

Paying Taxes 2010

The global picture



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Foreword

This is the fourth Paying Taxes publication, which is based on data collected in connection with the 'paying taxes' indicator from the World Bank Group's *Doing Business* project. The project assesses the regulatory climate which impacts a domestic, small to medium sized business during its natural life cycle, and Paying Taxes is part of this overall structure. The study is unique in that it measures the ease of paying taxes across 183 economies, by assessing the time required for companies to prepare and file tax returns and pay taxes, and also the company's total tax liability as a percentage of commercial profits. Paying Taxes provides a wealth of data which can help governments benchmark their tax systems on a like-for-like basis. The results provide a platform for government and business to engage in constructive discussion on tax reform.

The Paying Taxes study, and the way in which the results are used, has developed since it was first introduced to the *Doing Business* project. In the publication, we have sought to draw themes from the results, and to illustrate the findings with analysis from specific economies and regional groupings. Additional questions are also now asked in the study, to put the indicator results into a broader context and provide further insight into tax systems from the view of business. This publication, as well as the full set of results and underlying data, is available on the World Bank Group and PricewaterhouseCoopers websites, for governments and other users to explore.



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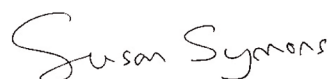
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This year, the study has been conducted against the backdrop of a global recession that has meant falling tax revenues around the world, and the need for governments to make difficult tax policy choices. The challenge is how to ensure sufficient public revenues for the future, while at the same time incentivising investment and economic growth.

With reforms identified by the study in 104 economies over a five year period, it is clear that tax reform is on governments' agendas. 45 of these reforms, relevant for *Doing Business*, have been undertaken in the past year, including broadening the tax base, lowering tax burdens and making compliance easier. This suggests that tax reform is an important part of the way in which governments are dealing with the economic downturn. These reforms are discussed in more detail in the publication.

Governments continue to demonstrate their engagement on tax reform. This is evidenced in the publication with articles from various economies, which give insights into how the Paying Taxes data has been used, and provide details of the reforms that have been and are being implemented.

We welcome feedback and encourage users of this report to provide additional input and comments, so that the value of the data can be even further enhanced for the future.



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Objectives and key themes and findings from the *Doing Business* Paying Taxes study

This is the fifth year that the Paying Taxes indicator has been included in the World Bank Group's *Doing Business* project. The indicator measures the ease of paying taxes for a small to medium sized domestic company, in 183 economies around the world – two more than in last year's publication.

The Paying Taxes indicator is unique in that it measures the world's tax systems from the point of view of a domestic business, complying with the different tax laws and regulations in each economy.

The objectives of the indicator are:

- to provide data which can be compared between economies;
- to facilitate the benchmarking of tax systems within relevant economic and geographical groupings, which can provide an opportunity to learn from peer group economies; and
- to enable an in-depth analysis of the results which can be used to help identify good practices and possible reforms.

The indicator covers both the cost of taxes, which are borne by the case study company, and the administrative burden of tax compliance for the company. Both are important from the business point of view and are measured using three sub-indicators:

- the Total Tax Rate (TTR), (the cost of all taxes borne);
- the time needed to comply with the major taxes (profit taxes, labour taxes, and mandatory contributions, and consumption taxes); and
- the number of tax payments.

The results for each sub-indicator, split by type of tax, and the full set of rankings are included in Appendix 1. Further details are also available on the World Bank Group's *Doing Business* project (*Doing Business*) and PricewaterhouseCoopers websites. The full methodology for the case study company and the indicators is explained in Appendix 2.

Chapter 1 of this study sets out the latest findings and analysis on the Paying Taxes indicator from the World Bank Group's *Doing Business* report. This includes a discussion of reforms around the world, and of options for 'moving towards smart regulation'.

Chapter 2 provides a further analysis by PricewaterhouseCoopers of the sub-indicators, which includes a focus on various geographical and economic groupings. This is followed by initial findings from additional questions on tax systems and tax administration. These questions are not incorporated in the Paying Taxes results, but have been developed in response to feedback on the study, and to provide additional insights on tax systems.

The report also includes a number of commentaries from PricewaterhouseCoopers around the world which illustrate how this data is being used in practice to inform and stimulate discussion with governments. These commentaries also refer to some of the reforms that have been and are being implemented to address the issues arising in such dialogues.

The World Bank Group engages in consultations on the *Doing Business* indicators with a broad range of stakeholders. This year's report benefitted from their input. Consultations are presently ongoing on the design of the Paying Taxes indicator. The Paying Taxes team continually welcomes input into the study in order to ensure the relevance of the data collected, and to further enhance its usefulness for both business and government.

Some of the key themes and findings from Paying Taxes 2010 include:

- Corporate income tax is only one of many taxes with which business has to comply. When considering the burden of taxes on business, it is important to look at all the taxes that companies pay. In a recession, company profits, and therefore corporate income tax payments, may fall, but the cost of taxes for business may still increase where other taxes paid are not linked to profitability.
- With the current economic downturn, the challenge for governments is how to safeguard the public revenues needed for provision of public services and social safety nets, while at the same time, encouraging investment, growth and job creation.
- Economies with low Total Tax Rates are not necessarily a model for other economies. Business understands the need to pay taxes, and that levying taxes is not an easy task for government. Government has a responsibility to use taxes to fulfil economic and social objectives, and improve infrastructure and the quality of life for citizens which in turn, benefits business.
- In the past five years, the *Doing Business* report has recorded 171 reforms affecting the Paying Taxes indicator in 104 economies around the world. Over the past year, governments have stayed on course with reform programmes. 45 economies have reduced the tax burden on small to medium sized businesses, or made it easier to pay taxes, with reforms made in the year to 1 June 2009 – this is 25% more than in the previous year. 20 economies reduced profit tax rates, the most popular reform, closely followed by 18 economies which focused on making the filing and payment of taxes easier.
- Timor-Leste and Mexico made the most substantial reforms on the Paying Taxes indicator in this year's *Doing Business* report, while Eastern Europe and Central Asia is the region with the largest number of reforms for the third year in a row.
- In many cases, tax compliance imposes a heavy burden on business in terms of cost and time, and so has the potential to be a disincentive to investment and encourage informality. The Paying Taxes study shows that tax reform has continued to remain high on governments' agendas, generally with the aim of reducing the regulatory burden of tax compliance on business.
- Having one tax per base (for example on profits, labour, consumption, and property), can ease the tax compliance burden for companies. The time needed to comply can increase where there are multiple taxes. Filing and payment of labour taxes and consumption taxes add considerably to the time to comply. The requirement to keep separate books for tax, other than those required for accounting purposes, can also add to the time taken to comply.
- Many reforms are aimed at simplifying the tax law and making it easier for firms to comply with regulations. The ability to pay and file electronically has a significant positive impact on the 'number of payments' indicator. Electronic filing is shown to be well-established in developed economies and it is increasingly being implemented in developing economies. This requires the buy-in and trust of taxpayers with regards to the tax payment system, as well as the availability of technology.
- Respondents to the supplementary questions, included in this year's survey, identified the way in which tax audits are dealt with and the approach of the tax authorities in dealing with businesses as the elements of the tax system in most need of improvement.

Chapter

1

Paying Taxes: Findings of the World Bank Group's *Doing Business* 2010 report

In Egypt, during the 18th dynasty, the pharaoh sent tax collectors three times a year. They were accompanied by a scribe who kept records. The scribe wrote down the names of the peasants and measured the fields. On the second visit the scribe and the tax collectors inspected the new crops. From this they calculated the taxes owed. The tax collectors made the third visit during the harvest to collect the pharaoh's share. The taxes were paid in sacks of grain¹.

Governments need revenues to provide public services to society. For businesses, these services offer infrastructure, education and other amenities key to achieving a common goal of prosperous, functional and orderly societies. Many services directly affect businesses – from company and land registries to courts. To finance these services, the vast majority of governments must levy taxes. The challenge for governments is to find a way to do so that ensures public revenues while encouraging compliance.

Businesses from around the world have identified taxation as an area in which they would most like to see their governments improve². How governments raise revenues can make an important difference to business and growth. And what can be a challenge in good times becomes even more complicated when things become difficult. The global financial and economic crisis has led to rising government debt and unemployment around the world. The question for many governments is how to ensure public revenues while supporting economic recovery by encouraging firm growth and investment.

Doing Business measures the total tax burden borne by a standard small to medium sized business as well as the number of payments and total time spent complying with tax laws in a given year (**Figure 1.3**). Thus it compares tax systems and tracks reforms around the world from the perspective of local small to medium sized businesses. It does not measure the fiscal health of economies, the macroeconomic conditions under which governments collect revenues or the provision of public services supported by taxation.

Over the past year, as the financial and economic crisis affected economies around the world, governments stayed on course with reform programmes to lower the tax burden for businesses, broaden the tax base and make compliance easier. More economies reformed than in any previous year. A few economies, such as Russia and Korea, reduced corporate income tax rates or accelerated previously planned reform programmes as part of economic stimulus packages. In several economies small and medium sized businesses benefitted from other crisis response measures. Australia, for example, sought to encourage investments in assets by increasing capital allowance rates³. Twelve other economies introduced similar measures, including the Czech Republic, Korea and Lebanon. Five economies reduced property tax rates: Denmark, the Netherlands, Niger, Portugal and Singapore.

1 Oracle Education Foundation, ThinkQuest, "Daily Life of the Egyptians" <http://library.thinkquest.org>

2 PricewaterhouseCoopers (2008).

3 Commonwealth and Australia (2008).

In the past, tax reforms were often part of government responses to financial or economic crises. During the Asian financial crisis of the late 1990s Singapore was one economy that undertook elaborate tax reforms to combat the economic downturn. It lowered business costs through a series of tax cuts, rebates and exemptions introduced over the course of the crisis. It also reduced the number of payments by removing the stamp duty on almost all documents⁴. Today Singapore is still one of the easiest places in which to pay taxes as measured by *Doing Business*.

The size of the tax burden on businesses matters for investment and growth. Where taxes are high and corresponding gains seem low, the incentive for businesses to opt out of the formal sector increases. A recent study shows that higher tax rates are associated with lower private investment and fewer formal businesses. A 10 percentage point increase in the effective corporate tax rate is associated with a reduction in the ratio of investment to GDP of up to two percentage points and a decrease in the business entry rate of about one percentage point⁵. Other research suggests that a one percentage point increase in the statutory corporate tax rate would reduce the local profits of existing investments by 1.31 percentage points on average⁶ and lead to an 18 percentage point increase in average debt-to-asset ratios (part of the reason for the lower reported profits)⁷. A one percentage point increase in effective corporate tax rates reduces the likelihood of establishing a subsidiary in an economy by 2.9 percentage points⁸.

Besides the taxes paid, there are costs of complying with tax laws and of running the revenue authority. Worldwide on average, a standard small to medium sized business still spends three working days a month complying with tax obligations as measured by *Doing Business*. Where tax compliance imposes heavy burdens of cost and time, it can create a disincentive to investment and encourage informality⁹. Particularly in developing economies, large informal sectors contribute to the creation of an uneven playing field for formal small and medium

4 Chew (2009).
5 Djankov and others (forthcoming).
6 Huizinga and Laeven (2008).

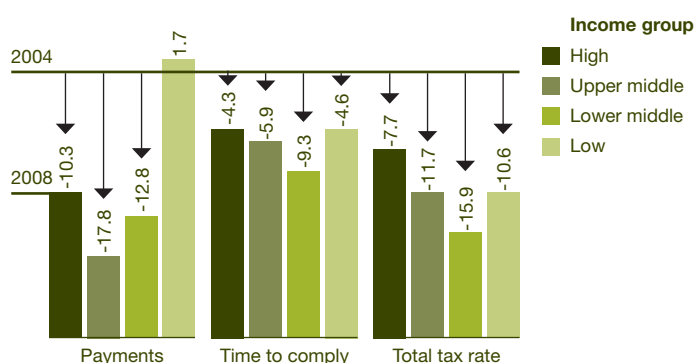
Figure 1.1
Where is it easy to pay taxes – and where not?

Easiest	Rank	Most difficult	Rank
Maldives	1	Jamaica	174
Qatar	2	Mauritania	175
Hong Kong, China	3	Gambia, The	176
United Arab Emirates	4	Bolivia	177
Singapore	5	Uzbekistan	178
Ireland	6	Central African Republic	179
Saudi Arabia	7	Congo, Rep.	180
Oman	8	Ukraine	181
New Zealand	9	Venezuela, R.B.	182
Kiribati	10	Belarus	183

Note: Rankings are the average of the economy's rankings on the number of payments, time and total tax rate.

Source: *Doing Business* database.

Figure 1.2
104 economies reformed in paying taxes in 2004-08
Average percentage change, 2004-08

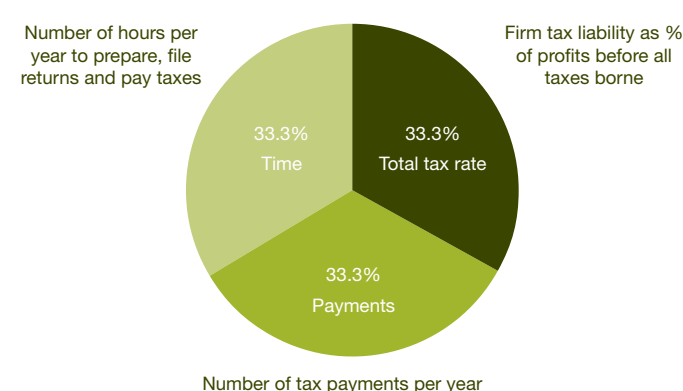


Note: The percentage increase in payments in low income economies is driven by one major reform in one economy that increased payments by 60% in 2006. Without this outlier the average percentage decrease would be 1.09%.

Source: *Doing Business* database.

7 Huizinga, Laeven and Nicodème (2008).
8 Nicodème (2008).
9 Everest-Phillips and Sandall (2009) and de Mooij and Nicodème (2008).

Figure 1.3
Paying taxes: tax compliance for a local manufacturing company



Rankings are based on three sub-indicators.

Figure 1.4
Reducing tax rates – the most popular reform feature in 2008/09

Reduced profit tax rates	Algeria, Bangladesh, Benin, Brunei Darussalam, Cape Verde, Fiji, Iceland, Israel, Kazakhstan, Republic of Korea, Kosovo, Montenegro, Philippines, Russian Federation, Spain, St. Vincent and the Grenadines, Sudan, Timor-Leste, Togo, Vietnam
Simplified process of paying taxes	Angola, Belarus, Belgium, Colombia, Czech Republic, Finland, Guatemala, Jordan, Kyrgyz Republic, Lao PDR, Lebanon, FYR Macedonia, Mexico, Peru, Poland, Sierra Leone, Taiwan (China), Tunisia
Revised tax code	Djibouti, Islamic Republic of Iran, Kazakhstan, Kyrgyz Republic, FYR Macedonia, Oman, Sierra Leone, Sudan, Timor-Leste, Tonga, Uzbekistan, Vietnam
Reduced labour tax or mandatory contribution rates	Belgium, Benin, Czech Republic, Kazakhstan, Kyrgyz Republic, FYR Macedonia, Moldova, Montenegro, Poland
Eliminated taxes	Cameroon, Djibouti, Kyrgyz Republic, South Africa, Sudan, Timor-Leste, Vietnam

Source: *Doing Business* database.

sized enterprises, squeezed between smaller informal competitors and larger competitors whose greater resources can help win a more effective audience with government and thus greater tax concessions.

Worldwide, economies that make paying taxes easy tend to focus on lower tax rates accompanied by wider tax bases, simpler and more efficient tax administration and one tax per tax base. They also tend to provide electronic filing and payment systems, which reduce the tax burden for firms while lightening their administrative requirements.

Who reformed in 2008/09?

Between 2 June 2008 and 1 June 2009, 45 economies made it easier for businesses to pay taxes – almost 25% more than in the previous year¹⁰. Reforms over this period both lowered the tax burden on businesses and simplified tax compliance processes. 20 economies reduced corporate income tax rates, while nine reduced labour tax rates (**Figure 1.4**). A second category of reforms focused on making it easier to file tax returns and pay taxes. 18 economies, more than in any previous year, introduced electronic filing and payment systems. Seven reduced the number of taxes paid by consolidating or eliminating taxes. 12 adopted new tax laws or substantially revised existing ones to simplify procedures and modernise tax regimes: Djibouti, the Islamic Republic of Iran, Kazakhstan, the Kyrgyz Republic, FYR Macedonia, Oman, Sierra Leone, Sudan, Timor-Leste, Tonga, Uzbekistan and Vietnam.

Timor-Leste was the top reformer in 2008/09. A new tax law came into force in July 2008, transforming the tax regime for businesses. It cut the profit tax rate from 30% to 10%, allowed all depreciable assets to be fully written off in the year of purchase and abolished the alternative minimum tax and the withholding tax on interest (**Figure 1.5**). Corporate income tax is now paid in quarterly rather than monthly instalments when

¹⁰ This year's report records all reforms with an impact on the paying taxes indicators between June 2008 and May 2009. Because the case study underlying the paying taxes indicators refers to the financial year ending December 31, 2008, reforms implemented between January 2009 and May 2009 are recorded in this year's report, but the impact will be reflected in the data in next year's report.

turnover is less than \$1 million, with simple rules for its calculation. The time required for paying taxes fell by 364 hours a year.

Mexico was the runner-up reformer thanks to its introduction of electronic filing systems for payroll taxes, property taxes and social security. This reduced the number of payments in a year by 21.

For the third year in a row Eastern Europe and Central Asia had the largest number of reforms, with 10 economies reforming. Kazakhstan cut its corporate income tax rate by 10 percentage points. Kosovo, Montenegro and Russia also reduced their corporate income tax rates. Kazakhstan, the Kyrgyz Republic, FYR Macedonia, Moldova, Montenegro and Poland reduced the rates for labour taxes and mandatory contributions paid by employers. Region-wide shifts have become evident. Traditionally, employers have borne a significant share of the tax burden through labour taxes. This is gradually reversing, with the region accounting for 55% of labour tax rate reforms in the past two years.

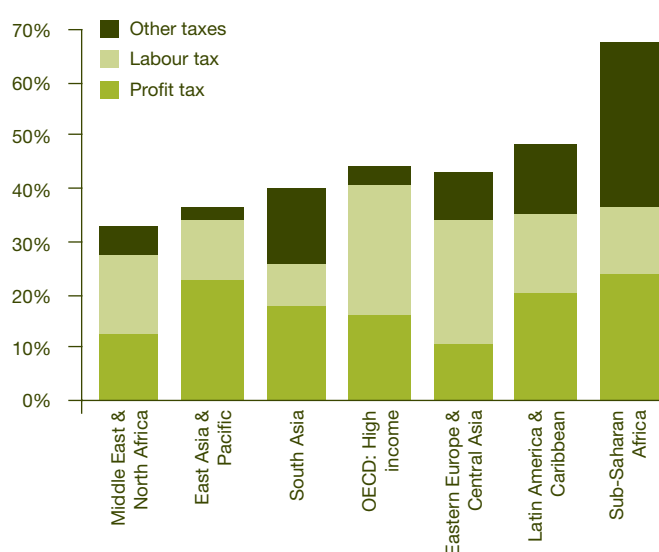
Figure 1.5
Major cuts in corporate income tax rates in 2008/09

Region	Reduction in corporate income tax rate (%)
East Asia & Pacific	Brunei Darussalam from 25.5 to 23.5
	Fiji from 31 to 29
	Philippines from 35 to 30
	Timor-Leste from 30 to 10
	Vietnam from 28 to 25
Eastern Europe & Central Asia	Kazakhstan from 30 to 20
	Kosovo from 20 to 10
	Montenegro from 15 to 9
	Russian Federation from 24 to 20
Sub-Saharan Africa	Benin from 38 to 30
	Cape Verde from 30 to 25
	Sudan from 30 to 15
	Togo from 37 to 30
OECD high income	Iceland from 18 to 15
	Republic of Korea from 25 to 22
	Spain from 32.5 to 30
Middle East & North Africa	Algeria from 25 to 19
	Israel from 29 to 27, and further to 26 ^a
Latin America & Caribbean	St. Vincent and the Grenadines from 37.5 to 35, and further to 32.5 ^a
South Asia	Bangladesh from 40 to 37.5

a. The statutory rate changed twice over the period 2008 to 2009.

Source: *Doing Business* database.

Figure 1.6
Overall tax burden still highest in Sub-Saharan Africa
Total Tax Rate (% of profit)



Source: Doing Business database.

Electronic systems are increasingly used in the region. In Belarus the online tax portal has become fully operational for use by all taxpayers, and in FYR Macedonia electronic filing is now mandatory for all taxes. In the past four years changes such as these have reduced the average number of tax payments in the region by four and the time for tax compliance by almost six days. Other reforms also simplified tax compliance. Kazakhstan, FYR Macedonia and Uzbekistan introduced new tax codes. So did the Kyrgyz Republic, and it eliminated some taxes as well.

Sub-Saharan Africa had the second largest number of reforms, accounting for almost a fifth of the total. This is timely in a region where businesses still face the highest average tax burden in the world (**Figure 1.6**). On average, African firms must pay 68% of profits in taxes and mandatory contributions and spend 38 days a year complying with 37 tax payments and filings.

Benin, Cape Verde, Sudan and Togo reduced the corporate income tax rate by 8.75 percentage points on average. Benin also reduced its payroll tax, by four percentage points. Sudan enacted a new tax code, reduced the capital gains tax by five percentage points and abolished an additional tax on labour. South Africa abolished the stamp duty, and Cameroon exempted new companies from the business license tax for two years. Electronic filing became more popular across the region. Angola and Kenya introduced electronic systems, making it easier to pay taxes. Sierra Leone eased tax compliance and increased transparency through administrative reforms at the tax authority and publication of a consolidated income tax act, now available online.

In East Asia and the Pacific, Brunei Darussalam, Fiji, the Philippines and Vietnam joined Timor-Leste in reducing corporate income tax rates. Vietnam cut the rate to 25% and also abolished the surtax on income from the transfer of land. Lao PDR consolidated the filing for three taxes in a single tax return and improved the lodgement process and staffing at the tax offices. Taiwan (China) extended electronic filing and payment to the value added tax. In Tonga, Timor-Leste and Vietnam new income tax laws came into effect.

In the Middle East and North Africa the trend of lowering corporate income tax rates and implementing online systems continued. Jordan simplified tax forms and introduced an online filing and payment system. Lebanon also introduced electronic payment. In Tunisia as of 2009, all companies with a turnover equivalent to at least \$1.5 million must use the *téléclaration* online tax system. Algeria and Israel reduced corporate income tax rates. Oman introduced a new income tax law. Djibouti replaced its sales tax with a new value added tax, as did the Islamic Republic of Iran.

Among OECD high-income economies, Belgium, Finland and Spain made it even easier to file and pay taxes electronically. Iceland, Korea and Spain reduced corporate income tax rates. The Czech Republic mandated electronic filing for all taxes, reducing

compliance time by 317 hours, and lowered the rate for social security contributions from 8% to 6.5%.

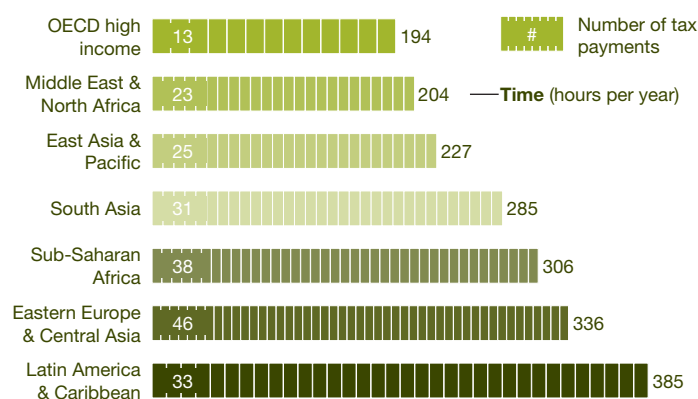
In Latin America and the Caribbean most major reforms enhanced electronic systems. This is a welcome development, since the region's businesses spend the greatest average time on tax payment and filings (**Figure 1.7**). Aside from Mexico's reforms, Peru made it easier to pay value added tax by providing taxpayers with free software. Colombia's tax authority upgraded its electronic payment system (MUISCA) to allow electronic filing and payment of corporate income tax and value added tax. Guatemala introduced regulations mandating use of electronic systems for tax payments and filings, reducing the number of payments by 14. St. Vincent and the Grenadines lowered the corporate income tax rate from 37.5% to 35% in 2008 and to 32.5% in 2009.

In South Asia only Bangladesh reformed, reducing the corporate income tax rate from 40% to 37.5%.

Only one economy increased the corporate income tax rate: Lithuania, from 18% to 20% in 2009. The Democratic Republic of Congo increased the sales tax from 13% to 15%. Two economies increased the labour tax and mandatory contribution rates: St. Vincent and the Grenadines by one percentage point and Tunisia by 1.07 percentage points. Romania increased the rates of three labour taxes.

Three economies introduced new taxes. Brunei Darussalam introduced a 12% building tax on commercial buildings. República Bolivariana de Venezuela had a new anti-drug tax come into effect in 2008.

Figure 1.7
Most time consuming in Latin America & Caribbean



Source: *Doing Business* database.

Towards smart regulation

In the past five years, *Doing Business* has recorded 171 reforms in paying taxes in 104 economies around the world – reforms aimed at making tax compliance easier and the tax burden lighter for small and medium sized businesses. Reformers in economies as diverse as Egypt, Mauritius and Turkey have underscored the importance of tax reform in enhancing economic growth and investment, increasing competitiveness, combating unemployment and achieving good governance. In reforming their tax systems they have sought to eliminate various exemptions, broaden the tax base and modernise their tax systems.

Easing compliance through broad-based reforms

Many tax reforms are aimed at simplifying the tax law and making it easier for firms to comply with regulations. A bold step in this direction involves eliminating tax exemptions, tax holidays and other special treatment for different types of businesses, to achieve equal treatment for all businesses. Eliminating tax exemptions can be difficult, because they are often used as tax

incentives with specific objectives. Reform experiences in such economies as Egypt, Georgia, Mauritius and Turkey show that it takes political will and buy-in from stakeholders to succeed.

Jamaica also has a lesson to share: during its 1986 flat tax reform it used arguments of fairness to overcome opposition to reform—and eliminated 17 types of credits and 44 allowances¹¹. In 2005 Egypt eliminated all tax exemptions and introduced a flat tax of 20% on corporate income, down from 32% or 40%, as well as electronic filing and self-assessment¹². Sales tax revenue rose by 46%, and corporate tax collections by 24.7%. Mauritius shifted from a tiered rate to a single rate with a broader tax base. It also streamlined tax administration and made it electronic. The following year corporate tax collection exceeded estimates by 13.5%¹³.

Georgia's tax reform of 2008 was multi-faceted, targeting different taxes simultaneously. It lowered the corporate tax rate, abolished the social tax and introduced online filing, reducing both the number of tax payments and the time needed to comply. Easier compliance also made enforcement less burdensome. Surveys of businesses showed that the average number of visits or required meetings with tax officials fell from eight in 2005 to only 0.4 in 2008¹⁴.

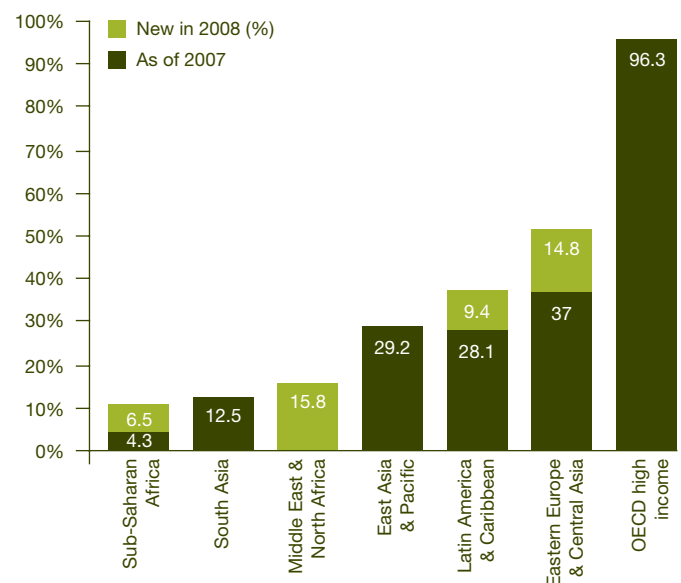
Making systems electronic

Almost 70 of the 183 economies covered by *Doing Business* offer some form of electronic tax filing and payment options to businesses (**Figure 1.8**). In 55 economies the electronic systems are used by a significant share of businesses. Not surprisingly, among OECD high-income economies all but one permit firms to file and pay taxes electronically. But the trend is also picking up among developing economies. In the past five years, 31 have introduced fairly comprehensive electronic systems. Another 13 are introducing electronic filing or payment or have just done so and are encouraging wider use by taxpayers.

Figure 1.8

Going electronic – more economies put tax systems online

Share of economies with online tax filing and payment %



Source: *Doing Business* database.

Many economies are eager to make use of technology to ease the paying of taxes – and with good reason. If properly implemented, and adopted by businesses, electronic tax systems speed up processing, improve data collection and reduce error rates. In the United States in 2009, the error rate was less than 1% for electronically prepared and filed returns but about 20% for paper returns¹⁵. But taxpayers can be slow to take up the new technology. In many developing economies access to the internet remains an obstacle. But adoption of new systems can be slow for reasons that cut across economies at all levels of development. Most critically, taxpayers need to trust the payment system. This requires high-quality security systems to protect data. Also required are laws addressing data protection and privacy concerns and allowing electronic signatures. Electronic payment can be implemented in several ways, including through the internet. Another way is through

¹¹ Hadler, Moloi and Wallace (2006).

¹² World Bank (2006).

¹³ Cuttaree and Trumbic (forthcoming).

¹⁴ World Bank Enterprise Surveys (<http://www.enterprisesurveys.org>).

¹⁵ Kim Dixon, "Electronic Tax Filing Jumps 19 Percent – IRS," Reuters, April 30, 2009, <http://uk.reuters.com/article/idUKN3032076020090430>

automatic bank transfers, popular across all regions and income levels, mainly because taxpayers perceive it as less prone to security risks.

In Lebanon taxpayers can make electronic payments at any post office. In Tunisia the government initially introduced an intermediate option allowing online filers to print a receipt number and make their payment in any tax office. The past year's reform consolidated electronic payment and filing through the *télédéclaration* online system.

Another issue is access to the system. To encourage use of new technology, Peru and South Africa provide free software that makes the filing process automatic¹⁶. France eased access while maintaining security by scrapping its electronic verification software. Taxpayers can now verify their identity with the numbers on their annual declaration and their notice of assessment. In Chile taxpayers can use their universal identification number and a password.

Faster refunds and processing times for online transactions are key incentives to encourage use of new technology. Australia, Ireland, Taiwan (China), the United Kingdom and the United States offer such inducements. South Africa waived late penalties for online filers in 2007. France introduced tax credits for individual taxpayers filing their returns electronically, though in the future this will apply only to first-time electronic filers. Sharing gains from administrative efficiency is a way to encourage taxpayers to use the system.

Figure 1.9
Who makes paying taxes easy and who does not – and where is the total tax rate highest and lowest?

Payments (number per year)

Fewest		Most	
Maldives	1	Côte d'Ivoire	66
Qatar	1	Serbia	66
Sweden	2	Venezuela, R.B.	71
Hong Kong, China	4	Jamaica	72
Norway	4	Kyrgyz Republic	75
Singapore	5	Montenegro	89
Mexico	6	Uzbekistan	106
Timor-Leste	6	Belarus	107
Kiribati	7	Romania	113
Mauritius	7	Ukraine	147

Time (hours per year)

Fastest		Slowest	
Maldives	0	Mauritania	696
United Arab Emirates	12	Ukraine	736
Bahrain	36	Venezuela, R.B.	864
Qatar	36	Belarus	900
Bahamas, The	58	Nigeria	938
Luxembourg	59	Armenia	958
Oman	62	Vietnam	1,050
Switzerland	63	Bolivia	1,080
New Zealand	70	Cameroon	1,400
Macedonia, FYR	75	Brazil	2,600

Total tax rate (% of profit)

Lowest		Highest	
Timor-Leste	0.2	Tajikistan	85.9
Vanuatu	8.4	Mauritania	86.1
Maldives	9.1	Uzbekistan	94.9
Namibia	9.6	Belarus	99.7
Qatar	11.3	Argentina	108.1
United Arab Emirates	14.1	Central African Republic	203.8
Saudi Arabia	14.5	Sierra Leone	235.6
Bahrain	15.0	Burundi	278.6
Georgia	15.3	Gambia, The	292.4
Kuwait	15.5	Congo, Dem. Rep.	322.0

Source: *Doing Business* database.

16 Wongtrakool (1998).

Introduction

The current environment

The economic downturn experienced over the past 12 to 18 months has been particularly severe. It has become more than just a matter of surviving a period of extreme upheaval until conditions return to normal. Rather, there is an expectation that the economies emerging from the downturn might be different to those which went into it, and that governments are likely to be much more active players in the private sector. Stabilising financial systems in the wake of the credit crunch, managing publicly owned stakes in financial services companies, and coordinating better internationally on global issues such as climate change and energy infrastructure, all mean significant change for economies around the world.

The economic recession has caused great uncertainty in the global markets resulting in a perceived need for significant regulatory reform, including the reform of tax systems. This will affect the cost of doing business. For developing countries, there is the added concern that as the developed world seeks to protect its economies and maintain competitiveness, there will be an adverse impact on world trade and international investment, and so on their ability to economically prosper and grow.

Levying taxes is not easy, and the present economic circumstances have made it even more difficult. Governments have to use the tax system to provide and manage public finances to fund their necessary public expenditure programmes, including those required to meet social objectives, and also to promote business investment and economic growth. What is important is how the tax system fulfils these objectives. The tax system should encourage, and not discourage business growth. Higher taxes should contribute to improving the quality of life for citizens, and tax administration should be as professional and efficient as possible. Last year's report set out the possible hallmarks of a good tax system and these are summarised again on page 23.

Tax reform remains firmly on the government agenda. Through its *Doing Business* indicators, the World Bank Group has recorded tax reforms in 104 economies around the world during the five years of the Paying Taxes study. The recession is not likely to lessen the pace of these changes. The downturn has reduced corporate profitability and slowed investment and transaction activity, thus reducing government tax revenues from business. The challenge for government is not only to rebuild revenues, but also to help businesses survive through a difficult time and position themselves best for recovery, while also exploring possibilities for easing complexity and administrative burden.

About the Paying Taxes study

The Paying Taxes study is part of the World Bank Group's *Doing Business* project (see Appendix 4). *Doing Business* provides a quantitative measure of the regulations applied to domestic, small and medium sized enterprises, from 10 business aspects, including Paying Taxes. The Paying Taxes indicator looks at the tax systems in 183 economies, to assess how they apply to and affect a standard case study company (TaxpayerCo), facilitating the comparison of the world's tax systems using a consistent set of assumptions. The objective is to ensure that the results can be measured on the same basis for each economy, to enable comparisons to be made. The study provides quantitative data to inform and stimulate discussion, enabling governments to benchmark their tax systems against others, and to identify possible priority areas for reform.

