



From Informality to Productive Inclusion: Lessons from Brazil's MEI for South Africa

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Main challenges of Brazilian economy by 2000s:

- Declining industrial competitiveness in global markets
- A highly complex tax system
- High costs of starting and operating a business
- A large informal labour market
- Limited access to the social security system
- Limited access to the banking system

The Government's Broader Strategy

The Lula administration's approach combined four dimensions

1. Formalization

Reduce the cost of moving firms and workers from informal to formal economic activity.



2. Simplification

Integrate tax payments, business registries and licensing procedures.



3. Productive Development

Use public credit, industrial policy and export incentives to expand investment and productive capacity.



4. Innovation

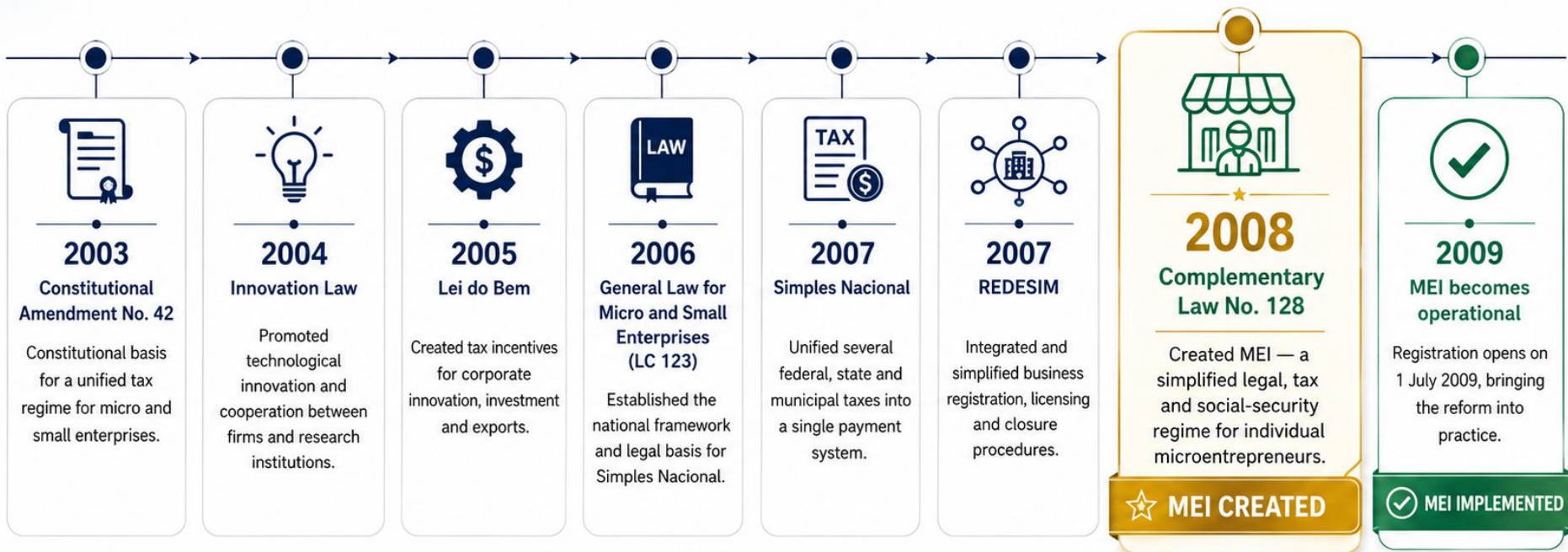
Encourage private research and development and cooperation between businesses and scientific institutions.



Brazil's Business Reform Cycle



Main legal milestones leading to MEI



MEI was the culmination of the formalization and simplification branch of Brazil's business reform cycle.

Individual Microentrepreneur- MEI

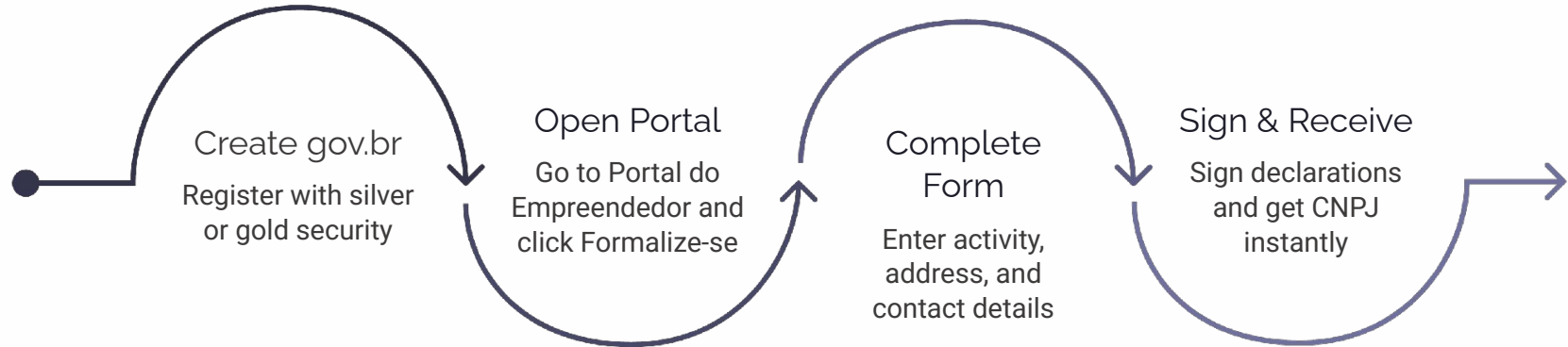


MEI adapted the simplification agenda to the smallest economic units by combining:

- simplified and low-cost registration;
- a business registration number—CNPJ;
- fixed monthly tax payments (US\$ 17/monthly);
- access to invoice issuance;
- inclusion in the social-security system;
- simplified accounting and reporting obligations.

