Source: Elaborated by the authors based on data from the Brazilian Federal Government (MEI tax), and the Central Bank of Brazil (annual USD average exchange rates))

Year	Minimum wage per month (USD)	5% of the salary (USD)	MEIs (quantity, in millions)	INSS per year (millions USD)
2018	USD 266.48	USD 13.32	8,1	USD 1,296.44
2019	USD 253.01	USD 12.65	9,4	USD 1,427.89
2021	USD 203.85	USD 10.19	13,2	USD 1,614.53
2022	USD 220.93	USD 11.05	14,6	USD 1,932.69
2023	USD 254.45	USD 12.72	15,7	USD 2,396.65
2024	USD 254.87	USD 12.74	11,5	USD 1,760.04

Taking the year 2023 as a reference and comparing it to Brazil's current GDP in USD for that year, the INSS revenue from MEI did not surpass the 0.2% threshold, as the actual figure stood at just 0.1104%.

In addition to the INSS, MEI taxpayers in Brazil make small fixed monthly tax payments depending on their type of activity. Those who provide services pay the ISS (Imposto Sobre Serviços), which is a municipal tax that goes directly to the local government. On the other hand, those who sell goods pay the ICMS (Imposto sobre Circulação de Mercadorias e Serviços), a state-level tax transferred to the corresponding state government. As a result, MEI contributes to public finances primarily at the local and state levels, with no direct tax revenue flowing to the federal government for discretionary spending (Governo Federal do Brasil, 2024).

As mentioned in the limitations section, the Brazilian government provided estimated percentages of MEI taxpayers by activity type in 2023: 50.2 percent in services, 29.3 percent in commerce, 15.5 percent in mixed activities, and 5 percent in freight transport. These estimates were used to approximate the number of MEIs in each category and, consequently, to calculate the corresponding revenue transferred to municipalities and state governments.

As we explained, MEIs who offer services contribute to the ISS (Imposto Sobre Serviços), a municipal tax that remains with local governments. Those engaged in the sale of goods pay the ICMS (Imposto sobre Circulação de Mercadorias e Serviços), a tax collected by and allocated to state governments. Unlike the INSS contribution, which is directed solely toward social security benefits and not retained as discretionary federal revenue, ISS and ICMS are real taxes that directly support local and regional public finances.

The following table presents an estimate of total tax revenue generated by MEI taxpayers in 2023, broken down by type of tax (ISS and ICMS) and activity category.

**Table 9. Estimated ISS and ICMS Tax Revenue from MEI by Activity Type in Brazil.** (Source: Elaborated by the authors based on data from the World Bank (GDP in current US dollars), the Brazilian Federal Government (MEI tax), and the Central Bank of Brazil (annual USD average exchange rates))

Year	MEI Total	ICMS (USD)	ISS (USD)	GDP (current USD)	ICMS as % of GDP	ISS as % of GDP
2018	8,100,000	13,521,117.32	89,190,502.79	1,920,000,000,000.0	0.0007%	0.0046%
2019	9,400,000	14,241,196.6	93,940,423.37	1,877,000,000,000.0	0.0008%	0.0050%
2021	13,200,000	14,618,828.76	96,431,430.69	1,609,000,000,000.0	0.0009%	0.0060%
2022	14,600,000	15,904,046.66	104,909,223.48	1,920,000,000,000.0	0.0008%	0.0055%
2023	15,700,000	18,335,587.26	120,948,602.7	2,169,000,000,000.0	0.0008%	0.0056%
2024	11,500,000	12,405,054.15	81,828,519.86	Not available		

The table above illustrates the annual tax revenue generated by MEI taxpayers in Brazil from 2018 to 2024 through ICMS and ISS contributions, alongside the total number of registered MEIs and the country's GDP in current US dollars. While the absolute amounts collected are growing over time, especially in ISS, which reflects contributions to municipal governments, these figures remain relatively small when compared to Brazil's overall economic output. For instance, in 2023, ISS revenue accounted for only 0.0056 percent of GDP, and ICMS just 0.0008 percent. The MEI system in Brazil collects monthly contributions from millions of individual entrepreneurs, but it is not considered a significant source of revenue for the municipal, state, or federal government if we use GDP as a reference.

