

# TAXATION AND COMPETITIVENESS IN THE SERVICE SECTOR IN THE TRI-BORDER AREA: A COMPARATIVE ANALYSIS BETWEEN BRAZIL, PARAGUAY, AND ARGENTINA

## TRIBUTAÇÃO E COMPETITIVIDADE NO SETOR DE SERVIÇOS NA TRÍPLICE FRONTEIRA: UMA ANÁLISE COMPARATIVA ENTRE BRASIL, PARAGUAI E ARGENTINA

## TRIBUTACIÓN Y COMPETITIVIDAD EN EL SECTOR SERVICIOS EN LA TRIPLE FRONTERA: UN ANÁLISIS COMPARATIVO ENTRE BRASIL, PARAGUAY Y ARGENTINA



<https://doi.org/10.56238/sevened2026.008-004>

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### ABSTRACT

Differences in tax and labor systems among neighboring countries play a strategic role in border regions, where business mobility is high and competitiveness is strongly affected by operational costs. In this context, taxation of the service sector becomes a decisive factor for the attraction or relocation of economic activities. This study provides a comparative analysis of taxation applied to the service sector in the Triple Frontier region, comprising Brazil, Paraguay, and Argentina, based on legislation in force in 2025. The research adopts a descriptive and comparative approach, supported by documentary and bibliographic analysis, focusing on taxes levied on revenue, income, and payroll, as well as mandatory labor charges. The results reveal significant tax asymmetries among the countries, highlighting the high tax burden and regulatory complexity of the Brazilian and Argentine systems, in contrast to the Paraguayan model, which is characterized by a simpler and less burdensome structure. The study concludes that differences in tax and labor systems directly affect regional competitiveness, influencing business location and operational decisions in the service sector within the Triple Frontier.

**Keywords:** Taxation. Service Sector. Regional Competitiveness. Triple Frontier.

### RESUMO

As diferenças nos sistemas tributários e trabalhistas entre países vizinhos tendem a assumir papel estratégico em regiões de fronteira, onde a mobilidade empresarial é elevada e a

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competitividade é fortemente influenciada por custos operacionais. Nesse contexto, a tributação do setor de serviços torna-se fator decisivo para a atração ou deslocamento de atividades econômicas. Este estudo analisa comparativamente a tributação incidente sobre o setor de serviços na região da Tríplice Fronteira, envolvendo Brasil, Paraguai e Argentina, considerando a legislação vigente em 2025. A pesquisa adota abordagem descritiva e comparativa, fundamentada em análise documental e bibliográfica, com foco nos tributos incidentes sobre o faturamento, a renda e a folha de salários, bem como nos encargos trabalhistas mínimos obrigatórios. Os resultados evidenciam assimetrias tributárias relevantes entre os países analisados, destacando-se a elevada carga fiscal e a complexidade normativa dos sistemas brasileiro e argentino, em contraste com o modelo paraguaio, caracterizado por estrutura mais simples e menos onerosa. Conclui-se que as diferenças nos sistemas tributários e trabalhistas exercem influência direta sobre a competitividade regional, afetando decisões de localização e operação das empresas do setor de serviços na Tríplice Fronteira.

**Palavras-chave:** Tributação. Setor de Serviços. Competitividade Regional. Tríplice Fronteira.

## RESUMEN

Las diferencias en los sistemas tributarios y laborales entre países vecinos suelen desempeñar un papel estratégico en las regiones fronterizas, donde la movilidad empresarial es alta y la competitividad se ve fuertemente influenciada por los costos operativos. En este contexto, la tributación del sector servicios se convierte en un factor decisivo para atraer o reubicar actividades económicas. Este estudio analiza comparativamente la tributación del sector servicios en la región de la Triple Frontera, que abarca a Brasil, Paraguay y Argentina, considerando la legislación vigente en 2025. La investigación adopta un enfoque descriptivo y comparativo, basado en el análisis documental y bibliográfico, centrándose en los impuestos sobre la renta, la renta y la nómina, así como en los cargos laborales mínimos obligatorios. Los resultados destacan las importantes asimetrías tributarias entre los países analizados, destacando la elevada carga tributaria y la complejidad normativa de los sistemas brasileño y argentino, en contraste con el modelo paraguayo, caracterizado por una estructura más simple y menos onerosa. Se concluye que las diferencias en los sistemas tributarios y laborales influyen directamente en la competitividad regional, afectando la ubicación y las decisiones operativas de las empresas del sector servicios en la región de la Triple Frontera.

