Press Release

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Paying Taxes 2017
The tax burden of Slovak businesses is 11% higher than the worldwide and EU & EFTA average

Administrative burden of tax payment simplified. The biggest challenge for most countries is tax procedures after tax return submissions, which can delay VAT refunds for more than a year.

Washington, Bratislava, 24 November 2016 – According to the findings of the 11th edition of **Paying Taxes 2017**, compiled by the World Bank Group and PwC, businesses worldwide are continuing to simplify and reduce tax obligations. The study investigates the simplification of paying taxes in 190 countries and uses a medium-sized model company and legislation applicable at the end of 2015. This year's findings show that the tax burden of the model company amounts to 40.6% of commercial profit, 0.1 % down from last year. The number of tax payments fell slightly to 25 and the time an average company needs to comply with tax requirements was 251 hours, a drop of 10 hours a year.

Paying Taxes 2017 found that in some countries the VAT and corporate income tax post-filing processes are most challenging as regards paying taxes. In some instances, these processes cause delays in receiving VAT refunds, which can be longer than a year.

Globally, the most frequently introduced tax reform was electronic tax filing and payment. 26 countries implemented these changes, and Jamaica reduced the number of payments by the highest number from 26 to 11.

The study introduces a new **post-filing index,** which uses four sub-indicators – the time required to refund the VAT excess (in hours), time to obtain a VAT refund (weeks), time to comply with the correction of an inadvertent corporate income tax error and deal with a resultant audit (hours) and the time to complete a corporate income tax audit if required (weeks).

The new research finds the interactions which a company has with tax authorities after a tax return has been filed can be some of the most challenging. The processes vary significantly from one jurisdiction to another. The report found that 162 economies have a VAT system and a VAT refund is available in 93 economies. A fast and efficient process can be critical to ensure that a company does not face cash flow problems. For economies with a VAT refund system, it takes 14 hours on average to make a VAT refund claim, and an additional wait of over 5 months (22 weeks) to receive the refund.

The analysis shows that less time is required to prepare the excess VAT refund in more developed economies (almost 8 hours) than in less developed countries (almost 27 hours). Excess VAT repayments lead to a tax inspection in 70% of the countries, of which more than half (58%) are then subject to a comprehensive tax inspection.

The study shows that 180 economies used a corporate income tax system in 2015. Voluntary corrections to a corporate income tax return automatically lead to a tax inspection in 74 of them. On average, it takes a model firm 17 hours to correct an error in its tax return. If a tax inspection is performed, it is completed within 17 weeks, on average. A look at the differences between developed and developing economies revealed that it takes twice as long in less developed countries to correct an error in a tax return and the probability of an automatically initiated subsequent tax inspection is twice as high.

Augusto Lopez-Claros, Director, Global Indicators Group, Development Economics, World Bank Group said:
"*Until now, there has been little information about the cost of post-filing procedures. The new post-filing index shows there are considerable variations globally in how tax authorities approach VAT refunds and corporate income tax audits. We hope that the new data will allow governments to better understand the impact that these procedures have on businesses and will help encourage them to reform and enhance them to make it easier for companies to do business.*"

Andrew Packman, Leader for Tax Transparency and Total Tax Contribution at PwC said:
"*While we recognise the pressures on governments to raise tax revenues to fund public spending, Paying Taxes shows that in many economies, governments and tax authorities can make it easier for companies to pay their taxes and this includes the ability to claim a VAT refund or deal with a corporate income tax audit. More efficient tax systems are good for businesses, which in turn helps to promote economic growth and investment.*"

Slovakia's ranking in Paying Taxes 2017

In this year's study, Slovakia ranked **56th** in the overall tax payment system ranking, **Poland was 47th, Czech Republic 53rd and Hungary 77th** mostly due to the high number of hours required to meet tax requirements.