MEI extended Brazil's business-reform agenda from already formal small companies to workers and businesses operating at the boundary of informality.

How to Open a MEI: Step by Step



The entire process is **100% online and free of charge**. Documents needed: CPF, home address, and your intended business activity information. Your CNPJ is issued immediately upon completion.

Who Can Register as MEI?



Online registration nationwide by 2010
Portal do Empreendedor website

Core Eligibility Requirements

Revenue Limit

Up to **R\$ 81,000/year** ($\approx$ R\$ 6,750/month). In the first year, the limit is proportional to months in operation. **R \$ 110,000/year by 2027**

Employees

May hire **at most one employee**, who must earn minimum wage or the floor of the professional category. **Two employees may be accepted by 2027.**

Exclusivity

Cannot be a **partner, director, or owner** of another company simultaneously.

Eligible Activities

Must exercise one of the **permitted occupations** listed in the official Portal do Empreendedor table.

Who Cannot Be a MEI?

Not everyone qualifies. The following categories are explicitly excluded from MEI registration:



Regulated Professions

Lawyers (OAB), doctors, dentists, physiotherapists, engineers, architects, accountants, and others registered with professional councils (CRM, CRC, CREA) are excluded.



Civil Servants

Permanent public employees are not eligible to register as MEI, regardless of the activity they wish to pursue.



Minors

Must be at least **16 years old** (if legally emancipated) or **18 years old** to register independently.

Brazil Sets a Record in New Business Creation

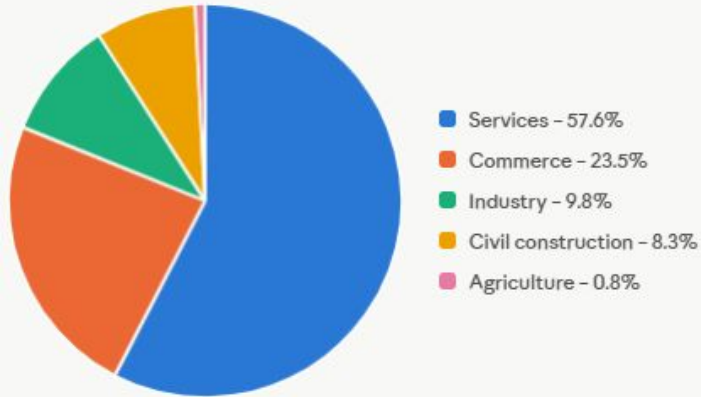
All categories expanded, but MEIs drove the increase (in millions)



Source: Sebrae, based on data from the Federal Revenue Service.

Brazil Has Over 15 Million MEIs — And Growing

MEI per sector



17M+

Active MEIs as of July, 2026
And the number keeps rising every year

More than 50%

Of All Companies
MEIs represent more than half of all active
businesses in Brazil

77%

New Registrations
Of all companies opened in 2026 were
registered as MEI

MEI: Key Strengths



Lowers barriers to formalization

Free, simple and online registration through the Entrepreneur Portal. CNPJ can be issued in minutes.



Formalizes at scale

Millions of workers and microbusinesses gained legal visibility before the State, banks and markets.



Expands access to social benefits

A subsidized monthly contribution connects own-account workers to social-security coverage when payments are regular.



Connects informal activity to formal markets

MEIs can issue **invoices**, **open bank accounts**, **get credit**, **sell to firms** and **access public support programs**.

→ **MEI is strongest as an inclusion gateway: it turns informal activity into legal economic recognition.**

Benefits and Social Security Rights

One of the greatest advantages of MEI formalization is access to the Brazilian social security system — at one of the lowest contribution rates available.



Retirement

Contributes to INSS at only **5% of minimum wage** — qualifying for retirement benefits over time.



Sick Pay & Maternity Leave

Access to *auxílio-doença* (sick pay) and *salário-maternidade* (maternity benefit) through INSS.



Issue Invoices

Legally issue NF-e and NFS-e (electronic invoices) to individuals and companies.



Business Credit

CNPJ enables access to business bank accounts, credit lines, and exclusive MEI financing programs.



Simples Nacional

Enrollment is **automatic** at the moment of formalization — no separate application required if revenue exceeds R\$ 81,000/year.

MEI: Main Risks



Registration does not equal active business

An active CNPJ does not prove regular activity, profitability or continuous tax and social-security compliance.



Limited evidence of business growth

Studies find weak evidence that MEI consistently raises income, credit access, survival or graduation to larger firms.



Risk of disguised employment

MEI can be misused for “**pejotização**”, replacing protected CLT jobs with contractor arrangements.



Fiscal, targeting and compliance pressures

Subsidized contributions support inclusion but raise questions about pension financing and who receives the benefit.



The next challenge is to preserve easy formalization while improving compliance, targeting and labour protection.

From Formalization to Productive Inclusion

- ❖ Brazil's MEI experience demonstrates that formalization can become accessible when registration, taxation and social protection are combined in a **simple digital system**.
- ❖ Its greatest **achievement** was to open the door of the formal economy to millions of workers and microbusinesses. Its central **limitation** is that opening the door does not necessarily enable them to grow, become more productive or obtain stable social protection.
- ❖ The lesson for South Africa is therefore not to reproduce MEI, but to build an adapted pathway through which informal entrepreneurs can register easily, receive meaningful benefits and progressively develop sustainable businesses—without formalization becoming a substitute for protected employment.

MEI's Lessons for South Africa

1. Create an appropriate legal category.
2. Formalization must offer immediate value.
3. Integrate institutions around the entrepreneur like Portal do Empreendedor.
4. Formalization requires a development ladder
5. Preserve employment protection

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