It should be noted that the process to generate the Paying Taxes results is an intensive and rigorous one. Expert contributors from each economy provide data in a standard format which is sense-checked and validated by the World Bank Group team. After five years of the study, the data is well established. Any amendments must be evidenced by changes in the law or administration and discussed with all contributors in the economy. The annual data gathering process for Paying Taxes is summarised in **Figure 2.1**.

The use of a case study company with a standard fact pattern does of course bring limitations. The size of the company (60 employees) may be considered large in some countries, and modest in others, potentially generating issues around the availability of special regimes for small and medium sized enterprises. The location is in the most populous city, which tends to be expensive from a tax perspective in some economies. The type of business may have an impact, as additional taxes or incentives are often available for specified activities. Also, the fact that the indicator addresses only certain aspects of tax administration and not others (e.g. the approach of the tax authority), could be considered

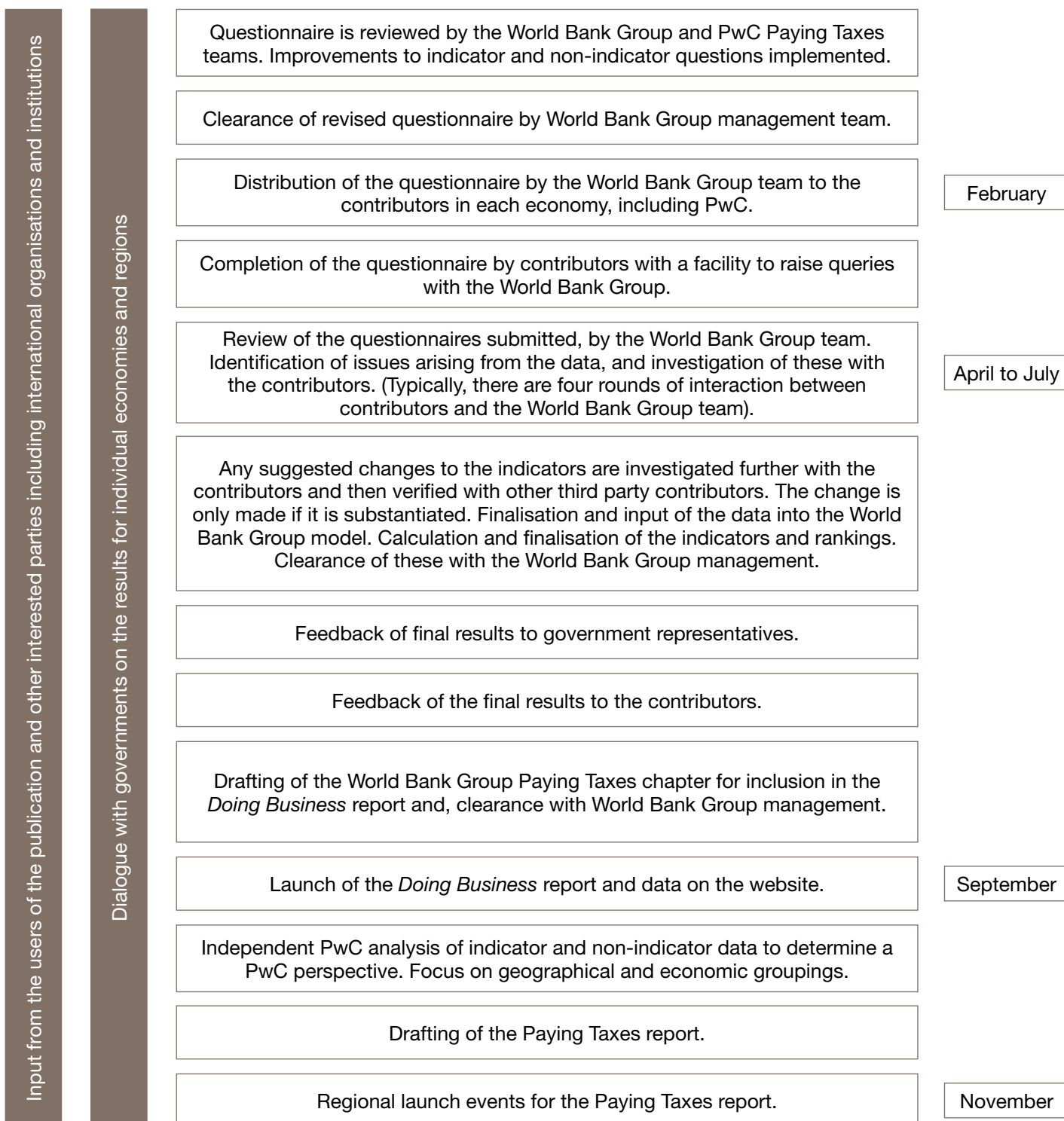
limiting. Nevertheless, this study is unique in that it covers so many economies, facilitating benchmarking of those that participate, and also because it provides a view of the world's tax regimes from the point of view of the company. The fact pattern chosen is there to facilitate the collection of data, which can be compared across a large number of economies. There is a wealth of data available to the users of the study, with the results covering three sub-indicators relating to Paying Taxes (the TTR, the number of tax payments, and the time to comply), for three main types of tax and in 183 economies. All of this data is available on the World Bank Group and PwC websites¹⁷.

As mentioned above, the study measures three separate aspects of paying taxes. Two of these relate to the tax compliance burden and one to the cost of the tax burden. All three are equally weighted to arrive at an overall ranking. Therefore, the results are weighted to the tax compliance burden and this is one reason why it is important to look at each sub-indicator separately. Another reason is that each sub-indicator measures a different aspect of the tax system, generating important findings for each aspect that are not necessarily revealed in the overall ranking. For example, a low tax cost (TTR) does not necessarily translate into a low compliance burden. Nigeria is an economy where the data shows a ranking of 49 for its low TTR (32.2%), but where the number of hours required for compliance is relatively high at 938, giving a low ranking of 178 for the time to comply. An example at the other end of the scale is Sweden which has a higher TTR (54.6%) and a low ranking (144), but where it is relatively easy to comply with the system requiring only 122 hours which gives a high ranking of 34 for the time to comply. Sweden is an example of an economy with an efficient tax system, and where high taxes flow through to give high value social services and a better standard of living.

It is also important to appreciate how and why economies may move up and down in the rankings. The ranking for an economy may fall, despite there being no change in its underlying data. This is generally due to the fact that

¹⁷ www.doingbusiness.org
www.pwc.com/payingtaxes

Figure 2.1
Flowchart to summarise the annual Paying Taxes process



there have been reforms in other economies. In addition, the distribution of the results is also important. For each of the sub-indicators there is a 'clustering' of results, with a large number of economies falling within a certain banding. For economies within this banding, a small improvement in their results can result in a significant movement up the rankings. For example, this year Madagascar has reduced its TTR by 3.6% and improved its ranking for this indicator by 13 places. For countries in the more sparsely populated parts of the distribution, significant reform and large improvements may see only modest movements. This year, the Czech Republic has reduced its hours to comply substantially by 317 hours from 930 to 613, but this has only improved the ranking for this sub-indicator by three places, up from 174 to 171.

Every year, the Paying Taxes results are discussed with governments, business and other stakeholders around the world, stimulating many useful discussions on tax systems and reform.

What this chapter covers

Section 1

The Paying Taxes indicators

Section 1 of this chapter is a commentary on some of the key issues that the Paying Taxes data highlights this year. The findings reinforce the messages that have been addressed in previous editions of Paying Taxes, underlining their relevance. A number of new themes are also identified that can be drawn from comparing the data with other indices, such as the United Nations Human Development Index.

It is emphasised that economies at the top of the global rankings are not necessarily the best examples of what might be considered to be an ideal tax system. While there are three economies in the top ten (Hong Kong, Singapore and Ireland) which are worth considering as countries which have followed a policy of low corporate taxes to stimulate business investment, there are also five oil-rich states and two small island states which have economic environments which are not the norm. However, experience shows that governments use the Paying Taxes results to benchmark their tax systems against neighbouring countries, or those that they consider economic peers. For example, the Netherlands might benchmark primarily across the EU countries, while Chile might benchmark against its neighbours, including Argentina, Brazil, Peru and Bolivia. This section therefore explores a number of different regional and economic groupings, to show how the data can be presented in ways which may be considered most relevant.

Section 2

Further insights on tax administration

The Paying Taxes results do not measure all aspects of tax administration. Over the last two years, a list of further questions has been developed to collect additional data to address other relevant issues. Useful input has been received from business, governments and international organisations on these questions. These additional questions have been included in this year's questionnaire, and some of the results are analysed and discussed in Section 2 of this chapter.

The answers to these questions are not used in the calculation of the sub-indicators but, they do provide some useful further insights on the impact of tax systems. The questions are grouped around:

- clarity and accessibility of the tax rules;
- how centralised/decentralised the tax system is, and whether this impacts tax administration;
- the approach of the tax authorities; and
- dealing with tax audits.

A list of the additional questions is included in Appendix 3. Several of the additional non-indicator questions invite the contributor to express a view. It is acknowledged that the results to these questions represent only opinion, and that opinions on these points can vary. However, it is clear from our discussions with interested parties that these additional aspects of the tax systems are important. Input into how this aspect of the study can continue to be developed is welcomed.

What makes a good tax system? Some possible hallmarks

Clear purpose

- 1 Raises revenue to fund public expenditure.
- 2 Balances the budget (over a period of time).
- 3 Meets social objectives.
- 4 Improves human development.

Strategic

- 5 Stable and consistent, enabling long-term business investment.
- 6 A fair value for natural resources.
- 7 Encourages international trade.
- 8 Encourages change in behaviour which society is agreed upon.

Coherent and efficient

- 9 Minimises the administrative burden.
- 10 Clear and understandable rules.
- 11 Consistent with wider (non tax) law and international principles.
- 12 Consultation on policy and administration.

Fair and transparent

- 13 Based on law rather than the practice of tax authorities.
- 14 Consistently enforced.
- 15 Independent and effective route for resolving disputes with the tax authority.
- 16 Mutual trust and respect between taxpayers and the tax authority.

Note: A PricewaterhouseCoopers discussion of the possible hallmarks of a good tax system.

Chapter

2

Section 1 The Paying Taxes indicators

The study has again involved gathering data on the tax affairs of a case study company from contributors in each of the economies. This year, the study covered 183 economies (two more than last year). Contributors review the financial statements and a list of transactions of a standard small to medium sized case study company, and generate information to calculate results for three sub-indicators related to the ease of paying taxes. These are:

- the total tax cost;
- the time taken to comply with the three major taxes; and
- the number of tax payments.

These are equally weighted to produce an overall ranking for each economy, for the ease of paying taxes. These rankings are included in Appendix 1 of this report. The rankings of each of the individual sub-indicators are also disclosed. It is important to look at each of these separately, as they measure different aspects of the tax system.

The total tax cost indicator calculates a Total Tax Rate (TTR) using the principles of the PwC Total Tax Contribution methodology. This is a measure of the cost of all taxes borne by the company when paid, including labour taxes and contributions borne by the employer, property taxes, indirect taxes, and environmental taxes, as well as corporate income tax. Taxes collected on behalf of government, but not borne by the company, do not impact the TTR. This is the case for most consumption taxes (including sales taxes and value added tax¹⁸), and taxes and contributions deducted from employees' salaries. It is important to note, however, that these taxes collected generate administrative obligations and therefore, the time to comply and payments indicators do collect and reflect data on these taxes.

The time to comply indicator measures the time needed to prepare, file and pay (or withhold) three major types of taxes and contributions; corporate income tax, value

added (or sales) tax, and labour taxes (including payroll taxes and social security contributions).

The number of tax payments indicator reflects the total number of taxes and contributions paid by the case study company during the course of a year, reflecting the method of payment, the frequency of payment and the number of agencies involved.

The detailed methodology and assumptions used are set out in Appendix 2.

Overall results

Figure 2.2 sets out the global average result for each of the indicators, analysed by each type of tax. It also includes the range of results. TaxpayerCo has a global average TTR of 48.3%, needs 286 hours to comply with its tax affairs, and makes 31 tax payments. Further analysis of regional and individual economy results is set out below.

Figure 2.2

The global average for each indicator

	TTR %	Hours	Payments
Profit taxes	18.2	74	3.7
Labour taxes and contributions	16.1	105	11.9
Other/ Consumption	14.0	107	15.4
Total Tax	48.3	286	31.0
Range	0.2 – 322	0 – 2,600	1 – 147

Note: The table shows the average result for all economies in the study.

Source: *Doing Business* database.

¹⁸ In general in this report VAT is used as a shorthand to refer to the similar consumption taxes such as value added tax and goods and services tax (GST).

Corporate income tax is only part of the burden of taxes

A consistent message of the Paying Taxes study each year, is that corporate income tax¹⁹ is only part of the tax burden on business. The data from this year's study shows the same position. **Figure 2.3** shows that, on average, for all 183 economies in the study, corporate income tax accounts for 12% of the tax payments made by the case study company (13% in 2009), for 26% of the compliance time (26% in 2009), and for 38% of the TTR (37% in 2009). When considering reform, it is important for governments to take into account all of the taxes that companies pay.

The impact of the recession on the tax cost for business

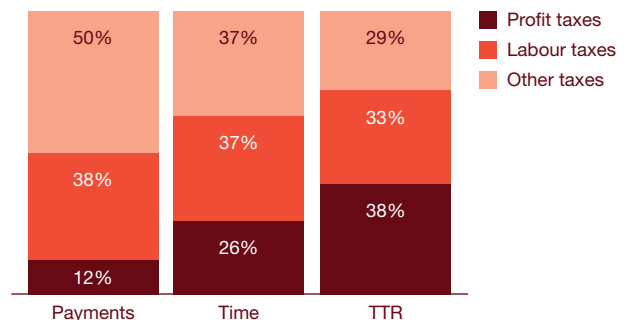
The recession has shown corporate income tax to be a volatile tax. As profits have fallen, so have corporate income tax receipts. In the UK, for example, government receipts for corporation tax are estimated to have fallen by 7.5% between 2008 and 2009, and are projected to fall by a further 20% between 2009 and 2010²⁰. For business, however, the total tax cost has increased when compared with profits, as the other taxes which are paid but not calculated by reference to profits, have not fallen to the same extent. This impact of the recession is not reflected in the results for TaxpayerCo in the Paying Taxes study as the profit margin remains fixed at 20%. However, this increased cost can be seen in the results of the annual study which PwC carries out in the UK for The Hundred Group of Finance Directors (FTSE 100 companies), using the PwC Total Tax Contribution framework. In the 2007 study²¹, the average TTR for a company was 36.2% (very close to the UK result for TaxpayerCo in Paying Taxes). In the 2008 study²², profits fell and the TTR increased to 38.2%. The 2009 study is still under analysis, but the initial indications are that profits have fallen further and the TTR has again increased.

The number of taxes paid by business

The message that corporate income tax is only one of many taxes is illustrated by looking at the number of taxes that the case study company is required to comply with (both those it collects on behalf of government and those which are borne by the company). The global

19 The % for Corporate Income Tax (CIT) also includes other taxes calculated by reference to profit. However, CIT is the predominant tax on profit and only eight economies in the study do not have CIT.
20 UK HM Treasury Budget 2009: the economy and public finances – supplementary material.

Figure 2.3
Corporate income tax is only part of the burden



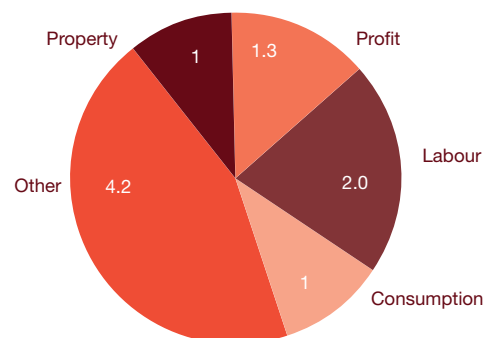
Note: The chart shows the average result for all economies in the study.
Source: *Doing Business* database.

average number of taxes is 9.5 (see **Figure 2.4**) although this varies significantly around the world.

Figure 2.5 shows the average total number of taxes for our case study company, for a number of different regional groupings. The average varies from just over nine for economies in Central Asia and Eastern Europe, to 11.4 for those in the G20. The average number of profit taxes is between one and 1.5 for all of the groupings shown here. This pattern is consistent with that seen in previous years.

Figure 2.4
Global average number of taxes levied on our case study company

Global average number of taxes = 9.5



Note: The chart shows the average result for all economies in the study.
Source: *Doing Business* database.

Profit taxes include corporate income tax and other taxes calculated by reference to profit, such as the trade tax in Germany and federal income tax (IRES) in Italy. Corporate income tax remains a very common tax. Only eight economies out of the 183 in the study do not have a corporate income tax within their tax regime.

21 Total Tax Contribution – PricewaterhouseCoopers LLP (UK) 2007 survey for The Hundred Group.
22 Total Tax Contribution – PricewaterhouseCoopers LLP (UK) 2008 survey for The Hundred Group.

Labour taxes include a variety of taxes and contributions that relate to employment. Payroll taxes in Australia are an example of labour taxes and contributions on employers. In some economies, a single social contribution is levied, partly on the employer and partly on the employee, such as the National Insurance Contributions paid in the UK. In other economies, such as France, there are several separate contributions such as old age and health insurance, unemployment insurance, accident insurance, and others. Taxes and mandatory payments relating to wages and salaries are often handled by a different authority to the main tax authority, and are typically governed by separate legislation. This contributes to challenges regarding their measurement, together with the objection that such levies are reflected in the cost of labour. But, as with other taxes borne by the company, these taxes and mandatory payments are compulsory, paid to government (and other legally designated agencies), and impact the company when paid. Labour taxes and contributions, which are the employers' cost, are therefore included in the TTR, and also in the compliance burden. The time spent administering the employee's share is included in the time to comply.

Taxes on property include local taxes on property, such as business rates in the United Kingdom, and taxes on the transfer of property, such as stamp taxes on real estate found in many economies.

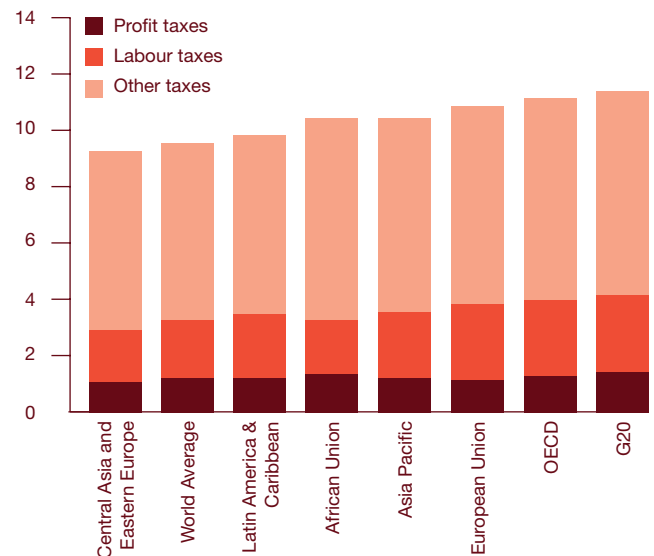
Consumption taxes include VAT and other sales taxes. VAT is the most dominant form of consumption tax around the world – in some form or other it is used in 78% of economies. The United States is the only OECD and G8 member economy that does not have a VAT system.

Other taxes include environmental taxes, such as landfill tax, which is levied in the UK, and fuel tax which is raised in many countries, and also various other taxes, such as those raised on cheque transactions, which are common in South America.

Within regions, there are wide variations in the number of taxes. In the Asia-Pacific region, two economies provide a good example. The Philippines has 16 different taxes. In addition to corporate income tax, it has a property tax, four labour taxes and 10 other taxes including a community tax, an environmental tax and a tax on cheque transactions, amongst others. In Singapore, TaxpayerCo is subject to just five taxes; a tax on

Figure 2.5

Average number of taxes to comply with – by region²³



Note: The chart shows the average result for the economies in each region.

Source: *Doing Business* database.

corporate income tax, GST, a social security contribution, a property tax and a road tax. This is considered good practice – i.e. to have one tax per base, in order to minimise the administrative burden on business. The details are shown in **Figure 2.6**.

The Total Tax Rate (TTR)

The TTR measures the tax cost for TaxpayerCo. The methodology requires that all taxes borne are added together and expressed as a percentage of the profit before all of those taxes. This profit before all taxes borne is called the commercial profit in the World Bank Group methodology. The World Bank Group methodology also requires the inclusion of certain mandatory contributions paid to government which do not necessarily fit within the strict definition of a tax²⁴.

A measure of the tax cost is included in the Paying Taxes study, as this is an important consideration for business. The World Bank Group's Enterprise Surveys²⁵, which collect information about the business environment – how it is perceived by individual firms, how it changes over time and about the various constraints to firms' performance – show that for those surveyed, tax rates and tax administration are among the top five constraints to doing business. Every year, PwC carries out a global

²³ **Asia Pacific includes:** Hong Kong, Singapore, Korean Republic, New Zealand, Malaysia, Thailand, Indonesia, Vietnam, Australia, Philippines, Japan, China.

Latin America and the Caribbean includes: The Bahamas, St. Lucia, Trinidad and Tobago, St. Vincent and the Grenadines, Dominica, Grenada, Belize, St. Kitts and Nevis, Haiti, Suriname, Antigua and Barbuda, Colombia, Puerto Rico, Honduras, Nicaragua, Costa Rica, Guyana, Chile, El Salvador, Dominican Republic, Paraguay, Uruguay, Guatemala, Peru, Jamaica, Argentina, Panama, Mexico, Ecuador, Venezuela, Bolivia, Brazil.

Central Asia and Eastern Europe includes: Montenegro, Kosovo, Kyrgyz Rep, Turkey, Tajikistan, Moldova, Albania, Kazakhstan, Serbia, Russia, Uzbekistan, Macedonia, Azerbaijan, Georgia, Ukraine, Belarus, Armenia, Croatia.

²⁴ Please see Appendix 2 for a more detailed description of the methodology including the definition of a tax.

²⁵ World Bank Enterprise Surveys (<http://www.enterprisesurveys.org>).

Figure 2.6
The number of taxes compared in the Philippines and Singapore

Taxe base	Philippines	Singapore
Profit	Corporate income tax	Corporate income tax
Labour	Employers compensation	Social Security contribution
	Health insurance	
	Housing development fund	
	Social security	
Property	Real property tax	Property tax
	Stamp duty	
Consumption	VAT	GST
Other	Cheque transactions	
	BIR certificate	
	Community tax	
	Environmental tax	
	Local business tax	
	Insurance tax	
	Vehicle tax	Road tax
	Tax on interest	

survey of CEOs seeking their views on business issues. In the 2008 survey, 1,124 business leaders around the world were interviewed. One of the questions asked was which aspects of a country's tax regime were important in influencing their investment decisions. Over 70% said that the total amount of taxes they pay was critical or important²⁶.

As an example of the TTR calculation **Figure 2.7** shows the calculation for Chile.

As shown previously (in **Figures 2.2 and 2.3**), the average TTR for all economies in the study is 48.3%, of which corporate income tax makes up 38% of the total, labour taxes account for 33%, and other taxes 29%.

Figure 2.8 compares the make-up of the average TTR for a number of geographical and economic groupings. For all groupings, corporate income tax counts for less than half of the TTR. The percentage made up by labour taxes varies between regions, with the highest percentage in the EU (64.4%), and the lowest in the African Union (21.1%). Conversely, the average percentage accounted

Sales taxes

Sales taxes are a good example of the issues that have to be considered in making the distinction between taxes which are borne by TaxpayerCo, and therefore included in the TTR, and taxes which are collected by TaxpayerCo, and included only in the two compliance indicators.

Below are four types of 'sales' taxes that have different treatments for the data, and therefore impact the results in different ways:

- 1 Sales taxes that are charged only at the final point of sale to the consumer, are not normally taxes borne by a company, as they are suffered only by the final consumer. This type of sales tax is treated as a 'tax collected'.
- 2 Value added tax is also normally a tax collected. It is a tax which is separately identified in the price charged to the purchaser; the input tax paid by the seller can be set off by the business against the output tax charged on the sale; it is the net amount that is accounted for to the tax authorities. Each of these attributes point to VAT being a tax collected.

The exception to this is where VAT incurred is irrecoverable, in which case that component will constitute a 'tax borne'. The case study company does not generally have irrecoverable VAT, although there are some exceptions.

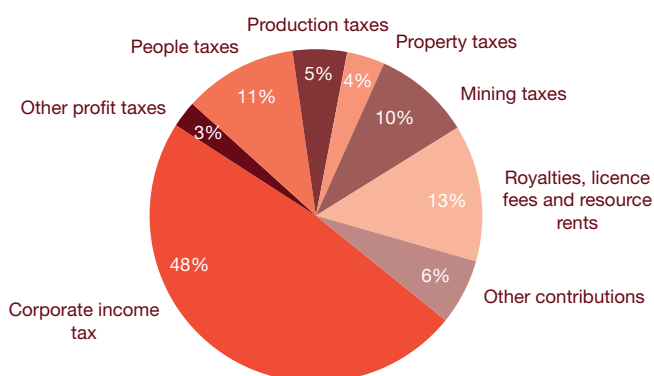
- 3 Cascade style sales taxes, seen for example in some African economies, add additional costs to each consumer, so that an element of them is borne by each company in a chain of supply. These taxes are a charge to the profit and loss statement, and therefore affect the profitability of a company, while VAT and sales tax on final products generally do not. For the purposes of the data, these taxes are 'taxes borne' to the extent that they are taxes incurred on purchases made by the company.
- 4 Turnover taxes are a 'tax borne', as they are generally calculated as a percentage of a company's turnover, and paid to the tax authorities. They become part of a company's costs and affect a company's profitability.

26 12th Annual Global CEO survey – Redefining Success – published by PwC in 2009.

PwC Global Total Tax Contribution study for the mining sector

In 2008, PwC carried out the first global TTC study for large mining companies²⁷. The results show that when considering what mining companies contribute in the countries where they extract natural resources, it is important to look at all the different taxes including mining taxes and royalties and licence fees in addition to corporate income tax. On average in any country, corporate income tax was less than half (48%) of the taxes and contributions borne by mining companies. On average the companies in the study paid an amount equal to 12.5% of their turnover to government in taxes and other contributions borne.

Taxes and contributions borne by the global mining industry by percentage



Note: The chart shows the average global result for companies that participated in the study.

Source: PricewaterhouseCoopers Global study for the mining sector.

for by other taxes is low in the EU (7.7%), and is the highest in the African Union (44.3%).

Figure 2.9 shows the average TTR by regional grouping.

The Asia Pacific region has the lowest TTR of the groupings shown, while the EU has an average TTR which is below the world average. The highest average TTR is found in the African Union.

Figure 2.7 – The TTR calculation for Chile

	'000 peso	'000 peso
Profit before total tax borne (Commercial profit)		213,752
Municipal tax	1,799	
Unemployment insurance contribution	5,845	
Accident insurance contribution	2,313	
Property tax	4,513	
Vehicle license	96	
Fuel duty	1,151	
Tax on cheque transactions	29	
Total		(15,746)
Profit before tax		198,006
Corporate income tax on PBT after necessary adjustments		(38,259)
Profit after tax		159,747
Total Tax (15,746 + 38,259)		54,005
TTR = Total Tax/ Commercial profit		25.3%

27 Total Tax Contribution – PricewaterhouseCoopers Global study for the mining sector.

Chile – A leader in South America

Sandra Benedetto, PricewaterhouseCoopers (Chile)

Total Tax Rate:	25.3%
Number of hours:	316
Number of payments:	10

In December 2008, the Latin American launch of 'Paying Taxes 2009 – The global picture' was held in Chile. There was significant media coverage, interest from the business community, and also from the Chilean tax authorities. The report was presented by Francisco Selame, lead partner of Tax and Legal Services at PricewaterhouseCoopers Chile, and Ricardo Escobar, Director of the Chilean Internal Revenue Service. The event included commentaries and analysis focusing on Chile's leading position in the region as well as a wider benchmarking with other economies around the world.

The Paying Taxes study has become an objective parameter to demonstrate the leading position of the country in the region, with regards to the ease of paying taxes. Taking into consideration previous reports, the results show that Chile has a stable tax system which has not been subject to major changes.

The indicator for Chile which requires some attention is the time to comply with taxes, which stands at 316 hours per year. This is strongly affected by the structure of the social security system, which it seems demands more administrative work than in many other economies, especially because the Chilean system is privatised. In this system, the social security contributions are

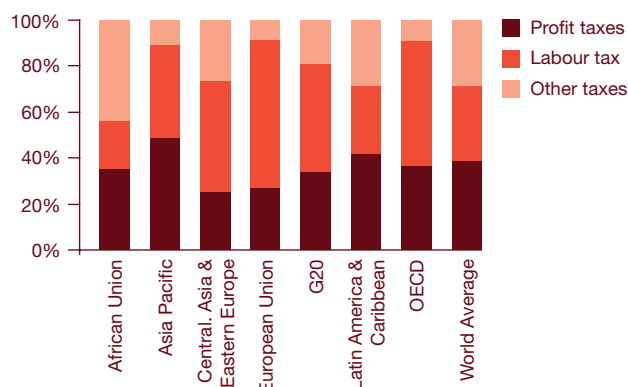
administered mainly by two types of private entity; the Pensions Funds Administrators ('AFP')"; and the Health Institutions ('ISAPRE'). There are numerous entities in the system and every employee is affiliated to one "AFP" and one "ISAPRE". The employers are obliged to pay social security contributions to the entity that is chosen by each employee.

Paying Taxes has proved to be an objective tool that allows us to assess the Chilean performance in tax administration matters in comparison to the rest of the world, and in particular, with other countries of the region.

In addition to the results from the Paying Taxes study, there has been significant interest in Chile in a separate piece of work conducted by PricewaterhouseCoopers with the mining industry (also referred to on page 28 of this report). This looked at taxes and other contributions paid to government by mining companies around the world to provide greater transparency over the contribution made to the public finances in the countries where the mining companies operate. This is an important sector of the Chilean economy and the study has made it possible, for the first time, to have real data around the composition of all of the taxes and contributions paid.

Figure 2.8

Comparison of Total Tax Rates by region – percentage make-up

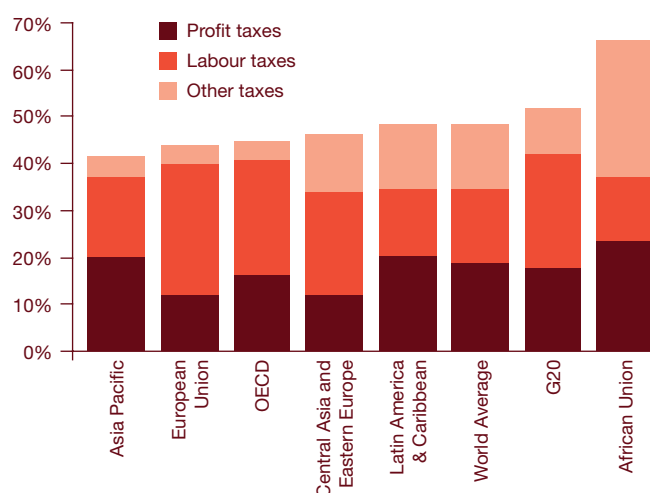


Note: The chart shows the average result for the economies in each region and for the world average for all economies in the study.

Source: *Doing Business* database.

Figure 2.9

Comparison of the Total Tax Rates by region



Note: The chart shows the average result for the economies in each region and for the world average for all economies in the study.

Source: *Doing Business* database.

PwC Total Tax Contribution (TTC) studies

In addition to the Paying Taxes study with the World Bank Group, PricewaterhouseCoopers also undertakes empirical studies, collecting tax-related data from large corporations around the world.

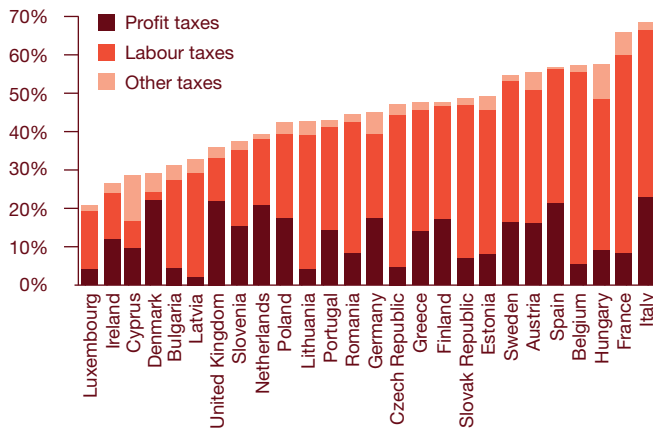
It is interesting to look at some of the comparisons. PwC's work in the UK with The Hundred Group of Finance Directors (an organisation whose members are broadly in the FTSE 100, i.e. the largest listed companies in the UK), shows that, on average, large companies bear nine UK taxes and collect four more. For the Paying Taxes case study company, the figure is seven UK taxes borne and two taxes collected. In the US, PwC's work with the Business Round Table²⁸ (a CEO leadership group, whose members are the largest Fortune companies), shows an average of 16 taxes borne and 10 collected. The case study company bears 11 and collects two. The differentials seen may arise from a business landscape, which for larger companies, is more complex. The case study company operates in a sole location, whilst larger companies will often operate in more than one place. Their results reflect the many different taxes that they will be subject to at the state and municipal levels.

Figure 2.10 focuses on the position for the EU, and there are several points to note. Compared with previous studies, the average TTR for the EU has fallen slightly overall from 46% to 44.5%. Two countries in particular – Germany and Italy – have cut their corporate income tax rates.

While the average profit tax percentage for the EU is 12.4%, it varies significantly across the region, from 2.2% in Latvia and 4.1% in Luxembourg, to 21.9% in the United Kingdom and 22.9% in Italy. In this regard, it is important to recognise that these variances reflect not only differences in the statutory rate, but also the various detailed rules and allowances that apply in each system for calculating the tax base. Luxembourg has a statutory rate for TaxpayerCo of 22.9%, but the availability of investment tax credits offset the corporate income tax liability. The UK has a main statutory rate of corporation tax of 28%, which has been reduced from 30% (effective from 1 April 2008). The corporate income tax rate for the UK in the TTR is not, however, this statutory rate, in view

28 Total Tax Contribution – How much do large US companies pay in taxes? (February 2009).

Figure 2.10
The Total Tax Rates for the EU²⁹



Note: The chart shows the TTR for the economies the EU split by each type of tax.
Source: *Doing Business* database.

