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FOLLOW-UP AND MANAGEMENT OF FISCAL ADDED VALUE IN MINAS GERAIS: SOME CONSIDERATIONS ABOUT ITS EFFICIENCY.

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Abstract

This article focuses on the Value Added Tax - VAF, which is one of the main criteria for the distribution of the Tax on Circulation of Goods and Provision of Interstate, intercity and communication services (ICMS) in the state of Minas Gerais. In order to measure the Added Value in the historical and theoretical context aiming to show certain inefficiencies existing in the presentation of data by companies and in the verification by the municipalities, a fact that can cause losses, mainly to smaller municipalities, observing these facts we will show the types of existing VAF and we will deal with the relevance of each of these for the participation of each municipality in the state's ICMS, we will show in a theoretical way the problems encountered by the municipalities in the calculation and inspection of the Added Value, seeking solutions to correct the errors that may exist in the Annual Declarations of Economic Movement of the companies, discussing the impact that these errors can generate in the municipal public accounts. To achieve these goals and bring a better understanding of the importance of the concepts of Value Added Tax, we sought to do a quantitative, exploratory and documentary descriptive research, by means of bibliographic / documentary survey through consultations to books, articles, laws, among other documents, seeking to make comparative analyses with the purpose of achieve the proposed objective. Finally, we will present some suggestions identified in the article in order to see the VAF being operated in a less bureaucratic, more managerial way, aiming at greater efficiency for all municipalities in calculating the Added Value and in the participation of the collection of the ICMS.

Keywords: ICMS. Tax Added Value. Efficiency.

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1 INTRODUCTION

This article is focused on Value Added Tax (VAF), which is one of the main criteria for sharing the Tax on Circulation of Goods and Provision of Interstate, in-tercity and communication transportation services (ICMS), in the state of Minas Gerais (MG).

Thus, the VAF will be approached from a critical perspective, with the purpose of demonstrating that this economic movement has been improving over the years in Brazil, but in the State of Minas Gerais, although evolutions have also occurred, it is still poorly understood by most municipal entities, a fact that can be expensive, especially for small and medium-sized municipalities. However, some of these municipalities do not have the technical / operational capacity to detect the problems and challenges involving the VAF, problems that can be corrected.

Thus, it is necessary to highlight that Minas Gerais is a great State, there are 853 municipalities, the vast majority are medium and small cities, there are several regions, some rich and others extremely poor, there is a great inequality in the State, even between same regions, as highlighted by COSSÍO (1998, p.11) "Therefore, smaller municipalities have greater difficulties in tax collection", a fact that results in losses and needs to be corrected through efficiency in public administration.

Understood these facts and seeking to deal with the proposed context, it is sustained that the VAF needs to be better understood and managed by the municipalities, it still needs to be better equipped by the State, so that these municipalities weakened by the lack of financial resources can protect themselves from losses caused by the inefficiency in its tax management and the inefficiency of the State in creating normative mechanisms and instructions that help to reduce the existing inequalities.

In this context, according to COSSÍO (1998) poorer municipalities perform worse than the richest municipalities, thus, this research seeks to answer the following question: What are the challenges of the municipalities and the state of Minas Gerais in monitoring and in the management of the Tax Added Value to achieve more efficiency in its management?

Regarding the general objective, this article seeks to measure the importance of calculating the VAF for municipalities, sustaining from this assumption the need to better understand the concepts of Value Added Tax in the historical and theoretical context in order to show certain inefficiencies of the system that today exist.

After this analysis, it is intended to propose adjustments in the operating system showing the need for normative instructions by the state entity disciplining some situations that can make the VAF calculation system more efficient for municipalities in partnership with the State.

As for the specific objectives, this article is based on the need to: a) conceptualize the Added Value seeking to explain its historical context, b) demonstrate the importance of calculating the VAF by discussing its efficiency, c) Propose adjustments to the existing system, in order to make it more managerial and efficient.

Thus, we seek to show the importance of understanding the context of the VAF by discussing

the importance of management, monitoring and verification by the municipal entity, especially in smaller municipalities, and finally, it is worth discussing the need for readjustments in the managerial sphere and in the legal normative instructions.