**Palabras clave:** Tributación. Sector Servicios. Competitividad Regional. Triple Frontera.

## 1 INTRODUCTION

The taxation of the service sector has assumed a strategic role in the competitiveness of contemporary economies, especially in contexts in which business mobility is high and operating costs directly influence decisions on productive location. In international border regions, where different tax and labor systems coexist, these differences become even more evident, impacting the cost structure of companies and the regional competitive dynamics.

The Triple Border, formed by the cities of Foz do Iguaçu (Brazil), Ciudad del Este (Paraguay) and Puerto Iguazú (Argentina), is configured as a unique economic space, characterized by the intense circulation of people, goods and services, with a strong predominance of the tertiary sector. In this context, the taxation levied on the service sector, especially that related to revenue, income and payroll, exerts a direct influence on business competitiveness, becoming a relevant factor in the attraction, permanence or displacement of economic activities between bordering countries.

The Brazilian and Argentine tax systems are recognized for their high regulatory complexity and significant tax burden, while Paraguay adopts a more simplified model, with reduced rates and fewer taxes. These asymmetries, when observed in an integrated geographic space such as the Triple Border, tend to produce concrete effects on the behavior of economic agents, affecting prices, profit margins and strategic decisions of companies in the service sector.

In view of this scenario, the following research problem emerges: how does the taxation levied on the service sector, considering taxes and labor charges, differ between Brazil, Paraguay and Argentina and what are its effects on regional competitiveness in the Triple Border?

Thus, the general objective of this study is to comparatively analyze the taxation levied on the service sector in the cities of Foz do Iguaçu, *Ciudad del Este* and *Puerto Iguazú*, identifying the main applicable taxes and labor charges, as well as their effects on regional competitiveness. As specific objectives, it seeks to examine the current legislation, compare the tax burden incurred, identify the charges associated with labor and evaluate the existence of tax incentives for the sector in each location analyzed.

The relevance of the study lies in its contribution to the debate on fiscal competitiveness in border regions, by showing how different tax and labor arrangements influence the economic dynamics of the service sector. In addition, the results offer subsidies for public managers, entrepreneurs and researchers interested in the relationship between taxation, business environment and regional development, especially in the context of recent discussions on tax reform in Brazil and economic integration within Mercosur.

## 2 THEORETICAL FRAMEWORK

The theoretical framework of this study underpins the analysis of taxation and competitiveness in the service sector, focusing on the concepts of tax planning and business decision-making. The selected literature provides conceptual support to understand how the choice of tax regime influences the economic results and competitiveness of companies.

### 2.1 TAX PLANNING AND BUSINESS DECISION-MAKING

Tax planning is an essential management tool, especially in economic environments characterized by high tax burden and strong regulatory asymmetry. In this sense, Fabretti (2017, p. 34) defines that "tax planning consists of the prior, lawful and strategic study of the available legal alternatives, with the objective of reducing the tax burden, postponing the payment of taxes or avoiding their incidence". It is, therefore, a tool that goes beyond mere legal compliance, assuming a strategic role in business decision-making.

In the service sector, tax planning acquires even greater relevance, since taxation is predominantly levied on revenues and payroll, directly affecting the cost structure and competitiveness of companies. Decisions related to the location of the enterprise, the way labor is hired, and the organizational structure are strongly influenced by the tax environment, especially in border regions, where different tax systems coexist.

In this context, the absence of planning can compromise the economic sustainability of companies, leading to a loss of competitiveness against competitors established in jurisdictions with a lower tax burden or more simplified regimes. As Crepaldi (2019, p. 78) points out, "the tax burden represents one of the main components of business cost, exerting a direct influence on the competitiveness of organizations, especially in labor-intensive sectors".

### 2.2 TAX SYSTEMS AND TAXATION OF THE SERVICE SECTOR

The tax systems adopted by countries reflect political and economic choices that directly influence the business environment. In Brazil, the taxation of the service sector is characterized by high regulatory complexity, the multiplicity of taxes and the strong incidence on revenues and payroll, especially the Service Tax (ISS), the Corporate Income Tax (IRPJ), the Social Contribution on Net Income (CSLL), the Contribution to the Social Integration Program (PIS) and the Contribution to the Financing of Social Security (COFINS).