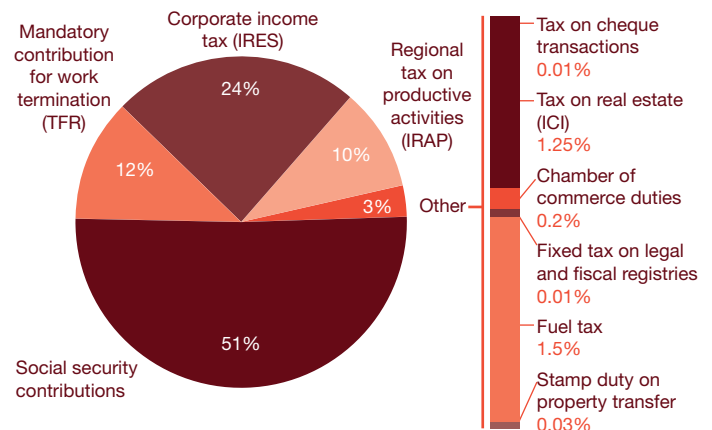
of various additions and allowances which are applied to the profit before tax – and also because TaxpayerCo is a small company in the context of the UK, and marginal small companies relief applies to reduce the rate applied (27.5%) in the specific circumstances of TaxpayerCo.

The average rate of labour taxes for the employer in the EU is 28.6% and is the highest of the regions shown. This contributes to the level of social payment and social support services which generally exists in the region. The question being asked in some economies (see the discussion in *Paying Taxes 2009* regarding Belgium), is whether the high cost represents value for money.

Italy provides a good example (**Figure 2.11**) of how labour taxes and contributions can be the major part of the TTR for our case study company. They account for 63% of the TTR. This proportion has increased from last year, in view of the reduced figures for local corporate income tax (IRAP) and the federal corporate income tax (IRES), and a consequential fall in the proportion of the TTR related to these taxes.

Denmark is a European economy which shows an apparent low percentage for labour taxes and contributions at just 7.5% of the TTR (**Figure 2.10**). However, the TTR only reflects those payments borne by the employer. In Denmark, the employees of our case study company bear taxes on their wages and salaries which are almost 18 times those levied on the employer.

Figure 2.11
The Total Tax Rate for Italy by percentage



Note: The chart shows the components of the TTR for Italy split by percentage.
Source: *Doing Business* database.

This is evidenced in **Figure 2.12**.

This chart also shows that the level of taxes and contributions on employment in Italy and Denmark is broadly similar, but the split between employer and employee is quite different. This illustrates the potential impact of government policy choices on the results, and also the limitation of the methodology in this circumstance. It would not be desirable for an economy to seek to improve their results simply by shifting the burden from the employer to the employee. **Figure 2.12** also shows the total employment taxes and contributions (whether paid by the employer or the employee), as a percentage of wages and salaries (the employment 'tax wedge').

In the EU, the TTR ranges from 20.9% in Luxembourg to 68.4% in Italy, and there is some conformity in the elements of its make-up between corporate income tax, labour taxes and contributions, and other taxes.

In the African Union, the range is even wider and the elements are more diverse (see **Figure 2.13**). The average TTR at 67% is the highest for any grouping, and ranges from 9.6% in Namibia to 322% in the Congo Democratic Republic.

The average rate of profit tax is higher than in Europe at 23% (compared to 12.4%), while labour taxes and contributions are much lower, at 14% (compared to

²⁹ Malta is not covered in the *Paying Taxes* study and is therefore not included in the EU grouping

Italy – Government's goal is to simplify the tax system

Fabrizio Acerbis, TLS – Associazione Professionale di Avvocati e Commercialisti (member firm of PricewaterhouseCoopers Tax & Legal Services Network)

Total Tax Rate:	68.4%
Number of hours:	334
Number of payments:	15

The individual rankings show that the Italian system is somewhat complex, from the business point of view, in comparison to other economies, particularly in terms of labour tax and social security obligations. This can be attributed to the number of compliance requirements, the different levels of government, and the breadth of information required by competent Authorities.

The characteristics of the Italian system are reflected, in particular, in the obligations of withholding agents. The system is based on the employer acting as a withholding agent for tax and social security contribution purposes. This mechanism makes it easy for the authorities to collect the taxes due, and frees employees from individual obligation. However, it focuses almost all of the onerous obligations relating to employment income on the employer.

The study shows the significant Italian tax wedge on labour (this is also illustrated in Figure 2.12 of this report), creating a notable gap between the cost for the employer and the net income received by employees. The different items related to the employees of the company, include individual taxes, (central tax and local taxes) as well as social security contribution charges (retirement, unemployment, redundancies, family charges, etc.). As a consequence, it is clear that dealing with taxes, for our case study company, involves many complexities.

These characteristics of the Italian system are appropriately represented by the impact of employment taxes and contributions on the TTR, and the number of hours to comply for Italy. However, with regards to the TTR, it is of note that the indemnity for work termination ('TFR' at 8.5% in the TTR), is included in the study and its classification as a tax or contribution, is not straightforward.

With regards to the impact of corporate income tax ('IRES') on the TTR, Italy is aligned with most other European countries. For this year, it should be noted that the impact of IRES on the TTR was reduced. This is mostly due to the reduction of the statutory tax rate, from 33% to 27.5%.

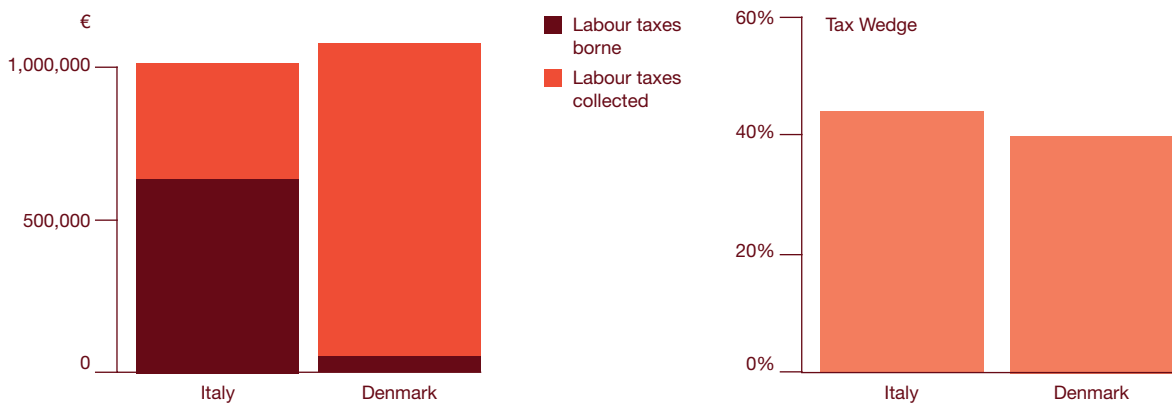
With reference to Regional Tax on Productive Activities ('IRAP'), this is a local tax which is a peculiarity of the Italian tax system. The impact of this tax on the TTR is higher than its 3.9% statutory rate (6.7% in the TTR), because labour expenses are only partly deductible. The impact of this tax has decreased, however, since last year, as the statutory tax rate has reduced (from 4.25% to 3.9%), and because the deductibility for labour expenses was increased.

As indicated, the number of authorities imposing taxes on business is another important factor of complexity in the Italian system. There is uncertainty around measures that may be introduced at the local level following changes in domestic legislation.

Efforts have been made, as in other countries, to simplify the tax system by simplifying payments and filings. A unique, standardised model for the payments exists, making it possible for taxpayers to offset almost all taxes and contributions. Deadlines for filing returns are aligned, and online filing of payments and tax returns is mandatory for business taxpayers, which assists the control procedures of the authorities.

It is to be noted that the present Italian Government, since its appointment in May 2008, has identified simplification of the tax system as one of its main tasks, and efforts have already been made to facilitate and accelerate the relationship between the taxpayer and the tax administration. As part of this effort, certain measures, (e.g. the introduction of a book solely to give guidance on labour and social security contributions, and the reduction in the number of existing laws), have been implemented and should secure benefits from 2009, whilst other measures have been announced which may improve the position further over the next two to three years.

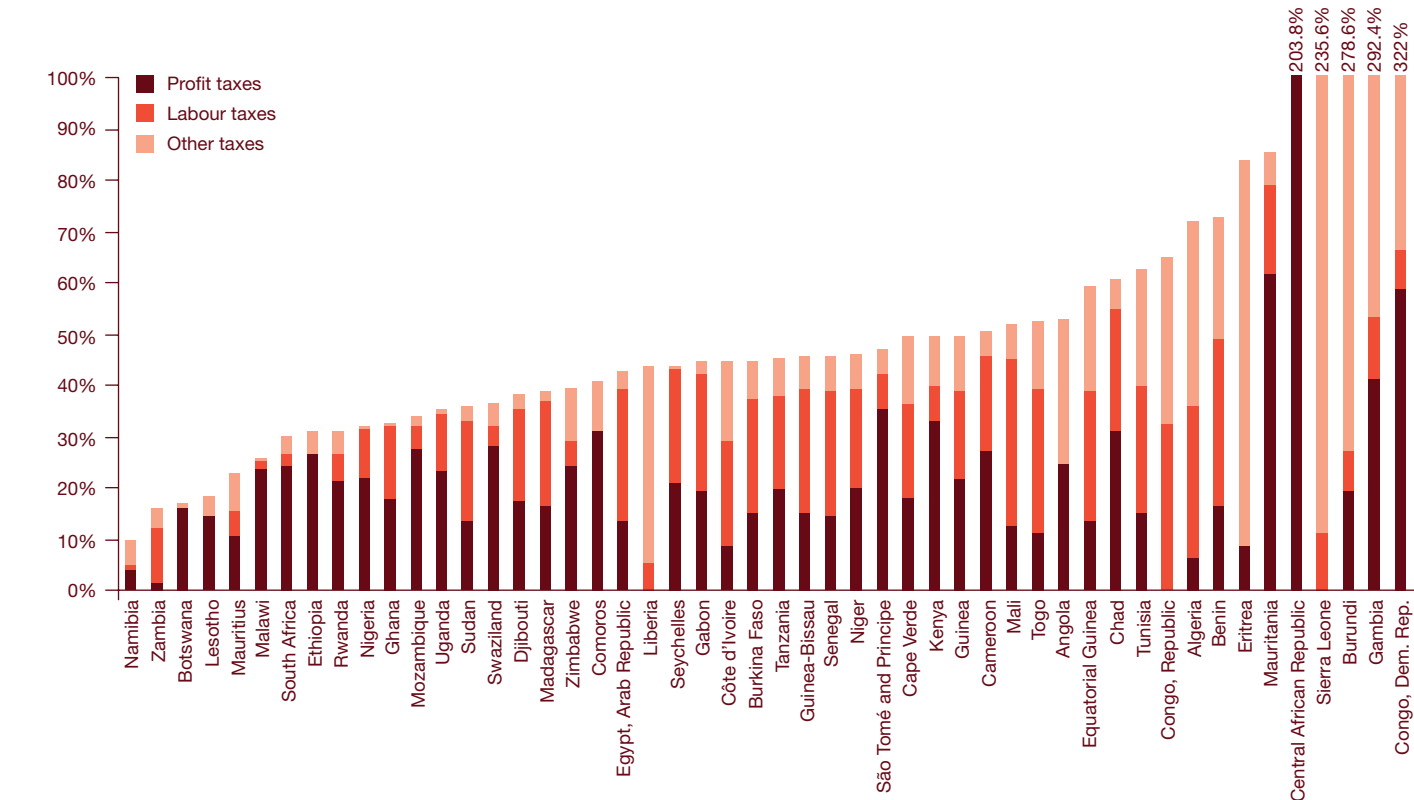
Figure 2.12
Employment taxes borne and collected in Italy and Denmark



Note: These charts show the employment taxes for Italy and Denmark split between taxes borne and collected, and also the 'tax wedge' which is the employment taxes as a percentage of wages and salaries for each economy.

Source: *Doing Business* database.

Figure 2.13
The TTR in the African Union



Note: The chart shows the TTR for the economies in the African Union split by each type of tax.

Source: *Doing Business* database.

28.6%). Several economies have very low levels of labour taxes and contributions. Economies such as Lesotho and Ethiopia have no such payments levied on the employer, while others such as South Africa have a low level (2.4%). This, perhaps, leads to the question of how a higher level of social support can be funded in some African economies.

A feature of some African tax systems is the high level of ‘other taxes’. In the countries with the largest TTRs, the cascading sales taxes are a feature. Burundi, Congo Democratic Republic, Gambia and Sierra Leone all have these taxes (see **Figure 2.14**).

Figure 2.15 shows the distribution of results for the TTR indicator. It is apparent from this chart that there is a strong concentration of economies in the range 31% to 55% (108 economies), with only 37 with TTRs below 31% and 38 with TTRs in excess of 55%.

Countries at the low end of the distribution include island-states such as the Maldives, and oil-rich states such as Saudi Arabia and Qatar. Smaller economies also appear in this group, such as Luxembourg and Hong Kong, where tax policy has been used to attract business investment.

In the high TTR bracket, there is again a significant variation in the types of economy. They include France and Belgium, where the labour taxes and contributions levied on the employer are the major component (aimed at providing high levels of social services), and also the economies in Africa, which have high levels of consumption taxes borne by TaxpayerCo, in the form of cascading sales taxes.

Tax and Development³⁰

The Paying Taxes methodology gives a higher ranking in the tax cost sub-indicator, to economies with a lower Total Tax Rate. However, as mentioned in the introduction to this chapter, it does not follow that economies with low TTRs are necessarily a model for other economies. What is important is how the tax system helps to fulfil economic and social objectives and whether higher taxes flow through to a better quality of life for citizens.

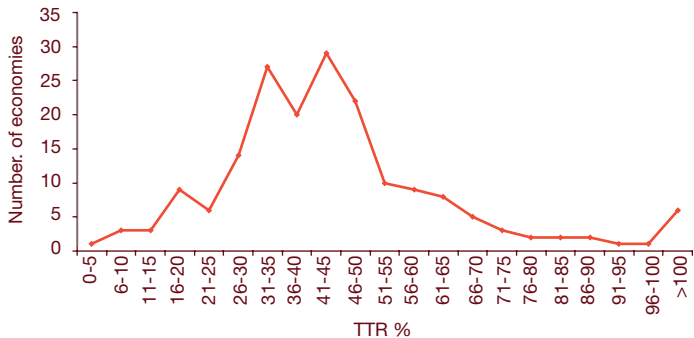
Figure 2.14
Impact of the sales tax system on the TTR in Africa

Cascading sales tax	TTR %	Sales tax TTR (%)	Proportion of TTR (%)
Burundi	278.6	250.4	90
Congo Democratic Republic	322.0	249.7	78
Gambia	292.4	221.0	76
Sierra Leone	235.6	221.0	94

Note: The table shows the TTR for four economies in Africa which have a cascading sales tax, and the proportion of the TTR attributable to the sales tax.

Source: Doing Business database.

Figure 2.15
Distribution of the Total Tax Rate



Note: The chart shows the distribution of results for the TTR.

Source: Doing Business database.

To examine this point further, the results on the TTR indicator were compared with the results for the same economies on the United Nations Human Development Index (HDI)³¹. The HDI is a summary measure of human development based on life expectancy, literacy rate and standard of living (GDP per capita). HDI results are banded into three groupings – economies with high human development, medium human development and low human development.

17 of our 183 economies have low TTRs (below 30%), but also have high development on the HDI index. This includes six Middle East oil-rich economies, where government is less dependent on taxes. It also includes five economies where government policy has been to keep corporate income tax low, to attract business investment (see **Figure 2.16**).

30 PwC discussion paper on tax and development (forthcoming).

31 UNDP Human Development report for 2007/2008.

Switzerland – The Swiss tax system holds a competitive position, with further enhancements being made

Armin Marti and Luca Christen, PricewaterhouseCoopers (Switzerland)

Total Tax Rate:	29.7%
Number of hours:	63
Number of payments:	24

Swiss values are world renowned. ‘Swissness’ is attributed to high standards of quality, reliability, modesty and commitment, to name just a few. Over the past 150 years, the Swiss people have continuously held on to these values through their direct democracy system. As a result, almost all Swiss legislation – including the Swiss tax legislation – is fundamentally based on these virtues.

Switzerland is able to provide a stable business environment with an international and highly educated workforce, social stability, advanced legal certainty, liberal labour legislation, and pronounced entrepreneurial freedoms. The Swiss tax system is traditionally characterised by tax competition. Due to Switzerland’s distinctively federal structure, each of the 26 cantons has its own tax jurisdiction, which leads to a tax competitive environment. A comparatively low corporate tax burden and taxpayer friendly institutions are the result. The TTR in the Paying Taxes study shows this, and it is also confirmed in a separate Total Tax Contribution study, which PwC conducted in collaboration with *economiesuisse*. According to this empirical study of large Swiss corporate taxpayers, the Total Tax Rate is 30.2% which is second lowest of all countries in which similar PwC studies have been conducted. Moreover, Switzerland’s tax burden is low with respect to profit taxes. Local companies in Switzerland can benefit from this.

The complexity of Switzerland’s decentralised jurisdictional structure, however, also results in a relatively high number of different taxes and, consequently, a high number of tax payments compared to other countries. While the case study company in Switzerland is subject to 15 taxes, the PwC TTC survey shows that there are, in total, 49 different taxes which exist for corporations, and that, on average, companies are subject to 28 of them. Efficiency improvements made to the Swiss tax system are most welcomed by businesses.

In an attempt to maintain and further enhance its competitive position, reforms to the corporate tax system have been announced by the Swiss government. Among the reforms being considered are that the preferential tax status for pure ‘letter box’ (i.e. domiciliary) companies will be abolished. Moreover, a minimum taxation for other preferred company types may be introduced. There may also be an improved participation relief at both the federal and the cantonal level, and the abolition of the issuance stamp duty is being discussed. Simplification of the VAT system is anticipated in 2010 together with further reforms. These actions are part of a steady and gradual improvement process by the Swiss tax institutions to maintain the attractive and sustainable tax environment which is shown by this study.

These economies are in the top quartile for both the TTR ranking and for the time to comply (see **Figure 2.17**). Although other factors are clearly involved, it will be interesting to consider whether the tax system may have contributed to the high human development results. **Figure 2.16** shows that apart from in Hong Kong (China), corporate income tax (and other profit taxes) is less than half the TTR, and TaxpayerCo also pays employer social contributions and other taxes.

In contrast, there are 22 economies, all in Africa, which have a low HDI result. For some of these economies the TTR is low and in others high. The range is from 16.1% in Zambia to 322% in Congo Democratic Republic (see **Figure 2.18**). Six of these economies have a TTR below 35%.

What is interesting is that although the average rate for corporate income tax for these six economies, at 20.6%, is close to the world average of 18.2%, employer taxes and social contributions are far less, at 5.3%, compared to the world average of 16.1%. Four economies have TTRs in excess of 100%, mainly due to cascading sales taxes. For economies with low HDI, a question to be asked is whether the tax system can be used to stimulate business investment and facilitate entry to the formal economy to lead to increased tax revenues. Another is whether there are other systems which can be looked to as a model.

Where TTRs exceed 100%

The assumptions which are built into the Paying Taxes case study are such that the company, wherever it is located, has a fixed rate of gross profit margin (20%). Where an economy has a TTR in excess of 100%, it means that TaxpayerCo would need a profit margin above that level in order to pay all of its taxes.

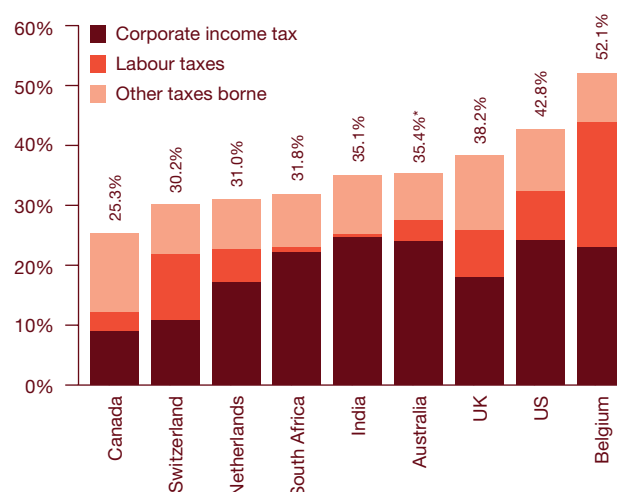
Where the company bears cascading sales taxes on its transactions (which are not calculated by reference to profit), TTRs exceed 100%. Examples of this can be seen in **Figure 2.14**. The company would need to amend its pricing, to earn a gross profit margin, well in excess of 20%, to enable it to pay these taxes. For example, in Burundi the gross profit would need to be 32.1%. The case study does not allow for this.

PwC Total Tax Contribution (TTC) studies and TTR

In addition to our contribution to the Paying Taxes Study, PwC also carries out Total Tax Contribution studies with large companies in a number of countries around the world. The chart shows the average TTR for companies included in each country in these studies. It is interesting to note the similarities and the differences between these results and those of Paying Taxes.

In Belgium, as in the Paying Taxes study, the high TTR is heavily influenced by labour taxes. In Australia, the labour tax percentage is less than in Paying Taxes since the superannuation guarantee is not included (see page 97 in Appendix 2). It is important to note that these TTC results will be heavily influenced by the mix of industry sectors for companies in each study. In our experience, the TTR is influenced more by industry sector than by size, as there are often taxes which impact only certain sectors.

PwC Total Tax Contribution (TTC) studies and TTR



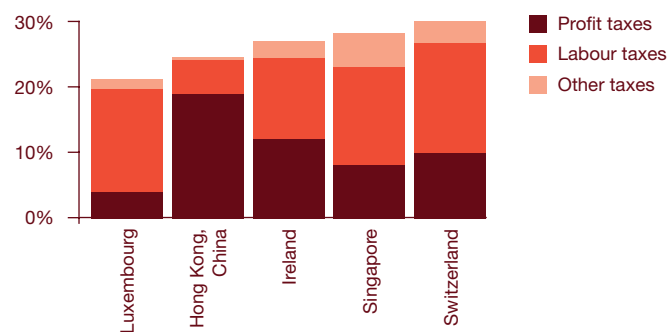
Note: The chart shows the average TTR for each country split by each type of tax.

Source: PwC Total Tax Contribution studies³².

32 Total Tax Contribution: PricewaterhouseCoopers and the Federation of Enterprises in Belgium 2007 Survey. / Total Tax Contribution: Canada's Tax regime: complexity and competitiveness in difficult times. PricewaterhouseCoopers survey for Canadian Council of CEO's. Published May 2009 / Total Tax Contribution: PricewaterhouseCoopers survey for the Federation of Indian Chambers of Commerce and Industry. Published March 2009 / What is your company's Total Tax Contribution? 2008 survey results PricewaterhouseCoopers survey in Australia. Published February 2009. / Total Tax Contribution: PricewaterhouseCoopers LLP

(UK) 2008 Survey for The Hundred Group. Published February 2009. / Total Tax Contribution: How much do large U.S. companies pay in taxes? PricewaterhouseCoopers survey in the U.S. Published February 2009. / Total Tax Contribution: How much tax do major companies in Switzerland pay? PricewaterhouseCoopers survey in Switzerland. Published October 2009. / Total Tax Contribution: What is the actual contribution of large companies to the fiscus. PricewaterhouseCoopers survey in South Africa. Published May 2009.

Figure 2.16
TTR comparison – countries with low TTR and high HDI



Note: The chart shows the TTR for five countries with low TTRs and high HDIs split by each type of tax.

Source: *Doing Business* database.

Figure 2.17
Economies with low TTR and high HDI

	TTR	TTR rank	Time to comply	Time to comply rank
Hong Kong, China	24.2%	22	80	14
Ireland	26.5%	26	76	11
Luxembourg	20.9%	17	59	6
Singapore	27.8%	29	84	17
Switzerland	29.7%	37	63	8

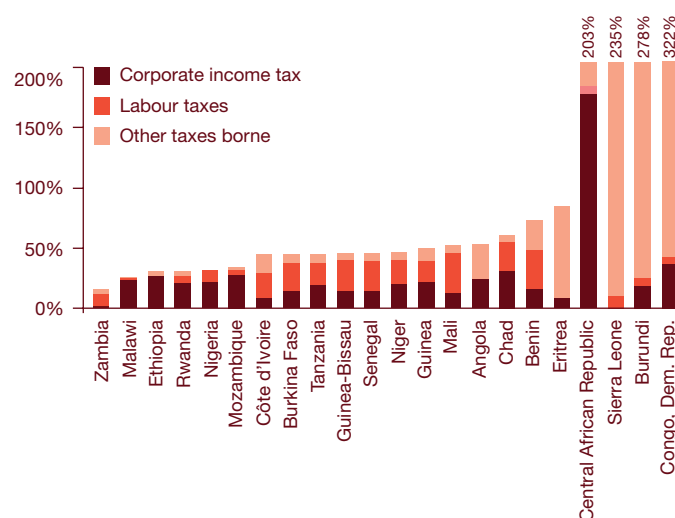
Note: The table shows the TTR and TTR ranking for five economies with a low TTR and high HDI and also the time to comply and related ranking.

Source: *Doing Business* database.

The time to comply

The time to comply measures the tax compliance burden for TaxpayerCo. It covers three major types of taxes – corporate income taxes, labour taxes and contributions, and consumption taxes. The World Bank *Doing Business* team asks contributors to estimate the hours needed to comply and also to analyse these between three activities; ‘preparation’, ‘filing’ and ‘payment’. Inevitably, there is a degree of judgement involved in the compilation of the data, as measurement relates to a case study company, not a real situation. Considerable effort goes into checking and confirming that the methods used are consistent, including verification by several contributors, especially where amendments are proposed in light of

Figure 2.18
TTR comparison – countries with low HDI



Note: The chart shows the TTR for 22 economies with low HDI split by type of tax.

Source: *Doing Business* database.

changes to the tax system. It is also worth noting that, during the five years of the Paying Taxes study, the time to comply has naturally been a focus of government attention and the results have been discussed in detail in many countries. Brazil and Mexico are two examples.

As an example of the calculation of the time to comply **Figure 2.19** shows the calculation for Latvia. It also shows the detail which is available. Contributors are asked to identify the key steps in the process for each of the areas of activity – prepare, file and pay. In Latvia, labour taxes and contributions take up the largest amount of time. Out of a total of 165 hours, 48 are spent on the preparation and maintenance of mandatory records, which are only required for tax purposes, including payroll paper files. The experience around the world is that the requirement to keep extra books can add significantly to the time to comply. VAT is the next most time consuming at 83 hours, which includes 24 hours spent analysing accounting information to identify tax sensitive items, including the validation of suppliers' VAT numbers.

As shown previously in **Figure 2.2**, the average time to comply for all economies in the study is 286 hours of which 26% is spent on corporate income tax, 37% on labour taxes and contributions, and 37% on consumption taxes. **Figure 2.20** compares the average time to

Czech Republic – Paying Taxes and the economic downturn: two drivers for tax reform

Lenka Mrázová, PricewaterhouseCoopers (Czech Republic)

Total Tax Rate:	47.2%
Number of hours:	613
Number of payments:	12

Every year, the results of the Paying Taxes report for the Czech Republic attract the attention of the Czech media, as well as the official authorities, particularly the Ministry of Finance and the Ministry of Industry and Trade. In response to the results of the study, the Ministry of Finance initiated a process to undertake a regulatory impact analysis, to assess the effectiveness and administrative burden of the Czech tax system, and to identify potential for reform.

The report led to intense discussions between PwC and representatives from the Ministry of Finance. At the time of publishing the 2009 results, Peter Chrenko, Deputy Minister of Finance in the Czech Republic, stressed that: “The Ministry takes the challenge to create a modern tax system with simplified administration very seriously. We are working on three key projects to reduce the tax compliance burden: a new tax administration code, a single revenue agency to administer all taxes, customs and social and health insurance, and a new Income Tax Code. These reforms, if approved, would certainly reduce the time required to comply with the tax legislation, allowing companies to focus more time and energy on their core activities. However, as these reforms will not be launched before 2010, we are very keen to understand the *Doing Business* methodology and use it as a benchmark to identify and introduce some quick wins immediately and reduce the time needed by at least 30% for the next year.”

It is pleasing to see that the initial goal for reducing the time to comply has been achieved. The 2010 results show that the time needed to comply with the Czech tax system has decreased considerably. This is largely due to the introduction of electronic filing for VAT as of January 2008, and the introduction of a flat personal tax rate which, to some degree, has also helped to simplify the process of employee tax calculation for the company.

As has been seen across the world, tax policy has been used as an important instrument to aid recovery from the economic downturn. In the Czech Republic, important changes have been made to corporate income tax, VAT, and social security insurance to assist businesses in surviving the downturn. For example, the acceleration of depreciation of tangible fixed assets and leasing costs, the creation of tax-deductible provisions for receivables from debtors in bankruptcy, and for input VAT to be claimed on the purchase of passenger cars used for business activities.

While it might be difficult for governments to decrease tax rates, reducing the administrative burden is always considered to be a win-win measure, delivering benefits to both government and business. This year, electronic data boxes are being introduced for all legal entities to provide a key interface with state authorities. The aim of these boxes is to reduce the administrative burden for businesses and to encourage taxpayers to do most of their filings and communication with authorities electronically, as well as to encourage state authorities to use modern means of communication. Another important change is the new Tax Code, which was passed in the summer and will become effective as of 2011.

Mr. Chrenko has indicated that the comprehensive tax reform currently being prepared will achieve the full benefits in the long term. Challenges still lie in improving the mechanisms for the calculation and collection of labour taxes, especially social security, as these comprise the largest part of both the total tax rate and the time needed to comply with the tax system.

PwC Total Tax Contribution Studies and time to comply³³

The 2008 TTC study, undertaken for The Hundred Group in the UK, collected data on the cost of complying with the UK tax system. The companies participating in the study reported that, on average, 12.7 full time employees were required to deal with tax compliance. 43% of time spent related to corporate income tax, 28% to employment taxes, and 20% to VAT, with the remaining 9% relating to 'other' taxes'. The data provided was translated to a monetary cost, and added to spend on external providers for compliance services. This cost equated to 1.57% of the total taxes borne, effectively representing a surcharge of this amount on the tax bills of the companies in the study.

PwC TTC studies with The Hundred Group show that, while the TTR is not necessarily affected by the size of the company, the time spent on tax compliance and the related cost can be significantly more, in absolute terms, the larger and more complex the company is.

Figure 2.19
Analysis of hours to comply in Latvia

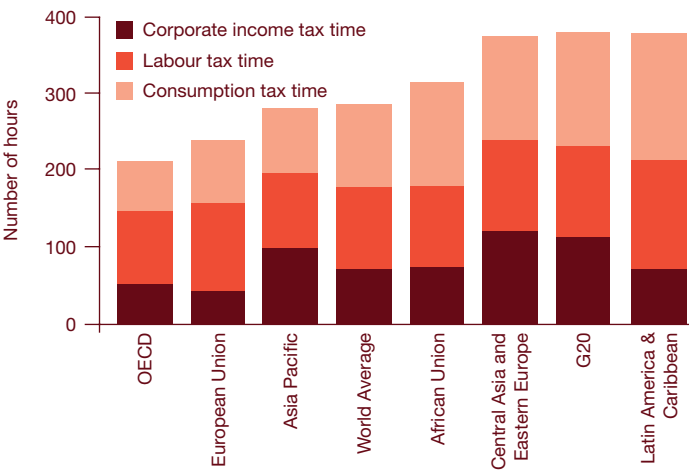
Preparation	Corporate income taxes	Labour taxes	Consumption taxes
Data gathering from internal sources (for example accounting records).	8	48	18
Additional analysis of accounting information to highlight tax sensitive items.	8	12	24
Actual calculation of tax liability including data inputting into software/spreadsheets or hard copy records.	2	24	12
Preparation and maintenance of mandatory tax records if required.	6	48	12
Total	24	132	66
Filing			
Completion of tax return forms.	2	12	6
Time spent submitting forms to tax authority, which may include time for electronic filing, waiting time at tax authority office etc.	1	3	3
Total	3	15	9
Paying taxes			
Calculations of tax payments required including, if necessary, extraction of data from accounting records, and time spent maintaining and updating accounting systems for changes in tax rates and rules.	1	12	6
Analysis of forecast data and associated calculations if advance payments are required.	2		
Time to make the necessary tax payments, either online or at the tax authority office (include time for waiting in line and travel if necessary).	1	6	2
Total	4	18	8
Grand Total	31	165	83

Note: This table shows the calculation of the hours to comply split between the types of tax and between the processes for prepare, file and pay.

Source: *Doing Business* database.

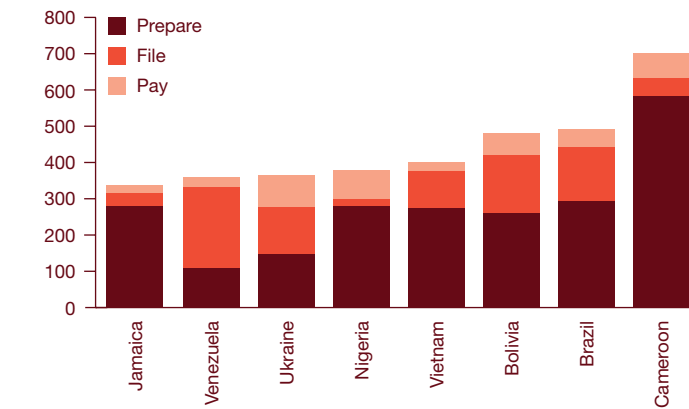
³³ Total Tax Contribution PricewaterhouseCoopers LLP (UK) 2008 Survey for The Hundred Group. Published February 2009.

Figure 2.20
Comparison of the number of hours to comply by region



Note: The chart shows the average result for the economies in each region and for the world average for all economies in the study.
Source: *Doing Business* database.

Figure 2.21
Hours to comply with labour taxes and contributions

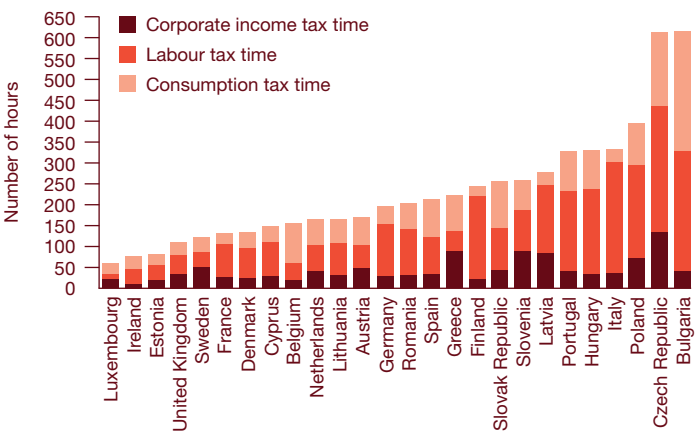


Note: This chart shows the hours to comply with labour taxes split between the time to prepare, file and pay.
Source: *Doing Business* database.

comply for a number of geographical and economic groupings. TaxpayerCo needs the least amount of time in the developed economies in OECD and the EU, with an average number of hours to comply below the world average, and needs the most time in Latin America and the Caribbean.

As mentioned above, the data collected enables an analysis of the hours spent on compliance between that required for preparation, filing and payment. **Figure 2.21** shows this split for those economies where compliance with labour taxes and contributions takes over 300 hours. It shows that time to prepare is generally the most burdensome part of the process and, as shown for Latvia in **Figure 2.19**, the preparation and maintenance of mandatory books for tax can contribute substantially to this.