Finally, this research is justified by the fact that there are several municipalities that do not have the proper knowledge about the importance of the management and monitoring of the VAF, even because this lack of knowledge can result in losses to the municipal entity, as highlighted by FERRETI (2017). Another essential point of this research is the discussion on the efficiency of the VAF calculation, both by the municipalities and by the state.

2 THE FISCAL ADDED VALUE

The Tax Added Value is one of the main criteria for allocating the Tax on Transactions related to the Circulation of Goods and on Interstate Transportation Services (ICMS) throughout Brazil.

The VAF of a municipality corresponds to the value added, or increases, in the operations of goods entering and leaving and / or providing transport and communication services in its territory in a given calendar year, as highlighted by SEF (2019), this result is established through the Annual Declarations of Economic Fiscal Movement that are forwarded to the State by the companies until the end of May, the State in turn makes this data available to the municipalities, which in turn has the term from June to October to inspect if the data was sent correctly, so that through this information, the municipality can receive its share of the ICMS.

In this context, when analysing the VAF, CONSENZA (2003, p.4) peremptorily highlights that “the added value is obtained through the difference between the sales or production of that company and the total acquisitions or purchases made for the same purpose, representing the sum of all remuneration for efforts spent on the company’s activities”. Thus, given these facts, the VAF can be understood as the result of an entire economic movement of a certain company.

2.1 From understanding the ICMS to explaining how the VAF is added

The Tax on Transactions related to the Circulation of Goods and on the Provision of Interstate Transport Services (ICMS) is a tax within the competence of the States, as provided in Article 158, item IV of the Federal Constitution (CF / 1988). Although the ICMS is a tax of competence of the States, the 1988 CF highlights that 25% (twenty-five percent) of the amount collected from the ICMS belongs to the municipalities, that is, of the 100% (one hundred percent) of the state, the municipalities have 25% that must be passed on.

Within this 25%, at least $\frac{3}{4}$ (three quarters) of the ICMS will be transferred through the VAF as stated in (LC / 63, 1990), the Value Added then represents 75% of the ICMS, the Federal Constitution of 1988 determines that the 25% remaining are passed on according to socioeconomic criteria defined in a specific State law, which in the case of Minas Gerais is governed by Law 18.030, as can be seen in table 1, proposed by the State Finance Secretariat:

Table 1 – ICMS distribution criteria according to Law 18.030/09

Distribution criteria	Exercises and Percentages		
	2009	2010	Starting on 2011
VAF (art. 1, I)	79,68	79,68	75,00
Geographic area (art.1º, II)	1,00	1,00	1,00
Population (art. 1, III)	2,71	2,71	2,70
Population of the 50 most populous municipalities (art. 1, IV)	2,00	2,00	2,00
Education (art. 1, V)	2,00	2,00	2,00
Food production (art. 1, VI)	1,00	1,00	1,00
Cultural heritage (art. 1, VII)	1,00	1,00	1,00
Environment (art. 1, VIII)	1,00	1,00	1,10
Health (art. 1, IX)	2,00	2,00	2,00
Own revenue (art. 1, X)	2,00	2,00	1,90
Minimum quota (art. 1, XI)	5,50	5,50	5,50
Mining municipalities (art. 1, XII)	0,11	0,11	0,01
Water resources (art. 1, XIII)	0,00	0,00	0,25
Municipalities that host penitentiary establishments (art. 1, XIV)	0,00	0,00	0,10
Sports (art. 1, XV)	0,00	0,00	0,10
Tourism (art. 1, XVI)	0,00	0,00	0,10
Solidary ICMS (art. 1, XVII)	0,00	0,00	4,14
Minimum "per capita" (art. 1, XVIII)	0,00	0,00	0,10
Total	100,00	100,00	100,00

Source: State Secretariat of Finance (LEI 18.030, 2009).

Another important detail is that Law 18.030/2009, which regulated the ICMS allocation criteria is known as the Robin Hood Law, the João Pinheiro Foundation actively monitors the assessment of the ICMS and divulges the indexes, it is worth mentioning that each index is calculated in a different way as specified in the Law and on the Foundation's website, and there it is possible to see the statements as highlighted (BIODINI, 2010). These releases are very important for understanding how the ICMS is distributed.

