

# Relationship between the Centroprodutir and the Single Central Distribution: A Study on the Tax Incentives in the Municipality of Goiânia

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## Abstract

This study aimed to investigate the relationship of General centroprodutir in single distribution center in the city of Goiânia between 2003 and 2014. One of the results of the survey reveals that during the period in which companies had benefited from a fall in the distribution of its products, the State's GDP maintained the positive performance, taking into account the same years (2008, 2009 and 2010), where he grew up about 14% and 30% respectively compared to 2008. The study considers that the centroprodutir had a strong and positive relationship with the trade benefited.

**Keywords:** Fiscal incentives; Single distribution center; Goiania.

## INTRODUCTION

The tax incentive is a mechanism used by the Government in an effort to increase regional economic development by means of undertakings established in the region as well as attract investors from other localities to implement its projects. According to the Ministry of national integration-MI (2011, p. 1), the tax incentives are instruments of National Regional Development Policy (PNDR) aimed at stimulating the formation of fixed capital and social [...], with the objective of generating employment and income and stimulate social and economic development of these regions. The State ICMS related tax incentives benefit companies that have State enrollment regularly active in various economic activities.

In Goiás, the first legal instrument to create these tax incentives was the law No. 9489 of 7/19/1984, and its subsequent amendments, regulated by Decree No. 3503 of 8/8/1990, replaced subsequently by Decree No. 3822 of 7/10/1992.

This study is justified, because regardless of consequences and causes that can generate the benefits granted by the State is important to study about tax incentives, according to Formigoni (2008 *apud* BERNARDO; NAZARETH; BERTASSI; MENDONÇA, 2011, p. 10), which is of great relevance to academia, business, society and the public administration, given the possible reflexes, positive and/or negative, that such an instrument may cause the parties involved, i.e. company-Government.

Several Brazilian researchers performed studies on existing tax incentives in Goiás on the procedure for the implementation and expansion of industry and tax reduction policies related to ICMS. For the deepening of these issues it is recommended the reading of the thesis of Bridges (2011).

It is noted that the studies on tax incentives have not been researching the relationship between centroprodutir and the single distribution center in the city of Goiânia. In relation to the legal conditions of tax incentives granted through the subprogramme centroprodutir, has not been enough to reduce the tax burden on a single distribution Center. This research found no study or academic research Brazilian who speaks about the centroprodutir and the single distribution center in Goiânia.

According to Chirinko and Wilson (2007 *apud* PENNA JÚNIOR, 2012, p. 18), the large amount of State tax incentives highlights the importance of empirical questions. Yes, it is understood that tax policy is one of the major bottlenecks hindering regional development, due to the complexity of tax legislation, tax burden and the tax benefits granted according to their economic importance.

So, the problem of the research is divided into three distinct points. First, the subprogramme centroprodutir contains a low index of companies benefited. Will make an investigation to find out the reasons for this index. Second, the tax incentive program serves only economic activities restricted. This factor limits the accession process and companies interested to contribute to local and regional development within the context

of the generation of employment and income in different regions of Goiás. Third, the requirements for quantification of branches in Goiás and out of State, ignore the small and medium-sized enterprises in the business segment, causing them to not be able to contribute to the development of trade in the State. So, the question is: the tax incentives granted to trade has contributed to development of the State, primarily in the collection of the GST?

The study hypothesis, the subprogramme has contributed to centroproduzir billing and influenced performance in reducing the tax burden on a single distribution Center, on the contrary, the tax waiver is always greater than the GST paid by the companies encouraged. The centroproduzir needs a makeover to generate greater competitiveness of Goiás products, without impacting the State Treasury's Vault.