Figure 2.22
Number of hours to comply across the EU



Note: The chart shows the hours to comply for the economies in the EU split by each type of tax.
Source: *Doing Business* database.

Brazil – The Public System of Digital Bookkeeping (SPED) – a new challenge

Carlos Iacia, PricewaterhouseCoopers (Brazil)

Total Tax Rate:	69.2%
Number of hours:	2,600
Number of payments:	10

The Paying Taxes reports have been very useful and have received considerable comments in Brazil over the last few years. The media coverage has been extensive, and the press has repeatedly followed the results presented in the report. Additionally, Brazilian tax scholars have used the results in their studies and have commented on them during their lectures.

Our main issue, which is the time spent by taxpayers to comply with all the obligations imposed by the tax authorities, remains unchanged in the results of this year's Paying Taxes survey.

The Brazilian Federal Government has already reacted to the results and has taken actions towards changing this scenario. Besides the potential for a new tax reform and simplification project, which is still under discussion in the National Congress, a new tax procedure has been introduced that may impact the study results in the near future.

The new procedure is the Public System of Digital Bookkeeping (*Sistema Público de Escrituração Digital* 'SPED'), which has three dimensions: e-Invoicing, Digital Tax Bookkeeping, and Digital Financial Bookkeeping.

SPED's main purpose is to integrate Federal, State and Municipal tax agencies through digital information flows, by unifying the activities of receiving, validating, storing, and authenticating the books and documents that comprise the commercial and tax ledgers.

Through this system, Brazilian companies will prepare e-Invoices, e-Tax Bookkeeping, e-Financial Bookkeeping, e-Bills of Lading, e-Financial Records, the e-General Ledger, the e-Taxable Income Book, and the e-Tax Books.

The e-Invoicing and the Digital Tax and Financial Bookkeeping Systems have already been adopted by larger companies, and soon all companies will have to implement this new technology.

SPED has demanded additional effort from Brazilian companies, in order to ensure compliance with all the processes, to integrate their systems and to fully prepare their staff for the new systems.

We expect that, through SPED, in the medium or long-term, the time spent by taxpayers to comply with their tax obligations will reduce, as it will eliminate paperwork, as well as unify and rationalise the information demanded by the Federal, State and Municipal tax authorities.

Another change to mention is the introduction of new accounting procedures, enacted by federal laws 11,638 and 11,941, which will fundamentally change Brazilian accounting standards to facilitate convergence with International Financial Reporting Standards (IFRS).

Although this change is not intended to cause any impact on the tax system, such tax neutrality is guaranteed by law only until the implementation of new tax rules. It will only be from the moment when such new rules are implemented that we will be able to detect the real impact of the new accounting procedures on the corporate tax burden.

Peru – The *Doing Business* indicators help government focus on key areas for reform

Miguel Mur – PricewaterhouseCoopers (Peru)

Total Tax Rate:	40.3%
Number of hours:	380
Number of payments:	9

In July 2009, the Peruvian Minister of Economy, Luis Carranza, publicly announced the launch of a special government initiative aimed at making Peru one of the world's leading countries in attracting investment. As part of this plan, Peru should aim to make use of the results of the World Bank Group's *Doing Business* surveys in the years to come, by engaging in reforms to make it easier for entrepreneurs to start and operate businesses in the country in several areas, including the ease of incorporating companies, obtaining construction permits, international trade incentives, property registration and, not surprisingly, the ease of paying taxes.

With the reforms set out in the plan, and the strict economic policies that have been implemented for several years now, it is hoped that Peru can secure economic growth ranging between 6% and 7% per year.

The latest update to the *Paying Taxes* study comes at a good time, and provides a focus on how the indicators have moved from last year.

Last year's results showed that the time to comply was the area which requires most attention in Peru. The time that corporate taxpayers need to spend in order to properly comply with self-assessment for the various taxes (mainly income tax, VAT and payroll contributions) was high at 424 hours. This year, in view of the availability of the Peruvian Tax Authority's VAT software, which is now widespread across all businesses, filing has been made simpler and faster, and the hours required have fallen to 380.

Paying Taxes has been helpful in identifying the problems in the tax system that the Government is now trying to overcome, and it can be expected that the Peruvian Government will continue to rely on the results from this latest update to the study to pin-point those areas of our tax system that require further attention.

The tax authorities have recently indicated that they want to be able to reduce the time that it takes to comply with paying taxes by a further 100 hours. Further reforms have recently been undertaken by the Peruvian government, such as the implementation of internet/online facilities for the determination and payment of taxes, and the decentralisation of Tax Administration offices, to help taxpayers settle their tax obligations more easily.

Areas perhaps still to look at are for taxpayers to be better informed of the criteria adopted by the Tax Administration and the Tax Court when addressing tax issues. Better information on such criteria would improve efficiency, and this is key in helping to reduce the time required to comply with tax obligations.

Figure 2.22 shows the time to comply across the EU. The average for the EU is 232 hours, compared to last year's figure of 257, with most time being spent on labour taxes (117 hours), followed by consumption taxes (73 hours), and the smallest number on corporate income tax (42 hours).

The high number of hours spent on compliance with labour taxes and contributions in some EU economies may reflect, in part, the numerous different payments which have to be calculated and paid. In Hungary, for example, there are seven different labour taxes and contributions; community tax, rehabilitation contribution, two payments for healthcare, pensions, unemployment, and training. In Finland, there are five; social security, pension insurance, unemployment insurance, accident insurance, and life insurance.

A further point to note is the wide range in the number of hours that it takes our case study company to comply with VAT (consumption tax) in the EU economies. This is a tax which, although it stems from a common legal framework, as set out in the European directives, can be applied quite differently in each EU economy, and the detail will depend more directly on domestic legislation. The number of hours needed ranges from 22 in Finland and 30 in Ireland to 178 in the Czech Republic and 288 in Bulgaria. The breakdown of the hours to comply with VAT for Ireland and the Czech Republic are compared in **Figure 2.23**.

In Ireland, TaxpayerCo is required to file VAT returns every other month. In relation to each return, the entire process of preparation filing and payment takes around five hours. The information required is readily available from the company's accounting system, and the preparation, submission and payment can all be done online using the Revenue's online tax filing/payment system. In the Czech Republic, VAT returns are required every month. Significant records need to be maintained in support of the return (up to 19 pages), and a company such as TaxpayerCo will not usually invest in the software required to facilitate the automatic uploading of data into the online filing system. Instead, the company will manually enter the figures. So, there are twice as many returns in the Czech Republic and, for each, the entire process takes around three times as long as in Ireland.

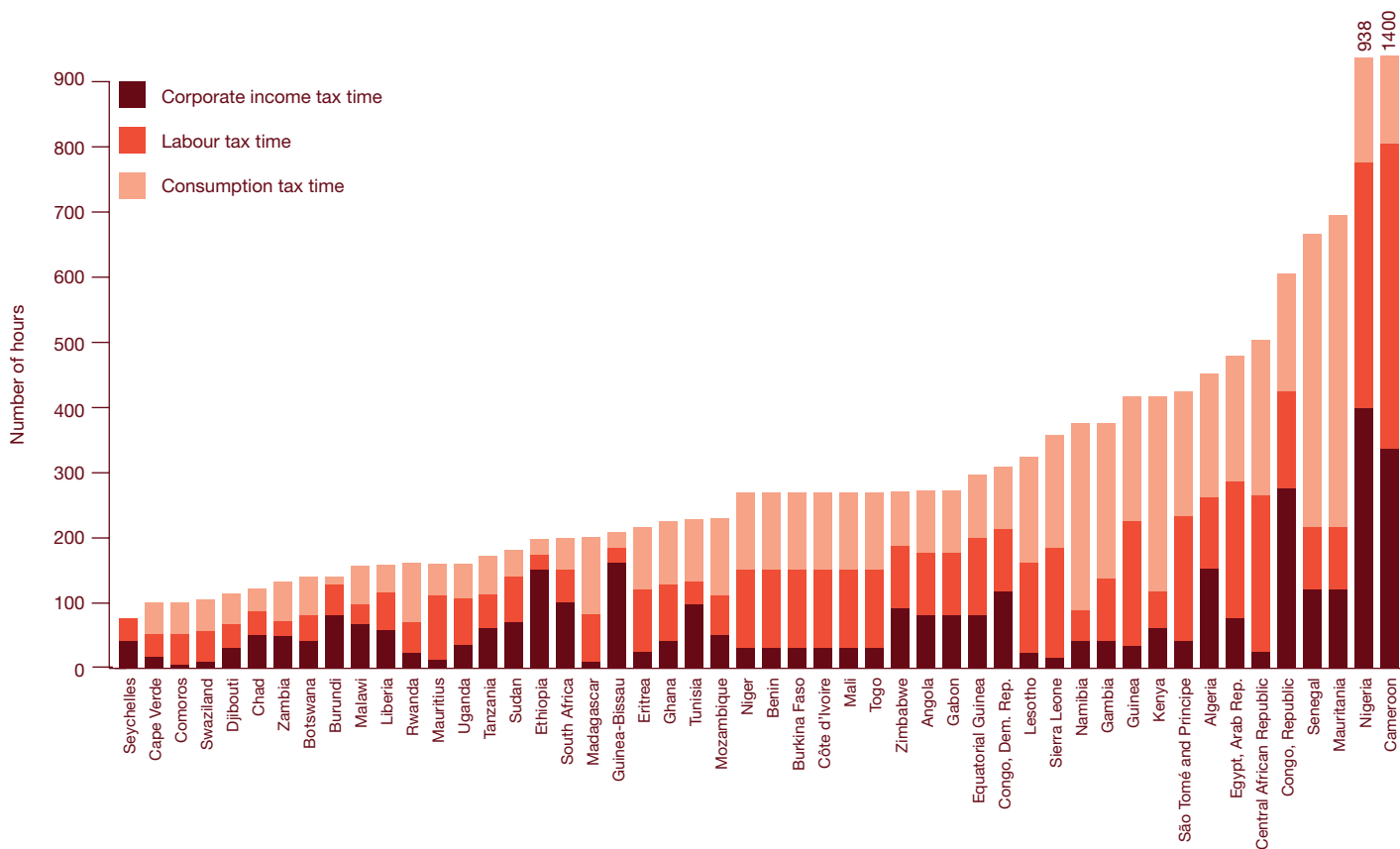
Figure 2.23
Analysis of hours to comply with VAT in the Czech Republic and Ireland

Preparation	Czech Republic	Ireland
Data gathering from internal sources.		
Additional analysis of accounting information.		
Calculation of tax liability including data inputting.	76	23
Preparation and maintenance of mandatory tax records if required.		
Filing		
Completion of tax return forms.	30	4
Submission of forms to tax authority, which may include time for electronic filing, waiting time at tax authority office etc.		
Paying taxes		
Calculations of tax payments required including extraction of data from accounting records, and maintenance of accounting systems for changes in tax rates and rules.		
Analysis of forecast data and associated calculations if advance payments are required.	72	3
Making tax payments, either online or at the tax authority office which may include time for waiting in line and travel.		
Total	178	30

Note: The table shows the calculation of the hours to comply for VAT split between the processes for prepare, file and pay.

Source: *Doing Business* database.

Figure 2.24
Number of hours to comply across the African Union



Note: The chart shows the hours to comply for the economies in the African Union split by each type of tax.
Source: *Doing Business* database.

In the African Union, TaxpayerCo takes an average of 307 hours to comply with its tax affairs, which is close to the world average of 286. However, the range of hours across this group is large ranging from 76 in the Seychelles to 1,400 in Cameroon.

Apart from Brazil, our case study company in Cameroon spends the most time of any economy in the world on its tax compliance, and ranks 182 on this indicator. It spends 700 hours on labour taxes and contributions, 500 on corporate income tax and 200 on consumption taxes (see **Figure 2.25**)

As mentioned above, the administrative burden as measured by the time to comply, is not necessarily linked to the rate of tax paid as measured by the TTR. The TTR in Cameroon is just above the world average at 50.5%. It is interesting to compare Cameroon's figures with Burundi, which is one of the countries on the African continent that has a cascading sales tax and consequently, a TTR in excess of 100%, at 278.6%. 90% of this is attributable to the cascading sales tax. The hours to comply in Burundi are, by contrast, below the world average at 140.

Mexico – Evolution of electronic means of payment

Carlos Montemayor, PricewaterhouseCoopers (Mexico)

Total Tax Rate:	51%
Number of hours:	517
Number of payments:	6

The Paying Taxes results for Mexico have been of great interest to the Mexican tax authority. The indicator for the time to comply has been of particular concern. Since late 2007, significant effort has been put into analysing and evaluating areas of opportunity, with the goal of achieving a reduction in the amount of time that it takes to comply with tax regulations. These activities had been mainly focused on federal taxes (i.e., income tax and value-added tax). However, despite these efforts, the time to comply with income tax obligations has increased due to the enactment of the flat rate business tax, as this has to be determined on a cash basis, with a separate base, whilst the income tax has to be determined on an accrual basis.

More recently, the Mexican Social Security Institute ('IMSS') and the Mexico City State Treasury authorities have also focused on the amount of time taken to comply with labour taxes and the measures that could be taken to reduce the number of hours in this respect. Overall, the number of hours to comply has fallen.

A striking result for Mexico this year can be seen in the number of payments indicator where the number has reduced to six, from 27 last year. This reflects the

electronic systems which are now widely available for use with social security payments, payroll taxes and also property taxes. Improvements in the technology offered by the banks, and taxpayers' increasing confidence in electronic means of payment, have helped ensure that most tax payments made by taxpayers, with 50 or more employees, are now fully performed through electronic means. Payment of social security contributions and the Mexico City State tax are also now possible without the need to join the line at the bank's premises.

The Mexican government's interest in the ease of paying taxes and reform continues, and a separate exercise conducted by PwC with the authorities is referred to on page 48 of this report. The Tax Administration Service ('SAT'), the authority in charge of collecting and administering all federal taxes (i.e. income tax, flat rate business tax and value-added tax), continues to lead initiatives to secure technological improvement, while the IMSS, the Employees' Housing Fund ('INFONAVIT') (both for social security contributions) and certain State Treasuries (for State Taxes), such as the Mexico City State Treasury, are also involved in this process, aligning improvements with those initiated by SAT.

South Africa – A strong track record of reform

Paul de Chalain, PricewaterhouseCoopers (South Africa)

Total Tax Rate:	30.2%
Number of hours:	200
Number of payments:	9

Paying Taxes 2010 reveals that continued reform affecting the total tax rate for business, has helped South Africa to maintain its overall high ranking of 23rd place. The number of taxes paid by the case study company, and the time taken to comply with major taxes, remained the same while other economies have reduced hours and payments. The time taken to comply and the total tax rate place South Africa in the same league, in this area, as developed countries such as Germany and Spain, and ahead of other emerging countries such as Turkey, Indonesia and Korea.

The results of last year's Paying Taxes study were well publicised with the launch in Johannesburg, and the separate empirical work conducted by PwC in its Total Tax Contribution study, has been widely published in South Africa. The messages from these studies are not out of consonance with the South African government's agenda and its proposals for further tax reforms; the need to simplify the tax system, with particular emphasis on easing compliance for business.

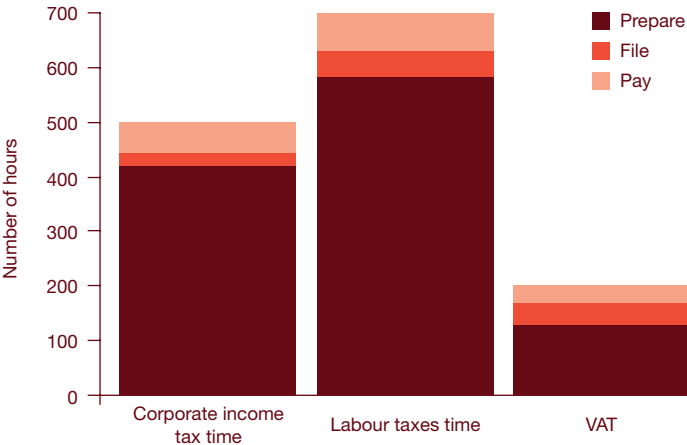
High compliance costs – primarily due to the complexity of tax legislation – remain an issue. On average, Total Tax Contribution survey participants regard South African tax legislation as complex. The study found that considerable emphasis is being placed on operational, rather than strategic, tax effectiveness. Criteria other than those relating to strategic performance (i.e. meeting compliance deadlines, 'no surprises', results of tax authority audits, as opposed to management of cash and the effective tax rate) are, in the main, being applied in evaluating the tax function. The small amount of time being spent on tax planning and mitigation, compared to the substantial amount of time being spent on tax compliance and tax accounting within the corporate environment, indicates that tax specialisation in the South African corporate environment is in the early stages of development.

Recent tax reforms include the reduction of the corporate income tax rate, the introduction of a new elective turnover-based tax for qualifying small businesses, a broad-based drive towards electronic filing, and simplification of tax returns. To follow, in the next year or so, is the proposed replacement of secondary tax on companies with a dividend withholding tax.

The reduction of the total tax rate should not be the main objective of tax reforms. As another area of reform, social security has already been raised as a priority by National Treasury. The area of retirement savings (pension funds, etc) receives special attention, and the promotion of a greener economy now also occupies a firm position high up on National Treasury's agenda. Several incentives in this respect have also been introduced. Although South Africa's ranking of 23 out of 183 countries is encouraging, and reliance on large companies' total tax contribution is illustrated in Total Tax Contribution studies, consideration should be given to further reforms to benefit all economically-active South Africans.

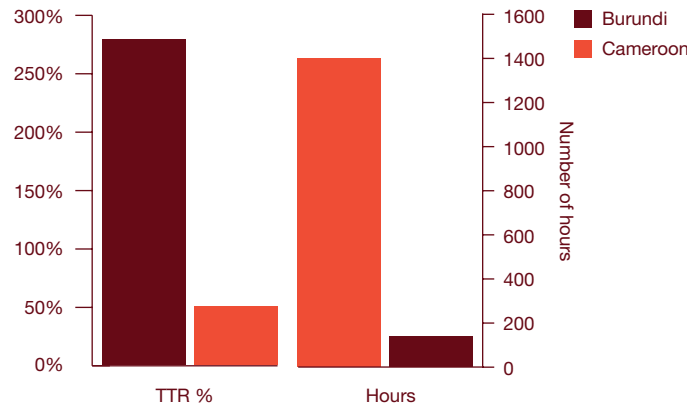
Looking forward, tax revenues in South Africa are coming under extreme pressure, and it is expected that this will be reflected in the 2009 Total Tax Contribution survey. This is a global trend – Total Tax Contribution studies in other tax jurisdictions have already reflected reduced profitability and lower transaction activity. This may influence tax reforms over the short term.

Figure 2.25
Hours to comply in Cameroon split between prepare, file and pay



Note: The chart shows the hours to comply for each type of tax split between prepare, file and pay.
Source: *Doing Business* database.

Figure 2.26
Burundi and Cameroon, TTR and hours to comply compared

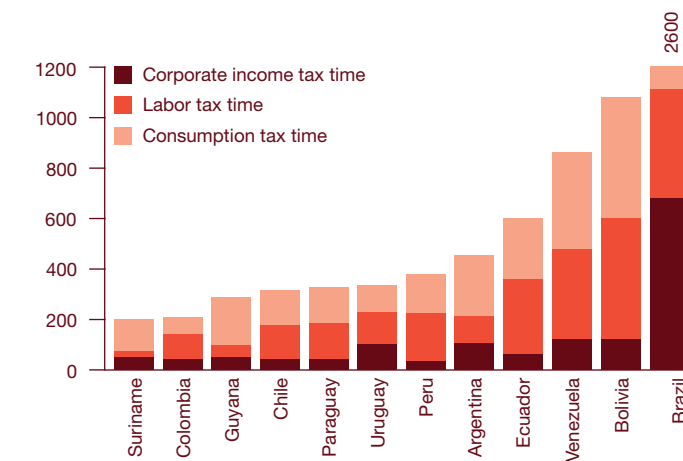


Note: The chart shows the TTR and the hours to comply.
Source: *Doing Business* database.

This is a good illustration (see **Figure 2.26**) of the need to look at each of the individual indicators, which allows the separate issues around tax cost and compliance cost to be identified and addressed.

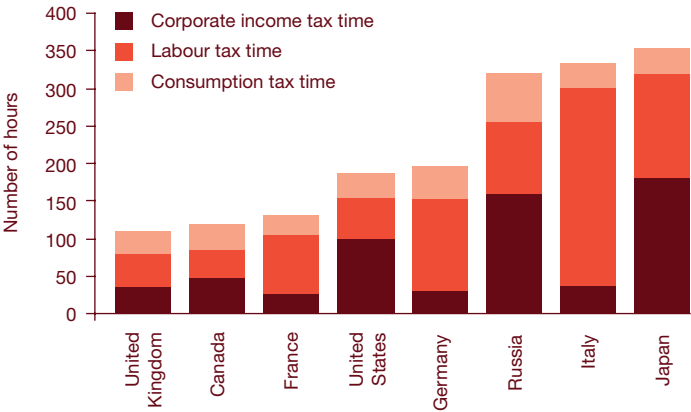
Looking just at the continental economies of South America, the average number of hours spent on tax compliance, at 638, is by far the highest for any region. **Figure 2.27** shows that five of the 12 countries spend in excess of 400 hours on compliance, with Bolivia requiring just over 1,000 hours, and Brazil, the highest, with 2,600 hours. Consumption taxes are a major part of the time to comply for all of these economies. In Brazil, it takes TaxpayerCo almost 10 times the world average to comply with corporate income tax, 4.5 times to comply with labour taxes and contributions and 13 times for consumption taxes. While the number of hours required to comply has remained at consistently high levels for Brazil, the government is taking action to introduce reforms, simplification and new procedures. It is hoped that these improvements will have an impact on the Paying Taxes results in the future. (Further details on the position in Brazil are explored in the article on page 41).

Figure 2.27
Hours to comply in South American economies



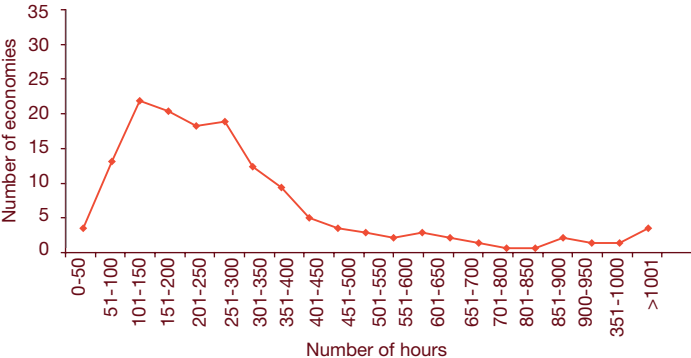
Note: The chart shows the hours to comply for the economies in South America split by each type of tax.
Source: *Doing Business* database.

Figure 2.28
Hours to comply in the world's largest economies



Note: The chart shows the hours to comply for the economies in the G8 split by each type of tax.
Source: *Doing Business* database.

Figure 2.29
Distribution of the hours to comply



Note: The chart shows the distribution of results for the hours to comply.
Source: *Doing Business* database.

In contrast **Figure 2.28** shows that the world's largest economies (the G8) have an average of 219 for the number of hours to comply, which is 67 less than the global average. The 30 OECD countries have an average time of 212 hours. This suggests that these developed economies can provide a useful source of benchmarking and best practice for other economies.

Figure 2.29 shows the distribution of results for the time to comply indicator. Similar to the distribution for TTR, it is apparent from this chart that there is a strong concentration of economies in the range from 101 hours to 350 hours. 122 economies are in the cluster, with 21 economies taking less than 101 hours, and 40 taking more than 350 hours.

Economies at the low end of the distribution include the island states such as St Lucia, and the oil-rich states such as UAE, Saudi Arabia and Oman, which have a low number of taxes and therefore low compliance time. They also include some smaller economies such as Luxembourg, Hong Kong, Singapore and Ireland which use the tax system to encourage business investment. Economies at the high end of the distribution are mainly concentrated in three regions: Africa, Central Asia and Eastern Europe, and South America.

Mexico – a separate exercise undertaken with the Government

In Mexico, the time taken to comply with corporate income tax and VAT has been a particular area of focus. Detailed discussions have taken place between PwC Mexico, as one of the contributors to *Paying Taxes*, and the Mexican tax authorities. The estimated hours have been reviewed in detail and benchmarked against both real taxpayers in Mexico, and also against other taxpayers in the *Paying Taxes* study, including Australia, Ireland, New Zealand, Singapore and the UK.

Figure 2.30

South Africa as an example of the number of payments indicator

	World Bank Indicator	Actual Payments
Corporate income tax	1	3 payments (online filing)
VAT	1	12 payments (online filing)
Secondary tax on companies – Dividend tax	1	1 payment per dividend
Property tax	1	12 payments (online)
Skills development contribution	1	12 payments (online)
Unemployment insurance contribution	1	12 payments (online)
Occupational insurance contribution	1	1 annual payment
Vehicle tax	1	1 annual payment
Fuel tax	1	Tax embedded paid to 3rd party
Total	9	

Note: The table shows the actual number of payments made and how this translates to the World Bank indicator.

Source: Doing Business database.

Figure 2.31

Comparison of the number of payments by region



Note: The chart shows the average result for the economies in each region and for the world average for all economies in the study.

Source: Doing Business database.

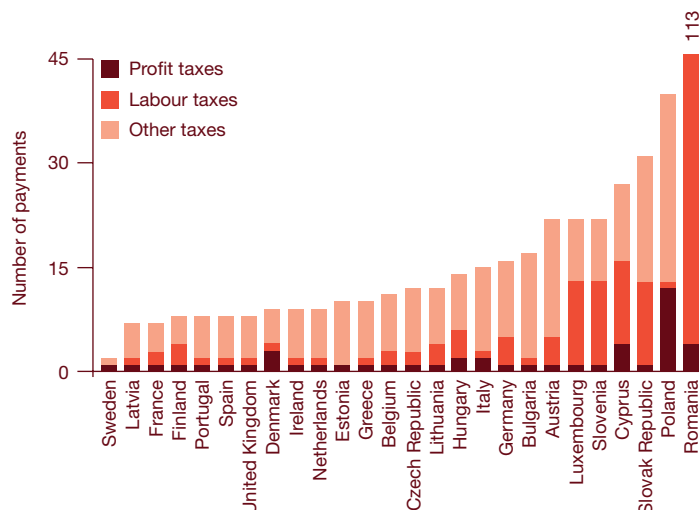
The number of payments

The 'number of tax payments' indicator reflects the total number of taxes and contributions paid, the method of payment, the frequency of payment and the number of agencies involved, for our case study company. It includes payments made by the company on consumption taxes, such as sales tax or value added tax. Although these taxes do not affect the income statements of the company, they add to the administrative burden of complying with the tax system. The indicator takes into account electronic payment and filing. Where full electronic payment and filing is allowed – and it is used by the majority of small to medium sized businesses – the tax is counted as paid once a year, even if the payment is more frequent. For taxes paid through third parties, such as fuel tax paid by the fuel distributor, only one payment is included. To illustrate the number of payments calculation, **Figure 2.30** shows South Africa by way of an example.

As shown in **Figure 2.31**, the average number of payments for all economies in the study is 31. Four of these relate to profit taxes, 12 to labour taxes and 15 to 'other taxes'. The company makes most payments in relation to 'other taxes' (50%) followed by labour taxes (38%) with only 12% of payments relating to corporate income tax.

Figure 2.32

The number of payments for the EU

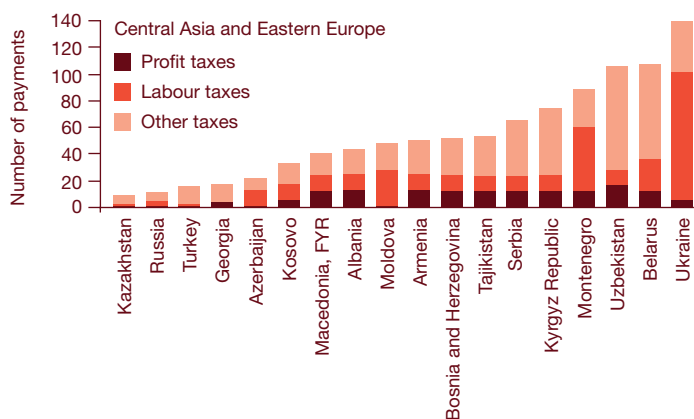


Note: The chart shows the number of payments for the economies the EU split by each type of tax.

Source: Doing Business database.

Figure 2.33

The number of payments for Central Asia and Eastern Europe



Note: The chart shows the TTR for the economies across Central Asia and Eastern Europe split by each type of tax.

Source: *Doing Business* database.

Figure 2.31 compares the result for a number of geographical and economic groupings. Economies in Central Asia and Eastern Europe make the most payments (an average of 53), with economies in the OECD making the fewest payments (an average of 14).

Figure 2.32 shows the position on the number of payments indicator for the EU. At 18, the average number of payments is just over half the world average. The EU demonstrates the positive impact that the ability to pay and file online has on the results. Only the four economies with the largest number of payments do not have electronic filing for all their main taxes: Cyprus, Slovak Republic, Poland and Romania. In Sweden, our case study company can pay all of its main taxes (corporate income tax, labour taxes, VAT and property taxes) in a single online payment, earning Sweden the highest ranking in the EU, and ranking number three out of all 183 economies.

Figure 2.33 shows that in Central Asia and Eastern Europe, the average number of payments is 53. There are nine economies in the region, with more than 50 payments required, and three with more than 100. In the region, the number of payments ranges from nine in Kazakhstan to 147 in the Ukraine. These economies provide a good example of the impact of electronic filing and payment on the results (see **Figure 2.34**). There are multiple payments made by TaxpayerCo in the Ukraine, and the lack of an online filing capability means that these

The benefits of electronic filing

In 2009, PricewaterhouseCoopers LLP (UK) carried out a survey of UK privately-owned business³⁴. 391 privately-held companies participated in the survey, ranging from the very small (with less than 10 employees, and turnover of less than £5 million), to those with around 250 employees and £200 million in turnover. The survey included questions on the use and benefits of e-filing tax returns. 78% of the survey participants said their business did use the HM Revenue and Customs facility to file corporate income tax, employment taxes or VAT returns online. When asked what benefits they felt they had received by filing online, 64% said it was quick, 54% said it was easier, and 47%, more convenient. All of these percentages showed a considerable increase over those in a similar survey two years before. 27%, also said it gave greater accuracy, and 23% that it was more secure. Only 13% said they saw no benefits.

The survey provides evidence therefore that companies do use online filing in the UK, and see the benefits of doing so. Electronic filing and payment can, of course, also benefit government by reducing the cost of processing returns and payments.

34 Enterprising UK – A voice for private business – published by PricewaterhouseCoopers LLP (UK) October 2009.

Spain – A decentralised tax system, but reductions in the TTR and number of hours improve the ease of paying taxes

Jaume Cornudella i Marquès and Eva Mur Mestre, Landwell (Spain)

The Spanish corporate income tax rate has reduced by 5% in the last two fiscal years, to reach the 30% statutory tax rate applicable for 2008 onwards. While this reduction has been offset, in part, by the steady reduction in tax incentives for investment, it has contributed to the fall in the TTR for Spain. The TTR is, however, still high in comparison to other OECD countries.

Electronic filing of tax returns has steadily become compulsory for all companies and at most levels of tax administration. This fact, together with the development of specific software to assist with tax compliance, has significantly reduced the time spent on preparing and filing tax returns and paying taxes, placing Spain in a more competitive position than previously.

Recent reform of the tax system has brought new incentives (additional flexible allowances), to promote employment and investment in new fixed tangible assets. These incentives are conditional on maintaining an average staff level for a two year period. The finance bill for the budget, recently approved by the Spanish government, continues the theme of protecting employment, with a temporary reduction to 20% in the corporate income tax rate, for companies with less than 25 employees and a turnover of less than 5 million Euros, providing they maintain or increase their number of employees. The finance bill also contains several tax increases to address current government budget deficit issues, with increases in the general VAT rate from 16% to 18% and in the lower rate from 7% to 8%.

New Spanish GAAP, inspired by IFRS, came into force on 1 January 2008. To try and ensure that these changes do not increase the tax compliance burden the Spanish legislature has implemented numerous amendments for corporate income tax. Despite this significant effort, the transition to the new accountancy rules has not always been neutral from a tax point of view. For example, for certain companies which own stock in other entities, there is an impact on the depreciation available for tax purposes. The reform has also required a special effort from the taxpayers to ensure that the new obligations and requirements are fulfilled.

The existence of three different levels of taxation – national, regional, and local or municipal – together with the special financing system which entitles the three provinces of the Basque Country (Álava, Guipúzcoa and Vizcaya) and Navarra to maintain their own historical tax systems, adds to the complexity of the Spanish tax system. Government is keen to look at ways of easing the compliance burden. The administration in Álava is currently working together with Ibermática and PricewaterhouseCoopers in a project to help transform the tax administration through the centralisation of all information for all taxpayers, including specialised training for tax agents and a substantial technical modernisation of the system.

Figure 2.34

Comparison of the payments required in Ukraine and Kazakhstan

	Ukraine	Kazakhstan
Corporate income tax	5	1 (12 actual payments – online filing)
Advance corporate income tax	1	
Pension fund contributions	24	
Social security contributions/ Social tax	24	1 (12 actual payments – online filing)
Unemployment contributions	24	
Work, accident insurance fund contribution	24	
Vehicle tax	4	1 (2 actual payments – online filing)
Fuel tax		1 (Embedded in payments to third parties)
Land tax	12	1 (Online filing)
Municipal tax	12	
Property tax		1 (4 actual payments – online filing)
Advertising tax	1	1 (12 actual payments but embedded in payments to third parties)
Environmental tax	4	1 (4 actual payments – online filing)
Value Added Tax	12	1 (12 actual payments – online filing)
Total	147	9

Note: The table shows the number of payments required for each tax and the reasons for only showing one tax where there are actually multiple payments.

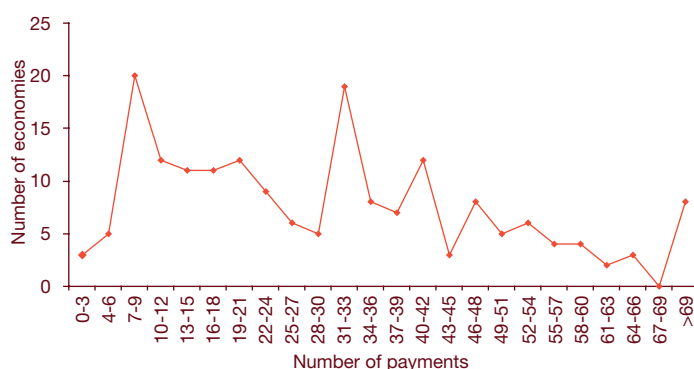
Source: *Doing Business* database.

are all recorded separately for the purpose of the number of payments indicator. In Kazakhstan, there are also multiple payments for most of the taxes but, for seven of them, there is an online filing and payment capability. The other two taxes are embedded in payments made to third parties and so are also only recorded as one payment for this indicator.

