



Press release

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Azerbaijan hosted the regional launch of PwC's Paying Taxes 2016 report

The Paying Taxes report is a joint annual publication by PwC, and the World Bank Group. This year marks the tenth year of the publication and Azerbaijan is the host-country for the Central Asia and Eastern Europe regional launch. The report was presented to the public and media during a launch breakfast and media conference on 4 December 2015 in the Four Seasons Hotel Baku.

The study looks at the tax treatment of a model case study company, this year in 189 economies, and enables an effective comparison of different tax regimes. It's still the only study of its kind and continues to attract great interest from businesses, as well as governments as it gives them an easy way to compare their tax systems with geographic neighbours and economic peer groups.

Speakers from PwC, the World Bank Group and the Ministry of Taxes took part in an interactive discussion on the key findings, regional comparisons and Azerbaijan results followed by a question and answer session. Over 70 representatives of businesses, government, international organizations and media attended the breakfast.

“In many countries, there is still considerable scope for reform of tax systems in terms of simplification and supporting compliance. This year’s report demonstrates in particular the acute challenge in developing countries of the availability of IT infrastructure including broadband, needed to design and run a modern tax system to raise the revenues to sustain growth.”, said Thomas Dane, Senior Manager, Tax Transparency, PwC in his speech.

Electronic tax filing and payments were the most common tax reforms undertaken by countries worldwide during the past year, according to the latest edition of the ***Paying Taxes*** report from the PwC and the World Bank Group.

Paying Taxes 2016 finds that on average, the model company has a Total Tax Rate of 40.8 percent of commercial profits, down by just 0.1 percentage point from last year. It makes 25.6 tax payments per year and takes 261 hours to comply with its tax requirements, a drop of two hours compared to last year. For Azerbaijan, the model company makes 7 tax payments per year, takes 195 hours to comply with its tax obligations and has a Total Tax Rate of 39.8%.

"Economies investing in reforming the tax administration and legislation are creating a platform for a sustainable and long term development of their economies. Azerbaijan has made a very impressive transformation of its tax system and the next opportunity is to reform it in such a way that will create a friendly environment for development of small and medium businesses as well



**as a competitive tax regime for attraction of foreign investment", mentioned
Movlan Pashayev, Country Managing Partner, PwC Azerbaijan.**

Over the 10 year period covered by the study, the global average time to comply has declined by 61 hours and the number of payments sub-indicator by 8.2 payments, due in large part to the introduction and improvement in electronic filing and payment systems. Electronic filing continues to have a significant impact in easing the burden of tax administration.

As a result, paying taxes became easier for medium sized companies globally, but the focus has moved from reducing tax rates for companies to embracing technology and relieving their compliance burden. The report also shows that low-income economies continue to face the biggest reform challenges.

Economies which have invested in online filing and payment infrastructure, such as Azerbaijan, are reaping a digital dividend from these systems. Low income economies, however, which often have a substantial compliance burden, have shown the least reduction in the time to comply and the number of payments sub-indicators. This suggests that there are other challenges to be overcome in these economies, such as the availability of modern communications infrastructure, before the tax system can be substantially reformed. The study also discusses the benefits that good tax compliance systems can have in helping to reduce the size of the informal economy.

In 2014, while there was a small decrease in the global average Total Tax Rate, there is much more of a patchwork at a regional and national level. The Total Tax Rate in Africa, Central Asia & Eastern Europe, and the Middle East rose due to increases in a variety of taxes, while 30 reforms made it less costly for firms to pay taxes. Across the globe, in 2014, 46 economies

Notes for editor:

PwC Azerbaijan provides industry-focused assurance, tax, legal and advisory services to various industries. Over 100 professionals from 6 countries working in PwC office in Baku, Azerbaijan share their thinking, experience and solutions to develop fresh perspectives and practical advice for our clients.

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