However, understood the context of the ICMS and especially the VAF, it is worth understanding better what are the operations that can be considered for purposes of calculation, on this topic the State Secretariat of Surety (FAZENDA, 2018, p. 1) which highlights as follows:

I - Operations/instalments considered for the purposes of calculating the VAF:

- a) sale of products or goods;*
- b) acquisition of supplies to be used in new products to be commercial-ized;*
- c) acquisition of transport services used in the transport of sold or acquired goods, products or supplies used in production;*
- d) acquisition of products for resale;*
- e) purchased electrical energy used as input in production.*

Through these explanations proposed by the Secretary of State for Finance, one can observe the operations that signal the VAF for a municipality.

2.2 How does a municipality add up to its participation in the VAF

According to SILVA (2018), the account that municipalities must do to determine their participation rate in the VAF can be understood as follows, namely:

$$\frac{\text{MUNICIPAL VAF} \times 100}{\text{STATE VAF}}$$

Given this sum, it is important to highlight that if the municipalities have a very large drop from one year to the next, the last 24 months prior to the current year are added. Thus, whoever is receiving the ICMS in 2019, is receiving referring to the 2017 index, with an average between 2016 and 2017. This happens so that if one year is less than the other, the municipality will not lose so much in the event of a drop in movement declared by the companies (SEF, 2019).

Thus, the State at the end of a fiscal year publishes a resolution listing the results and indices at the end of each fiscal year. Finally, it is important to highlight that the nominal growth of a municipal VAF does not translate into an index growth immediately, since the result also depends on any movement in the State.

2.3 The emergence of VAF in Brazil

To contextualize the theme, we are going to briefly bring a brief history of the emergence of Value Added in Brazil, although many believe that Value Added Tax came together with the Federal Constitution of 1988, they are mistaken, the VAF emerged or was born in the Military Regime in 1964, at a troubled time in Brazilian political history.

Some attempts were made to create a new national tax system, one that was more appropriate and that dialogued with the national policies of the time, so that the government could have improvements in the economy, in the financial system and in social productivity, this way considered the replacement of the Sales and Consignments Tax - IVC.

As VARSANO (1996) points out during the period 1946/66, this Consumption Tax was responsible for more than 45% of the Union's tax revenue. The IVC corresponded to almost 90% of the State revenue, the Tax on Industries and Professions generated about 45 % of municipal revenue and together accounted for 65% of the national tax collection. However, this tax started to be questioned, as highlighted by CASTILHO (2013), a few years before the military government the tax had already been criticized, at the time there was a great movement for the development of large cities.

At the time, writers like Alcides J. Costa, Ary Bouzan and others, had been writing texts in newspapers and magazines exposing their views on the financial market. Alcides, for example, wrote an article asking: "What stage of the economic cycle should the sales tax fall on? Why?" (Newspaper "O Estado de S. Paulo", 1962, p. 19), the text that brought some criticisms to the national collection system.

Another important author at the time was Ary Bouzan, who also spoke in magazines about the importance of the internal market and economic development, in the Revista Administração de Empresa RAE ERA, in 1962. Therefore, these and several other authors addressed these issues that they put in check the IVC (COSTA AJ, 1978) which suffered great resistance at the time.

Although there was a great cry for change, at the time of these authors, nothing was done: the tax system of the time, according to politicians, was already out-dated, before the military government took over the IVC was under criticism and the system in general was going through a moment pressure, as highlighted by FREIRE (2002, p. 01):

The current transfer system, which constituted the Reform of 1967, had the purpose of compensating distribution to the municipalities, but which, over the years, had its distributive standard changed and, consequently, its objective. Such changes occurred due to pressure from local governments and the very need to institute adjustments of a distributive nature, in view of the increase in regional imbalances.

The justification for the creation of one new tax took place after these existing pressures and also the beginning of a new government, in the face of these facts, the new military government took over and identified the need to create a new national tax system, according CASTILHO (2013) the defence for creating a value added tax was to record the added value that the product / merchandise acquires as a result of the transactions.