Figure 2.35 shows the distribution of results for the number of payments indicator. The position here is somewhat different to the other two indicators as there is no single cluster. There are two peaks shown by the chart with 66 economies in the 7 to 21 range, and 46 in the 31 to 42 range.

There are eight economies at the low end of the distribution with less than seven payments. They include an island state, the Maldives, and an oil-rich state, Qatar,

Figure 2.35
Distribution of the number of payments



Note: The chart shows the distribution of results for the number of payments

Source: *Doing Business* database.

but also Sweden, where our company can pay all of its main taxes (corporate income tax, labour taxes, VAT and property taxes) in a single online payment. Economies at the high end of the distribution are mainly concentrated in two regions in the African Union, and in Central Asia and Eastern Europe.

In order to calculate the results for the number of payments, contributors to the Paying Taxes study are asked the following questions, and have the option of giving more than one answer:

- What is the most common process of filing tax returns in your economy for a company such as TaxpayerCo? (electronic filing, by post, in person at the tax office, or other).

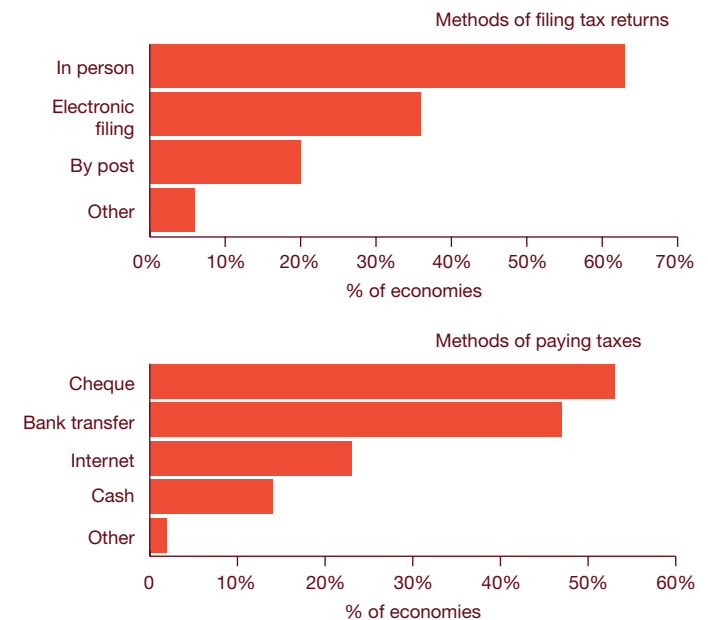
63% of the economies in the study say that they file their returns in person, 36% use electronic filing and 20% use the post.

- What is the most common process of tax payment in your economy for a company such as TaxpayerCo? (cheque, bank transfer, cash, via the internet, or other).

53% of the economies in the study say that they pay their taxes by cheque, 47% use bank transfers, 23% use the internet and 14% still use cash.

Figure 2.36 shows the answers to these questions, which indicate that electronic means of filing and payment is still not used in many economies.

Figure 2.36
The most common process of filing tax returns and the most common process of payment



Note: These charts show the answers given for all economies that responded. Some economies gave more than one option in answer to the questions.

Source: *Doing Business* database.

Summary

- The Paying Taxes study is unique in that it measures the world's tax systems from the point of view of business.
- The study provides a wealth of data for governments, enabling them to benchmark their tax system in relation to taxes levied on business. It also shows the importance of benchmarking the results against a relevant peer group. Economies at the top of the rankings do not necessarily provide a good model.
- The Paying Taxes results show that corporate income tax is only one of many taxes that business has to comply with. When considering the burden of taxes on business, it is important that governments consider all the taxes that companies pay.
- Paying Taxes measures both the tax cost for a case study company (the Total Tax Rate) and the compliance burden. It is important to consider both aspects of the company's tax affairs. It is also important to look at the results for each of the sub-indicators separately, since a low TTR does not necessarily translate into ease of compliance, and a high tax cost does not necessarily mean a heavy administrative burden.
- Labour taxes and social contributions are included in the results, notwithstanding that they are sometimes viewed as part of the cost of labour rather than as a tax. Paying Taxes includes in the TTR all taxes and mandatory contributions which are a cost to the company and affect its results at the time of payment, including employer labour taxes and contributions. Administering employee taxes is also included in the time to comply.
- In general, the preparation time required for tax returns, i.e. to gather and analyse data etc., is the most time consuming part of the compliance process.
- It is considered good practice to have one tax per base (for example on profits, labour, consumption, and property). This eases the tax compliance burden for companies. The Paying Taxes results show that the time needed to comply can increase where there are multiple taxes. Labour taxes and consumption taxes add considerably to the time to comply.
- The requirement to keep separate books for tax, other than those required for accounting purposes, can also add to the time to comply.
- The ability to pay and file electronically has a significant positive impact on the number of payments indicator. World Bank Group suggests that electronic filing and payment of taxes is of benefit for both government and business.
- Business understands that it needs to pay taxes and that levying taxes is not an easy task for government. What is important, is how the tax system fulfils economic and social objectives, and whether higher taxes flow through to infrastructure, social services and a better quality of life for citizens.

Chapter

2

Section 2 Further insights on tax administration

As mentioned in the introduction to this section, in collecting data for this year's Paying Taxes study, contributors were asked to provide additional data, which is not used in calculating the indicators, but which provides additional useful insights into tax systems. These questions have been developed over the last two years, with the help of interested parties, and their input is most appreciated. Below is a selection of the questions and the answers received. Further input into how this aspect of the study can be enhanced to meet the needs of users is invited.

A list of the additional questions is included in Appendix 3. The questions are grouped around four aspects of the tax system:

- clarity and accessibility of tax rules;
- how centralised/decentralised is the tax system and whether this impacts tax administration;
- the approach of the tax authorities; and
- dealing with tax audits.

Clarity and accessibility of the tax rules

- **In your opinion, how simple or complicated are the tax rules in your country?**
Scale of 1 to 5 (1 is simple and easy to understand and 5 is very complicated even for a tax expert to understand).
- **In your opinion, how clear or ambiguous are the tax rules in your country?**
Scale of 1 to 5 (1 is very clear, 5 is ambiguous and subject to different interpretations).
- **In your opinion, how helpful are any guidance notes which the tax authority publishes to assist taxpayers in your country?**
Scale of 1 to 5 (1 is very helpful, 5 is not at all helpful / none are published).

Contributors were asked to express a view on the complexity and clarity of tax rules in their country. It is, without doubt, helpful to taxpayers that the rules be as simple and clear as possible. Where rules are by necessity complicated, to deal with the complexity of modern business and economies, it is essential that tax authority guidance is helpful and easily available.

Figure 2.37 shows the responses to the question “In your opinion, how simple or complicated are the tax rules in your country?” Just over a quarter of respondents, 28% (5% + 23%) gave a 1 or 2 marking, regarding their tax systems as simple or very simple. 12% (9% + 3%) gave a 4 or 5 marking, regarding their tax system as complicated or very complicated. 42% of contributors gave a middle marking and 18% did not answer the question.

Figure 2.38 shows the responses to the question “In your opinion, how clear or ambiguous are the tax rules in your country?” Here a higher percentage, 22% (18% + 4%) regarded their rules as ambiguous (4 or 5 marking) and a lower percentage, 20% (18% + 2%) as clear (1 or 2 marking). A similar percentage gave a middle marking or did not answer the question.

Egypt – New tax laws and a change in mindset help reform

Sherif Mansour, PricewaterhouseCoopers (Egypt)

Total Tax Rate:	43%
Number of hours:	480
Number of payments:	29

An important role at PwC, in recent years, has been to provide accurate data and information for input to the annual report, published by the World Bank Group, on *Doing Business* and *Paying Taxes*. It is noticeable, that Egypt's rank has been improving year after year. There are many reasons behind the success of reforms; one being the change in mindset of the different stakeholders in the tax system and, in particular, the mindset of the Tax Authority. In the *Paying Taxes* 2010 data, the number of hours has reduced by 231 hours, reflecting the increased use of accounting software, and efforts made to increase familiarity with the 2005 tax legislation, while the TTR has reduced due to increases made to the social security bands. As is the case for many other economies, the Egyptian economy has not been shielded from the effects of the global financial crisis and the related economic slow-down which has hindered economic development. PricewaterhouseCoopers Egypt has been working very closely with the Egyptian Tax Authority to be aware of the strategies that are being considered to deal with this crisis.

The new Egyptian Tax law introduced in 2005 played a major role in encouraging investment in Egypt, and this has helped mitigate the threats posed by the current global financial crisis. Further actions taken since include:

- The Ministry of Investment has introduced a further incentive to decrease the rental value of industrial projects, established according to the public free zone system, to \$2 per metre instead of \$3.50 per metre for one year.
- The Ministry of Finance has also proposed a new Value Added Tax (VAT) law, to replace the current sales tax. The effect of the new VAT will be to benefit the end consumer by lowering the cost of the final product. The new tax law has still to be approved by the parliament and this is expected by the end of 2009.

- The Tax Authority is offering Small and Medium Enterprises (SMEs) an opportunity to join a new 'SME Department' to enable them to qualify for additional incentives.
- Other possible initiatives include the imposition of higher taxes on tobacco to help finance the new healthcare system.

The International Monetary Fund (IMF) has released a statement in conclusion to their staff visits to Egypt on July 2009. It suggests that Egypt has weathered the impact of the global financial crisis relatively well, and that the fiscal and monetary policies adopted have helped to cushion the impact of the global slowdown on economic activity in Egypt, describing the overall performance of the Egyptian economy during 2008/2009 as 'favourable'.

As we look forward, it can be expected that the ongoing economic downturn will cause companies to face further periods of losses or reduced profits. The decision-makers in business will need to rethink their strategic orientation and how they can 'spice up' their business models. This crisis can be viewed as an opportunity for optimising the business structure and achieving competitive advantages for the future. The Tax Authority is also looking to treat the crisis as an opportunity, by looking at the potential for new procedures, methodologies and documentation for specific issues such as transfer pricing.

We believe that Egypt's *Paying Taxes* ranking could improve further in the coming years, with major changes to the regime which have been facilitated by a change in the mindset of the people and of the authorities.

The Netherlands – A debate in parliament and important changes to come

Suzanne Boers and Professor Roland Brandsma, PricewaterhouseCoopers (the Netherlands)

Total Tax Rate:	39.3%
Number of hours:	164
Number of payments:	9

Paying Taxes 2009 was successfully launched in the Dutch Parliament in The Hague. The event included a discussion of the results by the Finance Committee and a resolution to aspire to improve the Dutch overall ranking by 10 places.

The Dutch government has often expressed its wish to reduce the administrative burden of the tax system, and this has resulted in a significant reduction of the time to comply indicator. Even though the number of hours has improved significantly, the ranking has improved by only one place in view of other countries making similar improvements. This shows that there is further work to be done here. The number of tax payments has remained unchanged from last year, while the TTR shows a slight increase.

A number of plans aimed at reducing the administrative burden of business are in the pipeline, which will hopefully have a measurable effect in the future.

In his speech at the launch of the 2009 Paying Taxes report in The Hague, State Secretary of Finance, Jan Kees de Jager, expressed his intention to look into the best practices of some of the higher ranked countries, such as Ireland, Denmark and Norway, in order to examine whether these practices could also be adopted in the Netherlands. Furthermore, immediately after the launch of the 2009 Paying Taxes report, three members of the Dutch Parliament proposed a motion, which was carried by a majority of the Parliament, to harmonise the definition of wages for the various labour and social contributions. These major simplifications are intended to be implemented in 2010. These actions, in response to the Paying Taxes 2009 results, demonstrate that the Dutch government is willing to make a further effort to reduce the administrative burden for business.

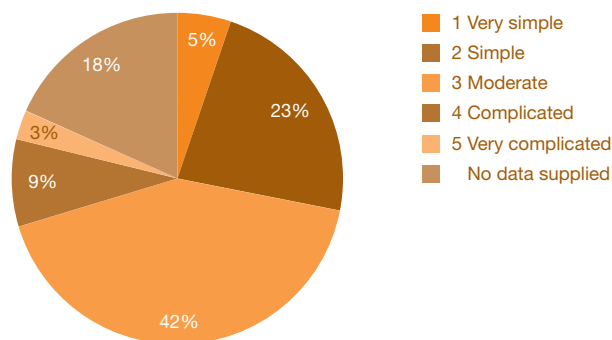
Other measures that have been introduced in 2009, with regard to the reduction of the administrative burden, consist of a simplification of the newly introduced packaging tax, a relaxation of the administrative requirements for employers with regard to newly hired employees, and the possibility to file electronic requests for postponement and electronic estimates for corporate and personal income tax purposes.

As in other countries, the Dutch government has also responded to the world-wide credit crunch, introducing a number of fiscal measures to stimulate the economy. These measures are, among other things, aimed at stimulating entrepreneurial investments and improving the cash flow position of businesses that are affected by the economic downturn. The measures include an accelerated depreciation programme for certain new investments, a temporary extra reduction of the average corporate income tax rate through a broadening of the first tax bracket of 20%, and relaxed provisions for provisionally carrying back tax losses.

The Dutch government is also planning a significant amendment to the Corporate Income Tax Act to improve the participation exemption regime, and amendments should come into effect from January 2010.

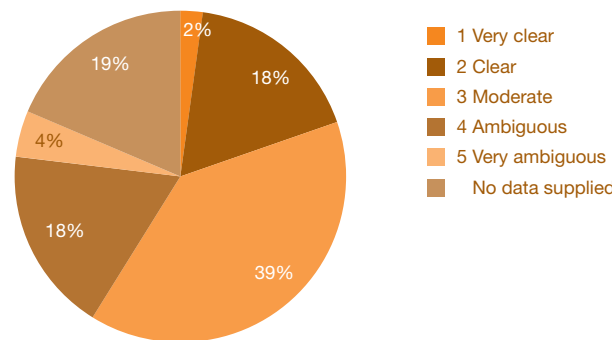
Given the plans in the pipeline for simplification of the Dutch wage taxes and improvement of the Dutch corporate income tax, it can be concluded that we are currently experiencing the calm before the storm, and that the most important tax changes are still to come.

Figure 2.37
In your opinion, how simple or complicated are the tax rules in your country?



Note: Results from all economies in the study.
Source: PwC analysis of non-indicator data.

Figure 2.38
In your opinion, how clear or ambiguous are the tax rules in your country?



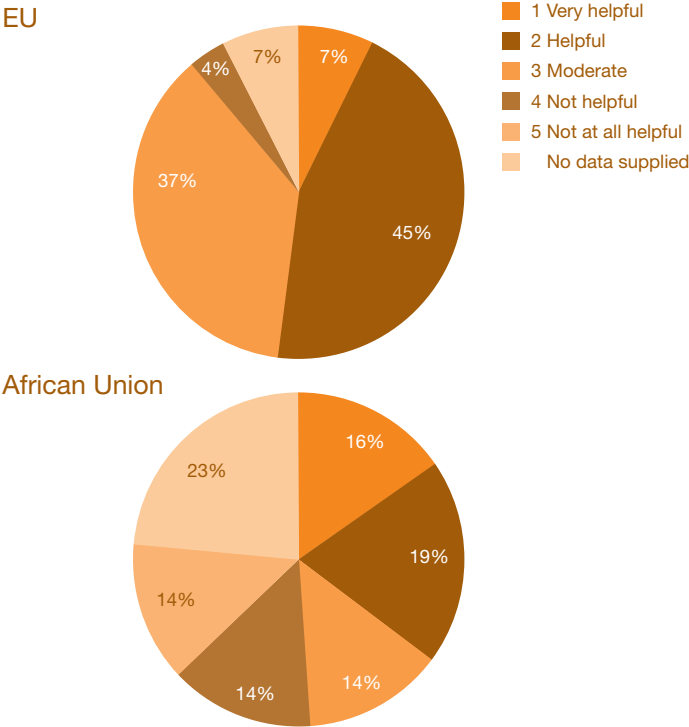
Note: Results from all economies in the study.
Source: PwC analysis of non-indicator data.

Figure 2.39 compares the results for the European Union and the African Union for the question “In your opinion, how helpful are any guidance notes which the tax authority publishes to assist taxpayers in your country?” In the EU, only one economy (4%) responded that they did not consider the guidance notes helpful as compared to 14 countries (28%, 14% + 14%) in the African Union.

Can you easily access a published statement of the actual tax revenues in your country?

Government transparency is an important indicator of professionalism and a counter-balance to regulation. Contributors were asked “Can you easily access a published statement of the actual tax revenues in your country?” **Figure 2.40** shows that 32 economies (17%) answered ‘No’ to this question, and a further 32 (17%) did not respond, perhaps suggesting they did not find it easy to answer the question. **Figure 2.40** also gives a breakdown of the ‘No’ responses by region, showing that half are from the African Union economies, and nearly a quarter from Latin America and the Caribbean.

Figure 2.39
In your opinion, how helpful are any guidance notes which the tax authority publishes to assist taxpayers in your country?



Note: Results for all economies in the regions.
Source: PwC analysis of non-indicator data.

How centralised or decentralised is the tax system?

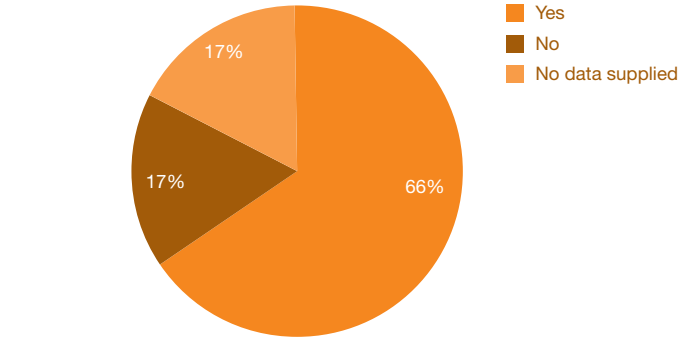
Please indicate the levels of government in your country that can levy taxes

Federal level
Yes/No

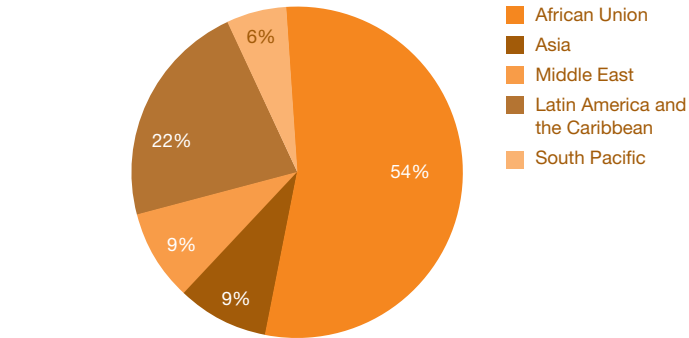
State/provincial/territory level
Yes/No

Local/municipal level
Yes/No

Figure 2.40
Can you easily access a published statement of the actual tax revenues in your country?



'No' responses by region



Note: Results for all economies in the study/'No' responses by region.
Source: PwC analysis of non-indicator data.

Tax systems around the world vary in their degree of centralisation. Some, like the UK, are quite centralised with all taxes levied centrally (with the exception of a local property tax). Others are quite decentralised, with taxes administered at the national, regional, provincial and local levels. The question arises: do decentralised tax systems add to the burden for taxpayers?

Figure 2.41 shows the responses to the question “Please indicate the levels of government in your country that can levy taxes”. 26% of contributors indicated that their tax system is quite centralised with only one level of government levying taxes. 21% showed their tax systems as decentralised with three levels of government able to levy taxes. 36% reported two levels of government, and 17% did not respond to the question.

Tanzania – Small changes will yield significant benefits

Rishit Shah, PricewaterhouseCoopers (Tanzania)

Total Tax Rate:	45.2%
Number of hours:	172
Number of payments:	48

Tanzania's major tax reforms, in the recent past, include the 2004 introduction of a new modern Income Tax Act and the 1998 introduction of VAT – changes that were accompanied by major rationalisation / removal of other taxes. Although Tanzania's results in this year's survey look quite positive, when compared to other African countries, on an overall global basis, they are, however, slightly worse than last year, with the overall ranking for the ease of paying taxes declining from 109 to 120. The key reason for this is that, in 2009, other countries made more significant changes in the way tax is administered, compared to Tanzania, which saw little by way of significant changes.

With 48 payments to be made in a year, Tanzania ranks 150 in this category, whilst a Total Tax Rate (TTR) of 45.2% ranks it 114 in the TTR category. One positive indicator is that Tanzania ranks 60 when it comes to the time to comply. Therefore, a few small changes made to the number of payments and TTR categories would assist Tanzania in making significant improvements in its overall ranking.

Subsequent to the study period, Tanzania has seen a reduction in the VAT rate (from 20% to 18% effective from July 2009). However, with the case study company being a fully taxable entity, any VAT is passed on to the consumer and so will not affect the TTR ranking when next year's results are published. The results of the survey show that labour taxes and mandatory contributions are a significant component of the TTR. Businesses in Tanzania incur such costs, for example, in the form of a 6% Skills and Development Levy (SDL) and a 20% social security contribution, half of which is normally borne by the employer. In the last few years, there has been a consistent appeal by the business community for reforms.

Whilst the study has, in recent years, recorded corporate income tax reduction as a popular reform, the Tanzanian rate has remained at 30% since 1997. With revenue collections under strain, as a result of the global economic crisis, the immediate prospects for any further reduction is likely to be remote. Even if there is a will for such reduction, it would, in any case, only be made in tandem with similar corporate income tax rate reductions by the other partners in the East African Community.

In recent years, the survey has also highlighted improving electronic filing and payments systems efficiency as one of the most popular reforms. One significant change, that has been made in Tanzania's 2009 Budget, is the amendment of several pieces of tax legislation to provide for the recognition of electronic documents for various purposes, including evidence, filing / lodgement by a taxpayer, and service by the Tanzania Revenue Authority. These changes anticipate a move towards the greater use of electronic communication for the tax communications. E-filing, for example, is explicitly stated as a strategic initiative in the TRA's Third Corporate Plan (2008/09 – 2012/13). Such changes would definitely improve the already positive ranking in relation to time to comply. Similar legislative changes have also been made elsewhere in East Africa, including in Kenya and Uganda, and whilst implementation dates for e-filing are not yet clear, Kenya is already pilot-testing electronic filing in relation to PAYE and VAT, with income tax returns to come later. With East Africa planning to move from the existing Customs Union to a Common Market, it is to be expected that, in the future, there will be even greater synchronisation and harmonisation of tax reform initiatives.

Kenya – a sustained effort required to keep pace with global change

Rajesh Shah, PricewaterhouseCoopers (Kenya)

Total Tax Rate:	49.7%
Number of hours:	417
Number of payments:	41

The Paying Taxes report was received favourably last year, as the report recognised the reforms that the Kenya Revenue Authority (KRA) had undertaken, particularly with regard to electronic filing. Paying Taxes was useful for identifying areas of difficulty, as well as areas of improvement, and for offering advice based on global best practices.

The Government is keen to improve the business environment, and recognises that one of the key areas which require reform is the tax laws and the administration of these. In response to this, it has set up a tax harmonisation committee.

A number of other successful reforms have been made, but the key is to make sure that the users (i.e., private sector participants) understand and use them.

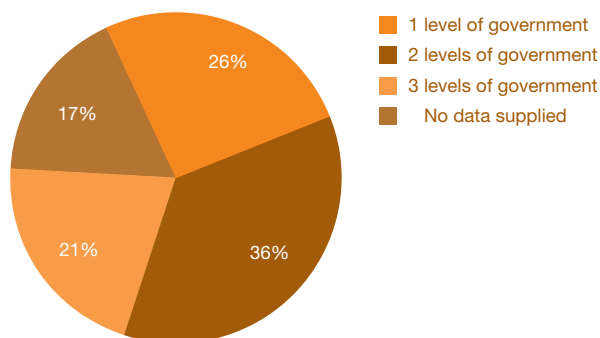
An effort to sort out the perennial VAT refund backlog is still ongoing and more effort is required towards tax harmonisation or streamlining tax exemptions within the East African Community.

Despite the reforms that have been undertaken, Kenya's ease of paying taxes rank slipped from 158 to 164. On average, businesses are required to make 41 payments per year – a process that consumes 417 hours of labour annually. The total tax rate for businesses, including taxes on profits, labour tax and other taxes and contributions, is 49.7% of profits. These indices have not changed significantly in three years.

It is clear that in order to improve its position relative to others, Kenya needs to put more focused effort into reforms compared to other countries.

Figure 2.41

Please indicate the levels of government in your country that can level taxes – federal/national level, state/regional level, local/municipal level



Note: Results for all economies in the study.

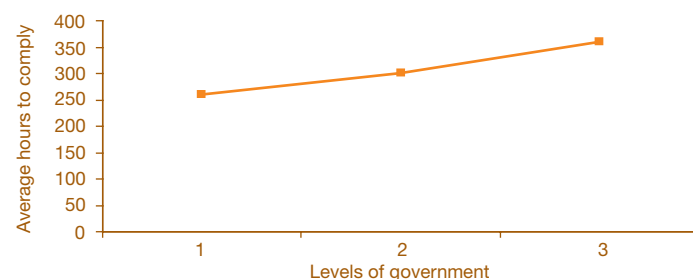
Source: PwC analysis of non-indicator data.

Decentralised tax systems may increase the burden of tax administration for business, and this was tested by comparing the average time to comply (from the time to comply indicator) for economies reporting one, two, and three levels of government levying taxes. **Figure 2.42** shows the results. The time to comply increases on average, with more levels of government.

Also considered was whether decentralised tax systems increase the degree of complexity in the eyes of the contributors. **Figure 2.43** compares the responses to the question: “In your opinion, how simple or complicated are the tax rules in your country?” for economies reporting one, two, and three levels of government levying taxes. It appears that very centralised systems, with one level of government, are perceived as slightly less complex, but the degree is not marked. The average increase in time to comply, for decentralised tax systems, is more marked.

Figure 2.42

Average time to comply for economies with 1/2/3 levels of governments that can levy taxes

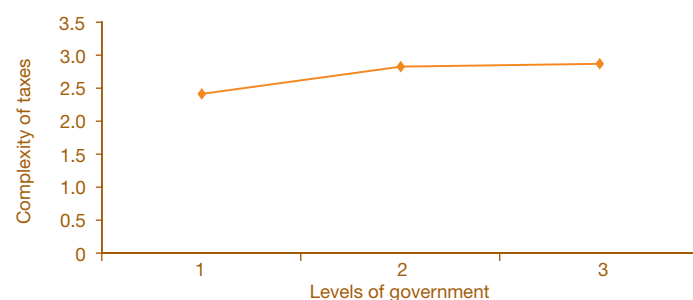


Note: Results for economies by levels of government that can levy taxes.

Source: PwC analysis of non-indicator data.

Figure 2.43

Average degree of complexity for economies with 1/2/3 levels of government that can levy taxes



Note: Results for economies by levels of government that can levy taxes.

Source: PwC analysis of non-indicator data.

28 economies indicated that indirect taxes are administered by a separate tax authority to corporate income tax. 116 economies responded ‘No’ to the question, and 39 did not provide a response.

Figure 2.44 compares the average time to comply with consumption taxes, (taken from the time to comply indicator), for economies where these taxes are administered by the same or separate tax authorities. On average, the time to comply rises by 16 hours, or 14%, where there is a separate tax authority.

Please indicate if certain taxes are administered by a separate tax authority.

Are indirect taxes administered by a separate tax authority from corporate income tax?

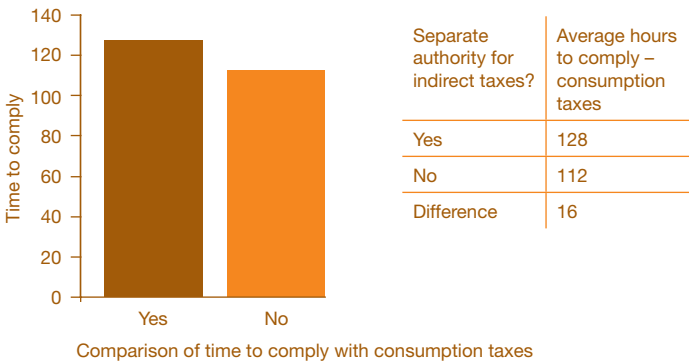
Yes/No

Is social security / social contribution administered separately?

Yes/No

Figure 2.44

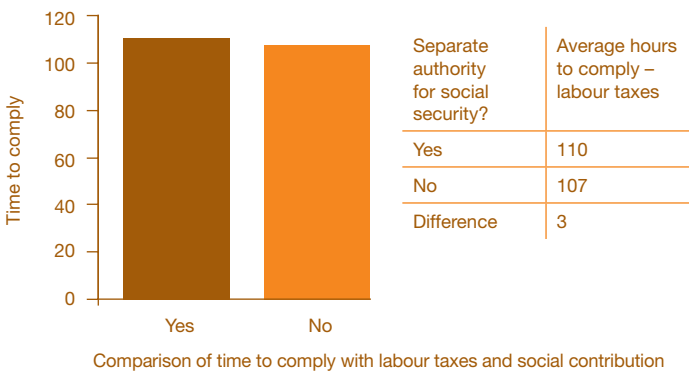
Please indicate if certain taxes are administered by a separate tax authority from corporate income tax – indirect taxes



Note: Results for economies which provided data.
Source: PwC analysis of non-indicator data.

Figure 2.45

Please indicate if certain taxes are administered by a separate tax authority from corporate income tax – social security



Note: Results for economies which provided data.
Source: PwC analysis of non-indicator data.

106 economies responded ‘Yes’ to the question, indicating that social security / social contributions are administered by a separate tax authority from corporate income tax. 43 responded ‘No’ to the question and 34 did not reply.

Figure 2.45 compares the average time to comply with labour taxes and contributions (taken from the time to comply indicator), for economies where these are administered by the same or separate tax authorities. The average time taken is only slightly different, with a small increase (three hours or 2%) where there is a separate authority.

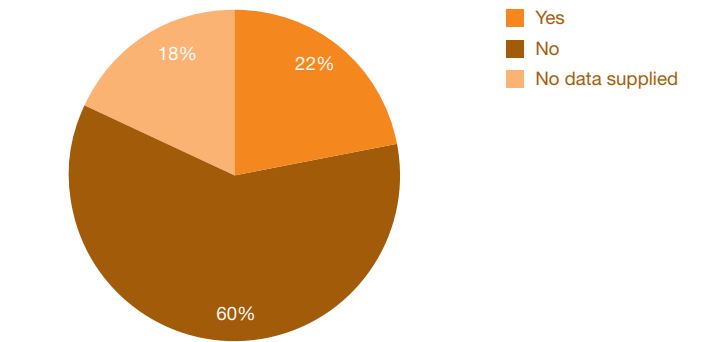
The approach of the tax authorities

Over and above the books which are kept for accounting purposes, are there additional books which must be kept by companies in your country only for tax purposes?

The requirement to keep extra books solely for tax, over and above those required for accounting purposes, can add to the burden of tax administration for business.

Figure 2.46

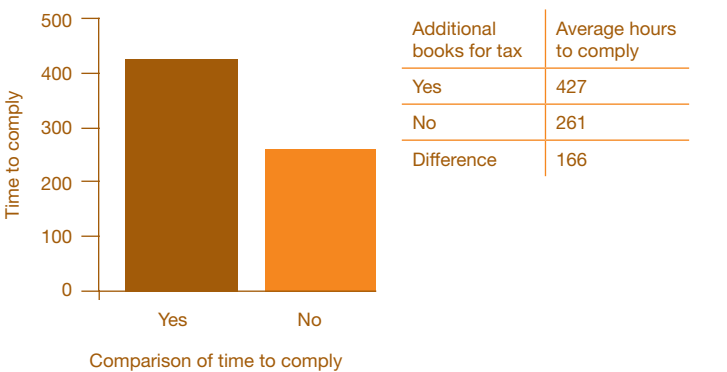
Over and above the books that are kept for accounting purposes, are there additional books that must be kept only for tax?



Note : Results for all economies in the study.
Source: PwC analysis of non-indicator data.

Figure 2.47

Are there additional books which must be kept by companies only for tax purposes?



Note: Results for economies which provided data.
Source: PwC analysis of non-indicator data.

China – corporate income tax reform and a fall in the TTR

Rex Chan, Pricewaterhousecoopers (China)

Total Tax Rate:	63.8%
Number of hours:	504
Number of payments:	7

Reduction of the Total Tax Rate – China's Corporate Income Tax ('CIT') Reform 2008: this year there has been a significant reduction in the Total Tax Rate. The main contributing factor to this change is the reduction of CIT, resulting from the implementation of the new CIT Law in 2008.

As introduced in the last report, the new CIT Law has consolidated two separate enterprise income tax regimes, for domestic enterprises and foreign investment enterprises, into a single regime. It has reduced the standard tax rate from 33% to 25%, and offered an even lower tax rate for qualified small and thin-profit companies (20%), and for qualified high/new technological enterprises (15%). Being a qualified small and thin-profit company, the applicable CIT rate for TaxpayerCo is 20%.

In addition to the above, the new CIT Law has changed certain deduction limitations on expenses. Specific to TaxpayerCo's case, the changes are reflected in the following aspects:

- **Salary expenses.** Under the old CIT regime for domestic enterprises, the deduction limit was RMB 1,600 per headcount per month. The new CIT has removed this limit and allowed a full deduction of the salary expenses actually incurred.
- **Pre-operating expenses.** Under the old CIT regime for domestic enterprises, pre-operating expenses should be capitalised and amortised evenly over five years for CIT calculation, although it is expensed in the accounting books once the enterprise starts operation. The new CIT law has removed this difference, between book and tax, and allowed a one-off deduction of the pre-operating expenses.
- **Business entertainment expenses.** Under the old CIT regime for domestic enterprises, the deduction limit of business entertainment expenses should be

calculated at 0.5% of annual operating revenue within RMB 15 million, plus 0.3% of the portion of annual operating revenue exceeding RMB 15 million. The new CIT law allows the deduction at the lower of 60% of the actual incurred amount and 0.5% of annual operating revenue.

The reduction of effective tax rate and taxable income has led to a lower CIT liability, and therefore, a lower CIT rate as indicated above.

China's Turnover Tax Reform 2009: China has been actively reinforcing the reform of its tax system in recent years. At the end of 2008, the Chinese Ministry of Finance and State Administration of Taxation issued the amended PRC Provisional Regulations on Value Added Tax ('VAT'), Business Tax and Consumption Tax, effective 1 January 2009, among which, the long-awaited and proposed transformation of a production-oriented VAT system to a consumption-oriented VAT system has drawn a great deal of attention from taxpayers, especially in time of global financial crisis.

Under the old VAT regime, the recovery of input VAT incurred in the purchase of fixed assets was disallowed. The input VAT would be capitalised as costs of fixed assets, which creates the problem of multiple taxation. The VAT transformation is not only aiming to reduce the tax burden on investing in equipment, but also achieving multiple objectives, such as encouraging domestic consumption, promoting advancement of technology, guiding structural developments, and stimulating economic growth as a whole.

A fall in the number of payments: It is also worth noting that the number of payments for China has fallen this year, in view of an enhanced use of electronic filing for stamp duty and land tax.