In contrast, countries such as Paraguay and Argentina adopt different models. Paraguay has a tax system that is known to be simpler, with fewer taxes and reduced rates, which has been used as an instrument to attract investments, especially in regions close to

the Brazilian border. Argentina, in turn, combines federal and provincial taxes, resulting in a high tax burden and a higher degree of cumulativeness, although with structural characteristics different from those observed in the Brazilian system.

The taxation of the service sector, especially activities linked to tourism and commerce, is particularly sensitive to these differences, since such activities have high geographic mobility and depend directly on the operational cost to maintain competitiveness. In this sense, Souza and Callado (2020) point out that inadequate tax decisions can significantly compromise the profitability and permanence of companies in highly competitive markets.

From the perspective of tax planning as a decision-making tool, it is essential to analyze the tax systems in which companies are inserted, especially with regard to the taxation of the service sector and its relationship with business competitiveness.

### 2.3 THE TRIPLE BORDER AS AN ECONOMIC AND FISCAL AREA

The Triple Border region, formed by Brazil, Paraguay and Argentina, is configured as a unique economic space, marked by the intense circulation of people, goods and services. This dynamic means that the tax differences between countries do not remain only at the regulatory level, but materialize in concrete decisions on investment, consumption and business location.

In border regions, disparities between tax systems tend to be immediately perceived by economic agents. Fabretti (2017, p. 112) observes that "in border regions, the differences between tax systems are immediately perceived by economic agents, influencing decisions of location, consumption and investment". In this way, taxation starts to play a strategic role in the organization of regional economic activities.

According to Zilli (2021), border regions show the effects of tax asymmetry more clearly, since economic agents can compare, almost instantaneously, the costs and benefits associated with each tax system. In the service sector, this asymmetry manifests itself both in the structure of taxes levied and in labor charges and tax incentive regimes, generating comparative advantages for certain countries and putting pressure on companies located in more onerous systems.

### 2.4 TAX INCENTIVES AND REGIONAL COMPETITIVENESS

Tax incentives are instruments widely used by States as a way to stimulate economic development, attract investments and promote job creation. In border regions, such



mechanisms assume even greater relevance, since they compete directly with the tax systems of neighboring countries.

In Paraguay, policies based on reduced tax rates and administrative simplification have contributed to the attraction of companies in the service and trade sector. In Brazil, although there are specific incentives, the high tax burden and the complexity of the system limit its effectiveness. Argentina, in turn, faces challenges related to tax cumulativeness and overlapping fiscal competences, which reduces the positive impact of any incentives.

This reality reinforces the need for comparative analyses capable of understanding how taxation and tax incentives influence business competitiveness in the Triple Border, especially in cost-sensitive sectors such as tourism and commercial services. In the light of these theoretical discussions, the methodological approach presented in the following section is structured.

### 3 METHODOLOGY

This study is characterized as an applied research, of qualitative and quantitative nature, with a descriptive and comparative approach, with the objective of analyzing the taxation levied on the service sector in the Triple Border region (Brazil, Paraguay and Argentina). The methodological design adopted allows comparing different tax systems, identifying tax asymmetries and their potential impacts on business competitiveness in a cross-border economic space.

As for the technical procedures, a comparative case study was adopted, based on documentary and bibliographic research. The bibliographic research covered books, scientific articles and institutional publications related to taxation, labor charges and regional competitiveness.

The analysis focused on the main taxes levied on revenue, income and payroll, as well as on the minimum labor charges provided for by law, such as working hours, paid vacations, thirteenth salary and employers' social security contributions, considering the legislation in force in 2025. The data were systematized in comparative tables and tables, allowing the identification of fiscal and labor asymmetries and their impacts on the operating cost of companies in the service sector.

It should be noted that the study did not propose to measure macroeconomic impacts or to analyze financial results individualized by company, limiting itself to the normative and structural comparison of the systems analyzed. The conclusions are conditioned to the time frame and normative adopted and may change as a result of future legislative changes, notably those related to the ongoing Brazilian tax reform.

## 4 RESULTS AND DISCUSSION

This section presents and discusses the results of the comparative analysis of taxation levied on the service sector in the countries that make up the Triple Border (Brazil, Paraguay and Argentina). The analysis includes the main taxes levied on income, revenues and payroll, as well as the main labor charges associated with business activity, with the objective of identifying fiscal asymmetries and their impacts on regional competitiveness.