The general objective of this research is to investigate the relationship of the centroproduzir in single distribution center in the city of Goiânia between 2003 and 2014 benefited by reducing the GST. The specific objectives of this study is to analyze the performance of trade revenue benefited by the centroproduzir in Goiânia; the collection of the GST in respect of companies encouraged and not encouraged in the city of Goiânia; compare the tax waiver with the GST paid by the single wholesale distribution center and verify the performance of the gross domestic product (GDP) trade State about the billing of companies based in Goiânia and benefit from tax incentive centroproduzir sub-programme. This study was based on the works of Penna Junior (2012) e Borges (2014).

### **The Centroproduzir and the distribution of unique Central Goiás**

Among the tax incentives granted by the State of Goiás, there is the centroproduzir subprogram that was formed to serve the local trading sector, however, commercial or industrial companies that can join the program must have their main activity regulated in article 1 of the law of June 1 13844 2001 which says is established, within the framework of the program of Industrial Development of the State of Goiás-PRODUCE , the subprogramme support for Central installation Only of distribution and product industrialization in the State of Goiás-CENTROPRODUZIR, in order to encourage, in this State, the distribution and the industrialization of the following goods: I – computer products, telecommunications or Automation; II – electronics, appliance, furniture and housewares in General; III – photographic equipment and materials and for photo lab, equipment and material for optical lab, watch and tape and disk virgins or recorded.

However, this program meets the specific distribution trade, restricting the type of economic activity of the company, although the wholesale and distribution trade in Goiás is a segment with several branches that spread throughout Ganesan, centroproduzir reaches sectors with a minimum percentage of enterprises. For SIC/Goiás (2014), the State of Goiás, aims to develop specific and strategic sectors of the economy at the moment on the distribution and goiana industrialization of the products listed in the law 13,844/01.

It is clear that the centroproduzir entered into force on 01 June 2001 by Law/01 13,844 with purpose to encourage, through financial support, installation in the State of Goiás to single product distribution center as computers, telecommunications, automation, mobile, electronics, appliance, as well as housewares.

The distribution in fact trade interest in the tax incentive claim the centroproduzir must submit initial rules defined in article 1 of Law 13,844/01. The centroproduzir restricts your incentive to commercial wholesale and distribution that in his condition didn't establishment in Goiás according to decrees the Law, on the contrary, companies that have their respective economic activities that fall under the legislation as it regulates the program are excluded from the tax benefit, if the number of branches is lower than the limit set in the law.

It is important to understand that the only distribution center and industrialization of computer products, telecommunications, automation, mobile, electronics, appliance or home use in General, as itemized in the rules of centroproduzir the total value of sales to be 90% of the outputs held within the State itself. The trade point is the GST, for the financing of this tribute enables a reduction of tax on the movement of goods, in which the beneficiary collect so regulated in the tax incentive program within the time limit set for the year 2020 and extended for the year 2040, as the term of the agreement (TARE) between the taxpayer and the Secretariat of finance respecting the rules of the programme within the limited by monthly payment percentages of ICMS generated by trade.

According to article 4 of Law 13,844/01, 55% (55%) in the output that is intended for goods for marketing, production or manufacture; b) 45% (45%) in the sale to the final consumer. The Centroproduzir program applies monthly benefit companies and is calculated by the worksheet for calculation of ICMS provided by the Secretariat of finance to facilitate the method of reversing the credit for tax incentives.

Therefore, does not consider deployment of unique distribution centers the company to take the national registry of legal entities, as well as in case of establishment of branches. According to the Ministry of industry and trade of Goiás (SIC-GO) in the centroproduzir program were invested 235,346,907.60 (235 million, 60 cents and real 346,907) generating a credit of 1,191,287,329.15 (one billion, 191 million, 287,000, 329 reais and fifteen cents) with a capacity to generate 5465 1000 jobs in every State. According to SIC-GO, there are 12 (twelve) companies in Goiás centroproduzir program participants in various municipalities.