Paying Taxes 2017* – V4 countries

	Total tax rate	Number of hours	Total number of payments	Ranking
Slovak Republic	**51.6 %**	**192**	**8**	**56**
Czech Republic	*50 %*	*234*	*8*	*53*
Poland	*40.4 %*	*271*	*7*	*47*
Hungary	*46.5 %*	*277*	*11*	*77*

*Paying Taxes 2017 is based on legislation applicable as at **31.12.2015**

The total tax burden in Slovakia, i.e. the total tax rate of 51.6% is more than 11% higher than the EU & EFTA average of 40.3% and the average in the 190 surveyed countries was 40.6%. At the end of 2015, Slovakia's tax burden was the fourth highest in EU & EFTA countries.

The number of hours required to comply with the tax obligation in Slovakia increased from 188 hours to 192 hours y/y, while this number dropped in EU & EFTA and globally.

An overview of Paying Taxes 2017 results* – Slovakia/EU&EFTA/global average

	Total tax rate	Number of hours spent to comply	Number of tax payments	Post-filing index
Slovak Republic	**51.6 %**	**192**	**8**	**80.57**
EU & EFTA	*40.3 %*	*164*	11.8	88.90
Total of 189 countries	***40.6 %***	***251***	***25***	

*Paying Taxes 2017 is based on valid legislation as at **31.12.2015**

	Ranking	Total tax rate	Corporate income tax	Tax on wages	Other taxes
Slovak Republic	**56**	**51.6%**	**10.5%**	**39.7%**	**1.4%**
Czech Republic	*53*	*50%*	*9.1%*	*38.4%*	*2.5%*
Poland	*47*	*40.4%*	*14.5%*	*24.9%*	*1.0%*
Hungary	*77*	*46.5%*	*9.9%*	*34.3%*	*2.3%*

Christiana Serugová, Tax Partner and Leader in PwC Slovakia comments on Slovakia's ranking:

What legislative measures and changes could help Slovakia improve its ranking?

"If we look at the structure of the average total tax rate worldwide, we see that the tax burden is spread evenly between labour tax and corporate income tax, and both these categories represent 16.2% on average. In Slovakia, the labour tax rate amounts to 39.7%, corporate income tax represents 10.5% and other taxes 1.4% of the total tax rate. This means the tax burden is not distributed evenly between the taxation of labour and corporate profit and the total of these two components represents 98% of the total tax burden. Therefore, in addition to continuing improvements in electronic communication with the tax offices, Slovakia's overall "tax score" could be improved by reducing tax on labour and simplifying the tax system, including the tax rate structure. However, the latest changes relating to the social security cap increase and the still pending full cancellation of limits on healthcare contributions will definitely not improve Slovakia's ranking compared to other EU countries."

Slovakia's overall Paying Taxes ranking – history

Slovak Republic	Overall ranking
Paying Taxes 2017	**56th, including post-filing index** **72th, excluding post-filing index***
Paying Taxes 2016	73
Paying Taxes 2015	*100*
Paying Taxes 2014	*102*
Paying Taxes 2013	*100*
Paying Taxes 2012	*129*

**Calculations in Paying Taxes 2017 include the new post-filing index. The year-on-year ranking comparison excludes the post-filing index.*

Overview of Paying Taxes results 2017* – Slovakia, detailed breakdown of reviewed indicators

Total tax rate

	Total tax rate			
Slovak Republic	**Total tax rate**	**Corporate income tax**	**Labour tax**	**Other taxes**
Paying Taxes 2017	**51.6 %**	**10.5%**	**39.7 %**	**1.4 %**
Paying Taxes 2016	*51.2 %*	*10.5 %*	*39.7 %*	*1.0 %*
Paying Taxes 2015	*48.6 %*	*8.5 %*	*39.7 %*	*0.4 %*
Paying Taxes 2014	*47.2 %*	*7.0 %*	*39.6 %*	*0.6 %*