### 4.1 TAXATION OF THE SERVICE SECTOR IN BRAZIL

In Brazil, the taxation of companies in the service sector varies significantly according to the tax regime adopted, being levied in a combined manner on turnover, income and payroll. The main regimes applicable to the sector are the Simples Nacional, the Presumed Profit and the Real Profit, each with different structures and impacts on the effective tax burden.

In Simples Nacional, aimed at micro and small companies, taxation occurs in a unified way through the Simples Nacional Collection Document (DAS). For the service sector, the rates vary according to the framework in Annexes III or V of Complementary Law No. 123/2006, and may vary approximately between 6% and 33% of gross revenue, depending on the accumulated revenue of the last twelve months and the relationship between payroll and revenue. Although the regime simplifies the collection, taxation is directly levied on revenue, with a limitation on the deduction of costs and expenses, which can increase the effective burden in labor-intensive activities.

In the Presumed Profit, a regime widely used by medium-sized service companies, the IRPJ calculation basis corresponds to 32% of gross revenue, on which the rate of 15% is applied, plus an additional 10% on the portion of profit that exceeds the legal limit of R\$ 20,000.00 per month or R\$ 60,000.00 in the quarter. The CSLL is levied at the rate of 9%, also on the presumed basis of 32%. In addition, contributions to PIS (0.65%) and COFINS (3%) are levied, under the cumulative regime, as well as ISS, with municipal rates ranging between 2% and 5%. In this regime, the total tax burden on revenue can be, on average, between 13% and 18%, without considering labor charges.

In the Actual Profit, taxation is levied on the company's adjusted accounting result. The IRPJ is applied at the rate of 15%, with an additional 10% on the profit that exceeds the quarterly limit, while the CSLL is levied at the rate of 9%. Contributions to PIS (1.65%) and COFINS (7.6%) are calculated under the non-cumulative regime, allowing the use of credits on certain costs and expenses. Even so, the high joint tax rate of 9.25% on revenues makes

this regime onerous for service companies with reduced margins. Added to this is the incidence of ISS, according to the applicable municipal legislation.

Regardless of the tax regime, service companies in Brazil are subject to high payroll charges, with emphasis on the employer's contribution to the INSS – National Institute of Social Security (20%), the Guarantee Fund for Length of Service (FGTS) at the rate of 8%, in addition to indirect costs arising from the thirteenth salary, paid vacation plus the constitutional third and other obligations provided for in the Consolidation of Labor Laws (CLT). These charges significantly increase the operating cost of companies.

Thus, considering the combination of taxes levied on revenue, income and payroll, the effective tax burden of the service sector in Brazil can exceed 20% of gross revenue, reaching substantially higher levels when considering labor charges.

#### 4.2 TAXATION OF THE SERVICE SECTOR IN PARAGUAY

In Paraguay, the results show a significantly more simplified and less onerous tax structure. The provision of services is subject to the *Impuesto al Valor Agregado* (VAT) at the rate of 10% and to the *Impuesto a la Renta Empresarial* (IRE), also of 10%, according to the legislation in force. For micro and small companies, simplified regimes further reduce the tax burden, either by applying fixed monthly amounts or by excluding the incidence of VAT. In practice, the effective tax burden on the service sector remains considerably lower than in Brazil, reflected in lower operating costs and greater attractiveness for the installation of enterprises.

In the social security sphere, the incidence is concentrated in the *Institute of Social Prediction* (IPS), with an employer's contribution of 16.5% and a worker's contribution of 9%, both calculated on the declared remuneration. This model, simpler and with lower percentages than those practiced in Brazil, contributes to reducing the cost of payroll and reinforces the country's competitive advantage for labor-intensive companies.

In addition to social security charges, the cost of labor in Paraguay is influenced by more flexible labor rules when compared to Brazilian ones. The regular working day is up to 48 hours per week, distributed in up to eight hours per day, according to the *Paraguayan Labor Code*. Annual leave varies according to the length of service, being 12 days after the first year, 18 days after five years and 30 days after ten years of employment.

