

# *Paying Taxes 2015*



---

# Contacts

## **PwC<sup>1</sup>**

**Stef van Weeghel**  
Leader, Global Tax Policy and  
Administration Network  
PwC Netherlands  
+31 88 792 6763  
stef.van.weeghel@nl.pwc.com

**Andrew Packman**  
Tax Transparency and  
Total Tax Contribution leader  
PwC UK  
+44 1895 522 104  
andrew.packman@uk.pwc.com

**Neville Howlett**  
Director External Relations, Tax  
PwC UK  
+44 20 7212 7964  
neville.p.howlett@uk.pwc.com

## **World Bank Group**

**Augusto Lopez-Claros**  
Director  
Global Indicators and Analysis  
+1 202 458 8945  
alopezclaros@ifc.org

**Rita Ramalho**  
Manager, Doing Business Unit  
+1 202 458 4139  
rramalho@ifc.org

**Joanna Nasr**  
Private Sector Development Specialist  
+ 1 202 458 0893  
jnasr@worldbank.org

<sup>1</sup> PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.

---

# Contents

|   |     |
|---|-----|
| Foreword  |     |
| Key findings from the <i>Paying Taxes 2015</i> data .....   | 1   |
| What does this publication cover? .....   | 5   |
| <b>Chapter 1: World Bank Group commentary</b> .....   | 9   |
| <b>Chapter 2: PwC commentary on the latest results</b> .....  | 23  |
| The global results for the <i>Paying Taxes 2015</i> study .....   | 25  |
| Comparing the regional averages .....   | 29  |
| Regional average sub-indicators .....   | 33  |
| Explaining the changes in the Total Tax Rate .....  | 43  |
| The challenges of tax reform .....  | 55  |
| A closer look at electronic filing and payment .....  | 59  |
| <b>Chapter 3: PwC perceptions on how tax systems are changing</b> .....   | 67  |
| Additional insights around the tax compliance burden and how tax systems are perceived .....  | 69  |
| Cooperative compliance – how can businesses and tax authorities learn to trust each other? .....                                      | 81  |
| Commentaries on selected economies .....  | 85  |
| <b>Appendix 1</b>   |     |
| Methodology and example calculations for each <i>Paying Taxes</i> sub-indicators<br>including methodology changes for this year ..... | 121 |
| <b>Appendix 2</b>   |     |
| Economy sub-indicator results by region .....   | 133 |
| <b>Appendix 3</b>   |     |
| The data tables .....   | 151 |

# Foreword



**Andrew Packman**

Tax Transparency  
and Total Tax  
Contribution leader  
PwC UK



**Augusto  
Lopez-Claros**

Director, Global  
Indicators  
and Analysis  
The World Bank  
Group

This is the tenth year that the *Paying Taxes* indicator has been part of the World Bank *Doing Business* project. The journey over the period of the study has been an eventful and interesting one and the economic backdrop continues to present a challenging environment for governments as they consider their future fiscal policies. Globalisation, the march of technological change, changing demographic patterns and the persistent challenges that continue around climate change and the environment all come together to generate a turbulent mix of issues which have a significant impact on fiscal policy and the associated tax systems. Against this backdrop, this year the Organisation for Economic Co-operation and Development (OECD) has put forward proposals for changing the international tax rules to modernise them for today's globalised business and to address concerns over base erosion and profit shifting (BEPS). It is apparent that these proposals are already changing the way some tax authorities apply existing rules, leading to new and increased uncertainty for business, at least in the short term. Alongside all of this however there are two simple, mutually supportive objectives for governments; to ensure that there are sufficient public revenues for the future, to lay a foundation for sustained improvements in productivity, while at the same time incentivising investment and economic growth.

*The Paying Taxes study provides an unrivalled global database which supports an ongoing research programme.*

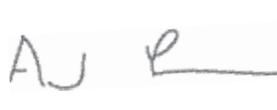
The *Paying Taxes* study remains unique. It is the only piece of research which measures the ease of paying taxes across 189 economies by assessing the time required for a case study company to prepare, file and pay its taxes, the number of taxes that it has to pay, the method of that payment and the total tax liability as a percentage of its commercial profits. The model we use is simple and does not cover all aspects and regulations which are a feature of tax systems, and it does not set out to do so. The intention is to provide an objective basis for governments to benchmark their tax systems on a like-for-like basis. The results illustrate both successful reforms and reform challenges and provide a platform for government and business to engage in constructive discussion around tax reform across a broader range of issues.

Our experience is that the findings of our study are respected and well used by governments, business, and by academics. Each year we launch the findings in regional events around the world. We have completed 35 of these since 2006, initiating constructive dialogue with governments and interest from the media to ensure engagement with the wider public.

In our tenth year there have been some amendments to the methodology which is used to derive the *Paying Taxes* sub-indicators and the ranking. These changes have been made in response to calls for the data to remain current, to take into account the potential for differences in the tax system across the larger economies in the study, and to more closely reflect the improvements that are made when implementing reform.<sup>2</sup>

This year we have also focussed more on the compliance aspects of the information that we collect through the study. Stable tax systems and strong tax administrations are important for businesses, helping them to operate in an environment where the tax treatment of transactions is predictable, and where governments operate transparently. There is little question that transparent tax systems which are easy to comply with increase voluntary compliance. In the publication this year we have included a section which draws on some of the information that we collect in addition to the core *Paying Taxes* sub-indicators. We also include a number of more in-depth country articles which illustrate the reforms that have been implemented in those countries and their experience of what has worked well and what has not been so successful.

The *Paying Taxes* study provides an unrivalled global database which supports an ongoing research programme. We welcome your feedback on the results both on the *Paying Taxes* sub-indicators and the additional information which we collect. Suggestions for other priority areas for research are welcomed as we develop our focus for future studies.



**Andrew Packman**

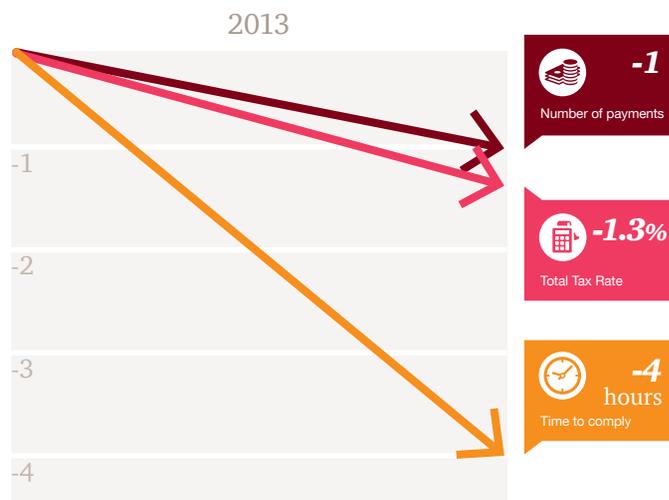


**Augusto Lopez-Claros**

<sup>2</sup> See "What does this publication cover?" and "Appendix 1 – Methodology" for details of these changes.

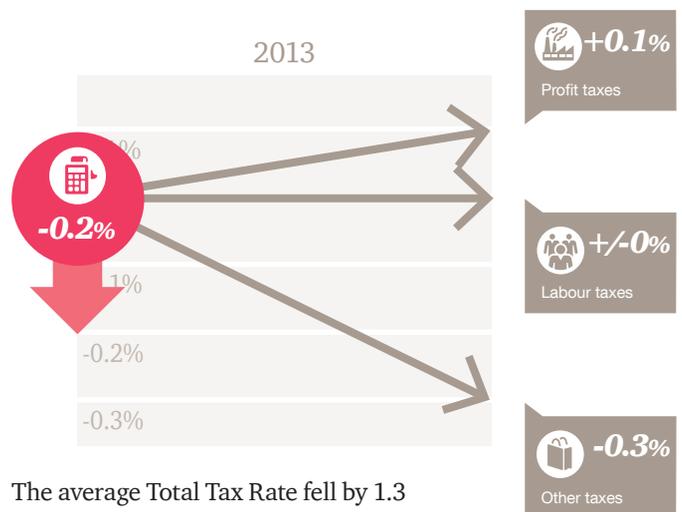
# Key findings from the Paying Taxes 2015 data<sup>3</sup>

On average it takes our case study company 264 hours to comply with its taxes, it makes 25.9 payments and has an average Total Tax Rate of 40.9%.



All three sub-indicators have continued to fall following a trend seen during the nine years of the study.

The compliance sub-indicators continue to fall; labour taxes and consumption taxes drive the reduction in time.



The average Total Tax Rate fell by 1.3 percentage points. Excluding the replacement of cascading sales taxes in Africa with VAT, the Total Tax Rate still falls by 0.2 percentage points. This is made up of an increase in profit taxes of 0.1 percentage points and a fall in 'other' taxes of 0.3 percentage points.

<sup>3</sup> The data for *Paying Taxes 2015* relates to the calendar year to 31 December 2013

Labour taxes and mandatory contributions, and profit taxes continue to be equally important in the profile of taxes borne for the case study company.



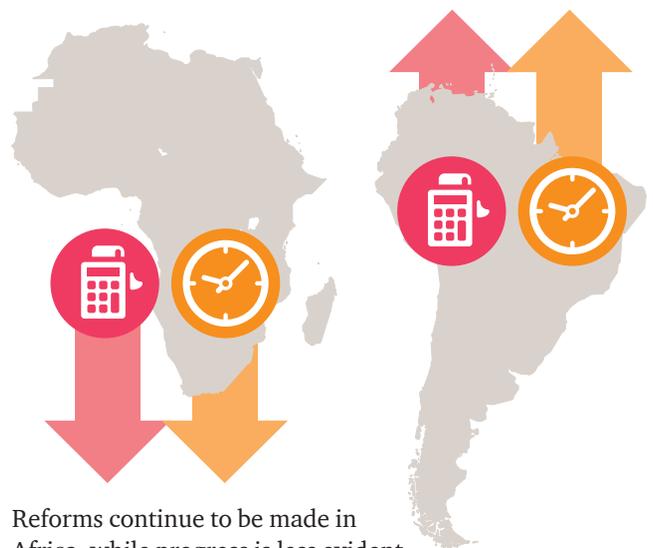
**43%**



43% of economies now have electronic filing and payment systems which are used by the majority of companies.



The pace of reform accelerated during the financial crisis, slowed in more recent years, but improvement continues. 379 reforms making it easier and less costly to pay taxes have been recorded since 2004, 105 of these relate to electronic filing and payment.



Reforms continue to be made in Africa, while progress is less evident in South America. South America now has the highest average time to comply and Total Tax Rate.



Central Asia & Eastern Europe is still the fastest reforming region with a major focus on improving administrative systems. All three sub-indicators have fallen with the number of payments and time to comply both now below the world average.

# The regional picture

## North America

Diverse tax systems where all sub-indicators are below the world average  
The three economies in North America have very different systems. They all use electronic filing and payment. Regional improvements are marginal.



## Central America & the Caribbean

Reducing time to comply is the main focus  
Electronic filing and payment still not used by the majority of economies. The number of payments has increased along with the Total Tax Rate.



## South America

Has the most time consuming tax system

South America is the only region to show a significant increase in Total Tax Rate. The region continues to have the highest average time to comply and this average has increased.



## Additional insights around tax systems and the compliance burden

Views from PwC contributors around the world – a summary of the key points derived from a series of supplementary questions

- According to the experience of PwC contributors, 81% of governments publish information on the tax revenues they receive, but only around two thirds of these keep the data up to date including forecasts for the current year.
- 82% of contributors were of the view that a key aim of current government policy is to increase tax revenues, but 60% think that governments also have an eye on using the tax system to encourage investment.
- Interest in the tax agenda from the media and by civil society organisations (CSOs) was seen as highest in North America and EU & EFTA.
- When asked to rate some aspects of their economy's tax systems, the PwC contributors felt that dealing with the post-filing process was most in need of improvement, followed by the approach of the tax authority.



#### EU & EFTA

##### Total Tax Rate is above the global average

Electronic filing and payment reforms continue to reduce the payments sub-indicator while time to comply and the Total Tax Rate remain stable.



#### Central Asia & Eastern Europe

##### The fastest reforming region

Still the fastest reforming region with large falls for all three sub-indicators. All are now below the global average.



#### Middle East

##### Easiest region in which to pay taxes

The Middle East continues to have the least demanding tax system. It has the lowest Total Tax Rate and time to comply. Electronic filing and payment is still a challenge.



#### Asia Pacific

##### Little movement in the sub-indicators

The three sub-indicators have remained broadly stable from last year. All three sub-indicators are below the global averages.



#### Africa

##### Big reductions in the Total Tax Rate

The replacement of cascading sales taxes means the region no longer has the highest rate. Marginal improvements in the time to comply continue, but electronic filing and payment provides the largest opportunities for the region.

- PwC contributors in 43% of economies viewed the post-filing process in their economy as difficult, and on average these economies also spend more time on pre-filing compliance.
- In economies where taxes can be levied by three levels of government the case study company took longer to prepare and file its tax returns, and made more payments, than in those economies where only one or two levels of government could levy taxes.
- In almost 87% of economies PwC contributors would expect the case study company to use computer software at some point in the process to prepare and file at least one of the taxes covered by the study. This suggests a high level of computer use around the world and a high level of IT literacy which tax authorities can build on when developing online filing and payment systems.
- 48% of economies have a special tax regime for small or medium sized companies and these economies have a higher average time to comply than those economies without such special regimes.

---

## *What does this publication cover?*

Over the last year, interest from external stakeholders in *Paying Taxes* has remained high. Over 16,000 copies of the last publication have been distributed, the results have been reported extensively by media around the world, and meetings with senior officials within government have been convened to discuss the findings. There has also been interest from academia<sup>3</sup>, including interest in accessing and making use of the study's extensive databank that now covers a ten year period.



<sup>3</sup>For example, Taxation Law and Policy Research Group, *Addressing Tax Complexity Symposium*, 29-30 September 2014, Prato, Italy



*Paying Taxes*, which is designed to measure the “ease of paying taxes”, is part of the World Bank Group’s *Doing Business* project which itself measures the “ease of doing business” by looking at ten indicators in addition to the *Paying Taxes* indicator. The study provides data on the tax systems of 189 economies around the world and facilitates a like-for-like comparison, stimulating a discussion between business and government regarding tax policy and its economic impact.

The data spans a period covering the time before, during and after the financial crisis and hence provides some useful insights on how tax systems have adjusted and developed throughout a turbulent period. Increasingly we have seen governments recognise that tax is an important dimension of an economy’s competitiveness with an ability to help encourage domestic investment and to help attract inward investment. And it is not just the rate of tax which is important here. The way in which the tax system collects and administers its taxes has an impact on businesses in terms of the time required and the costs associated with that time.

*Paying Taxes* remains a unique study, generating an unparalleled dataset that assesses taxes from the perspective of a taxpaying business, based upon a case study company. It reflects all taxes and contributions that a standardised medium sized company pays, including corporate income taxes, employment taxes and mandatory contributions, indirect taxes and a variety of smaller payments such as municipal taxes. The *Paying Taxes* data shows that in 181 economies the case study firm pays corporate income tax, consumption taxes are levied in 170 economies and a variety of labour taxes and mandatory contributions are borne in 187 of the 189 economies assessed.

The objectives of the study are to:

- Compare tax systems on a like-for-like basis;
- facilitate the benchmarking of tax systems within relevant economic and geographical groupings, which provides an opportunity to learn from peer group economies;
- analyse data and identify good tax practises and reforms;
- generate robust tax data on 189 economies around the world, including how they have changed, which can be used to inform tax policy decisions.

*Paying Taxes* uses a case study company to measure the ease of paying taxes through the taxes and contributions paid by a medium sized company and the compliance burden imposed by the tax system. The case study scenario is based upon a standardised set of financial statements with all items in the financial statements calculated as a fixed multiple of gross national income per capita (GNIPC) for each economy. There are also standard assumptions about transactions, employees, cross-border transactions and ownership. The case study company is not intended to be a representative company, but has been constructed to facilitate a comparison of the world's financial systems on a like-for-like basis.

Data is gathered through a questionnaire which is completed by at least two tax specialists (contributors) within each economy, including PwC. The World Bank Group compares the data from the different contributors to reach a consensus view.

The contributors provide information which allows the study to evaluate both the cost of the taxes that are borne by the case study company and the administrative burden of taxes borne and collected using three sub-indicators:

- Total Tax Rate is the measure of tax cost, the total of all taxes borne as a percentage of commercial profit;<sup>4</sup>
- the time to comply with the three main taxes (corporate income taxes, labour taxes and mandatory contributions, and consumption taxes), this captures the time required to prepare, file and pay each tax type;
- the number of payments is the frequency with which the company has to file and pay different types of taxes and contributions, adjusted for the manner in which those filings and payments are made.<sup>5</sup>

The sub-indicators evaluate the “ease of paying taxes” by calculating a ranking. This is done in isolation, without considering the macro economy as a whole, but rather only the micro impact on a single business.

This year's data for each economy, including the three sub-indicators and the rankings, are included in Appendix 2 and Appendix 3 of this publication. Further details are available on the PwC and World Bank's *Doing Business* websites.<sup>6</sup> We summarise some changes that have been made to the *Paying Taxes* methodology this year, and a detailed explanation of the methodology changes and how these affect the sub-indicators and rankings has been included in Appendix 1.

Following the Independent Panel review of the *Doing Business* report<sup>7</sup> and taking into account the feedback that has been received from interested parties over the years, three changes have been made to the *Paying Taxes* methodology.

1. The GNIPC figures used to construct the case study financial statements have been updated from the 2005 values which were used up until the 2014 publication, to the 2012 values. This has been done to ensure that the case study company reflects the economic growth that has been experienced over that seven year period so that the *Paying Taxes* results reflect the current economic circumstances of the economies included in the study.
2. Secondly, while in the past the study has always assumed that the case study company is situated in the most populous business city, in many of the larger economies there is the potential for there to be significant differences in the tax system between that city and other large cities in the economy. So this year, data for the second largest business city has been collected for the 11 economies with a population in excess of 100 million people to recognise that potential, and to provide a more representative picture of the tax system for these larger economies.

<sup>4</sup> Commercial profit is essentially net profit before all taxes borne. It differs from the conventional profit before tax, reported in financial statements. In computing profit before tax, many of the taxes borne by a company are deductible. Commercial profit is calculated 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. Commercial profit amounts to 59.4 times GNIPC in each economy, by assumption of the case study firm.

<sup>5</sup> Where full electronic filing and payment is used by the majority of medium-size businesses in the economy and where there is no requirement to file hard copies of documentation following electronic submission, the number of payments is counted as one even if filings and payments are more frequent.

<sup>6</sup> [www.pwc.com/payingtaxes](http://www.pwc.com/payingtaxes) and [www.doingbusiness.org](http://www.doingbusiness.org)

<sup>7</sup> Independent Panel Review of the *Doing Business* report, June 2013, accessed from <http://www.dbrpanel.org/sites/dbrpanel/files/doing-business-review-panel-report.pdf>

3. Finally, the *Paying Taxes* ranking is now based on the World Bank Group's Distance to frontier (DTF) measure rather than a simple percentile distribution. Using the DTF measure each economy's performance is evaluated relative to the lowest and highest value of each sub-indicator rather than relative to the other economies. This means that economies can now see how far they have progressed towards best practice, rather than simply looking at how they compare to other economies. The distribution used to determine the Total Tax Rate element of the DTF is non-linear. This means that movements in a Total Tax Rate that is already close to the lowest Total Tax Rate will have less of an impact on the DTF score. As in previous years, the lowest Total Tax Rate for the purposes of the ranking calculation is set as the 15th percentile of all Total Tax Rates for all economies considered in the analysis since 2006 (26.1% for 2013). Economies with a Total Tax Rate below this value will therefore not be closer to the frontier than an economy with a Total Tax Rate equal to this value.

**Chapter 1** of this year's publication is the World Bank commentary on the results. It summarises and comments on the trends before and after the financial crisis, using data from the first nine years of the study up to 2012.

**Chapter 2** provides PwC's analysis and commentary with a focus on the results for the current year.

We begin by looking at the global results for the year ending 31 December 2013. The regional analysis then starts with a comparison across the regions, followed by a summary of each region's average sub-indicator movements with details of the changes in the time to comply and the number of payments in particular economies that drive the regional changes. The chapter then includes an explanation of Total Tax Rate movements from 2012 to 2013 for the economies primarily responsible for the regional and global movements. Finally, the chapter provides a closer look at electronic filing and payment systems and the effect these have had throughout the study.

Updating the GNIpc values has resulted in a number of changes in Total Tax Rate and we have therefore included restated data for 2012 which shows what the data for 2012 would have looked like if the 2012 GNIpc values had been used in 2012. It also includes restatements which arise from any other necessary revisions to the underlying data.

The differences between the restated 2012 values and the 2013 values are therefore due solely to changes made to the tax regime and do not result from the methodology update.

**Chapter 3** of the publication is devoted to tax compliance and how it has developed around the world. It includes a piece which looks at cooperative compliance, and a selection of in-depth commentaries from a number of PwC offices.

The use of cooperative compliance can offer real benefits to tax authorities and taxpayers by allowing them to work together in real time. This can reduce the burden on the tax authority and provide greater certainty for taxpayers, but only where the system is properly legislated for and implemented. Our guest article looks at some of the factors that help to make cooperative compliance a success.

The in-depth country articles explain some of the changes that tax authorities have made over the last decade in order to improve their tax systems. As different tax authorities have focussed on different aspects of the tax system these articles provide a number of insights and experiences for policy makers looking to improve the tax systems which they operate.

# ***Chapter 1: World Bank Group commentary***

## *Paying Taxes – trends before and after the financial crisis<sup>8</sup>*

Taxes matter for the economy. They provide the sustainable funding needed for social programmes and public investments to promote economic growth and development and build a prosperous and orderly society. But policy makers face a difficult challenge in formulating good tax policies: they need to find the right balance between raising revenue and ensuring that tax rates and the administrative burden of tax compliance do not deter participation in the system or discourage business activity. This balancing act is intensified during periods of crisis. In an economic downturn some categories of public spending may automatically rise, putting pressure on deficits. Governments may at times need to deliver tax-based stimulus packages while also providing reassurance to markets that deficits will be reversed and public debt contained.

<sup>8</sup>The data in this chapter covers the period 2004 to 2012 only.



Over the nine year period ending in 2012, the global average Total Tax Rate as measured by *Doing Business* fell by 9.1 percentage points. Its rate of decline was fastest during the global financial crisis period (2008–2010), averaging 1.8 percentage points a year, then started slowing in 2011.

The average profit tax rate dropped sharply during the crisis period and then started to increase slightly in 2012. The average rate for labour taxes and mandatory contributions was stable throughout the nine year period.

The administrative burden of tax compliance has been steadily easing since 2004 with the growing use of electronic systems for filing and paying taxes.

During the financial crisis there was an increase in the number of tax reforms. The pace of reform accelerated with the onset of the crisis, then slowed in subsequent periods.

## **Why tax policy matters during crises**

The global financial crisis of 2008–2009 had a dramatic impact on national tax revenue and led to a sharp increase in deficits and public debt. The decline in revenue began in 2008, when general government revenue fell by an average of 0.7% of gross domestic product (GDP) worldwide. Revenue declined by another 1.1% of GDP in 2009.<sup>9</sup> The financial crisis led to a shrinking of economic activity and trade in most economies.

Fiscal measures were part of the policy toolkit that governments brought to bear in supporting the recovery. Policy makers in most economies applied measures aimed at improving revenue collection while keeping the taxes levied on businesses and households as low as possible, trying to strike a balance between reducing the disincentive effects of high taxes and generating adequate resources to fund essential expenditure.<sup>10</sup> Governments generally reduced the rates and broadened the base for corporate income tax, while increasing the rates for consumption tax or value added tax (VAT).<sup>11</sup>

In the European Union, for example, most member countries raised personal income tax rates, often temporarily, through general surcharges or through solidarity contributions from high-income earners. In addition, several European Union (EU) members reduced their corporate income tax rate and changed corporate tax bases. Most of these changes were aimed at providing tax relief for investment in physical capital or research and development (R&D), while limiting the deductibility of other items. By contrast, EU members commonly increased VAT rates along with statutory rates for energy and environmental taxes and for alcohol and tobacco taxes.<sup>12</sup> Some governments opted to broaden the VAT base by applying VAT to goods and services that had previously been subject to a zero rate and levying the standard VAT rate on products that had a reduced VAT rate.<sup>13</sup> Unifying VAT rates across all goods and services increases revenue and reduces compliance and administrative costs.<sup>14</sup>

Along with falling revenue, the global financial and economic crisis also led to growing tax compliance risks in some economies. Compliance with tax obligations and collection of tax revenue are important to support social programmes and services, for example. But in an economic downturn, businesses tend to underreport tax liabilities, underpay the taxes due, fail to file their tax returns on time and even engage in transactions in the informal sector.<sup>15</sup> Many economies redesigned their tax systems during that period with the objective of easing compliance with tax obligations.

## **Before and after the crisis – a nine year global tax profile**

*Doing Business* has been monitoring how governments tax businesses through its *Paying Taxes* indicators for nine years, looking at both tax administration and tax rates. The data give interesting insights into the tax policies implemented during the financial crisis of 2008–2009. *Doing Business* looks at tax systems from the perspective of the business, through three indicators.

The Total Tax Rate measures all the taxes and mandatory contributions that a standardised medium-size domestic company must pay in a given year as a percentage of its commercial profit.<sup>16</sup> These taxes and contributions include corporate income tax, labour taxes and mandatory contributions, property taxes, vehicle taxes, capital gains tax, environmental taxes and a variety of smaller taxes. The taxes withheld (such as personal income tax) or collected by the company and remitted to the tax authorities (such as VAT) but not borne by the company are excluded from the Total Tax Rate calculation.

Two other indicators measure the complexity of an economy's tax compliance system. The number of payments reflects the total number of taxes and contributions paid, the method of payment, the frequency of filing and payment, and the number of agencies involved. The time indicator measures the hours per year required to comply with three major taxes: corporate income tax, labour taxes and mandatory contributions, and VAT or sales tax.

The indicators show that for businesses around the world, paying taxes became easier and less costly over the nine years from 2004 to 2012.

<sup>9</sup> World Bank, World Development Indicators database.

<sup>10</sup> OECD (Organisation for Economic Development and Co-operation). 2010. *Growth-Oriented Tax Policy Reform Recommendations*. Tax Policy Study 20. Paris: OECD.

<sup>11</sup> Buti, Marco, and Heinz Zourek. 2012. "Tax Reforms in EU Member States: Tax Policy Challenges for Economic Growth and Fiscal Sustainability." Working Paper 34–2012, European Commission Directorate General for Taxation and Customs Union Directorate General for Economic and Financial Affairs, Luxembourg.

<sup>12</sup> Buti and Zourek 2012.

<sup>13</sup> Buti and Zourek 2012.

<sup>14</sup> OECD (Organisation for Economic Development and Co-operation). 2010. "Choosing a Broad Base–Low Rate Approach to Taxation." OECD Tax Policy Studies, no. 19. OECD, Paris.

<sup>15</sup> Brondolo, John. 2009. "Collecting Taxes during an Economic Crisis: Challenges and Policy Options." IMF Staff Position Note 09/17, International Monetary Fund, Washington, DC.

<sup>16</sup> Commercial profit is net profit before all taxes borne. It differs from the conventional profit before tax, reported in financial statements. In computing profit before tax, many of the taxes borne by a firm are deductible. In computing commercial profit, these taxes are not deductible. Commercial profit therefore presents a clear picture of the actual profit of a business before any of the taxes it bears in the course of the fiscal year. It is computed 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. Commercial profit amounts to 59.4 times income per capita.

**Falling tax cost for businesses**

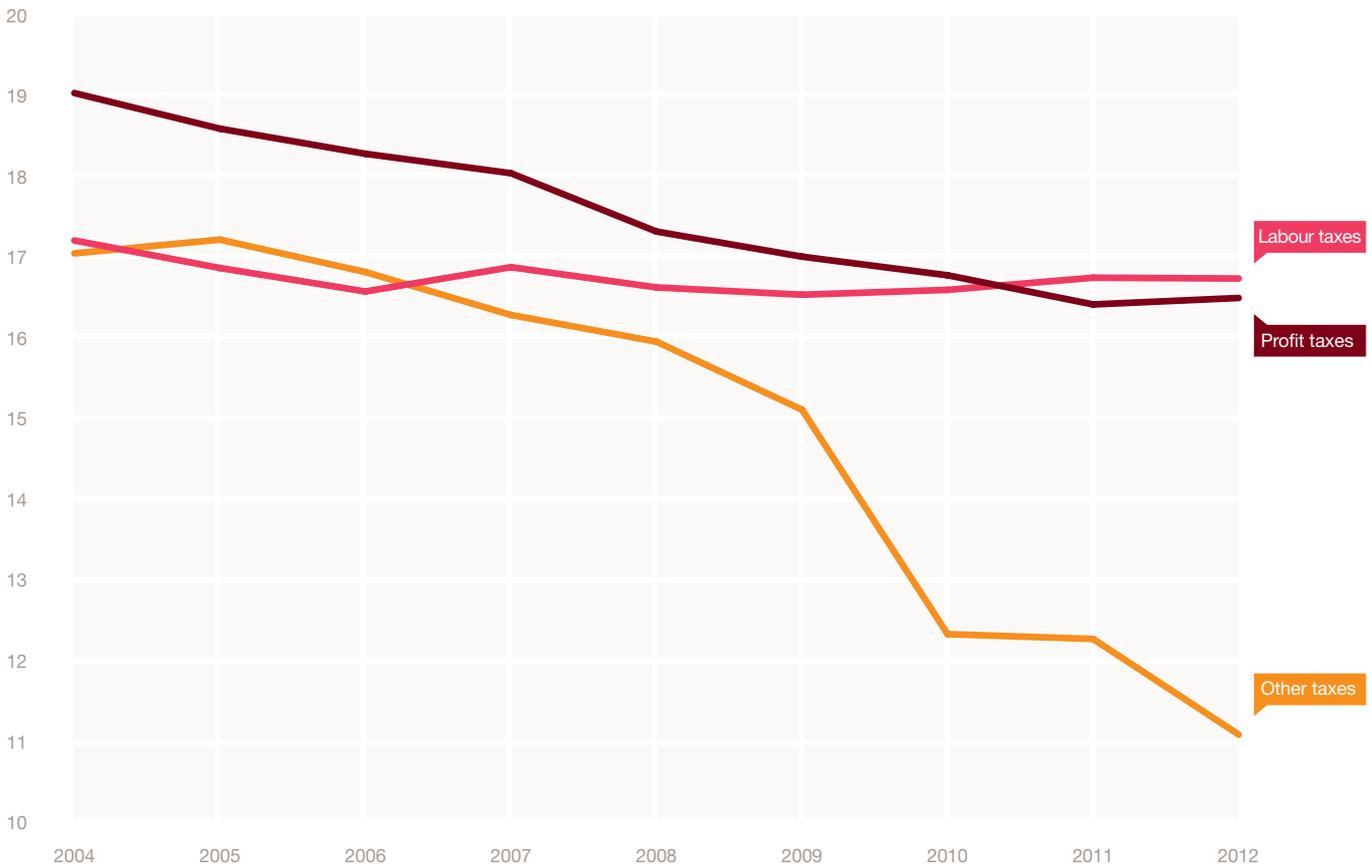
Globally, the Total Tax Rate for the *Doing Business* case study company averaged 43.1% of commercial profit in 2012.<sup>17</sup> Over the nine year period ending that year, the average Total Tax Rate fell by 9.1 percentage points – around 1 percentage point a year. Its rate of decline was fastest during the crisis period (2008–2010), averaging 1.8 percentage points a year, it then started slowing in 2011. The Total Tax Rate fell by an average of 0.3 percentage points in 2011.

The average rate for all three types of taxes included in the Total Tax Rate – profit, labour and “other” taxes – also fell over the nine years (Figure 1.1).<sup>18</sup> “Other” taxes decreased the most, by 5.9 percentage points – followed by profit taxes (2.7 percentage points) and labour taxes (0.5 percentage points).

The main driver of the drop in “other” taxes was the replacement of the cascading sales tax with VAT by a number of economies, many of them in Sub-Saharan Africa. Seven economies made this change during the nine years, six of them during the crisis period.<sup>19</sup> This shift substantially reduces the tax cost for businesses: while a cascading sales tax is a turnover tax applied to the full value at every stage of production, VAT is imposed only on the value added at each stage, and the final consumers bear the burden.

**Figure 1.1: A global trend of steady decline in the Total Tax Rate**

Global average Total Tax Rate (% of commercial profit)



**Note:** The data refer to the 174 economies included in DB2006 (2004). The Bahamas, Bahrain, Barbados, Brunei Darussalam, Cyprus, Kosovo, Liberia, Libya, Luxembourg, Malta, Montenegro, Myanmar, Qatar, San Marino and South Sudan were added in subsequent years.  
**Source:** *Doing Business* database.

<sup>17</sup> This is an unweighted average across 189 economies.

<sup>18</sup> The terms *profit tax* and *corporate income tax* are used interchangeably in this case study. “Other” taxes include small taxes such as vehicle taxes, environmental taxes, road taxes, property taxes, property transfer fees, taxes on checks and cascading sales tax.

<sup>19</sup> The seven economies are Burundi, the Democratic Republic of Congo, Djibouti, The Gambia, the Seychelles, Sierra Leone and the Republic of Yemen.

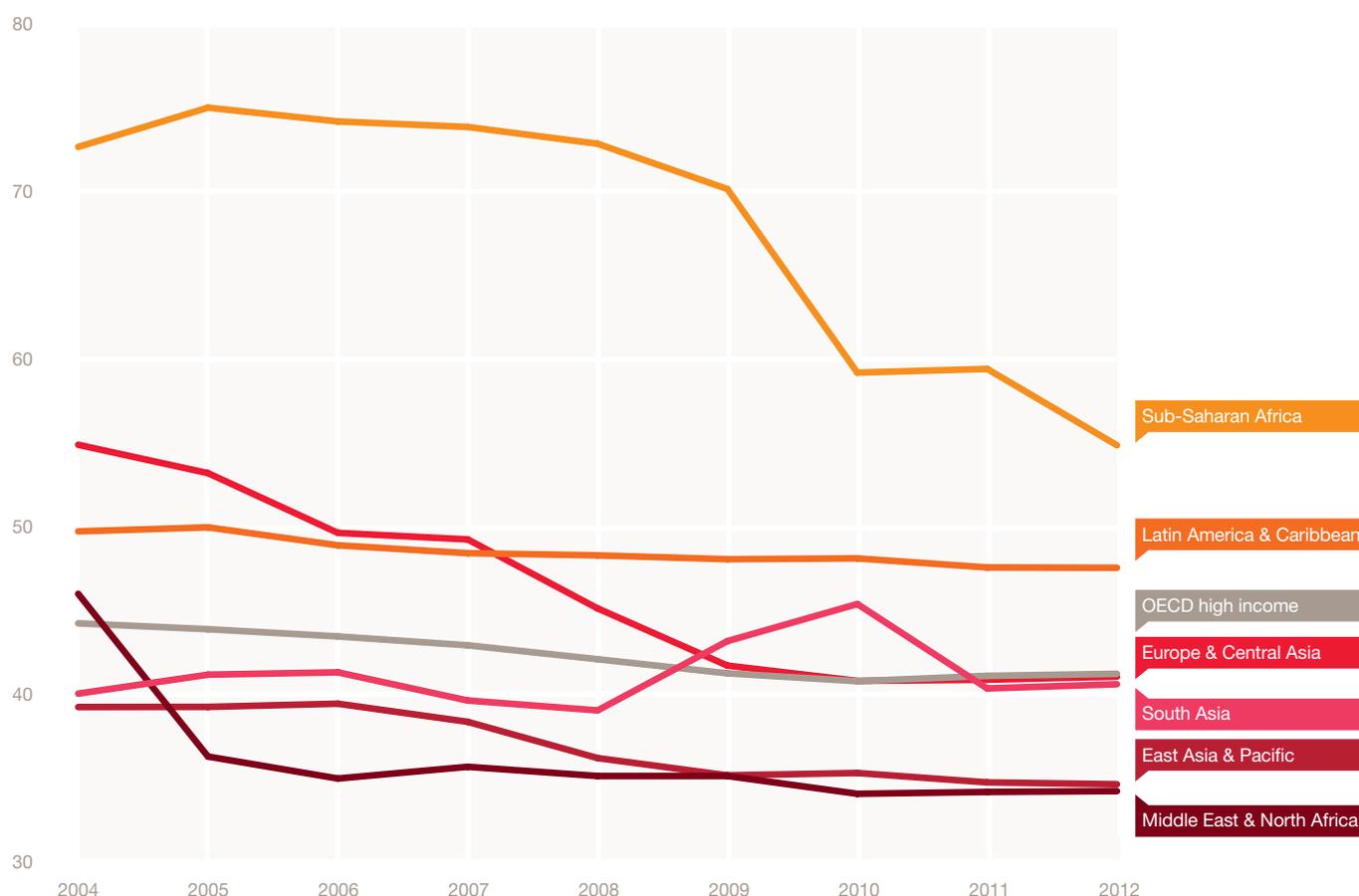
While the Total Tax Rate fell in all regions over the nine year period, Sub-Saharan Africa had the biggest decline. Its average Total Tax Rate dropped by almost 17 percentage points between 2004 and 2012. This aligned the region more closely with the rest of the world, though its average Total Tax Rate still remained the highest, at 53.4% in 2012 (Figure 1.2).<sup>20</sup> In addition, many African economies lowered rates for profit taxes, reducing its share in the Total Tax Rate. The size of the tax cost for businesses matters for investment and growth. Where taxes are high, businesses are more inclined to opt out of the formal sector. Given the disincentive effects associated with very high tax rates, the continual decline in the Total Tax Rate has been a good trend for Africa.

Other economies introduced new taxes during the nine year period. For example, in 2010 Hungary introduced a sector-specific surtax on business activity in retail, telecommunications and energy supply. The new tax remained in force until 31 December 2012. In 2009 Romania introduced a minimum income tax. Also in 2009, the Kyrgyz Republic introduced a new real estate tax that is set at 14,000 soms (about \$270) per square metre and further adjusted depending on the city location, the property's location within the city and the type of business.

The average profit tax rate in most economies fell consistently between 2004 and 2010, dropping most sharply during the crisis period (2008–2010), and then started to increase slightly in 2011 and 2012. The average rate for labour taxes and mandatory contributions remained stable throughout the nine year period, regardless of the financial crisis. In several economies this reflects concerns on the part of the authorities about the impact of aging populations and the need to strengthen the financial situation of pension systems.

**Figure 1.2: Among regions, Sub-Saharan Africa had the biggest reduction in the Total Tax Rate**

Regional average Total Tax Rate (% of commercial profit)



**Note:** The data refer to the 174 economies included in DB2006 (2004). The Bahamas, Bahrain, Barbados, Brunei Darussalam, Cyprus, Kosovo, Liberia, Libya, Luxembourg, Malta, Montenegro, Myanmar, Qatar, San Marino and South Sudan were added in subsequent years.

**Source:** *Doing Business* database.

<sup>20</sup>This is the average for all Sub-Saharan African economies included in *Doing Business 2013* (45 in total and does not take into account movements in 2013).

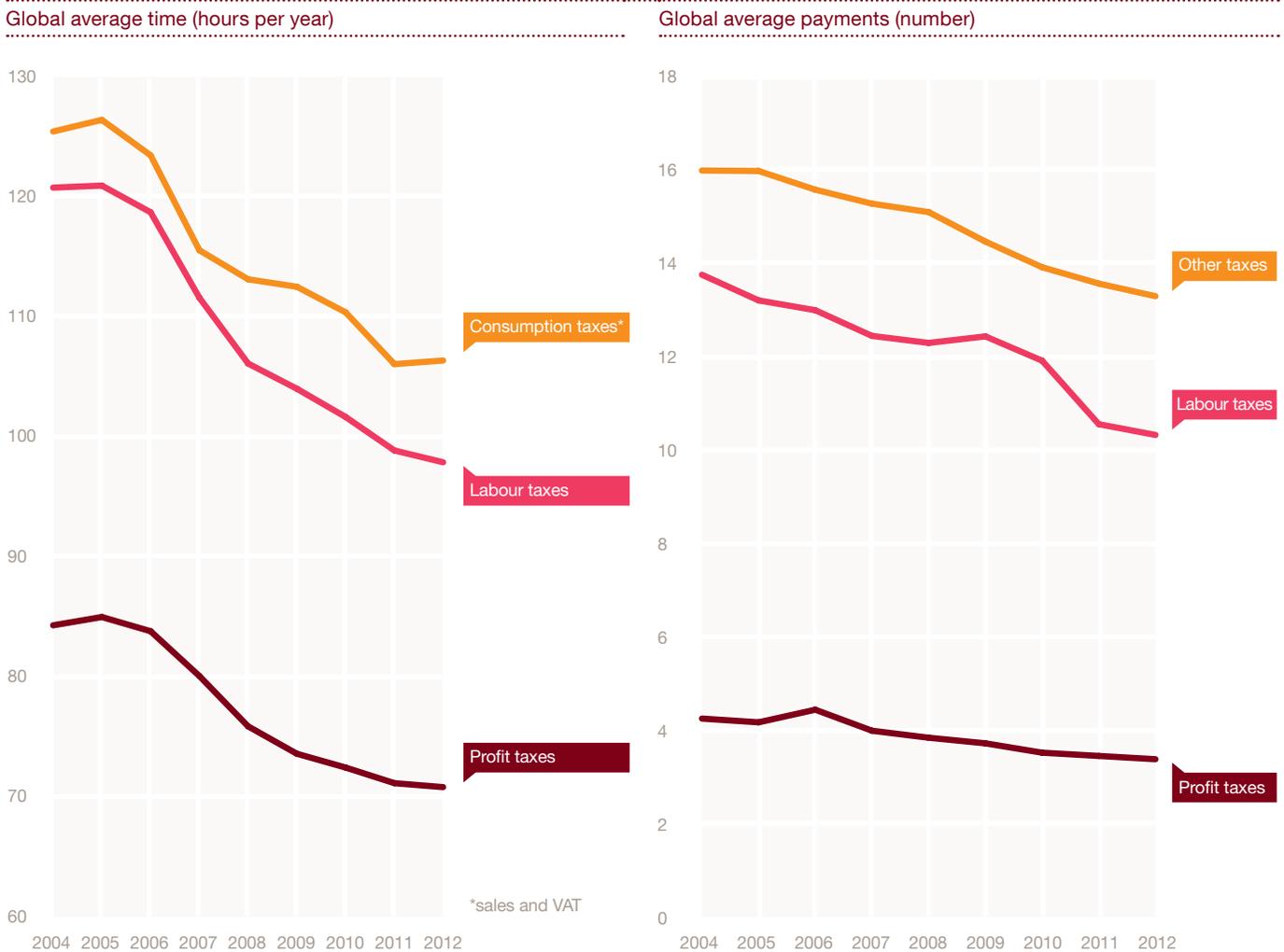
The nine year trends for the three types of taxes included in the Total Tax Rate are reflected in the changing composition of this rate. On average, labour taxes and mandatory contributions account for the largest share of the global Total Tax Rate today, having risen from 32% of the Total Tax Rate in 2004 to almost 38% in 2012. The profit tax share rose slightly, while “other” taxes fell from 32% of the total in 2004 to only 25% in 2012.

**Easing the tax administrative burden**

To comply with tax obligations in 2012, the *Doing Business* case study company would have made 26.7 payments and put in 268 hours (nearly 7 weeks) on average. This reflects an easing of the administrative burden – with 7 fewer payments and 62 fewer hours than in 2004.

Consumption taxes have consistently been the most time consuming, requiring 106 hours in 2012, with labour taxes and mandatory contributions not far behind (Figure 1.3). Corporate income tax takes the least time. While corporate income tax can be complex, it often requires only one annual return. Labour and consumption taxes are often filed and paid monthly and involve repetitive calculations for each employee and transaction. And consumption taxes in the form of VAT require filing information on both input and output ledgers.

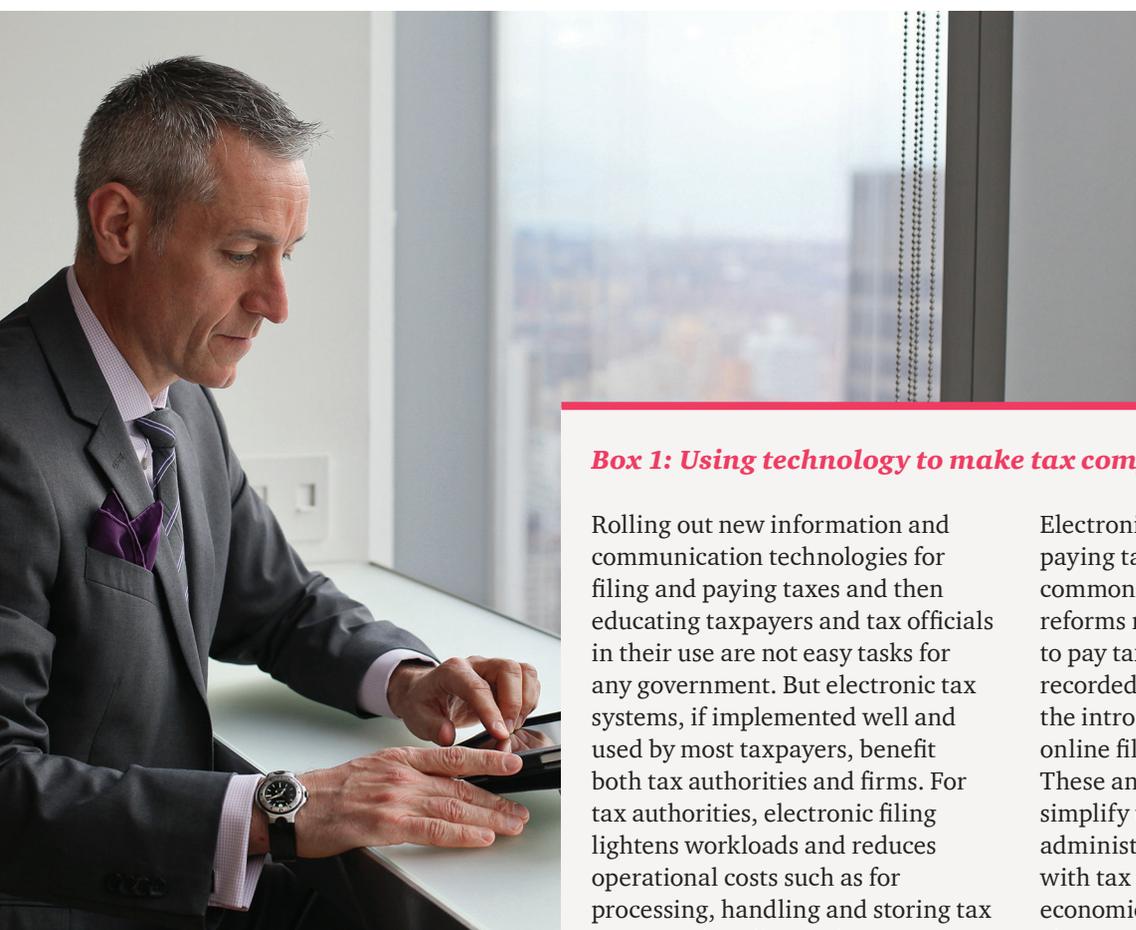
**Figure 1.3: The administrative burden of compliance has eased for all types of taxes**



**Note:** The data refer to the 174 economies included in DB2006 (2004). The Bahamas, Bahrain, Barbados, Brunei Darussalam, Cyprus, Kosovo, Liberia, Libya, Luxembourg, Malta, Montenegro, Myanmar, Qatar, San Marino and South Sudan were added in subsequent years.  
**Source:** *Doing Business* database.

The administrative burden for all the types of taxes eased over the nine years. But it eased the most for labour taxes and mandatory contributions, with the time for compliance dropping by 23 hours on average and the number of payments by 4. This is thanks mainly to the introduction of electronic systems for filing and paying taxes and to administrative changes merging the filing and payment of labour taxes levied on the same tax base into one return and one payment. For labour and consumption taxes, with their requirements for repetitive calculations, the use of accounting software and electronic filing and payment systems can offer great potential time savings (Box 1).

In contrast to the Total Tax Rate, the time for compliance declined the most just before the onset of the financial crisis for all three types of taxes: profit tax, labour tax, consumption tax. The number of payments decreased steadily over the nine year period.



### **Box 1: Using technology to make tax compliance easier**

Rolling out new information and communication technologies for filing and paying taxes and then educating taxpayers and tax officials in their use are not easy tasks for any government. But electronic tax systems, if implemented well and used by most taxpayers, benefit both tax authorities and firms. For tax authorities, electronic filing lightens workloads and reduces operational costs such as for processing, handling and storing tax returns. This allows administrative resources to be allocated to other tasks such as auditing or providing customer services.

Electronic filing is also more convenient for users. It reduces the time and cost required to comply with tax obligations and eliminates the need for taxpayers to wait in line at the tax office.<sup>21</sup> It also allows faster refunds. And it can lead to a lower rate of errors.

Electronic systems for filing and paying taxes have become more common worldwide. Of the 314 reforms making it easier or less costly to pay taxes that *Doing Business* has recorded since 2004, 88 included the introduction or enhancement of online filing and payment systems. These and other improvements to simplify tax compliance reduced the administrative burden to comply with tax obligations. By 2012, 76 economies had fully implemented electronic systems for filing and paying taxes as measured by *Doing Business*. The Organisation for Economic Co-operation and Development (OECD) high-income economies have the largest representation in this group.

<sup>21</sup> Zolt, Eric and Bird, Richard. 2008. "Technology and Taxation in Developing Countries: From Hand to Mouse." *National Tax Journal* 61: 791-821.

### Patterns in tax reforms during the crisis period

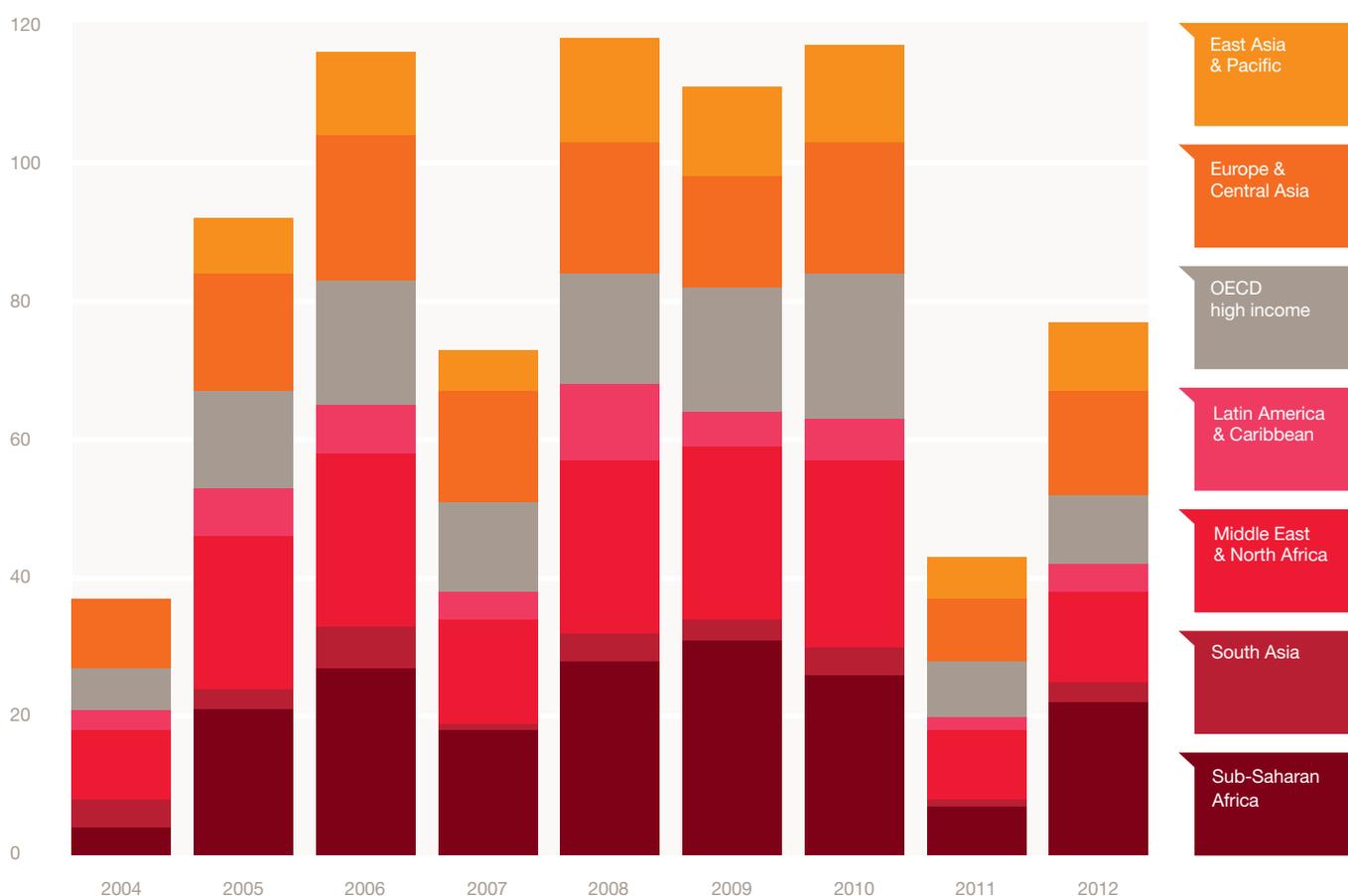
Over the nine year period ending in 2012, tax reforms peaked in 2008.

*Doing Business* recorded 118 changes implemented that year making it easier or less costly to pay taxes (Figure 1.4).<sup>22</sup>

The pace of reform slowed in the period immediately after the crisis: in 2011 *Doing Business* recorded only 43 such changes.

**Figure 1.4: An accelerating pace of tax reform during the global financial crisis**

Number of changes making it easier or less costly to pay taxes as measured by *Doing Business*



**Note:** The data refer to the 174 economies included in DB2006 (2004). The Bahamas, Bahrain, Barbados, Brunei Darussalam, Cyprus, Kosovo, Liberia, Libya, Luxembourg, Malta, Montenegro, Myanmar, Qatar, San Marino and South Sudan were added in subsequent years. The changes shown for each year are those recorded from 1 June of that year to 1 June of the following year.

**Source:** *Doing Business* database.

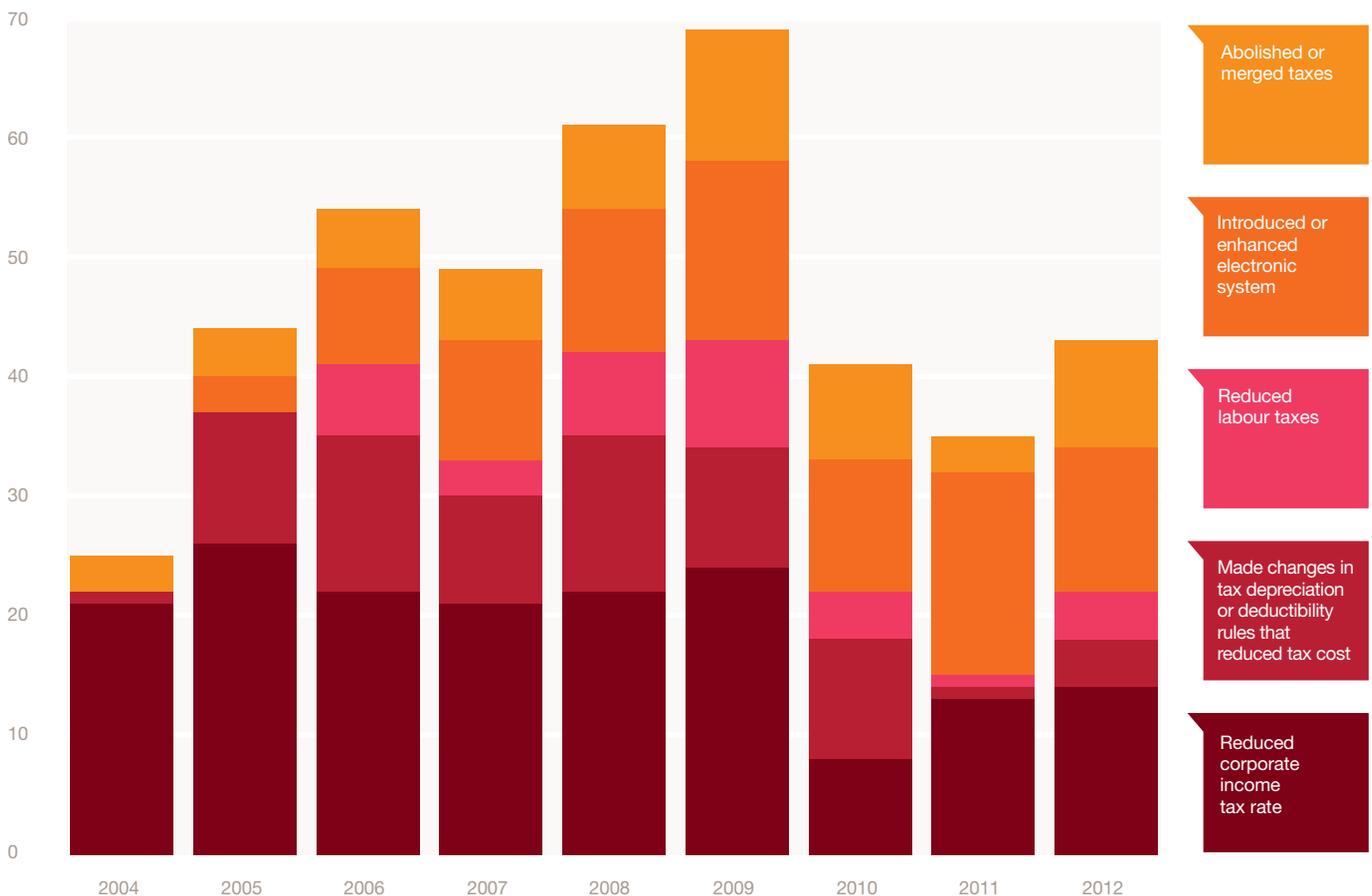
<sup>22</sup> These reforms include both major and minor reforms as classified by *Doing Business*. These include changes in statutory rates, changes in deductibility of expenses and depreciation rules, administrative changes affecting time to comply with three major taxes (corporate income tax, labour taxes and mandatory contributions, and VAT or sales tax) and introduction or elimination of taxes. Under the *Paying Taxes* methodology, the tax system assessment for calendar year 2008 covers reforms recorded from 1 June 2008 to 1 June 2009, a period that includes the start of the financial crisis in September 2008 and the months immediately following it.

### Changes making it easier or less costly to pay taxes

During the crisis period (2008–2010), the most common changes affecting the *Paying Taxes* indicators were those cutting the corporate income tax rate (Figure 1.5). *Doing Business* recorded 58 such changes during the three year period. The next most common changes were those enhancing or introducing electronic systems for filing and paying taxes online – 38 such changes were reported in total. These were aimed at easing the administrative burden of tax compliance to counter the greater risk of tax evasion during economic downturns. Also common were changes to tax deductibility and depreciation rules that would respectively lower the tax cost for businesses and provide them with greater flexibility in planning their cash flow (with a total of 33 recorded).

Reducing the corporate income tax rate was a change that many governments made during the financial crisis (Box 2). In 2008–2010 around 47 economies cut their rates. Moldova temporarily reduced its rate from 15% to 0%, effectively eliminating any tax on profits in 2008–2011, then set the rate at 12% from 1 January 2012. Some economies (Canada, Fiji, Greece, Indonesia, Slovenia and the United Kingdom) reduced their rates gradually, over several years. Others introduced temporary additional rate reductions. Vietnam cut its corporate income tax rate from 25% to 17.5% in 2009 as part of a stimulus package for small and medium-size businesses, then restored the standard rate for the following year.

**Figure 1.5: During the crisis period many economies cut the corporate income tax rate while continuing to improve tax administration**  
Changes making it easier or less costly to pay taxes as measured by *Doing Business*, by type



**Note:** The data refer to the 174 economies included in DB2006 (2004). The Bahamas, Bahrain, Barbados, Brunei Darussalam, Cyprus, Kosovo, Liberia, Libya, Luxembourg, Malta, Montenegro, Myanmar, Qatar, San Marino and South Sudan were added in subsequent years. The changes shown for each year are those recorded from 1 June of that year to 1 June of the following year. The figure does not show all types of changes making it easier or less costly to pay taxes recorded by *Doing Business*.

**Source:** *Doing Business* database.

Other economies abolished their minimum income tax (France and Timor-Leste). Romania, having introduced a minimum income tax in May 2009, abolished it in October 2010. Some economies amended their income tax brackets rather than reducing rates. Portugal introduced tax brackets for profit tax in January 2009. Taxable corporate income up to €12,500 became subject to half the standard tax rate, while all income over this amount was taxed at the standard 25% rate.

To stimulate investment in specific areas, some economies increased the percentage of allowances that could be applied on certain assets or allowed the deduction of more expenses. Thailand, for example, encouraged capital investment with accelerated depreciation for equipment and machinery acquired before December 2010. Australia introduced an investment allowance – an up-front deduction of 30% of the cost of new plant contracted for between 1 January 2009, and 30 June 2009, and installed by 30 June 2010. Austria introduced accelerated depreciation (30% for the first year) for tangible fixed assets produced or acquired within a specified time period. Spain introduced unlimited tax depreciation for investments made in new fixed assets and immovable property in 2009 and 2010, later extending this to investments made before 31 December 2012 (Box 3).

*Reducing the corporate income tax rate was a change that many governments made during the financial crisis. In 2008–2010 around 47 economies cut their rates.*

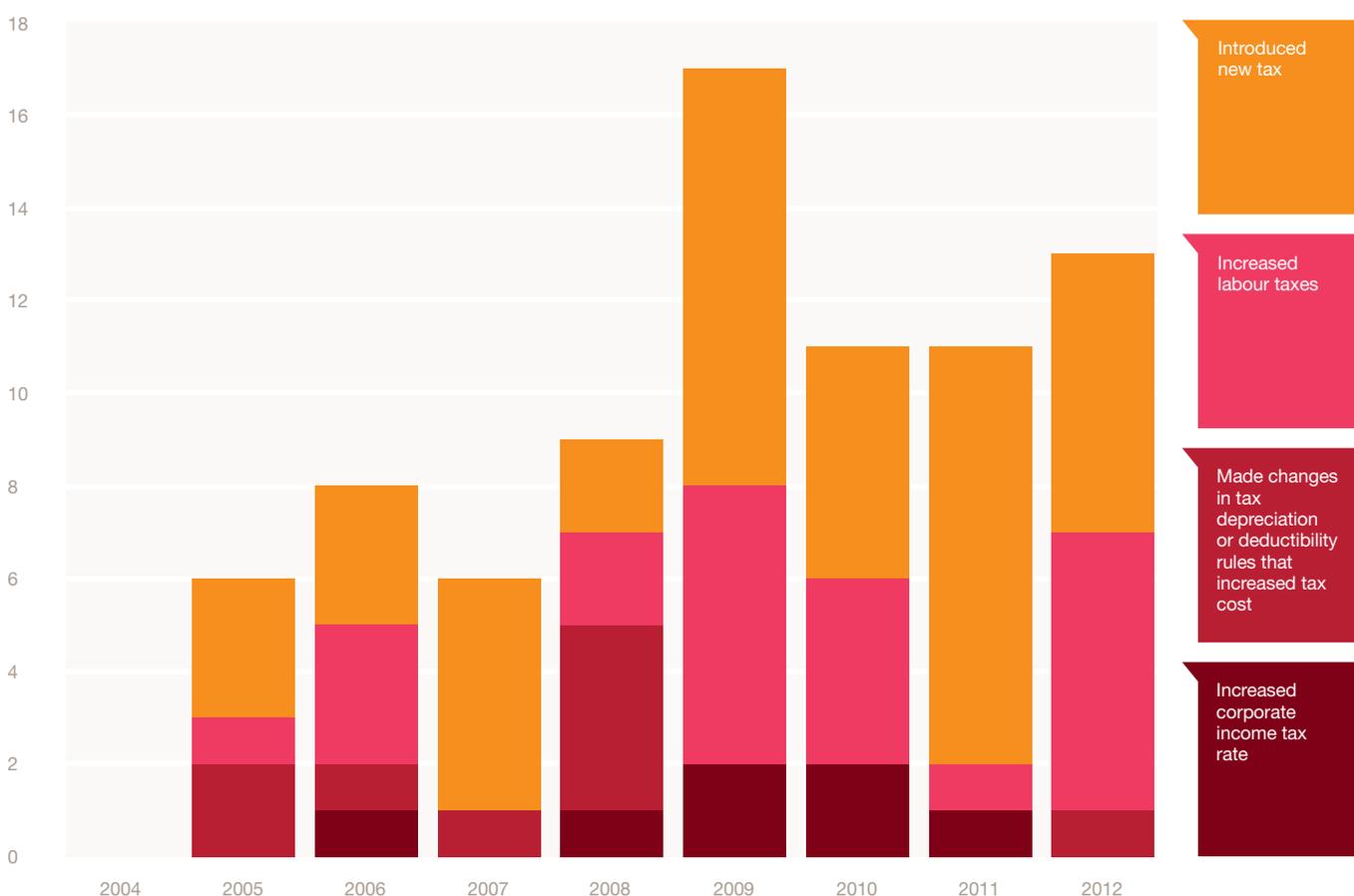
### Changes making it more complex or costly to pay taxes

Some economies introduced new taxes (16 in total in 2008-2010). These were mostly small taxes such as environmental taxes, vehicle taxes, road taxes and other social taxes. Finland increased energy taxes while cutting the income tax rate during the recession. In 2011 Italy raised VAT and local property tax rates, though it also cut labour and corporate income tax rates. In 2010 Pakistan increased the VAT rate from 16% to 17% and raised the minimum tax rate from 0.5% to 1% levied on turnover.