Some attempts to create this new tax model does not quite work, an example of this was the

Constitutional Amendment 18 of 1965 that prevailed for one bit of time and did not work, giving rise to Complementary Act 31 of 1966 that established the existence of only one tax on the circulation of goods, which is a State responsibility, the ICM (ACP-31, 1966), the interesting thing is that Article 2 of the Act said that 20% of the amount collected should be passed on to the municipalities, in proportion to the value of the taxable operations carried out in its territory.

Even with the implementation of the Constitutional Act, the problems did not end. The military legislator started to have problems and feared the exceptions to the taxes created by the State, the legislator outlined the concept of Added Value, this concept defended by the military legislator meant in some editions of Decrees, which are: 380/68, 1,203 / 72 and 1216/72.

These decrees that together gave the concept of today's VAF, which at the time was the departure of goods minus the entry of goods into an establishment, as outlined by CASTILHO (2013), the Federal Constitution of Brazil, 1967, predicted the ICM as it said:

The tax on the circulation of goods is non-cumulative, being deducted, in each operation, under the terms of the law, the amount charged in the previous ones, by the same or another State, and will not be levied on industrialized products and others that the law determines, destined abroad (BRASIL, Art. 24 § 5º, 1967).

Subsequently, this tax was better adapted by the decrees already mentioned. Since the Complementary Act 31 of 1966 guided the new tax, the revenue sharing for the municipalities was also being adjusted. There were several discussions over the years to arrive at the model we have today. The Decree Law 1216/72 was the most important among the others for the current concept we have of the VAF. It includes operations considered for the purposes of calculation subject to tax; it also predicted that the total amount calculated of ICM would be divided by the average of the calculation index in the territory of the municipalities, predicted for the first time that the ICM would be divided into an index calculated by the average of the VAF in the previous 24 months (as it happens today), leaving the Added Value of the time very similar to that of today.

Since the added value of that time was very close to that of today, in the year 1980, years after the beginning of all this process, which, as we have shown, began in the Military Era, the VAF was changed once again, this time came Amendment 17 of 1980, this amendment reduced the VAF criterion to three quarters, empowering States to define what the criterion for the other 25% of tax revenue would be. After this amendment came the establishment of a new democracy with the promulgation of the 1988 Constitution, bringing the norms that we experience today, as stated in Art. 158, Item IV.

2.4 The recent evolution of VAF in Minas Gerais

As previously mentioned, Law 18.030/2009, known as the Robin Hood Law, was important to discipline the ICMS in Minas Gerais in a “solidary” way as the Government of the time highlighted,

but after this law, Resolution No. 4.306 came, of April 8, 2011, which provided for the delivery of documents related to the Value Added Tax, for the purpose of sharing ICMS pertaining to the municipalities, replacing Decree 38.714/1997.

Given these facts, the legislature sought to improve the calculation of VAF, after this change the government again sought to adjust the VAF through SRE resolution 149, of 28 of January of 2016 in which the legislature sought to establish guidance manuals for Completing and delivery of the Annual Declaration of Economic and Fiscal Movement (DAMEF) and for the calculation of VAF B, this way we arrive at the current context.

2.4.1 The types of VAF existing

Understood the historical context of the VAF, it is intended to explain what types of VAF exist in the State today. For this understanding, SILVA (2018, p. 13) defines the existing types, namely:

***VAF A Personal** - Lists all operations and services performed in the municipality by companies in its territory.*

***VAF A External Credit** - Lists all operations and instalments carried out in the municipality, (whether the companies are established in the municipality or not) which the credits were given to the municipality in question, through the Details of Other entries of the VAF - A.*

***VAF B Own credits** - Internal credits – Lists everything related to operations carried out by rural producers in the municipality, originating from separate invoices and tax assessments of persons or companies not registered in the Minas Gerais taxpayer register.*

***VAF B Debits** - Lists the amounts declared by the tax authorities for agricultural products purchased by rural producers in the municipality.*

***VAF C** - Lists debits and credits arising from judicial decisions, or any errors made by the State Finance Department of Minas Gerais, referring to the previous year.*

To have an idea of the context that this article is dealing with, see below figure 1 of the VAF of the municipality of Uberaba.