The *aguinaldo* in Paraguay corresponds to 1/12 of the total remuneration received by the worker throughout the year, equivalent, in the case of fixed salary, to a full monthly salary, and, in the case of variable remuneration, to the annual monthly average. Despite this obligation, the lower employer's social security burden and the simpler structure of labor



obligations result in a total labor cost significantly lower than that observed in Brazil and Argentina, reinforcing the competitiveness of service companies installed in the country.

This lean and predictable tax structure facilitates tax compliance and reduces administrative costs. As a result, Paraguay has used tax policy as an instrument to stimulate economic activity, attracting investments and promoting the formalization of businesses, especially in regions close to the Brazilian border. In the service sector, this advantage is clearly manifested through greater operational flexibility and more competitive pricing.

#### 4.3 TAXATION OF THE SERVICE SECTOR IN ARGENTINA

The taxation of the service sector in Argentina is characterized by the coexistence of federal and provincial taxes, resulting in a high tax burden and strong cumulativeness. Companies are subject to national taxes, such as the *Impuesto al Valor Agregado* (VAT), at the rate of 21%, and the *Impuesto a las Ganancias*, whose rate can reach 30% on profit, in addition to provincial taxes, especially the *Impuesto sobre los Ingresos Brutos*, applied by the provinces, including Misiones, with rates ranging from 2% to 5%, according to economic activity.

This combination of taxes generates a significant incidence on both the revenue and the results of service companies, especially in border regions. In addition, the labor cost in Argentina is pressured by social contributions administered by the AFIP and by obligations provided for in the *Labor Contract Law*.

In the social security cut, the normative basis of the contributory system is established in Law No. 24,241/1993, which established the Integrated System of *Jubilations and Pensions* (SIJP), currently integrated into the Argentine Integrated *Forecast System* (SIPA). The employer's contribution rates are not concentrated in a single legal provision, but are defined by decrees and complementary resolutions published in the Official Gazette, as well as by regulations of the AFIP and ANSES. In practice, employers' social security contributions are, in aggregate, at levels higher than 20% of the payroll, and can reach percentages close to 25%, depending on the size and sectoral framework of the company.

In the field of labor legislation, Argentina has rules that also raise the cost of labor. The standard working day is up to 48 hours per week, under the terms of the *Labor Contract Law*, with a mandatory additional for overtime. Annual leave is granted progressively, varying between 14 and 35 calendar days, depending on the worker's length of service.

The Argentine legal system also provides for the payment of the *Sueldo Anual Complementario* (SAC), equivalent to the thirteenth salary in Brazil or *aguinaldo* in Paraguay, paid in two semiannual installments, corresponding to 50% of the highest monthly

remuneration received in each semester. These labor rights, added to the high employers' social security contributions, significantly increase the cost of labor, impacting the competitiveness of service companies, especially in border regions.

This structure results in a high total tax burden and significant cumulativeness, directly impacting the cost of labor and the sustainability of service companies. In order to summarize the main labor differences between the countries analyzed, Chart 1 presents a comparison of the charges levied on working hours and the remuneration of workers in the service sector.

**Table 1**

*Comparative Labor Charges*

Element	Brazil	Paraguay	Argentina
<b>Working hours</b>	Up to 44 hours per week	Up to 48 hours per week	Up to 48 hours per week
<b>Overtime</b>	Minimum additional 50%	Minimum additional 50%	Minimum additional 50%
<b>Holidays</b>	30 days after 12 months + 1/3 constitutional	12 to 30 days, depending on the length of service	14 to 35 calendar days, depending on length of service
<b>13th salary</b>	Yes – Christmas Bonus	Yes – Aguinaldo (1/12 of the annual remuneration)	Yes – Complementary Annual Sueldo (SAC) in 2 installments
<b>Employer's social security contribution</b>	INSS 20% + FGTS 8%	SPI 16.5%	>20% and can reach 25%
<b>Regulatory complexity</b>	High	Low	High
<b>Impact on labor cost</b>	Elevated	Reduced	Elevated

Source: Prepared by the authors based on current labor and social security legislation (2025).

It is noteworthy that chart 1 presents the main labor charges provided for in the general legislation of the countries analyzed, focusing on the minimum mandatory elements applicable to the service sector. A more detailed analysis of labor relations may reveal other rights, additional and benefits, arising from specific norms of professional categories, which were not contemplated in this study. Thus, the data presented should be understood as a basic normative synthesis, suitable for comparison between labor systems, without prejudice to the existence of provisions that are more favorable to workers in specific sectoral or business contexts.