Other tax changes involved increases in labour taxes and mandatory contributions borne by the employer (Figure 1.6). Estonia increased the unemployment insurance contribution rate twice during 2009, from 0.3% to 1% on 1 June 2009, and to 1.4% on 1 August 2009. Iceland increased the social security contribution rate for employers from 5.34% to 7% in July 2009 – and the pension contribution rate from 6% to 7%.

**Figure 1.6: Among other changes to tax systems during the crisis period, those introducing new taxes were the most common**

Changes making it more complex or costly to pay taxes as measured by *Doing Business*, by type



**Note:** The data refer to the 174 economies included in DB2006 (2004). The Bahamas, Bahrain, Barbados, Brunei Darussalam, Cyprus, Kosovo, Liberia, Libya, Luxembourg, Malta, Montenegro, Myanmar, Qatar, San Marino and South Sudan were added in subsequent years. The changes shown for each year are those recorded from 1 June of that year to 1 June of the following year. New taxes include environmental taxes, vehicle taxes, property taxes and road taxes. The figure does not show all types of changes making it more complex or costly to pay taxes recorded by *Doing Business*.

**Source:** *Doing Business* database.



### **Box 2: The Republic of Korea – a comprehensive approach to supporting an economy in recession**

The 2008 global credit crunch and ensuing economic recession hit Korea hard. Heavily dependent on manufactured exports and closely integrated with other developed markets through both trade and financial links, the Korean economy contracted sharply in 2009 and public finances came under pressure. Reflecting diminished confidence in the short-term outlook, the value of the Korean Won fell sharply. This helped lead to rapid consideration of a package of measures aimed at putting in place the conditions for a recovery.

The government set priorities for tax policy: supporting low- and middle-income taxpayers, facilitating job creation, promoting investment and sustainable growth, rationalising the tax system and ensuring the sustainability of public finances.<sup>23</sup> Measures to support low- and middle-income taxpayers included changes in both individual and corporate taxation (such as a special tax credit for small and medium-size enterprises). To support the continuation of family businesses, the government reduced the inheritance tax and allowed deductions of up to 10 billion Won (about \$10 million) when a small or medium-size enterprise is inherited, extending this to 50 billion Won (about \$50 million) in 2014. To help self-employed individuals who were forced to close their businesses in 2009, the government offered an exemption from paying delinquent taxes until the end of 2010 for those starting a new business or getting a new job. The exemption was further extended until the end of 2014. To support local business development, it gave a corporate income tax deduction of 100% for the first five years and 50% for the next two years to companies relocating to Korea from abroad. To support future growth, it introduced R&D incentives for companies and also increased the deductibility of education expenses for individuals.

Korea also accelerated the implementation of some tax changes already in the pipeline. It reduced the corporate income tax rate for taxable income below 200 million Won (\$197,972) from 13% to 11% in 2008 and to 10% starting in 2010. For the upper tax bracket (above 200 million Won) it reduced the rate from 25% to 22% in 2009 and to 20% in 2010 and thereafter. Korea reduced the personal income tax rate by 1 percentage point for the middle bracket and by 2 percentage points for the top bracket while also increasing allowable deductions.

In addition, Korea strengthened tax compliance regulation, imposing penalties on high-income earners for failure to issue cash receipts and introducing more severe punishment for frequent and high-profile tax evaders. It also increased the statute of limitation for prosecution for certain tax crimes.

Supporters of Korea's approach believe that it enabled the country to recover faster and more strongly from the global crisis than most other OECD countries.<sup>24</sup> Korea was one of only a handful of OECD countries that actually registered a reduction in public debt levels over the period 2009–2013. Most other advanced economies saw rapid increases in public indebtedness as a result of policy interventions to deal with the effects of the financial crisis.<sup>25</sup>

<sup>23</sup> Korea, Ministry of Strategy and Finance 2012.

<sup>24</sup> OECD (Organisation for Economic Development and Co-operation). 2010. "Choosing a Broad Base–Low Rate Approach to Taxation." OECD Tax Policy Studies, no. 19, OECD, Paris.

<sup>25</sup> International Monetary Fund, World Economic Outlook Database.

### Box 3: How did Spain change its tax law to cope with the 2008–2009 crisis?

Spain, whose growth relied heavily on a housing and construction boom, was among the countries in Europe most affected by the 2008–2009 financial crisis. Its economy shrank by 3% in the first quarter of 2009, and unemployment rose from 10.4% in the second half of 2008 to nearly 18% in early August 2009. The budget deficit increased to more than 11% of GDP in 2009.<sup>26</sup> Boosting the economy and reducing unemployment became a priority, and the government adopted a tax-based stimulus package to support businesses and aid the recovery.

Tax law amendments adopted in December 2008 introduced several initiatives designed to lower the tax cost for businesses. The amended tax law allowed new fixed assets and real estate acquired during 2009 and 2010 to be fully depreciated in the first year as long as the taxpayer maintained the same number of employees in both that year and the following one. It extended the R&D tax credit beyond activities within the country to also cover activities within the European Union and European Economic Area. It allowed taxpayers to apply the tax exemption to dividends from EU subsidiaries located in tax havens as long as they could prove that the entities carried out business activities and that their location was driven by economic reasons.<sup>27</sup> And it abolished the wealth tax on individuals on 1 January 2008. This tax was reintroduced in 2011, however.

The government took austerity measures to cut the budget deficit, including reducing public workers' salaries by as much as 5% in 2010 and freezing state pensions. It also increased the personal income tax rate for the top bracket. In addition, the government took a number of steps to help the housing market.<sup>28</sup> It encouraged growth in the underdeveloped rental market by offering credit lines for developers to convert unsold houses to rental. It also increased the general tax exemptions for rental income from 50% to 60% in January 2011 and introduced a 100% exemption for individuals ages 18–35.

In 2010 the government introduced more tax changes aimed at boosting investment, reducing the budget deficit and sustaining the economic recovery. It extended the full depreciation option for investments and newly acquired fixed assets to 2011 and 2012, allowing businesses to defer their tax liabilities to future years.<sup>29</sup> It raised the eligibility threshold for tax treatment as a small or medium-size enterprise from €8 million in turnover to €10 million for financial years starting on or after 1 January 2011. In addition, it increased the tax brackets for the first tranche of the tax scale for small and medium-size enterprises from €120,000 to €300,000.<sup>30</sup> The government also introduced a reduced corporate income tax rate for newly formed businesses effective in January 2013. The rate, previously 30% of all profit, was lowered to 15% for the first €300,000 of the tax base and 20% for amounts above that level in the first tax period in which a new business has taxable income and in the following tax period as long as certain requirements are met.

Spain aimed to ensure that the measures it took to reduce the fiscal deficit would be growth-friendly. One approach was to increase revenue from VAT rather than to cut productive spending.<sup>31</sup> The government raised the general VAT rate in July 2010 from 16% to 18% and the reduced rate from 7% to 8%. In September 2012 it again raised the general VAT, to 21%, while it increased the reduced rate from 8% to 10%. In January 2013 Spain eliminated the tax credit for the purchase of a taxpayer's main residence.<sup>32</sup>

<sup>26</sup> "Spain Response to the Crisis in Detail," International Labour Organization, <http://www.socialsecurityextension.org/gimi/gess/ShowTheme.action;jsessionid=d e7ab1c2f97cea3595f2d113e8b658102 fda91e9854d4c2ca10afd62d1325902. e3aTbhULbNmSe34MchaRah8Tchr0?th. themeld=1383>

<sup>27</sup> Deloitte. 2009. "Tax Responses to the Global Economic Crisis." [http://www.deloitte.com/assets/Dcom-Russia/Local%20Assets/Documents/dtt\\_tax\\_respondingtoeconcrisis\\_\\_032009\(4\).pdf](http://www.deloitte.com/assets/Dcom-Russia/Local%20Assets/Documents/dtt_tax_respondingtoeconcrisis__032009(4).pdf)

<sup>28</sup> IMF (International Monetary Fund). 2009. *World Economic Outlook: Crisis and Recovery*. Washington, DC: IMF.

<sup>29</sup> Decree-law 12/2012 repealed the rule relating to unrestricted depreciation of investments in new tangible fixed assets and investment property effective 31 March 2012. But a transitional regime was provided for investments made before that date. Unrestricted depreciation tax relief may be applied to these investments during the tax periods beginning in 2012 and 2013, though with certain limits.

<sup>30</sup> *Doing Business* database.

<sup>31</sup> IMF (International Monetary Fund). 2009. *IMF survey online*. Washington, DC: IMF.

<sup>32</sup> *Doing Business* database.



### **Conclusion**

The financial crisis had a substantial impact on national tax revenue, leading in many economies to larger government deficits and higher levels of public debt. This may have helped trigger efforts to redesign tax systems, with governments aiming to strike the right balance between raising additional revenue and avoiding a greater tax burden on businesses.

The data collected for the *Paying Taxes* sub-indicators show a clear trend of increasing changes to tax policies during the crisis. Among the most common changes as measured by the sub-indicators were those cutting the corporate income tax rate while increasing VAT rates and those enhancing or introducing electronic systems for filing and paying taxes. Changes easing the administrative burden of tax compliance countered the greater risk of tax evasion that arises during economic downturns. In addition, governments introduced new tax deductibility and depreciation rules that would lower the tax cost for businesses, provide them with greater flexibility in planning their cash flow and stimulate investment in specific areas.



---

## ***Chapter 2: PwC commentary on the latest results***

The changes in the results since *Paying Taxes 2014*

Tax policy issues are becoming ever more challenging. There are pressures on tax authorities to raise revenues, to fund social expenditures but also to ensure that their tax system fosters business investment. The business environment is complicated and has the potential to become even more so with complex tax legislation and onerous administrative obligations. It is not surprising therefore that in the most recent edition of the PwC Global CEO survey<sup>33</sup> nearly two-thirds of CEOs around the world say the international tax system is in urgent need of reform and 70% say the impact of tax on their company's growth is among their top concerns.

<sup>33</sup> [www.pwc.com/taxceosurvey](http://www.pwc.com/taxceosurvey)



Nearly two-thirds of CEOs around the world say the international tax system is in urgent need of reform and 70% say the impact of tax on their company's growth is among their top concerns.



The data collected through the *Paying Taxes* study is proving to be a useful tool for stimulating debate and discussion between business and governments on their tax systems. We saw interest in last year's study from government, tax authorities and businesses in all of our launch locations (Russia, Colombia, Canada, Nigeria, Portugal and Thailand). We have also seen the UK government use *Paying Taxes* as an important point of reference for its recent review of the competitiveness of the UK tax system. Although the UK review used *Paying Taxes* as a starting point, the study very soon expanded beyond the matters that are covered by *Paying Taxes* to look at many other aspects of the UK tax system. Nevertheless, *Paying Taxes* was essential in providing a framework for discussions on the UK tax system and in informing many aspects of the government review.

The changes made to the methodology this year help to ensure that *Paying Taxes* continues to keep pace with global developments, that the data is robust and the study remains relevant. Some of these changes have had a significant effect on the *Paying Taxes* sub-indicators for some economies and these are explained on the following pages.

As well as looking at the changes in the *Paying Taxes* sub-indicators of Total Tax Rate, time to comply and the number of payments we taken a look at what governments and tax authorities have been doing to make it easier for companies to pay tax. We have included a number of detailed articles by PwC partners looking at the changes that have taken place in their economies and considering which changes have affected the *Paying Taxes* sub-indicators, and which, although they make a difference for real companies would not apply to the *Paying Taxes* case study company. We hope that these articles will provide governments and tax authorities with some practical examples of how tax systems can be changed to make it easier to pay taxes.

# The global results for the Paying Taxes 2015 study

On average around the world our case study company makes 25.9 payments, takes 264 hours (just over six and a half weeks based on a 40 hour week) and has a tax cost of 40.9% of commercial profit.

**Table 2.1**

The average global result for each sub-indicator

|                                |  Total Tax Rate (%) |  Time to comply (hours) |  Number of payments |
|--------------------------------|--|--|--|
| Profit taxes                   | 16.3   | 71   | 3.1  |
| Labour taxes and contributions | 16.2   | 94   | 10.2   |
| Other/Consumption taxes        | 8.4  | 99   | 12.6   |
| <b>Total</b>                   | <b>40.9</b>  | <b>264</b>   | <b>25.9</b>  |
| Lowest                         | 7.4  | 12   | 3.0  |
| Highest                        | 216.5  | 2,600  | 71.0   |

Source: PwC Paying Taxes 2015 analysis



*Profit taxes account for a similar proportion of the Total Tax Rate to labour taxes but take 25% less time.*

The average global results, taking into account all 189 economies for the year ending 31 December 2013, are shown in Table 1. The results for each sub-indicator are also split between the three types of tax showing that while, on average, profit taxes account for a similar proportion of the Total Tax Rate to labour taxes (almost 40%) they take 25% less time and almost 30% less time than consumption taxes.

Other taxes now account for a fifth of the Total Tax Rate, but almost a half of the number of payments.

All three of the sub-indicators continue to demonstrate a wide range between the highest and the lowest results. For payments and the time to comply, the minimum and maximum figures remain the same as for last year while the range of Total Tax Rates has narrowed with the maximum dropping to 216.5% from 283.2%. Last year, The Gambia was the economy with the highest Total Tax Rate (283.2%) thanks to its cascading sales tax. The replacement of The Gambian sales tax with a value added tax has left Comoros as the economy with the highest Total Tax Rate (216.5%), again due to its cascading sales tax. The minimum Total Tax Rate also fell between 2012 and 2013, though by less than one percentage point from 8.2% to 7.4%. The Former Yugoslavian Republic of Macedonia remains the economy with lowest Total Tax Rate due to it only levying corporate income tax on profits once they are distributed as dividends, an absence of labour taxes that are paid by the employer and low levels of “other” taxes.

Comparing the current year average results with last year's results, as shown in Table 2.2, each of the global average sub-indicators is lower than in 2012, continuing the trend that we have seen since the first year of the study as shown in Figure 2.1. Table 2.2 includes not only the sub-indicator data that was published in *Paying Taxes 2014* relating to 2012, but also restated data for 2012 taking into account data revisions and the methodology changes that were introduced this year and which are explained further in Appendix 1.

As can be seen from Table 2.2, the data revisions and changes to the methodology do not affect the time to comply and have only a small effect on payments, increasing the global average number of payments by 0.1 payments to 26.8. The methodology change is the principal reason for the reduction of 0.9 percentage points in the Total Tax Rate from 43.1% for the 2012 published data to 42.2% for the 2012 restated data. This is explained in detail on pages 43 to 54, but is mainly due to the existence of fixed taxes in a number of economies and in particular in the Democratic Republic of Congo as explained on page 46. As commercial profits increase with the increase in GNIpc, the absolute cost of fixed taxes remains the same, but equates to a smaller proportion of commercial profit so reducing the Total Tax Rate.

**Table 2.2**

Global average sub-indicators for 2013 and 2012<sup>34</sup>

|                                |  Total Tax Rate (%) |               |                |  Time to comply (hours) |               |                |  Number of payments |               |                |
|--------------------------------|--|---------------|----------------|--|---------------|----------------|--|---------------|----------------|
|                                | 2013   | 2012 Restated | 2012 Published | 2013   | 2012 Restated | 2012 Published | 2013   | 2012 Restated | 2012 Published |
| Profit taxes                   | 16.3   | 16.2          | 16.1           | 71   | 71            | 71             | 3.1  | 3.4           | 3.3            |
| Labour taxes and contributions | 16.2   | 16.2          | 16.3           | 94   | 96            | 96             | 10.2   | 10.5          | 10.4           |
| Other/Consumption taxes        | 8.4  | 9.8           | 10.7           | 99   | 101           | 101            | 12.6   | 12.9          | 13.0           |
| <b>Total</b>                   | <b>40.9</b>  | <b>42.2</b>   | <b>43.1</b>    | <b>264</b>   | <b>268</b>    | <b>268</b>     | <b>25.9</b>  | <b>26.8</b>   | <b>26.7</b>    |

Source: PwC *Paying Taxes 2015* analysis

<sup>34</sup>The data in Table 2.2 include data for all 189 economies

Compared to the results included in the *Paying Taxes 2012* publication, the global average Total Tax Rate has fallen by 2.2 percentage points. The decrease in the Total Tax Rate is entirely due to a reduction in “other” taxes; the profit tax Total Tax Rate has increased slightly from both the published and restated 2012 data while the labour tax Total Tax Rate has fallen slightly compared to the 2012 published data and remained flat compared to the restated data. As explained on page 43 there have been small movements in the Total Tax Rate in the vast majority of economies, with the overall movement in the global average Total Tax Rate being driven by only a handful of economies, mainly in Africa and South America. Looking at the OECD countries we can see that the Total Tax Rate has increased from 41.6% last year to 41.8% this year with the movement being entirely due to an increase in profit taxes.

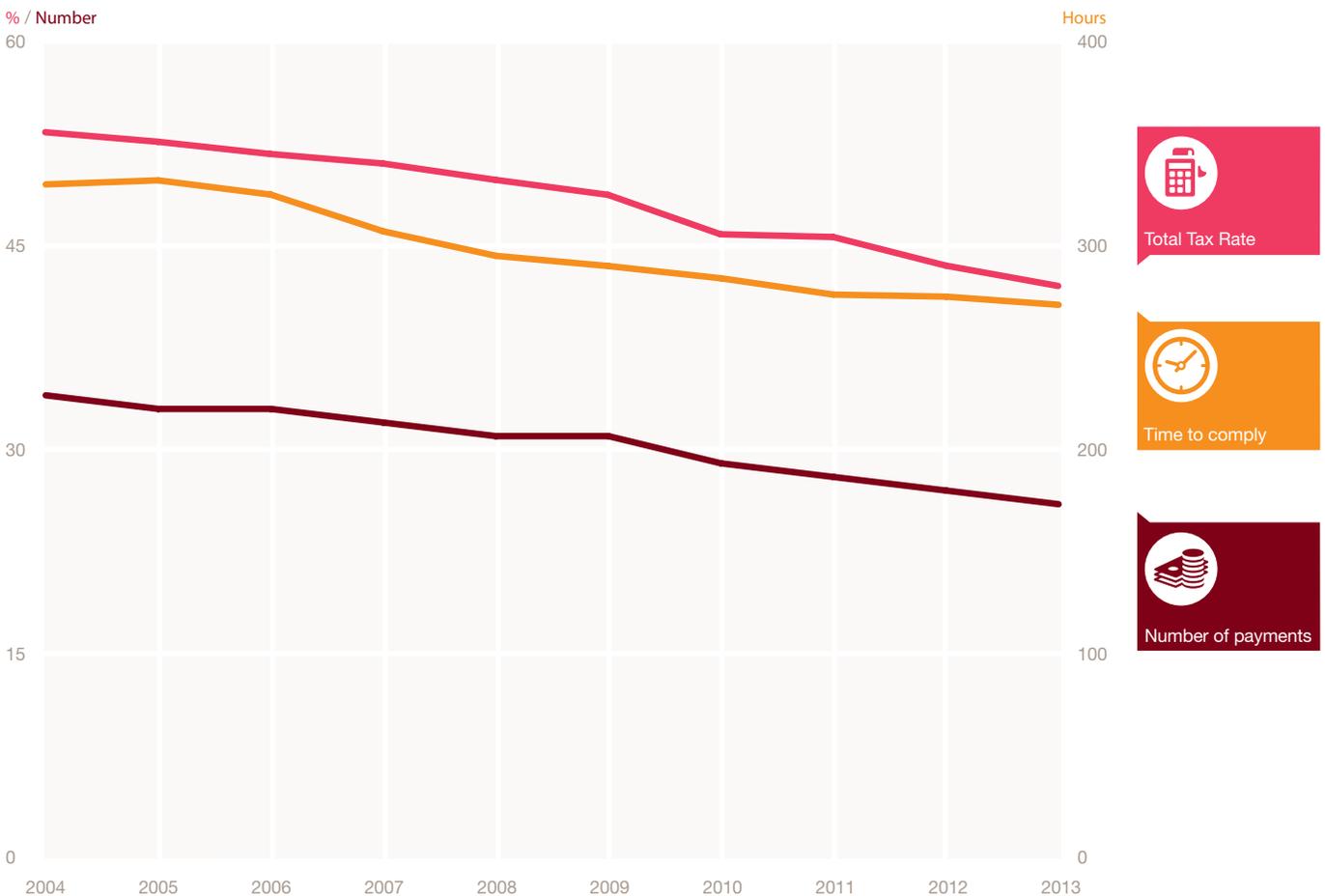
The 4 hour drop in the time to comply from last year is a faster rate of reduction than for 2011 to 2012 when the time to comply reduced by only 1 hour. The rate of reduction, however, still remains below the average reduction of 6 hours per year since the start of the study. Compared to last year the profit tax element of the time to comply sub-indicator has remained static, while labour taxes and consumption taxes have driven the reduction in time each falling by 2 hours on average.

The number of payments has dropped by almost 1 payment compared to the restated data (a drop of 0.8 payments compared to the 2012 published data). Compared to the restated 2012 data, the number of payments has fallen by 0.3 payments for each of the three types of tax.

Looking at the longer-term trend in the sub-indicators since the start of the study, Figure 2.1 shows that all three sub-indicators have been falling for at least eight years and this year’s results continue that trend.

**Figure 2.1**

Trend in the sub-indicators, 2004 to 2013<sup>35</sup>



Source: PwC *Paying Taxes 2015* analysis

<sup>35</sup>All trend data in Figure 2.1 is on a like-for-like basis and includes only the 174 economies and cities for which PwC has a full data set from 2004 to 2013. The economies that are omitted from the trend are The Bahamas, Bahrain, Barbados, Brunei Darussalam, Cyprus, Kosovo, Liberia, Libya, Luxembourg, Malta, Montenegro, Myanmar, Qatar, San Marino and South Sudan. Indicator values for 2013 and 2012 (restated) reflect the updated GNIpc values applied this year for 2013 and 2012 (restated).

---

## *Comparing the regional averages*

In this section we look at how the global averages discussed above compare with the average data for each of the eight geographic regions. Further detail on the changes within each region is provided in the next section.

*The Africa Total Tax Rate has been falling consistently since its peak of 72.2% in 2005.*

**Total Tax Rate by region**

With the exception of South America and the Middle East, which have Total Tax Rates of 55.4% and 24.0% respectively, the regions all have a Total Tax Rate that is within 7 percentage points of the global average of 40.9%, as shown in Figure 2.2. Reflecting the region’s reliance on revenues other than tax revenues, the Middle East has had the lowest regional Total Tax Rate since the start of the study and this remains the case this year with a Total Tax Rate that is over 40% (i.e. 17 percentage points) below the world average.

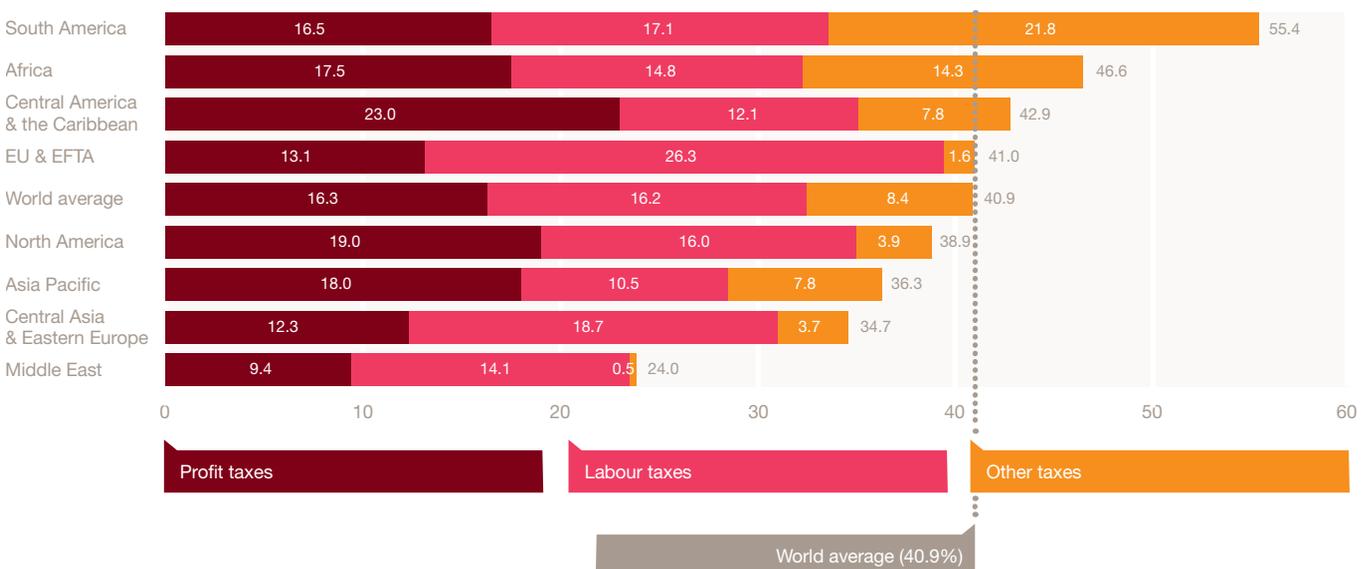
At the other end of the scale, the data shows for the first time a Total Tax Rate for Africa that, at 46.6%, is lower than that of South America at 55.4%. The African Total Tax Rate has been falling consistently since its peak of 72.2% in 2005, while the South American Total Tax Rate has remained fairly stable. The South American rate gradually fell from 56.8% in 2004 to 52.2% in 2009 and since then has gradually increased to 55.4% this year, increasing by 1.4 percentage points in the last year alone, compared to the 2012 restated data.

In addition to the reduction in the Africa Total Tax Rate and the increase in the South America Total Tax Rate, Central Asia & Eastern Europe and North America have also experienced significant falls in their Total Tax Rate compared to last year’s published data.

Only in South America do “other” taxes account for the greatest share of the tax cost. In Africa, for the first time, “other” taxes now account for the smallest proportion of the Total Tax Rate due to the abolition by The Gambia of its cascading sales tax. This more closely aligns the African Total Tax Rate profile with that of the other regions.

**Figure 2.2**

Total Tax Rate by region (%)



Source: PwC Paying Taxes 2015 analysis

### Time to comply

As shown in Figure 2.3, the time required by the case study company to comply with its tax filing obligations on average across all 189 economies is 264 hours, a reduction of 4 hours from last year. For the last three years, only Africa and South America have had an average time to comply that is greater than the world average. Before 2010, Central Asia & Eastern Europe had a time to comply that exceeded Africa's, but on a like-for-like basis Central Asia & Eastern Europe's time requirement has fallen every year since its peak of 488 hours in 2005 and it fell again between 2012 and 2013 to reach 246 hours. Africa's time to comply on the other hand peaked at 343 hours in 2005, but since then has fallen by only 31 hours to 312 hours today, again, on a like-for-like basis.

The Middle East continues to require the least amount of time at just 160 hours, over 100 hours less than the world average. Hence, as with the Total Tax Rate, South America and the Middle East are the worst and best regions respectively. South America has an average of 620 hours, 2.3 times the world average, largely due to the 2,600 hours required in Brazil, though Bolivia, República Bolivariana de Venezuela and Ecuador all require more than 650 hours a year to comply with their tax filing obligations. For Africa, there are still seven economies where the time to comply is over 600 hours, but the average is lowered by six economies where the time to comply is under 150 hours.

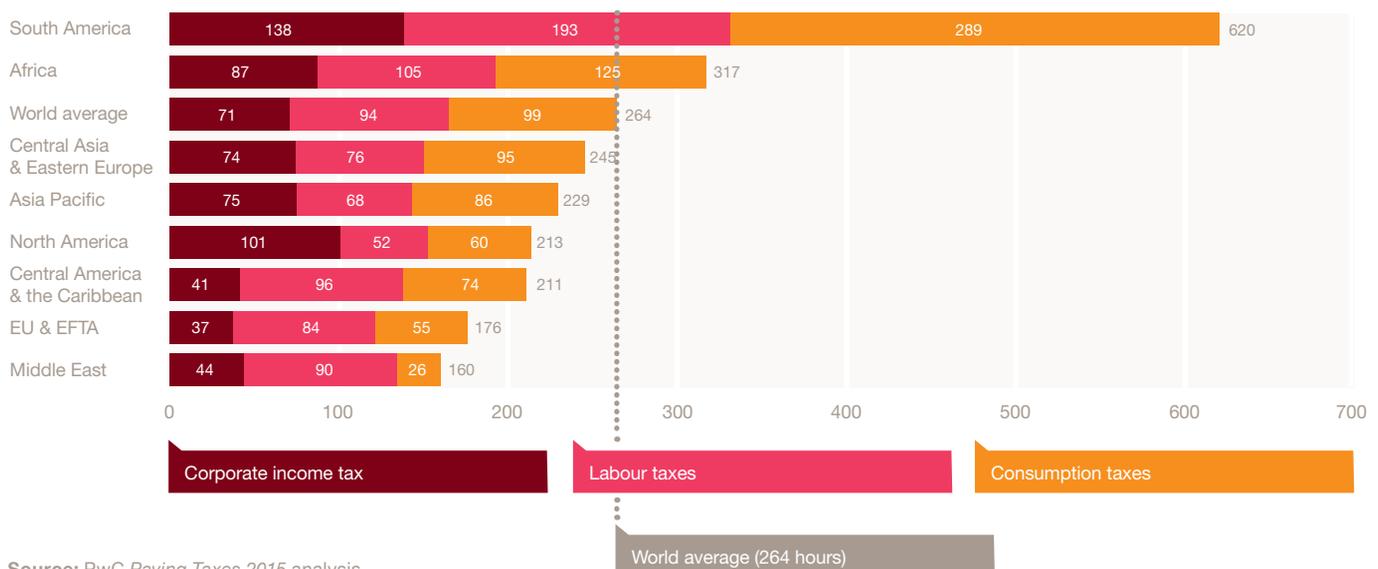
The time to comply with consumption taxes is particularly high for South America compared to the other regions, and this drives the global average so that consumption taxes take the longest to comply with on average around the world at 99 hours compared to 94 hours for labour taxes.

Compared to last year, the time to comply has remained static for North America and fallen by 1 or 2 hours in Africa, EU & EFTA and the Middle East. Greater reductions have taken place in Asia Pacific (3 hours), Central America & the Caribbean (6 hours) and Central Asia & Eastern Europe (11 hours). In South America however the time to comply has increased by 2 hours, despite the fact that the region already had the largest average time to comply.

Between 2012 and 2013, seven economies each improved their time by more than 50 hours, and only in Georgia did the time increase by more than 50 hours. The time to comply did not change in 147 economies between 2012 and 2013.

**Figure 2.3**

Time to comply by region (hours)



Source: PwC Paying Taxes 2015 analysis

### Number of payments

The number of payments varies more from region to region than does the Total Tax Rate or the time to comply. Only two regions, Africa and Central America & the Caribbean, have values above the world average, at 36.2 and 33.8 payments respectively as shown in Figure 2.4.

The African sub-indicator is high as there are many economies that require a large number of payments, including Côte d'Ivoire and Senegal, rather than a single economy driving up the average. Regions with common availability and use of electronic systems such as EU & EFTA and North America have a lower number of payments due to the *Paying Taxes* methodology which registers only one payment per tax where a tax is paid and filed online by the majority of taxpayers in an economy.

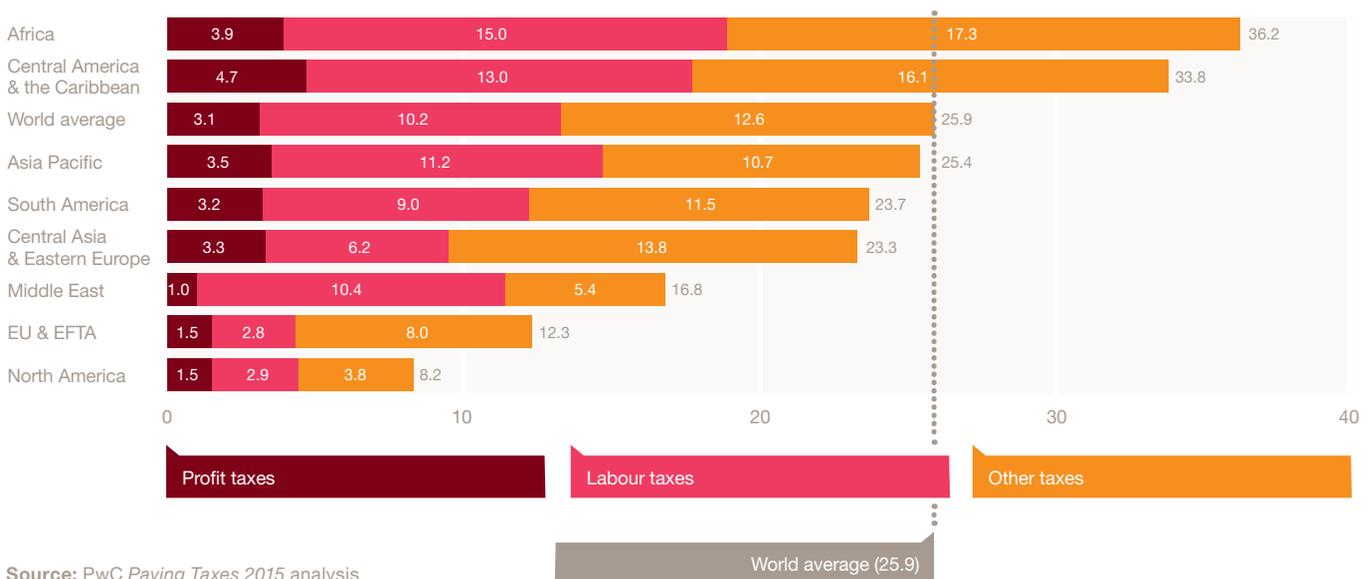
Central Asia & Eastern Europe has continued to reduce its number of payments and in the last year has moved from being above the world average with 29.5 payments, to just 23.3 payments this year putting it into fourth place among the regions.

While South America has the highest Total Tax Rate and the greatest time to comply among the regions, its payments are below the world average. The Middle East on the other hand, with the lowest Total Tax Rate and the lowest time to comply is in third place among the regions when it comes to payments.

Other taxes account for the largest proportion of payments in the majority of regions, but labour taxes do so in the Middle East and Asia Pacific. Profit taxes are by far the least burdensome in terms of the number of payments. This is not surprising given that in many economies a single profit tax is paid annually, or perhaps quarterly, while it is not uncommon for an economy to have more than one type of labour tax or contribution and more than one tax in the "other" taxes category. Furthermore, many of the labour taxes and "other" taxes, including VAT and sales taxes, have to be paid monthly.

Between 2012 and 2013 four economies reduced their number of payments by more than 20 and the maximum increase was of 18 payments in the Democratic Republic of Congo. The number of payments did not change in 143 economies.

**Figure 2.4**  
Number of payments by region



Source: PwC *Paying Taxes 2015* analysis

---

## ***Regional average sub-indicators***

In almost all regions there have been reductions in the three *Paying Taxes* sub-indicators, contributing to the overall global trends seen in the previous section. These regional developments have in turn been driven by changes in individual economies, the most significant of which are explained in this section.

**Table 2.3: Africa<sup>36</sup>**

|  | 2013        | 2012 (restated) | 2012 (published) |
|--|-------------|-----------------|------------------|
|  Total Tax Rate (%)     | <b>46.6</b> | 50.6            | 52.9             |
|  Time to comply (hours) | <b>317</b>  | 319             | 320              |
|  Number of payments     | <b>36.2</b> | 36.0            | 36.1             |

As shown in Table 2.3, the average Total Tax Rate across African economies has dropped by 6.3 percentage points of which 2.3 percentage points can largely be attributed to the changes in the *Paying Taxes* methodology and the remainder to changes in African tax systems that took effect in 2013. Africa now has the second highest tax cost of the regions with South America having the highest average rate. The average Total Tax Rate for Africa is affected by the cascading sales tax in Comoros. Without Comoros, the Africa Total Tax Rate would be over 3 percentage points lower at 43.4%. South America on the other hand has no economies with a cascading sales tax that would inflate its Total Tax Rate in a similar way.

As explained on pages 43 and 44 this large decline is primarily due to The Gambia, where the Total Tax Rate fell by over 220 percentage points and the Democratic Republic of Congo, with a reduction of over 60 percentage points. As we explain on pages 45 and 46, the change in the result for The Gambia is largely attributable to the replacement of a cascading sales tax by a value added tax, whereas for the Democratic Republic of Congo the change is largely attributable to the increase in GNIpc from 2005 to 2012 values. These significant reductions have affected only “other” taxes with the result that “other” taxes moved from being the largest constituent of the Total Tax Rate in 2012 to the smallest constituent in 2013.

Along with changes in the Total Tax Rate, Africa has also shown a slight decrease in time to comply, with the most significant movement being a decrease for Kenya of 106 hours thanks to changes in the VAT system. Having been introduced in 2009, it was only in 2013 that the majority of companies began to use electronic filing and payment for VAT. This allows VAT to be calculated and the records to be stored electronically and it is now easier to collect the information needed to make payments.

The Democratic Republic of Congo reduced its time to comply by 32 hours through simplifying its corporate income tax returns and removing the requirement to calculate provisional tax each month. These decreases were partially countered by the introduction of a new health insurance in Mauritania which increased its time to comply by 38 hours.

The 0.1 percentage point increase in the number of payments can be attributed to increases in Mauritania (12 payments due to the new health insurance scheme) and the Democratic Republic of Congo (18 payments due partly to a new labour tax), partially offset by decreases of 11 payments in each of Kenya (due to the use of online filing and payment for VAT) and Namibia (due to online filing and payment of property tax).

<sup>36</sup> The following economies are included in our analysis of Africa: Algeria; Angola; Benin; Botswana; Burkina Faso; Burundi; Cameroon; Cape Verde; Central African Republic; Chad; Comoros; Congo, Dem. Rep.; Congo, Rep.; Côte d’Ivoire; Djibouti; Egypt, Arab Rep.; Equatorial Guinea; Eritrea; Ethiopia; Gabon; Gambia, The; Ghana; Guinea; Guinea-Bissau; Kenya; Lesotho; Liberia; Libya; Madagascar; Malawi; Mali; Mauritania; Mauritius; Morocco; Mozambique; Namibia; Niger; Nigeria; Rwanda; São Tomé and Príncipe; Senegal; Seychelles; Sierra Leone; South Africa; South Sudan; Sudan; Swaziland; Tanzania; Togo; Tunisia; Uganda; Zambia; Zimbabwe

**Table 2.4: Asia Pacific<sup>37</sup>**

|  | 2013        | 2012 (restated) | 2012 (published) |
|--|-------------|-----------------|------------------|
|  Total Tax Rate (%)     | <b>36.3</b> | 36.4            | 36.4             |
|  Time to comply (hours) | <b>229</b>  | 232             | 232              |
|  Number of payments     | <b>25.4</b> | 25.7            | 25.4             |

As can be seen from Table 2.4, the average Total Tax Rate for Asia Pacific is largely unchanged though this is the net result of the Total Tax Rate reducing in some economies such as Solomon Islands and Vietnam and increasing in other economies such as Singapore. These changes are not due to changes in the underlying tax systems in these economies, but are instead mainly due to the change in methodology. While the overall change in the Total Tax Rate is only 0.1 percentage point, the change in the mix of tax types is more significant with the “other” taxes Total Tax Rate reducing by 0.6 percentage points

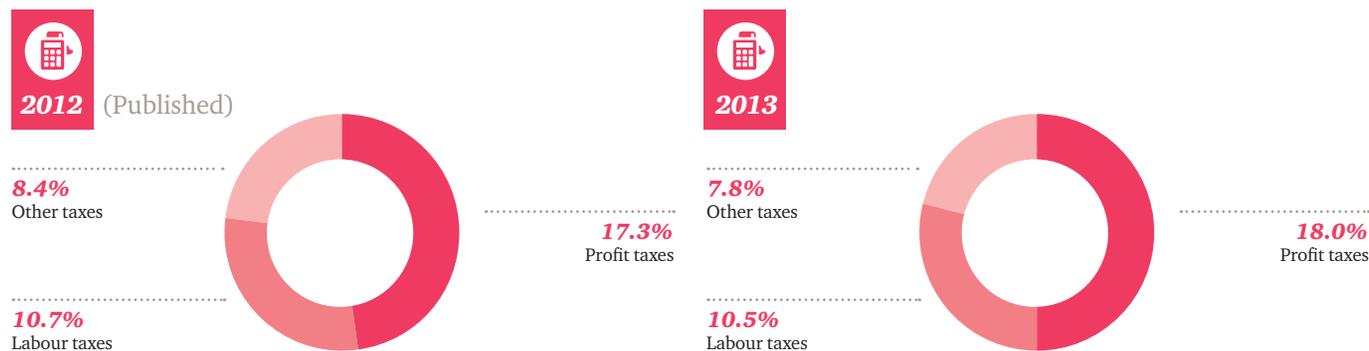
and the profit taxes Total Tax Rate increasing by 0.7 percentage points as shown in Figure 2.5 below.

The average time to comply for the region has fallen by three hours following reductions in China (57 hours), Mongolia (44 hours) and Sri Lanka (43 hours) thanks to improvements to electronic systems for filing and paying taxes. The time to comply has increased in Pakistan and Tonga by 17 and 18 hours respectively due to the introduction of a new provincial VAT scheme in Pakistan and a new retirements benefit scheme in Tonga.

The average number of payments has remained flat across the two years, although the methodology changes and some data revisions caused a slight increase in the restated 2012 figure.

**Figure 2.5**

Trend in Total Tax Rate by type of tax for the Asia Pacific region



Source: PwC Paying Taxes 2015 analysis

<sup>37</sup> The following economies are included in our analysis of Asia Pacific: Afghanistan; Australia; Bangladesh; Bhutan; Brunei Darussalam; Cambodia; China; Fiji; Hong Kong SAR, China; India; Indonesia; Japan; Kiribati; Korea, Rep.; Lao PDR; Malaysia; Maldives; Marshall Islands; Micronesia, Fed. Sts.; Mongolia; Myanmar; Nepal; New Zealand; Pakistan; Palau; Papua New Guinea; Philippines; Samoa; Singapore; Solomon Islands; Sri Lanka; Taiwan, China; Thailand; Timor-Leste; Tonga; Vanuatu; Vietnam

**Table 2.5: Central America & the Caribbean<sup>38</sup>**

|  | 2013        | 2012<br>(restated) | 2012<br>(published) |
|--|-------------|--------------------|---------------------|
|  Total Tax Rate (%)     | <b>42.9</b> | 42.7               | 42.8                |
|  Time to comply (hours) | <b>211</b>  | 217                | 217                 |
|  Number of payments     | <b>33.8</b> | 33.7               | 33.7                |

The most significant change in the *Paying Taxes* sub-indicators for Central America & the Caribbean is in the time to comply, which has decreased by six hours to 211, as shown in Table 2.5; the regional average is still the third lowest across the regions. This decrease is largely due to Guatemala and Costa Rica where the time was reduced by 70 and 63 hours respectively. Only St. Lucia recorded an increase in time, of 14 hours.

Puerto Rico's Total Tax Rate increased by 15.3 percentage points following changes to the surtax bands and thresholds and is the main reason for the region's marginal tax cost increase. While there were a number of other increases and decreases in the Total Tax Rates for economies in the region, the next largest was a decrease of 6.2 percentage points in Barbados as a result of the methodology changes.

The average number of payments increased marginally following the introduction of a capital gains tax in Guatemala.

<sup>38</sup> The following economies are included in our analysis of Central America & the Caribbean: Antigua and Barbuda; Bahamas, The; Barbados; Belize; Costa Rica; Dominica; Dominican Republic; El Salvador; Grenada; Guatemala; Haiti; Honduras; Jamaica; Nicaragua; Panama; Puerto Rico; St. Kitts and Nevis; St. Lucia; St. Vincent and the Grenadines; Trinidad and Tobago

**Table 2.6: Central Asia & Eastern Europe<sup>39</sup>**

|  | 2013        | 2012 (restated) | 2012 (published) |
|--|-------------|-----------------|------------------|
|  Total Tax Rate (%)     | <b>34.7</b> | 37.9            | 39.5             |
|  Time to comply (hours) | <b>245</b>  | 256             | 256              |
|  Number of payments     | <b>23.3</b> | 29.8            | 29.5             |

All sub-indicators in Central Asia & Eastern Europe have fallen significantly between 2012 and 2013, as shown in Table 2.6; and it is thus the most improved region in terms of the ease of paying taxes, continuing a trend that has been exhibited over the nine years of the study.

The reduction in the Total Tax Rate due to the methodology change is the result of small reductions in the Total Tax Rates for almost all the economies in the region. The reduction in the Total Tax Rate between the restated 2012 data and the 2013 data can be attributed almost entirely to a 51.6 percentage point reduction in the Total Tax Rate of Uzbekistan and a 15.5 percentage point reduction for Armenia. The change in Uzbekistan is the result of small companies being made exempt from certain contributions from salary, while in Armenia social security contributions were combined with income tax and are now borne by employees rather than by employers.

The reduction in the time to comply is by far the greatest of any region and results from decreases in time in eight of the nineteen economies in the region. The greatest reduction is 136 hours in Belarus which accounts for almost two thirds of the overall fall across the region. The changes in Belarus stem largely from increased use and enhancement of electronic filing systems including keeping records online, automatic updates and data collection, improved training on the use of the systems and a reduced requirement for supporting documentation. Significant reductions were also exhibited by Armenia (59 hours) following the unification of social security and income tax and Ukraine (40 hours) thanks to increased use of online systems. On the other hand, Georgia's time to comply increased by 82 hours following the introduction of a new corporate income tax return that requires more detailed information and breakdown of costs.

Nine economies in the region show a reduction in the number of payments between 2012 and 2013 with Tajikistan more than halving its payments from 69 to 31 due to the introduction of online payment and filing for corporate income tax and VAT; a reduction in the frequency of filing and payment for corporate income tax and real estate tax; the merging of land tax and real estate tax payments and the abolition of the retail sales tax. Ukraine reduced its payments from 28 to just 5, due to the increased use of electronic filing and payment and Macedonia FYR and Azerbaijan reduced their payments to just 7 from 29 and 18 respectively. The reduction in Macedonia FYR is due to a mandatory electronic system for VAT filing and payment and increased use of electronic systems for corporate income tax. Electronic filing and payment also accounts for the reduction in Azerbaijan.

<sup>39</sup>The following economies are included in our analysis of Central Asia & Eastern Europe: Albania; Armenia; Azerbaijan; Belarus; Bosnia and Herzegovina; Georgia; Israel; Kazakhstan; Kosovo; Kyrgyz Republic; Macedonia, FYR; Moldova; Montenegro; Russian Federation; Serbia; Tajikistan; Turkey; Ukraine; Uzbekistan

**Table 2.7: EU & EFTA<sup>40</sup>**

|  | 2013        | 2012<br>(restated) | 2012<br>(published) |
|--|-------------|--------------------|---------------------|
|  Total Tax Rate (%)     | <b>41.0</b> | 41.0               | 41.1                |
|  Time to comply (hours) | <b>176</b>  | 178                | 179                 |
|  Number of payments     | <b>12.3</b> | 13.2               | 13.1                |

From last year, EU & EFTA has improved marginally across all three sub-indicators, most notably in its average number of payments as shown in Table 2.7.

For the Total Tax Rate, all but two of the 32 economies in the region have exhibited some change since last year, but these are all small and any decreases are cancelled out on average by the increases. There were however a number of reforms in 2013 that are expected to affect the *Paying Taxes* sub-indicators next year. The largest movement from last year is a 5.9 percentage point increase in Greece following an increase in the statutory rate of corporate income tax from 20% to 26% and a change in tax depreciation rates.

The 3 hour drop in time to comply from the 2012 published data is largely explained by Latvia's 71 hour reduction coupled with a 41 hour reduction for Romania. For Latvia, much of the reduction can be attributed to changes in the VAT system so that the VAT return is now a single document.

Romania accounts for the vast majority of the drop in the number of payments thanks to the majority of companies now paying their taxes online. This has resulted in a drop of 25 payments from 39 to 14. Romania now has no tax that counts for more than 2 payments a year, but as there are ten taxes for which payments are included, the average number of payments remains relatively high for the region.

<sup>40</sup> European Union & European Free Trade Association (EU & EFTA). The following economies are included in our analysis of EU & EFTA: Austria; Belgium; Bulgaria; Croatia; Cyprus; Czech Republic; Denmark; Estonia; Finland; France; Germany; Greece; Hungary; Iceland; Ireland; Italy; Latvia; Lithuania; Luxembourg; Malta; Netherlands; Norway; Poland; Portugal; Romania; San Marino; Slovak Republic; Slovenia; Spain; Sweden; Switzerland; United Kingdom

**Table 2.8: Middle East<sup>41</sup>**

|  | 2013        | 2012<br>(restated) | 2012<br>(published) |
|--|-------------|--------------------|---------------------|
|  Total Tax Rate (%)     | <b>24.0</b> | 24.0               | 23.7                |
|  Time to comply (hours) | <b>160</b>  | 161                | 159                 |
|  Number of payments     | <b>16.8</b> | 17.6               | 17.6                |

The Middle East is the region in which it is easiest to pay taxes, with both the lowest Total Tax Rate and the lowest time to comply, despite both of these sub-indicators increasing slightly from last year as shown in Table 2.8. The number of payments has declined by nearly 1 payment, due solely to West Bank & Gaza's payments declining by eleven as a result of a reduction in the frequency of advanced profit tax payments.

No economy showed a significant movement in time to comply or in Total Tax Rate, though the aggregate of a few small movements resulted in the small changes in the averages for the region. The most significant movements in the region were reductions of 8 hours in both Saudi Arabia and West Bank and Gaza.

<sup>41</sup> The following economies are included in our analysis of the Middle East: Bahrain; Iran, Islamic Rep.; Iraq; Jordan; Kuwait; Lebanon; Oman; Qatar; Saudi Arabia; Syrian Arab Republic; United Arab Emirates; West Bank and Gaza; Yemen, Rep.

**Table 2.9: North America<sup>42</sup>**

|  | 2013        | 2012<br>(restated) | 2012<br>(published) |
|--|-------------|--------------------|---------------------|
|  Total Tax Rate (%)     | <b>38.9</b> | 38.4               | 41.4                |
|  Time to comply (hours) | <b>213</b>  | 213                | 213                 |
|  Number of payments     | <b>8.2</b>  | 8.2                | 8.3                 |

The Total Tax Rate for the North America region has decreased notably by 2.5 percentage points compared to the 2012 published data as shown in Table 2.9. This is due to the fall in the US Total Tax Rate, largely driven by the inclusion this year of Los Angeles and the Total Tax Rate for Los Angeles being lower than that of New York City.

As explained in Appendix 1, for 11 economies, including the US, the data this year is based on two cities rather than just the one city as used in all previous studies. This year, therefore, the result for the US is a weighted average of the results for Los Angeles and New York City whereas in previous years only New York City was included. The results for New York City remain largely unchanged between 2012 and 2013, with only a 0.5 percentage point increase in the Total Tax Rate.

The differences between the two locations include municipal and state property taxes and property transfer taxes, which are higher in New York than in Los Angeles, and the New York City corporate income tax which poses a greater cost for the case study company than the Los Angeles business tax.

The average time to comply and the average number of payments are unchanged from last year.

<sup>42</sup> The following economies are included in our analysis of North America: Canada; Mexico; United States



**Table 2.10: South America<sup>43</sup>**

|                        | 2013 | 2012 (restated) | 2012 (published) |
|------------------------|------|-----------------|------------------|
| Total Tax Rate (%)     | 55.4 | 54.0            | 52.7             |
| Time to comply (hours) | 620  | 618             | 618              |
| Number of payments     | 23.7 | 24.3            | 24.2             |

South America is the only region to show a significant increase in its Total Tax Rate, as shown in Table 2.10. This is due almost entirely to changes to the data for Argentina where the increase in the GNIpc resulted in the case study company being subject to sales tax at 4% rather than 3% for 2012. The rate at which the turnover tax was levied was also increased from 4% to 5% for 2013.

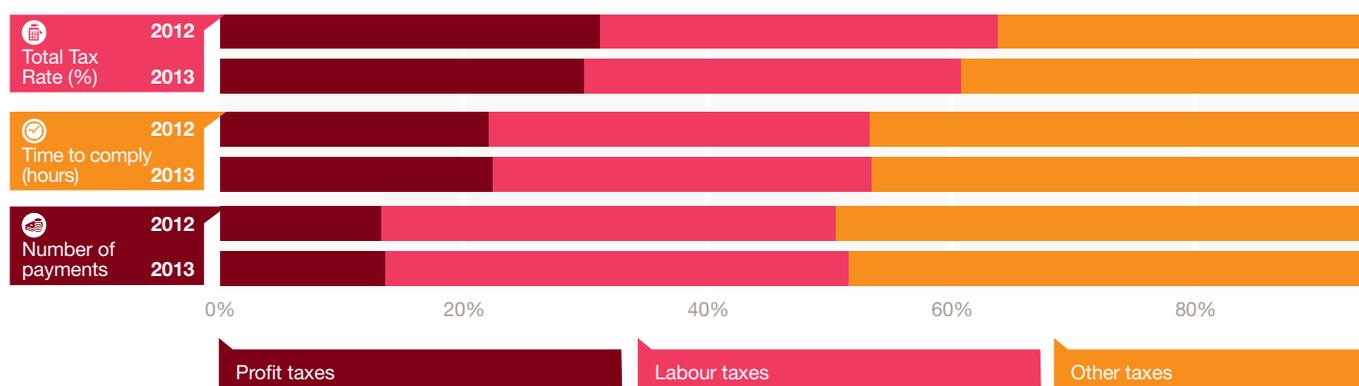
Despite being by some way the region with the greatest time to comply, the time requirement in South America increased by another 2 hours due largely to Colombia's time increasing from 203 to 239 hours as a result of introducing a new "fairness" tax on profits.

The average number of payments in the region did however fall, owing largely to Paraguay introducing compulsory online payment and filing for corporate income tax and VAT, reducing its payments by 28 to 20.

South America's ease of paying taxes is heavily influenced by other taxes which account for a significantly larger proportion of all of the sub-indicators than for the other regions. Figure 2.6 below illustrates the fact that these taxes have been the most important across each sub-indicator over the past two years, though this profile has been exhibited throughout the nine years of the study. In particular the time to comply is almost one hundred hours greater for consumption taxes than for labour taxes.

**Figure 2.6**

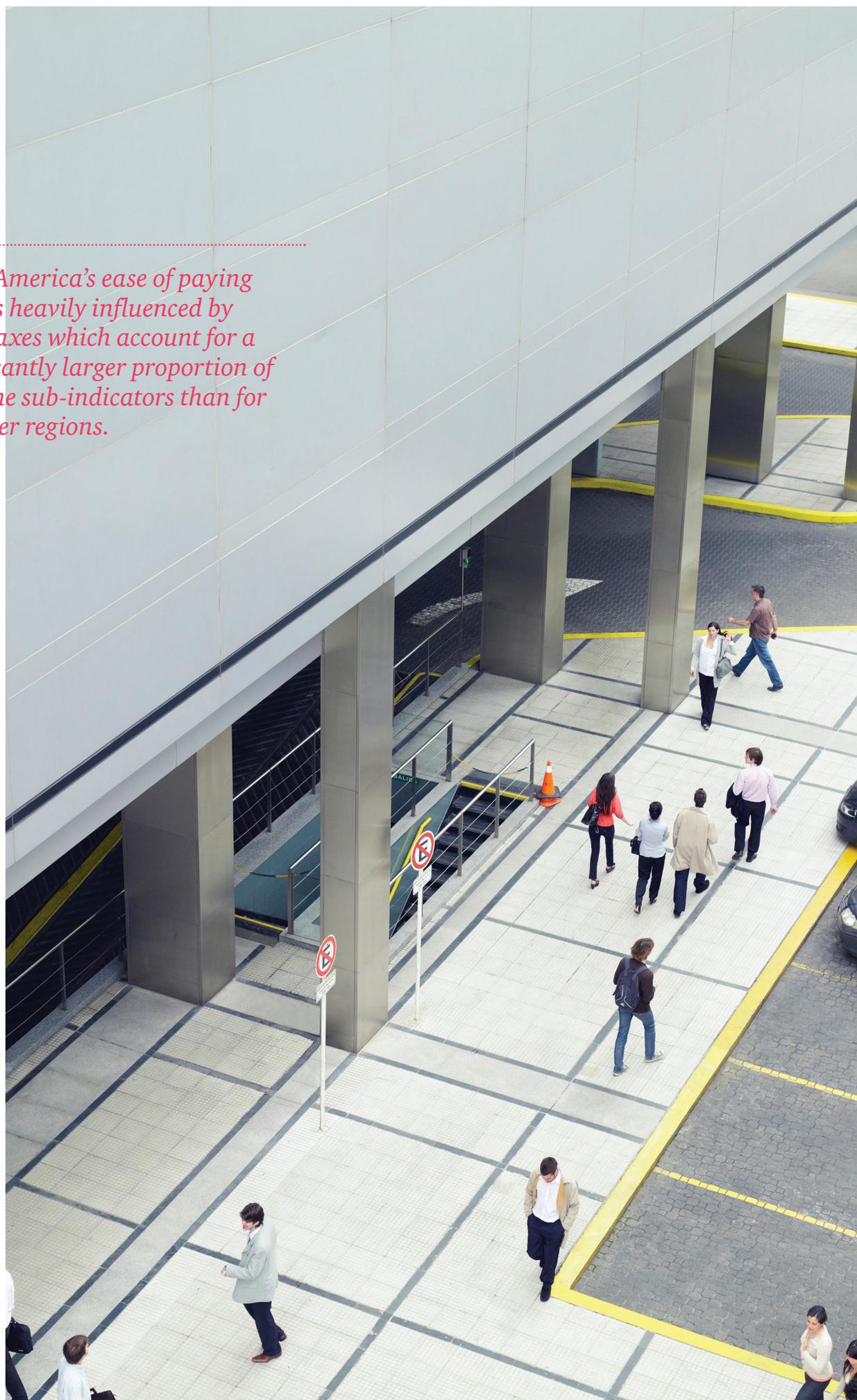
Allocation of the *Paying Taxes* sub-indicators for South America across the tax types



Source: PwC *Paying Taxes 2015* analysis

<sup>43</sup>The following economies are included in our analysis of South America: Argentina; Bolivia; Brazil; Chile; Colombia; Ecuador; Guyana; Paraguay; Peru; Suriname; Uruguay; Venezuela, R.B.

*South America's ease of paying taxes is heavily influenced by other taxes which account for a significantly larger proportion of all of the sub-indicators than for the other regions.*

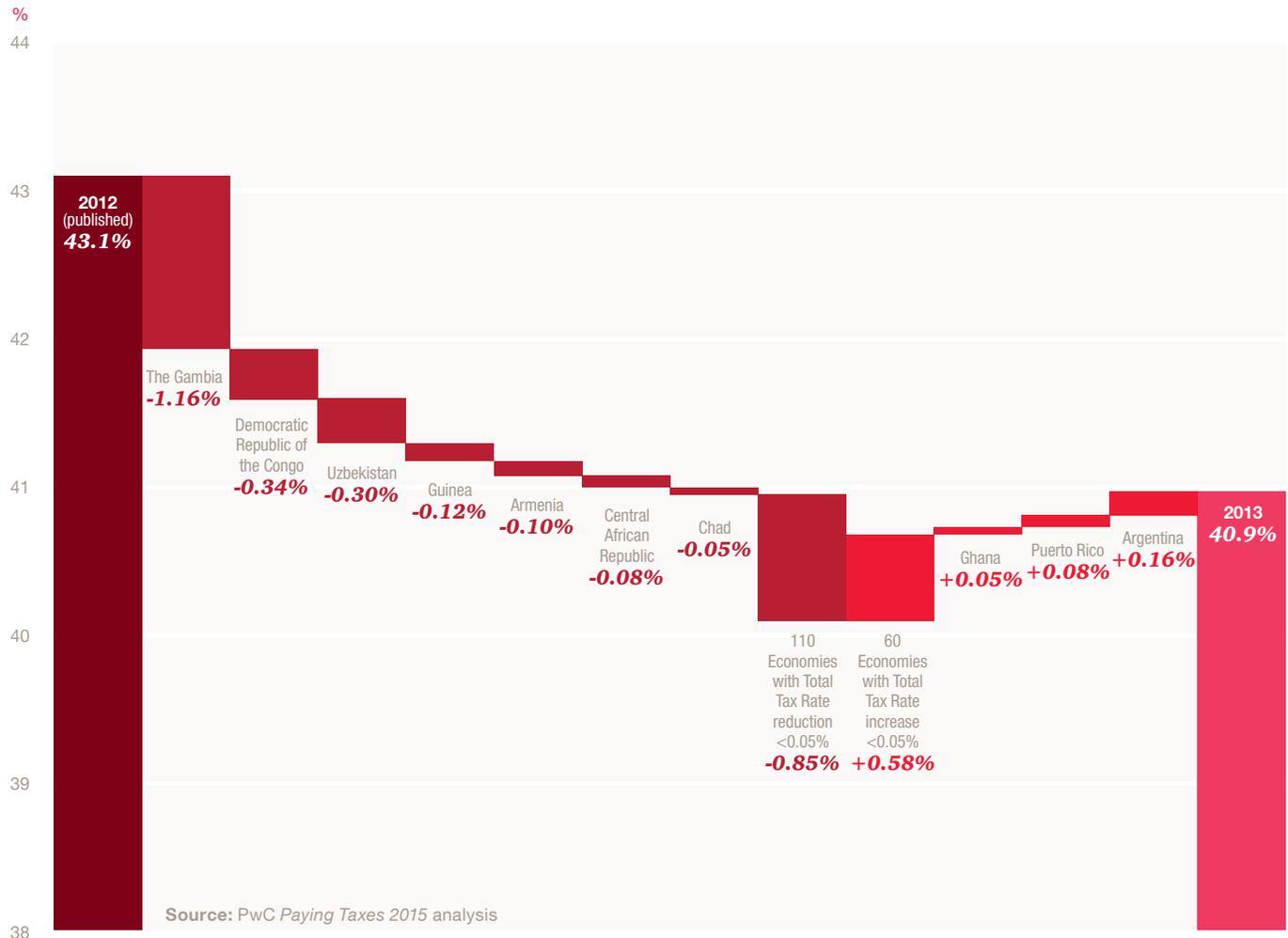


# Explaining the changes in the Total Tax Rate

As discussed in the previous sections, the movements in the average Total Tax Rate for the world and the separate geographic regions between the data published in *Paying Taxes 2014* for 2012 and the *Paying Taxes 2015* data for 2013 have been driven by significant changes in a handful of economies. Although all but nine economies exhibited some movement in their Total Tax Rate between the 2012 published data and the 2013 data, only seven decreased their Total Tax Rate by more than ten percentage points and only three increased theirs by more than ten percentage points. The relative effects of these movements on the global average Total Tax Rate is shown in Figure 2.7 below.