## METHODOLOGY

The research investigated the single wholesale distribution center between 2003 and 2014 through the Secretaria da Fazenda de Goiás (SEFAZ/GO), Ministry of industry and trade of Goiás (SIC/GO), Mauro Borges de Goiás (IMB/GO) performing a diagnosis about the tax incentive policy adopted by the State Government, and tax waiver of GST as well as rising sales encouraged companies in Goiânia because they relate to direct documentation able to compare the reality of single central wholesale distribution during the period that benefited not trade confronting encouraged by understand how viable alternative to investigate, the main purpose of encouraging economic and fiscal information comparing the State and the accounting data presented by the companies benefited.

First, the study sought to raise how many companies benefited from the centroprodutir in Goiania over the period investigated and so had to resort to SIC/GO through the reports available in your portal.

As for the performance of the billing, collection of GST and tax waiver for trade wholesale incentive distribution between 2003 and 2014 was necessary to perform a search by the Superintendencia de Sefaz recipe/GO in order to get economic and fiscal information of the companies benefited by the centroprodutir in the city of Goiânia via the management system of Ombudsman's Office of the Comptroller General of the State of Goiás (CGE).

To analyze the effect of gross domestic product (GDP) in Goiânia regarding trade benefited by the centroprodutir, it was necessary to drive until the establishment of the IMB that is connected to the State Secretary of management and planning of the State of Goiás and is responsible for the preparation of study, research, analysis and Statistics providing socio-economic and social area on subsidies for the construction of State development policies in order to study suggestions for analysis of GDP in companies encouraged.

This study used a questionnaire as an instrument to search for variable form data collection, seeking information on the phenomenon being observed. In order to confront, compare, code and get local type inference for flow research and substantiate its conclusions based on the analysis.

The questionnaires were composed of open and closed questions and applied to State departments as SEFAZ/GO, SIC/GO, IMB/GO, however filled by the searcher.

However, firstly a literature review for research had support through data that has been collected. The second moment, questionnaires were prepared as instruments of field research, diagnosing issues of relevance to trade and tax incentives in the municipality, researched in order to analyze the factors that influence on the understanding of the data collected. And finally prepared and analyzed the results of the researches in field research.

The results concerning the collection of GST, sales and billing the State GDP were analyzed based on the correlation coefficient of Pearson and Stanton and Garson (2009 *apud* SILVA SILVA, 2015, p. 3) is a measure of bivariate Association (strength) of the degree of relationship between two variables. For Moore (2007 *apud* SILVA SILVA, 2015, p. 3), the correlation measures the direction and the degree of linear relationship between two quantitative variables.

For Figueiredo Filho and Silva Junior (2009 *apud* SANTOS, 2015, p. 49) the case of Pearson correlation ( $r$ ) is worth this last parameter, ie it is a measure of shared variance between two variables. For Figueiredo Filho and Silva Júnior (2009, *apud* SANTOS, 2015, p. 49) the case of the Pearson correlation coefficient ( $r$ ) worth this last parameter, that is, it is a measure of shared variance between two variables. On the other hand, the linear model assumes that the increase or decrease of a unit in the variable X yields the same impact in Y that we have graphics, for linear relationship means that the best way to illustrate the pattern of relationship between two variables is through a straight line. Therefore, the Pearson correlation coefficient ( $r$ ) requires a share of variance and that this variation is distributed linearly (Figueiredo Filho and Silva Junior, 2009 *apud* SANTOS, 2015, p. 49).

As Figueiredo Filho and Silva Junior (2009 *apud* LÖBLER; BORBA; SILVA, 2015, p. 120), the coefficient of Pearson correlation ( $r$ ) ranges from -1 to 1. In Person, the correlation coefficient values can indicate positive or negative direction of the relationship and show strength of the relationship between the variables, so a correlation to make perfect ( -1 or 1) necessarily should be extata, but also, if the value of a correlation is zero indicates that there is no linear relationship between the variables.

However, the extreme values (0 or 1) are rarely found in practice is important to discuss how researchers can interpret the magnitude of the coefficients (Figueiredo Filho and Silva Junior, 2009 *apud* LÖBLER; BORBA; SILVA, 2015, p. 120).