## DISCUSSION

### In-Depth Analysis of results and implications

The comparative analysis between Brazil's Individual Microentrepreneur (MEI) and Argentina's Monotributo revealed a statistically significant difference in their population-adjusted proportions over the period from 2018 to 2024. This finding, with a p-value of 0.0043 in the Mann-Whitney U test, rejects the null hypothesis that there is no substantial difference between the regimes. Such a result highlights that, although both programs aim to formalize microentrepreneurs, their trajectories and impacts on population coverage differ considerably, reflecting the nuances of their structural designs and the socioeconomic contexts in which they operate.

The volatile growth of MEI in Brazil, which reached a peak of 7.41% in 2023 before a sharp decline to 5.41% in 2024, contrasts with the more gradual and consistent expansion of Argentina's Monotributo, which increased from 4.25% to 5.73% in the same period. This Brazilian volatility may be attributed to several factors. First, the extreme simplicity and low cost of MEI enrollment, combined with access to social security benefits, may have driven rapid formalization, especially during times of economic uncertainty such as the COVID-19 pandemic, where formalization may have been seen as a coping mechanism (ILO, 2020).

Authors such as Paula Junior et al. (2023) reported that self-employed workers experienced difficulties maintaining decent living conditions during the COVID-19 pandemic, largely due to the collapse of formal employment. This context may help explain the observed increase in the number of MEIs and Monotributistas during the study period.

According to Cenci et al. (2022), the growth of MEI in Brazil is strongly associated with unemployment and the structural informality of the labor market, which makes the regime attractive as a minimal formalization alternative. Between 2020 and 2022, for example, the increase in the number of MEIs coincided with the effects of the COVID-19 pandemic, when many informal workers sought basic social protection (Silva et al., 2024). These findings help explain the growth peaks observed in 2021 and 2022. Our results are consistent with those obtained by Silva et al. (2024).

However, for individuals whose businesses are growing, the relatively low annual revenue cap (USD 14,624.49 in 2024) and the restriction of hiring only one employee may have discouraged many microentrepreneurs from remaining in the regime as their businesses expand, leading them to seek more complex tax regimes that allow for higher revenue and more employees. This often-abrupt transition may explain the decline observed in 2024, as larger businesses exit the MEI regime.

On the other hand, studies on the Monotributo in Argentina point to its established role as a long-term public policy, better adjusted to economic fluctuations through inflation indexation mechanisms and progressive contribution brackets (Pedroni, 2024). According to our results, this progressive structure favors stability, which is reflected in the continuous, albeit more modest, growth between 2018 and 2024.

The stability of Argentina's Monotributo can be explained by its progressive structure, which covers a broader range of income categories and is regularly adjusted for inflation (AFIP, 2024). This flexibility allows taxpayers to remain in the regime for a longer period, even as their businesses grow, contributing to a more linear formalization trajectory that is less susceptible to drastic fluctuations. However, the reliance on frequent inflation adjustments may introduce administrative complexity and uncertainty for taxpayers. The moderate correlation of 0.539 between the MEI and Monotributo proportions suggests that, despite their internal differences, both systems are influenced by regional or global macroeconomic trends but respond to them in distinct ways due to their intrinsic characteristics.

To explain this in a deeper way, the MEI system in Brazil differs significantly from Argentina's Monotributo regime in terms of how contributions are structured and allocated. Under the Monotributo system, each monthly payment is divided into clearly defined components: a fixed percentage is allocated to national taxes, another to public healthcare, and another to the pension system. The Argentine government explicitly identifies a portion of the payment as a tax, which becomes part of the national treasury. In contrast, Brazil's MEI structure is based on the premise that the federal government does not retain any part of the 5 percent INSS contribution for general revenue. Instead, the contribution is fully directed toward providing social security benefits to the entrepreneur.