**Figure 2.7**

Movement in the global average Total Tax Rate 2012 (published) – 2013



---

*The interaction of fixed taxes with the change in GNIpc has affected the Total Tax Rate in a number of economies.*

As already mentioned, there are a number of components to these changes in the Total Tax Rate. While many are due to changes in tax systems between 2012 and 2013, some are due to revisions to the 2012 published data, including revisions due to the use of updated GNIpc when calculating the Total Tax Rate. In this last case, the change in the Total Tax Rate is not a result of changes in the underlying tax system of an economy, but as the case study company has changed size different tax rules may apply, or the tax may represent a different proportion of commercial profits.

In the following section we look at the changes that have affected the economies with the largest movements in Total Tax Rate between the 2012 published data and the data for 2013. In doing so we provide some examples of how the methodology changes and tax reforms have affected the results. In reconciling these two sets of data we have focussed on the reasons behind the most significant changes in the Total Tax Rates for each economy with a view to explaining the factors that have driven the overall regional and global changes in Total Tax Rate. We have therefore simplified some of the more complex scenarios and the examples should be viewed as illustrative rather than exhaustive.

Among the tax reforms referred to below, abolition of taxes on the one hand and increases in tax rates on the other are significant. The interaction of fixed taxes with the change in GNIpc has affected the Total Tax Rate in a number of economies while in others the increased size of the company has meant that various caps and thresholds have been exceeded, increasing the tax cost in some economies and reducing it in others.

### **The Gambia** – abolition of a cascading sales tax reduces the Total Tax Rate by 221 percentage points.

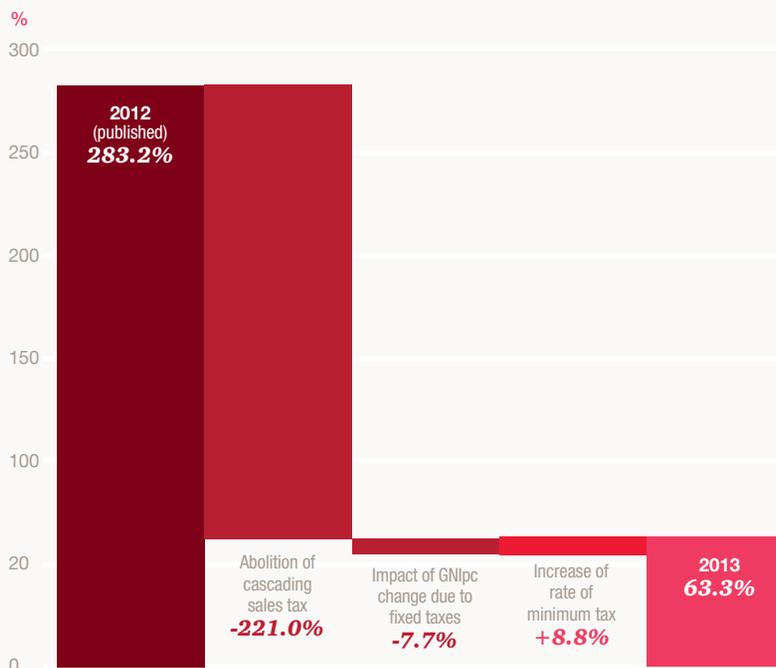
The Gambia exhibits the most significant Total Tax Rate reduction of all economies and is responsible for over half of the net reduction in the global Total Tax Rate between the 2012 published data and the 2013 data. It also accounts for nearly two thirds of the reduction of the African Total Tax Rate. As shown in Figure 2.8 the decrease is predominantly due to the abolition of its cascading sales tax, which has been replaced by a VAT of 15%. The previous cascading sales tax was levied at a rate of 15% on the case study company's cost of goods sold. VAT however is levied only on value added by a company (i.e. the tax is suffered only on the difference between turnover and cost of sales) and is ultimately paid by the end consumer. VAT is therefore not included in the Total Tax Rate, while the cascading sales tax was included. This reform alone reduced The Gambia's Total Tax Rate by 221 percentage points.

In The Gambia companies are required to pay the higher of corporate income tax on profits or a tax on turnover. The case study company pays the minimum turnover tax the rate of which increased from 1.5% to 2.0% for 2013 and this resulted in an increase in the Total Tax Rate of 8.8 percentage points.

There were some other smaller reductions in the Total Tax Rate largely as a consequence of the increase in GNIpc. Several relatively small fixed taxes are levied in The Gambia and as the rates of these have not changed, but the commercial profits have increased with the update of the GNIpc, there was a consequent reduction in the Total Tax Rate by 7.7 percentage points.

**Figure 2.8: The Gambia**

Movement in the Total Tax Rate 2012-2013



## Democratic Republic of Congo

– increase in the case study company’s commercial profits reduces the proportion of commercial profits paid in tax by 63.4 percentage points.

As shown in Figure 2.9, the Democratic Republic of Congo has shown a significant drop in its Total Tax Rate. The updating of GNIpc has resulted in an almost four-fold increase in commercial profit for the case study company in the Democratic Republic of Congo and as a consequence the company’s fixed tax payments equate to a much smaller proportion of the company’s profits.

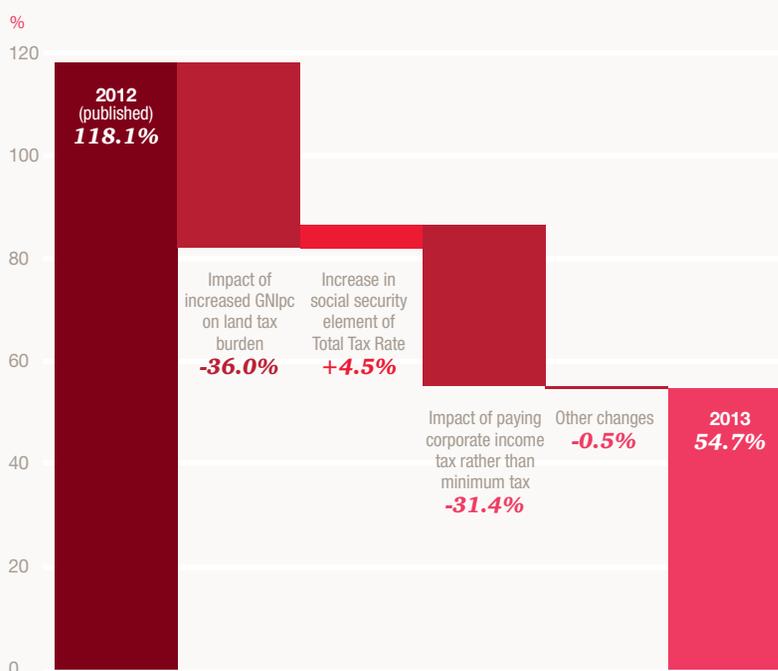
In the data for 2012 published in *Paying Taxes 2014*, the land and building tax paid by the company equated to 50.1% of commercial profits. The tax is levied at fixed rates, determined as a US dollar amount per square metre. The tax liability therefore does not increase in proportion to the size of the company. The calculated land and buildings tax liability increased by only 8% as a consequence of revisions to the 2012 data to update the exchange rate between US dollars (the currency in which the tax rate is determined) and the local currency. Despite this increase, in the data for 2013 the land and building tax equated to only 14.1% of commercial profits. This 36.0 percentage point reduction in the Total Tax Rate is the result of the increase in commercial profits resulting from the updating of GNIpc swamping the increase the tax liability resulting from the exchange rate revision. Overall therefore, after all the revisions, the land and buildings tax equates to a much smaller proportion of commercial profits.

In the Democratic Republic of Congo companies pay the higher of a minimum tax of USD 2,500 or a corporate income tax on profits. For the 2012 published data, it was determined that the case study company would have paid the minimum tax. Following the GNIpc update, the company is subject to the corporate income tax as its taxable profits have increased dramatically.

The statutory rate of corporate income tax fell to 35% in 2013 from 40% in 2012. The amount of corporate income tax calculated for the case study company in 2013 is 1.8 times the amount of the minimum tax calculated for the 2012 published data. Following the increase in the size of the company, the corporate income tax does however equate to a much smaller proportion of the company’s commercial profits than the minimum tax did in 2012. In Total Tax Rate terms, the minimum tax accounted for 58.9 percentage points of the Total Tax Rate for the 2012 published data, but the corporate income tax is only 27.5 percentage points of the Total Tax Rate in 2013; a difference of 31.4 percentage points.

There were some other changes to the Total Tax Rate resulting from a small fixed tax on vehicles, a new labour tax and an increase in the rate of social security contributions from 5% to 9%, but the effect of these is small compared to the changes in Total Tax Rate described in the preceding paragraphs.

**Figure 2.9: Democratic Republic of Congo**  
Movement in the Total Tax Rate 2012-2013



Source: PwC *Paying Taxes 2015* analysis

**Uzbekistan – new tax exemptions for small companies have reduced the Total Tax Rate by 57.1 percentage points.**

Uzbekistan had the third largest reduction in Total Tax Rate in the world in 2013, and the largest in the Central Asia & Eastern Europe region. Under Uzbekistan tax legislation, the case study company is viewed as a small company as it has fewer than 100 employees. From 1 January 2013, micro and small enterprises are not required to pay contributions to the pension fund, to the road fund, or to the educational institution. All three contributions were calculated as a percentage of sales and in 2012 accounted for 61.9 percentage points of the Total Tax Rate, as shown in Figure 2.10.

The exemption from these contributions has a knock-on effect on the profit taxes suffered by the case study company, namely corporate income tax and infrastructure tax. As the contributions are deductible for corporate income tax and infrastructure tax purposes, there was an increase in 2013 in the company's profits that are subject to corporate income tax and to the infrastructure tax.

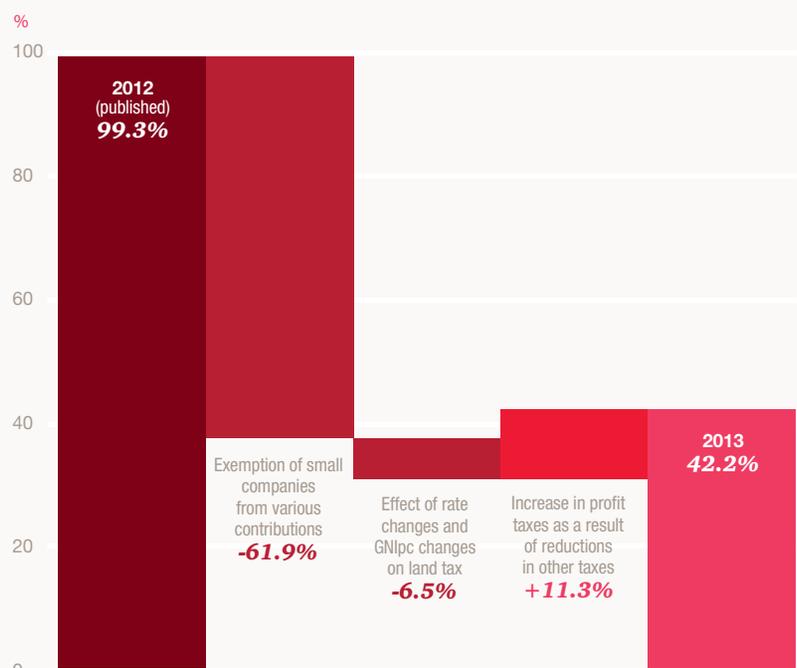
The profit taxes were also affected by an increase in the rate of land tax. This increased the absolute amount of tax due, but the rate of increase was much smaller than the rate of increase in the commercial profits. This resulted in a 6.5 percentage point reduction in the land tax element of the Total Tax Rate. As with the other contributions, land tax is deducted from profit when calculating the amount of profit taxes due and so the change in land tax also affects profit taxes.

As a result of all the changes noted above, the profit taxes Total Tax Rate increased from 0.8% to 12.1%.

Other small changes in Total Tax Rate arose from minor data revisions.

The changes in Uzbekistan highlight the fact that taxes cannot be considered in isolation, as changes in one tax may also affect the amount of other taxes due.

**Figure 2.10: Uzbekistan**  
Movement in the Total Tax Rate 2012-2013



**Guinea** – increase in case study company’s size has led to the effective rate of IMF minimum forfaitaire tax falling from 3.0% to 1.8% of turnover.

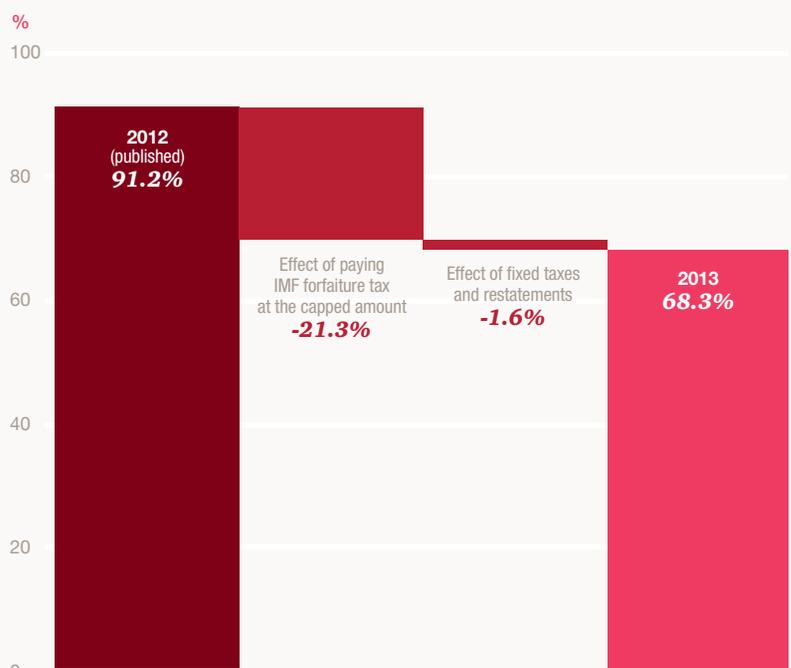
Another economy driving the African Total Tax Rate down is Guinea, which had the third largest decline (22.9 percentage points) in the Total Tax Rate in the African region between *Paying Taxes 2014* and *Paying Taxes 2015*. This is shown in Figure 2.11.

The main reason for the Guinean decline is the growth of the economy since 2005. The case study company pays an International Monetary Fund (IMF) minimum forfaitaire tax of 3% of turnover, subject to a maximum threshold of GNF 60 million. Before the increase in GNIpc the company paid the tax at 3.0% of turnover. Since the increase, the company pays the capped amount of GNF 60 million, which is effectively 1.8% of turnover. This has reduced the Total Tax Rate by 21.3 percentage points.

The presence of fixed rate taxes on vehicles and minor corrections to social security contributions, combined with the increase in the case study company’s profits reduced the Total Tax Rate by a further 1.6 percentage points.

**Figure 2.11: Guinea**

Movement in the Total Tax Rate 2012-2013



Source: PwC *Paying Taxes 2015* analysis

**Armenia – decline in Total Tax Rate of 18.4 percentage points mainly due to unification of employee and employer social contributions and income tax.**

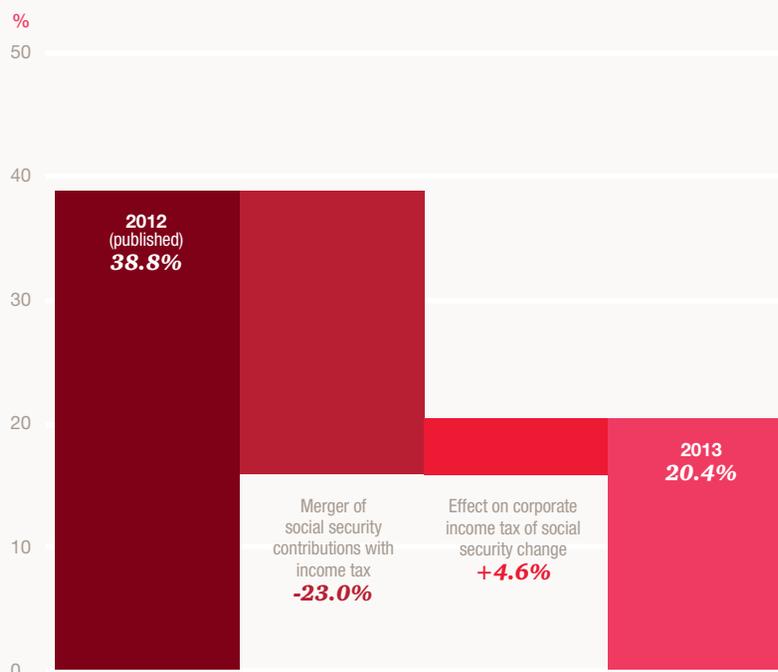
Along with Uzbekistan, Armenia is largely responsible for the reduction in the Total Tax Rate in Central Asia & Eastern Europe between the 2012 published data and the data for 2013.

As shown in Figure 2.12, the labour tax element of the Total Tax Rate for Armenia fell by 23.0 percentage points between the 2012 published data and the data for 2013. The primary reason for this fall is that in 2013 employee and employer social security contributions in Armenia were merged with income tax and became a cost to the employee rather than to the employer. These taxes therefore cease to be regarded as a cost to the company under the *Paying Taxes* methodology.

As, however, the social security contributions were a cost to the company, their abolition has increased the company’s profit before tax and its corporate income tax liability increased as a result. This reduction in the social security contributions therefore increased the profit taxes element of the Total Tax Rate by 4.6 percentage points.

There were other changes to the Total Tax Rate as a result of fixed taxes on vehicles equating to a smaller proportion of commercial profits following the GNIpc update, but the effect on Total Tax Rate is negligible.

**Figure 2.12: Armenia**  
Movement in the Total Tax Rate 2012-2013



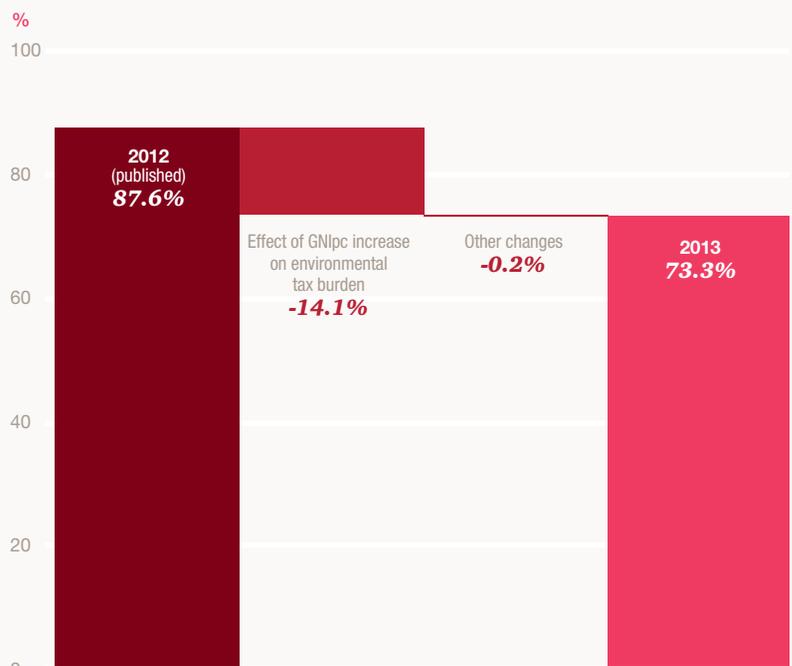
**Central African Republic –**  
*fixed taxes and economic growth have resulted in a decline in Total Tax Rate of 14.3 percentage points.*

The Central African Republic is another African economy with a significant decline in its Total Tax Rate.

The fall in the Total Tax Rate arises from the increase in commercial profits caused by the almost threefold increase in GNIpc, coupled with the presence of taxes that do not increase with the size of the company. Environmental taxes are fixed at CFA 2.4 million and were equal to a much smaller proportion of commercial profits in 2013 than in 2012. The Total Tax Rate fell by 14.1 percentage points as a consequence as shown in Figure 2.13. Other smaller fixed taxes are responsible for the remaining 0.2 percentage points of the fall in Total Tax Rate.

Unlike in other economies with similar fixed tax impacts, there was no change in the corporate income tax liability for the case study company in the Central African Republic. This is because the company has to pay the higher of corporate income tax, or a tax on sales. In both 2012 and 2013 the company paid the tax on sales as being the higher amount and this tax is not affected by the other costs of the company as corporate income tax would be.

**Figure 2.13: Central African Republic**  
 Movement in the Total Tax Rate 2012-2013



Source: PwC Paying Taxes 2015 analysis

**Chad** – government corrections to tax regulations have led to a fall in the Total Tax Rate.

The Ministry of Domain in Chad has recognised a mistake in the regulation (Article 865 of the Code Général des impôts) for the computation of property taxes. Previously the computation had a multiplier of 80%, when it should have been 8%. Property tax is now just a tenth of its previous value, leading to a decline of 9.0 percentage points in the Total Tax Rate as shown in Figure 2.14.

The remaining 1.3 percentage points of the reduction are due to the fixed nature of vehicle registration tax coupled with a 440% increase in commercial profits as a consequence of updating the GNIpc used for estimating the case study company’s financial statements.

**Figure 2.14: Chad**  
Movement in the Total Tax Rate 2012-2013



### **Argentina** – 29.5 percentage point rise due to GNIPC growth, and a reform that increased the turnover tax rate.

The Argentinian Total Tax Rate is the cause of the average Total Tax Rate in South America increasing between the *Paying Taxes 2014* data for 2012 and the data for 2013.

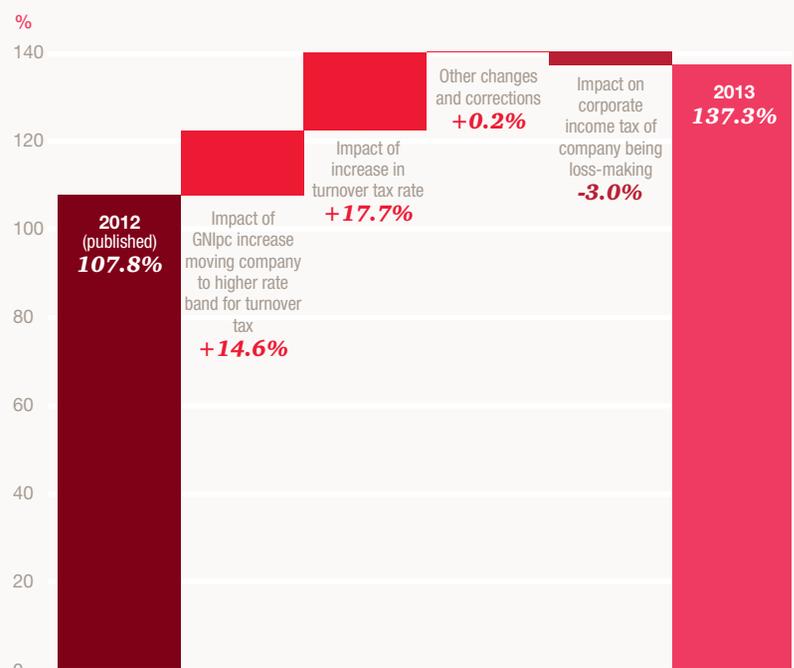
In Argentina our case study company is subject to a progressive turnover tax – as the company’s turnover increases so does the tax rate. Due to the GNIPC more than tripling since 2005, the case study company’s turnover exceeded the 3% turnover tax threshold (ARG\$40m) and became subject to the 4% tax band. As shown in Figure 2.15 this contributed a rise in the Total Rate of 14.6 percentage points.

Following a reform to turnover tax, the 4% rate was increased to 5% for companies with turnover in excess of ARG\$38m – the revenue of the case study is over ARG\$46m following the updating of GNIPC. This increased the Total Tax Rate by a further 17.7 percentage points.

The increase in the turnover tax did however mean that the company no longer had a corporate income tax liability, as the company was now loss making. The lack of a corporate income tax liability reduced the Total Tax Rate by 3.0 percentage points for 2013 compared the 2012 data published in *Paying Taxes 2014*.

The remaining 0.2 percentage point increase in Total Tax Rate is largely due to the recognition of changes to the property tax legislation, coupled with other minor revisions.

**Figure 2.15: Argentina**  
Movement in the Total Tax Rate 2012-2013



Source: PwC *Paying Taxes 2015* analysis

**Puerto Rico (U.S.)** – due to a corporate income tax reform and update in the GNIpc the Total Tax Rate has risen by 15.3 percentage points.

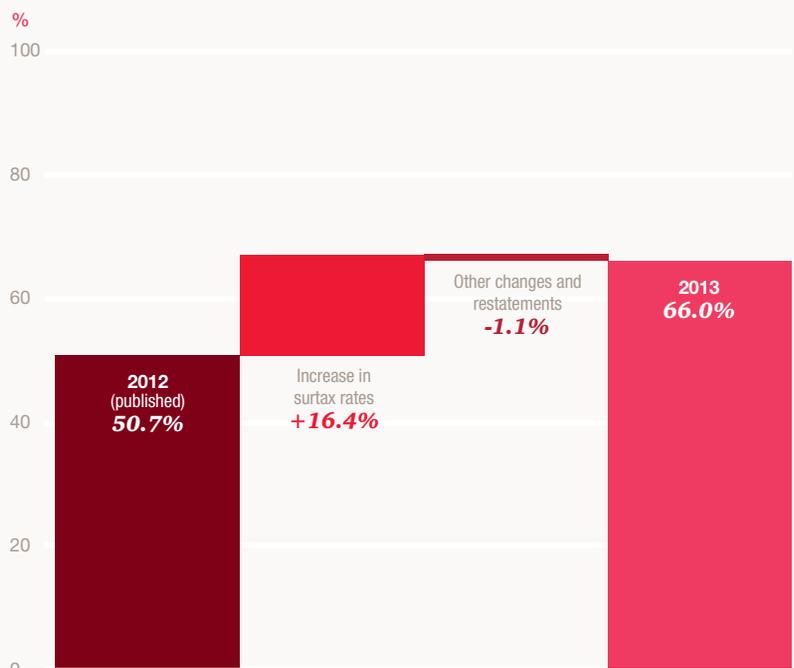
The Central America & the Caribbean region’s marginal increase in Total Tax Rate is largely attributable to changes in Puerto Rico.

The increase in Puerto Rico’s Total Tax Rate is due almost wholly to a reform to corporate income tax. The tax liability is calculated using a 20% basic rate and a graduated surtax, which is calculated on surtax net income. As of 1 January 2013, surtax net income is calculated after a surtax deduction of USD25,000. In 2012, prior to the updating of GNIpc, the surtax was not paid by the case study company as it did not generate enough profit to be subject to the tax and the alternative minimum tax was also not applicable. However, in 2013 the surtax applies to companies regardless of profit

levels, is charged at different rates and is subject to a minimum surtax of 0.5% of gross income and 30% of computed corporate income tax. Consequently the case study company pays corporate income tax at 20% plus the minimum amount of surtax, leading to an increase in Total Tax Rate of 16.4 percentage points as shown in Figure 2.16.

Several small changes and corrections, including those resulting from the GNIpc update, reduced the Total Tax Rate by 1.1 percentage points giving a net increase of 15.3 percentage points.

**Figure 2.16: Puerto Rico (U.S.)**  
Movement in the Total Tax Rate 2012-2013



**Ghana – higher social security contributions and changes to GNIpc have resulted in a 10.3 percentage point increase in Total Tax Rate.**

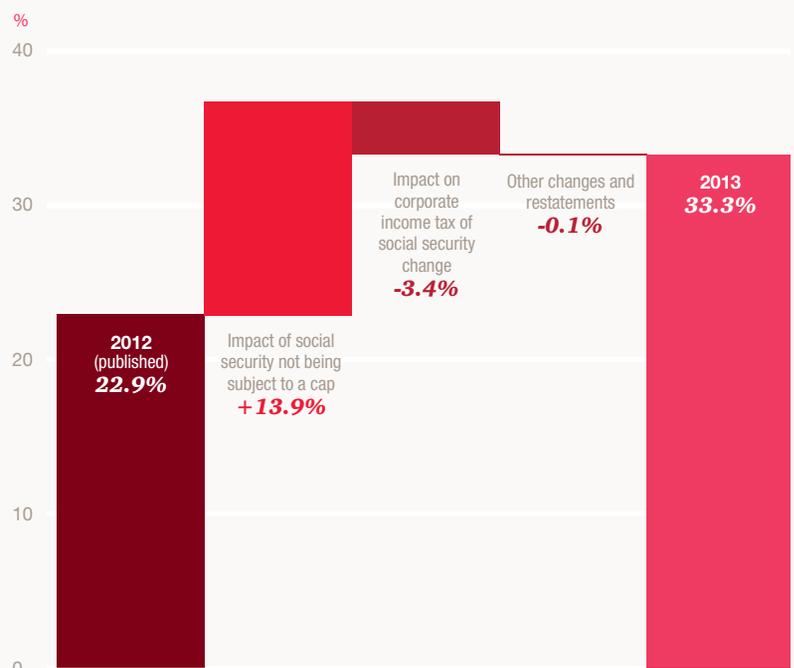
Ghana is one of the African economies with an increasing Total Tax Rate.

The salaries of the employees of the case study company are calculated as a multiple of GNIpc. As the GNIpc increased, so too did the salaries. This has resulted in employer social security contributions being levied at 13% on the full salary, whereas before they were subject to a cap. This has led to an increase in the Total Tax Rate of 13.9 percentage points as shown in Figure 2.17.

As the social security contributions are deductible for corporate income tax purposes, the increase in the contributions has led to lower taxable profits. This has reduced the Total Tax Rate by 3.4 percentage points.

Finally, the increase of the GNIpc has reduced the impact on commercial profits of fixed property and municipal taxes resulting in a further reduction of the Total Tax Rate by 0.1 percentage points.

**Figure 2.17: Ghana**  
Movement in the Total Tax Rate 2012-2013

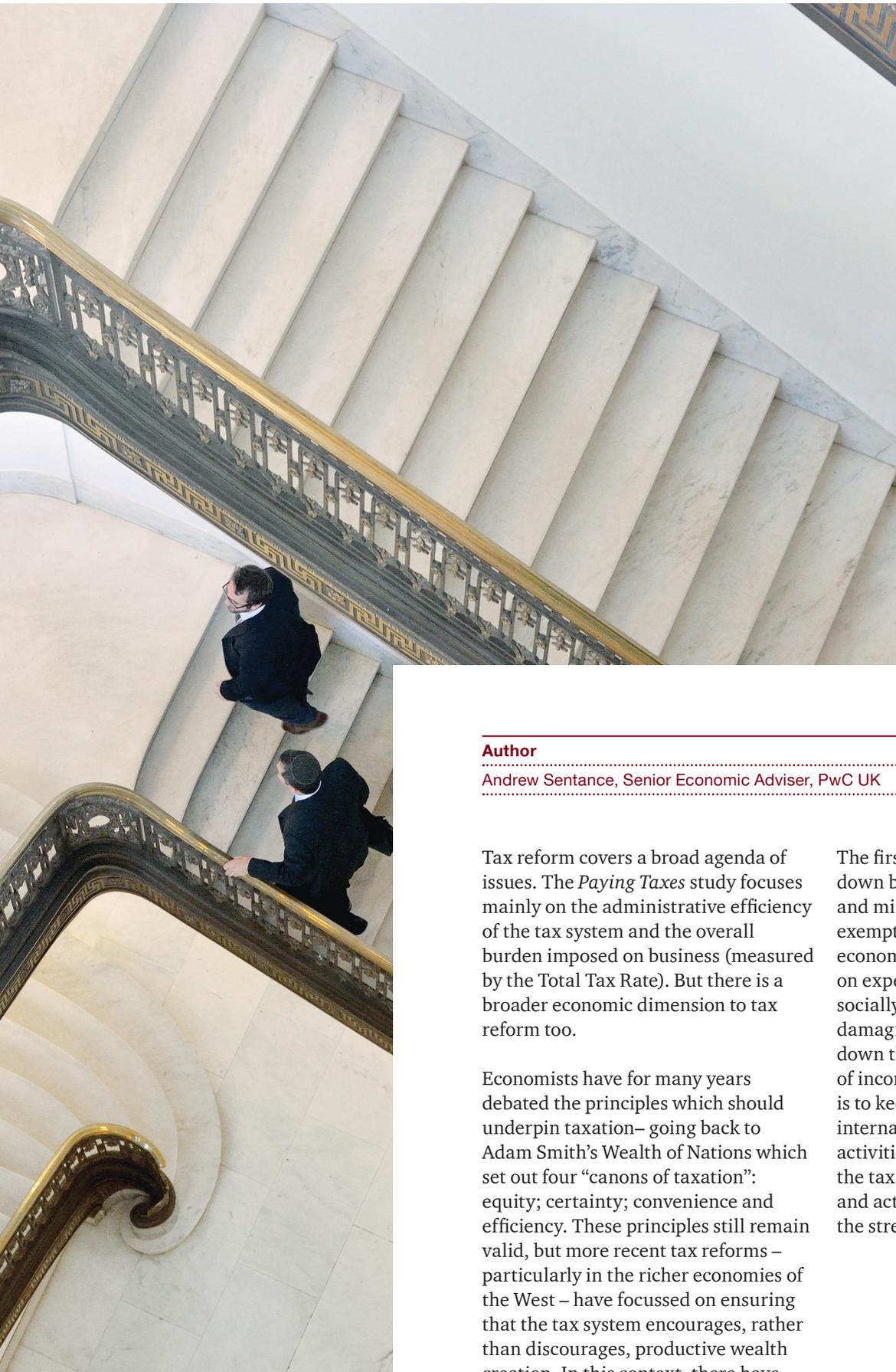


Source: PwC Paying Taxes 2015 analysis

# The challenges of tax reform

The latest results from the *Paying Taxes* study, discussed throughout this report, show many economies are continuing to make progress in tax reform. At the same time, around the world there is still a lot of scope for new or further actions to streamline and simplify tax systems, to reduce economic distortions and reduce the burden imposed on business. Tax reform is therefore set to remain an important topic for governments around the world for many years to come.





---

**Author**

Andrew Sentance, Senior Economic Adviser, PwC UK

---

Tax reform covers a broad agenda of issues. The *Paying Taxes* study focuses mainly on the administrative efficiency of the tax system and the overall burden imposed on business (measured by the Total Tax Rate). But there is a broader economic dimension to tax reform too.

Economists have for many years debated the principles which should underpin taxation—going back to Adam Smith’s *Wealth of Nations* which set out four “canons of taxation”: equity; certainty; convenience and efficiency. These principles still remain valid, but more recent tax reforms – particularly in the richer economies of the West – have focussed on ensuring that the tax system encourages, rather than discourages, productive wealth creation. In this context, there have been three broad economic themes underpinning tax reforms in the major economies around the world in recent decades.

The first theme is to keep tax rates down by widening the tax base and minimising exceptions and exemptions. A second strand of economic thinking is to focus taxation on expenditure and discouraging socially and environmentally damaging activities, in order to keep down the tax burden on the creation of income and wealth. A third theme is to keep down rates of taxation on internationally mobile economic activities and productive resources so the tax regime attracts these resources and activities and they contribute to the strength of the national economy.

We see these principles being applied in a number of economies around the world at present. For example, the UK has implemented major reforms of its taxation of companies aimed at bringing down the headline rate of corporation tax on profits from 28% to 20% by 2015/16. In his 2013 Budget, the Chancellor of the Exchequer George Osborne argued that this would give the UK the most competitive corporate tax regime in the G20 with a significantly lower tax rate on profits than the US, Japan, Germany and France. This reduction in the tax rate has been partly funded by a restriction of the investment allowances available to offset capital spending against company tax bills. At the same time, the UK has introduced a new “patent box” aimed at providing a very attractive regime for high-technology and innovative companies to locate in the United Kingdom.

In Japan, the government under Shinzo Abe is undertaking a number of reforms aimed at improving the growth performance of its economy. These include a gradual rise in the Japanese VAT rate from 5% to 10% – the first stage of which has already been implemented. Japanese tax reform also includes a reduction in the corporate income tax rate from 35% to 30%.

But in these attempts to make tax reforms, we also see some of the problems which governments regularly encounter as they seek to restructure and improve their tax systems, and make them more conducive to economic growth and employment. There are four big challenges in any process of tax reform and successfully navigating these potential difficulties is the key to successful implementation of policies.

The first major issue is that changes to the structure of the tax system create winners and losers. Individuals or companies which benefit from lower tax rates may not be the same as those adversely affected by restricting tax exemptions and allowances. Rises in VAT and other spending taxes – which we have seen in many European countries and we are now seeing in Japan – squeeze consumers and governments come under pressure to offset this impact, particularly on poorer households. This problem can be addressed by finding ways of compensating the losers – but that in turn may mean there is a net fiscal cost to tax reform. In the short-term at least, the government can find it gets less revenue after the reform than it did before – particularly if the reform involves cutting tax rates. The longer term benefits that tax reform can bring to growth and public finances take much longer to feed through. This can be problematic when – as in the case of the UK and Japan and many other governments at present – the size of the government deficit and the rising burden of public debt is also a key issue for national economic policy.

The second major issue is that it is easy to put off tax reform. There is no ideal time to restructure the tax system and short-term political pressures can get in the way. The best environment is where there is a strong government with a substantial electoral majority and hence a mandate for change. But when governments are feeling less confident it is much less easy to make change. The shift to taxing consumer spending more heavily which is now underway in Japan has been on the agenda since the 1990s. It is only under the Abe administration that it is being implemented, and even now there are concerns that the Japanese economy may not be able to withstand the impact of rising taxes in the short-term.

Third, from the perspective of economic growth and competitiveness, it is the impact of the tax system as a whole which is important – not individual taxes. Tax reforms should be designed and implemented with a focus on their broader economic impact, not just on a specific area of the tax system. While the UK government is keen to highlight its success in reducing corporate profit taxes, other tax changes have had less positive impacts on the overall climate for growth and employment. The main payroll tax (National Insurance) has risen and the increasing burden of other business taxes has been an issue of concern – including business property taxes (Uniform Business Rates) and taxes on business inputs such as fuel. The rise in the top rate of income tax to 50% also had an adverse impact on perceptions of the competitiveness of the UK as a business location and has since been partially reversed – with the cut in the highest income tax rate to 45%.

Finally, fighting political and economic pressures to increase the complexity of the tax system is an ongoing battle. Specific tax reliefs and allowances are much easier to introduce than they are to abolish. Special interest and lobby groups are always arguing for tax changes which they see as helpful, and some of these may be genuinely positive for short-term economic prospects. A government may see political advantage in granting these requests. But there are many fewer voices in the public debate for a fundamental overhaul of the tax system which generates long-term economic benefits. Over time, the result is a more complex and less coherent tax system – which can only be improved by visionary and principled tax reforms.

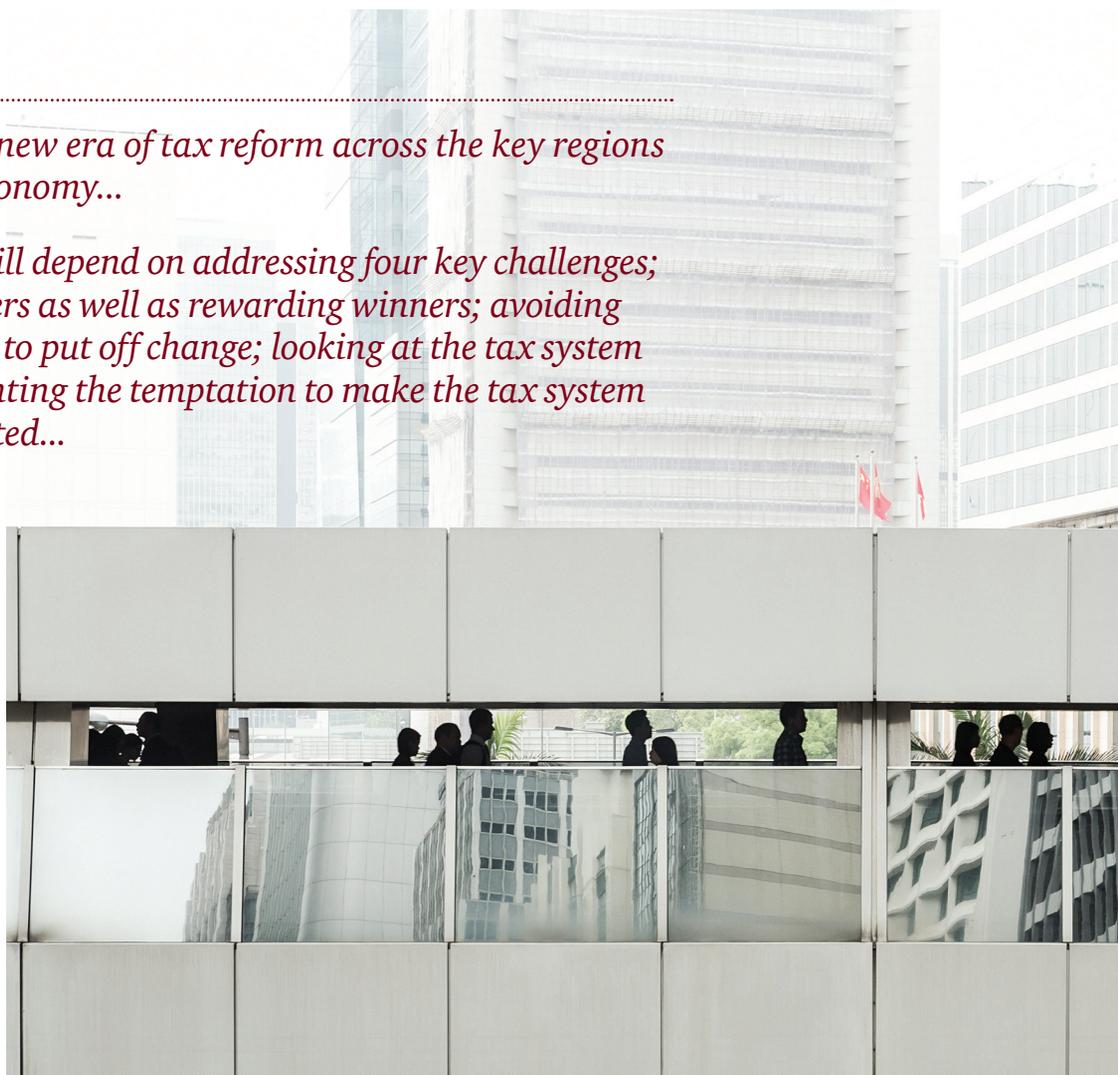
The major advanced economies – in Europe, North America and in the Asia Pacific region – have battled with these issues for many years. But the need for more radical tax reform has become more pressing since the financial crisis. The major western economies and Japan are stuck in a “new normal” of slow growth which risks continuing into the second half of this decade. One of the major levers available to governments to improve underlying growth prospects is tax reform. In the 1980s, tax reform was an important ingredient revitalising growth in the UK, US and other western economies and helping them escape from the doldrums of the 1970s. After the financial crisis, the major western economies are in a similar position – trying to re-energise growth now that the tailwinds of easy money, cheap imports and confidence which underpinned growth before the crisis have gone away.

So it is time for a new era of tax reform across key regions of the world economy – especially in Europe and North America. But the success of governments in carrying this through will depend on their ability to address the four key challenges highlighted earlier: supporting losers as well as rewarding winners; avoiding the temptation to put off change; looking at the tax system as a whole; and fighting the temptation to make the tax system more complex and complicated for very understandable economic and political reasons.

In the 1980s, a wave of tax reform invigorated many economies around the world and helped stimulate a sustained economic recovery. Policy-makers have the opportunity to do something similar to support a sustained recovery from the global financial crisis. But they will need to be skilful and courageous in navigating the many obstacles which stand in the way of tax reform.

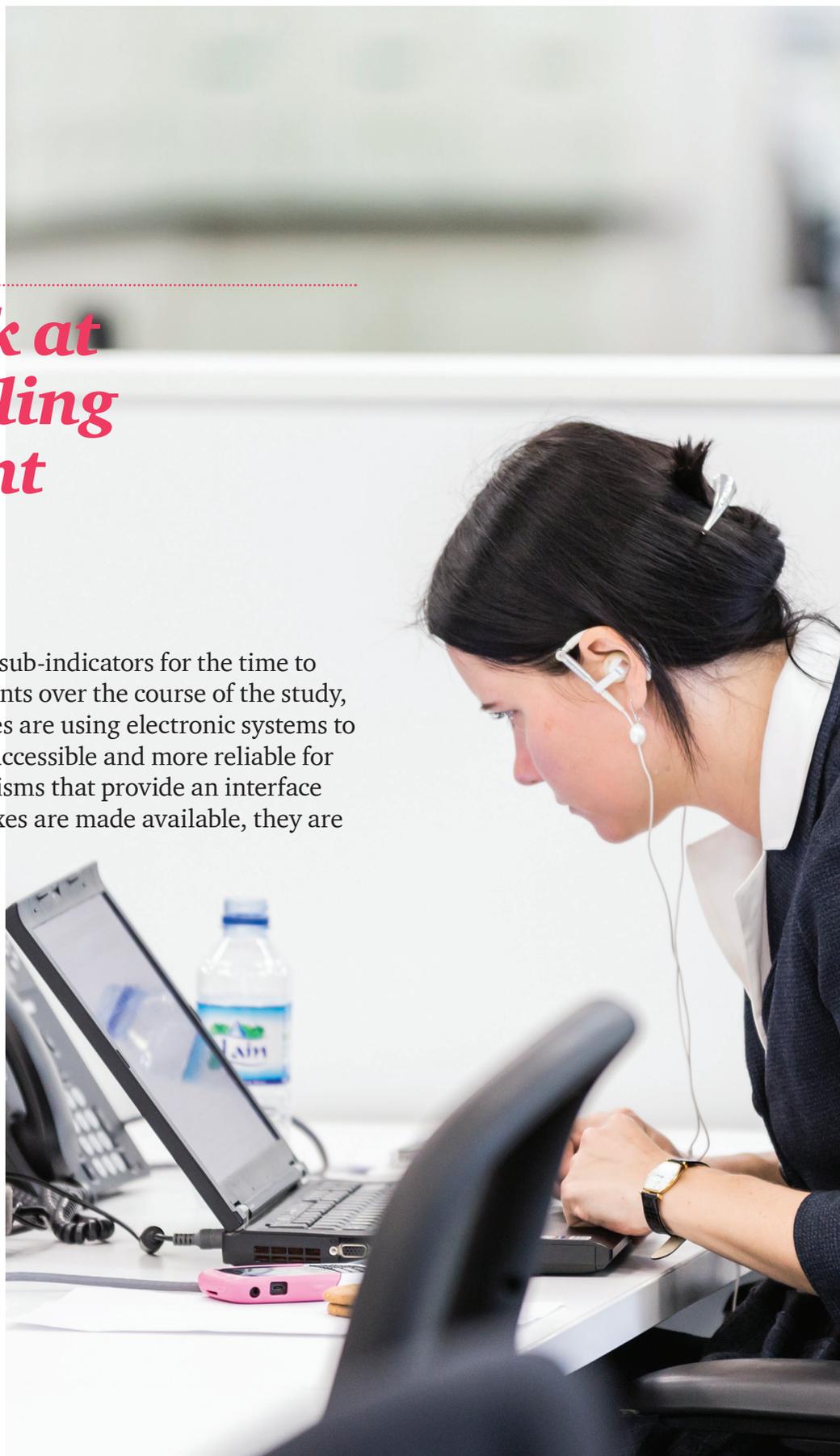
*It is time for a new era of tax reform across the key regions of the world economy...*

*...the success will depend on addressing four key challenges; supporting losers as well as rewarding winners; avoiding the temptation to put off change; looking at the tax system as a whole; fighting the temptation to make the tax system more complicated...*



## *A closer look at electronic filing and payment*

As shown by the decreases in the sub-indicators for the time to comply and the number of payments over the course of the study, and again this year, tax authorities are using electronic systems to make tax processes easier, more accessible and more reliable for taxpayers. Where online mechanisms that provide an interface for filing tax returns or paying taxes are made available, they are often welcomed by taxpayers.





Under the *Paying Taxes* methodology, the taxes of an economy are considered to be paid and filed electronically only when the majority of companies in an economy has adopted the system for both filing and payment and where there is no requirement to file hard copies of tax documents once returns have been filed electronically. The adoption by the majority of companies is an indication that the implementation of the system is sufficiently widespread and sufficiently accepted that it should lead to a more efficient process for tax compliance.

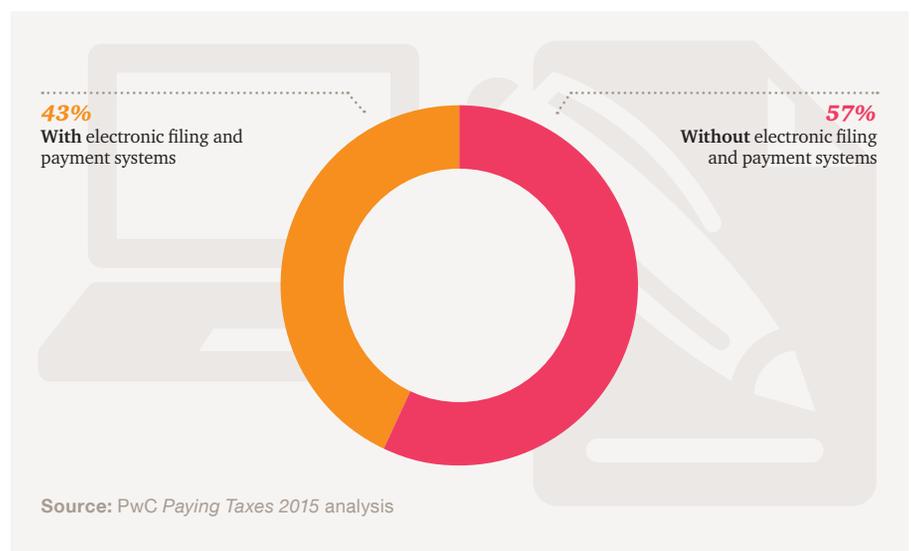
The sub-indicator data shows that 43% of the 189 economies in *Paying Taxes* have at least one tax that is being filed and paid electronically by the majority of companies. In general, these economies are likely to have had a substantial reduction in the indicator for the number of tax payments as, under the *Paying Taxes* methodology, only one payment is recorded for a tax that is paid and filed electronically, regardless of the number of payments and filings actually made.

As shown in Figure 2.18, more than half of the economies from the study have, however, not yet effectively implemented an electronic system for online filing and payments. This includes a number of economies where an electronic system exists but it has not been widely accepted by taxpayers and we will look in this section at some of the reasons why systems may not yet be used by the majority of taxpaying companies.

Even for those economies that have passed the majority threshold for the use of an electronic system, there will still be up to 50% of taxpayers that are not using the electronic process and this presents a further opportunity for tax authorities to improve the return on the investments that they have made in electronic systems.

**Figure 2.18**

Economies with electronic filing and payment system adopted by the majority of companies



As shown in Figure 2.19 the regions where more than half the economies have widely used electronic filing and payment systems are North America, EU & EFTA, South America and Central Asia & Eastern Europe.

To look at the issue of electronic filing and payment in more detail, and in addition to the sub-indicator data that identifies the electronic systems used by the majority of taxpayers, further information was provided by the PwC offices that contribute to the data for 162 economies.

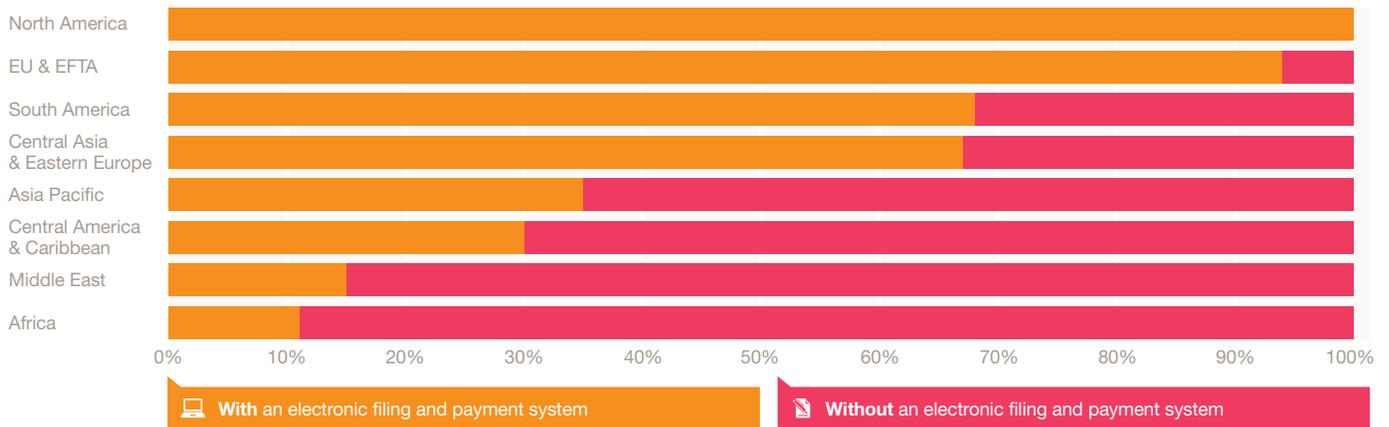
The contributors were asked:

- Whether **online filing**, either voluntary or mandatory, was available in their economy for each of corporate income tax, VAT, personal income tax and social security contributions.
- Whether **online payment**, either voluntary or mandatory, was available in their economy for each of corporate income tax, VAT, personal income tax and social security contributions.

For both filing and payment, most of the contributors answered that an electronic system of some kind had been made available for at least one tax, as shown in Figure 2.20 and Figure 2.21 respectively.

**Figure 2.19**

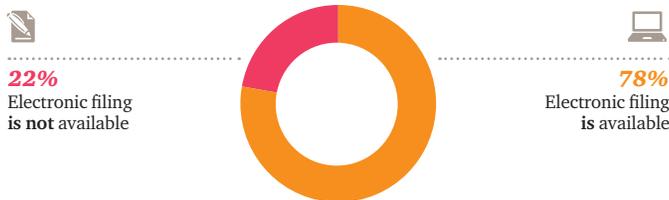
Regional proportion of the economies with an electronic filing and payment system counted for in *Paying Taxes*



Source: PwC *Paying Taxes 2015* analysis

**Figure 2.20**

Economies where an electronic filing system is available

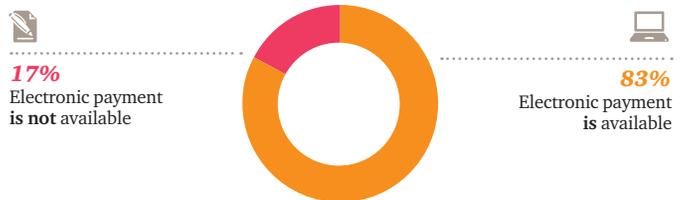


Results were limited to 155 economies that provided data on electronic filing and payment systems.

Source: PwC *Paying Taxes 2015* analysis

**Figure 2.21**

Economies where an electronic payment system is available



Results were limited to 155 economies that provided data on electronic filing and payment systems.

Source: PwC *Paying Taxes 2015* analysis

Of the economies that provided data, 78% of them had some kind of electronic system filing system developed by the tax authorities for at least one type of tax, while 83% had some form of electronic payment system available to taxpayers.

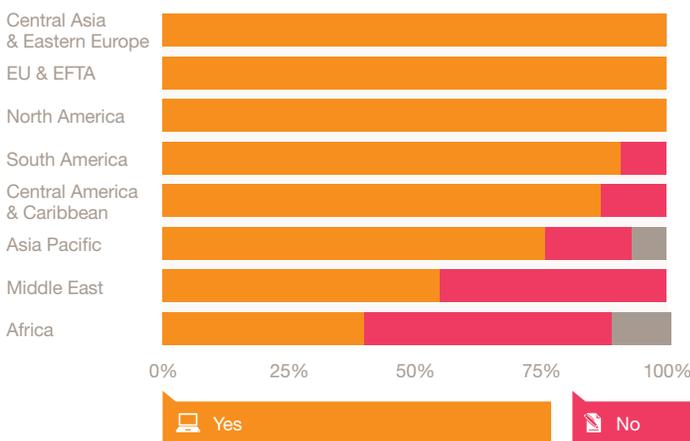
From this data it is clear that there are many economies where electronic filing and/or payment systems exist for at least one tax, but where those systems are not used by the majority of taxpayers or where hard copies of documentation still need to be submitted. This presents a significant opportunity for governments looking to reduce the burden of tax compliance. Later on in this section we look at the question as to why existing systems may not be more widely used, including lack of IT infrastructure, lack of access to the internet, problems with electronic tax systems and security concerns.

As shown in Figures 2.22 and 2.23 the economies that have not yet implemented any kind of electronic alternative for taxpayers are mostly concentrated in Asia Pacific, Africa, Central America & the Caribbean and the Middle East.

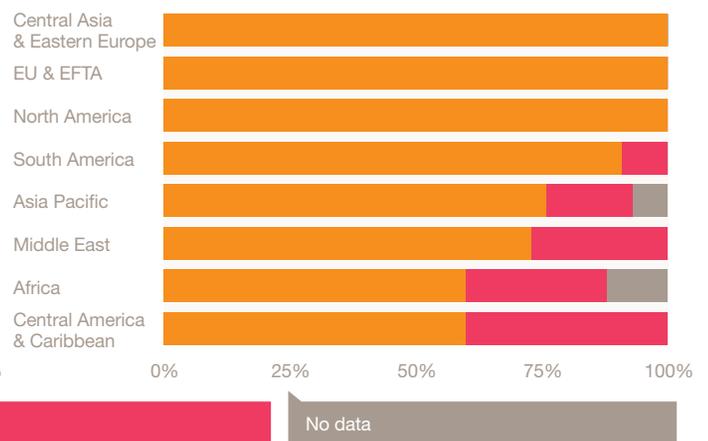
Comparing the regions that have electronic systems available with the regions where electronic systems have been adopted by the majority of the companies and so affect the *Paying Taxes* sub-indicators, we note the following:

- South America and Central Asia & Eastern Europe have a high proportion of economies where electronic filing and payment systems are available, though only around two thirds of the economies meet the majority threshold for use of these systems. This suggests there may be potential to reduce the value of the region's number of payments sub-indicator through better use of the available systems. In addition, if the systems are efficient they may help to reduce the regional time to comply, which is a particular issue for South America where time to comply is currently the highest of all the regions.
- For Asia Pacific, Central America & the Caribbean, the Middle East and Africa there appears to be a significant number of economies that have not yet introduced electronic systems for either filing or payment. Again, this would seem to be an area for potential improvement.
- Africa and the Middle East are the regions with the lowest proportion of economies with electronic system for filing returns; however they have a higher proportion of economies with electronic system for payments. This would suggest that implementing electronic filing systems could be a fruitful area of focus in the future.

**Figure 2.22**  
Economies where electronic systems are available for filing at least one type of tax, by region



**Figure 2.23**  
Economies where electronic systems are available for payment of at least one type of tax, by region



Source: PwC *Paying Taxes 2015* analysis

### Efficiency of the electronic filing method

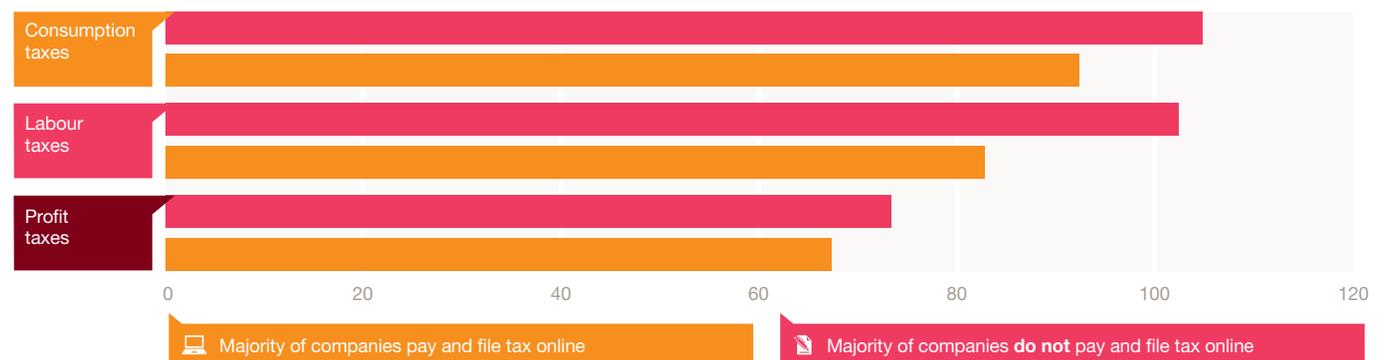
When considering all 189 economies in *Paying Taxes*, for those 81 economies that have met the requirement for electronic filing and payment systems to be recognised in the *Paying Taxes* sub-indicators, the average time to comply and the average number of payments are lower than for those economies that have no electronic systems or that do have electronic systems but have not yet met the requirements, as shown in Figures 2.24 and 2.25.

The greatest opportunity for improvement would appear to be for labour taxes, where for economies with online payment and filing systems the average time to comply is 19% lower and the payment indicator is nearly 75% lower than for those economies without widely used electronic systems.

Overall Figures 2.24 and 2.25 suggest that having an electronic filing and payment system reduces the time needed to comply with tax obligations. In some economies the use of electronic systems to pay and file taxes is mandatory, while in others it is voluntary. Where a system is voluntary the extent to which it is adopted by taxpayers is likely to depend on how accessible the system is and how easy it is to use.

**Figure 2.24**

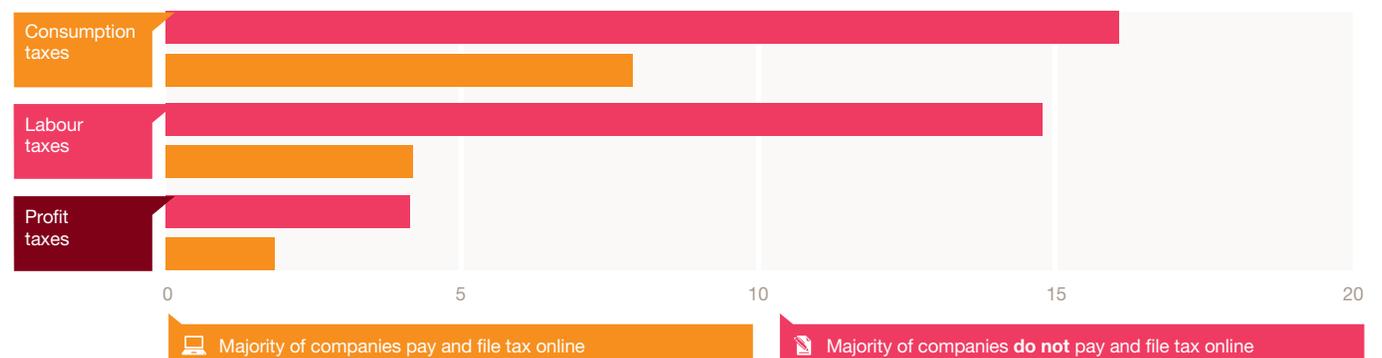
Average time to comply by type of tax (hours)



Source: PwC *Paying Taxes 2015* analysis

**Figure 2.25**

Average number of payments by type of tax



Source: PwC *Paying Taxes 2015* analysis

These initial observations raise some interesting questions about the nature and extent of benefits afforded by electronic systems and further work will be required to fully understand how electronic systems affect the time needed to comply with tax obligations.

It should be noted that the existence of an electronic system may not automatically lead to a more efficient tax compliance process. The efficiency, as measured by the time required to comply with tax obligations, will depend on other factors, including the underlying complexity of a tax system, the reliability of the system and the extent to which it is trusted by taxpayers and tax authorities. In some economies companies may still rely on manual procedures for calculating tax, particularly for taxes that depend on calculations and self-assessment by the taxpayer, such as corporate income tax. The question as to whether systems should be voluntary or mandatory is also an interesting one; making a voluntary filing or payment system mandatory will not resolve any of these issues and would not be expected to reduce the compliance time.

Another factor to consider is that electronic systems are often introduced on a voluntary or pilot basis which allows problems to be resolved and systems improved before being rolled out to all taxpayers, or in some cases, made mandatory. In any case, a system is likely to need to be efficient and reliable before taxpayers will readily accept that they have to use it. This might suggest that the mandatory systems are more likely to be tried and trusted than the voluntary ones, but further work is required to verify this.