India – The Paying Taxes study is an important reference point for tax reform

Rahul Garg, PricewaterhouseCoopers (India)

Total Tax Rate:	64.7%
Number of hours:	271
Number of payments:	59

The Paying Taxes study, prepared by the World Bank Group and PricewaterhouseCoopers, is one of the fiscal reference points that applies information scientifically. The survey is an important reference document for comparison of countries at a global level, and the trends, in terms of reform, are becoming important. The World Bank Group, with the support of PwC, also conducted a sub-national survey on *Doing Business* in India which covered 17 states and included the subject of Paying Taxes. This was endorsed by the Ministry of Commerce and Industry in the Government of India. The survey provides a platform for procedural/economic reforms in all of the states, vis-à-vis the states which have adopted good practices, promotes healthy competition, and provides benchmarks for further improvement. The results of the sub-national study have reinforced the Government engagement with the teams which help compile the paying taxes data.

The Paying Taxes study results have consistently showed a high TTR and a high number of payments for India. The hours to comply are just below the world average. The results have prompted government to look at possible reform and this is beginning to show positive results. Looking at the indirect tax regime, at the launch of the initial survey, the Central Sales Tax (CST) was charged at 4%, and contributed to 28% of the Total Tax Rate for India. The survey highlighted the cascading impact of CST. There has been reform in this respect, with a reduction in the applicable rate to 2%, and a target of reducing it to nil with the introduction of Goods and Service Tax (GST) by April 1, 2010.

There have also been initiatives for direct taxes that take notice of the Paying Taxes findings on compliance. For example, all direct tax payments for corporates can now be made online. Also, from this year, the processing of the tax returns for all corporate taxpayers across the country shall be done at a central location through the mandatory e-filing process. In the Finance Act of 2009, the Government of India has provided for the introduction of document identification numbers for all correspondence with the Revenue authorities, in an effort to streamline compliance procedures. Furthermore, there is a proposal to issue a unique transaction number to all the assesseees so that the due credit for withholding tax can be electronically given with effect from 1 April 2010.

The Indian Government has released a draft of the new direct tax code, with the aim of simplifying the tax provisions and compliance procedures. We hope that the direction given by the survey continues to be a useful input, and that this will be reflected in future Paying Taxes studies.

Figure 2.46 shows the responses to this question. 22% of the contributors responded that extra books must be kept only for tax, 60% said not and 18% did not reply to the question.

Venezuela is an example where the requirement to keep extra books adds to the time to comply. Of the total of 864 hours needed for preparation of tax returns, 348 hours (40%) comes from this requirement.

Figure 2.47 compares the average time to comply for economies which answered ‘Yes’ and ‘No’ to this question. The average time increases by 63% for those economies required to keep additional books.

In a typical situation, how long is it likely to take, in practice, for a company to receive a VAT or withholding tax refund in your country (time from claiming a refund to receiving the cash)?

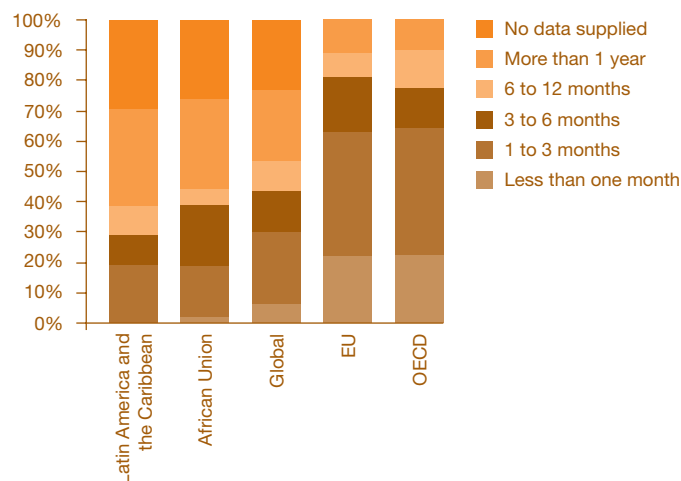
- less than a month
- 1 to 3 months
- 3 to 6 months
- 6 to 12 months
- more than a year

How long it takes for a taxpayer to receive a refund could be seen as one useful test of the efficiency of tax authorities. This is also important for business in view of the impact on corporate liquidity and the time value of money on delayed refund processing. **Figure 2.48** compares the responses to this question overall, with the responses for selected regional groupings.

Of the 183 economies, 30% reported that, in a typical situation, a VAT or withholding tax refund should be received in less than a month, or within one to three months. Some 22% said it would be likely to take more than a year.

In some regional groupings, the typical time was notably quicker, in others slower. 65% of respondents in the OECD, and 63% in the EU, said the typical time taken is less than three months. In the African Union however, 19% reported a typical time of less than three months, and 30% indicated more than a year. In Latin America and the Caribbean, the figures were 19% for less than three months and 32% for more than a year.

Figure 2.48
How long is it likely to take in practice for a company to receive a refund?



Note: Results for all economies in the study and for selected regions.
Source: PwC analysis of non-indicator data.

Dealing with tax audits

In your experience, how are companies selected for a tax audit? Please select all relevant methods and number them from the most common to the least common, where 1 is the most common.

- risk assessment
- by size
- by type of business
- when they ask for a refund
- random basis
- other, please specify

In a typical situation for a large company, how long is a tax audit likely to take in your country (from first information request to substantive resolution)?

- less than 3 months
- less than 1 year
- 1 to 2 years
- 2 to 5 years
- over 5 years
- continuous audit

In your opinion, how easy is it for a company to deal with a tax audit in your country? Scale of 1 – 5 (1 is very easy, 5 is very difficult).

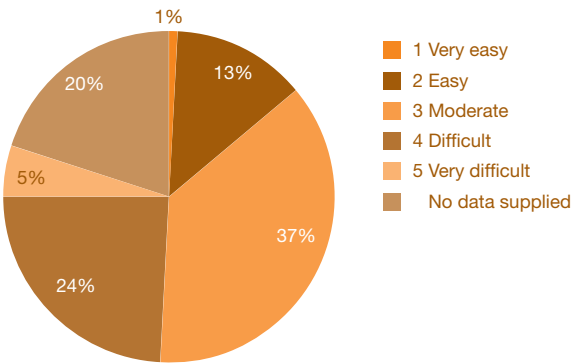
A tax audit can be the most difficult interaction that a business has with the tax authorities. Clearly tax authorities need to audit taxpayer returns but audits can be lengthy, difficult to deal with and require additional taxpayer resource. It is important therefore that, so far as possible, audits are targeted and carried out as quickly and efficiently as possible. How tax authorities deal with an audit can be a test of how good their tax administration is.

Contributors were asked to indicate how, in their experience, companies are selected for a tax audit. They were provided with a list of options and asked to select all the relevant options, and number them in order, from the most common to the least common.

Selection of companies for a tax audit, based on risk assessment, is often considered a best practice for tax authorities. In this method, tax authorities target their resource to audit companies or issues which are considered to present the biggest risk of non-compliance or loss of tax revenues. Out of the 145 economies that responded to this question, 47 selected risk assessment as a common method (first or second choice).

Contributors were also asked to give their opinion on how easy it is to deal with a tax audit in their country. **Figure 2.49** shows the global distribution of results. 14% (1% + 13%) of economies regarded dealing with a tax audit as very easy or easy, and 29% (24% + 5%) as difficult or very difficult. 37% gave a middle marking and 20% did not respond to the question.

Figure 2.49
In your opinion, how easy is it for a company to deal with a tax audit in your country?



Note: Results for all economies in the study.
Source: PwC analysis of non-indicator data.

United States – a relatively high burden of profit taxes

Peter Merrill, PricewaterhouseCoopers (US)

Total Tax Rate:	46.3%
Number of hours:	187
Number of payments:	10

For small companies that are the focus of *Paying Taxes*, the United States compares favourably with other countries in terms of ease of compliance, ranking in the top quartile for annual number of tax payments and the second quartile for the number of hours required to comply with taxes. However, the total tax burden on U.S. companies measured by the Total Tax Rate, 46.3%, compares unfavourably with other countries, ranking in the third quartile or 118 out of 183 countries. Thus, for small businesses that operate within a single locality, the U.S. tax system imposes a relatively high rate of tax, although compliance costs are relatively low.

The composition of U.S. taxes varies markedly from global patterns. Labour taxes as a share of profits before total taxes are 9.6%, which is relatively low compared to the global average of 16.1%. By contrast, taxes on profit (as a share of profits before total taxes) are 27.9%, which is quite high, relative to the global average of 18.2%. Other taxes (as a share of profits before total taxes) are also quite high in the United States primarily due to property taxes, which are typically imposed at the local level.

According to OECD data for 2009, the combined U.S. federal and average state/local corporate income tax rate is 39.1%, over 50% higher than the 25.9% average for the other 29 OECD member countries. The high corporate income tax rate is only slightly offset by the Domestic Production Activities Deduction (DPAD), which effectively reduces the federal corporate income tax rate on qualified income from certain property manufactured, produced, grown or extracted in the United States by about two percentage points.

The U.S. Internal Revenue Service ('IRS') is undertaking research on measurement of corporate tax compliance costs. As part of this project, the IRS is reviewing the methodology for measuring tax compliance costs used in *Paying Taxes*, as well as the results of Total Tax Contribution studies conducted by PricewaterhouseCoopers in Australia, South Africa, and the United Kingdom.

PricewaterhouseCoopers surveyed 40 of the largest companies in the United States as part of a Total Tax Contribution study conducted in conjunction with Business Roundtable, a CEO-led organisation. The study shows that, in addition to income taxes, corporations bear a wide variety of non-income taxes that have little visibility in financial statements, but which add \$62 of tax liability for every \$100 of corporate income taxes paid by survey participants. These non-income taxes include customs duties, state and local property and gross receipts taxes. Companies also serve as tax collectors for government, remitting \$169 of sales, excise, withholding and other taxes imposed on customers and employees, for every \$100 of corporate income taxes paid by survey participants.

Malaysia – The government task force on tax reform uses Paying Taxes as a framework

Chuan Keat Koo, PricewaterhouseCoopers (Malaysia)

Total Tax Rate:	34.2%
Number of hours:	145
Number of payments:	12

After the formation of Malaysia, a consolidated Income Tax Act was introduced in 1967. The basic principles of income taxation embodied in that Act remain the same and in force to this day. As Malaysia entered the new millennium, calls for reforms to the taxation system were made by the business community. Also, a series of articles by PricewaterhouseCoopers, published in August 2004, in a leading local business publication, *The Edge*, advocated an urgent need to initiate tax reform measures with simplification of the legislation and procedures as the basic objectives.

In the 2005 Budget Speech, which was presented in the Malaysian Parliament in September 2004, the Finance Minister (who was also the Prime Minister) announced the establishment of a Tax Review Panel (TRP). This panel was tasked with reviewing the whole system of direct and indirect taxation, with a view to introducing tax reforms aimed at simplifying the legislation, and procedures to ensure that the tax system is efficient and business-friendly, as well as to improve clarity and transparency of tax administration. Since then, the TRP has been actively engaged in fine-tuning the tax system from both the legislative and administrative/procedural aspects.

The tax reform process received an added boost in 2007 with the establishment of the Special Task Force to Facilitate Business (or PEMUDAH) that reports directly to the Prime Minister. PEMUDAH resulted from the recognition of a need for a concerted cross-ministerial initiative to effect greater improvement in the way government regulates businesses. The Task Force comprises 23 highly respected individuals from both the private and public sectors. Using the World Bank Group's *Doing Business* 2007 report as a framework, PEMUDAH has focused on processes and procedures to improve the public delivery system and enhance Malaysia's business environment, including its tax competitiveness and efficiency.

Within PEMUDAH, the Focus Group on Paying Taxes has adopted the key findings reported in the Paying Taxes 2009 report as the benchmark for setting its targets for improvements to the tax administration system, for both direct and indirect taxes. Proposals for specific initiatives are aimed at raising the bar and improving Malaysia's position relative to other countries in the report for the coming year.

Using key indicators from Paying Taxes (number of payments; time to prepare, file and pay; Total Tax Rate) the Focus Group has proposed and initiated several improvements in tax administrative procedures in 2008 for both direct and indirect taxes, which included the following:

- launch of 'e-Daftar' ('e-Registration') by the Inland Revenue Board ('IRB'), which enables companies to submit their estimates and revisions of corporate tax liability online;
- the IRB provided a timeline for responding to taxpayer's appeals and objections;
- companies are now allowed to make payments at the nearest Customs office instead of only at controlled stations;
- specific Excise Forms can be downloaded from the Royal Malaysian Custom's website, and forms can be submitted through diskette, CD or thumb drive.

It was strongly advocated by PricewaterhouseCoopers, in its tax reform series in August 2004 (along with other stakeholders), that the introduction of a consumption tax should be seriously considered as an alternative means of raising tax revenues. As a result, it was also subsequently announced in the 2005 Budget that a Goods and Services Tax ('GST') will be introduced, the implementation date of which has yet to be determined. The advent of GST will also mean the introduction of new tax administrative procedures. In such circumstances, tax administrators need to carefully consider and plan relevant procedures for new taxes, in order to manage their impact on the ease of tax compliance. Paying Taxes 2009 showed that Malaysia's overall ranking improved significantly to 21 (from 60) and, while this position has slipped slightly in Paying Taxes 2010, Malaysia has confirmed its position in the top quartile overall. However, compared to other economies in the region (notably, Singapore which ranks five, and Hong Kong with a ranking of three), there is obviously some distance to go before Malaysia can boast of being 'among the best'. The target which the Focus Group on Paying Taxes has set itself – to be ranked within the 'Top 10' – is a clear reflection of the commitment to improving the ease of paying taxes in Malaysia.

Figure 2.50
In your opinion, how easy is it for a company to deal with a tax audit in your country?

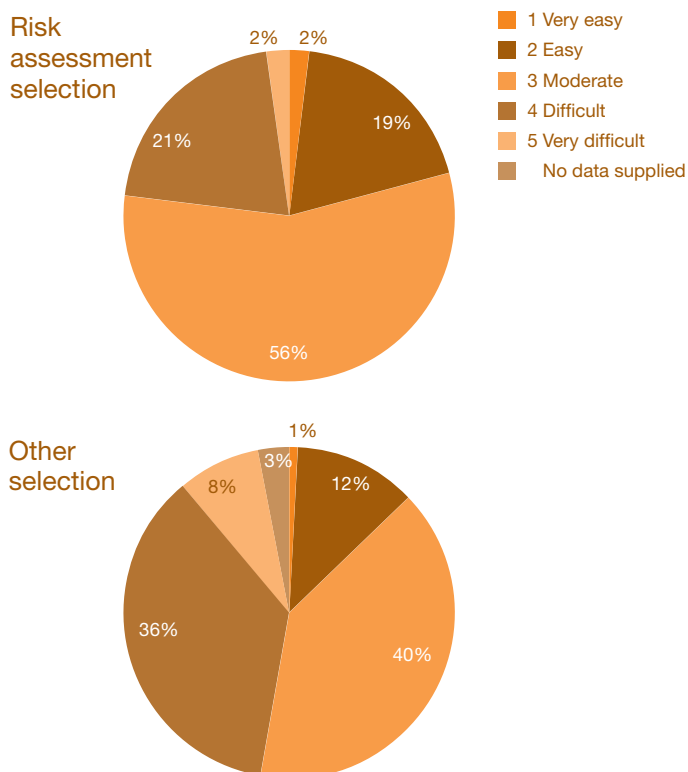


Figure 2.51
In a typical situation for a large company, how long is a tax audit likely to take?

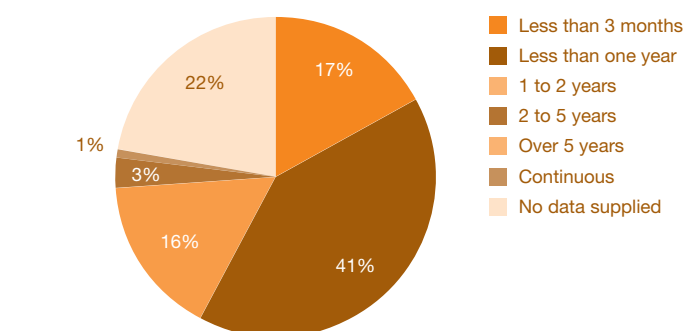


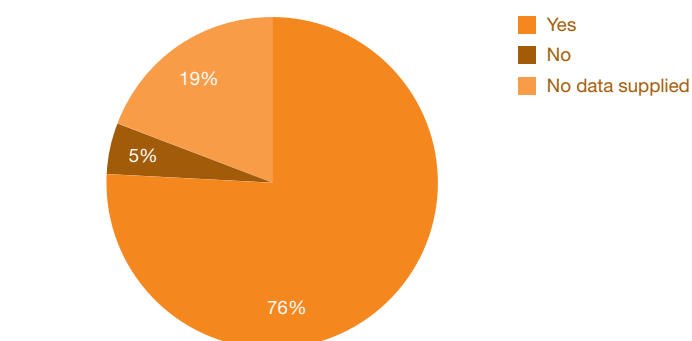
Figure 2.50 compares the responses to this question for the 47 economies indicating risk assessment as a common method of selection for a tax audit, with the 98 economies who did not. It is clear that audits are more often perceived as being difficult in economies using a method other than risk assessment. 44% (36% + 8%) responded that it was difficult or very difficult in these economies compared to only 23% (21% + 2%) where a risk assessment method is used. This is also higher than the 29% (24% + 5%) of economies globally which state that it is difficult to deal with a tax audit.

Figure 2.51 shows the global distribution of responses to the question: “In a typical situation for a large company, how long is a tax audit likely to take?” 17% of economies reported that an audit was likely to take less than three months, and a further 41% less than a year. 20% said more than a year, and 22% did not respond to the question. For taxpayers, any delay in closing a tax audit is a concern, not only in view of the potential impact on income statements, but also because of the uncertainty that it creates.

Is there an independent body (such as a tribunal or court) to which a taxpayer can appeal against a decision of the tax authorities?
Yes / No

In your opinion, how effective is the independent appeal process in your country?
Scale of 1 to 5 (1 is very efficient, 5 is very inefficient)

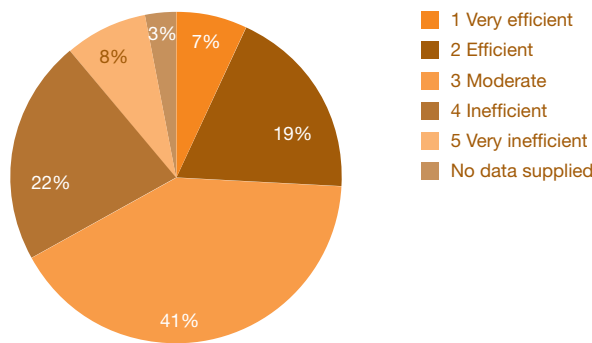
Figure 2.52
Is there an independent body to which a taxpayer can appeal?



As shown in **Figure 2.52**, contributors in 10 (5%) economies stated that there is no independent body to which a taxpayer can appeal. A further 35 did not reply to the question. The 10 economies are located in Central Asia and Eastern Europe, the Middle East, Africa, Asia and Latin America and the Caribbean.

Clearly, an effective independent appeal process is an important aspect of good tax administration and it is also important from the taxpayers' perspective. **Figure 2.53** shows the views of these contributors reporting an independent appeal body with 30% (22% + 8%) regarding the appeal process as inefficient or very inefficient.

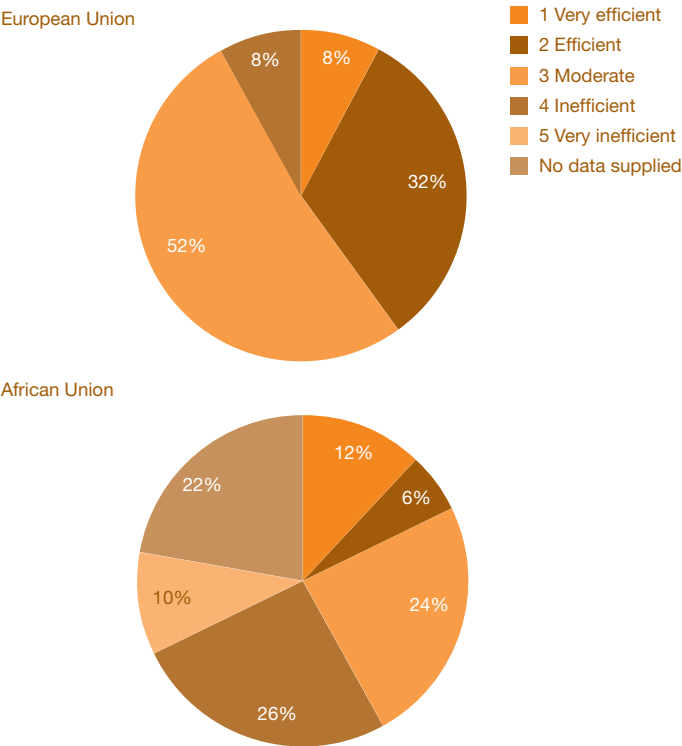
Figure 2.53
In your opinion, how effective is the independent appeal process?



Note: Results for economies reporting an independent appeal process in the study.
Source: PwC analysis of non indicator data.

Figure 2.54 compares the responses from the European Union and the African Union. Two countries in the European Union regarded the process as inefficient, compared to 18 in the African Union who ranked it inefficient or very inefficient.

Figure 2.54
In your opinion, how effective is the independent appeal process



Note: Results for all economies in the region reporting an independent appeal body.
Source: PwC analysis of non indicator data.

Best and worst aspects of the tax system

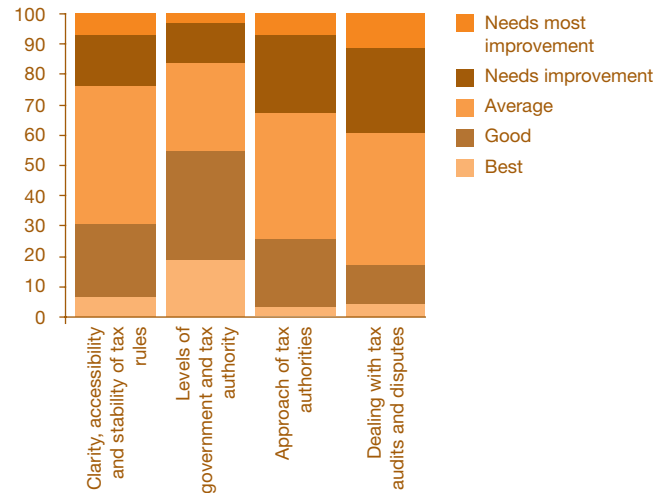
Please rate on a scale of 1 to 5 (1 for best and 5 for needing most improvement) the following aspects of the tax rules in your country

- clarity, accessibility and stability of the tax rules
- levels of government and tax authority
- approach of the tax authority
- dealing with tax audits and disputes
- other, please specify

Figure 2.55 makes interesting reading. Around the world, our contributors rank dealing with tax audits and disputes as the aspect of their tax system which in their view, needs improvement. 39% say that this area needs improvement, or needs most improvement.

This is followed by the approach of the tax authorities (32%) and clarity, accessibility and stability of tax rules (24%). Levels of government and tax authority is the area they are most satisfied with. 55% say it is a good or best aspect of their tax system.

Figure 2.55
Best and worst aspects of the tax system



Note: Results for all economies in the study.

Source: PwC analysis of non indicator data.

Summary

The last few pages have looked at the contributors' responses to some of the additional questions that were asked as part of the Paying Taxes study this year. The data provided in response to these questions is not used to calculate the results for the Paying Taxes indicator, but could be used, for example, to provide additional insights into tax systems, and to help governments review their own system and prioritise areas for reform.

Some of the areas highlighted in this commentary include:

- over a fifth of contributors (**22%**), regarded the tax rules in their country as ambiguous.
- in some countries, the guidance notes published by tax authorities are not considered helpful.
- contributors in over a third of the economies (**34%**) could not point us to a published statement of government tax revenues, as a sign of transparent government.
- decentralised tax systems do not seem to add to complexity, but do tend to increase the time to comply for business.
- a requirement to keep extra books, solely for tax, can add significantly to the compliance time.
- generally speaking, it seems to be quicker to receive a tax refund in the more developed economies.
- tax audits are seen as less difficult when tax authorities use a risk assessment method of selection.
- in 28% of our economies, contributors either said there is no independent appeal process (5%), or where there is a process, they regarded it as inefficient (23%).
- dealing with tax audits and disputes, and the approach of tax authorities, are seen as the aspects of tax systems around the world which most need improvement.

Going forward, the aim is to further develop this part of the study and enhance the value for users. As always, input is invited and welcomed.

Index to the Appendix

- 1.1 Summary of the rankings including:
 - Ease of paying taxes rankings
 - Individual indicator rankings for tax payments
 - Individual indicator rankings for time to comply
 - Individual indicator rankings for Total Tax Rate
- 1.2 Tax payments – the details
- 1.3 Time to comply – the details
- 1.4 Total Tax Rate – the details

Appendix 1.1 Ease of paying taxes rankings

(Please see Appendix 2 of this report for an explanation of the methodology.)

Economy	Rankings			
	Ease of paying taxes	Tax payments	Time to comply	Total Tax Rate
Afghanistan	55	14	119	71
Albania	138	142	99	113
Algeria	168	114	161	168
Angola	139	96	116	143
Antigua and Barbuda	128	164	81	94
Argentina	142	21	162	178
Armenia	153	152	179	69
Australia	47	37	24	127
Austria	102	76	64	146
Azerbaijan	108	76	151	89
Bahamas, The	42	55	5	121
Bahrain	13	87	3	8
Bangladesh	89	72	127	64
Belarus	183	181	177	177
Belgium	73	35	53	150
Belize	57	129	48	34
Benin	167	163	107	170
Bhutan	90	59	118	88
Bolivia	177	136	181	172
Bosnia and Herzegovina	129	154	159	27
Botswana	18	63	42	14
Brazil	150	30	183	167
Brunei Darussalam	22	48	46	40
Bulgaria	95	55	172	45
Burkina Faso	144	144	107	111
Burundi	116	100	42	181
Cambodia	58	128	66	19
Cameroon	170	133	182	137
Canada	28	21	30	103
Cape Verde	110	164	20	133
Central African Republic	179	160	165	179

Economy	Rankings			
	Ease of paying taxes	Tax payments	Time to comply	Total Tax Rate
Chad	133	160	34	155
Chile	45	30	130	24
China	125	9	165	160
Colombia	115	68	82	171
Comoros	41	68	20	92
Congo, Dem. Rep.	157	100	128	183
Congo, Republic	180	171	170	164
Costa Rica	154	136	124	145
Côte d'Ivoire	152	174	107	110
Croatia	39	55	73	50
Cyprus	37	90	49	33
Czech Republic	121	37	171	122
Denmark	13	21	41	36
Djibouti	65	119	26	77
Dominica	68	126	31	73
Dominican Republic	70	21	133	80
Ecuador	77	14	169	61
Egypt, Arab Rep.	140	93	163	102
El Salvador	134	157	131	62
Equatorial Guinea	163	144	126	154
Eritrea	110	59	85	173
Estonia	38	30	16	131
Ethiopia	42	63	75	43
Fiji	81	107	50	93
Finland	71	14	98	125
France	59	9	40	165
Gabon	107	88	116	109
Gambia	176	152	151	182
Georgia	64	59	154	9
Germany	71	52	73	112
Ghana	79	107	88	52

Rankings

Economy	Ease of paying taxes	Tax payments	Time to comply	Total Tax Rate
Greece	76	30	88	124
Grenada	82	95	42	115
Guatemala	108	84	142	90
Guinea	171	164	157	135
Guinea-Bissau	130	144	82	116
Guyana	113	114	125	79
Haiti	99	136	56	84
Honduras	145	147	88	128
Hong Kong, China	3	4	14	22
Hungary	122	43	137	151
Iceland	31	96	42	23
India	169	168	114	162
Indonesia	127	154	106	76
Iran	117	76	142	106
Iraq	53	41	129	32
Ireland	6	21	11	26
Israel	83	107	95	51
Italy	136	48	138	166
Jamaica	174	177	156	139
Japan	123	41	144	147
Jordan	26	88	22	41
Kazakhstan	52	21	114	66
Kenya	164	133	158	134
Kiribati	10	9	31	47
Korea, Rep.	49	43	101	48
Kosovo	50	107	60	31
Kuwait	11	48	29	10
Kyrgyz Republic	156	178	79	153
Lao PDR	113	114	148	56
Latvia	45	9	121	54
Lebanon	34	63	67	38

Rankings

Economy	Ease of paying taxes	Tax payments	Time to comply	Total Tax Rate
Lesotho	63	72	133	15
Liberia	85	100	55	104
Lithuania	51	37	63	99
Luxembourg	15	76	6	17
Macedonia, FYR	26	129	10	12
Madagascar	74	82	78	81
Malawi	24	63	54	25
Malaysia	24	37	47	58
Maldives	1	1	1	3
Mali	158	167	107	140
Marshall Islands	94	72	36	163
Mauritania	175	126	174	175
Mauritius	12	9	58	21
Mexico	106	7	167	138
Micronesia	86	72	36	152
Moldova	101	150	93	42
Mongolia	69	141	70	20
Montenegro	145	179	149	35
Morocco	126	92	147	96
Mozambique	98	122	95	59
Namibia	97	122	150	4
Nepal	124	114	141	78
Netherlands	33	21	61	82
New Zealand	9	14	9	53
Nicaragua	165	173	97	158
Niger	141	133	107	119
Nigeria	132	119	178	49
Norway	17	4	18	95
Oman	8	43	7	18
Pakistan	143	147	168	46
Palau	91	63	36	169

Rankings

Economy	Ease of paying taxes	Tax payments	Time to comply	Total Tax Rate
Panama	173	168	164	136
Papua New Guinea	96	107	71	97
Paraguay	110	119	135	63
Peru	86	21	153	86
Philippines	135	147	72	132
Poland	151	129	155	98
Portugal	80	14	135	100
Puerto Rico	104	52	86	161
Qatar	2	1	3	5
Romania	149	182	79	108
Russia	103	35	131	129
Rwanda	59	114	56	44
Samoa	67	122	88	16
São Tomé and Príncipe	160	136	160	123
Saudi Arabia	7	43	13	7
Senegal	172	168	173	117
Serbia	136	174	121	57
Seychelles	34	52	11	105
Sierra Leone	161	93	146	180
Singapore	5	6	17	29
Slovak Republic	119	96	103	130
Slovenia	84	76	104	75
Solomon Islands	48	107	14	70
South Africa	23	21	77	39
Spain	78	14	84	148
Sri Lanka	166	172	102	159
St. Kitts and Nevis	100	84	52	142
St. Lucia	40	100	19	60
St. Vincent and the Grenadines	62	100	28	91
Sudan	93	136	67	68

Rankings

Economy	Ease of paying taxes	Tax payments	Time to comply	Total Tax Rate
Suriname	32	55	76	30
Swaziland	54	107	23	72
Sweden	42	3	34	144
Switzerland	21	84	8	37
Syrian Arab Republic	105	68	139	101
Taiwan, China	92	59	123	87
Tajikistan	162	160	88	174
Tanzania	120	150	65	114
Thailand	88	82	105	74
Timor-Leste	19	7	120	1
Togo	155	157	107	141
Tonga	30	68	61	28
Trinidad and Tobago	56	129	26	55
Tunisia	118	76	93	157
Turkey	75	48	87	107
Uganda	66	100	58	65
Ukraine	181	183	175	149
United Arab Emirates	4	43	2	6
United Kingdom	16	14	25	67
United States	61	30	69	118
Uruguay	159	157	139	120
Uzbekistan	178	180	145	176
Vanuatu	20	96	31	2
Venezuela	182	176	176	156
Vietnam	147	100	180	85
West Bank and Gaza	28	90	51	13
Yemen	148	142	100	126
Zambia	36	122	39	11
Zimbabwe	131	154	107	83

Appendix 1.2

Tax payments (number per year)

(Please see Appendix 2 of this report for an explanation of the methodology.)