Unlike Brazil's MEI system, where each taxpayer pays a fixed and transparent monthly fee directly to the federal, state, or municipal governments, depending on whether they sell goods or provide services, Argentina's Monotributo regime includes an additional and often opaque provincial tax. Although AFIP establishes clear national monthly amounts, each province has the authority to charge an additional *Ingresos Brutos* tax that can reach up to 50 percent of the Monotributo's monthly payment. This provincial charge provides no direct benefit to the taxpayer, as it is not tied to any additional services or protections. For Monotributistas who sell goods, especially those in the lowest income categories, this added burden can represent a significant financial strain depending on the province in which they are registered. Authors like Xu et al. (2019) explained that a disproportionate tax burden can hinder the growth of small and micro enterprises by creating financial pressures that limit their ability to expand and operate efficiently.

As we explained in the results section, another main difference is that the gross income cap for each MEI in Brazil is limited to BRL 81,000 per year. Using the official exchange rate of the Central Bank of Brazil, this amount corresponded to only USD 14,624.49 in 2024. If a taxpayer exceeds this limit, they are required to switch to a different and more complex tax regime. In contrast, Argentina's Monotributo offers significantly higher income thresholds. The following table presents the maximum allowable income for each Monotributo category, from A to K. In this case, the maximum thresholds are the same regardless of whether the taxpayer is engaged in providing services or selling goods, meaning there is no variation based on the type of activity.

According to Argentina's Council of Employment, the country's minimum wage is determined through a tripartite agreement between the government, employers, and workers (Argentina.gov.ar, 2024). In 2024, Argentina's minimum wage was approximately ARS 279,718, which equated to around USD 309 at the official exchange rate. This level was broadly comparable to Brazil's minimum wage for the same period, indicating a similar economic baseline in terms of labor income across both countries. In Brazil, however, recent policy discussions suggest that the government may be seeking to encourage more successful microentrepreneurs to transition out of the simplified MEI regime into more comprehensive tax categories, potentially to broaden the tax base and improve fiscal returns.

### **Contributions and comparison with previous studies**

The results of this study corroborate and expand upon previous research on the formalization of microentrepreneurs in Latin America. The observation that reducing the costs of formality leads to a decrease in informality, as highlighted by Rocha, Ulyseia, and Rachter (2018) in the case of MEI in Brazil, is consistent with the initial rapid growth of MEI. However, the subsequent volatility of MEI, especially the decline in 2024, suggests that merely lowering costs does not guarantee the long-term sustainability of formalization if revenue limits and transition rules are not properly managed. The research by Garriga, Puig, and Tortarolo (2020) on Argentina's Monotributo, which identified the phenomenon of taxpayer clustering just below revenue thresholds to avoid higher tax categories, reinforces the idea that microentrepreneurs actively respond to the incentives and disincentives of tax regimes. The stability of the Monotributo, despite the clustering phenomenon, may indicate that its category structure and inflation adjustments, although complex, provide a more predictable path for continuous formalization.

This study fills a critical gap in the literature by providing a rigorous quantitative comparative analysis between two of the most prominent microentrepreneurship regimes in Latin America. While most previous studies focus on individual country experiences, our population-adjusted transnational approach offers valuable insights into how different policy designs

perform in similar macroeconomic contexts. The finding that MEI promotes faster but more volatile growth, while Monotributo shows more moderate and consistent expansion, provides an empirical basis for the debate on the balance between administrative simplicity, fiscal sustainability, and social protection coverage in emerging economies. Furthermore, the detailed analysis of each regime's tax contributions, though limited in terms of total revenue relative to GDP, highlights their role as tools for social inclusion and access to benefits rather than merely instruments of revenue collection.