So Cohen (1988 *apud* MATOS, 2013, p. 15) says that values between 0.10 and 0.29 can be considered small; scores between 0.30 and 0.49 can be considered as medium; and values between 0.50 and 1 can be interpreted as big and Dancey and Reidy (*apud* GOMEZ and BAZON, 2014, p. 3) point to a slightly different rating:  $r = 0.10$  to  $0.30$  (weak);  $r = 0.40$  to  $0.6$  (moderated);  $r = 0.70$  to  $1$  (strong).

Therefore, it is known that the closer to 1, the greater the degree of statistical linear dependence between the variables if, otherwise, the closer to zero, the lower the strength of this relationship.

## RESULTS AND PROPOSES

The interviewed Professional are civil servants, exercising management position or department head. In the State Department (SEFAZ), was interviewed to economic intelligence and information manager-tax, the Ministry of industry and trade of the State (SIC) was interviewed the Manager of project analysis and audit of the supervision of the Produce and Foster and in the Office of management and planning (SEGPLAN) and Mauro Borges Institute of statistics and economic studies (IMB), was interviewed the head of the Management Office.

## ANALYSIS OF THE DATA

The survey collected data on the tax incentives and the single wholesale distribution center that benefited from the subprogramme centroprodur between the years 2003 and 2014, which are headquartered in Goiânia.

This period was defined especially due to the report provided by the Secretariat of industry and Commerce (SIC) of Goiás project control of adherence to the centroprodur program occurs at the end of the year 2002, however, the surveyed companies began to use the benefit in 2003 for this exercise was chosen for January and December 2003 to 2014. (SIC/GO, 2015).

The control report of the centroprodur projects is part of the analysis that contains data related to the investment capacity for the implementation and expansion of trade, as the value of credit granted, quantities, place of business and other related data involving the companies analyzed.

All companies are in the wholesale and retailer dedicated to the distribution and the information of the same were collected in Secretariat of Finance of the State of Goiás (SEFAZ/GO) for the purpose of analysis.

Companies encouraged are all from Goiânia that use the Central tax incentive Only product distribution in the State of Goiás (centroprodur) and are established in the city of Goiânia and had higher values of fixed investment that were disclosed on the SIC Goiás (2015).

The five companies established in Goiânia received the largest fixed investments and that made their adherence to the program in 2002 and 2003, where all of them are framed as a distributor of products in the State.

The choice of companies that use the centroprodur is justified by the fact that only companies based in Goiás can benefit from this tax incentive, in addition to the identification of companies that use this incentive is public and disseminated by the Secretariat of industry and Commerce (SIC), which should be an exception.

In relation to the tax incentives granted to the single wholesale distribution center it was found that in Goiânia all companies benefited by the subprogram centroprodur have your activity focused on distribution. This means to say that the benefit reaches specific sectors. According to the Ministry of industry and trade of the State of Goiás (SIC/GO), in the year 2001 the tax incentive was created to develop strategic sectors in that moment of goiana economy as regards distribution and industrialization of the products listed in the law 13,844/01.

For SIC/GO, the reason the State of Goiás restrict economic activity of trade in 2001, the year the deployment began a cycle in which encourages the consumption of durable and non durable goods, among them admitted to the products subprogramme Centroprodur.