Table 2 – Uberaba Value Added Statement

State Secretariat of Finance of Minas Gerais		
Annual Statement of the Economic Fiscal Movement - Base Year -2016		
VAF- Consolidated Tax Added Value		
Index: Definitive		
Municipality: 701 UBERABA		
VAF A		
VAF Personal R\$ 7.488.154.711,00		External Credit R\$ 1.808.981.117,00
VAF B		
Credit Internal R\$ 156.082.666,00	Personal Credit R\$ 415.227.804,00	Personal Debit R\$ 138.428.913,00
VAF C		
Settlement of Credit 269.735.582,00		Hit Debit R\$ 177.452,00
INDEX		
Value Net R\$ 9.999.575.575,00	Index 2,715136	VAF State R\$ 368.290.099.546,00

Source: VAF management, monitoring and auditing course (2018) edited by the author himself.

As can be seen in the figure above, these are some of the types of VAF exist-ing in the State of Minas Gerais. Then the problems related to the VAF will be seen.

2.4.1.1. The problems of the VAF - A - Personal

The VAF A – Personal is the most common, in which companies declare their entries and exits, it is on it the majority of the Added Value declared in most municipalities of Minas Gerais. The great problem of the DAMEF of this Added Value is the lack of obligation of the companies to provide the information correct-ly, in hundreds of cases the accountants of the companies make the declarations in any way, fail to provide correct information regarding their economic movement as highlights FER-RETI (2017) in the studies presented by the Minas Gerais Associa-tion of Municipalities.

Centralization in the State is not advocated for calculating indexes, however a better mecha-nism is needed so that small and medium-sized municipalities are able to calculate VAF efficiently, seeing the great difficulty of smaller and poorer munic-ipalities, as stated by COSSÍO (1998, P. 11)

More developed regions, with larger tax bases, would have state and lo-cal governments with greater capacity to obtain tax resources and could have better provision of public

goods for their communities. However, poor regions would have governments with less fiscal capacity and, therefore, less supply of local public goods.

Thus, the VAF in the face of so many changes, still needs to improve to meet the needs of smaller municipalities with lower fiscal capacity, the State itself trying to correct these inequalities, established in Law 18.030 (2009). The “Minimum Per Capta” criterion that benefits the municipalities with the lowest ICMS participation rate, however, even with this “benefit”, the VAF needs to undergo adjustments so that it can be more egalitarian so that the provisions of Art. 3, item III is fulfilled, regarding the reduction of inequalities, and although the State has a law that observes these criteria, the VAF does not provide tools and conditions for municipalities to eradicate these inequalities.

2.4.1.2. The problems of the VAF - A - External Credit

This is also an important VAF, in this case the company does not necessarily need to be installed in the municipality, the important thing in this case is that the operation and provision has taken place in the municipality, in this case, the big problem is exactly the obligation to provide information or the operation, many companies (through their accountants) inform due to lack of knowledge or lack of obligation that the provision or operation occurred in the host city, a fact that also results in losses in terms of indexes for the municipalities, especially those that do not have technical capacity to inspect the VAF.

2.4.1.3. The problems of VAF B - Personal credits - Domestic credit

This is also like the others, but the big bottleneck is in the municipalities, many of these agricultural municipalities that have agriculture and their rural production as a strong branch, in many cases they do not have normative instructions in the municipality that can adjust these cases. In this case, the municipalities themselves lack policies aimed at this sector.

2.4.1.4. Problems with VAF - B - Debts

Like the previous case, this lists the values declared by the farm departments regarding agricultural products purchased by rural producers in the municipality, the difference being that this is aimed at products purchased by rural producers in the municipality, these inputs on a large scale can give a great deal of movement. In a larger scale production, this way the municipality will need to register this producer, maybe a partnership with EMATER can help the municipality in this sense.