### Challenges and opportunities for the future

The challenges identified, such as *pejotização* in Brazil and the complexity of Argentina's Monotributo, highlight the need for a delicate balance between simplification and oversight. *Pejotização* refers to the practice in which companies use MEI to disguise employment relationships by hiring individuals as legal entities rather than as formal employees, thereby avoiding labor obligations such as social security contributions and severance payments required by Brazil's labor code. This underscores the importance of enforcement and regulatory mechanisms to prevent the misuse of formalization regimes (Moura, 2024). For the Monotributo, the complexity of its categories and the need for frequent inflation adjustments could be simplified through automation and digital tools, as suggested in policy recommendations. The digitalization of compliance processes, such as automated notifications of revenue thresholds and user-friendly accounting support, can reduce errors and increase adherence.

Opportunities for the future include the promotion of progressive formalization, where microentrepreneurs are encouraged to transition to more complex tax regimes as their businesses grow without facing abrupt barriers. This can be achieved through transitional tax credits, facilitated access to microcredit, and mentorship programs. In addition, knowledge exchange among Latin American countries through regular platforms for tax authorities can accelerate the adoption of best practices and the development of common guidelines for microenterprise taxation. The scarcity of academic literature on the subject, as noted in the limitations section, also represents an opportunity for future research, especially studies that use administrative microdata and qualitative approaches to understand the motivations and perceptions of microentrepreneurs.

### Final Considerations on Sustainability and Resilience

Ultimately, the sustainability and resilience of micro entrepreneurship regimes depend on their ability to adapt to a constantly changing economic environment. The COVID-19 pandemic demonstrated the vulnerability of microentrepreneurs and the need for policies that can provide support during times of crisis (Hossain et al., 2022). The exclusion of 2020 from our analysis due to the lack of consistent data highlights the importance of collecting and making robust data available even during periods of disruption, to enable a more comprehensive assessment of the regimes' resilience. The ability of a formalization regime to withstand economic shocks and continue promoting social inclusion is just as important as its capacity to generate tax revenue. Therefore, policies should be designed not only to attract microentrepreneurs into the formal sector but also to keep them there by offering continuous support and a clear path toward long-term growth and sustainability.

## CONCLUSIONS

The comparative analysis of the proportions of microentrepreneurs between Brazil (MEI) and Argentina (Monotributo) from 2018 to 2024 confirmed a statistically significant difference in how these regimes have evolved relative to each country's total population. Brazil demonstrated faster growth in microentrepreneur formalization during the observed period, especially between 2019 and 2023, surpassing Argentina's Monotributo in proportional coverage despite a notable contraction in 2024. This pattern reflects not only structural differences in each regime's design but also broader economic contexts and public policy strategies unique to each country.

While both systems aim to simplify tax compliance and expand social protection for microentrepreneurs, the MEI's streamlined registration process and digital administration have contributed to its attractiveness and rapid expansion in Brazil. However, limitations such as the strict revenue ceiling and hiring restrictions may curb sustained growth and push businesses to exit the scheme as they scale up. In Argentina, the Monotributo's progressive structure and wider income brackets have supported more stable enrollment trends over time, but the regime's dependence on frequent legislative updates to adjust for inflation introduces administrative complexity and potential uncertainty for taxpayers.

These findings underscore the importance of continuous monitoring and adaptive policy design to maintain the effectiveness and sustainability of simplified tax regimes. Policymakers in both countries may benefit from reviewing threshold levels, indexation mechanisms, and eligibility criteria to better align them with economic realities and to minimize strategic

underreporting or premature dropouts. Furthermore, strengthening enforcement measures and providing additional incentives for a gradual transition to standard tax regimes could enhance the long-term formalization pathway for growing microenterprises.

In addition to analyzing coverage and participation, this study also addressed the fiscal dimension of both regimes, offering a complementary perspective on their overall impact. By comparing the revenues collected under MEI and Monotributo to each country's GDP, the research highlights that their fiscal significance remains limited. However, incorporating this financial lens allows for a more complete evaluation of their long-term sustainability, not only as instruments of inclusion and simplification, but also in terms of their capacity to support public finances over time.