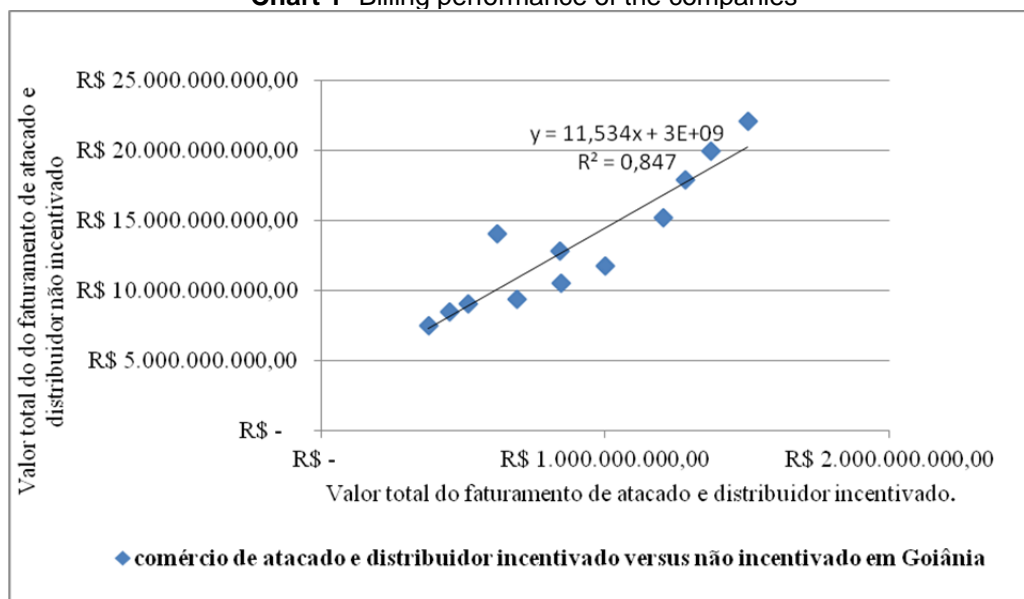
On the other hand, it was observed that companies encouraged in Goiânia, negating the agreement (TARE) on the State of Goiás, in 2010, that is, before the deadline that would win in 2020.

In addition, it was found that two companies of Goiania that signed the agreement contract with State in 2002 used the tax benefit only in 2003.

Initially based on the studies, the performance of the billing companies encouraged as graphic 1 shows there is a positive relationship between the centroprodur and the single distribution center.

Adopted on the correlational method research of the scatter chart to check if the single central billing of wholesale distribution encouraged played in proportion to companies of the same branch of between 2003 and 2014 in the city Goiania and what this study shows is that a natural environment benefited companies related with the encouragement given by the Government.

**Chart 1 -Billing performance of the companies**



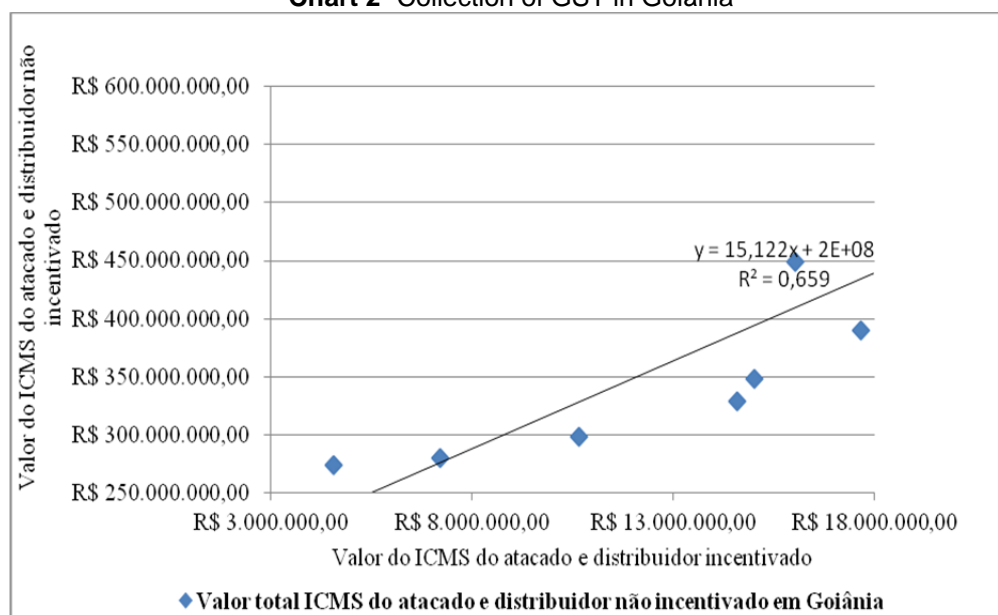
**Source:** Prepared by the author on the basis of data provided by Sefaz/GO (2015).