#### 4.4 COMPARISON OF TAX SYSTEMS AND IMPACTS ON COMPETITIVENESS

The comparative analysis shows relevant tax asymmetry between the countries surveyed. Brazil and Argentina have systems characterized by a high tax burden, regulatory complexity, and high labor costs, while Paraguay stands out for a simpler model, with lower tax incidence and reduced operating costs. Chart 2 summarizes the main taxes levied on the

service sector in the Triple Border countries, allowing a comparative view of the structural differences between the tax systems analyzed.

**Table 2**

*Comparison of the Taxation of the Services Sector in the Triple Frontier (2025)*

<b>Tribute / Aspect</b>	<b>Brazil</b>	<b>Paraguay</b>	<b>Argentina</b>
<b>Subnational taxation on services</b>	ISS (municipal): 2% to 5%, according to local legislation for companies of the Presumed Profit and Real Profit	Not applicable	Gross Revenues (Provincial): 2% to 5%, depending on the province
<b>Taxation on turnover (national)</b>	Presumed Profit: PIS/COFINS at rates of 3.65% (cumulative); Actual Profit: PIS and CONFINS 9.25% (non-cumulative); Simples Nacional: unified rates between 6% and 33%	VAT: 10%	VAT: 21%
<b>Taxation on income/profit</b>	Actual Profit: IRPJ + CSLL: up to 34% on adjusted net income; Presumed Profit: Base of 32% on revenues at rates of 15% and 9% or direct percentages of 4.8% of IRPJ and 2.88% of CSLL.	IRE: 10%	Impuesto a las Ganancias: up to 30%
<b>Tax cumulativeness</b>	Partial, according to the tax regime adopted	No	Yes
<b>Complexity of the tax system</b>	High (plurality of regimes, taxes and ancillary obligations)	Low	High
<b>Relative tax burden on services</b>	High, especially when considering labor charges	Reduced	Elevated
<b>Impact on regional competitiveness</b>	Unfavorable	Favorable	Unfavorable

Source: Prepared by the authors based on the tax legislation in force in the three countries (2025).

These differences directly influence regional competitiveness, affecting decisions on business location, business structuring and service offering. In a sector that is highly sensitive to costs and with high geographic mobility, taxation plays a decisive role in attracting or displacing economic activities.

#### 4.5 CRITICAL DISCUSSION OF THE RESULTS

The comparative analysis of the tax and labor systems shows that taxation has a direct and relevant impact on the competitiveness of the service sector in the Triple Border. The differences between Brazil, Paraguay and Argentina are not restricted to the normative level, but are materialized in the cost structure, in the formation of prices and in the ability of companies to remain in an environment characterized by high competition and intense geographic integration.

In Brazil, the high tax burden on revenues and income, associated with significant labor charges, such as the employer's contribution to the INSS, the FGTS, the thirteenth salary, paid vacations plus the constitutional third and the normative rigidity of the Consolidation of Labor Laws, results in an operating cost significantly higher than that observed in neighboring countries. This scenario compromises the competitiveness of service companies, especially those that are labor-intensive, predominant in the tourist and commercial segments of the border region.

Argentina, although it has a different tax structure from Brazil, also reveals factors that compromise the competitiveness of the service sector. The cumulative incidence of federal and provincial taxes, associated with employers' social security contributions that can reach levels close to 25% of the payroll, significantly increases the cost of labor and reduces the attractiveness for the installation of new enterprises.

In contrast, Paraguay has a fiscal and labor environment that is more favorable to competitiveness. The reduced rates of the *Impuesto al Valor Agregado* (VAT) and the *Impuesto a la Renta Empresarial*, associated with a less onerous employer's pension structure and more flexible labor rules, result in lower labor costs and greater tax predictability. This configuration allows Paraguayan companies to operate with greater competitiveness in terms of price and attractiveness for investments, especially in border regions.

In addition to the simplified tax structure and lower labor charges, Paraguay has used specific fiscal policy instruments to attract foreign investment, with emphasis on the Maquila regime, instituted by Law No. 1,064/1997 and regulated by complementary rules. This regime allows foreign companies, including Brazilian ones, to carry out production processes or provision of services in Paraguayan territory with reduced taxation, upon payment of a single tax of 1% on the value added in the country, in addition to relevant exemptions on taxes levied on the import of inputs and on the export of the resulting products or services. In practice, the Maquila Law has encouraged the relocation of Brazilian business activities, especially those labor-intensive and cost-sensitive, to regions close to the border, reinforcing Paraguay's competitive advantage in the context of the Triple Border and amplifying the effects of the tax asymmetries identified in this study.