2.5 Components of the VAF - C

Perhaps, this explained itself, in order to know about these debts and credits arising from judicial decisions, the municipality needs to be attentive to the other VAF and inspect and even audit the

Added Value so that the municipality does not lose the values of this component and consequently its revenue be the best possible.

2.6 The weaknesses in the system of the calculation of VAF

After understanding the context of the theme, now we will address the problems encountered by the municipalities, starting with the system, as we have already said, it is not controlled by the State, the State left the counting of the economic balance in the hands of the municipalities through a completely outdated, archaic and bureaucratic system, as mentioned above, the VAF serves to compose an index of participation of the municipality in the state's ICMS, and how does this happen?

2.7 The weaknesses in the system of calculation offered to municipalities and its negative effects.

In this sense, the sentence by COSSÍO (1998 p. 17) is totally relevant to this case, “the more developed municipalities have a greater tax capacity and, consequently, greater revenues and the smaller ones with lesser tax capacity have lower conditions”. FREIRE (2002, P. 18) notes that:

In others, the municipalities' taxes are collected exclusively in urban and large municipalities (over 50 thousand inhabitants), and the rest, that is, small and medium-sized municipalities, are in a very complicated situation given the poor distribution of income and the great diversity within and between regions.

In this context, it is believed that if the State had to send data and also a more modern and integrated system, we would probably have improvements in the VAF of all municipalities, there are companies that provide this service.

There are companies that give courses assisting city halls, this helps a lot, but it is still not enough due to the lack of a more modern system, we found some companies, among them SIGMA-VAF (2019) that manage to make some more advanced data crossings, consequently they manage to recover a lot of lost VAF, in all the segments added Value Added, mainly in Credit.

2.8 Is it possible to improve the VAF calculation?

Perhaps people, citizens, accountants and even the executive branch have no idea of the dimension of this question, as we saw in (SIGMA), there are companies that make money by recovering VAF, there are companies like Sigmavaf that created more managerial mechanisms and through these the municipality starts to improve its collection, this way it is totally possible to improve the system that is currently offered by the State, private companies already do this, companies provide business advice in this sense, city halls with greater purchasing power already buy this software, this way I see that it is

possible to improve the State's counting system making it more managerial and efficient, the proof that it is possible is the private systems themselves that are sold at gold prices to the municipalities.

Thus, I argue that it takes two specific changes to the calculation of VAF to be more efficient, through the establishment of one system of intersection of data to be executed through the information presented by companies to the State through the Digital Tax Bookkeeping - EFD (FAZENDA, 2011). Another situation is through the implementation of a new Law project requiring companies to submit the data correctly, a fact that will strengthen the transparency of the data sent by companies.

3 METHODOLOGY

This research is classified as quantitative, exploratory and documentary, through bibliographic / documentary survey and comparative analysis. It is bibliographic because books, articles, laws, among other documents were consulted, which supported the development of the writing. It is considered a documentary research because analyses of the DVAs were made, through SEF and the SIGMAVAF System.

The period of analysis includes the year of 2017 to the year 2019. The re-search universe consists of the Value Added Tax in the state of Minas Gerais, and the sample by the Ministry of Finance and the Sigmavaf System. This sample was carried out as follows: we made an overview of the historical context of the Added Value, explaining its context and looking for solutions to the inefficiency of its calculation through courses, books, studies and mainly through the Sigma System, where we find solutions to solve the problems of inefficiency in calculating the Tax Added Value.

The study variables are composed of the following data: comparison of the result presented by the State through the Tax Deeds. These data were collected through EFD and compared with the final result of the municipalities, as the Sigma company currently does in its system.

Finally, the efficiency of the result obtained by the company and the courses, books and lectures were analysed, and this proposal was presented, which has a guiding and suggestive objective with the purpose of bringing greater efficiency in calculating the Added Value.

In order to achieve the general objective of this research, the data investigated from the perspective of COSSÍO (1998) were analysed, aiming at more successes in the calculation of the Tax Added Value in the State, benefiting all municipalities, especially the smaller ones, from the perspective of efficiency in public administration, observing results already obtained in the private sector on the perspective of professor SILVA (2018) in this context, suggestions were made for municipalities and the State to be more efficient in calculating the VAF.