*It should be noted that the existence of an electronic system may not automatically lead to a more efficient tax compliance process.*

**What are the greatest barriers which prevent companies from using an electronic system?**

We asked the PwC contributors how they thought the electronic payment and filing systems in their economy could be improved in order to increase the use of the systems by taxpayers. There were a number of common themes from the answers given. These include the need to address a lack of skilled IT professionals, high IT related costs, interfaces that are not user-friendly, recently implemented or unfamiliar systems, difficulties with security and signature protocols, poor or limited internet infrastructure, time-consuming procedures and technical difficulties.

We have selected some of the comments we received and present them below. These are grouped into macro issues, that tax authorities are unlikely to be able to resolve on their own, such as poor IT infrastructure and issues where tax authorities may be able to make changes such as providing training on their systems.

While it is possible to see how tax authorities could address some of these issues relatively simply, such as through the provision of more training and guidance to taxpayers, others will need considerable investment. These comments also hint at the importance of having a well-designed system that is easy to use and to access. There are also a number of infrastructure, hardware and capacity issues to ensure that taxpayers can connect to the systems quickly, even at periods of high demand. While the solutions to some of these issues may rest with the tax authorities, many require much broader collaboration with governments, the communications industry and other interested parties.

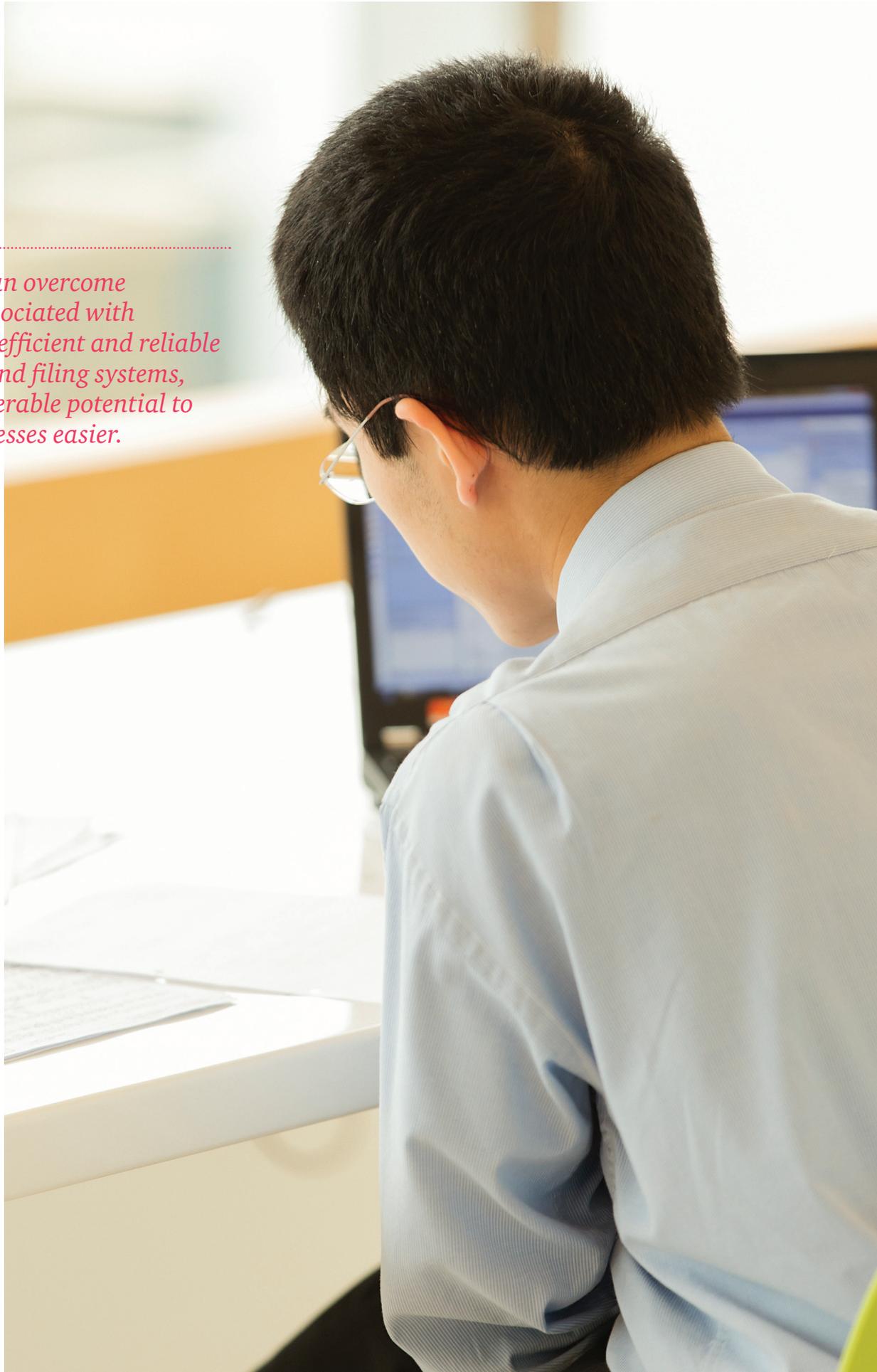
For many governments there is a challenge in reducing the size of the informal economy. Part of this challenge relates to reducing the barriers that people face in moving from the informal to the formal economy and so becoming compliant taxpayers. Good electronic systems can help to solve this problem provided the technology is easy to access and simple to use. The increasing use of social media and mobile technologies may also have a role to play.

If economies can overcome the hurdles associated with implementing efficient and reliable tax payment and filing systems, there is considerable potential to make tax processes easier. The level of approval and acceptance of electronic systems by taxpayers seems to have a role in the efficiency of the tax compliance process and we would expect it to increase the levels of voluntary compliance.

| <b>Table 2.11</b>                                       | <b>Issue</b>                       | <b>Specific comments from contributors</b>   |
|---|------------------------------------|--|
| Issues potentially under the control of tax authorities | Barriers in accessing the systems  | Onerous procedures to open an account, meet the specified conditions for electronic filing, set up electronic signatures.<br>Tax agents cannot login to the system and submit the completed tax return on behalf of their clients. |
|   | Lack of guidance                   | Confusion as to which bank account number each tax type of payment should be paid.   |
|   | Limited availability of the system | Electronic filing only available to specific sectors.<br>Online filing facility that cannot be used to pay taxes.  |
|   | Lack of awareness of the system    | Smaller taxpayers are unaware of the system.<br>Taxpayers are not aware of the benefits of the system.   |
|   | Unfamiliarity with the system      | Taxpayers are not familiar with the specific system.<br>It takes a long time to become familiar with the system.   |
|   | Lack of trust in the system        | Taxpayers have little trust in the payments being properly received and applied to their accounts.   |
|   | Difficult user interfaces          | User interfaces that are not user-friendly or intuitive.   |
|   | Lack of capacity                   | Systems which slow down at periods of high demand such as around filing deadlines.   |
|   | Security issues                    | Security concerns around the tax system.   |
|   | Wider issues                       | Poor or unstable internet infrastructure   |
| Lack of computer knowledge or professional skills       |                                    | Lack of knowledge for using online systems generally.<br>Lack of skilled personnel for online filing.  |
| Excessive bureaucracy of third parties                  |                                    | Banks require submission of paper-based payment orders even though the payment had been made online.   |
| Security issues   |                                    | Lack of security for internet and online technologies generally.   |

Source: PwC Paying Taxes 2015 analysis

*If economies can overcome the hurdles associated with implementing efficient and reliable tax payment and filing systems, there is considerable potential to make tax processes easier.*



# Chapter 3: PwC perceptions on how tax systems are changing

## Tax systems are changing, but the focus varies between economies

This chapter has three sections. Firstly, we take a broader look at tax compliance which goes beyond the insights that are provided by the *Paying Taxes* sub-indicators. We look at the views provided by PwC contributors in response to additional questions included in the *Paying Taxes* study. These questions cover additional aspects of the tax system including legislation, technology, post-filing processes and perceptions around tax policy.

Secondly, we have a guest article looking at the area of cooperative compliance. A system of cooperative compliance allows tax authorities and taxpayers to work together, with taxpayers providing data to tax authorities in real time and with the tax authorities providing more certainty, sooner, on the taxpayer's tax position. When effectively implemented, cooperative compliance can provide benefits to taxpayers and tax authorities alike, and we consider the history of cooperative compliance and what is needed to make it work.

Thirdly, we include articles from PwC partners from a number of economies looking at how their tax systems have changed over the period of the study, but with a particular focus on compliance.

Four of the economies, Romania, China, Mexico and Russia comment on considerable reductions in their compliance sub-indicators, while the other four, Brazil, France, Tanzania and the US, are economies where the compliance sub-indicators have not changed much over the course of the study. This is often not because the tax authorities are not trying to improve the system, but rather the changes are taking longer than expected to reduce the compliance burden, or because the focus is on areas such as post-filing that are not currently taken into account in the *Paying Taxes* sub-indicators.

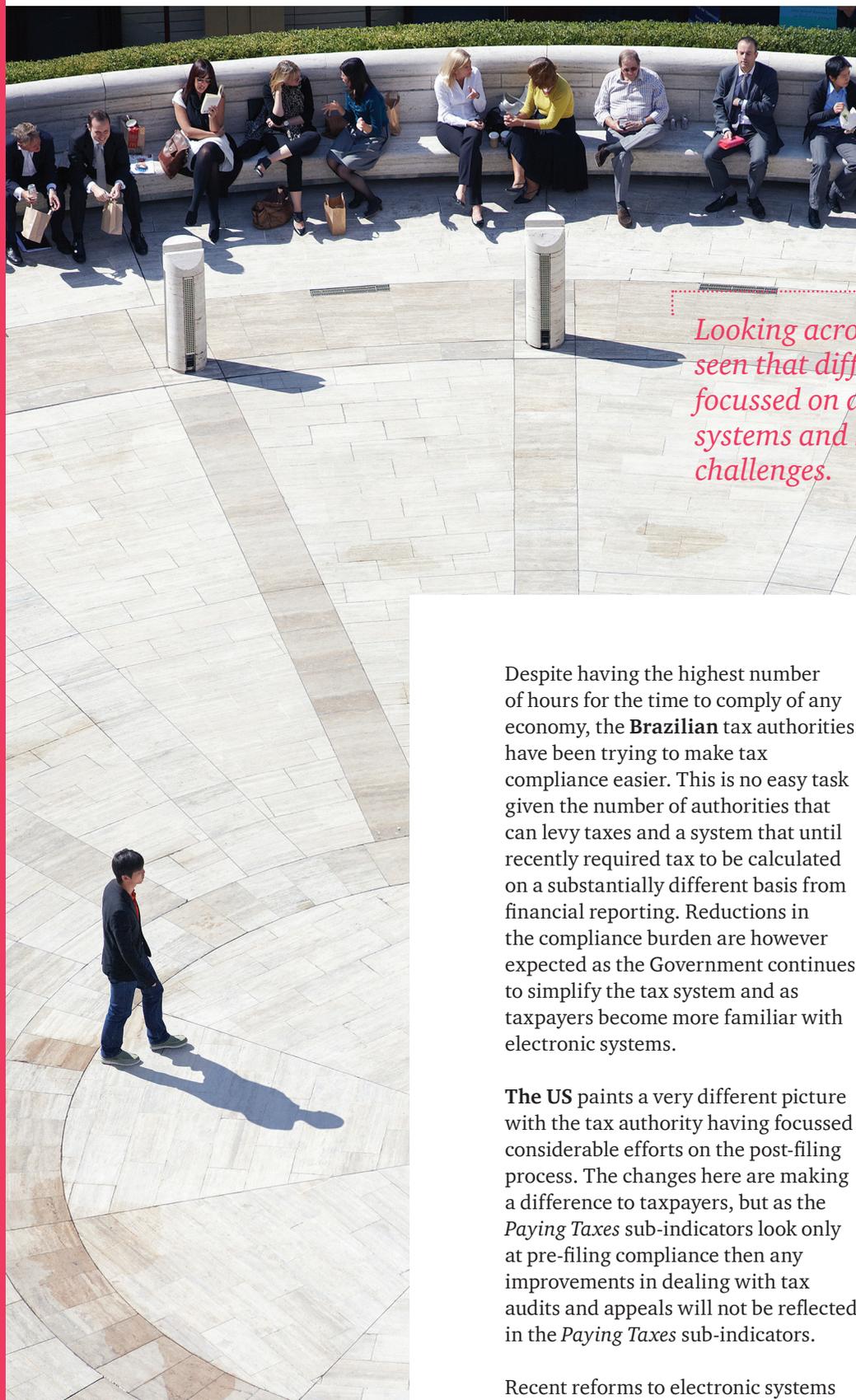
Looking across all of the articles it can be seen that different tax authorities have focussed on different aspects of their systems and have faced a range of challenges.

In **China**, there has been a focus on improving the relationship between the tax authorities and the taxpayers by providing more information to taxpayers and increasing the access that the taxpayers have to the tax authorities in order to ask questions, file taxes and make payments.

**Russia** has also taken some steps to improve the dissemination of information to taxpayers, but has also focussed on making tax calculations and record keeping simpler by introducing simple templates for recording transactions and enabling software providers to develop a program that links accounting records directly to tax software.

Electronic filing and payment has made a significant difference to the time required to comply with tax obligations in **Romania**, coupled with a range of other obligations such as consolidating social security contribution reporting and allowing companies to align their financial and fiscal year ends.

While **Mexico's** compliance sub-indicators have reduced over the years, this was complicated by the introduction of new taxes designed to increase tax revenues. After learning from prior experiences and seeking to align tax policy with broader social policy, Mexico is moving towards a simplified tax system the efficiency of which relies on a strong technology platform for its administration.



*Looking across all of the articles it can be seen that different tax authorities have focussed on different aspects of their systems and have also faced a range of challenges.*

Despite having the highest number of hours for the time to comply of any economy, the **Brazilian** tax authorities have been trying to make tax compliance easier. This is no easy task given the number of authorities that can levy taxes and a system that until recently required tax to be calculated on a substantially different basis from financial reporting. Reductions in the compliance burden are however expected as the Government continues to simplify the tax system and as taxpayers become more familiar with electronic systems.

**The US** paints a very different picture with the tax authority having focussed considerable efforts on the post-filing process. The changes here are making a difference to taxpayers, but as the *Paying Taxes* sub-indicators look only at pre-filing compliance then any improvements in dealing with tax audits and appeals will not be reflected in the *Paying Taxes* sub-indicators.

Recent reforms to electronic systems in **Tanzania** have slightly reduced the time to comply sub-indicator, though the lack of an electronic payment system, until 2013, has kept the number of payments sub-indicator high. There have however been recent changes to introduce electronic payment systems and it remains to be seen how readily companies will use these.

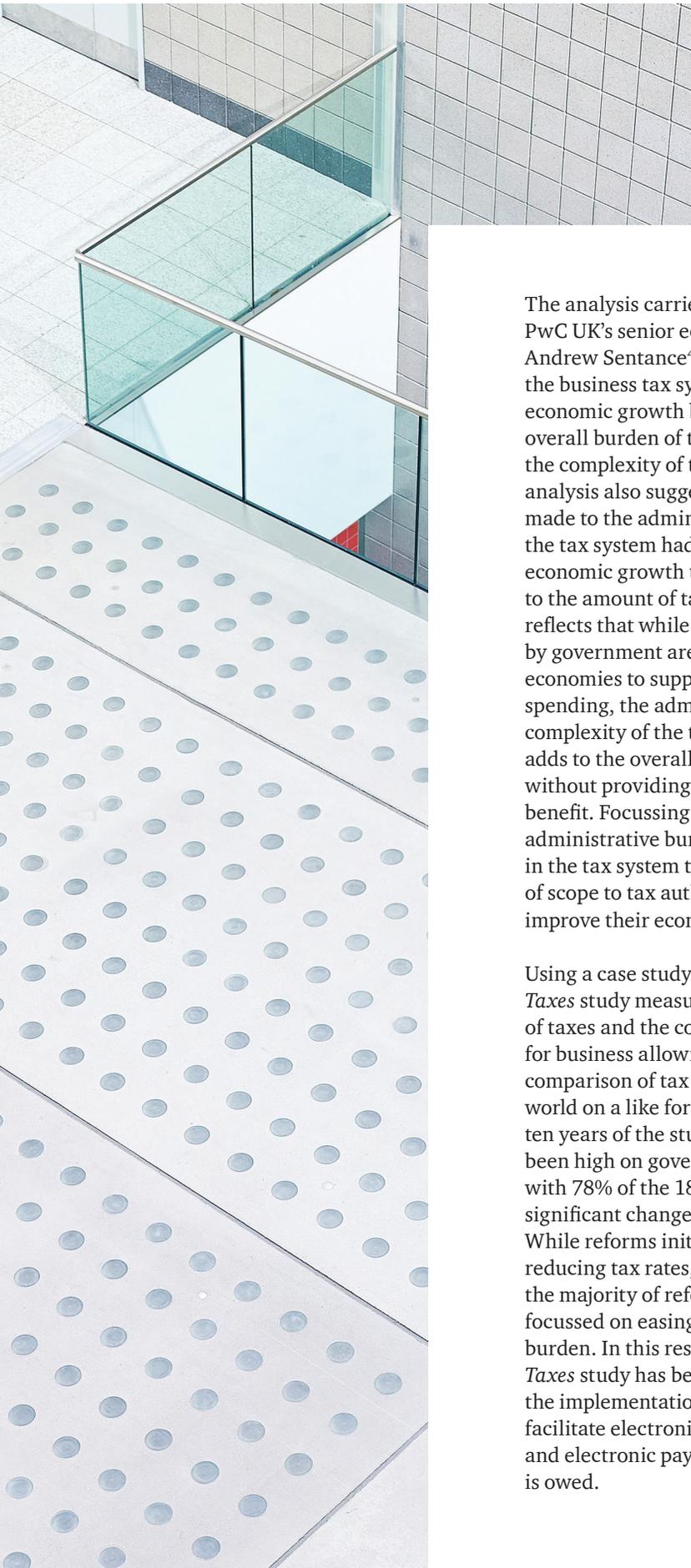
The sub-indicators for **France** have changed little over the period of the study. While both of the compliance elements are well below the global and regional averages, the Total Tax Rate has been high throughout and is currently the highest in Europe. Becoming more competitive therefore requires not only improvements to the administrative regime where possible, but also a focus on why the Total Tax Rate is high and a need to consider how this might change for the future taking into account economic constraints and the need to provide a certain level of social services.

Overall, the articles afford some useful practical insights into how tax authorities are trying, sometimes in difficult circumstances, to make life easier for taxpayers. We hope they will provide inspiration for anyone who wishes to improve the tax system in which they have an interest and given the wide range of the steps that tax authorities round the world have taken, we hope that everyone will find a new idea that they can apply to their own situation.

A high-angle photograph of two men in business attire walking on a light-colored tiled floor. The man on the left is wearing a light blue shirt, a red tie, and dark trousers, carrying a dark jacket. The man on the right is wearing a light pink shirt, a dark tie, and grey trousers, carrying a dark jacket. The floor is composed of large, light-colored square tiles. In the foreground, there is a section of floor with a pattern of small, circular, light blue tiles. A red dotted line is visible above the title text.

## *Additional insights around the tax compliance burden and how tax systems are perceived*

Reducing the compliance burden to make tax collection more efficient brings benefits for both government and business. How tax policy is administered is critical to ensure that tax laws are properly implemented and to allow taxpayers to meet their obligations easily. Enabling businesses to spend less time on tax compliance and more time on building the business and contributing to economic growth is clearly a valuable objective that is worthy of additional study and analysis.



The analysis carried out in 2012 by PwC UK's senior economic adviser Andrew Sentance<sup>44</sup> suggested that the business tax system can slow economic growth both through the overall burden of tax payments and the complexity of the tax system. His analysis also suggested that reforms made to the administrative aspects of the tax system had a greater impact on economic growth than changes made to the amount of tax paid. This perhaps reflects that while tax revenues taken by government are recycled within economies to support government spending, the administration and complexity of the tax system merely adds to the overall burden of business without providing any compensating benefit. Focussing reform on administrative burdens and complexity in the tax system therefore gives a lot of scope to tax authorities seeking to improve their economies.

Using a case study company, the *Paying Taxes* study measures both the cost of taxes and the compliance burden for business allowing an effective comparison of tax regimes around the world on a like for like basis. Over the ten years of the study, tax reform has been high on governments' agendas with 78% of the 189 economies making significant changes to their regimes. While reforms initially focussed on reducing tax rates, more recently the majority of reforms has been focussed on easing the compliance burden. In this respect the *Paying Taxes* study has been good at tracking the implementation of systems to facilitate electronic filing of tax returns and electronic payment of tax which is owed.

However, the *Paying Taxes* sub-indicators do not claim to cover all aspects of tax administration and other relevant aspects of the tax rules, and so over the years the PwC contributors to the study have also been asked a number of supplementary questions developed by the World Bank Group and PwC.<sup>45</sup> These questions ask the contributors for their views and perspectives concerning a range of aspects of tax administration including the overall structure of the tax system, the simplicity or otherwise of the tax rules and how easy it is to deal with tax authorities, tax audits and post-filing processes. This set of views is not used in the calculation of the *Paying Taxes* sub-indicators, but it does provide some useful additional insights into a number of aspects of tax administration and some wider perspectives on tax around the world.

In this section we highlight just a few of the areas covered by these supplementary questions:

- Clarity, accessibility of information and transparency of government data;
- Perceptions of the broader tax environment and how tax systems are used;
- What is it about the tax system that works best and what is most in need of improvement?
- How easy are post-filing processes to deal with?
- The impact of having additional levels of government that levy taxes;
- The impact of having tax regimes for small to medium sized companies;
- The use of technology.

<sup>44</sup> *Paying Taxes 2013*

<sup>45</sup> The data in this section relates only to the 162 economies for which PwC is one of the data contributors. The economies that are omitted are: Burundi, Belize, Bhutan, Djibouti, Eritrea, Ethiopia, Micronesia, Fed. Sts., Guinea-Bissau, Grenada, Haiti, Iran, Islamic Rep., Kiribati, St. Kitts and Nevis, Marshall Islands, Mauritania, Palau, Sudan, San Marino, South Sudan, São Tomé and Príncipe, Suriname, Seychelles, Tonga, Trinidad and Tobago, Vanuatu, Samoa, Yemen, Rep.

**1) Clarity, accessibility of information and transparency of government data**

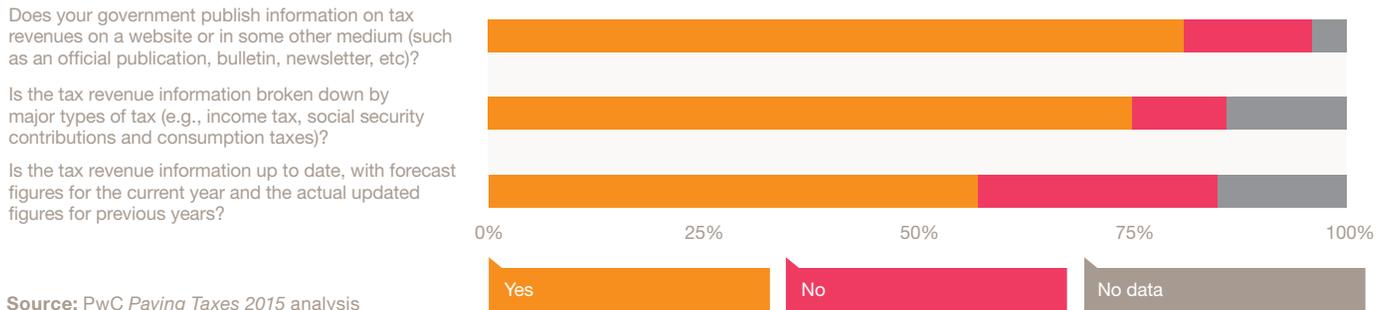
An important part of open government and helping to ensure that governments are accountable to their citizens is how transparent governments are about the revenues that they receive and how they spend them. Recent research that PwC has undertaken in the UK as part of its 'Paying for Tomorrow: The future of tax'<sup>46</sup> project has indicated that citizens see a need and have an appetite for clearer and more transparent communications from government on tax. The same research also showed that business would like governments to be clearer, bolder, and more specific about the objectives of tax changes and policies.

Contributors in 81% of the economies surveyed said that their government published information on tax revenues received, but only 75% said data was available by tax type and the view of just 57% was that this information was up-to-date and provided forecasts for the current year. This suggests that for many governments there is scope to extend the amount, nature and accessibility of data on tax revenues.

The regional breakdown shows that while the view is that at least 60% of governments in all regions publish some information on tax data, governments in the Middle East, Africa and Central America & the Caribbean are less likely to publish such data than governments in other regions.

**Figure 3.1**

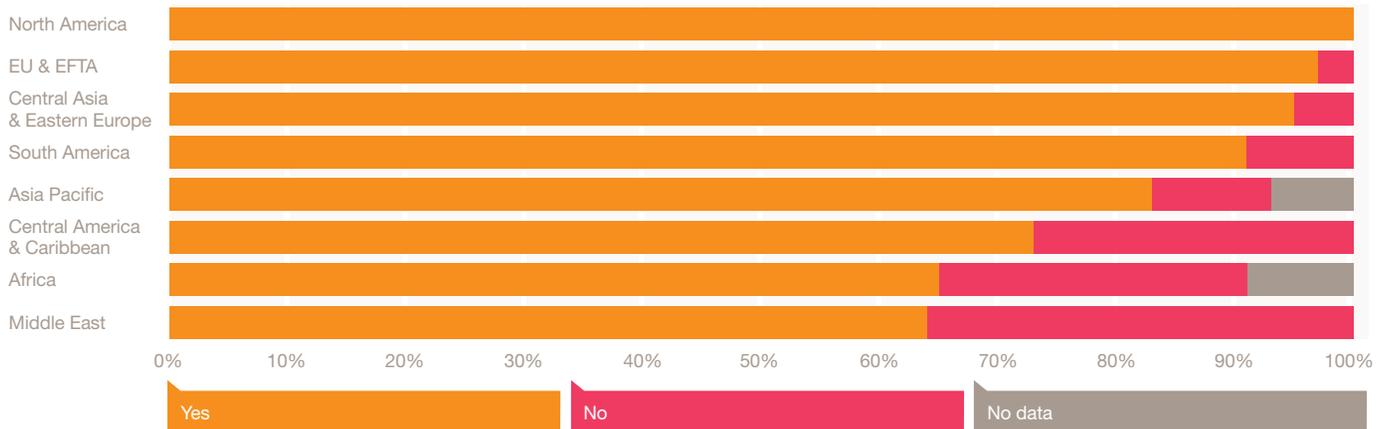
Views of PwC contributors on the availability of governments data in their economies



Source: PwC Paying Taxes 2015 analysis

**Figure 3.2**

Publication of information on tax revenues, by region, according to contributors' views



Source: PwC Paying Taxes 2015 analysis

<sup>46</sup> <http://www.pwc.co.uk/issues/futuretax/index.jhtml>

**2) Perceptions around the broader tax environment and how tax systems are used**

In formulating government policy there is a need to balance the need to raise revenue with the need to encourage growth. The attitudes of the media and civil society organisations and other pressure groups may also have an influence on government policy, as may the extent to which additional revenue can be raised through stronger enforcement of existing tax rules.

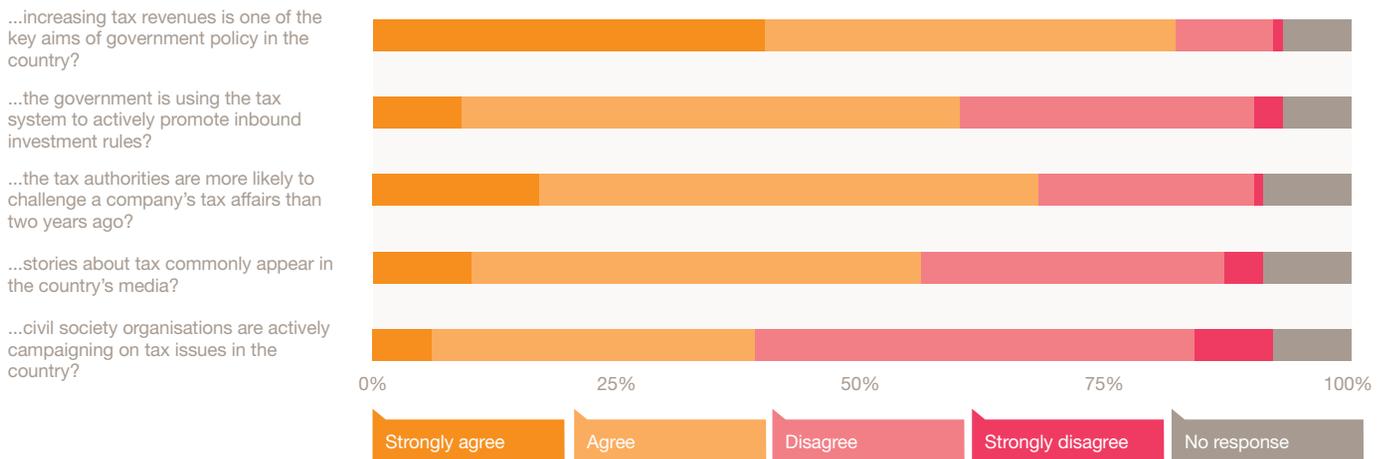
With this in mind the study this year included a number of questions to explore what the perception is around the objectives of government when designing their policies, and how tax authorities are implementing those policies. Some broader questions were also asked around whether contributors believe other external stakeholders aside of government and business are interested in the tax agenda. The questions and the responses are shown in Figure 3.3.

Perhaps not surprisingly in the wake of the global economic downturn, contributors in 82% of the economies surveyed believe that increasing tax revenues is one of the key aims for their government, but 60% also think that implementing a system with the specific aim of actively promoting inbound investment is also an objective.

Increasing revenues was not generally seen as important in the Middle East and North America and the governments in these regions are seen as less likely to use tax policy to promote investment.

**Figure 3.3**

How strongly do contributors agree or disagree that...



Source: PwC Paying Taxes 2015 analysis

As shown in Figure 3.4, Central Asia & Eastern Europe is the region where governments were seen as most likely to try to increase investment and this is the region that has shown the greatest reductions in the *Paying Taxes* sub-indicators over the course of the study.

Those economies where contributors agreed or strongly agreed that tax policy was being used to attract investment had an average time to comply of 243 hours which is lower than the average of 345 hours for those economies where attracting investment was not thought to be an important factor in tax policy. Similarly, the Total Tax Rate was 37% on average for economies seeking to encourage investment compared to 43% in those where attracting investment is not thought to be a key aim of tax policy.

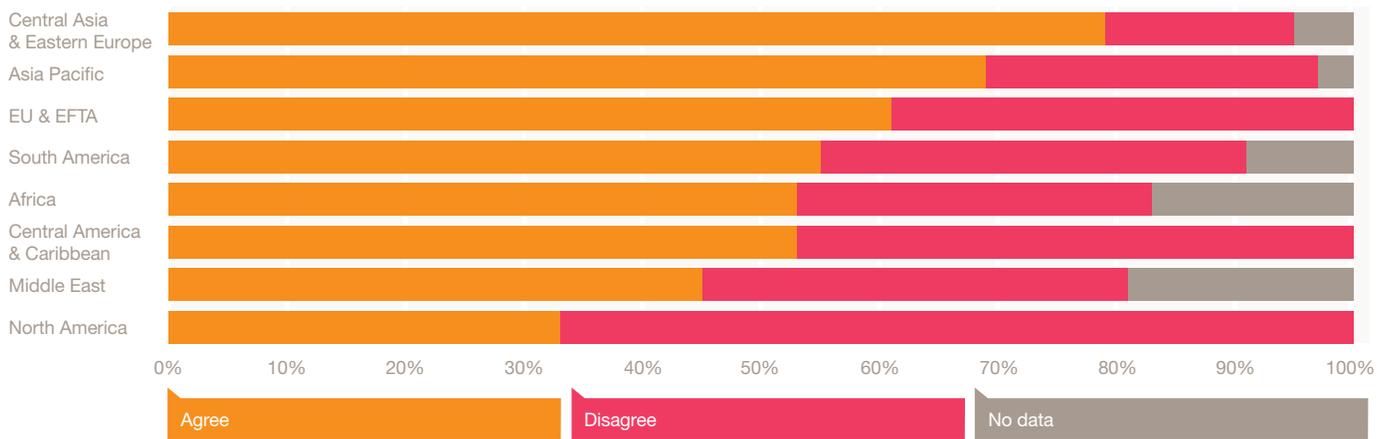
As might be expected given the need to raise revenues following the financial crisis, contributors in 68% of economies surveyed felt that authorities are more likely to challenge a company's tax affairs than they were two years ago. The increased challenge could arise from an increased chance of a tax audit, reduced appetite of tax inspectors to negotiate, or interpretations of tax laws that are less favourable to taxpayers. These increased challenges were identified in at least 70% of economies in all regions, except Central Asia & Eastern Europe and Africa where it was only noticed in 47% of economies.

The view that there is media interest in tax was expressed by contributors in 56% of economies, but in only 39% of economies were civil society organisations thought to be campaigning on tax issues (see Figure 3.3).

Looking at the regional analysis, as shown in Figure 3.5, in North America, EU & EFTA, Central America & the Caribbean and Central Asia & Eastern Europe the media were thought to be interested in tax in the majority of economies (although we note that with only three economies in the North America region, this majority may be more easily reached than in other regions). A similar regional pattern was noted for interest in tax from civil society organisations, though with fewer economies in each region noting interest from such organisations than from the media.

**Figure 3.4**

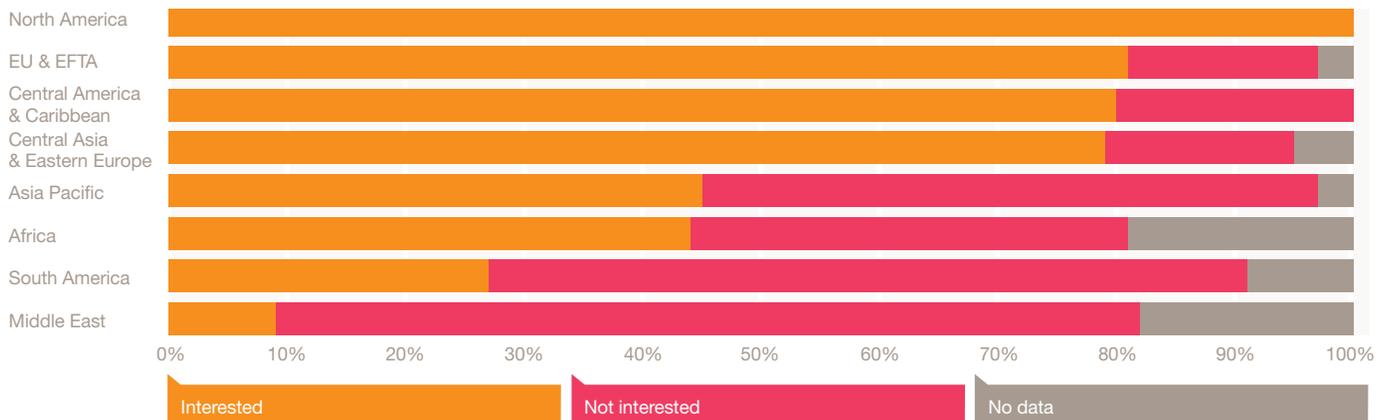
In the view of contributors, government is promoting inbound investment by region



Source: PwC *Paying Taxes 2015* analysis

**Figure 3.5**

In the view of contributors, is the media interested in tax?



Source: PwC *Paying Taxes 2015* analysis

**3) What is it about the tax system that works best and what is most in need of improvement?**

As shown in Figure 3.6, contributors were asked to rate different aspects of the tax system indicating which in their view, were the best and which were most in need of improvement. While most aspects were felt to be at least adequate by contributors in the majority of economies, there were significant numbers of economies where improvements were felt to be necessary.

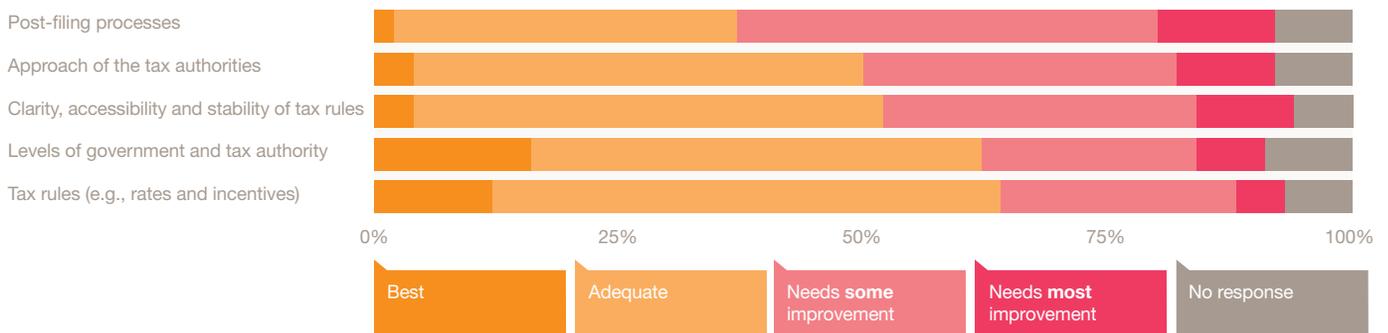
Globally, post-filing processes were identified as being the most in need of improvement and this perhaps reflects the changes that we have seen from some tax authorities as described later in this chapter. Many of the changes described in the country articles also relate to the approach of tax authorities, which was another area felt to be in need of considerable improvement.

This might include how open and transparent tax authorities are, how easy it is for taxpayers to contact the tax authorities, the willingness of tax authorities to provide information and the manner in which tax authorities approach audit procedures.

In the view of our contributors, tax rules were felt to be the least in need of improvement, though in only 12% of economies were these felt to be the best aspect of the system. This shows that there is clearly scope for tax authorities and governments to improve their systems across a number of aspects.

**Figure 3.6**

Which aspects of the tax system do contributors believe to be the best and which need most improvement?



Source: PwC Paying Taxes 2015 analysis

**4) How easy are post-filing processes to deal with?**

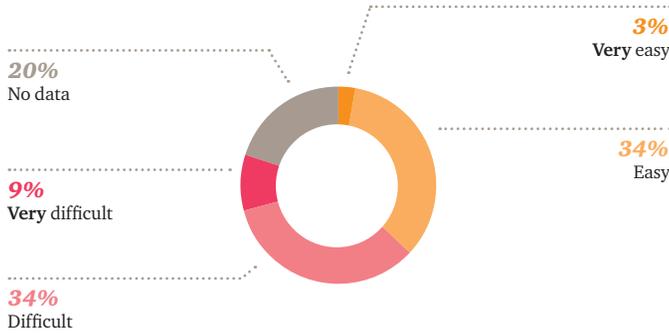
The *Paying Taxes* study compliance sub-indicators are specifically focussed on the pre-filing requirements of the case study company. Clearly once the tax returns are filed with the tax authority that is not the end of the story in terms of agreeing the final tax liability. The post-filing processes, including tax audits, disputes and potentially litigation, can be the most difficult interaction that a business might have with the tax authority. Indeed, as noted above, in the majority of economies it is the aspect of the tax system that our contributors felt was most in need of improvement. Where there are disputes between the taxpayer and the tax authority that cannot be resolved, it is important that there is an independent, efficient appeals process in place. This may well become even more important in the future as the current changes in international taxation such as the OECD's BEPS project may result in increased disputes between taxpayers and tax authorities and between different tax authorities. Tax authorities may need increased resources to deal with these issues.

When asked how easy it is for a company to deal with the post-filing process in their economy, 37% of our contributors said that they found it easy or very easy while 43% found the process difficult or very difficult. Similarly, 34% of them said the process was efficient or very efficient while 43% said it was inefficient. This suggests that there is a lot of variation in post-filing practices and so there may be considerable opportunity for economies to learn from each other. One development in this area is the use of cooperative compliance to improve post-filing processes for both tax authorities and taxpayers and this is discussed in more detail on page 81.

And for those economies where the view was expressed that the post-filing process is difficult or very difficult, the average pre-filing time to comply was also significantly higher suggesting that spending time up front on complying with the obligations of the tax system does not necessarily translate into an easier time post-filing as shown in Figure 3.9. Overall, the suggestion is, it seems, that economies whose tax systems are hard to comply with when filing taxes are more likely to be challenging throughout the process.

**Figure 3.7**

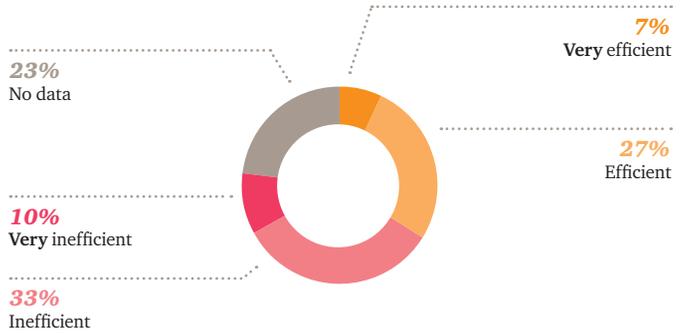
Ease of dealing with post-filing process, in the view of contributors



Source: PwC *Paying Taxes 2015* analysis

**Figure 3.8**

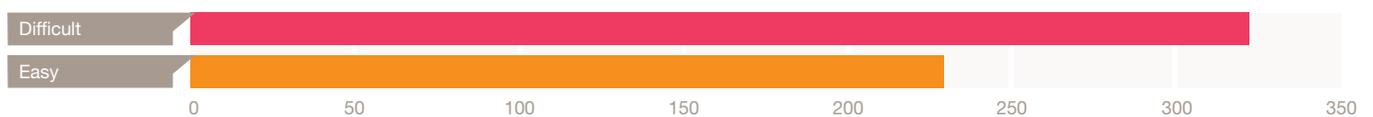
Efficiency of the independent appeal process, in the view of contributors



Source: PwC *Paying Taxes 2015* analysis

**Figure 3.9**

Average time to comply based on the ease of dealing with post-filing process



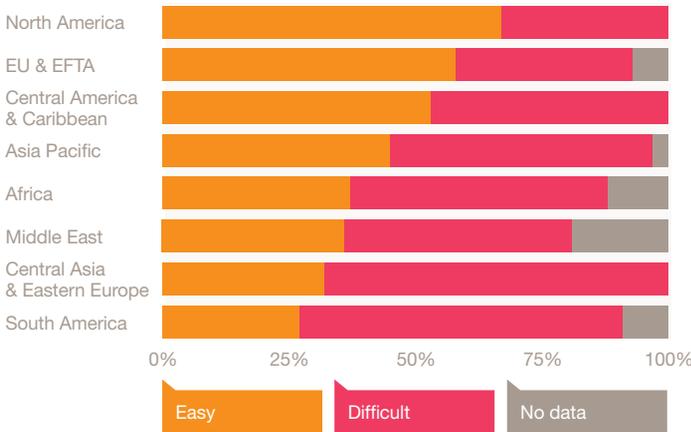
Source: PwC *Paying Taxes 2015* analysis

The regional breakdown of the responses shown in Figure 3.10 suggests that post-filing processes are felt to be easier in the more developed economies of North America and Europe (noting that with only three economies in the North America region, a majority is more easily achieved than in other regions). South America is where processes are perceived to be most difficult. It is interesting to see that post-filing processes in the Middle East are considered to be the third most difficult, although the region has the lowest average pre-filing time.

As can be seen from Figure 3.11, geographical pattern is broadly the same for the efficiency of the appeals process as it is for the ease of the post-filing processes. The one notable exception is Central America & the Caribbean where the perception is that while the post-filing process is easy to deal with in the majority of economies, the independent appeals process is considered to be efficient in only 20% of the economies in the region.

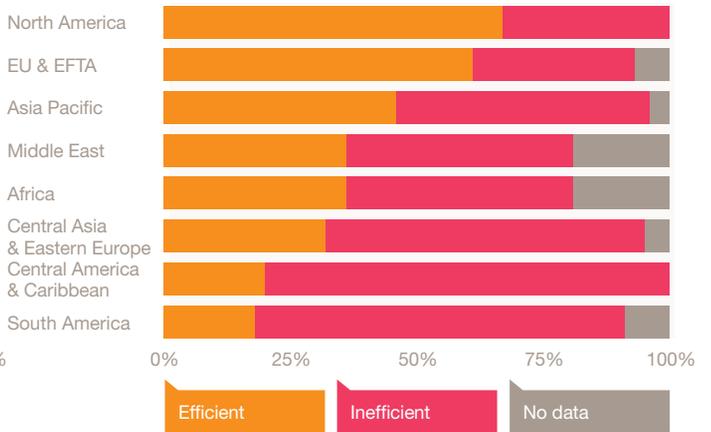
**Figure 3.10**

How easy is the post-filing process to deal with?



**Figure 3.11**

How efficient is the independent appeals process?



**Note:** The North America region contains only three economies: USA, Canada and Mexico. Results for the region are therefore reliant on data from a much smaller number of contributors than other regions.  
**Source:** PwC *Paying Taxes 2015* analysis

### 5) The impact of having additional levels of government that levy taxes

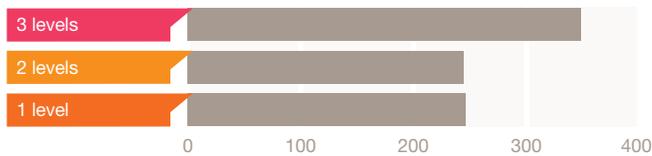
Tax systems around the world vary in their degree of centralisation. Some are centralised with most taxes levied at the national level, others are more decentralised with additional layers of taxation at the provincial, regional or local level. There is a balance to be struck here between making government more independent and accountable to citizens and introducing additional levels of complexity that business has to deal with, involving additional taxes and also additional bodies to correspond with. As shown above, the levels of government and of tax authorities were not felt to be in need of improvement by 62% of our contributors, but by comparing time to comply with the number of levels of government it appears that additional levels of government can add considerably to the tax burden, as can be seen from Figures 3.12 and 3.13.

As shown in Figure 3.14, 41% of economies in the study, contributors have indicated that two levels of government can levy taxes while 25% said they have one level of government and a further 25% has three levels of government with tax raising powers. No data was provided for the remaining 9% of economies. Lining this up against the data collected on the Total Tax Rate suggests that higher rates exist where there are more levels of government. It also suggests that more time is required to deal with pre-filing compliance where there are three levels of government, but that there is little distinction between having one or two levels of government that can raise taxes.

The levels of government that can levy taxes is likely in many cases to be a reflection of geography and the resultant impact on government structures; governing and taxing a city state is of course a very different job to governing an economy that covers half a continent. For some economies therefore the realities of political geography may mean that it is not practical to reduce the levels of government that can levy taxes.

**Figure 3.12**

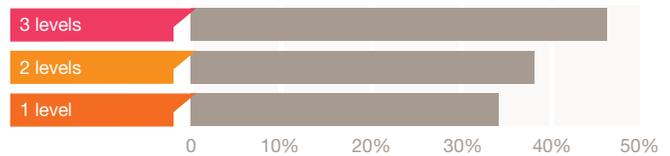
Average time to comply of the economies based on the number of levels of governments that can levy taxes



Source: PwC Paying Taxes 2015 analysis

**Figure 3.13**

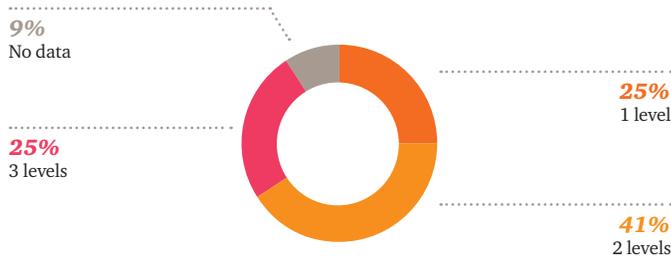
Average Total Tax Rate of the economies based on the number of levels of governments that can levy taxes



Source: PwC Paying Taxes 2015 analysis

**Figure 3.14**

Number of levels of government that can levy taxes on business



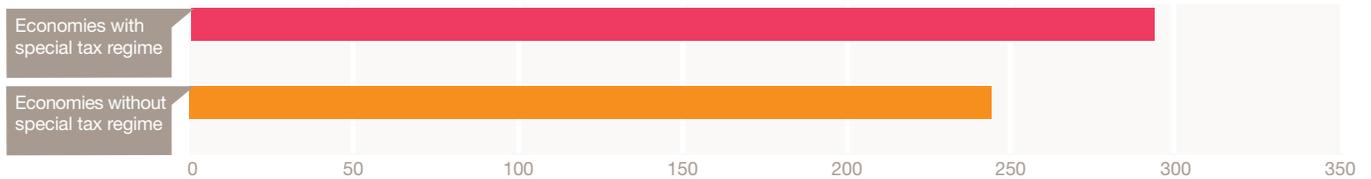
Source: PwC Paying Taxes 2015 analysis

**6) The impact of having different or special tax regimes for small to medium sized companies**

There is an inevitable degree of tension between making a regime attractive and introducing reliefs and incentives to achieve this, versus the additional administrative burden that this might place upon businesses. Some incentives may be hard to access, too complex or the degree of complexity may be out of proportion to the value to the taxpayer. Other incentives may not go far enough to be of real benefit. Furthermore, as the number of reliefs and incentives increases, a tax regime will become increasingly complex. In the context of the *Paying Taxes* study, contributors were asked if a special tax regime exists for a small to medium sized company in their economy. Contributors in 48% of economies around the world indicated that such a special regime exists. Interestingly for those who answered ‘yes’ (and where the case study company qualified under the special regime) the average time to comply was 20% higher than for those who said that no such regime existed as shown in Figure 3.15.

This additional time raises some further questions which can only be answered with additional research. First, to what extent does a small company regime add to the compliance burden and second, are small company regimes more likely in economies that already have complex tax systems with a large number of reliefs? In this latter case, could it be that small company regimes are introduced in an attempt to make compliance easier for smaller companies, perhaps by simplifying some of the rules?

**Figure 3.15**  
Average time to comply for economies with a special tax regime for small companies



**Note:** The chart includes data only for those economies where there is a special regime for small or medium sized companies which applies to the case study company.

**Source:** PwC *Paying Taxes 2015* analysis

### 7) The use of technology

It would seem obvious that the use of software to gather and analyse data, and then to perform tax calculations, should be beneficial. The question then is to what extent is software being used in this way around the world and could it be used more widely or in different ways?

Contributors in 87% of economies in the study indicated that they would expect a company of a similar size to the case study company to use software for at least one element of the corporate income tax preparation and filing process. This drops to 79% for labour taxes and social contributions and to 69% for consumption taxes. Perhaps not surprisingly these percentages are all higher for high and upper middle income economies, but the use of such systems does not show any savings in time to comply, see Figures 3.16 to 3.20.

Overall this suggests a high level of access around the world to information technology systems coupled with considerable computer literacy. This in turn suggests that there is a strong base for tax authorities to build on for the introduction of online filing and payment systems. Indeed when asked how computer software could be improved to help with the tax compliance process a number of contributors argued for the introduction of online payment and filing systems.

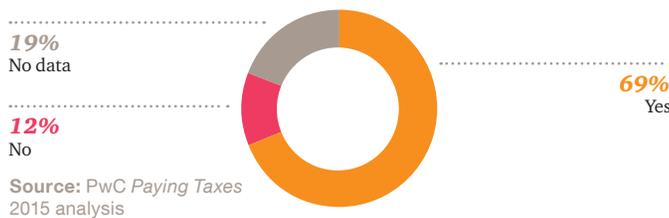
**Figure 3.16**  
Use of software for tax compliance: Corporate income tax



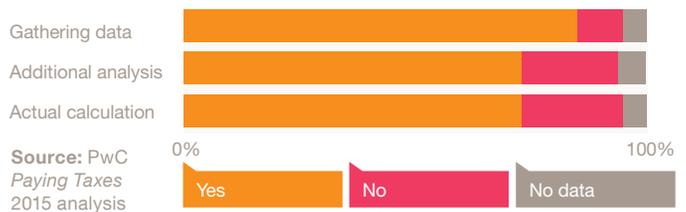
**Figure 3.17**  
Use of software for tax compliance: Labour taxes



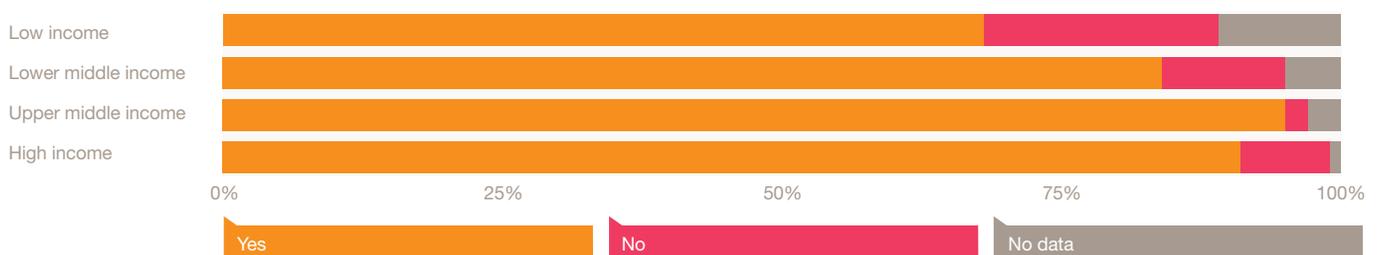
**Figure 3.18**  
Use of software for tax compliance: Consumption taxes



**Figure 3.19**  
Use of software for tax compliance: All taxes broken down by procedure



**Figure 3.20**  
Use of software for tax compliance: Use of internal software by income



**Note:** Income groupings are defined in accordance with the World Bank definitions. See <http://data.worldbank.org/about/country-and-lending-groups>  
**Source:** PwC Paying Taxes 2015 analysis

A woman with short, light brown hair, wearing a grey business suit jacket over a white ruffled blouse, is looking down at a white tablet computer she is holding. She is wearing a silver watch on her left wrist. The background is blurred, suggesting an outdoor or public setting.

*The question is to what extent is software being used around the world and could it be used more widely or in different ways?*



***Cooperative compliance –  
how can businesses and  
tax authorities learn to  
trust each other?***



---

#### Authors

Eelco van der Enden and Katarzyna Bronzewska, PwC Netherlands<sup>47</sup>

---

#### Introduction

Tax compliant behaviour has been the subject of many studies, some of them coming from the OECD Forum on Tax Administration (FTA).<sup>48</sup> One of its major contributions has been the development of the concept of “cooperative compliance”; meaning real time cooperation with tax authorities resulting in the payment of taxes on time in an effective and efficient manner on the understanding that the taxpayer can be trusted and the tax administration behaves predictably and provides certainty. At the base of cooperative compliance lies the assumption that, if a taxpayer voluntarily abides by his tax obligations and is transparent and able to show “how they do that”, the relevant tax administration should provide certainty in advance regarding a tax position. We would expect that the successful implementation of such an approach would be beneficial to tax authorities and taxpayers alike.

#### Cooperative compliance: A definition

Cooperative compliance, initially referred to as an “enhanced relationship”, emerged on the international tax scene at a national level around 2005 and later, in the OECD “Study into the Role of Tax Intermediaries” of 2008 (the “ER Study”). The OECD first referred to it as “a relationship that favours collaboration over confrontation, and is anchored more on mutual trust than on enforceable obligations”<sup>49</sup> and “a relationship with revenue bodies based on cooperation and trust with both parties going beyond their statutory obligations”.<sup>50</sup>

In 2013, the concept was rebranded as “cooperative compliance”, which can be characterised as “transparency in exchange for certainty”.<sup>51</sup>

<sup>47</sup> This article is an abbreviated version of “The Concept of Cooperative Compliance” by Eelco van der Enden and Katarzyna Bronzewska published in the *Bulletin for International Taxation*, 2014 (Volume 68), No. 10 on 23 September 2014, available at [http://www.ibfd.org/sites/ibfd.org/files/content/marketing/Journal\\_Previews/BIFD\\_BIT/BITPreview2014\\_10.html](http://www.ibfd.org/sites/ibfd.org/files/content/marketing/Journal_Previews/BIFD_BIT/BITPreview2014_10.html)

<sup>48</sup> The FTA is a subsidiary body of the OECD’s Committee on Fiscal Affairs (CFA). It consists of senior tax officials from 45 OECD member countries and non-OECD countries. See also section 3.

<sup>49</sup> OECD, *Study into the Role of Tax Intermediaries* p. 39 (OECD 2008).

<sup>50</sup> *Id.*

<sup>51</sup> OECD, *Cooperative Compliance: A Framework from Enhanced Relationship to Cooperative Compliance* p. 28 (OECD 2013).

## **A short history of cooperative compliance**

The FTA was created in 2002<sup>52</sup> and in September 2006, following its third meeting, the Seoul Declaration<sup>53</sup> was issued. In this Declaration, the participants of the Forum decided to focus on four particular areas, including examining the role of tax intermediaries in relation to non-compliance and the promotion of unacceptable tax minimisation arrangements. This Declaration initiated the OECD ER Study; the scope of the Study was broadened, with the tripartite relationship between tax authorities, taxpayers and intermediaries as its focus.

In May 2013, the OECD followed up on the ER Study and published a report entitled “*Cooperative Compliance: A Framework, From Enhanced Relationship to Cooperative Compliance*” (the CC Report).<sup>54</sup> The CC Report gathers the experiences of the first few years of cooperative compliance operations in several countries and is based on surveys from 21 FTA members and consultations with the Business and Industry Advisory Committee.<sup>55</sup> It confirmed that the five requirements initially set for tax administrations<sup>56</sup> are valid and that impartiality and responsiveness are of significant importance.<sup>57</sup> The CC Report reiterated that commercial awareness is a condition for cooperative compliance, and is a benefit for both tax administrations and taxpayers.<sup>58</sup> For taxpayers, there are two main requirements, i.e.,: (1) to be open; and (2) to disclose upfront.

This raises the question as to the need for, and the benefits from, cooperative compliance. Often the compliance and enforcement processes applied by various tax authorities are no longer adequate, given the increased complexity of tax laws, growth in the number and complexity of taxpayers, budgetary constraints and the need to achieve more with less. Cooperative compliance may be regarded as a remedy for some of these problems. The main benefit should be a win-win situation for taxpayers and tax authorities; the former receive advance certainty and have reduced compliance costs and the latter benefits from a more efficient use of limited resources. By resolving cases earlier, it is possible to avoid litigation and reduce administrative costs. Both parties should also benefit from certain reputational gains.

### **The practical complications: How to make cooperative compliance work**

The twin pillars on which cooperative compliance is built are: (1) trust and transparency; and (2) predictability and certainty.

A taxpayer should provide the tax administration with proper information, going, if necessary, beyond its legal obligations. But how can the tax administration rely on the correctness of the information that it receives? It can if the taxpayer has a process in place managing the reported tax positions, i.e. the taxpayer has an internal validation system that enables it to validate output on behalf of the tax administration: a tax control framework (TCF). It then makes no sense for the tax administration to audit this data. Of course, the interpretation of the law and the fiscal consequences of transactions remain the prerogative of the tax administration. If output data can be “justifiably trusted” by the tax administration, it can allocate its resources to those taxpayers that deserve greater attention.

The relevant question is, “How do I, as the tax administration, know that the TCF of a taxpayer indeed works?”

The tax administration should provide certainty and preferably behave in a predictable manner. How can a taxpayer rely on the tax administration behaving in such a manner? According to the OECD, a tax administration should:

- have business knowledge;
- be impartial;
- be transparent;
- act proportionately; and
- be responsive.<sup>59</sup>

The concept has been implemented or piloted in more than 20 jurisdictions worldwide and each country has developed a different version of cooperation. In any case, cooperative compliance must be based on sound tax risk management processes that support the trust, transparency and understanding, required from taxpayers and tax authorities. In whatever form executed, all models have in common that “real time assessing”, is a major feature as it is easier to assess the facts at the time they arise.

### **Recommendations**

Looking back at the objective of cooperative compliance to deliver quality compliance, which means payment of taxes due on time in an effective and efficient manner, we have noted some issues that hamper a successful roll-out.

It is not easy to change a working practice that is based on mistrust, repressive and retroactive audits over many years into real-time auditing systems. Under the latter, it is necessary to rely more on the willingness and ability of a taxpayer to be compliant. Consequently, it is crucial for tax administrations to have a well-balanced transformation plan for cooperative compliance to become successful.

<sup>52</sup> The FTA was created to facilitate tax administrators to identify and discuss global trends as well as the development of new ideas to enhance the tax administration. See the FTA website, [www.oecd.org/site/ctpfta/abouttheforum.htm](http://www.oecd.org/site/ctpfta/abouttheforum.htm).

<sup>53</sup> OECD, *Final Seoul Declaration*, 2006, available at <http://www.oecd.org/tax/administration/37415572.pdf>

<sup>54</sup> OECD, *supra* n. 5

<sup>55</sup> *Id.*, at p. 12.

<sup>56</sup> These are: commercial awareness, an impartial approach, proportionality, openness through disclosure and transparency, and responsiveness.

<sup>57</sup> OECD, *supra* n. 5, at p. 18.

<sup>58</sup> *Id.*, at p. 33.

<sup>59</sup> OECD, *supra* n. 2, at p. 34.

Tax administrations should set measurable objectives. If it can be shown that cooperative compliance adds value in terms of reduced cost of compliance and more compliant behaviour of taxpayers, stakeholder buy-in and enhanced cooperation would follow.<sup>60</sup>

Cooperative compliance will fail without the buy-in of the individuals who have to execute it. The civil servants of the tax administration must be trained properly in this audit approach, and tax inspectors provided with tools, guidelines and a legal framework.

The cornerstone of cooperative compliance is that tax administrations can “trust” the information provided by a taxpayer is right. We do not believe in credible and sustainable cooperative compliance if the boundaries of the rules when “trust” becomes “justified trust” are not set. A legitimate approach exists when guiding principles, regulations or law reduce the compliance burden by “regulating” part of the cooperative compliance model.

In addition to boundaries on the concept of TCF, it is possible to think of technology-based alternatives of regulated self-assessment, some of which already exist.<sup>61</sup> This could prove to be a significant advantage for both tax administrations and taxpayers, as this would provide clear guidance for internal and external auditors.

Taxpayers, have a legal obligation to install a functioning TCF, as they are responsible for filing proper tax returns. However, taxpayers are, in nearly all cases, not legally bound to provide information outside the legal framework of a general tax act and it is this extra-statutory information that is likely to be necessary for cooperative compliance. Although the voluntary nature of the provision of such information fits well in a relationship based on “trust and transparency”, the rules of good corporate governance prescribe that risks should be mitigated and shareholder value protected.

Consequently, the cooperative compliance system should have “noticeable value” for taxpayers; to leave this at the discretion of the individual tax inspector may prove inefficient. In line with regulated self-assessment, consideration should be given to safeguarding taxpayers’ rights by implementing regulations on the effective audit approach under a cooperative compliance system.

Most companies want to be tax compliant in the most efficient way and cooperative compliance could be a way of achieving this objective. Until recently, tax was just regarded by most companies as a cost.<sup>62</sup> Discussions on the tax behaviour of multinational enterprises (MNEs) have changed this and put tax governance more at the forefront.<sup>63</sup>

Communication on taxpayers’ tax governance, objectives and vision on tax is important in building trust. The board and senior management must, therefore, have the intrinsic will to be transparent regarding tax and to be compliant.

The concept of a TCF is a part of a taxpayer’s general risk and compliance environment. Thinking of tax as more than just “costs” means that taxpayers may have to reconsider their current tax compliance infrastructure. The past approach was that tax returns were deemed to be right until a tax official came with an adjustment. Now a taxpayer should be able to demonstrate that data in the relevant tax returns are right. This may require investment in processes, systems and people.

Nothing is more detrimental to a relationship built on trust and transparency than mismanaged expectations. We are aware of examples when voluntarily provided information resulted in penalties and data mining exercises by the competent authority. A taxpayer should develop a reporting and working process around cooperative compliance with clear deliverables for both the company and the tax administration. Of course, if cooperative compliance was regulated by way of self-assessment with a clear operating approach, this would not be necessary.

### **Conclusions**

The concept of enhanced relationship has recently been transformed into one of cooperative compliance. We believe that this is not the end of the transformation yet. In order to make cooperative compliance work, boundaries must be defined on the concept of TCF to legitimise “trust”. Clear objectives must also be set and measured against performance.

We are strongly of the opinion that no one benefits from a dysfunctional tax compliance system. All parties involved should, therefore, be open to any suggestions to improve tax compliance, even if it may mean a form of regulation of the cooperative compliance concept.