One can see that the chart 1 there is a strong relationship between the two variables, because according to the Pearson coefficient ( $r^2$ ) is 0.847. For this calculation, instead of considering number of companies in this study it is a large number of both variables whereas the turnover of sales but on the other hand, the companies benefited to suspend the tax incentives between 2011 and 2014, revenues have doubled in the last 4 years, that is, the performance of the same companies were best when suspended the centroproduzir.

It was also noted that in 2008, was the financial year with the best economic development of businesses encouraged, because it arrived Bill R\$ 999,965,963.43, however, in 2009 there was a fall in billing value equivalent to R\$ 160,471,483.24 in relation to 2008. In the year 2010 the fall of sales more than doubled compared to the year 2008 coming to R\$ 381,186,296.14 in proportion fell in 2009 of 16.05% and in 2009 of 38.12% both equivalent to 2008 that was the year of greater prosperity for trade benefited by the subprogramme centroproduzir.

The chart 2 the study analyzes the collection of GST between companies encouraged and not encouraged to study the relationship between the centroproduzir and the single wholesale distribution center in Goiânia.

**Chart 2 -Collection of GST in Goiânia**



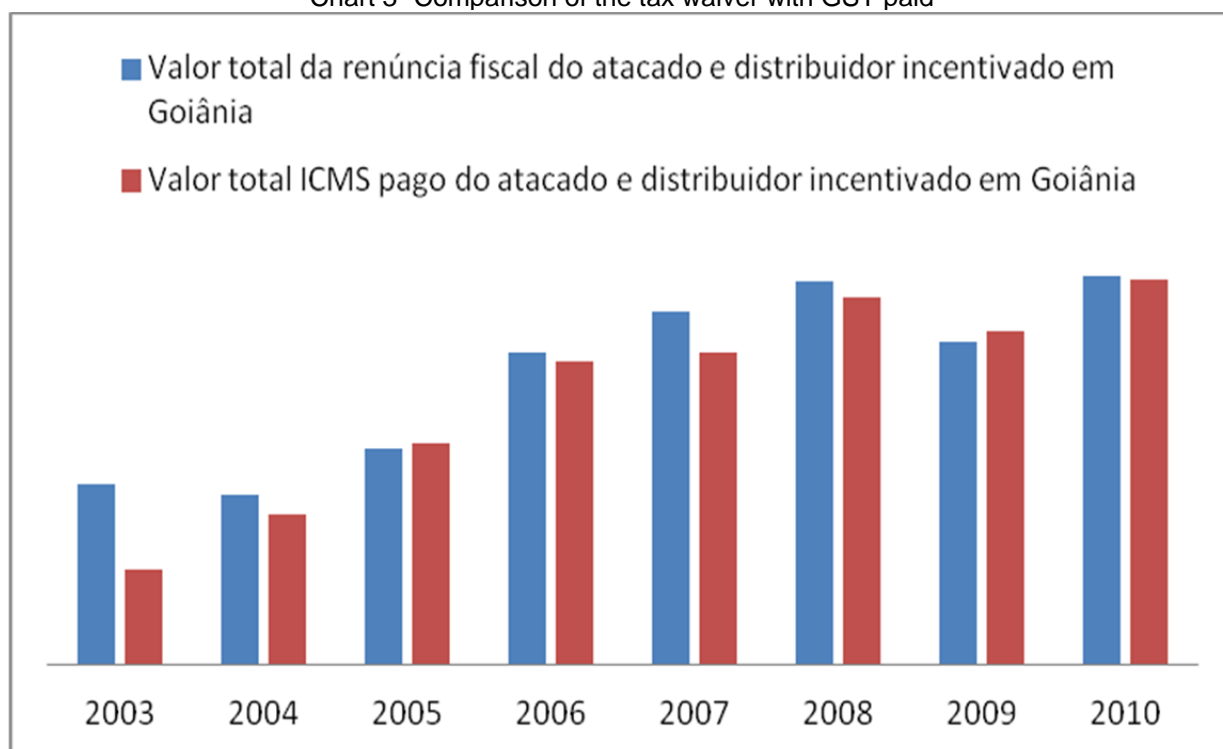
**Source** organized by the author based on the work of the Secretariat of Finance of the State of Goiás.