Economy	Number of payments				Rank
	Total tax payments	Profit tax payments	Labour tax payments	Other taxes payments	Tax payments rank
Afghanistan	8	1	0	7	14
Albania	44	13	12	19	142
Algeria	34	4	12	18	114
Angola	31	4	12	15	96
Antigua and Barbuda	56	13	24	19	164
Argentina	9	1	1	7	21
Armenia	50	13	12	25	152
Australia	12	1	4	7	37
Austria	22	1	4	17	76
Azerbaijan	22	1	12	9	76
Bahamas, The	17	0	12	5	55
Bahrain	25	0	24	1	87
Bangladesh	21	6	0	15	72
Belarus	107	24	24	59	181
Belgium	11	1	2	8	35
Belize	40	12	12	16	129
Benin	55	5	24	26	163
Bhutan	18	2	12	4	59
Bolivia	42	1	12	29	136
Bosnia and Herzegovina	51	12	12	27	154
Botswana	19	6	0	13	63
Brazil	10	2	2	6	30
Brunei Darussalam	15	1	12	2	48
Bulgaria	17	2	1	14	55
Burkina Faso	46	2	24	20	144
Burundi	32	1	16	15	100
Cambodia	39	12	12	15	128
Cameroon	41	13	12	16	133
Canada	9	2	3	4	21
Cape Verde	56	4	24	28	164

Economy	Number of payments				Rank
	Total tax payments	Profit tax payments	Labour tax payments	Other taxes payments	Tax payments rank
Central African Republic	54	4	24	26	160
Chad	54	12	24	18	160
Chile	10	1	1	8	30
China	7	2	1	4	9
Colombia	20	2	1	17	68
Comoros	20	2	0	18	68
Congo, Dem. Rep.	32	1	16	15	100
Congo, Republic	61	5	37	19	171
Costa Rica	42	5	12	25	136
Côte d'Ivoire	66	3	24	39	174
Croatia	17	1	12	4	55
Cyprus	27	4	12	11	90
Czech Republic	12	1	2	9	37
Denmark	9	3	1	5	21
Djibouti	35	5	12	18	119
Dominica	38	5	12	21	126
Dominican Republic	9	1	4	4	21
Ecuador	8	2	1	5	14
Egypt, Arab Rep.	29	1	12	16	93
El Salvador	53	13	24	16	157
Equatorial Guinea	46	1	24	21	144
Eritrea	18	2	0	16	59
Estonia	10	1	0	9	30
Ethiopia	19	2	0	17	63
Fiji	33	4	14	15	107
Finland	8	1	3	4	14
France	7	1	2	4	9
Gabon	26	3	4	19	88
Gambia	50	6	13	31	152
Georgia	18	4	0	14	59

Appendix 1
The data tables

Economy	Number of payments				Rank
	Total tax payments	Profit tax payments	Labour tax payments	Other taxes payments	Tax payments rank
Germany	16	2	4	10	52
Ghana	33	6	12	15	107
Greece	10	1	1	8	30
Grenada	30	1	12	17	95
Guatemala	24	1	12	11	84
Guinea	56	2	36	18	164
Guinea-Bissau	46	5	12	29	144
Guyana	34	6	12	16	114
Haiti	42	2	25	15	136
Honduras	47	5	13	29	147
Hong Kong, China	4	1	1	2	4
Hungary	14	2	4	8	43
Iceland	31	1	14	16	96
India	59	2	24	33	168
Indonesia	51	13	24	14	154
Iran	22	1	12	9	76
Iraq	13	1	12	0	41
Ireland	9	1	1	7	21
Israel	33	2	12	19	107
Italy	15	2	1	12	48
Jamaica	72	4	48	20	177
Japan	13	2	2	9	41
Jordan	26	2	12	12	88
Kazakhstan	9	1	1	7	21
Kenya	41	5	14	22	133
Kiribati	7	5	2	0	9
Korea, Rep.	14	1	3	10	43
Kosovo	33	5	12	16	107
Kuwait	15	3	12	0	48
Kyrgyz Republic	75	12	12	51	178
Lao PDR	34	4	12	18	114

Economy	Number of payments				Rank
	Total tax payments	Profit tax payments	Labour tax payments	Other taxes payments	Tax payments rank
Latvia	7	1	1	5	9
Lebanon	19	1	12	6	63
Lesotho	21	5	0	16	72
Liberia	32	4	12	16	100
Lithuania	12	1	3	8	37
Luxembourg	22	2	12	8	76
Macedonia, FYR	40	12	12	16	129
Madagascar	23	1	8	14	82
Malawi	19	2	1	16	63
Malaysia	12	1	2	9	37
Maldives	1	0	0	1	1
Mali	58	3	36	19	167
Marshall Islands	21	0	16	5	72
Mauritania	38	3	13	22	126
Mauritius	7	1	1	5	9
Mexico	6	1	2	3	7
Micronesia	21	4	4	13	72
Moldova	48	1	28	19	150
Mongolia	43	12	12	19	141
Montenegro	89	12	48	29	179
Morocco	28	1	12	15	92
Mozambique	37	7	12	18	122
Namibia	37	3	12	22	122
Nepal	34	4	12	18	114
Netherlands	9	1	1	7	21
New Zealand	8	1	2	5	14
Nicaragua	64	13	24	27	173
Niger	41	3	1	37	133
Nigeria	35	3	14	18	119
Norway	4	1	1	2	4
Oman	14	1	12	1	43

Economy	Number of payments				Rank
	Total tax payments	Profit tax payments	Labour tax payments	Other taxes payments	Tax payments rank
Pakistan	47	5	25	17	147
Palau	19	0	12	7	63
Panama	59	2	24	33	168
Papua New Guinea	33	1	13	19	107
Paraguay	35	5	12	18	119
Peru	9	1	2	6	21
Philippines	47	1	36	10	147
Poland	40	12	1	27	129
Portugal	8	1	1	6	14
Puerto Rico	16	5	6	5	52
Qatar	1	0	1	0	1
Romania	113	4	84	25	182
Russia	11	1	3	7	35
Rwanda	34	5	12	17	114
Samoa	37	5	24	8	122
São Tomé and Príncipe	42	1	12	29	136
Saudi Arabia	14	1	12	1	43
Senegal	59	3	36	20	168
Serbia	66	12	12	42	174
Seychelles	16	1	12	3	52
Sierra Leone	29	1	12	16	93
Singapore	5	1	1	3	6
Slovak Republic	31	1	12	18	96
Slovenia	22	1	12	9	76
Solomon Islands	33	5	12	16	107
South Africa	9	2	3	4	21
Spain	8	1	1	6	14
Sri Lanka	62	5	24	33	172
St. Kitts and Nevis	24	4	12	8	84
St. Lucia	32	1	12	19	100
St. Vincent and the Grenadines	32	4	12	16	100

Economy	Number of payments				Rank
	Total tax payments	Profit tax payments	Labour tax payments	Other taxes payments	Tax payments rank
Sudan	42	2	12	28	136
Suriname	17	4	0	13	55
Swaziland	33	2	13	18	107
Sweden	2	1	0	1	3
Switzerland	24	2	15	7	84
Syrian Arab Republic	20	1	1	18	68
Taiwan, China	18	3	3	12	59
Tajikistan	54	12	12	30	160
Tanzania	48	5	24	19	150
Thailand	23	2	13	8	82
Timor-Leste	6	5	0	1	7
Togo	53	5	25	23	157
Tonga	20	1	0	19	68
Trinidad and Tobago	40	4	24	12	129
Tunisia	22	4	4	14	76
Turkey	15	1	1	13	48
Uganda	32	3	12	17	100
Ukraine	147	6	96	45	183
United Arab Emirates	14	0	12	2	43
United Kingdom	8	1	1	6	14
United States	10	2	3	5	30
Uruguay	53	1	24	28	157
Uzbekistan	106	16	12	78	180
Vanuatu	31	0	12	19	96
Venezuela	71	13	28	30	176
Vietnam	32	6	12	14	100
West Bank and Gaza	27	14	0	13	90
Yemen	44	1	24	19	142
Zambia	37	5	13	19	122
Zimbabwe	51	7	14	30	154

Appendix 1.3 Time to comply (hours per year)

(Please see Appendix 2 of this report for an explanation of the methodology.)

Economy	Total tax time	Hours			Rank
		Corporate income tax time	Labour tax time	Consumption tax time	
Afghanistan	275	77	120	78	119
Albania	244	120	96	28	99
Algeria	451	152	110	189	161
Angola	272	80	96	96	116
Antigua and Barbuda	207	23	136	48	81
Argentina	453	105	108	240	162
Armenia	958	152	352	454	179
Australia	107	35	18	54	24
Austria	170	49	54	67	64
Azerbaijan	376	80	134	162	151
Bahamas, The	58	0	48	0	5
Bahrain	36	0	36	0	3
Bangladesh	302	140	0	162	127
Belarus	900	714	139	47	177
Belgium	156	20	40	96	53
Belize	147	27	60	60	48
Benin	270	30	120	120	107
Bhutan	274	250	24	0	118
Bolivia	1080	120	480	480	181
Bosnia and Herzegovina	422	68	96	258	159
Botswana	140	40	40	60	42
Brazil	2600	736	490	1374	183
Brunei Darussalam	144	66	78	0	46
Bulgaria	616	40	288	288	172
Burkina Faso	270	30	120	120	107
Burundi	140	80	48	12	42
Cambodia	173	23	84	66	66
Cameroon	1400	500	700	200	182
Canada	119	47	36	36	30
Cape Verde	100	16	36	48	20

Economy	Total tax time	Hours			Rank
		Corporate income tax time	Labour tax time	Consumption tax time	
Central African Republic	504	24	240	240	165
Chad	122	50	36	36	34
Chile	316	42	137	137	130
China	504	96	192	216	165
Colombia	208	40	102	66	82
Comoros	100	4	48	48	20
Congo, Dem. Rep.	308	116	96	96	128
Congo, Republic	606	275	150	181	170
Costa Rica	282	18	132	132	124
Côte d'Ivoire	270	30	120	120	107
Croatia	196	60	96	40	73
Cyprus	149	29	80	40	49
Czech Republic	613	135	300	178	171
Denmark	135	25	70	40	41
Djibouti	114	30	36	48	26
Dominica	120	15	48	57	31
Dominican Republic	324	82	80	162	133
Ecuador	600	60	300	240	169
Egypt, Arab Rep.	480	76	210	194	163
El Salvador	320	128	96	96	131
Equatorial Guinea	296	80	120	96	126
Eritrea	216	24	96	96	85
Estonia	81	20	34	27	16
Ethiopia	198	150	24	24	75
Fiji	150	24	66	60	50
Finland	243	21	200	22	98
France	132	26	80	26	40
Gabon	272	80	96	96	116
Gambia	376	40	96	240	151
Georgia	387	140	67	180	154

Economy	Total tax time	Hours			Rank
		Corporate income tax time	Labour tax time	Consumption tax time	Time rank
Germany	196	30	123	43	73
Ghana	224	40	88	96	88
Greece	224	88	48	88	88
Grenada	140	8	96	36	42
Guatemala	344	44	144	156	142
Guinea	416	32	192	192	157
Guinea-Bissau	208	160	24	24	82
Guyana	288	48	48	192	125
Haiti	160	40	72	48	56
Honduras	224	35	93	96	88
Hong Kong, China	80	50	30	0	14
Hungary	330	35	203	92	137
Iceland	140	40	60	40	42
India	271	47	96	128	114
Indonesia	266	88	97	81	106
Iran	344	32	240	72	142
Iraq	312	24	288	0	129
Ireland	76	10	36	30	11
Israel	230	110	60	60	95
Italy	334	37	264	33	138
Jamaica	414	30	336	48	156
Japan	355	180	140	35	144
Jordan	101	5	60	36	22
Kazakhstan	271	105	74	92	114
Kenya	417	60	57	300	158
Kiribati	120	24	96	0	31
Korea, Rep.	250	120	80	50	101
Kosovo	163	41	32	90	60
Kuwait	118	48	70	0	29
Kyrgyz Republic	202	60	71	71	79
Lao PDR	362	138	42	182	148

Economy	Total tax time	Hours			Rank
		Corporate income tax time	Labour tax time	Consumption tax time	Time rank
Latvia	279	31	165	83	121
Lebanon	180	40	100	40	67
Lesotho	324	22	140	162	133
Liberia	158	57	59	42	55
Lithuania	166	32	76	58	63
Luxembourg	59	21	14	24	6
Macedonia, FYR	75	25	28	22	10
Madagascar	201	9	72	120	78
Malawi	157	67	60	30	54
Malaysia	145	28	87	30	47
Maldives	0	0	0	0	1
Mali	270	30	120	120	107
Marshall Islands	128	0	96	32	36
Mauritania	696	120	96	480	174
Mauritius	161	13	100	48	58
Mexico	517	185	118	214	167
Micronesia	128	32	96	0	36
Moldova	228	80	88	60	93
Mongolia	192	55	61	76	70
Montenegro	372	43	136	193	149
Morocco	358	70	48	240	147
Mozambique	230	50	60	120	95
Namibia	375	41	46	288	150
Nepal	338	120	96	122	141
Netherlands	164	40	64	60	61
New Zealand	70	30	25	15	9
Nicaragua	240	80	80	80	97
Niger	270	30	120	120	107
Nigeria	938	398	378	162	178
Norway	87	24	15	48	18
Oman	62	50	12	0	7

Appendix 1
The data tables

Economy	Total tax time	Hours			Rank
		Corporate income tax time	Labour tax time	Consumption tax time	
Pakistan	560	40	40	480	168
Palau	128	0	96	32	36
Panama	482	50	180	252	164
Papua New Guinea	194	153	8	33	71
Paraguay	328	40	144	144	135
Peru	380	32	192	156	153
Philippines	195	37	38	120	72
Poland	395	72	222	101	155
Portugal	328	40	192	96	135
Puerto Rico	218	80	60	78	86
Qatar	36	0	36	0	3
Romania	202	32	110	60	79
Russia	320	160	96	64	131
Rwanda	160	22	48	90	56
Samoa	224	48	96	80	88
São Tomé and Príncipe	424	40	192	192	160
Saudi Arabia	79	20	59	0	13
Senegal	666	120	96	450	173
Serbia	279	48	126	105	121
Seychelles	76	40	36	0	11
Sierra Leone	357	15	168	174	146
Singapore	84	34	10	40	17
Slovak Republic	257	43	100	114	103
Slovenia	260	90	96	74	104
Solomon Islands	80	8	30	42	14
South Africa	200	100	50	50	77
Spain	213	33	90	90	84
Sri Lanka	256	16	96	144	102
St. Kitts and Nevis	155	31	124	0	52
St. Lucia	92	11	51	30	19
St. Vincent and the Grenadines	117	14	52	51	28

Economy	Total tax time	Hours			Rank
		Corporate income tax time	Labour tax time	Consumption tax time	
Sudan	180	70	70	40	67
Suriname	199	48	24	127	76
Swaziland	104	8	48	48	23
Sweden	122	50	36	36	34
Switzerland	63	15	40	8	8
Syrian Arab Republic	336	300	36	0	139
Taiwan, China	281	221	27	33	123
Tajikistan	224	80	48	96	88
Tanzania	172	60	52	60	65
Thailand	264	160	48	56	105
Timor-Leste	276	132	144	0	120
Togo	270	30	120	120	107
Tonga	164	8	12	144	61
Trinidad and Tobago	114	30	60	24	26
Tunisia	228	96	36	96	93
Turkey	223	46	80	97	87
Uganda	161	35	72	54	58
Ukraine	736	140	364	232	175
United Arab Emirates	12	0	12	0	2
United Kingdom	110	35	45	30	25
United States	187	99	55	33	69
Uruguay	336	100	128	108	139
Uzbekistan	356	126	70	160	145
Vanuatu	120	0	24	96	31
Venezuela	864	120	360	384	176
Vietnam	1050	350	400	300	180
West Bank and Gaza	154	10	96	48	51
Yemen	248	56	72	120	100
Zambia	132	48	24	60	39
Zimbabwe	270	90	96	84	107

Appendix 1.4

Total Tax Rate (% of commercial profits)

(Please see Appendix 2 of this report for an explanation of the methodology.)

Economy	Total Tax Rate				Rank
	TTR	Profit tax TTR	Labour tax TTR	Other taxes TTR	TTR Rank
Afghanistan	36.4%	0.0%	0.0%	36.4%	71
Albania	44.9%	8.0%	31.9%	5.0%	113
Algeria	72.0%	6.6%	29.7%	35.7%	168
Angola	53.2%	24.6%	0.0%	28.6%	143
Antigua and Barbuda	41.5%	26.0%	9.5%	6.0%	94
Argentina	108.1%	2.9%	29.4%	75.8%	178
Armenia	36.2%	12.1%	23.0%	1.1%	69
Australia	48.0%	25.8%	21.0%	1.2%	127
Austria	55.5%	16.1%	34.6%	4.8%	146
Azerbaijan	40.9%	13.8%	24.8%	2.3%	89
Bahamas, The	47.0%	0.0%	6.1%	40.9%	121
Bahrain	15.0%	0.0%	14.6%	0.4%	8
Bangladesh	35.0%	25.7%	0.0%	9.3%	64
Belarus	99.7%	22.1%	39.6%	38.0%	177
Belgium	57.3%	5.3%	50.2%	1.8%	150
Belize	28.9%	20.4%	7.0%	1.5%	34
Benin	73.3%	16.7%	32.7%	23.9%	170
Bhutan	40.6%	35.0%	1.1%	4.5%	88
Bolivia	80.0%	0.0%	15.5%	64.5%	172
Bosnia and Herzegovina	27.1%	4.9%	17.6%	4.6%	27
Botswana	17.1%	16.2%	0.0%	0.9%	14
Brazil	69.2%	21.3%	41.3%	6.6%	167
Brunei Darussalam	30.3%	24.7%	5.6%	0.0%	40
Bulgaria	31.4%	4.6%	22.9%	3.9%	45
Burkina Faso	44.9%	16.1%	22.6%	6.2%	111
Burundi	278.6%	19.4%	7.8%	251.4%	181
Cambodia	22.7%	19.1%	0.1%	3.5%	19
Cameroon	50.5%	27.4%	18.3%	4.8%	137
Canada	43.6%	23.9%	12.5%	7.2%	103
Cape Verde	49.7%	18.6%	18.5%	12.6%	133

Economy	Total Tax Rate				Rank
	TTR	Profit tax TTR	Labour tax TTR	Other taxes TTR	TTR Rank
Central African Republic	203.8%	176.8%	8.1%	18.9%	179
Chad	60.9%	31.3%	23.9%	5.7%	155
Chile	25.3%	17.9%	3.8%	3.6%	24
China	63.8%	6.3%	49.6%	7.9%	160
Colombia	78.7%	17.7%	33.9%	27.1%	171
Comoros	41.1%	31.4%	0.0%	9.7%	92
Congo, Dem. Rep.	322.0%	58.9%	7.9%	255.2%	183
Congo, Republic	65.5%	0.0%	32.9%	32.6%	164
Costa Rica	54.8%	18.9%	29.3%	6.6%	145
Côte d'Ivoire	44.7%	9.0%	20.1%	15.6%	110
Croatia	32.5%	11.4%	19.4%	1.7%	50
Cyprus	28.8%	9.6%	7.1%	12.1%	33
Czech Republic	47.2%	4.7%	39.5%	3.0%	122
Denmark	29.2%	22.0%	2.2%	5.0%	36
Djibouti	38.7%	17.7%	17.7%	3.3%	77
Dominica	37.0%	25.9%	7.9%	3.2%	73
Dominican Republic	39.0%	19.3%	17.8%	1.9%	80
Ecuador	34.9%	18.5%	13.7%	2.7%	61
Egypt, Arab Rep.	43.0%	13.8%	25.6%	3.6%	102
El Salvador	35.0%	17.0%	17.2%	0.8%	62
Equatorial Guinea	59.5%	13.5%	25.4%	20.6%	154
Eritrea	84.5%	8.8%	0.0%	75.7%	173
Estonia	49.1%	8.1%	37.5%	3.5%	131
Ethiopia	31.1%	26.8%	0.0%	4.3%	43
Fiji	41.2%	30.8%	10.2%	0.2%	93
Finland	47.7%	17.1%	29.6%	1.0%	125
France	65.8%	8.2%	51.7%	5.9%	165
Gabon	44.7%	19.7%	22.7%	2.3%	109
Gambia	292.4%	41.4%	12.8%	238.2%	182
Georgia	15.3%	13.3%	0.0%	2.0%	9

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The data tables

Economy	Total Tax Rate				Rank
	TTR	Profit tax TTR	Labour tax TTR	Other taxes TTR	
Germany	44.9%	17.4%	22.0%	5.5%	112
Ghana	32.7%	18.1%	14.0%	0.6%	52
Greece	47.4%	13.9%	31.7%	1.8%	124
Grenada	45.3%	27.6%	5.6%	12.1%	115
Guatemala	40.9%	25.9%	14.3%	0.7%	90
Guinea	49.9%	21.9%	17.3%	10.7%	135
Guinea-Bissau	45.9%	14.9%	24.8%	6.2%	116
Guyana	38.9%	26.8%	8.8%	3.3%	79
Haiti	40.1%	23.3%	12.4%	4.4%	84
Honduras	48.3%	26.7%	10.7%	10.9%	128
Hong Kong, China	24.2%	18.6%	5.3%	0.3%	22
Hungary	57.5%	9.1%	39.5%	8.9%	151
Iceland	25.0%	7.2%	12.8%	5.0%	23
India	64.7%	25.1%	18.2%	21.4%	162
Indonesia	37.6%	26.9%	10.6%	0.1%	76
Iran	44.2%	17.9%	25.9%	0.4%	106
Iraq	28.4%	14.9%	13.5%	0.0%	32
Ireland	26.5%	11.9%	12.1%	2.5%	26
Israel	32.6%	24.7%	5.3%	2.6%	51
Italy	68.4%	22.9%	43.4%	2.1%	166
Jamaica	51.3%	28.6%	13.0%	9.7%	139
Japan	55.7%	33.9%	16.5%	5.3%	147
Jordan	31.1%	15.1%	12.4%	3.6%	41
Kazakhstan	35.9%	23.5%	9.6%	2.8%	66
Kenya	49.7%	33.1%	6.9%	9.9%	134
Kiribati	31.8%	23.4%	8.4%	0.0%	47
Korea, Rep.	31.9%	17.1%	12.7%	2.1%	48
Kosovo	28.3%	21.2%	5.6%	1.5%	31
Kuwait	15.5%	4.7%	10.8%	0.0%	10
Kyrgyz Republic	59.4%	3.2%	21.4%	34.8%	153
Lao PDR	33.7%	25.2%	5.6%	2.9%	56

Economy	Total Tax Rate				Rank
	TTR	Profit tax TTR	Labour tax TTR	Other taxes TTR	
Latvia	33.0%	2.2%	27.2%	3.6%	54
Lebanon	30.2%	6.1%	24.1%	0.0%	38
Lesotho	18.5%	14.9%	0.0%	3.7%	15
Liberia	43.7%	0.0%	5.4%	38.3%	104
Lithuania	42.7%	4.1%	35.1%	3.5%	99
Luxembourg	20.9%	4.1%	15.3%	1.5%	17
Macedonia, FYR	16.4%	12.1%	0.8%	3.5%	12
Madagascar	39.2%	16.6%	20.3%	2.3%	81
Malawi	25.8%	24.0%	1.1%	0.7%	25
Malaysia	34.2%	16.5%	15.6%	2.1%	58
Maldives	9.1%	0.0%	0.0%	9.1%	3
Mali	52.1%	12.9%	32.6%	6.6%	140
Marshall Islands	64.9%	0.0%	11.8%	53.1%	163
Mauritania	86.1%	61.9%	17.6%	6.6%	175
Mauritius	22.9%	10.6%	5.0%	7.3%	21
Mexico	51.0%	22.9%	26.7%	1.4%	138
Micronesia	58.7%	52.0%	6.7%	0.0%	152
Moldova	31.1%	0.0%	30.8%	0.3%	42
Mongolia	22.8%	9.3%	12.4%	1.1%	20
Montenegro	28.9%	8.3%	18.8%	1.8%	35
Morocco	41.7%	18.1%	22.2%	1.4%	96
Mozambique	34.3%	27.7%	4.5%	2.1%	59
Namibia	9.6%	4.0%	1.0%	4.6%	4
Nepal	38.8%	16.8%	11.3%	10.7%	78
Netherlands	39.3%	20.7%	17.3%	1.3%	82
New Zealand	32.8%	29.4%	2.6%	0.8%	53
Nicaragua	63.2%	24.9%	19.2%	19.1%	158
Niger	46.5%	20.1%	19.6%	6.8%	119
Nigeria	32.2%	21.8%	9.7%	0.7%	49
Norway	41.6%	24.4%	15.9%	1.3%	95
Oman	21.6%	9.7%	11.8%	0.1%	18

Economy	Total Tax Rate				Rank
	TTR	Profit tax TTR	Labour tax TTR	Other taxes TTR	TTR Rank
Pakistan	31.6%	14.3%	15.0%	2.3%	46
Palau	73.0%	0.0%	6.5%	66.5%	169
Panama	50.1%	17.1%	22.6%	10.4%	136
Papua New Guinea	42.3%	22.0%	11.7%	8.6%	97
Paraguay	35.0%	9.6%	18.6%	6.8%	63
Peru	40.3%	12.1%	11.0%	17.2%	86
Philippines	49.4%	24.9%	10.3%	14.2%	132
Poland	42.5%	17.3%	21.9%	3.3%	98
Portugal	42.9%	14.3%	26.8%	1.8%	100
Puerto Rico	64.7%	25.3%	12.6%	26.8%	161
Qatar	11.3%	0.0%	11.3%	0.0%	5
Romania	44.6%	8.2%	34.2%	2.2%	108
Russia	48.3%	10.9%	31.8%	5.6%	129
Rwanda	31.3%	21.2%	5.7%	4.4%	44
Samoa	18.9%	11.9%	7.0%	0.0%	16
São Tomé and Príncipe	47.2%	35.5%	6.8%	4.9%	123
Saudi Arabia	14.5%	2.1%	12.4%	0.0%	7
Senegal	46.0%	14.8%	24.1%	7.1%	117
Serbia	34.0%	11.6%	20.2%	2.2%	57
Seychelles	44.1%	20.8%	22.6%	0.7%	105
Sierra Leone	235.6%	0.0%	11.3%	224.3%	180
Singapore	27.8%	7.9%	14.9%	5.0%	29
Slovak Republic	48.6%	7.1%	39.6%	1.9%	130
Slovenia	37.5%	15.2%	19.9%	2.4%	75
Solomon Islands	36.3%	24.9%	8.4%	3.0%	70
South Africa	30.2%	24.5%	2.4%	3.3%	39
Spain	56.9%	21.2%	35.2%	0.5%	148
Sri Lanka	63.7%	26.5%	16.9%	20.3%	159
St. Kitts and Nevis	52.7%	32.7%	11.3%	8.7%	142
St. Lucia	34.4%	25.9%	5.6%	2.9%	60
St. Vincent and the Grenadines	41.0%	32.5%	5.1%	3.4%	91

Economy	Total Tax Rate				Rank
	TTR	Profit tax TTR	Labour tax TTR	Other taxes TTR	TTR Rank
Sudan	36.1%	13.8%	19.2%	3.1%	68
Suriname	27.9%	27.9%	0.0%	0.0%	30
Swaziland	36.6%	28.1%	4.0%	4.5%	72
Sweden	54.6%	16.4%	36.6%	1.6%	144
Switzerland	29.7%	9.7%	16.6%	3.4%	37
Syrian Arab Republic	42.9%	23.2%	0.0%	19.7%	101
Taiwan, China	40.4%	19.5%	16.7%	4.2%	87
Tajikistan	85.9%	17.7%	28.5%	39.7%	174
Tanzania	45.2%	19.9%	18.0%	7.3%	114
Thailand	37.2%	29.0%	5.7%	2.5%	74
Timor-Leste	0.2%	0.0%	0.0%	0.2%	1
Togo	52.7%	11.1%	28.3%	13.3%	141
Tonga	27.5%	26.3%	0.0%	1.2%	28
Trinidad and Tobago	33.1%	21.6%	5.8%	5.7%	55
Tunisia	62.8%	15.0%	25.2%	22.6%	157
Turkey	44.5%	17.0%	23.1%	4.4%	107
Uganda	35.7%	23.3%	11.3%	1.1%	65
Ukraine	57.2%	12.3%	43.1%	1.8%	149
United Arab Emirates	14.1%	0.0%	14.1%	0.0%	6
United Kingdom	35.9%	21.9%	11.0%	3.0%	67
United States	46.3%	27.9%	9.6%	8.8%	118
Uruguay	46.7%	28.3%	15.6%	2.8%	120
Uzbekistan	94.9%	1.7%	27.1%	66.1%	176
Vanuatu	8.4%	0.0%	4.5%	3.9%	2
Venezuela	61.1%	8.1%	18.1%	34.9%	156
Vietnam	40.1%	20.6%	19.2%	0.3%	85
West Bank and Gaza	16.8%	16.2%	0.0%	0.6%	13
Yemen	47.8%	35.1%	11.3%	1.4%	126
Zambia	16.1%	1.7%	10.4%	4.0%	11
Zimbabwe	39.4%	24.2%	5.1%	10.1%	83



Appendix

2

Methodology

Introduction

The Paying Taxes indicator is one of ten indicators assessed as part of the World Bank Group's annual *Doing Business* report, which, this year, was published on 9 September 2009. This is the fifth year in which tax data has been collected as part of the *Doing Business* project.

The Paying Taxes study involves gathering information on the tax affairs of a standard case study company in 183 economies, by reviewing the financial statements and a list of transactions of a standard small to medium sized firm. This information is used to generate three sub-indicators related to the number of tax payments, the time taken to comply with its tax affairs, and the total tax cost. These are equally weighted to produce an overall ranking for each country for 'the ease of paying taxes'. Rankings of each of the individual components are also available. All the rankings are included in Appendix 1, and further details for each economy are available at www.doingbusiness.org

The study also collects additional data, which, whilst not used to determine a country's ranking, assists with understanding the tax system in each country. Some of this additional data is referred to in this report.

This appendix includes detailed information on the methodology behind the collection of data for the main indicators, and the fundamental distinction between taxes borne and taxes collected. It also explains more about the PricewaterhouseCoopers Total Tax Contribution methodology (basic principles of which are incorporated in the design of the *Doing Business* paying taxes indicator), and some of the matters that must be considered when deciding what payments should be included when considering the tax burden of a company.

The case study company

In order to gather the necessary information to generate the tax indicators mentioned for the standardised business in each economy, a case study company has been developed. The case study company is a domestic flower-pot manufacturer and retailer. It has been chosen as a business that can be readily understood worldwide, and has an activity that involves both manufacture and retail of a low-technology product. The overriding objective is to generate a standard fact-pattern, so that the tax indicators generated using the same criteria can be compared across many economies without being significantly distorted by industry-specific incentives and reliefs. It is also specified to be a domestic operation in the economy, so the assessment is purely of the local tax system.

The company has a set of financial statements, and comparability is assisted by detailed assumptions made with regard to the company's operations, staff, transactions, size etc., as well as the process by which the information is gathered and reviewed.

The facts and assumptions allow the World Bank Group to generate tax indicators for each economy based on the application of their tax rules to the case study company.

Expert contributors from each economy provide data in a standard format, which is sense-checked and validated by the World Bank Group team. The data provided is based on the standardised case study facts and assumptions and on the tax rules applying for the year from 1 January to 31 December 2008. While the basic elements of the case study do not change year on year, the period for which the rules are deemed to apply is updated.

The framework of the *Doing Business* study

The *Doing Business* 'paying taxes' data records the taxes and mandatory contributions that a small to medium sized company must pay in a given year, and also measures the administrative burden of paying taxes and contributions. Taxes and contributions measured include the profit or corporate income tax, social contributions and labour taxes paid by the employer, property taxes, dividend tax, capital gains tax, financial transactions tax, waste collection taxes and vehicle and road taxes.

Doing Business measures all taxes and contributions that are government mandated (at any level – federal, state or local), apply to the standardised business, and have an impact on its income statements. In doing so, *Doing Business* goes beyond the traditional definition of a tax, as defined for the purposes of government national accounts, where taxes include only compulsory unrequited payments to general government. *Doing Business* departs from this definition, because it measures imposed charges that affect business accounts, not just government accounts. The main differences relate to certain labour contributions.

The *Doing Business* 'paying taxes' data includes government mandated contributions, paid by the employer, to a required private pension fund or workers insurance fund. The indicator includes, for example, Australia's compulsory superannuation guarantee and workers compensation insurance.

Assumptions about the business

The business:

- Is a limited liability, taxable company. If there is more than one type of limited liability company in a country, the limited liability form most popular among domestic firms is chosen. The most popular form is reported by incorporation lawyers or the statistical office.

- Started operations on 1 January 2007. At that time it purchased all the assets shown in its balance sheet, and hired all its workers.
- Operates in the economy's largest business city.
- Is 100% domestically-owned and has five owners, all of whom are natural persons (resident for tax purposes in the economy).
- Has a start-up capital of 102 times income per capita at the end of 2007.
- Performs general industrial and commercial activities. Specifically, it produces ceramic flower-pots and sells them at retail. It does not participate in foreign trade (no import or export), and does not handle products subject to a special tax regime – for example, alcohol or tobacco.
- At the beginning of 2007, the company owns two plots of land, one building, machinery, office equipment, computers and one truck. Another truck is leased.
- Does not qualify for investment incentives, or any benefits apart from those related to the age or size of the company.
- Has 60 employees, comprising four managers, eight assistants and 48 workers. All of these workers are nationals of the country and one of the managers is also an owner.
- No employees have left or joined the company since the company was established.
- Has a turnover of 1,050 times income per capita.
- Made a loss in the first year of operation.
- Has a gross margin (pre-tax) of 20% (that is sales are 120% of the cost of goods sold).

- Sells one of its plots of land at a profit during the second year.
- Has annual fuel costs for its trucks equal to twice income per capita.
- Distributes 50% of its profits as dividends to the owners at the end of the second year.
- Is subject to a series of other detailed assumptions on expenses and transactions to further standardise the case. All financial statement variables are proportional to 2006 income per capita. For example, the owner, who is also a manager, spends 10% of income per capita on travelling for the company (20% of this owner's expenses are purely private, 20% are for entertaining customers, and 60% for business travel).

Assumptions about taxes and contributions

- The taxes and contributions are those paid in the second year of operation (fiscal year 2008). A tax or contribution is considered distinct if it has a different name or is collected by a different agency. Taxes and contributions with the same name and agency, but charged at different rates depending on the business, are counted as the same tax or contribution.
- The number of times the company pays taxes and contributions in a year is the number of different taxes or contributions multiplied by the frequency of payment (or withholding) for each one. The frequency of payment includes advance payments (or withholding), as well as regular payments (or withholding).

The case study company has a turnover which is the same multiple of the income per capita for each economy. In absolute terms, therefore, the numbers can be different. For example, in the UK, the turnover of the business is assumed to be £21.5m, whereas, in Argentina, turnover is 13,941,603 pesos, which at 31 December 2008 (the end of the fiscal year of the study) equates to £0.4m. In both economies however, the calculation is the same and is based on income per capita. This allows the case study financials to be flexed to reflect the relative wealth of the economy in which it operates. While the turnover is flexed, the gross margin of the company is fixed at the same percentage regardless of the economy in which the company operates.

The indicators:

Number of tax payments

- The tax payments indicator reflects the total number of taxes and contributions paid, the method of payment, the frequency of payment and the number of agencies involved for this standardised case study company, during the second year of its operation. It includes payments made by the company on consumption taxes, such as sales tax or value added tax. Although these taxes do not affect the income statements of the company, they add to the administrative burden of complying with the tax system and so are included in the tax payments measure.
- The number of payments takes into account electronic filing. Where full electronic filing and payment is allowed (and it is used by the majority of small to medium sized businesses), the tax is counted as paid once a year, even if the payment is more frequent. For taxes paid through third parties, such as tax on

interest paid by a financial institution or fuel tax paid by the fuel distributor, only one payment is included, even if payments are more frequent. These are taxes withheld at source, where no filing is made by the company.

- Where two or more taxes or contributions are paid jointly using the same form, each of these joint payments is counted once. For example, if mandatory health insurance contributions and mandatory pension contributions are filed and paid together, only one of these contributions would be included in the number of payments.

Time to comply

- Time is recorded in hours per year. The indicator measures the time to prepare, file and pay (or withhold) three major types of taxes and contributions:
 - corporate income tax,
 - value added or sales tax, and
 - labour taxes, including payroll taxes and social security contributions.
- Preparation time includes the time to collect all information necessary to compute the tax payable. If separate accounting books must be kept for tax purposes – or separate calculations made – the time associated with these processes is included. This extra time is included only if the regular accounting work is not enough to fulfil the tax accounting requirements, in which case the incremental time required is included. (The time estimated does not include the time spent developing the entries on tax for inclusion in the statutory accounts).
- Filing time includes the time to complete all necessary tax forms and to make all necessary calculations and submissions.

- Payment time considers the hours needed to make the payment online, or at the tax authorities. Where taxes and contributions are paid in person, the time includes delays while waiting. (Payment time can also include analysis of forecast data and associated calculations if advance payments are required).
- It is important to note that the hours to comply measure does not include any time spent on tax audits or inspections, or dealing with tax authority queries. The case study does not include any facts or assumptions which would enable such time to be estimated.