<sup>60</sup> In the Netherlands, no clear objectives were set and no performance measurement system was implemented from the start, thereby resulting in heated debates on the effectiveness of horizontal monitoring and its value to both business and the tax administration.

<sup>61</sup> See, for example, Authorized Economic Operator (AEO), US: Foreign Account Tax Compliance Act (FATCA), etc.

<sup>62</sup> See, for example, the recent controversies surrounding Apple, Google and Starbucks.

<sup>63</sup> See, for example, Dutch Association of Investors for Sustainable Development (VBDO), *Good Tax Governance in Transition. Transcending the tax debate to CSR* ([2014]).



***PwC commentaries on  
selected economies***



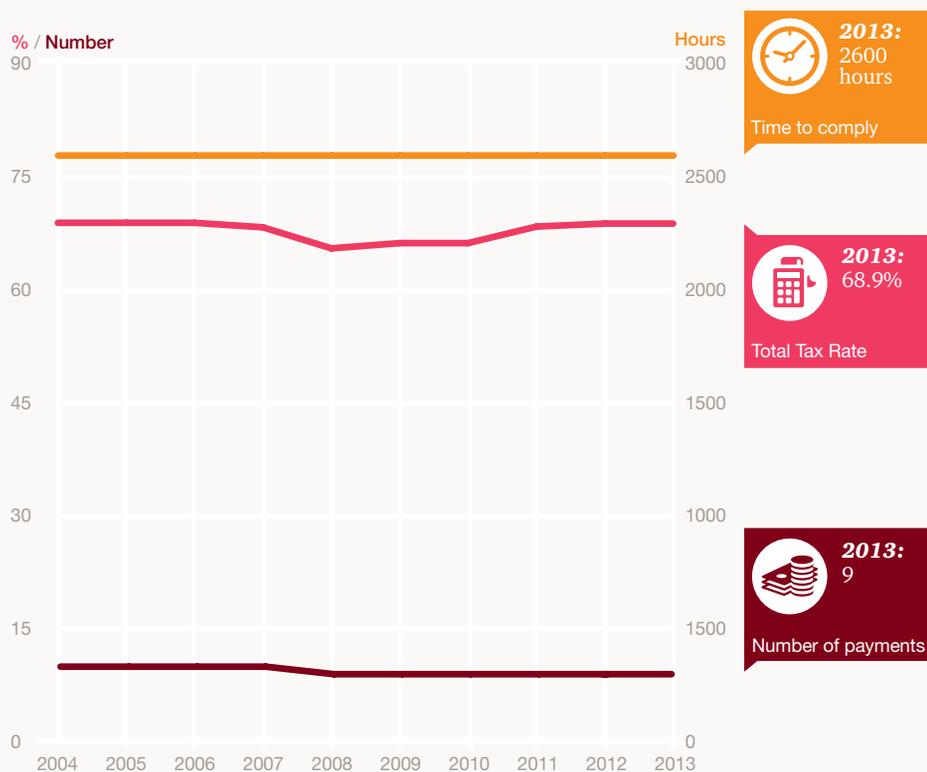
# Brazil

Complex data provision requirements and frequent changes to tax laws result in a high compliance burden

Carlos Iacia, PwC Brazil

Figure 3.21

Trend in the *Paying Taxes* sub-indicators for Brazil



Source: PwC *Paying Taxes 2015* analysis

*While the time to comply and the number of payments have been extremely stable over the last nine years, this does not reflect the considerable change that has been taking place within the Brazilian tax system.*

Brazil has a complex tax system, mostly because the Federal Constitution allows many different government entities to levy taxes. These include the federal government, each of the 26 states and the Federal District, and over 5,000 municipalities. Taxpayers need to monitor each of these taxes as frequent changes in legislation may affect the calculation and payment of taxes, as well as the rules for preparing mandatory tax records.

The fundamental structure of the Brazilian tax system is just one reason for its unusually high time to comply and we outline some of the other factors in this article. While the time to comply and the number of payments have been extremely stable over the last nine years, this does not reflect the considerable change that has been taking place within the Brazilian tax system. We are hopeful that as further changes are made and as existing changes become embedded in the system we will begin to see a reduction in the tax compliance burden in Brazil.

Tax rules are created and amended in Brazil on an almost daily basis, at the federal, state and municipal levels. Unfortunately, the wording of these rules is sometimes unclear, making it difficult to interpret their content, scope and effective dates.

In addition to the amounts owed as taxes (referred to as “primary obligations”), the taxpayer is also required to comply with “ancillary obligations”, which consist of detailed record-keeping and reporting of certain information to the tax authorities, mostly in electronic format. The data used to calculate the tax liabilities are reported in electronic declarations with various layouts that are required to be submitted by multiple dates throughout the year. The complexities of compliance and reporting sometimes result in inconsistencies that are questioned by the tax authorities. When this happens tax staff need to spend even more time and effort to answer the tax authorities’ questions.

Certain tax authorities, especially at the federal level, have started trying to decrease the number of declarations that have to be filed, but as yet these have not led to an effective reduction in the amount of effort spent in complying with the rules on data provision.

On top of the tangled rules, record-keeping and reporting obligations, certain companies have also become responsible for collecting transaction taxes in advance, under a procedure referred to as “tax substitution”. Under tax substitution, a theoretical retail price is attributed to the goods sold by a manufacturer or importer. This price is then used to calculate the taxes that would be owed on all transfers of those goods in the supply chain, from the producer to the distributor to the retailer down to the final consumer. The total taxes are paid by the manufacturer or importer as a “substitute taxpayer” at the time of the first sale, and the remaining parties in the subsequent stages of the supply chain do not pay these taxes when they resell the goods. Because tax substitution relies on a theoretical retail price instead of the actual price at the final sale, it may cause distorted results.

Tax substitution systems effectively increase tax collections because they allow the tax authorities to concentrate their enforcement at the level of the manufacturer or importer to prevent or detect tax evasion.

On the other hand, they have a negative impact on the cash flow of the substitute taxpayer, who must also maintain a tax compliance team and systems to control, estimate and pay these taxes in advance.

In 2007, Brazil implemented the Public Digital Bookkeeping System (SPED) for the electronic filing of various records, declarations and reports. The increased use of technology by the tax authorities created a hope that the cost and the time required for tax compliance would eventually be lower. Up to now, however, this hope has not been realised as evidenced by the *Paying Taxes* sub-indicators. Many companies have incurred additional costs to update, customise or reconfigure their systems, purchase new hardware, and train their personnel to meet these new requirements.

In 2007, the federal government enacted Law no. 11,638, which allowed for the convergence of Brazilian accounting standards with International Financial Reporting Standards (IFRS). Convergence with IFRS was intended to increase the comparability and transparency of financial statements and to improve the standing of Brazilian companies in the international financial and capital markets.

Since corporate income tax had been based on the pre-tax income calculated under the previous accounting standards, a transitional tax mechanism was created to neutralise the impact of the new accounting standards on taxable income.

As a result of this transition, the tax authorities started to require that corporate taxpayers prepare financial statements for tax purposes based exclusively on the previous accounting rules, in parallel with the IFRS financial statements required for financial reporting. The preparation of the additional statements for tax purposes demanded more time and more human and technological resources.

This then led to the enactment of Law 12,973 in 2014, which integrates the tax legislation with the new Brazilian accounting standards and terminates the transitional tax mechanism mentioned above. This change should reduce the effort required to maintain records of the differences between the accounting and tax bases.

The same law also changed the taxation of income earned by subsidiaries and unconsolidated affiliates outside Brazil. The law continues to tax subsidiaries' profits on an accruals basis. Profits earned by indirect subsidiaries are also taxable, but only after consolidating those profits with the profits and losses of other indirect subsidiaries. Only the net positive profit arising from this consolidation is subject to taxation.

For unconsolidated affiliates outside Brazil, the law permits taxation on a cash basis (as dividends are paid) when certain conditions are met.

The taxation of offshore profits, even after the enactment of this new law, will continue to trigger extensive discussions between the tax authorities and corporate taxpayers. The tax authorities are trying to prevent international structures that are created only for tax avoidance purposes. Corporations, on the other hand, continue to argue that the Brazilian legislation should not oblige them to accelerate the taxation of undistributed income, which could put Brazilian products at a competitive disadvantage.

From the above, we can conclude that the new technology implemented by the tax authorities has improved and optimised the process of tax inspection and collection, while resulting in higher tax compliance and management costs for businesses. In time, however, as the process matures and consolidates, and the government pursues simplification, an eventual reduction in the cost of tax compliance is expected. A majority of Brazilian businesses already have elected for simplified tax treatment under the presumed-profit method or the "SIMPLES"<sup>64</sup> uniform tax method. The federal government has made these methods available to small businesses across a wider range of activities, in an effort to reduce the number of businesses that operate informally (i.e., in noncompliance).

<sup>64</sup> SIMPLES is a simplified tax regime that is available to small and medium sized companies

The effort to reduce informality among small businesses is extremely important, but some attention should also be given to the tax requirements of large companies, which are a driving force for the Brazilian economy and GDP growth.

All Brazilian taxpayers, large and small, deserve a tax environment with greater simplicity, fairness and legal stability.

Movements to seek these objectives have been announced by the tax authorities, political parties and society as a whole. However, these efforts at tax reform have always come up short against the impossibility of accommodating the demands for tax revenue from the various government entities involved.

The leading candidates in the 2014 presidential elections indicated that tax reforms are part of their plans. We can only hope that Brazil will overcome the usual political deadlocks and finally achieve true tax reform, making the tax system simpler and more efficient and increasing the competitiveness of Brazilian companies in the international marketplace.

*In time as the process matures and consolidates and the government pursues simplification an eventual reduction in the cost of tax compliance is expected.*



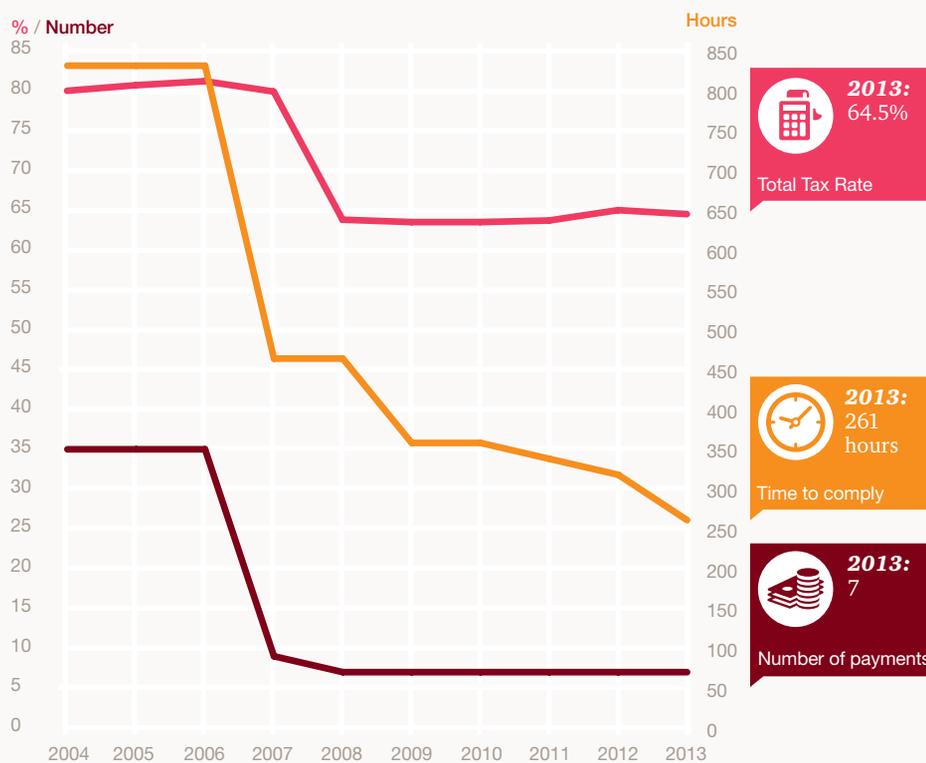
# China

## Improving communication between tax authorities and tax payers

Matthew Mui, PwC China

Figure 3.22

Trend in the *Paying Taxes* sub-indicators for China



Source: PwC *Paying Taxes 2015* analysis

*The Chinese tax authorities have shown a change in approach and have invested significant amounts of time and money in providing services to taxpayers.*

Since China's major tax reform in 1994, the Chinese tax authorities and taxpayers have paid increasing attention to the services provided to taxpayers, for example providing information, helping taxpayers to file returns and answering taxpayers' questions. In 2001, the Standing Committee of the National People's Congress amended China's Tax Collection and Administration Law (TCAL), which clarified for the first time that the tax authorities are legally obliged to provide services to taxpayers. Subsequently, the Chinese tax authorities have shown a change in approach and have invested significant amounts of time and money in providing services to taxpayers and in improving the ease of paying taxes in China.

Some notable milestones are:

- In 2001 the Chinese State Administration of Taxation (SAT), as the central government authority responsible for collecting and enforcing taxes, officially launched the tax service hotline (Hotline #12366) for the benefit of taxpayers in general;
- Between 2006 and 2008 the local level tax authorities increased the speed of implementation of online filing and payment systems which significantly reduced the compliance hours of taxpayers (reflected in the *Paying Taxes* time to comply sub-indicator as a drop from 832 hours to 464 hours);
- In 2008 the SAT set up the Taxpayer Services Department which provides systematic administration and oversight of taxpayer services by designated tax officials leading to significant improvements in quality.

The consequences of many of these improvements are reflected in the *Paying Taxes* reports.

In the following section, we consider some of these changes in detail.

### ***Changes in the approach of the Chinese tax authorities***

In the early stages of China's tax reform, taxpayer services in China were neglected due to insufficient manpower, poor use of technology and inadequate funding. In 1997, however, taxpayer services were recognised by the State Council as the foundation of an efficient tax collection and administration system. In 2001, TCAL and its detailed implementation rules provided the legal basis for the optimisation of taxpayer services. As a result, the Chinese tax authorities now appreciate fully that taxpayers are not simply required to pay taxes, but that they deserve to receive assistance from the tax authorities in understanding and meeting their tax obligations. In recent years, the SAT has supervised and drawn up work plans for local level tax officials concerning the improvement of taxpayer services. At a symposium for taxpayers in 2013, Mr. Jun Wang, the Commissioner of the SAT, mentioned that tax authorities and tax officials have four major tasks, namely:

1. to carry out tax reforms to meet taxpayers' needs
2. to provide information to help taxpayers understand the tax rules
3. to administer taxes in a fair manner; and
4. to provide taxpayer services to improve the ease of paying taxes.

### ***Organisational structure of the tax authorities***

Adequate staffing is vital to the provision of quality services for taxpayers. In 2008, the SAT established the Taxpayer Services Department. Tax officials in that department lead and supervise local level tax authorities in the area of taxpayer services. Local level tax authorities have also set up Taxpayer Services Divisions to implement taxpayer services in their respective jurisdictions. By the end of 2012, 67 out of 70 provincial-level tax authorities had set up designated departments or offices for taxpayer services and the number of tax officials directly involved in taxpayer services was around 98,000 which is approximately 13% of the total number of tax officials nationwide.

In addition, the SAT established the Large Business Taxation Department (LBSD) in 2008 and selected 45 Large Business Enterprises (Groups) (LBEs) to receive designated services and focused administration under the direct supervision of the LBSD. Subsequently, many local level tax authorities identified selected LBEs in their jurisdictions, some of which will overlap with the LBEs identified by the LBSD. Therefore, many LBEs now have a further channel through which they can receive designated services from the Chinese tax authorities.

### Platforms for the provision of taxpayer services

The Chinese tax authorities have made a significant financial investment in the platforms through which taxpayer services are provided, including:

#### Tax service centres and counters

Tax service centres were first introduced in China in 1997 to help taxpayers to file tax returns and deal with other tax-related matters in person with the tax authorities. In order to simplify the procedures and to reduce the compliance costs, tax authorities continually improved these facilities by setting up one-stop service counters inside the tax service centres. By the end of 2012, there were 10,643 multi-functional tax service centres with 55,460 one-stop service counters in China.

#### Telephone-based platform (hotline and SMS services)

In September 2001, “Hotline #12366” was officially launched. By the end of 2012, 70 provincial tax authorities had set up Hotline #12366 in their jurisdictions resulting in a total of 3,000 operators with tax knowledge serving the hotline in different locations across the country. SMS is also used by tax officials to provide services to taxpayers, for example to send reminders and tax information. By the end of 2010, the Chinese tax authorities had answered 45.8 million taxpayer queries through professional operators, 133.56 million through automatic voice systems and 237.78 million by SMS.

#### Internet-based platform

In order to reduce the time taxpayers spend waiting in the tax service centres, the SAT issued a circular in 2005 requiring local level tax authorities to expedite the construction of internet networks and the implementation of online filing and payment systems. Statistics indicated that in 2006 the number of online filings and payments performed in China was around 40%-50% of total tax filings. By 2013 this had increased to around 80% on average across the country and to 90% for some large cities, such as Beijing and Shanghai. This increase in online filing and payment was reflected in the *Paying Taxes* data for 2007 when the number of payments went from 35 to 7 as the number of taxpayers using online filing and payment exceeded 50%.

Both the SAT and the local level tax authorities have increased the capabilities of their websites. The most important function of the SAT website is the provision of information on tax regulations, while for local level tax authorities it is the provision of information as well as access to online tax filing.

#### Social media

In April 2014 the SAT developed a mobile application and opened official accounts on the two dominant social media sites (i.e. Weibo and Wechat). Taxpayers can now receive tax information from the Chinese tax authorities on a more timely basis. By August 2014, SAT’s Weibo account had attracted more than 1 million followers. Many local level tax authorities also operate their own accounts in Weibo and Wechat.

### Services provided to taxpayers in China

The services provided by the Chinese tax authorities include tax consultation and information on tax regulations.

#### Tax consultation

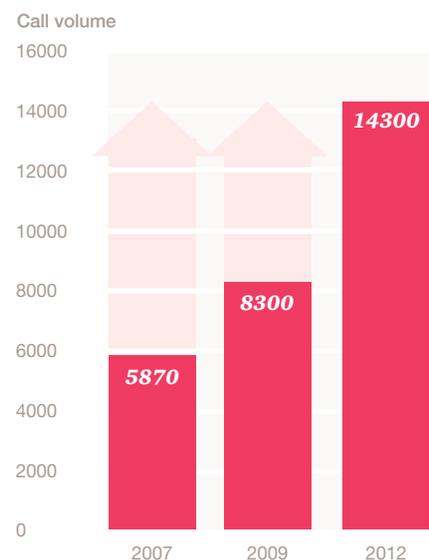
Tax consultation is the most popular service provided by the Chinese tax authorities to taxpayers. Taxpayers can consult with the tax authorities on a named or anonymous basis. Tax consultation is provided in different ways; through telephone discussions, internet Q&A and in person.

Online consulting is welcomed by many taxpayers. According to the SAT’s website, the area of “tax consulting” always has the largest volume of hits compared to the other areas of the website.

Hotline #12366 is also often used by taxpayers to seek advice on tax issues. Figure 3.23 illustrates the increasing volume of consulting calls in 2007, 2009 and 2012.

**Figure 3.23**

Volume of consulting calls for the year 2007, 2009 and 2012



*China is one of the economies in Asia Pacific that has made the most progress in increasing the ease of paying taxes in recent years.*

In addition to using the website and hotline, taxpayers can also raise tax questions with their in-charge tax officials in person and seek the local level tax authority's advice.

#### **Information on tax regulations**

Information on tax regulations is designed to enhance taxpayers' awareness of tax rules and to create a friendly tax environment.

A number of Asia Pacific region economies, including Japan and Singapore, concentrate resources on communicating regulations and knowledge to taxpayers for a short, designated period, and China is no different. The Chinese tax authorities have designated April as the "Month for Tax Regulation Information". Each April, the Chinese tax authorities launch various tax communication activities on a range of tax topics. These activities may take place in communities, factories, schools and remote areas.

Daily tax communications by the Chinese tax authorities are made through many channels, including,

- Posting the official interpretation of SAT circulars on the SAT's website to help taxpayers better understand a new policy;
- Posting typical cases on a no name basis through relevant channels and providing analysis to help taxpayers learn lessons from these cases and avoid making the same mistakes;
- Printing and distributing booklets on specific tax topics (e.g., business tax to VAT transformation pilot programme) to help taxpayers understand tax policies and tax administration practices;
- Organising seminars and training for taxpayers along or together with other government authorities

#### **Seeking feedback from taxpayers**

To monitor the quality and efficiency of tax administration and collection nationwide, and to understand the feedback and needs of taxpayers, the SAT engaged an independent third party to conduct National Taxpayer Satisfaction Surveys in 2008, 2010 and 2012. According to the SAT, the SAT may conduct these surveys annually in future in order to have more timely information.

#### **Effect on tax legislation system**

An effective tax legislation system should make life as easy as possible for taxpayers. China has continued to invest significant effort and resource in improving the tax filing process, with some considerable success. However, some taxpayers are still unhappy with some aspects of the Chinese tax legislation. Unclear tax legislation, certain tax treatments and an ineffective dispute resolution mechanism may give more cause for concern than any inefficiency in tax compliance procedures. For example, an effective Advance Tax Ruling (ATR) mechanism should provide taxpayers with more certainty about the tax positions of future transaction. However, China has yet to adopt a formal ATR mechanism although there are some instances of local level tax authorities providing consulting services to taxpayers on some uncertain tax issues. If an ATR mechanism could be introduced in China in future, taxpayers would benefit and tax compliance become easier.

#### **Co-operation with other government authorities and agents**

The Chinese tax authorities are exploring ways to cooperate with other government authorities to reduce the compliance costs of taxpayers. For instance, in the Shanghai Pilot Free Trade Zone, newly-established enterprises will have their own tax registration number allocated automatically thanks to a pilot system that shares information between the tax authorities, the Shanghai Administration for Industry & Commerce and other government authorities. In future, if the pilot proves successful, the system could be implemented nationwide reducing the time spent by taxpayers on tax registration and other formalities.

China is one of the economies in Asia Pacific that has made the most progress in increasing the ease of paying taxes in recent years. China is continuing to implement measures to improve taxpayer services, enabled by advances in technology, and these changes are expected to ease the compliance burden still further in the future.

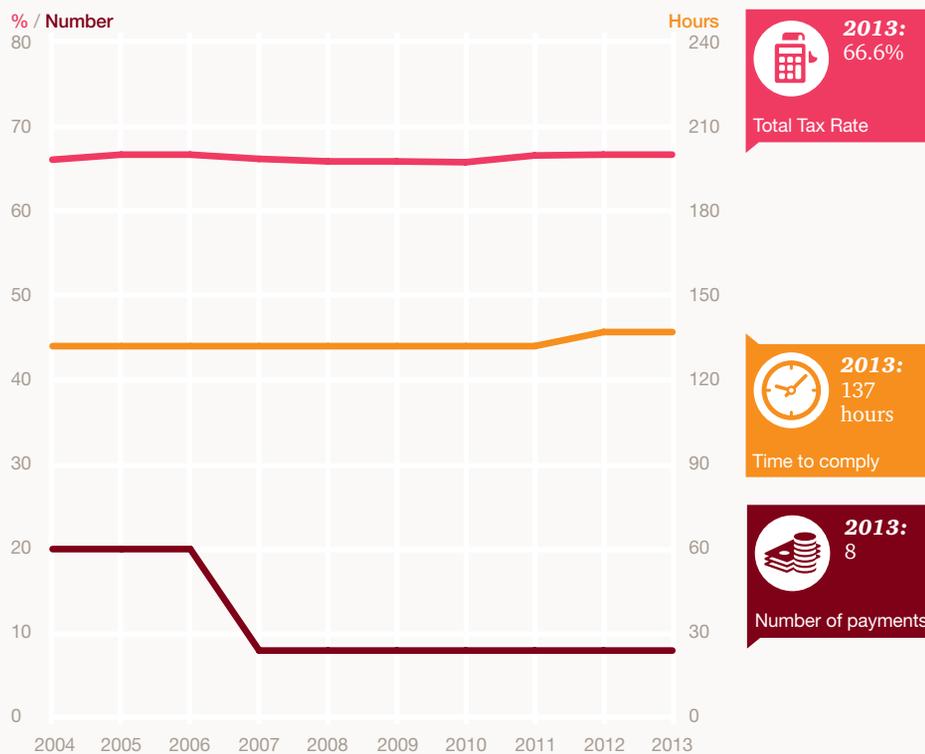
# France

## The French tax system is beginning to change

Thierry Morgant, PwC/Landwell France

Figure 3.24

Trend in the *Paying Taxes* sub-indicators for France



Source: PwC *Paying Taxes 2015* analysis

*The tide has started to turn in 2014 with a number of reforms now in place but which have not yet affected the Paying Taxes sub-indicators.*

At 95, France's position within the *Paying Taxes* study could appear surprising at a first glance, but a more thorough consideration shows that it is a reasonable reflection of the overall environment, the tax system currently faced by many French taxpayers, and in particular the relative position of France's Total Tax Rate compared to those of the other 188 economies.

The three *Paying Taxes* sub-indicators for France have been relatively stable, but a combination of revisions to the underlying data and changes to the methodology used for the study in the latest period has meant that they have increased when compared with the results published for the previous year. The Total Tax Rate has increased by 1.9 percentage points to 66.6%, the time to comply has increased by 5 hours to give an annual compliance burden of 137 hours and the number of payments has increased by 1 to give 8 payments in total.

We now have ten years' worth of *Paying Taxes* data enabling not only a comparison from one year to the next, but also the analysis of a trend over the nine years of the study. The trend is absolutely clear: all the *Paying Taxes* sub-indicators for France have been relatively stable for most of the study period whereas most other countries have engaged in reforms which have materially reduced each of their *Paying Taxes* sub-indicators.

With regard to the number of payments and the time to comply, France is within the best in class economies for both the EU and G20 groups of economies. For each group it performs significantly better than the average. But it is worth noting that the average is deeply dependent upon some economies having extremely burdensome compliance obligations. As such, the relatively good position of France for these sub-indicators provides limited benefit in terms of its rank compared to most of its peers.

For France, the critical indicator which explains the country's overall ranking is the Total Tax Rate. It will not surprise economic observers that France has the highest Total Tax Rate amongst EU countries and the third highest amongst the G20 economies (only Brazil and Argentina have higher Total Tax Rates). Furthermore, the French Total Tax Rate is significantly higher than that of the vast majority of other economies; at 66.6% the French Total Tax Rate is 63% higher than the world average Total Tax Rate. Finally, the exclusion from the ranking distribution of the outlying Total Tax Rates introduced by recent changes to the ranking methodology places France much closer to the upper limit for the Total Tax Rate in the study than in previous years when all economies' Total Tax Rates were considered in the ranking distribution.

France's attractions are often perceived as lying in areas other than being a business friendly environment and it is widely acknowledged that significant changes are needed to overcome this general perception. In this respect, the tide has started to turn in 2014 with a number of tax reforms now in place, but which have not yet affected the *Paying Taxes* sub-indicators. Other reforms are still being discussed and are aimed at addressing the overall burden of managing and paying taxes and social contributions in France.

The extent to which such reforms would positively impact the French ranking remains uncertain, given both the nature of the reforms and incentives and the fact pattern used for the *Paying Taxes* study. An example of one of the most visible actions taken in the past two years was the creation of an employment tax credit for entities with employees whose annual remuneration is less than twice the minimum salary. This credit with a total cost of €20 billion will represent a real change in the taxation of those entities that qualify.

Given the overall budget constraints of the country, a material real net reduction in the taxation level is probably unrealistic in the short term. A number of initiatives have however been set in motion to facilitate the management of tax affairs by French based companies. At the initiative of the government, several working groups are currently in place to identify redundant requirements and obligations. In the best case scenario, this could lead to a reduction in the “time to comply”, but as we saw earlier this represents a marginal element of the French ranking where France already compares well with its international peers. These reforms are in any case necessary and all benefits are to be welcomed if they encourage and facilitate business activities.

Becoming more competitive from a tax perspective will require more than just reducing some of the administrative burdens faced by companies. Most economies that have made significant progress within *Paying Taxes* were starting from a low base that could be improved materially or have undertaken significant reforms to attract new activities, facilitate employment and start new businesses. As for many other OECD member countries, the shift to electronic compliance has already happened in France and the only remaining element to consider is the reason for the high Total Tax Rate.

Not surprisingly, France remains the most expensive economy in the entire study when it comes to labour taxes, with a labour tax Total Tax Rate of 51.7%, unchanged from the prior year. The introduction of the employment tax credit mentioned above may help improve the French taxation environment, but there are of course still difficult decisions to be taken regarding the need to balance objectives around providing a tax system which encourages businesses to invest and grow, with objectives around providing the social services that the public may demand.

To conclude on a positive note, we are hopeful that over the next ten years, France will begin to make reforms to its tax system that will make a difference. There is the potential for progress to be made with regard to the administrative burden, and the restriction of the budget deficit within acceptable limits may also help with the potential to revisit the level of taxation that is applied.

*There is the potential for progress to be made with regard to the administrative burden, and the restriction of the budget deficit within acceptable limits may also help with a reduction in the overall Total Tax Rate.*



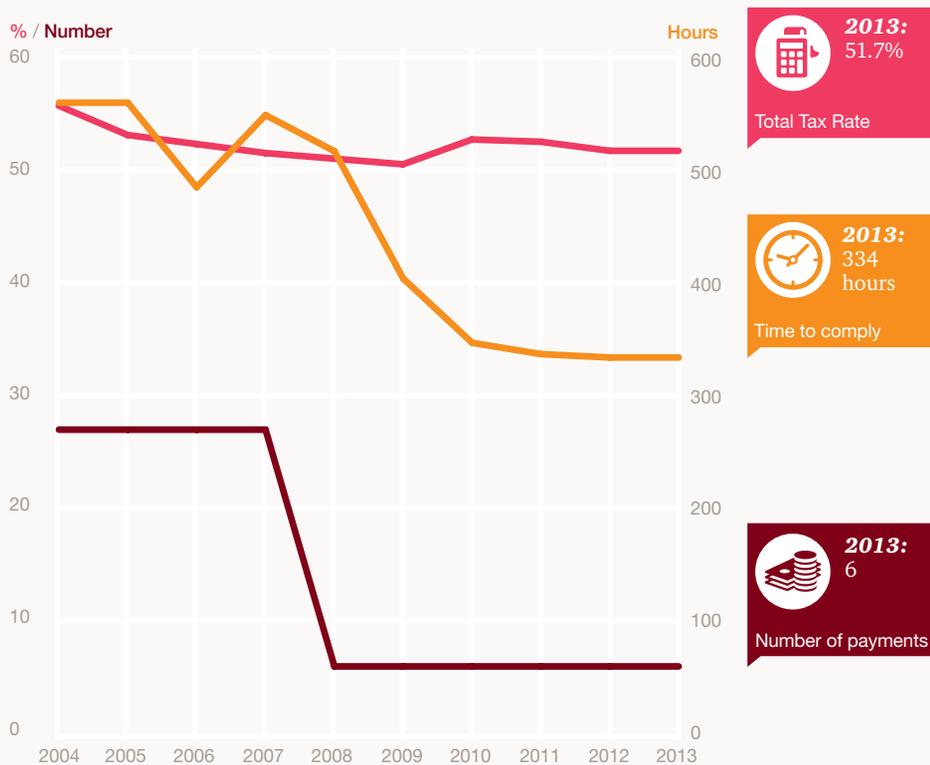
# Mexico

## Mexico's tax compliance system – a story of progress

Mauricio Hurtado de Mendoza, PwC Mexico

Figure 3.25

Trend in the *Paying Taxes* sub-indicators for Mexico



Source: PwC *Paying Taxes 2015* analysis

*In the past decade, Mexico has seen the introduction of a series of measures aimed specifically at addressing the trends of the global economy.*

Fast and efficient administration of tax collection can translate into less hassle for businesses – and often higher revenue for governments. In a competitive global market, the design of a tax system can influence multinationals when deciding where to invest, or the timing for a decision to make a long term commitment to a specific country.

For any jurisdiction, a tax system needs to be both fast and efficient, while at the same time having the ability to meet the revenue needs of that jurisdiction. An overriding principle for governments to consider (among a number of other factors) is that simple tax systems coupled with fast and efficient administrations can help promote economic growth by creating a predictable environment from which both businesses and governments can benefit in the long run.

Ensuring that the tax system keeps up with the ever changing global economy in this modern age is no easy task, and this is of concern to emerging and developed economies alike. Governments need to make policy choices based on what they perceive their own individual needs to be, the policy direction they wish to take, and taking into consideration where they believe they are in the context of their worldwide competitive position and investor ranking. The *Paying Taxes* sub-indicators can help inform that decision making process.

The following paragraphs show the evolution of the Mexican tax system over the period of the *Paying Taxes* study and earlier.

Aware of the necessity to keep up with the global economy, as early as two decades ago, Mexico embarked on an initiative to negotiate a network of tax treaties, with as many as 50 countries. And in the past decade, Mexico has seen the introduction of a series of measures aimed specifically at addressing the trends of the global economy. Mexico has been faced with the necessity to find the correct balance between offering an attractive environment for investors and establishing an efficient tax system that delivers sufficient revenue for the country's needs.

Perhaps one of the most noticeable actions that the Mexican government has taken began in 2003 when, in an attempt to encourage investment and stimulate economic activity both nationally and internationally, it started steadily to reduce its corporate and individual income tax rates from 35%. Since 2010, the corporate tax rate has remained at 30% as part of Mexico's response to the global financial crisis, despite announcing intentions to reduce the rate further. The 30% rate has, in effect, become permanent as an integral part of Mexico's measures to generate revenues to finance its economic advancement. Other measures introduced with the same aim included an increase in the VAT rate from 15% to 16% in 2010 and its general application throughout the country, plus the implementation in parallel of a minimum tax system and the decision to levy a tax on cash deposits, which served as a measure to address issues around the informal economy.

While the simplification of a tax system in its design and implementation is often seen as a valuable goal by both taxpayers and governments, the need to raise tax revenues cannot be ignored. Policies may be required to raise necessary revenues which will make a tax system more complex. In these instances governments need to measure the various factors involved in the development of tax policy, including the sensitive topic as to how much revenue a particular policy is expected to generate and what the cost will be to business in complying with that policy.

Mexico saw the implementation of an alternative minimum tax, the asset tax, as early as 1989, when the Mexican government sought to put in place a measure that would complement the then established income tax system. This was an attempt to restore the level of government revenue which had been eroded over the years. While the implementation of the asset tax was successful in so far as it reached its goal of increasing the amounts of revenue collected, over the years it has also resulted in an erosion of the effectiveness of the revenue collection system. In 2008 the need arose again to reinforce the income tax system, including measures aimed at dealing with the global financial crisis. This included measures such as increasing tax rates and the introduction of a flat tax which replaced the asset tax. While the introduction of this new tax could be perceived as adding unnecessary complexity and additional burdens to an otherwise stable system, the impact on taxpayers of the additional compliance burden was expected to be far less than the impact on increasing government revenues and on the promotion of economic activity and investment. Compared with the asset tax, the flat tax was less likely to deter investment, as all cash disbursements for expenditure and capital investment were deductible.

The 2008 fiscal year also saw the introduction of a tax on cash deposits which sought to regulate Mexico's informal economy. The tax was creditable against federal taxes and was intended to raise revenues from the informal sector, to promote incorporation and so to increase the number of registered taxpayers.

Despite the introduction of these new taxes, simplification of the tax system is also seen as important. Starting in 2014, Mexico has implemented measures to simplify its VAT system by the unification of the VAT rates applied at 16%, repealing the 11% VAT rate (10% before 2013), which had been applicable to transactions performed within Mexico's border zone. This is intended to make both the collection and administration of this particular tax efficient for the government administration and tax contributors alike.

The changes to the tax system mentioned above would have been far more difficult to implement if it were not for a series of efforts made by the Mexican government aimed at making the most of technological advances. In particular, significant improvements have been made to ensure the rapid exchange of information and automation of processes. This was largely achieved through the appointment in 2002 of an advanced and competent technical team led by an engineer who headed the Tax Administration Service during that administration.

With expertise and experience in both the private and public sectors, this team was assigned by the Mexican government to integrate electronic systems and platforms into Mexico's tax system. This led to a series of achievements including the adoption of an online portal through which tax payers can perform compliance and consulting operations, the introduction of security certificates in order to perform electronic transactions, the implementation of electronic tax payments and the cross referencing of tax information. These achievements, which were intended to speed up the various processes involved in filing taxes, have provided Mexico's current tax compliance system with improved administration processes (though there is still room for further improvements). This achievement, in combination with other economic and deregulatory measures, is expected to help promote sustainable growth in the immediate future.

### ***The Pact for Mexico***

The day after taking office on 1 December 2012, Mexico's current President met with leaders and key members of Mexico's political parties to sign a national political agreement. Composed of a series of public proposals, The Pact for Mexico has led to the implementation of a series of reforms touching various topics ranging from education, telecommunication, finance and energy and, crucially, Mexico's tax reform.

Once again in 2014, Mexico saw the need to adjust its tax system to build a strong economy that is able to withstand the effects of a global recession and with high expectations for national economic development and growth. The Executive, driven by The Pact for Mexico, sought to promote tax reform that would, among other things, give permanence to, simplify and make more efficient the collection of taxes, combat tax evasion and eliminate what were viewed as excessive tax privileges.

In light of these expectations, the Mexican government secured congressional approval of major changes in its tax legislation with its success dependent on the Integral Solution of the Tax Administration and its related platform. A clear example of this can be seen in one of the major changes to Mexico's legislation mentioned above – the repeal of both the tax on cash deposits and the flat tax and the introduction of the new income tax law. The new law relies on the experience gained from the flat tax and the reporting processes introduced with tax on cash deposits. Significant changes in the structure of the system have been inspired by the flat tax, which eliminated all tax incentives, and suspended tax consolidation and restricted deductions based on the OECD BEPS principles. Several changes made to the income tax law were based on not having to rely on alternative minimum taxes, and so resulted in limitations on deductions which help achieve one of the political agreement's major goals of eliminating privileges while also simplifying the system and making the collection of taxes more efficient.

*The Pact for Mexico has led to the implementation of a series of reforms touching topics ranging from education, telecommunication, finance and energy and crucially Mexico's tax reform.*

Most recently, the secretary of Treasury and Public Credit (the finance ministry of Mexico) has announced the signing of a further agreement focused entirely on tax matters. This states that there will be no further tax modifications initiated by the executive power until November 2018, placing trust in the implementation of measures already approved and in the strength of the technological platform which supports the tax administration.

In summary, two decades after the start of the government's current mission to reform the tax system:

1. Currently all taxpayers file their taxes through paperless electronic means.
2. The corporate tax rate is set at 30%, with a dividend tax applied to net profit distributions to individuals and foreigners, while the graduated rates of individual income tax are levied at a maximum of 35% on global income with very limited personal deductions.
3. All deductions need to meet strict requirements, with transfer pricing standards and BEPS restrictions already in place.
4. Group taxation is no longer available, as it was viewed as one of the tax privileges that were not in line with the government's broader policy.
5. All tax incentives have been eliminated to reduce their impact on revenues and the complexity that they add to the system.

The intention is for these reforms to support a growing middle class and a declining poverty rate with the goal for Mexico to be the world's fifth-largest economy by 2040. It seems likely therefore, notwithstanding the current commitment of the Mexican government to make no further tax law changes for the rest of its six year administration, that the Mexican Congress or the States could initiate changes to the tax system to further promote economic development or benefit the business community. Such changes might include measures to promote investment and employment, as well as people development and innovation. This could be achieved by offering benefits such as simplified tax incentives for investments, the creation of jobs, to support innovation and for enhancing productivity. Other measures to reinforce those already taken by the Executive, and which could facilitate an eventual corporate tax rate reduction, may include redesigning consumption taxes, excluding basic foodstuffs and the coordination of the registration and enforcement efforts with the State governments to encourage participants in the informal sector to become registered taxpayers.

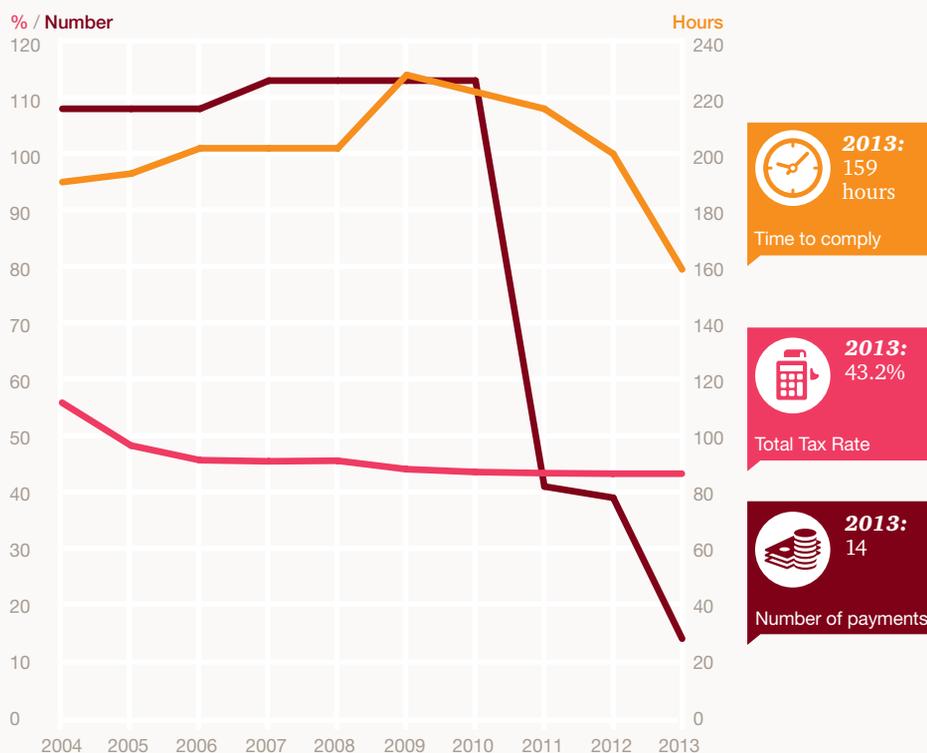
# Romania

Fiscal and economic changes are helping to improve growth and increase investment

Mihaela Mitroi, PwC Romania

Figure 3.26

Trend in the *Paying Taxes* sub-indicators for Romania



Source: PwC *Paying Taxes 2015* analysis

*In 2004 all tax regulations were unified into a single Fiscal Code, an important step to bring clarity to the Romanian fiscal legislation.*

As with many other European countries, Romania began to feel the effects of the economic crisis from early 2008; budget revenues declined while public spending increased to support the financial sector, increase social spending and provide the necessary stimulus to mitigate the economic downturn and set the basis for recovery.

Romania struggled to recover from the crisis and it was some time before the results of the counter measures started to become visible. The most important sign of recovery was seen in 2013, when Romania registered one of the highest economic growth rates in the EU. According to the National Institute of Statistics, Romania's GDP grew by 3.5% in 2013 exceeding the forecasts made 12 months before which had expected growth to be below 2%. Both annual and quarterly growth figures reached their highest values since the beginning of the crisis. Moreover, macroeconomic indicators in Romania pointed towards good economic stability. These welcome signs have begun to increase the trust of investors.

The fiscal climate in Romania has been relatively unstable during the last ten years, but this instability was in part the results of the efforts by tax officials to achieve an optimal mix of fiscal measures to generate revenues and, at the same time, maintain business confidence in the fiscal and economic environment.

One important development in the Romanian tax framework, however, took place a long time ago, before many of these macroeconomic changes took place and prior to the instability in the fiscal climate resulting from the economic crisis. In 2004 all tax regulations were unified into a single Fiscal Code. This was a big step forward and was intended to bring clarity to the Romanian fiscal legislation.

Another key moment in Romania's fiscal history was the accession to the EU in January 2007. Romania's EU accession had a hugely important impact on VAT regulation, for example. Romanian VAT legislation is now almost completely in accordance with the EU's common VAT system which is very familiar not only to EU companies, but also to non-EU companies that do business in the EU. As of 1 January 2007, the Romanian authorities were obliged to comply with the EU VAT system principles, the rulings of the Court of Justice of the European Union (CJEU) and the European Regulations. Taxpayers may therefore base their VAT compliance not only on local legislation (which in some areas is not as clear as it perhaps could be), but also based on CJEU case law and European fiscal principles which override local legislation.

Some reforms intended to improve the tax system have followed. These tax efforts helped Romania achieve its fiscal targets and also had a positive impact on the sub-indicators analysed in the *Paying Taxes* study as shown in Figure 3.26. For example, the number of payments has decreased from 113 tax payments per year in 2007, to 39 tax payments per year in 2012 and fell even further to just 14 payments in 2013. Beneficial reforms have also lead to reductions in the time to comply from its peak of 228 hours per year in 2009, to 200 hours in 2012 and 159 hours in 2013.

We provide an outline below of some of the important measures introduced by the tax authorities in recent years which were intended to reduce the high tax compliance burden faced by many taxpayers. Some of these measures have helped to improve the *Paying Taxes* compliance sub-indicators as mentioned earlier:

- From October 2010, online filing for corporate income tax and VAT has been mandatory for large and medium sized companies. In addition, online filing of labour taxes became mandatory for all categories of taxpayers from 1 July 2011. The introduction of online filing had a big impact on the time spent by taxpayers in filing tax returns and this impact can be seen in the reduction in the *Paying Taxes* sub-indicators from 2010 onwards.
- In addition, a single statement for social security contributions was introduced at the beginning of 2011. The introduction of this unique statement (Form 112) has made it much easier for taxpayers to meet their compliance obligations. Specifically, data which was previously collected by three institutions is now consolidated and gathered by one institution: the National Agency for Fiscal Administration. This reduced the number of tax statements from six statements with multiple annexes per month to just one monthly statement. Similar to the introduction of online filing, this measure has reduced the number of hours needed for tax statement preparation and submission and had a significant impact on the *Paying Taxes* sub-indicators.
- From June 2012 the VAT registration threshold for small undertakings was increased from a turnover of €35,000 (119,000 RON) to a turnover of €50,000 (220,000 RON). This had a significant impact on the Romanian business environment as around 70% of the total number of companies in Romania have a turnover below this increased threshold; thus, almost 70% of small Romanian companies have the option, but are not obliged (unless they perform intra-community transactions), to register for VAT purposes and submit VAT returns.
- As of January 2013, the anticipated profit tax payments system was introduced. This gives taxpayers the opportunity to compute their profit tax liability only at the year-end and to make their quarterly tax payments based on the profit tax computed for the previous year. Previously, taxpayers could only compute their profit tax liability quarterly in order to calculate the amounts of their quarterly payments.
- During 2014, there were further tax reforms aimed at easing taxpayers' compliance burden. More specifically, since 1 January 2014, taxpayers can choose to align their fiscal year with their financial year. Previously a company's fiscal year had to be in line with the calendar year. This measure was introduced in order to more closely align accounting and tax provisions and to help certain categories of taxpayers.
- From the beginning of 2014, taxpayers may claim refundable VAT amounts below €10,000 (45,000 RON) with post-approval inspection. Approximately half of all VAT refund claims are under this threshold and the total amounts for such claims do not exceed 5% of the total VAT refunds requested. Speeding up VAT refunds in this way should have a positive impact on around 50% of companies requesting VAT refunds, compared to the current situation. These companies have only to tick the VAT refund box on the VAT return to claim the refund and they should normally receive the refund within 45 days. Alternatively, the balance can be carried forward against future VAT liabilities. This measure also has benefits for the tax authorities as it significantly diminishes their workload.
- Last but not least, as of 1 January 2014, at the request of business, the Cash Accounting VAT Scheme (which was mandatory since 1 January 2013) became optional for companies with taxable VAT turnover below €500,000. This system allows taxpayers, whose customers pay invoices only after a delay, to pay the output VAT to the state budget only after they have received payments from their customers. This benefits the taxpayer's cash flow. However, the right of the taxpayer to deduct input VAT is also deferred until the date the payment is made.

*In addition to the measures aimed at helping to ease compliance further reforms have been introduced with the aim of increasing the level of investment.*

In addition to the measures aimed at helping to ease the compliance burden, further tax reforms have been introduced in Romania in recent years, with the main purpose of increasing the level of investment at a national level. These reforms included:

- As part of a fiscal policy focused on further developing research and innovation in Romania, in 2008 the government introduced a tax incentive for R&D activities performed in Romania, through which companies could benefit from an additional 20% deduction for eligible expenses; accelerated depreciation could also be applied for equipment used in research and development (R&D). This incentive was further improved in 2013, when the additional deduction percentage was increased to 50% and the incentive was extended for R&D activities performed in the EU or in countries belonging to the European Economic Area.
- Another tax incentive introduced in 2008 was the reduced VAT rate of 5% for dwellings delivered as part of social policy, including old people's homes, retirement homes, orphanages and rehabilitation centers for children with disabilities. In addition to the social impact, this measure was designed to encourage the recovery of the real estate market following the economic crisis.
- From 1 January 2014, the government introduced fiscal measures to encourage the setting up of holding companies in Romania. In particular, dividend revenues, capital gains and income derived from the liquidation of other entities are not taxable provided that the Romanian holding company holds a minimum of 10% of the share capital of its subsidiary (Romanian company or a company set up in a state with which Romania has a Double Tax Treaty) for a continuous period of at least one year. The introduction of this regime in Romania is expected to generate multiple benefits especially for Romanian head-quartered groups as it will allow more efficient management of the group structure and related costs, but it should also benefit the government. From the government's perspective, the implementation of the holding company regime could bring indirect, but not necessarily immediate, benefits; a positive indirect impact in the medium to long term could be expected if the regime attracts companies to Romania that develop other activities (e.g. management, accounting, legal and consulting services). This could lead in turn to the creation of new jobs. In addition, a holding regime could encourage the preservation of local capital and would benefit Romania within the global economy. Furthermore, Romania could become a location for regional holding structures thereby increasing the country's attractiveness to foreign investors and promoting the accumulation of foreign capital. This would ultimately generate a larger tax base and higher tax revenues for the authorities.
- In order to encourage investment and innovation at a time when the private sector needed to strengthen its financial position to compensate for the lower demand from European and international markets, the Romanian authorities introduced an important new tax facility which allows profits reinvested in new technological equipment to be exempt from tax. According to the tax law in force, the tax exemption applies to profits reinvested in new technological equipment manufactured and/or acquired and commissioned during the period 1 July 2014 – 31 December 2016.
- Another important area for business is the state aid schemes proposed by the government. Regulations on state aid have existed in Romania since 1999. The strategy of the government is consistent with the intention to rebuild investor confidence and to boost foreign direct investment that helps create and maintain jobs and regional welfare. For the period 2014-2020 two state aid schemes were approved by the government: the first supports investments that create new jobs and the second supports investments that have a major impact on the economy. For the job creation scheme, the government provides non-reimbursable funds to a maximum of between 15% and 50% of the salary costs for two consecutive years for the new jobs created. For the scheme supporting investments with a major economic impact, companies which make an investment of at least €10 million can receive state aid of between 15% and 50% of the investment.

To help fight tax evasion, the Romanian VAT legislation will introduce a reverse charge mechanism for certain domestic supplies, such as cereals and industrial crops, the supply of energy to taxable persons, green certificates transactions, emission certificates, wood materials and waste. Businesses have welcomed these measures as benefiting cash flows as well as combating tax fraud.

In the current global economic climate, attracting and maintaining investment is high on every government's agenda with each country seeking to adopt measures which improve the attractiveness and the competitiveness of the market. One current project on the Romanian government's agenda is the reduction by 5 percentage points of the employer social security contributions which came into effect in October 2014. The business community welcomes this initiative and considers it a tax measure which will favour companies of all sizes.

In a nutshell, we see that Romania's fiscal and economic framework is increasingly moving towards a climate of internal political stability, reflected in the economic recovery, greater confidence for investors, more budgetary discipline and increased efficiency. Currently, tax officials are heavily involved in a process of improving the tax administration system and staying close to the business community to ensure a framework for continuous cooperation and development. Progress has been made with a view to achieving the right balance between fiscal consolidation and sustainable economic recovery, and between economic and social credibility and predictability; yet, there is still room for improvement. The business community acknowledges all the positive tax reforms already implemented and is actively involved in the process of restructuring the legislative framework by working together with the Romanian officials in optimising the tax system.

*Currently, tax officials are heavily involved in a process of improving the tax administration system and staying close to the business community to ensure a framework for continuous cooperation and development.*



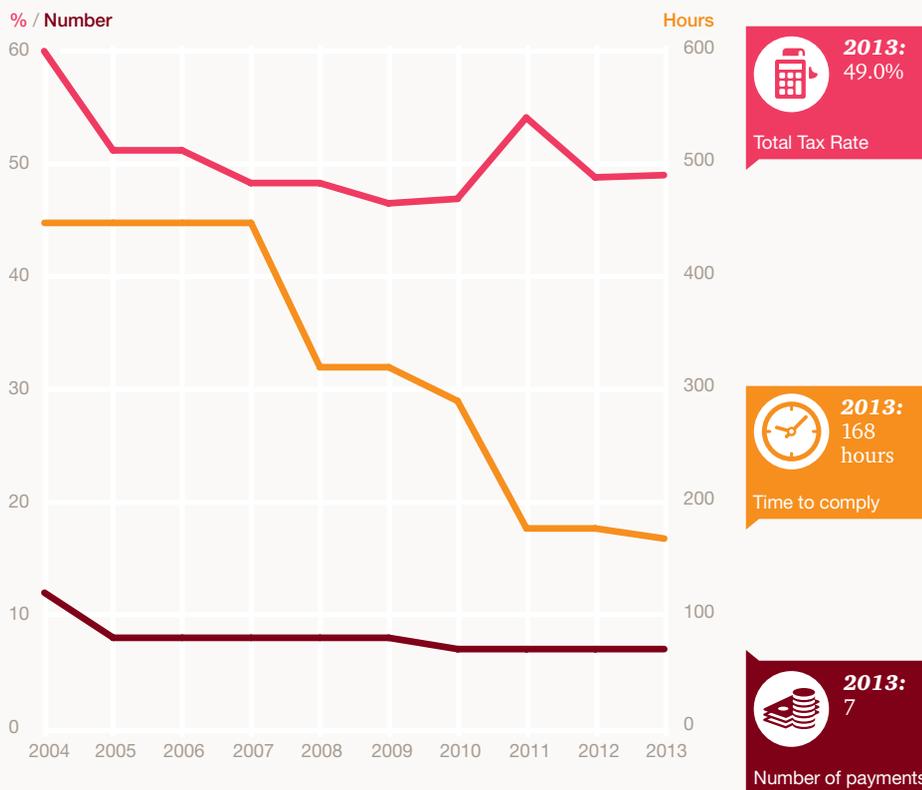
# Russian Federation

Simplified processes and the integration of tax and accounting systems have made the Russian tax system easier to comply with

Andrey Kolchin, PwC Russia

Figure 3.27

Trend in the *Paying Taxes* sub-indicators for Russian Federation



*The overall trend to reduce tax rates has been accompanied by a number of steps aimed at easing the tax compliance burden.*

The Russian tax system has been relatively stable in terms of the structure of taxes since the codification of tax law that was concluded in 2001. Profit tax on organisations, personal income tax on individuals and VAT remain the key contributors to national tax revenues, together with payments to the pension, social and mandatory medical insurance funds bundled together in one legislative act and subject to the same rules for calculating the taxable base to which the different rates are applied and timing of payments and reporting. The main trend that affected the Russian *Paying Taxes* results from 2004 to 2009 was a series of reductions in key tax rates. Since 2009, the improvements recorded in the *Paying Taxes* sub-indicators have been more closely linked to reductions in the time required to comply with tax obligations.

The main changes in the tax rates have been:

1. A reduction in the headline profits tax rate in 2009 from 24% to 20%.
2. An overall reduction in the top statutory rate for consolidated social contributions (through a series of increases and decreases) from 35.6% in 2004 to 32.5% in 2013. Limits have also been effectively reduced on the tax base to which the top rate is applied.
3. A reduction in the headline VAT rate from 20% to 18% in 2009 (albeit this does not directly impact the calculation of the Total Tax Rate for the case study company).

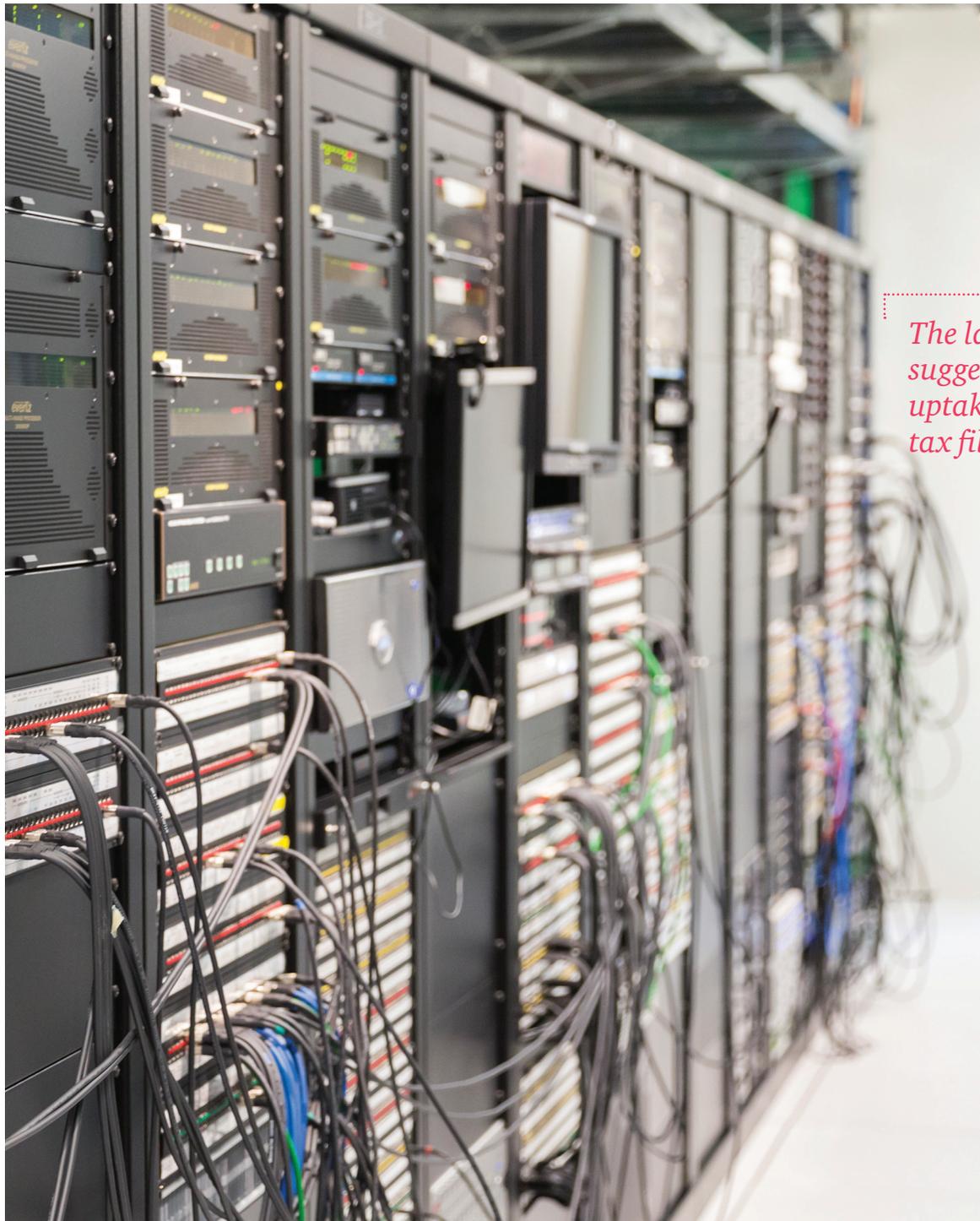
4. A range of other tax changes effectively reducing the tax burden on the case study company. Of particular note, from 2013 newly acquired movable assets are exempt from property tax on organisations.

The overall trend to reduce tax rates has been accompanied by a number of steps aimed at easing the tax compliance burden, especially through electronic data exchange between the tax office and taxpayers. The initial foundations for this were laid down in the late 1990s. Further progress was a function of the increased penetration of the internet in Russia and the spread of internet banking and tax accounting software. New impetus was given in 2010, with a push by the tax administration into a dramatic widening of the number and functionality of electronic services for taxpayers (the total number of services went up to over 30 in a short timespan). This has been accompanied by a range of other initiatives aimed at reducing the time and effort that taxpayers need to comply, especially in the area of profits tax and VAT as the most material taxes.

The principal tax administration efforts in this area are:

- Consistent and ongoing promotion of electronic interaction with taxpayers through the development and deployment of interfaces enabling a large number of accredited providers to set up products that taxpayers can use for seamless tax filing and to exchange other information. The latest available data suggest almost an 80% uptake of electronic tax filing (from low double digit numbers ten years ago);
- Support for the development of tax accounting software products by a range of independent providers. These products enable taxpayers to fully automate statutory and tax accounting processes and respond on a timely basis to any changes in tax laws and regulations, with the software providers updating their software for changes in tax law;
- The tax administration has started to post on its website tax law clarifications which must be followed by tax inspectors. These clarifications cover a large number of sensitive and controversial areas, and allow taxpayers to reduce the time needed for tax analysis by seeing what tax position the tax authorities will take on a range of issues;
- A legislative framework has been put in place, and significant practical steps taken to implement a voluntary electronic VAT exchange procedure. This significantly reduces the time needed for generating and processing VAT returns;
- In addition, the tax administration has developed a voluntary template for a 'transfer act' that combines the information needed for statutory VAT and primary accounting purposes into one source document that can record virtually any commercial transaction between taxpayers. This document may be generated on paper or in electronic form, and tax inspectors must accept it as proper evidence of a transaction. Together with the abolition of a large set of statutorily required primary source documents, this has resulted in a substantial easing of the administrative burden for taxpayers as regards compliance with mandatory forms and templates;
- A significant contributor to the tax compliance burden used to be the time spent by tax accountants in resolving disputes arising in tax examinations by the authorities, and to prepare for such disputes in advance. The tax administration has taken a number of steps to streamline the tax audit and dispute resolution process. The tax audit process has become more focused on companies with certain risk indicators and the number of audits has reduced. The tax administration has posted on its website a list of 12 high risk indicators that are likely to trigger a tax audit, enabling taxpayers to assess their risk profile and take steps to reduce the likelihood of an audit. Finally, a mandatory process requiring the review of all disagreements with tax assessments by a superior tax authority was set up to serve as a 'filter' to resolve potential tax disputes before they are taken to court. The overall impact of the above measures was to reduce the number of tax audits and disputes, and, consequently, ease the process of tax return preparation in view of a lower probability of a long and protracted tax dispute.

The most recent three year guidelines on tax policy, which are issued annually by the government, call for an overall flat tax burden on the non-mineral resource sector, based on tax revenue as proportion of GDP. They also call for further improvement of tax administration (together with a focus on combatting tax evasion and avoidance while creating favourable conditions for taxpayers that act in good faith, thus promoting growth) to pave the way for the continued competitiveness of the tax environment for business in general, and small and medium enterprises in particular.