To enhance the effectiveness of these simplified tax regimes, and in addition to the recommendations discussed in Section 6.3, this study suggests stricter regulatory oversight to prevent misuse in Brazil, particularly addressing the phenomenon of *pejotização*, and greater automation and inflation adjustment of compliance thresholds in Argentina's Monotributo system to avoid periods of excessive fiscal burden. In Brazil, consideration should also be given to increasing the current annual MEI revenue limit of BRL 81,000 to reduce the incentive for business owners to engage in unreported sales in order to avoid migrating to tax regimes that are less aligned with the microentrepreneurial nature and operational scale of their businesses.

Future research could expand on this study by incorporating qualitative surveys to capture microentrepreneurs' motivations and perceptions regarding registration and compliance. Comparative studies that include other Latin American countries with similar schemes would also help to generalize lessons and identify best practices for balancing inclusiveness, administrative simplicity, and revenue sustainability.

Ultimately, these results challenge policymakers to move beyond the assumption that simplification alone guarantees sustained formalization. As emerging economies navigate fiscal constraints and social protection demands, robust monitoring, adaptive policy adjustments, and an integrated approach to enforcement and support services will be crucial for transforming microentrepreneurship from an informal survival strategy into a stable contributor to national economic growth.

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## ADDITIONAL INFORMATION

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### AUTHOR CONTRIBUTIONS

*All authors have contributed equally.*

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### CONFLICT OF INTEREST

*The Authors declare that there is no conflict of interest.*

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## ПОРІВНЯЛЬНИЙ АНАЛІЗ ПОДАТКОВИХ РЕЖИМІВ ДЛЯ СТИМУЛЮВАННЯ МІКРОПІДПРИЄМНИЦТВА В ЛАТИНСЬКІЙ АМЕРИЦІ: ДОСВІД АРГЕНТИНИ ТА БРАЗИЛІЇ

У цьому дослідженні автори порівнюють еволюцію та фіскальну значущість спрощених податкових режимів для мікропідприємців у Бразилії (MEI) та Аргентині (Monotributo) з 2018 по 2024 рік, за винятком 2020 року через відсутність даних. Використовуючи офіційні адміністративні дані, воно створює подвійну структуру, засновану на покритті з урахуванням кількості населення та оцінці податкових надходжень як частки національного ВВП. Цей комбінований підхід забезпечує послідовну основу для міждержавного аналізу та покращує розуміння результатів політики в країнах із перехідною економікою. Бразильська MEI швидко розширилася з 3,88% до 7,41% населення між 2018 і 2023 роками, а потім знизилася до 5,41% 2024 року, а аргентинська Monotributo показала повільніше, але стабільніше зростання, збільшившись із 4,25% до 5,73% за весь період. Незважаючи на ці тенденції щодо кількості учасників, обидві системи залишаються незначними з погляду бюджету порівняно з поточним ВВП, оскільки 2023 року доходи від MEI, зібрані на муніципальному та державному рівнях, становили 0,0064% ВВП Бразилії, а доходи від Monotributo становили 0,034% ВВП Аргентини, без урахування провінційних податків. Науковий внесок цієї роботи полягає в об'єднанні демографічних і фіскальних аспектів у єдину оціночну систему. Більшість попередніх досліджень розглядають спрощені податкові режими з інституційного або поведінкового погляду, часто обмежуючись однією країною. На відміну від них, це дослідження пропонує порівняльну та засновану на даних оцінку, яка може стати основою для більш широких політичних дебатів у Латинській Америці. Згідно з отриманими результатами, Бразилія повинна переглянути пороги доходів та обмеження зайнятості, щоб сприяти зростанню бізнесу та зменшити неформальну заміну, а Аргентина виграє від автоматизації коригувань на інфляцію та координації національного й провінційного податкового навантаження для підвищення передбачуваності та дотримання вимог. Ці результати підкріплюють думку, що спрощення повинно супроводжуватися адаптивним розробленням політики та постійною адміністративною підтримкою для досягнення тривалої формалізації.

**Ключові слова:** мікропідприємництво, Monotributo, політика формалізації, Аргентина, Бразилія, податкові режими, MEI Бразилія, спрощені податкові режими, самозайняті працівники

**JEL Класифікація:** O17, J46, H26, H32