Tax Cost – Total Tax Rate (TTR)

- The TTR indicator measures the amount of all taxes and mandatory contributions borne by the business in the second year of operation, expressed as a percentage of commercial profits. *Doing Business 2010* reports the TTR for the fiscal year 2008 (1 January to 31 December 2008).
- The total amount of taxes borne is the sum of all the different taxes and contributions payable after accounting for deductions and exemptions. The taxes withheld (such as personal income tax), or collected by the company, but not remitted to the tax authorities (such as sales or value added tax), and not borne by the company, are excluded from the TTR (while noting that these still contribute to the compliance indicators; hours and payments).
- The taxes and contributions included can be divided into five categories:
 - profit or corporate income tax;
 - social contributions and labour taxes paid by the employer (for which all mandatory contributions are included, even if paid to a private entity such as a required pension fund);

- property taxes;
- turnover taxes and cascading sales taxes as well as other consumption taxes such as irrecoverable VAT; and
- other taxes (such as municipal fees and vehicle and fuel taxes).
- This is a comprehensive measure of all the taxes and contributions borne by business. As such, it differs from the statutory rate, which merely provides the factor to be applied to the tax base. It is more informative and more useful than other measures, which, for example, focus only on corporate income tax.
- It is important to note that the profit figure used in the TTR calculation (the commercial profit) is not the conventional figure found in the financial statements of a company – the profit before tax figure (PBT). In computing commercial profit, these taxes are not deductible, and are added back to present a clear picture of the actual profit of a business before any of the taxes it bears in the course of the fiscal year.
- Commercial profits are defined as, ‘sales minus cost of goods sold, minus gross salaries, minus administrative expenses, minus other expenses, minus provisions, plus capital gains (from the property sale), minus interest expense, plus interest income and minus commercial depreciation’. To compute the commercial depreciation, a straight-line depreciation method is applied with the following rates: 0% for the land, 5% for the building, 10% for the machinery, 33% for the computers, 20% for the office equipment, 20% for the truck and 10% for business development expenses. If any of the taxes and contributions are included in ‘other expenses’, then these are added back to the commercial profits figure. Commercial profit amounts to 59.4 times the income per capita.
- The TTR excludes value added taxes (where not irrecoverable), because they do not affect the accounting profits of the business – and therefore they are not reflected in the income statement.
- The principles used for the tax cost indicator are broadly consistent with the PricewaterhouseCoopers Total Tax Contribution framework methodology. However, PricewaterhouseCoopers, in its empirical work, calculates TTR including only taxes as defined later in this appendix. Other mandatory contributions such as the Australian superannuation guarantee obligation are excluded. Such payments are usually disclosed by the company in other elements of the Total Tax Contribution framework, together with additional payments made by the company such as contributions to infrastructure costs. These are often required of companies in the extractive industries, by economies in which they invest, but do not strictly count as taxes.

Ease of Paying Taxes ranking

- The data collected by the *Doing Business* team is used to generate a system of ranking based on three indicators:

Steps: the number of tax payments

Time: the number of hours to comply with the company’s tax obligations

Cost: the total tax rate (TTR)

- This three step approach is linked to a broader methodology used by the World Bank Group in the *Doing Business* project which requires these three components of steps, time and cost.

- The World Bank Group report, '*Doing Business 2010*', aggregates these three indicators to generate an overall ranking. The aggregation of the indicators gives each indicator an equal weighting.
- Here is one example of how the ranking on the ease of paying taxes is constructed. In Iceland, it takes 31 payments, 140 hours and 25% of commercial profits to comply with business taxes during one year. In these three indicators, Iceland ranks in the 52nd, 22nd and 12th percentiles. Therefore, Iceland ranks in the 29th percentile for the overall ease of paying taxes – the average of the three percentiles. By ordering the ease of paying taxes percentile for each economy, the ranking is obtained, which is 31 out of 183 economies in the case of Iceland.
- The data tables in Appendix 1 show this overall ranking, and additionally the ranking for each individual indicator i.e. for the Total Tax Rate, for the time to comply and for tax payments. The appendix also gives a breakdown of the results for each indicator across the main types of taxes.
- The details on paying taxes can be found for each economy at www.doingbusiness.org and www.pwc.com/payingtaxes

The PricewaterhouseCoopers Total Tax Contribution ('TTC') framework

The PricewaterhouseCoopers Total Tax Contribution framework was developed with a view to establishing a methodology which enables companies to collect and communicate total tax information in a consistent manner, meeting the needs of their various stakeholders and helping to improve transparency³⁵.

The framework encompasses all the taxes that are paid by companies and includes, for example, property taxes, labour taxes and contributions, sales taxes and other taxes, as well as corporate income tax. It makes

a fundamental distinction between two types of taxes paid by companies: these are known as 'taxes borne' and 'taxes collected'. In essence, taxes borne are those which are a cost to the company, such as property taxes, employer social security and corporate income tax. Taxes collected are those where the company is collecting the tax on behalf of the authority, including taxes deducted from employees' salaries, sales taxes and excise duties.

The Total Tax Rate indicator which is included in the World Bank Group's Paying Taxes study has been calculated using the principles of the Total Tax Contribution framework. It is important to note that for the purpose of calculating the TTR, it is only taxes borne which are included (tax borne is discussed in more detail below).

Details of taxes collected are also gathered by the study and these have an impact, along with taxes borne, on the indicators dealing with hours to comply and the number of tax payments. The Total Tax Contribution framework also includes the cost of tax compliance.

It must be understood that the Total Tax Contribution framework is a data gathering and reporting mechanism, designed to increase transparency around a company's tax impacts. It is acknowledged that there are economic arguments over whether companies, consumers, or employees ultimately bear the economic incidence of taxes. This is not addressed in this framework.

What is a tax?

In the context of the PricewaterhouseCoopers Total Tax Contribution framework, and the surveys undertaken around the world, the question of defining 'what is a tax?' has been an important one to answer, in order to ensure a solid base for comparison and analysis for those surveys. The Paying Taxes data generated by the *Doing Business* report, and included in this study, includes government-mandated contributions, even though they may not fit the traditional definition of tax.

³⁵ Total Tax Contribution Framework – What is your company's overall tax contribution? – A PricewaterhouseCoopers discussion paper, published April 2005.

<http://www.pwc.com/extweb/insights.nsf/docid/88E7FD4015197F0B802572F0003C96D0?utr=1>

As a starting point, a tax can be defined as something which:

- is paid to government;
- is compulsory;
- is used by the authority as part of the public finances; and
- has no direct return of value to the payer.

Each of the terms needs a little expansion.

Payment should be made to an independent authority – therefore government includes a central, state or local authority. In many economies, TaxpayerCo in the Paying Taxes study will pay taxes at all three levels. It is still a tax if it is collected on behalf of the government by an agency, provided that the agency submits the taxes collected. In some economies (for example, in China), certain social security contributions made by employers are governed and collected by a separate taxing authority. As this authority operates on behalf of central government, albeit separate from the main tax authority, these payments are therefore a tax and are included within the Paying Taxes indicators.

It must be a compulsory levy – the only way to be exempt from paying is not to undertake the action that triggers the tax payment. To give a simple example, if property transfer tax is payable by the seller in a jurisdiction, the only way to avoid paying this tax would be not to sell the property.

Most taxes go into a central pot and are used as the authority wishes. A hypothecated tax remains a tax, but a levy that is a direct payment for a service may well not be a tax.

The last point requires the return of value to be considered. This is most easily illustrated by considering a company that leases space in a building owned by

the government. The rent paid is not a tax, as there is a full return of value to the company. Whilst this example is clear, others may not be quite so straightforward. For example, payments to a local authority will often be a tax as they do not result in the receipt of local government services of comparable value. On this basis, charges for rubbish/garbage collection will be a tax if the charge is clearly in excess of the cost of providing that service. However, road tolls will usually not be a tax as they are directly tied to the use of the road.

Payments in respect of labour

As evidenced in the results, payments in respect of labour, such as payroll taxes and social security contributions, can constitute a significant part of the TTR (where they are borne by the employer), and the compliance burden (where they are collected from the employee). Such payments are included in the study where they meet the definition of a tax, notwithstanding that they may be governed by separate legislation, or called a contribution rather than a tax.

Companies in many economies are required to pay to government forms of social security or other taxes connected with employing their workers. In most cases, these payments are compulsory and are used by the government as part of public finances – they are not, for example, used for the direct benefit of the employees of the company, and therefore do not provide any direct return of value to the company or the employee. These payments can be rightly included as a tax. However, unless all of the necessary requirements listed above are met, treatment as a tax may not be appropriate.

A specific illustration of this point, over which there has been some debate, is a payment made by employers in Australia. This payment, known as the superannuation guarantee obligation, is mandatory and equivalent to 9% of an employee's salary. While it is compulsory, it is paid into a separate superannuation fund which

is specifically allocated for the benefit of each employee. As such, under the PricewaterhouseCoopers methodology, it is accepted that this payment is not a tax as it is an employee benefit, rather than a general payment into public finances. For the World Bank Group *Doing Business* project, however, as it is a mandatory contribution, it has been included within the TTR calculation to ensure that international comparisons in the context of this survey are valid.

Taxes borne and taxes collected

As mentioned above, the PricewaterhouseCoopers Total Tax Contribution framework makes a fundamental distinction between taxes borne and taxes collected, and this principle is followed by the Paying Taxes study. The split is important for the purpose of understanding the impact of taxes on the company and for analysis of the results.

For the Paying Taxes study, taxes borne contribute to the TTR, but taxes collected do not. Taxes collected are important, however, as they do contribute to the number of hours that the company takes to comply with the tax system and they also impact on the number of tax payments. They therefore contribute significantly to the administrative cost of the tax system and to the effort and resource required. A common definition of the terms is as follows:

Taxes borne – those which are paid by the company and are a cost to the company.

Taxes collected – those for which the company acts as tax collector/administrator for the tax authority.

Taxes borne could also be termed ‘taxes suffered’, in that these are the levies that truly impact the company concerned. It does not matter whether the charge to the profit and loss account is direct (for example, the corporate profits tax charge), or indirect (such as the transfer tax paid on the purchase of a building

which is capitalised as part of the building’s cost and then amortised over a period). Both the corporate income tax and the transfer tax would count as taxes borne. For the transfer tax, the amount borne would be the full amount paid in the period rather than the amount amortised.

Taxes borne are a cost to the company and, as with other costs, will ultimately be passed on – for example, in higher prices to customers, lower wages to employees, or lower dividends to shareholders. This ultimate incidence does not affect the treatment under TTC or the Paying Taxes study as a tax borne.

Taxes collected are those where the company acts, in effect, as (unpaid) tax collector on behalf of the tax authority. The classic examples are sales and excise taxes, together with taxes and contributions deducted from employees’ pay. The only impact taxes collected have on the company’s profits will be via administrative costs.



Appendix

3

Additional questions asked
about the tax system
and administration

Clarity and accessibility of the tax rules

Where can you find the tax rules and guidance for the tax system in your country?

- in print from the tax administration
- in print from another official source
- on the internet
- other, please specify
- not accessible

In your opinion, how simple or complicated are the tax rules in your country?

- Scale of 1 to 5 (1 is simple and easy to understand, and 5 is very complicated even for a tax expert to understand!).

In your opinion, how clear or ambiguous are the tax rules in your country?

- Scale of 1 to 5 (1 is very clear, 5 is very ambiguous and subject to different interpretations).

Please provide examples of any ambiguous rules.

How frequently are significant changes made to the tax rules in your country?

- usually once a year
- usually two or three times a year
- probably on a monthly basis
- probably on a weekly basis
- on a daily basis

In your opinion how helpful are any guidance notes which the tax authority publishes to assist taxpayers in your country?

- Scale of 1 to 5 (1 is very helpful, 5 is not at all helpful/ none are published).

Can you easily access a published statement by government of the actual tax revenues in your country?

- YES / NO

If yes, please provide the source of such statement, including the website link if the statement is available on the internet.

If no, please comment on why not.

How centralised/decentralised is the tax system

Please indicate the levels of government in your country that can levy taxes.

- Federal level
YES/NO

- State/provincial/territory level
YES/NO

If yes, how many states/provinces/territories?

- Local/municipal level
YES/NO

If yes, how many local or municipal levels?

Please indicate where the following specific taxes are administered by separate tax authorities in your country.

Are indirect taxes (VAT, GST or Sales Tax) administered by a separate authority from corporate income tax?

- YES / NO

If YES, please indicate at what level of government.

Is social security/social contributions administered separately?

- YES / NO

If YES, please indicate at what level of government.

Are payroll and wage taxes administered separately?

- YES / NO

If YES, please indicate at what level of government.

Are property taxes administered separately?

- YES / NO

If YES, please indicate at what level of government.

Are customs and/or excise duties administered separately?

- YES / NO

If YES, please indicate at what level of government.

Are vehicle taxes and registration fees administered separately?

- YES / NO

If YES, please indicate at what level of government.

Are other taxes administered separately?

- YES / NO

If YES, please specify below and indicate at what level of government.

Approach of the tax authority

Over and above the books which are kept for accounting purposes, are there additional books which must be kept by companies in your country only for tax purposes?

If YES, please list them below, indicating which taxes they apply to.

In a typical situation how long is it likely to take in practice for a company to receive a VAT or withholding tax refund in your country (time from claiming a refund to receiving the cash)?

- less than a month
- 1 to 3 months
- 3 to 6 months
- 6 to 12 months
- more than a year

Dealing with tax audits and disputes

In your experience, how are companies selected for a tax audit? Please select all relevant methods and number them from the most common to the least common where 1 is the most common:

- risk assessment
- by size
- by type of business
- when they ask for a refund
- random basis
- other, please specify

If a company claims a VAT or withholding tax refund, will the tax authority in your country audit the repayment claim prior to making payment?

- not usually
- sometimes
- usually

If usually, please comment on the process.

Do tax audits typically cover a single tax (such as corporate income tax) or multiple taxes (such as corporate income tax, social contributions, sales tax at the same time)?

- single tax
- multiple taxes

In a typical situation for a large company, how long is a tax audit likely to take in your country (from first information request to substantive resolution)?

- less than 3 months
- less than one year
- 1 to 2 years
- 2 to 5 years
- over 5 years
- continuous audit

Is there an independent body (such as a tribunal or court) to which a taxpayer can appeal against a decision of the tax authority?

YES / NO

In your opinion how easy is it for a company to deal with a tax audit in your country?

- Scale of 1 to 5 (1 is very easy, 5 is very difficult).

In your opinion how effective is the independent appeal process in your country?

- Scale of 1 to 5 (1 is very efficient, 5 is very inefficient).

Best and worst aspects of the tax system

Please rate on a scale of 1 to 5 (1 for best and 5 for needing most improvement) the following aspects of the tax rules in your country. Please also comment on the reasons for your rankings 1 – 5:

- aspects of the tax rules (e.g. rates or incentives)
- clarity, accessibility and stability of the tax rules
- levels of government and tax authority
- approach of the tax authorities
- dealing with tax audits and disputes
- other, please specify



Appendix

4

Doing Business 2010
About Doing Business

In 1664 William Petty, an adviser to England's Charles II, compiled the first known national accounts. He made 4 entries. On the expense side, "food, housing, clothes and all other necessities" were estimated at £40 million. National income was split among three sources: £8 million from land, £7 million from other personal estates and £25 million from labour income.

In later centuries, estimates of country income, expenditure and material inputs and outputs became more abundant. But it was not until the 1940s that a systematic framework was developed for measuring national income and expenditure, under the direction of British economist John Maynard Keynes. As the methodology became an international standard, comparisons of countries' financial positions became possible. Today the macroeconomic indicators in national accounts are standard in every country.

Governments committed to the economic health of their country and opportunities for its citizens now focus on more than macroeconomic conditions. They also pay attention to the laws, regulations and institutional arrangements that shape daily economic activity.

The global financial crisis has renewed interest in good rules and regulation. In times of recession, effective business regulation and institutions can support economic adjustment. Easy entry and exit of firms, and flexibility in redeploying resources, make it easier to stop doing things for which demand has weakened and to start doing new things. Clarification of property rights and strengthening of market infrastructure (such as credit information and collateral systems) can contribute to confidence as investors and entrepreneurs look to rebuild.

Until very recently, however, there were no globally available indicator sets for monitoring such microeconomic factors and analysing their relevance. The first efforts, in the 1980s, drew on perceptions data from expert or business surveys. Such surveys are useful gauges of economic and policy conditions. But their reliance on perceptions and their incomplete

coverage of poor countries constrain their usefulness for analysis.

The *Doing Business* project, launched eight years ago, goes one step further. It looks at domestic small and medium sized companies and measures the regulations applying to them through their life cycle. *Doing Business* and the standard cost model initially developed and applied in the Netherlands are, for the present, the only standard tools used across a broad range of jurisdictions to measure the impact of government rule-making on business activity³⁶.

The first *Doing Business* report, published in 2003, covered five indicator sets in 133 economies. This year's report covers 10 indicator sets in 183 economies. The project has benefitted from feedback from governments, academics, practitioners and reviewers³⁷. The initial goal remains: to provide an objective basis for understanding and improving the regulatory environment for business.

What *Doing Business* covers

Doing Business provides a quantitative measure of regulations for starting a business, dealing with construction permits, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business – as they apply to domestic small and medium sized enterprises.

A fundamental premise of *Doing Business* is that economic activity requires good rules. These include rules that establish and clarify property rights and reduce the costs of resolving disputes, rules that increase the predictability of economic interactions, and rules that provide contractual partners with core protections against abuse. The objective: regulations designed to be efficient, to be accessible to all who need to use them, and to be simple in their implementation. Accordingly, some *Doing Business* indicators give a higher score for more regulation, such as stricter disclosure requirements

³⁶ The standard cost model is a quantitative methodology for determining the administrative burdens that regulation imposes on businesses. The method can be used to measure the effect of a single law or of selected areas of legislation or to perform a baseline measurement of all legislation in a country.

³⁷ This included a review by the World Bank Independent Evaluation Group (2008).

in related-party transactions. Some give a higher score for a simplified way of implementing existing regulation, such as completing business start-up formalities in a one-stop shop.

The *Doing Business* project encompasses two types of data. The first come from readings of laws and regulations. The second are time and motion indicators that measure the efficiency in achieving a regulatory goal (such as granting the legal identity of a business). Within the time and motion indicators, cost estimates are recorded from official fee schedules where applicable. Here, *Doing Business* builds on Hernando de Soto's pioneering work in applying the time and motion approach first used by Frederick Taylor to revolutionise the production of the Model T Ford. De Soto used the approach in the 1980s to show the obstacles to setting up a garment factory on the outskirts of Lima³⁸.

What *Doing Business* does not cover

Just as important as knowing what *Doing Business* does is to know what it does not do – to understand what limitations must be kept in mind in interpreting the data.

Limited in scope

Doing Business focuses on 10 topics, with the specific aim of measuring the regulation and red tape relevant to the life cycle of a domestic small to medium sized firm. Accordingly:

- *Doing Business* does not measure all aspects of the business environment that matter to firms or investors—or all factors that affect competitiveness. It does not, for example, measure security, macroeconomic stability, corruption, the labour skills of the population, the underlying strength of institutions or the quality of infrastructure³⁹. Nor does it focus on regulations specific to foreign investment.

- *Doing Business* does not assess the strength of the financial system or market regulations, both important factors in understanding some of the underlying causes of the global financial crisis.
- *Doing Business* does not cover all regulations, or all regulatory goals, in any economy. As economies and technology advance, more areas of economic activity are being regulated. For example, the European Union's body of laws (*acquis*) has now grown to no fewer than 14,500 rule sets. *Doing Business* measures just 10 phases of a company's life cycle, through 10 specific sets of indicators. The indicator sets also do not cover all aspects of regulation in the particular area. For example, the indicators on starting a business or protecting investors do not cover all aspects of commercial legislation. The employing workers indicators do not cover all areas of labour regulation. Measures for regulations addressing safety at work or right of collective bargaining, for example, are not included in the current indicator set.

Based on standardised case scenarios

Doing Business indicators are built on the basis of standardised case scenarios with specific assumptions, such as the business being located in the largest business city of the economy. Economic indicators commonly make limiting assumptions of this kind. Inflation statistics, for example, are often based on prices of consumer goods in a few urban areas.

Such assumptions allow global coverage and enhance comparability. But they come at the expense of generality. Business regulation and its enforcement, particularly in federal states and large economies, differ across the country. And of course the challenges and opportunities of the largest business city – whether Mumbai or São Paulo, Nuku'alofa or Nassau – vary greatly across countries. Recognising governments' interest in such variation, *Doing Business* has complemented its global indicators with sub-national studies in such countries as Brazil, China, Colombia, the Arab Republic

³⁸ De Soto (2000).

³⁹ The indicators related to trading across borders and dealing with construction permits and the pilot indicators on getting electricity take into account limited aspects of an economy's infrastructure, including the inland transport of goods and utility connections for businesses.

of Egypt, India, Kenya, Mexico, Morocco, Nigeria and the Philippines⁴⁰.

In areas where regulation is complex and highly differentiated, the standardised case used to construct the *Doing Business* indicator needs to be carefully defined. Where relevant, the standardised case assumes a limited liability company. This choice is in part empirical: private, limited liability companies are the most prevalent business form in most economies around the world. The choice also reflects one focus of *Doing Business*: expanding opportunities for entrepreneurship. Investors are encouraged to venture into business when potential losses are limited to their capital participation.

Focused on the formal sector

In constructing the indicators, *Doing Business* assumes that entrepreneurs are knowledgeable about all regulations in place and comply with them. In practice, entrepreneurs may spend considerable time finding out where to go and what documents to submit. Or they may avoid legally required procedures altogether – by not registering for social security, for example.

Where regulation is particularly onerous, levels of informality are higher. Informality comes at a cost: firms in the informal sector typically grow more slowly, have poorer access to credit and employ fewer workers – and their workers remain outside the protections of labour law⁴¹. *Doing Business* measures one set of factors that help explain the occurrence of informality and give policy-makers insights into potential areas of reform. Gaining a fuller understanding of the broader business environment, and a broader perspective on policy challenges, requires combining insights from *Doing Business* with data from other sources, such as the World Bank Enterprise Surveys⁴².

Why this focus

Doing Business functions as a kind of cholesterol test for the regulatory environment for domestic businesses.

A cholesterol test does not tell us everything about the state of our health. But it does measure something important for our health. And it puts us on watch to change behaviours in ways that will improve not only our cholesterol rating but also our overall health.

One way to test whether *Doing Business* serves as a proxy for the broader business environment and for competitiveness is to look at correlations between the *Doing Business* rankings and other major economic benchmarks. The indicator set closest to *Doing Business* in what it measures is the Organisation for Economic Co-operation and Development's indicators of product market regulation; the correlation here is 0.75. The World Economic Forum's Global Competitiveness Index and IMD's World Competitiveness Yearbook are broader in scope, but these too are strongly correlated with *Doing Business* (0.79 and 0.72, respectively). These correlations suggest that where peace and macroeconomic stability are present, domestic business regulation makes an important difference in economic competitiveness.

A bigger question is whether the issues on which *Doing Business* focuses matter for development and poverty reduction. The World Bank study *Voices of the Poor* asked 60,000 poor people around the world how they thought they might escape poverty⁴³. The answers were unequivocal: women and men alike pin their hopes above all on income from their own business or wages earned in employment. Enabling growth – and ensuring that poor people can participate in its benefits – requires an environment where new entrants with drive and good ideas, regardless of their gender or ethnic origin, can get started in business and where good firms can invest and grow, generating more jobs.

Small and medium sized enterprises are key drivers of competition, growth and job creation, particularly in developing countries. But in these economies up to 80% of economic activity takes place in the informal sector. Firms may be prevented from entering the formal sector by excessive bureaucracy and regulation.

40 <http://subnational.doingbusiness.org>
41 Schneider (2005).

42 <http://www.enterprisesurveys.org>
43 Narayan and others (2000).

Where regulation is burdensome and competition limited, success tends to depend more on whom you know than on what you can do. But where regulation is transparent, efficient and implemented in a simple way, it becomes easier for any aspiring entrepreneurs, regardless of their connections, to operate within the rule of law and to benefit from the opportunities and protections that the law provides.

In this sense *Doing Business* values good rules as a key to social inclusion. It also provides a basis for studying effects of regulations and their application. For example, *Doing Business* 2004 found that faster contract enforcement was associated with perceptions of greater judicial fairness—suggesting that justice delayed is justice denied⁴⁴.

In the current global crisis, policy-makers face particular challenges. Both developed and developing economies are seeing the impact of the financial crisis flowing through to the real economy, with rising unemployment and income loss. The foremost challenge for many governments is to create new jobs and economic opportunities. But many have limited fiscal space for publicly funded activities such as infrastructure investment or for the provision of publicly funded safety nets and social services. Reforms aimed at creating a better investment climate, including reforms of business regulation, can be beneficial for several reasons. Flexible regulation and effective institutions, including efficient processes for starting a business and efficient insolvency or bankruptcy systems, can facilitate reallocation of labour and capital. And regulatory institutions and processes that are streamlined and accessible can help ensure that, as businesses rebuild, barriers between the informal and formal sectors are lowered, creating more opportunities for the poor.

Doing Business as a benchmarking exercise

Doing Business, in capturing some key dimensions of regulatory regimes, has been found useful for benchmarking. Any benchmarking – for individuals, firms

or economies – is necessarily partial: it is valid and useful if it helps sharpen judgement, less so if it substitutes for judgement.

Doing Business provides two takes on the data it collects: it presents ‘absolute’ indicators for each economy for each of the 10 regulatory topics it addresses, and it provides rankings of economies, both by indicator and in aggregate. Judgement is required in interpreting these measures for any economy and in determining a sensible and politically feasible path for reform.

Reviewing the *Doing Business* rankings in isolation may show unexpected results. Some economies may rank unexpectedly high on some indicators. And some economies that have had rapid growth or attracted a great deal of investment may rank lower than others that appear to be less dynamic.

But for reform-minded governments, how much their indicators improve matters more than their absolute ranking. As economies develop, they strengthen and add to regulations to protect investor and property rights. Meanwhile, they find more efficient ways to implement existing regulations and cut outdated ones. One finding of *Doing Business*: dynamic and growing economies continually reform and update their regulations and their way of implementing them, while many poor economies still work with regulatory systems dating to the late 1800s.

Doing Business – a user’s guide

Quantitative data and benchmarking can be useful in stimulating debate about policy, both by exposing potential challenges and by identifying where policy-makers might look for lessons and good practices. This data also provides a basis for analysing how different policy approaches – and different policy reforms – contribute to desired outcomes such as competitiveness, growth and greater employment and incomes.

Seven years of *Doing Business* data have enabled a growing body of research on how performance on

44 World Bank (2003).

Doing Business indicators – and reforms relevant to those indicators – relate to desired social and economic outcomes. Some 405 articles have been published in peer-reviewed academic journals, and about 1,143 working papers are available through Google Scholar⁴⁵.

Among the findings:

- Lower barriers to start-up are associated with a smaller informal sector⁴⁶.
- Lower costs of entry encourage entrepreneurship, enhance firm productivity and reduce corruption⁴⁷.
- Simpler start-up translates into greater employment opportunities⁴⁸.

How do governments use *Doing Business*? A common first reaction is to doubt the quality and relevance of the *Doing Business* data. Yet the debate typically proceeds to a deeper discussion exploring the relevance of the data to the economy and areas where reform might make sense.

Most reformers start out by seeking examples, and *Doing Business* helps in this. For example, Saudi Arabia used the company law of France as a model for revising its own. Many countries in Africa look to Mauritius – the region's strongest performer on *Doing Business* indicators—as a source of good practices for reform. In the words of Luis Guillermo Plata, the minister of commerce, industry and tourism of Colombia,

It's not like baking a cake where you follow the recipe. No. We are all different. But we can take certain things, certain key lessons, and apply those lessons and see how they work in our environment.

Over the past seven years there has been much activity by governments in reforming the regulatory environment for domestic businesses. Most reforms relating to *Doing Business* topics were nested in broader programmes of reform aimed at enhancing economic competitiveness. In structuring their reform programmes, governments

use multiple data sources and indicators. And reformers respond to many stakeholders and interest groups, all of whom bring important issues and concerns into the reform debate.

World Bank support to these reform processes is designed to encourage critical use of the data, sharpening judgment and avoiding a narrow focus on improving *Doing Business* rankings.

Methodology and data

Doing Business covers 183 economies – including small economies and some of the poorest countries, for which little or no data are available in other data sets. The *Doing Business* data is based on domestic laws and regulations as well as administrative requirements.

Information sources for the data

Most of the indicators are based on laws and regulations. In addition, most of the cost indicators are backed by official fee schedules. *Doing Business* respondents both fill out written surveys and provide references to the relevant laws, regulations and fee schedules, aiding data checking and quality assurance.

For some indicators, part of the cost component (where fee schedules are lacking) and the time component are based on actual practice rather than the law on the books. This introduces a degree of subjectivity. The *Doing Business* approach has therefore been to work with legal practitioners or professionals who regularly undertake the transactions involved. Following the standard methodological approach for time and motion studies, *Doing Business* breaks down each process or transaction, such as starting and legally operating a business, into separate steps to ensure a better estimate of time. The time estimate for each step is given by practitioners with significant and routine experience in the transaction.

⁴⁵ <http://scholar.google.com>

⁴⁶ For example, Masatlioglu and Rigolini (2008), Kaplan, Piedra and Seira (2008), Ardagna and Lusagi (2009) and Djankov and others (forthcoming).

⁴⁷ For example, Alesina and others (2005), Perotti and Volpin (2004), Klapper, Laeven and Rajan (2006), Fisman and Sarria-Allende (2004), Antunes and Cavalcanti (2007),

Barseghyan (2008), Djankov and others (forthcoming) and Klapper, Lewin and Quesada Delgado (2009).

⁴⁸ For example, Freund and Bolaky (2008), Chang, Kaltani and Loayza (2009) and Helpman, Melitz and Rubinstein (2008).

Over the past seven years more than 11,000 professionals in 183 economies have assisted in providing the data that inform the *Doing Business* indicators. This year's report draws on the inputs of more than 8,000 professionals. The *Doing Business* website indicates the number of respondents per economy and per indicator. Respondents are professionals or government officials who routinely administer or advise on the legal and regulatory requirements covered in each *Doing Business* topic. Because of the focus on legal and regulatory arrangements, most of the respondents are lawyers. The credit information survey is answered by officials of the credit registry or bureau. Freight forwarders, accountants, architects and other professionals answer the surveys related to trading across borders, taxes and construction permits.

The *Doing Business* approach to data collection contrasts with that of enterprise or firm surveys, which capture often one-time perceptions and experiences of businesses. A corporate lawyer registering 100 – 150 businesses a year will be more familiar with the process than an entrepreneur, who will register a business only once or maybe twice. A bankruptcy judge deciding dozens of cases a year will have more insight into bankruptcy than a company that may undergo the process.

Development of the methodology

The methodology for calculating each indicator is transparent, objective and easily replicable. Leading academics collaborate in the development of the indicators, ensuring academic rigour. Seven of the background papers underlying the indicators have been published in leading economic journals. One is at an advanced stage of publication.

Doing Business uses a simple averaging approach for weighting sub-indicators and calculating rankings. Other approaches were explored, including using principal components and unobserved components. The principal components and unobserved components approaches turn out to yield results nearly identical to those of simple averaging. The tests show that each

set of indicators provides new information. The simple averaging approach is therefore robust to such tests.

Improvements to the methodology and data revisions

The methodology has undergone continual improvement over the years. Changes have been made mainly in response to country suggestions. For enforcing contracts, for example, the amount of the disputed claim in the case study was increased from 50% to 200% of income per capita after the first year of data collection, as it became clear that smaller claims were unlikely to go to court.

Another change relates to starting a business. The minimum capital requirement can be an obstacle for potential entrepreneurs. Initially, *Doing Business* measured the required minimum capital regardless of whether it had to be paid up front or not. In many economies only part of the minimum capital has to be paid up front. To reflect the actual potential barrier to entry, the paid-in minimum capital has been used since 2004.

This year's report includes changes in the core methodology for one set of indicators, those on employing workers. The assumption for the standardised case study was changed to refer to a small to medium sized company with 60 employees rather than 201. The scope of the question on night and weekly holiday work has been limited to manufacturing activities in which continuous operation is economically necessary. Legally mandated wage premiums for night and weekly holiday work up to a threshold are no longer considered a restriction. In addition, the calculation of the minimum wage ratio was modified to ensure that an economy would not benefit in the scoring from lowering the minimum wage to below \$1.25 a day, adjusted for purchasing power parity. This level is consistent with recent World Bank adjustments to the absolute poverty line. Finally, the calculation of the redundancy cost was adjusted so that having severance payments or unemployment protections below a certain threshold does not mean a better score for an economy.

All changes in methodology are explained on the *Doing Business* website. In addition, data time series for each indicator and economy are available on the *Doing Business* website, beginning with the first year the indicator or economy was included in the report. To provide a comparable time series for research, the data set is back-calculated to adjust for changes in methodology and any revisions in data due to corrections. The website also makes available all original data sets used for background papers.

Information on data corrections is provided on the website. A transparent complaint procedure allows anyone to challenge the data. If errors are confirmed after a data verification process, they are expeditiously corrected.

New this year

This year's *Doing Business* report presents initial findings in two new areas: the ease of obtaining an electricity connection and the level of adoption in national legislation of aspects of the International Labour Organisation's (ILO) core labour standards on child labour. Neither of these pilot indicator sets is included in the *Doing Business* rankings.

Pilot indicators on getting electricity.

Where the quality and accessibility of infrastructure services are poor, companies' productivity and growth suffer. According to firm surveys in 89 economies, electricity was one of the biggest constraints to their business⁴⁹. The *Doing Business* pilot data set on getting electricity is the first to compare distribution utilities around the world on how efficiently they respond to customer requests for connections.

The pilot indicators track the process a standardised local private business goes through in obtaining an electricity connection. By applying its methodology to electricity provision, *Doing Business* aims to illustrate some of the real implications of weak infrastructure services for entrepreneurs. The indicators complement existing data

that focus on generation capacity, consumption prices and the reliability of electricity supply⁵⁰. And they allow further investigation of the effects of the process of getting an electricity connection on economic outcomes.

Worker protection.

The ILO core labour standards consist of freedom of association and recognition of the right to collective bargaining, the elimination of all forms of forced or compulsory labour, the abolition of child labour and equitable treatment in employment practices. The *Doing Business* indicators on employing workers are consistent with these core labour standards but do not measure compliance with them. To complement these indicators, *Doing Business* has launched research on the adoption of core labour standards in national legislation.

The initial research focuses on the national implementation of minimum age provisions included in two ILO conventions on child labour: Convention 138, on the minimum age for admission to employment (1973), and Convention 182, on the worst forms of child labour (1999).

This year's *Doing Business* report presents initial findings on 102 countries (see ILO core labour standards). For each country *Doing Business* examined whether national laws follow the minimum age threshold for general access to employment (14 or 15 years, depending on the development of the country's economy and educational facilities), for hazardous work (18 years) and for light work (12 or 13 years, depending on the development of the country's economy and educational facilities).

In the future the research will expand to more economies and to more areas covered by the core labour standards. On the basis of this, *Doing Business* plans to develop a new worker protection indicator, a process that will benefit from the advice of a consultative group with broad representation of stakeholders. The ILO, which has leadership on the core labour standards, will serve as an essential source of guidance in this process.

49 According to World Bank Enterprise Survey data for the 89 economies, 15.6% of managers consider electricity the most serious constraint, while a similar share (15.68%) consider access to finance the most serious constraint (<http://www.enterprisesurveys.org>).

50 See, for example, data of the International Energy Agency or the World Bank Enterprise Surveys (<http://www.enterprisesurveys.org>).

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