*The latest available data suggest almost an 80% uptake of electronic tax filing.*

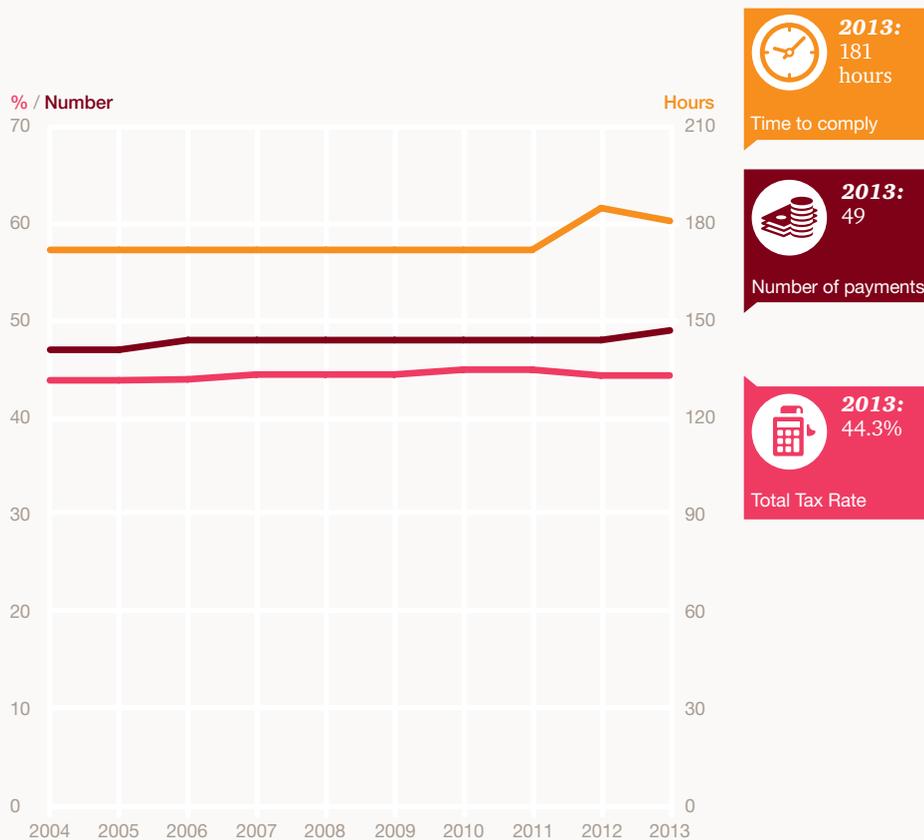
# Tanzania

## Changes are in the pipeline to help make tax compliance easier

David Tarimo, PwC Tanzania

Figure 3.28

Trend in the *Paying Taxes* sub-indicators for Tanzania



Source: PwC *Paying Taxes 2015* analysis

*Electronic filing of tax returns is currently limited to VAT returns but it is anticipated that in due course the ability to file electronically will be extended to other tax returns.*

Tanzania's performance in the World Bank annual global report on the 'Ease of Doing Business' has consistently been poor – and this notwithstanding the preparation and endorsement in July 2010 of a government sponsored roadmap for the improvement of Tanzania's investment climate. The objective of the roadmap was to seek to improve Tanzania's ranking from its historic three digit ranking to two (that is within the top 99 economies). This objective however remains elusive.

The *Paying Taxes* indicator is one of the ten indicators from which the ease of doing business ranking is derived. In the *Paying Taxes 2015* report Tanzania ranks 148, a decline of one place from 2014's restated ranking of 147.<sup>65</sup> In seeking to understand what is driving this low ranking it is instructive to review the country's performance on the three separate components that make up the ease of paying taxes ranking, namely (i) the total cost of taxes borne by business (the Total Tax Rate), (ii) the time it takes to comply, and (iii) the number of tax payments made.

Although Tanzania's Total Tax Rate (44.3%) is broadly in line with the average for Africa (46.6%), this value should be considered in the context of Africa having the second highest Total Tax Rate of any region and it is above the overall world average of 40.9%. A more pertinent comparison in the context of the East African Community (EAC)'s moves towards a Common Market to promote regional competitiveness within the EAC. The concern here is that Tanzania's Total Tax Rate is much higher than Rwanda (33.5%), Uganda (36.5%) and Kenya (38.1%). A key differentiator with the other countries is the high level of labour taxes charged. For example, employers in Tanzania are subject not only to employer social security contributions but also to a "skills and development" levy on payroll costs.

The 2013 Budget had seen a reduction in this levy from 6% to 5% and it was anticipated that subsequent budgets would see a continuation of this trend with the ultimate aim being a rate no higher than 2% – however the 2014 Budget saw no further reduction.

By contrast Tanzania performs well in terms of time to comply (better than all countries in the EAC and below the world average) notwithstanding the higher number of tax payments to be made (significantly higher than both the EAC and world average). In terms of easing the administrative burden of complying with tax obligations, it is clear that the greatest opportunity lies with prioritising a reduction in the number of payments that taxpayers are required to make. The number of payments continues to be particularly high in view of a lack of an electronic system for filing and paying the social security contributions, the skills and development levy and the corporate income tax. For VAT as of October 2012 an e-filing system was introduced for all VAT registered taxpayers reducing the time it takes to prepare and file the VAT return. However, there is no online payment system in place yet and therefore the number of payments for VAT remains at 12 as measured by *Paying Taxes*. At 49 the number of payments is well above the global average of 25.9 and the African average of 36.2.

The year 2014 will be the first full calendar year of the operation of the Tanzania Revenue Authority (TRA) Revenue Gateway System launched in July 2013 to act as an interface between the TRA, Bank of Tanzania, commercial banks and other stakeholders such as mobile phone operators. The Gateway is used for the following three types of payments: (i) Tanzania Inter-bank Settlement System (TISS) payments, (ii) other tax payments made through

banks directly into specific TRA systems, and (iii) mobile payments, and enables multiple tax payments to be made simultaneously. A significant immediate success (since its introduction in August 2013) has been the facility to use mobile phones to remit annual motor vehicle licence fees.

Electronic filing of tax returns is currently limited to VAT returns only, but it is anticipated that in due course the ability to file electronically will also be extended to other tax returns. Where electronic filing and payment for a tax is available and it is used by the majority of companies of the size of the case study company, the payments sub-indicator for that tax is recorded as one, even though multiple payments are required. It will be interesting to see if reforms in this area can be successfully implemented and used by the majority of businesses.

In 2013 Tanzania adopted the "Big Results Now" (BRN) initiative based on the Malaysian model of development as part of the effort to transition the country from a low to middle-income economy. This comprehensive implementation system focuses on six priority areas of the economy including (i) energy and natural gas (ii) agriculture (iii) water (iv) education (v) transport and (vi) mobilisation of resources. When focussing on resource mobilisation, the practical challenge will be to balance the need to ensure sufficient public revenues and at the same time incentivise investment and economic growth. In addition, the *Paying Taxes* report makes clear that initiatives to streamline tax procedures and reduce time spent on compliance can make an important difference – particularly so for small and medium enterprises.

<sup>65</sup> The *Paying Taxes 2014* report ranked Tanzania at 141st however this figure has now been restated to take account of certain methodology changes introduced in the 2015 report.

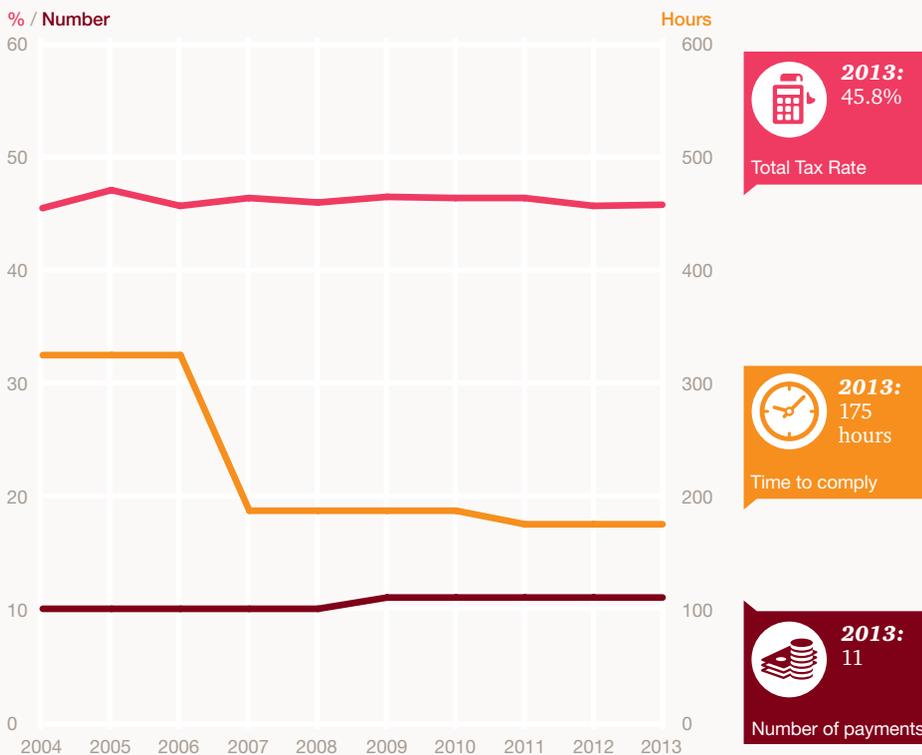
# United States

Efforts to reduce tax compliance burden hampered by mounting complexity and resource scarcity

Mark Mendola, PwC US

Figure 3.29

Trend in the *Paying Taxes* sub-indicators for United States



Source: PwC *Paying Taxes 2015* analysis

*In recent years, the government has increased its focus on formal initiatives to reduce the tax compliance burden.*

The Internal Revenue Service (IRS) wants to make it easier for US taxpayers to pay their proper federal tax liability and achieve greater tax compliance. In recent years, the government has increased its focus on formal initiatives to reduce the tax compliance burden. As a result, the IRS has made successful strides streamlining and increasing the efficiency of specific areas within its compliance programme resulting in benefits not only for taxpayers, but for the IRS as well – a win-win for both parties.

One might assume that under the *Paying Taxes* study, the time to comply for the United States would show a steady decline over the past several years due to these initiatives. However, this year's survey shows this as 175 hours. While this is lower than the world average (264), the OECD average (185), the G8 average (192), and the region average (213), it is the same as the previous two years and down only slightly from 187 hours for the four years before that. So why doesn't the US' ranking show improvement over this period? Unfortunately, no one factor can explain this stagnation. In fact, the IRS continues to face numerous obstacles that are hampering these welcomed efforts for taxpayers.

A primary challenge is that the complexity surrounding tax compliance in the United States has been mounting for decades. Another hurdle is that US lawmakers have continued to reduce the agency's budget and resources while at the same time adding new requirements. The former is not necessarily the case with the actual process of submitting a tax return, but rather with what information is reported on it. A telling statistic is that between 2000 and 2010, the IRS was tasked with implementing over 4,000 tax code changes enacted by the US Congress. Sometimes contributing to this complexity is the fact that the US Treasury Department has added numerous sets of regulations and other guidance that taxpayers must understand and act on.

#### ***How the IRS is easing taxpayer burden***

The IRS has streamlined specific compliance processes within various stages of the tax compliance cycle – pre-filing, filing, audits, and disputes. While the benefit of these initiatives depends on the specific taxpayer's circumstances, they generally help taxpayers reduce compliance burdens by providing real-time information through online channels. These initiatives have enabled greater upfront certainty by facilitating early communication with the IRS to reduce risk. Initiatives to leverage technology for the filing of returns have had a tremendous impact, while other efforts have led to more consistency with respect to audits and quicker resolutions for disputes. The following describes some of the agency's more significant endeavours.

#### **Real-time information through online resources**

##### ***Pre-filing tools aimed at educating and helping taxpayers***

A core IRS focus has been so-called 'outreach and education' initiatives so as to enhance voluntary compliance and provide tools for taxpayers to file accurate returns. Striving to meet taxpayers' desire for service, the IRS has offered a range of self and electronic service technology options on the IRS website (IRS.gov) since its re-launch in 2012. Taxpayers are utilising these tools and information – in 2013, taxpayers viewed IRS.gov web pages more than 450 million times. The following is a non-exhaustive list of digital applications and capabilities that aim to save time and taxpayer effort:

- IRS forms, once finalised, are uploaded and immediately available.
- calculators help taxpayers compute employer withholding obligations and alternative minimum tax.
- tax identification numbers may be applied for and obtained online.
- the 'IRS en Espanol' Spanish-language website helps taxpayers with limited English proficiency understand and meet their tax responsibilities.
- 'Where's My Refund?' provides an electronic tracking tool and was used 200.5 million times in 2013.
- 'IRS Direct Pay' was introduced in 2014 to provide taxpayers with a secure and free way to make tax payments.
- 'Get Transcript' allows taxpayers to view and print a record of their IRS account in minutes.

The IRS also has made tremendous strides creating mobile phone applications that help make tax compliance more user-friendly. A primary example is the agency's award-winning mobile application IRS2Go that was downloaded 1.6 million times in 2013. Also, the IRS has expanded its use of social media, such as YouTube, Twitter, and Facebook, to connect with taxpayers while maintaining its presence in traditional channels.

### **The role of electronic filing to save time and resources**

#### *Primary driver of burden reduction continues to expand*

A principal focus of the IRS over the past two decades has been the expanded use of electronic filing – an endeavour that has yielded tremendous efficiencies for both taxpayers and the IRS. While some taxpayers still prefer to submit their returns by mail, the vast majority now prefer the convenience of electronic filing. In 2013, 83% of individual taxpayers chose to file electronically, a significant increase from 71.3% in 2010, with a goal of 90% by 2017. In the same year, business returns were filed electronically at a rate of 36.7%, up from 27.5% in 2010, with a goal of 50% by 2017.

The IRS also has invested in the systems required to process electronically-filed returns, expanding the types of returns it can accept, and increasing the efficiency of the electronic filing and payment processes. Greater expansion of electronic filing should be pursued, such as the agency's ability to accept amended Form 1040s that must now be filed in paper form.

### **Reducing unnecessary taxpayer contact**

Leveraging the agency's readily-available information promises to have a positive impact not only on the accuracy of tax computations but also on the effort to reduce unnecessary contacts with taxpayers. As an example, stock basis reporting now requires investment brokers to report the adjusted cost basis for certain publicly traded securities and whether a gain or loss is short or long-term. Merchant card reporting also requires payment settlement entities, such as banks, to report fiscal year information and the gross amount of reportable payment transactions, such as payment card and third party network transactions. This information collected by the IRS can be cross-checked, potentially eliminating the need to contact other taxpayers for incomplete or missing information, saving time and resources.

### **Earlier communication to drive more upfront certainty**

#### *Pre-filing agreements (PFAs)*

The PFA process is an area of renewed IRS focus because it enables the agency to work collaboratively with taxpayers to resolve contentious issues before the filing of a prior, current, or future year tax return. Generally, a PFA is used to determine the tax treatment of a completed transaction or event where an issue represents a factual determination, an application of well-established legal principles to known facts, or a computation methodology. The process provides certainty to the taxpayer and allows them to conserve precious controversy resources and better manage their reserves and uncertain tax positions. While once confined to straightforward, non-controversial subjects, the PFA process has recently been used to resolve more complex issues.

### **Compliance assurance process (CAP)**

CAP is a 'real time' examination programme designed to identify and resolve issues prior to the filing of a taxpayer's return. Designated a permanent programme in 2012, CAP requires the contemporaneous exchange of information related to proposed tax return positions and completed events and transactions that could affect federal tax liability. Because CAP reduces the likelihood of post-filing examination and prolonged litigation, taxpayers are able to achieve greater certainty sooner with less administrative burden than in the traditional post-filing examination process.

The benefits of CAP may not arise without some initial effort and strain by the taxpayer. Under CAP, the IRS works with the taxpayer in the traditional post-filing examination process to close all open tax years. Going forward, participating taxpayers work collaboratively with the IRS to identify and resolve potential tax issues as they arise and before the return is filed. This process requires taxpayers to disclose tax positions as they complete significant business transactions. Taxpayers that have complied with the CAP process may be invited to move to the maintenance phase where they continue to disclose material items impacting their tax liability, but generally face a reduced level of IRS scrutiny.

*The IRS also has made tremendous strides creating mobile phone applications that help make tax compliance more user-friendly.*

#### **Industry issue resolution (IIR)**

The IRS more recently has emphasised the IIR programme to resolve frequently disputed or burdensome tax issues affecting a significant number of taxpayers within a specific industry. This resolution is shared through the issuance of guidance such as a regulation, revenue procedure, revenue ruling, or notice. Depending upon the issue, the programme can enable greater certainty of issues before taxpayers prepare their returns. It also reduces the time and expense associated with the resolution of issues on a taxpayer-by-taxpayer basis.

#### **Greater consistency and reduced timeframes for audits**

##### ***Changes to the quality exam process (QEP)***

Launched in 2010, QEP is a required systematic approach for engaging and involving taxpayers in the tax examination process, from the earliest planning stages through resolution of all issues and completion of the case. It is intended to set the foundation for improved communication between the IRS and taxpayers and supports greater consistency in the exam process. Based on recent comments from IRS executives, the agency will continue to revamp QEP to make audits more issue focused.

#### **Additional focus on the limited issue focus examination (LIFE) programme**

The IRS has placed additional emphasis on the LIFE programme, which is a streamlined, focused examination process designed to limit the scope and reduce the cycle time of an audit in an effort to reduce resource utilisation. In a LIFE examination, the taxpayer and examiner work together on the most significant issues on the tax return. Initial issue selection is based on risk analysis and materiality thresholds are applied to both the IRS expansion of the audit scope and the taxpayer's claims. Both parties must sign a memorandum of understanding detailing the process, roles and responsibilities, issues selected, materiality thresholds, and timelines.

#### **New information document request (IDR) issuance and enforcement process**

The IRS recently introduced a new IDR issuance and enforcement process to increase efficiency and transparency during an audit. Specifically, the new process provides that all IDRs issued after 30 June 2013 must be issue focused and discussed with the taxpayer in advance. In addition, both the IRS and the taxpayer are required to determine a reasonable timeframe for the taxpayer's response. This upfront communication can result in reduced taxpayer burden by narrowing and refining the precise information that the IRS is requiring, avoiding unnecessary work. However, this burden reduction will likely depend upon the taxpayer's relationship with the IRS audit team and negative consequences can occur if the taxpayer does not respond within the agreed upon timeframe (e.g., delinquency notices, pre-summons letters, or even a summons.)

#### **Eliminating the coordinated issue case (CIC) designation**

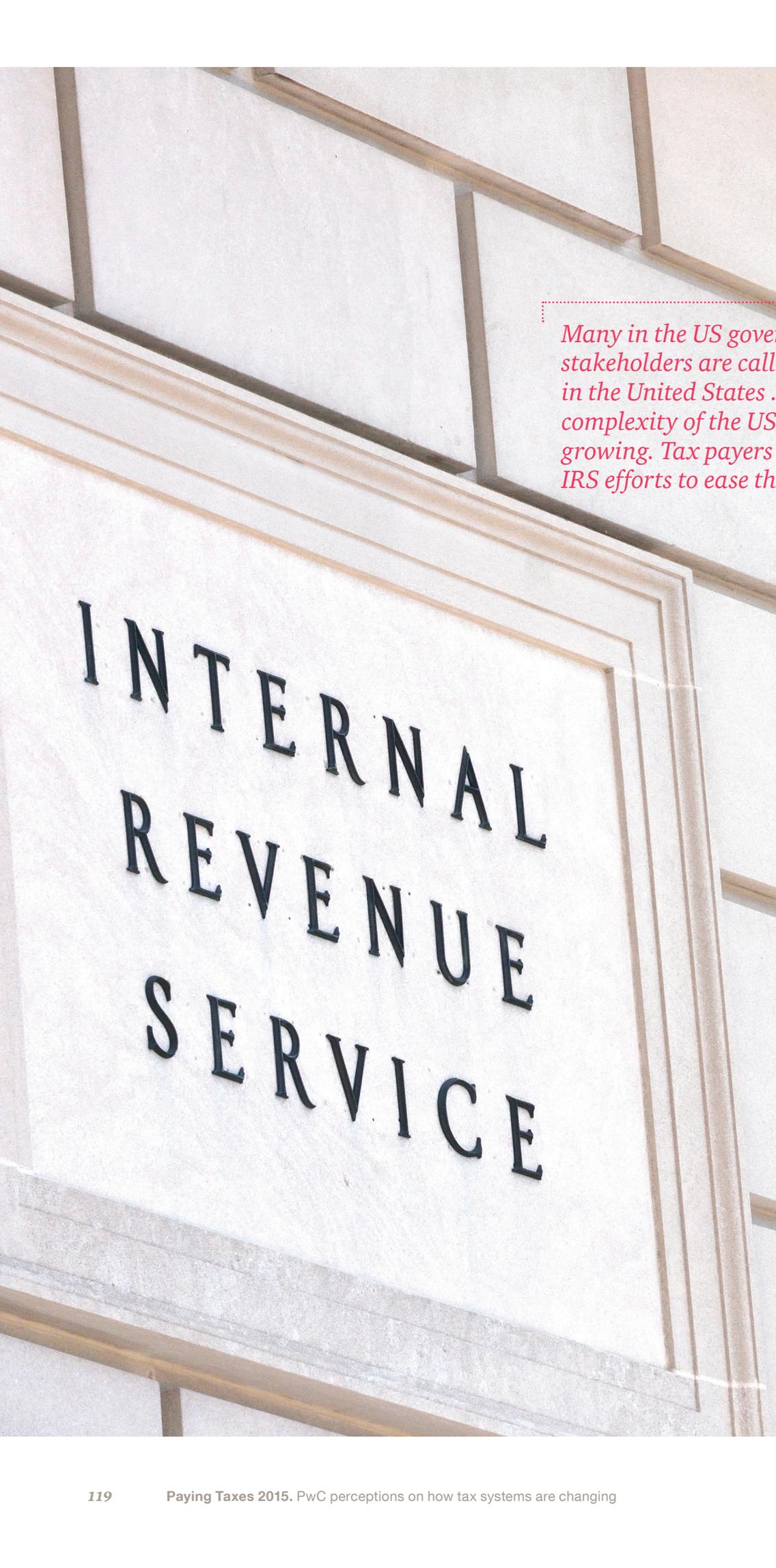
In an attempt to streamline the examination process, the IRS is considering eliminating the CIC designation and moving away from continuous audits towards an issue-focused approach. Under this new approach, the IRS would rely largely on Schedule UTP (Uncertain Tax Position Statement), to identify issues and allocate appropriate resources to conduct targeted issue-specific audits. This risk-based approach may provide reduced audit times for those companies that have traditionally had to dedicate resources to address a continuous audit process.

#### **Quicker resolution if a dispute arises**

##### ***Fast-track settlement (FTS) and the***

***rapid appeals programme (RAP)***  
The IRS Office of Appeals (IRS Appeals) has recently aimed to improve the efficiency of the appeals process by expanding the use of the FTS programme. FTS is a non-binding, voluntary negotiation process between a taxpayer and the IRS to help taxpayers resolve disputed issues before a formal administrative appeal. FTS may be initiated once an issue has been fully developed in the examination process and is intended to be completed in approximately 120 days – a much faster timeframe than the multi-year process of a traditional appeal.

IRS Appeals has also attempted to improve the efficiency of the appeals process by expanding the use of the RAP programme. RAP is a relatively new voluntary procedure intended to improve the efficiency and timeliness of IRS Appeals resolutions. In RAP, the pre-conference meeting is used as a means of resolving issues using the techniques of the FTS process. If agreement is not reached, the traditional IRS Appeals process continues.



*Many in the US government and other stakeholders are calling for tax reform in the United States ...the underlying complexity of the US tax rules keeps growing. Tax payers will benefit from IRS efforts to ease their burdens.*

### **The road ahead**

#### **Continued vigilance to reduce compliance burdens**

##### *Keeping up with taxpayer's appetite for online services*

The IRS has set forth plans to reduce tax compliance burden by pursuing a number of core initiatives such as the expansion of electronic filing and the acceleration of the receipt of information returns to improve document matching and validation of return accuracy. But a significant area of focus has been and will continue to be the expansion of online resources and self-service tools. A primary driver has been taxpayers' appetite for self-service and electronic service options. While the IRS has made great strides in this area, the strong demand by the global tax community for tools to ease compliance burdens is mounting at a rapid pace. Many agree that the IRS still has a way to go to reach their vision of an interactive, fully integrated online tax administration agency.

##### *Driving a 'simplification' mindset*

Outside of efforts relating to online resources, there are a host of other endeavours that could reduce taxpayer burden. For example, cutting the amount of information that a taxpayer must report to the IRS is a fundamental way of reducing the burden. Accordingly, the IRS may want to consider amplifying its efforts to simplify reporting for more taxpayers. As an example, similar to efforts made with respect to individual income tax returns (Form 1040), a streamlined Form 1120 for mid-sized corporations could be very effective for reducing the compliance burden of smaller businesses.

The IRS may also consider adopting a more 'plain English' approach with respect to all guidance and regulatory projects. While many IRS publications and form instructions strive to describe technical tax requirements in simple terms, not all guidance is developed with this mindset. Even sophisticated taxpayers with seasoned tax departments must closely analyse IRS guidance, taking significant time and resources to build expertise and understanding. This time could be minimised by issuing easier-to-understand guidance, which may take more upfront effort to craft, but could ease taxpayer burdens for years to come.

##### *Expanding options for tax resolution*

Controversies and disputes between the IRS and taxpayers require significant time and resources to achieve resolution. And the non-filing of tax returns and non-payment of tax due continues to be a challenge for the agency. Not surprisingly, the IRS wants to expand the options available for tax resolution, including new alternative dispute resolution programmes, streamlined payment agreements, and fresh start collection and payment processes. These are aimed at providing various opportunities for taxpayers to become compliant and easing their burden for doing so. But these compliance initiatives are only the tip of the iceberg and there are many other avenues that could enhance opportunities for taxpayers to get back on the compliance track.

#### **Budget constraints and rising complexity loom**

##### *Prioritising resources means slower progress*

IRS budget constraints over the past three years unfortunately may have lasting impacts on the agency's efforts to pursue positive change to tax compliance processes. Unfunded mandates are also taking priority as resources are being shifted to implement two major pieces of US legislation: The Affordable Care Act and the so-called Foreign Account Tax Compliance Act (FATCA) regime. The result is that resource constraints are likely to hamper various initiatives relating to the pre-filing, filing, audit, and dispute stages of the tax compliance life cycle, even those that are ready for implementation. Basic communication between taxpayers and the IRS also will likely suffer. Only about 74% of taxpayers who called the IRS during this past filing season got through to IRS personnel and the agency has noted that it is concerned that the average level of phone service may drop below 70%.

##### *Is it time for a revamp?*

While the IRS seeks creative ways to reduce compliance burdens, the underlying complexity of the US tax rules keeps growing. Taxpayers will benefit from IRS efforts to ease their burdens, but they must face the continuing need to analyse, plan for, and comply with the US federal tax rules and regulations – an often daunting task requiring increasingly specialised resources and expertise. Many in the US government and other stakeholders are calling for tax reform in the United States, which could entail not only a potential rate change, but also the simplification of the rules for both companies and individuals.

---

***Methodology and example calculations for each of the Paying Taxes sub-indicators, including methodology changes for the current year***

*Paying Taxes* records the taxes and mandatory contributions that a medium-size company must pay in a given year as well as measuring the administrative burden of paying taxes and contributions. The project was developed and implemented as part of the *Doing Business* project by the World Bank Group in cooperation with PwC. Taxes and contributions measured include corporate income and other profit taxes, 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 any other small taxes or fees.

*Paying Taxes* measures all taxes and contributions that are government mandated (at any level – federal, state or local) and that apply to the standardised business and have an impact in its financial statements. In doing so, *Paying Taxes* goes beyond the traditional definition of a tax. As defined for the purposes of government national accounts, taxes include only compulsory, unrequited payments to general government. *Paying Taxes* departs from this definition because it measures imposed charges that affect business accounts, not government accounts, the main difference relates to labour contributions. The *Paying Taxes* measure 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. For the purpose of calculating the Total Tax Rate (defined below), only taxes borne are included. For example, value added taxes are generally excluded (provided they are not irrecoverable) because they do not affect the accounting profits of the business – that is, they are not reflected in the income statement. They are, however, included for the purpose of the compliance measures (time and payments), as they add to the burden of complying with the tax system.

The *Paying Taxes* study uses the *Doing Business* case study scenario to measure the taxes and contributions paid by a standardised business and the complexity of an economy's tax compliance system. This case study scenario uses a set of financial statements and assumptions about transactions made over the course of the year. The base for these financial statements has changed this year and further details are provided later on in this section. In each economy tax experts from a number of different firms (including PwC) compute the taxes and mandatory contributions due in their jurisdiction based on the standardised case study facts. Information is also compiled on the frequency of filing and payments, as well as on the time taken to comply with tax laws in an economy. To make the data comparable across economies, several assumptions about the business and the taxes and contributions are used.

The World Bank Group's calculation of the overall ranking for the ease of paying taxes has changed this year and details of this change to the methodology are covered later in this Appendix.

### **Assumptions about the business**

The business:

- Is a limited liability, taxable company. If there is more than one type of limited liability company in the economy, the limited liability form most common among domestic firms is chosen. The most common form is reported by incorporation lawyers or the statistical office.
- Started operations on 1 January 2012. At that time the company purchased all the assets shown in its balance sheet and hired all its workers.
- Operates in the economy's largest business city, but please see page 128 for a change to the methodology in this respect for those economies with populations in excess of 100 million.
- Is 100% domestically owned and has five owners, all of whom are individuals.
- At the end of 2012, has a start-up capital of 102 times income per capita. Please see page 127 for the changes that have been made regarding the base assumption for income per capita.
- Performs general industrial or commercial activities. Specifically, it produces ceramic flowerpots 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 2013, owns two plots of land, one building, machinery, office equipment, computers and one truck and leases one truck.
- Does not qualify for investment incentives or any benefits apart from those related to the age or size of the company.
- Has 60 employees – four managers, eight assistants and 48 workers. All are nationals, and one manager is also an owner. The company pays for additional medical insurance for employees (not mandated by any law) as an additional benefit. In addition, in some economies reimbursable business travel and client entertainment expenses are considered fringe benefits. Where applicable, it is assumed that the company pays the fringe benefit tax on this expense or that the benefit becomes taxable income for the employee. The case study assumes no additional salary additions for meals, transportation, education or others. Therefore, even when such benefits are frequent, they are not added to or removed from the taxable gross salaries to arrive at the labour tax or contribution calculation.
- Has a turnover of 1,050 times income per capita.
- Makes 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).
- Distributes 50% of its net profits as dividends to the owners at the end of the second year.
- Sells one of its plots of land at a profit at the beginning of the second year.
- Has annual fuel costs for its trucks equal to twice income per capita.
- Is subject to a series of detailed assumptions on expenses and transactions to further standardise the case study. All financial statement variables are proportional to 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 the taxes and contributions**

- All the taxes and contributions recorded are those paid in the second year of operation (calendar year 2013). 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 tax. The frequency of payment includes advance payments (or withholding) as well as regular payments (or withholding).

**The Paying Taxes sub-indicators**  
**Tax payments**

The tax payments sub-indicator reflects the total number of taxes and contributions paid, the method of payment, the frequency of payment, the frequency of filing and the number of agencies involved for this standardised case study company during the second year of operation. It includes taxes withheld by the company, such as sales tax, value added tax and employee-borne labour taxes. These taxes are traditionally collected by the company from the consumer or employee on behalf of the tax agencies. Although they 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 medium-size businesses, the tax is counted as paid once a year even if filings and payments are more frequent. For payments made through third parties, such as tax on interest paid by a financial institution or fuel tax paid by a fuel distributor, only one payment is included even if payments are more frequent.

**Table A1.1**

**USA, New York City: Number of payments**

| Tax type   | World bank indicator | Actual payments | Notes         |
|--|----------------------|-----------------|---------------|
| NY City and State property tax                                     | 1                    | 1               |               |
| NY State unemployment tax  | 1                    | 4               | online filing |
| Federal unemployment tax   | 1                    | 4               | online filing |
| Federal old-age, survivors and disability insurance tax – employer | 1                    | 12              | online filing |
| Hospital insurance contributions – employer                        | 0                    | 12              | paid jointly  |
| NY City real estate transfer tax                                   | 1                    | 1               |               |
| NY City corporation tax  | 1                    | 4               | online filing |
| NY State corporation tax   | 0                    | 4               | paid jointly  |
| Federal corporate income tax                                       | 1                    | 4               | online filing |
| NY City and State sales and use tax of lease truck                 | 1                    | 1               |               |
| Metropolitan commuter transportation mobility tax (MCTMT)          | 1                    | 1               | online filing |
| Fuel tax   | 1                    | 1*              |               |
| Sales tax  | 1                    | 12              | online filing |
| Federal old-age, survivors and disability insurance tax – employee | 0                    | 12              | paid jointly  |
| Hospital insurance contributions – employee                        | 0                    | 12              | paid jointly  |
| <b>Total</b>   | <b>11</b>            | <b>85</b>       |               |

\* Embedded in payments to third parties.

## Time

Time is recorded in hours per year. The sub-indicator measures the time taken to prepare, file and pay three major types of taxes and contributions: corporate income tax, value added or sales tax, and labour taxes, including payroll taxes and social contributions. Preparation time includes the time to collect all information necessary to compute the tax payable and to calculate the amount 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. Filing time includes the time to complete all necessary tax return forms and file the relevant returns at the tax authority. 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.

**Table A1.2**

### **Panama: Time to comply**

|  | Corporate<br>income tax | Labour<br>taxes | Consumption<br>tax | Total      |
|--|-------------------------|-----------------|--------------------|------------|
| Compliance process   |                         |                 |                    |            |
| <b>Preparation</b>   |                         |                 |                    |            |
| Data gathering from internal sources (for example accounting records) if held  | 36                      | 24              | 48                 |            |
| Additional analysis of accounting information to highlight tax sensitive items   | 16                      | 24              | 56                 |            |
| Actual calculation of tax liability including data inputting into software/spreadsheets or hard copy records                                     | 24                      | 36              | 24                 |            |
| Time spent maintaining/updating accounting systems for changes in tax rates and rules  | 0                       | 12              | 2                  |            |
| Preparation and maintenance of mandatory tax records if required   | 0                       | 0               | 12                 |            |
| <b>Total</b>   | <b>76</b>               | <b>96</b>       | <b>142</b>         | <b>314</b> |
| <b>Filing</b>  |                         |                 |                    |            |
| Completion of tax return forms   | 4                       | 18              | 12                 |            |
| Time spent submitting forms to tax authority, which may include time for electronic filing, waiting time at tax authority office etc             | 1                       | 6               | 12                 |            |
| <b>Total</b>   | <b>5</b>                | <b>24</b>       | <b>24</b>          | <b>53</b>  |
| <b>Payment</b>   |                         |                 |                    |            |
| Calculations of tax payments required including if necessary extraction of data from accounting records  | 0                       | 0               | 0                  |            |
| Analysis of forecast data and associated calculations if advance payments are required   | 1                       | 12              | 12                 |            |
| 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                       | 12              | 12                 |            |
| <b>Total</b>   | <b>2</b>                | <b>24</b>       | <b>24</b>          | <b>50</b>  |
| <b>Grand total</b>   | <b>83</b>               | <b>144</b>      | <b>190</b>         | <b>417</b> |

### Total Tax Rate

The Total Tax Rate measures the amount of taxes and mandatory contributions borne by the business in the second year of operation, expressed as a share of commercial profit. *Paying Taxes 2015* reports the Total Tax Rate for calendar year 2013. The total amount of taxes borne is the sum of all the different taxes and contributions payable after accounting for allowable deductions and exemptions. The taxes withheld (such as personal income tax) or collected by the company and remitted to the tax authorities (such as value added tax, sales tax or goods and service tax) but not borne by the company are excluded. The taxes included can be divided into five categories: profit or corporate income tax, social contributions and labour taxes paid by the employer (in respect of which all mandatory contributions are included, even if paid to a private entity such as a required pension fund), property taxes, turnover taxes and other taxes (such as municipal fees and vehicle and fuel taxes).

The Total Tax Rate is designed to provide a comprehensive measure of the cost of all the taxes a business bears. It differs from the statutory tax rate, which merely provides the factor to be applied to the tax base. In computing the Total Tax Rate, the actual tax payable is divided by commercial profit.

Commercial profit is essentially net profit before all taxes borne. It differs from the conventional profit before tax, reported in financial statements. In computing profit before tax, many of the taxes borne by a firm are deductible. In computing commercial profit, these taxes are not deductible. Commercial profit therefore presents 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 profit is computed 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. Commercial profit amounts to 59.4 times income per capita.

The methodology for calculating the Total Tax Rate is broadly consistent with the Total Tax Contribution framework<sup>66</sup> developed by PwC and the calculation within this framework for taxes borne. But while the work undertaken by PwC is usually based on data received from the largest companies in the economy, *Doing Business* focuses on a case study for a standardised medium-size company.

From *Paying Taxes 2014*, fuel tax has not been considered for the purpose of the Total Tax Rate calculations because of the difficulty of computing these taxes in a consistent way across all of the economies covered. The amounts involved are also in most cases very small.

**Table A1.3**

#### France: Total Tax Rate

|   | EUR '000    | EUR '000         |
|---|-------------|------------------|
| <b>Profit before tax (PBT)</b>                              |             | <b>762,365</b>   |
| <b>Add back above the line taxes borne</b>                  |             |                  |
| Territorial economic contribution (CET)                     | 104,791     |                  |
| Real estate tax   | 34,822      |                  |
| Payroll tax   | 114,894     |                  |
| Social security contributions                               | 852,067     |                  |
|   |             | 1,106,574        |
| <b>Commercial profit (profit before all taxes borne)</b>    |             | <b>1,868,939</b> |
| Corporate income tax on PBT after necessary adjustments     | (137,499)   |                  |
| Above the line taxes borne                                  | (1,106,574) |                  |
| Total taxes borne   |             | (1,244,073)      |
| Profit after tax  |             | 644,866          |
| <b>Total Tax Rate = Total taxes borne/Commercial profit</b> |             | <b>66.6%</b>     |

<sup>66</sup> [www.pwc.com/totalexcontribution](http://www.pwc.com/totalexcontribution)

### **Changes made to the methodology in *Paying Taxes 2015***

#### **The base for the financial statements and GNIpc**

The case study company's financial statements are based upon the gross national income per capita (GNIpc) in each economy. Turnover, for example, is assumed to be 1,050 times GNIpc giving after deducting various expenses a commercial profit of 59.4 times GNIpc. Previously and throughout the study from 2004 to 2012 the GNIpc value for 2005 has been used to ensure consistency and comparability. For *Paying Taxes 2015*, however, (for the calendar year 2013 and restated figures for calendar year 2012) and subsequent studies this figure has been updated to the 2012 value in each economy; the intention is that the case study company will now be more in line with the present size of its domestic economy.

The impact of this change on the *Paying Taxes* sub-indicators is expected to be limited.

Where an economy levies taxes which are calculated by simply applying a tax rate to turnover, profits, salary or some other element that is a multiple of GNIpc, its Total Tax Rate should not be affected by the change in the GNIpc value used (assuming no reforms have been implemented). However, where an economy imposes fixed tax liabilities, where thresholds are applied to the taxable bases or where the change in the GNIpc results in the company being subject to different tax rules (for example because of the change in the size of the company), the Total Tax Rate will be affected. Essentially where taxes are charged as a fixed amount then these will become smaller in relation to the overall taxes calculated (unless the fixed amount has been increased) and the Total Tax Rate for the economy will fall as a consequence. A secondary effect will be evident where the fixed levy is deductible for other taxes that the company has to bear. If the fixed charge is unchanged then the deductible amount will become smaller and the other taxes will increase as a consequence. Examples of the effect of the change in GNIpc are provided in "*Explaining the changes in Total Tax Rate*" on page 43.

It should also be noted that for some economies updating the GNIpc to the 2012 value is not sufficient to bring the salaries of all the case study employees up to the minimum wage thresholds that exist in those economies. In those instances an additional multiple of two or three times the GNIpc has been used.<sup>67</sup>

The impact on the compliance sub-indicators is expected to be small and only seems to be evident in the payments sub-indicator where the change in the size of the case study company has meant that it would have to make payments with a different frequency – e.g., a large company many have to make four payments of corporate income tax a year whereas a small or medium sized company would only need make one payment.

<sup>67</sup> The economies for which a multiple of three times GNIpc has been used are: Honduras, Mozambique, West Bank and Gaza, Zimbabwe. The economies for which a multiple of two times GNIpc has been used are: Belize, Benin, Bosnia and Herzegovina, Burkina Faso, Central African Republic, Chad, Fiji, Guatemala, Haiti, Kenya, Lesotho, Madagascar, Micronesia, Fed. Sts., Morocco, Nepal, Nicaragua, Niger, Nigeria, Philippines, Solomon Islands, South Africa, South Sudan, Tanzania, Togo, Vanuatu, Zambia

### Expanding the sample of cities covered for large economies

Since its inception the World Bank Group's *Doing Business* study has focused on the largest business city of each economy, taking it as a proxy for the entire national territory. Depending on the indicator and the size of the economy, this focus can be a limitation in extrapolating results to the economy level. As the subnational *Doing Business* reports prepared by the World Bank have shown, the indicators measuring the procedures, time and cost to complete a transaction (such as the dealing with construction permits indicators) tend to show more variation across cities within an economy than do indicators capturing features of the law applicable nationwide (such as the protecting minority investors or resolving insolvency indicators). Moreover, this limitation is likely to be more important in larger economies – where the largest business city is likely to represent a smaller share of the overall economy – and in those with greater regional diversity in business practices.

To address this issue, from this year *Doing Business* including the *Paying Taxes* indicator has expanded its sample of cities in large economies, defined as those with a population of more than 100 million. These include: Bangladesh, Brazil, China, India, Indonesia, Japan, Mexico, Nigeria, Pakistan, the Russian Federation and the United States. For each of these economies the sample now includes the second largest business city. Population size was used as the criterion for selecting these economies for two main reasons: First, economies with a large population, because of their size and diversity, are more likely to have differences in performance on indicators. Second the larger the population in an economy, the larger the number of people who can benefit from improvements in business regulation.

Within each economy the second city was also selected on the basis of population size. Another criterion was that the second city must be in a different metropolitan area than the largest business city.<sup>68</sup> Other criteria were also considered, such as contribution to total GDP or level of city dynamism, but these were not used in the end because of the lack of comparable data across the economies.

**Table A1.4**

| Economy            | Cities                     |
|--------------------|----------------------------|
| Bangladesh         | Dhaka, Chittagong          |
| Brazil             | Sao Paulo, Rio de Janeiro  |
| China              | Shanghai, Beijing          |
| India              | Mumbai, Delhi              |
| Indonesia          | Jakarta, Surabaya          |
| Japan              | Tokyo, Osaka               |
| Mexico             | Mexico City, Monterrey     |
| Nigeria            | Lagos, Kano                |
| Pakistan           | Karachi, Lahore            |
| Russian Federation | Moscow, St. Petersburg     |
| USA                | New York City, Los Angeles |

<sup>68</sup> Where the second and third largest cities were very close in population size, the GDP of the city or relevant state was used to determine which city was the second largest business city.

The data for the second city was collected through the use of a separate questionnaire sent to contributors in the relevant city of each economy. For an economy represented by two cities, both sets of data for the sub-indicators will be available and are disclosed in Appendix 3. Both cities will also be included within the economy's ranking calculation using the new distance to frontier (DTF) approach (see below).

### Calculation of scores and ranking for economies with two cities covered

For each of the 11 economies for which a second city was added in this year's report, the distance to frontier score is calculated as the population-weighted average of the distance to frontier scores for the two cities covered (Table A1.5). This is done for the scores for each of the component sub-indicators: number of payments, time and Total Tax Rate.

The table below shows how this change has impacted the eleven economies.

**Table A1.5**

| Economy                             | Population | Weight | Total Tax Rate (%) | Time to comply (hours) | Number of payments | Distance to frontier |
|-------------------------------------|------------|--------|--------------------|------------------------|--------------------|----------------------|
| Bangladesh Dhaka                    | 14,730,537 | 78%    | 32.5               | 302                    | 21.0               | 74.0                 |
| Bangladesh Chittagong               | 4,106,060  | 22%    | 32.5               | 302                    | 21.0               | 74.0                 |
| <b>Bangladesh</b>                   | -          | -      | <b>32.5</b>        | <b>302</b>             | <b>21.1</b>        | <b>74.0</b>          |
| Brazil Sao Paulo                    | 19,659,808 | 61%    | 68.9               | 2600                   | 9.0                | 41.4                 |
| Brazil Rio de Janeiro               | 12,373,884 | 39%    | 69.2               | 2600                   | 9.0                | 41.2                 |
| <b>Brazil</b>                       | -          | -      | <b>69.0</b>        | <b>2600</b>            | <b>9.0</b>         | <b>41.3</b>          |
| China Shanghai                      | 19,979,977 | 55%    | 64.5               | 261                    | 7.0                | 67.5                 |
| China Beijing                       | 16,189,572 | 45%    | 64.6               | 261                    | 7.0                | 67.4                 |
| <b>China</b>                        | -          | -      | <b>64.6</b>        | <b>261</b>             | <b>7.0</b>         | <b>67.4</b>          |
| India Mumbai                        | 19,421,983 | 47%    | 61.7               | 243                    | 33.0               | 55.5                 |
| India Delhi                         | 21,935,142 | 53%    | 61.7               | 243                    | 33.0               | 55.5                 |
| <b>India</b>                        | -          | -      | <b>61.7</b>        | <b>243</b>             | <b>33.0</b>        | <b>55.5</b>          |
| Indonesia Jakarta                   | 9,629,953  | 78%    | 31.4               | 254                    | 65.0               | 53.7                 |
| Indonesia Surabaya                  | 2,768,199  | 22%    | 31.4               | 254                    | 65.0               | 53.7                 |
| <b>Indonesia</b>                    | -          | -      | <b>31.4</b>        | <b>254</b>             | <b>65.0</b>        | <b>53.7</b>          |
| Japan Tokyo                         | 36,833,979 | 65%    | 51.2               | 330                    | 14.0               | 67.2                 |
| Japan Osaka                         | 19,491,722 | 35%    | 51.4               | 330                    | 14.0               | 67.1                 |
| <b>Japan</b>                        | -          | -      | <b>51.3</b>        | <b>330</b>             | <b>14.0</b>        | <b>67.2</b>          |
| Mexico Mexico City                  | 20,131,688 | 83%    | 51.7               | 334                    | 6.0                | 71.2                 |
| Mexico Monterrey                    | 4,112,643  | 17%    | 52.1               | 334                    | 6.0                | 71.0                 |
| <b>Mexico</b>                       | -          | -      | <b>51.8</b>        | <b>334</b>             | <b>6.0</b>         | <b>71.2</b>          |
| Nigeria Lagos                       | 10,780,986 | 77%    | 32.7               | 956                    | 47.0               | 39.1                 |
| Nigeria Kano                        | 3,220,929  | 23%    | 32.7               | 747                    | 47.0               | 39.1                 |
| <b>Nigeria</b>                      | -          | -      | <b>32.7</b>        | <b>908</b>             | <b>47.0</b>        | <b>39.1</b>          |
| Pakistan Karachi                    | 14,080,737 | 65%    | 32.5               | 594                    | 47.0               | 44.5                 |
| Pakistan Lahore                     | 7,487,415  | 35%    | 32.8               | 594                    | 47.0               | 44.4                 |
| <b>Pakistan</b>                     | -          | -      | <b>32.6</b>        | <b>594</b>             | <b>47.0</b>        | <b>44.5</b>          |
| Russian Federation Moscow           | 11,461,264 | 70%    | 49.0               | 168                    | 7.0                | 80.6                 |
| Russian Federation Saint Petersburg | 4,871,556  | 30%    | 48.7               | 168                    | 7.0                | 80.7                 |
| <b>Russian Federation</b>           | -          | -      | <b>48.9</b>        | <b>168</b>             | <b>7.0</b>         | <b>80.6</b>          |
| United States New York              | 18,365,262 | 60%    | 45.8               | 175                    | 11.0               | 79.7                 |
| United States Los Angeles           | 12,160,151 | 40%    | 40.9               | 175                    | 10.0               | 82.6                 |
| <b>United States</b>                | -          | -      | <b>43.8</b>        | <b>175</b>             | <b>10.6</b>        | <b>80.8</b>          |

Source: United Nations, Department of Economic and Social Affairs, Population Division, World Urbanization Prospects, 2014 Revision, "File 12: Population of Urban Agglomerations with 300,000 Inhabitants or More in 2014, by Country, 1950-2030 (thousands)." Available at <http://esa.un.org/unpd/wup/CD-ROM/Default.aspx>.

### **Ranking now calculated using the distance to frontier measure**

In all previous years the economies have been ranked using a simple average of the percentile rankings for each of the sub-indicators, but with a threshold applied to the Total Tax Rate.

From *Paying Taxes 2015*, for the first time, the ranking on the ease of paying taxes is based on the distance to frontier score rather than on the percentile rank. The distance to frontier score benchmarks economies with respect to a measure of regulatory best practice – showing the gap between each economy’s performance and the best performance on each indicator. The frontier is set at the lowest number that has occurred in the study for each sub-indicator with the exception of the Total Tax Rate, for which a threshold has been established (see more details in the section below about distance to frontier). The ranking based on the distance to frontier score is highly correlated with that based on the percentile rank. But the distance to frontier score captures more information than the percentile rank as it shows not only how economies are ordered but also how far apart they are.

The ranking of economies on the ease of paying taxes is determined by sorting their distance to frontier scores on paying taxes, rounded to 2 decimals. These scores are the simple average of the distance to frontier scores for each of the sub-indicators (number of payments, time and Total Tax Rate) with a threshold being applied to the Total Tax Rate sub-indicator. For the Total Tax Rate the threshold is defined as the highest rate among the top 15% of economies in the distribution of the Total Tax Rate for all economies since 2006. This year’s threshold is 26.1%. Additionally, above the threshold the Total Tax Rate is included in the ranking in a non-linear fashion (see more details in the section about distance to frontier below).

### **The World Bank Group distance to frontier measure**

A drawback of the ease of paying taxes ranking is that it can only measure the regulatory performance of economies relative to the performance of others. It does not provide information on how the absolute quality of the regulatory environment is improving over time. Nor does it provide information on how large the gaps are between economies at a single point in time.

To address these shortcomings, this year’s report presents in Appendix 3 the results for two aggregate measures: the distance to frontier measure and the ease of doing business ranking, which for the first time this year is based on the distance to frontier measure. The ease of doing business ranking, including the ranking for *Paying Taxes*, compares economies with one another; while the distance to frontier score benchmarks economies with respect to regulatory best practice, showing the absolute distance to the best performance on each *Doing Business* indicator. Both measures can be used for comparisons over time. When compared across years, the distance to frontier measure shows how much the regulatory environment for local entrepreneurs in each economy has changed over time in absolute terms, while the ease of paying taxes ranking can show only how economies have changed relative to one another.

The frontier is a score derived from the most efficient practice or highest score achieved on the *Paying Taxes* sub-indicators by any economy since 2006. In *Paying Taxes*, for example, Hong Kong SAR, (China) and Saudi Arabia have achieved the highest performance on the number of payments (3 payments), Singapore on time (49 hours) and Solomon Islands on the Total Tax Rate (26.1%).

Calculating the distance to frontier for each economy involves two main steps. First, two of the *Paying Taxes* sub-indicators, number of payments and time, are rescaled to a common unit using a linear transformation:  $(\max - y)/(\max - \min)$ , with the minimum value (min) representing the frontier – the highest performance on that sub-indicator across all economies since 2006. For the time to pay taxes the frontier is defined as the lowest time recorded among all economies that levy the three major taxes: profit tax, labour taxes and mandatory contributions, and value added tax (VAT) or sales tax. For the Total Tax Rate, consistent with the use of a threshold in calculating the rankings on this sub-indicator, the frontier is defined as the Total Tax Rate at the 15th percentile of the overall distribution of Total Tax Rates for all years included in the analysis. Additionally this year, for the first time, the Total Tax Rate enters the distance to frontier calculation in a different way in a non-linear fashion.

Second, for each economy the scores obtained are aggregated through simple averaging into one distance to frontier score. An economy's distance to frontier is indicated on a scale from 0 to 100, where 0 represents the lowest performance and 100 the frontier. To mitigate the effects of extreme outliers in the distributions of the rescaled data, the worst performance (i.e. the max) is calculated after the removal of outliers.

The worst performance is defined as the 95th percentile for each component of the pooled data for all economies for all the years included in the analysis. All distance to frontier calculations are based on a maximum of 5 decimals. However, the ease of paying taxes ranking calculation is based on 2 decimals.

The difference between an economy's distance to frontier score in any previous year and its score on the *Paying Taxes* indicator in 2013 illustrates the extent to which the economy has closed the gap to the frontier over time. And in any given year the score measures how far an economy is from the highest performance at that time. The distance to frontier measure can also be used for comparisons across economies in the same year, complementing the ease of paying taxes ranking.

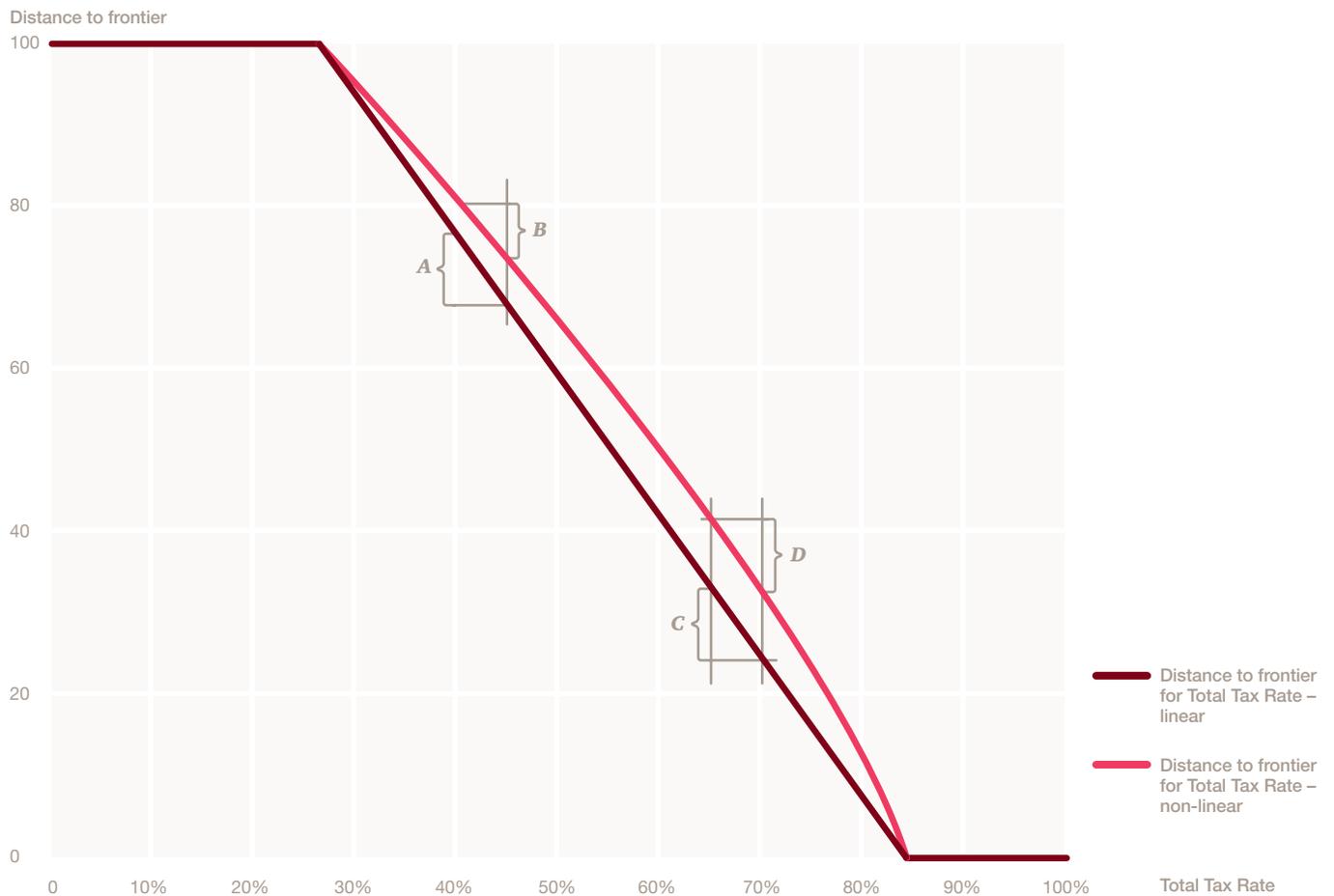
#### **Treatment of the Total Tax Rate**

This year, for the first time, the Total Tax Rate component of the paying taxes indicator set enters the distance to frontier calculation in a different way to the other sub-indicators. The distance to frontier score obtained for the Total Tax Rate is transformed in a non-linear fashion before it enters the distance to frontier score for paying taxes. As a result of the non-linear transformation, an increase in the Total Tax Rate has a smaller impact on the distance to frontier score for the Total Tax Rate – and therefore on the distance to frontier score for paying taxes – for economies with a below-average Total Tax Rate than it would have in the calculation done in previous years (line B is smaller than line A in figure x). And for economies with an extreme Total Tax Rate (a rate that is very high relative to the average), an increase has a greater impact on both these distance to frontier scores than before (line D is bigger than line C in Figure A1.1).

The non-linear transformation is not based on any economic theory of an “optimal tax rate” that minimises distortions or maximises efficiency in an economy's overall tax system. Instead, it is mainly empirical in nature. The non-linear transformation along with the threshold reduces the bias in the indicator toward economies that do not need to levy significant taxes on companies like the *Doing Business* standardised case study company because they raise public revenue in other ways – for example, through taxes on foreign companies, through taxes on sectors other than manufacturing or from natural resources (all of which are outside the scope of the methodology). In addition, it acknowledges the need of economies to collect taxes from firms.

**Figure A1.1**

How the non-linear transformation affects the distance to frontier score for the Total Tax Rate



**Note:** The non-linear distance to frontier for the Total Tax Rate is equal to the distance to frontier for the Total Tax Rate to the power of 0.8.  
**Source:** *Doing Business* database.

### Distance to frontier (DTF)

DTF for the time to comply and the number of payments is computed as:

$$100 * (max - y) / (max - min)$$

Where  $y$  := sub-indicator value for a given economy

DTF for the Total Tax Rate (TTR) is computed as:

$$TTR^{DTF} = 100 * [(max - y) / (max - min)]^{0.8}$$

for TTR above the 15th percentile.

For a TTR value below the 15th percentile,  $TTR^{DTF}$  is set at 100.

The overall *Paying Taxes* DTF will then take the form;

$$Paying\ Taxes^{DTF} = 1/3 [TTR^{DTF} + Time^{DTF} + Payments^{DTF}]$$

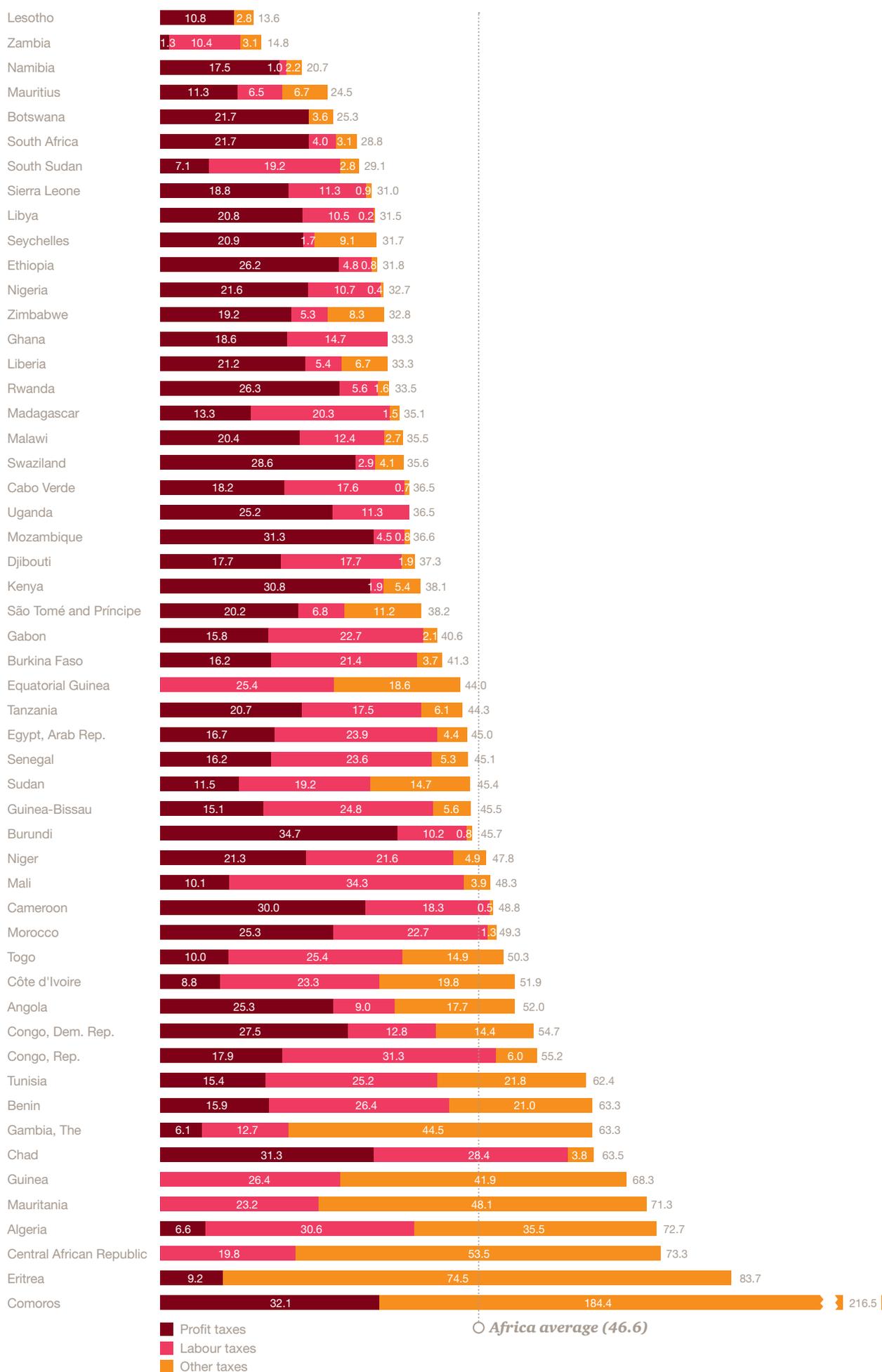
---

## ***Economy sub-indicator results by region***

Which economies are most relevant to you? Use our comparative modeller, [www.pwc.com/payingtaxesmodeller](http://www.pwc.com/payingtaxesmodeller) to create your own comparisons from all the economies and regions.