For this, the research adopted procedures to make a quantitative analysis, and by doing this way, to analyse the distribution of the ICMS Part Quota in the context of the perspective of Added Value proposing adjustments in the existing system, in addition to the analysis of the need to change the legislation as well, obliging the taxpayer to correctly declare the Added Value.

4. ANALYSIS OF RESULTS

In order to obtain the expected results, this article sought to contextualize the VAF, explaining its importance for the municipalities, demonstrating its historical context in a very succinct way, but very relevant for the understanding of its concept, showing its evolution to the present day, showing the existing types of VAF.

Explaining what DAMEF is and proposing some changes according to what already exists in the private sector, as highlighted by SILVA (2018), observing every theme, this article sought to critically propose to achieve more efficiency in the distribution of ICMS in Minas Gerais, decreasing the possibilities of errors in calculating the Added Value and the inequalities between the municipalities.

As we have seen, the Value Added Tax is one of the main components for the distribution of the 25% of the ICMS belonging to the municipalities in the State, as highlighted by CASTILHO (2013), the economic movement is fundamental for the municipalities to have a representative participation in the ICMS, as is oriented by the State Secretariat of Finance, however, even with all the changes we had in the VAF, from its emergence at the national level to its adjustments in the State, as discussed in this article.

Its operation still brings inequalities, to have an idea of these facts, the metropolitan region of Belo Horizonte is the region that generates the most added value, according to data collected through SIGMAVAF (2019), only the cities of Belo Horizonte, Betim and Contagem bring with a high number of VAF and produce a lot of wealth, on the other hand, in the Metropolitan Region itself there are several municipalities weakened in aspects of VAF such as Capim Branco, Nova União and Taquaraçu de Minas, which have low rates and low participation in the state's ICMS according to data we found in FAZENDA (2018).

Table 3: Comparison of indexes by city - Resolution nº 5.219/2018

City	Average Index	City	Average Index
Belo Horizonte	8,57220	Capim Branco	0,00676
Betim	7,74282	Nova União	0,00992
Contagem	4,72243	Taquaraçu de Minas	0,00405

Source: Elaborated by the author himself with data from (SIGMAVAF, 2019).

Given these data, it is possible to observe that there is a huge difference between the municipalities of the Metropolitan region, confirming the thesis of COSSÍO (1998) if it were not enough the local economic difficulties, several municipalities do not manage and monitor the VAF, which entails

losses and errors for lack of taxpayer knowledge in many cases, as addresses SEABRA (2014) to worsen the municipalities still face one inefficient, bureaucratic and demanding improvements system, so that the calculation of VAF can be at least more just, finally, we have a big problem which is the lack of obligation for companies to provide the correct information at DAMEF.

In order to correct these problems, it is understood that the municipalities first need to better understand the Tax Added Value by taking action and encouraging the businessmen to also know and come to make the statements correctly, it is recommended that the municipalities do as proposes the VAF / UBL (2015) that created a disclosure mechanism to let companies in the municipality of Uberlândia know about the importance of the VAF declaration.

It is also understood that it is very important to integrate the data presented in the VAF system and EFD - Digital Tax Bookkeeping, as already discussed, to better understand this idea and conceptualize the EFD, it is worth highlight its concept according to the one proposed by the Secretariat:

Digital Tax Bookkeeping (EFD) is one of the subprojects of the Public Digital Bookkeeping System - (SPED). It consists of a digital file, containing a set of deeds of tax documents and other information of interest to the tax authorities of the federal units and the Federal Revenue of Brazil, as well as records of the calculation of taxes related to the operations and services performed by the taxpayer (FAZENDA, 2011, p. 1).

Known this system, which is already used by several companies to calculate the VAF, including SIGMAVAF (2019), it is worth mentioning that the creation of a confrontation between the data presented in DAMEF together with EFD would be, for example, a solution for this lack of information from the municipalities regarding the data declared by the companies in the Declarations of Financial Transactions.