In this study there are two variables, being across the collection of GST to all single distribution center and have not been benefited by the centroprodur and vertically the ICMS collection companies in the same business have benefited have headquarters in Goiânia and who contributed during the period of 2003 and 2010 in this analysis reveals a positive relationship However, moderate among themselves, because, according to the Pearson coefficient (r) your relationship is 0.659 (Dancey and Reidy apud GOMEZ and BAZON, 2014)

However, the single central distribution encouraged during the period benefited showed a drop in fundraising State tribute 9.26% in 2009 compared to 2008, but was surpassed in 2010 with the rise of 13.48% compared to 2009, i.e. If the GST in the State of Goiás in 2009 was of R\$ 1,636,989.42 unless, in 2010 these same companies injected R\$ 2,498,112.17 more R\$ 861,122.75, offsetting the public coffers of the State Treasury.

In graph 3, the study compares the tax waiver with the GST paid by the companies encouraged. Note, that in 2003 the Government of Goiás, gave up more than 40% of the collection of the GST in order to encourage the distribution and unique central between 2003 and 2010 the State no longer raise 48.24% of GST under the incentive granted to these companies.

Chart 3 -Comparison of the tax waiver with GST paid



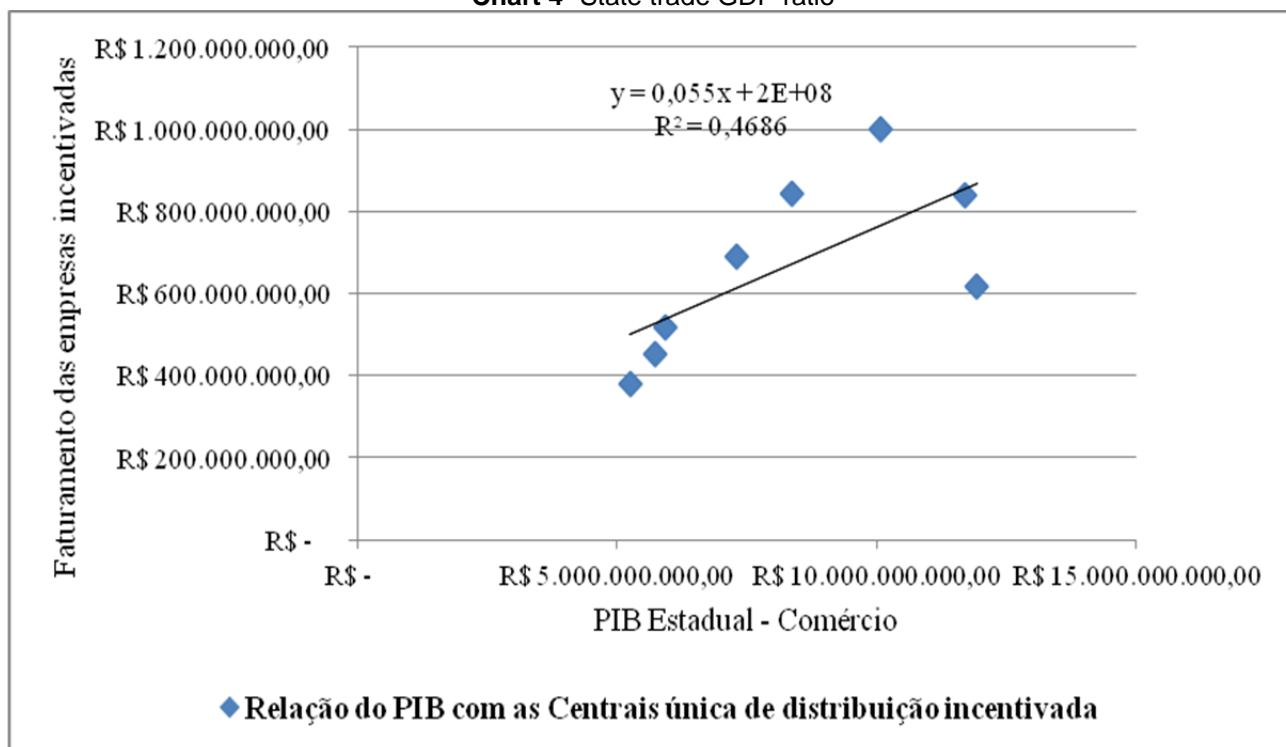
**Source:** organized by the author based on the work of the Secretariat of Finance of the State of Goiás.