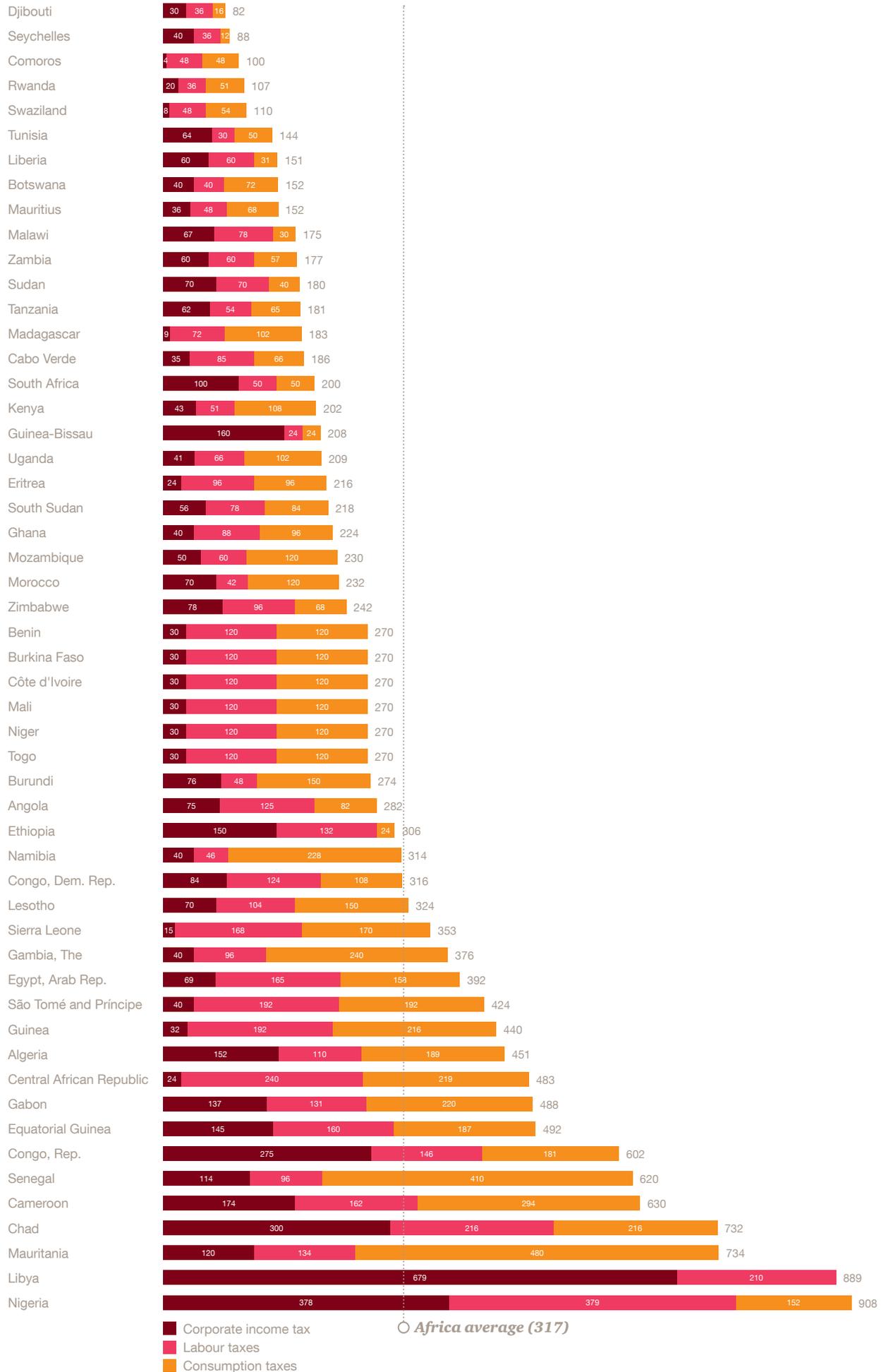
**Figure A2.1: Africa**

**Total Tax Rate (%)**



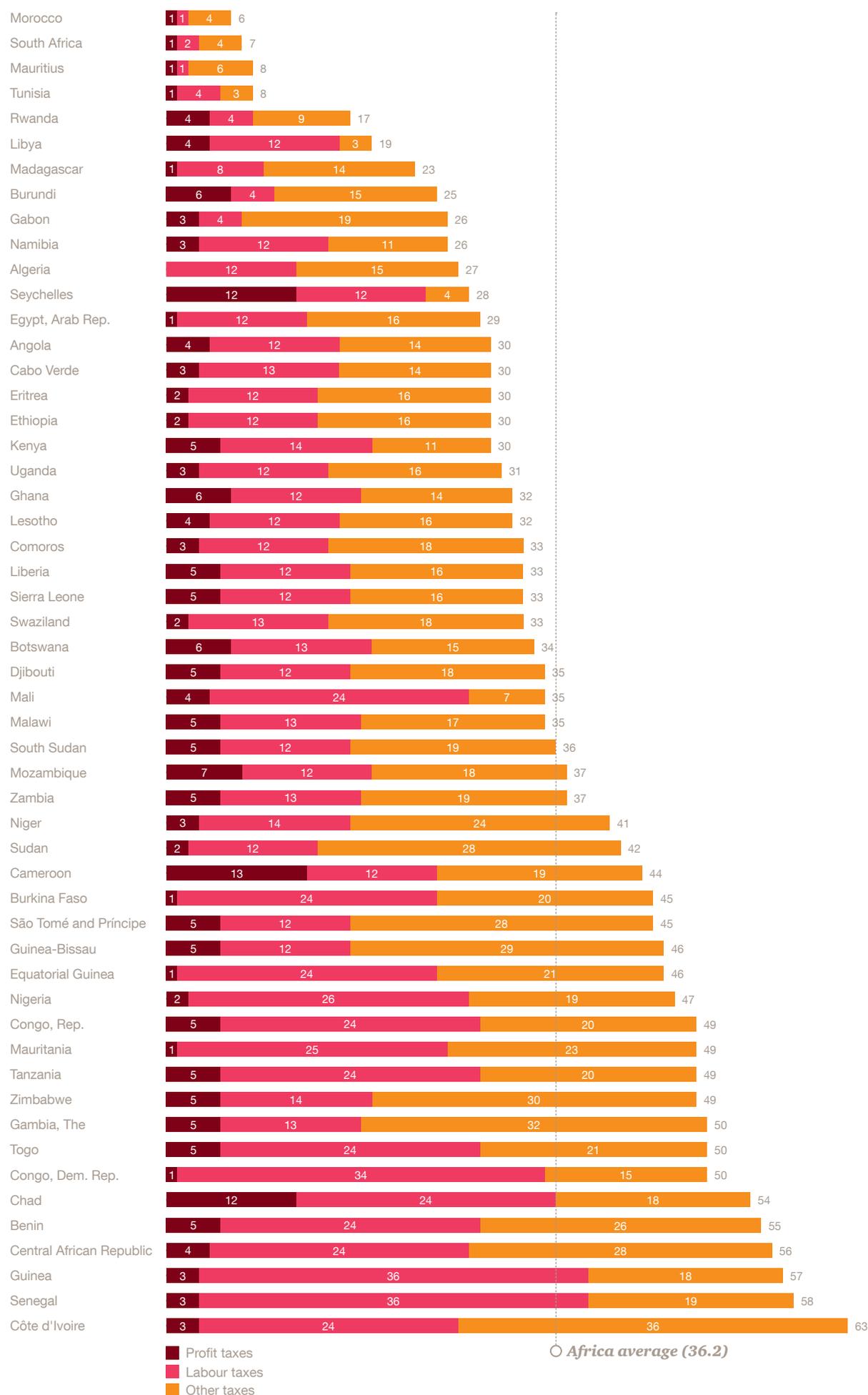
**Figure A2.2: Africa**

Time to comply (hours)



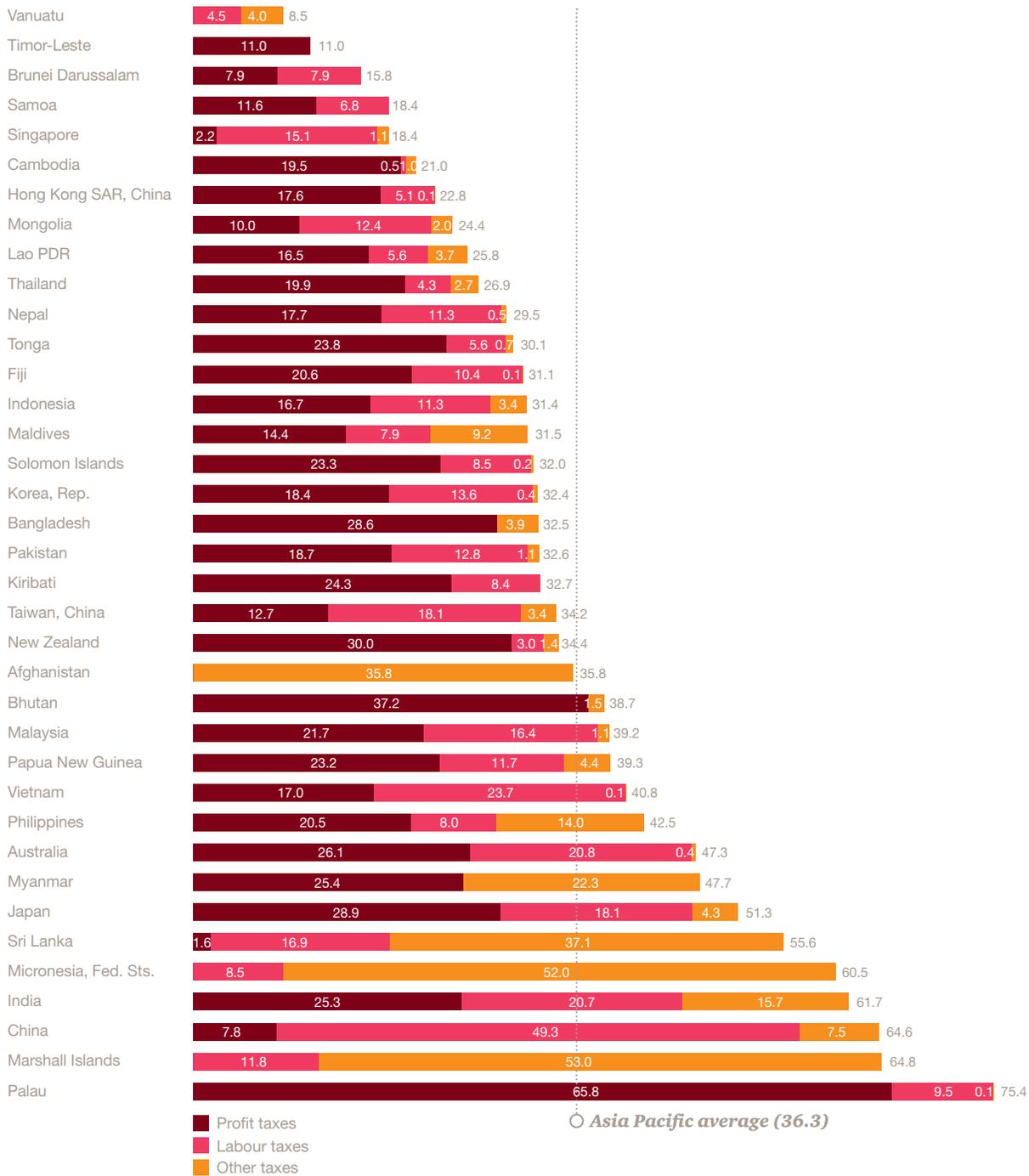
**Figure A2.3: Africa**

**Number of payments**



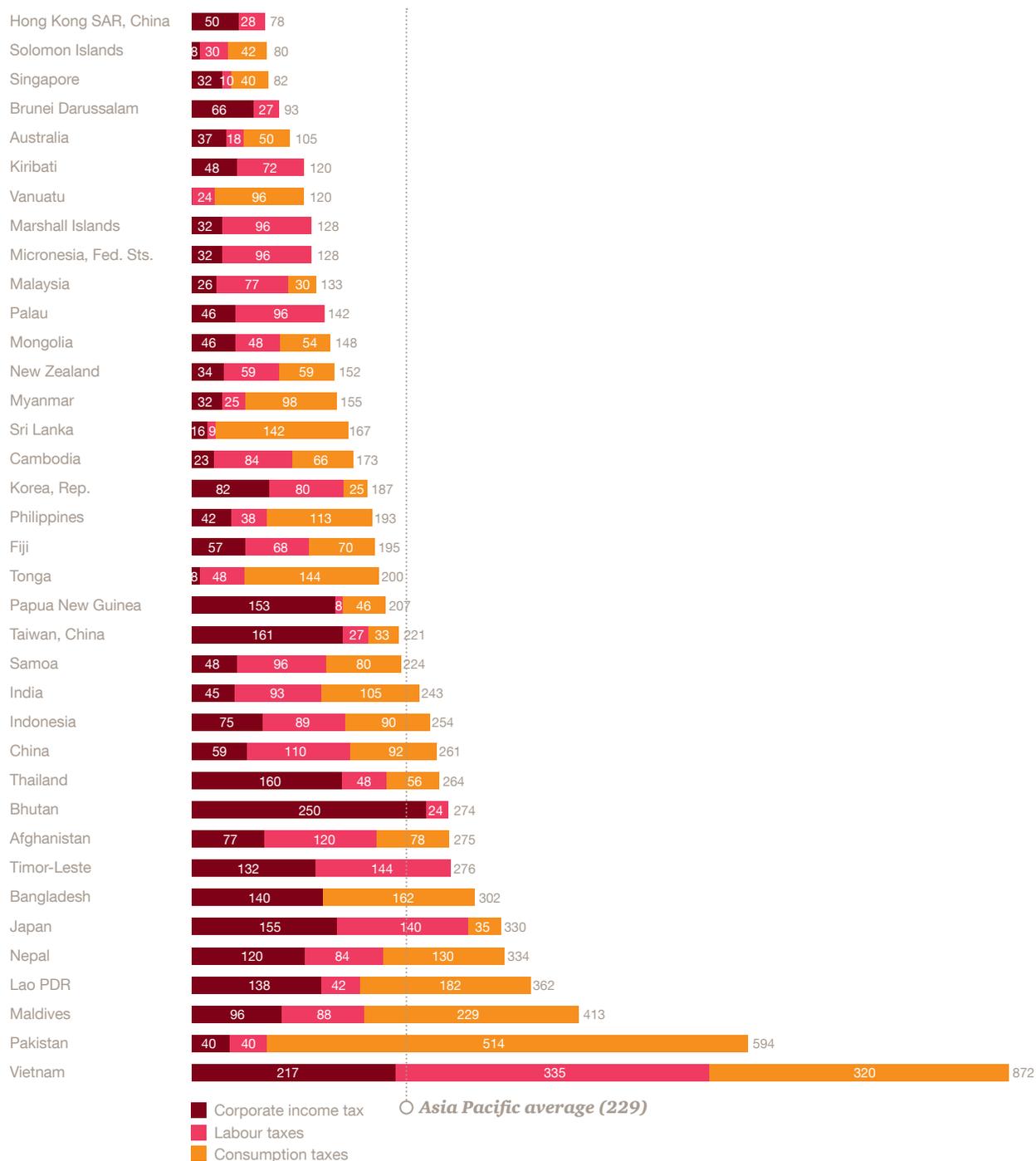
**Figure A2.4: Asia Pacific**

**Total Tax Rate (%)**



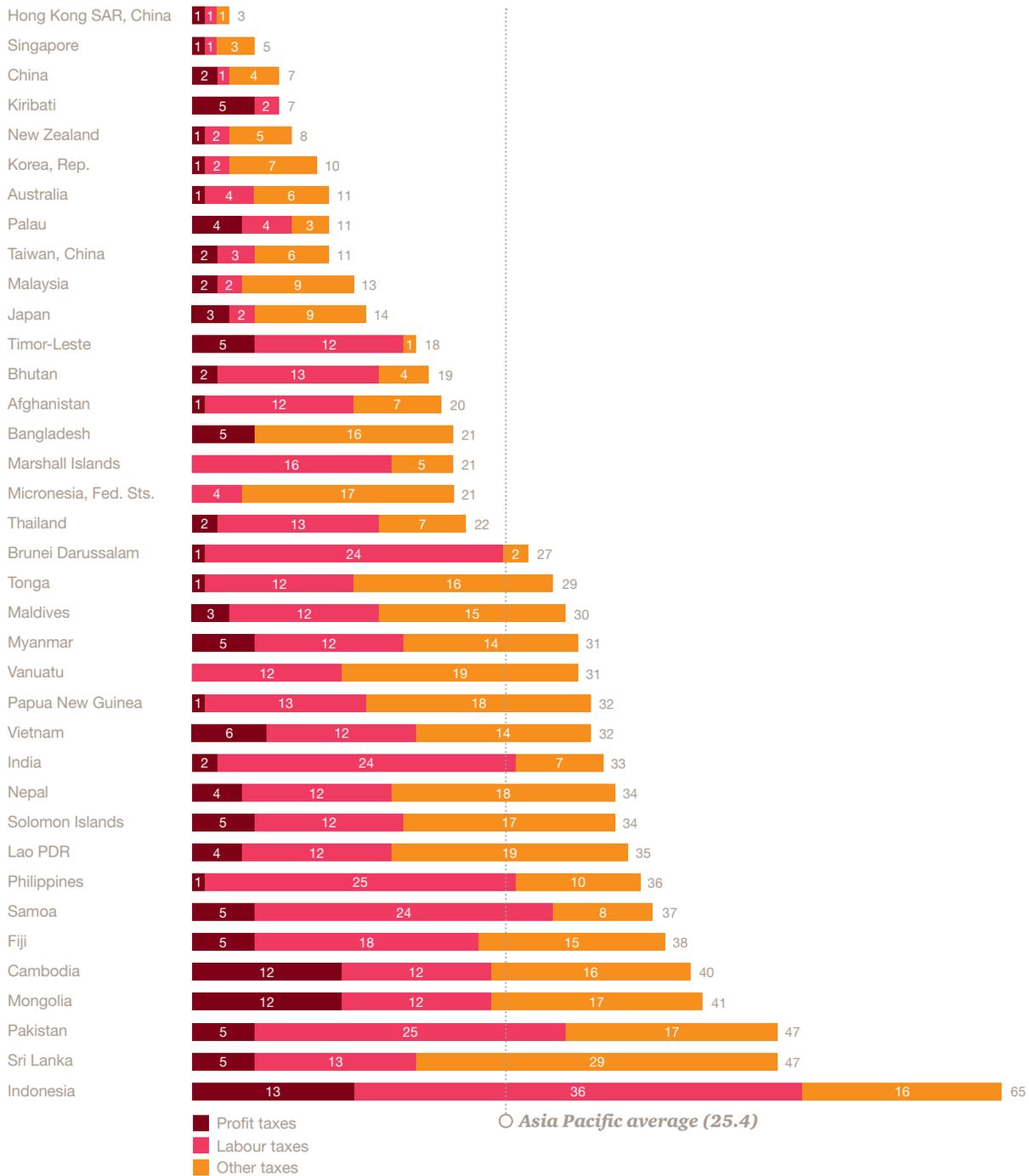
**Figure A2.5: Asia Pacific**

Time to comply (hours)



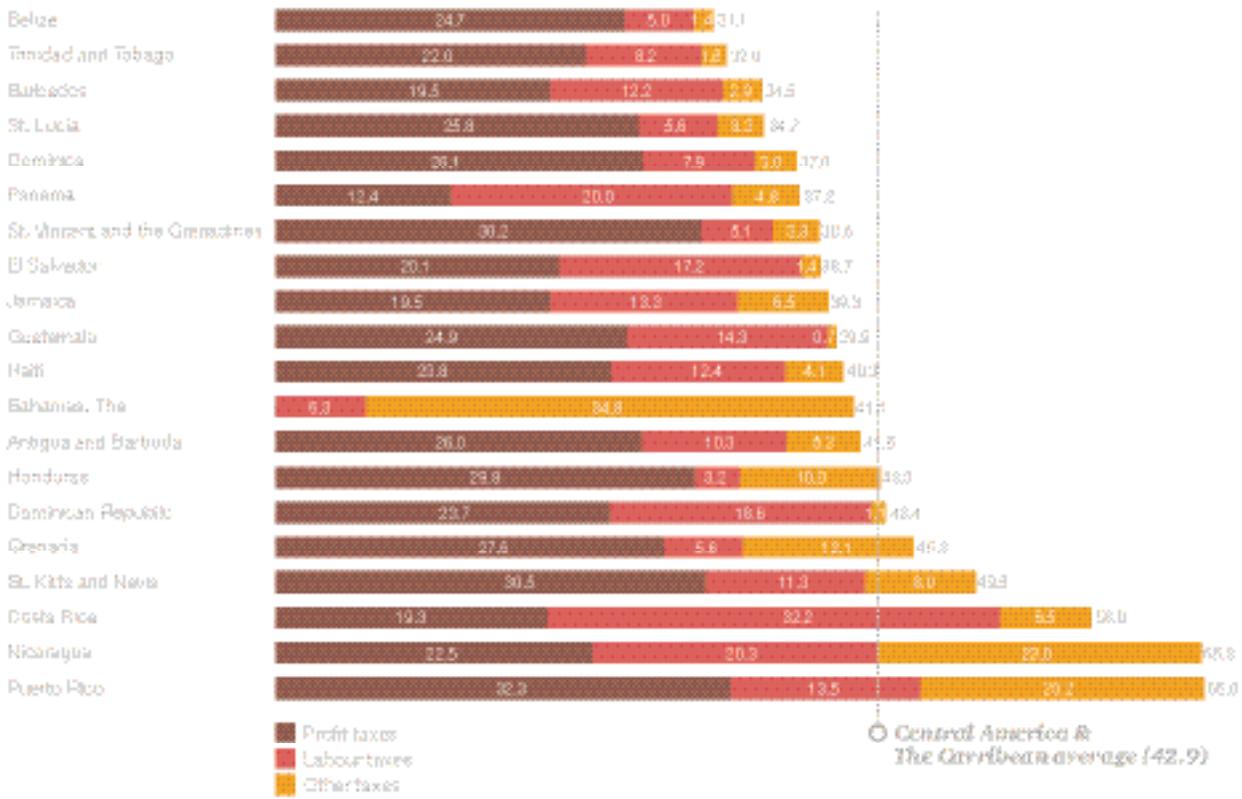
**Figure A2.6: Asia Pacific**

**Number of payments**



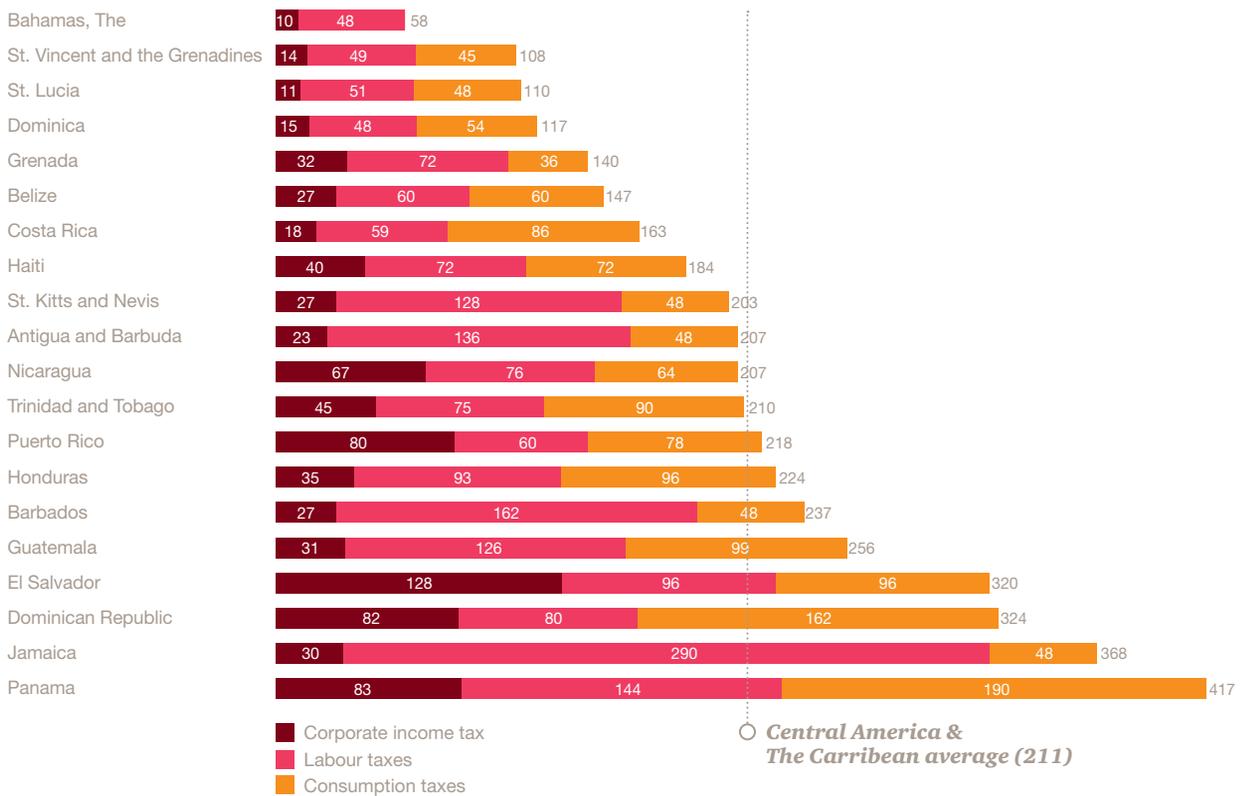
**Figure A2.7: Central America & The Caribbean**

Total Tax Rate (%)



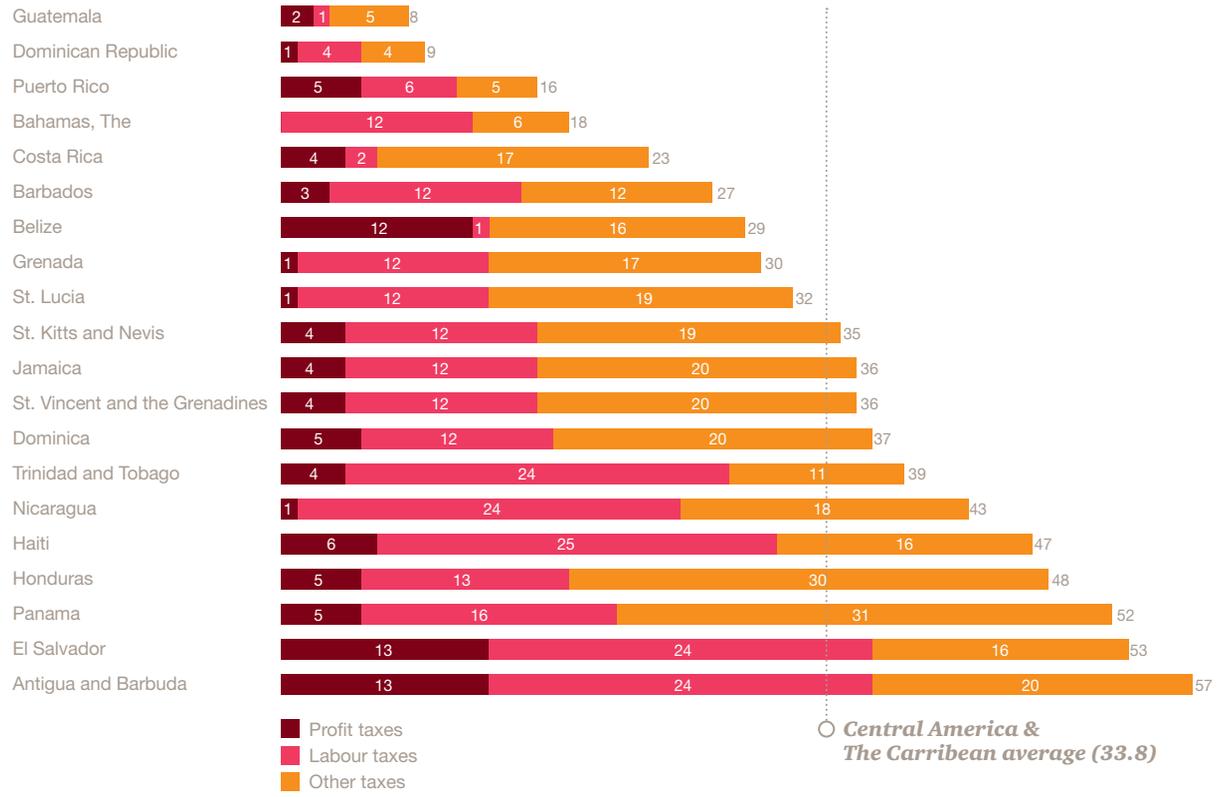
**Figure A2.8: Central America & The Caribbean**

Time to comply (hours)



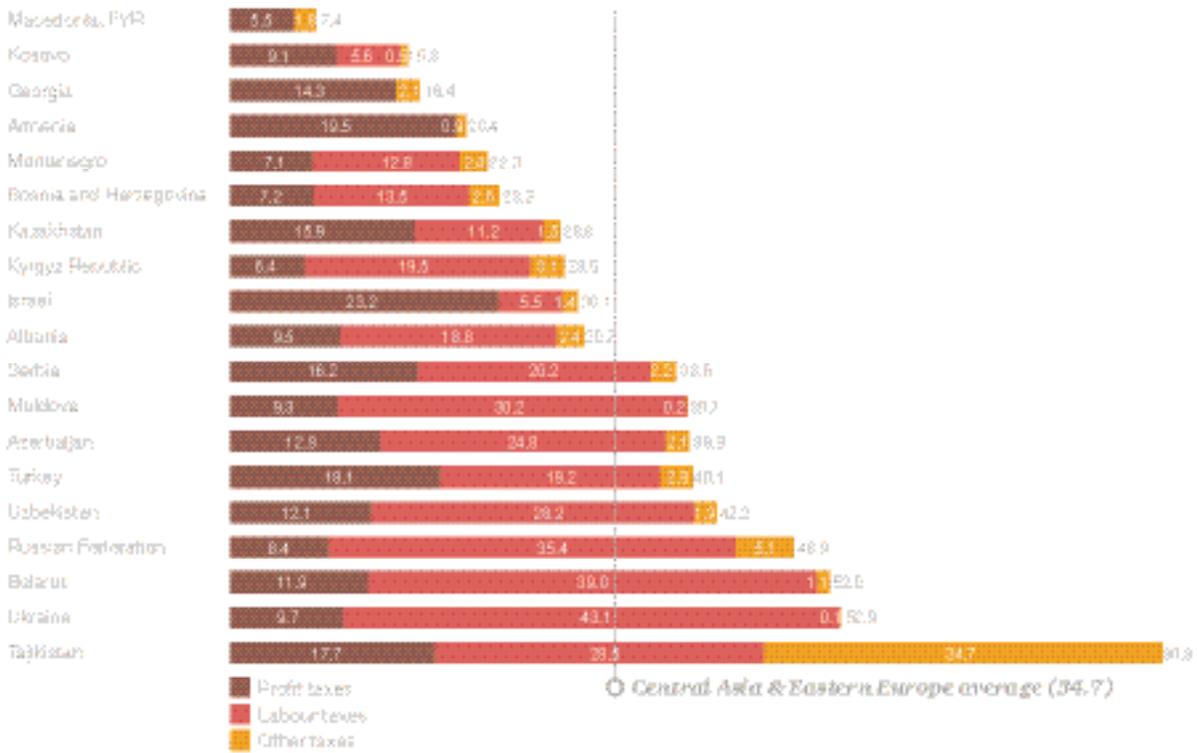
**Figure A2.9: Central America & The Caribbean**

**Number of payments**



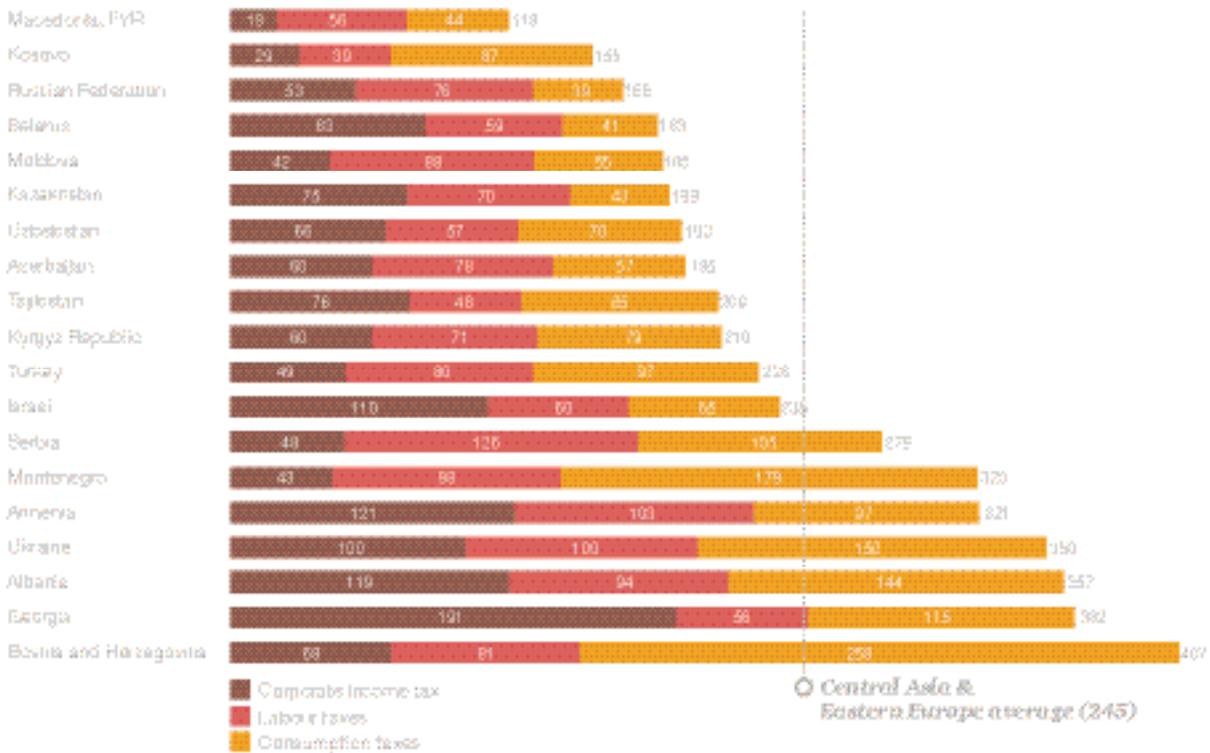
**Figure A2.10: Central Asia & Eastern Europe**

Total Tax Rate (%)



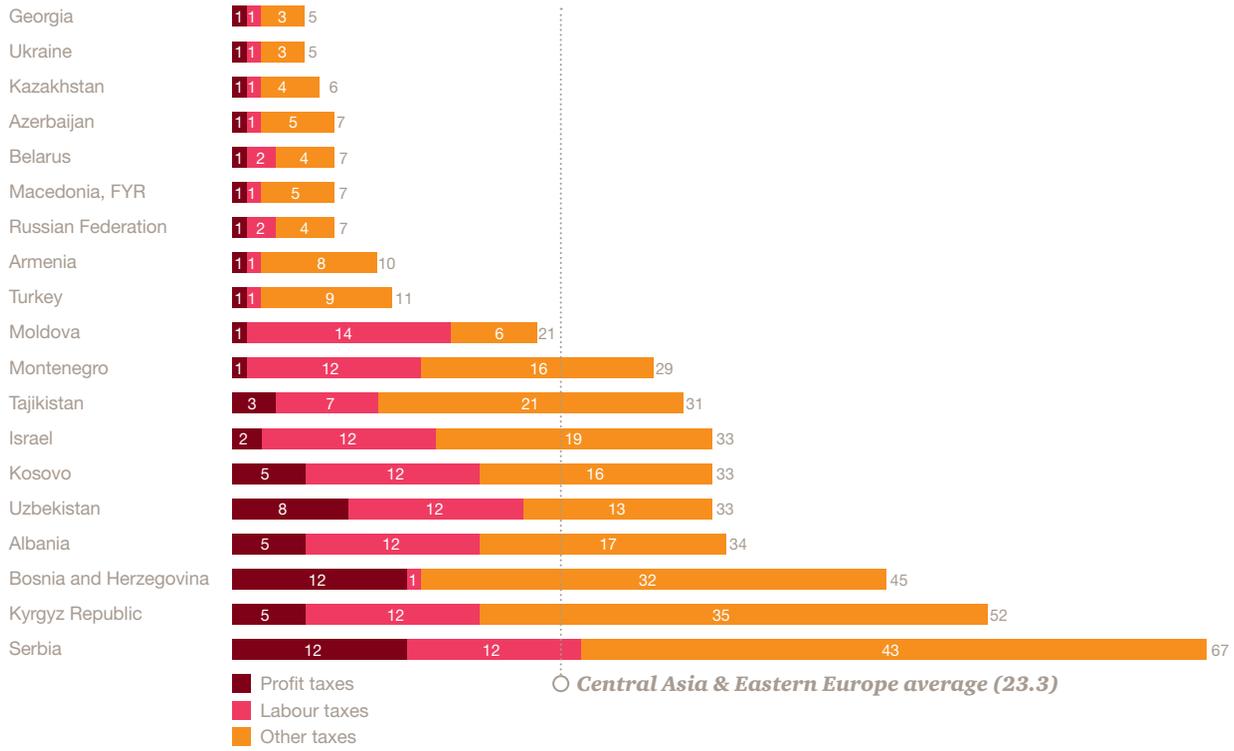
**Figure A2.11: Central Asia & Eastern Europe**

Time to comply (hours)



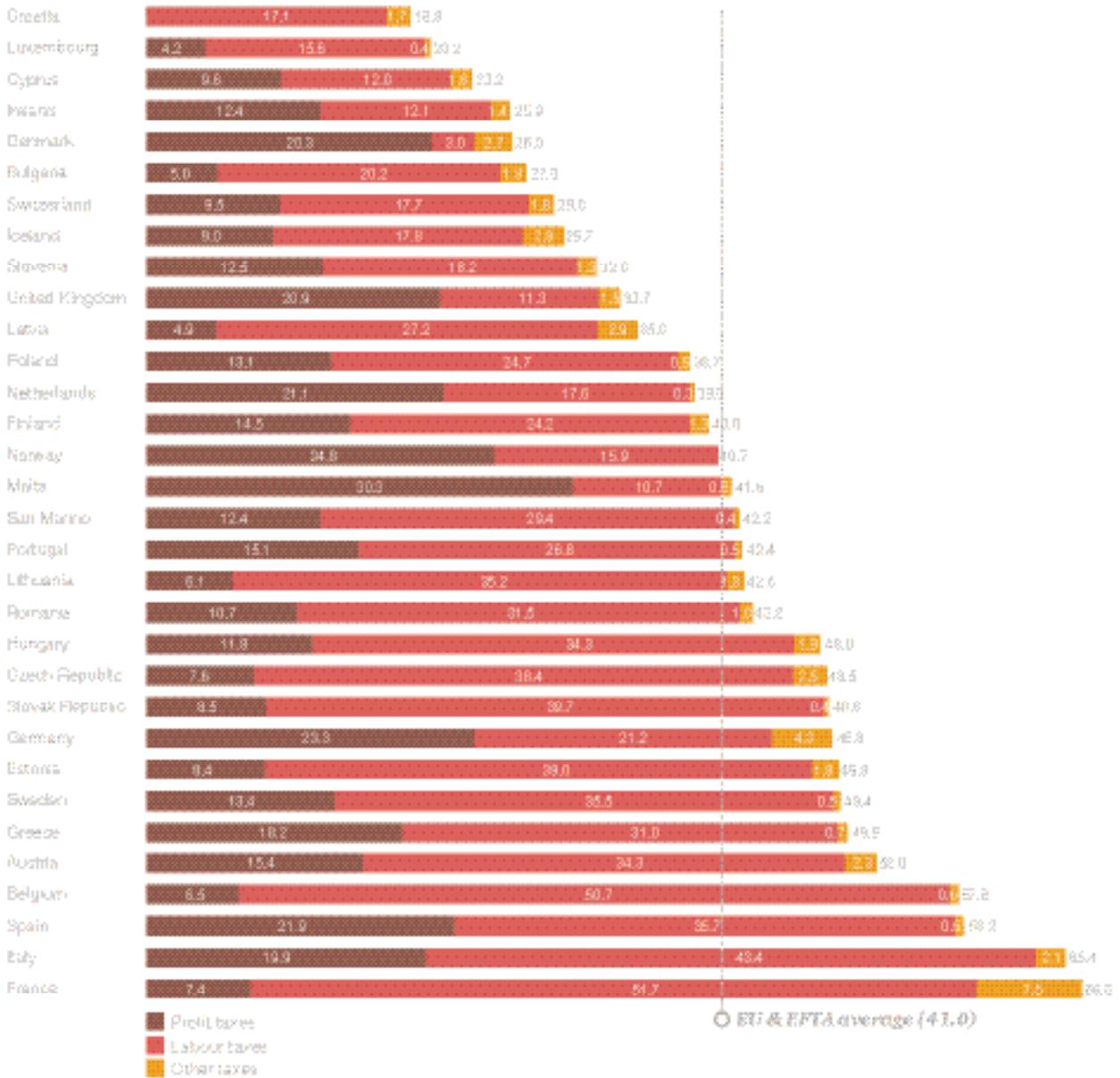
**Figure A2.12: Central Asia & Eastern Europe**

**Number of payments**



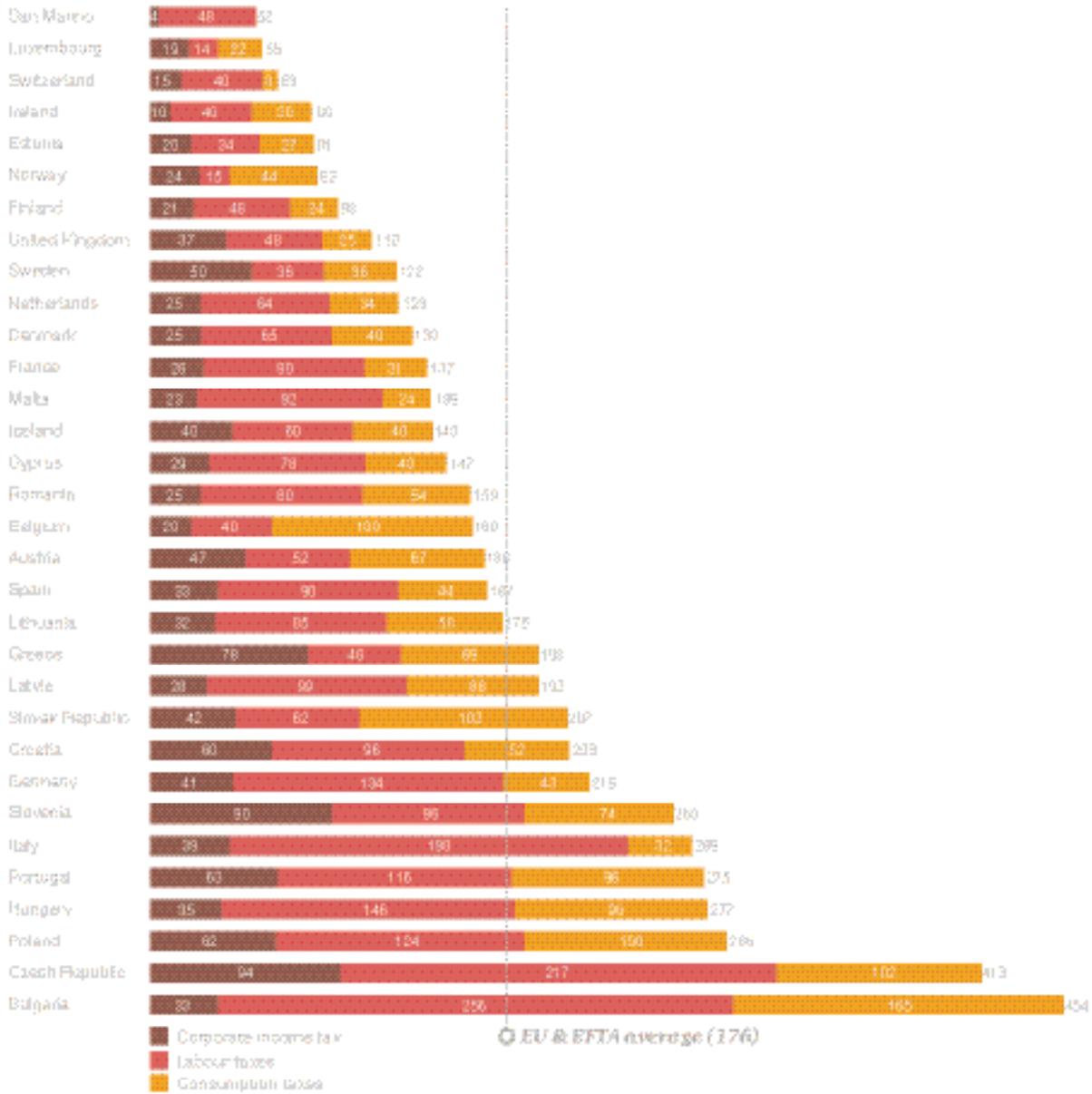
**Figure A2.13: EU & EFTA**

Total Tax Rate (%)



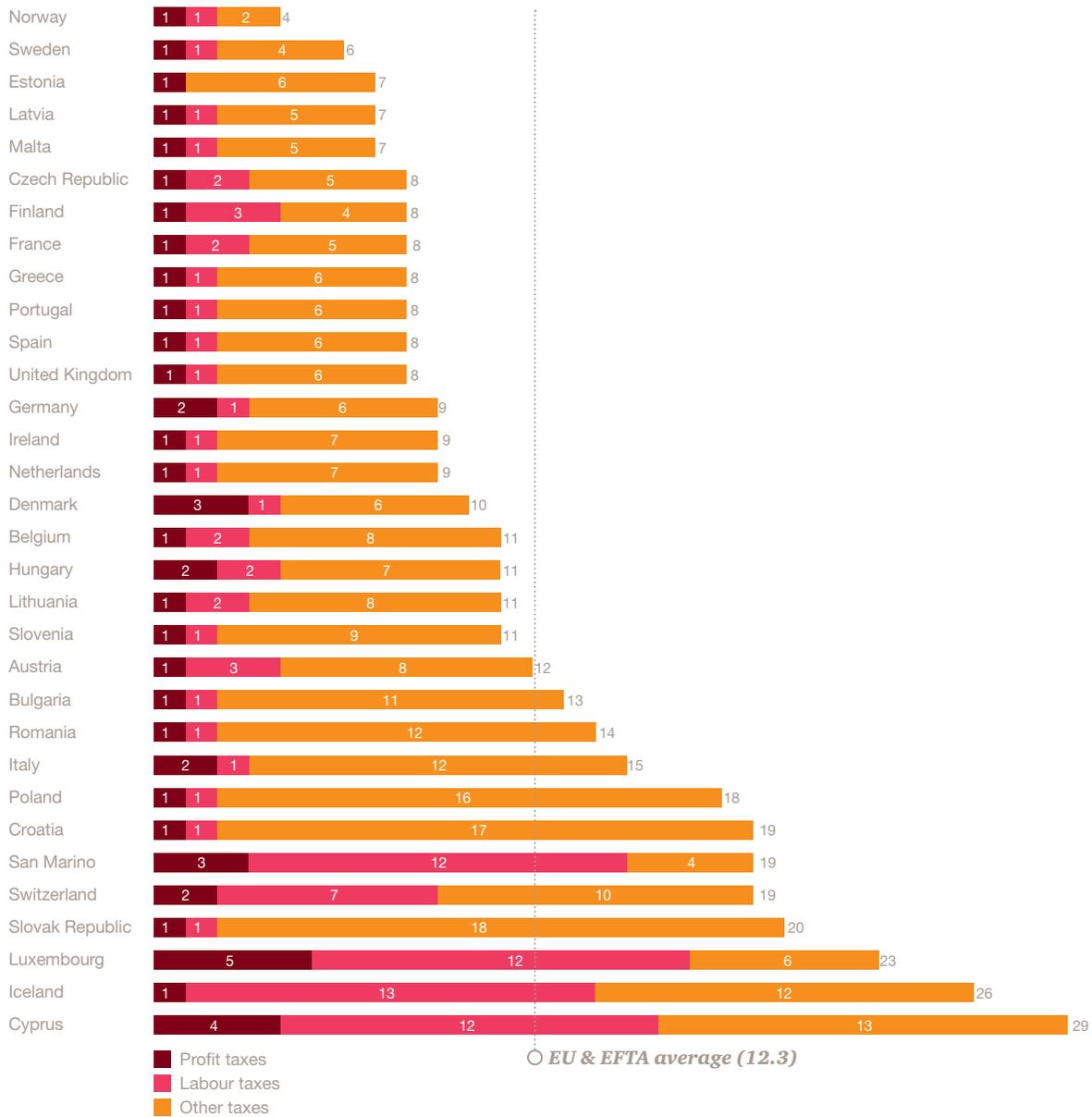
**Figure A2.14: EU & EFTA**

Time to comply (hours)



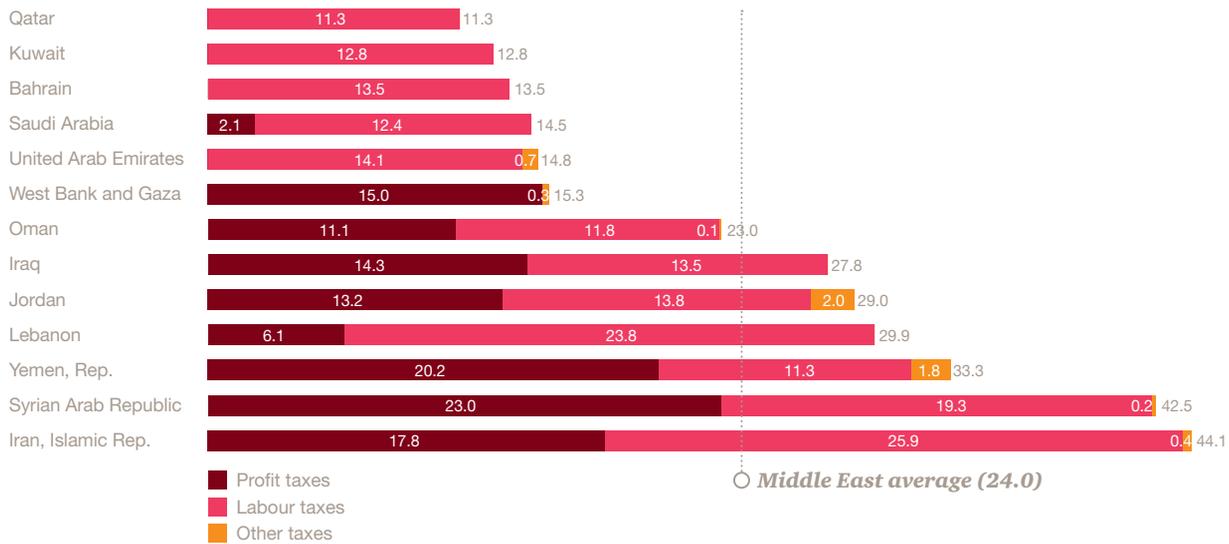
**Figure A2.15: EU & EFTA**

Number of payments



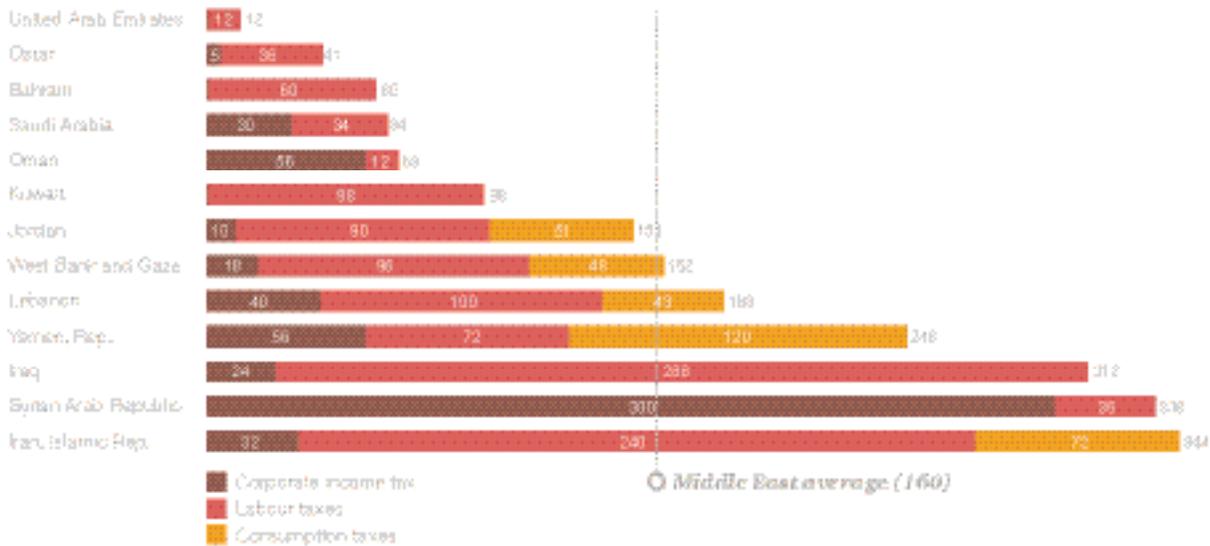
**Figure A2.16: Middle East**

**Total Tax Rate (%)**



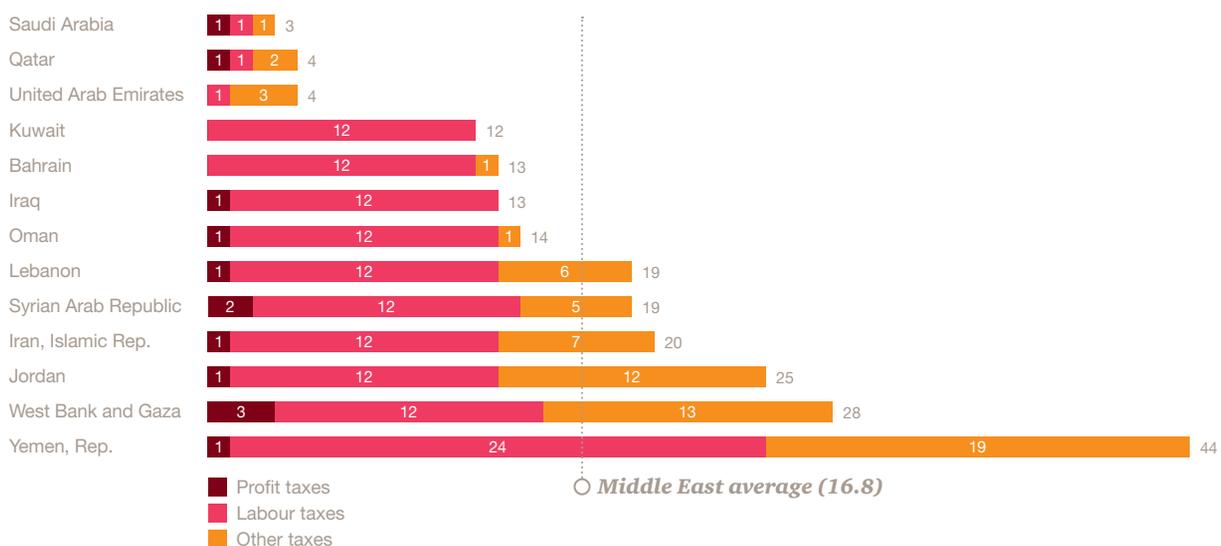
**Figure A2.17: Middle East**

**Time to comply (hours)**



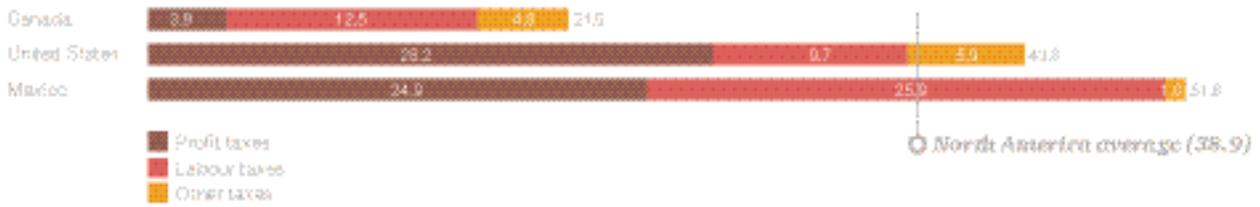
**Figure A2.18: Middle East**

**Number of payments**



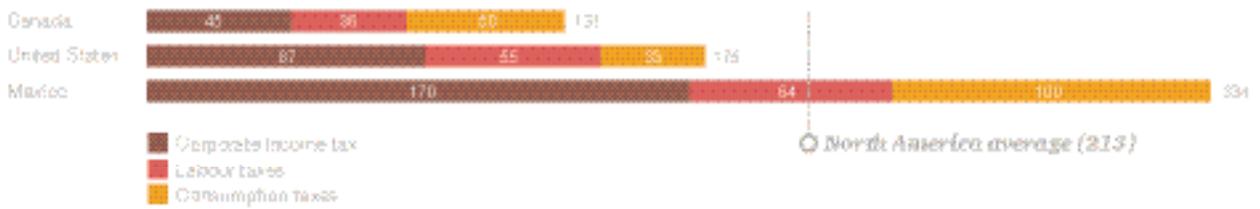
**Figure A2.19: North America**

Total Tax Rate (%)



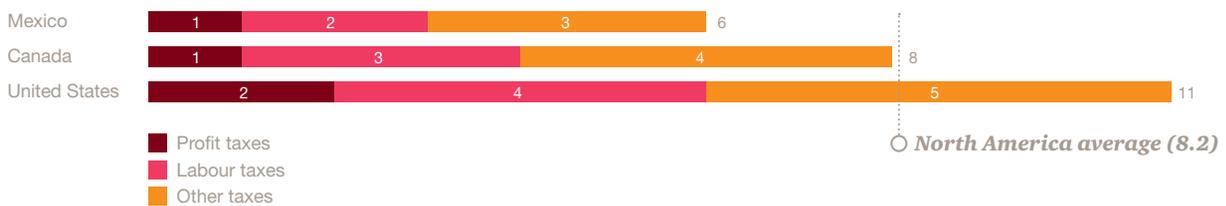
**Figure A2.20: North America**

Time to comply (hours)



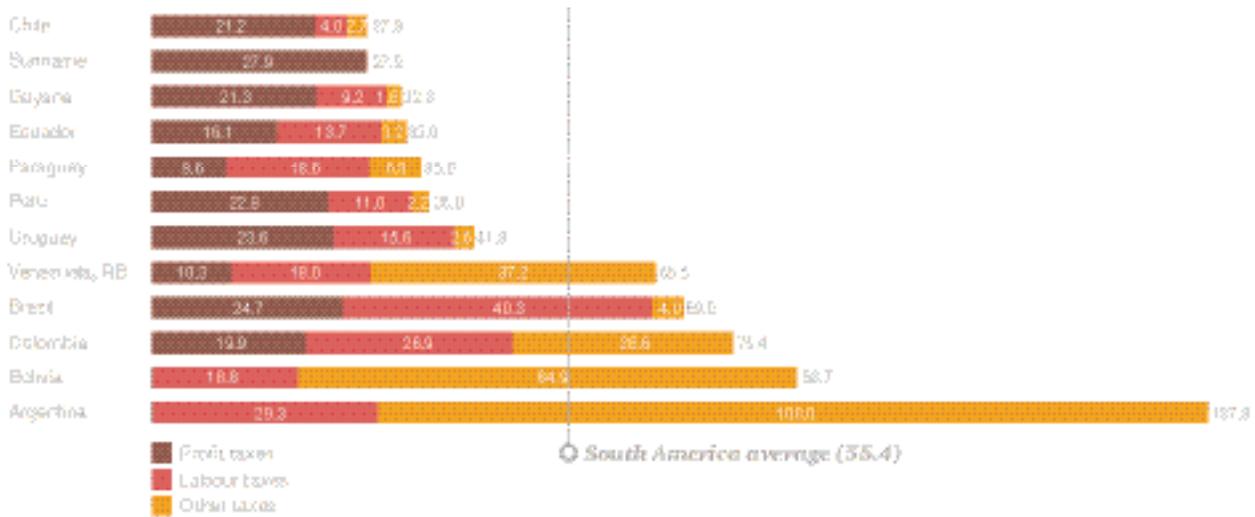
**Figure A2.21: North America**

Number of payments



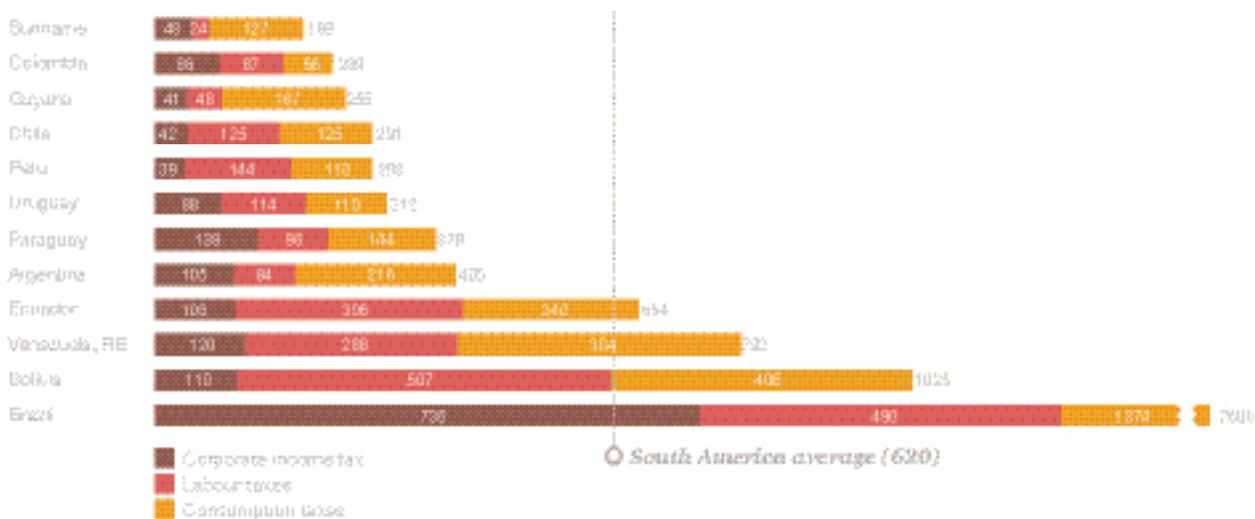
**Figure A2.22: South America**

Total Tax Rate (%)



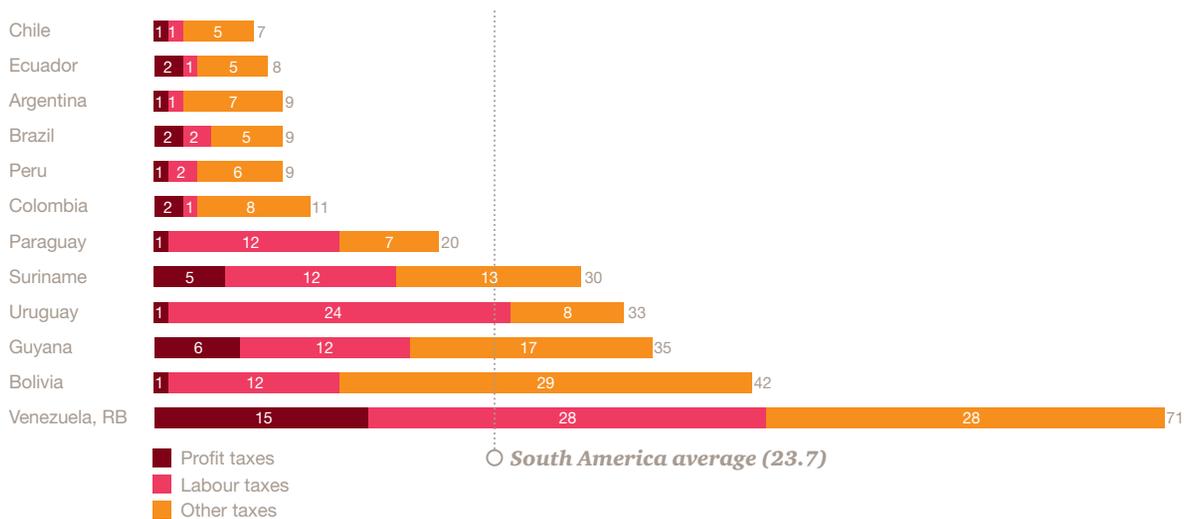
**Figure A2.23: South America**

Time to comply (hours)



**Figure A2.24: South America**

Number of payments





---

## *The data tables*

**Table 1:** Overall *Paying Taxes* ranking

**Table 2:** Total Tax Rate

**Table 3:** Time to comply

**Table 4:** Tax payments

**Table A3.1: Overall Paying Taxes ranking**

| Economy                  | Distance to frontier | Rank |
|--------------------------|----------------------|------|
| Afghanistan              | 74.39                | 79   |
| Albania                  | 64.75                | 131  |
| Algeria                  | 41.63                | 176  |
| Angola                   | 60.40                | 144  |
| Antigua and Barbuda      | 54.51                | 159  |
| Argentina                | 44.99                | 170  |
| Armenia                  | 82.10                | 41   |
| Australia                | 82.48                | 39   |
| Austria                  | 76.36                | 72   |
| Azerbaijan               | 83.77                | 33   |
| Bahamas, The             | 84.07                | 31   |
| Bahrain                  | 93.88                | 8    |
| Bangladesh               | 73.98                | 83   |
| Barbados                 | 72.99                | 92   |
| Belarus                  | 78.29                | 60   |
| Belgium                  | 74.18                | 81   |
| Belize                   | 78.17                | 61   |
| Benin                    | 41.02                | 178  |
| Bhutan                   | 73.55                | 86   |
| Bolivia                  | 12.18                | 189  |
| Bosnia and Herzegovina   | 58.22                | 151  |
| Botswana                 | 77.47                | 67   |
| Brazil                   | 41.31                | 177  |
| Brunei Darussalam        | 84.40                | 30   |
| Bulgaria                 | 73.18                | 89   |
| Burkina Faso             | 58.08                | 152  |
| Burundi                  | 66.78                | 124  |
| Cabo Verde               | 73.05                | 91   |
| Cambodia                 | 73.06                | 90   |
| Cameroon                 | 36.34                | 181  |
| Canada                   | 93.00                | 9    |
| Central African Republic | 23.47                | 185  |
| Chad                     | 19.54                | 186  |
| Chile                    | 84.50                | 29   |
| China                    | 67.44                | 120  |
| Colombia                 | 59.71                | 146  |
| Comoros                  | 47.37                | 167  |
| Congo, Dem. Rep.         | 46.11                | 168  |
| Congo, Rep.              | 31.67                | 182  |
| Costa Rica               | 67.27                | 121  |
| Côte d'Ivoire            | 42.73                | 175  |
| Croatia                  | 82.92                | 36   |
| Cyprus                   | 80.53                | 50   |
| Czech Republic           | 67.66                | 119  |
| Denmark                  | 91.94                | 12   |
| Djibouti                 | 75.26                | 75   |
| Dominica                 | 72.49                | 94   |
| Dominican Republic       | 74.24                | 80   |
| Ecuador                  | 62.84                | 138  |
| Egypt, Arab Rep.         | 58.84                | 149  |
| El Salvador              | 52.31                | 161  |
| Equatorial Guinea        | 44.73                | 171  |
| Eritrea                  | 43.49                | 174  |
| Estonia                  | 84.93                | 28   |
| Ethiopia                 | 69.11                | 112  |
| Fiji                     | 70.73                | 107  |
| Finland                  | 88.36                | 21   |
| France                   | 72.12                | 95   |
| Gabon                    | 57.75                | 154  |
| Gambia, The              | 38.36                | 180  |
| Georgia                  | 82.76                | 38   |
| Germany                  | 77.02                | 68   |
| Ghana                    | 71.53                | 101  |