As can be seen, these companies that work with Tax Added Value recovery creates a system, taking the EFD data creating a DAMEF-EFD type and comparing it with the data presented in the DAMEF-VAF and achieving several results, as highlighted by SILVA (2018), several companies are already obtaining results using this proposed tool, with this data crossing it would also be possible to correct the inconsistencies that in many cases happen when the company sends its DAMEF without economic movement, when it is refused, when taxpayers makes lapses, among other several existing cases, through this proposal these problems would cease to exist.

By changing this existing system, the possibility of success would be greater, thus considering greater possibilities of contesting the results obtained through a more efficient and safe system for municipal managers, in this case security will not only be for small municipalities, but for all.

In addition to the problems encountered due to the difficulties of the system, we also have the lack of legal mechanisms that oblige companies to complete the Annual Declarations of Economic and Fiscal Movement correctly. This also makes life difficult for the municipalities, there is no penalty

and State supervision in the sense of enforce taxpayers to correctly declare the VAF, a fact that in a way makes companies relax about the correct sending of information, and this lack of obligation may result in losses to municipalities.

In this presented context, many can say that the Minimum Per Capta criterion proposed in LAW 18.030 (2009) came to correct this problem, I believe it was important for the inequality to decrease in the distribution of the ICMS, and this fact reaffirms the concept proposed in this work, however in the case of VAF, the existing system still leaves breaches, so it is believed that through the changes proposed in this article and through the information and analyses mentioned here, the state can restructure the VAF declaration and verification system, making it more modern.

On the other hand, through the analysis of the results obtained in this research, it is expected that the municipalities can improve in the aspects of management and monitoring of the VAF so that its results are positive, and the economic inequality of the regions can decrease bringing greater efficiency to the State in the allocation of the Municipalities' Share in the ICMS.

5 CONCLUSION

The purpose of this research was to measure the Value Added Tax, contextualizing its importance for the participation of the municipalities in the ICMS revenue in the State of Minas Gerais, discussing the importance of knowledge and monitoring of the Added Value within the municipalities, bringing a discussion on the efficiency of its calculation at the state level.

Since the VAF is one of the main ICMS collection criteria, and the majority of Minas Gerais municipalities depend entirely on this revenue to be able to fund their public services, we present this discussion, as we note that the VAF's lack of knowledge and monitoring municipalities, cause great financial damage to them, as highlighted (FERRETI, 2017). In this sense, we work in this article on the need to explain the practical and historical concept of the VAF, with the aim of making the theme simpler, understandable.

In this way, we tried to present the existing types of VAF, conceptualizing each one in a clear and objective way, searching in several authors for answers to this research problem, which was focused on the inefficiency in the calculation of the Added Value by the municipalities and in the lack of managerial and legal mechanisms on the part of the State, we show that the correct submission of Declarations of Financial Transactions is not mandatory in the State, it also aimed to show that the system to present these declarations is not efficient, a fact that makes harder for the municipalities when contesting the data received in the system made available by the State.

However, despite the developments that have already occurred in the recent history of Value Added Tax, we see that the inefficiency is still very large in calculating the VAF, and that the conditions of the State are limited in helping the municipalities, given that the State does not have sufficient human resources to serve the municipalities efficiently in this regard, and has not been showing effective means to solve this problem that strongly interferes in the lives of the municipalities, mainly of the smallest and poorest as discussed in this article.

In view of the above, it is suggested that municipalities may be more attentive to the context of Added Value, it is suggested that changes be made to the legislation so that taxpayers are obliged to provide reliable information on their economic movements and for the State to change the VAF shipping operating system for a more modern system, where there may be the possibility of crossing data together with the Digital Tax Bookkeeping - EFD system, which already exists and is very efficient for the State, this data crossing would aim to improve the form of calculation and distribution of the VAF, avoiding the concentration of income only in the larger municipalities and reducing regional socioeconomic inequalities.

Following this reasoning, the proposal presented in this article on data crossing between the existing system and the Tax Bookkeeping already exists, even in private companies that do this same service, in this way, the proposal of this article is totally possible to be reached. Thus, it is believed that through these suggestions and reviews presented, the monitoring of the Value Added Tax will be more efficient, fairer and equal to all municipalities in Minas Gerais.

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