Thus, the results confirm that the competitiveness of the service sector in the Triple Border is strongly conditioned by the tax and labor asymmetries between the countries analyzed. In frontier contexts, in which business location decisions are facilitated by geographical proximity, simpler and less onerous tax systems tend to become decisive

competitive advantages, while more complex and onerous structures impose relevant constraints on the economic performance of companies.

## 5 FINAL CONSIDERATIONS

This study comparatively analyzed the taxation levied on the service sector in the countries that make up the Triple Border (Brazil, Paraguay and Argentina) and its impacts on business competitiveness in an economic space characterized by high mobility of activities and intense regional integration. The results show that the structural differences between the tax and labor systems exert a direct influence on the decisions of location, operation and sustainability of companies in the service sector.

The analysis showed that the Brazilian tax system imposes a high tax burden and significant administrative complexity on service companies, especially due to the multiplicity of taxes levied on revenue, income and payroll, in addition to significant labor charges. This configuration compromises the competitiveness of companies installed in the Brazilian territory against competitors established in neighboring countries with simpler and less costly systems.

Similarly, Argentina has an onerous tax environment, marked by the cumulativeness of federal and provincial taxes and employers' social security charges, in addition to rigidity in labor standards. These factors increase the cost of labor and reduce the country's attractiveness for the installation and maintenance of enterprises in the service sector, especially in border regions.

In contrast, Paraguay stands out for its leaner tax system, with reduced tax rates, less regulatory complexity, and less onerous labor charges. This model has been used as an economic policy instrument to attract investments, conferring a competitive advantage to companies established there, especially in labor-intensive and cost-sensitive activities, such as those predominant in the service sector of the Triple Border.

It should be noted that the results of this study should be interpreted in light of the context of transition of the Brazilian tax system, resulting from the Tax Reform instituted by Constitutional Amendment No. 132/2023 and regulated by Complementary Law No. 214/2025. This legislation establishes the gradual replacement of taxes levied on consumption, such as the Tax on Services (ISS), the Social Integration Program (PIS) and the Contribution to the Financing of Social Security (COFINS), by the Tax on Goods and Services (IBS) and the Contribution on Goods and Services (CBS), structured under the dual Value Added Tax (VAT) model, with a transition schedule scheduled between the years 2026 and 2033.



From a theoretical point of view, the adoption of the VAT model tends to reduce tax cumulativeness and simplify the system, representing a relevant institutional advance in relation to the previous model, especially for the service sector, historically burdened by multiple incidences on revenue. However, in the context of the Triple Border, the effectiveness of the reform in terms of competitiveness is still uncertain, since the reference rate of the new system may keep Brazil at a higher tax level than that observed in neighboring countries, such as Paraguay and Argentina.

Moreover, while the reform promises gains in simplicity and transparency, there is no evidence to date that the overall tax burden on the services sector will be significantly reduced. For labor-intensive activities, the replacement of taxes on turnover by a VAT with a high rate may not fully eliminate the negative competitive differential identified in this study, especially when the labor and social security charges still in force in the Brazilian legal system are considered together.

Thus, the Brazilian tax reform, although it represents a relevant institutional advance, does not eliminate, at least in the short and medium term, the fiscal asymmetries that affect the competitiveness of the service sector in the Triple Border. The results of this study remain current and relevant, indicating that Brazil will continue to face structural challenges to compete with simpler and less onerous tax systems adopted by neighboring countries.

As a limitation of the study, the predominantly normative and structural focus stands out, without the individualized measurement of financial impacts by company. Even so, the results offer relevant subsidies for the academic and institutional debate on taxation and competitiveness in border regions. It is recommended that future research deepen the empirical analysis, incorporating business case studies and evaluating the practical effects of the Brazilian tax reform and possible tax harmonization processes within the scope of Mercosur.

It is concluded that tax harmonization, the reduction of regulatory complexity and the review of the charges levied on the service sector are fundamental to mitigate tax asymmetries and promote a more balanced competition environment in the Triple Border, contributing to sustainable regional development and strengthening the service sector.

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