We also observed that the values of ICMS waived by the Government of Goiás, during the period in which companies received the tax advantage granted by the State through the subprogramme centroprodur were superior, because the total amount of GST paid between 2003 and 2010 totals in R\$ 104,277,754.49, i.e., was paid only 48 per cent of the amount equivalent to R\$ 216,175,711.67.

In addition, it was found that the State of Goiás, the ICMS companies encouraged renounced between 2003 and 2010, the amount of R\$ 111,897,957.18, i.e. 52% of GST was funded.

The graph 4 presents an analysis of the State of trade GDP and its relationship with the central única encouraged and distribution were selected as sample periods of 2003 to 2010, because this year the companies were using the benefit.

**Chart 4 -State trade GDP ratio**



**Source:** organized by the author based on the work of the Institute Mauro Borges/Segplan-GO/Regional Accounts Management and indicators-2013

Classified the relationship of companies encouraged with State trade GDP a moderate second consequence Dancey and Reidy (*apud* GOMEZ and BAZON 2014), because the linear coefficient is ( $r^2$ ) 0.4686.

It is understood that between 2003 and 2010 the influence of distribution of unique central city of Goiânia is manifested in State GDP through a positive effect in goiana economy and that in this way enables economic development with intensity.

However, the period in which companies had benefited from a fall in the distribution of their products in the State of Goiás has kept the economy controlled, that is, when in 2008 the single distribution center achieved more and were using the centroprodutir therefore a retreat in 2009 of approximately 17% and 2010 39% compared to 2008 on the other hand, the State GDP kept the positive performance, taking into consideration the same years (2008, 2009 and 2010), where he grew up 14% and next 30% respectively compared to 2008.

### FINAL CONSIDERATIONS

Based on the study considered that the centroprodutir had a strong and positive relationship with the trade benefited despite of the relationship between the incentive and the single central distribution, tare was suspended in 2010 and companies have achieved best performances post the suspension of the agreement, in addition, the companies that belonged to the subprogram centroprodutir had a decline in annual revenues over the past 3 years 2008 2009 and 2010, and this may have contributed to the decision to cancel the Tare.

Therefore, the hypothesis of centroprodutir have contributed with billing and influenced performance in reducing the tax burden on a single distribution Center, is not present because the companies encouraged sustained a relationship with the tax incentives granted by the State. Nevertheless, the chances of the resignation always are superior to the ICMS tax paid by companies encouraged and that the centroprodutir needs a makeover to generate greater competitiveness of Goiás products, without impacting the State Treasury were confirmed safe, for ICMS grossed almost Goiás R\$ 105,000,000.00, but resigned almost R\$ 112,000,000.00.

This work was limited to analysis of tax incentives and the development of single distribution center in relation to the collection of the GST, tax waiver, billing and performance the effect of GDP. So, the interesting thing would be that future researchers studying the tax incentives taking into consideration the theme of fighting corruption, fraud, less developed regions, the stimulation of competitiveness.

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