**Table A3.1: Overall Paying Taxes ranking**

| Economy               | Distance to frontier | Rank |
|-----------------------|----------------------|------|
| Greece                | 78.30                | 59   |
| Grenada               | 71.12                | 106  |
| Guatemala             | 80.04                | 54   |
| Guinea                | 28.27                | 184  |
| Guinea-Bissau         | 58.65                | 150  |
| Guyana                | 68.69                | 115  |
| Haiti                 | 61.87                | 142  |
| Honduras              | 57.92                | 153  |
| Hong Kong SAR, China  | 98.51                | 4    |
| Hungary               | 73.27                | 88   |
| Iceland               | 80.86                | 46   |
| India                 | 55.53                | 156  |
| Indonesia             | 53.66                | 160  |
| Iran, Islamic Rep.    | 66.78                | 124  |
| Iraq                  | 80.09                | 52   |
| Ireland               | 95.07                | 6    |
| Israel                | 71.88                | 97   |
| Italy                 | 62.13                | 141  |
| Jamaica               | 59.01                | 147  |
| Japan                 | 67.19                | 122  |
| Jordan                | 81.19                | 45   |
| Kazakhstan            | 90.04                | 17   |
| Kenya                 | 71.49                | 102  |
| Kiribati              | 91.03                | 14   |
| Korea, Rep.           | 86.09                | 25   |
| Kosovo                | 77.87                | 63   |
| Kuwait                | 92.48                | 11   |
| Kyrgyz Republic       | 63.15                | 136  |
| Lao PDR               | 66.10                | 129  |
| Latvia                | 86.19                | 24   |
| Lebanon               | 82.44                | 40   |
| Lesotho               | 69.72                | 109  |
| Liberia               | 74.75                | 77   |
| Libya                 | 55.25                | 157  |
| Lithuania             | 81.24                | 44   |
| Luxembourg            | 88.58                | 20   |
| Macedonia, FYR        | 94.17                | 7    |
| Madagascar            | 77.78                | 65   |
| Malawi                | 71.37                | 103  |
| Malaysia              | 83.95                | 32   |
| Maldives              | 63.76                | 134  |
| Mali                  | 60.16                | 145  |
| Malta                 | 85.81                | 26   |
| Marshall Islands      | 66.38                | 128  |
| Mauritania            | 17.71                | 187  |
| Mauritius             | 91.92                | 13   |
| Mexico                | 71.17                | 105  |
| Micronesia, Fed. Sts. | 68.78                | 114  |
| Moldova               | 76.57                | 70   |
| Mongolia              | 73.79                | 84   |
| Montenegro            | 71.59                | 98   |
| Morocco               | 77.69                | 66   |
| Mozambique            | 66.85                | 123  |
| Myanmar               | 68.64                | 116  |
| Namibia               | 73.57                | 85   |
| Nepal                 | 66.52                | 126  |
| Netherlands           | 86.76                | 23   |
| New Zealand           | 88.04                | 22   |
| Nicaragua             | 49.51                | 164  |
| Niger                 | 57.07                | 155  |
| Nigeria               | 39.15                | 179  |
| Norway                | 90.80                | 15   |
| Oman                  | 92.91                | 10   |

**Table A3.1: Overall Paying Taxes ranking**

| Economy                        | Distance to frontier | Rank |
|--------------------------------|----------------------|------|
| Pakistan                       | 44.46                | 172  |
| Palau                          | 64.65                | 132  |
| Panama                         | 48.60                | 166  |
| Papua New Guinea               | 69.50                | 110  |
| Paraguay                       | 69.45                | 111  |
| Peru                           | 79.43                | 57   |
| Philippines                    | 66.46                | 127  |
| Poland                         | 73.51                | 87   |
| Portugal                       | 77.84                | 64   |
| Puerto Rico                    | 63.83                | 133  |
| Qatar                          | 99.44                | 1    |
| Romania                        | 80.09                | 52   |
| Russian Federation             | 80.63                | 49   |
| Rwanda                         | 85.79                | 27   |
| Samoa                          | 72.10                | 96   |
| San Marino                     | 83.33                | 34   |
| São Tomé and Príncipe          | 51.65                | 162  |
| Saudi Arabia                   | 99.23                | 3    |
| Senegal                        | 30.94                | 183  |
| Serbia                         | 48.90                | 165  |
| Seychelles                     | 81.50                | 43   |
| Sierra Leone                   | 65.39                | 130  |
| Singapore                      | 97.19                | 5    |
| Slovak Republic                | 71.57                | 100  |
| Slovenia                       | 81.94                | 42   |
| Solomon Islands                | 78.42                | 58   |
| South Africa                   | 88.73                | 19   |
| South Sudan                    | 71.59                | 98   |
| Spain                          | 75.25                | 76   |
| Sri Lanka                      | 55.00                | 158  |
| St. Kitts and Nevis            | 62.85                | 137  |
| St. Lucia                      | 76.71                | 69   |
| St. Vincent and the Grenadines | 72.76                | 93   |
| Sudan                          | 62.34                | 139  |
| Suriname                       | 76.45                | 71   |
| Swaziland                      | 75.76                | 74   |
| Sweden                         | 83.30                | 35   |
| Switzerland                    | 89.05                | 18   |
| Syrian Arab Republic           | 68.54                | 117  |
| Taiwan, China                  | 82.90                | 37   |
| Tajikistan                     | 46.06                | 169  |
| Tanzania                       | 58.95                | 148  |
| Thailand                       | 77.99                | 62   |
| Timor-Leste                    | 79.97                | 55   |
| Togo                           | 50.81                | 163  |
| Tonga                          | 75.93                | 73   |
| Trinidad and Tobago            | 68.98                | 113  |
| Tunisia                        | 74.11                | 82   |
| Turkey                         | 79.80                | 56   |
| Uganda                         | 71.32                | 104  |
| Ukraine                        | 70.33                | 108  |
| United Arab Emirates           | 99.44                | 1    |
| United Kingdom                 | 90.52                | 16   |
| United States                  | 80.84                | 47   |
| Uruguay                        | 62.32                | 140  |
| Uzbekistan                     | 68.30                | 118  |
| Vanuatu                        | 80.79                | 48   |
| Venezuela, RB                  | 13.37                | 188  |
| Vietnam                        | 43.61                | 173  |
| West Bank and Gaza             | 80.29                | 51   |
| Yemen, Rep.                    | 63.62                | 135  |
| Zambia                         | 74.52                | 78   |
| Zimbabwe                       | 61.39                | 143  |

Table A3.2: Total Tax Rate

| Economy                        | Total Tax Rate |                           |                           |                            |
|--------------------------------|----------------|---------------------------|---------------------------|----------------------------|
|                                | Total Tax Rate | Profit tax Total Tax Rate | Labour tax Total Tax Rate | Other taxes Total Tax Rate |
| Afghanistan                    | 35.8           | 0.0                       | 0.0                       | 35.8                       |
| Albania                        | 30.7           | 9.5                       | 18.8                      | 2.4                        |
| Algeria                        | 72.7           | 6.6                       | 30.6                      | 35.5                       |
| Angola                         | 52.0           | 25.3                      | 9.0                       | 17.7                       |
| Antigua and Barbuda            | 41.6           | 26.0                      | 10.3                      | 5.3                        |
| Argentina                      | 137.3          | 0.0                       | 29.3                      | 108.0                      |
| Armenia                        | 20.4           | 19.5                      | 0.0                       | 0.9                        |
| Australia                      | 47.3           | 26.1                      | 20.8                      | 0.4                        |
| Austria                        | 52.0           | 15.4                      | 34.3                      | 2.3                        |
| Azerbaijan                     | 39.8           | 12.9                      | 24.8                      | 2.1                        |
| Bahamas, The                   | 41.1           | 0.0                       | 6.3                       | 34.8                       |
| Bahrain                        | 13.5           | 0.0                       | 13.5                      | 0.0                        |
| Bangladesh                     | 32.5           | 28.6                      | 0.0                       | 3.9                        |
| <i>Bangladesh (Chittagong)</i> | 32.5           | 28.6                      | 0.0                       | 3.9                        |
| <i>Bangladesh (Dhaka)</i>      | 32.5           | 28.6                      | 0.0                       | 3.9                        |
| Barbados                       | 34.6           | 19.5                      | 12.2                      | 2.9                        |
| Belarus                        | 52.0           | 11.9                      | 39.0                      | 1.1                        |
| Belgium                        | 57.8           | 6.5                       | 50.7                      | 0.6                        |
| Belize                         | 31.1           | 24.7                      | 5.0                       | 1.4                        |
| Benin                          | 63.3           | 15.9                      | 26.4                      | 21.0                       |
| Bhutan                         | 38.7           | 37.2                      | 0.0                       | 1.5                        |
| Bolivia                        | 83.7           | 0.0                       | 18.8                      | 64.9                       |
| Bosnia and Herzegovina         | 23.3           | 7.2                       | 13.5                      | 2.6                        |
| Botswana                       | 25.3           | 21.7                      | 0.0                       | 3.6                        |
| Brazil                         | 69.0           | 24.7                      | 40.3                      | 4.0                        |
| <i>Brazil (Rio de Janeiro)</i> | 69.2           | 24.6                      | 40.3                      | 4.3                        |
| <i>Brazil (São Paulo)</i>      | 68.9           | 24.8                      | 40.3                      | 3.8                        |
| Brunei Darussalam              | 15.8           | 7.9                       | 7.9                       | 0.0                        |
| Bulgaria                       | 27.0           | 5.0                       | 20.2                      | 1.8                        |
| Burkina Faso                   | 41.3           | 16.2                      | 21.4                      | 3.7                        |
| Burundi                        | 45.7           | 34.7                      | 10.2                      | 0.8                        |
| Cabo Verde                     | 36.5           | 18.2                      | 17.6                      | 0.7                        |
| Cambodia                       | 21.0           | 19.5                      | 0.5                       | 1.0                        |
| Cameroon                       | 48.8           | 30.0                      | 18.3                      | 0.5                        |
| Canada                         | 21.0           | 3.9                       | 12.5                      | 4.6                        |
| Central African Republic       | 73.3           | 0.0                       | 19.8                      | 53.5                       |
| Chad                           | 63.5           | 31.3                      | 28.4                      | 3.8                        |
| Chile                          | 27.9           | 21.2                      | 4.0                       | 2.7                        |
| China                          | 64.6           | 7.8                       | 49.3                      | 7.5                        |
| <i>China (Beijing)</i>         | 64.6           | 7.8                       | 49.6                      | 7.2                        |
| <i>China (Shanghai)</i>        | 64.5           | 7.8                       | 49.7                      | 7.6                        |
| Colombia                       | 75.4           | 19.9                      | 26.9                      | 28.6                       |
| Comoros                        | 216.5          | 32.1                      | 0.0                       | 184.4                      |
| Congo, Dem. Rep.               | 54.7           | 27.5                      | 12.8                      | 14.4                       |
| Congo, Rep.                    | 55.2           | 17.9                      | 31.3                      | 6.0                        |
| Costa Rica                     | 58.0           | 19.3                      | 32.2                      | 6.5                        |
| Côte d'Ivoire                  | 51.9           | 8.8                       | 23.3                      | 19.8                       |
| Croatia                        | 18.8           | 0.0                       | 17.1                      | 1.7                        |
| Cyprus                         | 23.2           | 9.6                       | 12.0                      | 1.6                        |
| Czech Republic                 | 48.5           | 7.6                       | 38.4                      | 2.5                        |
| Denmark                        | 26.0           | 20.3                      | 3.0                       | 2.7                        |
| Djibouti                       | 37.3           | 17.7                      | 17.7                      | 1.9                        |
| Dominica                       | 37.0           | 26.1                      | 7.9                       | 3.0                        |
| Dominican Republic             | 43.4           | 23.7                      | 18.6                      | 1.1                        |
| Ecuador                        | 33.0           | 16.1                      | 13.7                      | 3.2                        |
| Egypt, Arab Rep.               | 45.0           | 16.7                      | 23.9                      | 4.4                        |
| El Salvador                    | 38.7           | 20.1                      | 17.2                      | 1.4                        |
| Equatorial Guinea              | 44.0           | 0.0                       | 25.4                      | 18.6                       |
| Eritrea                        | 83.7           | 9.2                       | 0.0                       | 74.5                       |
| Estonia                        | 49.3           | 8.4                       | 39.0                      | 1.9                        |
| Ethiopia                       | 31.8           | 26.2                      | 4.8                       | 0.8                        |
| Fiji                           | 31.1           | 20.6                      | 10.4                      | 0.1                        |
| Finland                        | 40.0           | 14.5                      | 24.2                      | 1.3                        |

Table A3.2: Total Tax Rate

| Economy                     | Total Tax Rate |                           |                           |                            |
|-----------------------------|----------------|---------------------------|---------------------------|----------------------------|
|                             | Total Tax Rate | Profit tax Total Tax Rate | Labour tax Total Tax Rate | Other taxes Total Tax Rate |
| France                      | 66.6           | 7.4                       | 51.7                      | 7.5                        |
| Gabon                       | 40.6           | 15.8                      | 22.7                      | 2.1                        |
| Gambia, The                 | 63.3           | 6.1                       | 12.7                      | 44.5                       |
| Georgia                     | 16.4           | 14.3                      | 0.0                       | 2.1                        |
| Germany                     | 48.8           | 23.3                      | 21.2                      | 4.3                        |
| Ghana                       | 33.3           | 18.6                      | 14.7                      | 0.0                        |
| Greece                      | 49.9           | 18.2                      | 31.0                      | 0.7                        |
| Grenada                     | 45.3           | 27.6                      | 5.6                       | 12.1                       |
| Guatemala                   | 39.9           | 24.9                      | 14.3                      | 0.7                        |
| Guinea                      | 68.3           | 0.0                       | 26.4                      | 41.9                       |
| Guinea-Bissau               | 45.5           | 15.1                      | 24.8                      | 5.6                        |
| Guyana                      | 32.3           | 21.3                      | 9.2                       | 1.8                        |
| Haiti                       | 40.3           | 23.8                      | 12.4                      | 4.1                        |
| Honduras                    | 43.0           | 29.8                      | 3.2                       | 10.0                       |
| Hong Kong SAR, China        | 22.8           | 17.6                      | 5.1                       | 0.1                        |
| Hungary                     | 48.0           | 11.8                      | 34.3                      | 1.9                        |
| Iceland                     | 29.7           | 9.0                       | 17.8                      | 2.9                        |
| India                       | 61.7           | 25.3                      | 20.7                      | 15.7                       |
| <i>India (Delhi)</i>        | 61.7           | 25.3                      | 20.7                      | 15.7                       |
| <i>India (Mumbai)</i>       | 61.7           | 25.3                      | 20.7                      | 15.7                       |
| Indonesia                   | 31.4           | 16.7                      | 11.3                      | 3.4                        |
| <i>Indonesia (Jakarta)</i>  | 31.4           | 16.7                      | 11.3                      | 3.4                        |
| <i>Indonesia (Surabaya)</i> | 31.4           | 16.7                      | 11.3                      | 3.4                        |
| Iran, Islamic Rep.          | 44.1           | 17.8                      | 25.9                      | 0.4                        |
| Iraq                        | 27.8           | 14.3                      | 13.5                      | 0.0                        |
| Ireland                     | 25.9           | 12.4                      | 12.1                      | 1.4                        |
| Israel                      | 30.1           | 23.2                      | 5.5                       | 1.4                        |
| Italy                       | 65.4           | 19.9                      | 43.4                      | 2.1                        |
| Jamaica                     | 39.3           | 19.5                      | 13.3                      | 6.5                        |
| Japan                       | 51.3           | 28.9                      | 18.1                      | 4.3                        |
| <i>Japan (Osaka)</i>        | 51.4           | 29.0                      | 18.1                      | 4.3                        |
| <i>Japan (Tokyo)</i>        | 51.2           | 28.9                      | 18.1                      | 4.2                        |
| Jordan                      | 29.0           | 13.2                      | 13.8                      | 2.0                        |
| Kazakhstan                  | 28.6           | 15.9                      | 11.2                      | 1.5                        |
| Kenya                       | 38.1           | 30.8                      | 1.9                       | 5.4                        |
| Kiribati                    | 32.7           | 24.3                      | 8.4                       | 0.0                        |
| Korea, Rep.                 | 32.4           | 18.4                      | 13.6                      | 0.4                        |
| Kosovo                      | 15.3           | 9.1                       | 5.6                       | 0.6                        |
| Kuwait                      | 12.8           | 0.0                       | 12.8                      | 0.0                        |
| Kyrgyz Republic             | 29.0           | 6.4                       | 19.5                      | 3.1                        |
| Lao PDR                     | 25.8           | 16.5                      | 5.6                       | 3.7                        |
| Latvia                      | 35.0           | 4.9                       | 27.2                      | 2.9                        |
| Lebanon                     | 29.9           | 6.1                       | 23.8                      | 0.0                        |
| Lesotho                     | 13.6           | 10.8                      | 0.0                       | 2.8                        |
| Liberia                     | 33.3           | 21.2                      | 5.4                       | 6.7                        |
| Libya                       | 31.5           | 20.8                      | 10.5                      | 0.2                        |
| Lithuania                   | 42.6           | 6.1                       | 35.2                      | 1.3                        |
| Luxembourg                  | 20.2           | 4.2                       | 15.6                      | 0.4                        |
| Macedonia, FYR              | 7.4            | 5.5                       | 0.0                       | 1.9                        |
| Madagascar                  | 35.1           | 13.3                      | 20.3                      | 1.5                        |
| Malawi                      | 35.5           | 20.4                      | 12.4                      | 2.7                        |
| Malaysia                    | 39.2           | 21.7                      | 16.4                      | 1.1                        |
| Maldives                    | 31.5           | 14.4                      | 7.9                       | 9.2                        |
| Mali                        | 48.3           | 10.1                      | 34.3                      | 3.9                        |
| Malta                       | 41.6           | 30.3                      | 10.7                      | 0.6                        |
| Marshall Islands            | 64.8           | 0.0                       | 11.8                      | 53.0                       |
| Mauritania                  | 71.3           | 0.0                       | 23.2                      | 48.1                       |
| Mauritius                   | 24.5           | 11.3                      | 6.5                       | 6.7                        |
| Mexico                      | 51.8           | 24.9                      | 25.9                      | 1.0                        |
| <i>Mexico (Mexico city)</i> | 51.7           | 25.0                      | 25.9                      | 0.8                        |
| <i>Mexico (Monterrey)</i>   | 52.1           | 24.8                      | 26.4                      | 0.9                        |
| Micronesia, Fed. Sts.       | 60.5           | 0.0                       | 8.5                       | 52.0                       |
| Moldova                     | 39.7           | 9.3                       | 30.2                      | 0.2                        |

Table A3.2: Total Tax Rate

| Economy                                      | Total Tax Rate |            |                |            |                |             |                |
|--|----------------|------------|----------------|------------|----------------|-------------|----------------|
|  | Total Tax Rate | Profit tax | Total Tax Rate | Labour tax | Total Tax Rate | Other taxes | Total Tax Rate |
| Mongolia                                     | 24.4           |            | 10.0           |            | 12.4           |             | 2.0            |
| Montenegro                                   | 22.3           |            | 7.1            |            | 12.8           |             | 2.4            |
| Morocco                                      | 49.3           |            | 25.3           |            | 22.7           |             | 1.3            |
| Mozambique                                   | 36.6           |            | 31.3           |            | 4.5            |             | 0.8            |
| Myanmar                                      | 47.7           |            | 25.4           |            | 0.0            |             | 22.3           |
| Namibia                                      | 20.7           |            | 17.5           |            | 1.0            |             | 2.2            |
| Nepal  | 29.5           |            | 17.7           |            | 11.3           |             | 0.5            |
| Netherlands                                  | 39.0           |            | 21.1           |            | 17.6           |             | 0.3            |
| New Zealand                                  | 34.4           |            | 30.0           |            | 3.0            |             | 1.4            |
| Nicaragua                                    | 65.8           |            | 22.5           |            | 20.3           |             | 23.0           |
| Niger  | 47.8           |            | 21.3           |            | 21.6           |             | 4.9            |
| Nigeria                                      | 32.7           |            | 21.6           |            | 10.7           |             | 0.4            |
| <i>Nigeria (Kano)</i>                        | 32.7           |            | 21.6           |            | 10.7           |             | 0.4            |
| <i>Nigeria (Lagos)</i>                       | 32.7           |            | 21.6           |            | 10.7           |             | 0.4            |
| Norway                                       | 40.7           |            | 24.8           |            | 15.9           |             | 0.0            |
| Oman   | 23.0           |            | 11.1           |            | 11.8           |             | 0.1            |
| Pakistan                                     | 32.6           |            | 18.7           |            | 12.8           |             | 1.1            |
| <i>Pakistan (Karachi)</i>                    | 32.5           |            | 18.7           |            | 12.7           |             | 1.1            |
| <i>Pakistan (Lahore)</i>                     | 32.8           |            | 18.6           |            | 13.0           |             | 1.2            |
| Palau  | 75.4           |            | 65.8           |            | 9.5            |             | 0.1            |
| Panama                                       | 37.2           |            | 12.4           |            | 20.0           |             | 4.8            |
| Papua New Guinea                             | 39.3           |            | 23.2           |            | 11.7           |             | 4.4            |
| Paraguay                                     | 35.0           |            | 9.6            |            | 18.6           |             | 6.8            |
| Peru   | 36.0           |            | 22.8           |            | 11.0           |             | 2.2            |
| Philippines                                  | 42.5           |            | 20.5           |            | 8.0            |             | 14.0           |
| Poland                                       | 38.7           |            | 13.1           |            | 24.7           |             | 0.9            |
| Portugal                                     | 42.4           |            | 15.1           |            | 26.8           |             | 0.5            |
| Puerto Rico                                  | 66.0           |            | 32.3           |            | 13.5           |             | 20.2           |
| Qatar  | 11.3           |            | 0.0            |            | 11.3           |             | 0.0            |
| Romania                                      | 43.2           |            | 10.7           |            | 31.5           |             | 1.0            |
| Russian Federation                           | 48.9           |            | 8.4            |            | 35.4           |             | 5.1            |
| <i>Russian Federation (Moscow)</i>           | 49.0           |            | 8.4            |            | 35.4           |             | 5.2            |
| <i>Russian Federation (Saint Petersburg)</i> | 48.7           |            | 8.5            |            | 35.4           |             | 4.8            |
| Rwanda                                       | 33.5           |            | 26.3           |            | 5.6            |             | 1.6            |
| Samoa  | 18.4           |            | 11.6           |            | 6.8            |             | 0.0            |
| San Marino                                   | 42.2           |            | 12.4           |            | 29.4           |             | 0.4            |
| São Tomé and Príncipe                        | 38.2           |            | 20.2           |            | 6.8            |             | 11.2           |
| Saudi Arabia                                 | 14.5           |            | 2.1            |            | 12.4           |             | 0.0            |
| Senegal                                      | 45.1           |            | 16.2           |            | 23.6           |             | 5.3            |
| Serbia                                       | 38.6           |            | 16.2           |            | 20.2           |             | 2.2            |
| Seychelles                                   | 31.7           |            | 20.9           |            | 1.7            |             | 9.1            |
| Sierra Leone                                 | 31.0           |            | 18.8           |            | 11.3           |             | 0.9            |
| Singapore                                    | 18.4           |            | 2.2            |            | 15.1           |             | 1.1            |
| Slovak Republic                              | 48.6           |            | 8.5            |            | 39.7           |             | 0.4            |
| Slovenia                                     | 32.0           |            | 12.5           |            | 18.2           |             | 1.3            |
| Solomon Islands                              | 32.0           |            | 23.3           |            | 8.5            |             | 0.2            |
| South Africa                                 | 28.8           |            | 21.7           |            | 4.0            |             | 3.1            |
| South Sudan                                  | 29.1           |            | 7.1            |            | 19.2           |             | 2.8            |
| Spain  | 58.2           |            | 21.9           |            | 35.7           |             | 0.6            |
| Sri Lanka                                    | 55.6           |            | 1.6            |            | 16.9           |             | 37.1           |
| St. Kitts and Nevis                          | 49.8           |            | 30.5           |            | 11.3           |             | 8.0            |
| St. Lucia                                    | 34.7           |            | 25.8           |            | 5.6            |             | 3.3            |
| St. Vincent and the Grenadines               | 38.6           |            | 30.2           |            | 5.1            |             | 3.3            |
| Sudan  | 45.4           |            | 11.5           |            | 19.2           |             | 14.7           |
| Suriname                                     | 27.9           |            | 27.9           |            | 0.0            |             | 0.0            |
| Swaziland                                    | 35.6           |            | 28.6           |            | 2.9            |             | 4.1            |
| Sweden                                       | 49.4           |            | 13.4           |            | 35.5           |             | 0.5            |
| Switzerland                                  | 29.0           |            | 9.5            |            | 17.7           |             | 1.8            |
| Syrian Arab Republic                         | 42.5           |            | 23.0           |            | 19.3           |             | 0.2            |
| Taiwan, China                                | 34.2           |            | 12.7           |            | 18.1           |             | 3.4            |
| Tajikistan                                   | 80.9           |            | 17.7           |            | 28.5           |             | 34.7           |
| Tanzania                                     | 44.3           |            | 20.7           |            | 17.5           |             | 6.1            |
| Thailand                                     | 26.9           |            | 19.9           |            | 4.3            |             | 2.7            |

**Table A3.2: Total Tax Rate**

| Economy                            | Total Tax Rate |                           |                           |                            |
|------------------------------------|----------------|---------------------------|---------------------------|----------------------------|
|                                    | Total Tax Rate | Profit tax Total Tax Rate | Labour tax Total Tax Rate | Other taxes Total Tax Rate |
| Timor-Leste                        | 11.0           | 11.0                      | 0.0                       | 0.0                        |
| Togo                               | 50.3           | 10.0                      | 25.4                      | 14.9                       |
| Tonga                              | 30.1           | 23.8                      | 5.6                       | 0.7                        |
| Trinidad and Tobago                | 32.0           | 22.0                      | 8.2                       | 1.8                        |
| Tunisia                            | 62.4           | 15.4                      | 25.2                      | 21.8                       |
| Turkey                             | 40.1           | 18.1                      | 19.2                      | 2.8                        |
| Uganda                             | 36.5           | 25.2                      | 11.3                      | 0.0                        |
| Ukraine                            | 52.9           | 9.7                       | 43.1                      | 0.1                        |
| United Arab Emirates               | 14.8           | 0.0                       | 14.1                      | 0.7                        |
| United Kingdom                     | 33.7           | 20.9                      | 11.3                      | 1.5                        |
| United States                      | 43.8           | 28.2                      | 9.7                       | 5.9                        |
| <i>United States (Los Angeles)</i> | 40.9           | 29.3                      | 9.5                       | 2.1                        |
| <i>United States (New York)</i>    | 45.8           | 27.4                      | 9.8                       | 8.6                        |
| Uruguay                            | 41.8           | 23.6                      | 15.6                      | 2.6                        |
| Uzbekistan                         | 42.2           | 12.1                      | 28.2                      | 1.9                        |
| Vanuatu                            | 8.5            | 0.0                       | 4.5                       | 4.0                        |
| Venezuela, RB                      | 65.5           | 10.3                      | 18.0                      | 37.2                       |
| Vietnam                            | 40.8           | 17.0                      | 23.7                      | 0.1                        |
| West Bank and Gaza                 | 15.3           | 15.0                      | 0.0                       | 0.3                        |
| Yemen, Rep.                        | 33.3           | 20.2                      | 11.3                      | 1.8                        |
| Zambia                             | 14.8           | 1.3                       | 10.4                      | 3.1                        |
| Zimbabwe                           | 32.8           | 19.2                      | 5.3                       | 8.3                        |

| Economy                        | Number of hours |                           |                 |                      |
|--------------------------------|-----------------|---------------------------|-----------------|----------------------|
|                                | Total tax time  | Corporate income tax time | Labour tax time | Consumption tax time |
| Afghanistan                    | 275             | 77                        | 120             | 78                   |
| Albania                        | 357             | 119                       | 94              | 144                  |
| Algeria                        | 451             | 152                       | 110             | 189                  |
| Angola                         | 282             | 75                        | 125             | 82                   |
| Antigua and Barbuda            | 207             | 23                        | 136             | 48                   |
| Argentina                      | 405             | 105                       | 84              | 216                  |
| Armenia                        | 321             | 121                       | 103             | 97                   |
| Australia                      | 105             | 37                        | 18              | 50                   |
| Austria                        | 166             | 47                        | 52              | 67                   |
| Azerbaijan                     | 195             | 60                        | 78              | 57                   |
| Bahamas, The                   | 58              | 10                        | 48              | 0                    |
| Bahrain                        | 60              | 0                         | 60              | 0                    |
| Bangladesh                     | 302             | 140                       | 0               | 162                  |
| <i>Bangladesh (Chittagong)</i> | 302             | 140                       | 0               | 162                  |
| <i>Bangladesh (Dhaka)</i>      | 302             | 140                       | 0               | 162                  |
| Barbados                       | 237             | 27                        | 162             | 48                   |
| Belarus                        | 183             | 83                        | 59              | 41                   |
| Belgium                        | 160             | 20                        | 40              | 100                  |
| Belize                         | 147             | 27                        | 60              | 60                   |
| Benin                          | 270             | 30                        | 120             | 120                  |
| Bhutan                         | 274             | 250                       | 24              | 0                    |
| Bolivia                        | 1025            | 110                       | 507             | 408                  |
| Bosnia and Herzegovina         | 407             | 68                        | 81              | 258                  |
| Botswana                       | 152             | 40                        | 40              | 72                   |
| Brazil                         | 2600            | 736                       | 490             | 1374                 |
| <i>Brazil (Rio de Janeiro)</i> | 2600            | 736                       | 490             | 1374                 |
| <i>Brazil (São Paulo)</i>      | 2600            | 736                       | 490             | 1374                 |
| Brunei Darussalam              | 93              | 66                        | 27              | 0                    |
| Bulgaria                       | 454             | 33                        | 256             | 165                  |
| Burkina Faso                   | 270             | 30                        | 120             | 120                  |
| Burundi                        | 274             | 76                        | 48              | 150                  |
| Cabo Verde                     | 186             | 35                        | 85              | 66                   |
| Cambodia                       | 173             | 23                        | 84              | 66                   |
| Cameroon                       | 630             | 174                       | 162             | 294                  |
| Canada                         | 131             | 45                        | 36              | 50                   |
| Central African Republic       | 483             | 24                        | 240             | 219                  |
| Chad                           | 732             | 300                       | 216             | 216                  |
| Chile                          | 291             | 42                        | 125             | 125                  |
| China                          | 261             | 59                        | 110             | 92                   |
| <i>China (Beijing)</i>         | 261             | 59                        | 110             | 92                   |
| <i>China (Shanghai)</i>        | 261             | 59                        | 110             | 92                   |
| Colombia                       | 239             | 86                        | 87              | 66                   |
| Comoros                        | 100             | 4                         | 48              | 48                   |
| Congo, Dem. Rep.               | 316             | 84                        | 124             | 108                  |
| Congo, Rep.                    | 602             | 275                       | 146             | 181                  |
| Costa Rica                     | 163             | 18                        | 59              | 86                   |
| Côte d'Ivoire                  | 270             | 30                        | 120             | 120                  |
| Croatia                        | 208             | 60                        | 96              | 52                   |
| Cyprus                         | 147             | 29                        | 78              | 40                   |
| Czech Republic                 | 413             | 94                        | 217             | 102                  |
| Denmark                        | 130             | 25                        | 65              | 40                   |
| Djibouti                       | 82              | 30                        | 36              | 16                   |
| Dominica                       | 117             | 15                        | 48              | 54                   |
| Dominican Republic             | 324             | 82                        | 80              | 162                  |
| Ecuador                        | 654             | 108                       | 306             | 240                  |
| Egypt, Arab Rep.               | 392             | 69                        | 165             | 158                  |
| El Salvador                    | 320             | 128                       | 96              | 96                   |
| Equatorial Guinea              | 492             | 145                       | 160             | 187                  |
| Eritrea                        | 216             | 24                        | 96              | 96                   |
| Estonia                        | 81              | 20                        | 34              | 27                   |
| Ethiopia                       | 306             | 150                       | 132             | 24                   |
| Fiji                           | 195             | 57                        | 68              | 70                   |
| Finland                        | 93              | 21                        | 48              | 24                   |

Table A3.3: Time to comply

| Economy                     | Number of hours |                           |                 |                      |
|-----------------------------|-----------------|---------------------------|-----------------|----------------------|
|                             | Total tax time  | Corporate income tax time | Labour tax time | Consumption tax time |
| France                      | 137             | 26                        | 80              | 31                   |
| Gabon                       | 488             | 137                       | 131             | 220                  |
| Gambia, The                 | 376             | 40                        | 96              | 240                  |
| Georgia                     | 362             | 191                       | 56              | 115                  |
| Germany                     | 218             | 41                        | 134             | 43                   |
| Ghana                       | 224             | 40                        | 88              | 96                   |
| Greece                      | 193             | 78                        | 46              | 69                   |
| Grenada                     | 140             | 32                        | 72              | 36                   |
| Guatemala                   | 256             | 31                        | 126             | 99                   |
| Guinea                      | 440             | 32                        | 192             | 216                  |
| Guinea-Bissau               | 208             | 160                       | 24              | 24                   |
| Guyana                      | 256             | 41                        | 48              | 167                  |
| Haiti                       | 184             | 40                        | 72              | 72                   |
| Honduras                    | 224             | 35                        | 93              | 96                   |
| Hong Kong SAR, China        | 78              | 50                        | 28              | 0                    |
| Hungary                     | 277             | 35                        | 146             | 96                   |
| Iceland                     | 140             | 40                        | 60              | 40                   |
| India                       | 243             | 45                        | 93              | 105                  |
| <i>India (Delhi)</i>        | 243             | 45                        | 93              | 105                  |
| <i>India (Mumbai)</i>       | 243             | 45                        | 93              | 105                  |
| Indonesia                   | 254             | 75                        | 89              | 90                   |
| <i>Indonesia (Jakarta)</i>  | 254             | 75                        | 89              | 90                   |
| <i>Indonesia (Surabaya)</i> | 254             | 75                        | 89              | 90                   |
| Iran, Islamic Rep.          | 344             | 32                        | 240             | 72                   |
| Iraq                        | 312             | 24                        | 288             | 0                    |
| Ireland                     | 80              | 10                        | 40              | 30                   |
| Israel                      | 235             | 110                       | 60              | 65                   |
| Italy                       | 269             | 39                        | 198             | 32                   |
| Jamaica                     | 368             | 30                        | 290             | 48                   |
| Japan                       | 330             | 155                       | 140             | 35                   |
| <i>Japan (Osaka)</i>        | 330             | 155                       | 140             | 35                   |
| <i>Japan (Tokyo)</i>        | 330             | 155                       | 140             | 35                   |
| Jordan                      | 151             | 10                        | 90              | 51                   |
| Kazakhstan                  | 188             | 75                        | 70              | 43                   |
| Kenya                       | 202             | 43                        | 51              | 108                  |
| Kiribati                    | 120             | 48                        | 72              | 0                    |
| Korea, Rep.                 | 187             | 82                        | 80              | 25                   |
| Kosovo                      | 155             | 29                        | 39              | 87                   |
| Kuwait                      | 98              | 0                         | 98              | 0                    |
| Kyrgyz Republic             | 210             | 60                        | 71              | 79                   |
| Lao PDR                     | 362             | 138                       | 42              | 182                  |
| Latvia                      | 193             | 28                        | 99              | 66                   |
| Lebanon                     | 183             | 40                        | 100             | 43                   |
| Lesotho                     | 324             | 70                        | 104             | 150                  |
| Liberia                     | 151             | 60                        | 60              | 31                   |
| Libya                       | 889             | 679                       | 210             | 0                    |
| Lithuania                   | 175             | 32                        | 85              | 58                   |
| Luxembourg                  | 55              | 19                        | 14              | 22                   |
| Macedonia, FYR              | 119             | 19                        | 56              | 44                   |
| Madagascar                  | 183             | 9                         | 72              | 102                  |
| Malawi                      | 175             | 67                        | 78              | 30                   |
| Malaysia                    | 133             | 26                        | 77              | 30                   |
| Maldives                    | 413             | 96                        | 88              | 229                  |
| Mali                        | 270             | 30                        | 120             | 120                  |
| Malta                       | 139             | 23                        | 92              | 24                   |
| Marshall Islands            | 128             | 32                        | 96              | 0                    |
| Mauritania                  | 734             | 120                       | 134             | 480                  |
| Mauritius                   | 152             | 36                        | 48              | 68                   |
| Mexico                      | 334             | 170                       | 64              | 100                  |
| <i>Mexico (Mexico city)</i> | 334             | 170                       | 64              | 100                  |
| <i>Mexico (Monterrey)</i>   | 334             | 170                       | 64              | 100                  |
| Micronesia, Fed. Sts.       | 128             | 32                        | 96              | 0                    |
| Moldova                     | 185             | 42                        | 88              | 55                   |

**Table A3.3: Time to comply**

| Economy                                      | Number of hours |                           |                 |                      |
|--|-----------------|---------------------------|-----------------|----------------------|
|  | Total tax time  | Corporate income tax time | Labour tax time | Consumption tax time |
| Mongolia                                     | 148             | 46                        | 48              | 54                   |
| Montenegro                                   | 320             | 43                        | 98              | 179                  |
| Morocco                                      | 232             | 70                        | 42              | 120                  |
| Mozambique                                   | 230             | 50                        | 60              | 120                  |
| Myanmar                                      | 155             | 32                        | 25              | 98                   |
| Namibia                                      | 314             | 40                        | 46              | 228                  |
| Nepal  | 334             | 120                       | 84              | 130                  |
| Netherlands                                  | 123             | 25                        | 64              | 34                   |
| New Zealand                                  | 152             | 34                        | 59              | 59                   |
| Nicaragua                                    | 207             | 67                        | 76              | 64                   |
| Niger  | 270             | 30                        | 120             | 120                  |
| Nigeria                                      | 908             | 378                       | 379             | 152                  |
| <i>Nigeria (Kano)</i>                        | 747             | 310                       | 320             | 117                  |
| <i>Nigeria (Lagos)</i>                       | 956             | 398                       | 396             | 162                  |
| Norway                                       | 83              | 24                        | 15              | 44                   |
| Oman   | 68              | 56                        | 12              | 0                    |
| Pakistan                                     | 594             | 40                        | 40              | 514                  |
| <i>Pakistan (Karachi)</i>                    | 594             | 40                        | 40              | 514                  |
| <i>Pakistan (Lahore)</i>                     | 594             | 40                        | 40              | 514                  |
| Palau  | 142             | 46                        | 96              | 0                    |
| Panama                                       | 417             | 83                        | 144             | 190                  |
| Papua New Guinea                             | 207             | 153                       | 8               | 46                   |
| Paraguay                                     | 378             | 138                       | 96              | 144                  |
| Peru   | 293             | 39                        | 144             | 110                  |
| Philippines                                  | 193             | 42                        | 38              | 113                  |
| Poland                                       | 286             | 62                        | 124             | 100                  |
| Portugal                                     | 275             | 63                        | 116             | 96                   |
| Puerto Rico                                  | 218             | 80                        | 60              | 78                   |
| Qatar  | 41              | 5                         | 36              | 0                    |
| Romania                                      | 159             | 25                        | 80              | 54                   |
| Russian Federation                           | 168             | 53                        | 76              | 39                   |
| <i>Russian Federation (Moscow)</i>           | 168             | 53                        | 76              | 39                   |
| <i>Russian Federation (Saint Petersburg)</i> | 168             | 53                        | 76              | 39                   |
| Rwanda                                       | 107             | 20                        | 36              | 51                   |
| Samoa  | 224             | 48                        | 96              | 80                   |
| San Marino                                   | 52              | 4                         | 48              | 0                    |
| São Tomé and Príncipe                        | 424             | 40                        | 192             | 192                  |
| Saudi Arabia                                 | 64              | 30                        | 34              | 0                    |
| Senegal                                      | 620             | 114                       | 96              | 410                  |
| Serbia                                       | 279             | 48                        | 126             | 105                  |
| Seychelles                                   | 88              | 40                        | 36              | 12                   |
| Sierra Leone                                 | 353             | 15                        | 168             | 170                  |
| Singapore                                    | 82              | 32                        | 10              | 40                   |
| Slovak Republic                              | 207             | 42                        | 62              | 103                  |
| Slovenia                                     | 260             | 90                        | 96              | 74                   |
| Solomon Islands                              | 80              | 8                         | 30              | 42                   |
| South Africa                                 | 200             | 100                       | 50              | 50                   |
| South Sudan                                  | 218             | 56                        | 78              | 84                   |
| Spain  | 167             | 33                        | 90              | 44                   |
| Sri Lanka                                    | 167             | 16                        | 9               | 142                  |
| St. Kitts and Nevis                          | 203             | 27                        | 128             | 48                   |
| St. Lucia                                    | 110             | 11                        | 51              | 48                   |
| St. Vincent and the Grenadines               | 108             | 14                        | 49              | 45                   |
| Sudan  | 180             | 70                        | 70              | 40                   |
| Suriname                                     | 199             | 48                        | 24              | 127                  |
| Swaziland                                    | 110             | 8                         | 48              | 54                   |
| Sweden                                       | 122             | 50                        | 36              | 36                   |
| Switzerland                                  | 63              | 15                        | 40              | 8                    |
| Syrian Arab Republic                         | 336             | 300                       | 36              | 0                    |
| Taiwan, China                                | 221             | 161                       | 27              | 33                   |
| Tajikistan                                   | 209             | 76                        | 48              | 85                   |
| Tanzania                                     | 181             | 62                        | 54              | 65                   |
| Thailand                                     | 264             | 160                       | 48              | 56                   |

| Economy                            | Number of hours |                           |                 |                      |
|------------------------------------|-----------------|---------------------------|-----------------|----------------------|
|                                    | Total tax time  | Corporate income tax time | Labour tax time | Consumption tax time |
| Timor-Leste                        | 276             | 132                       | 144             | 0                    |
| Togo                               | 270             | 30                        | 120             | 120                  |
| Tonga                              | 200             | 8                         | 48              | 144                  |
| Trinidad and Tobago                | 210             | 45                        | 75              | 90                   |
| Tunisia                            | 144             | 64                        | 30              | 50                   |
| Turkey                             | 226             | 49                        | 80              | 97                   |
| Uganda                             | 209             | 41                        | 66              | 102                  |
| Ukraine                            | 350             | 100                       | 100             | 150                  |
| United Arab Emirates               | 12              | 0                         | 12              | 0                    |
| United Kingdom                     | 110             | 37                        | 48              | 25                   |
| United States                      | 175             | 87                        | 55              | 33                   |
| <i>United States (Los Angeles)</i> | 175             | 87                        | 55              | 33                   |
| <i>United States (New York)</i>    | 175             | 87                        | 55              | 33                   |
| Uruguay                            | 312             | 88                        | 114             | 110                  |
| Uzbekistan                         | 193             | 66                        | 57              | 70                   |
| Vanuatu                            | 120             | 0                         | 24              | 96                   |
| Venezuela, RB                      | 792             | 120                       | 288             | 384                  |
| Vietnam                            | 872             | 217                       | 335             | 320                  |
| West Bank and Gaza                 | 162             | 18                        | 96              | 48                   |
| Yemen, Rep.                        | 248             | 56                        | 72              | 120                  |
| Zambia                             | 177             | 60                        | 60              | 57                   |
| Zimbabwe                           | 242             | 78                        | 96              | 68                   |

| Economy                        | Number of payments |                     |                     |                      |
|--------------------------------|--------------------|---------------------|---------------------|----------------------|
|                                | Total tax payments | Profit tax payments | Labour tax payments | Other taxes payments |
| Afghanistan                    | 20                 | 1                   | 12                  | 7                    |
| Albania                        | 34                 | 5                   | 12                  | 17                   |
| Algeria                        | 27                 | 0                   | 12                  | 15                   |
| Angola                         | 30                 | 4                   | 12                  | 14                   |
| Antigua and Barbuda            | 57                 | 13                  | 24                  | 20                   |
| Argentina                      | 9                  | 1                   | 1                   | 7                    |
| Armenia                        | 10                 | 1                   | 1                   | 8                    |
| Australia                      | 11                 | 1                   | 4                   | 6                    |
| Austria                        | 12                 | 1                   | 3                   | 8                    |
| Azerbaijan                     | 7                  | 1                   | 1                   | 5                    |
| Bahamas, The                   | 18                 | 0                   | 12                  | 6                    |
| Bahrain                        | 13                 | 0                   | 12                  | 1                    |
| Bangladesh                     | 21                 | 5                   | 0                   | 16                   |
| <i>Bangladesh (Chittagong)</i> | 21                 | 5                   | 0                   | 16                   |
| <i>Bangladesh (Dhaka)</i>      | 21                 | 5                   | 0                   | 16                   |
| Barbados                       | 27                 | 3                   | 12                  | 12                   |
| Belarus                        | 7                  | 1                   | 2                   | 4                    |
| Belgium                        | 11                 | 1                   | 2                   | 8                    |
| Belize                         | 29                 | 12                  | 1                   | 16                   |
| Benin                          | 55                 | 5                   | 24                  | 26                   |
| Bhutan                         | 19                 | 2                   | 13                  | 4                    |
| Bolivia                        | 42                 | 1                   | 12                  | 29                   |
| Bosnia and Herzegovina         | 45                 | 12                  | 1                   | 32                   |
| Botswana                       | 34                 | 6                   | 13                  | 15                   |
| Brazil                         | 9                  | 2                   | 2                   | 5                    |
| <i>Brazil (Rio de Janeiro)</i> | 9                  | 2                   | 2                   | 5                    |
| <i>Brazil (São Paulo)</i>      | 9                  | 2                   | 2                   | 5                    |
| Brunei Darussalam              | 27                 | 1                   | 24                  | 2                    |
| Bulgaria                       | 13                 | 1                   | 1                   | 11                   |
| Burkina Faso                   | 45                 | 1                   | 24                  | 20                   |
| Burundi                        | 25                 | 6                   | 4                   | 15                   |
| Cabo Verde                     | 30                 | 3                   | 13                  | 14                   |
| Cambodia                       | 40                 | 12                  | 12                  | 16                   |
| Cameroon                       | 44                 | 13                  | 12                  | 19                   |
| Canada                         | 8                  | 1                   | 3                   | 4                    |
| Central African Republic       | 56                 | 4                   | 24                  | 28                   |
| Chad                           | 54                 | 12                  | 24                  | 18                   |
| Chile                          | 7                  | 1                   | 1                   | 5                    |
| China                          | 7                  | 2                   | 1                   | 4                    |
| <i>China (Beijing)</i>         | 7                  | 2                   | 1                   | 4                    |
| <i>China (Shanghai)</i>        | 7                  | 2                   | 1                   | 4                    |
| Colombia                       | 11                 | 2                   | 1                   | 8                    |
| Comoros                        | 33                 | 3                   | 12                  | 18                   |
| Congo, Dem. Rep.               | 50                 | 1                   | 34                  | 15                   |
| Congo, Rep.                    | 49                 | 5                   | 24                  | 20                   |
| Costa Rica                     | 23                 | 4                   | 2                   | 17                   |
| Côte d'Ivoire                  | 63                 | 3                   | 24                  | 36                   |
| Croatia                        | 19                 | 1                   | 1                   | 17                   |
| Cyprus                         | 29                 | 4                   | 12                  | 13                   |
| Czech Republic                 | 8                  | 1                   | 2                   | 5                    |
| Denmark                        | 10                 | 3                   | 1                   | 6                    |
| Djibouti                       | 35                 | 5                   | 12                  | 18                   |
| Dominica                       | 37                 | 5                   | 12                  | 20                   |
| Dominican Republic             | 9                  | 1                   | 4                   | 4                    |
| Ecuador                        | 8                  | 2                   | 1                   | 5                    |
| Egypt, Arab Rep.               | 29                 | 1                   | 12                  | 16                   |
| El Salvador                    | 53                 | 13                  | 24                  | 16                   |
| Equatorial Guinea              | 46                 | 1                   | 24                  | 21                   |
| Eritrea                        | 30                 | 2                   | 12                  | 16                   |
| Estonia                        | 7                  | 1                   | 0                   | 6                    |
| Ethiopia                       | 30                 | 2                   | 12                  | 16                   |
| Fiji                           | 38                 | 5                   | 18                  | 15                   |
| Finland                        | 8                  | 1                   | 3                   | 4                    |

| Economy                     | Number of payments |                     |                     |                      |
|-----------------------------|--------------------|---------------------|---------------------|----------------------|
|                             | Total tax payments | Profit tax payments | Labour tax payments | Other taxes payments |
| France                      | 8                  | 1                   | 2                   | 5                    |
| Gabon                       | 26                 | 3                   | 4                   | 19                   |
| Gambia, The                 | 50                 | 5                   | 13                  | 32                   |
| Georgia                     | 5                  | 1                   | 1                   | 3                    |
| Germany                     | 9                  | 2                   | 1                   | 6                    |
| Ghana                       | 32                 | 6                   | 12                  | 14                   |
| Greece                      | 8                  | 1                   | 1                   | 6                    |
| Grenada                     | 30                 | 1                   | 12                  | 17                   |
| Guatemala                   | 8                  | 2                   | 1                   | 5                    |
| Guinea                      | 57                 | 3                   | 36                  | 18                   |
| Guinea-Bissau               | 46                 | 5                   | 12                  | 29                   |
| Guyana                      | 35                 | 6                   | 12                  | 17                   |
| Haiti                       | 47                 | 6                   | 25                  | 16                   |
| Honduras                    | 48                 | 5                   | 13                  | 30                   |
| Hong Kong SAR, China        | 3                  | 1                   | 1                   | 1                    |
| Hungary                     | 11                 | 2                   | 2                   | 7                    |
| Iceland                     | 26                 | 1                   | 13                  | 12                   |
| India                       | 33                 | 2                   | 24                  | 7                    |
| <i>India (Delhi)</i>        | 33                 | 2                   | 24                  | 7                    |
| <i>India (Mumbai)</i>       | 33                 | 2                   | 24                  | 7                    |
| Indonesia                   | 65                 | 13                  | 36                  | 16                   |
| <i>Indonesia (Jakarta)</i>  | 65                 | 13                  | 36                  | 16                   |
| <i>Indonesia (Surabaya)</i> | 65                 | 13                  | 36                  | 16                   |
| Iran, Islamic Rep.          | 20                 | 1                   | 12                  | 7                    |
| Iraq                        | 13                 | 1                   | 12                  | 0                    |
| Ireland                     | 9                  | 1                   | 1                   | 7                    |
| Israel                      | 33                 | 2                   | 12                  | 19                   |
| Italy                       | 15                 | 2                   | 1                   | 12                   |
| Jamaica                     | 36                 | 4                   | 12                  | 20                   |
| Japan                       | 14                 | 3                   | 2                   | 9                    |
| <i>Japan (Osaka)</i>        | 14                 | 3                   | 2                   | 9                    |
| <i>Japan (Tokyo)</i>        | 14                 | 3                   | 2                   | 9                    |
| Jordan                      | 25                 | 1                   | 12                  | 12                   |
| Kazakhstan                  | 6                  | 1                   | 1                   | 4                    |
| Kenya                       | 30                 | 5                   | 14                  | 11                   |
| Kiribati                    | 7                  | 5                   | 2                   | 0                    |
| Korea, Rep.                 | 10                 | 1                   | 2                   | 7                    |
| Kosovo                      | 33                 | 5                   | 12                  | 16                   |
| Kuwait                      | 12                 | 0                   | 12                  | 0                    |
| Kyrgyz Republic             | 52                 | 5                   | 12                  | 35                   |
| Lao PDR                     | 35                 | 4                   | 12                  | 19                   |
| Latvia                      | 7                  | 1                   | 1                   | 5                    |
| Lebanon                     | 19                 | 1                   | 12                  | 6                    |
| Lesotho                     | 32                 | 4                   | 12                  | 16                   |
| Liberia                     | 33                 | 5                   | 12                  | 16                   |
| Libya                       | 19                 | 4                   | 12                  | 3                    |
| Lithuania                   | 11                 | 1                   | 2                   | 8                    |
| Luxembourg                  | 23                 | 5                   | 12                  | 6                    |
| Macedonia, FYR              | 7                  | 1                   | 1                   | 5                    |
| Madagascar                  | 23                 | 1                   | 8                   | 14                   |
| Malawi                      | 35                 | 5                   | 13                  | 17                   |
| Malaysia                    | 13                 | 2                   | 2                   | 9                    |
| Maldives                    | 30                 | 3                   | 12                  | 15                   |
| Mali                        | 35                 | 4                   | 24                  | 7                    |
| Malta                       | 7                  | 1                   | 1                   | 5                    |
| Marshall Islands            | 21                 | 0                   | 16                  | 5                    |
| Mauritania                  | 49                 | 1                   | 25                  | 23                   |
| Mauritius                   | 8                  | 1                   | 1                   | 6                    |
| Mexico                      | 6                  | 1                   | 2                   | 3                    |
| <i>Mexico (Mexico city)</i> | 6                  | 1                   | 2                   | 3                    |
| <i>Mexico (Monterrey)</i>   | 6                  | 1                   | 2                   | 3                    |
| Micronesia, Fed. Sts.       | 21                 | 0                   | 4                   | 17                   |
| Moldova                     | 21                 | 1                   | 14                  | 6                    |

| Economy                                      | Number of payments |                     |                     |                      |
|--|--------------------|---------------------|---------------------|----------------------|
|  | Total tax payments | Profit tax payments | Labour tax payments | Other taxes payments |
| Mongolia                                     | 41                 | 12                  | 12                  | 17                   |
| Montenegro                                   | 29                 | 1                   | 12                  | 16                   |
| Morocco                                      | 6                  | 1                   | 1                   | 4                    |
| Mozambique                                   | 37                 | 7                   | 12                  | 18                   |
| Myanmar                                      | 31                 | 5                   | 12                  | 14                   |
| Namibia                                      | 26                 | 3                   | 12                  | 11                   |
| Nepal  | 34                 | 4                   | 12                  | 18                   |
| Netherlands                                  | 9                  | 1                   | 1                   | 7                    |
| New Zealand                                  | 8                  | 1                   | 2                   | 5                    |
| Nicaragua                                    | 43                 | 1                   | 24                  | 18                   |
| Niger  | 41                 | 3                   | 14                  | 24                   |
| Nigeria                                      | 47                 | 2                   | 26                  | 19                   |
| <i>Nigeria (Kano)</i>                        | 47                 | 2                   | 26                  | 19                   |
| <i>Nigeria (Lagos)</i>                       | 47                 | 2                   | 26                  | 19                   |
| Norway                                       | 4                  | 1                   | 1                   | 2                    |
| Oman   | 14                 | 1                   | 12                  | 1                    |
| Pakistan                                     | 47                 | 5                   | 25                  | 17                   |
| <i>Pakistan (Karachi)</i>                    | 47                 | 5                   | 25                  | 17                   |
| <i>Pakistan (Lahore)</i>                     | 47                 | 5                   | 25                  | 17                   |
| Palau  | 11                 | 4                   | 4                   | 3                    |
| Panama                                       | 52                 | 5                   | 16                  | 31                   |
| Papua New Guinea                             | 32                 | 1                   | 13                  | 18                   |
| Paraguay                                     | 20                 | 1                   | 12                  | 7                    |
| Peru   | 9                  | 1                   | 2                   | 6                    |
| Philippines                                  | 36                 | 1                   | 25                  | 10                   |
| Poland                                       | 18                 | 1                   | 1                   | 16                   |
| Portugal                                     | 8                  | 1                   | 1                   | 6                    |
| Puerto Rico                                  | 16                 | 5                   | 6                   | 5                    |
| Qatar  | 4                  | 1                   | 1                   | 2                    |
| Romania                                      | 14                 | 1                   | 1                   | 12                   |
| Russian Federation                           | 7                  | 1                   | 2                   | 4                    |
| <i>Russian Federation (Moscow)</i>           | 7                  | 1                   | 2                   | 4                    |
| <i>Russian Federation (Saint Petersburg)</i> | 7                  | 1                   | 2                   | 4                    |
| Rwanda                                       | 17                 | 4                   | 4                   | 9                    |
| Samoa  | 37                 | 5                   | 24                  | 8                    |
| San Marino                                   | 19                 | 3                   | 12                  | 4                    |
| São Tomé and Príncipe                        | 45                 | 5                   | 12                  | 28                   |
| Saudi Arabia                                 | 3                  | 1                   | 1                   | 1                    |
| Senegal                                      | 58                 | 3                   | 36                  | 19                   |
| Serbia                                       | 67                 | 12                  | 12                  | 43                   |
| Seychelles                                   | 28                 | 12                  | 12                  | 4                    |
| Sierra Leone                                 | 33                 | 5                   | 12                  | 16                   |
| Singapore                                    | 5                  | 1                   | 1                   | 3                    |
| Slovak Republic                              | 20                 | 1                   | 1                   | 18                   |
| Slovenia                                     | 11                 | 1                   | 1                   | 9                    |
| Solomon Islands                              | 34                 | 5                   | 12                  | 17                   |
| South Africa                                 | 7                  | 1                   | 2                   | 4                    |
| South Sudan                                  | 36                 | 5                   | 12                  | 19                   |
| Spain  | 8                  | 1                   | 1                   | 6                    |
| Sri Lanka                                    | 47                 | 5                   | 13                  | 29                   |
| St. Kitts and Nevis                          | 35                 | 4                   | 12                  | 19                   |
| St. Lucia                                    | 32                 | 1                   | 12                  | 19                   |
| St. Vincent and the Grenadines               | 36                 | 4                   | 12                  | 20                   |
| Sudan  | 42                 | 2                   | 12                  | 28                   |
| Suriname                                     | 30                 | 5                   | 12                  | 13                   |
| Swaziland                                    | 33                 | 2                   | 13                  | 18                   |
| Sweden                                       | 6                  | 1                   | 1                   | 4                    |
| Switzerland                                  | 19                 | 2                   | 7                   | 10                   |
| Syrian Arab Republic                         | 19                 | 2                   | 12                  | 5                    |
| Taiwan, China                                | 11                 | 2                   | 3                   | 6                    |
| Tajikistan                                   | 31                 | 3                   | 7                   | 21                   |
| Tanzania                                     | 49                 | 5                   | 24                  | 20                   |
| Thailand                                     | 22                 | 2                   | 13                  | 7                    |

| Economy                            | Number of payments |                     |                     |                      |
|------------------------------------|--------------------|---------------------|---------------------|----------------------|
|                                    | Total tax payments | Profit tax payments | Labour tax payments | Other taxes payments |
| Timor-Leste                        | 18                 | 5                   | 12                  | 1                    |
| Togo                               | 50                 | 5                   | 24                  | 21                   |
| Tonga                              | 29                 | 1                   | 12                  | 16                   |
| Trinidad and Tobago                | 39                 | 4                   | 24                  | 11                   |
| Tunisia                            | 8                  | 1                   | 4                   | 3                    |
| Turkey                             | 11                 | 1                   | 1                   | 9                    |
| Uganda                             | 31                 | 3                   | 12                  | 16                   |
| Ukraine                            | 5                  | 1                   | 1                   | 3                    |
| United Arab Emirates               | 4                  | 0                   | 1                   | 3                    |
| United Kingdom                     | 8                  | 1                   | 1                   | 6                    |
| United States                      | 11                 | 2                   | 4                   | 5                    |
| <i>United States (Los Angeles)</i> | 10                 | 3                   | 3                   | 4                    |
| <i>United States (New York)</i>    | 11                 | 2                   | 4                   | 5                    |
| Uruguay                            | 33                 | 1                   | 24                  | 8                    |
| Uzbekistan                         | 33                 | 8                   | 12                  | 13                   |
| Vanuatu                            | 31                 | 0                   | 12                  | 19                   |
| Venezuela, RB                      | 71                 | 15                  | 28                  | 28                   |
| Vietnam                            | 32                 | 6                   | 12                  | 14                   |
| West Bank and Gaza                 | 28                 | 3                   | 12                  | 13                   |
| Yemen, Rep.                        | 44                 | 1                   | 24                  | 19                   |
| Zambia                             | 37                 | 5                   | 13                  | 19                   |
| Zimbabwe                           | 49                 | 5                   | 14                  | 30                   |

***World Bank Group Paying Taxes team***

Rita Ramalho

Joanna Nasr

Michelle Hanf

Nadia Novik

Demetris Mikhail Kouris

***PwC Paying Taxes team***

Neville Howlett

Tom Dane

Douglas Campos

Joshua Babur

The Total Tax Rate included in the survey by the World Bank has been calculated using the broad principles of the PwC methodology. The application of these principles by the World Bank Group has not been verified, validated or audited by PwC, and therefore, PwC cannot make any representations or warranties with regard to the accuracy of the information generated by the World Bank Group's models. In addition, the World Bank Group has not verified, validated or audited any information collected by PwC beyond the scope of *Doing Business* Paying Taxes data, and therefore, the World Bank Group cannot make any representations or warranties with regard to the accuracy of the information generated by PwC's own research.

The World Bank Group's *Doing Business* tax ranking indicator includes two components in addition to the Total Tax Rate. These estimate compliance costs by looking at hours spent on tax work and the number of tax payments made in a tax year. These calculations do not follow any PwC methodology but do attempt to provide data which is consistent with the tax compliance cost aspect of the PwC Total Tax Contribution framework.

PwC helps organisations and individuals create the value they're looking for. We're a network of firms in 157 countries with more than 195,000 people who are committed to delivering quality in assurance, tax and advisory services. Find out more and tell us what matters to you by visiting us at [www.pwc.com](http://www.pwc.com).

This publication has been prepared as general information on matters of interest only, and does not constitute professional advice. No one should act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, neither PwC nor the World Bank Group accept or assume any liability, responsibility or duty of care for any consequences of anyone acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it. The World Bank Group does not guarantee the accuracy of the data included in this work. The boundaries, colours, denominations, and other information shown on any map in this work do not imply any judgment on the part of the World Bank Group concerning the legal status of any territory or the endorsement or acceptance of such boundaries. The findings, interpretations, and conclusions expressed herein are those of the author(s) and do not necessarily reflect the views of the World Bank Group and its Boards of Executive Directors or the governments they represent.

This publication may be copied and disseminated in its entirety, retaining all featured logos, names, copyright notice and disclaimers. Extracts from this publication may be copied and disseminated, including publication in other documentation, provided always that the said extracts are duly referenced, that the extract is clearly identified as such and that a source notice is used as follows: for extracts from any section of this publication except Chapter One, use the source notice: "© 2014 PwC. All rights reserved. Extract from "*Paying Taxes 2015*" publication, available on [www.pwc.com/payingtaxes](http://www.pwc.com/payingtaxes)". For extracts from Chapter One only, use the source notice: "© 2014 The World Bank and International Finance Corporation. All rights reserved. Extract from "*Paying Taxes 2015*" publication, available on [www.pwc.com/payingtaxes](http://www.pwc.com/payingtaxes)".

All other queries on rights and licenses, including subsidiary rights, should be addressed to the Publishing and Knowledge Division, The World Bank, 1818 H Street NW, Washington, DC 20433, USA; fax: 202- 522-2625; e-mail: [pubrights@worldbank.org](mailto:pubrights@worldbank.org).

© 2014 PwC, the World Bank and International Finance Corporation. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. The World Bank refers to the legally separate but affiliated international organizations: International Bank for Reconstruction and Development and International Development Association.

10/14. Design Services 28731.



# ***Paying Taxes 2015: The global picture***