

Overall Tax Cost and Compliance Burden Lower for Businesses around the World

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WASHINGTON--21 Nov--World Bank

Paying taxes has become easier over the past year for medium-sized companies around the world, the latest report from the World Bank Group and PwC finds. The time it takes an average company to meet its tax obligations dropped by four hours last year, according to the Paying Taxes 2015 study. The report also revealed that the total amount of taxes the average company paid in taxes and the number of payments it made have also declined in the past year. This is a trend seen every year over the ten year period covered by the publication.

The Paying Taxes 2015 report finds that on average, the standard company studied has a total tax rate (as defined under the Doing Business methodology) of 40.9 percent of profits. It makes 25.9 tax payments per year and takes 264 hours to comply with its tax requirements. Over the ten years of the study, 78% of the 189 economies covered in the report have made significant changes to their tax regimes at least once. Time and number of payments required to comply with tax obligations have fallen over the ten-year period, as has the average total tax rate. The fastest rate of decline for the total tax rate occurred during the financial crisis from 2008-2010 with an average decline of 1.8 percentage points per year during that period. The rate of decline then started slowing in 2011.

The average time it takes a medium size company to deal with its tax submissions has fallen by a total of nearly a week and a half over the ten years of the study; reflecting the increased use of electronic filing and payment systems around the world. Of the 379 tax reforms recorded in Paying Taxes reports since 2004, 105 relate to electronic filing.

For the first time since the Doing Business publication was introduced, a second city is measured in the 11 economies with more than 100 million inhabitants. The eleven economies are: Bangladesh, Brazil, China, India, Indonesia, Japan, Mexico, Nigeria, Pakistan, the Russian Federation, and the United States. In the United States, where the report was launched today, Los Angeles and New York cities are included in the analysis enabling subnational comparison.

"Taxes provide the sustainable funding needed for social programs and to promote economic growth. Policymakers need to find the right balance between raising revenue and ensuring that tax rates and the burden of compliance do not deter participation or discourage business activity," said Augusto Lopez-Claros, Director, Global Indicators Group, Development Economics, World Bank Group. "During economic downturns, this balancing act is intensified; some public spending may increase, putting pressure on deficits, and governments may need to use tax policy as an economic stimulus."

"The latest results from the Paying Taxes study show many economies are continuing to make progress in tax reform, but there is still a lot of scope to streamline and simplify tax systems," said Andrew Packman, leader for Tax Transparency and Total Tax Contribution at PwC. "Tax reform is set to remain an important topic for governments around the world for some years to come, and this will include the need to take on board the proposals from the OECD to modernise the international tax system to cater for today's globalised business"

Paying Taxes 2015 measures all mandatory taxes and contributions that a medium-size company must pay in a given year. Taxes and contributions measured include the profit or corporate income tax, social contributions and labour taxes paid by the employer, property taxes, property transfer taxes, dividend tax, capital gains tax, financial transactions tax, waste collection taxes, vehicle and road taxes, and other small taxes or fees.

For more information about the Paying Taxes study, visit: www.pwc.com/payingtaxes.

The Paying Taxes annual report builds on the World Bank Group's Doing Business reports' chapter on Paying Taxes. For more information on the Doing Business report series, visit: www.doingbusiness.org