*Paying Taxes 2017 is based on legislation applicable as at **31.12.2015**

Tax payments

	Number of payments			
Slovak Republic	**Total number of payments**	**Corporate income tax**	**Labour tax**	**Other taxes**
Paying Taxes 2017	**8**	**1**	**1**	**6**
Paying Taxes 2016	*10*	*1*	*1*	*8*
Paying Taxes 2015	*20*	*1*	*1*	*18*

Time to comply

	Number of hours			
Slovak Republic	**Total time**	**Corporate income tax time**	**Labour tax time**	**Consumption tax time**
Paying Taxes 2017	**192**	**46**	**62**	**84**
Paying Taxes 2016	*188*	*42*	*62*	*84*
Paying Taxes 2015	*207*	*42*	*62*	*103*

END

Notes

1. Paying Taxes is part of the Doing Business project which uses a model company. The model company is a medium-sized, local manufacturing/retail firm chosen so that firms all over the world can identify with its business. A standard sample of facts is set so that the generated tax indicators can be compared in different economies without distortion by incentives or reliefs for specific industries. It is a simple local business selected to enable the key results to be based exclusively on the local tax system.
2. *The Paying Taxes 2017* measures information about all taxes and contributions that a medium-sized firm must pay in a given year and the administrative burden due to administration and payment of taxes and post-filing procedures. Taxes and contributions include the tax on commercial profits (in Slovakia - the corporate income tax), social contributions and labour taxes paid by the employer, property taxes, property transfer tax, dividend tax, capital gain tax,

financial transactions tax, waste collection taxes, vehicle and road taxes, and other small taxes and fees.

3. This edition of *Paying Taxes* looks at procedures that must be undertaken after complying with the tax requirements, e.g. claiming a VAT refund for the first time. The new post-filling index measures two procedures that may follow after tax compliance - VAT refund and correction of errors in corporate income tax, including a potential tax inspection. For more information, visit: www.pwc.com/payingtaxes
4. *Paying Taxes 2017* was compiled in the period June 2015 – June 2016, and **was based on legislation applicable as at 31.12.2015**. For more information about *Paying Taxes*, visit: www.pwc.com/payingtaxes
5. The annual *Paying Taxes* report is based on information included Doing Business compiled by the World Bank Group, Chapter Paying Taxes. For more information about Doing Business, visit: www.doingbusiness.org

O PwC

Spoločnosti siete PwC pomáhajú budovať dôveru v spoločnosť a prispievajú k riešeniu dôležitých spoločenských problémov. Naše kancelárie v 157 krajinách sveta s vyše 223 000 zamestnancami poskytujú vysokoodborné audítorské, daňové a poradenské služby. Viac sa dozviete na našej webovej stránke www.pwc.com/sk.

Označenie PwC sa vzťahuje na sieť PwC a/alebo jednu či viacero jej členských firiem, z ktorých každá je samostatným právnym subjektom. Ďalšie informácie nájdete na stránke www.pwc.com/structure.

O skupine Svetovej banky

Skupina Svetovej banky zohráva kľúčovú úlohu v globálnej snahe skoncovať s extrémnou chudobou a podporiť spravodlivé rozdelenie prosperity. Tvorí ju päť inštitúcií: Svetová banka, vrátane Medzinárodnej banky pre obnovu a rozvoj (IBRD) a Medzinárodného združenia pre rozvoj (IDA); Medzinárodná finančná korporácia (IFC), Mnohostranná agentúra pre investičné záruky (MIGA); a Medzinárodné centrum pre riešenie investičných sporov (ICSID). Tieto inštitúcie, ktoré navzájom spolupracujú vo vyše 100 krajinách, poskytujú financovanie, poradenstvo a iné riešenia, ktoré krajinám umožňujú venovať sa najnaliehavejším výzvam, ktoré podmieňujú ich ďalší rozvoj. Viac informácii nájdete na stránkach www.worldbank.org, www.miga.org a www.ifc.org.